BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SR/SM/2020-2021/7697-7698/7-8]

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

Name of the Entity	**PAN No.**	**Address**
BP Fintrade Private Ltd.	AAACY2372G	24/26 Cama Bldg, 1st Floor, Dalal Street, Fort, Mumbai 400023
BP Comtrade Private Ltd.	AAACA3758Q	24/26 Cama Bldg, 1st Floor, Dalal Street, Fort, Mumbai 400023

In the matter of Blue Blends (India) Limited

FACTS OF THE CASE IN BRIEF

1. A Department (in short **OD**) of Securities and Exchange Board of India (in short **SEBI**) examined trading in the scrip of Blue Blends (India) Limited (in short Company / **BBIL**) in the light of suspicious transaction report alleging that certain entities involved in trading in illiquid scrip of BBIL, which was listed on BSE and NSE. OD appointed Investigating Authority (in short **IA**) in the matter for investigation into the alleged price manipulation in the scrip of BBIL for the period between September 01, 2015 to April 01, 2016 (in short investigation period / IP). IA appointed by OD observed violation of provisions of Securities and Exchange Board of India Act, 1992 (in short **SEBI Act**) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating

to Securities Market) Regulations, 2003 (in short **PFUTP Regulations**). Thereafter OD initiated Adjudication Proceedings against BP Fintrade Private Ltd. (in short **Noticee 1**) and BP Comtrade Private Ltd. (in short **Noticee 2**) to inquire into and adjudge under section 15HA of the SEBI Act the alleged violations of provisions of sections 12A(a), (b) and (c) of SEBI Act, regulations 3(a), (b), (c) & (d), and 4(1) and 4(2) (a) & (e) of PFUTP Regulations by Noticee 1 and Noticee 2 (collectively referred to as **Noticees)**.

APPOINTMENT OF ADJUDICATING OFFICER

2. In this regard, Ms. Sangeeta Rathod (undersigned) was appointed Adjudicating Officer (in short **AO**). The appointment of undersigned as AO was conveyed vide communique dated April 03, 2019 under section 15-I of the SEBI Act read with rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules,1995 (in short '**AO Rules, 1995'**) to inquire into and adjudge under section 15HA of the SEBI Act, the alleged violations of provisions of sections 12A (a), (b) & (c) of SEBI Act, regulations 3(a),(b),(c)&(d), and 4(1) and 4(2)(a)&(e) of PFUTP Regulations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. The Noticees were issued a common show cause notice (in short **SCN**) dated November 22, 2019 under rule 4 of the AO Rules, 1995 requiring them to show cause as to why an inquiry should not be held against them and why penalty under section 15HA of SEBI Act be not imposed on them for the violations alleged and specified in the said SCN, if the same are established.

4. Details of the violations alleged in the SCN are given as follows:

i. IA observed following connection between the Noticees:

- As per UBI Bank a/c no. 317901011012298 held by Noticee 1, financial transactions observed with Noticee 2.
- Noticees have common email nil_dhan@yahoo.com and mobile no. 9821041120.

ii. IA observed price fall in period from 02/02/2016 to 01/04/2016. The last traded price (LTP) variation was observed by IA as under-

Exchange – BSE

Price/Volume trend	Period		Price Movement				Average Volume
	From	To	Open	High	Low	Close	
Price fall	02/02/2016	01/04/2016	110	112	72.9	82.5	67,661

During the price fall period, on February 02, 2016, the price of the scrip opened at Rs.110 (previous day closing price Rs.112.8), reached a low of Rs.72.9 on April 01, 2016, and closed at Rs.82.50 on April 01, 2016.

iii. IA made following observation regarding trading by Noticees:

Noticees have contributed negative LTP of Rs. 183.30 in 166 trades with a volume of 34248 (10.05% of the market negative LTP) which was significant. The negative LTP contribution of the Noticees is tabulated below-

Seller name	All trades (BSE)			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% of negative LTP to Total Market negative LTP
	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of Qty.	No. of trades	
BP FINTRADE PRIVATE LIMITED	-21.05	106263	476	104.65	7055	131	-125.70	25984	109	73224	236	**6.89**
BP COMTRADE PVT LTD	-12.85	32723	224	44.75	6860	71	-57.60	8264	57	17599	96	**3.16**
Total	-33.90	138986	700	175.62	13915	202	-183.30	34248	166	90823	332	**10.05**

iv. The analysis of the negative LTP contribution of the Noticees, is given below-

a. Noticee 1 contributed Rs. 125.70 to negative LTP in 109 trades i.e. 6.89% of market negative LTP and Noticee 2 contributed Rs. 57.60 to negative LTP in 57 trades i.e. 3.16% of market negative LTP. It was further observed that in 31 trades out of the total 166 trades, sell orders were placed before the corresponding buy orders and the LTP contribution was Rs. 39.25 to negative LTP (2.15% to total market negative LTP). In respect of the remaining 135 trades, buy orders were placed before the sell orders and the LTP contribution was Rs. 144.05 to negative LTP (7.8% to total market negative LTP).

b. Out of the 166 trades, in 34 trades sell orders quantity was more than buy orders quantity and in 124 instances the buy orders quantity were more than the sell orders and the remaining 8 instances the buy orders quantity and sell orders quantity were same.

c. Out of the above said 124 trades (where the buy order quantity was more than the sell order quantity) , Noticee 1 traded on 85 instances and Noticee 2 traded on 39 instances, contributing an LTP of Rs. 99.00 (5.42%) and Rs. 40.62 (2.2%) to negative LTP (total of 7.65% to total market negative LTP) respectively.

d. IA analysed the trading pattern of the Noticees, as tabulated below and observed that the buy orders for large quantity of shares were available but the Noticees repeatedly placed sell orders for small quantity and contributed to significant negative LTP. Noticees followed this trading pattern on several days and contributed to significant negative LTP.

Seller Name	No. of trades (LTP <0)	when sell order qty was of 1 share only		Negative LTP Contribution when sell order qty was between 2-9 shares		Negative LTP Contribution when sell order qty was between 10-25 shares		Negative LTP Contribution when sell order qty were more than 25 shares		Total negative LTP contribution (Rs.)	% of negative LTP to Total Market positive LTP
		Negative LTP contribution	No. of trades	Negative LTP contribution	No. of trades	Negative LTP contribution	No. of trades	Negative LTP contribution	No. of trades		
BP COMTRADE PVT LTD	57	-10.55	13	-11.50	15	-2.55	5	-33.00	24	-57.60	3.16

BP FINTRADE PRIVATE LIMITED	109	-73.05	59	-25.30	17	-3.75	6	-23.60	27	-125.70	6.89
Total	**166**	**83.60**	**72**	**36.80**	**32**	**6.30**	**11**	**56.60**	**51**	**-183.30**	**10.05**

e. From the analysis of trade log, IA observed that out of 166 sell trades of Noticees which contributed negative LTP of Rs.183.30 (10.05% of total market negative LTP), for 72 trades sell order quantity was 1 share, which contributed to negative LTP of Rs. 83.60 (4.58 % of total market negative LTP). Further, for 32 trades, sell order quantity was in the range of 2-9 shares, which contributed negative LTP of Rs. 36.80 (i.e., 2 % of total market negative LTP). Hence, IA observed that in the majority of the trades (i.e. 104 trades out of 166 trades), Noticees had put sell orders with quantity of shares in single digits i.e. mostly from the range of 1-9 shares whereas buy orders were available with quantity in the range of 10 to 50000 shares.

f. Day wise summary of aforementioned 124 trades of the Noticees are as follows:

Date	**Number of trades**	**LTP Contribution**
02.02.2016	3	-3.80
03.02.2016	1	-0.90
04.02.2016	4	-6.20
08.02.2016	5	-2.80
09.02.2016	2	-4.50
10.02.2016	3	-1.10
11.02.2016	3	-4.30
12.02.2016	3	-2.60
15.02.2016	1	-0.90
16.02.2016	2	-2.30
17.02.2016	2	-4.40
18.02.2016	1	-4.00
19.02.2016	1	-1.60
22.02.2016	1	-1.00
23.02.2016	2	-6.40
24.02.2016	3	-4.70
25.02.2016	1	-0.90

Date	Number of trades	LTP Contribution
29.02.2016	3	-2.40
01.03.2016	3	-3.10
02.03.2016	7	-7.05
03.03.2016	4	-2.85
04.03.2016	1	-2.65
08.03.2016	4	-4.40
09.03.2016	4	-3.15
10.03.2016	7	-5.25
11.03.2016	22	-15.30
14.03.2016	3	-2.25
15.03.2016	8	-7.50
16.03.2016	6	-13.75
17.03.2016	3	-1.80
18.03.2016	1	-1.00
21.03.2016	1	-0.50
23.03.2016	1	-0.45
28.03.2016	1	-0.85
31.03.2016	1	-0.10
01.04.2016	6	-12.90
Grand Total	**124**	**-139.65**

g. From the aforementioned table, IA observed that Noticees followed this trading pattern for several days and contributed negative LTP of Rs. 139.65. Thus, IA observed that Noticees were not acting as genuine sellers and had no bonafide intention to sell because in-spite of sufficient buy order quantity available in the market, they sold small quantity of shares in each transaction. Thus, Noticees are instrumental in establishing a price lower than the last traded price and thus contributed to decreased scrip price with most of their trades. In view of the repeated nature of such trades, it is alleged that, Noticees have manipulated in the scrip price and created a misleading appearance of trading in the scrip by such trades as explained above and thereby allegedly violated section 12A (a), (b), (c) of SEBI Act, regulation 3 (a), (b), (c), (d), regulation 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations.

5. The SCN was sent to the Noticees through the speed post acknowledgment due (SPAD) and the same were delivered to the Noticees as seen from record. Noticees vide letter dated December 09, 2019 acknowledged the receipt of SCN and stated that "*SEBI had issued a similar notice…. under section 11(1), 11(4) and 11B of SEBI Act. We have responded to SEBI on November 11, 2019*". In this regard, along with hearing notices dated February 04, 2020, it was informed to the Noticees that the instant adjudication proceedings initiated vide SCN under reference is a separate proceeding. Thus, Noticees were advised to file their reply to the SCN by February 24, 2020. In the said hearing Notices, an opportunity of hearing was given to the Noticees on February 26, 2020. Noticees vide separate letters dated February 19, 2020 filed their reply to the SCN. Noticees attended the hearing scheduled on February 26, 2020 through their Authorised Representative (**AR**). AR reiterated the submissions made in the respective replies dated February 19, 2020 and requested for additional time to submit additional information. Acceding to the request of AR on behalf of the Noticees, additional time was given to the Noticees till March 04, 2020. The hearing minutes are on record. Noticees vide separate letters dated March 11, 2020 filed their additional replies.

6. Submissions of the Noticees vide their letters dated February 19, 2020 and March 11, 2020 are summarised hereunder-

<u>Reply of Noticee 1</u>

a) Noticee 1 is incorporated on Jan 18, 2005 and it is into the business of securities trading since our incorporation. Its volumes on the Exchanges are reasonably high and its volume in Blue Blend was a very small portion of our overall volume and was not a significant part of its business. A comparative volume analysis is given hereunder:

Period	*TOTAL*			*Blue Blend*			
	No of Securities	***Quantity Traded***	***Value***	***Quantity Traded***	***Qty %***	***Value***	***Value %***
IP (1/9/15 to 1/4/16)	*2,417*	*57,83,92,082 (57 Crore shares)*	*19,78,75,94,681 (Rs. 1978 Crores)*	*433,586*	*0.07*	*26,310,941*	*0.13*

b) *Noticee is into the business of large scale jobbing, arbitrage and positional trading and several dealers execute transactions for us under our pre-defined trading strategy. One such trading strategy is momentum trading strategy wherein its dealers try to analyse the momentum of price movement and the quantity traded. The decision to purchase is generally made only after a trend of momentum is established. The shares are held till the momentum continues and the same are sold when it appears that the momentum is not sustainable. Several other parameters like the quantity of buy side pending orders, sell side pending orders, speed of movement, liquidity etc. are also considered while deciding to transact in a particular security. Its trading in blue blend was similar to trades in several other securities and was in normal course of business.*

c) *Though the alleged period of investigation begins from September 1, 2015, it started purchasing the shares only from November 23, 2015 and not before. This was because before November 23, 2015 the movement in price did not reflect any specific trend and the volumes were also low. It can be observed hereunder that the price was range bound and no of shares traded were also low:*

Date	*Open Price*	*High Price*	*Low Price*	*Close Price*	*No.of Shares*
01-Sep-15	*15.65*	*15.65*	*15.65*	*15.65*	*5*
02-Sep-15	*15.15*	*15.2*	*15.15*	*15.2*	*400*
03-Sep-15	*15.9*	*15.95*	*15*	*15.95*	*259411*
04-Sep-15	*16.05*	*16.65*	*16*	*16.15*	*2750*
07-Sep-15	*16.1*	*16.8*	*16.05*	*16.8*	*90251*
08-Sep-15	*16.75*	*17.05*	*16.75*	*17.05*	*508*
11-Sep-15	*16.2*	*17*	*16.2*	*17*	*525*
14-Sep-15	*16.55*	*16.55*	*16.55*	*16.55*	*32*

Date	*Open Price*	*High Price*	*Low Price*	*Close Price*	*No.of Shares*
15-Sep-15	*16*	*17.25*	*16*	*17.25*	*450*
16-Sep-15	*17.5*	*18.1*	*17.5*	*17.5*	*1900*
21-Sep-15	*18.25*	*18.3*	*18.25*	*18.3*	*1050*
24-Sep-15	*17.4*	*18.95*	*17.4*	*17.45*	*52*
29-Sep-15	*18*	*18*	*18*	*18*	*300*
30-Sep-15	*18.5*	*18.9*	*18.5*	*18.9*	*3090*
01-Oct-15	*18*	*18.1*	*18*	*18.05*	*100*
05-Oct-15	*17.25*	*18.85*	*17.15*	*18.85*	*96*
06-Oct-15	*19.75*	*19.75*	*19.75*	*19.75*	*1010*
07-Oct-15	*19.8*	*19.8*	*19.8*	*19.8*	*100*
12-Oct-15	*19.4*	*19.4*	*18.85*	*18.9*	*600*
13-Oct-15	*19.8*	*19.8*	*18.9*	*18.9*	*2026*
15-Oct-15	*19.8*	*19.8*	*18*	*19.55*	*200*
16-Oct-15	*20.1*	*20.4*	*19.5*	*19.6*	*1425*
20-Oct-15	*20.35*	*20.35*	*20.35*	*20.35*	*100*
23-Oct-15	*21.3*	*21.3*	*19.35*	*19.35*	*300*
26-Oct-15	*20.3*	*20.3*	*18.65*	*18.65*	*650*
28-Oct-15	*17.75*	*19*	*17.75*	*18*	*350*
30-Oct-15	*18.7*	*18.8*	*18.7*	*18.75*	*1210*
02-Nov-15	*19*	*19*	*19*	*19*	*795*
05-Nov-15	*19.95*	*19.95*	*18.15*	*19*	*1326*
09-Nov-15	*19*	*19*	*19*	*19*	*500*
10-Nov-15	*19*	*19*	*18.4*	*18.4*	*800*
13-Nov-15	*18.9*	*19.25*	*18.9*	*19.25*	*800*
16-Nov-15	*19.2*	*19.2*	*19.2*	*19.2*	*100*
17-Nov-15	*19.2*	*20.15*	*18.3*	*18.55*	*5900*
18-Nov-15	*18.6*	*18.75*	*18.55*	*18.75*	*725*
19-Nov-15	*17.95*	*18*	*17.9*	*17.95*	*3250*
20-Nov-15	*18.8*	*18.8*	*17.1*	*17.2*	*2870*

d) *Noticee provided a summary of transactions of reasonable quantity based on trend is given hereunder:*

a. *On November 23, 2015 the price started increasing and we purchased the shares at Rs. 17.9 and Rs. 18 which was very close to the upper price band as the earlier trades had suggested a positive price movement.*

b. *We also bought shares on November 24, 2015 at 18.10 based on earlier trend.*

c. *Thereafter we sold almost all our shares from December 1, 2015 and December 3, 2015 as the price movement was not that convincing.*

d. *On December 4, 2015 the stock again showed strong positive movement so we purchased more than 93000 shares on BSE and NSE.*

e. *Thereafter as the price continued to increase we held on to the shares and tried to purchase more by placing orders daily. However as the shares were locked in upper price band we could not purchase any shares during the period December 5, 2015 to December 17, 2015.*

f. *However on December 18, 2015 we were able to purchase about 32000 shares.*

g. *The stock was continuously hitting the upper price band till December 24, 2015 but on December 28, 2015 the stock showed some weakness as a result of which we sold about 46000 shares at 9:08 am.*

h. *Post 9:08 am on the same day the stock again showed positive movement so we purchased 12237 shares.*

i. *We continued buying till January 6, 2016 and were able to get shares on few days while on other days we could not as the stock was locked in upper price band.*

j. *On January 7, 2016 the stock showed signs of weakness and the trend of hitting the upper price band was discontinued so we sold 95000 shares.*

k. *The trend of hitting the upper price band again started on January 8, 2016 and continued till January 13, 2016.*

l. Similar trading was carried out on later dates when we bought shares on the days when the trend was increasing and sold them when the trend was falling.

e) Further we have similar % of trading in multiple securities due to our large volumes and therefore it is not abnormal for us to do such volumes. The aforesaid goes on to substantiate that our trades in Blue Blend were in normal course of business.

f) Noticee denied all the allegations contained in the SCN and submit that we have always carried out all our activities in complete compliance with the requirements of SEBI and Exchanges. Noticee 1 denied the connection with BP Comtrade except for the client which has no relationship with our trading in Blue Blend. BP Comtrade is a commodity broker and Noticee 1 carry out its commodity transactions through them as a Client. The financial transactions between it and BP Comtrade are for transactions through them. It may be noted that it has received / made payments from / to BP Comtrade in / from our Account No. 317901011012298 towards transactions executed in Commodity Segment. As regards to common email id and password, it is completely unaware as to how the same email id and mobile number appearing for BP Comtrade also. These are email IDs of BP Fintrade and not BP Comtrade.

g) Noticee 1 replied that the said SCN was also delivered to the address of BP Comtrade which they sent to it. Noticee requested to henceforth communicate on its new address: 3, Mint Road, 3rd Floor, Mulji Laxmidas Building, Room No 45, Fort, Mumbai – 400001. Noticee 1 submitted any analysis carried out by clubbing our turnover with BP Comtrade is not correct. The period (February 2, 2016 to April 1, 2016) was being investigated for negative price manipulation and in this regard, it has not manipulated the price of Blue Blend.

h) With regard to the negative price manipulation, Noticee 1 replied that negative price movement comes in a stock because of the sale of securities. It can be observed from its trading pattern that it has been purchasing the securities first, holding it for some short period and then selling them. It also means that it can only profit when it purchase at a lower price first and then sell at higher price. Having purchased shares of blue blend in huge quantity it can never have any intention to deliberately *suppress the price of the same and therefore the allegation of causing negative price manipulation is illogical and absurd.*

i) *Further, it is submitted by the Noticee 1 that when a person intends to sell its holdings the attempt is to exit at the earliest and therefore the impact on price can be more but the same cannot be a reason for allegation of manipulation of price by causing negative price movement. Though it is alleged that there was a negative movement of Rs. 183.3 from 166 trades, the same analysis ignores the fact that there was also a positive movement of Rs. 149.4 from 202 trades. Noticee submitted that the SCN should have fairly recorded the same and cannot take a partial view of the transactions. A holistic view of trading will substantiate that the transactions were absolutely normal and were not manipulative as alleged or otherwise. Placing pending orders or matching an existing pending order is a process of the Exchange. As transacting parties if the seller places the order before the buyer at a particular price it remains as a pending order and in other cases the sellers pending order matches with the existing pending buy order of the buyers. Both types of orders may result in positive or negative price movement.*

j) *Noticee 1 replied that, it is completely unaware of the order quantity of counter parties and therefore no adverse inference can be drawn from the analysis. It executed the trades in hundreds of securities and all these securities cannot fit the market watch of the trading screen. A longer list of market watch requires the dealers to scroll. Further each dealer keeps trading in multiple securities and therefore tracking the price movement of all shares at a time in not possible from the market watch. Therefore the dealers place orders of smaller quantities to keep a check of the price movement as the same is immediately reflected in the message area upon execution of trade. It is also a known fact that the market watch works on a broadcast basis and trade messages are 1 on 1 communication with the Exchange and therefore faster. Therefore to keep a real time watch on price movement orders of smaller quantity are placed. Noticee submitted that all trades were in normal course of business and were not at all manipulative as alleged or otherwise and therefore the SCN may kindly be dismissed and set aside without any adverse inference.*

k) *Noticee 1 referred the Hon'ble SAT order dated January 16, 2020 in the matter of M/s Nishith M. Shah, HUF vs. SEBI and the adjudication order dated February 24, 2020 in the case of Sushma Agarwal, which is apply for them w.r.t the small number of traded shares and absence of connection the buyer and sellers for the trades as alleged in SCN or promoter or director of the Company.*

Reply of Noticee 2

a) *Noticee 2 submitted that it is a company incorporated in the year 1994 and it is a Commodity Broker registered with MCX and NCDEX and also trade in securities. Its volume on the Exchanges are reasonably high and volume in Blue Blend was a very small portion of our overall volume and was not a significant part of our business. A comparative volume analysis us given hereunder:*

Period	**TOTAL**			**Blue Blend**			
	No of Securities	**Quantity Traded**	**Value**	**Quantity Traded**	**Qty %**	**Value**	**Value %**
IP (1/9/15 to 1/4/16)	4,778	77,66,88,322 (77 Crore shares)	192,98,73,81,815 (Rs. 19298 Crores)	92,599	0.01	81,48,304	0.004

b) *Noticee submitted that it is into the business of large scale jobbing, arbitrage and positional trading and several dealers execute transactions for us under our pre-defined trading strategy. One such trading strategy is momentum trading strategy wherein its dealers try to analyse the momentum of price movement and the quantity traded. The decision to purchase is generally made only after a trend of momentum is established. The shares are held till the momentum continues and the same are sold when it appears that the momentum is not sustainable. Several other parameters like the quantity of buy side pending orders, sell side pending orders, speed of movement, liquidity etc. are also considered while deciding to transact in a particular security. Its trading in blue blend was similar to the trades in several other securities and was in normal course of business.*

c) *Noticee denied all the allegations contained in the SCN and submitted that it has always carried out the activities in complete compliance with the requirements of SEBI and Exchanges. With regard to the connection with BP Fintrade, it deny having any relationship with BP Fintrade except for its client, which has no* *relationship with its trading in Blue Blend. It is a Commodity Broker and BP Fintrade is one of the client who carries out commodity transactions through it. Noticee 2 submitted that it has received / made payments from / to BP Fintrade towards transactions executed in Commodity Segment in / from its bank account no. 0600340014629 which is a designated client bank account.*

d) *As regards to email id mobile no. viz. nil_dhan@yahoo.com and mobile number 9821041120, Noticee 2 submitted that these do not belong to it. Its relationship with BP Fintrade is being attempted to be established based on the same email IDs and mobile no allegedly used by it and BP Fintrade, which is reflected on page marked as page "20" in Annexures to the SCN as belonging to it based on record of R.K.Stock Holding Pvt. Ltd. (hereinafter RK). Noticee submitted that this seems to be an error on their part and therefore it had written to them to provide the copies of KYC to check whether they have captured the same correctly or otherwise. A copy of the email sent to RK provided by Noticee 2. It has not received any reply from RK and therefore not in a position to comment any further.*

e) *Noticee 2 submitted that its volumes in many securities are in excess of the total of our volume and that of BP Fintrade in blue blends. A list of some securities where Noticee 2 has done higher volume than Blue Blends is given hereunder:*

Scrip Name	Traded Qty of BP Comtrade plus BP Fintrade	Market Qty	% of trades to Market	Traded Value of BP Comtrade plus BP Fintrade	Market Value	% of to Market Volume
Blue Blends (India) Ltd	526,185	8,414,560	6.25	8,148,304	614,159,235	1.33
Gufic Biosciences Ltd	1,800,334	11,098,689	16.22	80,123,160	506,127,774	15.83
Arvind Smartspaces Ltd	2,464,770	15,649,533	15.75	179,117,960	1,009,341,456	17.75
B.L.Kashyap And Sons Ltd	2,512,423	28,199,416	8.91	50,370,272	536,641,069	9.39
Lanco Infratech Ltd	11,671,308	177,228,555	6.59	67,617,389	999,057,578	6.77
Himadri Speciality Chemical Ltd	3,532,426	59,055,647	5.98	51,983,877	901,262,919	5.77

Karuturi Global Ltd	6,442,996	109,896,711	5.86	15,310,182	246,358,285	6.21
3I Infotech Ltd	8,905,011	152,822,640	5.83	35,667,168	685,507,814	5.20
Andhra Cements Ltd	1,692,837	29,609,881	5.72	12,417,800	204,030,093	6.09
Setubandhan Infrastructure Ltd	1,659,460	30,171,270	5.50	9,748,854	143,817,607	6.78
Castex Technologies Ltd	5,298,173	102,182,830	5.18	102,273,887	1,428,558,351	7.16

f) *With regard to the period (February 2, 2016 to April 1, 2016) was being investigated for negative price manipulation, Noticee 2 submitted that it has not manipulated the price of Blue Blend.*

g) *With regard to the allegation of positive price manipulation in Patch I, Noticee 2 submitted that negative price movement comes in a stock because of the sale of securities. It can be observed from its trading pattern that it has been purchasing the securities first, holding it for some short period and then selling them. It also means that it can only profit when we purchase at a lower price first and then sell at higher price. Having purchased shares of blue blend in huge quantity it can never have any intention to deliberately suppress the price of the same and therefore the allegation of causing negative price manipulation is illogical and absurd.*

h) *Further it is submitted that when a person intends to sell its holdings the attempt is to exit at the earliest and therefore the impact on price can be more but the same cannot be a reason for allegation of manipulation of price by causing negative price movement. Though it is alleged that there was a negative movement of Rs. 183.9 from 166 trades, the same analysis ignores the fact that there was also a positive movement of Rs. 149.4 from 202 trades. Noticee submitted that the SCN should have fairly recorded the same and cannot take a partial view of the transactions. A holistic view of trading will substantiate that the transactions were absolutely normal and were not manipulative as alleged or otherwise. Placing pending orders or matching an existing pending order is a process of the Exchange. As transacting parties if the seller places the order* *before the buyer at a particular price it remains as a pending order and in other cases the sellers pending order matches with the existing pending buy order of the buyers. Both types of orders may result in positive or negative price movement.*

i) *Noticee 2 submitted that it executed the trades in hundreds of securities and all these securities cannot fit the market watch of the trading screen. A longer list of market watch requires the dealers to scroll. Further each dealer keeps trading in multiple securities and therefore tracking the price movement of all shares at a time in not possible from the market watch. Therefore the dealers place orders of smaller quantities to keep a check of the price movement as the same is immediately reflected in the message area upon execution of trade. It is also a known fact that the market watch works on a broadcast basis and trade messages are 1 on 1 communication with the Exchange and therefore faster. Therefore to keep a real time watch on price movement orders of smaller quantity are placed.*

j) *Noticee 2 submitted that all its trades were in normal course of business and were not at all manipulative as alleged or otherwise and therefore the SCN may kindly be dismissed and set aside without any adverse inference*

k) *Noticee 2 referred the the Hon'ble SAT order dated January 16, 2020 in the matter of M/s Nishith M. Shah, HUF vs. SEBI and the adjudication order dated February 24, 2020 in the case of Sushma Agarwal, which is apply for them w.r.t the small number of traded shares and absence of connection the buyer and sellers for the trades as alleged in SCN or promoter or director of the Company.*

7. After taking into account, the allegations levelled in the SCN, reply received and material on record, I hereby proceed to decide the case on merit

CONSIDERATION OF ISSUES, EVIDENCES AND FINDINGS

8. I have carefully perused the charges levelled against the Noticees in the SCN and the materials on record. In the instant matter, the following issues arise for consideration and determination:-

Issue (a): Whether the Noticees have violated the provisions of section 12A (a), (b), (c) of SEBI Act, regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations?

Issue (b): Do the violations, if any, on the part of the Noticees attract monetary penalty under Section 15HA of the SEBI Act for the alleged violations by the Noticees?

