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:

Bajrang Steel and Alloys Limited
(**PAN**: AAACM2123M)
(**CIN**: U27106OR1998PTC006556)
Address: Plot No-31, Goibhanga Kalunga, Sundargarh Rourkela, Odisha - 770031

In the matter of dealing in illiquid stock options at BSE

BACKGROUND

1. SEBI observed large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as "**BSE**") leading to creation of artificial volume. SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "**investigation**") for period 01/04/2014 to 30/09/2015 (hereinafter referred to as "**I.P.**").

2. Pursuant to investigation, it was observed that during the I.P, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non genuine trades. The aforesaid non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in Stock Options segment of BSE during the I.P.

3. Reversal trades were considered those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

4. It is noted that Bajrang Steel and Alloys Limited bearing PAN: AAACM2123M (hereinafter, referred to as "**Noticee**") was one of the various entities which were indulged in execution of non genuine trades in Stock Options Segment of BSE during the I.P. The dealings of Noticee in Stock Options segment of BSE during the I.P., and allegations against Noticee for execution of non genuine trades are emanated below.

5. Noticee, while dealing in Stock Option segment of BSE during the I.P. allegedly executed 233 non genuine trades in 92 contracts resulting in artificial volume of total 45648766 units in such contracts. Following is noted from the dealings of Noticee in aforesaid 92 contracts at BSE:

   a) All the trades executed by Noticee in aforesaid 92 stock option contracts were non genuine trades.

   b) No. of non genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as up to 100% of the trades that happened in the said 92 contracts were due to non-genuine trades executed by the Noticee.

   c) All the volume generated by the Noticee in each of the 92 contracts was artificial volume. Further, artificial volume generated by Noticee also contributed to significant up to 100% of the total volume from the market in said 92 contracts.

   d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed on same day.

6. In view of the foregoing, it was alleged that Noticee indulged in execution of reversal trades in Stock Options at BSE during the I.P. Such reversal trades were allegedly non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore alleged to be manipulative, deceptive in nature. Thus, it is alleged that Noticee violated the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

7. SEBI, in terms of Section 19 read with Section 15I(1) and (2) 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 "**SEBI Adjudication Rules, 1995**") appointed Adjudicating Officer to inquire into and adjudge the alleged violations of aforesaid regulations in respect of Noticee, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules, 1995 and Section 15HA of SEBI Act.

SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING

8. Show Cause Notice dated September 10, 2018 (hereinafter referred to as "**SCN**") was issued to the Noticee and sent through Speed Post AD mentioning the allegations against the Noticee and requiring it to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against it.

9. Noticee, vide its letter dated December 14, 2018 submitted its reply to the SCN, comprising following key submissions:

"Noticee grossly denies having violated the regulations of PFUTP as alleged or otherwise.

Noticee is engaged in manufacture of billets and re-rolling products like TMT Bars, Structures etc out of Mild Steel since last several years. Over these years Noticee has carried out business honestly and has been abiding all the laws in letter and spirit. The Noticee is a regular assessee of Income Tax.

All the above transactions running Crores of rupees are carried out on the anonymous platform of the Exchange and settled by the clearing corporation. The Noticee humbly submits that all the transactions are genuine, bonafide and executed in complete compliance with all the requirements of SEBI and Exchanges. Noticee was also subjected to various charges and taxes on the transactions inter alia including Exchange Turnover Charges, Service Tax, STT, SEBI Turnover Fee, Stamp Duty etc.

All these transactions have been perfectly recorded by the Noticee in the regular books of accounts, records and Income Tax Returns. In spite of all the above the current SCN expresses concern and suspicion over most of the transactions of the Noticee in BSE stock options segment.

It is extremely absurd on the part of SEBI to suddenly label these transactions as artificial and non-genuine after 3 to 4 years of the transactions on completely untenable grounds and unjustified reasons and therefore the SCN should be set aside on this reason alone, leave apart other valid reasons and explanation herein below.

The SCN alleges that the noticee executed 233 non-genuine trades in 92 contracts resulting in an artificial volume of 45648766 units and made square off gains of Rs. 6.41 Crores which is grossly denied. The Noticee submits that all its trades are genuine and the SCN is merery issued on assumptions and presumptions.

SCN completely ignores several critical facts and has completely misjudged the transactions of the Noticee to wrongly categorise them as artificial and non-genuine. Some such facts are as under:

a) SCN categorises trades of the Noticee as non-genuine in spite of the fact that all these transactions were carried out on a registered Stock Exchange that has issued the pay-out for the same to the Noticee.

b) The SCN records that Noticee's trades comprised of 7% to 100% of the total trades. However the SCN ignores the fact that options are derivative contracts based on certain underlying and the total trades in the underlying and all its derivative contracts are to be compared to identify the % volume. The Noticee submits that its volume is extremely negligible when compared with the total volume of the underlying and all the derivatives contract in the underlying and such. small quantity of trading is completely incapacitated to create any artificial volume.

c) For manipulating any security the entire series of its derivatives contracts has to be manipulated, but that is not the case in the current SCN. It is an admitted position that the Noticee did not transact in the underlying securities and merely carrying out few trades in options contracts cannot create any false and misleading appearance of trading or result in a manipulative or deceptive device as falsely alleged.

d) The Noticee also submits that even if the alleged trades had not taken place, other parties would have traded in the underlying and the derivative contracts if they wished to and therefore there has been no impact of the trades of the Noticee on the markets as wrongly alleged in the SCN.

e) The SCN failed to appreciate that the anonymous systems of the Exchange does not allow a transacting party to know the details of the counter party and therefore the allegation of executing reversal trades cannot hold good. The Noticee humbly submits that the transactions were in the nature of reversal trades was never known before receiving the SCN and scrutinising the Annexures thereto.

f) Though the SCN claims that the trades were reversed at significant price difference, it has only compared the value of premium of the contracts. However in case of options contract the notional value i.e. the value of Strike Price prus the premium is to be considered The noticee submits that when the price difference is compared with the notional value its change is extremely insignificant and absolutely normal and similar changes are observed in multiple contracts on the Exchanges nduding the ones havng higher volumes than the alleged contracts of the Noticee. Therefore the Noticee submits that the allegation that there was a significant price difference is incorrect and untenable. Given below is the correct analysis of price difference:

Contract	Strike Price	Premium	Notional Value	Price Difference of Buy and Sell	% Price Difference
ADPW15MAY34.00CE	*34*	*6.3*	*40.3*	*2.3*	*5.71%*

Contract	Strike Price	Premium	Notional Value	Price Difference of Buy and Sell	% Price Differenc e
ADPW15SEP28.00PE	*28*	*6.09*	*34.09*	*0*	*0.00%*
ADPW15SEP28.00PEW 3	*28*	*6.71*	*34.71*	*2.51*	*7.22%*
….					
….					

It can be observed that the price difference was less than or equal 10% in 85 of the 92 contracts and in very few (7 of 92) the difference is more than 10%, which is perfectly normal and not significant as wrongly alleged in the SCN.

g) SEBI has issued Risk Disclosure Document (hereinafter ROD) that records risks of trading on the Exchange. Clauses 12 and 13 deal with Risk of low liquidity and Risk of wider spreads, which quote as under:
"1.2 Risk of Lower Liquidity:…………………….
1.3 Risk of Wider Spreads:……………………..

h) The SCN fails to appreciate that though SEBI and Exchanges have put in place a mechanism of price band in Capital Market Segment to control extreme volatility, which may result in trades taking place at unrealistic prices. No such price ·band mechanism was in placee for options segment. This in itself means that all prices at which our trades were executed were genuine.

i) The SCN fails to appreciate that pricing of options is a complex arithmetical calculation based on several variables most of which are subjective and presumptive thus making a huge range of price to be completely valid and genuine. The price of an option is derived based on complex formulas dealing with price of the underlying, time to expiry, expected volatility, rate of interest, etc., all of which are dynamic thus resulting in exponential increase in the lower and upper valid prices of options as a result of which SEBI and Exchanges in their wisdom did not stipulate any price band for options. After having faired to put in place such a mechanism due to complexity of such a product in spite of having infinite wherewithal with SEBI and Exchanges, it cannot be expected of common investors and traders to know the correct range of option prices and therefore the Noticee submits that the trades and their prices were absolutely genuine and no fault can be found with them.

The SCN alleges upon the Noticee of having generated artificial volume and thereby executing non-genuine trades and creating false and misleading appearance of trading, which was manipulative and deceptive. The Noticee submit that the alleged trades are wrongly categorised as non-genuine, for the reasons recorded hereunder:

a) The word "non-genuine" is not defined in PFUTP Regulations or any of the Acts / Regulations of SEBI. This leaves us to rely on dictionary meaning of the word to test whether the alleged trades of Noticee fall under the categories of artificial volume through non-genuine trades.

b) The term "non-genuine" is opposite of "genuine" which is defined as 'really coming from its reputed source etc; not sham; properly so called; pure bred.[11]

c) The Noticee submits that the alleged trades have all traits of being genuine and therefore cannot be categorised as non-genuine. These trades were executed on the anonymous platform of the Exchange, without any knowledge of counter party, at price ranges that were permitted by the Exchange and SEBI and the obligations arising out of it have been settled through the clearing mechanism of the Exchange. Further the reasons of trades being carried out at a price difference and reversed with the same party are also genuine as the RDD issued by SEBI envisages such a situation and also warns the investors and traders against them as it accepts that these are bound to happen. If SEBI believed that such trades cannot happen, then there was no reason to include such clauses in RDD. Having included clauses dealing with situations of possible trading in illiquid securities /derivative contracts where profits and losses may occur due to low liquidity and wider spreads, the conclusion of categorising Noticee's trades as non-genuine is not tenable. At best it can be said that Noticee's trades were such, which far sighted vision of SEBI had envisaged while issuing RDD for the benefit of investors and traders. Simply because the trades resulted in profits or losses, cannot be a reason to label them as non-genuine.

d) Since Noticee's trades do not fall under the definition of non-genuine transactions, they cannot be categorised to be artificial and effectively cannot be said to be creating false and misleading appearance of trading or cannot be categorised as manipulative or deceptive trades as wrongly alleged in the SCN.

e)It may further be appreciated that such trades have not been carried out on a day to day basis. It is a case in the SCN that of the 1.5 years of IP, Noticee has traded only on 58 days. Had the Noticee intended to carry out artificial volume and create a false and misleading appearance of trading or execute manipulative and deceptive trades, the frequency of such trades would have been much higher. No one can achieve the alleged manipulative goals with such infrequent non-genuine trades.

f)It is also noteworthy that Noticee's alleged trades have matched with 59 different entities. Had the trades been non-genuine, the Noticee ought to have been related to the counter parties. The SCN does not provide an iota of evidence as to how the Noticee was related to the counter parties. Therefore the Noticee humbly submits that without the theory of conspiracy between two parties established, the allegations of the SCN do not hold water. Further the SCN. is absurd and untenable as no reasons can be identified as to wh.y other unknown parties will enrich the Noticee at their costs and consequences without even being related to the Noticee.

g) Though the SCN alleges artificial volume it is not a charge in the SCN that the same was carried out by counter parties in a situation where there was meeting of minds. In fact the SCN does not even attempt to establish any relationship of the counter parties to Noticee's trades with the NotIcee thus admitting that there was no relationship.

h) It is also not a case in the SCN that other investors have got carried away or have been misled due to the trades carried out by the Noticee. Further it is not even alleged that third parties suffered any loss due to the transactions carried out by the Noticee. Assumi ng for a moment but not accepting that the trades were executed deliberately, no other party has been affected by these trades as they were reversed with same party and no impact what so ever has been caused to anyone because of these trades and therefore these were completely impotent to create any false and misleading appearance of trading as wrongly alleged.

i) Above all there is no charge of price manipulation in the SCN and without manipulating price of a security or contract no person can earn from artificial trades.

The SCN fails to highlight any possible reason for executing the alleged non-genuine trades and what has the Noticee achieved by executing such trades. Without even having indicated any purpose for carrying out non-genuine trades, there is no reason to categorise them as artificial, manipulative, deceptive or creating false and misleading appearance of trading as wrongly alleged in the SCN.

The SCN is not in line with the established principles recorded in various judgements:

a) In Jagruti Securities vs SEBI. [2008 SCC On line SAT 184 :2008 SAT 184], the Hon'ble SAT has gone ahead to record in para 4 "... we are of the view that in an artificial trade there has to be collusion between the buyer and the seller and in the absence of any collusion, the trade cannot be termed as 'artificial'.n

b) S.P.J.Stock Brokers Pvt. Ltd. vs Securities and Exchange Board of India [2013 SCC Online SAT 67: [2013] SAT 17] "13. Unless some connection between appellant and counterparties with whom appellant traded is established, It is difficult to hold that trades in question were carried out with a view to manipulate market by creating false volumes resulting in upsetting market equilibrium."

c) HB Stockholdings Limited vs SEBI [2013 SCC Online SAT 56 : [2013] SAT 44)

"17. ... It may be noted that synchronization of trades Is not per se Illegal. It is actionable only if it is illegitimate and is the outcome of a mischievous meeting of minds among certain parties. For this purpose, the counter party, namely, Gloria Investment Limited has already been exonerated by the Respondent. Moreover, no cogent and convincing reasons are forthco ming from o reading of the SCN or the impugned order to sustain such o charge of synchronization or creation of artificial volumes against the Appellants. Jn this connection, we may also pertinently note that the mere factum of one or two Appellants sharing common address or one of the Appellants being the promoter of the other group at some point in time are not in themselves sufficient to bring home the residual charge against the Appellants. There has to be sufficient evidence on record to clearly prove connivance on the part of the Appellants with a counter party to prove the charge in question against the Appellants. In the absence of any such evidence and unambiguous findings by the learned WTM to this effect, we have no option but to quash the impugned order in question"

d) The current SCN does not allege that the Noticee have colluded with the counter parties and in absence of any such allegation or material to substantiate that the Noticee colluded with counter parties the allegation of carrying out artificiar trades does not hard good.

The SCN alleges that by executing the trades mentioned ·in the SCN, the Noticee has violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations, which is grossly denied for the reasons recorded hereunde:

Regulation 2{1)(c) quotes as under:

'Fraud' 'includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include –

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a. promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full participation

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

There is nothing on record to substantiate that the Notrcee knowingly misrepresented truth or concealed material fact, suggested a fact that the Noticee believed is untrue, concealed any fact required to be disclosed. Further the Noticee never made any promise or representation, and has. not omitted any obligation under other law. Even further Noticee's behaviour was no way deceptive, nor has the Noticee made any false statement. Lastly the Noticee has not issued any securities and the question of giving misinformation in relation thereto does not arise.

As none of acts of Noticee falls under the definition of fraud as mentioned in Regulation 2(1){c), the Noticee can never be charged of having violated PFUTP Regulations of SEBI.

Analysis of the applicability of the PFUTP Regulations in the SCN:

Sl.	***Reg./Sec.No.***	***Regulation***	***Explanation***
1	*3*	*No person shall directly or indirectly-*	
2.	*3(a)*	*buy, sell or otherwise deal in securities in a fraudulent manner*	*None of the acts of N oticee can be categorised as fraud under Reg.2(1)(c).* *Noticee has transacted on the anonymous trading system of the Exchange without the knowledge of the counterparties.* *All the trades are validly settled on the Exchange Platform.* *The trades were within the price range permitted by the Exchange.* *There is no charge of meeting of mind with the counter party.* *The SCN offers no reason as to why will others deliberately make losses to enrich the Noticee by participating in non-genuine trades.* *And for several other reasons recorded hereinabove, the Noticee submits that there is no violation of regulation 3(a)*

Sl.	Reg./Sec.No.	Regulation	Explanation
3.	Reg. 3(b)	*Use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provision of the Act or the rules or the regulations made there under;*	*None of acts of Noticee can be said to have been in the form of a manipulative or deceptive device or in contravention to the provisions of the Act, rules or regulations of SEBI.* *The trades were validly executed on the platform of the Exchange and fully settled.* *No one has been alleged to have been affected by the trades which are allegedly manipulative.* *The alleged trades have taken place only on few days during the IP of 1.5 years and with such infrequent trades, it is impossible to form a manipulative or deceptive device or contrivance in contravention to the provision of Act and Rules of SEBI.* *As a result the Noticee cannot be said to have violated regulation 3(b).*
4.	Reg. 3(c)	*Employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are liste4d or proposed to be listed on a recognised stock exchange;*	*The SCN fails to establish the Noticee has employed any device, scheme or artifice to defraud anyone.* *Further when the allegation pertains to carrying out a fraud, there has to be defrauded party to it. No person has claimed to be defrauded by the Noticee.* *As a result the Noticee cannot be said to have violated regulation 3(c).*
5.	Reg. 3(d)	*engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.* ***Already responded in explanation above.***	
6.	4(1)	*Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*	***Already responded in explanation above.***
7.	4(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:—*	
8.	4(2)(a)	*indulging in an act which creates false or misleading appearance of trading in the securities market;*	*The Noticee has traded in normal course of business and the settlement has been made by the Exchange and transactions have been correctly reflected in the books of accounts and therefore the trades are perfectly genuine. No false or misleading appearance of trading has been created by alleged trades.*

In light of all the above,the Noticee most humbly submits that the charges levelled in the SCN are complete incorrect and untenable.The Noticee therefore requests to kindly dismiss the allegations in the SCN and abort the inquiry qua the Noticee. Further since the transactions are not in violation of PFUTP regulations as aforesaid, there is no reason to levy any penalty upon the Noticee."

10. Vide notice dated January 28, 2019 to the Noticee sent through SPAD and e-mail, an opportunity of hearing was provided on February 13, 2019. In reply, vide e-mail dated February 11, 2019, a confirmation was received from authorised representative (AR) of the Noticee for availing the scheduled hearing.

11. AR of the Noticee availed the hearing on February 13, 2019, in which original letter of authorisation was submitted, and also AR reiterated the submissions of the Noticee made in aforesaid reply dated December 14, 2018.

CONSIDERATION OF ISSUES AND FINDINGS

12. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, following issues require consideration in the present matter:

    a) Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

    b) Does the violation, if any, on part of the Noticee attract monetary penalty under Section 15HA of SEBI Act?

    c) If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

13. Aforesaid provisions alleged to have been violated by the Noticee reads as follows:

PFUTP Regulations 2003

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 there under;*

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

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

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

Issue a) - Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

14. Reversal trades were considered those trades in which an entity reversed its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. These trades were alleged to have been reversed in short period of time with significant variation in price. It has been alleged that the said reversal trades were non genuine trades as they were not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative.

15. Since the aforesaid reversal trades did not effect change in beneficial ownership, it has been alleged that they created artificial volume. Artificial volume is considered to be the volume (no. of units) reversed in both legs of reversal trades entered between same counterparties while keeping out the volume, if any, which was not reversed.

16. Noticee executed 233 reversal trades in 92 Stock option contracts, which were allegedly non genuine and same resulted into artificial volume of total 45648766 units. Contract wise dealings of Noticee in said 92 contracts during the I.P is as follows:

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ADPW15MAY34.00CE	4.00	128000	6.30	128000	2	256000	100%	14%	100%	15%
2	ADPW15SEP28.00PE	6.09	280000	6.09	280000	8	560000	100%	27%	100%	33%
3	ADPW15SEP28.00PEW3	4.20	160000	6.71	160000	4	320000	100%	67%	100%	51%
4	ALBK15JUL75.00CEW4	8.00	142000	14.20	142000	2	284000	100%	50%	100%	83%
5	ALBK15MAR110.00PEW3	1.70	182000	6.10	182000	2	364000	100%	100%	100%	100%
6	ALLD15JUL65.00CEW3	4.05	264000	8.65	264000	2	528000	100%	100%	100%	100%
7	ANBK15JUL50.00PE	0.05	328000	1.84	328000	3	656000	100%	100%	100%	100%
8	ANBK15JUN60.00CEW2	5.50	100000	10.30	100000	2	200000	100%	17%	100%	21%
9	ANBK15JUN80.00PEW3	7.40	176000	11.40	176000	2	352000	100%	50%	100%	67%
10	ANBK15MAR90.00PE	1.65	696000	4.65	696000	4	1392000	100%	25%	100%	35%
11	ANBK15MAY90.00PEW3	7.50	112000	11.00	112000	2	224000	100%	50%	100%	46%
12	DISH15JUN105.00PEW2	3.80	172000	8.20	172000	2	344000	100%	100%	100%	100%
13	DISH15JUN120.00PEW3	8.50	144000	12.00	144000	2	288000	100%	50%	100%	59%
14	DISH15JUN85.00CEW2	8.00	52000	14.00	52000	2	104000	100%	17%	100%	18%
15	DISH15JUN90.00CEW1	4.80	104000	7.50	104000	2	208000	100%	17%	100%	13%
16	DISH15JUN95.00CEW3	7.00	80000	13.50	80000	2	160000	100%	50%	100%	30%
17	DISH15MAR75.00PEW2	0.10	1736000	1.25	1736000	4	3472000	100%	7%	100%	30%
18	DISH15MAY60.00CEW1	7.80	188000	13.15	188000	6	376000	100%	100%	100%	100%
19	DISH15MAY70.00CEW3	7.20	176000	10.60	176000	4	352000	100%	100%	100%	100%
20	DISH15MAY75.00CEW3	3.00	132000	6.00	132000	2	264000	100%	9%	100%	16%
21	DISH15MAY90.00CE	4.50	108000	8.65	108000	2	216000	100%	50%	100%	73%
22	DLFL15AUG120.00CE	5.50	76000	12.00	76000	2	152000	100%	100%	100%	100%
23	EXID15JUL160.00PEW3	8.30	150000	14.30	150000	2	300000	100%	100%	100%	100%
24	EXID15MAR180.00CEW2	1.85	490000	4.20	490000	2	980000	100%	33%	100%	60%
25	FEDB15JUL80.00PE	5.50	68000	10.00	68000	2	136000	100%	50%	100%	63%
26	FEDB15MAR140.00PE	0.70	532000	4.30	532000	4	1064000	100%	17%	100%	28%
27	GAIL15MAR400.00PE	1.21	267500	7.50	267500	4	535000	100%	27%	100%	30%
28	GMRI15AUG16.00CEW3	0.05	390000	1.03	390000	4	780000	100%	67%	100%	83%
29	GMRI15JUL10.00CEW1	3.20	182000	4.80	182000	2	364000	100%	17%	100%	41%
30	GMRI15JUN18.00PE	2.90	275190	4.20	275190	2	550380	100%	25%	100%	31%
31	GMRI15JUN20.00PE	4.30	348574	6.90	348574	2	697148	100%	25%	100%	37%
32	GMRI15JUN6.00CE	5.20	302709	8.20	302709	2	605418	100%	14%	100%	15%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
33	GMRI15MAR20.00PEW2	0.90	1998000	1.90	1998000	4	3996000	100%	33%	100%	47%
34	GMRI15MAY18.00PEW2	1.80	229325	2.90	229325	2	458650	100%	100%	100%	100%
35	GMRI15MAY20.00PEW2	3.30	183460	4.90	183460	2	366920	100%	100%	100%	100%
36	GRSM15MAR3500.00PEW2	1.00	9250	22.50	9250	2	18500	100%	50%	100%	50%
37	GRSM15MAR3550.00PEW2	1.00	8375	31.00	8375	2	16750	100%	50%	100%	50%
38	GRSM15MAR3600.00PEW2	1.00	6000	43.00	6000	2	12000	100%	33%	100%	35%
39	HDIL15MAR110.00PEW2	2.30	232000	6.60	232000	4	464000	100%	33%	100%	27%
40	HDIL15MAR115.00CEW2	0.30	280000	3.85	280000	2	560000	100%	7%	100%	11%
41	HDIL15MAR120.00CEW3	0.50	536000	4.20	536000	4	1072000	100%	9%	100%	15%
42	HNDL15MAY125.00CE	9.00	76000	17.00	76000	2	152000	100%	33%	100%	44%
43	IBRL15AUG55.00CEW3	8.12	140000	11.70	140000	3	280000	100%	60%	100%	67%
44	IBRL15JUN50.00PEW1	0.10	208000	2.20	208000	2	416000	100%	33%	100%	29%
45	IBRL15MAY65.00PEW2	5.00	120000	7.10	120000	2	240000	100%	100%	100%	100%
46	IDBI15AUG45.00CEW2	9.00	84000	15.00	84000	2	168000	100%	33%	100%	28%
47	IDBI15JUN55.00CE	4.30	100000	9.30	100000	2	200000	100%	25%	100%	33%
48	IDBI15JUN60.00PEW2	0.40	224000	3.80	224000	2	448000	100%	33%	100%	32%
49	IDBI15JUN65.00CEW1	4.00	152000	6.60	152000	2	304000	100%	100%	100%	100%
50	IDBI15MAY85.00PEW1	8.90	84000	15.81	84000	5	168000	100%	100%	100%	100%
51	IDEA15JUL170.00CE	8.90	30000	16.50	30000	2	60000	100%	33%	100%	13%
52	IFCI15JUL18.00CEW3	5.40	136000	8.40	136000	2	272000	100%	33%	100%	89%
53	IFCI15JUN18.00CEW3	5.00	344000	8.20	344000	2	688000	100%	14%	100%	25%
54	IFCI15MAR34.00CEW2	3.20	376000	6.50	376000	2	752000	100%	13%	100%	18%
55	IFCI15MAY26.00CE	4.40	160000	7.40	160000	2	320000	100%	7%	100%	21%
56	IFCI15SEP24.00PE	3.00	248000	4.70	248000	7	496000	100%	29%	100%	34%
57	INCM15MAR100.00PEW3	5.25	244000	7.30	244000	2	488000	100%	25%	100%	40%
58	IOBL15MAY38.00CE	2.55	112000	4.35	112000	2	224000	100%	100%	100%	100%
59	IOBL15MAY50.00PEW3	7.50	80000	10.00	80000	2	160000	100%	25%	100%	24%
60	JAIA15JUN22.00PEW1	2.70	256000	5.40	256000	2	512000	100%	50%	100%	40%
61	JAIA15MAY14.00CE	2.60	184000	3.70	184000	2	368000	100%	50%	100%	56%
62	JISL15JUL65.00PEW4	0.20	444000	2.86	444000	4	888000	100%	16%	100%	27%
63	JPPW15JUL14.00PEW3	4.20	285000	7.35	285000	2	570000	100%	33%	100%	32%
64	JPPW15JUN10.00PEW1	1.90	375000	3.60	375000	4	750000	100%	17%	100%	17%
65	JPPW15MAY12.00PEW3	3.30	150000	4.60	150000	2	300000	100%	17%	100%	24%
66	JSWE15JUL80.00PE	0.05	636000	1.70	636000	2	1272000	100%	13%	100%	35%
67	JSWE15MAR115.00PEW2	0.80	168000	3.50	168000	2	336000	100%	13%	100%	12%
68	JSWE15MAY100.00CE	8.60	38000	16.00	38000	2	76000	100%	17%	100%	22%
69	JSWE15MAY105.00CEW3	3.80	86000	7.30	86000	2	172000	100%	25%	100%	33%
70	KARB15JUL155.00PE	1.00	130000	6.80	130000	2	260000	100%	20%	100%	56%
71	LNTF15MAY60.00CEW3	5.80	104000	8.30	104000	2	208000	100%	20%	100%	25%
72	NHPC15JUN14.00CEW2	3.00	320000	5.20	320000	2	640000	100%	11%	100%	26%
73	NHPC15JUN26.00PEW3	4.20	390000	7.00	390000	2	780000	100%	20%	100%	29%
74	NHPC15MAY16.00CEW2	2.00	270000	3.10	270000	2	540000	100%	10%	100%	24%

Sl	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the contract	Artificial Volume generated by Noticee in the contract (No. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
75	NHPC15MAY24.00PEW2	3.40	200000	4.90	200000	2	400000	100%	14%	100%	16%
76	NTPC15MAY165.00PEW1	12.50	184000	20.07	184000	3	368000	100%	100%	100%	100%
77	OBNK15JUL190.00PE	4.50	61000	11.00	61000	2	122000	100%	50%	100%	60%
78	PFCL15MAR310.00CE	0.20	430000	4.80	430000	2	860000	100%	8%	100%	28%
79	PTCI15AUG50.00PEW1	0.05	160000	2.55	160000	2	320000	100%	11%	100%	15%
80	PTCI15JUN50.00CEW2	6.70	136000	11.10	136000	2	272000	100%	100%	100%	100%
81	RPOW15MAY50.00CEW3	2.70	68000	4.70	68000	2	136000	100%	33%	100%	29%
82	SAIL15AUG75.00PEW3	9.60	100000	14.60	100000	2	200000	100%	50%	100%	83%
83	SAIL15SEP65.00PE	8.50	100000	13.00	100000	3	200000	100%	60%	100%	93%
84	SOIB15AUG30.00PEW2	4.00	243000	7.70	243000	2	486000	100%	33%	100%	61%
85	SYND15MAY100.00CEW3	6.40	90000	8.60	90000	2	180000	100%	33%	100%	34%
86	TATP15MAY80.00CEW1	0.30	224000	3.20	224000	3	448000	100%	100%	100%	100%
87	TITA15MAR410.00PE	3.50	294000	12.00	294000	2	588000	100%	17%	100%	29%
88	UCOB15JUL45.00PE	0.10	220000	2.33	220000	4	440000	100%	10%	100%	8%
89	UCOB15MAR70.00CEW2	1.60	944000	3.40	944000	2	1888000	100%	25%	100%	31%
90	UCOB15MAY50.00CEW3	6.00	132000	9.70	132000	2	264000	100%	50%	100%	57%
91	UNIT15MAY18.00PEW3	2.45	369000	3.80	369000	2	738000	100%	100%	100%	100%
92	YESB15MAR860.00PE	15.00	91000	26.00	91000	2	182000	100%	13%	100%	33%

17. It is noted that all the trades executed by Noticee in aforesaid 92 contracts were reversal trades. It shows that Noticee's dealings in the aforesaid 92 contracts only comprised indulging in reversal of trades with same counterparties on the same day.

18. It is also pertinent to note that Noticee through its reversal trades contributed significantly to the total no. of trades (up to 100%) and volume (up to 100%) in the 92 contracts. In 36 of the 92 contracts, no. of trades and volume generated by Noticee contributed to 50% to 100% of the total no. of trades and total volume in these contracts. It shows that Noticee through above reversal trades dominated the dealing in these stock option contracts.

19. As per SCN, Noticee undertaken reversal of trades in two legs, viz, first it entered into buy or sell trade with a certain counterparty, and subsequently in second leg, it reversed the position taken in aforesaid trade through reverse sell or buy trades with same counterparty. Upon perusal of Annexure C of the SCN comprising trade-log of the aforesaid 233 alleged non genuine reversal trades, it is noted that Noticee executed two legs of reversal trades within a very short span of upto 33 minutes. In this regard, it is pertinent to note that in 41 of the 92 contracts, trades were reversed within span of mere 10 seconds.

20. It is noted that Noticee, in each of the 92 contracts, executed rapid reversal of trades in course of few seconds to few minutes with substantial variation in price. For instance, gist of the dealing of Noticee in 3 contracts viz, PFCL15MAR310.00CE, HNDL15MAY125.00CE, and IDBI15JUN55.00CE are given below:

Sl.	**Buyer Short Name**	**Seller Short Name**	**Rate** (Rs.)	**Trade Qty** (no. of Units)	**Trade Time** (hh:mm:ss)	**Buy order Time** (hh:mm:ss)	**Sell Order Time** (hh:mm:ss)	**Time difference in order entry** (hh:mm:ss)	**Time difference in reversal of trades** (hh:mm:ss)
1	Dealing in contract viz, PFCL15MAR310.00CE on 09/03/2015								
(i)	Bajrang Steel And Alloys	Jayaseelan J	0.2	430000	11:32:24	11:32:24	11:32:24	00:00:00	00:02:14
(ii)	Jayaseelan J	Bajrang Steel And Alloys	4.8	430000	11:34:38	11:34:38	11:34:38	00:00:00	
2	Dealing in contract viz, HNDL15MAY125.00CE on 25/05/2015								
(i)	Fastner Machinery Dealers	Bajrang Steel And Alloys	17	76000	14:41:54	14:41:54	14:41:54	00:00:00	00:00:06
(ii)	Bajrang Steel And Alloys	Fastner Machinery Dealers	9	76000	14:42:00	14:42:00	14:42:00	00:00:00	
3	Dealing in contract viz, IDBI15JUN55.00CE on 22/06/2015								
(i)	Bajrang Steel And Alloys	Kusum Traders	4.3	100000	13:23:05	13:23:05	13:23:05	00:00:00	00:00:05
(ii)	Kusum Traders	Bajrang Steel And Alloys	9.3	100000	13:23:10	13:23:10	13:23:10	00:00:00	

a) While dealing in the contract viz, PFCL15MAR310.00CE on 09/03/2015, Noticee at 11:32:24 hrs executed buy trade for 430000 units at premium rate of Rs.0.20 per unit with counterparty viz, Jayaseelan J. Subsequently, within mere 3 minutes of the aforesaid trade, at 11:34:38 hrs, Noticee entered into reversal sell trade with same counterparty for same no. of units, however, at relatively higher premium of Rs.4.8 per unit. It is noted that orders for execution of both two legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal (1 buy + 1 sell) trades with total volume 860000 units.

b) While dealing in the contract viz, HNDL15MAY125.00CE on 25/05/2015, Noticee at 14:41:54 hrs executed sell trade for 760000 units at premium rate of Rs.17 per unit with counterparty viz, Fastner Machinery Dealers. Subsequently, within mere 6 seconds of the aforesaid trade, at 14:42:00 hrs, Noticee entered into reversal buy trade with same counterparty for same no. of units, however, at relatively lower premium of Rs.9 per unit. It is noted that orders for execution of both two legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal (1 sell + 1 buy) trades with total volume 1520000 units.

c) While dealing in the contract viz, IDBI15JUN55.00CE on 22/06/2015, Noticee at 13:23:05 hrs executed buy trade for 100000 units at premium rate of Rs.4.3 per unit with counterparty viz, Kusum Traders. Subsequently, within mere 5 minutes of the aforesaid trade, at 13:23:10 hrs, Noticee entered into reversal sell trade with same counterparty for same no. of units, however, at relatively higher premium of Rs.9.3 per unit. It is noted that orders for execution of both two legs of reversal trades were entered by Noticee and its counterparty at the same time. Above dealings resulted into total 2 reversal (1 buy + 1 sell) trades with total volume 200000 units.

21. Following are the common observations from the dealings of Noticee in above mentioned 3 contracts. It is noted that there was precise synchronisation in placement of buy /sell orders by Noticee and its counterparties to match the trades. The two legs of reversal trades were entered at substantial variation in price considering that reversal was taken place within mere 5 seconds to 3 minutes. In these reversal trades of Noticee, positions of both the parties to trades were squared off among themselves only and no open positions were carried forward. Hence, there was no change in beneficial ownership of the units traded in aforesaid reversal trades, and volume generated was artificial which gave misleading appearance of trading.

22. Similar modus operandi was seen in the dealing of Noticee in rest of the contracts. Synchronisation of trades is visible in the dealings of Noticee and its counterparties. From the trade-log provided in Annexure C of the SCN, it is noted that in 180 of the 233 reversal trades executed by Noticee, orders were entered by Noticee and its counterparties at the same time with matching quotes and same do not appear to be a mere coincidence. With the above facts taken into consideration, contention of the Noticee that its trades were executed in an anonymous trading environment of the Stock Exchange without any knowledge of its counterparties, do not draw any merit. It is clear that these reversal trades of the Noticee could not have been possible without close co-ordination with the counterparties.

23. It is pertinent to note that given short time taken in reversal of trades, there was substantial variation in price of premium quoted by Noticee in its reversal trades. These variation of prices are not supported by similar movement in price of the underlying in such short time. Noticee, though relied to contest on grounds that price difference in its reversal trades was not substantial as strike price has to be considered to see the difference in reversal price, however, it is pertinent to note that the strike price of the contracts were reference price for settlement of trades and a notional price, and in actual, premium was the price paid by Noticee for dealing in stock options. As a common pattern in these reversal trades, it is also noted that counterparty on one side consistently made gains and counterparties on other side incurred losses, hence these dealings do not make any economic sense. Given the above, these reversal trades were executed in pre-determined manner and without any economic sense.

24. Noticee has referred to risk of lower liquidity, wider spreads mentioned in the Risk Disclosure Document (RDD), and argued that RDD envisages the scenarios as in the present case, where trade may happen at significant price difference with same counterparty due to lower liquidity and wider spread in the stock options. In this regard, it is important to note that the price of a stock option is based on several underlying parameters, and change in price has to be justifiable based on change in such parameters. It is noted that Noticee has not shown any credible basis for the substantial variation of price in its reversal trades undertaken in very short span of time. It is also pertinent to note that though Noticee has tried to take shed of the general risks of dealing in illiquid stock options, however, it has also been noted that the reversal trades of the Noticees were result of synchronised trading with the counterparties in a pre-determined manner.

25. Above mentioned dealings of Noticee resulted into misleading appearance of trading in terms of generation of artificial volume in 92 stock option contracts. It is clear that such reversal trades executed by Noticee do not follow the basic trading rationale, as they are not executed in normal course of trading in which trading inter-alia happens in anonymous and spontaneous environment with economic sense. Therefore such trades are considered non genuine. In this regard, reliance is also placed on following observation in judgement of Hon'ble Supreme Court in the matter in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"31…. The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change.

"73. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that by cumulative analysis of the reversal transactions between Respondent and Kasam Holding, quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that the Respondent's trades are not genuine and had only misleading appearance of trading in the securities market, without intending to transfer beneficial ownership.

26. Noticee has argued that it executed trades without any knowledge of the counterparty, while to hold the impugn trades as manipulative, there has to be collusion and meeting of minds between Noticee andcounterparties. Though the above submissions are made, however, it is pertinent to note that Noticee while dealing with its counterparties indulge in execution of reversal trades with precise synchronisation of orders, and same would not have been possible without prior meeting of mind with the counterparties at some level. While synchronised trades may occur by accident in a liquid security, however, execution of synchronised trades in illiquid securities as in the present matter involving illiquid stock options, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price, and same cannot take place without pre-arrangement. Hence, evidently, Noticee acted in concert with its counterparties to undertake reversal of trades in pre-determined manner. In this regard, reliance is placed on following observation in judgement of Hon'ble Supreme Court in the

matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"92. Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."

Reliance is also placed on following observation in judgement of hon'ble Supreme Court of India in the matter of SEBI Vs Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016, which has similar scenarios as of the present case:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

27. It is noted that reversal trades of Noticee resulted into generation of artificial volume and gave misleading appearance of trading in 92 stock option contracts. It is pertinent to note that Regulation 4(2)(a) of PFUTP Regulations states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves "indulging in an act which creates false or misleading appearance of trading in the securities market".

28. These non genuine and deceptive trades are covered under the definition of 'fraud' and dealing of Noticee noted hereinabove were 'fraudulent' as defined under regulation 2(1)(c) of SEBI PFUTP Regulations, 2003. Further, it cannot be ignored that repeated synchronisation of trades in pre-determined manner had an adverse impact on the fairness, integrity and transparency in the securities market.

29. In view of the above, it is clear that Noticee indulge in execution of 233 non genuine trades in 92 contracts and thereby created artificial volume of 45648766 units. Such act of Noticee was deceitful and misleading to other unsuspecting investors, and amounts to manipulation of volume in these contracts. It is clear that by indulging in such execution of non genuine trades, Noticee created a misleading impression of trading in said stock option contracts in a fraudulent manner, and thereby, it violated provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003

Issue b) – Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?

30. Given the findings hereinabove, it is clear that the reversal trades undertaken by Noticee were non genuine, and resulted into artificial volumes in 92 stock option contracts. It is also noted that Noticee has deliberately acted in this manner. The above conduct of Noticee has therefore violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

31. Reliance is also placed on order of the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC), where honourable court has also held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…"*.

32. Hence, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, which states as follows:

*88[**Penalty for fraudulent and unfair trade practices.***
15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty 89[which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.
89 Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

Issue c) - If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

33. While determining the quantum of penalty under section 15HA of SEBI Act, it is important to give consideration to the factors stipulated in section 15J of SEBI Act, which reads as follows:

Section 15J of SEBI Act - Factors to be taken into account by the Adjudicating Officer
While adjudging quantum of penalty under section 15-I of SEBI Act, 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."

93[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]

93 Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

34. Records shows the amount of gain / loss of the entities involved in non genuine trades including the Noticee, however, it is pertinent to note that entities involved in such trades have either booked gains or loss from the dealings at the Stock Exchange. These gain / loss at Stock Exchange thus appears to be notional.

35. Hence, the impact of these non genuine trades has been considered. It is noted that the trading was in illiquid stock option contracts in which there was nil or negligible participation by the public. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the actual amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties, or the consequent loss caused to investors as a result of the default.

36. It has been noted that Noticee executed 233 non genuine trades in 92 Stock Option Contracts, and thereby generated artificial volume of total 45648766 units. Though the Noticee had insignificant contribution when its dealings are compared with entire sock option segment at BSE during the I.P. However, it had significant contribution in trading in aforesaid 92 stock option contracts through its aforesaid non genuine trades and resulting artificial volume contributing to upto 100% of the total no. of trades and total volume in such contracts. It is pertinent to note that in 37 of the 92 contracts, artificial volume generated by Noticee contributed 50% to 100% of the total volume in these contracts.

ORDER

37. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, a monetary penalty of Rs. 15,50,000/- (Rupees Fifteen Lakh and Fifty Thousand only) is hereby imposed upon Noticee viz, Bajrang Steel and Alloys Limited under Section 15HA of SEBI act for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

38. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

39. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of the Enforcement Department 1 (EFD1) – Division of Regulatory Action (DRA 1) of SEBI.

40. The format for forwarding details / confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular no. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID: tad@sebi.gov.in:

Date	
Department of SEBI	
Name of Intermediary / Other Entity	
Type of Intermediary	
SEBI Registration no. (If any)	
PAN	
Amount (in Rupees)	
Purpose of payment (inluding the period for which payment was made e.g, Quarterly, Annually	
Bank Name and Account Number for which payment is remitted	
UTR No.	

41. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

Date: June 28, 2019
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer