BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. EAD-2/AO/ 113-123 /2012]

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

Against

1. Smt Kaushalya Devi Jhunjhunwala [PAN: ACFPJ4855K]
2. Smt Sangita Jhunjhunwala [PAN: ACLPJ0565A]
3. Smt Suruchi Jhunjhunwala [PAN: AAXPJ0379G]
4. Harrington Commercial Pvt. Ltd.
5. Rajkamal Marketing Pvt. Ltd.
6. Rakhsha Financiers Pvt. Ltd.
7. Sangita Securities Pvt. Ltd.
8. Hawks Financiers Pvt. Ltd.
9. Pingle Marketing Pvt. Ltd.
10. Hi-Fi Tradecom Pvt. Ltd.
11. Right Fiscal Management Pvt. Ltd.

In the matter of
REI Agro Ltd.

Background

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into the alleged irregularity in the trading in the shares of M/s. REI Agro Ltd. (hereinafter referred to as 'REIAL'), a listed company, and into the possible violations of the provisions of the SEBI Act, 1992 (hereinafter referred to as the Act) and various Rules and Regulations made there under for the period from August 09, 2004 to September 16, 2005.

2. The Investigation revealed that the scrip of REIAL witnessed wide fluctuations in price and volume at BSE and NSE during the period under investigation. At BSE, the scrip price moved from ₹100.20 on August 9, 2004 to ₹ 212 on September 13, 2005, saw wide fluctuations and closed at ₹198.85 on September 16, 2005. At NSE, the shares of REIAL were listed on October 11, 2004 and it opened at ₹ 98.80, moved to ₹211 on September 13, 2005 after seeing wide fluctuations and then closed at ₹198.25 on September 16, 2005.

3. A group of entities viz. Harrington Commercial Pvt. Ltd., Rajkamal Marketing Pvt. Ltd., Raksha Financiers Pvt. Ltd., Sangita Securities Pvt. Ltd. Hawks Financiers Pvt. Ltd., Pingle Marketing Pvt. Ltd., Hi-Fi Tradecom Pvt. Ltd. Right Fiscal Management Pvt. Ltd. (hereinafter referred to as Noticee Nos. 4 to 11), Ramesh Mor and Sangita Mor (together referred to as the Harrington Group in the investigation report) connected to REIAL had matched their trades among themselves through synchronized orders which created artificial volume and also influenced the price of the scrip. Further, three promoters of REIAL viz. Ms. Kaushalya Devi Jhunjhunwala, Ms. Sangita Jhunjhunwala and Ms. Suruchi Jhunjhunwala (hereinafter referred to as Noticee Nos. 1 to 3) had also indulged in matching of trades through synchronized order with connected entities of Harrington Group which created artificial volume. Further, during the course of investigation, the Investigating Authority had issued summonses to Noticee No. 10 which it allegedly failed to comply with.

4. SEBI has therefore initiated adjudication proceedings under the SEBI Act, 1992 (hereinafter referred to as the ‘SEBI Act’) to inquire into and adjudge the alleged violations of the provisions of Regulations 3 (a), 4 (1) and 4 (2) (a) & (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "PFUTP

Regulations") against Noticee Nos. 4 to 11, the alleged violation of the provisions of Regulations 3 (a), 4 (1) and 4 (2) (a) of the PFUTP Regulations against Noticee Nos. 1 to 3 and the alleged violation of the provisions of Section 11C (2) and (5) of the SEBI Act against Noticee No. 10.

Appointment of Adjudicating Officer:

5. SEBI vide Order dated June 30, 2009 appointed Ms. Harini Balaji as the Adjudicating Officer (AO) under Section 15-I of the Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the 'Adjudication Rules') to inquire into and adjudge under Section 15HA of the Act for the alleged violation of the abovementioned provisions of PFUTP Regulations against the Noticees and also under Section 15A (a) of the Act for the alleged violation of the provisions of Section 11C (2) and (5) of the Act against Noticee No. 10. SEBI vide Order dated January 04, 2012 appointed the undersigned as the AO.