Issue (c): If yes, then what would be the monetary penalty that can be imposed upon the Noticees, taking into consideration the factors mentioned in section 15J of the SEBI Act r/w rule 5(2) of the AO Rules, 1995?

9. Before proceeding further, I refer to the relevant provisions of SEBI Act and PFUTP Regulations:

SEBI Act
Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.
Section 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 thereunder;
(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 recognised 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 recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP 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 practices
(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.
(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—
(a) indulging in an act which creates false or misleading appearance of trading in the securities market;
(e) any act or omission amounting to manipulation of the price of a security;

10. On perusal of the material on record and giving regard to the facts and circumstances of the case, I hereby record my findings as under.

11. **Issue (a):** ***Whether the Noticees have violated the provisions of section 12A (a), (b), (c) of SEBI Act, regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations?***

a) I note that an allegation against the Noticees is that a) Noticees are connected to each other on the basis of phone number, e-mail id and transaction in the bank account b) Noticees sold small quantity of shares in the scrip and contributed to negative LTP, thus, Noticees are allegedly instrumental in establishing a price lower than the last traded price and contributed to decreased scrip price c) In view of the repeated pattern of such trades, Noticees have allegedly manipulated the scrip price and created a misleading appearance of trading in the scrip by such trades and thereby allegedly violated sections 12A(a),(b)&(c) of SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations.

b) With regard to the connection among Noticees, Noticees have contended that Noticee 2 is a commodity broker and Noticee 1 is a client for the commodity trades executed through Noticee 2 and its an admitted position that Noticees have bank transactions as alleged in SCN. As regards common email id and mobile number, Noticee 1 contended ignorance as to how its email id and mobile number appears for Noticee 2. Noticee 1 submitted that the said email ID and mobile number belong to Noticee 1 and not to Noticee 2. Further, Noticee 2 stated that the allegation of same e-mail id and mobile number is based on the record of R. K. Stock Holding Pvt. Ltd. and this seems to be an error in KYC done by R. K. Stock Holding Pvt. Ltd. Noticee 2 has contended that it has emailed regarding the issue of common mobile number and email ID to R. K. Stockholding. As regards, the various contentions of Noticee disputing connection, I note from record that no evidentiary proof has been provided by the Noticees to substantiate their contention that the KYC details were erroneous. I also note that in addition to email id and phone number, the addresses of Noticees on record, based on which instant proceedings were initiated are also same and various notices have already been served at those addresses. Thus, I find that allegation that Noticees are connected to each other is established and the trades executed by the Noticees can be analysed together for said alleged violations of the SEBI Act and PFUTP Regulations regarding affecting price fall during February 02, 2016 to April 1, 2016 on BSE.

c) From the various replies of Noticees, it is noted that Noticees have not disputed any of the trades alleged in the SCN to have been done by the Noticees and I note that for Noticees, its an admitted position of having done those trades which allegedly resulted in price fall. Further, as regards, the allegation of price manipulation by the Noticees through the said trades, Noticees have broadly contended that, a) Noticees used the strategy of momentum trading and bought shares on the days when the trend was increasing and sold when the trend was falling. b) it should purchase at a lower price first and then sell at higher price, so Noticees having purchased shares of blue blend in huge quantity it can never have any intention to deliberately suppress the price of the same and therefore the allegation of causing negative price manipulation is illogical and absurd. c) though it is alleged that there was a negative movement of Rs. 183.3 from 166 trades, the same analysis ignores the fact that there was also a positive movement of Rs. 149.4 from 202 trades. SCN cannot take a partial view of the transactions. A holistic view of trading will substantiate that the transactions were absolutely normal and were not manipulative as alleged or otherwise. d) the Hon'ble SAT order dated January 16, 2020 in the matter of M/s Nishith M. Shah, HUF vs. SEBI and the adjudication order dated February 24, 2020 in the case of Sushma Agarwal, applies to them w.r.t the small number of traded shares and absence of connection the buyer and sellers.

d) As regards, the various contentions of Noticees, regarding price manipulation, question before me is whether negative LTP contribution through placing of sell orders for 34,248 shares of BBIL by the Noticees in 166 trades which included placing of sell orders for small quantities when the corresponding pending buy orders were larger could be said to be manipulative in terms of PFUTP Regulations? In this regard, I note that OD has not alleged connection between the Noticees (sellers) and its counterparties i.e. buyers, and Noticees have admitted having done those 700 trades out of which 166 have been alleged to have resulted in negative LTP and thereby price fall. In this regard, I refer to the trade log and order log, which was shared with the Noticees while issuing the SCN.

e) It is observed from the trade and order log that during the IP, Noticees executed 700 trades for 1,38,986 shares of the scrip which includes the trades having positive LTP contribution, negative LTP contribution and no LTP contribution. Out of the said shares traded by the Noticees, as alleged in SCN 166 trades having 34,248 shares contributed to negative LTP. As seen from record, Noticees made 72 trades of sell order placed by Noticees for one share each, 32 trades having sell orders placed by Noticees ranging from 2 to 9 shares each, 11 trades of sell orders placed by Noticees having 10 to 25 shares each and 51 trades for sell order placed by Noticees having more than 25 shares each. The same was also admitted by the Noticees that they had executed the said trades in the scrip. The said trades executed by the Noticees of 34,248 shares in the scrip is 0.41% of the total market volume during the IP.

f) I note from the order log that the orders placed by the Noticees were not market (generally indicated by M in the order log) orders. Further out of 166 trades, in case of 32 trades, the Noticees placed the sell orders (which were marked as L or G in the said order log) before the corresponding buy orders. For the said 32 trades, negative LTP contribution cannot be attributed to the seller as the sell trades were in the order book, which the buyer might have seen. In one trade both buy and sell orders time was same. For the remaining trades, i.e. in case of 133 out of the total of 166 trades, the sell orders placed by the Noticees were after the buy orders which implies that Noticees put lower priced orders, most of them which were limit orders, thereby affecting trades at negative LTP contribution. On the basis of material on record, I find that the said 133 trades resulting in negative LTP contribution, with small sell order quantities in light of large pending buy order were manipulative in nature. These 133 trades resulted in negative LTP contribution on the part of the Noticees of Rs. 142.25 which is 7.79% of the total market negative LTP contribution, thereby affected price fall and hence violated the provisions of sections 12A(a),(b)&(c) of SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations.

g) Noticees referred the case law of Hon'ble Securities Appellate Tribunal in the matter of M/s Nishith M. Shah HUF vs. SEBI (Appeal No. 97 of 2019, date of order: January 16, 2020) mentioning that the trades are small in quantity, there is no connection of the Noticees with the counterparties for the said alleged trades and they are not connected to the directors or promoters of the Company. In this regard, I find that no such allegation is levelled against the Noticees by the OD and conveyed in the said SCNs.

h) In view of the above paras, the alleged violations of the provisions of sections 12A(a),(b)&(c) of the SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations by the Noticees, as conveyed in the SCN stand established.

Issue (b): Do the violations, if any, on the part of the Noticees attract monetary penalty under Section 15HA of the SEBI Act for the alleged violations by the Noticees?

In light of the analysis regarding allegations in terms of material available on record, it has been established that Noticees have violated the provisions sections 12A(a),(b)&(c) of SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations. The relevant provisions in this regard is as under:

The SEBI Act, 1992
Penalty for* fraudulent *and unfair trade practices.
15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

Issue (c): If yes, then what would be the monetary penalty that can be imposed upon the Noticees, taking into consideration the factors mentioned in section 15J of the SEBI Act r/w rule 5(2) of the AO Rules, 1995?

a) While determining the quantum of penalty under section 15J of SEBI Act, 1992, it is important to consider the factors stipulated in section 15J of SEBI Act, 1992 r/w rule 5 (2) of the Adjudication Rules, 1995 , which reads as under:-

The SEBI Act, 1992

***15J**: "Factors to be taken into account by the adjudicating officer-*

While adjudging quantum of penalty under section 23 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."

a) I observe, that the material available on record, does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticees and the loss, if any, suffered by the investors due to such failure on the part of the Noticees. Further, material available on record does not show that the said failure is repetitive. Based on findings in above paragraphs, I conclude that the aforementioned violation of provisions of sections 12A(a),(b)&(c) of SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations attracts monetary penalty and therefore, taking into consideration the facts/circumstance of the case, I am of the view that the Noticees are liable for a monetary penalty of Rs 5,00,000/- (Rupees Five Lakh Only) for violating the said provisions of the SEBI Act and PFUTP Regulations and that the said penalty is commensurate with the violations.

ORDER

13. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under section 15-I (2) of the SEBI Act r/w rule 5 of the AO Rules, 1995, I hereby impose a penalty of Rs 5,00,000/- (Rupees Five Lakh Only) upon the Noticees to be payable jointly and severally under section 15HA of the SEBI Act for violation of sections 12A(a),(b)&(c) of SEBI Act, regulations 3 (a), (b), (c)& (d), 4(1), 4(2) (a) and 4(2) (e) of PFUTP Regulations.

14. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order by one of following two modes:

    a. By using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html
    b. By way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai

15. Details of Demand Draft made as given in format below shall be sent to "The Division Chief, EFD-DRA-III, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.” and also to e-mail id :- tad@sebi.gov.in with following details:

    A. Case Name
    B. Name of the ‘Payer/Noticee’
    C. Date of Payment
    D. Amount Paid
    E. Transaction No.
    F. Bank Details in which payment is made
    G. Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)

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

17. Copies of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of rule 6 of the AO Rules, 1995.

Date: May 05, 2020 **SANGEETA RATHOD**

Place: Mumbai **ADJUDICATING OFFICER**