BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/GR/RK/2021-22/13447-13454)

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

In respect of:

SL. No.	Name of the Entity	PAN
1	Acuity Merchants Private Limited	AAICA4474D
2	Godavari Commercial services Pvt Ltd	AABCG1461B
3	Kaberi Goods Pvt Ltd	AACCK7867L
4	Invorex Vincom Pvt. Ltd	AACCI3168A
5	Coastal Fertilisers Limited	AAACH6567J
6	Akansha Commodities Private Ltd	AAGCA8604B
7	Messrs Agarwal Holdings	AAZFM1690B
8	Superdeal Fincom Pvt. Ltd	AAECS0527R

In the matter of M/s Videocon Industries Limited

(The aforesaid entities are hereinafter referred to by their respective names/ Numbers or collectively as "**the Noticees**")

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had received two complaints dated 16 June 2017 and 13 October 2017 w.r.t the scrip of the Videocon Industries Limited (hereinafter called as '**VIL/ Company**') alleging price fall during the period of one year. Subsequently, National Stock

Exchange ('**NSE**') was requested by SEBI to carry out examination in the scrip of VIL on the complaint alleging price fall, for the period April 03, 2017 to September 29, 2017. Based on the report of NSE, SEBI started an investigation for the period of April 03, 2017 to September 29, 2017 (hereinafter referred to as **"investigation period"**) in the scrip of VIL for the possibility of insider trading and volume manipulation by certain entities. During the investigation, SEBI had observed *prima facie* violations of Section 12A (a), (b) and (c) of SEBI Act,1992 r/w Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as '**SEBI PFUTP Regulations, 2003**') by the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

2. Based on the findings of the investigation, SEBI initiated Adjudication proceedings in the matter and vide Communication dated February 09, 2021, appointed the undersigned, as the Adjudicating Officer (hereinafter referred as **AO**) under Sub-section (1) of Section 15-I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 ('**Adjudicating Rules**') to inquire into and adjudge under Section 15HA of the SEBI Act for the alleged violations specified at para 1 above committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A Show Cause Notice dated May 18, 2021 (hereinafter referred to as **'SCN'**) was issued by the AO on the Noticees and was duly served upon the Noticees. The SCN was issued to the Noticees under the provisions of Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry should not be held against the Noticee and why penalty should not be imposed on him under the provisions of Sections 15HA of the SEBI Act, for the aforesaid alleged violations.

4. It was alleged in the SCN that these entities as a group created false or misleading appearances of trading in the scrip or entered into a transaction in the scrip without the intention of performing it or without the intention of change of ownership of security by repetitive synchronized trades and/or reversal trades.

5. The said SCN was duly delivered to the Noticees, and in response to this, the Noticee 1 to 7 vide their emails dated May 29, 2021 and May 30, 2021 requested for some additional time to file its reply to the SCN. However, no reply was received from Noticee No. 8 in this regard.

6. Hence, vide email dated June 18, 2021, Noticee No. 1 to 7 were granted additional time till June 30, 2021 to file their reply to the SCN. Further, an opportunity of personal hearing was granted to the Noticees on July 06, 2021 vide the same email.

7. In response to this, Noticee No. 7 vide its letter dated June 22, 2021 submitted its reply to the SCN which is summarized as below:

   "with regard to client concentration on BSE, we are appearing as a seller of 44000 shares constituting 10.36% of total volume on BSE. It is futther indicated that we are a group entity.

   This allegation is baseless as there has been no proof or any connection with any of the promoter entities.

   The SCN doesn't provide any proof of any connection we have with any of the entities mentioned as Noticees in the SCN.

   Of the total alleged trades of 955769 trades, we have sold only 20000 shares which is 2.09% and this would be impossible to have any impact on price and volume of the scrip in the market.

On an electronic platform we are not aware of who is the counterparty is and our trades matched with Coastal fertilizers Ltd.

With regard to the reversal of trades, our trade of 20000 shares with Coastal Fertilizers on NSE is very miniscule to have an impact as this constitutes 0.43% of the total reversal market volume."

8. The said Hearing dated July 06, 2021 was attended by Authorized Representative ('**AR**') of Noticee No. 7 in which it made some additional submissions to the SCN, which is summarized as below:

   "It is submitted that the Agarwal Holdings has sold 14,910 shares and again 50,000 shares of the company to Invorex on May 26, 2017 and May 31, 2017 respectively.

   Both these transactions have occurred after the Investigation Period."

9. However, Noticee No. 1 to 6 vide their email dated June 30, 2021 expressed their inability to appear for the hearing due to lockdown conditions and requested for some additional time to file their reply. Hence, vide email dated July 06, 2021, another opportunity of hearing was granted to Noticee No. 1 to 6 on July 20, 2021, which was again rescheduled on July 28, 2021 on the request of these Noticees.

10. Subsequently, vide email dated July 27, 2021, Noticee No. 1 to 6 submitted its reply to the SCN, which is summarized as below:

    "At the outset, we submit that we shall be dealing with and controverting only such contents of the Notice that directly relates or concerns our Company.

    All allegations of reversal trades qua Group entities are completely incidental and devoid of merit or any evidentiary proof that any independent trades were conducted conjointly.

It is stated that we have traded in shares in the normal course and some of such trades did relate to Videocon Industries Limited as indeed trades in other Companies.

Such trading was conducted on our personal perspectives with respect to prospects of a particular Company with intention to and trading profits."

11. Subsequently, the said hearing was attended by only the Authorized Representative (**AR**) of Noticee No. 1, in which it reiterated its submissions made vide its earlier replies.

12. Further, in absence of any reply/response from Noticee No. 8, vide email dated June 23, 2021, Noticee No. 8 was granted additional time till July 07, 2021 to file their reply to the SCN. Further, in the interest of natural justice, an opportunity of personal hearing was also granted to the Noticee No. 8 on July 13, 2021 vide the same email. However, Noticee No. 8 neither appeared for the said hearing nor filed any reply in this regard.

13. Considering the fact that the Noticee No. 8 has neither filed any reply nor have availed the opportunity of personal hearing despite being granted opportunities for the same, I am of the view that the Noticee No. 8 has nothing to submit, and in terms of rule 4(7) of the SCR Rules, the matter can be proceeded ex-parte on the basis of material available on record. In absence of any response from the Noticee No. 8 to the SCN, I presume that the Noticee No. 8 has admitted the charges levelled against them. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (**SAT**) in the matter of ***Classic Credit Ltd. vs. SEBI*** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, held that,

   "......the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them".

14. Further, the Hon'ble SAT in the matter of ***Sanjay Kumar Tayal & Others vs SEBI*** *(Appeal No. 68 of 2013 decided on February 11, 2014)*, has also, inter-alia, and held that:

"...appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices..."

15. Further, the same position is reiterated by the Hon'ble SAT in the matter of ***Dave Harihar Kirtibhai Vs SEBI*** *(Appeal No. 181 of 214 dated December 19, 2014)*, wherein the Hon'ble SAT held as under:

"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal..."

16. In view of the aforesaid observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly I deem it appropriate to proceed against the Noticee No. 8 ex-parte, based on the material available on record.

17. Taking into account the aforesaid facts, I am of the view that principles of natural justice have been followed in the matter by granting the Noticees opportunities of being heard and submit its reply in the matter. Therefore, I deem it

appropriate to decide the matter on the basis of facts/material available on record.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

18. I have taken into consideration the facts and material available on record wherein I have the following issues for consideration, viz.,

    I. *Whether the Noticees have violated Section 12A (a), (b) and (c) of SEBI Act,1992 r/w Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (g) of SEBI PFUTP Regulations, 2003?*

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

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

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

SEBI 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 thereunder;

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

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

4.Prohibition of manipulative, fraudulent and unfair trade practices

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

(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;

(b)………

(c)…………

(d)…………

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

Issue I: Whether the Noticees have violated Section 12A (a), (b) and (c) of SEBI Act,1992 r/w Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (g) of SEBI PFUTP Regulations, 2003?

