BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/AK/BS/2023-24/28351-28353)

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

1	**SUSHIL AGARWAL (PAN: AEMPA5660G)**
2	**SEEMA AGARWAL (PAN: AEVPA1107P)**
3	**STEEL CITY SECURITIES LIMITED (PAN: AAECS0970L)**

IN THE MATTER OF STEEL CITY SECURITIES LIMITED

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had carried out investigation in the scrip of Steel City Securities Limited (hereinafter referred to as **"SCSL/the Company"),** to ascertain violation of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**), Securities and Exchange Board of (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations")** and SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as **"Broker Regulations"**) if any, with respect to trading in the scrip of SCSL during the period July 18, 2017 to July 22, 2019 (hereinafter referred to as **'Investigation period or IP'**)

2. Pursuant to the investigation, it was found that Sushil Agarwal (Noticee No. 1) and Seema Agarwal (Noticee No. 2) allegedly violated the provisions of Section 12A (a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), and Regulation 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations and Steel City Securities Ltd. (Noticee No. 3) allegedly violated the provisions of Clause A (2)

of Code of Conduct for Stock Broker specified under Schedule II r/w Regulation 9 of Broker Regulations in the matter of Steel City Securities Limited. Noticee Nos. 1, 2 and 3 shall, hereinafter, collectively be referred to as "Noticees".

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that there are sufficient grounds to inquire and adjudicate upon the violation of provisions of the SEBI Act, PFUTP Regulations, Broker Regulations by the Noticees, SEBI, in exercise of powers u/s 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**"), r/w Section 19 of the SEBI Act appointed undersigned as the Adjudicating Officer **(**hereinafter referred to as the "**AO")** and the same was communicated vide order dated March 29, 2023 to inquire into and adjudge u/s 15-I r/w Section 15 HA and/or Section 15 HB of SEBI Act, the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice (SCN) ref. no. EAD-6/AK/BS/14344/1-2/2023 dated April 10, 2023 (hereinafter referred to as **SCN**) was issued to the Noticees in terms of the provisions of rule 4(1) of the SEBI Adjudication Rules, 1995 r/w Section 15-I of SEBI Act, requiring the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed on them under the provision of Section 15 HA and/or Section 15 HB of SEBI Act, as applicable, for the alleged violations. SCN was sent through Speed post acknowledgment due and digitally signed email.

5. Noticee Nos. 1 & 2, vide separate letters dated April 22, 2023 requested for inspection of documents. Noticee no. 3 also requested for inspection of documents vide letter dated April 15, 2023. An opportunity of inspection of documents was granted to Noticees on May 09, 2023 and same was conveyed to Noticees through email on May 04, 2023. Noticee nos. 1 & 2 vide 2 separate letters dated May 06, 2023 appointed Dr. Keyur Shah, Advocate to carry out

inspection of documents on their behalf. Noticee No. 3, vide letter dated May 05, 2023 informed that it had authorized Mr. Meit Shah for inspection of documents.

6. Inspection of documents was conducted on May 09, 2023 by Noticees through their respective authorized representatives (ARs). Copy of investigation report along with annexures thereof, as requested by ARs during the course of inspection of documents, were provided to them vide letter dated May 12, 2023. Additionally, Trade log and order log in the scrip of SCSL and Annexure 3 to SCN dated April 10, 2023 in excel format, were also provided to Noticee Nos. 1 & 2.

7. Noticee Nos. 1 & 2 filed their reply to SCN vide 2 separate letters dated May 31, 2023. Noticee No. 3 filed its written submission vide letter dated May 29, 2023.

8. In the interest of justice, vide hearing notice dated May 26, 2023 an opportunity of personal hearing was granted to Noticees on June 09, 2023. Authorized Representatives of Noticees viz. Mr. Prakash Shah, Advocate, Dr. Keyur Shah, Advocate and Mr. Meit Shah appeared for hearing on the scheduled date and made submissions, which were in line with their replies, before me. Mr. Satish Kumar Arya (Director of SCSL) and Mr. Kinjal Shah (CA, Consultant of SCSL) were also present in the hearing. Noticee nos. 1 & 2 filed additional replies, vide separate letters dated June 12, 2023 and Noticee no. 3 submitted additional reply vide letter dated June 13, 2023. Noticees nos. 1 & 2 filed another common reply vide letter dated June 21, 2023.

9. The allegation levelled against the Noticees in the SCN was that Noticee no. 1 & 2 indulged in synchronized trading in the scrip of SCSL between themselves and their son Vaibhav Tayal, who has since passed away. Therefore, they indulged in an act which created false or misleading appearance of trading amounting to creation of volume in the scrip of SCSL. Further, SCSL (Noticee no. 3), as a stock broker, facilitated the synchronized as well as reversal trades executed by Noticees no. 1 & 2 that led to creation of false or misleading appearance of trading and creation of artificial volume.

CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the facts and material available on record. The issues that arise for consideration, in the present case, are as follows:
    I. Whether Noticee nos. 1 & 2 violated the provisions of Section 12A (a), (b) & (c) of SEBI Act read with Regulations 3(a), (b), (c) & (d) and 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations and Noticee no. 3 violated clause A (2) of code of conduct for stock brokers as specified under schedule II read with Regulation 9 of Stock Brokers Regulations?
    II. If yes, whether it attracts monetary penalty under section 15HA and/or 15 HB, as applicable, of the SEBI Act?
    III. If so, what should be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

FACTS OF THE MATTER

Brief facts of the matter, as brought out during investigation, are given below:

11. **Price Volume Movement**

SCSL was listed at Small and Medium Enterprise (SME) segment of National Stock Exchange of India Limited (NSE-SME) since February 17, 2017 and migrated to main board of NSE with effect from June 27, 2019. The investigation period i.e. July 18, 2017 to July 22, 2019 was divided into patches based on price movement. The period of price rise from July 18, 2017 to October 11, 2017 was divided into four patches (termed as R-1, R-2, R-3 and R-4) and the period of price fall from October 12, 2017 to July 22, 2019 was divided into six patches (termed as F-1, F-2, F-3, F-4, F-5 and F-6).

11.1 **Price Rise Patch –** The period from July 18, 2017 to October 11, 2017 was considered as price rise patch as price in the scrip rose during this period. The period was divided into four patches. The price volume details of price rise patches are given below:

Patch	Period	Price/ Volume	Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)
Patch-1 (R-1)	18/07/2017 to 07/08/2017	Price	58.7	95.3	58.05 (18/07/17)	96 (07/08/17)
		Volume	6,000	136000	2,000 (19/07/17)	7,54,000 (21/07/17)
Patch-2 (R-2)	10/08/2017 to 01/09/2017	Price	90	113.80	81.35 (11/08/2017)	116.80(01/09/2017)
		Volume	46000	98000	6000 (22/08/2017)	98000 (01/09/2017)
Patch-3 (R-3)	05/09/2017 to 12/09/2017	Price	117.5	143	112 (06/09/2017)	146 (12/09/2017)
		Volume	24000	266000	24000 (05/09/2017)	266000 (12/09/2017)
Patch-4 (R-4)	13/09/2017 to 11/10/2017	Price	143.25	146.9	124.1 (28/09/2017)	153.7 (11/10/2017)
		Volume	216000	134000	2000 (26/09/2017)	134000 (11/10/2017)

11.2 **Price Fall Patch–** The period from Oct.12, 2017 to July 22, 2019 was considered as price fall patch which was divided into 6 patches. The price volume details of price rise patches are given below:

Patch	Period	Price/ Volume	Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)
Patch-1 (F-1)	12/10/2017 to 23/01/2018	Price	149.90	129.85	119 (12/01/2018)	153.55 (13/10/17)
		Volume	56,000	6000	2000 (02/01/2018)	96000 (23/11/17)
Patch-2 (F-2)	24/01/2018 to 06/04/2018	Price	131	82.70	76 (26/03/2018)	131 (24/01/2018)
		Volume	2000	16000	2000 (24/01/2018)	166000 (01/03/2018)
Patch-3 (F-3)	11/04/2018 to 28/05/2018	Price	81.70	74.80	74.00 (14/05/2018)	83.95 (25/04/2018)
		Volume	6000	4000	2000 (18/05/2018)	112000 (04/05/2018)
Patch-4 (F-4)	28/06/2018 to 08/10/2018	Price	75	63.65	62 (08/10/2018)	81.95 (27/06/2018)
		Volume	66000	24000	2000 (26/09/2018)	612000 (18/07/2018)
Patch-5 (F-5)	26/11/2018 to 06/05/2019	Price	71.50	61	54.10 (22/04/2019)	80.90 (18/12/2018)
		Volume	8000	2000	2000 (06/05/2019)	28000 (31/12/2018)
Patch-6 (F-6)	10/05/2019 to 22/07/2019	Price	57.20	30.85	30 (22/07/2019)	68.75 (27/06/2019)
		Volume	52000	27276	1594 (04/07/2019)	114104 (19/07/2019)

11.3 Based on material available on record viz. UCC, off-market transactions, details from MCA website, prospectus filed by SCSL for its IPO, bank statements, KYC of various entities and other material, the following entities were identified as suspected entities and connection of the entities with each other and the company was established as below:

Sl no.	Name of entity	Reason for connection with each other and the company
1.	Sushil Agarwal	In the prospectus filed by SCSL for its IPO, it was observed that equity shares were transferred by Sushil Agarwal on October 10, 1996 to Sree Rama Murthy, ex MD of SCSL and promoter in SCSL. Further, equity shares were also transferred back by Sree Rama Murthy to Sushil Agarwal. It was confirmed by SCSL that transfer of shares between both these persons were in physical mode. From the financial ledger of Sushil Agarwal for the period April 01, 2018 to March 31, 2019, it was observed that on April 05, 2018 the narration recorded was as under: *"BEING THE AMOUNT REVERSED TWS WAIVER OF 50% DELAYED PAYMENT CHARGES AS PER MD'S INSTRUCTION VIDE LETTER ENCLOSED".* Accordingly, a sum of Rs. 4,69,484 was credited into the account of Sushil Agarwal by SCSL. From the above, *prima-facie*, Sushil Agarwal appears to be connected with the MD of SCSL i.e. Satish Kumar Arya. Financial transactions between bank accounts of Sushil Agarwal and Y Dharma Rao, Manager in Steel City Securities Ltd were observed. With regard to query on fund received from Y Dharma Rao, Sushil Agarwal informed that Y Dharma Rao has close trust-based relationship with him. Satish Kumar Arya, MD in SCSL has stated in his statement recording that he knew him as a client of broker SCSL since 1996.
2.	Seema Agarwal	Seema Agarwal is spouse of Sushil Agarwal and client of SCSL
3.	Vaibhav Tayal	Vaibhav Tayal was son of Sushil Agarwal and Seema Agarwal. He was also client of SCSL.
4.	Steel City Financial Services Pvt Ltd	Steel City Financial Services Pvt Ltd is associate company of SCSL. Y Dharma Rao Yalala is director in Steel City Financial Services Pvt Ltd and also an employee (Manager) in SCSL since 1996. Steel City Financial Services Pvt Ltd is also client of SCSL.
5.	Y Dharma Rao	Y Dharma Rao Yalala is director in Steel City Financial Services Pvt Ltd, associate company of SCSL, and also employee (Manager) in SCSL since 1996. Financial transactions between bank accounts of Y Dharma Rao and Sree Rama Murthy (ex MD/promoter of SCSL) were observed. Financial transactions were also observed between bank accounts of Y Dharma Rao and Sushil Agarwal.
6.	Tentu Appa Rao	Tentu Appa Rao is father of director of the company viz. Tentu Venkata Srikanth and father –in law of promoter of the company viz. Mrs. G. Sirisha.
7.	M/S N S Securities Satish Kumar Arya	Current MD of the company.
8.	Guruv Vishnu Vandana	Promoter/Director of the company.

11.4 It was confirmed by SCSL that Sushil Agarwal and Susheel Agarwal are one and same person. It was informed by SCSL that transfer of shares between both these persons were in physical mode.

12. **Issue I. Whether Noticee nos. 1 & 2 violated the provisions of Section 12A (a), (b) & (c) of SEBI Act read with Regulations 3(a), (b), (c) & (d) and Regulation 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations and Noticee no. 3 violated clause A (2) of code of conduct for stock brokers as specified under schedule II read with Regulation 9 of Stock Brokers Regulations.?**

12.1 Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated. The said provisions are reproduced hereunder:-

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control*.*

12A. No person shall directly or indirectly—

(a)use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

(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 thereunder.

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;

Stock Broker Regulations 1992

Conditions of registration.

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-

a.

b.

.

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and

Code of Conduct for Stock Brokers

A. General.

(2) Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

12.2 I note that SCN brought out that the investigation period i.e. July 18, 2017 to July 22, 2019 was divided into patches of price rise and price fall. In price rise period, 4 patches (termed as R-1, R-2, R-3 and R-4) were identified and in price fall period, 6 patches (termed as F-1, F-2, F-3, F-4, F-5 and F-6) were identified. It was observed that price of the scrip SCSL fell during the period October 12, 2017 to July 22, 2019. As price fell during the period, the LTP of sell side trades were analysed for contribution towards negative LTP.

12.3 On detailed analysis of the trading activity of suspect entities in Price fall patch (F1 Patch - 12/10/2017 to 23/01/2018) the following was found:

12.3.1 Price of the scrip opened at Rs.149.9 on October 12, 2017, reached a high of Rs.153.55 on October 12, 2017, reached a low of Rs.119.0 on 12/01/2018 and closed at Rs.129.85 on 23/01/2018.

12.3.2 Top 10 buyers contributed 64.43% to market volume. Sushil Agarwal (Noticee no. 1) was the top buyer with 30.58% contribution to market volume. Top 10 net buyers contributed 19.76% to market volume through their net buy volume.

12.3.3 Top 10 sellers contributed 56.87% to market volume. Noticee no. 1 was the top seller with 29.55% contribution to market volume. Top 10 net sellers contributed 11.68% to market volume through their net sell volume.

12.4 Trading by suspect entities:

12.4.1 Among 8 suspect entities, 4 suspect entities traded as buyers as well as sellers, 2 suspect entities traded as only buyers and 1 suspect entity traded as seller during the investigation period. Details of their trading is given below:

S.No.	Client name	Buy Qty	% Buy Qty	Sell Qty	%Sell Qty
1	Sushil Agarwal	8,98,000	9.05%	9,24,000	9.31%
2	Vaibhav Tayal	4,78,000	4.82%	1,80,000	1.81%
3	Tentu Appa Rao	2,84,000	2.86%	3,90,000	3.93%
4	Guruv Vishnu Vandana	2,44,000	2.46%	0	0.00%
5	Seema Agarwal	2,18,000	2.20%	2,24,000	2.26%
6	M/S N S Securities Satish Kumar Arya	1,20,000	1.21%	0	0.00%
7	Steel City Financial Services Pvt Ltd	0	0.00%	5,10,000	5.14%
8	Y Dharma Rao	2,04,421	2.06%	31,442	0.32%

Total	24,46,421	24.66%	22,59,442	22.77%
Market total	**99,20,000**	**100.00%**	**99,20,000**	**100.00%**

12.4.2 The aforesaid connected entities purchased 24,46,421 shares (24.66% of total market volume) and sold 22,59,442 shares (22.77% of the total market volume). They contributed 1.50% volume to market volume through trades among themselves. All these entities placed their order through the broker SCSL. The details of trading of the 8 suspect entities among themselves are given below:

Buyer Name	**Seller Name**					**Total**
	Y Dharma Rao	Tentu Appa Rao	Sushil Agarwal	Seema Agarwal	Vaibhav Tayal	
Y Dharma Rao	-	-	-	2000	-	**2000**
Tentu Appa Rao	-	-	10000	12000	-	**22000**
M/S N S Securities Satish Kumar Arya	-	-	20000	-	60000	**80000**
Sushil Agarwal	-	4000	-	94000	2000	**100000**
Seema Agarwal	2000	2000	10000	-	10000	**24000**
Guruv Vishnu Vandana	-	-	42000	-	-	**42000**
Vaibhav Tayal	-	-	-	28000	-	**28000**
Total	**2000**	**6000**	**82000**	**136000**	**72000**	**298000**

12.4.3 Vide email dated October 04, 2022 and September 05, 2022 Noticee No. 1 submitted that on behalf of both Noticees (Noticee no. 1 & 2), their son Vaibhav Tayal was trading in the market. Authorization letter submitted by Noticee No. 1 in favour of Vaibhav Tayal is available on record.

12.5 I note that among the 8 suspect entities, 3 suspect entities traded as buyer and 4 suspect entities traded as sellers during the F-1 patch. Details of their trading is given below:

Client name	**Buy Traded Qty**	**%Buy Traded Qty**	**Sell Traded Qty**	**%Sell Traded Qty**	**Profit (Rs.)**
Sushil Agarwal	356000	30.58%	344000	29.55%	-66910.11
Seema Agarwal	90000	7.73%	92000	7.90%	239436.96
Vaibhav Tayal	2000	0.17%	2000	0.17%	2300

Tentu Appa Rao	0	0.00%	20000	1.72%	-
Market total	**1164000**	**100.00%**	**1164000**	**100.00%**	

Suspect entities contributed 38.49% towards market buy volume and 39.35% towards market sell volume and contributed 8.59% to market volume through trades among group. Noticee nos. 1, 2 and Vaibhav Tayal together made a profit of Rs. 1,74,826.85/-.

13 The following was the analysis of the trades of Noticee Nos. 1 & 2 in the scrip of SCSL during the investigation period;

13.1 Synchronized trades by Noticees

13.1.1 During the falling patch of F-1 few synchronized trades among the suspect entities were observed. The Noticee nos. 1 & 2 and Late Vaibhav Tayal through 42 synchronized trades among themselves across 36 trading days, contributed 7.22% to market volume. Out of the contribution of 7.22% to market volume by Vaibhav Tayal, Sushil Agarwal and Seema Agarwal, the contribution of Noticee nos. 1 & 2 was 7.05%.

13.1.2 Both Noticee nos. 1 & 2 submitted that they had authorized their son i.e. Vaibhav Tayal to invest/ trade on their behalf and submitted authorization letters in favour of Vaibhav Tayal. Therefore, Vaibhav Tayal, Noticee No. 1 and Noticee No. 2 acted as single entity for the purpose of trading in the scrip.

13.1.3 It was also observed that both buy orders as well as sell orders of these entities were placed through the same broker SCSL. From the visitors' register provided by the broker SCSL, it was observed that Noticee No. 1 and Noticee No. 2 and Vaibhav Tayal visited the same office of the broker in Vishakhapatnam. Vaibhav Tayal was authorized to place orders on behalf of Noticee nos. 1 & 2 and had placed orders offline/ physically in the broker's office. Vaibhav Tayal had placed orders for Noticee nos. 1 & 2 and himself for 36 days during patch F-1 on which days trades of these entities were executed. Out of these 36 days, in 35 days all these three entities including Vaibhav Tayal had visited the broker’s office as observed from visitors’ register of the broker. As Noticee nos. 1 & 2 were present in the broker’s office when Vaibhav Tayal was placing orders on their behalf, they were in full knowledge of the orders being placed by Vaibhav Tayal from their accounts. From the trading activities of Noticee nos. 1 & 2 and Vaibhav Tayal, it was observed that they executed synchronised / reversal trades and created artificial volume.

13.2 Reversal trades by Noticees

13.2.1 There were reversal trades between Noticee No. 1 and Noticee No. 2 on 4 days that contributed 1.37% to artificial market volume.

13.2.2 During the patch of F-1, Sushil Agarwal (Noticee no. 1), Seema Agarwal (Noticee no. 2) and Vaibhav Tayal together made a profit of Rs. 1.74 lakh. Further, it was observed that as group entities they contributed 7.22% to market volume through synchronized trade. Out of the contribution of 7.22% to market volume by Vaibhav Tayal, Sushil Agarwal and Seema Agarwal, the contribution of Sushil Agarwal and Seema Agarwal was 7.05%. Therefore, it was alleged that Noticee nos. 1 & 2 traded in the scrip of SCSL to create false or misleading appearance of trading and created artificial volume.

13.2.3 Noticee no. 3 was the broker as well as counter party broker for these clients who executed 42 trades constituting a volume of 84,000 shares (7.22% of total market volume). As per the submissions made by the broker these three entities placed all their orders offline in person at the broker’s office. In this regard, visitors’ register of the broker was checked from where it was observed that these entities had visited the office of Noticee no. 3 on the same days to place their orders.

13.2.4 Noticee no. 3 had informed that the said clients are from the same family and were frequent traders cum investors. Upon analysis of the trades under review, it was identified that there was not a single incidence where both the parties had placed buy and sell order simultaneously through the same dealer/ terminal and hence the said orders never aroused its dealer's suspicion. During the period under review (2017 and 2018) it was operating legacy back-office software which did not had the facility to identify trades executed between entities with different PAN as synchronized trades/ match trades.

13.2.5 Noticee no. 3 acted as broker and counterparty broker of Noticee no. 1 & 2 and Vaibhav Tayal. All the above mentioned synchronized trades were executed from the same office of broker. Hence, it was alleged that Noticee No. 3 facilitated the three entities (Sushil Agarwal, Seema Agarwal and Vaibhav Tayal) in indulging in an act which created false or misleading appearance of trading amounting to creation of artificial volume in the scrip of SCSL during F1 patch.

13.2.6 I note that based on the above, it was alleged in the SCN that Noticee Nos. 1 & 2 have violated the provisions of Section 12A (a), (b) & (c) of SEBI Act read with Regulations 3(a), (b), (c) & (d) and Regulation 4(1), 4(2) (a) & (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Further, it was alleged in the SCN that Noticee no. 3 have violated the provisions of Clause A2 of the code of conduct for stock brokers as specified under schedule II read with Regulation 9 of Stock Brokers Regulations.

14 Noticee Nos. 1 & 2 vide separate letters dated April 22, 2023, May 31, 2023, June 12, 2023 and June 21, 2023 (common letter) submitted their reply to SCN which were found to be similar in nature. Relevant extract of their replies is given below:-

14.1 It is pertinent to note that my trades in SCSL and other scrips were placed by my son Late Mr. Vaibhav Tayal. I had authorized my son to invest/trade on my behalf. Authorization letter in this regard was also submitted by me to SCSL.

14.2 My transactions have been carried out in total compliance of all securities market laws as applicable to me as an investor of capital market.

14.3 *There is no allegation of any price manipulation alleged against me which means my trades were executed on the price which was traded in the market and my trades haven't had any negative or positive impact on the price of SCSL.*

14.4 *The present SCN is issued after a gap of around 6 years from the date of alleged transactions in shares of SCSL. Noticees relied on judgments of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Shriram Insight Share Brokers Ltd. vs SEBI (Appeal No. 559 of 2020), Ashlesh Gunvantbhai Shah vs SEBI (Appeal No. 169 of 2019), Ashok Shivlal Rupani & Ors. vs SEBI (Appeal No. 417 of 2018). Yatin Pandya HUF vs SEBI (Appeal No. 719 of 2021). SIC Stock & Services Pvt Ltd. (Appeal No. 639 of 2021), Sanjay Jethalal Soni and Ors. vs SEBI (Appeal No. 102 of 2019), Man Industries Ltd. & ors. vs SEBI (Appeal No. 64 of 2023).*

14.5 *Buy and sell transactions in SCSL is spread in the months of July 2017, August 2017, September 2017, October 2017, November 2017, December 2017, January 2018, February 2018 & March 2018 and is not concentrated in an given month or any given day.*

14.6 *I submit that the volume of shares traded in the scrip of SCSL during investigation period i.e. from 18.07.2017 to 22.07.2019 was huge as 1,08,67,809 shares on NSE, and percentage of our buy and sell trades was very negligible so as to have any impact on the market equilibrium.*

14.7 *I submit that the alleged reversal of trades vis-à-vis the market volume during investigation period (1,08,67,809 shares) in scrip of SCSL is insignificant / diminutive*

15 Noticee no. 3 filed written submissions vide letter dated 15.04.2023, 29.05.2023 and 13.06.2023. Relevant extract of its reply is given below:-

15.1 *We submit that we have exercised due skill, care and diligence at all points of time while executing trades on behalf of our said 3 clients in the scrip of SCSL.*

15.2 *At the time of registering the said 3 clients, we have complied with all KYC norms i.e. we obtained duly filled "Client Registration Form" (KYC) a/w all the necessary documents as statutorily required. It is only thereafter; that the said clients were allowed to place orders with us as per our routine practice uniformly followed for all the clients.*

15.3 We had taken all reasonable steps to assess the said 3 client's background, genuineness, financial soundness and trading-cum-investment objectives as per SEBI prescribed guidelines. As required, we had obtained the bank & financial details, identity/address proofs, copy of PAN cards and executed Broker-Client Agreement as per guidelines prescribed by regulator.

15.4 We submit that the said clients have been registered with us from past many years and are our regular clients who deal in the stock market on regular basis not just in the scrip of SCSL but have also dealt in number of other scrips during the investigation period.

15.5 The value of trades in SCSL by said 3 clients were very miniscule and negligible as compared to our overall volume and value during the investigation period.

15.6 The said 3 clients had always placed their orders/trades in compliance with all the relevant rules and regulations. Since, the clients have always honored their transaction; we assumed that they did not pose any risk to us or to the Exchange/Clearing Corporation.

15.7 The volumes of alleged transactions by the said 3 clients were too insignificant so as to raise any suspicion in respect of their trading in SCSL.

16 I have perused the available records in respect of allegations made in the SCN, replies of the Noticees and submissions made during the course of hearing in this matter.

17 Before dealing with the replies of Noticees on merit, I would deal with the contention raised by Noticees with respect to delay in initiation of proceedings. I note that investigation in this matter was conducted based on a complaint dated March 08, 2021 received from one of a shareholder of SCSL. Thereafter, SEBI conducted investigation for the period July 18, 2017 to July 22, 2019 in this matter. Investigation report was approved by competent authority on November 24, 2022. In terms of approved action, adjudication proceedings were initiated against "Noticees" in this matter. Thereafter, show cause notice was issued to "Noticees" on April 10, 2023 and hearing in this matter was conducted on June 09, 2023.

Noticees vide multiple letters filed replies to SCN in May/June, 2023. I find that there is no unreasonable delay in initiation of instant proceedings.

18 I note from the replies submitted by Noticee nos. 1 & 2 that both Noticees had authorized their son to trade on their behalf and trades in the scrip of SCSL were placed by Late Mr. Vaibhav Tayal.

19 I note from the findings of investigation, as contained in SCN, that investigation was conducted in the scrip of SCSL for the investigation period from July 18, 2017 to July 22, 2019 (2 years approx.). Based on the movement of price of the scrip, investigation period, was divided into 10 patches viz. the period of price rise from July 18, 2017 to October 11, 2017 was divided into four patches (termed as R-1, R-2, R-3 and R-4) and the period of price fall from October 12, 2017 to July 22, 2019 was divided into six patches (termed as F-1, F-2, F-3, F-4, F-5 and F-6).

20 I note that total volume in the scrip of SCSL during the investigation period (July 18, 2017 to July 22, 2019) is 1,08,86,415. Quantity traded by Noticee nos.1 & 2 is given below:

Name	**Exchange**	**No. of shares Purchased**	**No. of shares Sold**
Sushil Agarwal	NSE	8,98,000	9,24,000
Seema Agarwal	NSE	2,22,000	2,28,000

21 I note that adverse findings against the Noticees are contained only in one patch i.e. F1 patch. I note from the SCN that main allegation against Noticee nos. 1 & 2 is execution of 42 synchronized trades in 36 trading days during Price fall patch (F1) which accounted for 7.05 % to market volume during the said patch. Details of such trades executed by Noticee nos. 1 & 2 are given below:

Buyer Pan	**Buyer Name**	**Seller Pan**	**Seller Name**	**Synchronized Quantity**	**Sum Of LTP Diff**	**Number Of Days**	**Number Of Trades**	**%Market volume**
AEMPA5660G	Sushil Agarwal	AEVPA1107P	Seema Agarwal	74000	97.35	34	37	6.36%
AEMPA5660G	Sushil Agarwal	BEUPT2091F	Vaibhav Tayal	2000	3.50	1	1	0.17%

AEVPA1107P	Seema Agarwal	AEMPA5660G	Sushil Agarwal	8000	-2.30	4	4	0.69%
Total				**84000**	**98.55**	**36**	**42**	**7.22%**

22 I note that Noticee nos. 1 & 2 together bought 11,20,000 shares and sold 11,52,000 shares during IP.

23 I note from the analysis of alleged 42 synchronized trades that said trades were carried out in 36 trading days during the Patch (F1), as under;

TRADE_DATE	No. of Trades	TRADE_DATE	No. of Trades
13/10/2017	1	06/12/2017	1
17/10/2017	1	07/12/2017	1
19/10/2017	1	12/12/2017	1
26/10/2017	1	15/12/2017	2
02/11/2017	1	18/12/2017	1
03/11/2017	1	26/12/2017	1
06/11/2017	2	03/01/2018	1
08/11/2017	1	05/01/2018	1
09/11/2017	1	10/01/2018	1
15/11/2017	1	11/01/2018	1
16/11/2017	1	12/01/2018	1
17/11/2017	1	15/01/2018	1
20/11/2017	3	16/01/2018	1
21/11/2017	2	17/01/2018	1
22/11/2017	1	18/01/2018	1
24/11/2017	1	19/01/2018	1
28/11/2017	1	22/01/2018	2
30/11/2017	1	23/01/2018	1

24 I note from the trade log/ order log that the order for the above trades were placed for same quantity and the time difference between the placement of buy and sell order was miniscule. Hence, the said trades can be considered as synchronized trades. However, I note that such synchronized trades of the Noticees no. 1 & 2 were scattered over the period of 36 trading days, i.e. on an average 1 trade took place on each of 36 trading day, maximum being 3 trades which were executed

on 20/11/2017. I am of the considered view that frequency of such trades was sparse and could not have influenced others to trade in the scrip of SCSL.

25 I also note from the trading details in the scrip of SCSL, that total traded volume is 1,08,86,415 during the investigation period which was spread across 432 trading days during July 18, 2017 to July 22, 2019. The percentage of synchronized trades (i.e. 84,000 shares) carried out by Noticees no. 1 & 2 are only 0.77%, which is negligible. In view of the above, hence, I feel that such trades cannot induce others to trade in the scrip of SCSL.

26 I note that there is also an allegation of reversal trades by Noticee nos. 1 & 2 in the scrip of SCSL on 4 days during IP, as under:

Pan no	Buyer Name	Cp PAN no	Seller Name	Gross Buy	Gross Sell	Reversal Qty	Number Of Days	%Market volume
AEMPA5660G	Sushil Agarwal	AEVPA1107P	Seema Agarwal	12000	8000	8000	4	1.37%
Total				**12000**	**8000**	**8000**	**4**	**1.37%**

27 I note that reversal trades of Noticee nos. 1 & 2 have contributed 1.37% of market volume during the investigation period and such less quantity of trades cannot induce others to trade in the scrip of SCSL.

28 I note that Hon'ble Securities Appellate Tribunal in Appeal no. 2 of 2004 in the matter of ***Ketan Parekh v/s. SEBI***, decided on July 14, 2006, has noted as under:

"20. There are yet another type of transactions which are commonly called synchronised deals. The word 'synchronise' according to the Oxford dictionary means "cause to occur at the same time; be simultaneous". A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronised deal depending on the time when the buy and sell

orders are placed. There are deals which match off market i.e., the buyer and the seller agree on the price and quantity and execute the transaction outside the market and then report the same to the exchange. These are also called negotiated transactions. Block deals (when shares of a company are traded in bulk) are an instance of trades that match off market. Such trades have always been recognised by the market and also by the Board as a regulator. It has recently issued a circular requiring all bulk deals to be transacted through the exchange even if the price and quantity are settled outside the market. When such deals go through the exchange, they are bound to synchronise. It would, therefore, follow that a synchronised trade or a trade that matches off market is per se not illegal. Merely because a trade was crossed on the floor of the stock exchange with the buyer and seller entering the price at which they intended to buy and sell respectively, the transaction does not become illegal. A synchronised transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. <u>A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal</u>. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the 35 cumulative effect of these that an inference will have to be drawn."

29 I note that in view of low frequency of synchronized/ reversal trades of the Noticee nos. 1 & 2, no inference of manipulation by Noticee nos. 1 & 2 could be made in the scrip of SCSL. Thus, I find that Noticee nos. 1 & 2 have not violated the provisions of SEBI Act and PFUTP Regulations, as alleged in the SCN.

30 It was also alleged in the SCN that Noticee no. 3 failed to exercise due skill, care and diligence as laid down in the code of conduct for stock broker thereby violated the clause A (2) of Code of Conduct for Stock Brokers as specified under schedule II given under Regulation 9 of Stock Brokers Regulations.

31 Noticee no. 3 in its reply submitted that it has complied with the all KYC norms and have taken all reasonable steps to assess background, genuineness, financial soundness, identity/address proofs etc. of Noticee nos. 1 & 2. Noticee no. 3 also submitted that miniscule volume of alleged trades by Noticee nos. 1 & 2 did not arose any suspicion in the mind of its dealers.

32 I note that Noticee no. 3 is a broker through whom Noticee nos. 1 & 2 have traded in the scrip of SCSL. Noticee no. 3 have provided the following details of its total turnover :-

Total Turnover of SCSL (in Rs. Cr)		
Exchange	**Segment**	**Investigating Period (18.07.2017 to 22.07.2019)**
BSE	Cash	1,850.71
NSE	Cash	23,568.49
NSE	F/O	1,36,491.90

33 There is nothing on record to show that there was any default on the part of clients viz. Noticee nos. 1 & 2 in meeting with market obligations. Said two clients were trading through the Noticee No. 3 in various scrips. Noticee no. 3 has submitted the following details of trading of Noticee nos. 1 & 2:

Name	**Total Turnover (Rs.)**	**Total No. scrips traded**
Sushil Agarwal (Noticee no. 1)	41,93,82,103/-	86

Seema Agarwal Noticee no. 2)	416,94,82,895/-	312

34 From above, I note that both Noticee nos. 1 & 2 are regular traders and traded in other scrips as well other than the scrip of SCSL. Noticee no. 3 also submitted that there were 18,696 clients who traded through Noticee No. 3. Considering the turnover number of the Noticee no. 3 in comparison the alleged synchronized trades executed by Noticees no. 1 & 2 bearing in mind the fact that there was no default committed by both clients, and also since the allegation of fraud has not been established against Noticees no. 1 & 2, I am of the view that there is no reason which could raise suspicion in the mind of broker with respect to the trades of Noticee nos. 1 & 2. Therefore, I am of the view that allegation of violation of Clause A (2) of the code of conduct for stock brokers as specified under schedule II read with Regulation 9 of Stock Brokers Regulations is not established.

35 Since no violation has been established under Issue I, Issue II and III do not merit consideration.

ORDER

36 Considering all the facts and circumstances of the case and exercising the powers conferred upon me u/s 15-I of the SEBI Act r/w rule 5 of the SEBI Adjudication Rules, SCN dated April 10, 2023 issued to Noticees is disposed of.

37 In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai **AMIT KAPOOR**

Date: July 27, 2023 **ADJUDICATING OFFICER**