BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/DS/2019-20/ *6209-6214*]

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:

1. **Govind Ji Gupta** (PAN – AJCPG6474H) having address at – Badli Katra, Mirzapur-231001 (U.P.)
2. **Gaurav Gupta** (PAN – ALGPG8862P) having address at – Badli Katra, Mirzapur-231001 (U.P.)
3. **Saurabh Gupta** (PAN – AKXPG2755K) having address at – Badli Katra, Mirzapur-231001 (U.P.)
4. **Sarika Gupta** (PAN – AGXPG6422B) having address at – Badli Katra, Mirzapur-231001 (U.P.)
5. **Anjani Kumar** (PAN – AIFPA1297G) having address at – 853, Ka Jhawagad se pakki Sarai Road, Mirzapur-231001 (U.P.)
6. **Sudheshwar Kumar Gupta** (PAN – AMWPG8329C) having address at – Badli Katra, Mirzapur-231001 (U.P.)

In the matter of M/s Richa Industries Ltd

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had passed Adjudication Order No. EAD-2/DSR/RG/406-465/2015 dated May 19, 2015 against i) Govind Ji Gupta, ii) Gaurav Gupta, iii) Saurabh Gupta, iv) Sarika Gupta, v) Anjani Kumar and vi) Sudheshwar Kumar Gupta, (hereinafter referred to as "**the Noticee No.**

1 to 6 respectively" and All the Noticees collectively referred as **'Noticees')** imposing a penalty of ₹6,00,000/- (₹ Six Lakh only) on Noticee No. 1 for the violation of Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) & (g) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as the "PFUTP Regulations") and ₹5,00,000/- (₹ Five Lakh only) each on the Noticee No. 2 to 6 for the violation of Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) & (g) of the PFUTP Regulations in the matter of M/s Richa Industries Ltd. The said adjudication order was challenged by the Noticees before the Hon'ble Securities Appellate Tribunal (SAT) and was set aside by Hon'ble SAT vide an order dated July 8, 2019. SAT, in its Order dated July 8, 2019, restored the matter for passing fresh order on merits and in accordance with law and directed the Noticees to appear before the Adjudicating Officer either personally or through any Advocate or any authorized representative on August 02, 2019 to collect the Show Cause Notice dated February 6, 2014.

APPOINTMENT OF ADJUDICATING OFFICER

2. Pursuant to order of Hon'ble SAT dated July 8, 2019, SEBI, appointed the undersigned as Adjudicating Officer under section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to 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'**) vide order dated July 31, 2019, to inquire into and adjudge under section 15HA of the SEBI Act, the aforesaid violations.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice (EAD-2/DSR-VVK/4016/2014) dated February 6, 2014 (hereinafter referred to as "**SCN**") were issued to the Noticee under rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HA of the SEBI Act for the alleged violation of SEBI Act and PFUTP Regulations.

4. SEBI had conducted investigation in the scrip of Richa Industries Limited (hereinafter referred to as "RIL / Scrip"), for the period from December 01, 2008 to December 31, 2009. During the investigation period, it was observed that the scrip of RIL had opened at ₹61.10 on December 01, 2008, touched a high of ₹161.80 on November 16, 2009, low of ₹29.00 on March 16, 2009 and closed at ₹110.20 on December 31, 2009. The scrip was traded on 264 trading days for 57,850 trades for a total traded quantity of 1,24,48,074 shares on BSE.

5. During investigation, it was observed that during the period from September 01, 2009 to December 31, 2009, a group of 20 entities namely, 1. Eminence Capital Services / Naresh Gupta, 2. Noticee No. 1, 3. Rama Rani, 4. Govardhan Lal, 5. Nitin Chadha, 6. Almondz Entertainment Private Limited, 7. Noticee No. 2, 8. Ishan Chadha, 9. Global Wealth Creators, 10. Punit Kapoor, 11. Robart, 12. Noticee No. 4, 13. Noticee No. 3, 14. Noticee No. 5, 15. Sandeep Kumar Gupta, 16. Noticee No. 6, 17. Rajeev / Rajiv Gupta, 18. Shalu Kapoor, 19. Monika Gupta and 20. Firstcall Consultancy Services Private Ltd., connected to each other by one way or the other had traded heavily in the scrip of RIL.

6. It was observed that during the said period, the scrip was traded for 81 days during which 80,22,153 shares were traded in 26,107 trades from 14,270 orders on buy side / 14,993 orders on sell side. It was alleged that these 20 Group of entities had entered into many manipulative trades and had created artificial volume in the scrip of RIL. The connection between the said Group of entities are as under:

Sl. No.	Common Contact No.	Name of Connected Entities
1	9311005165	Almondz Entertainment Private Limited, Nitin Chadha, Govardhan Lal, Rama Rani.
2	9810493467	Almondz Entertainment Private Limited, Nitin Chadha, Govardhan Lal, Ishan Chadha, Robart.
3	9873760406	Almondz Entertainment Private Limited / Sunglow Entertainment Private Limited, Govardhan Lal,, Rama Rani, Sandeep Kumar Gupta, Noticee No. 5,
4	9818001008	Almondz Entertaintment Private Limited, Govardhan Lal, Rama Rani, Firstcall Consultancy Services Private Ltd., Rajiv Gupta, Naresh Gupta/ Eminence Capital Services, Monica Gupta.
5	9350673924	Govardhan Lal, Noticee No. 1, Noticee No. 2, Robart.
6	9911882236	Nitin Chadha, Noticee No. 5, Noticee No. 1, Noticee No. 6, Global Wealth Creators.
7	9350744152	Nitin Chadha, Noticee No. 6, Noticee No. 4, Noticee No. 3, Punit Kapoor.
8	9990024438	Punit Kapoor, Shalu Kapoor.
9	9935157377	Sandeep Kumar Gupta, Noticee No. 4

7. The gross buy, gross sell and net traded volume of the group of entities during the period from September 02, 2009 to December 31, 2009 is given in following table-

Client Name	Gross Buy	Gross Buy % to total Buy Vol. of Group	Gross Sell	Gross Sell % to total Sell Vol. of Group	Net trade	Net Trade % to total trade vol of group
Robart	290231	11.01	289305	11.05	926	-0.04
Govardhan Lal	279661	10.61	277821	10.61	1840	0
Almondz Entertainment Private Limited	264786	10.05	264786	10.12	0	-0.07
Global Wealth Creators	255475	9.7	255475	9.76	0	-0.06
Eminence Capital Services / Naresh Gupta	227391	8.63	222743	8.51	4648	0.12
Rajeev Gupta	169213	6.42	169172	6.46	41	-0.04
Noticee No. 1	164554	6.25	164260	6.27	294	-0.03
Noticed No. 6	121823	4.62	121823	4.65	0	-0.03
Firstcall Consultancy Services Private Ltd.	116988	4.44	112768	4.31	4220	0.13
Noticee No. 4	111350	4.23	110800	4.23	550	-0.01
Nloticee No. 3	110380	4.19	107380	4.1	3000	0.09
Rama Rani	102868	3.9	102717	3.92	151	-0.02
Noticee No. 5	96902	3.68	96902	3.7	0	-0.02
Nitin Chadha	88581	3.36	87034	3.32	1547	0.04
Noticee No. 2	78786	2.99	78786	3.01	0	-0.02
Punit Kapoor	54194	2.06	54194	2.07	0	-0.01
Sandeep Kumar Gupta	47951	1.82	47951	1.83	0	-0.01
Ishan Chadha	37270	1.41	37270	1.42	0	-0.01
Monika Gupta	12530	0.48	12530	0.48	0	0
Shalu Kapoor	4000	0.15	4000	0.15	0	0
Grand Total	**2634934**	**100**	**2617717**	**100**	**17217**	**0**
Market Volume	**8022153**	**32.85**	**8022153**	**32.63**		

8. During investigation it was observed that the group entities had traded on 54 days and bought 26,34,934 shares (32.85% of the total traded volume) in 9,820 trades from 4,285 orders and sold 26,17,717 shares (32.63% of the total traded volume) in 9084 trades from 5442 orders on gross basis.

9. Circular / Reversal of Trades:

10. During trade log analysis it was observed that the Group entities had indulged in numerous circular trades among the group entities during the relevant period. It was alleged that the Group entities had indulged in 6,877 circular trades by buying and selling of 20,13,073 shares amongst themselves through 3004 buy orders and 4367 sell orders in 54 trading days. These circular trades implied that there was no transfer of beneficial ownership of shares but the shares were circulated among the group entities resulting in creation of artificial volume and price rise.

11. The said circular trades entered into by the Group entities had contributed significantly to the total traded volume in the scrip and on some days it was as high as more than 60%. The said analysis revealed that the scrip of RIL was thinly traded or illiquid and these entities had indulging in the said alleged circular/reversal trades only for creation of artificial volumes in the scrip. The top 10 days when the contribution of these entities was maximum with respect to the market volume is as under -

Sl. No.	Date	Total Volume (circular trades by group entities)	Total market Volume	%age to total market volume
1	8-Sep-09	62705	99244	63.18
2	30-Oct-09	96500	154169	62.59
3	23-Sep-09	48960	79122	61.88
4	9-Oct-09	58454	106462	54.91
5	10-Sep-09	25000	45579	54.85
6	21-Oct-09	38787	71923	53.93
7	16-Oct-09	64616	120393	53.67
8	13-Nov-09	81416	182719	44.56
9	9-Nov-09	114450	278032	41.16
10	24-Sep-09	39547	103330	38.27

12. Upon analysis of the day wise circular trade data of Group entities, it was observed that out of 54 trading days, there were 07 days when the contribution of alleged circular trades by these entities to the total market volume was more than 50%. Further, on 24 days the contribution of circular trades by these entities to the total market volume was more than 30%. If the volume generated by the circular trades indulged into by the Group entities was excluded, then on several days it was noted that the scrip would have been traded very thinly. Entity wise gross volume to the circular trades analysis revealed that on an average more than 75% of the gross volume traded by the Group entities were circulated within the group entities.

13. The day-wise circular trades percentage contributed by the Group entities in descending order is as under:

Sl. No.	Date	Total Volume (circular trades by Group entities)	Total market Volume	%age to total market volume
1	8-Sep-09	62705	99244	63.18
2	30-Oct-09	96500	154169	62.59
3	23-Sep-09	48960	79122	61.88
4	9-Oct-09	58454	106462	54.91
5	10-Sep-09	25000	45579	54.85
6	21-Oct-09	38787	71923	53.93
7	16-Oct-09	64616	120393	53.67
8	13-Nov-09	81416	182719	44.56
9	9-Nov-09	114450	278032	41.16
10	24-Sep-09	39547	103330	38.27
11	18-Sep-09	57186	151880	37.65
12	18-Nov-09	65783	180781	36.39
13	9-Sep-09	20216	56897	35.53
14	22-Sep-09	58646	165676	35.40
15	5-Nov-09	43203	122055	35.40
16	6-Nov-09	55456	156882	35.35

Sl. No.	Date	Total Volume (circular trades by Group entities)	Total market Volume	%age to total market volume
17	11-Nov-09	94603	282623	33.47
18	7-Sep-09	54607	164005	33.30
19	16-Sep-09	42279	132217	31.98
20	4-Sep-09	34351	108898	31.54
21	28-Oct-09	41135	130578	31.50
22	9-Dec-09	9639	30825	31.27
23	29-Oct-09	44976	145607	30.89
24	12-Oct-09	32803	107112	30.62
25	2-Sep-09	19928	67269	29.62
26	22-Oct-09	43119	146467	29.44
27	10-Nov-09	85089	291809	29.16
28	12-Nov-09	89490	307498	29.10
29	26-Nov-09	4040	14095	28.66
30	8-Oct-09	43350	156844	27.64
31	16-Nov-09	65842	238941	27.56
32	17-Sep-09	35965	130689	27.52
33	19-Nov-09	29672	112140	26.46
34	11-Sep-09	38384	152126	25.23
35	26-Oct-09	42182	167682	25.16
36	27-Oct-09	39630	163224	24.28
37	15-Dec-09	10500	44088	23.82
38	23-Oct-09	30682	140954	21.77
39	14-Sep-09	17872	83700	21.35
40	7-Oct-09	22957	114073	20.12
41	3-Dec-09	6000	30970	19.37
42	24-Dec-09	7815	41993	18.61
43	15-Oct-09	20063	112733	17.80
44	23-Dec-09	10575	65172	16.23
45	20-Oct-09	20185	131274	15.38
46	8-Dec-09	6500	43029	15.11
47	2-Dec-09	4318	29748	14.52
48	14-Oct-09	14658	111690	13.12
49	16-Dec-09	1875	18032	10.40

Sl. No.	Date	Total Volume (circular trades by Group entities)	Total market Volume	%age to total market volume
50	14-Dec-09	3000	63577	4.72
51	15-Sep-09	6893	154857	4.45
52	4-Nov-09	3381	93717	3.61
53	29-Sep-09	1790	109460	1.64
54	25-Sep-09	2000	170985	1.17
	Grand Total	**2013073**	**6685845**	

14. It was also observed that some of the circular trades were in the nature of reversal trades. For e.g. on 30/10/2009, Global Wealth Creators and Govardhan Lal had executed reversal trades for 13,593 shares through various trades on the same day. Several reversal trades were also executed across various days instead on the same day. Further, 18 Group entities viz. First Call Consultancy Services P.Ltd, Rama Rani, Robart, Govardhan Lal, Rajiv Gupta, Noticee No. 1, Noticee No. 2, Almondz Entertainment P. Ltd, Naresh Gupta, Sandeep Kumar Gupta, Noticee No. 5, Global Wealth, Punit Kapoor, Noticee No. 6, Ishan Chadha, Noticee No. 3, Noticee No. 4 and Nitin Chadha, had allegedly executed reverse trades in the scrip of RIL.

15. Synchronized / Structured Trades:

16. It was also observed that some of the abovementioned circular trades were also in the nature of synchronized trades i.e. the difference between buy order time and sell order time was less than 60 seconds. During the relevant period, it was alleged that 13 Group-entities had executed 13 synchronized trades through 13 orders resulting in a volume of 17,410 shares. Further, the circular trades entered into by the Group entities also included numerous structured trades. It was noted that there were 620 structured trades

from the circular trades aggregating to 2,58,185 shares. The details of the said alleged structured trades entered into by the Group entities is as under:

Gross Buy Qty of suspected entities	Gross Sell Qty of suspect ed entities	Gross Total	Total traded qty among the suspected entities	Structur ed traded qty by suspect ed entities	Structured Trades as % of total traded qty among the suspected entities	Structur ed Trades as % of Total market volume	Sum of +ve LTP contributi on at Structured Trades
2634934	2617717	5252651	2013073	258185	12.83%	3.23	24.55

17. From the above, it was noted that the entities connected to Group had indulged in alleged structured trades resulting in creation of artificial volumes. Further, 60.74% of the total structured traded quantity by the Group entities happened within 40 seconds.

18. LTP Contribution by Group entities:
    a. An analysis of LTP variation was done for the Period from September 02, 2009 to December 31, 2009 and upon analysis it was noted that out of 6877 trades of Group entities, there was no change in LTP contribution in 6261 trades.
    b. However, the positive LTP contribution by entities during this period was of ₹78.3.

19. It was alleged that the Group entities on gross basis has contributed to a price increase of ₹239.10 during the investigation period, which is 8.81% of the total market wide positive LTP variation of ₹2714.90 for the said period. Similarly, on analyzing the trades wherein Group entities had on gross basis, sold at a lower price than the LTP variation, it was alleged that Group entities had contributed to a negative LTP variation of ₹234.4, which is 8.71% of total market wide negative LTP variation of ₹2691.90. It was therefore alleged that the six Group entities viz. Noticed No. 1, Firstcall Consultancy Services Pvt. Ltd, Eminence Capital Services / Naresh Gupta, Rama Rani, Nitin Chadha and

Govardhan Lal had contributed to the net positive LTP variation of ₹78.30 and contributed to price rise during the said period.

20. First Trade Analysis:

21. Upon analysis of the First Trade carried out by the Group entities to find whether any entity influenced the first trade of the day to inflate the price, it was noted that seven Group entities viz. Firstcall Consultancy Services Pvt. Ltd, Noticee No. 1, Global Wealth Creators, Eminence Capital Services / Naresh Gupta, Nitin Chadha, Rama Rani and Rajeev Gupta had set positive LTP variation (with respect to previous days' close) on 15 instances. The Group entities were found to be present on 18 First Trades, out of which on 15 First Trades they had allegedly created positive LTP. The details of entities of Group who contributed to positive cumulative LTP variation on the first trades during the investigation period to influence the opening price is given below–

Client Name	**No. of first trades by Group**	**Positive cumulative LTP variation in First Trades by Group entity (Rs.)**	**% of Positive cumulative LTP variation of First Trades of Group (entitywise) w.r.t. Market wide Positive LTP on First Trades in Period i.e. Rs.129.60**
Firstcall Consultancy Services Private Ltd.	2	6.4	4.94
Noticee No. 1	4	6.4	4.94
Global Wealth Creators	1	4.25	3.28
Eminence Capital Services Ltd. / Naresh Gupta	3	3.95	3.05
Nitin Chadha	2	2.45	1.89
Rama Rani	2	2	1.54
Rajeev Gupta	1	1.25	0.96
Total	**15**	**26.7**	**20.60**

22. Self-Trades:

23. In addition to the above, it was alleged that nine Group entities, in addition to synchronized and circular trades, had also indulged in self-trades. The summary of self-trades done by these nine Group entities is given below -

Client Name	**Total Self trade volume**	**Total Self trade count**	**No. of days on which self-trades executed**	**Positive LTP contribution by self-trades**	**Net LTP Contribution by self-trades**
Global Wealth Creators	5005	11	1	0.45	0.45
Govardhan Lal	10585	36	5	0.35	0.35
Rajeev Gupta	337	1	1	0	0
Noticee No. 4	800	2	1	0	-0.05
Noticee No. 5	1056	4	1	0	0
Eminence Capital Services / Naresh Gupta	7152	18	2	0	0
Noticee No. 1	3231	19	2	0	0
Rama Rani	418	2	1	0	0
Robart	3673	8	3	0	0
Total	**32257**	**101**	**17**	**0.8**	**0.75**

24. The Group entities had indulged in 101 self-trades during the relevant period and therefore, it was alleged that by indulging in the said manipulative trades, the Group entities had created artificial volumes in the scrip of RIL.

25. In view of the above, it was alleged that Noticee No. 1 being the part of group entities who created artificial volume and manipulated price, by executing circular trades, reversal trades, synchronized trades, structured trades and self-trades, violated Section 12A(a), (b), (c) of the SEBI Act, 1992, and Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) & (g) of the PFUTP Regulations. Noticee No. 2 being the part of group entities who created artificial volume, by executing circular trades, reversal trades, and structured trades, Noticee No. 4 and 5 being the part of group entities who created

artificial volume, by executing circular trades, reversal trades, synchronized trades, structured trades and self-trades, Noticee No. 3 and 6 being part of group entities who created artificial volume, by executing circular trades, reversal trades, synchronized trades and structured trades, Noticee No. 2 to 6 were alleged to have violated Section 12A(a), (b), (c) of the SEBI Act, 1992, and Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) & (g) of the PFUTP Regulations.

26. The aforesaid regulations are reproduced as under;

Relevant provisions of the SEBI Act:

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

12A. *No person shall directly or indirectly –*

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

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or 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;*
>
> ***(b)*** *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
>
> ***(c)*** ....
>
> ***(d)*** *paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;*
>
> ***(e)*** *any act or omission amounting to manipulation of the price of a scrip*
>
> ***(f)*** ....
>
> ***(g)*** *entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;*

27. As per the direction of SAT, SCN was delivered to the Noticees through email dated August 2, 2019. Vide email dated August 3, 2019, Noticees requested to send SCN along with CD at its communication address and as per its request, once again vide letter dated August 5, 2019, SCN and its annexures were delivered to the Noticees on August 9, 2019 and August 17, 2019. An opportunity of hearing was granted to the Noticees on September 25, 2019 vide notice dated September 11, 2019. In this regard, Noticees vide email dated September 23, 2019 requested for extension of one month time to file rely and adjournment of personal hearing. Therefore another opportunity of hearing was granted to the Noticees on October 10, 2019 vide notice dated September 24, 2019. Noticees submitted their reply vide letter dated October 7, 2019.

28. Hearing on October 10, 2019 was attended by Sanjeev Kumar Choudhary, Authorised Repesentative (AR) of the Noticee. AR reiterated submissions made in its reply dated October 7, 2019 and also submitted that they were not able to open the Annexures placed in a CD. Therefore during hearing the Annexures were provided in a CD and Noticees submitted that they will provide additional submissions by October 20, 2019. Accordingly, Noticees vide email dated October 18, 2019 and October 21, 2019 made some further submissions.

29. Key submissions made by the Noticees vide letter dated October 7, 2019, October 18 and 21, 2019 are as under:-

a) The major allegations levied upon the Noticees in the Notice are as under:

a) Noticees have executed non-genuine trades during the IP i.e. 01.12.2008 to 31.12.2009.

b) Volume generated by the Noticees in RIL, in range of Rs. 29.00 to Rs. 161.80, and further artificial volume generated by noticees also contributed substantially to the total volume from the market in said scrip.

c) The Noticees related to each other among 20 entities from the alleged Group II entities and indulged in non genuine trading activity

d) Summary of allegation against the noticees are as under:

Sl. No.	Name of Clients	Circular	Sync trades	Structured trades	Reversal trades	LTP contribution	Self trades	First Trade
1	Anjani	Y		Y	Y		Y	
2	Gaurav Gupta	Y		Y	Y			
3	Govindji Gupta	Y	Y	Y	Y	Y	Y	Y
4	Sarika Gupta	Y	Y	Y	Y		Y	
5	Saurabh Gupta	Y	Y	Y	Y			
6	Sudheshwar Kumar Gupta	Y	Y	Y	Y			

b) Before going into the detailed reply, Noticees brief background as under:

a. Anjani Kumar is an employee of private company namely SBC Exports wherein his job designation is an executive. He has been convinced by Sh. Prashant Srivastava to invest in share market. He is hardly able to get bread and butter for his family respectfully. He was working at Sri Balaji Investment, a sub-broker during the investigation period. He has opened his trading account in security market to invest his small saving to secure his future financial needs. But he has incurred loss and stopped his investment in security market in the year 2009. It is pertinent to mention that he left the broking industries and presently working in different sector which clearly shows that he has completely left the security market. He was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees at any point of time. He even cannot imagine that he may have reach to other entities as mention in alleged group II or other entities. He belongs from lower class family and any penalty will destroy his financial condition and will cause irreparable loss. Further it is pertinent to mention that his track record is very clean and not been held for any guilty or any proceeding has been initiated against him by SEBI or any other authority except present proceeding.

b. Gaurav Gupta is a small trader at his native place i.e. Mirzapur, a small town in U.P. He has approached by Sh. Prashant Shivastava, employee/representative of sub-broker/broker and his trading account gets opened with a sub-broker. He has opened his trading account in security market to invest his small saving to secure his future financial needs. But he has incurred loss and stopped his investment in security market. He was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees. He even cannot imagine that he may have reach to other entities as mention in alleged group II or other entities. He belongs from lower middle class family. Further it is pertinent to mention that his track record is very clean and not been held for any guilty or any proceeding has been initiated against him by SEBI or any other authority except present proceeding.

c. Govind Ji Gupta is an employee of private company namely Ideal Carpets He has opened his trading account in security market to invest his small saving to secure his future financial needs. But he has incurred loss and stopped his investment in security market in the year 2009. It is pertinent to mention that he left the broking industries and presently working in different sector which clearly shows that he has completely left the security market. He was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees at any point of time. He even cannot imagine that he may have reach to other entities as mention in alleged group II or other entities. He belongs from lower class family and any penalty will destroy his financial condition and will cause irreparable loss.

d. Sarika Gupta was a teacher in private school and currently a house wife. She is an old age lady and belongs from Mirzapur, a small town in U.P. Se has been also approached by Sh. Prashant Shivastava, employee/representative of sub-broker/broker and her trading account gets opened with a sub-broker. She has opened her trading account in security market to invest her saving to secure her future financial needs. But she has incurred loss and stopped his investment in security market since 2009. She was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees. She even cannot imagine that she may have reach to other entities as mention in alleged group II or other entities. Further it is pertinent to mention that hers track record is very clean and not been held for any guilty or any proceeding has been initiated against her by SEBI or any other authority except present proceeding. Any monetary penalty will cause irreparable loss to her She even does not know about circular trade or reversal trade, creation of volume, etc. She just gets in present proceeding because she relied on Mr. Srivastava and already paid heavy cost.

e. Saurabh Gupta is a doctor and serving his society with his professional skills. He also belongs from Mirzapur, a small town in U.P. He has been also approached by Sh. Prashant Shivastava, employee/representative of subbroker/broker and his trading account gets opened with a sub-broker. He has opened his trading account in security market to invest his saving to secure his future financial needs. But he has incurred loss and stopped his investment in security market since 2009. He was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees. He even cannot imagine that he may have reach to other entities as mention in alleged group II or other entities. Further it is pertinent to mention that his track record is very clean and not been held for any guilty or any proceeding has been initiated against him by SEBI or any other authority except present proceeding. Any monetary penalty will cause irreparable loss to him and society since he is a doctor and serving to society. He does not have time to think about share market. He just gets in present proceeding because he relied on Mr. Srivastava and already paid heavy cost.

f. Sudheshwar Kumar Gupta is an old man and helping his son in small business at his native place i.e. Mirzapur, a small town in U.P. He has approached by Sh. Prashant Shivastava, employee/representative of subbroker/broker and his trading account gets opened with a sub-broker. He has opened his trading account in security market to invest his small saving to secure his future financial needs. But he has incurred loss and stopped his investment in security market in 2009. He was not part of any cartel or related to other entities as mentioned in Group II of SCN except the noticees. He even cannot imagine that he may have reach to other entities as mention in alleged group II or other entities. He belongs from lower middle class family.

Further it is pertinent to mention that his track record is very clean and not been held for any guilty or any proceeding has been initiated against him by SEBI or any other authority except present proceeding.

c) The Noticees were investing in capital market only from time to time and the SCN has been received after about 10 years from the impugned transactions and therefore much duress has been caused to the noticees on the receipt of the same as they had acted in his bona fide capacity and executed trades at the relevant time and had settled all his settlement obligations qua his transactions. It may be appreciated that it is beyond comprehension or remembrance of a man under normal course of business or circumstances for trades executed about 10 years earlier specifically in complex behaviour of stock market.

d) Business of sub-broker may have closed down since they are not contactable to the noticees to get the required information and trade data other than trades in RIL so that a proper reply can be submitted. Hence the noticees are at complete loss to make complete defence.

e) Trade duration of the Noticees during the investigation period:

Name	**Trade start date**	**Trade end date**	**Total trading day**	**% participation of noticees during IP in terms of trading day**
Anjani	04-Sep-09	18-Nov-09	20	7.5758
Gaurav Gupta	07-Sep-09	18-Nov-09	19	7.197
Govind Ji Gupta	04-Sep-09	24-Dec-09	40	15.152
Sarika Gupta	04-Sep-09	24-Dec-09	23	8.7121
Saurabh Gupta	04-Sep-09	24-Dec-09	22	8.3333
Sudheshwar Kumar Gupta	04-Sep-09	26-Nov-09	16	6.0606

a. That the noticees have commenced trading after complying all regulatory provision i.e. submission of dully filled KYC along with required documents. SEBI has issued a Risk Disclosure Document ("RDD") which records the risks of trading on the Exchange.
b. That all the transactions are recorded in the Noticee's books of account, records and Income Tax Returns. All the trades executed by the noticees were on the trading terminal of the exchange and orders were matched on anonymous order driven trading system of the exchange. The alleged trades of the noticees were within its financial and risk bearing capacity and in conformity with the framework of laws governing the securities market, hence genuine and *bona fide*.
c. That the broker has issued valid contract notes for each and every trade executed in RIL which is alleged in the SCN as non-genuine and all relevant taxes/charges were paid by the noticees. All the alleged executed trades in RIL were settled by the clearing corporation of the exchange as per regulatory provisions. It shall be appreciated that the information displayed on exchange trading system with respect to alleged trades and trading history available in public domain, equally nurtures and meets with the requisition of investor wherein question of creation of artificial volume does not arise at all.
d. At the relevant time, none of trades of the noticees were questioned by the brokers who are SEBI registered intermediaries.
e. Most importantly, the noticees state that as compared to the investigation period from 1.12.2008 to 31.12.2009 the trades attributed to the noticees in the RIL scrip are only for the period 04.09.2009 to 24.12.2009. It is indeed pertinent to mention that the noticees namely Anjani Kumar, Gaurav Gupta, Govind ji Gupta, Sarika Gupta, Saurabh Gupta and Sudheshwar Kumar Gupta during the investigation period of 13 months has only traded for 3 months for a total no. of 20, 19, 40 23, 22 and 16 days respectively and that too towards the fag end of the investigation period.

f) Contribution Of The Trades Of The Noticees During The Investigation Period

g) Volume And Traded Price Of The Noticees:

Name	**Traded qty of Noticees**	**Traded volume of Noticees**	**Noticee's contibution in terms of Traded qty %**	**Noticee's contibution in terms of Traded volume %**	**Trading price range Rs.)**
Anjani	96902	10791787	0.78	0.89	86.00 to 153.60
Gaurav Gupta	78786	8903540	0.63	0.74	86.00 to 153.00
Govind Ji Gupta	164554	19552862	1.32	1.62	85.00 to 155.60
Sarika Gupta	111350	14773900	0.89	1.22	85.00 to 152.40
Saurabh Gupta	110380	14708193	0.89	1.21	85.50 to 155.50
Sudheshwar Kumar Gupta	121823	15538709	0.98	1.28	86.00 to 155.00

a. It clearly appears from the above table that the contribution of the notices trades were negligible in compare to total trades in the market or total trades of the group I and group II entities.

b. It may be appreciated that the noticees have to continue in trading for long period if it had employed any device, scheme or artifice to defraud to the investor or get undue gain in association of other entities. But the notices were dealt only in fag end of IP and traded price was also not around the lower or higher price during the IP.

c. That the SCN itself stated that the noticees were not in top 10 buyers or seller during the investigation period.

d. That price of RIL was highly fluctuated before the investigation period i.e. high was Rs. 108.05 and low price was Rs. 58.00 during the period 01.09.2008 to

30.11.2008 and high was Rs. 104.70 and low price was Rs. 33.10 after the investigation period i.e. during the period 01.01.2010 to 31.03.2010. It clearly shows that the market price of RIL were very volatile in normal course of trading. But the traded price ranges of the noticees were Rs. 85.00 to Rs.155.60 only.

h) Trades Of The Noticee Did Not Depress The Market Equilibrium Or Cause To Any Loss To The Any Investor.

i) After going thoroughly with extracts of the SCN and above table, it may be appreciated that:

   a. The %age contribution of noticee's alleged trades were insignificant compare to total alleged trades of Group entities and have no impact on market equilibrium.
   b. The %age contribution of noticee's alleged trades were insignificant compare to total market trades at exchange and have no impact on market equilibrium.
   c. The miniscule %age of volume of the noticees were insignificant to total volume in derivative segment at exchange and have no impact on market equilibrium.
   d. The alleged reversal trades of the noticees have no adverse inference for price of RIL and SCN also does not carry a charge of price manipulation.
   e. Most importantly, the trades of the noticees did not cause any loss to other investor and SCN also does not carry a charge of the same.
   f. Further the SCN also did not carry charges that the noticees have gained any undue advantages from the trades in RIL.
   g. The SCN also did not carry charges that trades of the noticees had any bearing on the market or lead to false and misleading appearance of trading in the RIL.
   h. The SCN failed to establish the trades of the notice were in detrimental to the interest of the investors.

j) That any kind of alleged fictitious/ manipulative trade in cash segment may create distorted impression in minds to investors who may invest/divest from said scrip that price of scrip if rising/falling. However, in the present case, trades of the noticees did not create any impression among the investor and the SCN also did not carry similar charges against the noticees except creation of artificial volume.

k) No Relationship Between Notices.

l) It is stated that the noticees are distant blood relative but had dealt in the share market individually and noticee no. 1 was working with noticees no 3 in same firm. Apart from this, the aforementioned noticees do not have any kinds of relation or meeting with group entities at any point of time. The noticees are giving affidavit in this regard that they do not have any kinds of relationship or meeting of mind at any point of time either in respect of trading in the RIL or other aspect. The affidavits are enclosed herewith.

m) Further it is most importantly highlighted that the SCN also did not carry any charges of documentary evidence which establish that there were any kinds of relationship between the noticees and other group entities except on the basis of certain mobile nos.

n) That the SCN also stated that there was no any off market transactions between noticees and other group entities.

o) Further there was no any inter client transfer was observed by the investigation team of SEBI.

p) Relation Can Not Be Establishing On The Basis Of Common Mobile No.

q) Status of Mobile Nos.

Mobile No.	**Name of person**
9350744152	Mobile no belong to Mr. Punit as per true caller/given call
9935157377	Mobile no belong to Mr. Ajay as per true caller/given call
9350673924	Mobile no was used by Govind Ji Gupta long year ago but it is being used by Mr. Manohar from Haryana as per true caller/given call
9911882236	Govind ji Gupta
9873760406	Anjani Kumar

r) The possible linkage between the noticees and other counter parties cannot be established on the basis of common mobile no. Further out of given 9 mobile no. only 2 mobile no. are belong/used to/by noticees namely Sh. Govind Ji Gupta and Anjani Kumar.

s) The SCN also did not to set out from where and from which document has SEBI attributed the said mobile no. to the other group entities and how the said mobile number is instrumental in the execution of the said trades.

t) The noticees state that they have not given/provided mobile no. as mentioned in Annexure 20 of SCN and they have no relation with the given mobile no. at any point of time. The noticees also giving affidavit in this regard. The relation of these noticees cannot be established on the basis of given mobile no. under Annexure 20. SEBI may ask the broker or person who have provided the given mobile no. for the wrong doing if any.

u) Further the noticees also refer and rely upon the Hon'ble Tribunal in Appeal No. 47 of 2011, **Narendra Gantra Vs SEBI** vide its order dated 29.07.2011 has held that *"the appellant shares common address with his brother Nimesh Ganatra or has introduced Bhavesh Pabari to broker is not sufficient evidence to prove the charge of connivance in executing circular trades."*

v) Further vide the above the Hon'ble Tribunal has held that *"The adjudicating officer has discussed in the impugned order the total shares sold and purchased by the Ganatra group entities but has failed to bring on record the role played by the appellant in executing these trades. As far as individual role of the appellant is concerned, admittedly, his trades have not been considered 'very significant'. In the absence of any evidence on record, direct or circumstantial, against the appellant in manipulating the trades or raising the price of the scrip, he deserves to be given the benefit of doubt."*

w) More to add, the allegation of relationship between noticees and other group entities are not substantiated with material facts on record. Details of counter parties and its orders are as under:

Name	No of noticee's total order	No of matched CP order	No. of CP
Anjani	134	230	32
Gaurav Gupta	73	184	29
Govind Ji Gupta	443	448	112
Sarika Gupta	46	384	43
Saurabh Gupta	58	367	42
Sudheshwar Kumar Gupta	60	217	44

x) That at one hand, the SCN stated that there was relation among the all 20 entities of Group but at the other hand, possible linkage has been established among only 15 entities on the basis of common mobile no.

y) At the one hand, SCN stated possible linkage of noticees namely Saurabh Gupta and Sudheshwar Kumar Gupta with 15 entities on the basis of common mobile no, but at other hand, the SCN stated that the both noticees executed circular/reversal trades with 16 entities under the Para No. 64, read with table thereunder.

z) Most importantly, the orders of the all 6 noticees were matched with 29 to 112 respective counter parties. It clearly appears that the alleged circular or reversal trades were matched incidentally.

aa) Further there was huge gap between no. of orders placed by the notices and its respective counter parties whose order got matched with order of the noticees. It appear from the above table under Para no. 25 as well as table given below under Para no. 27, no. of order, order quantity and time gap between the respective counter parties order were also not identical. It also clearly shows that there were any kinds of relation or meeting of mind between the noticees and counterparties.

bb) It is further submitted that, in order to establish charges of fraudulent trading or violation of PFUTP Regulations, it is a settled principle of law that the parties to these trades should collude amongst themselves. In this context the noticee would like to draw your kind attention to the matter of **M/s. Jagruti Securities Ltd vs. Securities Exchange Board of India, Appeal No. 184/2008** wherein the Hon'ble SAT has held that *"… we are of the view that in an artificial trade there has to be collusion between the buyer and the seller and in absence of any collusion, the trade cannot be termed as artificial."*. Further in the matter of Sanjay **Agrawal vs. SEBI,** order dated 18.05.2012, the Hon'ble Securities Appellate Tribunal has held that *"in order to establish an allegation of reversal trade between parties a cogent evidence or connection between the parties needs to be established".*

cc) **Prior Meeting Of Minds Between Noticees And Counterparties:**

dd) **No connection with any person / entity in the notice:**

a) In order to allege creation of artificial volume in the market, it is imperative to show that the two parties who are carrying out trades (alleged to be in the nature of artificial trades) were connected to each other or at least shared a common objective of creating artificial volume. With this common objective they carried out trades which were not genuine or which did not intend real trading.

b) Therefore it is necessary to prove that two contracting parties had struck a deal beforehand, i.e. there was meeting of minds between the two contracting parties. It is submitted that the Noticee was completely unaware of the identity of the actual seller and counter party broker, there cannot be any question of meeting of minds. In fact no evidence or averments has been put for the in the entire SCN to suggests that the Noticee had any prior meeting of minds with the counter party.

c) Further it is almost impossible to know the identity of the parties in a screenbased transaction. The position has been accepted and affirmed by SEBI before the Joint Parliamentary Committee (JPC) on Stock Market Scam and matters relating thereto, 2001, which tabled its report in the Parliament in December, 2002. In the report it has, inter alia, been stated:

"SEBI has also confirmed that in the screen based trading that is prevalent in the stock exchange now, the buyer or the broker will not be aware of the identity of the seller or the broker."

d) The SCN alleges the trades with counter parties in the nature of reversal of trades which essentially involves synchronization of trades. It is submitted that synchronization is ipso facto not illegal even under the SEBI Act and SEBI Regulations. SEBI had before JPC, inter alia, stated :

"SEBI has since confirmed that synchronized deals are ipso facto not illegal."

e) The aforesaid position is also clear from the fact that SEBI itself recommends several kinds of transactions, which would be capable of synchronizing as valid and legitimate stock market transactions. For instance, SEBI recognizes the concept of negotiated deal i.e. a deal which is struck between the buyer and the seller outside the mechanism of the Stock Exchange, wherein the buyer and seller agree upon the quantity, the price and the terms of the settlement. In this regard it will be pertinent to advert to SEBI Circular No. SMDRP/POLICY/CIR-32/99 dated September 14, 1999 pertaining to Negotiated Deals. In the said Circular, it was inter alia stated that:

"All negotiated deals (including cross deals) shall not be permitted in the manner prescribed in circulars mentioned above and all such deals shall be executed only on the screens of the exchanges in the price and order matching mechanism of the exchanges just like any other normal trade.
Provided, however, that Foreign Institutional Investors (FIIs) can avail of the provisions of the special bargains on the exchanges in accordance with their bye-laws or obtain suitable exemptions from

exchanges for purchases or sales between FIIs in such companies where the ceiling of FII investment of 24% or 30 % as the case may be, has been reached. The above decision was taken as negotiated deals avoid transparency requirements, do not contribute to price discovery and some investors do not have benefit of the best possible price and militate against the basic concept of stock exchanges, which are meant to bring together a large number of buyers and sellers in an open manner."

f) Thus in terms of the said Circular, there is no bar on executing the Negotiated deals but once a negotiated deal is struck, SEBI obliges that the same be notified to the concerned Stock Exchanges. It is submitted that when a negotiated deal is entered on the trading screen, there will be meeting of minds of both the Buyer and the Seller and both the Buyer and the Seller would be simultaneously aware of the fact that the transaction is being entered on the trading screen in terms of their agreement. It therefore necessarily implies that, both buyer and seller would simultaneously enter their sell and purchase transaction at the agreed price on the screen in order to consummate the transaction. This transaction would necessarily be a synchronized transaction. Thus SEBI itself permits synchronized trading.

g) It is further submitted that the Noticee did not have any relation/connection with the entities/persons mentioned in the Notice or with any of the counter parties to Noticee's trades. The trades were done in normal course devoid of any malafide intentions and knowledge of any such alleged scheme as carved out in the Notice.

h) The Notice has failed to appreciate that the anonymous systems of the Exchange do not allow a transacting party to know the details of the counter party and therefore the allegation of executing reversal trades cannot hold good. It is submitted that the Noticee never knew that the trades are in the nature of reverse trades before receiving the Notice and scrutinising the Annexure thereto.

i) It is thus submitted that assuming whilst denying that even if any such scheme as described in the Notice was being executed, the Noticee did not have any knowledge about the same and was merely trading in normal course of business. Apart from that the Noticee has absolutely no connection/relation with any other person/entity alleged in the Notice.

j) It is further submitted that, the Notice has also failed to bring out any connection between the Noticee and the other persons/entities mentioned in the Notice including the counter party broker or the counter party client. Therefore, by no stretch of imagination, it can be presumed that, the Noticee had any relationship/nexus/prior meeting of mind with any entities involved in the said trades in RIL.

k) A serious charge of fraud and manipulation cannot be levelled merely on the possibility of reversal. There has to be some collusion / connection / relation / nexus / prior meeting of minds to be shown so as to substantiate such trading between the entities.

l) In fact by the aforesaid letters seeking documents, the Noticee had specifically sought your goodself to provide it with any such document/material that shows any such relation/connection with the counter party broker or the counter party client and the same was never provided. Therefore it is presumed that no such data or documents exists since the Ld. Adjudicating Officer has himself in letters dated October 19, 2018 and December 03, 2018 made it clear that "……all relevant information and documents which were relevant and being relied upon in the present Adjudication proceeding have been provided to you along with the SCN,….."

m) Thus, it is submitted that the trades in question, by the Noticee were carried out devoid of any connection with the respective counter parties or any other person/entity alleged in the Notice.

n) There was no nexus or commonality of interests between the Noticee and the counter-parties to the said orders, which is a necessary pre-requisite for any allegation of artificial volume.

o) It is further submitted that, in order to establish charges of fraudulent trading or violation of PFUTP Regulations, it is a settled principle of law that the parties to these trades should collude amongst themselves. In this context your goodself attention is invited to the following judgments rendered by the Hon'ble Securities Appellate Tribunal:

p) In the matter of M/s. Jagruti Securities Ltd vs. Securities Exchange Board of India has clearly held that: *"… <u>we are of the view that in an artificial trade there has to be collusion</u> <u>between the buyer and the seller and in absence of any collusion, the trade</u> <u>cannot be termed as artificial.</u>"(Emphasis Supplied)*

q) Further in the judgement of *Vintel Securities Pvt. Ltd V. SEBI, Appeal No. 219/2009 order dated November 23, 2009* the Hon'ble tribunal went on to state that:- ...*"A serious charge of fraudulent and unfair trade practice has been established against the appellant without dealing with the trades executed by it. The adjudicating officer has given no reason whatsoever in support of his conclusion. He has found the Appellant guilty...without showing as to how it was acting in tandem with others. This is not the way in which such charges are established. It is not enough to say that that appellant is guilty of charge. The impugned order must show how the charge stands established. The least that was required was that the adjudicating officer should have dealt with the trades executed by the Appellant and demonstrated as to how the scrip in question was manipulated and <u>the role which the Appellant played in the manipulation</u>. It is not in dispute that it was only the appellant but several other entities were also involved in the manipulation. In absence of any specific finding in regard to the manner in which the Appellant traded in the scrip in question we cannot uphold the impugned order. Consequently the same is set aside..." (Emphasis Supplied)*

r) As seen herein before the charge of creation of artificial volume does necessarily involve meeting of minds of two or more than two persons implying thereby that two parties colluded with each other for creation of artificial volumes as a single person by itself cannot create any volume leaving any artificial volume in the market. It is submitted that the literal meaning of the word 'collusion' as per the Black's Law Dictionary (St. Paul, Minn. West Publishing Co., 1990, Sixth Edition) is "*an agreement between two or more persons to defraud a person of his rights by the form of law, or to obtain an object forbidden by law*". The term "Collusion" is also defined as "conspiracy; agreement formed with the intent to defraud (Law)".

s) From the above it can be concluded that following are the ingredients that one needs to prove for alleging the charge of collusion:

- *There should be an agreement among two or more than two people.*
- *The agreement should be secretive.*
- *The agreement should be made with an intent of doing something illegal such as defrauding or doing something for disadvantage of others or for something, which is not permitted by law.*

t) Further, in this connection, it is relevant to note the observation of the Administrative Law Judge of US Securities Exchange Commission in the case of Carole. L. Haynes, that in order to establish the liability for collusion, one has to establish that:

- *the existence of primary violation;*
- *a "knowledge" requirement. i.e., the parties colluding had general awareness that his role was part of overall activity that was improper and*
- *that the parties colluding had substantially assisted the principal violation.*

u) It is a humble submission of the Noticee that nothing of the sort, as is required in terms of the settled principles for alleging the charge of collusion, has been established in the Notice. It is submitted that when viewed from the said legal position, there is nothing on record to show that:

- *Any prior understanding/agreement with the entities mentioned in the Notice, who allegedly adopted such modus operendi, which was prima facie illegal.*
- *Agreement to defy the law or to cause harm to anyone or to carry out any illegal object.*
- *Most importantly, the Notice fails to bring out any evidence, which could possibly prove any connection between the Noticees and other persons/entities to the alleged manipulative scheme.*

v) Therefore, from the above it can be fairly concluded that nothing has been shown in the Notice to make good the allegation of collusion against the Noticee. The Noticee submits that the Notice has failed to produce the requisite evidence in support of the charge and the same demolishes the very basic premise of the Notice and therefore the directions in it deserves to be vacated against the Noticee.

w) It also apparent from the below table that:

Name	**Diff Bet Buy/Sell Order Rate (Rs.)**	**Diff Bet Buy/Sell Order Qty**	**Order time gap**
Anjani	0.70 to 6.65	4877 to 5853	0:00:6 to 0:40:33
Gaurav Gupta	0.0 to 4.50	92 to 9047	0:00:2 to 0:34:11
Govind Ji Gupta	0.0 to 99.90	0 to 35990	0:00:1 to 5:27:18
Sarika Gupta	0.00 to 2.80	0 to 9500	0:00:1 to 0:48:34
Saurabh Gupta	0.0 to 13.95	0 to 9500	0:00:5 to 0:35:07
Sudheshwar Kumar Gupta	0.00 t0 6.25	0 to 9137	0:00:2 to 3:40:02

x) There was no meeting of mind between the noticees and his counter parties since there was huge order price gap between the both legs orders. It is pertinent to mention that in case of price gap, there may be risk that the other unknown entity may take advantage of price gap.

y) Most importantly, there was huge order time gap between the both legs of orders placed by the noticees and his counter parties. It is pertinent to mention that in most of the instances (more than 90% of orders) there were time gap of 10 second to 5 minutes. Veracity of the same can be apparent from the trade data given in CD with SCN.

z) ***Circular trades:***

aa) Para 61 of SCN stated that the group II entities were indulged in 687 trades as circular trades during the IP-2. In this regard it appears from the Annexure 22 of the SCN that the all 6 noticees were indulged in 168 trades as circular trades with all 20 group II entities. Thus it is self explanatory that the alleged circulars trades of the noticees were miniscule %tage of total trade of group II entities. The alleged 18 circular trades were executed incidentally without any manipulative intention. The volumes of the alleged circulars trades of noticees were also insignificant in total volume of the market or volume of group II entities.

bb) ***Reversal trades:***

cc) The SCN stated under Para 65 of SCN that reversal trades were mainly executed by M/s Global Wealth Creaters and Govardhan Lal. With regard to Annexure 2y of SCN, it is apparent form the annexure that only 8 trades of notices were alleged as reversal trades among themselves. The no, of reversal trades along with its volume were miniscule and did not have bearing on market or creation of artificial volume. The trades alleged as reversal trades were executed incidentally without any manipulative intention. Orders were placed independently and %tage of reversal trades of the noticees were 0.44 to 2.2 of the day.

dd) **Synchronised trades:**

ee) SCN clearly stated under Para 6 of SCN that only 13 group entities were executed 13 synchronized trades and refer Annexure 22(a). However Annexure 22(a) was not provided with SCN. But it is evident from the allegation that the no of synchronized trades were insignificant and were executed incidentally. More to add, there was not allegation against the noticees namely Anjani Kumar and Gaurav Gupta in SCN regarding the execution of synchronized trades.

ff) **Structured Trades:**

gg) Total no. of 144 trades of the noticees were alleged under Para 67 read with annexure 23 of SCN as structured trades executed by the noticees where buy order and sale order time was less than 60 second. In this regard it is submitted that the time gap itself clearly speak that the parties cannot wait to place counter order to 60 second. If parties have any manipulative intention, they must place both legs of order within fraction of second otherwise there is huge risk of loss since unconnected party be take advantage of the one side order. Further no. of alleged synchronised trades is miniscule %tage of total trades. Further time difference of buy and sale order of 137 out of 144 alleged structured trades of the notices were more than 10 second. The alleged trades were not pre-mediated.

hh) New High Price:

ii) The SCN itself stated under Para 73 read with annexure 24 that NHP contribution of the noticees were zero.

jj) LTP Contribution:

kk) The SCN clearly stated under Para 74 read with table thereunder and annexure 24(a) that noticees trades did not contribute the LTP of the RIL except few trades of Govind Ji Gupta. With regard to alleged trades of Govind Ji Gupta, it is submitted that it is beyond the remembrance of the person to gather the information behind the reason of trades executed 10 years ago. However it is submitted that the Govind Ji Gupta must have executed alleged trades as per his own market analysis.

ll) First trade:

mm) The SCN clearly stated under Para 76 read with table thereunder that noticees were not influenced the first trades of the day to inflate the price except few trades of Govind Ji Gupta. With regard to alleged trades of Govind Ji Gupta, it is submitted that it is beyond the remembrance of the person to gather the information behind the reason of trades executed 10 years ago. However it is submitted that the Govind Ji Gupta must have executed alleged trades as per his own market analysis.

nn) The SCN clearly stated under Para 8 of SCN that Gaurav Gupta, Saurabh Gupta and Sudheshwar Kumar Gupta did not indulge in self trades. However self trades has been alleged against the Anjani Kumar, Sarika Gupta for no. of 4 and 2 trades respectively and Govind Ji Gupta with 19 self trades. Further it is also submitted that even on ALGO trading system, self trades being executed by the system based on different strategies. Most importantly, self trades of the 3 noticee did not affect the market equilibrium or volume of the RIL and that the said trade have been matched over the price and time priority of the exchange mechanism which the noticee has no control over in any manner whatsoever. The said isolated, independent trade executed by the Appellant cannot be said to establish the charge of PFUTP.

oo) With Regard To Violation of Regulation 3(a), (b), (c) & (d) AND 4(1) & (2)-(a), (b), (e), (g) Of The PFUTP Regulation.

pp) The Noticees deny that they has violated the provisions of Regulation 3 and 4 of PFUTP Regulations.

qq) The Noticees further submit that though the allegation have been alleged in the SCN, no evidence has been placed on record to show that the action of the Noticee were in any way fraudulent. Here the definition of the term *'Fraud'* as defined in the PFUTP Regulations needs to be referred, which states that any act, expression, omission or concealment committed should have induced another person to deal in the securities market. In this regard, it is submitted that if the table and data given in the SCN along with annexure are to be considered to be true, than the Noticees have contributed 0.74% to 1.21% of the volume in the said scrip. In such a case, it can be fairly concluded that the Noticee has not induced any other entities to trade in RIL.

rr) The Noticees are in complete loss to make proper defence in absence of their trade related data. However, on basis of the available trade log provided to the Noticees, following observations can be deduced:

i. The Noticee had traded only in fag end of IP for 16 to 22 trading days during the Investigation period.

ii. On perusal of the logs, it can be observed that price of the RIL were highly fluctuated before and after the IP on stock exchanges and there is no reason to believe that the meagre trades of the Noticees could have, in anyway affected its volume so as to warrant the charge of artificial volume as alleged in the Notice.

iii. From the data given to us it is apparent that the counter parties to all the trades executed by the Noticees are different. Furthermore the Noticee has traded in various scrip over the period of Investigation and therefore it is impossible to say that the trades executed by the Noticees were manipulative and/or could create any artificial volumes in the market

ss) In view of the aforesaid observations out of the incomplete trade and order log, it is submitted that the aforesaid allegations are baseless, unjustified and prejudiced and are liable to be vacated.

30. In the light of the allegations contained in the SCN, the Noticees' submissions dated letter dated October 7, 2019, October 18 and 21, 2019, the submissions made during the hearing conducted on October 10, 2019 and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS:-

31. The issues that arise for consideration in the instant matter are:

Issue No. I Whether the Noticee No. 1 has violated the provisions of Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) & (g) of the PFUTP Regulations and Noticee No. 2 to 6 have violated Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) & (g) of the PFUTP Regulations?

Issue No. II If yes, then, does the violation, on the part of the Noticee attract monetary penalty under section 15HA of the SEBI Act?

Issue No. III If yes, then, what would be the monetary penalty that can be imposed upon the Noticee?

Issue No. I **Whether the Noticee No. 1 has violated the provisions of Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) & (g) of the PFUTP Regulations and Noticee No. 2 to 6 have violated Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) & (g) of the PFUTP Regulations?**

32. I note from the SCN, that the Noticees along with 14 entities as a group of 20 entities have been alleged to have created artificial volume by executing circular trades, reversal trades, synchronized trades, structured trades and self-trades and to have manipulated the price.

33. During the investigation period i.e. from September 02, 2009 to December 31, 2009, I note that there was 80 trading days and total market volume was 80,22,153 shares in 26,107 trades. The scrip opened at ₹70.00 on September 02, 2009, touched a high of ₹161.80 on November 16, 2009 and closed at ₹110.20 on December 31, 2009, i.e. an increase of Rs.40.20.

34. The Noticees in their reply have stated that they are distant relatives but had dealt in the share market individually and that Noticee 1 was working with Noticee 3 in the same firm. Apart from this, they do not have any kind of relation or meeting with any group entities. Noticees have further submitted that 3 of the mobile numbers mentioned in the SCN belong to Noticees namely Sh. Govind Ji Gupta, Noticee 1 and Anjani Kumar, Noticee 5. However, it was not clear how these numbers were attributed to other group entities.

35. I note from the SCN, that the connection between all the 20 group entities have been established through common Mobile numbers. There is no other connection between various group entities apart from the common mobile number. I further note from the SCN that while the 6 Noticees are from Mirzapur, Uttar Pradesh, all the other 14 entities are from Delhi or Ghaziabad. As per Annexure 20 of the SCN, the mobile numbers have been obtained from KYC forms.

36. Further the Noticees have referred and relied upon the judgment of Hon'ble SAT in Appeal No. 47 of 2011, **Narendra Gantra Vs SEBI** vide its order dated 29.07.2011 has held that *"the appellant shares common address with his brother Nimesh Ganatra or has introduced Bhavesh Pabari to broker is not sufficient evidence to prove the charge of connivance in executing circular trades."*

37. In this case, the Noticees have residence address in a completely different city from other Noticees. Hence, I find that it is not sufficient to consider them to be connected to the other Group entities merely on the basis of a mobile number mentioned on a KYC form. The material on record is not sufficient to explain how the mobile numbers of Noticees 1 and 5 have appeared on the KYC forms of other group entities, and how this establishes a connection between them, particularly when other group entities are residing in different cities. Hence, I am inclined to accept the contention of the Noticees questioning their connection with other Group entities.

38. Upon examining the trades attributed to the 20 group entities, that the 20 group entities are alleged to have traded on 54 days during the period from September 02, 2009 to December 31, 2009. During this period, they bought 26,34,934 shares (32.85% of the total traded volume) in 9,820 trades from 4,285 orders and sold 26,17,717 shares (32.63% of the total traded volume) in 9084 trades from 5442 orders on gross basis. It was alleged that the Group entities had indulged in 6,877 circular trades by buying and selling of 20,13,073 shares (25% of the total traded volume) in 6877 trades amongst themselves through 3004 buy orders and 4367 sell orders in 54 trading days.

39. Upon examining the trades in the scrip during this period, I note that the scrip price rose by ₹.40.20. This is reflected in the net LTP during the period for all trades which also comes to ₹.40.20. Upon examining the LTP contribution of the 20 group entities during the same period, I find that the net LTP by them was -₹54.45. This is also reflected in the table below:-

	All trades			LTP Diff >0			LTP Diff <0			LTP Diff. = 0	
Client Name	Net LTP	Sum of Quantity	No. of trades	LTP impact	Qty traded	No. of trades	LTP impact	Qty traded	No. of trades	Qty traded	No. of trades
Firstcall Consultancy	-0.25	51572	234	5.05	7324	10	-5.3	4144	21	40104	203

	All trades			LTP Diff >0			LTP Diff <0			LTP Diff. = 0	
Client Name	Net LTP	Sum of Quantity	No. of trades	LTP impact	Qty traded	No. of trades	LTP impact	Qty traded	No. of trades	Qty traded	No. of trades
Services Private Ltd.											
Almondz Entertainment Private Limited	-8.15	221613	787	5.9	11257	18	-14.05	15704	51	194652	718
Global Wealth Creators	-2.3	200940	641	8.1	8616	10	-10.4	18198	34	174126	597
Sandeep Kumar Gupta	-3	42768	184	1.75	1010	5	-4.75	3275	13	38483	166
Nitin Chadha	-1.75	66413	237	2.45	2958	12	-4.2	6984	15	56471	210
Govardhan Lal	-2.8	204183	725	6.2	5370	20	-9	14985	36	183828	669
Rajeev Gupta	-6.35	129837	462	2.4	2269	10	-8.75	8312	25	119256	427
Noticee No. 4	-3.7	86518	304	0.1	250	1	-3.8	7599	23	78669	280
Ishan Chadha	-0.4	32675	101	0.95	1077	3	-1.35	1185	3	30413	95
Noticee No. 5	-0.8	77807	264	2.2	3327	5	-3	4281	15	70199	244
Eminence Capital Services / Naresh Gupta	-2.25	174078	579	8.1	8988	20	-10.35	14290	28	150800	531
Monika Gupta	-0.7	10147	17	0	0	0	-0.7	2050	2	8097	15
Noticee No. 1	0.05	121772	490	8.25	3791	14	-8.2	13770	31	104211	445
Noticee No. 3	-5	86199	301	1.7	280	3	-6.7	9464	32	76455	266
Noticee No. 2	-1.25	62707	175	2.45	4410	12	-3.7	5601	12	52696	151
Noticee No. 6	-6	108763	215	1.85	7150	8	-7.85	14210	23	87403	184
Rama Rani	-0.25	71268	332	2.8	2394	10	-3.05	4065	13	64809	309
Robart .	-8.95	223277	723	5.5	5371	14	-14.45	22927	55	194979	654
Punit Kapoor	-0.55	37536	104	0.4	422	1	-0.95	3322	7	33792	96
Shalu Kapoor	-0.05	3000	2	0	0	0	-0.05	1000	1	2000	1
Total	-54.45	2013073	6877	66.15	76264	176	-120.6	175366	440	1761443	6261

40. I therefore note that on net basis, trades by the Group entities contributed to negative LTP of ₹.54.45. Out of this, the net LTP contribution by the 6 Noticees during this period is negative ₹.16.7. Based on this, I find that the charge of causing price increase cannot be attributed the Noticees.

41. With regard to circular trading, while the 20 group entities are alleged to have contributed 25% of the trading volume in this period, I find that the 6 Noticees trading volume was 5,43,766 shares which was just 6.8% of the total trading volume. In this regard Noticee has contended that all 6 Noticees are alleged to have indulged in 168

trades as circular trades with all 20 group entities, and thus, it is self-explanatory that the alleged circulars trades of the Noticees were miniscule percentage of total trade of group entities. The alleged 168 circular trades were executed incidentally without any manipulative intention. The volumes of the alleged circulars trades of Noticees were also insignificant in total volume of the market or volume of group entities. In view of the fact that the Noticees collectively contributed 6.8% trades to the total trading volume, I am inclined to accept the submissions of the Noticees that the trades were executed incidentally without any manipulative intention.

42. The Group entities are also alleged to have indulged in reversal trades for 2,09,716 shares (2.61% of the total traded volume), synchronized trades for 17,410 shares (2.61% of the total traded volume) in total 13 trades, and structured trades for 2,58,185 (3.22% of the total traded volume). Further 9 group entities are alleged to have executed 101 self-trades for 32257 shares (0.40% of the total traded volume) in 17 days. In this regard, Noticees have submitted that only 8 trades of the Noticees were alleged as reversal trades, and 144 trades of the Noticees were alleged as structured trades. It has been further contended that there was huge order price gap between the both legs orders. There was also huge order time gap between the both legs of orders placed by the Noticees and his counter parties. In most of the instances (more than 90% of orders) there were time gap of 10 second to 5 minutes. Thus the structured trades could not have been said to be intentional. In this regard, while 10 seconds is a very small time difference between orders, I find the argument on difference in order prices acceptable, as a trade cannot be intended to match in a structured manner with difference in order prices. Regarding self-trades, I find that the Noticees indulged in total 25 self-trades for 5087 shares which cannot be said to be a significant quantity as compared to the total traded volume or the Noticees traded volume.

43. Considering the tenuous connection between the Noticees and the other group entities and the small proportion of their contribution to circular trades, reversal trades, self-trade and structured trades, I find merit in the submissions of the Noticees that they have contributed 0.74% to 1.62% of the volume in the said scrip and their trading was not such as to induce other entities to trade in the scrip. I also note that their trades cannot be said to non-genuine.

44. In view of the facts placed before me, I find that there is insufficient material to conclude that the Noticees contributed significantly to the trading volume in the scrip, or that they created artificial volume by means of circular, reversal, structured and synchronized trades. I also find that the LTP contribution of the Noticees to the price was negative, whereas the price manipulation was allegedly for upward price movement in the scrip.

45. In view of the above, I find that it is not established that the Noticees are in violation of the provisions of Section 12A(a), (b), (c) of the SEBI Act, 1992, Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) & (g) of the PFUTP Regulations. Hence I find that this is not a fit case for imposition of penalty.

46. In view of the above, issues II or III do not merit consideration.

ORDER

47. In view of the findings noted in the preceeding paragraphs, the adjudication proceeding initiated against Noticee No. 1 to 6 i.e. i) Govind Ji Gupta, ii) Gaurav Gupta, iii) Saurabh Gupta, iv) Sarika Gupta, v) Anjani Kumar and vi) Sudheshwar Kumar Gupta, vide SCN dated February 6, 2014 are disposed of.

48. Copy of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: DECEMBER 24, 2019	**MANINDER CHEEMA**
PLACE: MUMBAI	**ADJUDICATING OFFICER**