

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under section 12(3) of the Securities and Exchange Board of India Act, 1992 read with regulations 28(2) and 38(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 in respect of Bubna Stock Broking Services Ltd., (now known as Sunbright Stock Broking Ltd.) Member, CSE (SEBI Registration Number INB030707632).

In the matter of G. R. Industries and Finance Ltd.

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted investigation into the trading in the scrip of G. R. Industries and Finance Limited (hereinafter referred to as the "Company"), for the period January 1, 2004 to February 28, 2005 (hereinafter referred to as the "investigation period"). During the investigation period, the shares of the Company were listed at the Calcutta Stock Exchange Limited (hereinafter referred to as "CSE").
2. It was observed that during the investigation period, four stock brokers, namely Mr. Shyamlal Sultania, Mr. Ashok Kumar Kayan, M/s M. Bhiwaniwala & Co. and Bubna Stock Broking Services Ltd. (now known as Sunbright Stock Broking Ltd. and hereinafter referred to as "the noticee") had traded substantially in the shares of the Company. Their cumulative trades accounted for 83.30% of the total traded volumes in the scrip at CSE during the investigation period. The noticee had traded in 27,46,100 shares of the Company during the investigation period and had contributed in a significant way in raising the price of the scrip progressively on a daily basis.
3. Pursuant to the investigations, the proceedings were initiated against the noticee under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as "the Enquiry Proceedings Regulations") (*since repealed*) to enquire into the alleged violations of the provisions of regulations 4(2) (a), (e) and (o) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "PFUTP Regulations") and clauses A(1),(2),(3),(4) and B(4)(a) of the Code of Conduct of Stock Brokers specified in Schedule II read with regulation 7 of

the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the "Stock Broker Regulations") by the noticee.

4. While the proceedings were pending before the Enquiry Officer, the Enquiry Proceedings Regulations were repealed on May 26, 2008, by the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as "the Intermediaries Regulations"). Accordingly, the Enquiry Officer/Designated Authority continued with the proceedings and submitted his Report (hereinafter referred to as "the Report") dated February 23, 2011 in terms of regulation 27 read with 38(2) of the Intermediaries Regulations and regulation 13(1) of Enquiry Proceedings Regulations.
5. In the Report, the Designated Authority *inter alia* observed that:-
 - (a) During the investigation period, the noticee had traded in 27,46,100 shares of the Company. The noticee had traded for its clients some of whom including *Ashi Forge Pvt. Ltd. (Ashi)*, *Elexi Consultancy Services Pvt. Ltd. (Elexi)*, *Vayudoot Commercial Pvt. Ltd. (Vayudoot)* and *Excel Vyapaar Pvt. Ltd. (Excel)* were connected to it. From the Know Your Client (KYC) documents and constitutional documents such as Memorandum of Association and Articles of Associations, filings with Registrar of Companies, etc. of the respective entities, it was observed that the noticee, its certain clients and the Company are connected to each other on the basis of factors mentioned in the following Table:-

Table 1- Connection/Relation between the noticee, its clients and the Company

Connected Clients	Factors for determining connection
(a) <i>Ashi</i> (b) <i>Elexi</i> (c) <i>Vayudoot</i> (d) <i>Excel</i> (e) Truly Consultancy Pvt. Ltd. (<i>Truly</i>) (f) Mill Stone Vyapaar Pvt. Ltd. (<i>Mill Stone</i>) (g) New Wave Dealer Pvt. Ltd. (<i>New wave</i>) (h) Graceful Advisors Pvt. Ltd. (<i>Graceful</i>) and the Company	• All these clients share common address with the Company i.e. 'No.33, C .R. Avenue, 9th Floor, Room No.916, Kolkata – 700 012'.
(a) <i>Ashi, Excel, Truly, Mill Stone</i> , the noticee and the Company (b) <i>Ashi, Excel, Truly, Mill Stone, Vayudoot, Elexi</i> and the noticee	• They all have common director i.e. Shri Gopichand Banshal • They all have common director i.e. Shri Rajendra Bubna • Vayudoot is promoted by Shri Rajendra

(c) <i>Ashi</i> and the Noticee	Bubna and Shri Gopichand Banshal
(c) <i>Vayudoot</i> and the Company	• <i>Ashi</i> is promoted by Shri Rajendra Bubna and Shri Gopichand Banshal who are directors of the noticee • Same address • KYC form of Vayudoot is signed by Shri Hare Krishna Behera, who is also the director of the Company. • From the annual report of the Company for the year 2004-05, it is noted that the Company has made investments of `90 lakhs in Vayudoot.
(d) <i>Graceful</i> and the Company	• Have common director i.e. Shri Hare Krishna Behra

(b) No trading was done in the scrip during the period January 01, 2004 to September 06, 2004, and September 07, 2004 was the first trading date in the scrip before the price rise as observed during investigation. Its abovementioned 4 connected clients, viz. *Ashi Elexi Vayudoot* and *Excel* started trading in the scrip from September 16, 2004 onwards. These 4 connected clients of the noticee traded significantly in the scrip during the investigation period through the noticee as described below-

Name of the Client/ Client Code	Total	% to total volume of broker
<i>Ashi</i> / A688	402700	14.66443
<i>Elexi</i> /E051	189000	6.882488
<i>Vayudoot</i> / V224	121400	4.420815
<i>Excel</i> / E118	69700	2.538145

A. Trading Pattern of *Ashi*

- Ashi* had done maximum trading through the noticee. Between October 12, 2004 to December 9, 2004 for a period of 11 days it traded for 4,02,700 shares in the price range of ₹ 6.50 to ₹9.30, which constitutes 14% of the total volume traded by the noticee. The entire traded volume of *Ashi*, except for 200 shares, was through sale transactions. A negligible amount of buy transactions and huge amount of sale transactions done by *Ashi* in the entire trading period is indicative of the fact that major portion of holding of *Ashi* was off loaded in the market through the noticee.
- Ashi* had not bought shares of the Company in the market during the initial period of price rise, i.e., from September 7, 2004 to September 30, 2004. However, as on

September 30, 2004, it was holding substantial shares of the Company. It is, therefore, observed that *Asbi* had acquired shares of the Company prior to the initial period of price rise through off market deals.

- iii. *Asbi* is promoted by Shri Rajendra Bubna and Shri Gopichand Banshal who are directors of the noticee. Technically, *Asbi* is a separate entity but there is no difference between trades done by noticee itself and those done by the noticee on behalf of *Asbi* as the management of *Asbi* and the noticee is the same. The noticee had admitted that “*they have been holding the shares of the scrip company during the year 2004-05 in the name of the said client company which is nothing but their sister concern*”.

B. Trading Pattern of *Elexi*

- i. *Elexi* had traded during September 21, 2004 to December 22, 2004 for a period of 8 days for 1,89,000 shares in the price range of ₹6.10 to ₹85.00, which constitutes 6.88% of the total trades done by the noticee. Out of the total trades done by *Elexi*, only 300 shares were bought and the rest (99%) were all sale transactions. It is, therefore, observed that major portion of the holdings of *Elexi* was off loaded in the market through the noticee. The only buy transaction for 300 shares done by *Elexi* on December 22, 2004 at the price of ₹72.60 and ₹85.00 can be said to be token transaction to record a higher price as there were no other trades in the exchange in the scrip on that day.
- ii. As on as on September 30, 2004, *Elexi* was one of the top 50 shareholders of the Company and the majority of the sale transactions done by *Elexi* were subsequent to as on September 30, 2004. Therefore, it is evident that *Elexi* had acquired the shares of the Company through off market deals prior to the initial period of price rise.
- iii. *Elexi* and the noticee have common director, viz. Shri Rajendra Bubna. Taking into account the factors as described in Table 1, the Designated Authority has found that *Elexi* is '*merely a separate entity technically but there is no distinction between trade done by the noticee on behalf of client (Elexi) as the management of both entities (i.e. Elexi and the noticee) is the same.*' Admittedly, the noticee had been holding shares of the Company in the name of *Elexi* which is noticee's sister concern.

C. Trading Pattern of *Vayudoot*

- i. *Vayudoot* had traded during September 16, 2004 to November 19, 2004 for a period of 5 days for 1, 21,400 shares of the Company in the price range of ₹5.05 to ₹9.00

which constitutes 4.42% of the total trade done by the noticee. There being only sale transactions done by *Vayudoot* through the noticee in the entire trading period is indicative of the fact that major portion of the trading done by *Vayudoot* was off loaded in the market through the noticee.

- ii. Shri Rajendra Bubna, noticee's director is also promoter and director of *Vayudoot*. Admittedly, *Vayudoot* had acquired 1,21,400 shares of the Company @ ₹1/- per share in September 2004 from Tannay Financial Services Pvt. Ltd. and the same shares have been off loaded in the market during the investigation period. Taking into account the factors as described in Table 1, the Designated Authority has found that *"there is no distinction between noticee, noticee's client (Vayudoot) and the Company"*.

D. Trading Pattern of *Excel*.

- i. *Excel* had traded on September 27, 2004 and October 05, 2004 for 69,700 shares of the Company in the price range of ₹5.95 to ₹6.55 per share which constitutes 2.53% of the total trades done by the noticee. There being only sale transactions done by *Excel* through the noticee in the entire investigation period is indicative of the fact that major portion of the holdings of *Excel* was off loaded in the market through the noticee. The noticee had also admitted that it was holding shares of the Company in the name of its client during the year 2004-05 which were subsequently off loaded.
 - ii. *Excel* is promoted by Shri Rajendra Bubna and Shri Gopichand Banshal who are directors of the noticee. Taking into account the factors as described in Table 1, the Designated Authority has found that *Excel* is *"....merely a separate entity technically but there is no distinction between trade done by noticee for its client as the management of both the entities (Excel and the noticee) is the same."*
- (c) On majority of the trading days, the quantity sold by its clients through the noticee was more than the quantity bought by them. As on March 31, 2004, there were only 25 shareholders in the Company and the clients of the noticee were not the shareholders of the Company as on that date. As on September 30, 2004 some of the noticee's clients were amongst the largest shareholders of the Company. Thus, it is established that the noticee and its clients had acquired shares of the Company from its shareholders through off market deals from April 01, 2004 to September 30, 2004. The Designated Authority has found that the noticee acquired 36,800 (1.22%) shares directly and additional shares in the name the aforesaid 4 connected clients through off market deals as mentioned in the following Table:-

Table 2- Clients of Noticee having major shareholding in the Company

Name	Number of shares	% of total holdings
<i>Excel</i>	75,000	2.5%
<i>Ashi</i>	75,000	2.5%
<i>Ellexi</i>	74,900	2.49%
<i>Vayudoot</i>	1,25,000	4.16%

- (d) The Designated Authority has also found that the substantial portion of the shares acquired by the noticee directly and through its above stated four connected clients was subsequently off loaded by the noticee to manipulate prices and generate artificial volumes in the scrip.
- (e) Out of the 27,46,100 shares traded by the noticee during the investigation period, trades in 18,74,800 shares were cross deals (68.27%) wherein the noticee himself was both buying broker as well as the selling broker for its trades that were executed from its terminal. The noticee had synchronised the trades with itself and in more than 50% of its trades, both the buy and sell orders were placed simultaneously by it.
- (f) Further, the transactions of the noticee's clients for a total of 2, 15,600 shares were reversed between themselves on the same day and at a higher rate than the rate at which the initial transactions had taken place. There was no net obligation of the noticee's clients at the end of the day. The details of such reversed trades were provided in Annexure III of the show cause notice (pre-enquiry SCN) dated 18 June, 2008 issued by the Designated Authority. By carrying out such reverse trades the noticee had generated artificial volumes by trades in 2, 15,600 shares in just three trading days, i.e. on 13, 14 and 20 September 2004. The following Table illustrates some of such reversed trades:

Table 3- Examples of Reversed trades

Transaction Date	Trade No.	Buy Client	Bought Qty	Rate ↔	Sell Client	Sold Qty	Net Obligation at day end
13.9.04	13-15	V247	5000	3.00	A426	5000	Nil
	16-18	A426	5000	3.05	V247	5000	
14.9.04	30-31	S755	5000	3.60	M372	5000	Nil
	32-33	M372	5000	3.60	S755	5000	
20.9.04	131	H210	10000	6.40	1458	10000	Nil
	132	1458	10000	6.50	H210	10000	
	133	P303	3000	6.30	A810	3000	
	134						

		A810	3000	6.40	P303	3000	Nil
	135	M361	3000	6.20	P304	3000	
	136	P304	3000	6.30	M361	3000	Nil
	137	1461	3300	6.30	H135	3300	Nil
	138	H135	3300	6.35	1461	3300	
	139	1459	2600	6.10	J250	2600	
	140	J250	2600	6.20	1459	2600	Nil
	141	1460	3000	6.25	V595	3000	
	142	V595	3000	6.30	1460	3000	Nil
	143	L195	4000	6.35	M694	4000	Nil
	144	M694	4000	6.40	L195	4000	

- (g) The trades of the noticee during the investigation period had significantly contributed in the progressive price rise of the scrip from ₹2.00 on a daily basis to ₹ 170.10. The following Table illustrates the price rise of the scrip during the investigation period:

Table 4- Details showing Price rise

Date	Previous Day price	Opening Price	Highest Price which traded at	Exchange Volume	Volume created By broker		% increase in share price
					B	S	
7.9.04	1.90	2.00	2.00	100	100	100	5.2%
10.9.04	2.25	2.60	2.60	10000	5800	10000	15.5%
13.9.04	2.60	3.00	3.05	92500	43500	43500	17.30%
14.9.04	3.05	3.60	3.60	10000	10000	10000	18.0%
15.9.04	3.60	4.25	4.25	12000	0	6000	18.0%
16.9.05	4.25	5.05	5.05	1000	0	5000	18.8%
20.9.04	6.00	6.50	6.50	359700	89700	89700	8.33%
21.9.04	6.50	6.50	6.50	165400	3400	3400	0
22.9.04	6.45	6.50	6.50	5000	5000	5000	0.77%
24.9.04	0.00	0.00	6.70	0	1700	34700	
27.9.04	6.50	6.50	6.55	12700	6700	6700	0.76%
5.10.04	6.00	6.00	6.55	92600	0	63000	0.76%
12.10.04	6.50	6.50	6.50	78500	0	55000	0
14.10.04	6.50	6.50	6.95	351450	127000	142800	6.92%
18.10.04	6.50	6.50	6.55	64900	13400	13400	0.76%
28.10.04	6.25	6.50	6.60	105000	13400	13400	5.6%
1.11.04	6.55	6.55	6.55	104300	75000	0	0
3.11.04	6.65	6.70	6.70	103400	3400	3400	0.75%
5.11.04	6.50	6.50	6.60	36400	36400	56400	1.53%
8.11.04	6.55	6.60	6.75	60600	12700	12700	3.05%
10.11.04	6.55	6.55	7.85	112200	71400	91400	19.84%
12.11.05	7.85	9.40	9.40	79100	40500	40500	19.74%
16.11.04	9.40	9.35	9.35	45800	45800	45800	
17.11.04	9.20	9.20	9.20	54000	54000	54000	0
18.11.04	9.20	9.00	9.30	107200	106250	109850	1.08%
19.11.04	9.00	8.20	8.50	250600	50000	50000	
2.12.04	20.40	24.35	24.35	2000	2000	2000	19.36%
7.12.04	24.35	0.00	29.20	300	0	100	19.91%

9.12.04	33.00	32.00	32.00	1200	200	1000	
14.12.04	42.25	40.10	47.00	600	600	200	11.24%
15.12.04	47.00	54.00	54.00	1000	0	1000	14.89%
22.12.04	73.10	85.00	85.00	300	300	0	16.27%
4.1.05	137.00	151.90	151.90	19500	19500	19500	10.87%
6.1.05	169.05	170.00	170.30	73300	25800	8600	0.73%
7.1.05	169.55	170.00	170.10	46500	6800	6800	0.32%
10.1.05	169.70	170.20	170.20	50800	39600	3400	0.29%

- (h) Except for two or three trading days, the noticee had traded daily at a higher price and on many days the traded volume in the scrip recorded at the exchange was only because of the noticee's trading on that specific day.
- (i) The trades of the noticee created large volume and impaired the genuine price discovery of the scrip.

Noticee's dealing for other clients.

6. The Designated Authority has further found that there were certain other clients of the noticee who had executed their buy transactions at a lower rate and subsequently had reversed the said transactions at a higher rate so as to book profits. The list of noticee's clients who come under top 20 clients with respect to such trades is shown in the following Table:

Client Code	Name	BUY QTY	Price	SELL QTY	Price	Net QTY
D433	Dinesh Kr. Aggarwal	34000	9.20	34000	155.00 162.50 165.20	-0-
N457	Nandkishore Agarwal	25000	8.20	25000	141.00	-0-
1070	Surendra Kumar	16700	6.50	16700	151.00	-0-
1078	Santosh Kr.Saraf	16700	6.60	16700	149.90 157.00 164.10	-0-
A045	Anilkumar	16700	6.60	16700	151.00	-0-
A777	AARVJALAN	13000	6.50	13000	151.50	-0-
I142	Ishika Jalan	13000	6.50	13000	169.70 169.90	-0-

7. The Designated Authority has also found that some of noticee's clients only purchased shares of the Company during the investigation period. These clients purchased shares uniformly at a price range of ₹151 to ₹169. With regard to these clients the noticee had failed to furnish the KYC documents. The details of trades of these client's are given in the following Table:

Client Code	Name	Bought Qty	Price	Total
WS01	Wall Street Capital P Ltd	32900	151.50 161.20 169.70 165.50	32900
1592	Sankat Mochan Holdings P Ltd	31500		31500
B607	Baba Viswannath Holdings P Ltd	30500		30500
BF01	BSR Finance & Construction P Ltd	29800	161.90 165.00 167.10	29800
1052	Suman Aggarwal	25000	161.00 to 166.00	25000
MG05	Millenium Gilts & Sec.P.Ltd	23500	149.90 162.50	23500
HC01	H C Commercial Ltd	21600	161.00 to 166.00	21600

8. The Designated Authority has observed that the aforementioned trades of the noticee's clients done by the noticee were not genuine but were pre-mediated / pre -determined trades executed by the noticee.
9. Based on the above findings, the Designated Authority concluded that the noticee:-
 - (a) executed large scale cross deals wherein the noticee itself was the counter party broker for its trades;
 - (b) systematically manipulated the price of the scrip from ₹2 to ₹170.20 in four months and also created artificial volumes in the scrip using the exchange mechanism;
 - (c) off- loaded shares of the Company held by it and also through few “front” companies created by the noticee in the guise of clients which ultimately resulted in price rigging and creation of artificial volume in the scrip of the Company;
 - (d) colluded with the Company and few other brokers to facilitate price rise and creation of artificial volume which ultimately provided undue benefits to few clients;
 - (e) executed trades for certain selective clients and facilitated them to reverse their transactions; and
 - (f) did not maintain proper records in respect of the KYC of several clients who had traded in the scrip through it.
10. In view of the above facts, the Designated Authority has found the noticee guilty of contravening regulations 4(2) (a), (e) and (o) of the PFUTP Regulations and clauses A(1), (2), (3), (4) and B(4)(a) of the Code of Conduct of Stock Brokers specified in Schedule II read with regulation 7 of the Stock Broker Regulations. The Designated Authority has

recommended that the certificate of registration granted to the noticee to act as a stock broker be suspended for a period of four months.

11. After considering the Report, a Show Cause Notice ('SCN') dated March 02, 2011 was issued to the noticee under regulations 28(1) and 38(2) of the Intermediaries Regulations enclosing therewith a copy of the Report and calling upon it to show cause as to why the penalty recommended by the Designated Authority or as considered appropriate by the Board should not be imposed upon it. The noticee did not respond to the SCN despite service thereof upon it. As a matter of fairness in the proceedings, opportunities of personal hearing were also granted to the noticee.
12. The noticee vide its letter dated December 03, 2012 submitted that its letter dated February 22, 2011 may be considered as its reply in the matter. The noticee also submitted that it has already been adjudicated by SEBI in various matters during the same investigation period and it has paid the penalties imposed in those matters. Therefore, a lenient view may be taken in this matter. This letter dated February 22, 2011 of the noticee was received by the Designated Authority after he had submitted his Report.
13. I have considered the said letter dated February 22, 2011 as reply of the noticee as requested by it. In its reply the noticee has made *inter alia* the following submissions:-
 - (a) The allegations in the pre-enquiry SCN are not based on the revised trade log but on previous trade that was unreliable. On this ground itself the notice deserved to be discharged and charges levelled against the noticee be dropped. The revised trade log provided by the Designated Authority is also unreliable and suffers from material discrepancy.
 - (b) The revised trade log when compared to the previous trade log shows that there are changes made to it. Thus, the trade and order log are tampered and doctored to create charge against the noticee. For instance, changes are made to the order timings in the revised trade and order log as indicated in the following Table:-

Date	Order no	Order time in previous trade no	Order time in revised trade no
07/09/2004	842500733	03:27:12	15:27:13
10/09/2004	811347755	12:37:03	12:37:04
10/09/2004	811347761	12:45:00	12:45:01
10/09/2004	811347763	12:46:05	12:46:06

13/09/2004	872228434	11:53:50	11:53:51
13/09/2004	872228435	11:54:20	11:54:21
13/09/2004	872228444	01:23:16	13:21:17
13/09/2004	872228455	03:18:20	15:18:21
14/09/2004	902039754	02:58:11	14:58:12
14/09/2004	902039755	02:58:30	14:58:31
14/09/2004	902039757	02:58:49	14:58:50
14/09/2004	902039761	02:59:34	14:59:35
15/09/2004	842500904	03:24:54	15:24:55
16/09/2004	872228492	12:35:35	12:35:36
16/09/2004	872228493	12:35:41	12:35:42
20/09/2004	782016918	01:07:16	13:01:17
20/09/2004	872228522	01:07:16	13:01:17

(c) There are various other discrepancies in the revised trade log as pointed out below:

- i. The revised trade log did not provide order quantity and order price.
- ii. There is vast difference in counter party order numbers and there appears to be discrepancy in the order numbers where the order numbers in a particular trade are not in sync with each other as pointed out below:

Trade no	Order no	Counterparty Order no
131-156	7820*****	8722*****
379-383	8722*****	9020*****
736-744	7820*****	8113*****
745-786	84250****	7522***

It is not possible that the order numbers in a particular trade could be at such variance where one order in a trade could begin with 7820**** (lesser in order number) and in the same trade the counterparty order could begin with 8722**** (greater in order number) or at the variance as set out above.

- iii. The order sequencing should be ascending in accordance to order date and time. However, in the revised trade log the order numbers are erratic as pointed out below:

Trade no	Trade Date	Order no
1	07/09/2004	8425*****
3-12	10/09/2004	81134****

13-29	13/09/2004	87222****
30-33	14/09/2004	90203****
34-35	15/09/2004	84250****
40-43	16/09/2004	87222***

- (d) The noticee had transacted on the instructions of its clients in the ordinary course of business without any sinister intent or design and has not carried out a single proprietary transaction in the scrip of the Company. All the transactions were on the order matching mechanism of the stock exchange. The noticee at the time of carrying out transactions on behalf of the clients was not aware of the identity of the counter party brokers and their clients.
- (e) At the time of carrying out transactions for its clients, the noticee was not aware that stock brokers namely Shyamlal Sultania, M. Bhiwaniwala & Co. and Ashok Kumar Kayan were also transacting in the same scrip. The noticee is neither aware of the nature of transactions carried out by them nor concerned with the same. The noticee shares no relationship with these stock brokers or other brokers who had transacted in the scrip.
- (f) In the entire of 5 months (from September 7, 2004 to February 28, 2005), 23.86% of the trading volumes generated by the trades of the noticee is not such a large quantity. Since, the orders were placed in the order matching mechanism of the exchange, the buy clients' orders had matched with the selling clients' orders in the ordinary course. The noticee has denied carrying out cross deals with the intent of creating artificial volumes and adversely influencing the price.
- (g) With respect to reversal of transactions, the noticee has submitted that it transacted in the scrip based on the clients' instructions. The noticee had no connection / nexus with the clients who have carried out reversal transactions as alleged. Based on the alleged reversal of transactions carried out in merely 3 days of the period comprising 5 months, no adverse inference can be drawn against the noticee. Further, post September 20, 2004 the price of the scrip had continued to increase thus, the price rise in the scrip cannot be attributed to reversal of trades which have taken place only on 3 days of the entire investigation period.
- (h) The noticee has transacted on behalf of several other clients besides the alleged clients and has not carried out a single proprietary transaction in the scrip. There is not a single trade that indicates that the noticee has transacted in "self" account. Therefore, the observation that the noticee has traded daily at higher prices, thereby creating volumes is incorrect and contrary to factual position. The noticee has denied that it has sold more quantity than the quantity bought and has contended that there are reversal transactions where the noticee is on the buy side which has been overlooked. Based on the observations of selling the shares which were

previously held by the noticee's clients it cannot be assumed that the noticee had any role to play as alleged.

- (i) Though there may have been common directors between the noticee and *Excel, Ashi, Elexi* and *Vayudoot* (collectively referred to as the "4 entities"), it has no role in their management policies and in their day to day business activities in any manner. The decision of the said 4 entities to trade in the shares of the scrip during the investigation period was of their own and the noticee had no role in the same. The allegation of price rise against the noticee is based on the absurd assumptions only because of common directors. Factually and as also indicated by the trade and order log, the noticee has transacted for several other clients. It is not the case that it has transacted only for the 4 entities with the purpose of assisting them in offloading the shares held by them. The said 4 entities had not only traded in the scrip of the Company also in several other scrips. The noticee cannot be held liable for carrying out transactions in good faith on behalf of these clients.
- (j) The noticee shares no relationship with Dinesh Kumar Agarwal, Nandkishore Agarwal, Surendra Kumar, Santosh Saraf, Anilkumar, Ishika Jalan, Wall Street Capital Pvt. Ltd., Sankat Mochan Holding Pvt. Ltd., Baba Viswanath Holdings Pvt. Ltd., BSR Finance & Constructions P Ltd., Suman Agarwal, Millenium Gilts & Sec P Ltd. and H C Commercial Ltd., save and except a client broker relationship.
- (k) It is denied that the trades carried out by the noticee on behalf of its clients were pre-mediated / pre determined trades. It is not the case that the clients have transacted amongst themselves. The revised trade and order log also does not show that throughout the period of 5 months (September 7, 2004 to February 28, 2005) a particular set of clients have transacted only amongst themselves. The noticee further denied, it had off loaded the shares of the company at low rates and had systematically jacked up the price the scrip as alleged.
- (l) The noticee has not only transacted in the price range of ₹ 2 to ₹170.20 but also continued to transact even when the price of the scrip began to fall from ₹ 170.20 to ₹17.50.
- (m) The notice had transacted in the scrip not only in the investigation period but also in post investigation period. Its intentions were not to influence price and volume of the scrip but only to transact for its clients in the ordinary course. The noticee has earned brokerage in accordance to SEBI Act and the rules and regulations and has not acquired any undue profits.
- (n) It is denied that the noticee had transacted in the scrip with the intention of influencing the price / volume of the scrip.

Consideration of the issues.

- 14. I have carefully considered the Report, the SCN issued pursuant thereto, submissions of the noticee and other relevant material available on record. Before dealing with charges and

allegations in the SCN, I deem it necessary to deal with preliminary contention of the noticee with regard to reliance on revised trade log furnished to it by the Designated Authority after issuance of the pre- enquiry SCN. I note that on noticing certain typographical errors in the trading data/details provided to the noticee alongwith the pre- enquiry SCN, the Designated Authority had provided to the noticee a revised trade and order log vide notice dated February 01, 2011, wherein he had also categorically mentioned that '*the data enclosed with this Notice will only be considered for the present proceedings and not the data as contained in Annexure II of the Show Cause Notice.*' I find that the Designated Authority, in his report, has relied upon the revised data/details that were provided to the noticee and had also given it one additional opportunity of personal hearing. In view of the same, I find that principles of natural justice are fully complied with in these proceedings. I further note that there were typographical errors with regard to presentation of order time in the earlier data/details that were provided to the noticee alongwith the pre- enquiry SCN and the revised data/details merely mention the correct presentation of order time and the Designated Authority has not relied upon the data/ details initially provided. Therefore, the comparison done by the noticee with regard to the order is misplaced and its contention that the trading data/details are tampered is misconceived and incorrect.

15. The noticee has also disputed the revised data/details provided to it and has contended that there is vast difference in counterparty orders and the same is erratic. In this regard, I note that as per the trading mechanism at CSE the order numbers are automatically generated by the system and are unique for a scrip. In order to fasten order processing and trade matching activity, scrips are allotted different basket numbers and orders of the scrips are routed from such baskets to different processors. When an order is placed, the immediately available processor allots the last available order number with the applicable series and it is possible to have different series of order numbers for the same scrip on the same day. Thus, as per the trading mechanism at CSE, the order numbers need not necessarily appear in an ascending sequence in accordance to order date and time nor is it necessary that in a particular trade one order number and the counterparty order number should be in a closer range. Hence, I reject the noticee's contention that the trade and order log suffers from discrepancies in this regard.
16. Now coming to the allegation of connection /relation between the noticee its clients and the Company, I note that the Hon'ble Securities Appellate Tribunal has, in many cases such as *Classic Credit Ltd. vs. SEBI (SAT Appeal no. 68/2003, Order dated December 8, 2006)*, *Classic Credit Ltd. vs. SEBI (SAT Appeal no. 76/ 2003, Order dated January 9, 2007)* and *Veronica Financial Services Ltd. Vs SEBI (SAT Order dated August 24, 2012)*, held that connection/relations can be established on the basis of factors including the common addresses, common directors/

shareholders, etc. In this case, it is admitted fact that the noticee had been holding the shares of the Company during the year 2004-05 for its clients viz. *Asbi* and *Excel* which were admittedly the noticee's sister concerns. I note from the above examination and factors mentioned in Table 1 that the Company, the noticee and seven of its clients viz., *Asbi*, *Vayudoot*, *Excel*, *Truly*, *Mill Stone*, *Graceful* and *Elexi* are clearly connected/related to each other.

17. There is no finding in the Report or allegation in the SCN that the noticee was connected/related with other clients, namely, Dinesh Kumar Agarwal, Nandkishore Agarwal, Surendra Kumar, Santosh Kr. Saraf, Anilkumar, Aarav Jalan, Ishika Jalan, Wall Street Capital Pvt. Ltd., Sankat Mochan Holding Pvt. Ltd., Baba Viswanath Holdings Pvt. Ltd., BSR Finance & Constructions P Ltd., Suman Agarwal, Millenium Gilts & Sec P Ltd. and H. C. Commercial Ltd., or with stock brokers namely, Shyamlal Sultania, M. Bhiwaniwala & Co. and Ashok Kumar Kayan. From the Report it is observed that some of the aforementioned clients of the noticee, namely, Dinesh Kumar Agarwal, Nandkishore Agarwal, Surendra Kumar, Santosh Kr. Saraf, Anilkumar, Aarav Jalan, Ishika Jalan have uniformly purchased shares at lower reates ranging from ₹6.00 to ₹6.50 and have uniformly sold at a range of ₹151.00 to ₹169.00. From the Report it is also evident that few clients of the noticee, namely, Wall Street Capital Pvt. Ltd., Sankat Mochan Holding Pvt. Ltd., Baba Viswanath Holdings Pvt. Ltd., BSR Finance & Constructions P Ltd., Suman Agarwal, Millenium Gilts & Sec P Ltd. and H. C. Commercial Ltd. were executing only buy transactions at a uniform price range of ₹150.00 to ₹172.00. In respect of the aforementioned clients, the noticee has failed to furnish the KYC forms of these clients. In view of the above, the noticee has failed to maintain high standard of integrity, promptitude and fairness in the conduct of its business and has also failed to exercise due care, skill and diligence as required of it in terms of clause A(1) and (2) of the Code of Conduct of Stock Brokers specified in Schedule II referred to in regulation 7 of the Stock Broker Regulations.
18. I note that though the Designated Authority has alleged that noticee colluded with few other brokers to facilitate price rise and creation of artificial volume, there is no basis or reason given in the Report for the same.
19. There is no dispute as to fact that the scrip in question was an illiquid one. It is noted that out of the 27,46,100 shares traded by the noticee during the investigation period, it had executed cross deals for its clients in 18,74,800 (68.27%) shares wherein both buy and sell orders were executed by the noticee itself from its same terminal. The noticee has not disputed these facts and has claimed that in the order matching mechanism of the stock exchange the buy orders

of its clients had matched with the sell orders of the clients in the ordinary course. In this regard, the following observations of Hon'ble SAT in its order dated December 13, 2010 in Appeal no. 190/2010-*Ajmera Associates Ltd. Vs. SEBI* is worth mentioning:

"... It is not in dispute that the trading system that we have on the stock exchanges is a blind trading system which maintains complete anonymity of the persons trading. The broker while executing an order (buy or sell) cannot possibly know at the time of placing the order through the system as to who the counter party is or even the counter party broker. In other words, the trading system does not permit the buyers and the sellers to have any interaction between them except through the trading system. A buy order placed on the system matches with a sell order and a trade comes to be executed and this matching is done by the system on a price time priority basis. Despite the anonymity of the system, we have seen market players and the intermediaries like the brokers executing manipulative trades by defeating the system and this is usually done by placing the buy and sell orders simultaneously for the same amount and at the same price. Such matching orders usually result in trades in comparatively less liquid scrips. This being the system, it sometimes becomes difficult to find out whether the brokers who execute the trades of their clients and who are expected to carry out their directions are also a party to the mischief. If the broker knew at the time of executing the trade what the client was upto, then obviously he is a party to the mischief. Since the trading system maintains complete anonymity, brokers always plead that they were ignorant about the counter party or his broker. In such a situation one has to look to the trading pattern and if the trades match too often or if the matching of the trades is noticed day after day and trade after trade, one can infer that the matching was done not by the system but by manipulating the same....."

20. In this case, the Designated Authority has found that more than 50% of the total trades executed by the noticee were in the nature of cross deals where noticee itself was the counter party broker for the trades executed through its terminal. Further, the noticee had synchronised the trades with itself and in more than 50% of its trades, both the buy and sell orders were placed simultaneously by it. From the trade log of the noticee, it is noted that it executed the cross deals of its clients including its connected clients in the illiquid scrip of the Company repeatedly and continuously and the buy orders and sell orders were placed almost simultaneously. Since the noticee executed these synchronised cross deals on such a large scale in illiquid scrip for its clients including its connected clients repeatedly, it can reasonably be inferred that such transactions could be possible only with the knowledge and involvement of the noticee being the common broker. In the facts and circumstances of the case and the pattern of trading of the noticee as found in the Report, the fact that the noticee executed transactions on the screen based trading system cannot be of any defence to the noticee.

21. I, therefore, am inclined to agree with the findings of the Designated Authority that it is too much of a coincidence that in such large volumes of the trades executed by the noticee, the buyer and seller were readily available with the noticee to facilitate the execution of such trades. In view of the same, I find that such trades of the noticee created large artificial volume in an illiquid scrip and impaired the genuine price discovery of the scrip.
22. I note that during the period of initial price rise, the transactions of the noticee's clients (other than the 4 connected clients) were reversed between them on the same day and at a higher rate than the rate at which the initial transactions took place. All these trades were synchronised with regard to time, price and quantity. Such trades involved 2,15,600 shares in only 3 trading days, i.e., September 13, 14 and 20, 2004 and had led to creation of artificial volume and systematic price rise from ₹ 3 to ₹6.50 per share on those trading days. The noticee has not disputed these facts and has contended that it had transacted only on the basis of the instructions of the clients with whom it had no connection/nexus. In my view, when such synchronised transactions are undertaken involving large volume of shares of illiquid scrip in such short duration of time, it should raise suspicion in the mind of the noticee. The transactions of the client were undoubtedly non-genuine. I note that with regard to such transactions the Hon'ble Securities Appellate Tribunal, in the matter of *Triumph International Finance Ltd. v. SEBI*, has observed as under:

".....The question that arises for consideration is - could it be said that the appellant was innocent and whether such large number of trades could have matched on the screen without the knowledge and active involvement of the appellant as a broker. The answer has to be in the negative. It is the broker who plays a pivotal role in synchronising the trades with the counter broker and match the same through the exchange mechanism by punching the buy and sell orders simultaneously. It is true that the brokers act on the advice of their clients but it is they who actually implement the game plan....."

23. I further note that the Hon'ble Securities Appellate Tribunal in its order dated March 22, 2010 in Appeal no. 163/2009 - in the matter of *Galaxy Broking Ltd. vs SEBI*, has held as under:

".....Reverse trades are fictitious and do not transfer the beneficial ownership in the traded scrip and they are meant only to increase the volumes on the screen of the exchange which generates investor interest. It is on account of such trades and increase in volumes that the lay investors get trapped....."

24. In my view, in the facts and circumstances of the case as found in the Report and discussed hereinabove, such fictitious trades of the clients of the noticee could be possible only with the

active involvement of the noticee. I, therefore, reject the contention of the noticee and agree with the findings of the Designated Authority.

25. The Designated Authority has further found that due to the trades of the noticee the price of the scrip had progressively increased on a daily basis from ₹2.00 to ₹170.20 during the relevant period. In this regard the noticee has contended that it had also traded when the price of the scrip began to fall from ₹170.00 to ₹17.50 on March 29, 2005. I find that since the investigation period was from September 7, 2004 to February 28, 2005 during which period the price of the scrip was progressively increased due to trades of the noticee. In my view, any decline in the price and trade of the noticee after the investigation period is not material. Further, the noticee has not substantiated its contention by any evidence. Therefore, this contention of the noticee is unfounded. The other contention of the noticee in this regard is that the first transaction in the scrip through it took place on September 7, 2004 and the first transaction of its four clients (*Ashi, Elexi, Vayudoot and Excel*) through it took place only on September 16, 2004 and by then the price of the scrip had already increased from ₹2 on September 7, 2004 to ₹4.25 on September 15, 2004. In this regard, I note from the trade and order log that though these four major clients connected with the noticee had started trading in the scrip on September 16, 2004, the noticee had traded in the scrip for other clients from September 7, 2004 by entering into illegal and fictitious transactions as described above. As found by the Designated Authority such transactions helped in creation of artificial volumes and also systematic price rise in the scrip. The fictitious and illegal transactions of other clients were also with the active involvement of the noticee as found hereinabove. I, therefore, am inclined to agree with the findings of the Designated Authority as contained in the Report.
26. In view of the examination of the facts in the Report, I am convinced that the noticee and its aforesaid 4 connected clients had acquired shares of the Company from the then existing shareholders through off market deals and this fact has not been disputed by the noticee. The Designated Authority has further found that subsequently substantial shares of the Company were off-loaded by the noticee to manipulate prices and generate artificial volumes in the scrip. It has been established in the Report and the noticee has not been able to disprove that the noticee had been holding shares of the Company through its said 4 connected clients. I note that the noticee has merely stated it had no role in the management policies or in the day to day business activities of its clients, and the clients' decision to trade in the shares of the Company was their own and the noticee had no role in the same. However, the noticee has not provided any document/evidence to substantiate this claim and in the absence of the same I am not inclined to accept the noticee's contention. I find that given the linkages

amongst the noticee and the said 4 connected clients it is evident that it was the noticee who executed the sale transactions as found in the Report. It is clear from the Report that the noticee had offloaded substantial number of shares through its aforementioned 4 entities acting as its front. Analysis of the trading pattern of these 4 connected clients clearly shows that the noticee had mostly executed sale transactions for them and had been on the buy side for a very miniscule number of shares. Thus, the noticee's contention that it had not sold more quantity than the quantity bought is incorrect.

27. Given the background of the Company, the huge price rise, artificial trading volumes and the pattern of trades, the established links between the noticee, its clients and the Company, in my view, the trades executed by the noticee and pattern of trading adopted by it as found in the Report were not genuine and the noticee deliberately employed the device to create artificial volume and manipulate the price of the scrip of the Company.
28. In view of the above, I do not find any reason to disagree with the findings of the Designated Authority. In the facts and circumstances of the case, I find that the noticee has violated provisions of regulation 4(2) (a) and (e) of the PFUTP Regulations. The noticee being a registered intermediary is expected to be diligent and use required skill and care while acting as a stock broker, in which, as found by the Designated Authority, the noticee has failed and I find no reason or material to differ with findings of the Designated Authority. I, therefore, find the noticee has failed to maintain high standard of integrity, promptitude and fairness in the conduct of its business and has also failed to exercise due care, skill and diligence and has, thus, violated clause A (1), (2), (3) and (4) of the Code of Conduct of Stock Brokers specified in Schedule II referred to in regulation 7 of the Stock Broker Regulations.
29. I have considered the submission made by the noticee with regard to past actions taken against it. I note that the subject matter of present proceedings is different from that of the earlier case. Therefore, the past actions taken against it in other cases cannot mitigate the charges and allegations in the present case. The enforcement action against the noticee in the earlier cases also indicates that the noticee has committed repeated default.
30. I note that the prohibited activities and types of contraventions as found by the Designated Authority in this matter definitely have potential to disturb the market integrity and disturb the fair, equitable and efficient functioning of securities market. I am satisfied that it is necessary to secure the proper management of the activity of the noticee. In my view, considering the facts and circumstances of this case and taking into account the interests of

the investors, suspension of certificate of registration of the noticee for three months will be commensurate with the contraventions found in this matter.

31. I, therefore, in exercise of the power conferred upon me by virtue of section 19 of the Securities and Exchange Board of India Act, 1992, read with regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certificate of registration [Registration No. INB 030707632] of the stock broker, Bubna Stock Broking Services Ltd. (now known as Sunbright Stock Broking Ltd.), a member of the Calcutta Stock Exchange Limited for a period of three months.
32. A copy of this order shall also be served upon the broker and Calcutta Stock Exchange Limited in accordance with regulation 30 of the Intermediaries Regulations.
33. This order shall come into force immediately on expiry of twenty one days from the date of this order.

DATE: NOVEMBER 12TH, 2013
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA