

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11, 11(4) and 11B (1) of the Securities and Exchange Board of India Act, 1992

In respect of:

Sr. No.	Names of the Entity	PAN
1.	HS Tradecom Private Limited	AACCH8988B
2.	Dhanlakshmi Brokers Private Limited	AAECD4759L
3.	Padma Impex Private Limited	AAACL4269P
4.	Ms. Manju Khandelia	ABSPK3421A
5.	Ranisati Dealer Private Limited	AADCR7368C
6.	Ramdut Infraprojects Private Limited	AAFCD7839E
7.	Astabhuja Construction Private Limited	AAKCA4137B
8.	Comfort Intech Limited	AAACC5567H
9.	Esquire Enclave Private Limited	AACCE7065J
10.	Helpful Investment Advisory Private Limited	AACCH4303G
11.	Jugal Chandrakant Thacker HUF	AAFHJ6306K
12.	Ms. Vandana Sharma	AZCPS5582Q
13.	Mr. Madan Lal	ADPPL4684B
14.	Ms. Asha Sharma	DNWPS8199N

(The entities mentioned above are individually known by their respective name or Noticee no. and collectively referred to as "Noticees")

In the matter of Rutron International Ltd. (currently known as Pazel International Ltd.)

Background

1. An investigation was conducted by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") into the trading in the scrip of Rutron International Ltd. (currently known as Pazel International Ltd.) ("**Company / Rutron**" for convenience), for the period of May 03, 2012 to November 28, 2014 (hereinafter referred to as "**Investigation Period**") for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**").

2. It was observed during the investigation that trading in the scrip of the *Company* was suspended with effect from November 15, 1999 on account of non-compliance of Listing Agreement and the same was revoked by the stock exchange with effect from July 01, 2011. During the course of investigation, the price volume data in the scrip of the *Company* was analyzed and it was noticed that the scrip opened at a price of ₹5.25 on May 03, 2012 and increased to a level of ₹269.70 (closing price) on September 10, 2013. Subsequently, there was a stock split of existing equity shares of the *Company* in the ratio of 1:10 with effect from November 22, 2013. Investigation further noticed that subsequent to the stock split, the price of the scrip of *Rutron* opened at ₹24.45 and thereafter fell down and closed at ₹7.3 on November 28, 2014.

3. Based on price-volume movements noticed in the scrip of the *Company*, the Investigation Period has been divided into the following three patches for the purpose of better examination:

Patch-1: Price Rise (₹5.25 to ₹214.45) May 03, 2012 to Feb 11, 2013.

Patch-2: Price Rise (₹218.60 to ₹243) Feb 12, 2013 to Nov 21, 2013.

Patch-3: Price Fall (post-split): (₹24.45 to ₹7.30) Nov 22, 2013 to Nov 28, 2014.

4. The details of price volume movement in the scrip of *Rutron* as observed during the period before investigation, during various patches of the Investigation Period as well as after the Investigation Period are tabulated below:

Table 1: Price / Volume in the scrip of *Rutron*

Period	Dates		Opening	Closing	Low	High	Avg No of shares traded
Pre-Investigation Period	03/04/2012-02/05/2012	Price	There was no trading at BSE during this period				
		Volume					
Patch-1 (Price Rise)	03/05/2012-11/02/2013	Price	5.25	214.45	5.25 (03/05/2012)	270 (22/03/2013)	46
		Volume	50	10	5 (28/06/2012 & 80 more days)	4020 (30/01/2013)	
Patch-2 (Price Rise)	12/02/2013-21/11/2013	Price	218.60	243.00	218 (13/02/2013)	270 (22/03/2013)	46191
		Volume	17200	47595	100 (Nov 05, 2013)	155050 (23/07/2013)	
Patch-3 (Price Fall)	22/11/2013-28/11/2014	Price	24.45	7.30	6.55 (20/06/2014)	24.9 (22/11/2013)	376781
		Volume	10954	59600	505 (19/02/2014)	3811700 (19/03/2014)	
Post-Investigation Period	01/12/2014-31/12/2014	Price	7.30	7.30	6.98 (26/12/2014)	7.38 (04/12/2014)	7973
		Volume	14350	100	100 (17/12/2014 & 1 more day)	54800 (05/12/2014)	

5. On the basis of UCC details, financial transactions, MCA data, etc. examined during the course of investigation, certain group of connected entities including the *Noticees* (hereinafter referred to as “*connected group entities*”) were identified and while analyzing the price and trade movement in the scrip of *Rutron*, the following facts, *inter alia*, came to light:

Patch-1 (May 03, 2012 to February 11, 2013)

- a) During Patch-1, the price of the scrip of *Rutron* opened at ₹5.25 and closed at ₹214.45 and the scrip witnessed a sharp price rise of 3985%, with a net LTP contribution of ₹209.20 to the scrip.
- b) Investigation revealed that, during Patch-1, 3 entities viz. *Noticee no. 12*, *Noticee no. 13* and *Noticee no. 14* (hereinafter referred to as "**3 Noticees**") together have sold 866 shares of *Rutron* in 116 trades. Out of 115 such trades involving trading of only 861 shares, the 3 *Noticees* have contributed ₹201.97 towards the market positive Last Traded Price (hereinafter referred to as "**(+) LTP / positive LTP**") which constituted 96.49% of contribution to the net positive LTP of the scrip observed during Patch-1 of the Investigation Period.
- c) Investigation also noticed that in spite of the fact that the trading system displayed buy orders for larger quantities of the scrip being available in the market, the 3 *Noticees* herein kept placing their sell orders for very small quantities i.e. 5-10 shares only on a repeated basis in each of their transactions always at prices higher than the LTP just to match the price of the pending buy orders, which contributed substantial rise in the price of the scrip of *Rutron*. It was also witnessed that the 3 *Noticees* were holding substantial quantities of shares of the *Company* before executing these 115 trades and despite holding abundant quantity of shares, they released very small number of shares in a controlled manner and matched their sell orders with the existing positive LTP contributing buy orders, mostly by offering shares in the range of 5 shares on a given trading day.
- d) Based on the aforesaid findings, investigation noted that the 3 *Noticees* were not acting as genuine sellers and rather by acting in a concerted manner, manipulated the price of the scrip of *Rutron* and created misleading appearance of trading in the scrip of the *Company*.

Patch-2 (February 12, 2013 to November 21, 2013)

- e) Upon examining the trades executed in the Patch-2 period, investigation noticed that the price of scrip opened at ₹218.60 on February 12, 2013 and after reaching a high of ₹270 during the Patch-2, the scrip closed at a price of ₹243 on November 21, 2013 thereby experiencing a rise of 11.11%(₹24.30) in its market price with a total market positive LTP of ₹318.40 contributed by the traders to the scrip during this period.
- f) The examination of trades executed in Patch-2, revealed that a group of 6 connected *Noticees* viz. *Noticee nos. 1, 2, 3, 4, 9 and 11* (hereinafter referred to as “**6 Noticees**”) through their 64 trades (15815 quantity of shares) executed *inter se* amongst each other, had contributed a market positive LTP of ₹16.85 (5.26% of total market positive LTP) in the scrip of *Rutron*.
- g) In the above 64 trades, *Noticee nos. 1, 2, 3 and 9* were acting as buyers while *Noticee nos. 4 and 11* were acting as counterparties / sellers. These 6 *Noticees* while acting in concert by executing *intra* group trades at prices higher than the LTP, contributed to the price rise in the scrip of *Rutron* and created a misleading appearance of trading in the scrip.

Patch-3 (November 22, 2013 to November 28, 2014)

- h) With effect from November 22, 2013, there was a stock split of the existing equity shares in the ratio of 1:10 in the scrip of *Rutron*. During Patch-3 of the Investigation Period, the price of the scrip opened at ₹24.45 (unadjusted price of ₹244.5), reached a low of ₹6.55 (unadjusted price of ₹65.5) and closed at ₹7.3 (unadjusted price of ₹73), thereby witnessing a fall of 70.14% with a contribution of net negative LTP of ₹17.15 (unadjusted price of 171.5) and total market negative LTP of ₹72.96 (unadjusted price of ₹729.6).
- i) Investigation further discovered that by executing 201 trades *inter se* amongst themselves at prices lower than LTP, a group of six *Noticees* herein viz. *Noticee nos. 3, 5, 6, 7, 8 and 10* (hereinafter referred to as “**six Noticees**”) have contributed

to a price fall of ₹12.74 i.e. 17.46% of the total market negative LTP during Patch-3 in the scrip of *Rutron*. It is again noticed that the *six Noticees* while executing 201 such *intra-group* trades, *Noticee nos. 3, 5 and 8* were on the seller side and other 3 *Noticees* viz. *Noticee nos. 6, 7, and 10* were playing the role of counter party buyers.

- j) Based on the aforesaid findings, investigation noted that the aforesaid *six Noticees* (*Noticee nos. 3, 5, 6, 7, 8 and 10*) while acting in concert as a group during Patch-3 of the Investigation Period, have also created a misleading appearance of trading in the scrip.

6. Investigation noticed that the aforesaid trading pattern followed by the above noted 14 *Noticees* during various Patches of Investigation period, was *prima facie* aimed at creating an artificial and misleading appearance of trading in the scrip in the minds of the investors of Securities Market and other market participants. Keeping in view the afore said factual findings, it has been alleged that the aforesaid trades executed by the *Noticee nos. 12, 13 and 14* during Patch-1, by the *Noticee nos. 1, 2, 3, 4, 9 and 11* during the Patch-2 and also the trades of *Noticee nos. 3, 5, 6, 7, 8 and 10* during Patch-3 of the Investigation period were not genuine trades executed as normal prudent investors or traders and were alleged to have been executed with a view to manipulate the price of the scrip of the *Company*. Further, the unusual, abnormal and fraudulent way of trading in the scrip as displayed by these *Noticees*, have apparently created a misleading appearance of trading in the scrip to the market participants. Such acts of the *Noticees* have been alleged to be in breach of provisions of regulation 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a), (e) of PFUTP Regulations, 2003.

Show Cause Notice and Reply

7. Pursuant to the aforesaid findings made during the investigation, a common Show Cause Notice dated January 18, 2018 (hereinafter referred to as “SCN”) was issued to all the 14 *Noticees*, asking them to show cause as to why suitable direction(s)

under Section 11, 11(4) & 11 (B) SEBI Act, 1992 shall not be issued to them for their alleged acts of violations of provisions of PFUTP Regulations, 2003.

8. I note from the available records that the aforesaid SCN was served on *Noticees nos. 4, 8, 9 and 11 to 14* by post. For *Noticee nos. 1 and 3*, the SCN was served through Affixtures / Hand Delivery. For the remaining *Noticees viz. Noticee nos. 2, 5, 6, 7 and 10*, the SCN was served through Newspaper Publication. In this regard, Public Notices were published on 12.11.2019 in the *Ananda Bazar Patrika* (Kolkata Edition), the *Times of India* (West Bengal and Jaipur Edition) and the *Rajasthan Patrika* to effect service on the aforesaid *Noticees*. I find that in response to the SCN, certain *Noticees* have submitted their written replies. Further, *Noticee nos. 4 and 8* vide separate letters dated 03.04.2018 have sought inspection of certain documents which was provided to them on 24.08.2018 and 23.08.2018 respectively. Additionally, vide letter(s) dated 23.12.2019, copies of documents which have been relied upon in the SCN were also sent by post to *Noticee nos. 4 and 8*. I also note that the demand for certain documents including a copy of the entire Investigation Report (for convenience “IR”) as sought by the *Noticee no. 8* were duly responded to him by stating that all the documents that have been relied upon in the SCN have already been provided to him hence, a further requisition of a copy of entire Investigation Report by him is unwarranted and not relevant to his case. Subsequently, in compliance with the principle of natural justice, an opportunity of personal hearing was accorded to all the *Noticees* and a date of hearing was fixed on 26.08.2020. I note from the records that the hearing notices were served on all the *Noticees* through post / email / newspaper publication. However, on the said date of hearing, Authorized Representatives (AR) appeared on behalf of *Noticee nos. 4 and 8* and represented their case. Further, karta of *Noticee no. 11* appeared on behalf of its HUF and made submissions. However, no one appeared on behalf of the other *Noticees*. In this regard, I note that the letter intimating the hearing notice as well as the newspaper publication contained an email address at which, *Noticees* could have contacted SEBI for communicating anything with respect to their attendance or inability to attend the personal hearing, however, from the materials

available before me, I don't see any request from any of the remaining *Noticees* requesting for more time or adjournment of personal hearing having been received by SEBI so far. Under the circumstances, in my opinion the matter is ripe enough to be proceeded with based on the materials available on record, including the written replies to the SCN as well as the post hearing submissions filed by some of the *Noticees*, details of which are tabulated below:

Table 2: Details of reply filed by the *Noticees*

Noticee No.	Date of Reply
<i>Noticee no. 3</i>	Letter dated January 15, 2020, October 08, 2020
<i>Noticee no. 4</i>	Letters dated April 03, 2018, November 01, 2019, September 16, 2020
<i>Noticee no. 8</i>	Letters dated April 03, 2018, November 01, 2019, January 06, 2020, August 25, 2020, September 18, 2020
<i>Noticee no. 11</i>	Letter dated September 25, 2020
<i>Noticee no. 12</i>	Undated letter received by SEBI on January 20, 2020
<i>Noticee no. 13</i>	Undated letter received by SEBI on January 25, 2020
<i>Noticee no. 14</i>	Undated letter received by SEBI on January 15, 2020

Submissions of the *Noticees*

9. After perusing the written replies filed by the *Noticees* in response to the allegations made in the SCN and by way of their post hearing submissions (as indicated in the preceding table), I summarize their replies hereunder:

Noticee no. 3 (Padma Impex Private Limited)

- a) The *Noticee* has denied its connection with the other group connected entities.
- b) With regard to funds transfer by one of the connected group entities, Mr. Anil Agarwal (hereinafter referred to as "*Anil*"), *Noticee* has submitted that the said

money was received by it against repayment of advance taken by Mr. *Anil* from the *Noticee*.

- c) With regard to its financial transaction with *Rutron*, *Noticee* has submitted that the said transaction was repayment of loan received from *Rutron* by the *Noticee*.
- d) The alleged trades were carried out in the normal course of business and on the stock exchange platform, wherein the counterparty is unknown.

Noticee no. 4 (Ms. Manju Khandelia)

- e) The *Noticee* had not received any hearing notice and came to know about the hearing scheduled in the matter only upon publication in the newspaper, which could have been avoided.
- f) Inspection of only certain documents was provided and documents requested for in the course of inspection are yet to be received. In the absence of receipt of such documents, *Noticee* has not been able to prepare a comprehensive reply.
- g) With regard to her connection alleged in the SCN, the *Noticee* has admitted that Mr. *Anil* is her brother and by virtue of that relationship, she was included in the category of promoter and promoter group in Comfort Fincap Limited (*CFL*). However, she held very miniscule i.e. 0.92% of the shares of *CFL*. Further, such shares of *CFL* were sold long back in the open market between October, 2013 to December, 2013. Moreover, no action has been initiated against Mr. *Anil* in this matter, and the SCN fails the test the principles of equity and is also against the Article 14 of Constitution of India.
- h) *Noticee* has advanced the argument that the allegation of her connection with the other allegedly connected group entities is misconceived and without any basis. In this regard, *Noticee* has relied upon the observations of Hon'ble Supreme Court in the case of *Canara Bank vs. Debasis Das* (200) 4 CC 557.
- i) Based on evidence, no connection of *Noticee* with counterparties / buyers of her trades during Patch-2 of the Investigation Period is established.

- j) *Noticee* has sold around 5 lakhs shares in the scrip of *Rutron* and out of those total number of 5 lakh shares, 2,66,908 shares were alleged to be bought by other *Noticees* and only 15,615 shares have been alleged as manipulative. Therefore, 96.88% of trading of *Noticee* is not considered as manipulative. Hence, the allegation on the remaining 3.12% of total trades in shares of the *Company* is based on surmises and conjectures.
- k) The total volume in the scrip of *Rutron* during the Investigation period was 10,23,62,427 shares. Therefore, *Noticee's* trading volume of those alleged trades in 15,615 shares i.e. only 0.02% of the total market volume is exceedingly miniscule to attract any serious charge of fraudulent and unfair trade practice and price manipulation.

Noticee no. 8 (Comfort Intech Limited)

- a) Inspection of only certain documents were provided and the documents requested for in the course of inspection are yet to be provided. In the absence of such documents, the *Noticee* has not been able to prepare a comprehensive reply. *Noticee* has referred to the following judgments with regard to non-supply of copy of certain documents sought during inspection:
- *Hon'ble Supreme Court in matter of Price Waterhouse & Co. vs. SEBI (Civil Appeal Nos. 6003-6004 OF 2012) (DoD: 10.01.2017)*
 - *Hon'ble Supreme Court in matter of State of UP vs. Shatrughan Lal (DoD: 30.07.1998)*
 - *Hon'ble Supreme Court in matter of Kashinath Dikshita vs. Union of India (1986 3 SCC 229) (DoD: 15.05.1986)*
 - *Hon'ble SAT in the matter of Smitaben N Shah vs. SEBI (Appeal No. 37 of 2010) (DoD: 30.07.2010)*
 - *Hon'ble SAT in the matter of Nitin Kumar Didwania vs. SEBI (Appeal No. 41 of 2016) (DoD: 02.05.2016)*
- b) With reference to the funds transaction made by one of its Directors (Mr. Anil) of *Noticee no. 8* with *Noticee no. 3*, the *Noticee* has informed that it was repayment

of a loan availed by Mr. *Anil* in his personal capacity and not in the capacity of Director / Promoter of the *Noticee*. Further, no action has been initiated against Mr. *Anil* by SEBI in this matter.

- c) With regard to the alleged connection with the Karta of *Noticee no. 11*, i.e. Mr. Jugal Chandrakant Thacker (hereinafter referred to as "*Jugal*"), the *Noticee* has submitted that Mr. *Jugal* was only an Independent Director in the *Noticee* company and had never been involved in the business decisions. His role as an Independent Director was limited and restricted to the extent of attending board meetings and he was never involved in day to day management of the *Noticee*.
- d) *Noticee* had purchased 24,500 shares of *Rutron* at a price of ₹267 per share in April 2013. After waiting for more than one year, since the price of the scrip did not rise as per the expectation, those shares were sold in and around July 2014 and the *Noticee* has incurred loss of ₹64.27 lakhs by selling those shares.
- e) The total trading volume in the scrip of *Rutron* during the Investigation period was 10,23,62,427 shares. Therefore, *Noticee's* trading volume involving the alleged 3000 shares i.e. only 0.0029% of the total market volume is exceedingly miniscule which tantamount to NIL percentage, hence too small to warrant any serious charge of fraudulent and unfair trade practice.
- f) Further, the contribution of negative LTP of ₹0.08 through the alleged 3 sell trades involving 3000 shares by the *Noticee*, is very miniscule and does not warrant serious allegation of fraudulent and unfair trade practice.
- g) The alleged sell orders were placed around 3 pm, however, the buy orders were already available in the stock exchange's system from around 09:18 am. As the *Noticee* has matched its sell orders with the available buy orders in the system, no adverse inference should be drawn against the *Noticee* for the same.
- h) The SCN has not been able to adduce any evidence for the loss incurred by investors or unfair gains made by any person including the *Noticee* in case of

the allegation that the *Noticee* has allegedly contributed to the fall in price of scrip of *Rutron*.

Noticee no. 11 (Jugal Chandrakant Thacker HUF)

- i) With regard to the alleged connection that the Karta of *Noticee no. 11* (Mr. *Jugal*) was holding by being one of the Directors in a *connected group entity* viz: *CFL*, the *Noticee* has submitted that Mr. *Jugal* was not a Director in *CFL* during the relevant time when the alleged transactions were carried out and was appointed as Director of the *CFL* only on August 02, 2014, i.e. nearly one and half years after the alleged trades in scrip of *Rutron*.
- j) As regard the allegation of connection with *Noticee no. 5* (Ranisati Dealer Private Limited), it has been denied by stating that no such fund was received by it from *Noticee no. 5*. In this regard, *Noticee* has submitted that it has opened and operated only one bank account with HDFC Bank bearing no. "10531930003644" and has submitted the bank account statement of the aforementioned HDFC Bank account to support his contention of having not received any fund from *Noticee no. 5*.
- k) With regard to the manipulative trades alleged in the SCN, the *Noticee* has submitted that a sell trade of 200 shares, wherein a contribution of ₹0.10 to LTP has been made is very miniscule and is only 0.08% of the total positive LTP contributed in the scrip of *Rutron* during the relevant period. The *Noticee* has further argued that no allegation of any manipulation has been levelled on sale of 39,800 shares of *Rutron*.

Noticee no. 12, 13 and 14

- l) While denying the allegations made in the SCN, these *Noticees* have submitted that they do not share common address, as alleged in the SCN.

10. In addition to the above, *Noticee no. 4* and *Noticee no. 8* have relied on the observations made in the following orders to argue that no action should be initiated against them in absence of any action against the counter party:

- Hon'ble SAT in the matter of *HB Stockholdings vs. SEBI* (Date of Decision: 27.08.2013, Appeal 114 of 2012)
- Hon'ble SAT in the matter of *M/s Nishith Shah (HUF) vs. SEBI* (Date of Decision: 16.01.2020, Appeal 97 of 2019)
- Hon'ble SAT in the matter of *Narrotam Gandhi vs. SEBI* (Date of Decision: 21.01.2020, Appeal 225 of 2019)
- SEBI WTM order in the matter of *First Financial Services* dated 02.04.2018.
- SEBI WTM order in the matter of *Confidence Finance and Trading Limited* dated 31.12.2018.

Consideration of Issues and Findings

11. Considering the allegations leveled against the *Noticees* in the SCN based on the findings of investigation, the explanations offered by the *Noticees* to the allegations made in the SCN through their written replies and after hearing some of them personally, I find that in this case, the following issues require consideration:

- *Issue 1: Whether the Noticees are connected entities.*
- *Issue 2: Whether the acts of the Noticee nos. 12, 13 and 14 during Patch-1 of the Investigation period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.*
- *Issue 3: Whether the acts of the Noticee nos. 1, 2, 3, 4, 9, and 11 during Patch-2 of Investigation Period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.*
- *Issue 4: Whether the acts of the Noticee nos. 3, 5, 6, 7, 8 and 10 during Patch-3 of Investigation Period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.*

12. Before dealing with the aforementioned issues and the replies/arguments of the *Noticees* on charges on merit, I deem it necessary to deal with the preliminary objections raised by some of the *Noticees*. I note that *Noticee nos. 4 and 8* have objected

to non-furnishing of certain documents including IR, its annexures and complete trade and order log etc. to them. In this regard, I note from the records available before me that the *Noticee nos. 4 and 8* vide their letters dated November 01, 2019 and January 06, 2020 respectively had already raised similar issues before SEBI, to which a detailed reply stating therein the reasons for non-supply of certain documents have already been communicated vide letter dated December 23, 2019 and February 12, 2020 to them. It is noted that these *Noticees* have been provided with all the relevant extracts of the IR in the form of SCN & its annexures and also other documents relied upon in the SCN qua them. Further, *Noticee no. 8* has also *relied* upon observations of Hon'ble Supreme Court and Hon'ble SAT to support its arguments. Having gone through the judicial decisions referred to by the *Noticee*, I am of the view that the observations made in those decisions referred to by the *Noticee no. 8*, are factually distinguishable from the present proceedings, hence, the propositions of law made therein are not applicable in the instant case. For instance, *Noticee no. 8* has referred to the following observations of Hon'ble Supreme Court in matter of *Price Waterhouse (supra)*:

"We direct, that all statements recorded during the course of investigation shall be provided to the respondents. We further direct, that all documents collected during investigation shall be permitted to be inspected by the respondents. The authors of such statements (recorded during investigation), which are to be relied upon (against the respondents), shall be offered for cross-examination to the respondents. Only thereupon, it will be permissible to rely upon the same."

13. I note that while referring to the aforesaid observations of the Hon'ble Supreme Court in matter of *Price Waterhouse (supra)*, the Hon'ble SAT in the matter of *B. Ramalinga Raju vs. SEBI (Appeal No. 286 of 2014) (DoD: 12.05.2017)*, *inter alia*, has clarified that *"Apex Court in case of Price Waterhouse has specifically recorded that the directions given in that case are general directions given as and by way of clarifications without going into the merits of the case. Therefore, directions given in the facts of Price Waterhouse cannot be said to be the ratio laid down by the Apex Court applicable to all other*

case". Similarly, in the case of *UP vs. Shatrughan Lal* (supra) referred to by the *Noticee no. 8*, I note that the documents which were referred to in the charge- sheet to draw strength relying thereon, were as evidence in support of articles of charges, were essential to be furnished to the accused and non-furnishing of those documents to the accused would have resulted in causing a grave prejudice thereby vitiating the proceedings. However, in the instant matter, it is noted that the documents which have been relied upon while making allegations in the SCN have already been furnished to the *Noticees* as annexures to the SCN and inspection of such documents have also been provided to *Noticee nos. 4 and 8*, in order to ensure fair opportunity to them and to avoid any prejudice. Therefore, the contentions of non-furnishing of the copy of the IR by SEBI does not need to be seen with impunity as no prejudice has been shown to have caused to the *Noticees* by not furnishing the IR. Further, in the matter of *Nitin Kumar Didwania* (supra), the Hon'ble SAT has *inter alia* directed SEBI to either provide the inspection of documents or give reasons for non-providing of inspection of documents. I feel the contention put forth by the *Noticee* is not applicable in the instant case because in the above referred case, request of the appellant for inspection of documents was rejected by recording that all the documents relied upon by SEBI while passing the interim order have already been provided to the appellant, however, in the instant matter, as already mentioned above, the *Noticee* has been provided with opportunity of inspecting the relevant documents and also vide its letter date February 12, 2020 has already provided detailed reasons for not providing certain other documents including the entire IR as requested for, to the *Noticee no. 8*. Apparently the other documents and IR as demanded by the *Noticee* did not have any relevance for the *Noticee* since all the relevant portions of the IR and other documents that have been relied upon in the SCN against the *Noticees* have already been made available to them. Regarding the contention of non-supply of complete trade and order logs, it would be apt to refer here to the observations of the Hon'ble SAT in the matter of *Mayrose Capfin Pvt. Ltd. Vs. SEBI* (Appeal No. 20 of 2012 decided on March 30, 2012) wherein the Hon'ble Tribunal has, *inter alia*, stated that: "...no prejudice has been caused to the appellant on this count as the extract of the relevant trade logs and order

logs pertaining to the appellant was made available which was enough for him to defend himself or to make proper representation against the proposed action."

14. Thus, from the material available on record, I note that relevant information which have been relied upon from the Investigation Report, had already been provided either in the SCN or as annexures to the SCN. Further, as highlighted above inspection of such documents have already been granted on August 23, 2018. *Noticees* have not explained as to how non-furnishing of those documents or portions of IR which have not been relied upon in the SCN, have caused prejudice to their interest in the present proceedings. Considering the foregoing, I find the contentions of the *Noticees* to be unfounded and unjustified and hence, do not require any further consideration.

15. I note that *Noticee no. 4* has advanced an argument stating that the hearing notice in the captioned matter was served upon her through newspaper publication, which cannot be treated as a substitute to a notice personally served upon a party. In this regard, I note from the records available before me that the SCN was served upon the *Noticee no. 4* on the last address available in the records i.e. "*Chenab Textile Mills, P.O. Kathua, Jammu, Jammu and Kashmir, 184102*" and *Noticee no. 4* while replying to the SCN vide her letter dated April 03, 2018 had informed SEBI regarding her new correspondence address viz: "*C/2801, Oberoi Woods, Mohan Gokhale Road, Goregaon (East), Mumbai-400063*". Further, *Noticee no. 4* vide her letter dated November 01, 2019 had communicated with SEBI from the aforesaid new address in response to which communication was also sent by SEBI vide letter dated December 23, 2019 at the aforesaid new address. Subsequently, the hearing notice to *Noticee no. 4* was sent to the same new address of the *Noticee*, but the said hearing notice could not be served on her at the said address given by her. Thereafter, considering the Covid-19 pandemic restrictions, as a cautionary measure, the hearing notice was published through newspaper publication. Therefore, it can be seen that all the communications including the hearing notice for hearing scheduled on August 26, 2020 were done on the aforementioned new address as informed by the *Noticee no. 4* to SEBI.

Subsequently, *Noticee no. 4* vide email dated August 10, 2020 informed SEBI that she saw the hearing notice in the newspaper and she has informed about change in her postal address. As per the information so furnished, her new address is now “B-3002, Oberoi Esquire, Mohan Gokhale Road, Goregaon, East, Mumbai 400063”, whereas the last address available with SEBI was “C/2801, Oberoi Woods, Mohan Gokhale Road, Goregaon (East), Mumbai-400063.

16. It is further pertinent to note that the SCN categorically asked the *Noticees* “to keep SEBI informed about the change in correspondence address, if any, till the proceedings are complete.” As noted above, the *Noticee no. 4* in the instant matter, for some reasons best known to her, has failed to do so and only after coming to know about the hearing notice in the newspaper, she has communicated her further changed address to SEBI. As already mentioned above, on the basis of the last known address available, SEBI had sent the hearing notice which could not be served on her as she had already changed her address by then and as an additional measure, the hearing notice was published through newspaper publication which in fact drew her attention and response. Without prejudice to the above, it can be said that pursuant to the service of the hearing notice through the newspaper publication, the *Noticee* has in fact got sufficient opportunity to defend her case on merit as nor prejudice is presented to have caused to her, hence the issues raised by her on the issue of service of notice lacks any merit and does not require any further consideration.

Issue 1: Whether the *Noticees* are connected entities.

17. The SCN has proceeded on to allege that the all *Noticees* were part of a set of *connected group entities* and have enjoyed connections with each other and the said *inter se* connection was based on common addresses, common shareholder-ship, financial transactions, common directorship and common address of directors, etc. For instance, *Noticee no. 5* is a shareholder in *Noticee no. 3* and there are financial transactions between *Noticee no. 5* and *Noticee no. 11*. I also note that *Noticee no. 3* is connected to the *Company* in terms of bank transactions with the *Company*. Similarly, certain *Noticees* were connected to each other on the basis of fund transactions with

common entities. For instance, *Noticee nos. 1, 2 and 3* had financial transaction with a common entity viz. Keshav Madhav Enterprise. Similarly, *Noticee nos. 3 and 5* are connected on the basis of financial transaction with a common entity viz: Manmade Fibres Pvt. Ltd. With regard to connection on the basis of common Directors, I note that one Bhavna Manish Tivadi (DIN-07227596) was a Common Director in *Noticee nos. 3 and 8*. Similarly, *Noticee nos. 9 and 10* have a common Director namely, Debi Prasad (DIN-6528550). On the basis of common addresses, I note that *Noticee no. 12* shares a common address i.e. "18, Chandra Nagar, Gopalpura, Jaipur, Rajasthan", with *Noticee no. 2*. Similarly, as per the UCC details available on record, I note that *Noticee nos. 3 and 6* share common address "34a, Metcalfe, St 4th Floor, R N 4f, Kolkata, 32, 85, 700013". Further, Directors of *Noticee nos. 1 and 2* shared common address. I further, note that *Noticee no. 13* received physical shares in off market from one Heet P shah who is connected to one Mr. Piyush Shah on the basis of common address and Mr. Piyush Shah in turn is connected to *Noticee no. 12* as he has transferred physical shares in off market to *Noticee no. 12* as well. Therefore, *Noticee no. 12 and 13* apparently enjoyed connection with each other through purchase of shares in off market mode from the entities having common address.

18. As already mentioned above, most of the *Noticees* have chosen not to file any written reply and even have preferred to abstain from personal hearing. I further note that that certain *Noticees* have disputed their alleged connection with the other *connected group entities* including other *Noticees*. I have perused replies of the said *Noticees* with regard to the connections alleged in the SCN. Before I delve into the specifics of the alleged connection and the basis of such allegation, I find it relevant to observe that the alleged connection amongst the *Noticees*, whether direct or indirect, which was noticed during investigation is considered as one of the factors for alleging the violations against the *Noticees* as per the SCN. The said alleged connection of each of the *Noticees* is mainly corroborated by their conduct, viz., the peculiar ways of trading in the scrip of *Rutron* in a concerted manner, which remained suspended for trading since November, 1999 for a long period of 12 years till July,

2011 and that has also been considered as another factor for imputing charges against the *Noticees*. In this background, the unique way of trading done by the *Noticees* and the connections observed amongst them assume significance. As mentioned in the SCN and Annexure 2 thereto, the connection amongst the *Noticees* has been alleged based on the analysis of the KYC/ UCC details, details on the MCA website, off-market transfers and bank account statements of each of the *Noticees*. In fact, I find that the analysis of the aforesaid details has imputed connection amongst a larger set of *connected group entities* (referred to as “**Group-1 entities**” in the SCN), out of which 14 entities have been made part of the instant proceedings apparently due to their *inter se* close nexus coupled with their trading in a concerted manner as described above, and hence they are being suitably termed as *Noticees*. Some of these *Noticees* are directly connected to each other based on common directorship, common address, fund transactions, off-market transactions, etc., while the remaining *Noticees* share connections amongst themselves by virtue of being connected to other *connected group entities* as referred to above, who have not been proceeded with in the instant proceedings. Be that as it may, the common factors for imputing connection amongst the *Noticees*, either directly or through the other *connected group entities*, are observed to be based on certain undisputable facts such as sharing of common directors, common address, fund transactions, off-market transactions, etc.

19. I note that some of the *Noticees* have contended that their banking transactions with other *Noticees* including the *connected group entities* as mentioned in Annexure 2 to the SCN were purely commercial in nature. However, none of these *Noticees* has submitted any documentary evidence in support of the said contention. For instance, *Noticee no. 3* has contended that its transaction with the *Company* and Mr. Anil (one of the *connected group entities*) was related to repayment of loan / advance. However, no underlying independently verifiable document has been provided by the said *Noticee* to support its contention.

20. I note that the *Noticee nos. 8 and 11* have contended that the karta of *Noticee no. 11* (Mr. Jugal) was only an Independent Director in the *Noticee no. 8* and was not

involved in the day to day management / business decisions of the *Noticee no. 8*. In this regard, it is to be noted that the relationship/connections amongst various entities has been sought to be established on the basis of inter-play of a multiplicity of factors such as common address, fund transfers, securities transactions, common directors, etc. Although a person under the Companies Act, 2013 is permitted to become an Independent Director in various companies, the possibility of there being a relationship/nexus or sharing of information amongst those companies cannot be ruled out especially in a situation when such companies display similar unusual trading interest vis-à-vis a particular scrip whose trading was under suspension for 12 years, as noticed in the instant case. Further, the allegation of interconnectedness is required to be evaluated taking into account the totality of the facts & circumstances, which indicate such interconnectedness as highlighted above, besides considering various other factors such as the background of the *Company*, the liquidity/illiquidity of the scrip, trading behavior, trading pattern and other conduct exhibited by the entities who traded in the said scrip etc. Under such circumstances , I would deal with the contentions and explanations offered by the *Notices* to assess the extent of connectedness that these *Notices* enjoyed and the nature, pattern and peculiarities of the trading conduct adopted by the *Notices* including their respective contribution to the LTP of the scrip while dealing in the shares of the *Company* during the Investigation Period so as to adjudicate if the trading activities of these *Notices* possessed elements sufficient to hold them as manipulative or fraudulent trades falling within the ambit of alleged provisions of *PFUTP Regulations, 2003*.

21. With regard to the contention of *Noticee no. 4* that her name was included in the category of promoter and promoter group in *CFL* by virtue of her relationship with one Mr. *Anil* (admittedly her brother), it is pertinent to note that she has not disputed her directorship in the *CFL*. In fact, she has admitted that Mr. *Anil* is her brother who was directly connected to *Noticee no. 3* and *Noticee no. 8*. Further, the records available before me also indicate that alongwith *Noticee no. 4*, Mr. *Anil* was also a Director in *CFL*. Considering the aforesaid blood relationship between them, it can be reasonably

concluded that the *Notices no. 4* was connected to other *Notices* through her brother and other *connected group entities*.

22. Some of the *Notices* have contended that no proceedings have been initiated against some other *connected group entities* including *Mr. Anil Agarwal* and in the absence of proceedings against those other *connected group entities*, the instant proceedings deserve to be dropped as it would not serve any purpose. In this respect, it is a trite law to state that in the quasi-judicial proceedings, the adjudicator is bound within the realms of the show cause notice before him. In the instant case, after examining the role of other *connected group entities*, if SEBI has found that it is not necessary to proceed against them, the same logic cannot be *suo moto* as a matter of right, extended to the *Notices* in this proceedings, more particularly, when these *Notices* have not submitted any explanation with supporting document to substantiate that they are also identically placed with those other connected group entities against whom no action has been proposed after completion of investigation. In fact, in the matter of *Systematix Shares & Stocks India Limited v. SEBI (2012)*, the Hon'ble SAT also had the occasion to deal with an argument similar to the *Notices* contending that the Board should have proceeded against all wrongdoers and the action against few entities alone was discriminatory. In the said case, the Hon'ble SAT had observed that "*We cannot subscribe to this view since the Board has set its own benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful.*" In the instant case as well, the Board after examining and considering the role of each of the *connected group entities*, including the *Notices* herein, their trades during the relevant period, have consciously decided to initiate proceedings against such entities who were noticed to have role in the commission of the violations as alleged in the SCN. Thus, depending upon attendant facts and circumstances, I observe from records that some of the *connected group entities* have been made *Notices* in the instant proceedings while some other entities have been reportedly proceeded against in separate proceedings including adjudication proceedings. Be that as it may, the Board has set its criteria and exercised *intelligible*

differentia while selecting cases/entities for proposing action and the *Notices* cannot plead innocence by merely basing their arguments on such extraneous reasons. I also find it appropriate to observe that though the *Notices* have claimed parity with the other entities, who have not been proceeded with, however, these *Notices* have not brought any specific instance to my attention which are factually identical or similar to that of the entities so as to stake a claim that they also ought to have been exonerated from the instant proceedings. Considering the foregoing, I reject this contention of the *Notices* in *limine* and do not find it necessary to further deal with this contention.

23. Considering the aforesaid and the fact that these entities are found to be connected to each other and almost all of their trades have been entered with the connected entities and from their unusual trading pattern in the scrip of the *Company*, it cannot be stated with confidence that the trades executed by them were mere coincidences without there being any commonality between the *Notices* and their trading pattern do not in the scrip of *Rutron* do not suggest for abnormality. In view of the above and in absence of any material contrary to the allegations, I find that it can be reasonably concluded that the *Notices* are enjoying close proximities as well as close connection amongst themselves.

Issue 2: Whether the acts of the *Noticee nos. 12, 13 and 14* during Patch-1 of the Investigation period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?

24. I note that in the SCN, the acts of the *Notices* of indulging in manipulative trades by contributing to positive as well as negative LTP in the scrip of *Rutron*, repeatedly during different patches of the Investigation period, have been alleged to have violated various provisions of PFUTP Regulations, 2003. Therefore, before moving forward on this issue, it would be proper to visit the afore-stated provisions alleged to have been violated in the SCN. The said provisions are produced hereunder for ready reference:

Regulation 3 of SEBI (PFUTP) Regulations, 2003: - Prohibition of certain dealings in securities

3. No person shall directly or indirectly –

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.*

Regulation 4 of SEBI (PFUTP) Regulations, 2003: - 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*

25. It has been alleged in the SCN that the *Noticee nos. 12, 13 and 14* have executed artificial and manipulative sell trades in the scrip of *Rutron* during Patch-1 of the Investigation Period. The details of such trades executed by these 3 *Noticees* and their impact on the LTP of price of scrip of *Rutron* are tabulated below:

Table 3: Trading by the 3 Noticees during Patch-1

LTP analysis in Patch-1													
Noticee Name	All trades			(+ve) LTP			(-ve) LTP			(0)LTP		% of Negative LTP to Net Market Negative LTP	% of Negative LTP to Total Market Negative LTP
	LTP impact	No of trades	QTY traded	LTP impact	No of trades	QTY traded	LTP impact	No of trades	QTY traded	No of trades	QTY traded		
Madan lal	122.20	44	265	122.2	44	265	0	0	0	0	0	58.413	56.4695
Vandana Sharma	61.92	49	400	61.92	48	395	0	0	0	1	5	29.59847	28.61368
Asha Sharma	17.85	23	201	17.85	23	201	0	0	0	0	0	8.532505	8.248614
Total of 3 Noticees	201.97	116	866	201.97	115	861	0	0	0	1	5	96.49	93.33
Market Total	209.20	157	5811	216.40	128	1431	-7	105	1	28	4275	100	100

26. From the table no. 3 presented above, it is noted that during the Patch-1 period, the 3 *Noticees* have cumulatively executed 116 trades and out of these 116 trades, through 115 trades executed by them, they have contributed a total amount of positive LTP of ₹201.97 which is 96.49% of the net market positive LTP of ₹209.20 and 93.33% of the total market positive LTP of ₹216.40, as witnessed in the trading of the scrip of *Rutron* during the said period. I also observe from the above table that such net positive LTP of ₹201.97 was contributed by the above noted group of 3 *Noticees* by way of trading in only 861 shares, which is just 14.81% of the total shares traded (5811 shares) in the scrip of *Rutron* during the Patch-1 of the Investigation Period. The aforesaid trading volumes wherein group of 3 *Noticees* have contributed to more than 96% of net positive market LTP by executing less than 15% of the total trades in the scrip of *Rutron* during the said period, raises strong suspicion about the intent behind adopting the peculiar the trading pattern as adopted by the 3 *Noticees*.

27. I further observe from the trade logs (annexed to the SCN) that each of those 115 positive LTP contributing trades was the '*first trade*' executed on the respective

trading days. Trade wise order details of the aforementioned 115 trades contributing to positive LTP are tabulated below:

Table 4: Order details of trades executed by Noticees no. 12 to 14 during Patch-1

Sr. No	Trade Date	Seller Name	Buy Order Time	Sell Order Time	Time Diff Between Buy and order	Buy Order Rate	Sell Order Rate	Trade Rate	LTP Diff	%LTP	Buy Order Quantity	Sell Order Quantity	Trade QTY
1.	06-Jun-12	VANDANA SHARMA	9:15:01	14:58:40	5:43:40	6.67	6.67	6.67	0.31	4.87	2000	50	50
2.	14-Jun-12	VANDANA SHARMA	9:15:00	13:34:18	4:19:18	7.35	7.35	7.35	0.35	5	1000	50	50
3.	29-Jun-12	VANDANA SHARMA	9:15:00	15:12:53	5:57:53	8.91	8.91	8.91	0.42	4.95	100	5	5
4.	03-Jul-12	VANDANA SHARMA	9:15:00	13:41:05	4:26:05	9.35	9.35	9.35	0.44	4.94	1000	10	10
5.	04-Jul-12	VANDANA SHARMA	9:15:00	14:05:48	4:50:48	9.81	9.81	9.81	0.46	4.92	50	5	5
6.	05-Jul-12	VANDANA SHARMA	9:15:00	13:50:27	4:35:27	10.3	10.3	10.3	0.49	4.99	500	5	5
7.	09-Jul-12	VANDANA SHARMA	9:15:00	14:14:40	4:59:40	10.81	10.81	10.81	0.51	4.95	500	5	5
8.	10-Jul-12	VANDANA SHARMA	9:15:00	9:29:20	0:14:20	11.35	11.35	11.35	0.54	5	5000	5	5
9.	11-Jul-12	VANDANA SHARMA	9:15:00	11:39:41	2:24:40	11.91	11.91	11.91	0.56	4.93	2000	5	5
10.	16-Jul-12	VANDANA SHARMA	9:15:00	14:41:22	5:26:22	12.5	12.5	12.5	0.59	4.95	400	5	5
11.	18-Jul-12	VANDANA SHARMA	9:15:00	11:02:02	1:47:02	13.12	13.12	13.12	0.62	4.96	500	10	10
12.	20-Jul-12	VANDANA SHARMA	9:15:01	14:05:10	4:50:10	14.45	14.45	14.45	0.68	4.94	2000	5	5
13.	24-Jul-12	VANDANA SHARMA	9:15:00	14:36:41	5:21:41	15.17	15.17	15.17	0.72	4.98	500	5	5
14.	25-Jul-12	VANDANA SHARMA	9:15:00	15:10:00	5:55:00	15.92	15.92	15.92	0.75	4.94	200	5	5
15.	26-Jul-12	VANDANA SHARMA	9:15:00	14:20:43	5:05:43	16.71	16.71	16.71	0.79	4.96	400	10	10
16.	27-Jul-12	VANDANA SHARMA	9:15:00	15:09:32	5:54:32	17.54	17.54	17.54	0.83	4.97	900	5	5
17.	30-Jul-12	VANDANA SHARMA	9:15:00	14:11:57	4:56:57	18.41	18.41	18.41	0.87	4.96	400	5	5
18.	01-Aug-12	VANDANA SHARMA	9:15:01	13:47:34	4:32:34	19.3	19.3	19.3	0.89	4.83	2000	5	5
19.	06-Aug-12	VANDANA SHARMA	9:16:25	14:30:46	5:14:21	20.25	20.25	20.25	0.95	4.92	2000	5	5
20.	07-Aug-12	VANDANA SHARMA	9:15:00	15:14:10	5:59:10	21.25	21.25	21.25	1	4.94	1200	5	5
21.	10-Aug-12	ASHA SHARMA	9:15:00	13:28:24	4:13:24	22.3	22.3	22.3	1.05	4.94	900	5	5
22.	16-Aug-12	ASHA SHARMA	9:15:00	13:40:35	4:25:35	22.7	22.7	22.7	0.4	1.79	400	5	5
23.	22-Aug-12	VANDANA SHARMA	9:15:00	12:42:52	3:27:52	23.6	23.6	23.6	0.45	1.94	500	5	5
24.	27-Aug-12	ASHA SHARMA	9:15:00	14:17:29	5:02:29	24.05	24.05	24.05	0.45	1.91	1000	5	5

Sr. No	Trade Date	Seller Name	Buy Order Time	Sell Order Time	Time Diff Between Buy and order and sell order	Buy Order Rate	Sell Order Rate	Trade Rate	LTP Diff	%LTP	Buy Order Quantity	Sell Order Quantity	Trade QTY
25.	28-Aug-12	VANDANA SHARMA	9:15:00	15:20:53	6:05:53	24.5	24.5	24.5	0.45	1.87	1100	5	5
26.	30-Aug-12	ASHA SHARMA	9:15:00	15:21:53	6:06:53	24.95	24.95	24.95	0.45	1.84	200	5	5
27.	31-Aug-12	VANDANA SHARMA	9:15:00	15:28:23	6:13:23	25.4	25.4	25.4	0.45	1.8	500	5	5
28.	03-Sep-12	ASHA SHARMA	9:15:00	14:48:40	5:33:39	25.9	25.9	25.9	0.5	1.97	2000	5	5
29.	04-Sep-12	VANDANA SHARMA	9:15:00	13:32:04	4:17:04	26.4	26.4	26.4	0.5	1.93	800	5	5
30.	05-Sep-12	ASHA SHARMA	9:15:00	15:28:19	6:13:19	26.9	26.9	26.9	0.5	1.89	500	5	5
31.	07-Sep-12	VANDANA SHARMA	9:15:01	15:25:31	6:10:30	27.4	27.4	27.4	0.5	1.86	1500	5	5
32.	10-Sep-12	ASHA SHARMA	9:15:00	13:35:31	4:20:31	27.9	27.9	27.9	0.5	1.82	200	5	5
33.	11-Sep-12	VANDANA SHARMA	9:15:00	15:29:06	6:14:06	28.45	28.45	28.45	0.55	1.97	500	5	5
34.	12-Sep-12	ASHA SHARMA	9:15:00	15:28:43	6:13:43	29	29	29	0.55	1.93	1000	5	5
35.	14-Sep-12	VANDANA SHARMA	9:15:00	14:58:37	5:43:37	29.55	29.55	29.55	0.55	1.9	1000	5	5
36.	20-Sep-12	ASHA SHARMA	9:15:00	15:14:51	5:59:51	30.1	30.1	30.1	0.55	1.86	200	15	15
37.	24-Sep-12	VANDANA SHARMA	9:15:00	13:50:55	4:35:55	30.7	30.7	30.7	0.6	1.99	1000	20	20
38.	27-Sep-12	ASHA SHARMA	9:15:00	13:06:26	3:51:26	31.3	31.3	31.3	0.6	1.95	2000	5	5
39.	03-Oct-12	ASHA SHARMA	9:15:00	13:47:34	4:32:34	31.9	31.9	31.9	0.6	1.92	500	15	15
40.	08-Oct-12	VANDANA SHARMA	9:15:00	15:25:18	6:10:18	32.5	32.5	32.5	0.6	1.88	1000	5	5
41.	09-Oct-12	ASHA SHARMA	9:15:00	15:10:35	5:55:35	33.15	33.15	33.15	0.65	2	800	10	10
42.	11-Oct-12	VANDANA SHARMA	9:15:00	13:48:39	4:33:39	33.8	33.8	33.8	0.65	1.96	500	10	10
43.	15-Oct-12	ASHA SHARMA	9:15:00	15:27:13	6:12:13	34.45	34.45	34.45	0.65	1.92	4000	10	10
44.	17-Oct-12	ASHA SHARMA	9:15:00	14:11:38	4:56:38	35.1	35.1	35.1	0.65	1.89	200	10	10
45.	18-Oct-12	VANDANA SHARMA	9:15:00	10:34:49	1:19:49	35.8	35.8	35.8	0.7	1.99	1200	15	15
46.	22-Oct-12	ASHA SHARMA	9:15:00	13:59:41	4:44:41	36.5	36.5	36.5	0.7	1.96	500	10	10
47.	23-Oct-12	ASHA SHARMA	9:15:00	11:26:33	2:11:33	37.2	37.2	37.2	0.7	1.92	500	15	15
48.	26-Oct-12	ASHA SHARMA	9:15:00	15:21:51	6:06:51	37.9	37.9	37.9	0.7	1.88	300	10	10
49.	29-Oct-12	ASHA SHARMA	9:15:00	15:25:51	6:10:51	38.65	38.65	38.65	0.75	1.98	500	15	15
50.	30-Oct-12	VANDANA SHARMA	9:15:00	11:56:13	2:41:13	39.4	39.4	39.4	0.75	1.94	900	5	5
51.	31-Oct-12	ASHA SHARMA	9:15:00	15:19:35	6:04:35	40.15	40.15	40.15	0.75	1.9	300	10	10
52.	01-Nov-12	ASHA SHARMA	9:15:00	15:16:01	6:01:00	40.95	40.95	40.95	0.8	1.99	4000	15	15

Sr. No	Trade Date	Seller Name	Buy Order Time	Sell Order Time	Time Diff Between Buy and order and sell order	Buy Order Rate	Sell Order Rate	Trade Rate	LTP Diff	%LTP	Buy Order Quantity	Sell Order Quantity	Trade QTY
53.	02-Nov-12	VANDANA SHARMA	9:15:00	13:52:47	4:37:47	41.75	41.75	41.75	0.8	1.95	600	10	10
54.	06-Nov-12	ASHA SHARMA	9:15:00	12:21:39	3:06:39	42.55	42.55	42.55	0.8	1.92	100	5	5
55.	08-Nov-12	ASHA SHARMA	9:15:00	14:51:34	5:36:34	44.65	44.65	44.65	2.1	4.94	2000	5	5
56.	09-Nov-12	VANDANA SHARMA	9:15:00	10:21:13	1:06:13	46.85	46.85	46.85	2.2	4.93	500	5	5
57.	12-Nov-12	VANDANA SHARMA	9:15:00	11:28:37	2:13:37	49.15	49.15	49.15	2.3	4.91	500	10	10
58.	13-Nov-12	ASHA SHARMA	15:45:01	15:51:13	0:06:12	51.6	51.6	51.6	2.45	4.98	1000	11	11
59.	16-Nov-12	VANDANA SHARMA	9:15:00	12:21:46	3:06:46	54.15	54.15	54.15	2.55	4.94	200	5	5
60.	19-Nov-12	VANDANA SHARMA	9:15:00	15:28:04	6:13:04	56.85	56.85	56.85	2.7	4.99	300	10	10
61.	21-Nov-12	VANDANA SHARMA	9:15:01	11:10:28	1:55:27	59.65	59.65	59.65	2.8	4.93	100	5	5
62.	22-Nov-12	VANDANA SHARMA	9:15:00	15:07:24	5:52:24	62.6	62.6	62.6	2.95	4.95	4900	5	5
63.	23-Nov-12	VANDANA SHARMA	9:15:00	15:21:17	6:06:17	65.7	65.7	65.7	3.1	4.95	200	10	10
64.	26-Nov-12	VANDANA SHARMA	9:15:00	14:57:54	5:42:54	68.95	68.95	68.95	3.25	4.95	200	5	5
65.	27-Nov-12	VANDANA SHARMA	9:15:00	13:27:40	4:12:40	72.35	72.35	72.35	3.4	4.93	100	5	5
66.	29-Nov-12	VANDANA SHARMA	9:15:00	13:42:12	4:27:12	75.95	75.8	75.95	3.6	4.98	300	5	5
67.	30-Nov-12	VANDANA SHARMA	9:15:00	14:16:22	5:01:22	79.7	79.7	79.7	3.75	4.94	1500	5	5
68.	03-Dec-12	VANDANA SHARMA	9:15:00	15:13:48	5:58:48	83.65	83.65	83.65	3.95	4.96	500	5	5
69.	04-Dec-12	VANDANA SHARMA	9:15:00	15:11:03	5:56:03	85.3	85.3	85.3	1.65	1.97	500	5	5
70.	05-Dec-12	VANDANA SHARMA	9:15:00	11:36:36	2:21:36	87	87	87	1.7	1.99	500	5	5
71.	06-Dec-12	VANDANA SHARMA	9:15:00	14:26:43	5:11:43	88.7	88.7	88.7	1.7	1.95	300	5	5
72.	07-Dec-12	MADAN LAL	9:15:00	12:08:59	2:53:58	90.45	90.45	90.45	1.75	1.97	200	10	10
73.	10-Dec-12	MADAN LAL	9:15:00	11:12:14	1:57:14	92.25	92.25	92.25	1.8	1.99	2500	10	10
74.	11-Dec-12	MADAN LAL	9:15:00	13:22:42	4:07:42	94.05	94.05	94.05	1.8	1.95	2000	5	5
75.	12-Dec-12	MADAN LAL	9:15:00	11:57:20	2:42:20	95.9	95.9	95.9	1.85	1.97	200	10	10
76.	13-Dec-12	MADAN LAL	9:15:00	13:54:50	4:39:49	97.8	97.8	97.8	1.9	1.98	200	5	5
77.	14-Dec-12	MADAN LAL	9:15:00	13:47:48	4:32:47	99.75	99.75	99.75	1.95	1.99	200	5	5
78.	17-Dec-12	MADAN LAL	9:15:00	13:29:30	4:14:29	101.7	101.7	101.7	1.95	1.95	100	5	5
79.	18-Dec-12	MADAN LAL	9:15:00	15:10:47	5:55:47	103.7	103.7	103.7	2	1.97	300	5	5
80.	19-Dec-12	MADAN LAL	9:15:00	15:08:58	5:53:58	105.75	105.75	105.75	2.05	1.98	200	5	5
81.	20-Dec-12	MADAN LAL	9:15:01	11:38:46	2:23:45	107.85	107.85	107.85	2.1	1.99	50	10	10
82.	21-Dec-12	MADAN LAL	9:15:01	13:44:53	4:29:52	110	110	110	2.15	1.99	300	5	5
83.	24-Dec-12	MADAN LAL	9:15:02	14:59:29	5:44:28	112.2	112.2	112.2	2.2	2	200	5	5
84.	26-Dec-12	MADAN LAL	9:15:00	15:07:02	5:52:02	114.4	114.4	114.4	2.2	1.96	2000	5	5
85.	27-Dec-12	MADAN LAL	9:15:00	14:29:22	5:14:22	116.65	116.65	116.65	2.25	1.97	2000	10	10

Sr. No	Trade Date	Seller Name	Buy Order Time	Sell Order Time	Time Diff Between Buy and order and sell order	Buy Order Rate	Sell Order Rate	Trade Rate	LTP Diff	%LTP	Buy Order Quantity	Sell Order Quantity	Trade QTY
86.	28-Dec-12	MADAN LAL	9:15:00	14:57:29	5:42:29	118.95	118.95	118.95	2.3	1.97	200	5	5
87.	31-Dec-12	MADAN LAL	9:15:00	12:17:03	3:02:03	121.3	121.3	121.3	2.35	1.98	1500	5	5
88.	01-Jan-13	MADAN LAL	9:15:00	15:00:29	5:45:29	123.7	123.7	123.7	2.4	1.98	500	5	5
89.	02-Jan-13	MADAN LAL	9:15:00	15:19:36	6:04:36	126.15	126.15	126.15	2.45	1.98	100	5	5
90.	03-Jan-13	MADAN LAL	9:15:01	14:24:43	5:09:43	128.65	128.65	128.65	2.5	1.98	2000	5	5
91.	04-Jan-13	MADAN LAL	9:15:00	14:12:09	4:57:09	131.2	131.2	131.2	2.55	1.98	2000	5	5
92.	07-Jan-13	MADAN LAL	9:15:00	15:11:05	5:56:05	133.8	133.8	133.8	2.6	1.98	1000	5	5
93.	08-Jan-13	MADAN LAL	9:15:01	15:05:34	5:50:34	136.45	136.45	136.45	2.65	1.98	500	5	5
94.	10-Jan-13	MADAN LAL	9:15:00	13:03:48	3:48:48	139.15	139.15	139.15	2.7	1.98	500	5	5
95.	11-Jan-13	MADAN LAL	9:15:02	15:13:58	5:58:56	141.9	141.9	141.9	2.75	1.98	100	5	5
96.	14-Jan-13	MADAN LAL	9:15:01	15:00:26	5:45:25	144.7	144.7	144.7	2.8	1.97	500	5	5
97.	15-Jan-13	MADAN LAL	9:15:00	14:25:57	5:10:57	147.55	147.55	147.55	2.85	1.97	1000	5	5
98.	16-Jan-13	MADAN LAL	9:15:00	13:18:19	4:03:18	150.5	150.5	150.5	2.95	2	500	5	5
99.	17-Jan-13	MADAN LAL	9:15:00	13:31:00	4:16:00	153.5	153.5	153.5	3	1.99	1000	5	5
100.	18-Jan-13	MADAN LAL	9:15:01	14:32:10	5:17:09	156.55	156.55	156.55	3.05	1.99	100	5	5
101.	21-Jan-13	MADAN LAL	9:15:00	15:19:28	6:04:28	159.65	159.65	159.65	3.1	1.98	100	5	5
102.	22-Jan-13	MADAN LAL	9:15:00	15:14:01	5:59:01	162.8	162.8	162.8	3.15	1.97	100	5	5
103.	23-Jan-13	MADAN LAL	9:15:01	14:15:27	5:00:27	166.05	166.05	166.05	3.25	2	100	5	5
104.	24-Jan-13	MADAN LAL	9:15:00	14:51:15	5:36:15	169.35	169.35	169.35	3.3	1.99	100	5	5
105.	25-Jan-13	MADAN LAL	9:15:00	13:23:05	4:08:05	172.7	172.7	172.7	3.35	1.98	75	5	5
106.	28-Jan-13	MADAN LAL	9:15:00	15:10:16	5:55:16	176.15	176.15	176.15	3.45	2	100	10	10
107.	29-Jan-13	MADAN LAL	9:15:00	14:51:03	5:36:02	179.65	179.65	179.65	3.5	1.99	50	5	5
108.	31-Jan-13	MADAN LAL	9:15:00	15:03:10	5:48:10	186.85	186.85	186.85	3.65	1.99	100	5	5
109.	01-Feb-13	MADAN LAL	9:15:00	13:26:29	4:11:29	190.55	190.55	190.55	3.7	1.98	100	10	10
110.	04-Feb-13	MADAN LAL	9:15:01	14:48:04	5:33:03	194.35	194.35	194.35	3.8	1.99	500	5	5
111.	05-Feb-13	MADAN LAL	9:15:01	14:32:46	5:17:45	198.2	198.2	198.2	3.85	1.98	500	10	10
112.	06-Feb-13	MADAN LAL	9:15:00	15:18:01	6:03:01	202.15	202.15	202.15	3.95	1.99	100	5	5
113.	07-Feb-13	MADAN LAL	9:15:00	10:50:37	1:35:37	206.15	206.15	206.15	4	1.98	100	5	5
114.	08-Feb-13	MADAN LAL	9:15:03	14:39:43	5:24:40	210.25	210.25	210.25	4.1	1.99	500	5	5
115.	11-Feb-13	MADAN LAL	9:15:01	14:53:45	5:38:44	214.45	214.45	214.45	4.2	2	100	10	10

28. It is observed from the details presented in the table no. 4 above that in all of the 115 trades, which contributed to positive LTP in the scrip of *Rutron*, all the sell orders were placed by the 3 *Notices* only on the above listed trading dates, while chasing the corresponding buy orders resultantly trades that got executed after the *Notices* placing their sell orders, were in fact the *first trade* of those respective trading days. It is also observed from the details presented in the above table that out of those 115 alleged trades, trades executed by *Noticee nos. 12, 13 and 14* were 48, 44 and 23 respectively and all of such trades contributed LTP to the scrip of the *Company*. These

trades were executed only because the 3 *Notices* chased those buy orders pending in the system, with their respective sell orders for miniscule quantities. In the absence of sell order of the *Notices*, the pending buy order would not have been executed in the normal course of trading as all of these pending buy orders were seen to have been executed only with the sell orders of the *Notices* offering small quantities of shares on those trading days. Though the buyers had placed their buy orders much ahead of the sell orders at a price higher than LTP, I note that there was no seller in the scrip on those dates available in the market with whom such buy orders could have matched on those days. I find that contention of the 3 *Notices* that their sell orders should not be seen with impunity, are not seen justified for the reason that the placing sell order in isolation may not be sufficient to see any abnormality in the order, however, the undisputed fact of the 3 *Notices* indulged in such acts of placing sell order on continuous basis, wherein they are found to be sufficient to be held as abnormal having the potential to creating misleading appearances, in the absence of any plausible justification. It is noticed that, in all but one instances, the buy orders were placed around 9:15 am in the morning as soon as the market opened and remained pending unexecuted on the system for hours (ranging from 1 hour to more than 6 hours) together, but got matched with sell orders after hours when one of the 3 *Notices* placed his /her sell order. For instance, in the above table no. 4 at sr. no. 33, the buy order was placed at 09:15:00 on September 11, 2012, but the said buy order got executed after a duration of more than 6 hours (06:14:06) when a sell order was placed by *Noticee no. 12* (Vandana Sharma) at a price of ₹28.45 which was ₹0.55 (1.97%) higher than LTP. Similarly, at sr. no. 34 in table no. 4 above, the buy order was placed at 09:15:00 on September 12, 2012 at a price of ₹29.00, but got executed into a trade after a duration of more than 6 hours (06:13:43) when a sell order was placed by *Noticee no. 14* (Asha Sharma) at a price of ₹29.00 which was ₹0.55 (1.93%) higher than LTP. It shows that but for the sell orders placed by the 3 *Notices* for miniscule number of shares only to match the long pending buy orders, those corresponding pending buy orders on their own would not have been able to make

any manipulative impact on the price of the scrip. In fact, in absence of those sell orders for small quantities placed by the 3 *Noticees*, no transaction would have fructified and no LTP would have been formed. The peculiar pattern of ensuring execution of trades with minimal shares ostensibly suggests an apparent malicious intent of these *Noticees* to contribute to the LTP in the scrip.

29. It has been alleged in the SCN that despite holding sizeable quantities of shares, these 3 *Noticees* released very small number of shares in each of their sell trades above LTP and the number of shares offered by them in their sell orders was most of the times placed in single digits. I further note from the materials available on record that all the 3 *Noticees* have acquired their shares through off market transaction and further, out of these 3 *Noticees*, the two *Noticees* i.e. *Noticee no. 12 (Vandana Sharma)* and *Noticee no. 13 (Madan Lal)* have received their shares of the *Company* from *connected group entities* with whom they were sharing the common addresses. As noted above, these 3 *Noticees* have executed sell trades by offering shares in small quantities on a continuous basis over a period of time. Details of the quantities of shares held by these 3 *Noticees* and the bifurcation of the quantities of shares offered by them in different trades are tabulated below:

Table 5: Bifurcation of trades of 3 *Noticees* on the basis of Quantity of shares sold

Sl. No	Seller Name	Total No. of trades (LTP >0)	Total no. of orders (LTP>0)	No. of instances with sell order of 5 shares	No. of instances with sell order of 15 shares or less	Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades (NSDL/ CDSL Statements)	Balance no. of shares held after LTP trades in Patch 1 (NSDL/ CDSL Statements)
1	Madan lal	44	44	35	9	122.20	56.47	400	0
2	Vandana Sharma	48	48	36	12	61.92	28.61	400	90
3	Asha Sharma	23	23	11	12	17.85	8.25	200	0
	Total		115	82	33	201.97	93.33	1000	90

30. I note from table no. 5 above, that out of the 115 trades of 3 *Noticees* alleged to have contributed to the market positive LTP in the scrip, in 82 trades the quantities sold by these 3 *Noticees* were 5 shares per such trade. Therefore, in 71% of the trades, the 3 *Noticees* chose to release only 5 shares every time, despite the fact that large quantities of buy orders were pending on the trading platform at the same price at

which the 3 *Notices* desired to sell. Further, in the remaining 29% of their total trades i.e. in 33 trades, the 3 *Notices* chose to release quantities of 15 or less shares every time. One can always try to explain their selling strategy by stating that the 3 *Notices* were positive about the bullish trend in the scrip of *Rutron*, however, if this was the case, a prudent investor would rather have waited for the price of the scrip to attain a level at which selling the shares would have fetched him the maximum return. Instead, the *Notices* chose to sell the shares in miniscule quantities continuously on several dates and it was predominantly because of their LTP contributing trades that the price of the scrip was witnessing an upward trend. Looking at such a strange trading pattern adopted and followed religiously by the 3 *Notices*, it can be observed that there was no *bona fide* intention on the part of these 3 *Notices* to sell their shareholdings during the Patch-1 of the Investigation Period, and rather their abnormal trading style exhibits their *malafide* intent behind to mark the price higher than LTP consistently and to manipulate the scrip price. The mode of trading by these 3 *Notices* was thus evidently manipulative due to the fact that instead of selling a large part of their stock when demand for larger quantities was already available in the trading system at the same price at which they intended to sell, the 3 *Notices* preferred to off load very small quantity of shares and on most of the time they placed their sell orders in miniscule quantities just to match the prices of the buy orders pending in the system. The sequencing of buy & sell orders and the trading pattern followed in these trades clearly show that the 3 *Notices* have placed their sell orders not on business prudence but only with a view to inflate the price of the scrip. The said observations further get reinforced from the undisputed fact that these *Notices* had bought the shares in an off market mode and afterwards were found to be selling those shares in miniscule quantities, despite the fact the buy orders for relatively large quantities were pending for hours and no seller came forward to sell any shares till the *Notices* placed their sell orders for tiny quantities at the pending bid prices so as to execute those LTP contributing trades. No justifiable explanations have been offered to explain the rationale and logic behind such a pattern of trading adopted by the 3 *Notices*. These 3 *Notices* have not furnished any information as to whether they

have also bought any shares of the *Company* in that bullish market so as to consolidate their holding of shares of the *Company* nor have they justified their action as to on what basis they were happy in selling shares in an upwardly rising market for the shares of the *Company*. The intent of the *Notices* for indulging into unfair and manipulative trades further gets exposed from the fact that all the 3 *Notices* have bought shares on the same day i.e. 18/05/2012 and all of them have also bought those shares through off market transactions.

31. The investigation has noticed that the scrip of *Rutron* was under suspension over a long period of 12 years and the suspension was revoked in July 2011. Trading in the scrip witnessed continuous rise from ₹5.25 from May 03, 2012 and reached a level of ₹269.70 on September 10, 2013. The *Company* had not made any announcement during the relevant period to entice the investors to buy the scrip that too in off market transaction, when the scrip was very much available on the exchange platform. The records thus reveal a strange co-incidence in which all the 3 *Notices* bought shares in off market mode and started selling almost immediately thereafter in small quantities over a long period of time continuously chasing the pending buy orders. The SCN alleges that together 3 *Notices* had contributed LTP of ₹201.97, which constitutes 96.49 % of the total market LTP during the period. Details mentioned at table 3 above further reveal that through their 44, 48, 23 trades respectively, the 3 *Notices* have contributed ₹122.20, ₹61.92 and ₹17.85, which were 56.47%, 28.61% and 8.25 % of the total market positive LTP contribution made to the scrip during the relevant period. Further, the aforesaid 3 *Notices*, are found to have sold almost their entire stocks through their above listed LTP contributing trades, which clearly suggest that the shares were bought in off market with an intent to cause artificial rise in the price of the scrip through their manipulative trades in small quantities over a long period of time. Further, by preferring not to respond to the allegations made in the SCN with any contrary & corroborative evidence, these 3 *Notices*, have in effect refrained from controverting the charges of fraudulent trades levelled against them in the SCN.

32. I further note that the *Notices nos. 12 and 13* were connected to each other on the basis of off-market transfers of shares with *connect group entities*. Though the SCN alleges that *Noticee no. 14* also enjoys connection, however, from the records before me, I find no document to indicate any connection of *Noticee no. 14* with other *Notices*. However, notwithstanding the absence of any direct connection of *Noticee no. 14* with other *Notices*, the alleged LTP contributing trades executed by the *Noticee no. 14* as discussed above, together with the fact of off-market acquisition of those shares of the *Company* by him, which were used for entering into those LTP contributing sell trades, are sufficient enough to come to a finding that the trades executed by the *Noticee no. 14* contained all the ingredients to be termed as manipulative trades. Further, as stated above the *Noticee no. 14* has not provided any rationale / reasoning for executing such abnormal trades on 23 times which have resulted in contributing LTP to the price of the scrip.

33. Interestingly, on a further analysis of the trade data presented in the above mentioned table no. 4 of this Order, it is observed all the aforementioned 115 trades executed by the 3 *Notices* during the Patch-1 were executed on different trading days which means, none of the 3 *Notices* who has contributed to the positive LTP of the scrip, has traded jointly with any other *Noticee* on the same trading day. It shows how those trades were executed on different trading days by different *Notices* apparently by taking turns one after another, in a manner that exposes that the 3 *Notices* have traded in the scrip under a pre decided scheme by taking individual turns on various trading days. Thus even if the records do not indicate connection of *Noticee no. 14* with other *Notices* contrary to the allegation in the SCN, considering the commonalities and apparent common intent displayed by the 3 *Notices* in acquiring shares through off market mode, selling those shares immediately after the acquisition in small quantities by chasing the pending buy orders and none of them executing a sell order on any common day etc., essentially suggest that even in the absence of any document to suggest connection, a strong meeting of minds amongst the 3 *Notices* while dealing in the shares of the *Company* cannot be ruled out. The

meeting of minds amongst the 3 *Notices* is further strengthened by the aforesaid unique trading pattern followed by the entities while executing those 115 trades wherein the 3 *Notices* were taking individual turns to execute trades on different trading days over the entire period of Patch-1. The trading pattern devised and followed by the 3 *Notices* apparently demonstrate that they have traded in the scrip under a pre-planned strategy to elevate the price of the scrip by continuously contributing to the LTP of the scrip through each of those trades, executed by them. Further, as pointed out earlier, despite the fact that the buyers were willing to buy higher quantities, none of the 3 *Notices* sold any sizeable quantities of shares that they possessed, in a single trade. The way these 3 *Notices* had been taking individual turns to place their LTP contributing sell orders on different trading days clearly smacks of a manipulative trading pattern whereby the 3 *Notices* have traded in one scrip with a pre-meditated mindset for sustaining the price rise of the scrip of *Rutron* continuously over a long period of time. It is apparent that by way of contributing to the LTP of the scrip, turn by turn on different trading days without ever coming together to the market on any given trading day, the *Notices* did not want to exhaust all their shares in a few days but rather have optionally utilized their respective possessions of the scrip of the *Company* in small quantities by trading one at a time and once in a day so as to inflate the price of the scrip over a long period of time. In normal business prudence, it is natural for an investor to seek a better price of the shares and the act of selling the shares at higher price by the *Notices* may not be viewed as manipulative and unfair. However, I would like to rely on the observations of the Hon'ble SAT in the matter of *Kalpna Dharmesh Chheda and Ors. Vs. SEBI and Ors.* (DoD: 25.02.2020), in which the Hon'ble Tribunal had, *inter alia*, observed that *"though generally it can be stated that selling at a price higher than the LTP particularly when buy orders are available in the system cannot be considered as manipulative in itself. However, looking at the pattern of trading done by the appellants and the fact that the appellants have derived considerable financial benefit through that particular scheme or nature of trading we are of the view that the trading pattern adopted by the appellants is of a manipulative and unfair nature and would squarely fall within the ambit of the PFUTP"*

Regulations..... This behavior cannot be justified in terms of normal rational expectations of a seller."

34. I further note that since the quantities sold by each of the 3 *Noticees* were very few, their individual contribution to the positive LTP in the scrip of *Rutron* was most of the times in the range of 1% to 5% in a single trade. Thus, the individual contribution to positive LTP in every trade in the scrip of *Rutron* was not normal to be ignored since the cumulative impact of all such individual contributions has ultimately resulted in contribution of 96.49% of positive LTP to the net positive LTP and contribution of 93.33% to the total positive LTP in the scrip of *Rutron*. The uncanny similarity in their approach while selling shares of the *Company* strongly signifies their *inter se* association or acting in unison when it comes to trading in the scrip of *Rutron*. Moreover, even on individual basis, the contributions made by the *Noticees* to the LTP in the scrip of *Rutron* were sufficient enough to distort the market mechanism and therefore, from all point of views, the alleged LTP contributing trades were seemingly executed with the sole motive of raising the price of the scrip through those manipulative trades, hence glaringly fall within the mischief of fraudulent trades.

35. It is further noted that in the matter of *Shailesh Jain v. SEBI (Appeal No. 15 of 2012, DoD: 01.05.2012)*, Hon'ble SAT has held that "*The appellant's role has been one of conscious indulgence in manipulation of the trade in a crude and preplanned manner. The very fact that the appellant has placed orders above the last traded price when sell orders were available in the market at a lower price shows the intention behind the trade.*"

36. Keeping in view the foregoing discussions, I note that the 3 *Noticees* have failed to give any plausible reason/explanation to defend themselves against the charges levelled against them in the SCN. Further, the roles played by the 3 *Noticees* to artificially increase the price during the Patch-1 need to be perceived as the acts of a united group of entities which was aimed at manipulating the price of the scrip of *Rutron* over a period of time by cumulatively contributing to the LTP of the scrip during the Patch-1 of the Investigation Period. Therefore, in the light of the aforesaid

observations of the Hon'ble SAT and after considering the trading pattern, and the manner and frequency with which such trades were executed by the 3 *Noticees*, I am constrained to hold that the *Noticee nos. 12, 13 and 14* were not acting as genuine market participants and had no *bona fide* intention to trade in the shares of *Rutron*. Therefore, I hold that the trading behavior of *Noticees nos. 12 to 14* during Patch-1 of the Investigation Period of vis-à-vis the scrip of *Rutron* has been conspicuously ill motivated, fraudulent and was targeted to manipulate the price of the shares of *Rutron* hence, is in violation of regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a), (e) of SEBI (PFUTP) Regulations, 2003.

Issue 3: Whether the acts of the Noticee nos. 1, 2, 3, 4, 9, and 11 during Patch-2 of Investigation Period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?

37. During the Patch-2 of the Investigation Period (February 12, 2013 to November 21, 2013), the price of the scrip moved from ₹ 218.60 to ₹ 243.00, thereby registering an increase of ₹ 24.30 (11.11%) in the price of the scrip and a total contribution of market positive LTP of ₹ 318.40. I note that the SCN has alleged that by executing manipulative and unfair trades, the 6 *Noticees viz. Noticee nos. 1, 2, 3, 4, 9 and 11* through their 64 trades had contributed to positive LTP of ₹16.85 (5.26% of total market positive LTP) in the scrip of *Rutron* during Patch-2 of the Investigation Period. SCN has further alleged that out of the said group of 6 *Noticees*, *Noticee nos. 1, 2, 3 and 9* were acting as buyers while *Noticee nos. 4 and 11* were the sellers / counterparties to such alleged trades that contributed to positive LTP in the scrip of *Rutron* during Patch-2 of the Investigation Period. Therefore, the impact of such trades on the LTP of the scrip during Patch-2 of the Investigation Period needs to be examined. In this regard, details of positive LTP contribution by the trades of 6 *Noticees* during Patch-2 of Investigation Period are tabulated as below:

Table 6: Details of trades by the 6 Noticees among themselves in Rutron during Patch-2

Seller	Buyer	Positive LTP Contribution	% of Mkt Positive LTP	No of Trades	Qty Traded
Jugal C Thacker (HUF) (Noticee no. 11)	HS Tradecom Pvt. Ltd. (Noticee no. 1)	0.1	0.08	1	200
	Sub Total(A)	0.1	0.08	1	200
Manju Khandelia (Noticee no. 4)	Esquire Enclave Pvt. Ltd.(Noticee no. 9)	0.25	0.01	1	2000
	HS Tradecom Pvt. Ltd. (Noticee no. 1)	8.00	2.51	32	5765
	Dhanlakshmi Brokers Pvt. Ltd. (Noticee no. 2)	7.70	2.41	26	5050
	Padma Impex Pvt. Ltd. (Noticee no. 3)	0.80	0.25	4	2800
	Sub Total(B)	16.75	5.18	63	15615
	Total (A+B)	16.85	5.26	64	15815

38. I observe from the table no. 6 above that that out of the 6 Noticees which have been found to be connected to each other, Noticee nos. 4 and 11 have sold the shares of Rutron at prices higher than LTP to 4 other Noticees viz. Noticee nos. 1, 2, 3 and 9. In this whole scheme of mutual trades amongst themselves, these 6 Noticees by trading amongst each other in the scrip of Rutron, have acted in concert and in the process have contributed to the price rise in the scrip. Further, in the course of trading amongst each other, these 6 Noticees, have repeatedly executed trades amongst each other (64 trades) and have contributed significant to the positive LTP to the tune of ₹16.85 (5.26% of total market positive LTP).

39. I note from the available records (annexure to the SCN) that by placing orders on a continuous basis, these 6 Noticees have ensured the rise in the scrip price of Rutron. Therefore, it appears that 6 Noticees were not acting as genuine buyers or sellers and had no *bona fide* intention to buy / sell the scrip. The positive LTP

contribution made in the scrip of *Rutron* through their trades gives an indication that these *Notices* were happily executing trades higher than the LTP in complete disregard for the integrity of market mechanism and were executing trades deliberately to cause price rise in the scrip of *Rutron*.

40. I find that out of the above noted 6 *Notices*, only *Noticee nos. 3, 4 and 11* have submitted their written responses while the remaining *Notices* have not furnished any reply to the SCN. Further, I note that the *Noticee no. 3* in its reply has not furnished any reasoning for executing such abnormal trades with the other connected entities. In this regard, I would like to refer to the observations of Hon'ble SAT, in the matter of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003, DoD-08.12.2006)*, wherein it was *inter alia*, observed that "..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them".

41. Moving on to the argument of *Noticee no. 4* with respect to her trades executed in the scrip of *Rutron*, she has taken a plea that the total volume in the scrip of *Rutron* during the Investigation period was 10,23,62,427 shares. Therefore, *Noticee's* trading volume of 15,615 shares i.e. only 0.02% of the total market volume is exceedingly miniscule to attract any serious charge of fraudulent and unfair trade practice and price manipulation. It is pertinent to note here that the charge on *Noticee no. 4* is of contributing to the positive LTP in the price of the scrip of *Rutron* during the Patch-2 of the Investigation Period and not during the entire Investigation Period as projected by the *Noticee*. Further, by examining the trades detailed out in the table no. 6 of this Order, I note that though the 6 *Notices* together have executed 64 trades while contributing positive LTP to the tune of ₹16.85 (5.26% of total market positive LTP), *Noticee no. 4* was acting as seller in 63 out of such 64 trades. Through such 63 trades, she had alone contributed ₹16.75 (5.18% of total market positive LTP) in the scrip of the *Company* during Patch-2 of the Investigation Period. Further, such a contribution of 5.18% of the total positive LTP was attained by her by trading in only 15615 shares which is just 0.175% of total number of shares traded (8915044) in the scrip of *Rutron*

during Patch-2 of the Investigation Period. Such a trading pattern exhibited by the *Noticee no. 4*, wherein by trading in less than 1% of the total number of shares traded during the period, she alone has successfully contributed to more than 5% of total positive LTP in the scrip of *Rutron* during the relevant period, cannot be mere a coincidence and rather points a strong suspicious finger towards the *malafide* intention of the *Noticee no. 4*.

42. Additionally, *Noticee no. 4* has relied on various judicial observations and SEBI orders to argue that no action should be initiated against them in the absence of action against the counter parties to their trades. In this respect, having gone through the aforesaid decisions, I am of the view that the facts & circumstances and the respective observations made in the above referred decisions are factually distinguishable hence the propositions of law made therein are not applicable in the instant case. In fact, in the instant matter, counterparty to the trades of *Noticee no. 4* is also one of the *Noticees* who is already under service of the same SCN which has been served upon her. For the sake of more clarity, I am dealing with the judicial decisions relied upon by the *Noticee no. 4* to indicate how those decisions are different from the instant proceedings, in the following table:

Sr. No.	Matter	Facts of the matter and respective	How the facts are different from instant proceedings
1	Hon'ble SAT in the matter of <i>HB Stockholdings vs. SEBI</i> (Date of Decision: 27.08.2013, Appeal 114 of 2012)	Hon'ble SAT has made observations regarding proving connivance with the counterparties and observed that " <i>the counter party namely, Gloria Investment Limited has already been exonerated by the Respondent</i> "	In the instant matter, the counter party to <i>Noticee</i>

2	Hon'ble SAT in the matter of M/s Nishith Shah (HUF) vs. SEBI (Date of Decision: 16.01.2020, Appeal 97 of 2019)	<i>"....the Tribunal held that the charge of raising price artificially has to be established and the element of collusion between the buyer and the seller is a sine quo non. We are in the entire agreement with the aforesaid decisions and reiterate that in the absence of any finding of collusion between the buyer and the seller the charge contributing to the LTP cannot be sustained."</i>	no. 4 has already made parties to the SCN.
3	Hon'ble SAT in the matter of Narrotam Gandhi vs. SEBI (Date of Decision: 21.01.2020, Appeal 225 of 2019)	Observations of Hon'ble SAT <i>In the instant case, we find that the investigation report itself indicates that there is no connection between the appellants, with the buyer, promoter or with the company. In the absence of any connection between the seller and the buyer, the appellants could not be charged with manipulating the scrips nor the trading pattern of the appellants could infer manipulating the price of the scrip.</i>	
4	SEBI WTM order in the matter of First Financial Services dated 02.04.2018.	In the referred matter the entity was able to satisfy the quasi-judicial authority that the funds received from Minimum Shares were utilised for buying a plot of land and not for buying any shares of First Financial Services Limited, by bringing the relevant evidence of copy of sale deed.	In the instant matter, there is no allegation of funding for buying preferential allotment. Further, no solid evidence has been showcased by the Noticees to dispute their connection with other Noticees through connected group entities.

Keeping in view of the aforesaid, the contention of the *Noticee no. 4* that no action has been taken against the counterparties to her trades deserves to be rejected.

43. *Noticee no. 11* has submitted that his only one sell trade wherein a positive LTP of ₹0.10 was contributed has been alleged in the SCN and considering the miniscule LTP amount involved and single trade, he has pleaded for leniency. I note that out of the 64 trades that have been traded by 6 *Noticees*, in one trade *Noticee no. 11* was acting as seller and the said trade has contributed to 0.08% (₹0.10) of the total positive LTP in the scrip of *Rutron* during Patch-2 of the Investigation Period. I further note that in the said alleged trade, *Noticee no. 11* had sold 200 shares of the *Company*. The contention of the *Noticee no. 11* may appear authentic on the face of it, however, it is pertinent to remind here that the allegations made in the SCN are on the basis of the fact that all the 64 trades have been executed by 6 *Noticees* amongst each other as a connected group action in unison to manipulate the price of the scrip of the *Company* hence, taking the cause of the isolated trades of each of the 6 *Noticee* may not be the right approach while dealing with the allegations. Though the individual contribution of each of these 6 *Noticees* may be visibly less, but it cannot be lost sight of the fact that together in just 64 trades (0.46% of the total number of trades), these 6 *Noticees* were able to contribute to 5.26 % of the total market positive LTP in the scrip during the Patch-2 of the Investigation Period, which rather highlights the *malafide* intention of these 6 *Noticees* to artificially inflate the price of the scrip. *Noticee no. 11* has contended that it has been made party to the SCN on the basis of directorship of its Karta (Mr. *Jugal*) in *CFL*. *Noticee no. 11* has further contended that its Karta (Mr. *Jugal*) was appointed as a Director of the *CFL* on August 02, 2014, i.e. nearly one and half years after it carried out trades in scrip of *Rutron*. I have gone through the records available before me and find that the alleged trade was executed by *Noticee no. 11* on March 22, 2013, whereas, he was appointed as Director in *CFL* with effect from August 02, 2014. In this regard, I note that though there is no dispute that Mr. *Jugal* (Karta of *Noticee no. 11*) became the Director of *CFL* after the alleged trades were executed by him, the fact that the connection of the *Noticee no. 11* is established with

other *connected group entities* on the basis of said Directorship also remains undisputed. I further note that *Noticee no. 11* has disputed its fund transaction with *Noticee no. 5* as alleged in the SCN and has contended that it has opened and operated only one bank account with HDFC Bank bearing no "10531930003644". However, I note from the bank account statement of *Noticee no. 5* available before me that there was indeed a fund transfer of ₹5 lacs from *Noticee no. 5* to HDFC Bank Account of *Noticee no. 11*. In this regard, to prove his innocence, another opportunity was granted to the *Noticee no. 11* to provide a certificate from HDFC Bank confirming that the *Noticee no. 11* had never held any account with HDFC Bank other than "10531930003644" and it had not received fund of ₹5 lacs from *Noticee no. 5* on 15.03.2013. However, despite the information being sought in November 2020, no such certificate has been provided by the *Noticee no. 11*. Therefore, the failure to produce such certificate from the bank, not only defies the submission of the *Noticee* that it has no other account but at the same time fortifies that the trade even though minimal was part of the manipulation. Hence, considering the aforesaid facts and circumstances on the basis of documents available before me, in my view, the alleged trade of *Noticee no. 11* has to be treated as part of the *intra* group 64 trades that were executed *prima facie* with an intention to manipulate the price of the scrip and he deserves no exoneration.

44. Keeping in view the afore-stated non-genuine trading pattern exhibited by the all the 6 *Noticees* and the discussions in the foregoing paragraphs, it may be relevant here to note that Hon'ble SAT, in the matter of *Ketan Parekh v. SEBI (Appeal No. 2 of 2004)* (DoD: 14.07.2006) had an occasion to deal with the propriety of non-genuine trades and have made the following observations:

".....Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction

executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn.

45. I also note that by executing the above noted 64 trades which was constituting just 0.46% of the total number of trades (14038) executed in the scrip of *Rutron* during Patch-2 of the Investigation Period, the 6 *Noticees* have contributed 5.26% of the total market positive LTP in the said scrip. The *malafide* intent on the part of these 6 *Noticees* for marking up the price of the scrip of *Rutron* is further demonstrated by the peculiar trading pattern adopted and executed by the 6 *Noticees* in an anonymous screen based trading system wherein the buy and sell orders placed by these 6 *Noticees* got matched amongst themselves on a numerous occasion, which in my considered view, cannot be seen as mere coincidences of matching of orders. Instead such unusual LTP contributing trades executed amongst the connected entities strengthens the allegations made in the SCN that these trades have been deliberately executed with a fraudulent intent of manipulating the price and causing misleading appearances of trading in the scrip, thereby causing inducement to the investors at large., It is highly inconceivable that the trades of the 6 *Noticees* executed on an anonymous trading platform matched with their connected entities on a numerous occasions by sheer coincidence of matching of orders and not by any pre-set design keeping in view the *inter se* nexus that existed amongst the 6 *Noticees* during the relevant period . In fact, the repeated matching of such orders suggests how these 6 *Noticees* have deployed a strategy to defeat the objective of even an anonymous trading platform and have successfully ensured that their trades match with each other as per their pre-conceived strategy to mark up the price of the scrip of the *Company*. Therefore, in my considered view, the alleged trades can't by any standard be categorized as trades executed in normal course of trading in securities market.

46. In the light of the aforesaid discussions, judicial observations and factual finding that glaringly show that the trading conduct of *Noticee nos. 1, 2, 3, 4, 9 and 11* was evidently laced with malicious intent and fraudulent motive, hence, on the basis of the reasons recorded above, I hold that the *Noticee nos. 1, 2, 3, 4, 9 and 11* have violated regulations 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a) and (e) of the PFUTP Regulations, 2003 while trading in the scrip of *Rutron* during Patch-2 of the Investigation period.

Issue 4: Whether the acts of the Noticee nos. 3, 5, 6, 7, 8 and 10 during Patch-3 of Investigation Period have resulted in violations of the provisions of regulation 3 (a), (b), (c), (d) and regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?

47. During the Patch-3 of the Investigation Period (November 22, 2013 to November 28, 2014), subsequent to the spilt in the share of the scrip in the ratio of 1:10, the price of the scrip opened at ₹24.45 (unadjusted price of ₹244.5), reached a low of ₹6.55 (unadjusted price of ₹65.5) and on November 28, 2014, closed at ₹7.3 (unadjusted price of ₹73), thereby witnessing a fall of 70.14% with a net negative LTP contribution of ₹17.15 (unadjusted price of ₹171.5) and total market negative LTP contribution of ₹72.96 (unadjusted price of ₹729.6).

48. The SCN has alleged that by executing 201 manipulative and unfair trades, *Noticee nos. 3, 5, 6, 7, 8 and 10* ("**six Noticees**" for convenience) have contributed ₹12.74 of negative LTP i.e.17.46% of total market negative LTP of ₹72.96 in the scrip of *Rutron* during Patch-3 of the Investigation Period. SCN has further alleged that out of the said group of *six Noticees*, *Noticee nos. 3, 5 and 8* (hereinafter referred to as "**seller Noticees**") were acting as sellers / counterparties to the remaining 3 *Noticees* viz. *Noticee nos. 6, 7 and 10* (hereinafter referred to as "**buyer Noticees**") who purchased the shares of the *Company* in those alleged 201 trades which contributed to negative LTP in the scrip of *Rutron* during Patch-3 of the Investigation Period. In this regard, details of negative LTP contribution by the trades executed by of the said *six Noticees* as buyers and sellers during Patch-3 of Investigation Period are tabulated below:

Table 7: Details of trades by the six Noticees amongst themselves in Rutron during Patch-3

Seller	Buyer	Negative LTP Contribution	% of Mkt Negative LTP	No of Trades	Qty Traded
Padma Impex Pvt. Ltd. (Noticee no. 3)	Astabhuja Construction Pvt. Ltd. (Noticee no. 7)	- 0.05	0.07	1	3
	Ramdut Infracore Pvt. Ltd. (Noticee no. 6)	-10.06	13.79	167	48820
Ranisati Dealer Pvt. Ltd (Noticee no. 5)	Helpful Investment Advisory Pvt. Ltd. (Noticee no. 10)	- 0.04	0.05	1	5000
	Astabhuja Construction Pvt. Ltd. (Noticee no. 7)	- 0.6	0.82	5	1100
	Ramdut Infracore Pvt. Ltd. (Noticee no. 6)	- 1.91	2.62	24	66356
Comfort Intech Limited (Noticee no. 8)	Ramdut Infracore Pvt. Ltd. (Noticee no. 6)	- 0.08	0.11	3	3000
	Total	- 12.74	17.46	201	124279

49. I note from the table no. 7 above that that out of the six Noticees which have been found to be connected, seller Noticees viz. Noticee nos. 3, 5 and 8 have sold the shares of Rutron at prices lower than LTP to buyer Noticees viz. Noticee nos. 6, 7, and 10. In this whole scheme of mutual trades amongst themselves, these six Noticees by trading amongst each other in the scrip of Rutron, have acted in concert in the process contributing to the price fall in the scrip. Further, in the course of trading amongst each other, these 6 Noticees, have repeatedly executed trades with each other (201 trades) and have contributed significantly negative LTP to the tune of ₹12.74 (17.46% of total market negative LTP).

50. I note from the trade logs, copies of which have been provided to the *Noticees* as annexure to the SCN, that by placing orders on a continuous basis, these *six Noticees* have ensured the fall in the scrip price of *Rutron*. I further note from the trade logs that while executing those alleged 201 trades amongst themselves, none of *buyer Noticees* came to the market jointly or together with any other *buyer Noticees* on any given trading day. Similarly, none of the alleged trades of the *seller Noticees*, coincided on the same trading day with the sell orders of any other *seller Noticees*, except for one trading day. A combination of roles played by the *six Noticees* by executing those alleged 201 trades amongst themselves as buyers and sellers in scrip of *Rutron* are presented in the table below:

Table 8: Date wise details of combination of buyers and sellers in 201 trades during Patch-3

<u>Buyer / Seller</u>	<u>Period of Trading</u>
<i>Noticee no. 7 (Buyer)</i> <i>Noticee no. 3 (Seller)</i>	29-11-13
<i>Noticee no. 7 (Buyer)</i> <i>Noticee no. 5 (Seller)</i>	06-12-13
<i>Noticee no. 10 (Buyer)</i> <i>Noticee no. 5 (Seller)</i>	07-05-14
<i>Noticee no. 6 (Buyer)</i> <i>Noticee no. 5 (Seller)</i>	04-06-14 to 19-06-14
<i>Noticee no. 6 (Buyer)</i> <i>Noticee no. 3 (Seller)</i>	20-06-14 to 22-07-14
<i>Noticee no. 6 (Buyer)</i> <i>Noticee no. 3 and 8 (Seller)</i>	23-07-14
<i>Noticee no. 6 (Buyer)</i> <i>Noticee no. 3 (Seller)</i>	24-07-14 to 24-11-14

51. The aforesaid trading pattern of approaching the market on different trading days to contribute price fall in the scrip of *Rutron* has not been rebutted by any of the *six Noticees*. Therefore, it becomes clear that the *six Noticees* were not acting as genuine buyers or sellers and had no *bona fide* intention to buy / sell the scrip. The negative LTP contribution made in the scrip of *Rutron* through their trades gives clear indications that they were executing trades lower than the LTP as if they were consciously pre-determined to cause price fall in the scrip of *Rutron*. It is also pertinent to note that the *inter se* connection observed amongst the *six Noticees* as already highlighted while dealing with the *Issue 1* of this Order, furthers reinforces the *malafide* intention of these *six Noticees* behind engaging in such abnormal and pre-meditated trading pattern in the scrip of the *Company* that has caused decline in the price of the scrip.

52. I also note that by executing those 201 trades which constituted just 1.27% of the total number of trades (15819) executed in the scrip of *Rutron* during Patch-3 of the Investigation Period, the *six Noticees* have contributed as much as 17.46% of the total market negative LTP in the scrip. Thus it is a matter of concern that the *six Noticees* have contributed more than 17% of the total market negative LTP contribution witnessed during the period by trading in only 124279 shares which were just 0.13% of total number of shares traded (94.44 lacs shares) in the scrip of *Rutron* during Patch-3 of the Investigation Period. Such a trading pattern exhibited by the *six Noticees*, wherein by trading in less than 1% of the total number of shares, the *six Noticees* have successfully contributed to more than 17% of total negative LTP in the scrip of *Rutron* during the relevant period, further exacerbates the suspicion about the intention of the *six Noticees*.

53. I find that out of the afore-noted *six Noticees*, only *Noticee no. 8* has submitted a written reply to the SCN. *Noticee no. 8* has argued that the sell orders for the alleged sell trades executed by it were placed around 3 pm, and matched with the buy orders that were already available in the stock exchange's system from around 09:18 am hence, no adverse inference should be drawn against the *Noticee* for executing such

trades. In my view such bald argument may not come to rescue of the *Noticee no. 8* as the allegation in the SCN has been levelled against the *Noticee* primarily on the basis of its connection with the other *Noticees* and consequently, the corresponding counterparties / buyers to the alleged trades executed by it have also been made parties to the SCN. Further, such a peculiar trading pattern wherein a buyer places an order at the opening of the market at around 9:15 a.m., which is matched with a sell order placed by the *Noticee* which is also part of the *connected group entities* around closure of the securities market at around 3 p.m., cannot be a mere coincidence of matching of orders . Such a trading pattern, in fact, draws attention to a pre-meditated strategy to bring the LTP of the scrip down by every succeeding matched trade over a period of time. The *malafide* of the seller *Noticees* further becomes conspicuous from the fact that the price of the scrip of the *Company*, which had witnessed a phenomenal rise in recent past during the Patch-1 and 2, started showing decline so much so that the seller notice was willing to sell shares at prices lower than the LTP. Seller *Noticees* have not advanced any justification as to what development suddenly took place in the market, which prompted them to sell their shares at lower prices on a continuous basis. Such an undisputed fact coupled with the matching of their orders with the orders of the counter parities over the period on a frequent basis are sufficient to come to a conclusion that these trades were not executed by the *Noticees* in the normal course of trading. In a screen based trading, there cannot be a coincidence that the orders of these *six Noticees* would get matched repeatedly on several occasions on an anonymous trading platform, which in itself is sufficient evidence to hold that such matching of orders did not product of genuine trades and were executed only to manipulate the price of the scrip for reasons best known to these *Noticees*.

54. The *Noticee no. 8* has argued that the SCN has not been able to adduce any evidence for any loss incurred by any investor or any unfair gain earned by any person including the *Noticee* on account of the said allegation that the *Noticee* has contributed to the fall in price of scrip of *Rutron*. In this regard, I note that the present

proceedings have been initiated based on alleged contribution by the *Noticee no. 8* to the negative LTP in the scrip of *Rutron* by way of executing manipulative and fraudulent intra group trades. There is no allegation against the *Noticee* in the SCN for making undue gains out of such alleged trades. These alleged trades executed by the aforesaid *six Noticees* have contributed ₹12.74 to the negative LTP i.e.17.46% of total market negative LTP in the scrip of *Rutron* during Patch-3 of the Investigation Period. These trades were entered for the purpose of creation of artificial volume and to create false and misleading appearance of trading in the scrip of *Rutron*. In view of the same, I do not find any merit in the aforesaid contention of the *Noticee* taking the plea of no undue gain or loss caused by these trades which are out of place and beyond the purview of the SCN.

55. *Noticee no. 8* has also referred to various judicial pronouncements while arguing that no action has been initiated against the counterparties to its trade. I note that similar argument has also been advanced by *Noticee no. 4* for her alleged trades and while dealing with the said argument at length, I have already observed at paragraph 42 of this Order as to why such argument deserves to be rejected. I note that *Noticee no. 6* (Ramdut Infraprojects Pvt. Ltd.) was the counterparty to the alleged trades executed by the *Noticee no. 8* and it has already been made a *Noticee* under the same SCN for the said trades for which the *Noticee no. 8* has been implicated in the instant proceedings. Therefore, the contention of the *Noticee no. 8* that no action has been initiated against the counterparties is factually erroneous and requires no further consideration.

56. As observed earlier that there is no strong reasoning available on record to suggest as to why these *six Noticees* executed such trades on a regular basis in the scrip of *Rutron* thereby contributing a cumulative market negative LTP of ₹12.74. However, the pattern of trades adopted by these *six Noticees* negates any such universally accepted business prudence of trading in securities. The nefarious intent on the part of the *six Noticees* for pulling the price lower in the scrip of *Rutron* is further demonstrated by the trading pattern adopted and executed by the *six Noticees*.

I further observe that the strange coincidence with which the orders placed by the *Noticees* matched with each other repeatedly on a numerous times on an anonymous screen based trading system in itself adequate to hold that these *six Noticees* have been deliberately trading in a manner to ensure that the buy & sell orders placed by them match with each other so as to distort the integrity of orderly functioning of the market mechanism hence, those unusual trades which were found to be executed amongst the connected entities in a fraudulent manner cannot be stated to have been executed in normal course of trading in securities. Moreover, keeping in view the *inter se* nexus amongst the *six Noticees* as revealed during the investigation, repeated execution of such *inter se* trades on an electronic platform suggests how these *six Noticees* have deployed a strategy to defeat the objective of even an anonymous trading platform and have successfully ensured that their orders get matched with each other as per their pre-conceived strategy to mark down the price of the scrip. Therefore, in my considered view, the alleged trades can't by any standard be categorized as trades executed in normal course of trading in securities market.

57. In this regard, I would like to rely on the observations of Hon'ble SAT in the matter of *BP Comtrade Pvt. Ltd vs. SEBI (Appeal no. 189 of 2020, DoD: 20.11.2020)*:

"A large number of sell orders were placed repeatedly on several trading dates at less than the LTP; it is illogical. Therefore, the contention of the appellants that it was following momentum trading has no meaning as by placing a large number of orders below the LTP the appellants themselves were creating a momentum....

....When such trades are done on a large number of occasions, such as 166 times, one cannot but come to the conclusion that such trades are manipulative in nature."

58. In the light of the abnormal trading pattern exhibited by the *six Noticees* as discussed in detail in the preceding paragraphs, I would also like to rely on the following observations made by the Hon'ble Supreme Court of India in the case of *SEBI vs. Rakhi Trading Pvt. Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 (DoD- 08.02.2018)*:

“35. Having regard to the fact that the dealings in the stock exchange are governed by the principles of fair play and transparency, one does not have to labour much on the meaning of unfair trade practices in securities. Contextually and in simple words, it means a practice which does not conform to the fair and transparent principles of trades in the stock market.”

59. In the light of the aforesaid judicial observations of the Hon’ble SAT, and after considering the trading pattern, and the manner and frequency with which such trades were executed by the above noted *six Noticees*, I am constrained to hold that the *Noticee nos. 3, 5, 6, 7, 8 and 10* were not acting as genuine market participants and had no *bona fide* intention to trade in the shares of *Rutron*.

Directions

60. In view of the above, having found that the charges levelled against *Noticees* in the SCN stand established, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby hold that considering the volume of trades executed and percentage of contribution to the LTP by the *Noticees* and their impact on the price of the scrip of *Rutron*, it would be proper and in the interest of Securities Market that such entities should be restrained from being associated with the Securities Market and accordingly, I restrain all the *Noticees* from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, for a period of six (06) months from the date of this Order.

61. It is clarified that during the period of restraint, the existing holding of securities of the *Noticees* including units of mutual funds, shall remain frozen.

62. It is further clarified that obligation of the aforesaid *Noticees* in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange (s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of

pending unsettled transactions, if any. Further, all open positions, if any, of the aforesaid *Notices* in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

63. The Order shall come into force with the immediate effect.

64. A copy of this Order shall be forwarded to the *Notices*, all the recognized stock exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

DATE: FEBRUARY 15, 2021

S. K. MOHANTY

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA