BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. EAD-7/BD/NR/2019-20/5282

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

In respect of:

Superstar Exports Private Ltd.,
(PAN: AAICS4642M)
Registered Office
The Capital, "A" Wing, 6th Floor
No. 603-606, Plot No. C-70, "G" Block
Bandra Kurla Complex, Bandra (East)
Mumbai – 400051.

In the matter of Systematix Corporate Services Ltd.,

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted an investigation into the possible price manipulation in the scrip of Systematix Corporate Services Ltd., *(hereinafter referred to as **"Systematix"**)* by a group of entities related to the Director / Promoter / Promoter related entities of Systematix during the period September 2, 2010 to June 17, 2011 *(hereinafter referred to as **"Investigation Period"***)**.** During the course of investigation, it was inter-alia observed by SEBI that the share price of Systematix moved from ₹ 26.45 to ₹ 313.90 registering an increase of ₹ 287.45 (1096.76%). It was observed that 17 entities identified to be related / connected to promoter / promoter related entities of Systematix had traded in the scrip of Systematix. It was observed that, during the investigation period, the price of the scrip has increased in Patch 1, Patch 3 and decreased during Patch 2, as detailed below:

Period	Opening price ₹	Closing price ₹	High Price ₹	Low Price ₹	Trading days	% change in price of the scrip	Average Daily traded volume	Total traded Volume
Patch 1: 02/09/2010 to 12/11/2010	26.45	292.20	313.9 (12/11/10)	26.35 (03.09.10)	51	1005% (Increase)	43243	2205415
Patch 2: 15/11/2010 to 26/05/2011	285	63.4	290 (15/11/10)	61.05 (26/05/2011)	123	77.75% (Decrease)	4252	523021
Patch 3: 30/05/2011 to 17/06/2011	62	107.75	110 (17/06/11)	62 (03/05/2011)	15	73.8% (Increase)	2370	35556

It was observed that the scrip of Systematix witnessed a total price rise of ₹ 265.75 during Patch 1, price fall of ₹ 221.6 during Patch 2 and price rise of ₹ 45.75 in Patch 3 as mentioned above.

2. Pursuant to carrying out Last Traded Price (LTP) analysis, it was observed that Superstar Exports Pvt., Ltd., *(hereinafter referred to as* ***"*Noticee" / *"Superstar")*** along with other entities who are related to the promoter / promoter related entities observed to have indulged in price manipulation in the scrip of Systematix by trading above LTP, creating false and artificial volume of the scrip for wrongful gains. Therefore, it was alleged that the Noticee had violated the provisions of Regulation 3 (a) (b) (c) (d) read with Regulation 4 (1) 4 (2) (a) and (e) of SEBI (Prohibition of Fraudulent Trade Practices Relating to Securities Market) Regulations, 2003 *(hereinafter referred to* **"PFUTP Regulations"***).*

APPOINTMENT OF ADJUDICATION OFFICER

3. Based on the findings of the investigation, SEBI initiated Adjudication proceedings against the Noticee and appointed Shri Prasad Jagadale as the Adjudicating Officer vide Order dated January 20, 2016 under Section 19 of SEBI Act read with Sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **"*Adjudication Rules")*** to inquire into and adjudge under Section 15HA SEBI Act for the alleged violation of the provisions of SEBI (PFUTP) Regulations by the Noticee. Pursuant to internal restructuring, the undersigned has been appointed as Adjudicating Officer vide Order dated May 18, 2017.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A common Show Cause Notice (SCN) bearing ref. no., EAD/BJD/NJMR/23800/2017 dated September 29, 2017 was issued to the Noticee, under Rule 4(1) of the Adjudicating Rules to show cause as to why an inquiry should not be held and penalty be not imposed under Section 15 HA of the SEBI Act, for the violations alleged to have been committed by him.

5. It is pertinent to mention that the said common SCN was issued to the Noticee along with Satyamitra Stock Consultants Pvt., Ltd., and Ramavtar Surekha for the alleged violation of the provisions of SEBI (PFUTP) Regulations. In respect of the proceedings initiated against Ramavtar Surekha, the Adjudication proceedings were concluded vide Adjudication Order No. EAD/BJD/NJMR/160/2017-18 dated February 28, 2018 by disposing off the SCN issued to him. In respect of the proceedings initiated against Satyamitra Stock Consultants Pvt., Ltd., the Adjudication proceeding were concluded vide Adjudication Order No. EAD-7/BJD/NJMR/235/2018-19 dated September 28, 2018 by disposing off the SCN issued to it. I note that the Noticee *(i.e., Superstar)* filed an application for settlement under the provisions of SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014. Accordingly, the proceedings against Superstar were kept in abeyance. However, pursuant to rejection of the settlement application filed by the Noticee, the instant proceedings have been revived

6. The SCN dated September 29, 2017 was served on the Noticee on October 4, 2017. In reply, the Noticee vide letter dated October 23, 2017 had sought extension of time for one month for submitting its reply, which was deemed to have been accorded. Since, no reply was furnished by the Noticee despite being provided with one-month extension of time, vide letter dated November 24, 2017 the Noticee was given one more opportunity to file its reply to the charges alleged in the SCN by December 6, 2017. Vide letter dated

November 23, 2017 *(received on November 27, 2017)* the Noticee furnished its reply, which is summarized hereunder:

(a) *The Noticee refers to point no. 11 of SCN, wherein the details of promoters and promoters group were mentioned and would like to state that the Noticee is not connected with any of the entity / person mentioned in the table, except the persons / entities mentioned from sl. No. 1 to 5.*

(b) *Regarding the point no. 12 of SCN, the Noticee would like to state that the entities mentioned at the serial no 1 to 4, 7 to 10, 12 to 15 and 17 are not related to us. Further please note that the Noticee, Mr Chandra Prakash Khandelwal HUF and Mr Nikhil Khandelwal mentioned at serial no 6, 5 and 16 respectively purchased the shares of Systematix Corporate under the promoter category and proper disclosures had been made to the exchange at the time of acquisition of the said shares. It Is clear from the table that the Noticee had bought 1,61,780 shares constituting 5.85% of gross buy to market volume and not sold a single share during the Investigation Period. Even Including the connected entitles of the Noticee (Sr. No. 5, 11 and 16), the total volume was less than 7%. It is therefore submitted that the Noticees' trading cannot be clubbed with the entities which are in no way connected with the Noticee.*

(c) *Upon analysing the trade logs provided in the CD, it is submitted that that the Noticee had put first order at 09:27:34 a.m. Order number 20000055009795, for buying of 25000 shares at ₹102.10 which was Last Traded Price ('LTP') at the time of entering the Order. As the order was not executed at that time and as the Noticee wanted to buy the shares, the Noticee updated the order price to ₹ 110. The said order had been executed into 81 trades and matched on the anonymous trading exchange with different clients. It is observed that only 2500 shares executed into 11 trades had been matched with so called Mr Ramavtar Surekha. However, the trading on the stock exchange being screen based, the Noticee was not aware as to who was the counter party.*

(d) *Subsequently, the price had increased beyond ₹ 110 and this scrip was thinly traded scrip. Since the Noticee Intended to buy the desired shares the Noticee had placed orders at ₹ 112.80, because sellers were available at higher price only.*

(e) *Our average price of buying of 50,000 shares as on October 8 2010, was ₹108.99 which was near to the previous day dosing price of ₹ 107.40. The Noticee has verified the records and observed that as on October 08 2010 its orders had resulted into total no of trades of 216 out of which only 29 trades had matched with Mr. Ramavtar Surekha*

(f) *Also it may be noted that the trade log analysis provided by SEBI that there had been many other orders executed, if there was any Intention of increasing price, the Noticee would have placed orders at reasonable high price range and or there would not be a single case of negative LTP.*

(g) *The Noticee has verified the records and observed that during Investigation period the Noticee has traded for 6 days, the details of the trades which have been executed by us*

Details			Purchase			Sell		
Sauda Date	Sett No.	Type	Qty	AYI Rate	Value	Qty	Avg Rate	Value
Oct 8, 2010	2010136	c	50000	108.99	5449617.48	0	0	0
Oct 11, 2010	2010137	c	17000	117.97	2005545.67	0	0	0
Oct 12, 2010	2010138	c	9780	124.33	1215970.65	0	0	0
Oct 18, 2010	2010142	c	10000	151.11	1511141.3	0	0	0
Oct 19, 2010	2010143	c	35000	158.71	5554850	0	0	0
Feb 23, 2011	2010231	c	40000	124.47	4978738.15	0	0	0

(h) *It is respectfully submitted that after October 08 2010 the Noticee has traded for 4 trading days only in month of October 2010, subsequently then directly on February 23 2011, nearly four months later.It may be noted that even SEBI has not found in its analysis any matching trade with any other entities or observed any repetitive trend.*

(i) *In addition to this, the Noticee wishes to submit that from October 08 2010 to October 12 2010 purchases were made from ₹ 108 to ₹ 124.33. If it is compared with high price as on October 07 2010 of ₹ 118 then there is merely an upward revision of ₹6.33 only. Likewise, purchases made from October 18 and October 19, 2010 were on an average price of ₹ 151and ₹ 158 respectively, when this being compared to closing price of October 15, 2010 which was ₹143.9, It can be seen that upward revision is merely of ₹ 14.10 hence* *effectively contribution to upward price is ₹ 20.43 only. Additionally, there is no regular trading in this scrip. The trades have been executed to acquire desired shares to increase the Noticees' holdings in the Systematix.*

(j) *Further, The Noticee would like to state that during period of investigation, the Noticee has purchased 1,61,780 shares of Systematix, which has been acquired after adhering to filling of relevant disclosures to the exchange. The Noticees has not contributed to any repetitive and or/regular trading pattern.*

(k) *It may be inferred that the Noticee has only bought shares of Systematix as part of promoter group and not traded in the scrip of Systematix. We have purchased the shares and still hold them as our Investments, there is no reason or rationale to have inflated the price and then buy the shares. We at no given point of time traded from any far away traded price or contributed to repetitive trends.*

(l) *In addition to the above submissions please find enclosed herewith the timely disclosures made for shares of Systematix during the investigation period. In addition to this, the Noticee wishes to submit that it had purchased 50,000 on October 08, 2010 out of which 16 shares were not received, for which the Noticee had received an auction close out from exchange. Likewise, on October 11, 2010 the Noticee had purchased 17,000 shares out of which 52 shares were not received and for this also an auction close out from exchange was required. These, 68 shares were never received by Superstar Exports Private Limited, as there was an auction close out on the exchange trading platform. Further, the Noticee has also provided copy of annual disclosure made by Systematix to BSE, detailing the details of shares held by the Noticee of Systematix.*

(m) *From above submission and disclosures filed with exchanges, it infers that only purchases were done by the Noticee, there has been no selling and / or trading. All purchases have been done in open market as part of promoter group and the disclosures for such acquisitions were duly filed with concerned Exchanges. The Noticee would like to state that it had acquired the shares and there is no rationale to have price increased rather it is detrimental to its interest as the acquisitions made at later stage the Noticee had paid higher price. Thus, there is no question that the Noticee had contributed to the positive LTP of scrip by entering into 18 trades with some* *unknown entity Ramavtar Surekha. The 18 trades are surely just a matter of mere coincidence as scrip was thinly traded.*

(n) *In addition to this, the Noticee has observed, that on basis of a generic common address based on same building premises and not same office and /or same vicinity and from there directors which are nowhere connected to the Noticee, SEBI has as part of an Investigation presumed that entitles mentioned at serial no 1 to 4, 7 to 10, 12 to 15 and 17 of Point 12 of SCN are related to and or are connected to the Noticee whereas such assumption is completely baseless and erroneous.*

(o) *The Notice is one of the promoter group entities of Systematix and the Noticee was acquiring shares of Systematix during Investigation Period along with other promoter group entities namely CP Khandelwal, Anju Khandelwal, Nikhil Khandelwal and Radhye Shyam Khandelwal. The Noticee along with other promoters have made proper disclosures to the Stock Exchanges about the acquisitions made during the Investigation Period.*

(p) *The Noticee would like to Inform SEBI that in the month of March 2011, Systematix has allotted 4,43,758 equity shares and 3,03,6676 Optionally Fully Convertible Debentures ("OFCD") to promoter group entities Including the Noticee pursuant to preferential allotment in accordance with the SEBI Regulations. The said shares had been allotted at ₹ 10 each at a premium of ₹ 161.27. Therefore, it is clear that during the Investigation period the securities of Systematix were allotted to the Noticee as well as other promoter group entities of Systematix. It clearly demonstrates the Noticee's intention to acquire shares for long term and not to manipulate the price of Systematix.*

