BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: EAD-3/AO/DRK/JP/ 537/81 to 543/87 of 2014)

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 BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

(1) Mrs. Reena Pandey (PAN: AWRPP4530F)
(2) Mr. Arun Kumar Bajpai (PAN: AGQPB3317F)
(Address: 133/142-A 'O' Block, Kidwai Nagar, Kanpur – 208 023)

(3) Mr. Uma Shankar Gupta (PAN: AJQPG1679N)
(4) Ms. Kanchan Gupta (PAN: APLPG2593N)
(Address: 105/663, Dupty Ka Parav, Kanpur- 208 003)

(5) Abhay Kumar Mehta, HUF (PAN: AAKHA3564K)
(6) Mr. Abhay Kumar Mehta (PAN: AFWPM5978E)
(Address: 119/505, Darshan Purwa, Kalpi Road, Laxmi Ratan Cotton Mill, Kanpur – 208 012)

(7) Mr. Avinash Sahu (PAN: BYYPS7897G)
(Address: 105/663, Dupty Ka Parav, Kanpur- 208 003)

In the matter of:

(Rodium Realty Limited)

Background:

1. The Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the alleged irregularities in the trading in the shares of Rodium Realty Limited (hereinafter referred to as '**RRL'**) during the period from February 01, 2011 to July 14, 2011 (hereinafter referred to as **'Investigation Period'**). The investigation revealed that during the investigation period the shares of RRL were listed at the Bombay Stock Exchange Limited (hereinafter referred to as **'BSE'**) and several entities namely- (1) Ms. Reena Pandey, (2) Mr. Arun Kumar Bajpai, (3) Mr. Uma Shankar Gupta, (4) Ms. Kanchan Gupta, (5) Abhay Kumar Mehta, HUF, (6) Mr.

Abhay Kumar Mehta and (7) Mr. Avinash Sahu (hereinafter referred to as **'the Noticee No. 1 to 7' respectively** or all may be collectively referred to as **'the Noticees / Group'** or by their individual **'names'**) in concert with stock brokers / clients had executed synchronized / reversal trades which were fraudulent / manipulative in nature and thereby resulted in creation of artificial volumes in the shares of RRL.

Appointment of Adjudicating Officer:

2. The undersigned was appointed as Adjudicating Officer vide order dated October 29, 2012 under Section 15-I of the Securities and Exchange Board of India Act 1992 (hereinafter known as **'SEBI Act'**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under section 15HA of the SEBI Act, the alleged violations of Regulation 3 (a) to (d), 4 (1) and 4 (2) (a) & (g) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations'**) by the Noticees.

Show Cause Notice, Reply of Noticees and Hearing:

3. A common Show Cause Notice dated April 16, 2013 (hereinafter referred to as "**SCN**") was served on the Noticees under Rule 4 (1) of the Adjudication Rules through Regd. Post A.D., to show cause as to why an inquiry be not held against them and penalty be not imposed under section 15 HA of the SEBI Act for the aforesaid alleged violations of PFUTP Regulations. The allegations levelled against the Noticees in the SCN, are as under;

a. It was alleged that the Noticees a group of connected / related entities were found to have dealt significantly in concert with the stock brokers / clients had executed synchronized / reversal of trades which resulted in the creation of artificial volume of the scrip of the RRL.

b. The Noticees were the major market participants in the scrip during the investigation period as per order / trade logs. The transactions for 8,26,303 shares were executed amongst the Noticees which accounted for 52.34% of the total traded market volume and 83.05% of their total gross traded (buy and sell) volume during the investigation period. Out of 8,26,303 shares, trades for 6,53,108 shares (65.64% of trades by the Noticees, 79.04% of the trades amongst the Noticees and 41.37% of total traded market volume) appeared to have been synchronized, as the buy / sell order quantity and rate were identical and orders for these transactions were placed within time gap of one minute. The said shares (i.e. 8,26,303 shares) appeared to have been reversed amongst the Noticees.

c. Self trades / fictitious trades (i.e. same person is buyer and seller of shares under same trade resulting in no change in beneficial ownership) were executed for 100 shares by Noticee No.1 and for 42 shares by Noticee No. 6.

d. The Noticees had entered into reversal trades for 112 out of the 114 trading days of the investigation period and their reversal trades accounted for 83.04% (i.e. 8,26,303 shares) of total gross (buy and sell) 19,86,956 shares traded by them. The reversal of trades occurred consistently between various pairs of Noticees for almost all the days during the investigation period. The order / trade logs and other material evidences showing alleged synchronized / reversal trading by all the Noticees were provided along with the SCN.

e. Allegedly, the reversal and synchronized trades executed amongst the Noticees for a long period of time wherein the buy / sell orders quantity and rate were identical; and orders for these transactions were placed within time gap of one minute, indicates their concerted effort to create artificial volumes in the scrip without intention of performing it or without intention of change in ownership of such shares. Therefore, it was alleged that the Noticees had violated the provisions of Regulations 3(a),(b),(c),(d) and 4(1),4(2)(a) & (g) of the PFUTP Regulations.

FUTP Regulations

3. Prohibition of certain dealings in securities
No person shall directly or indirectly—
(a) buy, sell or otherwise deal in securities in a fraudulent manner;
(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made 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 practice
(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;
(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

4. In respect to the SCN, the Noticee No. 1 & 2 filed their reply dated May 11, 2013. The Noticee No. 3 & 4 filed their reply dated May 09, 2013. The Noticee No. 5 & 6 vide email dated April 30, 2013 sought extension of another 30 days time to file reply. No reply was filed by the Noticee No. 7 towards the SCN.

5. Thereafter, for the purpose of enquiry, a notice of hearing dated May 22, 2013 was issued to all the Noticees providing them an opportunity of hearing on June 12, 2013.

6. Hearing on June 12, 2013 was not attended by any of the Noticees. In respect of said notice of hearing, Noticee No. 2 himself as well as for Noticee No. 1 also, vide letter dated June 01, 2013 sought an adjournment and requested for rescheduling hearing around 2nd or 3rd week of July 2013 on the ground that his wife is suffering from respiratory problems. Noticee No. 3 for himself as well as for Noticee No. 4 & 7 also, vide e-mail dated June 05, 2013 from email ID: usgupta69@gmail.com and vide letter dated nil (received on June 14, 2013) sought an adjournment on ground of unavailability of train tickets and requested to fix hearing after July 05, 2013. In respect of said notice of hearing, the Noticee No. 5 & 6 failed to attend the hearing scheduled on June 12, 2013, however, meantime they filed reply dated nil (received on June 13, 2013) towards the SCN.

7. Keeping in view the principle of natural justice, another final opportunity of hearing was provided to the Noticees on July 12, 2013 vide notice dated June 14, 2013. The hearing on July 19, 2013 (which was so rescheduled vide an email dated July 01, 2013 instead of hearing on July 12, 2013) was attended by Noticee No. 2 for himself and for Noticee No. 1 (his sister); and by the Noticee No. 3 for himself and for Noticee No. 4 (his wife) & for Noticee No. 7. The submissions made during the hearing on behalf of Noticee No. 1 - 4 & 7 were recorded. Thereafter, an additional reply dated July 28, 2013 (signed by Noticee No. 2 on July 29, 2013) was also received from Noticee No. 1 & 2 on August 01, 2013 and same is taken on record. Additional reply dated July 30, 2013 was also received on behalf of Noticee No. 3, 4 & 7 which was signed by Noticee No. 3.

8. However, Noticee No. 5 & 6 again failed to attend the hearing on July 19, 2013 (which was so rescheduled and intimated). Noticee No. 6 vide an e-mail dated July 18, 2013 submitted that he cannot appear for hearing due to unavoidable circumstance as his mother is seriously ill and requested for an adjournment

after August 07, 2013. Though, this was the final opportunity of hearing, however, considering the reasons cited by them and taking into account the principle of natural justice at larger extent, 3rd opportunity of hearing as final opportunity was provided to the Noticee No. 5 & 6 on December 05, 2013 (at SEBI –Northern Regional Office at New Delhi) vide notice of hearing dated November 18, 2013.

9. However, again the Noticee No. 5 & 6 vide e-mail dated December 02, 2013, requested for another adjournment on the ground of unavailability of train ticket. It is pointed out here that 3 opportunities were provided to the Noticee No. 5 & 6 (2 of them were final opportunities)**,** however, they failed to avail the same. Therefore, I am of the view that principle of natural justice has been sufficiently complied with in the matter as enough opportunities of hearing were provided to them. The detailed reply filed by them as mentioned above is being considered while deciding the case against them.

10. The main submissions made by the Noticees under their aforesaid replies and during the course of hearings, are produced hereunder:

Reply / Submission of Noticee No. 1 & 2

(a) Noticee No. 2 stated I worked with B P Equities Pvt. Ltd. at their Kanpur Branch from August 2008 to February 2012 and my job was to develop the business. Mr. Abhay Mehta and his son Mr. Ajay Mehta are also the client of B P Equities Pvt. Ltd. and they are share broker at UP Stock Exchange, Kanpur.

(b) In February 2011, Mr. Ajay Mehta asked me to work in the scrip of RRL to improve my sales performance. He clarified that I should not worry about the loss or profit in the scrip. He assured that RRL is trying to get listed in the Futures Market and therefore it's volume is needed to be improved. He also explained that telephonic instructions for Buy/Sell orders from his office were to be followed strictly because other parties were also associated in this business.

(c) He made it clear that I shall also get something over and above the actual expenses payable to the Exchange. I was assured that I shall be paid @ ₹ 3,400 per Crore and @ ₹ 3,000 per Crore was for my sister 's account.

(d) I opened account in the name of my sister (Noticee No.1) and the trades in my sister's account were mostly punched by Mr. Mehta's employees. On February 09, 2011, I was asked to deposit a cheque of ₹ 2,20,000 the next day to my trading account and was told that the same amount has been transferred (RTGS HDFCH1104008203 dated 09.02.11) to my Bank because they wanted to take delivery of some shares in my account. Again on February 15, 2011, one more cheque of ₹ 2,10,000/- was demanded and I was told that this amount was also transferred (RTGS HDFCH1104313701 dated 12.02.2011) into my account.

(e) I was not comfortable with this heavy funding and repeatedly requested them not to trade this much in my sister's account. We earned a total amount of approximately ₹ 15,000/- in said transactions. Noticee No. 2 submitted that Noticee No 1 (Ms. Reena Pandey) is innocent as her transactions and her account was handled by him.

(f) They were unaware of the fraudulent transactions initially and they stopped dealing in the scrip on the cautionary letter of Giagantice Securities Ltd. (stock broker) dated January 03, 2012 alongwith a letter of BSE dated December 20, 2011. First time I came to know that trading in this scrip of RRL was not fair only when I received a notice from M/s Gigantic Securities Ltd. asking not to trade further in this scrip. After that, we never traded in the shares of RRL.

(g) Both my account as well as account of Noticee No. 1 resulted in losses. Please forgive for the trading done unknowingly in RRL scrip.

Reply / Submission of Noticee No. 3, 4 & 7

(a) The Noticee No. 3 stated that as I already made clear that Kanchan Gupta (Noticee No. 4) is my wife and she does not know anything about the share market. She is a simple housewife and I only manage both the trading accounts.

(b) I did *intra-day* trading in the shares of RRL in my account and in my wife's account and no delivery trades were done in this scrip. No profit was made out of this trading and only earned an income of ₹ 4 - 5 thousand. He worked as remesier with Gigantic Securities Ltd. and B P Wealth Management Ltd. My broker, Gigantic Securities told me that I should not trade in RRL and thereafter I quitted trading. I was innocent and did not know that the trading in RRL was not allowed. Now, I have stopped trading in this scrip. I hope that you will understand the case of innocence and give me a chance. Mr. Avinash Sahu (Noticee No. 7) did only one day trade in the said scrip.

Reply / Submission of Noticee No. 5 & 6

(a) Noticee No. 5 & 6 stated that it is highly objectionable that they have executed synchronized/reversal trades which caused artificial volumes. Our track record in the last 10 years can be checked as we have been dealing in securities and no such allegation has come across against us till now.

(b) We have no relation directly or indirectly with other person in the instant proceedings.

(c) The data's shown in Para 5 of SCN, are totally false and it is not clear from where these data's have been computed and calculated. Example shown in Annexure – C are not sufficient to calculate and compute quantum of shares and percentage of volume.

(d) Figures mentioned in Para 7 of the SCN are not correct. Nevertheless, sole shares has been traded by us.

(e) In reply to Para 8 and 9 of the SCN, it is submitted that the sale of shares is made on computer and who is selling and who one is purchasing, is not known to seller / purchaser.

(f) In respect of Para 10 & 15 of the SCN, the figure are not correct and the correct figure would be submitted whenever required by Adjudicating Officer.

(g) Total magnitude of our trade in the market is very less in terms of amount and quantity in the share of RRL. Only 21,422 shares were traded in case of Abhay Mehta and 1,20,920 share in case of Abhay Kumar Mehta HUF in a period of approximately 5 months. There are approximately 112 trading days, so the average works out to be 1,262 shares per day (Purchase + sales). We don't think it is sizable volume as compared to our trading which is average 2 Crores per day in terms of volume. We have not made any profit in share of RRL Ltd and therefore, why we would be involved in any fraudulent activity if we are not gaining anything out of it.

(h) The trade logs to prove our synchronized trade, are very few and in such an illiquid scrip, only one or two example does not prove that entire trading is synchronized and fraudulent. The trade logs are purely coincidental and do not prove the entire trading is synchronized.

(i) We have no datas in our computers by where we executed trading. The figure and quantum in SCN are itself contradictory. During the trading period, no warning was issued, rather was praised for RRL on TV. We dealt in NIFTY in one day and purchased and sold 10-20 times.

(j) Therefore, reply would be entirely satisfying and it is requested to withdraw the SCN.

Consideration of Issues and Finding:

11. After taking into account the allegations, replies of the Noticees, personal hearing, additional submissions and other evidences / material available on records, I hereby, proceed further to decide the case.

12. It is observed from the records and the replies that Noticee No. 1-4 & 7 have not disputed the particulars of alleged transactions, but submitted that unknowingly they did so and there was no fraudulent intention behind their such trading. Noticee No 5 & 6 barely contended that data/percentage of such trading are wrong and their few transactions cannot be synchronized/reversal and cannot create any artificial volume in the scrip. Although, they failed to produce any data to substantiate their plea and to negate the percentage/data as alleged in the SCN. They provided certain contract notes / client register details which are incomplete and does not support their case. On the other hand, the details of order/trade logs and the buy/sell quantity of shares relating to Noticee No. 5-6 as alleged, have been derived from the records of Stock Exchange (BSE) which is the primary source of such transactions / data. Hence, the plea of the Noticee regarding discrepancy in data is not maintainable.

13. Now, the main issue arises for consideration is that as to whether all the Noticees in concert had executed fraudulent trades by way of synchronized / reversal trading without any meaningful change in ownership of shares, but with an object to create artificial volumes in the shares of RRL?

14. Before going into the detailed merit of the case, firstly, the issue of relation / connection of the Noticees *inter–se* is being examined. Admittedly the Noticee No. 1 & 2 are brother and sister and Noticee No. 3 & 4 are husband and wife. Noticee No. 3 & 4 are also connected to Noticee No. 7 as they were having common address i.e. 105/663, Dupty Ka Parav, Kanpur- 208 003 and also the Noticee No. 7 authorized Noticee No. 3 to appear / file reply etc. on his behalf during the present proceeding. Further, Noticee No. 3 has introduced the Noticee No. 2 and are friends and such relation / connection is not disputed by the Noticee No. 1-4. The Noticee No. 5 & 6 are admittedly connected to each other as Noticee No. 6 is the Karta of Noticee No. 5. The Noticee No. 1 - 4 & 7 did not have any dispute about *inter - se* relation/connection. Although, Noticee No. 5 & 6 denied their relation/connection from other aforesaid 5 Noticees, however, it is noted from the reply of the Noticee No. 2 that he is known to the Noticee No. 6.

15. Further, the fact of *inter - se* connection / relation of Noticee No. 5 & 6 with other aforesaid 5 Noticees can be observed from the trading pattern. It means that collusion can be seen/observed from the attending circumstances of the trades which gives presumption that the trades would not have been matched/synchronized/circular/reversal etc. in an automated mechanism of the Stock Exchange, unless these are so planted or designed with the intention to result in a fashion as desired. The same has also been observed by Hon'ble Securities Appellate Tribunal in Ketan Parekh case decided on July 14, 2006.

16. In order to decide the issue of execution of synchronized / reversal trading, I have perused the available records. I have observed from the order / trade logs and other material available on records that all the Noticees had bought 9, 95,978 shares and sold 9,93,978 shares and thereby gross total shares traded by them were 19,89,956 shares which was almost 63% of the total market volume during the investigation period. The details of total trading by the Noticees is shown in the following table.

Sr.No.	Name of the Client	Stock Broker	Gross Buy (Qty)	Gross Sell (Qty)	Gross Total (Qty)	% of total Gross Mkt Volume
1	Reena Pandey	B P Equities Pvt. Ltd.	4,78,330	4,78,330	9,56,660	30.30
2	Arun Kumar Bajpai	Gigantic Securities Ltd.	2,69,069	2,69,069	5,38,138	17.04
3	Kanchan Gupta	Gigantic Securities Ltd.	1,46,700	1,46,700	2,93,400	9.29
4	Uma Shankar Gupta	Gigantic Securities Ltd.	23,305	23,305	46,610	1.48
5	Abhay Kumar Mehta (HUF)	MTL Shares & Stock Brokers Ltd.	60,460	60,460	1,20,920	3.83
6	Abhay Kumar Mehta	BP Equity Pvt. Ltd. and UPSE Securities Ltd.	16,614	14,614	31228	0.99
7	Avinash Sahu	Gigantic Securities Ltd.	1,500	1,500	3000	0.10
Total			**9,95,978**	**9,93,978**	**19,89,956**	**63.02**
% of Total Market Volume			**63.09%**	**62.96%**		

17. It is observed from the records that Noticees were the major market participants in the scrip during the investigation period. It is noted that Noticees indulged in to reversal trades amongst themselves for 8,26,303 shares which accounted for 52.34% of the total traded market volume and 83.05% of their total traded volumes. Out of 8,26,303 shares, trades for 6,53,108 shares were synchronized in nature.

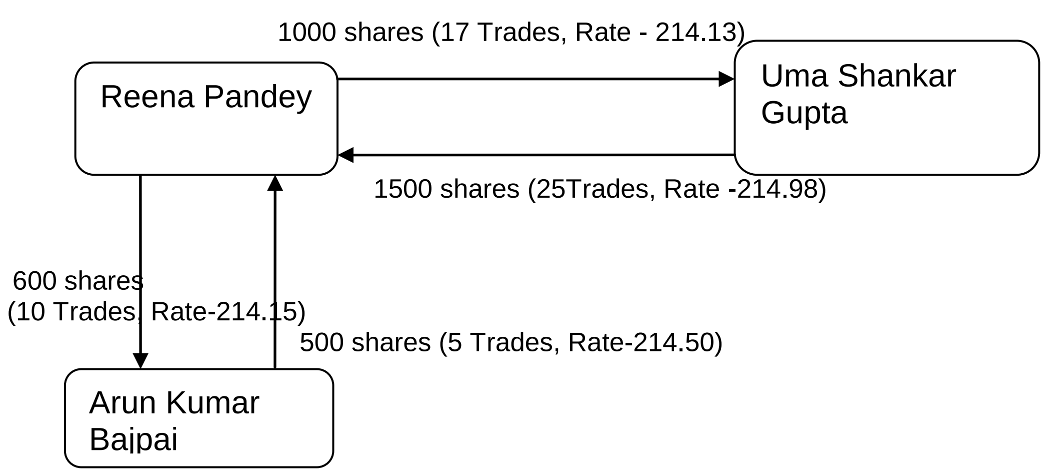
18. It is noted that except Noticee No. 6, all other Noticees had ultimately bought and sold exactly the same numbers of shares during a period of five and half months. The Noticee No. 6 bought and sold almost similar quantity of shares though not exactly same. From the order / trade logs pertaining to synchronized trading of the Noticees (containing 34 pages) it is observed that there were around 2,392 trades/transactions which were executed amongst the Noticees and in such transactions, the difference of time between placing of buy and sell orders by the Noticees was from zero to 35 seconds only. In almost all the trades, the time difference was between zero to 3 seconds only. Further, it is observed that the rate and quantity difference of such buy / sell orders of the Noticees was zero only. That mean they placed their respective orders (i.e. buy orders and sale orders) at the same rate and quantity. It is also noted that except Noticee No. 7 (who traded only on April 06, 2011 for 1,500 shares) all other Noticees indulged in to such trading throughout the investigation period continuously and they regularly placed order of small

quantity only (i.e. around 25 shares to 500 shares every time) and carried out such trading pattern for a long time.

19. Further, it is observed from order / trade logs pertaining to reversal trading (containing 44 pages) that said shares (i.e. 8,26,303 shares) took place in around 3,525 trades/transactions (including aforesaid synchronized trades) which were revered amongst themselves. They bought and sold the same numbers of shares and ultimately their net position was zero. It is observed that the Noticees had entered into said reversal trades for 112 out of the 114 trading days of investigation period. The reversal of trades occurred consistently between various pairs of Noticees for almost all the days during the investigation period. Such synchronized trading by way of reversing or circulating the shares among themselves only whereby no meaningful beneficial ownership of shares were changed, had certainly contributed in volume rise in the shares of RRL. It is necessary to point out that Noticee No. 1 & 2 in their reply admitted that they carried out such trading on the assurance of Mr. Ajay Mehta (son of Abhay Mehta) as the RRL was trying to get it listed in the Futures Market and therefore it's volume was needed to be improved.

20. From scrutiny of entire order / trade logs, it can be clearly seen that Noticee No. 1 - 6 were regularly buying and selling the similar number of shares among themselves as explained above. It is noted that in one day itself they used to trade on various occasions and thereby reversed shares amongst themselves. Few examples of such reversal trading amongst themselves is shown in the charts below;

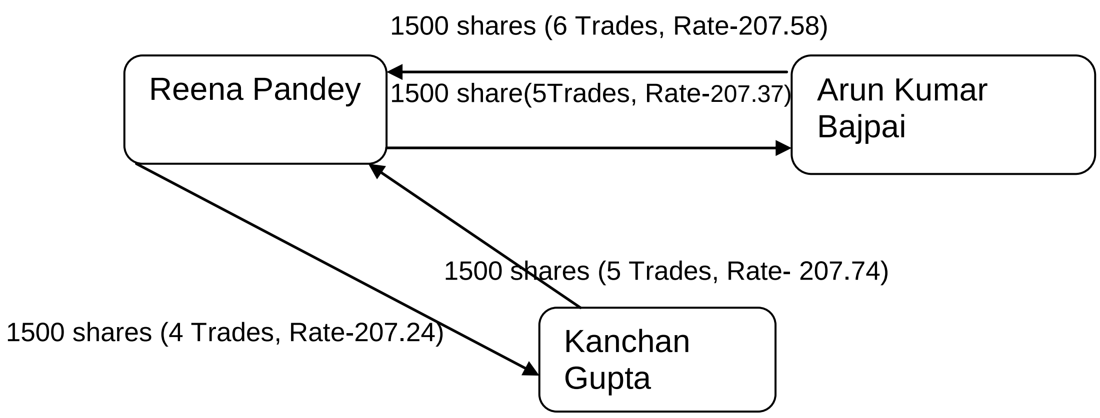
On 09/02/2011



Pattern among Noticee No.1 and Noticee No. 3 in aforesaid reversal trades is given below:

Buyer	Time	No. of shares	Rate	Seller
Reena Pandey	11:16:23 to 11:17:19	500 shares (11 trades)	₹ 215.5	Uma Shankar Gupta
Uma Shankar Gupta	12:03:34 to 12:04:46	500 shares (14 trades)	₹ 214.25	Reena Pandey
Reena Pandey	13:25:34 to 13:25:59	500 shares (9 trades)	₹ 214.75	Uma Shankar Gupta
Uma Shankar Gupta	15:13:54 to 15:13:58	500 shares (3 trades)	₹ 213.55	Reena Pandey
Reena Pandey	15:15:04 to 15:15:09	500 shares (5 trades)	₹ 214.25	Uma Shankar Gupta

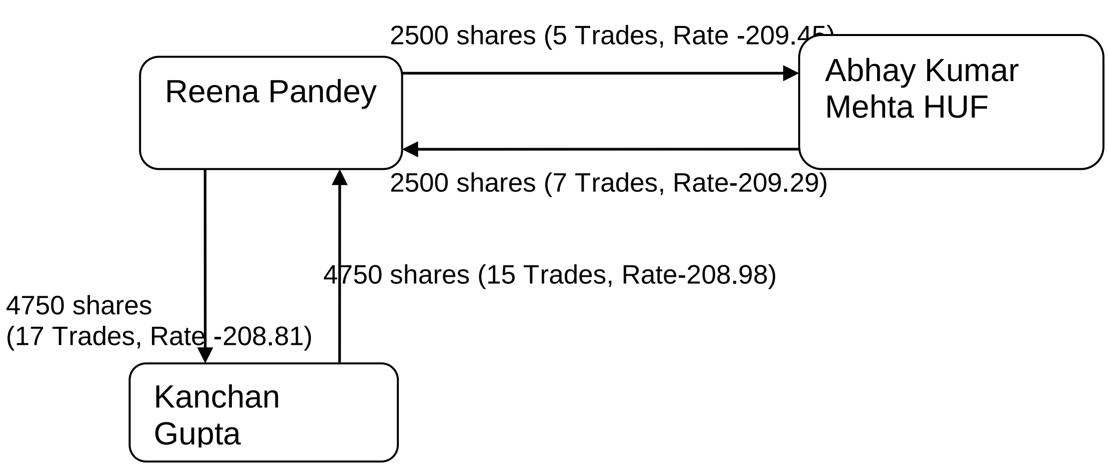
On 28/03/2011



Pattern among Noticee No.1 and Noticee No. 4 in aforesaid reversal trades is given below:

Buyer	Time	No. of shares	Rate	Seller
Reena Pandey	12:17:36 to 12:17:40	500 shares (2 trades)	₹ 207.85	Kanchan Gupta
Kanchan Gupta	12:18:28 to 12:18:44	500 shares (2 trades)	₹ 207.05	Reena Pandey
Reena Pandey	12:52:36 to 12:52:42	500 shares (2 trades)	₹ 207.85	Kanchan Gupta
Kanchan Gupta	12:52:59 to 13:07:14	1000 shares (2 trades)	₹ 207.43	Reena Pandey
Reena Pandey	13:07:40	500 shares (1 trade)	₹ 207.3	Kanchan Gupta

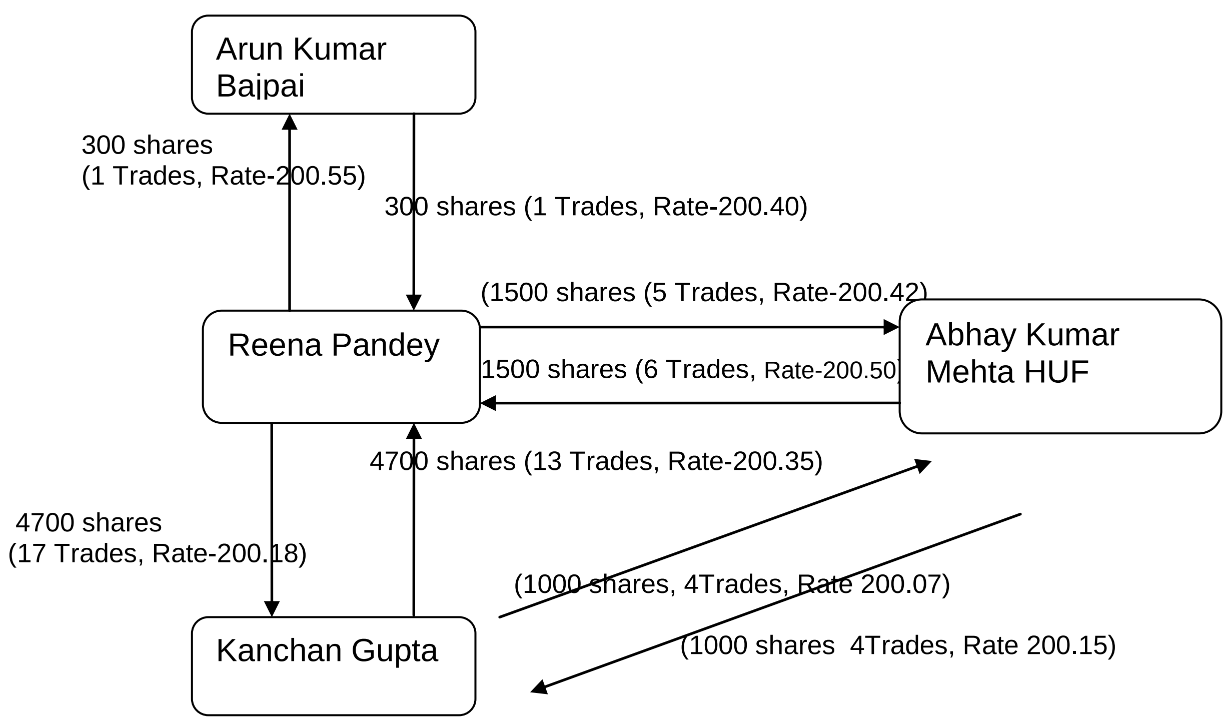
On 17/06/2011



Pattern among Noticee No.1 and Noticee No. 5 in aforesaid reversal trades is given below:

Buyer	Time	No. of shares	Rate	Seller
Abhay Kumar Mehta (HUF)	12:03:19	500 shares (1 trade)	₹ 208.75	Reena Pandey
Reena Pandey	12:03:33	500 shares (1 trade	₹ 209.2	Abhay Kumar Mehta (HUF)
Abhay Kumar Mehta (HUF)	12:03:51	500 shares (1 trade)	₹ 209.35	Reena Pandey
Reena Pandey	12:04:07	500 shares (1 trade)	₹ 209	Abhay Kumar Mehta (HUF)
Abhay Kumar Mehta (HUF)	13:01:13	500 shares (1 trade)	₹ 209.45	Reena Pandey
Reena Pandey	13:01:25	500 shares (1 trade)	₹ 209	Abhay Kumar Mehta (HUF)
Abhay Kumar Mehta (HUF)	13:01:36	500 shares (1 trade)	₹ 209.55	Reena Pandey
Reena Pandey	13:01:51 to 13:02:03	500 shares (2 trades)	₹ 209.1	Abhay Kumar Mehta (HUF)
Abhay Kumar Mehta (HUF)	14:08:21	500 shares (1 trade)	₹ 210.15	Reena Pandey
Reena Pandey	14:08:50 to 14:09:09	500 shares (2 trades)	₹ 209.8	Abhay Kumar Mehta (HUF)

On 29/06/2011



The pattern of few reversed trades indicating time and price is given below:

Buyer	Time	No. of shares	Rate	Seller
Kanchan Gupta	10:09:06 to 10:09:25	500 shares (2 trades	₹ 200.15	Abhay Kumar Mehta (HUF)
Abhay Kumar Mehta (HUF)	10:23:10 to 10:24:11	1000 shares (4 trades	₹ 200.08	Kanchan Gupta
Kanchan Gupta	13:30:31 to 13:30:50	500 shares (2 trades	₹ 200.15	Abhay Kumar Mehta (HUF)

21. From the above examples, reversal of shares amongst the Noticees stand established. For easy understanding of total reversal of shares amongst the Noticees a table is shown below;

Buy client Name	Sell Client Name							Grand Total
	Reena Pandey	Arun Kumar Bajpai	Kanchan Gupta	Abhay Kumar Mehta HUF	Uma Shankar Gupta	Abhay Kumar Mehta	Avinash Sahu	
Reena Pandey	100	1,93,242	1,12,027	46,185	14,989	3,959	1,500	3,72,002
Arun Kumar Bajpai	2,26,832			8,475		3,056		2,38,363
Kanchan Gupta	1,22,144	50		5,800				1,27,994
Abhay Kumar Mehta HUF	37,395	12,250	10,800					60,445
Uma Shankar Gupta	15,861							15,861
Abhay Kumar Mehta	5,700	3,446	900		50	42		10,138
Avinash Sahu	1,500							1,500
Grand Total	**4,09,532**	**2,08,988**	**1,23,727**	**60,460**	**15,039**	**7,057**	**1,500**	**8,26,303**

22. It is clear from the available records that Noticee No. 1 - 6 had substantially traded in the scrip of RRL during the period of investigation as categorically shown in aforesaid table, which are sufficient to have an impact in volume rise in the scrip. However, as regards to the role of Noticee No. 7, he had traded such reversal of shares with Noticee No. 1 for one day only (i.e. on April 06, 2011) in entire period of investigation and that too for a small number of 1,500 shares only. I am of the opinion that trading of such small number of shares, cannot have any impact to artificially increase the volume of scrip. Therefore, the trading done by the Noticee No. 7 is not considered as fraudulent or manipulative.

23. Besides above reversal / synchronized trading of the Noticee No. 1 – 6, it is observed that Noticee No. 1 and 6 also executed self trades / fictitious trades (i.e. same person is buyer and seller of shares under same trade resulting in no change in beneficial ownership) for 100 shares and 42 shares respectively.

24. From the replies of the Noticee No. 1-4, it is also an admitted fact that vide letter of Giagantice Securities Ltd. (stock broker) dated January 03, 2012 along with letter of BSE dated December 20, 2011, they were cautioned for their dealing in the scrip.

25. The trend of such buying and thereafter selling or *vice – versa* the similar number of shares in a day itself, clearly indicates that the purpose of such

dealing is to create an impression of depth in trading volume in the scrip. The practice of always placing buy and sell orders for the similar number of shares with nil or very small difference of time, price and quantity, and thereby reversing almost entire shares on same day within selected class of counter party, cannot be by virtue of coincidence, but is definitely planned and put into system with an object to get it matched with selected class of people only.

26. From the aforesaid tables/charts and order / trade logs, it can be clearly seen that the Noticee No. 1- 6 adopted modus operandi of buying and selling almost same numbers of shares on same day in a synchronized/reversal manner and they ultimately traded (bought and sold) in such huge number of shares for long time amongst themselves during the entire investigation period. It is highly improbable that without prior meeting of minds, buy and sale orders can always match amongst themselves on the automated system of Exchange, as is done in this case. This evidently reveal that the anonymous system of Exchange can be defeated by way of preplanned / manipulative synchronized trading (whereby respective orders were placed with almost zero rate, quantity and time difference) by the selected group of peoples, otherwise, on all such occasions, orders cannot meet coincidently amongst themselves. Such attending circumstances or pattern of trading amongst the Noticee No. 1-6 as shown above, clearly suggest that they under a concerted object/manner, executed the trades with an intention to artificially create the volume in the scrip without an intention to change the ownership of such shares. The trading pattern itself suggests their collusion/connection/relation.

27. In respect of synchronized trading, I would like to refer a recent judgment of Hon'ble Securities Appellate Tribunal (SAT) in case of **Angel Broking Private Limited vs. SEBI** (Appeal No. 25 of 2013 decided on October 22, 2013) wherein it was held that-

"As rightly contended by counsel for respondent, since large number of trades enumerated above got matched regularly and in most cases within seconds from each other, inference drawn in the impugned order is that occurrence of such synchronized deals in a circular manner persistently cannot be said to be a matter of coincidence. It is a matter of record that shares of SIL were being rotated intra-day within a closed group and in such a case though delivery based trades have taken place, in fact such trades do not involve change in the beneficial ownership of the shares. ……………………… This Tribunal in case of Ajmera Associates Pvt. Ltd vs. SEBI (Appeal no.190 of 2010 decided on 13/12/2010). ………………….Therefore, in facts of present case, where circular trading in a synchronized manner in SIL scrip has been executed repeatedly for several days, conclusion drawn in impugned order that appellant was acting in tandem with the group, cannot be faulted".

28. The Hon'ble SAT in the case of **Grishma Securities Pvt. Ltd v SEBI** (Appeal No 117 of 2010), dated August 04, 2010, in respect of synchronized trading also observed as under :

"We have perused the details of the structured / synchronized trades executed by the two appellants and find that the order put by them in the trading system which eventually resulted in trades not only matched to the second but even the price and quantity of the traded scrip was the same. Synchronized trades per se are not illegal and they have been sanctified by the respondent Board as per its circular dated September 14, 1999 provided the trades are executed in the manner specified therein. Synchronized trades, however can be executed with a view to manipulate the price or the volumes of the traded scrip or both or with some other ulterior purpose and whether a synchronized trade has been executed with a manipulative intent or not will have to be gathered from the intention of the parties for which there would seldom be any direct evidence. Their intention will have to be gathered from the surrounding circumstances including the pattern of trading, the frequency of the trades and their volumes, the explanation furnished by the parties and the brokers. Even the day traders cannot have the same counter party every time."

29. Therefore, from the above observations and analysis, it is concluded that the Noticee No. 1-6 through aforesaid artifice / mechanism had indulged into manipulative / fraudulent trading through synchronized / reversal method without an intention to change the ownership of shares and thereby created artificial volumes in the scrip of RRL during the investigation period. The aforesaid indulgence by the Noticee No. 1-6 in fraudulent / manipulative manner as discussed above, is in violation of the provisions of Regulation 3 (a) to (d), 4 (1) and 4 (2) (a) & (g) of PFUTP Regulations. The aforesaid violations makes them liable to penalty under Section 15HA of the SEBI Act which is reproduced below.

"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 of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

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

15J - Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default.

31. The specific quantum of any direct or indirect unfair gain made by the Noticee No. 1-6 and the loss caused to the investors are not indicated in investigation report. From the records, the default of the Noticee No. 1-6 does not appears

to have been of repetitive in nature. However, it cannot be ignored that such manipulative / fraudulent / deceptive device, practice, act, mechanism etc. as adopted by them is serious in nature which has the cascading adverse effect towards the securities market and investors. Hence, a justifiable penalty needs to be imposed upon them taking into account the gravity of the violations committed.

Order:

32. In view of the above, after considering all the facts / circumstances of the case and exercising the powers conferred upon me under Section15 I of the SEBI Act and Rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹ 10,00,000/- (Rupees Ten lakh only) each upon Noticee No. 1 - 6 for the contravention of Regulation 3 (a) to (d), 4 (1) and 4 (2) (a) & (g) of the PFUTP Regulations. Thus, a consolidated penalty of ₹ 60,00,000/- (Rupees Sixty Lakh only) is imposed upon Noticee No. 1 - 6 under the provisions of section 15 HA of the SEBI Act. I am of the view that the said penalty would commensurate with the violations committed by them.

33. The Noticee No. 1 - 6 shall pay the said amount of penalty by way of demand draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, within 45 days of receipt of this order. The demand draft shall be forwarded to the Chief General Manager, Investigation Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No.C4-A, “G” Block, Bandra Kurla Complex, Bandra (East), Mumbai–400 051.

34. Copy of this order is being sent to the Noticee No. 1 - 6 viz. (1) Ms. Reena Pandey, (2) Mr. Arun Kumar Bajpai, (3) Mr. Uma Shankar Gupta, (4) Ms. Kanchan Gupta, (5) Abhay Kumar Mehta, HUF and (6) Mr. Abhay Kumar Mehta and also to the SEBI, in terms of rule 6 of the Adjudication Rules.

Place: Mumbai **D. RAVI KUMAR**

Date: June 27, 2014 **CHIEF GENERAL MANAGER &**

ADJUDICATING OFFICER