BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/DD/2022-23/15825-15827]

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 ADJUDCIATING OFFICER) RULES, 1995

In respect of:

DP Mittal and Sons HUF (PAN: - AAIHD6463J)

SPFL Securities Ltd. (PAN: AABCS2452C)

Renu Bala (PAN: - CJCPB9062N)

In the matter of Florence Investech Limited

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India ("**SEBI**") conducted investigation in the matter of Florence Investech Limited("**FIL/Florence/Company**") during the period from March 01, 2017 to March 31, 2017 (hereinafter referred to as "**Investigation Period**"), to ascertain whether there were any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**) with respect to trading in the scrip of FIL. The securities of the company are listed on the BSE Ltd. (hereinafter referred to as "**BSE/Exchange**").

2. Based on the findings of investigation, SEBI observed violation of Sections 12A(a),(b),(c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations by the entities namely DP Mittal and Sons HUF (hereinafter referred to as "**Noticee 1 /By Name**"), SPFL Securities Ltd. (hereinafter referred to as "**Noticee 2 /By Name**") and Ms. Renu Bala (hereinafter referred to as "**Noticee 3 /By Name**")((Noticees 1 to 3 hereinafter collectively referred to as "**Noticees**")

3. Therefore, SEBI initiated adjudication proceedings against Noticees under Section 15HA of SEBI Act, 1992 for the alleged violation of Sections 12A(a),(b),(c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. Vide its order dated December 07, 2020, SEBI appointed the undersigned as Adjudicating Officer under Section 15-I (1) of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge the aforesaid alleged violations committed by Noticees in respect of their transactions in the scrip of Florence.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A Show Cause Notice dated July 07, 2021 (hereinafter referred to as '**SCN**') was issued to Noticees under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticees and penalty, if any, not be imposed upon them under Section 15HA of the SEBI Act, for the alleged violations of Sections12A(a),(b),(c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations by them. The allegation levelled against Noticees are as under: "

1. *Florence Investech Limited (hereinafter referred to as "FIL") is a company having its shares listed on BSE Ltd. ('BSE'). Securities and Exchange Board of India ("SEBI") conducted investigation in the matter of FIL during the period from March 01, 2017 to March 31, 2017 (hereinafter referred to as "investigation period"), to ascertain whether there were any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations') with respect to trading in the scrip of FIL. During investigation, SEBI observed the following:*
   a) *On March 22, 2017, JK Tyre & Industries Ltd., one of the promoter of FIL, sold 10,74,994 shares of FIL through block deal at BSE to Hari Shankar Singhania Holdings Pvt. Ltd., another promoter of FIL. The details of the same are as under:*

S. No.	ORDER_TIME	ORDER NO	CLIENT NAME	RATE	QTY
1	09:15:15	1490153400000130000	JK Tyre Industries Limited	640.04	1074994

   b) *Prior to the block deals between the promoters of FIL on March 22, 2017, D P Mittal and Sons HUF (hereinafter referred to as "Noticee No. 1") through its broker, SPFL Securities Ltd. (hereinafter referred to as "Noticee No. 2") had placed buy orders of nominal quantity of 20 shares each of FIL at a much lower rate than the previous day's closing price. The buy orders at Rs.740.50 at 09:15:00.067886, Rs.710.50 at 09:15:00.068806 and Rs.680.50 at 09:15:00.077090 were placed by Noticee No. 1 for 20 shares each through order nos. 1490153400000134019, 1490153400000134020 and 1490153400000134025 respectively, at much lower rate than the previous day's closing price of Rs.789.35, even before the first trade of the* *day took place. The corresponding trades were executed at trade time 09:15:03.398906 at Rs.740.50, Rs.710.50 and Rs.680.50 respectively.*

c) *Subsequently, two block deals at Rs.640.05 each were executed between the promoters of FIL – one between Hari Shankar Singhania Holdings Pvt. Ltd. and JK Tyre & Industries Ltd. for 10,74,994 shares at 09:15:14.656351 and the other between Hari Shankar Singhania Holdings Pvt. Ltd. and BMF Investments Ltd. for 13,83,274 shares at 09:15:17.081569.*

d) *Immediately post execution of the block deals, Noticee No. 2 placed a cross deal between its clients Renu Bala ((hereinafter referred to as "Noticee No. 3") for sell orders and Noticee No. 1 for buy orders at 09:15:43.572226 and 09:15:48.924309 respectively for 50 shares at Rs.760 each. This resulted in execution of a trade of nominal quantity of 50 shares between Noticee No. 3 and Noticee No. 1 at Rs.760, thereby increasing the price of the scrip by 19% from Rs.640.05 (at which the block deal between promoters of FIL was executed) to Rs.760. It was observed that both the said buy and sell orders were placed for the same quantity of shares (i.e. 50 shares) at the same price (i.e. Rs.760) and within few seconds of each other (i.e. 5.4 seconds), and immediately after the block deal between the promoters of FIL was executed (i.e. within 34 seconds). Further, both the buy and sell orders were placed from the same location (Location ID: 2470010077001000) through adjacent terminals i.e. buy order of Noticee No. 1 was placed from terminal ID 201 & sell order of Noticee No. 3 was placed from terminal ID 202 and by the same user i.e. Meghraj Saini, within a span of 5.4 seconds. Hence, Noticee No. 2 had placed buy order on behalf of its client namely, Noticee No. 1 in a synchronized manner to match the sell order of Noticee No. 3 which resulted in increase in the price of FIL scrip by 19% (i.e. by Rs.119.95) from the last traded price of Rs.640.05, when the block deal between the promoters of FIL were executed.*

e) *With regard to the trades of Noticee No. 3 on March 22, 2017, it was observed that four buy orders were placed by her through Noticee No. 2 prior to the execution of first trade for the day at 09:15:00.070637,* *09:15:00.071550, 09:15:00.073384 and 09:15:00.075231 for 10, 10, 10 and 20 shares at order rates Rs.711.50, Rs.680.50, Rs.660.50 and Rs.640.50 respectively. The corresponding trades were executed at trade time 09:15:03.398906 at Rs.711.50, Rs.680.50, Rs.660.50 and Rs.640.50 respectively. Thereafter, a sell order of 50 shares was placed by Noticee No. 3 at price of Rs.760 at 09:15:43.572226. The corresponding trade was executed at a price of Rs.760 at 09:15:48.924309 between Noticee No. 3 and Noticee No. 1.*

f) *The buy order was placed at a rate higher by Rs.119.95 (i.e. 19%) than the prevailing rate. Further, this buy order resulted in execution of a trade of nominal quantity of 50 shares between Noticee No. 3 and Noticee No. 1 at Rs.760, thereby increasing the price of the scrip by 19% from Rs.640.05 (at which the block deal between promoters of FIL was executed) to Rs.760. SEBI observed that the said trades are contrary to the general market principle of "buying low and selling high".*

2. **Allegation:**

a) *Noticee No. 1 and 3:*

Taking into consideration all the facts and circumstances as mentioned above, it is alleged that Noticee No. 1 and Noticee No. 3 through Noticee No. 2 had indulged in synchronized trading in order to increase the price of FIL scrip after the block deal was executed between the promoters of FIL and have, therefore, manipulated the price of FIL scrip.

b) *Noticee No. 2:*

Further, in view of the manner in which synchronized buy/ sell orders have been placed from the same location through adjacent terminals by SPFL, raising the price of the scrip of FIL by 19% through its own clients, a few seconds after the block deal was executed (i.e. within 34 seconds), it is alleged that Noticee No. 2 had facilitated its clients i.e. Noticee No. 1 and Noticee No. 3 in manipulating the price of FIL scrip by placing the buy order *of Noticee No. 1 in a synchronized manner with the sell order of its other client i.e. Noticee No. 3.*

3. *Therefore,* in *view of the overall observations/allegations recorded in the preceding paragraphs, it is alleged that the Noticee No. 1 to 3 (hereinafter collectively referred to as "the Noticees) have violated the provisions of Sections 12A(a),(b),(c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations.*"

6. The SCN was sent to Noticees through Speed Post Acknowledgement Due (hereinafter referred to as '**SPAD**') on July 07, 2021 and digitally signed email dated July 08, 2021, and duly served upon Noticees. Noticees 1 and 3, vide emails dated July 16, 2021 and July 14, 2021, respectively, sought an extension of 30 days to file reply to SCN. Noticee 2, vide email dated July 13, 2021, sought an extension of 4 weeks to file a reply to the SCN. Noticees 1 and 3, vide letters dated August 07, 2011 and August 06, 2021, respectively and Noticee 2, vide letter dated August 09, 2011, submitted their replies to the SCN.

7. In the interest of natural justice, opportunity of personal hearings were granted to Noticees on October 11, 2021, vide hearing notices dated September 23, 2021. The aforesaid hearing notices were sent to Noticees through SPAD as well as digitally signed emails on September 24, 2021 and were duly served upon Noticees.

8. On the schedule date of hearing, Authorized Representative (**AR**) namely MR. Amit Agarwal, C.A. Piyush Chhajed and C.A. Devendra Dhanesha attended the hearing and reiterated the replies made by Noticees.

9. Extract of similar replies filed by Noticees are summarized as under:
   a. Noticees denied the allegation levelled against them that they had bought or sold or dealt in any securities in any fraudulent or manipulative or

deceptive or unfair manner, or employed any deceptive device or contrivance, or contravened the provisions of any act or rules or regulation.

b. Noticees are not connected with the promoters of the company and with the counterparties of their trades.

c. On a screen based trading platform the through the price order matching mechanism of the exchange, it is not possible to know who the counter party or its broker (or sub broker) is and when the trade is executed, their names or codes do not appear on the screen. Therefore, the allegation that Noticees along with the alleged counterparty through its brokers had indulged in synchronized trading in order to increase the price of company after block deal was executed between the promoters of FIL and therefore, manipulated the price of FIL was false, baseless and contrary to the facts of the matter.

d. The alleged trades by promoters of Florence were carried out by means of block trade(s) over a separate trading window viz. Block Trade Window. As per SEBI circular MRD/DOP-SE/Cir-19/05 dated September 02, 2005, Exchange has to disseminate the information on block deals such as name of the scrip, name of the client, quantity of shares bought/price etc. to the general public on the same day, after the market hours.

e. Noticees were not aware about the trades of promoters in Block deal window. Thus, by linking the trades of Noticees with trades done by promoters of FIL is without any basis.

f. There is nothing on record to substantiate that Noticees have traded in fraudulent manner or that the trade by Noticees had fraudulently resulted in any increase in the price of the scrip.

g. Noticees had not made any disproportionate gain or unfair advantage not the alleged trades of Noticees have resulted into losses to any investor group of Investors. In absence of any disproportionate gains the question of imposing penalty does not arise.

h. Pursuant to one sale order by one M/s lndi Stock Private Limited for sale of 2,960 Equity Share at Rs. 638/- per shares (09:15:03), all the buy orders in the scrip since 09:00:03 to 09:15:03 aggregating to 1,640 Equity Shares were matched and traded. These buy orders were in the range of Rs. 638/- to Rs. 745/- per shares. One buy order by Ms. Pragna Sanghvi for 3,333 equity shares at Rs. 680/- was partially executed to the extent of 1,320 equity shares.

i. Noticees contended that from public domain it was gathered by them that , entity viz. M/s lndi Stock Private Limited and its broker M/s Spark Securities Private Limited were issued a show cause notice dated 19th June 2019 alleging that the aforesaid order contributed a Rs.170.75 (52.82%) fall in the price of FIL scrip. The Learned Adjudicating Officer vide its order dated December 18, 2019, exonerated both the above entities since no connection, whatsoever, had been established between the Noticee no. 1 either with the counterparties to the trades or the promoters of FIL by the Investigation. The AO further noted that the suspected motive for such trade could not be established and relied upon the views of the Hon'ble SAT in the matter of Mr. R. S. Agarwal vs. SEBI dated 13., March 2019 wherein it was held that "*While dealing with a serious issue of fraud the authorities need to ascertain the motive in the absence of any connecting evidence*."

j. Noticees 1 and 3 in their replies contended that, the percentage of their trading volume in the scrip of Florence on a particular day was miniscule in nature.

k. Noticees in their reply requested inspection of documents and requested following documents:-
    - A copy of the complete Investigation Report.
    - A copy of the opinion formed by the Securities and Exchange Board of India ("Board") for initiation of Adjudicating proceedings against the Noticee and the basis on which such an opinion was formed by the Board.
    - Copies of document relied upon for forming the ground for the above opinion.

- Copy of the order dated 7'h December 2020 appointing the Adjudicating Officer.
- Evidence as to the alleged violation of Sections 12A(a), (b), (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a),(e) of the PFUTP Regulations
- What was the disproportionate gain or unfair advantage, if any, made by them as required in terms of Section 15J(a) of the SEBI Act, 1992 and Rule 5(2)(a) of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, for the purpose of Section 15HA of SEBI Act, 1992?

10. In addition to above, the additional submissions made by Noticees is reproduced as under:

A. Noticee 1

i. On March 22, 2017, Noticee 1 had purchased a total of 110 equity shares of FIL through four trades on the floor of BSE all through its broker SPFL Securities aggregating to Rs. 80,630/-.

Counterparty	Trade ID	Trade Time	Trade Rate	Trade value	Traded Qty
INDI Stock Private Limited	3	09:15:03.398906	740.50	14810	20
	9		710.50	14210	20
	18		680.50	13610	20
Renu Bala	27	09:15:48.924309	760.00	38000	50

ii. On the same day Noticee1 sold 110 equity shares of FIL through three trades on the floor of BSE all through its broker i.e. Noticee 2 aggregating to Rs. 87,290/-.

Counterparty	Trade ID	Trade Time	Trade Rate	Trade value	Traded Qty
Aleyamma Jacob	28	09:16:21.163261	770	1540	2

Counterparty	Trade ID	Trade Time	Trade Rate	Trade value	Traded Qty
Chetan Dhireshbhai Shah	45	09:20:18.100868	775	6200	8
JG Securities Private Limited	62	09:35:36.774644	795.50	79550	100

iii. Noticee 1 had squared off its position and made a net gain of Rs. 6600/- from the seven trades. Therefore, the allegation in the SCN that the trades of Noticee 1 was contrary to general market principle of buying low and selling high was completely baseless and contract to the facts. Noticee1 purchased the shares in the range of Rs. 680.50 to Rs. 760 and sold equity shares in the range of Rs. 770 to Rs. 795.50 per share.

iv. The trades carried out by it were very insignificant as compared to total quantity traded and the overall trading volume. The trades of Noticee 1 amounted to 0.00451% of the total trade value (Rs. 71,335/- out of Rs. 158.33. cr.) and 0.00405% of the total trade volume (100 equity shares out of 24.71 lakh). Such negligible trades by could not have had any significant impact on the traded price or the trades volumes on that day.

v. As per order log provided along with the SCN, it was sellers' market. Most of the order by the seller were in the range of Rs.817 to Rs. 929 per share.

vi. An analysis of the actual buy and sell order that were visible on the trading terminal prior to the Impugned Order of the Noticee is as follows:

- As per the Order Log, the Noticee order for purchase of 50 Equity Shares at a price of Rs. 760/- per shares was entered at 09:15:48:924309. The said order was executed for the above quantity and price at 09:15:48:924309. The Impugned Trade accounted for 0.0020232% of the Total Volume traded and 0.0024°/o of the Total Value Traded on that day.
- Post sell order by M/s. Indi Stock Private Limited for 2960 Equity shares and before the impugned order, the pending buy and sell order(Top 10) were as follows:

Buy Price	Buy Qty	Sell Price	Sell Qty
713.05	50	760	50
712	200	810	300
705	200	816	982
704	71	817	10
700	1	890	10
690.15	24	894	2
686	100	895	100
685.05	50	899	10
685	300	929	100
682	100	930	100

- Overall, there were 48 buy orders (09:15:11 to 09:15:48) aggregating to 1, 07,189 Equity Shares in the price range of Rs. 635/- to Rs. 713.05.
- One partially met buy order- balance quantity 2,013 Equity Share at Rs. 680.
- 10 Sell order (09:00:03 to 09:15:44) aggregating to 1,664 Equity Shares in the price range of Rs. 760/- to Rs. 930/- per share.
- Despite the Block Trade which got executed at a price of Rs. 640.04 on the block window at09:15:14.656351and 09:15:17.081569, aggregating to 24.58 lac equity shares, the buy and sell order immediately prior to the Impugned Order were not at the levels at which the Block Trades were executed. The two-way quotes available on the screen were 713.05 (Buy) - 760.00 (Sell). There were about 31 buy orders with aggregate demand in excess of 59,152 Equity Shares at a price exceeding Rs. 640.05, with the best demand for 50 shares at a price of Rs. 713.05

vii. In view of the aforesaid analysis, no fault can be found with the impugned order of Noticee 2 as

- There were plenty of buyers and very few sellers in the market.
- The best available offer was for 50 equity shares at Rs.760/- per share, the next best being for 300 equity shares at Rs. 810/- per shares.
- The Noticee acted as any prudent investor intending to buy in such market would have acted and bought the 50 shares that were available at the then best offer price of Rs. 760 per share.

B. Noticee 2

i. Noticee 2 was not the broker to any of the Promoters of FIL which had carried out the Block Trade on the separate Block Window. Other than the fact that such Block Trades carried out on the separate trading window would have had the impact of increasing the overall trading quantity and the weighted average trading price, the Noticee had no knowledge of the Block Trade being carried out between the promoters of FIL, nor did the buy and sell bids on the normal trading window reflected any such impact. As is evident from the order logs, within 10-12 seconds of the above Block Trades, there were buy orders for around 200 equity shares at Rs. 705.00. By 09:15:37, there was additional buy order for 200 equity shares at Rs. 712.00. Also, the sell order on the normal trading windows continued to be in the range of Rs. Rs. 810.00 to Rs. 929.00. There was not a single sell order below Rs. 800.00 after the impugned Block Deal and before the Impugned Orders were entered.

ii. The allegation in the SCN linking the trade by the clients of Noticee 2 with the trades by the Promoters of FIL which was executed on a separate trading window is without any basis. Similarly, the allegation the Impugned Trade by the clients of the Noticee resulted in increasing the price of the scrip by 19% from Rs. 640.04, though factually correct, was not fraudulent, manipulative, intentional but based on the then prevailing market conditions and reflected the decision of a prudent investor who would have traded in a similar situation.

iii. Noticee 2 as a broker and in the usual course of its business, entered into buy and sell orders on behalf and on the instructions of its clients including DP Mittal and Sons HUF i.e. Noticee 1 and Ms Renu Bala i.e. Noticee 3. The SCN does not alleges that Noticee 2 had any peculiar relation with its client or that the Noticee was able to influence the decisions of its clients in any manner, in relation to the Impugned Order.

iv. The SCN does not provide any evidence of any prior meeting of mind between DP Mittal and Sons HUF and Ms. Renu Bala and more so to the extent of establishing that the Noticee was aware of such prior meeting of mind or was party to any such alleged discussion between the Clients. Both the clients had independently executed buy and sell orders in the scrip of FIL on the relevant date i.e. March 22, 2017.

v. The conclusion drawn based on the allegation that the Impugned Orders were placed from the same location (Location ID:2470010077001000) through adjacent terminals, terminal ID 201 and Terminal ID 202; and by the same user i.e., Mr. Meghraj Saini within a span of 5.4 seconds and thus resulted in the Noticee facilitating synchronized trading is incorrect. Mr. Meghraj Saini was an employee of the Authorised Person of the Noticee. There were separate individuals physically operating the two terminals and both the terminals where physically separated in different rooms.

vi. Thus, the allegation that the Impugned Orders were placed from the same location (Location ID: 2470010077001000) through adjacent terminals, terminal ID 201 and Terminal ID 202; and by the same user i.e., Mr. Meghraj Saini-within a span of 5.4 seconds is completely irrelevant, incorrect to some extent, purely coincidence and does not lead to any wrong doing on the part of the Noticee and in any case cannot be alleged as leading to facilitating synchronized trading between the clients of the Noticee and/ or for manipulated the price of FIL scrip after the block trade.

vii. Noticee 2 in its replies provided the same explanation as provided by Noticee 1 w.r.t. buy order of 50 shares placed at 09:15:48:924309 and by Noticee 3 w.r.t. sell order of 50 shares placed at 09:15:43.572226.

C. Noticee 3

i. On March 22, 2017, Noticee 3 had purchased a total of 50 equity shares of FIL through four trades all through its brokers i.e. Noticee 2 aggregating to Rs. 33,335/-, as per details given below:

Counter party	Trade ID	Trade time	Trade Rate	Trade value	Traded Quantity
INDI Stock Private Limited	8	09:15:03:398906	711.50	7115	10
	17		680.50	6805	
	20		660.50	6605	
	22		640.50	12810	20

ii. On the same day she sold 50 shares of FIL through one trade on BSE though its broker i.e. Noticee 2 aggregating to Rs. 38,000/- as per details given below:

Counter party	Trade ID	Trade time	Trade Rate	Trade value	Traded Quantity
DP Mittal and Sons HUF Private	27	09:15:48:924309	760	38000	50

iii. She had squared off her position and made a net gain of Rs. 4665/- from the aforesaid five trades. Therefore, the allegation in the SCN that the trades of Noticee 3 was contrary to general market principle of buying low and selling high was completely baseless and contract to the facts. She had purchased the shares in the range of Rs. 640.50 to Rs. 711.50 and sold equity shares at Rs. 760 per share.

iv. The trades carried out by her were very insignificant as compared to total quantity traded and the overall trading volume. The trades of Noticee 3 amounted to 0.00451% of the total trade value (Rs. 71,335/- out of Rs. 158.33. cr.) and 0.00405% of the total trade volume (100 equity shares out of 24.71 lakh). Such negligible trades by could not have had any significant impact on the traded price or the trades volumes on that day.

v. As per order log provided along with the SCN, it was sellers' market. Most of the order by the seller were in the range of Rs.817 to Rs. 929 per share.

vi. An analysis of the actual buy and sell order that were visible on the trading terminal prior to the Impugned Order of the Noticee is as follows:

- As per the Order Log, the Noticee order for sale of 50 Equity Shares at a price of Rs. 760/- per shares was entered at 09:15:43.57.

The said order was executed for the above quantity and price at 09:15:48:924309. The Impugned Trade accounted for 0.0020232% of the Total Volume traded and 0.0024% of the Total Value Traded on that day.

- Post the sell order by M/s Indi Stock Private Limited for 2,960 Equity Share and before the Impugned Order, the pending buy and sell order (TOP 10) were as follows:

Buy price	Buy Qty	Sell price	Sell qty
712.00	200	810.00	300
705.00	200	816.00	982
704.00	71	817.00	10
700.00	1	890.00	10
686.00	100	894.00	2
685.05	50	895.00	100
685.00	300	899.00	10
682.00	100	929.00	100
680.00	2013		
680.00	15		

- Overall, there were 38 buy orders (09:15:11 to 09:15:43) aggregating to 61,115 Equity Shares in the price range of Rs. 635/- to Rs. 712.00.
- One partially met buy order - balance quantity 2,013 Equity Share at Rs. 680.
- 8 Sell order (09:00:03 to 09:15:23) aggregating to 1,514 Equity Shares in the price range of Rs. 810/- to Rs. 929/- per share
- It's important to note that despite the Block Trade which got executed at a price of Rs. 640.04 on the block window at 09:15:14.656351 and 09:15:17.081569, aggregating to 24.58 lac equity shares, the buy and sell order immediately prior to the Impugned Sell Order were not at the levels at which the Block Trades were executed. The two-way quotes available on the screen were 712.00 (Buy) - 810.00 (Sell). There were about 26 buy orders with aggregate demand in excess of 51,578 Equity Shares at a price exceeding Rs. 640.05, with the best demand for 200 shares at a price of Rs. 712.00.

vii. In view of the aforesaid analysis, no fault can be found with the impugned order of Noticee 3 as

- There were plenty of buyers and very few sellers were available in the market. However, there was wide gap between the Bid (Rs. 712.00) and the Offer rate (Rs. 810.00) - almost Rs. 98.00.
- The best available bid was for 200 equity shares at Rs. 712/- per share, the next best being for 200 equity shares at Rs. 705/- per shares.
- The best available offer was for 300 equity shares at Rs. 810.00 per share, the next best being for 982 equity shares at Rs.816.00 per share
- The Noticee acted as any prudent investor intending to sell in such market would have acted and offered to sell 50 shares at a price of Rs. 760 per share.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

11. I have carefully perused the charges levelled against Noticees, replies/submissions filed by Noticees and other documents/ evidence available on record.

12. Before proceeding with case on merits, I find that it would be appropriate to deal with the documents requested by Noticees. In their submissions, Noticees requested for inspection of documents and sought for documents viz. complete investigation report, a copy of opinion formed by SEBI for appointment of AO against Noticees, copies of the documents relied upon for forming ground of the opinion, evidence w.r.t. alleged violation of Sections 12A(a), (b), (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (e) of the PFUTP Regulations, disproportionate gain or unfair advantage if any made by Noticees for imposition of penalty under Section 15HA of SEBI Act etc.

13. In this regard, vide email dated January 03, 2022, Noticees were informed that the relevant extracts of the Investigation Report, have been narrated detail in the SCN

and the SCN itself was a self-contained document containing all the allegations and charges against them. It was also informed to Noticees that the documents relied upon in the instant proceedings with respect to them were already provided to them.

14. I now proceed to deal with the case on merits. The issues that arise for consideration in the present case are:

    I. Whether Noticees have violated Sections 12A(a),(b),(c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations?
    II. Do the violations, if any, attract monetary penalty under Section 15HA of SEBI Act?
    III. If so, what should be the quantum of monetary penalty?

15. Before moving forward, it is pertinent to refer to the relevant provisions of Sections 12A(a),(b),(c) of the SEBI Act, Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations, which are reproduced as under:-

SEBI Act

*"**Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.***

12A. No person shall directly or indirectly –

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

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

PFUTP Regulations

"Regulation 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

"Regulation 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) Knowingly indulging in an act which creates false or misleading appearance of trading in securities market

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

<u>Issue No.1:- Whether Noticees have violated Sections 12A (a) (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c) and (d) and Regulations 4(1), 4(2) (a) and 4(2)(e) of the PFUTP Regulations ?</u>

16. I note from the documents available on record i.e. Investigation Report (IR) that two promoter entities of FIL, namely, JK Tyre & Industries Ltd. and BMF Investments Limited had sold shares of FIL in two separate block deals at BSE to another promoter entity, namely, Hari Shankar Singhania Holdings Private Limited. The said block deals were executed at a price of Rs. 640.05 on March 22, 2017 at 09:15:14 AM and 09:15:17 a.m. respectively.

17. I note from the material available on records that on March 22, 2017, prior to the aforesaid block deals, Noticee 1 had placed buy orders of 20 shares each at a price of Rs. 740.50, Rs. 710. 50 and Rs. 680.50. Similarly, Noticee 3 had placed four buy orders of 10, 10, 10 and 20 shares each at a price of Rs. 711.50, Rs.680.50, Rs. 660.50 and Rs. 640. 50. I also note that subsequent to the block deals, Noticee 1 had placed a buy order of 50 shares at Rs. 760 per share and Noticee 3 had placed sell order of 50 shares at Rs. 760 per share. All these aforesaid orders were placed by Noticees 1 and 3 through Noticee 2. From the replies submitted by Noticees, I note that Noticees have not denied the trades executed by them in the scrip of Florence either in the capacity as clients or as a broker.

18. Noticees in their replies have contended that they are not connected with the promoters of FIL viz. Hari Shankar Singhania Holdings Private Limited, JK Tyre & Industries Ltd. and BMF Investments Limited nor the same have been alleged in

the SCN. In this regard, I note that there is no evidence on record to establish connections of Noticees with the aforesaid promoters of FIL.

19. Noticees 1 and 3 in their replies have further contended that the block deals are executed on a separate trading window – "Block window" and they were not aware about the trades that happened at Block Window. Further, Noticees 1 and 3, in their replies, have made a reference to SEBI Circular, MRD/DoP/SE/Cir- 19/05, September 2, 2005, wherein as per the said circular, Stock Exchanges have to disseminate the information on block deals such as the name of the scrip, name of the client, quantity of shares bought/sold, traded price, etc. to the general public on the same day, after the market hours. In this regard, I note that there is no material or evidence available on record to show that information about the aforesaid block deals was disseminated during market hours and also that Noticees 1 and 3 were aware about the aforesaid block deals executed by promoters of the company. In view of the foregoing, I am inclined to accept this contention of Noticees 1and 3.

20. I note that Noticee 3, in her reply, has contended that subsequent to trades of Indi Stock Private Limited and before the impugned order, the two way quotes available on the screen were Rs. 712 at buy side and Rs.810 at sell side on March 22, 2017. There were 38 buy orders aggregating to 61,115 shares in the price range of Rs. 635 to Rs. 712 between 09:15:11 to 09:15:43. Further, there were 8 sell order aggregating to 1514 shares in the price of Rs. 810 to Rs.929 per share. Noticee 3 has further contended that there were plenty of buyers and very few sellers in the market and there was wide gap between the bid and offer price, of almost Rs. 98. In this regard, on perusal of the order log, I note that on March 22, 2017, before the impugned order, the best available buy order for the shares of FIL was for 200 shares at Rs.712 per share and next best buy order was for 200 shares at Rs. 705 shares. I further note that the best available sell order was for 300 shares at Rs. 810 per share and next best sell order was for 982 shares at Rs.816. Therefore, considering the range of pending buy orders, I do not find anything adverse in Noticee 3's decision to place the sell order at Rs.760 per share.

21. Noticee 1, in its reply, has contended that subsequent to the sell order of M/s. Indi Stock Private Limited for 2960 shares of FIL and before the impugned order on March 22, 2017, the top 10 buy orders were available in range of 1 share to 200 shares with the price range of Rs. 682 to 713.05. Similarly, top 10 sell orders were available in the range of 2 shares to 982 shares with the price range of Rs. 760 to 930. Noticee 1 has further contended that there were plenty of buyers but very few sellers were available in the market before the placing impugned buy order. The best available sell order was for 50 equity shares at Rs. 760 per share, next best being for 300 equity shares at Rs. 810 per share. In this regard, perusal of the order log for March 22, 2017, for the impugned trade, reveals that the lowest pending sell order was for 50 shares at Rs. 760 per share, whereas the next best sell order was for 300 shares at Rs. 810 per shares.

22. It has been alleged that the buy order of Noticee 1 was placed in a synchronized manner with the sell order of Noticee 3 through the broker i.e. Noticee 2 in order to increase the price of FIL scrip after the block deals was executed between the promoters of FIL and thereby manipulating the price of scrip of FIL. In this regard, I observe from the documents available on record that both the said buy and sell orders were placed for the same quantity of shares (i.e. 50 shares) at the same price (i.e. Rs.760) and within few seconds of each other (i.e. 5.4 seconds), and immediately after the block deal between the promoters of FIL was executed (i.e. within 34 seconds). I further observe that, both the buy and sell orders were placed from the same location through adjacent terminals i.e. buy order of Noticee No. 1 was placed from terminal ID 201 & sell order of Noticee No. 3 was placed from terminal ID 202 and by the same user i.e. Meghraj Saini, within a span of 5.4 seconds. In this regard, I find from the submissions of Noticees 1 and 3 that they have not disputed the allegation that the impugned trade was synchronized in nature.

23. I also note that Noticees 1 and 3, in their replies, have contended that on March 22, 2017, the impugned trade accounted for 0.0020232% of the total volume traded and 0.0024% of the total value traded on the day on BSE. Further, Noticee 1 has contended that his total trade amounted to 0.01061% of the total trade value and 0.0089% of the total trade volume (220 equity shares out of 24.71 lakh shares). Similarly, Noticee 3, in her reply, has contended that on March 22, 2017, the trades done by her amounted to 0.00451% of the total trade value and 0.00405% of the total trade volume (100 equity shares out of Rs. 24.71 lakhs) on that day. Noticees 1 and 3, in their replies, have also contended that the trades done by them were very insignificant in volume and such insignificant and negligible trades done by them could not have had any significant impact on the traded price or the trade volume on that day. In this regard, I note that volume of their trades were indeed miniscule in nature as compared to total market volume and the traded value on March 22, 2017. Therefore, I am inclined to accept this contention of Noticees 1 and 3.

24. I also note from the material available on record that the impugned trades have been classified to be not complying with the principle i.e., "buy low sell high". In this regard, I note that every trade not complying with the above principle (prudent investment behavior) need not be manipulative unless otherwise established.

25. I note that the SCN has brought out only 1 synchronized trade of 50 shares through which the price of FIL scrip was allegedly manipulated after the aforesaid block deals between the promoters of FIL. In this regard, I note that SEBI has not brought out any connections between Noticees 1 and 3, other than the fact that Noticees 1 and 3 were dealing through a common broker i.e. Noticee 2. At this juncture, I would like to quote the judgment of Hon'ble Securities Appellate Tribunal (**SAT**) in the matter of Indivar Traders Pvt. Ltd. v/s. SEBI(Appeal no. 253 of 220), wherein Hon'ble SAT held that, "

"*10 We also find that there is no finding that the appellant had any connection with the buyer, namely, Gajpal. In the absence of any connection, no collusion could be* *proved with regard to price manipulation or artificially increasing the price or its volume.*

11 We are also of the opinion that the analogy drawn by the WTM from the decision of the Supreme Court in SEBI vs. Kishore R. Ajmera (2016) 6 SCC 366 holding that the trading pattern of the appellant had a misleading appearance amounting to manipulation in the price of the share and is therefore violative of Regulations 3 and 4 of the PFUTP Regulations is patently misplaced in as much as there was no trading pattern of the appellant since he had executed one single trade. The Supreme Court itself has held that selling miniscule quantity of shares does not mean to manipulation by itself unless collusion with other are found and proved. In the instant case, there is no direct evidence of collusion or fraud between the appellant as a seller with that of buyer or with the other noticees in the impugned order……..”

26. Further, I would also like to quote the judgment of Hon'ble SAT in the matter of *Mr. R S Agarwal v/s SEBI* dated March 13, 2019, wherein it was held that "*While dealing with a serious issue of fraud the authorities need to ascertain the motive in the absence of any connecting evidence*." In addition to this, I would further quote the judgment of Hon'ble SAT in the case of *Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004)*, dated July 14, 2006 wherein Hon'ble SAT has held that "...*Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. …….".*

27. As has been observed in the preceding paragraphs, no connection has been established either between Noticees 1 and 3 or between Noticees and the aforesaid promoters of FIL. The investigation has also not been able to provide any direct evidence of manipulation nor establish any sustained manipulative intent on the part of Noticees 1 and 3, except for a “mere” allegation of price manipulation against them. I also note that other factors such as, frequency and number of synchronized trades, value of the transactions and any other pattern to establish manipulation by Noticees 1 and 3 have not been shown in the Investigation Report. Therefore, I find it difficult to attribute any manipulative intent on the part of Noticees 1 and 3, as alleged, on the basis of a single instance of synchronized trading between Noticees 1 and 3.

28. In view of the foregoing observations and placing reliance on the aforesaid judgments, I am inclined to the view that a single instance of synchronized trade of such negligible quantity does not lead to a conclusion that the impugned trade by Noticees 1 and 3 were manipulative in nature.

29. In view of the above, I find that the allegation levelled against Noticees 1 and 3 that they indulged in synchronized trading in order to increase the price of FIL scrip after the block deal was executed between promoters does not stand established. Therefore, the allegation of violation of provisions of Sections 12A(a), (b), (c) read with Regulations 3(a),(b), (c), (d) and Regulations 4 (1) and 4(2) (a),(e) of PFUTP Regulations have not been established against Noticees 1 and 3.

30. In case of Noticee 2, it has been alleged that Noticee 2 had facilitated its clients i.e. Noticee 1 and Noticee 3, in manipulating the price of FIL scrip by placing the buy order of Noticee 1 in a synchronized manner with the sell order of its other client i.e. Noticee 3, from the same location through adjacent terminals. In this regard, I note from the preceding paragraphs that it has not been established that Noticee 1 and Noticee 3 had manipulated the price of FIL scrip by indulging in synchronized trading after the block deals were executed between the aforesaid

promoters of FIL and that Noticees 1 and 3 have violated the provisions of Sections 12A(a), (b),(c) read with Regulations 3(a),(b),(c), (d), 4(1) and 4(2)(a), (e) of PFUTP Regulations. Therefore, in view of the aforesaid findings in respect of Noticees 1 and 3, I find that there is no case to draw any adverse inference against Noticee 2, as the broker of Noticees 1 and 3, with respect to the allegations against it. Therefore, I find that the alleged violation of Sections 12A(a), (b), (c) read with Regulations 3(a),(b), (c), (d), and Regulations 4(1), 4(2)(a),(e) of PFUTP Regulations does not stand established against Noticee 2.

31. As the alleged violations are not established against Noticees, Issue No. (II) and (III) as mentioned in paragraph no. 14 require no consideration.

ORDER

32. Accordingly, taking into account the aforesaid findings, the instant adjudication proceedings initiated against DP Mittal and Sons HUF, Renu Bala and SPFL Securities Ltd., vide SCN dated July 09, 2021, stand disposed of without imposition of any penalty.

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

Place: Mumbai **SOMA MAJUMDER**

Date: April 08, 2022 **ADJUDICATING FFICER**