BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/JS/AU/2022-23/20743-20745

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

In respect of:

Noticee No.	Name of the Noticee	PAN No.
1.	Kenneth Pinto	AKHPP3190M
2.	Gillian Pinto	ANUPP6300K
3.	Adolf Pinto Share & Stock Broker	-

In the matter of Era Constructions (India) Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted an investigation into trading in the scrip of Era Constructions India Limited (hereinafter referred to as **Era / Company**) during the period from March 17, 2004 to November 12, 2004 (hereinafter referred to as **Investigation Period**). During the investigation period, the scrip was listed at BSE, Delhi Stock Exchange Association Ltd. (hereinafter referred to as DSE) and Ahmedabad Stock Exchange Ltd. (hereinafter referred to as ASE). However, no trading was reported at DSE and at ASE during the investigation period. The shares of the company were also listed at National Stock Exchange of India Ltd. w.e.f. March 27, 2006, i.e. post-investigation period. The trading pattern in this scrip was investigated together as it was observed that similar pattern of synchronized deals was executed by a group of certain clients and brokers in the said scrip. The role of the stock brokers/sub-brokers and their clients who had traded in the said scrip was scrutinized. It was observed during the investigation that some of the stock brokers and their clients had indulged in several

synchronization of trades in the said scrip in such a manner that led to creation of artificial volumes.

2. It was alleged that the trades executed amongst the group were synchronized in nature and created artificial volume in the scrip of Era during the said investigation period. SEBI initiated adjudication proceedings against Kenneth Pinto (hereinafter referred to as **Noticee 1**), Gillian Pinto (hereinafter referred to as **Noticee 2**) and Adolf Pinto Share & Stock Broker (hereinafter referred to as **Noticee 3**) (Collectively referred to as **Noticees**) to inquire and adjudge under Sections 15HA and 15HB of the SEBI Act, 1992 for the violations of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the **PFUTP Regulations, 2003**) by the three Noticees and SEBI (Stock Broker and Sub-Brokers) Rules, 1992 (hereinafter referred to as **Stock Brokers Rules**) by Adolf Pinto Share & Stock Broker. The details of allegation against the Noticees are summarized as follows:

Sr. No.	**Name of the Noticee**	**Provisions violated**	**Penal provisions of SEBI Act**
1	Kenneth Pinto	Regulations 4(1), 4(2)(a) and 4(2) (g) of PFUTP Regulations, 2003	15HA
2	Gillian Pinto	Regulations 4(1), 4(2)(a) and 4(2) (g) of PFUTP Regulations, 2003	15HA
3	Adolf Pinto Share & Stock Broker	Regulations 4(1), 4(2)(a) and 4(2) (g) of PFUTP Regulations, 2003 Provisions of A(2), A(4) of code of conduct as specified in Schedule under Regulation 7 of SEBI (Stock Broker and Sub-Brokers) Rules, 1992	15HA and 15HB

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed the undersigned as the Adjudicating Officer (hereinafter referred to as **AO**) vide order dated May 22, 2009, to conduct the Adjudication Proceedings in the instant matter under section 15-I of the SEBI Act, 1992 (hereinafter referred to as **SEBI Act**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing

अधिनियम १९९२ के अधीन न्यायनिर्णायक अधिकारी
Adjudicating Officer under Securities and Exchange Board of India Act, 1992

Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **Adjudication Rules**) to inquire into and adjudge the alleged violations committed by the Noticees under Sections 15HA and 15HB of the SEBI Act for the violations of regulations 4(1) and 4(2)(a) and 4(2)(g) of the PFUTP Regulations alleged to have been committed by the Noticees and Provisions of A(2), A(4) of code of conduct as specified in Schedule under Regulation 7 of Stock Broker Rules, 1992 by Noticee 3. Pursuant to my transfer, the matter was transferred to another AO vide order dated January 17, 2012. Subsequently, the matter was transferred to the undersigned for further proceedings.

SHOW CAUSE NOTICE, HEARING AND REPLY

4. Separate Show Cause Notices dated the August 12, 2010 (hereinafter referred to as SCN) were sent to the Noticees under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held against the Noticees and penalty be not imposed on the Noticees, in respect of the aforesaid violations alleged to have been committed by the Noticees, under Sections 15HA and 15HB of SEBI Act for the alleged violation specified in the said SCN. The allegations levelled against the Noticees in the SCN are summarized as follows:-

   a) SEBI conducted investigation into the dealings in the scrip of Era, during the period from March 17, 2004 to November 12, 2004. It was alleged that the broker Adolf Pinto Share & Stock broker and its clients namely Kenneth Pinto and Gillian Pinto traded in the scrip of Era at BSE.

