<u>BEFORE THE ADJUDICATING OFFICER</u>

<u>SECURITIES AND EXCHANGE BOARD OF INDIA</u>

[ADJUDICATION ORDER NO. BS/AO/124-133/2017-18]

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 BY ADJUDICATING OFFICER) RULES, 1995

IN RESPECT OF

1. **Faith Finstock Private Limited (PAN AAACF7046E)**
2. **Snowgold Impex Private Limited (PAN AAHCS9296A)**
3. **Emerald Finstock Private Limited (PAN AABCE1483F)**
4. **Orteck Infrastructure Private Limited (PAN AAACO7972J)**
5. **Citypoint Trading Company Private Limited (PAN AACCC3193M)**
6. **Francisca Investment Private Limited (PAN AAACF5670Q)**
7. **Fotosoft Multimedia Private Limited (PAN AAACF1497M)**
8. **Jitlal Financial Services Private Limited (PAN AAACJ3758R)**
9. **Riteline Mercantile Company Private Limited (PAN AACCR9864Q)**
10. **Respite Mercantile Company Private Limited (PAN AADCR2412D)**

IN THE MATTER OF STERLING BIOTECH LTD

<u>BACKGROUND</u>

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation into the trading activity in the scrip of Sterling Biotech Limited (hereinafter referred to as "**SBL**"), *inter alia*, to find out whether on July 31, 2008 the price of shares of SBL in the last 30 minutes of the trading in the cash segment at NSE, was influenced by i) Faith Finstock Private Limited, ii) Snowgold Impex Private Limited, iii) Emerald Finstock Private Limited, iv) Orteck Infrastructure Limited, v) Citypoint Trading Private Limited, vi) Francisca Investment Private Limited, vii) Fotosoft Multimedia Private Limited, viii) Jitlal Financial Private Limited, ix) Riteline Mercantile Company Private Limited and x) Respite Mercantile Company Private Limited (hereinafter referred to

collectively as "**Noticees**" and individually by their name/ Noticee no. 1, 2, 3 and so on) and thereby into the alleged violations of provisions of Regulations 3(a) to (d), and 4(2)(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") by the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

2. Shri S.V. Krishnamohan, Chief General Manager was appointed as Adjudicating Officer **(AO)** by SEBI vide order dated June 16, 2015 to inquire into and adjudge under 15HA of the SEBI Act, 1992, the aforesaid violations alleged to have been committed by the Noticees. Subsequently, the undersigned was appointed as the Adjudicating Officer vide order dated September 15, 2017 in the place of Shri S. V. Krishnamohan in the present matter.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice dated July 28, 2015 (*hereinafter referred to as '**SCN**'*) was issued to the Noticees in terms of Section 15I of the SEBI Act, 1992 read with Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "***Rules***") for the violations as specified in the SCN.

4. Subsequently, some of the Noticees sought extension of time to file reply in the matter. A letter dated January 20, 2016 was received from Juris Matrix, Advocates & Solicitors, informing that they have been authorized by the Noticees to act as their representatives in the matter, and wherein a request for inspection of documents was made. The inspection of documents was conducted on February 18, 2016 and the copies of the data pertaining to the inspection was provided to the authorized representatives (**AR**) on March 22, 2016. Vide email dated April 04, 2016, the AR requested for an extension of 8 weeks to verify the data and file their reply to the SCN.

5. Subsequently, Noticee no. 3, 4, and 5 submitted their reply vide letters dated May 27, 2016. Noticee No. 2 and 7 submitted their reply vide letters dated May 28, 2016.

Noticee no. 1, 8, and 9 submitted their reply vide letters dated May 30, 2016. Noticee no. 6 and 10 submitted their reply vide letters dated May 31, 2016. The replies of the Noticees were similar in content and their main contentions are as follows –

i. *Copies of relevant material like Investigation Report or the documents pertaining to such investigation have not been furnished to us during inspection.*

ii. *We state that there has been a long unexplained delay in initiation of the proceedings against us. The period of alleged violations pertains to the year 2008. Admittedly, the SCN was issued after a lapse of more than seven (7) years. Therefore, the proceedings are liable to be quashed on the grounds of such a long and unexplained delay of 7 years.*

iii. *We most respectfully submit because of the inordinate and unwarranted delay in issuing of SCN we are at disadvantage as we are not in position to trace the records. We would like to draw your attention to the provisions for maintaining books of accounts stated in Section 6(2) of Securities Contracts (Regulation) Act, 1956 and Rule 6F of Income Tax Rules, 1962 which clearly specifies time limit to maintain books of accounts for 5 years and 6 years respectively.*

iv. *We deny that we have violated provision of Regulation 3(a) to (d) and 4(2)(e) of the PFUTP Regulations as alleged.*

v. *We further deny that we are connected / related to any of the entities, as wrongly alleged. The SCN fails to establish the same and state that in the interest of natural justice a separate SCN ought to be issued to us.*

vi. *We deny that our trading activities interalia influenced the price of the underlying shares of Sterling in the last 30 minutes of trading in cash segment and that we are amongst the suspected entities connected with other entities as alleged.*

vii. *The mere fact that we share common address and mobile numbers with few other suspected entities as alleged does not establish the fact that we are connected to the said other entities in such a way that we together effected increase in price to our advantage as alleged. It is submitted that there has to be something more compelling and convincing than sharing a common address and a common phone number to establish the fact that we were connected with the other suspected entities in a way to effect increase in price as alleged. The SCN has therefore proceeded on an erroneous and unsustainable premise and for this reason alone it should be withdrawn against us.*

viii. *The price movement of any scrip is based on numerous market factors of demand and supply, investor perception, investor sentiments, open position, deliveries, company results and outlook, industry trends, etc and to attribute our trades were purportedly executed to benefit from our net long positions is unwarranted and hence denied.*

ix. We deny that we form a group of entities connected / related to each other as wrongly alleged and that the SCN fails to establish any connection / relation between our trades and trades of other notices in the scrip.

x. We state that our investments/ trades were based on our assessment of the market and had no relevance to market volumes. At the time of trading in the scrip of Sterling on NSE we were neither aware of, nor concerned with, nor had means to verify the contribution of other noticees to the alleged violations

xi. We most humbly submit that just because our trades were among top 10 trading members on net buy basis, no adverse inference may be drawn against us. In any event the SCN is grossly silent on our trades on other days which may have been in a similar region in terms of % of total buy volume. We state that singling out our trades of 31.07.2008 whilst ignoring trades on other days may lead to an erroneous conclusion. Similarly, it is stated that that singling out our trades of 31.07.2008, pre and post 3.00 pm whilst ignoring trades on other days may lead to an erroneous conclusion.

xii. The SCN reflects names of several other entities who have not been identified as suspected entities who were amongst top 10 trading members on gross basis and net buy basis. This clearly indicates that the general market trend was to trade in the scrip of Sterling in the last half hour of trading on 31.07.2008. Assuming while denying that we were amongst the connected entities who influenced the price of the scrip, then its totally corollary to fact that there were several others who have traded in the scrip during the investigation period in high volumes, whose trades could have affected the price but even then they are not amongst suspected entities.

xiii. We deny that we have violated Regulation 3 (a) to (d) and 4(2)(e) of SEBI (Prohibition of Unfair Trade Practice relating to Securities Market) Regulations, 2003 (FUTP) 1992 by dealing in the shares of Sterling on our account. Further the said notice is vague, bad in law and facts and fails to make out any allegations against us. Further, relying on such presumptions and assumptions would lead to misapplication of facts and grave and serious miscarriage of justice.

xiv. Noticee no. 1 holds 41,90,579 shares in its demat account as investment/ stock in trade and purchases of 1,65,000 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to all of its trade was Rs. (-) 0.35. Thus, there was no impact on LTP because of its trades.

xv. Noticee no. 2 holds 8,03,925 shares in its demat account as investment/ stock in trade and purchases of 1,25,000 shares during the last half an hour were for the purpose of averaging out its acquisition price.