20. I have perused the facts of the case, gist of allegations made against the Noticees as per the SCN, documents available on record and my findings thereof are specified below:

21. Investigation observed that a group of 12 connected entities (hereinafter referred to as **"group entities"**).were trading on NSE and BSE during the IP. These group entities allegedly entered into trades that were in the nature of reversal/ synchronized trades. Further, these entities were found to be connected and basis of connection of the entities is given below:

Sr No	Name of the group entity (PAN)	Basis of Connection
1	Acuity Merchants Pvt Ltd. AAICA4474D	• Off market transfer with entity number 2,3,4,5,6 and 8 in the scrip of VIL • Fund transfer with entity no. 2, 3, 5. • Mithilesh Kumar Jha & Surajit Dutta are common directors in the entities mentioned at no. 1,2,5,6,7
2	Akansha Commodities Private LimitedAAGCA8604B	• Off market transfer with entity number 1,3 and 5 in the scrip of VIL. • Fund transfer with entity no. 1 • Mithilesh Kumar Jha & Surajit Dutta are common directors in the entities mentioned at no. 1,2,5,6,7
3	Coastal Fertilizers LimitedAAACH6567J	• Off market transfer with entity number 1,2,4,5,6 and 8 in the scrip of VIL • Fund transfer with entity no. 1 • Bajrang Lal Ganerwal, one of the director of CFL is common director of entity 4.
4	Godavari Commercial Services Private LimitedAABCG1461B	• Off market transfer with entity number 1,3, 5, and in the scrip of VIL. • Fund transfer with entity no. 5, 10 • Bajrang Lal Ganerwal, one of the director of CFL is common director of entity 3.
5	Invorex Vincom Private LimitedAACCI3168A	• Off market transfer with entity number 1, 2,3,4,6 and 9 in the scrip of VIL. • Fund transfer with entity no. 1, 6, 9 • Mithilesh Kumar Jha & Surajit Dutta are common directors in the entities mentioned at no. 1,2,5,6,7
6	Kaberi Goods Private LimitedAACCK7867L	• Off market transfer with entity number 1, 3, 4, and 5 in the scrip of VIL. • Fund transfer with entity no. 10 • Mithilesh Kumar Jha & Surajit Dutta are common directors in the entities mentioned at no. 1,2,5,6,7
7	Richhold Properties Private LimitedAABCR4071J	• Off market transfer with entity number 1and 3 in the scrip of VIL • Mithilesh Kumar Jha & Surajit Dutta are common directors in the entities mentioned at no. 1,2,5,6,7
8	P-Square Financial Consultancy Private Limited AAECP7647K	• Off market transfer with entity number 1and 3 in the scrip of VIL.

9	Messrs Agarwal Holdings AAZFM1690B	• Off market transfer with entity number 5 in the scrip of VIL. • Fund transfer with entity no. 5. • Entity no 10 is a proprietor in entity no 9.
10	Piyush Mohan Agarwal AGLPA3654M	• Off market transfer with entity number 5 in the scrip of VIL. • Fund transfer with entity no. 5. • Entity no 10 is a proprietor in entity no 9.
11	Anil AgarwalAFGPA8054H	• Fund transfer with entity no.1 , 4, 5, 6
12	Superdeal Fincom Private Limited AAECS0527R	• Fund transfer with Pastoral Enclave Pvt Ltd which had various fund transfer with entity no. 1,3,4,5

22. During analysis of trading done by the Group entities, it was observed that the the Noticees contributed 75.76% and 63.89% of the gross buy and gross sell volume respectively on NSE during the investigation period. The details of which are shown in the below table:

Client Name	Gross Buy	% of Gross Buy to Mkt. Volume	Client Name	Gross Sell	% of Gross Sell to Mkt. Volume
Acuity Merchants Pvt Ltd	894716	19.18	Acuity Merchants Pvt Ltd	920982	19.74
Invorex Vincom Pvt.Ltd	670710	14.38	Kaberi Goods Private Limited	551187	11.81
Kaberi Goods Pvt. Ltd.	772914	16.57	Invorex Vincom Pvt.Ltd	557118	11.94
Godavari Commercial Services Pvt Ltd	200000	4.29	Akansha Commodities Pvt. Ltd.	130753	2.80
Coastal Fertilisers Limited	421552	9.04	Coastal Fertilisers Limited	266389	5.71
Akansha Commodities Pvt. Ltd.	545703	11.70	Godavari Commercial Services Pvt Ltd	504821	10.82
SuperdealFincom Pvt. Ltd.	9440	0.20	Messrs Agarwal Holdings	20000	0.43
Messrs Agarwal Holdings	20000	0.43	SuperdealFincom Pvt. Ltd.	30040	0.64
Total of group entities	**3535035**	**75.76**	**Total of group entities**	**2981290**	**63.89**
Remaining Entities	**1130847**	**24.24**	**Remaining Entities**	**1684592**	**36.11**
Total Market	**4665882**	**100.00**	**Total Market**	**4665882**	**100**

23. It is further observed that the Noticees contributed 46.68% and 45.15% of the gross buy and gross sell volume respectively on BSE during the investigation period. The details of which are shown in the below table:

Client Name	Gross Buy	% of Gross Buy to Mkt. Volume	Client Name	Gross Sell	% of Gross Sell to Mkt. Volume
Acuity Merchants Pvt.Ltd	98500	23.19	Coastal Fertilisers Limited	53611	12.62
Invorex Vincom Pvt.Ltd	45000	10.59	Invorex Vincom Pvt.Ltd	47003	11.06
Coastal Fertilisers Limited	34000	8.00	Acuity Merchants Pvt.Ltd	44692	10.52
SuperdealFincomPvt.Ltd	7600	1.79	Messrs Agarwal Holdings	44000	10.36
Akansha Commodities Pvt.Ltd	7200	1.70	Anil Agarwal	2500	0.59
Kaberi Goods Private Limited	3500	0.82	Kaberi Goods Pvt.Ltd	0	0.00
Anil Agarwal	2500	0.59	SuperdealFincomPvt.Ltd	0	0.00
Messrs Agarwal Holdings	0	0.00	Akansha Commodities Pvt.Ltd	0	0.00
Total of group entities	**198300**	**46.68**	**Total of group entities**	**191806**	**45.15**
Remaining Entities	**226515**	**53.32**	**Remaining Entities**	**233009**	**54.85**
Total Market	**424815**	**100.00**	**Total Market**	**424815**	**100.00**

(i) Analysis of Synchronized-Trades of the Noticees:

24. Additionally, upon detailed analysis of the Noticees' trading pattern for synchronized trades (where the buy and sell order were placed within time gap of one minute, at the same rate and the quantity was same or similar), the following was observed for them:

a) NSE: Summary of Synchronized trades by the Noticees:

Total Traded Volume during IP	Gross Buy Qty. of the Noticees	Gross Sell Qty. of the Noticees	Total traded Qty. among the the Noticees	Synchronized traded Qty. by	% of total trade among the Noticees to total	Sync Trades as % of total traded Qty.	Sync Trades as % of Total	Sum of LTP contribution through

				the Noticees	market volume	among the Noticees	Mkt. Vol.	Sync Trades
4665882	**3535035**	**2981290**	**2868316**	**955769**	**61.47%**	**32.86%**	**20.48%**	**2.45**

25. From the above tables, it was observed that the out of the total traded volume in the scrip during the IP at NSE, the Noticees had executed 75.76% of gross buy shares and 63.90% of gross sell shares. It was also observed that the Noticees had traded 61.47% of the total traded volume during the IP among themselves which is significant. Further, the Noticees executed synchronized trades for 9,55,769 shares (20.48% of total market volume at NSE) by trading among themselves during the period of May 10, 2017 to May 19, 2017.

26. The summary of the synchronized trades of the Noticees is given below:

Sell Client / Buy client	Acuity Merchants Pvt Ltd	Akansha Commodities Private Ltd	Coastal Fertilisers Limited	Godavari Commercial Services Pvt Ltd	Invorex Vincom Pvt.Ltd	Kaberi Goods Pvt Ltd	Messrs Agarwal Holdings	Superdeal Fincom Private Limited	**Grand Total**
Acuity Merchants Pvt Ltd			50414	109899		6072		804	**167189**
Akansha Commodities Private Ltd	81019			1226	36317	32594		10000	**161156**
Coastal Fertilisers Limited	49756				84937		20000		**154693**
Godavari Commercial Services Pvt Ltd	3358					64140			**67498**
Invorex Vincom Pvt.Ltd	24513		27500	24900		41985		500	**119398**

Kaberi Goods Pvt Ltd	72369	47436	50000	1800	92252			1978	**265835**
Messrs Agarwal Holdings			20000						**20000**
Grand Total	**231015**	**47436**	**147914**	**137825**	**213506**	**144791**	**20000**	**13282**	**955769**

27. Hence, from the above table, it is observed that out of 12 group entities, who had traded during the investigation period, 8 group entities viz. the Noticees had entered into synchronized trades.

b) BSE: Summary of Synchronized trades by the Noticees:

Total Traded Market Volume	Gross Buy Qty. of the Noticees	Gross Sell Qty. of the Noticees	Total traded Qty. among the Noticees	% of total trade among the Noticees to total market volume	Synchronized traded Qty. by the Noticees	Sync Trades as % of total traded Qty. among the Noticees	Sync Trades as % of Total Mkt. Vol.	Sum of LTP contribution through Sync Trades
424815	**198300**	**191806**	**183323**	**43.15**	**68559**	**37.40**	**16.14**	**0.40**

28. From the above tables, it was observed that the out of the total traded volume in the scrip during the IP at BSE, the Noticees had executed 46.68% of gross buy shares and 45.15% of gross sell shares. It was also to be observed that the Noticees had traded 43.15% of the total traded volume during the IP among themselves which is significant. Further, the Noticees executed synchronized trades for 68,559 shares (16.14% of total market volume at BSE) by trading among themselves during the period of May 10, 2017 to May 19, 2017.

29. The summary of the synchronized trades of the Noticees is given below:

	Sell Client Name			
Buy Client Name	**Coastal Fertilisers Limited**	**Invorex Vincom Pvt.Ltd**	**Messrs Agarwal Holdings**	**Grand Total**
Acuity Merchants Private Limited	32000	3009		**35009**
Coastal Fertilisers Limited			33550	**33550**
Grand Total	**32000**	**3009**	**33550**	**68559**

30. Hence, from the above table, it is observed that out of 12 group entities, who had traded during the investigation period, 4 entities viz. Noticee No. 1,4,5 and 7 had entered into synchronized trades.

31. The conclusion w.r.t. synchronized trades has to be gathered from various circumstances like that of volume of the trade effected; the period of persistence in such trading in the particular scrip; particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two orders and such other relevant factors. Persistent trading in the aforesaid manner would show a deliberate intention to play the market. The dividing line has to be drawn on the basis of the volume of the transactions and the period of time that the same were indulged in.

32. Therefore, I note that, by entering into synchronized trades in BSE and NSE, the Noticees had created a misleading appearance of trading in the scrip and generated artificial volume in the scrip. In this regard, the reference is drawn to Hon'ble Supreme Court judgement in the matter of ***SEBI vs. Rakhi Trading Private Ltd***., *in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 31743177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018*, wherein, the Apex court held that: *"The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed*

the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stockmarket."

33. Further, Hon'ble SAT in the matter of ***Magnum Equity broking Ltd. v. SEBI***, noted the following:

"Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself."

(ii) Analysis of Reversal-Trades of group entities:

34. Reversal Trades are trades when the trades are reversed with the same counterparties/group entities on the same day. During the investigation, it was observed that the group entities entered into reversal trades during the IP. The details of the same is under:

a) NSE: Summary of reversal trades

Exchange	Sum of reversal quantity	No. of Days	% of reversal quantity to Market Volume
NSE	352924	9	7.57

35. From the above, it was observed that the Noticees had traded among themselves through reversal trades and contributed 7.57% of the total market volume at NSE, which was significant.

36. The summary of the reversal trades of the Noticees is given below:

Pan 1 Client Name	Pan 2 Client Name	Qty.1 (Pan 1(Sell) To Pan 2(Buy))	Qty.2 (Pan 2(Sell) To Pan 1(Buy))	Sum Of Reversal Qty.	No. Of Reversal Trades	No. Of Days Of Reversal Trades	% Of Reversal Qty. To Mkt Vol.
Kaberi Goods Private Limited	Acuity Merchants Pvt Ltd	124506	271250	121607	172	2	2.61
Godavari Commercial Services Pvt Ltd	Kaberi Goods Pvt Ltd	53872	111640	53872	59	1	1.16
Godavari Commercial Services Pvt Ltd	Acuity Merchants Pvt Ltd	52072	86600	52072	50	1	1.12
Invorex Vincom Pvt. Ltd	Kaberi Goods Pvt Ltd	44937	106937	44937	53	1	0.96
Kaberi Goods Pvt Ltd	Akansha Commodities Private Ltd	31531	58476	31531	41	1	0.68
Invorex Vincom Pvt. Ltd	Acuity Merchants Pvt Ltd	45183	46324	28905	35	2	0.62
Coastal Fertilizers Limited	Messrs Agarwal Holdings	20000	20000	20000	2	1	0.43
Total		**372101**	**701227**	**352924**	**412**	**9**	**7.57**

37. From the reversal trades on NSE, it was observed that 7 Noticees viz. 1. Acuity Merchants Private Limited, 2. Akansha Commodities Private Ltd, 3. Coastal Fertilisers Limited, 4. Godavari Commercial services Pvt Ltd., 5. Invorex Vincom Pvt. Ltd, 6. Kaberi Goods Pvt Ltd, and 7. Messrs Agarwal Holdings had entered into reversal trades for 352924 shares and contributed 7.57% of the total market volume which was significant.

b) BSE: Summary of reversal trades

Exchange	Sum of reversal quantity	No. of Days	% of reversal quantity to Market Volume
BSE	**43471**	**1**	**10.23**

38. From the above, it was observed that the Noticees had traded among themselves through reversal trades and contributed 10.23% of the total market volume at BSE, which was significant.

39. The summary of the reversal trades of the Noticees is given below:

Entity 1	Entity 2	Qty.1 (Pan 1(Sell) To Pan 2(Buy))	Qty.2 (Pan 2(Sell) To Pan 1(Buy))	Sum Of Reversal Qty.	No. Of Reversal Trades	No. Of Days Of Reversal Trades	% Of Reversal Qty. To Mkt Vol.
Invorex Vincom Pvt.Ltd	Acuity Merchants Pvt Ltd	43767	43471	43471	24	1	10.23
Total		**43767**	**43471**	**43471**	**24**	**1**	**10.23**

40. From the reversal trades on BSE, it was observed that 2 the Noticees viz. Acuity Merchants Private Limited and Invorex Vincom Pvt. Ltd. had entered into reversal trades for 43471 shares and contributed 10.23% to the total market volume which was significant.

41. Hence, from the above, I note that the Noticees indulged in reversal of trades on several occasions. It is therefore such persistent trading in the aforesaid manner clearly indicate an intention to create artificial volume in the scrip of VIL. Such trades clearly indicate that the same were not genuine trades as there was no change in beneficial ownership. Therefore, I conclude that the Noticees had indulged in reversing their trades among themselves for the purpose of creation of artificial volume and to create false and misleading appearance of trading in the scrip of VIL without the intention of change of actual beneficial ownership.

42. Noticee No. 7 in its reply has contended that with regard to the reversal of trades, their trade of 20000 shares on NSE is very miniscule to have an impact as this constitutes 0.43% of the total reversal market volume. In this regard, I note that, although individually the contribution of Noticee No. 7 to total market volume appears to be low, however, on the basis of connection established in para 22, Noticee No. 7 is a part of the group entities, and as a group the Noticees had entered into reversal trades for 352924 shares and contributed 7.57% of the total market volume on NSE which is significant.

43. The Noticees in their reply have further contended that, all allegations of reversal trades qua Group entities are completely incidental and devoid of merit or any evidentiary proof. In this regard, Hon'ble Supreme Court in the matter of ***SEBI vs Kishore Ajmera***, observed the following with respect to market manipulations :

"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... "

44. It is important here to mention that in order to ascertain the "intention" behind commission of any manipulative / unfair / fraudulent trades/activities, the attending circumstances have to be taken into account. The Hon'be Securities Appellate Tribunal (**SAT**) in the case of ***Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004)*** decided on July 14, 2006 held that –:

"... in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available."

45. Further, Hon'ble SAT in the matter of ***V. G. Capital Market Pvt. Ltd.*** also noted the following:

"The *trading system on the exchanges is based on the principle of anonymity. The buyer does not know who the seller is and seller cannot know who the buyer is. In other words, the buyer should buy the shares without being concerned as to who the seller is and similarly the seller should sell the shares in the market without being concerned about the buyer and it is the system which determines the buyer and the seller by matching the buy and sell orders. On a screen based trading, the best buy order will match the best sell order subject to price time priority. The buyer and seller cannot keep matching their trades and if they do, they are obviously manipulating the system which is the case before us.* ***Reverse trades are a clear instance of manipulative trading****. It is true that before any buy and sell order can result in a trade they must match but this matching must take place through the system without the intervention of any human element. Knowing how the system works, reverse trades are not possible unless the trades are manipulated particularly when the scrip is liquid." (emphasis supplied).*

46. Thus, I hold that the Noticees by entering into reversal trades/ synchronized trades, have created artificial volume in the scrip, leading to false and misleading appearance of trading in the scrip and thus have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) (b) and (g) of SEBI PFUTP Regulations.

Issue II: Does the violations, attract monetary penalty under Section 15 HA of SEBI Act.?

The provisions of Section 15HA of the SEBI Act, 1992 read as under:

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 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].*

47. The Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of ***N. Narayanan vs Adjudicating Officer***, SEBI, has laid down that:

"……….Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality".

48. Further, In the matter of ***SEBI vs Kishore R. Ajmera***, ***(supra)*** the Hon'ble Supreme Court held that:

“the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light”

49. I further note that, the Hon’ble Supreme Court of India in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund*** {[2006]5 SCC 361} has 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..............”

50. Further, vide order dated April 26, 2013 the Hon’ble Supreme Court of India in the matter of ***N Narayanan vs. SEBI*** *(Appeal Nos. 4112-4113 of 2013)* held as under:-

“SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country’s economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India’s securities market. Message should go that our country will not tolerate market abuse and that we are governed by the Rule

of Law. Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and market security is our motto."

51. Hence, in view of the foregoing, I am convinced that the Noticees are liable for monetary penalty under Section 15HA of the SEBI Act, 1992.

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

52. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which reads as under: -.

Factors to be taken into account by the adjudicating officer.

Section 15J - 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.

53. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the aforesaid violations by the Noticees is not available. Further, material available on record does not show that the said failure is repetitive. However, suffice to state that keeping in mind the practices indulged in by the Noticees, gains per se were made by the Noticees in that they traded in the scrip in a manner meant to create artificial volumes and liquidity which is an

important criterion, apart from price, capable of misleading the investors while making an investment decision. In fact, liquidity/volumes in particular scrip raise the issue of 'demand' in the securities market. Greater the liquidity, higher is the investors' attraction towards investing in that scrip. Hence, anyone could have been carried away by the unusual fluctuations in the volumes and been induced into investing in the said scrip. Besides, this kind of activity seriously affects the normal price discovery mechanism of the securities market. People who indulge in manipulative, fraudulent and deceptive transactions, or abet the carrying out of such transactions which are fraudulent and deceptive, should be suitably penalized for the said acts of omissions and commissions. Hence, a lenient view in such cases would defeat the legislative intent of section 15HA of SEBI Act. Since the default has already occurred, the penalty must follow in this case.

ORDER

54. Having considered all these facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, I hereby impose the following penalties on the Noticees:

<table>
<tr><th>Noticee</th><th>Violation</th><th>Penal Provisions</th><th>Penalty (Rs.)</th></tr>
<tr><td>Acuity Merchants Private Limited</td><td rowspan="5">Section 12A (a), (b) and (c) of SEBI Act,1992 r/w Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (g) of SEBI PFUTP Regulations, 2003</td><td rowspan="5">Section 15HA of the SEBI Act</td><td rowspan="5">Rs. 16,00,000/- (Rupees Sixteen Lacs only)

(payable jointly and severally by the Noticees)</td></tr>
<tr><td>Godavari Commercial services Pvt Ltd</td></tr>
<tr><td>Kaberi Goods Pvt Ltd</td></tr>
<tr><td>Invorex Vincom Pvt. Ltd</td></tr>
<tr><td>Coastal Fertilisers Limited</td></tr>
</table>

Akansha Commodities Private Ltd			
Messrs Agarwal Holdings			
Superdeal Fincom Pvt. Ltd			

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW

56. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to "The Division Chief, Enforcement Department (EFD1 – DRA II), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051."

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along	

57. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings including, but not limited to,

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.

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

Date: September 20, 2021	**G RAMAR**
Place: Mumbai	**ADJUDICATING OFFICER**