(q) *All trades were executed by the Noticee at stock exchange's screen based trading system (SBTS) and hence the Noticee was not aware about the identities of counterparties as SBTS electronically matches the buyer and the seller in an order driven system or finds the customer the best price available in a quote-driven system. Trading on SBTS not only cuts down on time, cost and risk of error but also minimize the chances of fraud.*

(r) *In para 7 of the SCN, SEBI has provided the information in respect of financial results and in para 8, the price and volume movement in the scrip of Systematix has been given. It is observed that during the Investigation Period, the price movement of the scrip of Systematix* *was from ₹26.35 (low) to ₹313.9 as (high). The price movement was nearly 12 times from the lowest price. It is observed from the financial data that the profit of Systematix increased from ₹7.01 Lakhs in FY 2009-10 to ₹459.6 lakhs in FY 201Q-11 constituting nearly 75 times increase. Subsequently, Systematix has made loss and consequently, the market price crashed. Therefore, the price rise/fall in the market price of Systematix cannot be said to be artificial or without any basis/support.*

(s) *In para 10 of the SCN, it was stated that the Noticee had acquired 1,61,780 shares constituting 5.85% volume of the total gross trades during the investigation period. The Noticee submits that 5.85% trades in total volume cannot Influence the price at all. Further, the Noticee has no relationship with majority of entities mentioned in the table provided under para 10 and SEBI has erroneously clubbing of Noticee's trades with all other entities. In the same table, SEBI has provided the Information in respect of top 10 buy clients and top 10 sell clients. The Noticee is on 2nd spot in the list of top 10 Buy Clients. It is further observed that Lotus Global Investments Limited ('Lotus') had traded 4, 68,000 shares constituting 16.93% of total gross volume of shares. Lotus had acquired three times more shares during the Investigation Period and SEBI has not alleged any co-relation between the Noticee and Lotus. SEBI has handpicked the Information without proper analysis.*

(t) *In para 13 of the SCN, SEBI has provided LTP analysis. Surprisingly, SEBI has taken nearly 3 months period i.e. between September 02, 2010 to November 12, 2010 for such LTP analysis. Further, out of the total 1,61,780 shares traded (acquired) by the Noticee during Investigation Period, SEBI has handpicked only 1,21,780 shares for LTP Analysis. In that analysis, SEBI has observed that Noticee had acquired 20,102 shares at price higher than LTP and contributed ₹ 85.75 to positive LTP. Further, after netting of Negative LTP, SEBI has observed that the Noticee had contributed NET LTP of ₹84.5 to positive LTP. This is pertinent to note that the calculations were made not considering (taking into account) entire Investigation Period but for limited period of 3 months. If SEBI calculates the LTP Impact based on the entire Investigation Period, then it might be possible that the Notice had not contributed for any NET positive LTP. This may be possible because even in the period selected by SEBI, the Noticee had placed certain orders at prices lower than LTP which impacted negative LTP. This all demonstrate that SEBI has picked up certain data without proper analysis.*

(u) *It is further submitted that SEBI has without providing any concrete reasons co-related the trades of Noticee with the trades of Ramavtar Surekha.*

(v) *It is submitted that the Noticee was acquiring the shares of Systematix throughout the Investigation Period and the acquired shares have not been sold till date. Therefore, there is no logic to SEBI's allegation that the Noticee had tried to establish higher price. In reality also, the price of Systematix crashed due to negative financial results which negatively affected the Noticee as it had acquired shares of Systematix at higher price. The whole allegation mentioned above is based on erroneous assumption of co-relation between the Noticee and Ramavtar Surekha.*

7. In the interest of natural justice and in terms of Rule 4(3) of SEBI Adjudication Rules, an opportunity of personal hearing was granted to the Noticee on January 23, 2018, which was communicated vide letter ref. no., EAD/BJD/NJMR/1234/2018 dated January 11, 2018. The Noticee vide its letter dated January 22, 2018 while requesting for adjournment of personal hearing submitted that it has decided to file an application for settlement of the matter and thus requested to keep the matter in abeyance till disposal of the settlement application. Accordingly, the proceedings were kept in abeyance upon filing of settlement application by the Noticee, which were later revived pursuant to rejection of its settlement application by a Panel of Whole Time Members, SEBI. The rejection of settlement application was informed to the undersigned vide an internal note dated September 16, 2019.

8. Pursuant to rejection of settlement application filed by the Noticee, an opportunity of personal hearing was granted to the Noticee on October 15, 2019, which was communicated vide letter dated September 30, 2019. I note that the notice of hearing dated September 30, 2019 returned undelivered with a remark *"company not found".* Accordingly, the Noticee was given one more opportunity of personal hearing scheduled on October 30, 2019, which was sent through digitally signed email in accordance with Rule 7 (b) of SEBI Adjudication Rules, on October 23, 2019. I note that the email did not bounce. The Noticee vide email dated October 29, 2019 while making

additional submissions to the charges alleged in the SCN, requested for adjournment of personal hearing which was scheduled on October 30, 2019. Further, the Noticee vide email dated October 30, 2019 requested to take into consideration the replies submitted by it, besides stating its intention to not to avail personal hearing.

9. Upon perusal of the submissions made by the Noticee vide letter dated October 29, 2019, I note that it had reiterated its earlier submissions made vide letter dated November 23, 2017, besides making some additional submissions, which are summarized hereunder:

(a) With regard to the allegations levelled against the Noticee as per the SCN, it is submitted that vide Orders dated February 28, 2018 and September 28, 2019, the Learned Adjudicating Officer has already disposed of the SCN and the proceedings against Ramavtar Surekha and Satyamitra Stock Consultants Pvt., Ltd., respectively, without any penalty against them. It is submitted that since we are alleged to have traded in concert with one Ramavtar Surekha and the allegations against us were based on our trades which matched with Ramavtar Surekha on the anonymous trading platform of the Exchange and the proceedings against Ramavtar Surekha and others have already been disposed of without any penalty, the proceedings against us too deserve to be disposed of without any penalty against us. In this connection, reliance is placed on the Order passed by the Hon'ble SAT dated September 30, 2013, in the matter of Vidhya Finvest Ltd., Vs SEBI.

(b) It is further submitted that the facts of Satyamitra's trading are similar to that of our trading in the following respects:

i) Both we and Satyamitra were putting buy trades only;

ii) The trades of Satyamitra with Ramavtar were found to be genuine trades; similarly, our trades with Ramavtar were and ought to be viewed as genuine trades in ordinary course of business.

iii) While Satyamitra had traded on 7 days during the investigation period, we had traded only on 6 days.

iv) Like Satyamitra, counter parties to our buy trades were scattered across except for 2,454 shares, where the counterparty was Ramavtar Surekha. In case of

Satyamitra, Ramavtar was the counterparty for 3,296 shares. The Learned Adjudicating Officer has held in his Order dated February 28, 2018, that Ramavtar Surekha was not connected to the connected entities including us.

v) There is no connection of Ramavatar Surekha with us and the number of orders and trade quantity between the two is miniscule compared to the total traded quantity on the alleged days of price.

vi) There is no consistent trading pattern resulting in price rise along with the established connection between the buyers and sellers involved in such alleged trades.

(c) The Noticee would like to rely upon the following judgments in support of its submissions including that merely placing buy orders above LTP does not establish manipulative intent.

i) Order of Hon'ble SAT in the matter of Ketan Parekh Vs SEBI (Appeal No. 2004) decided on July 14, 2006.

ii) Order of Hon'ble SAT in the matter of Sterlite Industries Ltd., Vs SEBI (Appeal No. 20/2001) dated October 22, 2001

iii) Order of Hon'ble SAT in the matter of Jagruti Securities Ltd., Vs SEBI (Appeal No. 102/2006) decided on October 27, 2008.

iv) Order of Hon'ble SAT in the matter of Narendra Ganatra Vs SEBI, date of decision July 29, 2011.

(d) It is further submitted that there is no charge of circular trading / reversal trades synchronized trades against any of the Noticees.

CONSIDERATION OF ISSUES

10. I have taken into consideration the facts and material available on record. I observe that the allegation levelled against the Noticee is that it had indulged in price manipulation by trading above LTP in the scrip of Systematix and thereby violated the provisions of SEBI (PFUTP) Regulations. After perusal of the material available on record, I have the following issues for consideration, viz.,

a. Whether the Noticee has violated the provisions of Regulation 3 (a) (b) (c) (d) read with Regulation 4 (1) 4 (2) (a) and (2) (e)of SEBI (Prohibition *of Fraudulent Trade Practices Relating to Securities Market) Regulations, 2003?*

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

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

ISSUE-1: Whether the Noticee has violated the provisions of Regulation 3 (a) (b) (c) (d) read with Regulation 4 (1) 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?

11. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP Regulations), 2003 which reads as under:

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

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

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

Regulation 4 of SEBI (PFUTP) Regulations: - 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:-

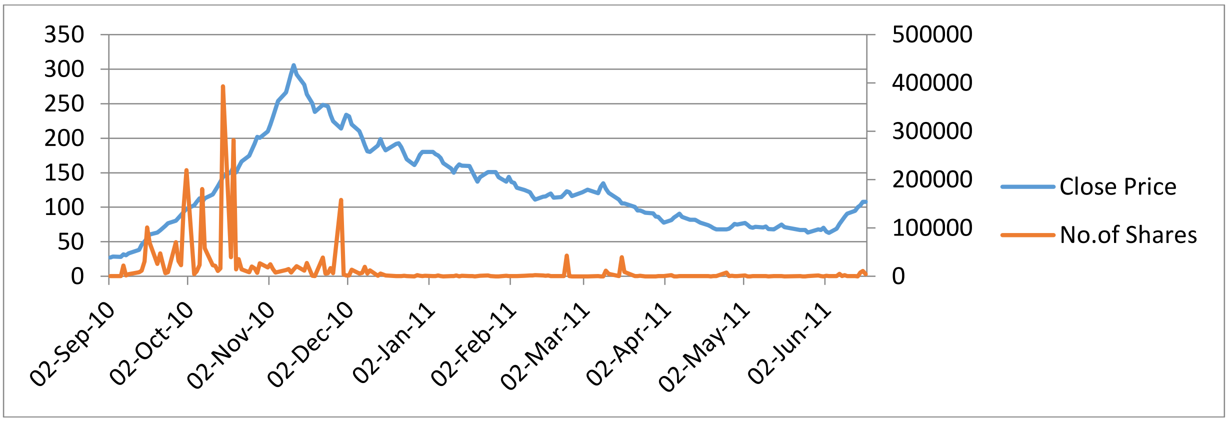
(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

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

12. I note that since the Noticee has decided not to avail personal haring and requested to consider its submissions made on various dates, I am accordingly proceeding further in the matter based on the submissions made by the Noticee vide its letters dated November 23, 2017 and October 29, 2019.

13. I note that the shares of Systematix are listed in BSE. As regards the financial performance of Systematix during the aforesaid period is concerned, it is observed from the records of BSE, that it had registered a profit of ₹102.60 lakhs at the quarter ending September 2010 and ₹ 281.30 lakhs at the quarter ending December 2010 and losses at the quarter ending March 2011, June 2011 and September 2011.

14. **Price & Volume Movement -** The Price Volume Chart during the period of investigation is as under:



15. The Open, High, Low, Close price of Systematix before, during and after the period of investigation is as under:

Period	No. of Trading days	Price in ₹				Volume (No. of shares)			
		Open	High	Low	Close	Total Traded Quantity	High	Low	Avg. Daily Vol.
Pre-Investigation period (01.06.10 to 01.09.10)	64	27.35 01.06.10	34.95 03.08.10	25.1 12.08.10	26.55 01.09.10	159345	15753 04.08.10	1 16.08.10	2490
Investigation period (02.09.10 to 17.06.11)	189	26.45 02.09.10	313.9 12.11.10	26.35 03.09.10	107.75 17.06.11	2763992	392822 15.10.10	2 08.03.11	14624
Post-Investigation period (20.06.11 to 20.09.11)	60	108.45 20.06.11	108.45 20.06.11	40.95 20.09.11	43 20.09.11	53934	6626 13.07.11	1 22.08.11	899

From the above table, it is observed that during the investigation period, the price of the scrip opened at ₹ 26.45 on September 2, 2010 and closed at ₹ 107.75 on June 17, 2011 after touching a high of ₹ 313.9 on November 12, 2010 and a low of ₹ 26.35 on September 3, 2010. Further, a total of 27,63,992 shares were traded with an average daily traded volume of 14,624 shares during the investigation period. From the historical data, traded quantity and volume and shareholding pattern, I find that the scrip of Systematix was illiquid.

16. The details of promoter & promoter related entities *(hereinafter referred to connected entities)* and the basis of their connection is given below.

S. No.	Name of Entity	PAN	Connection
1	Superstar Exports Pvt Ltd	AAICS4642M	Superstar Exports Pvt Ltd is promoter of company. The address of the company as per MCA website is J. K. Somani Building, 2nd flr, British Hotel Lane, Fort, Mumbai - 1. The Directors of Superstar Exports Pvt. Ltd. are Chandra Prakash Khandelwal and Nikhil Khandelwal. Chandra Prakash Khandelwal is also the promoter/ Managing Director of SCSL.
2	Chandra Prakash Khandelwal (HUF)	AACHC6332F	
3	Nikhil Khandelwal	ARPPK3859H	
4	Jai Narain Khandelwal	AEHPK1363F	He is the director of SCSL and his address is 286-A, Talwandi Kota, 324005, Rajasthan India. As per the information provided by SCSL, Jai Narian Khandelwal is the brother-in-law of C. P. Khandelwal.

5	Kusum Khandelwal	AEHPK1361H	As per the information provided by SCSL, the entity is sister of C. P. Khandelwal. As per DWBIS, shares common address with Jai Narain Khandelwal - 286-A, Talwandi Kota, 324005, Rajasthan India.
6	Nitin Khandelwal	AANPK4436H	As per DWBIS, entity has similar address as that of Jai Narain Khandelwal and Kusum Khandelwal.
7	Vikas Khandelwal	ALCPK9680K	
8	Rajendra Prasad Khandelwal	AGAPK0142M	
9	Ruchi Khandelwal	AJYPK8976E	
10	Bhawar Singh Raj Purohit	AEVPR1764H	One of the address of the entity as per DWBIS and UCC details submitted by BSE is same as that of entity at Sr. No.1 which is J K Somani Buliding,2nd Floor, British Hotel Lane, Fort, Mumbai, Maharashtra, India, 400001. Another address of the entity as per KYC is, 101/102, Triveni Apts., Marve, Mumbai 400064 is common with entity no.13 and 19 i.e. Findeal and Trinity. He is also director in Dhananjaya and Trinity (entites at Sr. no.18 & 19).
11	Manoj Gupta	ACKPG1784F	As per KYC, both of them share common address i.e. 35/2 Vallabh Nagar Indore Madhya Pradesh India 452001 & phone no. i.e. 2519610. Manoj Gupta is a director of Findeal, Kanishkdeep and Trinity (entities at Sr. no.13, 14 & 19) .
12	Ragini Gupta	ACKPG1785E	
13	Findeal Investment Services Pvt Ltd	AAACF0945J	As per MCA webiste, address of Findeal Investment Services Pvt. Ltd. is flat no.101/102, Triveni Co-op Hsg, Society Ltd., Mitt Chowki, Marve Road, Malad (West), Mumbai - 64. Its directors are Manoj Gupta and Nirmala Rameshwar Bairwa. Shares common address with Bhawar Singh Raj Purohit.
14	Kanishkdeep Stock Consultants Pvt Ltd	AACCK9945R	As per MCA website, Kanishkdeep Stock Cons.Pvt. Ltd., Chiraayush Stock Consultants Pvt. Ltd. and Satyamitra Stock Consultants Pvt. Ltd. and Shri Ram Stockmart Pvt. Ltd. are having common address: 18, Sindhi Colony, 1st flr, Rawatbhata Bus Stand Road, Gumanpura, Kota, Rajasthan. Director of Kanishkdeep are Bhanwar Singh Rajpurohit and Manoj Gupta. Directors of Shri Ram Stock are Kanta Khandelwal and Omprakash Khandelwal who are having common address with Anil Kumar Gupta, director of Chiraayush and Dhananjaya
15	Chiraayush Stock Consultants Pvt Ltd	AACCC9956G	
16	Satyamitra Stock Consultants Pvt Ltd	AAKCS5593D	
17	Shri Ram Stockmart Pvt Ltd	AAKCS5592C	
18	Dhananjaya Money Management Services Pvt Ltd	AABCD6158J	As per MCA website, Directors of the entity are Bhawar Singh Raj Purohit & Anil Kumar Gupta. Anil Kumar Gupta is having common address with the directors of Shri Ram Stockmart: B-8/10, Mahananda Nagar, Ujjain, 456010, Madhya Pradesh, INDIA and is also a director of Chiraayush.
19	Trinity Investments Pvt Ltd	AAACT2504P	Address (Flat No.101/102, Triveni Co-Op.Housing Society Ltd, Mitt Chowki, Marve Road, Malad (West), Mumbai, Maharashtra - 400064). Email id jainchandanbala@hotmail.com of the company is same as that of Findeal Investment Services Ltd. Directors of Trinity are Bhawar Singh Raj Purohit (also a director in Kanishkdeepa and Dhananjaya) and Manoj Gupta (also a director in Findeal and Kanishkdeep).
20	Ramavtar Surekha	ALPPS0590K	As per KYC of Bhawar Singh Raj Purohit (entity no.10), Ramavtar Surekha is introducer to Bhawar Singh Raj Purohit.

17. I note from the submissions made by the Noticee that it has not disputed its connection with the entities mentioned at serial number 2 to 5. However, in respect of other entities, the Noticee has contended the alleged connection, which is dealt hereunder.

18. I note from the above table of connection that the address of the Satyamitra was same as that of other connected entities viz., Kanishkdeep Stock Consultants Pvt., Ltd., Chiraayush Stock Consultants Pvt., Ltd., Shri Ram Stockmart Pvt., Ltd., which is No. 18, Sindhi Colony, 1st Floor, Rawatbhata Bus Stand Road, Gumanpura, Kota – 324007. I also note that the Directors of Kanishkdeep were Bhanwar Singh Rajpurohit and Manoj Gupta. The Directors of Shri Ram Stock Consultants Pvt., Ltd., were Kanta Khandelwal and Om Prakash Khandelwal, who are having common address with Anil Kumar Gupta, Director of Chiraayush Stock Consultants Pvt., Ltd., and Dhananjaya Money Management Services Pvt., Ltd., As per the Unique Client Code details submitted by BSE, the address of Bhanwar Singh Rajpurohit is same as that of the Noticee i.e., Superstar, who is a promoter of Systematix. As per KYC records, the address of Bhanwar Singh Raj Purohit is common with Findeal Investment Services Pvt., ltd., and Trinity Investments Pvt., Ltd.,

19. The Noticee in its submissions contended the alleged connection among the promoter and promoter related entities, by virtue of having a common address of commercial premises and as per KYC records. In this connection, I note that Satyamitra in its initial reply dated January 2, 2018 quoted its address as No. 18, Sindhi Colony, 1st Floor, Rawatbhata Bus Stand Road, Gumanpura, Kota – 324007, which is alleged to be the common address in respect of other connected entities viz., Kanishkdeep Stock Consultants Pvt., Ltd., Chiraayush Stock Consultants Pvt., Ltd., and Shri Ram Stockmart Pvt., Ltd., I also note from the Satyamitra's another reply dated September 26, 2018, wherein it has mentioned its registered office address as 6-A-10, Mahaveer Nagar Extension, Kota – 324005, which is corroborated from the website of Ministry of Corporate Affairs (MCA). I note from the MCA records that the address of other 3 connected entities who were having the same address as that of Satyamitra, have too changed their address to the new address of Satyamitra, which is 6-A-10, Mahaveer Nagar Extension, Kota – 324005. For the purpose of assumption, if Satyamitra had shared the common address in a commercial complex with the connected entities, how

is it possible that the connected entities would also change their address as that of Satyamitra? Thus, it is evident from the above that the connected entities are related to the promoter / promoter related entities. Further, as per MCA records, I note that the Directors of the Noticee are Sanjay Nagwanshi & Kapil Gupta. I also note from the MCA records that Kapil Gupta is one of the Directors of Trinity Investments Private Ltd., another connected entity, whose address is same as that of Bhanwar Singh Raj Purohit, another connected entity. I note from the records of MCA, besides Kapil Gupta, other Directors of Trinity Investments Private Ltd., were Dinesh Mundhra and Manoj Gupta. It is noted that the Manoj Gupta is Director of two connected entities viz., Findeal Investment Services Pvt., Ltd., and Kanishkdeep Stock Consultants Pvt., Ltd., He is also a Director of Systematix Commodities Trading Private Ltd., which is a group Company of Systematix.

20. From the above connections, it is established beyond reasonable doubt that the entities are connected to the promoter / promoter related entities of Systematix, except Ramavtar Surekha, which was dealt in Adjudication Order dated February 28, 2018. Therefore, the contention of the Noticee that the entities mentioned in the above table are not related to the promoter / promoter related entities is factually incorrect and therefore does not find any merit.

21. **Trading by connected entities:** Out of the twenty entities identified to be related / connected to each other as mentioned in the table above, it was observed that seventeen entities traded in the scrip of Systematix during the investigation period. The details of trading of the seventeen entities in the scrip of Systematix are as under:

Sr. No.	Pan	Name	Gross Buy	% Of Gross Buy To Market Volume	Gross Sell	% Of Gross Sell To Market Volume	Net
1	AAACF0945J	Findeal Investments Pvt Ltd	152102	5.5	20000	0.72	132102
2	AABCD6158J	Dhananjaya Money Management Services Pvt Ltd	25	0	4975	0.18	-4950
3	AACCC9956G	Chiraayush Stock Consultants Private Ltd.	9203	0.33	18342	0.66	-9139

4	AACCK9945R	Kanishkdeep Stock Consultants Private Ltd.	0	0	175000	6.33	-175000
5	AACHC6332F	Chandra Prakash Khandelwal HUF	2495	0.09	0	0	2495
6	AAICS4642M	Superstar Exports Private Limited	161780	5.85	0	0	161780
7	AAKCS5593D	Satyamitra Stock Consultants Private Ltd.	94708	3.43	0	0	94708
8	AANPK4436H	Nitin Khandelwal	0	0	33600	1.22	-33600
9	ACKPG1784F	Manoj Gupta	13832	0.5	13551	0.49	281
10	ACKPG1785E	Ragini Gupta	5598	0.2	10000	0.36	-4402
11	AEHPK1361H	Kusum Khandelwal	10000	0.36	12000	0.43	-2000
12	AEVPR1764H	Bhanwar Singh Rajpurohit	0	0	365900	13.24	-365900
13	AGAPK0142M	Rajendra Khandelwal	170	0.01	570	0.02	-400
14	AJYPK8976E	Ruchi Khandelwal	0	0	13900	0.5	-13900
15	ALCPK9680K	Vikas Khandelwal	0	0	12900	0.47	-12900
16	ARPPK3859H	Nikhil Khandelwal	20000	0.72	0	0	20000
17	ALPPS0590K	Ramavtar Surekha	47380	1.71	45272	1.64	2108
	Total traded volume of the Group		**517293**	**18.70**	**726010**	**26.26**	**-208717**
	Total market volume during investigation period		**2763992**	**100**	**2763992**	**100**	

22. From the above table, it was alleged that the group consisting of 17 entities of promoter & promoter related entities of Systematix altogether bought 5,17,293 shares which is 18.70% of the market volume & sold 7,26,010 shares which is 26.26% of total market volume during investigation period. I note that connected entities have net sold 2,08,717 shares which constitutes 7.55% of the market volumes.

23. The analysis of trade log and order log for the entire period of investigation reveals that, during the investigation period, out of total 189 trading days, the Group traded on 105 trading days.

24. **Last Trade Price (LTP) analysis:** During the investigation period, the price of the scrip opened at ₹ 26.45 and closed at ₹ 107.75 with a high of ₹ 313.9 and a low of ₹ 26.35, and a total of 27,63,992 shares were traded with an average traded volume of 14,624 shares. It was observed that, during the investigation period, the price of the scrip has increased in Patch 1 and Patch 3 and decreased during Period 2, as detailed below:

Period	Opening price ₹	Closing price ₹	High Price ₹	Low Price ₹	Trading days	% change in price of the scrip	Average Daily traded volume	Total traded Volume
Patch 1: **02/09/2010 to 12/11/2010**	26.45	292.20	313.9 (12/11/10)	26.35 (03.09.10)	51	1005% (Increase)	43243	2205415
Patch 2: **15/11/2010 to 26/05/2011**	285	63.4	290 (15/11/10)	61.05 (26/05/2011)	123	77.75% (Decrease)	4252	523021
Patch 3: **30/05/2011 to 17/06/2011**	62	107.75	110 (17/06/11)	62 (03/05/2011)	15	73.8% (Increase)	2370	35556

25. It is observed from the above table that the scrip of Systematix witnessed a total price rise of ₹ 265.75 during Patch 1, price fall of ₹ 221.6 during Patch 2 and price rise of ₹ 45.75 in Patch 3 as mentioned above. Pursuant to carrying out LTP analysis, it was observed that during the Patch1, the Noticee had indulged in price manipulation, by trading above the LTP, the details of which are furnished hereunder.

<u>Patch 1 (September 02, 2010 to November 12, 2010)</u>:

26. During Patch 1, the price of the scrip opened at ₹ 26.45 and closed at ₹ 292.20. The market wide positive and negative LTP contribution during this period was ₹ 1508.7 and ₹ -1244.15 respectively. Out of 20 entities of the Group, only 6 entities contributed ₹123.05 to net LTP of ₹ 264.55 (i.e., 46.51% of market wide net LTP). The details of contribution of the Group entities to Positive and Negative LTP variation are given below:

Name	PAN	All Trades			LTP diff more than 0			LTP diff less than 0			LTP diff = 0		% of net LTP to Total Market Net LTP
		Net LTP	Total Qty	No. of trades	LTP Impact	Total Qty	No. of trades	LTP Impact	Total Qty	No. of trades	Total Qty	Count of trades	
Superstar Exports Private Limited	AAICS4642M	84.5	121780	397	85.75	20102	106	-1.25	700	3	100978	288	31.94
Satyamitra Stock Consultants Private Limited	AAKCS5593D	25.2	94708	244	34.45	33529	108	-9.25	4675	12	56504	124	9.53
Manoj Gupta	ACKPG1784F	11.1	13551	45	15.6	1570	11	-4.5	59	4	11922	30	4.2
Kusum Khandelwal	AEHPK1361H	-1.6	10000	17	0.1	25	1	-1.7	7249	8	2726	8	-0.6
Rajendra Khandelwal	AGAPK0142M	0	100	2	0	0	0	0	0	0	100	2	0
Nikhil Khandelwal	ARPPK3859H	3.85	20000	71	4.2	2018	19	-0.35	50	1	17932	51	1.46
Group Total during Period I		**123.05**	**260139**	**776**	**140.1**	**57244**	**245**	**-17.05**	**12733**	**28**	**190162**	**503**	**46.51**
Market Total during Period I		**264.55**	**2205415**	**7469**	**1508.7**	**318115**	**1500**	**-1244.15**	**116979**	**1078**	**1770321**	**4891**	**100**

From the above table, it is observed that the above entities of the Group have contributed ₹140.1 to positive LTP and ₹-17.05 to negative LTP which is 9.29% and 1.37% respectively during the period of price rise. The contribution of the Noticee to positive LTP was 31.94%, which was significant.

27. It was alleged in the SCN that Noticee had indulged in price manipulation by trading above LTP in the scrip of Systematix. During Patch 1 of price rise, Superstar contributed ₹ 85.75 towards positive contribution of the LTP in 106 trades and a net LTP of ₹ 84.5 (31.94% of market net LTP). Barring first trades and New High Price (NHP) trades, trades that resulted in price rise were considered for further analysis. Through 98 trades, the entity bought a total of 19,026 shares which resulted in positive LTP of ₹ 84.90. Further, analysis revealed that counter party to 18 trades of Superstar for a total quantity of 2,454 shares was another entity of the Group viz., Shri Ramavtar Surekha which resulted in a positive LTP contribution of ₹ 41.85 i.e., 16% of market net LTP.

28. I note that the Noticee had traded (bought) in 1,61,780 shares on 6 days viz., October 8, 11, 12, 18, and 19, 2010 and on February 23, 2011 during the entire investigation period. Further, it was alleged in the SCN that the Noticee had contributed to price rise by placing buy orders above LTP on October 8, 11, 12 and 18, 2010 in 18 trades which was matched by one of the Noticees mentioned in the SCN who is alleged to have been a connected entity viz., Ramavtar Surekha, for 2,454 shares. In this connection, I would like to refer the Adjudication Order ref. no. EAD/BJD/NJMR/160/2017-18 dated February 28, 2018 passed in respect of Ramavtar Surekha, wherein it was established that Ramavtar Surekha was not connected to the entities of promoter / promoter related of Systematix and the sell orders placed by him was in the normal course of business.

29. However, the trading pattern of the Noticee was analysed for top 5 trades as buyer for which Ramavtar Surekha was counterparty, wherein the placement

of the orders by the Noticee found to be manipulative, which are furnished hereunder:

ORDERID	ORDER_DATE	ORDER_TIME	RATE	QTY	AVLQTY	BUYSELL	Client Name
20000055009795	08/10/2010	09:27:34.889874	102.1	25000	2500	B	Superstar Exports Private Ltd.,
20000055009795	08/10/2010	09:30:04.184435	110	0	2500	B	
20000055009795	08/10/2010	09:30:53.080575	110	4350	1530	B	

30. I note from the Order log and Trade log that on October 8, 2010 at 09:27:34 hrs., the Noticee placed a buy order for 25,000 shares vide order bearing number 20000055009795 at ₹ 102.1 and displayed available quantity as 2,500 shares. Subsequently, the Noticee at 09:30:04 hrs., updated the Order book with NIL quantity and displayed available quantity as 2,500 shares for ₹ 110. It is evident from the above trading pattern of the Noticee that it was marking up the price higher with its buy order placements which resulted in establishing higher LTP. From the placement of orders by the Noticee, who is connected to the Promoter of Systematix, the Noticee was trying to create buying pressure and thus creating artificial volume with no logic in increase in price of the scrip. I note that the scrip Systematix being highly illiquid, the Noticee was trying to create artificial volume, as if there exists demand for this scrip. From the order book analysis, I note that the Noticee has been establishing higher LTP, even though there was no demand of selling pressure. Further, the sudden spurt in the price of the scrip which is evident from the above analysis, wherein the Noticee increased the price from ₹ 102.1 to ₹ 110 within three minutes, gives an indication of the manipulative intent of the Noticee in creating artificial volume and buying pressure, which ultimately resulted in increase in the price of the scrip. I note from the trading pattern of the Noticee, that similar strategy was adopted by the Noticee in establishing higher LTP in other trades, which resulted in increase in the price of the scrip with a manipulative intent.

31. In this connection, it is pertinent to note that consequent upon increase in price of the scrip fraudulently, the entities connected to the Noticee viz., Bhanwar Singh Rajpurohit *(who was the top selling client during the*

investigation period) and Kanishkdeep Stock Consultants Private Ltd., (*another top selling client during the investigation period*) offloaded 3,65,900 shares (13.24% of the traded volume) and 1,75,000 shares (6.33% of the traded volume) respectively.

32. I note that the thumb rule of trading in stock market is to buy shares at low price and sell shares at higher price. Whereas, in the instant case, the Noticee was trying to increase the price by repeatedly placing buy orders above LTP, which facilitated its connected entities to offload the shares at a higher price. I note from the above trading pattern of the Noticee that it was deliberately buying shares at higher price, which does not make any economic sense and it is a blatant misuse of trading platform for increasing the price fraudulently. I note that the rationale for such transactions entered by the Noticee is not genuine and legitimate as the behaviour exhibited by the Noticee defies the logic and basic economic sense.

33. I am of the considered view that the scheme, plan, device and artifice employed by the Noticee in buying shares at higher price, at irrational, unrealistic and unreasonable prices, tantamount to fraud on the securities market in as much as it involves manipulative transactions in securities and misuse of the securities market.

34. I note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc., In this context, I deem it appropriate to refer to the Hon'ble SAT order dated July 14, 2006, in the case of Ketan Parekh vs. SEBI (Appeal no. 2/2004), wherein, Hon'ble SAT has observed that:

> *"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, 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 cumulative effect of these that an inference will have to be drawn."

35. Further, I would like to rely on the judgement of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018, wherein the Apex Court observed that *"in the absence of direct proof of meeting of minds, the test should be one of preponderance of probability and also stated that the conclusion has to be gathered various circumstances like volume of trade, period of persistence of trading, particulars of buy and sell orders, proximity of time between the two and such other relevant factors"*.

36. In the instant case, it is observed that the Noticee was placing buying order above LTP to increase the price, which facilitated its connected entities to offload the shares and such trading pattern of the Noticee mislead the investors. Therefore, in line with the aforesaid judgements of Hon'ble SAT and Hon'ble Supreme Court, I note from the foregoing findings that the trading pattern of the Noticee was with a manipulative intent to increase the price of the scrip.

37. The Noticee in its submissions stated that the other two Noticees to whom SCN was issued, which was disposed of without any penalty, the instant proceedings against it too deserves to be disposed of without any penalty. At the first hand, the contention of the Noticee seems to be plausible, but it lacks merit in view of the following reasons.

    i. *In respect of Ramavtar Surekha, there is no direct connection established with the entities connected to the promoters.*

    ii. *The trades of Ramavtar Surekha were found to be in the normal course of business, without any manipulative intent.*

    iii. *In respect of the trades carried out by Satyamitra, it was found that buy orders were placed at a rate which was over and above the sell order rate placed by the seller.*

iv. *The contribution of positive LTP by Satyamitra was 9.53% as against the positive LTP contribution of 31.94% by the Noticee, which is significant.*

38. Further, I would like to refer to the observations made by the Hon'ble SAT in its order dated March 21, 2014 in Saumil Bhavnagari Vs. SEBI which are as under: *"… but by purchasing shares at the higher price in LTP in most of the trades, the Noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the Noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafied intention of the appellant."*

39. I have perused the Orders of Hon'ble SAT referred to and relied upon by the Noticees in their defence and find that the same does not find any merit as the facts & circumstances are different from the facts of the current Adjudication proceedings. Further, I note that in the instant case the Noticee were found to be placing buy Orders above LTP which were much higher than the next best order available in the system. The trading pattern the Noticees observed in the instant proceedings is substantial i.e., 31.94% of market +ve LTP and also repetitive in nature.

40. It is normal in securities market to sell scrip when higher price is offered to book profit and by purchasing shares at higher price than LTP in majority of its trades, the Noticee has given wrong impression about liquidity of scrip in market. It must not be forgotten that every trade establishes new price of scrip and Appellant trading at higher than LTP resulted in price of scrip going up and was done with a view to set price on benchmark price at desired level and influence innocent / gullible investors. By purchasing at higher price in

majority of its trade, the Noticee had given the wrong impression about liquidity and price of scrip in the market. Therefore, price of the scrip was manipulated.

41. From the foregoing, it is established that the Noticee had indulged in price manipulation in the scrip of Systematix by repeatedly placing buy order above LTP, which facilitated its connected entities to offload the shares subsequently, which are manipulative / unfair / fraudulent in nature. Thus, I conclude that the Noticee had violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1), 4 (2) (a) and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003.

ISSUE -2: Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act.?

42. Pursuant to detailed analysis, it is established that that the Noticee has contributed to price rise in the scrip fraudulently by repeatedly placing buy orders at a price higher than LTP, manipulated the price of the scrip and thereby violated the provisions of Regulations 3 (a), 3(b), 3(c), 3 (d), 4 (1), 4 (2) (a), and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003. Therefore, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, the provisions of which are furnished hereunder.

Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices

> *"If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty 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".*

ISSUE – 3: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

43. While determining the quantum of monetary penalty under Section 15HA of SEBI Act, I have considered the factors stipulated in Section 15-J of SEBI Act, which reads as under:

Section 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.

44. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the Noticees' default. There is also no material made available on record to assess the amount of loss caused to investors or the amount of disproportionate gain or unfair advantage made by the Noticees as a result of default.

45. It is difficult, in cases of such nature, to quantify with mathematical precision the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. The Noticee had made significant contribution (31.94% of market +ve LTP) to price rise in the scrip of Systematix fraudulently by repeatedly placing buy orders at a price higher than LTP. General Public could have been carried away by the unusual rise in the volumes and prices in the scrip of Systematix and induced into investing in the said scrip. This kind of activity seriously affects the normal

price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions.

ORDER

46. Therefore, after taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose a monetary penalty of ₹ 5,00,000/- (Rupees Five Lakhs only) on the Noticee i.e., Superstar Exports Pvt., Ltd., under Section 15HA of the SEBI Act, 1992, for contributing to price rise fraudulently, in the scrip of Systematix Corporate Services Ltd.,

47. The said penalty imposed on the Noticee, as mentioned above, shall commensurate with the violation committed and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW

49. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format as given in table below:

Case Name	
Name of Payee	

Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

50. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

51. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee i.e., Superstar Exports Pvt., Ltd., and also to SEBI.

Date: October 31, 2019 **B J DILIP**

Place: Mumbai **Adjudicating Officer**