   b) On analysing the trade and order log it was observed that a group of clients including the Noticees and a few brokers, traded significantly in the scrip of Era during the period under investigation at BSE. The major brokers and clients who have traded significantly were S.P.J Stock Brokers Pvt. Ltd. (dealing in own account), Uttam Financial Services (dealing in own account), Pawan J Choudhri (dealing in own account); Harikishan Hiralal (dealing for Victory Trading Corporation), Adolf Pinto.Share & Stock Broker (dealing on behalf of Shri

Kenneth Pinto, Ms. Gillian Pinto and Mangera M Sharma), Vijay Bhagwandas Shah (dealing on behalf of Tejas Ghelani), Sanchay Fincom Ltd. (dealing on behalf of the Noticee), Galaxy Broking Ltd. (dealing on behalf of Kapil Bhuptani), ISJ Securities Pvt. Ltd. (dealing on behalf of Vijay Rathod), VSE Stock Services Ltd. (dealing on behalf of Mehul Shah), Ajmera Associates Pvt. Ltd. (dealing on behalf of Manherlal Vora, Pratap Sanghvi and Chetan Mehta), Southern Shares & Stocks Ltd. (dealing on behalf of Chirag Pujara). It was observed that these brokers and clients traded for gross quantity of 46,03,916 shares, bought 23, 18,731 shares (36.56% of total market-buy quantity) and sold 22,85,185 shares (36.03% of market-sell quantity).

c) It was observed that the stock broker, Adolf Pinto Share & Stock Broker traded in the scrip on behalf of its client's i.e. Kenneth Pinto, Gillian Pinto and Mangera M Sharma during the investigation period. The details are as follows:

Name of the Client	Buy Quantity (% of market volume)	No. of days	Sell Quantity (% of market volume)	No. of days
Kenneth Pinto	38665(0.61%)	10	38665(0.61%)	10
Gillian Pinto	22280(0.35%)	10	22280(0.35%)	10
Mangera M Sharma	20600(0.32%)	6	20805(0.33%)	7

d) It was observed that Kenneth Pinto bought 38665 shares (0.61% of total market-buy quantity) and sold 38665 shares (0.61% of market-sell quantity) during the period under investigation on 10 trading days out of total 170 trading days that the scrip was traded at BSE.

e) It was observed that Gillian Pinto bought 22280 shares (0.35% of total market-buy quantity) and sold 22280 shares (0.35% of market-sell quantity) during the period under investigation on 10 trading days out of total 170 trading days that the scrip was traded at BSE.

f) Analysis of the trading pattern revealed that there were instances of synchronized trades among group of brokers and clients including the Noticees, details of which are as given below:

Broker	Dealt for clients/ own account	Quantity Bought through synchronised trade	Quantity sold through synchronised trade	Gross Trading Volume	Synchronized trade to total market volume
Uttam Financial Services Ltd. (779)	OWN	273890	274531	548421	4.32%
S.P. J. Stock Brokers Pvt. Ltd. (646)	OWN	122240	201600	323840	2.55%
Vijay Bhagwandas Shah (77)	Tejas Ghelani (5061)	231415	236160	467575	3.69%
Sanchay Fincom Ltd. (204)	Sunil Purohit (S196)	207961	151845	359806	2.84%
M/S Harikishan Hiralal (267)	Victory Trading Corporation (Vasant Kumar Bissa) (5029)	147175	118785	265960	2.10%
Galaxy Broking Ltd. (513)	Kapil Bhuptani (K029)	50615	61945	112560	0.89%
Adolf Pinto (13)	Connected clients Kenneth Pinto (J4), Gillian Pinto (J5) and Mangeram Sharma (M010)	68445	59565	128010	1.01%
ISJ Securities Pvt. Ltd. (799)	Vijay Rathod (0C734)	55240	48015	103255	0.81%
Pawan J Choudhri (740)	OWN	29700	36050	65750	0.52%
VSE Stock Services Ltd. (253)	Mehul Shah (B668M01)	29555	25240	54795	0.43%
Ajmera Associates Pvt. Ltd. (911)	Manherlal Vora (M198), Pratap Sanghvi (P176), Chetan Mehta (C129)	2586	295	2881	0.02%
Southern Shares & Stocks Ltd. (182)	Chirag Pujara (P203)	0	4791	4791	0.04%
Total		**1218822**	**1218822**	**2437644**	**19.22%**

g) The above brokers and clients including the Noticees are alleged to have indulged in several synchronized trades among themselves for 64 trading days from the period from May 19, 2004 to September 23, 2004 where price and quantity of buy orders and sell orders were identical. Also the time difference between placing buy orders and sell orders was less than one minute of each other. The details of the alleged synchronised trades were provided to the Noticees as Annexure S of the SCN. These alleged synchronised trades resulted in 7969 trades out of a total of 25,873 trades in the market during the relevant 64 trading days. The number of alleged synchronised trades constituted 30.8% of total trades during the relevant 64 days. These alleged synchronized trades resulted out of 613 buy orders and 613 sell orders and resulted into trade of 12,18,822 shares which accounted for 19.22% of the total market volume of the investigation period, 33.96 % of market volume on those 64 trading days from May 19, 2004 to September 23, 2004 and around 53% of trading volume executed by the above brokers and clients including you (buy 23,18,731 shares and sell 22,85, 185 shares).

h) In all these instances, the difference between buy order time and sell order time was less than a minute. Out of these 7969 synchronized trades, in about 6966 trades, the time difference between buy order and sell order was less than 5 seconds. In all these trades, the price and quantity of the buy orders and sell orders were the same.

i) The trading pattern of the above mentioned brokers and clients including the Noticees involved in the alleged synchronized trades were further analyzed to ascertain the volume of trading among themselves so as to cull out their contribution on price and volume in the scrip.

Broker	Dealt for clients/ own account	Quqntity Bought through trading among themselves	Quantity sold through trading among themselves	Gross Trading Volume	% of trading among themselves to total market volume
Uttam Financial Services Ltd. (779)	OWN	371394	370021	741415	5.85
S.P. J. Stock Brokers Pvt. Ltd.(646)	OWN	316366	317785	634151	5.00
Vijay Bhagwandas Shah (77)	Tejas Ghelani (5061)	293495	295535	589030	4.64
Sanchay Fincom Ltd. (204)	Sunil Purohit (S196)	232136	231605	463741	3.66
M/S Harikishan Hiralal (267)	Victory Trading Corporation (Vasant Kumar Bissa) (5029)	205085	205320	410405	3.24
Galaxy Broking Ltd. (513)	Kapil Bhuptani (K029)	159455	156565	316020	2.49
Adolf Pinto (13)	Connected clients Kenneth Pinto (J4) and Gillian Pinto (J5), Mangera,m Sharma (M010)	81245	81545	162790	1.28
ISJ Securities Pvt. Ltd.	Vijay Rathod (0C734)	64940	64940	129880	1.02

(799)					
Pawan J Choudhri (740)	OWN	64525	62575	127100	1.00
VSE Stock Services Ltd. (253)	Mehul Shah (B668M01)	54280	53180	107460	0.85
Ajmera Associates Pvt. Ltd. (911)	Manherlal Vora (M198), Pratap Sanghvi (P176), Chetan Mehta (C129)	20401	3010	23411	0.18
Southern Shares & Stocks Ltd. (182)	Chirag Pujara (P203)	9800	31041	40841	0.32
Total		**1873122**	**1873122**	**3746244**	**29.54**

j) From the above table, it can be observed that the above brokers and clients including the Noticees executed trades for 18,73,122 shares through trading among themselves and this accounted for 81% of the total trading volume (buy 23, 18,731 shares and sell 22,85,185 shares) and 29.54% of the total market volume of 63,41 ,973 shares during the entire investigation period. Out of 170 trading days, Noticee along with the above brokers and clients have traded on 79 trading days among themselves. It is alleged that these trading of Noticees created significant contribution in generating volume in the scrip.

k) From the day-wise trading details (Annexure T-1 of the SCN) it was observed that the above clients and brokers including the Noticees significantly contributed to volume through trading among themselves on an average of 41.84% of daily market volumes on 79 trading days from May 19, 2004, to October 6, 2004 during the period under investigation and also contributed to daily market volume around 67% during the period May 19, 2004 to July 30, 2004.

l) The aforesaid findings led to the allegation that the Noticees had created artificial volumes in the scrip of Era during the investigation period. Therefor it is alleged that Noticees are in regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations and also Noticee 3 is in provisions of A(2), A(4) of code of conduct as specified in Schedule under Regulation 7 of Stock Broker Rules, 1992.

5. Vide hearing notices dated January 25, 2011, Noticees were advised to attend hearing before the Adjudicating Officer on February 14 & 15, 2011. Accordingly, the Authorised Representative (AR) attended the scheduled hearing on February 15, 2011 on behalf of the Noticees and submitted that the detailed reply to the SCN to be provided by February 21, 2011. It is observed from the available record that Noticees submitted their replies vide letters dated August 25, 2010, January 25, 2011 and February 17 & 21, 2011. Pursuant to the transfer of the instant matter to the undersigned now, vide hearing notice dated October 19, 2022, another opportunity of hearing was given to the Noticees on October 20, 2022, as confirmed by the AR on behalf of the Noticees. The AR attended the hearing through videoconferencing on October 20, 2022 on behalf of the Noticees and reiterated the submissions made by the Noticees vide their letters dated August 25, 2010, January 25, 2011 and February 17 & 21, 2011. AR also referred certain orders in the captioned matter that, SEBI itself has exonerated some entities in the instant matter as the Hon'ble Securities Appellate Tribunal (SAT) set aside Order of the SEBI in an appeal filed by one of the entity in the same matter. The AR referred to the order dated October 10, 2013 passed by the Hon'ble SAT in case of Mr. Kapil Bhuptani, Adjudication Order dated August 01, 2014 passed by the Ld. Adjudicating Officer in respect of Mangeram Sharma, Adjudication Order dated November 26, 2021 passed by the Ld. Adjudicating Officer in respect of Sunil Purohit in the same matter of Era Constructions (India) Ltd. In these Orders, the respective entities were exonerated. The Noticees herein are also facing similar charges. Thus, same yardstick should be applied in the case of the Noticees herein as applied in these cases.

6. Reply of the Noticees are as follows:

<u>*Reply of Kenneth Pinto (Noticee 1)*</u>

a) From the Show Cause Notice it is revealed that 9 brokers had traded on behalf of their 13 clients including myself and 3 brokers had traded in their own account in the scrip of Era Constructions (India) Ltd during the period starting from 17-03-

2004 to 12-11-2004. I emphatically state that I have no connection, relation or association with any of the 11 brokers (excluding my broker Adolf Pinto) and their clients (except Gillian Pinto) and no nexus between me and any of the counter party brokers and their clients has even been remotely established in the Show Cause Notice. I further state that the charge of collusion between me and other brokers and their clients is without any substance nor the Show Cause Notice provide any details to prove the same. Thus the charge against me that I had acted in collusion with other brokers and their clients to create artificial volume and trading in the scrip of Era Constructions (India) Ltd during the said investigation period and their by distorted the market equilibrium is not established in absence of any supporting documents proving meeting of minds or preconceived planning to execute trade in a structured manner as alleged in the Show Cause Notice.

b) *From the Show Cause Notice it is revealed that out of total 170 trading days my trades spread over a period of ten days between 02-06-2004 to 16-07-2004. It is alleged that I bought 37715 shares and sold 25565 shares of Era Constructions (India) Ltd within the group which are alleged as synchronized trades resulting in creation of artificial volume. I humbly submit that the charges leveled against me is neither established nor proved from the data provided to me. Annexure 03 (Kenneth Pinto) to the Show Cause Notice gives data of trades executed by me. On perusal of the data it is clear that on various dates there is only one leg of transaction that is on buy side only. It is thus apparent that the sell side transactions were not amongst the group as alleged. I humbly submit that has it been through predetermined planning to create artificial volume through synchronized trades firstly there would not have been any difference between buy and sell quantities amongst the group of the brokers and their clients as alleged and secondly in such situation the possibility of only leg of transaction would have been totally ruled out.*

c) *In Para 6 of the Show Cause Notice it is alleged that the brokers and clients including me are alleged to have indulged in several synchronized trades among themselves for 64 trading days from the period from 19-05-2004 to 23-09-2004 where price and quantity of buy orders and sell orders were identical. I humbly submit that the volume and the trading details mentioned in the said Para are not relevant to me as I had traded only for ten days as mentioned in the Show Cause Notice itself. The Show Cause Notice thus camouflages the trading pattern and gives a totally distorted picture moreover in Para 10 it is mentioned that out of 170 days of trading I along with other brokers and clients traded on 79 days* *amongst themselves which is totally incorrect and is in contradiction to the trading details given in Para 6. Thus the allegation made in the Show Cause Notice are misleading, vague and don't prove any complicity on my part as a client as alleged.*

d) I further wish to submit that I have not done any off market trade in the scrip of Era Constructions (India) Ltd. I had traded in several other scrip's and my mode of trading was to square of the transactions during the course of the day. The trades which are alleged to as synchronized trades are mere coincidence. Had it been done with some preconceived planning in collusion with other brokers and clients as alleged, all transactions would have been in group itself which is not the case as proved from the Show Cause Notice.

<u>Reply of Gillian Pinto (Noticee 2)</u>

a) From the Show Cause Notice it is revealed that 9 brokers had traded on behalf of their 13 clients including myself and 3 brokers had traded in their own account in the scrip of Era Constructions (India) Ltd during the period starting from 17-03-2004 to 12-11-2004. I emphatically state that I have no connection, relation or association with any of the 11 brokers (excluding my broker Adolf Pinto) and their clients (except Kenneth Pinto) and no nexus between me and any of the counter party brokers and their clients has even been remotely established in the Show Cause Notice. I further state that the charge of collusion between me and other brokers and their clients is without any substance nor the Show Cause Notice provides any details to prove the same. Thus the charge against me that I had acted in collusion with other brokers and their clients to create artificial volume and trading in the scrip of Era Constructions (India) Ltd during the said investigation period and their by distorted the market equilibrium is not established in absence of any supporting documents proving meeting of minds or preconceived planning to execute trade in a structured manner as alleged in the Show Cause Notice.

b) From the Show Cause Notice it is revealed that out of total 170 trading days my trades spread over a period of ten days between 20-05-2004 to 06-07-2004. It is alleged that I bought 18305 shares and sold 17400 shares of Era Constructions (India) Ltd within the group which are alleged as synchronized trades resulting in creation of artificial volume. I humbly submit that the charges leveled against me is neither established nor proved from the data provided to me. Annexure 03 (Gillian Pinto) to the Show Cause Notice gives data of trades executed by me.

On perusal of the data it is clear that on various dates there is only one leg of transaction that is on buy side only. It is thus apparent that the sell side transactions were not amongst the group as alleged. I humbly submit that has it been through predetermined planning to create artificial volume through synchronized trades firstly there would not have been any difference between buy and sell quantities amongst the group of the brokers and their clients as alleged and secondly in such situation the possibility of only leg of transaction would have been totally ruled out.

c) In Para 6 of the Show Cause Notice it is alleged that the brokers and clients including me are alleged to have indulged in several synchronized trades among themselves for 64 trading days from the period from 19-05-2004 to 23-09-2004 where price and quantity of buy orders and sell orders were identical. I humbly submit that the volume and the trading details mentioned in the said Para are not relevant to me as I had traded only for ten days as mentioned in the Show Cause Notice itself. The Show Cause Notice thus camouflages the trading pattern and gives a totally distorted picture moreover in Para 10 it is mentioned that out of 170 days of trading I along with other brokers and clients traded on 79 days amongst themselves which is totally incorrect and is in contradiction to the trading details given in Para 6. Thus the allegation made in the Show Cause Notice are misleading, vague and don't prove any complicity on my part as a client as alleged.

d) I further wish to submit that I have not done any off market trade in the scrip of Era Constructions (India) Ltd. I had traded in several other scrip's and my mode of trading was to square of the transactions during the course of the day. The trades which are alleged to as synchronized trades are mere coincidence. Had it been done with some preconceived planning in collusion with other brokers and clients as alleged, all transactions would have been in group itself which is not the case as proved from the Show Cause Notice.

<u>Reply of Adolf Pinto Share & Stock Broker (Noticee 3)</u>

a) From the Show Cause Notice it is revealed that 12 brokers including myself had traded in the scrip of Era during the period starting from 17-03-2004 to 12-11-2004. Out of the 12 brokers, 3 brokers had executed trades in their own account while the remaining 9 brokers including me had executed trades in the scrip of Era Constructions (India) Ltd on behalf of their clients. Thus it is clear that I did

Adjudicating Officer under Securities and Exchange Board of India Act, 1992 *not do any proprietary trade in the scrip of Era Constructions (India) Ltd and my income through brokerage was paltry.*

b) *From the Show Cause Notice it is not established that there was any nexus among me vis-a-vis the counter party brokers and their clients nor it is established that my clients had any nexus with the counter party brokers and /or their clients. Thus the charge against me that I had acted in collusion with other brokers and their clients to create artificial volume and trading in the scrip of Era Constructions (India) Ltd during the said investigation period and their by distorted the market equilibrium is not established in absence of any supporting documents proving meeting of minds or preconceived planning to execute trade in a structured manner as alleged in the Show Cause Notice.*

c) *From the Show Cause Notice it is revealed that out of total 170 trading days my clients namely Kenneth Pinto and Gillian Pinto traded on 10 days each and Mangeram Sharma traded for 6 days in the scrip of era.*

d) *The trading period of the Kenneth Pinto spread over from 02-06-2004 to 16-07-2004 in which period it is alleged that he traded for 10 days and he bought 37715 shares and sold 25565 shares of Era Constructions (India) Ltd within the group which are alleged as synchronized trades resulting in creation of artificial volume. I humbly submit that the charges leveled against me is neither established nor proved from the data provided to me. Annexure 3 (Kenneth Pinto) to the Show Cause Notice gives data of trades executed by Kenneth Pinto on perusal of the data it is clear that on various dates there is only one leg of transaction that is on buy side only. It is thus apparent that the sale side transactions were not amongst the group as alleged. I humbly submit that have it been through predetermined planning to create artificial volume through synchronized trades firstly there would not have been any difference between buy and sell quantities amongst the group of the brokers and their clients as alleged and secondly in such situation the possibility of only leg of transaction would have been totally ruled out.*

e) *The trading period of the Gillian Pinto spread over from 20-05-2004 to 06-07-2004 in which period it is alleged that he traded for 10 days and he bought 18305 shares and sold 17400 shares of Era Constructions (India) Ltd within the group which are alleged as synchronized trades resulting in creation of artificial volume. I humbly submit that the charges leveled against me is neither established nor proved from the data provided to me. Annexure 3 (Gillian Pinto) to the Show Cause Notice gives data of trades executed by Gillian Pinto on perusal of the data it is clear that on various dates there is only one leg of transaction. It is thus apparent that the one leg of transactions were not amongst the group as alleged. I humbly submit that have it been through predetermined planning to create* *artificial volume through synchronized trades firstly there would not have been any difference between buy and sell quantities amongst the group of the brokers and their clients as alleged and secondly in such situation the possibility of only leg of transaction would have been totally ruled out.*

f) *The trading period of the Mangeram Sharma spread over from 24-06-2004 to 02-07-2004 in which period it is alleged that he traded for 10 days and he bought 12425 shares and sold 16600 shares of Era Constructions (India) Ltd within the group which are alleged as synchronized trades resulting in creation of artificial volume. I humbly submit that the charges leveled against me is neither established nor proved from the data provided to me. Annexure 3 (Mangeram Sharma) to the Show Cause Notice gives data of trades executed by Mangeram Sharma on perusal of the data it is clear that on various dates there is only one leg of transaction that is on buy side only. It is thus apparent that the sale side transactions were not amongst the group as alleged. I humbly submit that have it been through predetermined planning to create artificial volume through synchronized trades firstly there would not have been any difference between buy and sell quantities amongst the group of the brokers and their clients as alleged and secondly in such situation the possibility of only leg of transaction would have been totally ruled out.*

g) *In Para 6 of the Show Cause Notice it is alleged that the brokers and clients including me are alleged to have indulged in several synchronized trades among themselves for 64 days from the period from 19-05-2004 to 23-09-2004 where price and quantity of buy orders and sell orders were identical. I humbly submit that the volume and the trading details mentioned in the said Para are not relevant to me as my clients had traded only for few days as mentioned in the Show Cause Notice itself. The Show Cause Notice thus camouflages the trading pattern and gives a totally distorted picture moreover in Para 10 it is mentioned that out of 170 days of trading I along with other brokers and clients traded on 79 days amongst themselves which is totally incorrect and is in contradiction to the trading details given in Para 6. Thus the allegation made in the Show Cause Notice are misleading, vague and don't prove any complicity on my part as a broker as alleged.*

h) *I further wish to submit that neither me nor my clients have done any off market trade in the scrip of era. My clients traded in several other scrip's and their mode of trading was to square of the transactions during the course of the day. The trades which are alleged to as synchronized trades are mere coincidence. Had it been done with some preconceived planning in collusion with other brokers and clients as alleged, all transactions would have been in group itself which is not the case as proved from the Show Cause Notice.*

7. In the light of the allegations contained in the SCN, the Noticee's submissions in respect of the allegations made in the SCN and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS

8. The issues arising for consideration in the instant proceedings are:-
   I. **Whether the provisions of regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations have been violated by the three Noticees?**
   II. **Whether the provisions of clauses A(2), A(4) of code of conduct as specified in Schedule under Regulation 7 of SEBI (Stock Broker and Sub-Brokers) Rules, 1992 violated by Noticee 3?**
   III. **If yes, whether the Noticees are liable for imposition of monetary penalty under Sections 15HA and 15HB of the SEBI Act, 1992?**
   IV. **If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act, 1992 read with Rule 5(2) of the Adjudication Rules?**

9. Now, I deal with the issues on merit in the matter.

Issue I. Whether the provisions of regulations 4(1) and 4(2)(a) and (g) of the PFUTP Regulations have been violated by the three Noticees?

Issue II. Whether the provisions of clauses A(2), A(4) of code of conduct as specified in Schedule under Regulation 7 of SEBI (Stock Broker and Sub-Brokers) Rules, 1992 violated by Noticee 3?

10. It is alleged in the SCN that, the Noticees were involved in synchronised trades in the scrip of Era during the period March 17, 2004 to November 12, 2004 being a part of a group of brokers and clients. Noticee 1 bought 38665 shares (0.61% of total

market-buy quantity) and sold 38665 shares (0.61% of market-sell quantity) during the period under investigation on 10 trading days out of total 170 trading days that the scrip was traded at BSE. Further, Noticee 2 bought 22280 shares (0.35% of total market-buy quantity) and sold 22280 shares (0.35% of market-sell quantity) during the period under investigation on 10 trading days out of total 170 trading days that the scrip was traded at BSE. The said synchronised trades were executed in the scrip of Era during the investigation period by their stock broker namely Adolf Pinto Share & Stock Broker i.e. Noticee 3. Therefore, it is alleged that Noticees were violated the provisions of PFUTP Regulations and also, Noticee 3 violated Stock Brokers Rules.

11. The provisions of PFUTP Regulations allegedly violated by the Noticees are reproduced below for reference: -

PFUTP Regulations

"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 –

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

....

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

12. From the available record, it is noted that Noticee 1 bought 38665 shares (i.e. 0.61% of market volume) and sold 38665 (i.e. 0.61% of market volume) shares in the scrip of Era and he had traded only for 10 days. Further, Noticee 2 bought 22280 shares (i.e. 0.35% of market volume) and sold 22280 shares (i.e. 0.35% of market volume)

अधिनियम १९९२ के अधीन न्यायनिर्णायक अधिकारी Adjudicating Officer under Securities and Exchange Board of India Act, 1992 in the scrip of Era and he had traded only for 10 days. Also, it is noted that the said trades of Noticee 1 and Noticee 2 were executed by the stock broker i.e. Noticee 3. With regard to the allegation of synchronised trades, I note that while the allegation of artificial volume creation through synchronised trades with group entities has been levelled on the Noticees, details of connection amongst the group entities (Noticees and its counterparty brokers/clients/group entities) are not available in the material on record.

13. I further note from the submissions of the Noticees that some of the group entities who allegedly carried out synchronised trades in the scrip of Era have not been found to have contravened the provisions of the PFUTP Regulations for the same allegations as seen from the orders of the Hon'ble SAT and Adjudication Orders.

14. It is relevant to mention here that in the same matter, the Hon'ble SAT, vide order dated October 10, 2013 in the respect of Mr. Kapil Bhuptani (one of the group entity in the matter of Era) had set aside the adjudication order and held that:

"6. We have heard both the learned counsel for the parties at length and we have perused the show cause notice, impugned order and pleadings minutely. In the entire impugned order nowhere is it provided by the respondent on the basis of any cogent or convincing or even circumstantial evidence that the appellant was involved with the group of brokers or other clients in manipulating the scrip or creating volumes in the said scrip with a view to destabilize the equilibrium of the market. During the arguments also a specific query was put to the respondent as to whether there is any finding regarding any connection between the appellant and the other members of the group of brokers and clients in the impugned order. The answer was fairly negative.

7. Therefore in our considered opinion simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable. Undoubtedly, the appellant has traded in the scrip for about 64 days which is admittedly minor, comprising only 0.89 percent of the total trades in the scrip, but in absence of some satisfactory evidence, the appellant cannot be held guilty of violation of Regulations 4(1) and 4(2)(a) and (g) of the Securities and Exchange Board of India (Prohibition of

Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Such an insignificant percentage of the total trading executed during the period of investigation in this case does not seem to indicate any prior meeting of minds as alleged by the respondent."

15. It is also relevant to mention here that in the instant matter, the Ld. Adjudicating Officer vide order dated August 01, 2014, in respect of Mr. Mangeram Sharma (one of the group entity in the instant matter and also one of the client of the stock broker Adolf Pinto Share & Stock broker i.e. Noticee 3) had disposed of the Adjudication proceedings initiated against Mr. Mangeram Sharma and held that:

"16. As regards to the allegation of synchronized trading by the Noticee in buying 12,425 shares and selling 16,600 shares, it is noted from the available records that the Noticee's contribution (for such alleged synchronized trading) is only 0.20% of the total volume in the scrip and the Noticee had traded only on 7 days. Further, there is nothing on records to show the connection / relation of Noticee with other entities / counterparty client / group as alleged.

17. Therefore, in light of the aforesaid order of the Hon'ble SAT and considering the volume of trading by the Noticee, I am of the view that such volume of trading is not enough to create artificial volume in the scrip as alleged. Hence, no contravention of provisions of PFUTP Regulations is proved against the Noticee."

16. Further, vide order dated November 26, 2021, the Ld. Adjudication Officer disposed of Adjudication Proceedings in respect of Sunil Purohit, one of the group entity in the instant matter and held that:

"26. At the outset, I note that while the impugned synchronised trades took place in 2004, a copy of the trade and order logs for the relevant period could not be obtained from the BSE as the BSE has informed vide its e-mail dated 01.09.2021 that trade and order books prior to 01.01.2006 are not available in their system. Therefore, findings in this order are based on the trade and order details tabulated in the Annexures to the SCN.

27. I note that while the allegation of artificial volume creation through trades synchronised with group entities has been levelled on the Noticee, details of *connection amongst the group entities (Noticee and its counterparty brokers/clients) are not available in the material on record.*

28. *I further note the submission of the Noticee that in the adjudication order dated 01.08.2014 in respect of Mangeram Sharma, one of the group entities who allegedly carried out synchronised trades in the scrip of Era, the said Mangeram Sharma has not been found to have contravened the provisions of the PFUTP Regulations. The finding in the order in respect of Mangeram Sharma is based on the SAT order dated 10.10.2013 in the case of Kapil Bhuptani in the same scrip, where the Tribunal stated that "simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable", and that there was nothing on records to show connection of Mangeram Sharma with any of his counterparty brokers or clients. I note that Sunil Purohit i.e. the Noticee in the present case was counterparty client with respect to Mangeram Sharma in 3 synchronised trades in the scrip of Era whose details are provided in Annexure 3 to the SCN.*
29. *In view of the SAT Order dated 10.10.2013 and Adjudication Order dated 01.08.2014 above, considering the fact that there is insufficient material on record to establish a connection between the "group entities" consisting of 12 brokers and 13 clients including the Noticee, as well as the fact that trade log is not available for the relevant period, I find that material on record is not sufficient to conclude that the impugned synchronised trades of Noticee were fraudulent or manipulative.*
30. *In view of the above, I find that the allegation of violation of Regulations 4 (1) and (2) (a) and (g) of the PFUTP Regulations by the Noticee does not stand established."*

17. In view of the above case laws in the instant matter, I note that the alleged artificial volume through synchronised trades were during the year 2004 and the details of connection amongst the group entities (Noticees and its counterparty broker/clients/group entities) are not available on record.

18. Further, it is noted from the adjudication order dated August 01, 2014 in respect of Mangeram Sharma, one of the client of the Stock Broker (i.e. Noticee 3) and also, one of the group entities in the instant matter, who allegedly carried out synchronised trades in the scrip of Era, the said Mangeram Sharma has not been found to have contravened the provisions of the PFUTP Regulations. The finding in the order in respect of Mangeram Sharma is based on the SAT order dated October 10, 2013 in respect of Kapil Bhuptani in the instant matter, where the Tribunal stated that "*simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable*". It is also noted that there was nothing on records to show connection of the entities with any of his counterparty brokers or clients.

19. Further, it is noted from the Adjudication order dated November 26, 2021 in respect of Sunil Purohit, one of the group entities in the instant matter, who allegedly carried out synchronised trades in the scrip of Era, the allegations are not established considering the aforesaid SAT Order dated October 10, 2013 and Adjudication Order dated August 01, 2014 and insufficient material on record to establish a connection between the "group entities" consisting of Stock Brokers and clients.

20. Therefore, in light of the aforesaid case laws and considering the volume of trading by the Noticee 1 and Noticee 2, I am of the view that such volume of trading is not enough to create artificial volume in the scrip as alleged in SCN. Further, there is insufficient material on record to establish a connection between the "group entities" consisting of the Stock Brokers and clients including the Noticee1 and Noticee 2 in the instant matter. In view of the above, I find that material on record is not sufficient to conclude that the impugned synchronised trades of Noticee 1 and Noticee 2 were fraudulent or manipulative. Hence, no contravention of provisions of PFUTP Regulations is proved against the Noticee 1 and Noticee 2.

21. With regard to the allegation against Noticee 3, I note that the charge is that it had executed the impugned synchronised trades in the scrip of Era for three clients i.e. Mangeram Sharma, Noticee 1 and Noticee 2. It is noted from the aforementioned para 18 that Mangeram Sharma has not been found to have contravened the provisions of the PFUTP Regulations for the alleged trades in the instant matter. Further, as mentioned above in para 20 of the instant order that no contravention of

provisions of PFUTP Regulations is established against the Noticee 1 and Noticee 2. Therefore, considering that no violation of PFUTP Regulations is ascertained against all the clients of Noticee 3 for the alleged trades in the scrip of Era, it is concluded that the allegation against Noticee 3 is not established for the trades of its clients as alleged in SCN.

22. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, I hereby conclude that the alleged violations of the aforesaid Regulations of the PFUTP Regulations and provisions Stock Broker Rules do not stand established against the Noticees.

23. As the alleged violations by the Noticees are not established, Issues III and IV do not merit consideration.

ORDER

24. In the light of the findings noted hereinabove, the adjudication proceedings initiated against the Noticees vide SCN dated August 12, 2010 are disposed of.

25. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the last known address of the Noticees and also to SEBI.

Date: October 27, 2022
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer