



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

Adjudicating Officer
Enquiries and Adjudication Department (EAD)

SEBI/HO/EAD/EAD3/JS/DJ/OW/P/2018/25552/1

September 10, 2018

Badami Devi Khandelwal

2-a, 9-b Subhash Colony, Shastri Nagar,
Jaipur, Rajasthan - 302016

Subject: Adjudication Proceedings in respect of Badami Devi Khandelwal in the matter of dealings in Illiquid Stock Options at BSE: Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as “SEBI”) has instituted adjudication proceedings in respect of inter-alia Ms. Badami Devi Khandelwal bearing PAN: ACWPK9340F (hereinafter, referred to as “Noticee”) for carrying out non-genuine trades in illiquid stock options at BSE, thereby, allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as “PFUTP Regulations 2003”).
2. In this regard, SEBI appointed Adjudicating Officer under section 19 read with section 15I(1) of the SEBI Act, 1992 (hereinafter, referred to as “SEBI Act”) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as “SEBI Adjudication Rules 1995”) to conduct adjudication proceedings inter-alia in respect of the Noticee in the manner specified under rule 4 of SEBI Adjudication Rules, 1995 read with section 15I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, to impose such penalty as deemed fit in terms of Rule 5 of SEBI Adjudication Rules 1995 and Section 15HA of SEBI Act. Copy of communique dated May 29, 2018 appointing Adjudicating Officer is placed as **Annexure A**.
3. SEBI observed large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as “BSE”) leading to creation of artificial volume. SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE

सेबी भवन, प्लॉट सं. सी 4-ए, “जी” ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.

दूरभाष: 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 26449000 / 40459000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

Tel.: 2644 9950 / 4045 9950 (IVRS), 26449000 / 40459000 Fax: 2644 9019 to 2644 9022 Web : www.sebi.gov.in





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

(hereinafter, referred to as "investigation") for period 01/04/2014 to 30/09/2015
(hereinafter referred to as "I.P.").

4. Reversal trades have been considered those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.
5. Pursuant to investigation, it is observed that during the I.P, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non genuine trades. The aforesaid non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the I.P.
6. It is noted that said non genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various entities which were indulged in execution of non genuine trades in Stock Options Segment of BSE during the I.P. Following points mention the dealings of Noticee in Stock Options segment of BSE during the I.P., and allegations against Noticee for execution of non genuine trades.
7. Alleged non genuine trades and artificial volume are illustrated through the dealings of Noticee in the contract viz, "HCLT15FEB1800.00CEW2" during the I.P, mentioned as follows:
 - (a) During the I.P, total 4 trades for 85500 units were executed in the said contract on 06/02/2015 and 10/02/2015. As regards to dealings of Noticee in the said contract, Noticee executed total 2 trades on 10/02/2015.
 - (b) While dealing in the said contract on 10/02/2015, Noticee at 13:26:10 hrs entered into 1 buy trade with counter party viz, Shir Commodities and Futures Private Limited for 22750 units at rate of Rs. 270 per unit. Thereafter, on the same day, within 35 minutes from the above trade, Noticee, at 14:00:17 hrs entered into 1 sell trade with same counterparty for 22750 units at rate of Rs. 160.2 per unit.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

- (c) From the above, it is noted that while dealing in the said contract during the I.P., Noticee executed total 2 reversal trades (1 buy trade + 1 sell trade) with same counterparty viz, Shir Commodities and Futures Private Limited on the same day. It is also noted that the 2 said trades of Noticee had significant price differential in buy and sell rates.
- (d) Thus, Noticee, through his dealing in the contract viz, "HCLT15FEB1800.00CEW2" during the I.P, allegedly executed 2 non genuine trades which was 50% of the total trades from the market in the said contract during the I.P., and thereby, Noticee allegedly generated artificial volume of 45500 units which is 53% of the volume traded in the said contract from the market during the I.P.
8. Similarly, Noticee allegedly indulge in execution of non genuine trades and generation of artificial volume in several other contracts during the I.P. Noticee, during the I.P. traded in total 16 unique contracts, from which he allegedly executed 28 non genuine trades in 13 contracts resulting in artificial volume of total 5853500 units. Noticee, by executing said non genuine trades during the I.P. at BSE incurred square-off loss of Rs. 1.73 Crore approx.
9. Details of all the trades of Noticee in Stock Options segment of BSE during the I.P. are given in **Annexure B**, details of all the non genuine trades of Noticee in Stock Option Segment of BSE during I.P. are given in **Annexure C**, and the detailed summary of dealings of Noticee in 13 Stock Options contracts in which Noticee allegedly executed non genuine trades during the I.P is given in **Annexure D**.
10. Short summary of the dealings of Noticee in 13 Stock Options contracts in which Noticee allegedly executed non genuine trades during the I.P, is as follows:

Table – Summary of dealings of Noticee in 13 contracts wherein he executed non genuine trades

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	HCLT15FEB1800.00CEW2	270.00	22750	160.20	22750	100%	50%	100%	53%
2	JSWE15FEB125.00CEW2	2.05	100000	0.05	100000	100%	100%	100%	100%
3	JSWE15FEB130.00CEW2	2.05	100000	0.05	100000	100%	100%	100%	100%
4	LNTF15FEB55.00CE	17.00	200000	9.50	200000	100%	100%	100%	100%
5	PTCI15FEB95.00CEW2	1.80	200000	0.05	200000	100%	50%	100%	59%
6	RCOM15FEB80.00CEW2	2.05	124000	0.05	124000	100%	100%	100%	100%





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
7	RELI15MAR860.00CE	28.00	100000	3.00	100000	100%	5%	100%	11%
8	RPOW15FEB50.00CE	13.45	216000	6.50	216000	100%	20%	100%	14%
9	RPOW15FEB50.00CEW2	8.50	600000	4.00	600000	100%	50%	100%	75%
10	RPOW15FEB55.00CE	11.55	332000	5.50	332000	100%	100%	100%	100%
11	SAIL15APR65.00PEW1	1.68	180000	0.05	180000	100%	20%	100%	4%
12	SAIL15FEB60.00CEW3	19.85	152000	10.00	152000	100%	100%	100%	100%
13	SAIL15MAR70.00CE	5.90	600000	2.90	600000	100%	100%	100%	100%

11. From the above table, following is noted as regards to dealings of Noticee in said 13 contracts:
- All the trades executed by Noticee in above contracts were non genuine trades.
 - No. of non genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as up to 100% of the trades that happened in the above contracts were due to non-genuine trades executed by the Noticee.
 - All the volume generated by the Noticee in each of the above contracts was artificial volume, and further, artificial volume generated by her also contributed to significant upto 100% of the total volume from the market in above contracts.
 - Alleged non genuine trades executed by Noticee had significant differential in buy rates and sell rates considering that the trades were reversed on same day.
12. In view of the foregoing, it is alleged that Noticee indulged in execution of reversal trades in Stock Options at BSE during the I.P. Such reversal trades are non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore alleged to be manipulative, deceptive in nature. Thus, Noticee, allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003. Aforementioned provisions reads as follows:

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

(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;

13. With respect to above alleged violations, Noticee, is therefore, called upon to show cause as to why an inquiry be not held against Noticee in terms of Rule 4 of the SEBI Adjudication Rules, 1995 read with section 15 I of the SEBI Act, and penalty be not imposed upon him in terms of Rule 5 of the said Rules and the provisions of Section 15HA of SEBI Act. Aforementioned provisions read as follows:

88[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 89[which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

89 Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

Rule 5 of the SEBI Adjudication Rules 1995

5. (1) If, upon consideration of the evidence produced before the adjudicating officer, the adjudicating officer is satisfied that the person has become liable to penalty under any of the sections specified in sub-section (1) of section 15-I, he may, by order in writing, impose such penalty as he thinks fit in accordance with the provisions of the relevant section or sections specified in section 15-I.

(2) While adjudging the 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.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनियम बोर्ड**
**Securities and Exchange
Board of India**

(3) Every order made under sub-rule (1) shall specify the provisions of the Act in respect of which default has taken place and shall contain brief reasons for such decisions.

(4) Every such order shall be dated and signed by the adjudicating officer.

14. Reply, if any, from the Noticee with respect to alleged violations against Noticee, shall reach the undersigned within 14 days from the date of receipt of this Show Cause Notice (SCN), failing which it shall be construed that Noticee has no reply to submit for his defence, and the matter shall be further proceeded with on the basis of the evidence available on record in terms of Rule 4 (7) of SEBI Adjudication Rules 1995. Noticee in his reply to SCN may also indicate whether Noticee desire a personal hearing in the matter.
15. **Reply of the Noticees shall be specifically addressed to Jeevan Sonparote, Adjudicating Officer.** In addition to the physical reply, Noticee is advised to send soft copy of reply in word / pdf form via e-mail to ead-8@sebi.gov.in. Noticee is also advised to submit a photocopy of his PAN card and update correspondence address, and email IDs, phone numbers, fax numbers, etc, to have a clear line of communication until the conclusion of these proceedings.


Jeevan Sonparote
Adjudicating Officer



Enclosure(s):

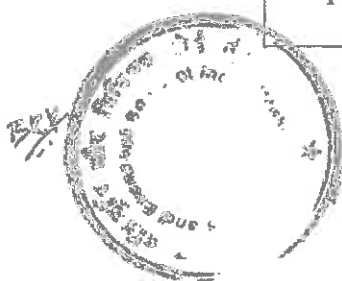
Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated 29/05/2018 appointing Adjudicating Officer	4
B	Integrated trade-order log of all trades of Noticee in Stock Option segment of BSE during I.P. i.e, 01/04/2014 to 30/09/2015	Excel files provided in a CD
C	Integrated trade-order log of all non genuine trades of Noticee in Stock Option segment of BSE during I.P. i.e, 01/04/2014 to 30/09/2015	
D	Detailed summary of dealings of Noticee in 13 Stock Options contracts in which Noticee allegedly executed non genuine trades during the I.P i.e, 01/04/2014 to 30/09/2015	

SECURITIES AND EXCHANGE BOARD OF INDIA

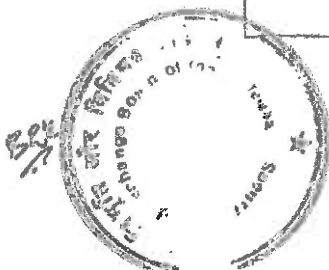
Order Communicating Appointment of Adjudicating Officer

- Whereas the Securities and Exchange Board of India (SEBI) has examined trading in option on individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') and various rules and regulations made there under.
- Whereas the Whole Time Member is prima facie of the view that there are grounds to adjudicate upon the alleged violations by following entity, under the SEBI Act:

S. No	PAN	Name of the Entity	Violations
1.	DCIPS3813Q	Avijit Saha	Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
2.	AABCJ3884H	AVINASH INFRA PROJECTS PRIVATE LIMITED	
3.	AIDPD4564F	B D SUPPLIERS	
4.	AACCB4591L	B.RAHLAN STOCK BROKER	
5.	AACCB0363J	BABA COMMERCIAL & FINVEST PRIVATE LIMITED	
6.	ABYPP8048A	BABUBHAI RAMANBHAI PATEL	
7.	ACWPK9340F	BADAMI DEVI KHANDELWAL	
8.	AAACM2123M	BAJRANG STEEL AND ALLOYS LIMITED	
9.	AACCB6678A	BAJRANGBALI RE-ROLL(P)LIMITED	
10.	AABCB7575P	BALAJEE STRUCTURALS INDIA LIMITED	
11.	AAECB2618J	BALAJI INFRASOLUTIONS OVT LTD	
12.	AABCB1888R	BANKO TRADERS PRIVATE LIMITED	
13.	AAECM0177D	BASIC CLOTHING PRIVATE LIMITED	
14.	AAACB2727N	BERMACO ENERGY SYSTEMS LIMITED	
15.	AACCB9390H	BHAJEE PORTFOLIO LTD.	
16.	AAAPP6652R	Bharat Jayantilal Patel	
17.	AABCB4082D	BHAVSAGAR VYAPAAR PVT LTD	



18.	AACCB3369A	Bhawani Ferrous Pvt Ltd
19.	AAECB2184M	BHIKSHU PORTFOLIO PRIVATE LIMITED
20.	AABCB0374J	BHIRAGACHA FINANCE CO PVT LTD
21.	AACCB4494J	BHUWALKA AND SONS PVT LTD
22.	AABCB8780E	BINA UDYOG PRIVATE LIMITED
23.	AAACB2901J	BINANI METALS LIMITED
24.	AAECB7488G	BLACKCHERRY COMMOSALE PVT LTD
25.	AABCB0735D	BLUE BIRD MERCANTILES PVT LTD
26.	AAFCB7380L	BLUE BULL EQUITIES PRIVATE LIMITED
27.	AAACY2372G	BP FINTRADE PRIVATE LIMITED
28.	AACCB4367L	BRAHM (ALLOYS) LIMITED
29.	AACCB0305N	BRUBECK RESOURCES PRIVATE LIMITED
30.	AABCB2389R	BURLINGTON BARTER PVT LTD
31.	AADCC0111C	CALENDULA TELEDATA PRIVATE LIMITED
32.	AAJFC4092K	CAPONY CONSULTING
33.	AABCC4992M	CAPSEAL VYAPAAR PVT LTD
34.	AACCC0018M	CELLOUR COMMERCIAL PRIVATE LIMITED
35.	AACCC1390E	CHANCELLOR COMMODEAL PRIVATE LIMITED
36.	AACCC1546Q	CHEMINARE TRADE COMM PRIVATE LIMITED
37.	ANGPS8817E	CHETNA SATISH MEHTA
38.	AACCC4454B	CHITRAGUPTA SALE & SERVICES PRIVATE LIMITED
39.	AADCC0562H	CHUNCHUN ISPAT PRIVATE LIMITED
40.	AACCC6856H	CITRUS SECURITIES PRIVATE LIMITED
41.	AACCC6278R	CITYGOLD ENTERTAINMENT LIMITED
42.	AABCO0958K	CLAN LABORATORIES PRIVATE LIMITED



Proceedings in the manner specified under Rule 4 of the SEBI Rules read with sub-sections (1) and (2) of section 15 I of the SEBI Act.

5. The Adjudicating Officer shall enquire into and adjudicate upon the alleged violation as stated above and if he is satisfied that the entities have become liable to penalty, may impose such penalty, as the Adjudicating Officer thinks fit, in terms of Rule 5 of the said Rules and the provisions of Section 15HA of the SEBI Act, 1992

Dated at Mumbai, 2nd day of May 2018.



BHAVANA RAVI KUMAR
DEPUTY GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA

C. D. MAILER / FLOPPY DISK

Do not bend or fold. Avoid exposure to all magnetic fields

TO

Annexure B, C, D

JOB

Ms. Badami Devi Khondelwal

FROM

JOB