xvi. Noticee no. 3 holds 25,95,861 shares in its demat account as investment/ stock in trade and purchases of 14,00,000 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to *all of its trade was Rs. (-) 1.5. Thus, there was no impact on LTP because of its trades.*

xvii. *Noticee no. 4 holds 4,95,148 shares in its demat account as investment/ stock in trade and purchases of 2,41,288 shares during the last half an hour were for the purpose of averaging out its acquisition price.*

xviii. *Noticee no. 5 holds 1,06,58,183 shares in its demat account as investment/ stock in trade and purchases of 3,25,000 shares during the last half an hour were for the purpose of averaging out its acquisition price.*

xix. *Noticee no. 6 holds 42,68,847 shares in its demat account as investment/ stock in trade and purchases of 1,26,500 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to all of its trade was Rs. (-) 0.4. Thus, there was no impact on LTP because of its trades.*

xx. *Noticee no. 7 holds 7,35,384 shares in its demat account as investment/ stock in trade and purchases of 1,50,000 shares during the last half an hour were for the purpose of averaging out its acquisition price.*

xxi. *Noticee no. 8 holds 34,99,865 shares in its demat account as investment/ stock in trade and our purchases of 2,18,000 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to all of its trade was Rs. (-) 0.3. Thus, there was no impact on LTP because of its trades.*

xxii. *Noticee no. 9 holds 10,20,434 shares in its demat account as investment/ stock in trade and our purchases of 80,000 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to all of its trade was Rs. (-) 0.5. Thus, there was no impact on LTP because of its trades.*

xxiii. *Noticee no. 10 holds 13,51,814 shares in its demat account as investment/ stock in trade and our purchases of 38,288 shares during the last half an hour were for the purpose of averaging out its acquisition price. Further, the sum LTP attributable to all of its trade was Rs. (-) 0.5. Thus, there was no impact on LTP because of its trades.*

6. Personal hearing in the matter was conducted on August 16, 2016, wherein Mr. Anil Shah appeared on behalf of the Noticees, and primarily reiterated the submissions made by the respective Noticees in their replies to the SCN. The Noticees submitted that they were also holding stocks in SBL in the cash segment and denied that they had any interest to influence the price of the scrip on the last 30 minutes of the trading in the cash segment as alleged. A short adjournment was requested by the Noticees for filing of details and for furthering their arguments.

7. Accordingly, another hearing was held on August 26, 2016 which was attended by Ms. Poonam D Gadkari, Advocate, on behalf of the Noticees. During the course of the hearing, the representative provided the details of holding of each of the Noticees in SBL as on 30.07.2008 and 31.07.2008, and made the following main submissions –

   i. *The acquisition made by the respective Noticees was with a view to average out their cost of acquisition in SBL.*

   ii. *It was submitted that the trades of the persons other than the Noticees was more than the trades by the Noticees and therefore, others are more responsible for the irregularities, if any, and not the Noticees.*

   iii. *It was submitted that the Noticees made the acquisitions during the last 30 minutes of the trading on 31.07.2008 to average out the cost of acquisition as the price of the scrip was falling.*

   iv. *It was submitted that so far as Noticee No. 1 is concerned, their offices are situated at a business centre where the offices of other Noticees/suspected entities are located and the co-location by itself cannot be held against it. It was submitted that the common mobile number alleged in the SCN was that of the introducer.*

   v. *Noticee no. 9 and 10 have contributed negatively to LTP and they have not traded on 31.07.2008 in the F & O segment. It was further submitted that the interse connection amongst the Noticees is based on common address, mobile, directors of various suspected entities who have not been charged in the present matter.*

8. Subsequently, vide letters dated September 07, 2016, the Noticees made the submission that while the details of their holdings as on 30.07.2008 has been provided by them at the time of the personal hearing, they are unable to furnish the details of the prices at which the shares were acquired by them, since the matter is more than 8 years old and they are therefore at disadvantage as they are not in a position to trace the records.

9. Pursuant to the appointment of the undersigned as AO, the Noticees were granted one more opportunity of hearing on November 23, 2017, however the same was not attended by the Noticees.

<u>CONSIDERATION OF ISSUES AND FINDINGS</u>

10. I have carefully examined the material available on record. The issues that arise for consideration in the present case are :

a. Whether the Noticees have violated the provisions of Regulations 3(a) to (d), and 4(2)(e) of PFUTP Regulations?

b. Does the violation, if established, attract monetary penalty under Section 15HA of SEBI Act, 1992?

c. Quantum of penalty.

FINDINGS

11. Before I proceed with the matter, it is pertinent to mention the relevant provisions which are reproduced below:

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 thereunder;

(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 thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practice

(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) …

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

<u>Issue a)</u> Whether the Noticees have violated the provisions of Regulations 3(a) to (d), and 4(2)(e) of PFUTP Regulations?

12. From the facts / material available on record, it is observed that the scrip price of SBL on July 31, 2008 rose marginally to Rs. 263.05 and fell thereafter to reach Rs. 240.10 at 15:00:00 hours. During last half an hour of the trade, the price of the scrip continued to fall and reached Rs. 203.05 at the end of the half hour i.e. 15:30:00. However, the settlement price (futures contract) of the scrip i.e. volume weighted average price of the trades of last 30 minutes was Rs. 223.95. Total 63,23,136 shares were traded during last half an hour which was 57.97% of the day's volume of trading in the SBL scrip on 31/07/2008.

13. It was observed that the Noticees traded significantly on July 31, 2008 and bought 28,69,076 shares in the cash market during the last half hour (i.e. 03:00 pm to 03:30 pm) on that day.

14. The LTP analysis of the trades of the Noticees during the last half an hour of trading in the scrip of SBL are as under:

	All trades			LTP > 0			LTP = 0		LTP < 0			% of positive LTP to Mkt. positive LTP
Entity	Sum of LTP diff. (Rs.)	Trade qty.	No. of trds	LTP impact (Rs.)	Trade qty.	No. of trds	Trade qty.	No. of trds	LTP impact (Rs.)	Trade qty.	No. of trds	
Emerald Finstock	-1.5	14,00,000	1,343	40.8	2,16,061	98	10,90,040	1,181	-42.3	93,899	64	5.11%
Citypoint Trading	29.8	3,25,000	731	29.8	2,12,050	125	1,12,950	606	-	-	-	3.73%
Fotosoft Multimedia	1.7	1,50,000	42	1.7	13,393	9	1,36,607	33	-	-	-	0.21%
Snowgold Impex	0.35	1,25,000	63	1.65	80,215	5	29,794	51	-1.3	14,991	7	0.21%
Orteck Infra.	0.05	2,41,288	497	1.4	3,261	10	2,32,296	472	-1.35	5,731	15	0.18%
Francisca Invt.	-0.4	1,26,500	136	-	-	-	1,25,586	129	-0.4	914	7	0.00%
Faith Finstock	-0.35	1,65,000	101	-	-	-	1,61,277	94	-0.35	3,723	7	0.00%
Jitlal Fin. Services	-0.3	2,18,000	136	-	-	-	2,15,229	130	-0.3	2,771	6	0.00%

Riteline Mercantile	-0.05	80,000	26	-	-	-	77,667	25	-0.05	2,333	1	0.00%
Respite Mercantile	-0.05	38,288	38	-	-	-	38,224	37	-0.05	64	1	0.00%
Total	**29.25**	**28,69,076**	**3,113**	**75.35**	**5,24,980**	**247**	**22,19,670**	**2,758**	**-46.1**	**1,24,426**	**108**	**9.43%**
Market	**-37.05**	**63,23,136**	**17,215**	**798.9**	**12,05,411**	**2,045**	**39,59,143**	**13,022**	**-835.95**	**11,57,233**	**2,146**	**100.00%**

15. Noticees contributed 9.43% to the market positive LTP during the last 30 minutes of trading hours on July 31, 2008. Also during the same period, the net LTP contribution of Noticees was of Rs. 29.25 in 3113 trades while the market net LTP was negative Rs. 37.05. It was observed that Noticee no. 1 to 8 held net long positions of 48.125 lakh shares in the scrip of SBL before the date of expiry of the futures contract i.e. July 31, 2008. Their net long position as on July 31, 2008 was 47.925 lakh shares. It was therefore alleged that the Noticees fraudulently influenced the settlement price of the futures through their trades in the cash segment in the last half an hour of trading in the scrip of SBL on July 31, 2008 to benefit from their net long positions in futures market on expiry date (31/07/2008) and thereby violated provisions of Regulations 3(a) to (d) and 4(2)(e) of PFUTP Regulations.

16. From the facts / material available on record, I note that the investigation has observed that 36 entities, which includes the Noticees, were identified as suspected entities, and were connected to each other on the basis of common directors, addresses, mobile number and email-ids etc. I note from the replies of the Noticees that they have denied the connection amongst themselves. The details of connection of the 36 entities as brought out in the investigation is shown below –

<table>
<tr><th>Sr. No</th><th>Suspected Entity Name</th><th>PAN</th><th>Connections amongst suspected entities</th></tr>
<tr><td>1.</td><td>Adore Mercantile Company Pvt. Ltd.</td><td>AAFCA5699H</td><td rowspan="7">• Common director: Ashok Pilke (Entity nos. 1, 7, 9, 10, 11, 14)
• Common address: AnandibaiGosavi, YashietPada, Kurar Village, Malad (E), Mumbai – 400097 (Entity nos. 1, 14)
• Common mobile no.: 9224170687 (Entity nos. 1, 2, 4, 36)
• Common mobile no.: 9821012921 (Entity nos. 1, 3, 5, 6, 10,
• 14, 34)
• Common address: APJ Market, Room No. 305,</td></tr>
<tr><td>2.</td><td>Faith Finstock Pvt. Ltd.</td><td>AAACF7046E</td></tr>
<tr><td>3.</td><td>Good Deal Trading Pvt. Ltd.</td><td>AACCG8664K</td></tr>
<tr><td>4.</td><td>Kingfisher Trading Company Pvt. Ltd.</td><td>AACCK3056H</td></tr>
<tr><td>5.</td><td>Maxline Trading Pvt. Ltd.</td><td>AAECM5117F</td></tr>
<tr><td>6.</td><td>Respite Mercantile Company Pvt. Ltd.</td><td>AADCR2412D</td></tr>
<tr><td>7.</td><td>Riteline Mercantile Company Pvt. Ltd.</td><td>AACCR9864Q</td></tr>
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<tr><td>8.</td><td>SnowgoldImpex Pvt. Ltd.</td><td>AAHCS9296A</td><td rowspan="14">Dr. C H S Lane, Dhobi Talav, Mumbai 400002 (Entity nos. 1, 8, 9, 10,
• 12, 13)
• Common director: YogendraBangera (Entity nos. 1, 9, 10, 14)
• Common address: No. 8, Mezzanine floor, Andheri Industrial Estate, Off-Veera Desai Road, New Link Road, Andheri (W), Mumbai – 400053 (Entity nos. 2, 3, 15, 16)
• Common address: 240/1915, Motilal Nagar, Near Post Office,
• Goregaon (W), Mumbai – 400104 (2, 16)
• Common email-id: yogibangera@gmail.com (Entity nos. 3, 6)
• Common director: Dinesh Vajar (Entity nos. 4, 13, 17)
• Common address: 1-16, Lalita Bhavan, Jawahar Nagar, Goregaon (W), Mumbai – 400062 (Entity nos. 4, 17, 18)
• Common director: SangeetaVajar (Entity nos. 4, 17)
• Common mobile no.: 9820140990 (Entity nos. 5, 16, 24, 25)
• Common address: 214, Linkway Estate, New Link Road, Malad (W), Mumbai – 400064 (Entity nos. 5, 19, 20)
• Common director: Nitin Bhosle (Entity nos. 5, 19, 20, 21, 22)
• Common director: RakeshSawant (Entity nos. 5, 19, 20, 21, 22,
• 23)
• Common mobile no.: 9833949771 (Entity nos. 5, 19, 20, 21)
• Common mobile no.: 9833949770 (Entity nos. 6, 7)
• Common director: JitendraPilke (Entity nos. 6, 7, 11, 26, 28)
• Common address: B/9, Sangata CHS, ChincholiBunder Road, Malad (W), Mumbai – 400064 (Entity nos. 6, 11, 17, 26, 27,
• 28)
• Common director: Satyendrakumar Pandey (Entity nos. 6, 16)</td></tr>
<tr><td>9.</td><td>Sterjet Infrastructure Co. Pvt. Ltd.</td><td>AAJCS5511L</td></tr>
<tr><td>10.</td><td>Sterjet Trading Co. Pvt. Ltd.</td><td>AAJCS5512K</td></tr>
<tr><td>11.</td><td>Traub Automatics Pvt.</td><td>AABCT7833L</td></tr>
<tr><td>12.</td><td>Ved Investment and Trading Co. Pvt. Ltd.</td><td>AAACV5293M</td></tr>
<tr><td>13.</td><td>Ved-Surind Securities Pvt.</td><td>AAACV4510H</td></tr>
<tr><td>14.</td><td>Viel Insurance Services Pvt. Ltd.</td><td>AABCV6286D</td></tr>
<tr><td>15.</td><td>Emerald Finstock Pvt.</td><td>AABCE1483F</td></tr>
<tr><td>16.</td><td>Waterbase Mercantile Co. Pvt. Ltd.</td><td>AAACW5073A</td></tr>
<tr><td>17.</td><td>Dollex Capital and Finance Pvt. Ltd.</td><td>AABCD4543R</td></tr>
<tr><td>18.</td><td>Soft Star Mercantile Company Pvt. Ltd.</td><td>AAHCS9383E</td></tr>
<tr><td>19.</td><td>Jitlal Financial Services Pvt. Ltd.</td><td>AAACJ3758R</td></tr>
<tr><td>20.</td><td>Topflag Mercantile Company Pvt. Ltd.</td><td>AACCT2346P</td></tr>
<tr><td>21.</td><td>KPH Metals Pvt. Ltd.</td><td>AAACK1789R</td></tr>
</table>

17. I note that the above table establishes the connection between the Noticee no. 1 to 10, and accordingly, I find that the submissions of the Noticees in this regard is devoid of merit.

18. I also note that the Noticees have not disputed the details of trades carried out in SBL cash segment and F&O segment in SBL in the month of July 2008. So I am proceeding accordingly further in the matter.

19. I note that an order was passed by the Hon'ble Whole Time Member, SEBI ("WTM") on November 23, 2017 in the proceedings under Sections 11, 11(4) and 11B of the SEBI Act, 1992, in respect of Noticee nos. 1 to 8 in the same matter (i.e. pertaining to alleged influencing of price of shares of SBL in the last 30 minutes of trading in the cash segment on July 31, 2008). Though, Noticee no. 9 and 10 have not been part of the aforesaid proceedings, I note that in the said order there were certain specific findings with regard to the trading activity of the Noticees no. 1 to 8 in the scrip of SBL during the investigation period, which is as under –

"30. Now the question arises that whether the Noticees had fraudulently traded (i.e. bought during the last half an hour on July 31, 2008) in the cash market to get the benefit of settlement price in Futures of SBL. In order to address the said question, following is observed from the document available on records:

(a) As submitted by the Noticees, I find that Noticees were holding a considerable number of shares before July 31, 2008 in cash market. The shareholding of the Noticees at the beginning of July 31, 2008, acquisition on July 31, 2008 between 10:00 A.M. to 03:00 P.M. and acquisition on July 31, 2008 between 03:00 P.M. to 03:30 P.M. are as under:

Table No. – 3

Sr. No.	*Noticees*	*Shareholding at the beginning of July 31, 2008*	*Acquisition on July 31, 2008 between 10:00A.M. to 03:00 P.M.*	*Acquisition on July 31, 2008 between 03:00 P.M. to 03:30 P.M.*	
				Quantity	*Buy Value*
1	*Faith*	*4190579*	*95000*	*165000*	*3,96,00,000*
2	*Citypoint*	*1065818*	*0*	*325000*	*7,22,53,271*
3	*Emerald*	*2595861*	*100000*	*1400000*	*32,79,41,736*
4	*Orteck*	*495148*	*97072*	*241288*	*5,75,04,368*
5	*Snowgold*	*803925*	*0*	*125000*	*2,74,23,402*
6	*Francisa*	*4268847*	*84655*	*126500*	*3,03,60,000*
7	*Fotosoft*	*735384*	*0*	*150000*	*3,25,19,638*

8	Jitlal	3499865	132000	218000	5,23,20,000
	Total	**2,72,47,792**	**5,08,727**	**27,50,788**	**63,99,22,415**

From the above, it is observed that in Cash Market shareholding of Noticees in SBL prior to 03:00 P.M. July 31, 2008 was 2,77,56,519 shares and during last 03:00 P.M. to 03:30 P.M. Noticees had acquired 27,50,788 i.e. just under 10% of their holdings (at a price range of Rs. 240.30 to Rs 203.05) shares at total consideration of approximate amount Rs. 64 Crores.

(b) The details of Noticees long position in futures of SBL as on expiry date July 31, 2008 i.e. buying price, holding and total buy value are as under:

Table No. – 4

Sl.No	Noticees	Net Long on July 31 2008 (Lakhs)	Buy price per share of the futures contract (Rs.)	Total Value (Rs in Lakhs)
1	Faith	11.275	187.89	**2118.45975**
2	Citypoint	11.275	189.6	**2137.74**
3	Emerald	6.55	196.49	**1287.0095**
4	Orteck	5.375	168.13	**903.69875**
5	Snowgold	4.375	188.95	**826.65625**
6	Francisca	3.825	187.63	**717.68475**
7	Fotosoft	3.25	200.27	**650.8775**
8	Jitlal	2	185.13	**370.26**
Total		**47.925**		**9012.3865**

From the above, it is observed that Noticees had bought futures equivalent to 47.925 lakhs of shares of SBL in future market at total consideration of approximate amount Rs. 90.12 Crores.

(c) No instance of synchronized trading, self-trades, reversal trades or circular trades were found among the Noticees in the Investigation Report either during last 03:00 P.M. to 03:30 P.M on July 31, 2008 or during the entire period of investigation report. During the entire investigation period, no significant contribution of Noticees were found in New High Price (NHP) & New Low Price (NLP) determination and Last Traded Price (LTP) Contributions.

(d) *I am of the view that, persons by trading only at the last half an hour in cash market on the date of expiry of futures contract (duration of fixing the settlement price) and not trading prior or after the expiry date or on any other dates, lends evidence on the question of genuineness of their trading. However, from the investigation report it is observed that during the investigation period (May 01, 2008 to September 30, 2009) in cash market at BSE, 4 Noticees namely, Faith, Francisca, Orteck and Citypoint appeared in top 10 buy clients with an aggregate gross buy volume of 11.97% of market volume and 4 Noticees namely, Citypoint, Fotosoft, Orteck and Faith appeared in top 10 sell clients with an aggregate gross sell volume of 10.1% of market volume. In the same way, during the investigation period (May 01, 2008 to September 30, 2009) in cash market at NSE, 5 Noticees namely, Faith, Francisca, Orteck, Fotosoft and Citypoint appeared in top 10 buy clients with an aggregate gross buy volume of 9.9% of market volume and 3 Noticees namely, Citypoint, Fotosoft and Orteck appeared in top 10 sell clients with an aggregate gross sell volume of 4.92% of market volume.*

(e) *From the trade and order log, I find that Noticees were continuously trading in the scrip of SBL in cash market prior to July 31, 2008, on July 31, 2008 (expiry date of futures) and after July 31, 2008. The trading details of all the Noticees for period from August 01, 2008 to October 31, 2008 are as under:*

Table No. – 5

Sr. No.	***Period From 01/08/2008 to 31/10/2008***			
	Noticees	***Total Buy***	***Total sell***	***Net buy***
1	*Faith*	*2614929*	*597362*	*2017567*
2	*City point*	*1034069*	*743715*	*290354*
3	*Emerald*	*0*	*1052749*	*-1052749*
4	*Orteck*	*1057957*	*991339*	*66618*
5	*Snowgold*	*214450*	*260810*	*-46360*
6	*Francisa*	*1673101*	*793460*	*879641*
7	*Fotosoft*	*593830*	*664960*	*-71130*
8	*Jitlal*	*1226692*	*998327*	*228365*
	Total	***84,15,028***	*61,02,722*	*23,12,306*

> (f) *From the price-volume data, I find that from 01/08/2008 to 31/10/2008, the weighted average price ranges from Rs. 194.29 to Rs. 172.04. The average of weighted average price for the period 01/08/2008 to 31/10/2008 was Rs. 174.73. Thus, the price of SBL was continuously falling and Noticees were also buying and selling the shares of SBL.*
>
> 31. *During the course of hearing, Noticees were asked when they had sold shares which were bought by them on July 31, 2008. Noticees vide their written submission stated that they have adopted accounting of stock in trade inventories for deliveries on First In First Out basis, therefore they are not in a position to submit when they sold their shares which were purchased on July 31, 2008. I find that Noticees were continuously trading i.e. buying & selling after July 31, 2008 as well.*
>
> 32. *From the above I find that this is not a case where persons have traded only or predominantly on the date of expiry of futures contract and not traded prior or after the date of expiry of futures contract. Given the consistent trading by the Noticees in this scrip over a long period of time, there is not enough evidence to establish the fraudulent trading behavior of the Noticees on July 31, 2008.*
>
> 33. *Thus, viewed in the light of above facts, the allegation that the Noticees sought to avoid the loss of Rs. 3.58 Crore by arresting the settlement price in future through heavy buying (to extent of Rs. 64 crore) in the last half an hour on July 31, 2008 in cash market is not borne out in view of their overall trading behavior including before, on and after July 31, 2008."*

20. I note that in the said order by SEBI, it was *inter alia* observed that the present matter was not a case where the Noticee no. 1 to 8, had traded only or predominantly on the date of expiry of futures contract and not traded prior or after the date of expiry of futures contract. I have also gone through the charges leveled against the Noticee no. 1 to 8 in the SCN which have arisen out of the same set of facts identical to that of in the order of SEBI under Section 11, 11(4) and 11B of the SEBI Act, 1992 and I do not find any reason to deviate from the view taken by SEBI about the overall trading pattern of the Noticees. Therefore I am inclined to conclude that the violation of

Regulations 3(a) to (d) and 4(2)(e) of PFUTP Regulations against the Noticee no. 1 to 8 do not stand established.

<u>Finding with respect to Noticee no. 9 and 10</u>

21. From the facts / material available on record, I note that Noticee no. 9 and 10 had purchased 80,000 and 38,288 shares of SBL respectively in the last half hour on 31/07/2008 in cash segment in NSE. However, as per the LTP analysis (paragraph 14 of this order), Noticee no. 9 and 10 have contributed a negative LTP difference of Rs. 0.05 each. I also find that these 2 entities have not executed any trades contributing to positive LTP difference. Hence, I find that no inference regarding Noticee no. 9 and 10 trying to positively influence the price of SBL shares in the cash segment between 03:00 pm to 03:30 pm on 31/07/2008 can be drawn. Accordingly, I conclude that the charge of Noticee no. 9 and 10 trying to positively influence the price of SBL shares in the cash segment (NSE) during the last half an hour on 31/07/2008, in order to benefit from the net long position in SBL in the F&O segment, does not stand established.

22. Since the alleged violation of Regulations 3(a) to (d) and 4(2)(e) of PFUTP Regulations are not established against the Noticees, the consequent issues in paragraph 8 require no examination.

<u>ORDER</u>

23. Accordingly, taking into account the aforesaid observations and in exercise of power conferred upon me under section 15 I of the SEBI Act read with rule 5 of the Rules, I am of the view that no penalty is warranted in the matter in respect of the Noticees and accordingly the matter is disposed of.

24. In terms of rule 6 of the Rules, copy of this order is sent to the Noticees and also to Securities and Exchange Board of India.

Place: Mumbai **BIJU S**

DATE: 26.03.2018 **ADJUDICATING OFFICER**