Notice, Reply & Personal Hearing

6. The AO issued a common notice dated December 08, 2009 (hereinafter referred to as 'SCN') to the Noticees in terms of Rule 4 of the Adjudication Rules requiring them to show cause as to why an inquiry should not be held against them for the alleged violations as mentioned above.

7. The SCN alleged that some of the promoters of REIAL are also promoters/directors of Harrington Group entities and therefore they are related to each other. The Harrington Group traded through multiple brokers in significantly large quantities of shares of REIAL and bought & sold both at BSE and NSE. They indulged in synchronized trades to trade amongst themselves and thereby were instrumental in creating interest/demand in the scrip. They have executed trades at incrementally higher rates ranging between ₹1 to ₹8.90 and many of them amongst themselves resulting in maintaining/increasing the price of the scrip. The Noticee Nos. 1 to 3 offloaded large quantities of RIEAL shares which were bought by Harrighton Group entities allegedly executed through synchronized/structured orders and accounted for 15.03% of the market volume during the investigation period. Further, the Noticee No. 10 allegedly failed to comply with the various summonses to it for furnishing certain information and documents.

8. Therefore, it was alleged that the Noticee Nos. 4 to 11 had violated Regulation 3 (a), 4 (1) and 4 (2) (a) & (e) of the PFUTP Regulations and Noticee Nos 1 to 3 had violated Regulation 3 (a), 4 (1) and 4 (2) (a) of the PFUTP Regulations. Further, Noticee No. 10 also allegedly violated Section 11C (2) and (5) of the Act.

9. The SCNs were sent to the respective Noticees and were duly delivered to them. The Noticee Nos. 1 to 3 vide letters dated December 17, 2009 informed that they were opting for consent process and requested to keep the adjudication proceedings in abeyance. The Noticee Nos. 4 to 10 also informed the AO that they were applying for consent process. The Noticee No. 11 vide letters dated January 16, 2010 and May 15, 2010 submitted that they are not connected with Harrington group entities and they do not have any relationship with the Promoters of REIAL. Mr. Ramesh Mor introduced them to the broker as he was known to them for the last 20 years since when he was working with Calcutta Stock Exchange.

10. As no consent application was filed by the Noticee Nos. 4 to 10, the AO vide letter dated June 16, 2010 provided them opportunity of hearing on June 29, 2010. They did not attend hearing and some of them vide letter dated June 28, 2010 sent by fax asked for more time to file for consent. The AO issued another letter dated July 09, 2010 granting hearing on July 20, 2010 to them which they did not attend.

11. The consent applications filed by Noticee Nos. 1 to 3 were rejected in September, 2011. Subsequently, the undersigned provided opportunity of hearing to all the Noticees on March 27-28, 2012 vide letter dated March 09, 2012. Only Noticee No. 11 attended the hearing on March 28, 2012 and made oral submissions.

12. The Noticee Nos. 1 to 3 vide letter dated March 20, 2012 requested for another opportunity. The undersigned vide letter dated April 02, 2012 provided another opportunity of hearing on April 17, 2012 to Noticee Nos. 1 to 10. The authorized representatives of Noticee Nos. 1 to 3 attended hearing on April 17, 2012 and requested another opportunity. The same was granted on May 15, 2012 vide letter dated May 04, 2012. They vide letter dated May 10, 2012 requested for rescheduling the hearing as their counsel appearing on behalf of them could not be available on the scheduled date. The authorized representatives attended a hearing on August 29, 2012 and sought clarification with respect to the details of last traded price (LTP) of trades executed by them. The price manipulation was alleged against the Harrington group entities and the details of LTP with respect to their trades were already provided. Accordingly, the matter was clarified. The Noticee Nos. 1 to 3 submitted their reply to the SCN vide letter dated September 17, 2012 and their representatives appeared before me on September 18, 2012 followed by another written submission dated September 27, 2012.

13. I note that Noticee Nos. 4 to 10 have not submitted any reply to the SCNs, not filed the consent application as informed and also not availed of the opportunities of personal hearings granted to them. As they have not put up any defence or challenged the SCN, it can be assumed that the charges levelled in the SCN have been accepted by them. This is in accordance with the principle laid by Hon'ble Securities Appellate Tribunal in the matter of *Classic Credit Ltd. v. SEBI* [2007] 76 SCL 51 (SAT - MUM.) wherein it was 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".

14. In view of the above, I am proceedings with the inquiry on the basis of the written/oral submissions of the respective Noticees and the material and documents as available on record.

Consideration of Issues, Evidence and Findings

15. I have carefully perused the charges against the Noticees mentioned in the SCN, the written and oral submissions of the Noticees and the materials and documents as available on record. The issues that arise for consideration in the present case are:

a) ***Whether Noticee Nos 1 to 3 have violated the provisions of Regulations 3 (a), 4 (1) and 4 (2) (a) of the PFUTP Regulations; whether the Noticee Nos 4 to 11 have violated Regulations 3 (a), 4 (1) and 4 (2) (a) & (e) of the PFUTP Regulations and whether Noticee No.10 has violated the provisions of Section 11C (2) and (5) of the SEBI Act?***
b) ***Does the violation, if any, on the part of the Noticees attract any penalty under Sections 15HA and 15A (a) of the SEBI Act, as the case may be?***
c) ***If yes, what should be the quantum of penalty?***

16. Before moving forward, it will be appropriate to refer to the relevant provisions of PFUTP Regulations and the Act 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;

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;

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

<u>SEBI Act</u>

Investigation.

11C

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorized by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

17. I find from the material available on records that REIAL is a company listed on the BSE and NSE. Shri Sanjay Jhunjhunwala, Shri Sandip Jhunjhunwala and Noticee Nos. 1 to 3 are among the promoters of REIAL. Shri Sanjay Jhunjhunwala is the Chairman and Shri Sandip Jhunjhunwala is the Managing Director of the company. Shri Sanjay Jhunjhunwala and Shri Sandip Jhunjhunwala are sons of Noticee No. 1 and are having directorship in Noticee No. 4 and Noticee No. 10 alongwith Shri Krishna Kumar Jujodia. Krishna Kumar Jujodia was also having directorship in Noticee Nos. 5, 6 and 8. Noticee Nos. 2 and 3 are the directors of Noticee Nos. 7 and 9. Further, Shri Ramesh Mor introduced Noticee Nos. 1 to 11 to various brokers with whom they have executed the trades in the scrip of REIAL. It is noted from records that the Noticee No. 11 is not related to REIAL through common promoters and directorship. I am of the view that mere having a common introducer does not establish relationship with the other Noticees. It is therefore, established that Noticee Nos. 1 to 10 are inter related.

18. The Noticee No. 11 vide letters dated January 16, 2010 and May 15, 2010 and during the personal hearing has submitted that they are traders and do daily trading. They at times do trading in a stock if they observe a movement. They are not connected with the entities of Harrington Group, REIAL or the promoters of REIAL. They never took delivery of REIAL' stock. The transactions were purely commercial and in the normal course of business. Shri Ramesh Mor had only introduced them to Eureka Stocks & Share Broking Services Ltd. in 2001 and since then they are regularly dealing with Eureka on a daily basis. They have known Shri Mor for the last 20 years since he was working as an assistant in CSE. They had purchased and sold approximately 5000 shares as day trading during entire period of investigation.

19. The Noticee Nos. 1 to 3 have submitted that they had only sold shares of REIAL and the trades were insignificant in terms of both the quantum of shares and percentage of the total volume of trades and can’t be said to have created artificial volume. The trades were bonafide and were executed on the floor of the exchange with a genuine intention of transferring beneficial ownership. Their trades were executed only on the NSE but the shares were alleged to have been manipulated both at BSE and NSE. Their transactions were executed in a period of 11 days out of the total 404 days during the investigation period. The scrip of REIAL is an illiquid one, any trade executed by any entity, however small in number could for want of traders seem to be significant. They have not indulged in any manipulative trades.

20. I find from the records that the Harrington group entities have traded significantly in the scrip of REIAL during the investigation period. They traded through multiple brokers and altogether bought 36,24,155 shares (17,50,560 shares at NSE and 18,73,595 shares at BSE) and sold 80,77,145 shares (38,12,872 shares at NSE and 42,64,273 at BSE) which accounted for 13.99% and 31.17% of total volume recorded at both the exchanges viz. 2,59,09,165. A summary of their trading volume as available in records is as follows:

Client Name	**NSE**				**BSE**			
	Buy Qty	**(%)**	**Sell Qty**	**(%)**	**Buy Qty**	**(%)**	**Sell Qty**	**(%)**
Harrington	544275	3.48	742446	4.75	645811	6.29	710886	6.92
Hawk	146526	0.94	130214	0.83	128714	1.25	366599	3.57
Hi-Fi	451693	2.89	978689	6.26	443361	4.32	1136691	11.07
Raksha	108359	0.69	110209	0.70	306653	2.99	316287	3.08
Pingle	118194	0.76	814933	5.21	47188	0.46	629815	6.13
Sangita Sec.	0	0.00	532185	3.40	0	0.00	605000	5.89
Right Fiscal	64500	0.41	64500	0.41	40705	0.40	40705	0.40
Rajkamal	50986	0.00	187500	1.20	0	0.00	173500	1.69
Sangita Mor	65054	0.42	0	0.00	88430	0.86	92075	0.90
Ramesh Mor	201027	1.29	252196	1.61	172733	1.68	192715	1.88
Total	**1750560**	**10.87**	**3812872**	**24.38**	**1873595**	**18.25**	**4264273**	**41.53**

21. I find from Annexure 5 & 6 of the SCN and the table below that the Harrington Group entities had traded for a large volume among themselves. At BSE, the

Harrington Group entities traded 14,08,753 shares among themselves which accounted for 13.72% of the total volume recorded at BSE in which 4,64,481 shares were traded through synchronized orders which accounted to 32.92% of their trading amongst themselves and 4.52% of the total volume recorded at BSE. At NSE, they traded 12,11,220 shares amongst themselves which accounted for 7.74% of total market volume at NSE in which 8,44,664 shares were traded through synchronized orders which accounted for 69.73% of their trading amongst themselves and 5.40% of the market volume on NSE. The records reveal that there were many instances where the Noticees buy order had matched with their own sell orders i.e. they bought from and sold to themselves. An extract of trades of the Harrington Group entities within themselves at NSE, as provided in the records, is given below:

buy Client Name	Sell Client Name	NSE					
		No. of Buy Order	**No. of Sell order**	**no. of trade**	**traded Qty**	**Synchronized Qty**	**%**
Harrington	Harrington	11	12	12	12329	11548	93.67
	Hawk	28	42	42	27413	11800	43.05
	Hi-Fi	91	132	132	177127	150788	85.13
	Pingle	15	15	15	29122	19030	65.35
	Rajkamal	3	9	9	66357	0	0
	Raksha	9	9	9	29361	29351	99.97
	Ramesh Mor	73	70	82	39824	29093	73.05
	Right	7	6	7	20000	15000	75
Total		**237**	**295**	**308**	**401533**	**266610**	**66.4**
Hawk	Harrington	7	5	7	10490	10310	98.28
	Hawk	1	2	2	500	500	100
	Hi-Fi	7	7	7	24600	24600	100
	Pingle	2	1	2	8000	8000	100
	Rajkamal	2	2	2	10000	10000	100
	Raksha	3	3	3	7499	7499	100
	Ramesh Mor	10	10	12	13659	6159	45.09
	Right	1	1	1	4500	4500	100
Total		**33**	**31**	**36**	**79248**	**71568**	**90.31**
Hi-Fi	Harrington	122	181	200	195299	136960	70.13
	Hawk	22	26	28	24756	13322	53.81
	Hi-Fi	2	3	3	7000	6500	92.86
	Pingle	4	5	5	2671	2671	100
	Rajkamal	1	1	1	5000	5000	100
	Raksha	9	10	10	20960	12060	57.54
	Ramesh Mor	41	50	59	24629	20302	82.43
	Right	9	8	9	23600	15200	64.41

	Sangita Securities	1	1	1	15000	0	0
Total		**211**	**285**	**316**	**318915**	**212015**	**66.48**
Pingle	Harrington	60	42	65	31388	28565	91.01
	Hawk	3	3	3	20000	20000	100
	Hi-Fi	8	7	9	8264	8163	98.78
	Pingle	1	1	1	10	10	100
	Ramesh Mor	73	61	100	19247	15317	79.58
Total		**145**	**114**	**178**	**78909**	**72055**	**91.31**
Rajkamal	Harrington	24	42	59	20617	9	0.04
	Hawk	3	4	4	5154	3700	71.79
	Hi-Fi	2	2	2	10000	10000	100
	Raksha	14	8	15	7308	3744	51.23
	Right	8	4	8	5600	0	0
Total		**51**	**60**	**88**	**48679**	**17453**	**35.85**
Raksha	Harrington	18	17	19	39987	34437	86.12
	Hawk	6	6	6	12430	7930	63.8
	Hi-Fi	14	8	14	15956	13526	84.77
	Raksha	3	3	3	10000	10000	100
	Ramesh Mor	6	6	6	1411	1303	92.35
	Sangita Securities	1	1	1	1415	0	0
Total		**48**	**41**	**49**	**81199**	**67196**	**82.75**
Ramesh Mor	Harrington	57	50	177	31240	20036	64.14
	Hawk	7	6	24	2661	125	4.7
	Hi-Fi	63	54	139	32611	21485	65.88
	Pingle	35	32	101	11044	9798	88.72
	Raksha	4	4	4	6850	4290	62.63
	Ramesh Mor	18	16	32	2250	1101	48.93
	Sangita Securities	1	1	1	290	0	0
Total		**185**	**163**	**478**	**86946**	**56835**	**65.37**
Right	Harrington	10	30	30	27500	20050	72.91
	Hawk	3	9	18	10000	101	1.01
	Hi-Fi	5	20	20	20000	12000	60
	Pingle	1	1	1	4500	4500	100
	Raksha	1	1	1	2500	0	0
Total		**20**	**61**	**70**	**64500**	**36651**	**56.82**
Sangita Mor	Harrington	14	17	24	31348	26712	85.21
	Hawk	9	13	13	6210	6150	99.03
	Hi-Fi	7	7	7	12054	9990	82.88
	Raksha	4	4	13	1239	1239	100
	Ramesh Mor	2	2	2	440	440	100
Total		**36**	**43**	**59**	**51291**	**44531**	**86.82**
Grand Total		**966**	**1093**	**1582**	**1211220**	**844914**	**69.76**

22. I further find that for a large number of trades executed within the Harrington Group, which are mentioned in Annexure 5 & 6, the difference in the buy and sell order time was only a few seconds to few minutes. Thus, it is clear that the

Noticees had synchronized their orders to execute trades within the group. The same created false and misleading appearance of trading in the scrip and generated artificial volume. Further, I find from details of the trades of the Harrington Group entities at NSE and BSE provided in Annexure 7 & 8 of the SCN that they had executed trades at incremental prices. The difference between the buy quote and the previous traded price ranged between Re. 1 to ₹ 8.90. 332 such incremental trades were executed by the Noticees at NSE, out of which 132 trades were executed within the group. Similarly, 371 incremental trades were executed by the Noticees. Therefore, I find that such trades definitely increased the price of the scrip in an artificial manner.

23. I further find from Annexure 9 to the SCN that Noticee Nos. 1 to 3 traded through broker Vogue Commercial Company Ltd in the shares of REIAL. They altogether sold 80,450 shares at NSE during February 8-18, 2005 out of which 80,310 were bought by Harrington Group entities through 45 trades (45 buy orders and 44 sell orders) which accounted for 15.03% of the market volume during the above period. Almost all the trades mentioned in the said Annexure, the orders had matched in price and quantity and the time difference was few seconds only. The above facts coupled with the fact that Noticee Nos. 1 to 3 was holding directorship in the Harrington Group entities suggests that they had executed the trades with a common objective by synchronized/structured orders. The same created false and misleading appearance of trading in the scrip of REIAL.

24. I agree with the submissions of Noticee Nos. 1 to 3 that the scrip of REIAL is an illiquid one and any trade executed by any entity, however small in number could for want of traders seem to be significant and it will have a greater impact on the prices. Further, I also agree that their trades per se were not price manipulative as they have made only delivery based sell transactions. I note that they have sold 80,450 shares at NSE during the period February 8-18, 2005. However, the REIAL shares opened at ₹137.00 on February 08, 2005 and closed at ₹ 142.68 on February 18, 2005 at NSE. This was possible due to the manipulative and fraudulent trades executed by the Noticee Nos. 4 to 11 as detailed above.

25. The entire fraudulent and manipulative scheme of creating artificial volume, price increase and maintaining the same was conceptualized and implemented in order to offload the shares of Noticee Nos. 1 to 3 which could not have been possible in an illiquid market without steep fall in prices. It is pertinent to note that Noticee Nos. 4 to 10 are connected to the Noticee Nos. 1 to 3 as detailed above.

26. The other contention of the said Noticees is that they have traded only on NSE whereas the allegation of price manipulation was on both BSE and NSE. In my opinion, this argument is baseless as the price change on any of the exchange is reflected and adjusted/balanced with transactions at comparable rates immediately without much time lag due to the arbitrage mechanism.

27. I find from records that the Noticee No. 11 has bought and sold 64500 each and not 5000 shares as stated by them in their submissions. Out of the 64500 shares, 36651 shares were traded in a synchronized manner with the Harrington group entities which establish that it acted in connivance with the other Noticees.

28. In view of the above observation and findings, I conclude that the allegation of violation of the provisions of Regulation 3 (a), 4 (1) and 4 (2) (a) by Noticee Nos. 1 to 3 and the allegation of violation of the provisions of Regulation 3 (a), 4 (1) and 4 (2) (a) & (e) by the Noticee Nos. 4 to 11 stand established warranting imposition of monetary penalty under Section 15HA of the Act.

29. It is observed from records that the Investigating Authority (IA) had issued summons dated May 09, 2009 to Noticee No. 10 requiring it to appear before the IA and furnish certain information and documents on May 18, 2009. Shri R.K. Dhaniwal, authorized representative of Noticee No. 10 appeared before the IA and undertook to submit the information and documents, including its annual report for the financial year 2004-05 and 2005-06, to IA by May 26, 2009. Subsequently, it submitted a letter dated May 26, 2009 to the IA. The IA again issued a summons dated May 29, 2009 to Noticee No. 10 requiring it to furnish, inter alia, annual reports for the financial year 2004-05 and 2005-06 to the IA. The said summons was delivered to it. In reply to the same, the Noticee No. 10 submitted letter dated June 22, 2009. However, it failed to provide the abovementioned annual reports as required by the IA. The said letter did not have any reference to the same. There is nothing on record to show that the Noticee submitted the required document to the IA. The Noticee No. 10 has failed to provide any explanation to the allegation against it in this regard contained in the SCN.

30. From the foregoing, it is established beyond doubt that the Noticee did not comply with the summonses issued to the Noticee No. 10 by the Investigating Authority. Any non compliance of the summons of the Investigating Authority hampers the process of investigation. The Hon'ble SAT has also recognized the importance of compliance of summons and in the matter of ***DKG Buildcon Pvt. Ltd. v. SEBI*** **(Appeal No. 106 of 2006, Date of decision: 7.1.2009)**, it has held that:

"…It is of utmost importance that every person from whom information is sought should fully co-operate with the investigating officer and promptly produce all documents, records, information as may be necessary for the investigations. If persons are allowed to flout the summons issued to them during the course of the investigations, the Board as the watchdog of the securities market will not be able to perform its duties in protecting the interests of the investors and safeguarding the integrity of the securities market."

31. It is therefore clear that timely submission to the Investigating Authority of information and documents required by him by person to whom the summons is issued is very important for effectively conducting investigation and non co-operation by an entity can be detrimental to the interest of investors and securities market on account of any delay in the investigation. Thus, any non-compliance of the summons needs to be viewed seriously.

32. As the Noticee has failed to comply with the said summons, I conclude that the allegation of violation of Section 11C (2) of the SEBI Act by the Noticee stands established which makes Noticee No. 10 liable for penalty under Section 15A (a) of the SEBI Act.

33. The provisions of Sections 15HA and 15A (a) of the SEBI Act read as follows :

Penalty for fraudulent and unfair trade practices.

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

Penalty for failure to furnish information, return, etc.

15A.*If any person, who is required under this Act or any rules or regulations made thereunder,—*

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;

34. While imposing monetary penalty it is obligatory to consider the factors stipulated in Section 15J of the SEBI Act which reads as under:

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

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

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

(c) the repetitive nature of the default.

35. The materials available on record do not quantify the amount of disproportionate gain or unfair advantage accrued to the Noticees as a result of their default. The extent of loss caused to the investors as a result of the default of the Noticees also not quantified. Further, it is not available on record whether the default by the Noticees is repetitive in nature.

Order

36. 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 (2) of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose ₹10,00,000 (Rupees Ten Lakhs only) each on Noticee Nos. 1 to 3, ₹15, 00,000 (Rupees Fifteen Lakhs only) each on Noticee Nos. 4 to 10 and ₹ 2,00,000 (Rupees Two Lakhs only) on Noticee No. 11 under Section 15HA of the SEBI Act, 1992 and ₹3,00,000 (Rupees Three Lakhs only) on Noticee No. 10 under Section 15A (a) of the SEBI Act,1992 and thus, a total amount of ₹1,25,00,000 (Rupees One Crore and Twenty Five Lakhs only) as given in Table below:

Noticee No.	Name	Penalty Amount
1	**Smt Kaushalya Devi Jhunjhunwala**	10,00,000
2	**Smt Sangita Jhunjhunwala**	10,00,000
3	**Smt Suruchi Jhunjhunwala**	10,00,000
4	**Harrington Commercial Pvt. Ltd**	15,00,000
5	**Rajkamal Marketing Pvt. Ltd**	15,00,000

6	**Raksha Financiers Pvt. Ltd**	15,00,000
7	**Sangita Securities Pvt. Ltd**	15,00,000
8	**Hawks Financiers Pvt. Ltd**	15,00,000
9	**Pingle Marketing Pvt. Ltd**	15,00,000
10	**Hi-Fi Tradecom Pvt. Ltd**	18,00,000
11	**Right Fiscal Management Pvt. Ltd**	2,00,000
	Total	**1,25,00,000**

In my view, the penalties are commensurate with the defaults committed by the Noticees.

37. The above penalties amount shall be paid by the respective Noticees individually through a duly crossed demand draft drawn in favour of "SEBI – Penalties Remittable to Government of India" and payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to the Division Chief, IVD-ID6, Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

38. In terms of the Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to Securities and Exchange Board of India.

Date: December 31, 2012 **P K KURIACHEN**

Place: Mumbai **ADJUDICATING OFFICER**