BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO.: ORDER/VV/NK/2020-21/8679]

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

In respect of:
Balaji Infrasolutions Pvt. Ltd
PAN: AAECB2618J

In the matter of its dealings in illiquid stock options at BSE limited

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BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**), initiated adjudication proceedings against Balaji Infrasolutions Pvt. Ltd. (hereinafter referred to as **"Noticee"**) for the alleged violation of the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**) for carrying out alleged reversal of trades in illiquid stock options at BSE Limited (hereinafter referred to as **"BSE"**) with same entities on the same day. It was alleged that these reversal of trades of the Noticee were non-genuine in nature and have created false and misleading appearance of trading in terms of artificial volumes in the stock options segment of BSE.

APPOINTMENT OF ADJUDICATING OFFICER

Initially, Shri Jeevan Sonparote was appointed as the Adjudicating Officer **(AO)** by SEBI, under Section 19 of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as **"SEBI Act"**) read with Section 15-I (1) of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under Rule 4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act. Subsequently, in the matter the undersigned has been appointed as AO by SEBI, on August 13, 2019, in the place of Shri Jeevan Sonparote to inquire into and adjudge, the violation alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated September 10, 2018 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations. In the SCN the Noticee was advised to file a reply to the SCN within 14 days of the receipt of the SCN.

4. Subsequently, the SCN was returned undelivered. Therefore, the SCN has been uploaded on the website of the SEBI (www.sebi.gov.in) under the head **Enforcement → Unserved summons/Notices**. Additionally, vide E-mail dated June 10, 2020 the said SCN along with its Annexures was also sent to the Noticee on its E-mail ID viz. infra6768@gmail.com available on record. The SCN was served upon the Noticee through the said E-mail digitally signed in terms of Rule 7(b) of the Adjudication Rules. In the said E-mail the Noticee was further advised to file its reply to the SCN on or before July 14, 2020.

5. Further, in the interest of natural justice and in order to conduct inquiry as per Rule 4 of the Adjudication Rules, vide the said E-mail dated June 10, 2020, the Noticee was also provided an opportunity of the personal hearing on July 14, 2020. However, the Noticee neither appeared for hearing nor sought any further date of Hearing. The Noticee also failed to file any reply to the SCN.

6. I note that despite all the above, the Noticee has failed to submit its reply to the SCN and has not refuted the charges. The Noticee has also failed to avail the opportunity of personal hearing granted on the grounds of natural justice. In the stated circumstances, I am proceeding with the matter taking into consideration the facts and circumstances of the case and the material on record.

7. In this context, I would like to rely upon the observations of The Hon'ble Securities Appellate Tribunal (**SAT**) in the matter of Classic Credit Ltd. Vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) wherein the Hon'ble SAT, *inter alia*, took the following view "........... *the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them……."*.

8. Similarly, I note that the Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others Vs. SEBI (Appeal No. 68 of 2013 decided on February 11, 2014*), inter alia*, observed that "…………*as rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices………."*.

9. In view of the above, I am of the opinion that the SCN has been duly served upon the Noticee through digitally signed E-mail but the Noticee failed to reply. The principle of natural justice has been followed in the matter as the

opportunity was provided to the Noticee to refute the charges levelled against the Noticee. Therefore, I am inclined to decide the matter *ex-parte* taking into account the evidence / material available on record.

ISSUES FOR CONSIDERATION AND FINDINGS

10. I have carefully perused the SCN, the documents / material available on record. The issues that arise for consideration in the present case are:

    1) Whether the Noticee violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations?
    2) Whether the Noticee is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?
    3) If yes, then what should be the quantum of monetary penalty?

11. It is pertinent to mention here the relevant provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations, allegedly violated by the Noticee:-

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 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."*

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

12. I note that the allegations levelled in the SCN are mainly to the effect that the Noticee has created false and misleading appearance of trading in terms of artificial volumes in the stock options segment of BSE by way of reversal of trades in illiquid stock options and thereby the Noticee violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations.

13. SEBI had observed large scale reversal of trades in the Stock Options Segment of BSE leading to creation of artificial volumes. Therefore, SEBI conducted investigation into the trading activity in illiquid Stock Options at BSE for the period from April 01, 2014 to September 30, 2015 (hereinafter referred to as **"Investigation Period"**).

14. Reversal trades have been considered those trades in which an entity reverses its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are non-genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence, are deceptive and

manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

15. Pursuant to investigation, it was observed that during the investigation period, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non-genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the investigation period.

16. It was observed that said non-genuine trades were not restricted to any specific contract or between any specific set of entities. It was observed that the Noticee was one of the various entities which were allegedly indulged in execution of non-genuine trades in Stock Options Segment of BSE during the investigation period. The following points narrate the dealings of the Noticee during the investigation period and the allegations against it for execution of non-genuine trades in illiquid stock options at BSE.

17. As regards all the dealings of the Noticee in the Stock Options segment of BSE during the investigation period, it was observed that the Noticee had traded in total 80 unique contracts and in all 80 contracts it allegedly executed 172 non-genuine trades , which resulted in artificial volume of total 6,325,000 units.

18. For the purpose of understanding, the trading pattern of the Noticee in the aforementioned 80 contracts in respect of non-genuine trades and artificial volume created by the Noticee, are illustrated through the dealings of the Noticee in the contract viz, **"AUPL15AUG700.00PE"** as under:

Trade Date	Client Name	CP Client Name	Trade Time	Trade Rate	Traded Quantity

06-08-2015	ASHLAR COMMODITIES PRIVATE LIMITED	BALAJI INFRASOLUTIONS PVT LTD	09:56:53.985478	1.15	32000
06-08-2015	BALAJI INFRASOLUTIONS PVT LTD	ASHLAR COMMODITIES PRIVATE LIMITED	09:56:56.985572	5	32000

(a) I note that during the investigation period, total 8 trades for 2,70,000 units were executed in the said contract during 31/07/2015 to 06/08/ 2015 and wherein Noticee was party to the said 2 trades.

(b) While dealing in the said contract on August 06, 2015, the Noticee at 09:56:53 hrs enter into 1 sell trade with counterparty viz, Ashlar Commodities Private Limited for 32,000 units at rate of Rs.1.15 per unit. Subsequently, within 03 seconds from the above trade, at 09:56:56 hrs, Noticee enter into 1 buy trade with the same counter party viz, Ashlar Commodities Private Limited for 32,000 units at rate of Rs.5 per unit

(c) From the above, it is noted that Noticee executed total 2 reversal trades (1 sell trade + 1 buy trades) with same counterparty viz, Ashlar Commodities Private Limited on the same day. It is also noted that the said reversal trades of the Noticee had significant price differential in buy and sell rates.

(d) Thus, Noticee, through its dealing in the contract viz, "AUPL15AUG700.00PE", executed 2 non genuine trades which is 25% of the total trades from the market in the said contract during the investigation period, and thereby, Noticee generated artificial volume of total 64,000 units which is 24% of the volume traded in the said contract from the market.

19. Similarly, Noticee indulged in execution of non-genuine trades and generation of artificial volumes in other contracts during the investigation period. I note that

the Noticee had executed 172 non-genuine trades in 80 unique contracts and created artificial volume of total 6,325,000 units. Summary of dealings of the Noticee in the said 80 Stock Options contracts, in which it executed non-genuine trades during the investigation period, are as follows:

S. No.	CONTRACT NAME	Average Buy rate =(F/E)	Buy Quantity	Buy Value	Average Sell rate =(I/H)	Sell Quantity	Sell Value	Number of non genuine trades executed by Noticee in the Contract	Total number of trades executed by the Noticee in the Contract	Total number of trades executed in the contract	Artificial volume generated by Noticee in the Contract	Total volume generated by Noticee in the Contract	Total volume in the Contract	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract = (J/K)	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract = (J/L)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract = (M/N)	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract = (M/O)
1	AUPL15AUG700.00PE	5.00	32000	160000	1.15	32000	36800	2	2	8	64000	64000	270000	100%	25%	100%	24%
2	AUPL15OCT740.00PE	27.00	32000	864000	16.25	32000	520000	2	2	2	64000	64000	64000	100%	100%	100%	100%
3	AUPL15SEP700.00PEW1	5.25	34000	178500	1.25	34000	42500	2	2	2	68000	68000	68000	100%	100%	100%	100%
4	AXIS15OCT540.00PE	9.50	30000	285000	4.55	30000	136500	2	2	6	60000	60000	210000	100%	33%	100%	29%
5	AXIS15SEP660.00CE	5.00	50000	250000	1.05	50000	52500	2	2	12	100000	100000	476000	100%	17%	100%	21%
6	BHEL15AUG220.00PE	1.70	100000	170000	0.75	100000	75000	2	2	4	200000	200000	272000	100%	50%	100%	74%
7	BHEL15SEP225.00PE	3.00	100000	300000	1.05	100000	105000	2	2	4	200000	200000	380000	100%	50%	100%	53%
8	BHRT15AUG360.00PE	1.70	70000	119000	0.45	70000	31500	2	2	8	140000	140000	410000	100%	25%	100%	34%
9	BHRT15SEP380.00PE	3.50	60000	210000	1.05	60000	63000	2	2	4	120000	120000	220000	100%	50%	100%	55%
10	BHRT15SEP400.00PEW	4.40	40000	176000	1.15	40000	46000	2	2	2	8000	80000	80000	100%	100%	100%	100%

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11	BIOC15SEP430.00PE	5.00	44000	220000	1.65	44000	72600	2	2	10	88000	88000	460000	100%	20%	100%	19%
12	BIOC15SEP470.00CEW1	17.00	45000	765000	10.25	45000	461250	2	2	2	90000	90000	90000	100%	100%	100%	100%
13	BPCL15SEP1040.00CE	7.15	27000	193050	2.35	27000	63450	2	2	4	54000	54000	114000	100%	50%	100%	47%
14	BPCL15SEP840.00PE	7.70	30000	231000	2.15	30000	64500	2	2	2	60000	60000	60000	100%	100%	100%	100%
15	CAST15OCT480.00PE	14.00	36000	504000	6.25	36000	225000	2	2	2	72000	72000	72000	100%	100%	100%	100%
16	CAST15SEP450.00PE	4.90	38000	186200	1.25	38000	47500	2	2	2	76000	76000	76000	100%	100%	100%	100%
17	CEAT15SEP1020.00PEW3	39.00	26000	1014000	22.25	26000	578500	2	2	2	52000	52000	52000	100%	100%	100%	100%
18	CEAT15SEP960.00PE	27.00	27000	729000	12.35	27000	333450	2	2	4	54000	54000	94000	100%	50%	100%	57%
19	CIPL15AUG640.00PE	4.50	30000	135000	1.05	30000	31500	2	2	4	60000	60000	120000	100%	50%	100%	50%
20	CIPL15AUG700.00PE	9.85	29000	285650	3.25	29000	94250	2	2	4	58000	58000	114000	100%	50%	100%	51%
21	CIPL15OCT680.00PE	14.83	56000	830700	8.05	56000	451000	4	4	10	112000	112000	302000	100%	40%	100%	37%
22	CIPL15OCT740.00CE	32.00	38000	1216000	19.25	38000	731500	2	2	4	76000	76000	150000	100%	50%	100%	51%
23	CIPL15SEP660.00PE	7.00	25000	175000	2.05	25000	51250	2	2	4	50000	50000	122000	100%	50%	100%	41%
24	CIPL15SEP760.00CE	14.00	40000	560000	8.25	40000	330000	2	2	12	80000	80000	484000	100%	17%	100%	17%
25	DABU15OCT280.00PE	4.00	50000	200000	2.05	50000	102500	2	2	2	100000	100000	100000	100%	100%	100%	100%
26	IDFC15OCT135.00PE	2.40	100000	240000	1.05	100000	105000	2	2	2	200000	200000	200000	100%	100%	100%	100%
27	IDFC15SEP135.00PE	1.75	100000	175000	0.75	100000	75000	2	2	2	200000	200000	200000	100%	100%	100%	100%
28	INFY15OCT1050.00PE	26.00	54000	1404000	15.09	54000	815100	4	4	4	108000	108000	108000	100%	100%	100%	100%
29	INFY15OCT1140.00CE	59.00	27000	1593000	42.25	27000	1140750	2	2	2	54000	54000	54000	100%	100%	100%	100%
30	INFY15SEP1080.00PE	10.00	25000	250000	4.25	25000	106250	2	2	2	50000	50000	50000	100%	100%	100%	100%
31	INFY15SEP1	12.	225	270	2.2	225	506	2	2	2	45	45000	45000	100%	100	100%	100%

	110.00PEW2	00	00	000	5	00	25				000				%		
32	IOCL15SEP380.00PE	3.00	50000	150000	1.05	50000	52500	2	2	2	100000	100000	100000	100%	100%	100%	100%
33	KOTB15OCT660.00PE	11.00	26000	286000	3.25	26000	84500	2	2	2	52000	52000	52000	100%	100%	100%	100%
34	KOTB15SEP660.00PEW2	4.75	25000	118750	1.05	25000	26250	2	2	2	50000	50000	50000	100%	100%	100%	100%
35	KOTB15SEP680.00PE	9.00	25000	225000	1.25	25000	31250	2	2	2	50000	50000	50000	100%	100%	100%	100%
36	KOTB15SEP740.00CEW3	15.00	15000	225000	5.05	15000	75750	2	2	2	30000	30000	30000	100%	100%	100%	100%
37	LICH15SEP540.00CE	14.00	38000	532000	6.25	38000	237500	2	2	2	76000	76000	76000	100%	100%	100%	100%
38	LNTL15AUG1710.00PE	14.95	18000	269100	6.25	18000	112500	2	2	6	36000	36000	104000	100%	33%	100%	35%
39	LNTL15OCT1770.00PE	48.00	23000	1104000	18.65	23000	428950	2	2	2	46000	46000	46000	100%	100%	100%	100%
40	LNTL15OCT1860.00CE	89.00	20000	1780000	66.25	20000	1325000	2	2	2	40000	40000	40000	100%	100%	100%	100%
41	LNTL15SEP1680.00PE	19.50	17000	331500	10.75	17000	182750	2	2	4	34000	34000	82000	100%	50%	100%	41%
42	LNTL15SEP1800.00PEW2	36.00	21000	756000	21.25	21000	446250	2	2	2	42000	42000	42000	100%	100%	100%	100%
43	LNTL15SEP1950.00CE	16.00	18000	288000	6.25	18000	112500	2	2	2	36000	36000	36000	100%	100%	100%	100%
44	MIND15AUG1290.00PE	21.00	24000	504000	10.25	24000	246000	2	2	2	48000	48000	48000	100%	100%	100%	100%
45	MIND15OCT1230.00PE	24.00	26000	624000	12.45	26000	323700	2	2	2	52000	52000	52000	100%	100%	100%	100%
46	MIND15SEP1260.00PEW1	18.00	25000	450000	9.25	25000	231250	2	2	2	50000	50000	50000	100%	100%	100%	100%
47	MNML15AUG1380.00CE	39.70	20000	794000	31.25	20000	625000	2	2	8	40000	40000	124000	100%	25%	100%	32%
48	MNML15OCT1320.00PE	29.00	24000	696000	14.35	24000	344400	2	2	2	48000	48000	48000	100%	100%	100%	100%
49	MNML15SEP1350.00PE	29.00	18000	522000	15.25	18000	274500	2	2	2	36000	36000	36000	100%	100%	100%	100%
50	MNML15SEP1380.00CEW2	49.00	23000	1127000	34.25	23000	787750	2	2	2	46000	46000	46000	100%	100%	100%	100%
51	SHTF15OCT820.00PE	32.00	28000	896000	16.25	28000	455000	2	2	2	56000	56000	56000	100%	100%	100%	100%

52	SHTF15SEP800.00PE	15.00	29000	435000	6.25	29000	181250	2	2	4	58000	58000	114000	100%	50%	100%	51%
53	SIEM15AUG1500.00PE	31.92	20000	638350	24.05	20000	481000	4	4	4	40000	40000	40000	100%	100%	100%	100%
54	SRFL15SEP1260.00PEW3	45.00	19000	855000	27.25	19000	517750	2	2	2	38000	38000	38000	100%	100%	100%	100%
55	STAC15AUG1260.00PE	7.00	20000	140000	1.05	20000	21000	2	2	2	40000	40000	40000	100%	100%	100%	100%
56	STAC15OCT1230.00PE	27.00	26000	702000	15.25	26000	396500	2	2	2	52000	52000	52000	100%	100%	100%	100%
57	STAC15OCT1350.00CE	59.00	22000	1298000	41.25	22000	907500	2	2	2	44000	44000	44000	100%	100%	100%	100%
58	STAC15SEP1260.00PE	27.00	25000	675000	14.25	25000	356250	2	2	2	50000	50000	50000	100%	100%	100%	100%
59	STAC15SEP1260.00PEW1	11.00	10000	110000	5.05	10000	50500	2	2	2	20000	20000	20000	100%	100%	100%	100%
60	STAC15SEP1440.00CE	11.75	33000	387750	3.25	33000	107250	2	2	2	66000	66000	66000	100%	100%	100%	100%
61	SUNP15SEP840.00PEW2	9.00	25000	225000	3.05	25000	76250	2	2	2	50000	50000	50000	100%	100%	100%	100%
62	SUNP15SEP860.00PEW3	16.00	25000	400000	10.05	25000	251250	2	2	2	50000	50000	50000	100%	100%	100%	100%
63	SUNP15SEP920.00CE	54.00	10000	540000	39.25	10000	392500	2	2	648	20000	20000	569000	100%	0%	100%	4%
64	TAMO15AUG340.00PE	2.25	60000	135000	0.30	60000	18000	2	2	2	120000	120000	120000	100%	100%	100%	100%
65	TAMO15AUG380.00PE	6.70	54000	361800	3.25	54000	175500	2	2	4	108000	108000	148000	100%	50%	100%	73%
66	TAMO15AUG390.00CE	11.75	55000	646250	4.25	55000	233750	2	2	2	110000	110000	110000	100%	100%	100%	100%
67	TAMO15AUG400.00CE	7.60	56000	425600	3.25	56000	182000	2	2	2	112000	112000	112000	100%	100%	100%	100%
68	TAMO15OCT370.00PE	14.00	50000	700000	11.05	50000	552500	2	2	2	100000	100000	100000	100%	100%	100%	100%
69	TAMO15OCT390.00CE	14.00	54000	756000	6.45	54000	348300	2	2	2	108000	108000	108000	100%	100%	100%	100%
70	TAMO15OCT400.00CE	22.00	25000	550000	16.05	25000	401250	2	2	2	50000	50000	50000	100%	100%	100%	100%
71	TAMO15SEP340.00PE	6.78	115000	780000	2.58	115000	296250	4	4	10	230000	230000	530000	100%	40%	100%	43%
72	TISC15AUG240.00PE	2.30	50000	115000	0.35	50000	17500	2	2	4	1000	100000	202000	100%	50%	100%	50%

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73	TISC15AUG260.00CE	3.00	90000	270000	1.15	90000	103500	2	2	2	180000	180000	180000	100%	100%	100%	100%
74	TISC15AUG260.00PE	7.00	50000	350000	4.05	50000	202500	2	2	6	100000	100000	260000	100%	33%	100%	38%
75	TISC15OCT230.00PE	9.50	72000	684000	3.15	72000	226800	2	2	2	144000	144000	144000	100%	100%	100%	100%
76	TISC15SEP245.00PE	5.00	60000	300000	2.05	60000	123000	2	2	2	120000	120000	120000	100%	100%	100%	100%
77	TISC15SEP250.00PEW1	4.90	50000	245000	2.40	50000	120000	2	2	2	100000	100000	100000	100%	100%	100%	100%
78	TISC15SEP270.00CE	6.15	82000	504300	2.25	82000	184500	2	2	4	164000	164000	362000	100%	50%	100%	45%
79	YESB15AUG820.00PE	17.01	35000	595250	10.25	35000	358750	6	6	6	70000	70000	70000	100%	100%	100%	100%
80	YESB15AUG840.00CE	14.85	39000	579150	6.25	39000	243750	2	2	2	78000	78000	78000	100%	100%	100%	100%

20. From the details in the above table, following is noted as regards to dealings of the Noticee in the aforesaid 80 contracts:

a) Noticee has executed non-genuine trades in above 80 contracts, wherein, all trades executed by the Noticee were non-genuine trades.

b) The number of non-genuine trades of the Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as upto 100% of the trades that happened in the above contracts were due to non-genuine trades executed by the Noticee

c) A substantial 100% of volume generated by the Noticee in each of the above contracts was artificial volume. Further, artificial volume generated by the Noticee also contributed significantly upto 100% of the total volume of the market in above contracts.

d) Non-genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day.

21. From the above trading pattern of the Noticee, I note that the Noticee had bought and sold option contracts with the same counter parties and also reversed its trades on the same day, from its earlier buy / sell trades, at substantial price difference. Such pattern of dealings suggests beyond doubt that they were not driven by market factors as none of the parameters like underlying stock price, volatility, etc.

22. It is the fact that the Noticee executed non-genuine trades in 80 contracts, wherein it executed total 172 non-genuine trades, which resulted in artificial volume of total 6,325,000 units. In all the said 80 contracts, 100% trades of the Noticee were non-genuine. The number of non-genuine trades of the Noticee had contributed significantly (in the range of 0.31% to 100%) to the total number of trades from the market in the said 80 contracts. A substantial 100% of volume generated by the Noticee in the said 80 contracts was artificial volume. Further, artificial volume generated by the Noticee also contributed to significant (in the range of 4% to 100%) to the total volume from the market in the said 80 contracts. Non-genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day. Considering the fact that all these reversal transactions were carried out through a screen based trading platform on a segment with different contracts, the repeated buy/sell of illiquid stock options by the Noticee and subsequent reversal trades with the same set of entities for the same quantity, on same day with a significant difference in buy and sell value of stock options, in itself, exhibits abnormal market behaviour and defies economic rationality. Therefore, I note that the aforesaid trades of the Noticee were non-genuine and have created false or misleading appearance of trading

in terms of artificial volume in stock options and therefore manipulative, deceptive in nature.

23. It is not mere a coincidence that Noticee could match his trades with the same counterparty with whom he had undertaken first leg of the respective trades. This is the outcome of meeting of minds elsewhere and it was a deliberate attempt to deal in such a fashion. Here I would like to rely on the judgment of Hon'ble Supreme Court in ***SEBI v Kishore R Ajmera (AIR 2016 SC 1079)***, wherein it was held that "*in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.*" It was further held that "*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*"

24. I note that the trades of the Noticee as mentioned in preceding paras clearly demonstrates that option contracts bought / sold were immediately reversed on same day at substantially different price, though there was no corresponding

price changes in the underlying stock price. Further analysis of such trades also indicates that price differentials have been deliberately structured for manipulative purpose as one party to the contract had deliberately foregone profitable proposition at the time of executing trade. Such pattern completely runs contrary to economic rationale of any investor to buy at higher price and immediately thereafter sell at lesser price. Any rational investor would never deal in the market to deliberately register loss to facilitate buyer to profit at the time of entering trades. Had the counterparties for trades of the Noticee are different, intraday squaring of positions would not have been possible as no genuine investor would ever forego profits. The fact the counterparties are same corroborates that the trades were not genuine and executed for manipulative purpose. I note from the above trading pattern of the Noticee that it was deliberately making blatant misuse of trading platform for creating artificial volume to the tune of 6,325,000 units in the 80 stock options.

25. It is further noted that the scheme, plan, device and artifice employed by the Noticee in this case of executing reversal trades in illiquid stock options contracts at irrational, unrealistic and unreasonable prices, tantamount to fraud on the securities market in as much as it involves non-genuine/ manipulative transactions in securities and misuse of the securities market mechanism. The non-genuine and deceptive transactions of the Noticee are covered under the definition of 'fraud' and the dealings of the Noticee as discussed herein above were "fraudulent", as defined under regulation 2 (1) (c) of PFUTP Regulation and prohibited under the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) PFUTP Regulations, thereof.

26. Further, with respect to the reversal of trades carried out by the Noticee, I note that the Hon'ble Supreme Court in the matter of ***SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February***

8, 2018 had observed that *"the price discovery system itself was affected by synchronization and rapid reverse trade, which also had the impact of excluding other investors from participating in the market. The Supreme Court, therefore found that the traders having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations"*. The Apex Court also observed that *"considering the reversal transactions, quantity, price and time and sale, parties being persistent in the number of such trade transactions with huge price variations, it will be too naïve to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the Board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities."*

27. It is noted that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc. Further, in the absence of direct proof of meeting of minds, the conclusion can be derived from various circumstances like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time and such other relevant factors. In this regard, it is appropriate to refer to the Hon'ble SAT Order dated July 14, 2006, in the case of ***Ketan Parekh vs. SEBI (Appeal no. 2/2004)***, wherein, Hon'ble SAT has observed that: "... *in order to find out 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 of the cases, because direct evidence in such cases may not be available."*

28. In line with the aforesaid findings of Hon'ble SAT, I note that the trading pattern of the Noticee in terms of volume of reversal trades, proximity of buy/sell and

subsequent reversal evidences the indulgence of the Noticee beyond a reasonable doubt of the manipulative intent in creation of artificial volume. Further, consistent pattern of dealings by Noticee in such options contracts which are illiquid clearly demonstrates that the manipulative intent to use stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes. I note from the trading pattern of the Noticee that it was deliberately making repeated loss through its reversal trades in stock options which does not make any economic sense and it is a blatant misuse of trading platform for creating artificial volume in the illiquid stock options. I note that the rationale for such transactions entered by the Noticee is not genuine and legitimate as the behaviour exhibited by the Noticee defies the logic and basic economic sense.

29. In this regard, reliance is placed upon the judgement of Hon'ble Supreme Court in the matter of ***SEBI vs. Rakhi Trading Private Ltd.*** *(supra)* where Apex Court stated at Para 35 and Para 41 of that said Order that *"The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice". "The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."*

30. Keeping in mind the dicta of the Hon'ble Supreme Court as reproduced above, I see no reason to take a different view in the present case. Therefore, I hold that the Noticee had indulged in execution of reversal trades in Stock Options with

same entities on the same day, which are non-genuine in nature and had created false or misleading appearance of trading in terms of artificial volumes.

31. In view of the forgoing, I conclude that the Noticee by indulging in reversal of trades on the stock exchange platform, which are manipulative / unfair / fraudulent / non-genuine, in nature, had created artificial volumes in the stock options contracts and thereby Noticee had violated the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations, 2003. The aforesaid violation of PFUTP Regulations by the Noticee attract monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticee, *inter-alia* reads as follows:

"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."*

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

"15J - Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage wherever quantifiable, made as a result of the default

(b) the amount of loss caused to an investor or group of investors as a result of the default

(c) the repetitive nature of the default

Explanation – *For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E,clauses (b) and (c) of section 15F,15G,15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."*

33. At this juncture, reliance is placed upon the Order of the Hon'ble Supreme Court in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361}*** – where the Hon'ble Supreme Court of India held that:-

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant….."

34. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in illiquid stock option contracts. Investigation has shown amount of profit / loss of the counterparties to the trades as a result of the non-genuine trades. However, I note that the Noticee indulged in creation of artificial volumes by way of reversal of trades in illiquid options contracts, where wider market participation was not involved in the trades, and the trades are such that one of the counterparty books a profit while the other counterparty books a loss. Hence, it would be appropriate to consider the impact of these transactions between the two counterparties in totality. It is worth considering that entities involved in the non-genuine trades have either booked gains or loss and the gains or loss appears to be of notional in nature. It is further noted that there was nil or negligible participation by the public in the trading in illiquid stock option contracts, hence the impact of

artificial volume created by the Noticee has been considered. As observed in the preceding paragraphs the Noticee executed non-genuine trades in 80 contracts, wherein it executed total 172 non-genuine trades, which resulted in artificial volume of total 6,325,000 units. Non-genuine trades executed by the Noticee in above contracts had significant differential in buy rates and sell rates considering that the trades were reversed on same day and with the same counterparty. This pattern of trades continued for 13 days. Hence, it can be said that it repetitive in nature.

35. Such trading pattern of the Noticee, which was fraudulent and deceptive, affects the normal price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions.

ORDER

36. After Taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the SEBI Adjudication Rules, I hereby impose a penalty of Rs. 14,10,000/- (Rupees Fourteen Lac and ten thousand Only) on the Noticee viz. Balaji Infrasolutions Pvt. Ltd. in terms of Section 15HA of the SEBI Act, for the violation of the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations for indulging in execution of reversal trades in Stock Options with same entities on the same day, thereby creating artificial volume, leading to false and misleading appearance of trading in the illiquid stock options at BSE.

PENALTY PAYMENT OPTIONS

37. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in

38. The said demand draft and its details OR details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief, (Enforcement Department-1, Division of Regulatory Action -1), the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4 – A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051" and also send an email to tad@sebi.gov.in with the following details:

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

39. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, for realization of the said amount of penalty along with interest

भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 के अधीन न्यायनिर्णायक अधिकारी
Adjudicating Officer under Securities and Exchange Board of India Act, 1992

thereon, *inter alia,* by attachment and sale of movable and immovable properties.

40. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date : August 19, 2020
Place : Mumbai

V.K.Verma.

Vijayant Kumar Verma
Adjudicating Officer