

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

S. RAMAN, WHOLE TIME MEMBER

ORDER

Under Section 11(1) and 11B of the Securities and Exchange Board of India Act, 1992 read with Section 12A of the Securities Contracts (Regulation) Act, 1956 in respect of Shri Balaji Investments, its Proprietor Mr. Manaklal Panpaliya (PAN: ABRPP4666K) and Mr. Sanjay Rathi (PAN: AGNPR1823K)

1. Shri Balaji Investments (hereinafter referred to as “**Balaji Investments**”) is an Authorized Person of the Stock Broker Angel Broking Private Limited, a member of National Stock Exchange Limited (“**NSE**”) and BSE Limited (“**BSE**”). Balaji Investments became a registered Authorized Person of Angel Broking Private Limited in BSE (Registration number for Equity Segment: AP0106120108572) on June 24, 2011 and in NSE (Registration number for Equity and F&O Segment: AP039775361) on July 22, 2011. Mr. Manaklal Panpaliya is the proprietor of Balaji Investments and Mr. Sanjay Rathi is the dealer-cum-contact person of Balaji Investments.
2. SEBI received information on May 30, 2014 from Khamgaon Police, Buldhana District, Maharashtra, regarding the illegal trading activities of Balaji Investments. SEBI also received the documents seized by Khamgaon Police during its raid conducted at the office of Balaji Investments at Gokul Arcade, Near Axis Bank, Balaji Plot, Khamgaon, Buldhana, Maharashtra – 444303 and they are as under:
 - i. Handwritten records (kachha records) of various scrips bought/sold;
 - ii. Contract Register from February 02, 2014 to May 27, 2014 indicating certain clients having entered into certain derivative contracts on given days;
 - iii. Cashbook indicating receipt and payment of various amounts (in cash);
 - iv. Party wise, Sauda wise standing upto May 28, 2014 indicating outstanding position in certain derivative contracts on given day.
3. Upon preliminary enquiry by SEBI, it was *prima facie* observed that Balaji Investments being an authorized market participant, engaged in illegal trading activities such as trading in equity and

derivative contracts outside the trading platform of the Stock Exchanges or the trading terminals allotted to it, and, further, settled such trades by cash.

4. As the aforesaid activities of Balaji Investments were *prima facie* in violation of provisions of Securities Contracts (Regulation) Act, 1956 ("**SCRA**"), SEBI passed an *ad interim ex-parte* order dated August 27, 2014 ('**ex-parte order**') and restrained Balaji Investments, Mr. Manaklal Panpaliya and Mr. Sanjay Rathie from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly until further orders.
5. The said ex-parte order provided that Balaji Investments, Mr. Manaklal Panpaliya and Mr. Sanjay Rathie may file their objections, if any, within twenty one (21) days from the date of receipt of the said interim order. The order further provided that they may avail an opportunity of personal hearing before SEBI on a date and time to be fixed on a specific request in writing.
6. Thereafter, an opportunity of personal hearing was scheduled before me for Balaji Investments, Mr. Manaklal Panpaliya and Mr. Sanjay Rathie on May 12, 2017. Vide e-mail dated May 10, 2017, Mr. Sanjay Rathie sought an adjournment. Subsequently, another opportunity of personal hearing was granted to the entities on June 06, 2017. Neither Mr. Manak Panpaliya nor his authorized representative appeared before me or filed any written submissions till date. Mr. Sanjay Rathie appeared before me on June 06, 2017 and made the following submissions (both oral and written) to the charges alleged in the ex-parte order cum show cause notice:
 - *"I agree that I have done 'Dabba trading' at Shri Balaji Investment, Khamgaon for only 15 days. I have done, because, Khamgaon is small town and the people are not aware of share trading and the expenses of office are much higher than our earning.*
 - *As I came to know that 'Dabba trading' is good for income for dabba trader, I became greedy and started doing Dabba Trading. But after 15 to 20 days, the local police raided at my office and ceased all documents.*
 - *Manaklal Panpaliya is proprietor of Shri Balaji Investments and he appointed myself as authorized person of that. He never came to office, so he doesn't know about the activities going on in the office. He is innocent in all this activities.*
 - *Shri Balaji Investment is franchisee of Angel Broking Limited, Mumbai. They have blocked the brokerage amount of firm also they have blocked the shares held in DP of Shri Manaklal Panpaliya, myself and my*

wife's account names Kavitha Sanjay Rathi from last 3 years. Also they blocked the deposit amount given at the time of opening our Firm.

- ...me and Manaklal Panpaliya were doing Oil Mill business together, but after this incidence our partnership had broken and I work in a firm as a Manager for the last two years. I request you for your forgiveness in the matter..."

Vide the said written submissions, Mr. Sanjay Rathi also requested SEBI to release their DP accounts and Brokerage amount of Balaji Investments.

7. I have considered the material available on record, such as, the documents furnished by Khamgaon Police, replies and oral and written submissions made before me, etc. Before dealing with the charges levelled against the Noticees, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder:-

“Contracts in notified areas illegal in certain circumstances.

13. If the Central Government is satisfied, having regard to the nature or the volume of transactions in securities in any State or States or area that it is necessary so to do, it may, by notification in the Official Gazette, declare this section to apply to such State or States or area, and thereupon every contract in such State or States or area which is entered into after the date of the notification otherwise than between the members of a recognised stock exchange or recognised stock exchanges in such State or States or area or through or with such member shall be illegal:

Provided that any contract entered into between members of two or more recognised stock exchanges in such State or States or area, shall -

- (i) be subject to such terms and conditions as may be stipulated by the respective stock exchanges with prior approval of Securities and Exchange Board of India;*
- (ii) require prior permission from the respective stock exchanges if so stipulated by the stock exchanges with prior approval of Securities and Exchange Board of India.*

Power to prohibit contracts in certain cases.

16. (1) If the Central Government is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of any security specified in the notification except to the extent and in the manner, if any, specified therein.

(2) All contracts in contravention of the provisions of sub-section (1) entered into after the date of notification issued thereunder shall be illegal.

Contracts in derivative.

18A. *Notwithstanding anything contained in any other law for the time being in force, contracts in derivative shall be legal and valid if such contracts are -*

- (a) traded on a recognised stock exchange;*
- (b) settled on the clearing house of the recognised stock exchange, in accordance with the rules and bye-laws of such stock exchange.*

Stock exchanges other than recognised stock exchanges prohibited.

19. *(1) No person shall, except with the permission of the Central Government, organise or assist in organising or be a member of any stock exchange (other than a recognised stock exchange) for the purpose of assisting in, entering into or performing any contracts in securities.*

(2) This section shall come into force in any State or area on such date as the Central Government may, by notification in the Official Gazette, appoint."

8. I shall now proceed to deal with the charges alleged against Balaji Investments, Mr. Manaklal Panpaliya and Mr. Sanjay Rathi. In the instant case, the issue for consideration is whether Balaji Investments, Mr. Manaklal Panpaliya and Mr. Sanjay Rathi engaged in illegal trading activities such as trading in the equity and derivative contracts outside the trading platform of the Stock Exchanges or the trading terminals allotted to it and settlement of such trades by cash and thereby violated the provisions of Sections 13, 16, 18A and 19 of the SCRA.
9. On an examination of the material available on record such documents furnished by Khamgaon Police, Reports submitted by NSE, BSE and Angel Broking, etc., the following are observed:
 - (a) Balaji Investments is the Authorized Person of Angel Broking Private Limited and Mr. Manaklal Panpaliya is the proprietor of Balaji Investments.
 - (b) From the submissions of Mr. Sanjay Rathi, it is noted that Mr. Manaklal Panpaliya authorized Mr. Sanjay Rathi for the trading activities of Balaji Investments and Mr. Sanjay Rathi was controlling the affairs of Balaji Investments.
 - (c) Balaji Investments executed transactions on behalf of various clients (details of which were mentioned in codes/abbreviations, for e.g., SB, S.A., NM, H.R., AP, S.C.AKL, Nagpur, etc.) in the scrips such as Tata Power, BHEL, DLF, PNB, R Power, HCL Tech, HDFC, etc. and also in the derivative contracts such as Auropharma 24May14, BankNifty 24May14, BHEL

24May14, CenturyTex 24May14, DrReddy 24May14, etc.

- (d) As per the entries of Cashbook it is noted that codes/abbreviations were used by Balaji Investments to mention the details of receipt and payment of various amounts in cash from different clients.
- (e) The aforementioned transactions of Balaji Investments did not take place on the platform of the stock exchanges or through the trading terminals allotted to it.
- (f) Balaji Investments deleted data from its computers before the visit of Angel Broking Private Limited to its office.
- (g) Angel Broking Private Limited informed that they were not aware of the said illegal activities of Balaji Investments. Further, they also informed that trading terminals of Balaji Investments had been disabled and the process of termination of relationship with Balaji Investments has been initiated.
- (h) As per the statement of Mr. Sanjay Rathi recorded by SEBI during its preliminary inquiry and also from the submissions made before me (Oral and written), the following are noted:
 - Mr. Sanjay Rathi was authorized by Mr. Manaklal Panpaliya to carry out the business as an Authorized Person of Angel Broking Private Limited.
 - Mr. Sanjay Rathi carried out trading outside the exchange system to earn more profit and all the settlements for such transactions were made in cash.
 - After a few months of trading, Khamgaon Police raided the office of Balaji Investments.
 - Admittedly, Balaji Investments carried out 'dabba trading' by misusing the status as an authorized person of Angel Broking Private Limited.

In the light of the facts mentioned above and also from the admission of Mr. Sanjay Rathi (written as well as oral submissions), it is clearly established that Balaji Investments was engaged in the illegal trading activities such as 'trading in the equity and derivative contracts outside the trading platform of the Stock Exchanges or the trading terminals allotted to it and the transactions were settled by cash. Admittedly, Mr. Sanjay Rathi was controlling the affairs of Balaji Investments and was liable for the illegal trading activities of Balaji Investments. I also note that Mr. Manaklal Panpaliya is the sole proprietor of Balaji Investments. In view of this, I am of the view that by virtue of his proprietorship of Balaji Investments, Mr. Manaklal Panpaliya and by virtue of his admission Mr. Sanjay Rathi are responsible for the illegal trading activities of Balaji Investments.

10. Balaji Investments as a registered Authorised Person of Angel Broking at the relevant time was duty bound to maintain high standards of integrity, promptitude and fairness and act with due skill, care and diligence in the conduct of all its business, and abide by all the provisions of the Act and the rules, regulations framed by the Central Government, SEBI and the stock exchanges from time to time as may be applicable to them. I note that Balaji Investments, by misusing their status as Authorized Person engaged in illegal trading as detailed above, hence, I am of the view that Balaji Investments, its proprietor Mr. Manaklal Panpaliya and Mr. Sanjay Rathie have violated the provisions of Sections 13, 16, 18A and 19 of the SCRA.
11. SEBI has been entrusted with the important mandate of protecting the investors and safeguarding the integrity of the securities market. In this regard, necessary powers have been conferred upon it under the securities laws. It is, therefore, necessary that SEBI exercises these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of any of the participants in the securities markets. A basic premise that underlines the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities. In view of the gravity of the violations perpetrated by Balaji Investments, its proprietor Mr. Manaklal Panpaliya and Mr. Sanjay Rathie as brought out in the foregoing paragraphs, I am of the opinion that entities such as Balaji Investments, its proprietor Mr. Manaklal Panpaliya and Mr. Sanjay Rathie should not be allowed to have access to the securities market in view of the possible danger to the investors at large.
12. In view of the above, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11 (1) and 11B of the SEBI Act and Section 12A of the SCRA, do hereby pass the following directions:
- Shri Balaji Investments, Mr. Manaklal Panpaliya (PAN: ABRPP4666K) and Mr. Sanjay Rathie (PAN: AGNPR1823K) are restrained from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly for a period of **five** years from the date of this Order.
 - Shri Balaji Investments, Mr. Manaklal Panpaliya (PAN: ABRPP4666K) and Mr. Sanjay Rathie (PAN: AGNPR1823K) are also restrained from associating with any intermediary

registered with SEBI in any official capacity till the expiry of five years from the date of this Order.

13. This Order shall come into force with immediate effect.

14. Copy of this Order shall be forwarded to the recognised stock exchanges and depositories for information and necessary action.

Place: Mumbai
Date: July 20, 2017

S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA