**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**(ADJUDICATION ORDER NO: Order/GR/PU/2021-22/14130-14162)**

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

**In respect of:**

| S.No. | Name of the Entity | PAN |
|---|---|---|
| 1 | Dhana Energy Pvt. Ltd. | AACCV7693M |
| 2 | Sree Lakshmi Marupudi | ALYPM2964Q |
| 3 | Makkena Rama Krishna | BCKPK1101P |
| 4 | Anitha Yarlagadda | ACAPY5774B |
| 5 | Pavan Kumar Babu Konere | APEPK0161R |
| 6 | Inaganti Vishnu Sekhar | AAMPI3761J |
| 7 | Ronak Ashwin Choksi | ADDPC2938D |
| 8 | Srinivas Rao Marupudi | ACQPM0876L |
| 9 | Mitesh Ajit Thakkar | AEPPT6688C |
| 10 | Hiten Pravinchandra Shah | AHAPS0889A |
| 11 | Swarna Kumari Kolli | ADAPK6468K |
| 12 | Hanmanth Reddy Adla | AIAPA9803B |
| 13 | Sunil Kumar Hariprasad Pal | BKSPP6938B |
| 14 | Veerabhadra Rao Dandamudi | ABVPD6656R |
| 15 | Gudimetla Hanumath Sunder | BMLPS9664N |
| 16 | Veera Kumar Das Surapanani | ARBPS2729J |

| | | |
|---|---|---|
| 17 | **Samprit Ravi Raja** | **AJRPR0329R** |
| 18 | **Ketan Gunvantrai Mehta** | **AAMPM4456A** |
| 19 | **Maddikeri Sreenivasulu** | **CTYPS9045Q** |
| 20 | **Srikanth Patchava** | **AMIPP2715R** |
| 21 | **Rushabh Finance** | **AAOFR4772L** |
| 22 | **Suresh Nanji Dabhi** | **AJAPD3098G** |
| 23 | **Venkata Sivaram Prasad Raavi** | **ADTPR5863J** |
| 24 | **Suman Lalit Jain** | **ACXPJ3224E** |
| 25 | **Nilesh Raghunath Sonone** | **AZJPS5001K** |
| 26 | **Vadlamudi Srikrishna** | **ADNPV5504C** |
| 27 | **Ram Kishore Bajaj(HUF)** | **AACHR6626K** |
| 28 | **Ashwin Lalit Jain** | **ACYPJ0072B** |
| 29 | **Rajendra Kantilal Mistry** | **AEBPM1319K** |
| 30 | **Shyam Sunder Nagla** | **AJUPN9153C** |
| 31 | **Ravi Swarajya Bahrathi** | **AJXPR4790C** |
| 32 | **Ravi Suryanarayana** | **AJXPR4881J** |
| 33 | **Shivcharan Shreedhar Kashyap** | **ATOPK6636K** |

**In the matter of Venus Power Ventures (India) Limited**

(The aforesaid entities are hereinafter referred to by their respective names/ Numbers or collectively as “**the Noticees**”)

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1. The Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had conducted an investigation into the alleged irregularities in the trading and dealings by certain entities in the shares of Venus Power Ventures (India) Ltd (hereinafter referred to as **'VPVIL/Company'**) which had

witnessed abnormal increase in the volumes traded during the period from January 01, 2012 to December 31, 2012 (hereinafter referred to as '**Investigation Period'**) in order to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'), SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as '**SAST Regulations**') and SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations**'). During the said period under investigation, the shares of the Company were listed on the Bombay Stock Exchange Limited **("BSE")**.

2. The investigation inter-alia revealed that there were a group of 41 connected entities traded in the scrip of VPVIL. Out of which, 37 entities were alleged to have violated PFUTP Regulation for entering into synchronised trades, Reversal trades, self-trades and made substantial contribution to the last traded price (LTP) in a fraudulent and manipulative manner in the scrip and created false and misleading appearance of trading in the scrip of VPVIL. This apart certain entities were also alleged to have violated the provisions of SAST Regulations and PIT Regulations for the non-compliance of relevant discloser norms during the investigation period.

## APPOINTMENT OF THE ADJUDICATING OFFICER

3. SEBI appointed Shri D. Ravi Kumar, as Adjudicating Officer ('**AO**') vide communique dated April 02, 2014 under Section 15-I of the SEBI Act, 1992 read with Rule 3 of the 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 violations alleged to have been committed by the said 37 entities. Subsequently, Ms. Rachna Anand was appointed as the AO in the matter in the place of Shri D. Ravi Kumar. Pursuant to the transfer of Ms. Rachna Anand, Shri Suresh B. Menon

was appointed as the AO in the matter. Thereafter, pursuant to the transfer of Shri Suresh B. Menon, the undersigned was appointed as the AO vide communique dated April 09, 2019 in the present matter. These proceedings are therefore been carried forward where it had been left off by the previous AO and an opportunity of personal hearing was granted as detailed hereinafter.

## SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A common Show Cause Notice dated March 11, 2015 (hereinafter referred to as 'SCN') was issued by the erstwhile AO Ms. Rachna Anand to 37 entities in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, 1992 to show-cause as to why an inquiry should not be initiated and penalty be not imposed under Section 15HA of the SEBI Act, 1992 on the said entities for the aforesaid alleged violations.

5. Subsequently, out of the 37 entities against whom a common SCN dated March 11, 2015, was issued, for 4 entities namely Cementex India Pvt. Ltd., Leha Power Pvt. Ltd., KCM Infrastructure Pvt. Ltd. and I K projects Pvt. Ltd., as their status is shown as **"Strike Off"** as per Ministry of Corporate Affairs **('MCA')** website, the SCNs with regard to them were disposed of by passing separate orders. Further, it may also be noted that the charges of SAST Regulations and PIT Regulations are being dealt with in separate orders.

6. In view of the above, the present proceedings is against the remaining **33 (37- 4)** entities for the alleged violation of the Regulations 3(a),(b),(c),(d); 4(1); 4(2)(a),(b),(e) and (g) of PFUTP Regulations.The SCNs served by SPAD on Noticee Nos. 1, 2, 5, 7 – 10, 12, 14, 17, 18, 21, 22, 24, 27, 28, 29 and 30, were duly delivered, however, the SCNs served on Noticee Nos. 3, 4, 6, 11, 13, 15, 16, 19, 20, 23, 25, 26, 31-33 had returned undelivered. No reply has been filed by Noticee Nos. 1, 2, 5, 9, 14 & 21. Noticee Nos. 18 vide its letter dated 30.03.2015, 31.07.2015 and e-mail dated 25.08.2015 had sought time to file its reply in the matter. Further, Noticee Nos. 7, 10, 22, 24 vide their

letters dated 30.03.2015, 29.03.2015, 29.03.2015, 25.03.2015 had sought for time to file their reply in the matter. Additionally, Mrs. Rita Choksi, (mother of Noticee No.7), had sought for time to file reply on behalf of Noticee No. 7. However, no reply has been received from Noticee Nos. 7, 10, 18, and 24 till date.

7. Thereafter, the erstwhile AO, Shri Suresh B. Menon had provided several opportunities of personal hearing to the Noticees in the matter and had served a copy of the SCN along with hearing notice dated July 01, 2015, granting an opportunity of personal hearing on August 05, 2015, to Noticee Nos. 3, 4, 6,16, 20 & 26, but it had returned undelivered. The details of dates of hearing notices, its status of delivery, dates of hearing and attendance by the Noticee are specified in the table below;

| S.No. | Entity | Date of Hearing Notice | Date of Hearing | Hearing Notice delivered Y/N | Hearing Attended Y/N |
|---|---|---|---|---|---|
| 1 | Dhana Energy Pvt. Ltd. | 01.07.2015 | 04.08.2015 | Yes | No |
| | | 04.09.2015 | 22.09.2015 | Yes | No |
| | | 29.09.2015 | 12.10.2015 | Yes | No |
| | | 23.10.2015 | 05.11.2015 | Yes | No |
| 2 | Sree Lakshmi Marupudi | 01.07.2015 | 04.08.2015 | Yes | No |
| | | 04.09.2015 | 22.09.2015 | Yes | No |
| | | 29.09.2015 | 12.10.2015 | Yes | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 3 | Makkenana Rama Krishna | 01.07.2015 | 04.08.2015 | No | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 4 | Anitha Yarlagadda | 01.07.2015 | 04.08.2015 | Yes | No |
| | | 04.09.2015 | 22.09.2015 | Yes | No |
| | | 29.09.2015 | 12.10.2015 | Yes | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 5 | Pavan Kumar Babu Konere | 01.07.2015 | 04.08.2015 | Yes | No |
| | | 04.09.2015 | 22.09.2015 | Yes | No |
| 6 | Inaganti Vishnu Sekhar | 01.07.2015 | 04.08.2015 | No | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 7 | Ronak Ashwin Choksi | 10.07.2015 | 22.07.2015 | Yes | No |
| | | 24.07.2015 | 03.08.2015 | Yes | No |

| | | | | | |
|---|---|---|---|---|---|
| 8 | Srinivas Rao Narupudi | 01.07.2015 | 04.08.2015 | Yes | Yes |
| | | 04.09.2015 | 22.09.2015 | Yes | Yes |
| | | 29.09.2015 | 12.10.2015 | Yes | Yes |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 9 | Mitesh Ajit Thakkar | 10.07.2015 | 23.07.2015 | No | No |
| | | 17.08.2015 | 27.08.2015 | No | No |
| 10 | Hiten Pravinchandra Shah | 10.07.2015 | 22.07.2015 | Yes | No |
| | | 24.07.2015 | 06.08.2015 | Yes | No |
| | | 07.08.2015 | 26.08.2015 | Yes | No |
| 11 | Swarna Kumari Kolli | 01.07.2015 | 04.08.2015 | No | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 12 | Hanmanth Reddy Adla | 01.07.2015 | 04.08.2015 | No | No |
| 13 | Sunil Kumar Hariprasad Pal | 17.08.2015 | 27.08.2015 | No | No |
| 14 | Veerabhadra Rao Dandamudi | 01.07.2015 | 04.08.2015 | No | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 15 | Gudimetla Hanumath Sunder | NA | NA | NA | No |
| 16 | Veera Kumar Das Surapanani | 01.07.2015 | 05.08.2015 | No | No |
| | | 04.09.2015 | 22.09.2015 | Yes | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 17 | Samprit Ravi Raja | 10.07.2015 | 23.07.2015 | Yes | No |
| | | 17.08.2015 | 27.08.2015 | No | No |
| 18 | Ketan Gunvantrai Mehta | 10.07.2015 | 22.07.2015 | Yes | No |
| | | 24.07.2015 | 06.08.2015 | Yes | No |
| | | 07.08.2015 | 26.08.2015 | Yes | No |
| 19 | Maddikeri Sreenivasulu | 01.07.2015 | 04.08.2015 | No | No |
| 20 | Srikanth Patchava | 01.07.2015 | 05.08.2015 | No | No |
| 21 | Rushabh Finance | 10.07.2015 | 23.07.2015 | Yes | No |
| | | 07.08.2015 | 26.08.2015 | Yes | No |
| 22 | Suresh Nanji Dabhi | 10.07.2015 | 22.07.2015 | Yes | No |
| | | 24.07.2015 | 06.08.2015 | Yes | No |
| | | 07.08.2015 | 26.08.2015 | Yes | No |
| 23 | Venkata Sivaram Prasad Raavi | 01.07.2015 | 05.08.2015 | No | No |
| | | 04.09.2015 | 22.09.2015 | No | No |
| 24 | Suman Lalit Jain | 10.07.2015 | 22.07.2015 | Yes | No |
| | | 24.07.2015 | 06.08.2015 | No | No |
| | | 07.08.2015 | 27.08.2015 | No | No |
| 25 | Nilesh Raghunath Sonone | 10.07.2015 | 23.07.2015 | Yes | No |

| | | | | | |
|---|---|---|---|---|---|
| | | 07.08.2015 | 26.08.2015 | Yes | No |
| 26 | Vadlamudi Srikrishna | 01.07.2015 | 04.08.2015 | No | No |
| | | 23.10.2015 | 05.11.2015 | Yes | Yes |
| 27 | Ram Kishore Bajaj(HUF) | 01.07.2015 | 05.08.2015 | No | Yes |
| | | 04.09.2015 | 22.09.2015 | Yes | Yes |
| 28 | Ashwin Lalit Jain | 17.08.2015 | 27.08.2015 | Yes | No |
| 29 | Rajendra Kantilal Mistry | 10.07.2015 | 22.07.2015 | Yes | Yes |
| | | 24.07.2015 | 06.08.2015 | Yes | Yes |
| 30 | Shyam Sunder Nagla | 01.07.2015 | 04.08.2015 | No | No |
| 31 | Ravi Swarajya Bahrathi | 01.07.2015 | 04.08.2015 | No | No |
| 32 | Ravi Suryanarayana | 01.07.2015 | 04.08.2015 | No | No |
| 33 | Shivcharan Shreedhar Kashyap | No | No | No | No |

8. Hearing notice dated 04.09.2015, with regard to Noticee No. 1, was received by the Official Liquidator of Hyderabad who vide his letter dated 24.09.2015, stated that the Company i.e. (Noticee No.1) was under liquidation as per order dated 23.06.2015 Of the Hyderabad High Court. Further, from the above table it is observed that Noticee Nos. 2-4 ,6, 11, 14, 16 and 26, had attended the personal hearing conducted on November 05, 2015.

9. Submissions made by Noticee Nos.8, 27 and 29, during the personal hearings conducted on various dates, in the matter, have been summarized below. During the personal hearing conducted on 12.10.2015 the authorized representative (AR) of the Noticee No. 8 had stated as under;
    - That apart from off-market receipt/transfer of shares to other accounts no payments (either in cash or cheque) were made by them.
    - He was not aware of these trades happening in the client accounts as they were executed by the respective stock broker without the client's knowledge.
    - The off-market sales that had taken place in the scrip of Venus Power from the Demat accounts of Veerakumar Das Surapaneni, M Ramakrishna, Cementex, Dhana and also from certain other persons/entities. These off market transfers were carried out based on instructions received from the respective stock brokers.

- Mr Srinivasa Marupudi stated that he had no relationship with other entities/ persons who had traded in the scrip of Venus Power during the investigation period.

10. During the personal hearing conducted on 22.09.2015, the AR of Noticee No. 27 stated as under;
    - That he is the Karta of the HUF, but the dealings in the scrip of Venus Powers were carried out by his son Late Shri Punit Bajaj.
    - The synchronization of trades was a mere coincidence and there was no malafide intention and the quantity of shares was also very small.
    - A credit of 80,000 shares of Venus Powers were received by off market transfer into the Demat account of Ramkishore Bajaj HUF on May 21, 2012. He was not aware of the details of the person/entity from whom these shares were received as these dealings were carried out by his son who is no more.
    - As on date he has 2,70,000 shares of Venus Power in his account (1,90,000 shares purchased from market and 80,000 shares received through off market).
    - He also stated that they had no relationship with the promoters/promoter group of Venus Power and no further hearing is required in the matter.

11. Further, the AR of Noticee No. 29 during the personal hearing conducted on August 06, 2015, had reiterated the submissions made in the reply dated March 20, 2015. Also it was stated that he has not indulged in any manipulations.

12. Subsequently, pursuant to the appointment of undersigned as AO, another opportunity of personal hearing was granted to all the Noticees on September 17, 2021, vide hearing notice dated September 07, 2021. The said notice was sent to the Noticees at their e-mail IDs and was duly delivered to them.

13. Vide e-mail dated September 21, 2021, once again an opportunity of personal hearing was granted to Noticee No.1 and the same was duly delivered to the

Official Liquidator of Hyderabad. In response to the same, vide e-mail/ letter dated September 24, 2021, the official liquidator had stated that the Ex-management has not filed any Statement of Affairs and also had not delivered any books of accounts, etc. and in the absence of the same, his office is unable to proceed further in the matter.

14. Noticee No. 33 (Shivcharan Shreedhar Kashyap) had attended the said personal hearing and had stated that he will be providing his written submissions in the matter but has not submitted the same till date. Further, Noticee Nos. 7, vide e-mail dated September 09, 2021, had sought time to file his written submissions in the matter. Accordingly, vide e-mail dated September 17, 2021, he was granted an opportunity of personal hearing on September 27, 2021 along with time to submit his reply in the matter. However, Noticee No. 7 vide e-mail dated September 29, 2021, had once again sought time to file his written submissions in the matter and with regard to the same, he was once again granted an opportunity of personal hearing on October 11, 2021 along with time to submit his reply in the matter. However, he neither attended the hearing nor filed his reply in the matter till date.

15. Furthermore Noticee No.10 had vide e-mail dated September 17, 2021 had sought time to file his reply in the matter. Accordingly, vide e-mail dated September 17, 2021, he was granted an opportunity of hearing on September 27, 2021 along with time to submit his reply in the matter. However, he neither attended the hearing nor filed his reply in the matter till date. Noticee No. 22. Vide his e-mail dated September 22, 2021 had stated that he had undergone a surgery and therefore sought an adjournment of the said hearing. Accordingly, vide e-mail dated September 24, 2021, he was granted an opportunity of personal hearing on October 11, 2021, which was attended by his Authroised Representative (AR), Ms. Aishwarya Shubanghi. During the said personal hearing, the AR of Noticee No. 22 had sought time to submit their written submissions in the matter. Time was granted till October 22, 2021 to submit the reply but the said reply was received on October 26, 2021.

## REPLIES TO THE SCN AND SUBMISSION MADE BY ENTITIES THEREIN

16. Noticee Nos. 8,17, 22, 27, 29 & 30 have submitted their responses/replies to the SCN. The summaries of the said responses/replies submitted in the matter are as under:

**a) Noticee No. 8 - Reply dated 24.11.2015**

- The transactions shown under this Regulations supported by stock market data may be right, however Mr. Srinivasa Rao Marupudi and other 12 persons (Noticee Nos.1, 2, 3, 4, 6, 11, 14, 16, 26, KCM Infrastructure Pvt. Ltd., Leha Power Pvt. Td and Cementex India Pvt. Ltd.), never committed any mistake and never done any fraudulent acts with an intention to cause harm to the common investors as well as the market intermediaries and Regulatory mechanism.
- Shares were not shifted with an intention to gain any financial benefit, in fact client had obliged to pay huge amount by way of brokerage.
- The Noticee is not connected to any of the trades executed by any of the other connected entities.
- The self trades alleged to have been done twice by Noticee No. 1 ( M/s Dhana Energy (P) Ltd) and Makkena ( Noticee No.3) may have happened due to shifting of their shares from one account to another account by DP.
- With regard to the LTP analysis, he submitted that the alleged contribution by the 10 entities/persons known to him in the price rise of the scrip during the investigation period is nominal and negligible.
- It is also submitted that scrip of Venus Ventures (India) Limited has been suspended from trading since 2013. The Noticee No.8 and other 12 persons/entities did not get any financial benefit out of the alleged trading activities, in fact they lost most of the shares to the Brokers.

**b) Noticee No. 17- Reply dated 24.08.2015**

- His shares were sold by his broker upon intimation that price of the scrip was falling and there is margin call, so he doesn't understand how a simple sell trade got matched.
- Percentage of 0.5% of the total trade and the traded price is very minimal and cannot manipulate the market.

**c) Noticee No. 22- Reply dated 22.10.2021**

- During the period from 2010 to 2013 he had invested in almost 40 to 50 scrips and Venus was not the only scrip wherein he invested and hence, to allege any kind fraudulent and unfair trade practices is baseless & untenable.
- Trading of scrip in the normal course of business is not a misdeed to warrant any serious allegation of fraudulent and unfair trade practices on his part.
- He denies being part of any group and has just one off market transaction.
- He was not aware of the counterparties to my trades.
- Synchronised trades allegedly executed by him is miniscule to warrant any allegation of PFUTP Regulations which is a serious charge.
- He has bought and sold my shares on different dates across six months, hence there is no concerted effort with any of the counter parties to affect the price of the shares and/ or create artificial volume to allege any kind of violation of PFUTP Regulations. Hence, admittedly, his trades had been carried out without collusion with the counterparties over a course of time.
- Further, the Noticee submitted that he has neither earned any disproportionate gain nor gained any unfair advantage; no harm has been caused to any investor nor any loss has occurred to any investor; and the default, if any, is not repetitive.

**d) Noticee No. 27-Reply dated April 30, 2015**

- He had bought 1,98,075 shares and sold 22,000 shares during the period January, 2012 and December, 2012- i.e. 0.48% of the total volume during the period, in the normal course of buying and selling, which is very small and insignificant.
- He did not know who the buys and sellers were and never acted in concert with any group.
- The alleged synchronized trade due to purchase of 10,000 shares may be just a coincidence and comprises of only 5.05% of his total trading account.
- He is not connected to Dhana Energy Pvt. Ltd./ Leha Power Pvt. Ltd. or any other connected entity except through one off market transaction. Therefore his name is wrongly bunched with the Noticees with regard to his trading of VPIL shares.
- Delivery based sales of shares on a few days intermittently in tranches cannot be considered to be fraudulent. There was no prior meeting of mind with regard to his trade transactions.
- If there are few interested buyers and so few sellers in the scrip their orders are bound to get matched and cannot amount to be fraudulent.
- His trading volume could not and did not result in creation of artificial volumes and did not have any impact on the LTP of the scrip.

- He submitted his statement of transactions from Fortune Equity Broker is submitted to support his statement that all his transactions in his trading account had been settled.

**e) Noticee No. 27- Reply dated July 15, 2015**

- All the transactions in the scrip were negotiated and executed by Punit Bajaj and that he is not connected to the entities under the investigation except through one off market transaction. He has also suffered heavy losses when the scrip crashed.

**f) Noticee No. 29-Reply dated 20.03.2015**

- He was in little financial crisis and permitted transfer of shares into his account on the ground that it was a good opportunity to earn money but not aware that the share were from someone else's account till later.
- As shares were credited in his account, he purchased 1 Lac shares on 13.07.2012. When the price started to fall, he sold 50000 shares on 23rd July, 20000 shares on 24th July and 30000 shares on 25th July, expecting price to rise in order to minimize the loss. However, he had made a loss of approximately Rs.4,20.000/.
- Subsequently, the Noticee had stated that he once again sold 33000 shares at 13.4% on August 06th, 2012 and recovered his losses.

**g) Noticee No. 30- Reply dated 27.04.2015**

- He had bought shares during the period January, 2012 and December, 2012 in the normal course of buying and selling, which is very small and insignificant.
- He did not know who the buys and sellers were and he never acted in concert with any group.
- The alleged synchronized trade due to purchase of 10,000 shares may be just a coincidence and comprises of only 6.56% of his total trading account.
- He was not connected to Dhana Energy Pvt. Ltd./ Veerabhadra Rao Dandamudi or any other connected entity except through one off market transaction. Therefore his name is wrongly bunched with the Noticees with regard to his trading of VPIL shares.
- Delivery based sales of shares on a few days intermittently in tranches cannot be considered to be fraudulent. There was no prior meeting of mind with regard to his trade transactions.
- If there are few interested buyers and so few sellers in the scrip their orders are bound to get matched and cannot amount to be fraudulent.
- His trading volume did not result in creation of artificial volumes and did not have any impact on the LTP of the scrip.

17. Considering the fact that Noticee Nos. 2-4 ,6, 11, 14, 16 and 26, had attended the personal hearing conducted on November 05, 2015,but have not files any reply in the matter and Noticee Nos. 5,7,9-10, 12-13, 15, 18-21, 23-25, 28, 31-33 have neither filed any reply nor have availed the opportunity of personal hearing despite being granted several opportunities for the same, I am of the view that they have nothing to submit and presume that they have admitted the charges levelled against them. In this regard, it is pertinent to note that 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) has, inter alia, held that,

   *"......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".*

18. Further, the Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter-alia, and held that:

   *"...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..."*

19. Further, the same position is reiterated by the Hon'ble SAT in the matter of **Dave Harihar Kirtibhai Vs SEBI** (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT held as under:

   *"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to*

*unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal..."*

20. In the absence of any response from the Noticees mentioned at para 17 above, to the SCN, the matter can be proceeded ex-parte on the basis of the material available on record, in terms of Rule 4(7) of the Adjudication Rules. Further, in view of the aforesaid observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly, therefore, I deem it appropriate to proceed against them ex-parte, based on the material available on record.

## CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

21. I have carefully perused the documents available on record, and the issues that arise for consideration in the present case are:

    a. ***Whether the Noticees have violated the applicable provisions of PFUTP Regulations, as alleged in the SCN?***

    ***b. Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act for the Noticees?***

    ***c. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?***

22. Before moving forward, it is pertinent to refer to the relevant provisions of PFUTP Regulations, which read as under:

***PFUTP Regulations***

***Prohibition of certain dealings in securities***

***3.*** *No person shall directly or indirectly—*

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

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

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

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

***4. Prohibition of manipulative, fraudulent and unfair trade practices***

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

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

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

   b) *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*

   c) *…………*

   d) *…………..*

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

   f) *……….*

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

23. I now proceed to deal with the merits of the case. I note that the SCN has made certain allegations related to execution of synchronized trades, reversal trades, self-trades by the Noticees, who had traded among themselves resulting in no change in beneficial ownership and thereby created artificial volume as well as contributed in the artificial price rise of the scrip.

**In view of the above, the first issue for consideration is whether the Noticees have violated the applicable provisions of PFUTP Regulations?**

**Findings w.r.t synchronized trades:**

24. I note that the allegation levelled in the SCN is to the effect that during the Investigation Period the Noticees along with the aforesaid connected entities indulged in 'Synchronized Trades' in the scrip of VPVIL and thereby created artificial volumes and gave a false and misleading appearance of trading, therefore, it was alleged that the Noticees had violated the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2) (a) (g) of PFUTP Regulations.

25. I note that synchronised trades are when the buy and sell order quantity and rate are identical and the orders for these trades are placed in a time gap of within one minute. Synchronised trade create artificial/fictitious volume in the market and give a false and misleading appearance of trading in the scrip at the exchange.

26. Before going into merits of the case, I would like to highlight the observations of the Hon'ble Supreme Court in the matter of **SEBI Vs. Kishore Ajmera** with respect to synchronized trades and market manipulations as under:-

"*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…*

*In these cases the volume of trading in the illiquid scrips in question was huge, the extent being set out hereinabove. Coupled with the aforesaid fact, what has been alleged and reasonably established, is that buy and sell orders in respect of the transactions were made within a span of 0 to 60 seconds. While the said fact by itself i.e. proximity of time between the buy and sell orders may not be conclusive in an isolated case such an event in a situation where there is a huge volume of trading can reasonably point to some kind of a fraudulent/manipulative exercise with prior meeting of minds…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*."

27. Further, Hon'ble Securities Appellate Tribunal ("SAT") in the matter of **Magnum Equity broking Ltd. Vs SEBI**, noted the following:

"*Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself*."

28. The Noticees denied any involvement in the manipulation to create artificial volumes in the scrip and stated that they had traded in the scrip based on the performance, credentials and future prospects of VPVIL. Further, the Noticees submitted that there was no intention of manipulation in the scrip and all the trades executed in the scrip were purely based on commercial terms. In this regard, it is important to mention here to find out the "intention" behind commission of any manipulative/unfair/fraudulent trades/activities and the attending circumstances have to be taken into account. The Hon'ble SAT in the case of **Ketan Parekh Vs. SEBI** (Appeal No. 2 of 2004), held on July 14, 2006: "… *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*."

29. In other words, the manipulative intent can only be derived from the circumstance/modus operandi used by the person and it would generally be case specific. Further, the matching of the orders could not be coincidental, therefore, it is necessary to analyse the trading pattern of the Noticees. Now, with regard to the facts and circumstances attending the case, the trading pattern adopted by the Noticees along with the connected entities while executing the alleged 'Synchronized Trades' in the scrip of VPVIL have been examined below.

30. It is pertinent to note here that the trading details as provided in the SCN are not disputed by the Noticees.

31. The summary of purchase and sale of the 41 connected entities and their percentages with respect to market volume and details of trades executed among themselves are as under;

**Table-1**

| Connected Entities | Total buy (qty) | % to mkt vol | Total Sell (qty) | % to mkt vol | Traded within grp | % to mkt vol | % to grp's buy vol | % to grp's sell vol |
|---|---|---|---|---|---|---|---|---|
| 41 | 2,51,34,169 | 54.37 | 2,74,12,195 | 59.29 | 1,58,49,946 | 34.28 | 63.06 | 57.82 |

32. From the above, It is observed that during the investigation period ,the connected entities had altogether bought a gross quantity of 2,51,34,169 shares constituting 54.37% of the market volume and sold a gross quantity of 2,74,12,195 shares constituting 59.29% of the market volume. The connected entities had sold a net quantity of 22,78,026 shares during the investigation period. As per the counter party concentration, the connected entities had traded 1,58,49,946 shares among themselves, which constitute 63.06% of the buy volume and 57.82% of sell volume of the connected entities. Out of 1,58,49,946 shares traded among themselves, 66,28,490 shares (41.8%) were synchronized in nature.

33. Following is the Month wise sale and purchase of connected entities are as under:

**Table - 2**

| Month | Mkt Vol of particular month | Total Purchase by connected entities (Qty) | % to Mkt Vol | Total sell by connected entities (Qty) | % to Mkt Vol | Net (Qty) | Within connected entities (Qty) | % to total buy by connected entities on particular month | % to total sell by connected entities on particular month |
|---|---|---|---|---|---|---|---|---|---|
| Jan (2012) | 4,23,493 | 1,00,144 | 23.65 | 1,65,145 | 39.00 | -65,001 | - | 0.00 | 0.00 |
| Feb (2012) | 5,66,088 | 1,09,496 | 19.34 | 54,744 | 9.67 | 54,752 | - | 0.00 | 0.00 |
| Mar (2012) | 16,32,615 | 8,13,854 | 49.85 | 8,20,103 | 50.23 | -6,249 | 5,09,831 | 62.64 | 62.17 |
| Apr (2012) | 25,35,543 | 11,08,178 | 43.71 | 10,76,209 | 42.44 | 31,969 | 3,26,769 | 29.49 | 30.36 |
| May (2012) | 65,56,327 | 36,16,721 | 55.16 | 32,84,483 | 50.10 | 3,32,238 | 19,00,496 | 52.55 | 57.86 |
| June (2012) | 57,24,775 | 36,41,190 | 63.60 | 37,64,956 | 65.77 | -1,23,766 | 25,34,326 | 69.60 | 67.31 |
| July (2012) | 62,06,186 | 38,28,701 | 61.69 | 39,41,438 | 63.51 | -1,12,737 | 24,81,018 | 64.80 | 62.95 |
| Aug (2012) | 50,60,641 | 22,38,230 | 44.23 | 33,02,346 | 65.26 | -10,64,116 | 15,78,936 | 70.54 | 47.81 |
| Sep (2012) | 43,98,051 | 17,58,074 | 39.97 | 27,49,800 | 62.52 | -9,91,726 | 11,67,808 | 66.43 | 42.47 |
| Oct (2012) | 34,52,613 | 18,43,801 | 53.40 | 18,22,285 | 52.78 | 21,516 | 10,57,268 | 57.34 | 58.02 |
| Nov (2012) | 27,36,419 | 16,32,555 | 59.66 | 18,47,774 | 67.53 | -2,15,219 | 12,20,403 | 74.75 | 66.05 |
| Dec (2012) | 34,69,444 | 22,32,654 | 64.35 | 21,84,076 | 62.95 | 48,578 | 13,89,587 | 62.24 | 63.62 |
| Jan (2012) | 34,67,931 | 22,10,571 | 63.74 | 23,98,836 | 69.17 | -1,88,265 | 16,83,504 | 76.16 | 70.18 |
| **Total** | **4,62,30,126** | **2,51,34,169** | **54.37** | **2,74,12,195** | **59.30** | **-22,78,026** | **1,58,49,946** | **63.06** | **57.82** |

34. The summary of synchronized trades by connected entities including the 37 entities are as below:

**Table -3**

| Sr. no. | Pan no. | Name of the connected entities | Total Buy Qty | Total Sale Qty | Sync Buy Qty within connected entities | % of Sync buy qty to total buy qt | Sync Sale Qty within connected entities | % of Sync qty to total sale qty |
|---|---|---|---|---|---|---|---|---|
| 1 | AACCV7693M | Dhana (Noticee No. 1) | 29,65,398 | 34,44,233 | 9,82,589 | 33.14 | 9,42,026 | 27.35 |
| 2 | ALYPM2964Q | Sree Lakshmi (Noticee No. 2) | 17,07,223 | 16,86,709 | 5,30,562 | 31.08 | 5,13,592 | 30.45 |
| 3 | BCKPK1101P | Makkena (Noticee No. 3) | 22,32,659 | 23,65,779 | 4,85,899 | 21.76 | 6,70,119 | 28.33 |
| 4 | ACAPY5774B | Anitha (Noticee No. 4) | 18,23,119 | 19,21,703 | 3,68,243 | 20.2 | 5,22,071 | 27.17 |
| 5 | APEPK0161R | Pavan (Noticee No. 5) | 10,85,534 | 10,74,724 | 3,65,498 | 33.67 | 2,83,499 | 26.38 |
| 6 | AAMPI3761J | Inaganti (Noticee No. 6) | 7,69,220 | 8,15,826 | 3,65,236 | 47.48 | 2,94,990 | 36.16 |
| 7 | ADDPC2938D | Ronak (Noticee No. 7) | 7,75,306 | 12,51,657 | 3,47,892 | 44.87 | 3,77,292 | 30.14 |
| 8 | ACQPM0876L | Srinivas (Noticee No. 8) | 16,40,312 | 3,04,385 | 3,43,983 | 20.97 | 1,38,230 | 45.41 |
| 9 | AEPPT6688C | Mitesh (Noticee No. 9) | 8,80,457 | 10,16,870 | 2,91,139 | 33.07 | 95,081 | 9.35 |
| 10 | AHAPS0889A | Hiten (Noticee No. 10) | 5,77,713 | 6,36,973 | 2,40,005 | 41.54 | 3,24,027 | 50.87 |
| 11 | ADAPK6468K | Swarna (Noticee No. 11) | 9,31,101 | 16,61,694 | 2,36,050 | 25.35 | 4,43,335 | 26.68 |
| 12 | AIAPA9803B | Hanmanth (Noticee No. 12) | 12,07,219 | 14,81,449 | 2,28,010 | 18.89 | 3,42,941 | 23.15 |
| 13 | BKSPP6938B | Sunil (Noticee No. 13) | 4,45,000 | 5,63,411 | 2,19,322 | 49.29 | 90,000 | 15.97 |
| 14 | ABVPD6656R | Veerabhadra (Noticee No. 14) | 13,82,417 | 13,54,822 | 2,12,523 | 15.37 | 1,52,552 | 11.26 |
| 15 | BMLPS9664N | Gudimetla (Noticee No. 15) | 7,86,319 | 8,02,390 | 2,06,758 | 26.29 | 2,34,517 | 29.23 |
| 16 | ARBPS2729J | Veera (Noticee No. 16) | 3,46,600 | 3,64,299 | 1,66,398 | 48.01 | 1,74,998 | 48.04 |
| 17 | AABCL8643A | Leha (Noticee No. 17) | 9,62,155 | 9,63,881 | 1,51,314 | 15.73 | 52,000 | 5.39 |
| 18 | AJRPR0329R | Samprit (Noticee No. 18) | 1,84,000 | 85,700 | 1,30,000 | 70.65 | - | - |
| 19 | AAMPM4456A | Ketan (Noticee No. 19) | 3,59,143 | 4,40,146 | 1,28,650 | 35.82 | 61,000 | 13.86 |
| 20 | CTYPS9045Q | Maddikeri (Noticee No. 20) | 3,07,250 | 3,22,399 | 1,21,749 | 39.63 | 1,42,499 | 44.2 |
| 21 | AMIPP2715R | Srikanth (Noticee No. 21) | 4,21,378 | 4,76,016 | 1,09,867 | 26.07 | 1,27,375 | 26.76 |
| 22 | AAOFR4772L | Rushabh (Noticee No. 22) | 6,23,725 | 6,73,725 | 99,844 | 16.01 | 48,700 | 7.23 |
| 23 | AABCI4150R | I K Projects (Noticee No. 23) | 3,30,100 | 3,61,081 | 84,980 | 25.74 | 1,14,172 | 31.62 |
| 24 | AJAPD3098G | Suresh (Noticee No. 24) | 1,22,015 | 1,48,015 | 83,926 | 68.78 | 78,650 | 53.14 |
| 25 | ADTPR5863J | Venkata (Noticee No. 25) | 2,71,102 | 3,00,035 | 48,500 | 17.89 | 14,974 | 4.99 |
| 26 | ACXPJ3224E | Suman (Noticee No. 26) | 1,31,704 | 1,31,704 | 25,000 | 18.98 | 26,693 | 20.27 |
| 27 | AZJPS5001K | Nilesh (Noticee No. 27) | 25,000 | 29,100 | 25,000 | 100 | - | - |
| 28 | ADNPV5504C | Vadlamudi (Noticee No. 28) | 4,21,500 | 2,59,111 | 19,553 | 4.64 | 27,000 | 10.42 |
| 29 | AACHR6626K | Ram (Noticee No. 29) | 1,98,075 | 22,000 | 10,000 | 5.05 | - | - |
| 30 | AAACC9265A | Cementex (Noticee No. 30) | 4,01,005 | 4,83,791 | - | 0 | 31,749 | 6.56 |
| 31 | AAECK0876H | KCM (Noticee No. 31) | 3,28,501 | 4,18,620 | - | 0 | 3,249 | 0.78 |
| 32 | ACYPJ0072B | Ashwin (Noticee No. 32) | 72,200 | 1,02,200 | - | 0 | 29,500 | 28.86 |
| 33 | AEBPM1319K | Rajendra (Noticee No. 33) | 1,00,000 | 1,33,000 | - | 0 | 59,959 | 45.08 |
| 34 | AJUPN9153C | Shyam (Noticee No. 34) | - | 1,52,405 | - | 0 | 10,000 | 6.56 |
| 35 | AJXPR4790C | Ravi Swarajya (Noticee No. 35) | - | 25,000 | - | 0 | 23,700 | 94.8 |
| 36 | AJXPR4881J | Ravi (Noticee No. 36) | - | 25,000 | - | 0 | 5,000 | 20 |
| 37 | ATOPK6636K | Shivcharan (Noticee No. 37) | 265 | 5,86,489 | - | 0 | 1,73,000 | 29.5 |
| 38 | ACYPC2453P | Cherukuri Kutumba Rao | 2,19,935 | 4,13,935 | - | 0 | - | - |
| 39 | AJGPN5798R | Vidyasagar Reddy Nagireddy | 97,519 | 1,08,319 | - | 0 | - | - |
| 40 | AKRPG4076H | G Sandhya Rani | 500 | 2,500 | - | 0 | - | - |
| 41 | AFUPA3575P | Aggarwal Anshul | 1,500 | 1,099 | - | 0 | - | - |
| **TOTAL** | | | **2,51,34,169** | **2,74,12,195** | **66,28,490** | **26.37** | **66,28,490** | **24.18** |

35. Further, from table 2 above, it is observed that out of the total trading of 1,58,49,946 shares within aforesaid connected entities, for 99,41,383 shares accounting for 21.5% of the total market volume, the buy and sale orders were placed within one minute time difference.

36. It was alleged in the SCN that the Noticees along with connected entities had traded in 99,41,383 shares, wherein 66,28,490 shares accounting for 14.33% of the total market volume, the buy and sale orders were placed in synchronised manner (i.e. difference between placement of order by buyer and seller within one minute and order rate as well as order quantity of buy side and sale side being same). It is observed that 66, 28,490 shares constitutes 26.37% of the total purchase of the connected entities and 24.18% of the total sale of the connected entities. Further, these 66,28,490 shares constitute 41.8% of the total trade (1,58,49,946 shares) among the connected entities

37. It is observed from table 3 above that the entities at SL No.1 to 37 were involved in synchronized trades within the said group of connected entities. Thus allegedly, they had created artificial volume and gave false and misleading appearance of trading in the scrip.

38. The trading pattern of trades and order placement with selected parties clearly point out that the transactions were carried-out in such synchronized manner that the orders of the Noticees along with the connected entities were matched, which clearly indicate that there was a prior meeting of minds with respect to these transactions. On analysing the trading done by the Noticees along with the connected entities, it is observed that most of the trades executed by them resulted in synchronized trading i.e. the difference between placement of order by the buyer and the seller are within one minute and order rate as well as order quantity of buy side and sale side are the same.

39. From the above trading details of the Noticees, it is further noted that the synchronized trades executed by the Noticees were repetitive in nature and significant in volume. Looking at the trading pattern of the Noticees, I am convinced that they had traded within the connected entities in synchronized manner with prior arrangement resulting in creation of artificial volume and thereby distorting the market equilibrium. The pattern of order placement indicate that the transactions were carried-out with an intention to match the various orders of the aforesaid entities and there was a prior arrangement with respect to these transactions. The time difference between buy and sell order was less than a minute. The order quantity and price were designed to match. By indulging in such manipulative trading persistently, the Noticees along with the connected entities had created artificial liquidity in the scrip and played a role in the manipulation of the trading in the scrip of VPVIL.

40. It is contention of the Noticees that the trading was done on-market and during the trading on the screen it is not possible to know the shares sold by them are the same shares bought by the other persons and vice versa. Further, Noticees submitted that the random nature of timing, quantity, dealers and partial matching with other market participants are a matter of pure co-incidence. In this regard, I note that a large number of trades were executed among all the Entities within close proximity of time of placing the orders. This cannot happen without prior meeting of minds. From the details of the trades executed and having regard to the trading system, I do not think that such large number of trades could match between the same parties unless the trading system was being abused. The Noticees along with the connected entities had indulged in synchronized trades in the scrip of VPVIL on more than one day. Synchronized trades of the Noticees along with the connected entities constituted 14.33% of the market volume which is huge and such large volumes of synchronized trades cannot be a mere coincidence.

41. Further, the Noticees contended that the trading done by them had not contributed to any price increase or solely contributed to any volume increase so as to mislead any set of investors or public at large, which is very miniscule and cannot be construed to create artificial volume. The Noticees further submitted that no investor was put to loss and they did not make any ill gains. In this regard, I note that it is the case of the Noticees to create artificial volume in the scrip of VPVIL by way of executing synchronized trades. These synchronized trades of the connected entities constituted 14.33% of the market at BSE. These trades were entered for the purpose of creation of artificial volume and to create false and misleading appearance of trading in the scrip of VPVIL. In view of the same, I do not find any merit in the aforesaid contentions of the Noticees.

42. With regard to connection/relation of the Noticees with the connected entities, I note from the investigations that they were identified as connected / related to each other on the basis of Know Your Client Form (KYC), off market transactions, common address, e-mail ID etc., the details of which were provided along with SCN to the Noticees. Accordingly, considering the aforesaid connections of the Noticees as well as the connected entities on the basis of KYC documents, off market deals, etc., I am of the opinion that the Noticees are connected / related to each other and also to the connected entities.

43. Further, In the matter of **Sparkline Mercantile Co Pvt. Ltd. Vs SEBI,** Appeal No. 171 of 2011dated 16.01.2012, the Hon'ble SAT held that: "*It is an admitted position that it is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved*."

44. The Hon'ble Supreme Court in its order dated April 26, 2013 in the matter of **N. Narayanan Vs. Adjudicating Officer**, SEBI, has laid down that "*Prevention of market abuse and preservation of market integrity is the*

*hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality*"

45. Further, In the matter of **SEBI Vs. Kishore R. Ajmera**, (supra) the Hon'ble Supreme Court observed that "*the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light*".

46. In view of the forgoing, I conclude that the Noticees along with the other connected entities were involved in 'Synchronized Trades' on more than one day in the scrip of VPVIL, which altogether constituted 14.33% at BSE . Therefore, I am of firm opinion that the Noticees indulged in creation of artificial volume and in creation of misleading appearance of trading in the scrip of VPVIL by violating the Regulations 3(a), (b), (c), 4(1) and 4(2)(a) and(g) of PFUTP Regulations. The aforesaid violation by the Noticees attract monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticees.

**Findings w.r.t Reversal trades:**

47. During investigation, it is also observed that the connected entities had entered into reversal trades and such details are given below:

**Table-4**

| No. of entities executed reversal trades | No. of reversal trades | Total traded quantity | Total reversed quantity | % of total reversed quantity to total traded quantity | % of total reversed quantity to total market vol |
|---|---|---|---|---|---|
| 10 | 9 | 2,11,612 | 85,986 | 40.63 | 0.19 |

48. Date wise and entity wise summary of reversal trades are given below:

**Table-5**

| Trade date | Buy Client | Member no. | Sale Client | Member no. | No. of trades | Total traded quantity | Total reversed quantity | Net LTP Diff. (Rs.) |
|---|---|---|---|---|---|---|---|---|
| 20.03.2012 | Inaganti (Noticee No. 6) | 3024 | Hanmanth (Noticee No. 12) | 3024 | 2 | 20000 | 19800 | -0.04 |
| | Hanmanth (Noticee No. 12) | 3024 | Inaganti (Noticee No. 6) | 3024 | 1 | 19800 | | |
| 08.05.2012 | Cherukuri Kutumba Rao | 748 | Anitha (Noticee No. 4) | 3004 | 1 | 917 | 917 | 0.25 |
| | Anitha (Noticee No. 4) | 3004 | Cherukuri Kutumba Rao | 748 | 1 | 1600 | | |
| 15.05.2012 | Vidyasagar Reddy Nagireddy | 3024 | Dhana (Noticee No. 1) | V299 | 1 | 2000 | 2000 | 0.1 |
| | Dhana (Noticee No. 1) | 3024 | Vidyasagar Reddy Nagireddy | 3024 | 2 | 9000 | | |
| 15.11.2012 | Sree Lakshmi (Noticee No. 2) | 6458 | Hanmanth (Noticee No. 12) | 6458 | 3 | 30000 | 28000 | 0.35 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Hanmanth (Noticee No. 12) | 6458 | Sree Lakshmi (Noticee No. 2) | 6458 | 3 | 28000 | | |
| 21.11.2012 | Hanmanth (Noticee No. 12) | 6458 | Inaganti (Noticee No. 6) | 6458 | 2 | 30000 | 30000 | 0.1 |
| | Inaganti (Noticee No. 6) | 6458 | Hanmanth (Noticee No. 12) | 6458 | 5 | 30000 | | |
| 13.12.2012 | Anitha (Noticee No. 4) | 3018 | Ronak (Noticee No. 7) | 6458 | 3 | 25000 | 132 | 0.23 |
| | Ronak (Noticee No. 7) | 6458 | Anitha (Noticee No. 4) | 3018 | 6 | 132 | | |
| 24.12.2012 | Mitesh (Noticee No. 9) | 6458 | Hanmanth (Noticee No. 12) | 6458 | 4 | 4 | 4 | 0.18 |
| | Hanmanth (Noticee No. 12) | 6458 | Mitesh (Noticee No. 9) | 6458 | 1 | 25 | | |
| 24.12.2012 | Mitesh (Noticee No. 9) | 6458 | Veera (Noticee No. 16) | 313 | 1 | 1 | 1 | -0.01 |
| | Veera (Noticee No. 16) | 313 | Mitesh (Noticee No. 9) | 6458 | 1 | 1 | | |
| 15.01.2013 | Hanmanth (Noticee No. 12) | 6458 | Mitesh (Noticee No. 9) | 6458 | 2 | 10000 | 5132 | 0 |
| | Mitesh (Noticee No. 9) | 6458 | Hanmanth (Noticee No. 12) | 6458 | 7 | 5132 | | |
| | | | | **TOTAL** | **46** | **2,11,612** | **85,986** | |

49. Summary of entity wise reversal trades are given below:

**Table - 6**

| Sr. no. | Name of Entity | No. of reversal trades | No. of days | Reversal Quantity |
|---|---|---|---|---|
| 1 | Hanmanth (Noticee No. 12) | 5 | 5 | 82,936 |
| 2 | Mitesh (Noticee No. 9) | 3 | 3 | 5,137 |
| 3 | Inaganti (Noticee No. 6) | 2 | 2 | 49,800 |
| 4 | Anitha (Noticee No. 4) | 2 | 2 | 1,049 |
| 5 | Veera (Noticee No. 16) | 1 | 1 | 1 |
| 6 | Ronak (Noticee No. 7) | 1 | 1 | 132 |
| 7 | Sree Lakshmi (Noticee No. 2) | 1 | 1 | 28,000 |
| 8 | Dhana (Noticee No. 1) | 1 | 1 | 2,000 |
| 9 | Vidyasagar Reddy Nagireddy | 1 | 1 | 2,000 |
| 10 | Cherukuri Kutumba Rao | 1 | 1 | 917 |

50. From the above, I note that 10 connected entities (including 8 Noticees i.e. Notice Nos. 1, 2, 4, 6, 7, 9, 12 and 16 ) had executed 9 reversal trades, wherein 85,986 shares (0.19%) were reversed out of the total traded quantity of 2,11,612 shares (40.63%), thereby contributing to the market volume. Further, I note that for the said trades, shares had been bought and sold from the same counter parties on the same day, without change in beneficial ownership, indicating that reversal trades had been executed by the Noticees. I also note that, Hanmanth (Noticee No. 12), Mitesh (Noticee No. 9), Inaganti

(Noticee No. 6) and Anitha (Noticee No. 4) had repeatedly indulged in reversal trading and thereby created artificial volume. Therefore, they are non-genuine trades as they involve an entity reversing its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. Additionally, none of the entities charged with the said allegation have refuted the same.

51. Further, the Hon'ble SAT in the matter of **V. G. Capital Market Pvt. Ltd.** also noted the following:

"*The trading system on the exchanges is based on the principle of anonymity. The buyer does not know who the seller is and seller cannot know who the buyer is. In other words, the buyer should buy the shares without being concerned as to who the seller is and similarly the seller should sell the shares in the market without being concerned about the buyer and it is the system which determines the buyer and the seller by matching the buy and sell orders. On a screen based trading, the best Adjudication Order in the matter of Suraj Ltd. Page 19 of 24 buy order will match the best sell order subject to price time priority. The buyer and seller cannot keep matching their trades and if they do, they are obviously manipulating the system which is the case before us. Reverse trades are a clear instance of manipulative trading. It is true that before any buy and sell order can result in a trade they must match but this matching must take place through the system without the intervention of any human element.* ***Knowing how the system works, reverse trades are not possible unless the trades are manipulated particularly when the scrip is liquid****.*"

52. Therefore, I find that Noticees Nos. 1, 2, 4, 6, 7, 9, 12 and 16 were involved in reversal trades within the said group of connected entities and had created artificial volume by giving false and misleading appearance of trading in the scrip.

**Finding w.r.t Self-trade:**

53. Self –trade is when a trade is executed by an entity, in such a way that the entity is both the buyer and the seller in that particular trade. Upon perusal of the trades and order executed by the connected entities, I note that 13 entities namely Noticee Nos. 1, 7, 21, 3, 10, 26, 9, 12, 14, 4, 23, 2 and 15, had executed self-trades (i.e. same buy client as well as the sale client for a given trade resulting in no change of beneficial ownership) during the investigation period. Further, Noticees namely, Dhana (Noticee No. 1), Ronak (Noticee No. 7), Rushabh (Noticee No. 22), Makkena (Noticee No. 3) and Hiten (Noticee No. 10) had indulged in repetitively in self- trading as their self-trades were more than two executed in two or more days and created artificial volume. The details of the repeatedly executed self-trades are as under:

**Table-7**

| Sr. no. | Client Name | Total Buy | Total Sale | Self-trade qty | % of Total Buy | % Total Sale | % of Market Volume | No of Self trades | No. of self traded days | LTP Contribution |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dhana (Noticee No. 1) | 29,65,398 | 34,44,233 | 2,86,674 | 10 | 8 | 1 | 25 | 11 | 0.89 |
| 2 | Ronak (Noticee No. 7) | 7,75,306 | 12,51,657 | 1,06,510 | 14 | 9 | 0 | 23 | 10 | 0.16 |
| 3 | Rushabh (Noticee No. 22) | 6,23,725 | 6,73,725 | 91,127 | 15 | 14 | 0 | 11 | 3 | -0.4 |
| 4 | Makkena (Noticee No. 3) | 22,32,659 | 23,65,779 | 11,328 | 1 | 0 | 0 | 6 | 2 | 0.1 |
| 5 | Hiten (Noticee No. 10) | 5,77,713 | 6,36,973 | 29,007 | 5 | 5 | 0 | 4 | 2 | -0.35 |

54. Intention is *sine qua non* for establishing manipulation in the case of self-trades. Therefore, the relevant issue to decide is whether there is any manipulation that arises out of the self-trades executed by the Noticees or if there is any intention to enter into self-trades. I note that certain Noticees had repeatedly executed self-trades, for instance Noticee No. 1(Dhana Enenrgy Pvt. Ltd.) has executed 25 self-trades, while Noticee No. 7 (Ronak) has executed 23 self-trades, which contributed to 0.89% and 0.16%, of the LTP contribution, respectively. Further, none of the entities charged with the said allegation have refuted the same.

55. I find that repeatedly executing self-trades depicts the intention of the Noticees to create artificial volume and it is imperative to consider such trades

along with the synchronized trades and reversal trades carried out by them with the other Noticees in toto. In view of the above, I find that Noticee Nos. 1, 7, 21, 3, 10, 26, 9, 12, 14, 4, 23, 2 and 15, used self-trades as another platform to supplement the creation of artificial volume in the scrip leading to false and misleading appearance of trading in the scrip without intention of change of ownership of shares and thereby the aforesaid Noticees have violated the provisions of Regulations 3(a),(b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP regulations, 2003

**Finding w.r.t price rise:**

56. With regard to the charges of price manipulation, the SCN alleged that Noticees No. 1, 3 to 9, 11 to 16, 18 to 20, 23 and 27 to 29 had traded among themselves which resulted in no change in beneficial ownership and contributed to artificial price rise of the scrip.

57. Last Traded Price (LTP) is the last price at which trade occurred in the scrip. The occurrence of the same depends on the liquidity of the market. It is relevant during the day and the at the end of the day, it becomes the closing price for the day. Trading volume plays a key role in determining the LTP of a scrip in the market.

58. Further, the SCN alleged that during the investigation period, the price of the scrip opened at Rs. 8 on January 2, 2012 and rose to Rs. 26.7 on May 18, 2012 and then gradually reduced to Rs. 11.7 on January 23, 2013. Accordingly, the LTP analysis was carried out in two patches i.e, January 2, 2012 to May 2012 (Patch I) and June 2012 to Jan 23, 2013 (Patch II).

59. During patch I, the scrip opened at Rs. 8 and closed at 25.5 i.e., a rise of 218.75%. The LTP Analysis for all the clients during Patch I is shown below:

**Table-8**

| At BSE | No of Shares | As % of Mkt Vol | No. of Trades | As % of Total Trades | LTP Impact |
|---|---|---|---|---|---|
| At LTP | 63,21,752 | 53.97 | 5,708 | 47.46 | 0 |
| LTP > 0 | 33,83,135 | 28.88 | 3,447 | 28.66 | 533.3 |
| LTP < 0 | 20,09,179 | 17.15 | 2,871 | 23.87 | -515.8 |
| **Total** | **1,17,14,066** | 100 | **12,026** | 100 | **17.5** |

60. The LTP analysis in respect of buy trades undertaken by the 'non connected entities' 'connected entities' and the 'connected entities within themselves' for patch I are shown as under:

**Table-9**

| Name (Buy side) | All trades | | | LTP Diff. > 0 | | | LTP Diff. < 0 | | | LTP Diff. =0 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Net LTP Impact (Rs.)** | **Sum of Qty Traded (% to mkt vol)** | **No of trades** | **LTP impact** | **QTY traded (% to mkt vol)** | **No of trades** | **LTP impact** | **QTY traded (% to mkt vol)** | **No of trades** | **QTY traded (% to mkt vol)** | **No of trades** |
| **Non connected entities** | -93.32 | 5965673 | 8871 | 391.59 | 1334680 | 2207 | -484.91 | 1450780 | 2582 | 3180213 | 4082 |
| **Connected entities** | 110.82 | 5748393 | 3155 | 141.71 | 2048455 | 1240 | -30.89 | 558399 | 289 | 3141539 | 1626 |
| **Connected entities trades within themselves** | 5.6 | 2737096 | 456 | 9.23 | 1011206 | 131 | -3.63 | 272515 | 35 | 1453375 | 290 |

61. During patch II, the scrip opened at Rs. 24.5 and closed at 11.7 i.e., a fall 52.24%. The LTP Analysis for all the clients during Patch II is shown below:

**Table-10**

| At BSE | No of Shares | As % of Mkt Vol | No. of Trades | As % of Total Trades | LTP Impact |
|---|---|---|---|---|---|
| At LTP | 1,82,02,919 | 52.74 | 11,320 | 50.37 | 0 |
| LTP > 0 | 90,65,684 | 26.27 | 5,376 | 23.92 | 686.02 |
| LTP < 0 | 72,47,457 | 21.00 | 5,778 | 25.71 | -698.82 |
| **Total** | **3,45,16,060** | 100 | **22,474** | 100 | **-12.8** |

62. The LTP analysis in respect of buy trades undertaken by the 'non connected entities', 'connected entities' and the 'connected entities within themselves' for Patch II are shown below:

**Table-11**

| Name (Buy side) | All trades | | | LTP Diff. > 0 | | | LTP Diff. < 0 | | | LTP Diff. =0 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net LTP Impact | Sum of Qty Traded | No of trades | LTP impact | QTY traded | No of trades | LTP impact | QTY traded | No of trades | QTY traded | No of trades |
| **Non connected entities** | -188.9 | 15130284 | 16427 | 435.37 | 2860233 | 3229 | -624.27 | 3682429 | 4509 | 8587622 | 8689 |
| **Connected entities** | 176.1 | 19385776 | 6047 | 250.65 | 6205451 | 2147 | -74.55 | 3565028 | 1269 | 9615297 | 2631 |
| **Connected entities trades within themselves** | 26.34 | 13112850 | 2079 | 55.19 | 3431039 | 491 | -28.85 | 2374204 | 414 | 7307607 | 1174 |

63. Secondly, the investigation revealed that the connected entities had net impacted on LTP of Rs. 110.82 for patch I and Rs. 176.1 for Patch II which were much higher than the total net LTP of Rs. 17.5 for Patch I and Rs.-12.8 of Patch II respectively.

64. The total trades executed by the connected entities were 3155 for patch I and 6047 for patch II which were 26.23% and 26.91% of the total trades executed during the respective patches i.e., in total 26.67% of the total trades during the investigation period were executed by the connected entities.

65. Out of the 3155 trades by connected entities for patch I, 1915 (1289 + 1629) trades i.e., 60.69% of their total trades were executed at LTP or below LTP. In patch II, out of 6047 trades, 3900 (1269 + 2631) trades i.e., 64.49% of their trades were executed at LTP or below LTP.

66. The total trades executed by connected entities at LTP and below LTP were 1915 for Patch I and 3900 for Patch II which were 22.32% and 22.8% of the total trades at LTP and below LTP of respective patches.

67. Further, except for 456 trades (14.45% of total connected trades) in Patch I and 2079 (34.38% of total connected entities trades) for patch II, in remaining trades the counter parties were scattered and not related.

68. The connected entities among themselves had net impact of Rs. 5.6 on LTP for Patch I and Rs. 26.34 on LTP for patch II (i.e., the net impact of Rs. 31.94 on LTP for the whole investigation period). The LTP analysis for the whole investigation period is given below:-

**Table-12**

| Name | All trades | | | LTP Diff. >0 | | | LTP Diff. < 0 | | | LTP Diff. =0 | | % of positive LTP to Total Market positive LTP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sum of LTP diff | Sum of Quantity | No of trades | LTP impact | QTY traded | No of trades | LTP impact | QTY traded | No of trades | QTY traded | No of trades | |
| During the period of investigation | 3.7 | 46230126 | 34500 | 1219.32 | 12448819 | 8823 | -1215.62 | 9256637 | 8650 | 24524670 | 17027 | 100% |
| The connected entities buy trades | 286.92 | 25134169 | 9202 | 392.36 | 8253906 | 3387 | -105.44 | 4123427 | 1558 | 12756836 | 4257 | 32.18% |
| The connected entities trades within themselves | 31.94 | 15849946 | 2535 | 64.42 | 4442245 | 622 | -32.48 | 2646719 | 449 | 8760982 | 1464 | 5.28% |
| Other than the connected entities buy trades | -283.22 | 21095957 | 25298 | 826.96 | 4194913 | 5436 | -1110.18 | 5133210 | 7092 | 11767834 | 12770 | 67.82% |

69. The details of individual contribution of the connected entities including the Noticees for the whole investigation period is shown below:

**Table-13**

| Sr. no. | Name | Total No of trades | no of trades above LTP | Gross increase in price | No of trades less than LTP | Gross fall in price | No of trades at LTP | Patch I | Patch II | Net impact |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dhana (Noticee No. 1) | 274 | 68 | 8.96 | 35 | -2.93 | 171 | 1.3 | 4.73 | 6.03 |
| 2 | Makkena (Noticee No. 3) | 232 | 56 | 6.39 | 26 | -1.97 | 150 | 1.1 | 3.32 | 4.42 |
| 3 | Swarna (Noticee No. 11) | 56 | 25 | 2.85 | 5 | -0.33 | 26 | 0.45 | 2.07 | 2.52 |
| 4 | Anitha (Noticee No. 4) | 266 | 61 | 4.54 | 28 | -2.07 | 177 | 0.68 | 1.79 | 2.47 |
| 5 | Ronak (Noticee No. 7) | 251 | 51 | 7.28 | 101 | -4.85 | 99 | 0 | 2.43 | 2.43 |
| 6 | Hanmanth (Noticee No. 12) | 116 | 38 | 3.8 | 13 | -1.43 | 65 | 0.21 | 2.16 | 2.37 |
| 7 | Veerabhadra (Noticee No. 14) | 119 | 44 | 3.13 | 11 | -0.78 | 64 | 0.91 | 1.44 | 2.35 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 8 | Mitesh (Noticee No. 9) | 199 | 40 | 4.17 | 47 | -2.56 | 112 | 0 | 1.61 | 1.61 |
| 9 | KCM (Noticee No. 31) | 24 | 10 | 1.37 | 1 | -0.05 | 13 | 0.25 | 1.07 | 1.32 |
| 10 | Gudimetla (Noticee No. 15) | 90 | 31 | 2.32 | 16 | -1.04 | 43 | 0 | 1.28 | 1.28 |
| 11 | Leha (Noticee No. 17) | 57 | 14 | 1.72 | 3 | -0.45 | 40 | -0.1 | 1.37 | 1.27 |
| 12 | Inaganti (Noticee No. 6) | 184 | 30 | 4.27 | 38 | -3.12 | 116 | 0.06 | 1.09 | 1.15 |
| 13 | Pavan (Noticee No. 5) | 53 | 10 | 0.92 | 6 | -0.06 | 37 | 0.35 | 0.51 | 0.86 |
| 14 | Srikanth (Noticee No. 21) | 19 | 8 | 0.85 | 1 | -0.05 | 10 | 0.15 | 0.65 | 0.8 |
| 15 | Sunil (Noticee No. 13) | 13 | 4 | 0.85 | 1 | -0.05 | 8 | 0 | 0.8 | 0.8 |
| 16 | Ram (Noticee No. 29) | 28 | 10 | 1.52 | 5 | -0.75 | 13 | -0.2 | 0.97 | 0.77 |
| 17 | Srinivas (Noticee No. 8) | 108 | 23 | 1.27 | 15 | -0.82 | 70 | -0.1 | 0.55 | 0.45 |
| 18 | Venkata (Noticee No. 25) | 16 | 7 | 0.6 | 3 | -0.25 | 6 | 0.1 | 0.25 | 0.35 |
| 19 | Veera (Noticee No. 16) | 21 | 2 | 0.39 | 4 | -0.05 | 15 | 0 | 0.34 | 0.34 |
| 20 | I K Projects (Noticee No. 23) | 24 | 7 | 0.42 | 2 | -0.1 | 15 | 0 | 0.32 | 0.32 |
| 21 | Maddikeri (Noticee No. 20) | 16 | 3 | 0.26 | 6 | -0.09 | 7 | 0 | 0.17 | 0.17 |
| 22 | Rajendra (Noticee No. 33) | 3 | 2 | 0.15 | 0 | 0 | 1 | 0 | 0.15 | 0.15 |
| 23 | Ashwin (Noticee No. 32) | 5 | 1 | 0.15 | 1 | -0.05 | 3 | 0 | 0.1 | 0.1 |
| 24 | Cementex (Noticee No. 30) | 14 | 4 | 0.13 | 2 | -0.04 | 8 | 0.09 | 0 | 0.09 |
| 25 | Ketan (Noticee No. 19) | 16 | 6 | 0.6 | 3 | -0.52 | 7 | 0 | 0.08 | 0.08 |
| 26 | Vidyasagar Reddy Nagireddy | 20 | 1 | 0.05 | 0 | 0 | 19 | 0 | 0.05 | 0.05 |
| 27 | Rushabh (Noticee No. 22) | 57 | 11 | 0.62 | 8 | -0.62 | 38 | 0 | 0 | 0 |
| 28 | Aggarwal Anshul | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| 29 | G Sandhya Rani | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 | Shivcharan (Noticee No. 37) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 | Ravi Suryanarayana | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | Ravi Swarajya (Noticee No. 35) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 | Shyam (Noticee No. 34) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34 | Vadlamudi (Noticee No. 28) | 17 | 6 | 0.11 | 5 | -0.14 | 6 | 0 | -0.03 | -0.03 |
| 35 | Suresh (Noticee No. 24) | 3 | 0 | 0 | 1 | -0.05 | 2 | 0 | -0.05 | -0.05 |
| 36 | Nilesh (Noticee No. 27) | 1 | 0 | 0 | 1 | -0.05 | 0 | 0 | -0.05 | -0.05 |
| 37 | Cherukuri Kutumba Rao | 3 | 1 | 0.05 | 1 | -0.15 | 1 | -0.1 | 0 | -0.1 |
| 38 | Sree Lakshmi (Noticee No. 2) | 123 | 25 | 2.77 | 29 | -2.87 | 69 | 0.35 | -0.45 | -0.1 |
| 39 | Samprit (Noticee No. 18) | 13 | 4 | 0.25 | 5 | -0.5 | 4 | 0 | -0.25 | -0.25 |
| 40 | Suman (Noticee No. 26) | 10 | 2 | 0.11 | 7 | -0.49 | 1 | 0 | -0.38 | -0.38 |
| 41 | Hiten (Noticee No. 10) | 83 | 17 | 1.55 | 19 | -3.2 | 47 | 0.1 | -1.75 | -1.65 |
| | **Total** | **2535** | **622** | **64.42** | **449** | **-32.48** | **1464** | 5.6 | 26.34 | **31.94** |

70. I note that this collective contribution to market positive LTP and net LTP, is by no mean insignificant. I note that while acting in concert in a group, as in this case, trading by some of the connected entities had negatively impacted

the LTP on net basis while trading by other entities had positively impacted the LTP on net basis. Therefore, in order to understand the overall impact of by the Noticees along with the connected entities, their aggregate net LTP contribution is to be seen. Similarly, if it is a case of prise rise, the aggregate net LTP contribution by the Noticees along with the connected entities has to be seen.

71. From the various instances of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by the Noticees along with the connected entities and the trading behavior in the scrip, I find that they have acted together in order to manipulate the price of the scrip of VPVIL. Further, I find from the above table, that the entities at S. No. 1 to 25 (consisting of the Noticees along with the connected entities) were the top contributors to the LTP in the scrip of VPVIL. I note that, Noticees No. 1, 3 to 9, 11 to 16, 18 to 20, 23 and 27 to 29 along with the connected entities traded among themselves and executed a total of 2535 trades wherein the number of trades above the LTP was 622 which resulted in the gross increase in price to 64.42 % and the number of trades below the LTP was 449 which resulted in the gross decrease in price to -32.48 %. Consequently, the impact in Patch I was 5.6% and the impact in Patch II was 26.34%, resulting in the total impact of 31.94% by the said connected entities.

72. During the course of the proceedings it was observed that Noticee No. 1 (Dhana Energy Pvt. Ltd.) was under liquidation as per order dated 23.06.2015 of the Hon'ble High Court of Hyderabad. It is noted from the records that the present SCN in the matter was issued on March 11, 2015. Therefore, liquidation of the company was initiated after the commencement of the present adjudication proceedings. Further, from the response provided by the Official Liquidator of Hyderabad, it is observed that the process of liquidation of the company is still under process.

73. Further, in the case of **BP Comtrade Pvt. Ltd. And BP Fintrade Pvt. Ltd. Vs. SEBI**, the Hon'ble SAT vide its order dated 20.11.2020, stated as under; "….. Even if affected only by 10% of the market volume in the scrip of Blue Blends, as contended by the appellants it is no consolation since influencing 10% of the market by 2 entities is a significant deviation from the market equilibrium."

74. Therefore, the Noticees along with the connected entities had traded among themselves with no change in beneficial ownership resulting in the impact of 5.6% in Patch I and the impact of 26.34% in Patch II, amounting to the net impact of 31.94%, which is very substantial in the securities market, and consequently deviating from the market equilibrium. In view of the above, I find that Noticees No. 1, 3 to 9, 11 to 16, 18 to 20, 23 and 27 to 29 had contributed to artificial price rise of the scrip and thereby violated the provisions of Regulation 4(2) (b) and (e) of the PFUTP Regulations.

***Does the violations, attract monetary penalty under Section 15 HA of SEBI Act for the Noticees?***

75. The provisions of Section 15HA of the SEBI Act, 1992 read as under:

**<u>Penalty for fraudulent and unfair trade practices.</u>**
***15HA***.*If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

76. In the matter of **SEBI vs Kishore R. Ajmera,** (supra) the Hon'ble Supreme Court held that:
*"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in*

*order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light".*

77. I further note that, the Hon'ble Supreme Court of India in the matter of Chairman, **SEBI Vs Shriram Mutual Fund** {[2006]5 SCC 361} has 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.............."*

78. Hence, in view of the foregoing, I note that the aforesaid trades of the Noticees were non-genuine and have created false or misleading appearance of trading in terms of artificial volume in stock options and therefore manipulative and deceptive in nature. Further, it cannot be ignored that synchronization of trades, reversal trades and execution of self-trades in pre-determined manner had an adverse impact on the fairness, integrity and transparency in the securities market. The non-genuine and deceptive transactions of the Noticees as discussed herein above were "fraudulent", as defined under Regulation 2 (1) (c) of PFUTP Regulations and I am convinced that the Noticees are liable for monetary penalty under Section 15HA of the SEBI Act.

***If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?***

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

**Factors to be taken into account by the adjudicating officer.**

*Section 15J - 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.*

80. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the aforesaid violations by the Noticees is not available. Further, material available on record does not show that the said failure is repetitive. However, I note that, as the regulator of the capital markets, SEBI has the vowed duty to safeguard the interests of investors and protect the integrity of the securities market. The acts of synchronizing trades, reversing trades, executing self-trades whereby artificially increasing the price of scrip and creating a misleading appearance of trading have potential to mislead investors and the fundamental tenets of market integrity get violated with impunity due to such fraudulent acts. I am of the considered view that the manipulation in the price of the scrip by a group of connected entities has the potential to induce gullible and genuine investors to trade in the scrip and harm them. The modus operandi adopted by the Noticees is detrimental to the smooth functioning of the securities market, and hence, deserve to be viewed seriously.

## ORDER

81. Having considered all these facts and circumstances of the case, the material available on record, the factors mentioned in 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 the following penalties on the Noticees, for the violations as specified in this order:

| S.No. | Noticee | Penal Provisions | Penalty (Rs.) |
|---|---|---|---|
| 1 | Dhana Energy Pvt. Ltd. | Section 15HA of SEBI Act | Rs. 4,00,000/- |
| 2 | Sree Lakshmi Marupudi | | Rs. 3,00,000/- |
| 3 | Makkena Rama Krishna | | Rs. 3,00,000/- |
| 4 | Anitha Yarlagadda | | Rs. 4,00,000/- |
| 5 | Pavan Kumar Babu Konere | | Rs. 3,00,000/- |
| 6 | Inaganti Vishnu Sekhar | | Rs. 3,00,000/- |
| 7 | Ronak Ashwin Choksi | | Rs. 4,00,000/- |
| 8 | Srinivas Rao Marupudi | | Rs. 3,00,000/- |
| 9 | Mitesh Ajit Thakkar | | Rs. 4,00,000/- |
| 10 | Hiten Pravinchandra Shah | | Rs. 3,00,000/- |
| 11 | Swarna Kumari Kolli | | Rs. 3,00,000/- |
| 12 | Hanmanth Reddy Adla | | Rs. 4,00,000/- |
| 13 | Sunil Kumar Hariprasad Pal | | Rs. 3,00,000/- |
| 14 | Veerabhadra Rao Dandamudi | | Rs. 3,00,000/- |
| 15 | Gudimetla Hanumath Sunder | | Rs. 3,00,000/- |
| 16 | Veera Kumar Das Surapanani | | Rs. 3,00,000/- |
| 17 | Samprit Ravi Raja | | Rs. 2,00,000/- |

| | | | |
|---|---|---|---|
| 18 | Ketan Gunvantrai Mehta | | Rs. 3,00,000/- |
| 19 | Maddikeri Sreenivasulu | | Rs. 3,00,000/- |
| 20 | Srikanth Patchava | | Rs. 3,00,000/- |
| 21 | Rushabh Finance | | Rs. 3,00,000/- |
| 22 | Suresh Nanji Dabhi | | Rs. 2,00,000/- |
| 23 | Venkata Sivaram Prasad Raavi | | Rs. 3,00,000/- |
| 24 | Suman Lalit Jain | | Rs. 2,00,000/- |
| 25 | Nilesh Raghunath Sonone | | Rs. 2,00,000/- |
| 26 | Vadlamudi Srikrishna | | Rs. 3,00,000/- |
| 27 | Ram Kishore Bajaj(HUF) | | Rs. 3,00,000/- |
| 28 | Ashwin Lalit Jain | | Rs. 3,00,000/- |
| 29 | Rajendra Kantilal Mistry | | Rs. 3,00,000/- |
| 30 | Shyam Sunder Nagla | | Rs. 2,00,000/- |
| 31 | Ravi Swarajya Bahrathi | | Rs. 2,00,000/- |
| 32 | Ravi Suryanarayana | | Rs. 2,00,000/- |
| 33 | Shivcharan Shreedhar Kashyap | | Rs. 2,00,000/- |

82. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

**ENFORCEMENT → ORDERS→ ORDERS OF AO→ PAY NOW**

83. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to "The Division Chief, Enforcement Department (EFD1 – DRA II), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051."

| | |
|---|---|
| 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 :<br><br>(like penalties/ disgorgement/ recovery/<br><br>settlement amount etc.) | |

84. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this order, consequential proceedings including, but not limited to, Recovery Proceedings may be initiated under Section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

85. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees, Official Liquidator of Noticee No. 1(Dhana Energy Pvt. Ltd.) and also to the Securities and Exchange Board of India.

**Date: November 09, 2021** **G RAMAR**

**Place: Mumbai** **ADJUDICATING OFFICER**