BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. BM/AO- 7/2011]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of

India Infoline Securities Limited

(PAN: AABC10745G)

In the matter of Asian Star Company Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted investigation in trading in the scrip of Asian Star Company Limited (formerly hereinafter referred to as **'ASCL'** or **'the company'**) for the period October 10, 2008 to November 20, 2008 (hereinafter referred to as **'investigation period'**). The shares of ASCL are listed at Bombay Stock Exchange (hereinafter referred to as **'BSE'**). It was observed that during the investigation period the price of the scrip went up from ₹ 1,240.00 on October 10, 2008 to ₹ 1,306.15 on November 20, 2008 (18.57% rise in 28 trading days). During the same period the SENSEX had fallen by 19.73% (i.e. from 10,527.85 to 8,451.01). Subsequent to the investigation period the price had started to fall and closed at ₹ 905 on January 30, 2009.

2. The role of the brokers and their clients who traded in the scrip of ASCL on BSE was scrutinized. It was observed during investigation that certain entities who were

allegedly connected to each other had indulged in circular/reversal synchronized trading in such a manner that led to creation of artificial volume in the scrips.

3. From the trading pattern it was observed that there was concentration among the major brokers and their clients on BSE for the period under examination. Analysis of trading pattern revealed that the broker Triveni Management Consultancy Service (hereinafter referred to as "Triveni") had maximum concentration in gross purchase at 26.25 % followed by broker BP Equities Pvt Ltd (hereinafter referred to as "BP Equities"), Swastika Investment Ltd (hereinafter referred to as "Swastika") and Emkay Global Financial Services Ltd (hereinafter referred to as Emkay Global) at 19.27 %, 17.97 % and 16.97 % respectively. On gross sales also the same brokers had the same percentage of concentration as all of them had sold entire or similar quantity of the shares bought.

4. It was observed that the group of entities allegedly connected to each other viz., Sandeep Jain, Jitendra Jain, Suresh Hanswal, Pradesh Nimawat, Sunil Mehta, Usha Mehta, Bharat C. Jain, Arun Manohar Sakpal, Narendra Sanghi, Meen Been Elastomers, Dilip Rathore, Bhanwar Lal Paliwal, Alpesh G Dand, Manisha Mardia, Rajnish Jain were found to be executing synchronized and structured and reversal trades among themselves. These entities were found to be linked with each other through Sunil Mehta, Ajay Roongta, Manish Mathur and together form a group which is henceforth referred as **"Mehta Group".** It was alleged that India Infoline Securities Limited (hereinafter referred to as **"Noticee"**) allowed Sunil Mehta to operate the account of his mother Usha Mehta that led to manipulative transactions (synchronized, structured and reversal trades) and failed to carry out its business with due, skill, care and due diligence. Hence, it was alleged that Noticee violated Regulations Regulation 7 read with Clauses A(1) and A(2) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI (Stock Broker and Sub-broker) Regulation, 1992 (hereinafter referred to as **"Stock Brokers Regulations"**). Consequently, the Noticee is liable for monetary penalty under section 15HB of

Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**').

APPOINTMENT OF ADJUDICATING OFFICER

5. The undersigned was appointed as Adjudicating Officer vide order dated November 09, 2010 under section 15 I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules'**) to inquire into and adjudge the alleged violations of PFUTP and Stock Brokers Regulations committed by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

6. Show Cause Notice No. EAD-6/BM/VS/29350/2010 dated December 9, 2010 (hereinafter referred to as **'SCN'**) was issued to the Noticee under rule 4 of the Rules to show cause as to why an inquiry should not be held and penalty be not imposed under section 15HB of SEBI Act for the alleged violation specified in the said SCN. The said SCN was returned undelivered. Vide letter dated January 11, 2011 copy of the SCN was again issued to the Noticee. Noticee vide letter dated January 19, 2011 acknowledged the receipt of SCN and sought time till February 11, 2011 for filing reply to the SCN and the same was granted to the Noticee vide letter dated January 19, 2011. Vide reply dated February 10, 2011 Noticee denied all the allegations leveled against him in the SCN and inter alia submitted that:

(a) That we have not been provided with the complete trade and orders logs relating to trading in the scrip of ASCL during the investigation period i.e. October 10, 2008 to November 20, 2008; we have also not been provided with the statement of various persons, including Mr. Sunil Mehta, who are alleged to have committed irregularities while trading in the scrip of ASCL during the investigation period.

(b) That it is not essential or necessary for news or announcement relating to a particular company or substantial profits or losses made by the company for that price of scrip to rise or fall. There are several factors that influence the price of the scrip and apparently, SEBI has not considered all factors to arrive at the conclusion that the rise in the price of the scrip during the investigation period was not justified.

(c) That except for the trades of purchase and sale of 143041 shares of ASCL by our client Usha Mehta, we are neither concerned with nor aware or nor have any means to substantiate trades or otherwise of broker and/or their clients, mentioned therein.

(d) During the period from October 10, 2008 to November 20, 2008 our client Mrs. Usha Mehta had executed bought and sold 1,43,041 shares of ASCL. With respect to the trades executed on behalf of our client Ms. Usha Mehta, we wish to submit as under:

1. There was an adequate margin in the client's ledger while placing the orders with us. As per our Risk Management System, our system verified the available margins in the client's account and then placed the orders for execution through Exchange.
2. During the said period the client had traded in 18 scrips including ASCL.
3. Our client was a regular trading client and was frequently buying and selling securities in her account.
4. In view of the availability of adequate margins and the nature of the trades being consistent with earlier trading patterns of the client, we had no reason to suspect any irregularity in the trades of our client.

e) That we deny that we were aware of or involved in any synchronized trades in the scrip of ASCL during the Investigation Period. SEBI has not shown that we were aware of the alleged intention of our client to synchronize her trades with those of the counter parties and/or that we

had willingly participated in the same, if at all. In fact, we could not have been aware of the identity of the counter party broker or client while trading on the BOLT, the anonymous trading system of the BSE.

f) *Assuming without admitting that we did unknowingly and unwittingly place orders on behalf of our client which resulted in 325 synchronized deals out of a total of 6953 deals, the same tantamount to hardly 4.7% in absolute terms and therefore, cannot be said to have impacted the price and volume of the scrip as falsely alleged or otherwise.*

g) *We deny that we were aware or could have been aware of the reversal trades in the scrip. It is further submitted that the Stock Exchange has put in place an automated price and order matching mechanism of a blind system to ensure perfect transparency in the trading system. We submit that we placed trade orders on behalf of our client under the instructions of the client / her authorized representative. It is further submitted that it is impossible, impracticable and unfeasible to detect and perceive the intentions and objectives of other entities or even know the identity of the counter party broker or their clients. The orders were entered by the dealers as per the instruction of our client/ her authorized representative i.e. the quantity, purchase/sale rate etc. as ordered by our client/her authorized representative. In this regard our officials did not intervene or induce or place orders on behalf of clients. At the same time our relationship managers and dealers ensured that orders were placed at the prevailing* market price.

h) *We strongly deny that we were aware, involved, connected or concerned with the execution of the alleged synchronized/ reversal trades by the entities referred to as "Mehta Group". We further deny the existence or otherwise the alleged "Mehta*

Group". In any case, we are not aware of any links between the clients. As per our records, Ms. Usha Mehta had opened the account with us on 02.09.2008 by submitting the Client Registration Form, other KYC documents and required proofs. The Bank proof submitted by the client was of a joint bank account with Mr. Sunil Kumar Mehta who is son of Ms. Usha Mehta, the only fact, which we are aware of. We are not aware of any link between the other persons named in the notice inter se or aware of any of the details submitted by them to the other brokers and / or the transactions executed by them through such other brokers till so pointed out in the SCN. Further we wish to submit that the client did not disclose that she was trading through any other broker and to the best of our knowledge, we were not aware of any other broking account of the Ms. Usha Mehta or Mr. Sunil Kumar Mehta with any other broker and thus cannot comment on the same. We did not have access to any such information and are not aware of all these details.

i) *We would like to submit that as per our records, the account of Ms. Usha Mehta was opened after completion of all the necessary KYC formalities/requirements. As per our records Ms. Usha Mehta had after opening: an account with us, given an oral authorization in favour of her son Mr. Sunil Mehta who was based in Mumbai to place orders on her behalf and in this regard had also provided the mobile telephone number of her son, Mr. Sunil Mehta in her KYC. Since Usha Mehta did not dispute or disown any of the trades in her account, we were justified in considering that her oral authorization was sufficient.*

j) *That the bank account details submitted by Ms. Usha Mehta at the time of opening the trading account with us show that the bank account was in joint names of Ms. Usha Mehta, her son Mr.*

Sunil Mehta and her husband Mr. Gyan Chand Mehta. While it is true that Sunil Mehta and our client Usha Mehta are related to each other, it is erroneous to presume that we were aware of the connections that Sunil Mehta had with the other persons indicted in the Show Cause Notice or of their alleged synchronized trading or the alleged manipulation of the price and volume of the scrip of ASCL on account of the mother and son relationship between Usha Mehta and Sunil Mehta.

k) *We submit that the allegation of fraud by alleged synchronization of trades and manipulation requires a high degree of proof of intent and wrongdoing. The SCN has made observations and findings against us that are too farfetched and fail the test of "intent and wrong doing" on our part. The SCN seeks to draw us into the alleged manipulation citing relations between parties over whom we have no control. We fail to understand how does the observations and findings in the paras under reply, connect us or points to our involvement, knowledge or suspicion of the alleged reversal, structured, synchronized trades if any.*

l) *we submit that we are not aware of any "Mehta Group" or that the entities and persons who are alleged to be part of the said alleged Mehta Group had acted together. We strongly deny that we are aware, involved, connected or concerned with the execution of the alleged synchronized/ reversal/ structured trades by the entities referred to as "Mehta Group".*

m) *With respect to allowing Mr. Sunil Mehta to operate the account of Ms. Usha Mehta, were iterate that account of Ms. Usha Mehta was opened after completing all the KYC formalities. Ms. Usha Mehta had then authorized her son Mr. Sunil Mehta who is based in Mumbai to place order on her behalf and execute trades in her account on her behalf. In this regard, we repeat,*

reiterate and submit that since Usha Mehta did not dispute or disown any of the trades in her account, we were justified in considering that her oral authorization was sufficient. However, in order to avoid any ambiguity in the matter, we had pursued with the client to record the authorization in writing even before the investigation was initiated by SEBI. However the client failed to provide the same. It is for this reason that we were unable to submit the authorization letter to the IA.

7. Vide letter dated February 24, 2011 Noticee was informed that the alleged synchronized and structured trades executed by its client Usha Mehta along with the counterparty details on the basis of which charges have been framed against them has been provided with the SCN. It was also informed to the Noticee that charges against them are not framed on the basis of statements of the Mehta Group entities. Mehta Group was observed to be entering into transactions which were in the nature of reversal of trades / circular trades, accordingly a copy of such trades were provided to the Noticee for offering comments. Noticee vide letter dated March 10, 2011 *inter alia* to its earlier submissions submitted that:
   a) *That SEBI has relied upon the statement of Mr. Sunil Mehta submitted before the Investigating Officer.*
   b) *That in the blind trading mechanism of on Exchange, dealers while executing trades on behalf of the clients cannot and should not be deemed to be aware of the counter parties. In any event the trading platform on Exchange does not provide for this facility. The finding therefore is fallacious and needs to be set aside. All orders were executed by the dealers as per the instruction of the client i.e. the quantity, purchase/ sale rate, etc. as ordered by the client. The client was the normal trading client executing buy and sell transactions in her account on a regular basis. Trades were executed in the client's account after due verification of the availability of required margin in the client's account and as per our risk*

management policy. The circumstances did not warrant suspicion about the alleged circular or reversal trades.

8. In the interest of natural justice and in order to conduct an inquiry as per rule 4 (3) of the Rules, the Noticee was granted an opportunity of personal hearing on April 21, 2011 at SEBI, Head Office, Mumbai vide notice dated April 01, 2011 which was acknowledged by the Noticee. Mr. Dinesh Tanwar (AVP Compliance) and Ms. Manjula Joshi (VP Compliance), Authorized Representative (AR), appeared for the personal hearing and submitted that the reply dated February 10, 2011 is the final reply to the SCN During the hearing Noticee was asked that whether it is a general practice followed by them of not taking authority from the client when orders are place by third party. Noticee vide letter dated May 16, 2011 submitted that:

   a) *That in some occasions client give authority to the third party for e.g. client's Chartered Accountant or Consultant to place instructions and coordinate with trading member. Further it is also usual and natural that that account holder authorize their family members like son, daughter, husband/ wife, etc. to place instructions and coordinate with trading member. Prior to July 2009, such Authorization was obtained in writing from the clients separately in cases where clients give authorization to the third party. This was as per the standard policy and was followed without any exception or deviation. Since July 2009, we have implemented a separate 'Authorization to place instructions for trade and receipt of documents' as part of our Know Your Client document and the same is obtained from all the clients who wish to provide authority to place orders on their behalf to any third party or to the clients own family member.*

   b) *Account of Ms. Usha Mehta was opened in August 2008 after completing all the KYC formalities. At the time of account opening, Ms. Usha Mehta gave a verbal authorization in favor of her son Mr. Sunil Mehta to place and execute orders on her behalf in her trading account with us. Later as per the internal policy, the client was requested to provide written authorization in favor of her son, which the client had verbally confirmed to provide. Several follow-ups were have been*

done with the client since then for the written authorization by our Relationship Manger, however the client has failed to submit the same. We reiterate that the client's account was opened by us after completing all the KYC requirements and we had continuously followed up with the client for submitting the written authorization in favor of her son Mr. Sunil Mehta as per our internal requirements. There was no exception granted to the client we had repeatedly tried to get 'authorization to place and receipt of document' letter from the client which the client failed to provide.

Noticee provided the copy of the ledger account of their client for the period October 10, 2008 to November 20, 2008 and copy of ECN logs and SMS logs which were sent to the client confirming the trades executed in the clients account. However Noticee did not provide any documents in support of its claim that instructions were given to the client, Usha Mehta, to give written authorization in favour of Sunil Mehta.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have carefully examined the SCN and the documents available on record. The allegations against the Noticee are as follows:

   - Noticee allowed Suni Mehta to operate their client Usha Mehta's account without any written authorization during the period of investigation when synchronized trades were carried out by Sunil Mehta through the Noticee and thus failed to carry out their business with due, skill, care and diligence.

10. In view of the above it is alleged that the Noticee violated the provisions of Regulation 7 read with Clauses A(1) & A(2) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI Stock Brokers Regulation, 1992.

11. The issues that arise for consideration in the present case are:

a) Whether the Noticee allowed Sunil to operate the account of Usha Mehta without authorization to trade in her account which led to creation of manipulative trades?
b) Whether the Noticee violated Regulation 7 read with Clauses A(1) & A(2) of Code of Conduct for Stock Brokers as specified in Schedule II of the SEBI Stock Brokers Regulation, 1992?
c) Does the violation, if any, on the part of the Noticee attract monetary penalty under sections 15HB of the SEBI Act?
d) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of the SEBI Act?

12. Before moving forward, it will be appropriate to refer to the relevant provisions of the Brokers Regulations, which reads as under:

Stock-Brokers to abide by Code of Conduct.

7. The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II.

SCHEDULE II

Code of Conduct for Stock Brokers

A. GENERAL

(1) INTEGRITY: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(2) EXERCISE OF DUE SKILL AND CARE: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.

FINDINGS:

13. I now proceed with the findings in connection with the role of the Noticee on the violations as alleged in the case. Upon careful perusal of the material available on record, I find the following:

(a) I note that at BSE the price of the scrip opened at ₹ 1,240.00 on October 10, 2008 while it closed at ₹ 1,101.55 on the same day. The closing price of the scrip on November 20, 2008 was ₹ 1306.15 (close to close 18.57 % rise in 28 trading days). During the same period Sensex had fallen by 19.73 % (from 10,527.85 to 8,451.01). The total traded quantity for the entire investigation period on BSE was 1974219 shares. Subsequent to the investigation period the price had started to fall and closed at ₹ 905 on January 30, 2009.

(b) I note that there was neither price sensitive news/announcement which might have supported the price. Also the financial results of the company do not justify the price rise in the scrip of ASCL. On October 16, 2008 company declared the results of the quarter ending September 30, 2008 which showed that the net profit has declined from ₹ 110.659 million to ₹ 106.439 million than the same quarter of the previous year.

(c) As per the trade and order log Usha Mehta traded through Noticee and bought 143041 shares and sold 143041 shares during the investigation period which accounted for 7.25% and 7.25% respectively of the market volume during the investigation period.

(d) From the trade and order log analysis it is noted that the Usha Mehta, Sunil Mehta, Sandeep Jain, Jitendra Jain, Suresh Hanswal, Pradesh Nimawat, Bharat C. Jain, Arun Manohar Sakpal, Narendra Sanghi, Meen Been Elastomers, Dilip

Rathore, Bhanwar Lal Paliwal, Alpesh G Dand, Manisha Mardia, Rajnish Jain were found to be trading among themselves. These entities were found to be linked with each other through Sunil Mehta, Ajay Roongta, Manish Mathur**.** The relationship is elaborated below:

i. Sunil Mehta is the son of Usha Mehta and shares same phone number (9322123257) as well as joint bank account (HDFC Kandivali Bank account No. 01821000063096) with Usha Mehta.
ii. Sunil Mehta knows/ or friends with Jitendra, Ajay Roongta and Manish Mathur.
iii. Sunil Mehta has entered into bank account transaction with Suresh, Jitendra, Gopal Lal Mathur, Seema Mathur (Wife of Manish Mathur, CEO of the broker Triveni) and Triveni (while there was no pay in obligation at the relevant time as per the ledger statements with them).
iv. Usha Mehta, Sunil Mehta and Jitendra were introduced to Arcadia by Suresh and Pradesh.
v. Jitendra has provided email id and phone number (9322123257) of Sunil Mehta in the KYC with Emkay Global and address (Evershine Millenium Park, EMP 47, Flat no. 1804, Thakur Village, Kandivali (E), Mumbai, Maharashtra, 400101) and phone number (9322123256) of Sunil Mehta in the KYC with BP Equity. Further Sunil Mehta has submitted that trading account of Jitendra was being jointly operated by him and Jitendra.
vi. Jitendra has entered into bank account transactions with Sunil Mehta, Usha Mehta, Anjana Mehta (wife of Sunil Mehta), Gopal Lal Mathur (Father of Manish Mathur, CEO of Triveni). He also entered huge bank account transactions with Triveni when he had no pay in/out obligation at the relevant time.
vii. Suresh and Pradesh were partners in their firm Siddhi Shares and share the same office in Udaipur.
viii. Sandeep and Pradesh are known to each other for 10 years and are friends.

ix. Sandeep was introduced to the Noticee by Jitendra and the address of Jitendra mentioned in the KYC of Sandeep with Swastika is same as that of office of the Suresh and Pradesh.

x. For pay in obligation of Sandeep cheques from the account of the Suresh and Pradesh were deposited with the Noticee.

xi. Noticee was maintaining trading accounts of Jitendra Jain and Usha Mehta.

xii. Jitendra is friend of Suresh.

xiii. Suresh is friend of Sunil Mehta and has dealt in the scrip on his advice.

xiv. Pradesh has provided email Id of Sunil Mehta in the KYC with First Global. He has stated before the IA that his account with First Global was opened by his friend Sunil Mehta with his consent. He has also stated that he had borrowed funds from Sunil Mehta for the purpose of trading. Pradesh was also introduced to Bakliwal by Sunil Mehta and the address mentioned in the KYC is same as that of Sunil Mehta.

xv. Sunil Mehta has accepted that he knows Arun Sakpal.

xvi. Arun Sakpal used to work in the same branch of Bakliwal where Ajay Roongta was branch manager. Ajay Roongta has accepted that he had provided funds to Arun Sakpal.

xvii. Narendra Sanghi has submitted that he is friend of Ajay Roongta. Further, Ajay Roongta has transferred funds to Narendra which was utilized by Narendra towards his pay in obligations.

xviii. Bhanwar Lal Paliwal has submitted that it was Sunil Mehta who opened his account with Triveni.

xix. Alpesh Dand has submitted that Triveni was dealing in his account and he had allowed them to deal in the scrip (while Triveni suggested them to deal in the scrip) under the overall limit of Rs. 150000/-.

xx. Manisha Mardia has submitted that Triveni suggested her to invest in the scrip. She decided the overall exposure limits and the actual buy and sell was done by Triveni on their own terminal.

xxi. Rajnish Jain has submitted that he knows Sunil Mehta through common friend Ajay Roongta. Rajnish was introduced to Bakliwal by Ajay Roongta.

xxii. Ajay Roongta submitted that Sunil Mehta was introduced to him by Manish Mathur.

(e) I note that Mehta Group entities, who were connected to each other, was found to be entering into transactions which were in the nature of reversal of trade. Most of these transactions were in synchronized trades (less than one minute difference between buy and sell orders) and structured trades (i.e. not only time of buy and sell order was within 1 minute but the order price and quantity was also matching). I note that large numbers of synchronized were being entered into mostly by few brokers trading for their clients on almost every traded day during the period. I note that out of total 6953 number of synchronized deals the contribution of the brokers were as follows:- Noticee contributed 325 deals, Triveni contributed 1903 deals while BP Equities, Swastika, Emkay Global, contributed 1224, 1396 and 1058 deals respectively. I further note that out of these synchronized deals large number of deals were also structured (i.e. not only time of buy and sell order was within 1 minute but the order price and quantity was also matching).

(f) I also note that that there was significant reversal of trades between the above brokers trading for their clients. I find that the brokers were reversing almost all the trades during the same day and that to with the same counterparty brokers or out of the above brokers. Further, as observed earlier most of these trades were synchronized transactions.

(g) Details of the trading of the Mehta group are summarized below:-

Date	Market Volume (A)	Number of Trades (B)	Synchronized trades (C)				Structured Trades (D)				Net Volume	Net Vol % of Total	Close to Close (Asian Star)	Close to Close (Sensex)
			Volume	As % of A	Number	As % of B	Volume	As % of A	Number	As % of B				
10 October 2008	75840	217	74086	97.69	168	77.42	36271	47.83	82	37.79	609	0.8	-12.86	-7.07
13 October 2008	79751	270	78443	98.36	183	67.78	29621	37.14	62	22.96	989	1.24	18.77	7.42
14 October 2008	76101	236	67677	88.93	145	61.44	19873	26.11	45	19.07	10	0.01	-0.64	1.54
15 October 2008	75671	272	67253	88.88	241	88.60	21123	27.91	54	19.85	9	0.01	-1.02	-5.87
16 October 2008	78110	232	77874	99.70	196	84.48	32478	41.58	77	33.19	67	0.09	-2.25	-2.11
17 October 2008	84475	354	72551	85.88	231	65.25	25124	29.74	69	19.49	61	0.07	-0.6	-5.73
20 October 2008	76012	332	75009	98.68	248	74.70	48361	63.62	152	45.78	221	0.29	6.49	2.48
21 October 2008	76572	273	66303	86.59	222	81.32	41283	53.91	135	49.45	37	0.05	-0.62	4.5
22 October 2008	76027	257	60469	79.54	180	70.04	36668	48.23	107	41.63	7	0.01	-2.82	-4.81
23 October 2008	77647	233	57669	74.27	169	72.53	38175	49.16	109	46.78	16	0.02	0.87	-3.92
24 October 2008	79267	273	75803	95.63	206	75.46	34310	43.28	90	32.97	128	0.16	-9.22	-10.96
27 October 2008	78049	321	58679	75.18	213	66.36	35037	44.89	100	31.15	N.A	N.A	10.83	-2.2
28 October 2008	16553	42	8900	53.77	18	42.86	7900	47.73	16	38.10	195	1.18	1.12	5.86
29 October 2008	77436	272	59567	76.92	203	74.63	36363	46.96	124	45.59	40	0.05	0.98	0.4
31 October 2008	76105	325	75828	99.64	297	91.38	37909	49.81	103	31.69	26	0.03	0.77	8.22
3 November 2008	77837	334	63339	81.37	192	57.49	32852	42.21	95	28.44	201	0.26	-0.29	5.62
4 November 2008	77532	289	53991	69.64	205	70.93	18787	24.23	45	15.57	28	0.04	-1.31	2.84
5 November 2008	79442	333	69956	88.06	267	80.18	43387	54.61	115	34.53	43	0.05	0.36	-4.81
6 November 2008	81835	319	76397	93.35	274	85.89	53942	65.92	153	47.96	9	0.01	-0.37	-3.81
7 November 2008	80304	337	77240	96.18	262	77.74	58070	72.31	167	49.55	28	0.03	-0.97	2.36
10 November 2008	78217	363	71420	91.31	275	75.76	51061	65.28	145	39.94	38	0.05	0.61	5.74
11 November 2008	77834	342	50261	64.57	186	54.39	24577	31.58	72	21.05	10	0.01	-0.33	-6.61
12 November 2008	58973	334	44575	75.59	160	47.90	14307	24.26	42	12.57	128	0.22	-1.44	-3.08
14 November 2008	56468	358	53404	94.57	249	69.55	29285	51.86	83	23.18	30	0.05	-1.33	-1.58
17 November 2008	55811	347	54553	97.75	214	61.67	24221	43.40	79	22.77	200	0.36	3.15	-1.01
18 November 2008	55199	316	54241	98.26	253	80.06	23528	42.62	64	20.25	31	0.06	-0.42	-3.81
19 November 2008	55106	304	54357	98.64	265	87.17	20264	36.77	63	20.72	18	0.03	0.02	-1.83
20 November 2008	36045	246	34141	94.72	159	64.63	12647	35.09	44	17.89	105	0.29	-0.36	-3.68
Grand Total	**1974219**	**8131**	**1733986**	**87.83**	**5881**	**72.33**	**887424**	**44.95**	**2492**	**30.65**	**3284**	**0.17**	**18.57**	**-19.73**

(h) I note that the group has dealt in synchronized, structured and reversal trades which accounted for significant percentage of the total market volume both in terms of quantity traded as well as number of trades. Daily net trade has remained insignificant. When most of the trading was being contributed in synchronized trades by the Mehta Group, price of the scrip was going up while the Sensex was going down. I note that 87.83% of the total market volume and 72.33% of the total number of trades were contributed by synchronized trading and 44.95% of the total market volume and 85.51% of the total number of trades were contributed by structured trades.

(i) Details of trading executed by the Noticee on behalf of Usha Mehta during the investigation period is summarized below:

Name of the Client	Purchased		Sold		Synchronized for Mehta group		Structured for Mehta group	
	Qty	% of total Qty traded during investigation period	Qty	% of total Qty traded during investigation period	Buy Qty (% of total Purchased Qty during investigation period)	Sell Qty (% of total sell Qty during investigation period)	Buy Qty (% of total Qty purchased during investigation period)	Sell Qty (% of total sell Qty during investigation period)
Usha Mehta	143041	7.25	143041	7.25	120934 (84.54%)	137759 (96.31%)	49009 (34.26%)	68528 (47.91%)
Total	**143041**	**7.25**	**143041**	**7.25**	**120934**	**137759**	**49009**	**68528**

I note from the trading pattern of the Noticee that during the period of investigation Noticee bought and sold 143041 (7.25 % of total market trade) and 143041 (7.25% of total market trade) shares respectively of ASCL in the account of Usha Mehta who belongs to the Mehta Group. It was observed that 1200934 shares amounting to 84.54% of the total buy quantity and 137759 shares amounting to 96.31% of total sell quantity were found to be in synchronized transactions; and 49009 shares amounting to 34.26% of total buy quantity and 68528 shares amounting to 47.91% of the total sell quantity were found to be in structured trades. Further it is observed that the counter party brokers to the Noticee's trades were any one of the brokers viz: Triveni, Swastika, Emkay Global and BP Equities who traded for the Mehta group entities.

(i) Noticee executed 271 buy and 322 sell orders for 120934 shares and 137759 shares respectively which were found to be structured with the Mehta Group. Details of the structured trades on sample basis are given below.

Synchronized trades with Mehta Group, when Noticee was executing buy trades in the account of Usha Mehta, is at **Annexure-A**. Few instances on sample basis are given below:

Trade Date	Trade Time	Trade Qty	Trade Price	Buy Member	Buy Order No	Buy Client	Sell Member	Sell Order No	Sell Client	Buy Order Qty	Sell Order Qty	Buy Order Rate	Sell Order Rate	Buy Order Time	Sell Order Time
10-Oct-08	11:20:07	850	1120	India Infoline	17915900000000786	Usha	Swastika	94220600000113344	Sandeep	1000	850	1120	1120	11:20:05	11:20:06
10-Oct-08	11:20:08	150	1120	India Infoline	17915900000000786	Usha	Swastika	94220800000083025	Sandeep	1000	150	1120	1120	11:20:05	11:20:07
10-Oct-08	11:20:18	850	1120	India Infoline	17915900000000787	Usha	Swastika	94221000000082713	Sandeep	1000	850	1120	1120	11:20:18	11:20:17
10-Oct-08	11:20:20	150	1120	India Infoline	17915900000000787	Usha	Swastika	94221800000004224	Sandeep	1000	150	1120	1120	11:20:18	11:20:19
10-Oct-08	12:27:40	950	1115	India Infoline	17915900000000792	Usha	Swastika	94220600000113368	Sandeep	1000	950	1115	1115	12:27:40	12:27:40
10-Oct-08	12:27:42	50	1115	India Infoline	17915900000000792	Usha	Swastika	94220800000083054	Sandeep	1000	50	1115	1111	12:27:40	12:27:42
10-Oct-08	12:27:55	999	1115	India Infoline	17915900000000793	Usha	Swastika	94220900000083352	Sandeep	1000	999	1115	1115	12:27:54	12:27:54
10-Oct-08	12:27:56	1	1115	India Infoline	17915900000000793	Usha	Swastika	94221100000083205	Sandeep	1000	1	1115	1076.05	12:27:54	12:27:56
10-Oct-08	12:31:24	1000	1115	India Infoline	17915900000000800	Usha	Emkay	18520400020350032	Jitendra	1000	1000	1115	1115	12:31:22	12:31:23
10-Oct-08	13:19:19	1000	1114	India Infoline	17915900000000803	Usha	BP Equities	74203000202452O3	Jitendra	1000	1000	1114	1114	13:19:19	13:19:19
10-Oct-08	13:19:29	1000	1114	India Infoline	17915900000000804	Usha	BP Equities	7420300020245205	Jitendra	1000	1000	1114	1114	13:19:28	13:19:27
10-Oct-08	13:20:39	1000	1113.5	India Infoline	17915900000000806	Usha	BP Equities	74203000202452I2	Jitendra	1000	1000	1113.5	1113.5	13:20:38	13:20:38
10-Oct-08	13:28:30	988	1115	India Infoline	17915900000000814	Usha	Swastika	94221800000004290	Sandeep	1000	988	1115	1115	13:28:29	13:28:29
10-Oct-08	13:28:31	12	1115	India Infoline	17915900000000814	Usha	Swastika	94220200020787149	Sandeep	1000	12	1115	1111	13:28:29	13:28:31
10-Oct-08	13:30:34	950	1116	India Infoline	17915900000000818	Usha	BP Equities	7420300020245291	Jitendra	950	950	1116	1116	13:30:34	13:30:34
10-Oct-08	13:30:44	50	1116	India Infoline	17915900000000819	Usha	BP Equities	7420300020245292	Jitendra	50	50	1116	1116	13:30:44	13:30:44
10-Oct-08	14:57:09	850	1112	India Infoline	17915900000000822	Usha	Swastika	94220600000113411	Sandeep	1000	850	1112	1112	14:57:09	14:57:09
10-Oct-08	14:57:12	150	1112	India Infoline	17915900000000822	Usha	Swastika	94220800000083101	Sandeep	1000	150	1112	1111	14:57:09	14:57:11
10-Oct-08	14:59:03	950	1110	India Infoline	17915900000000825	Usha	Swastika	94221800000004329	Sandeep	1000	950	1110	1110	14:59:02	14:59:02
10-Oct-08	14:59:06	50	1110	India Infoline	17915900000000825	Usha	Swastika	94220800000083103	Sandeep	1000	50	1110	1076	14:59:02	14:59:05
10-Oct-08	14:59:30	250	1107	India Infoline	17915900000000826	Usha	Bakliwal	16420100020755411	Rajnish	250	250	1107	1107	14:59:29	14:59:29
10-Oct-08	14:59:54	130	1107	India Infoline	17915900000000827	Usha	Bakliwal	16420100020755413	Rajnish	130	130	1107	1107	14:59:53	14:59:53
13-Oct-08	10:09:52	950	1280	India Infoline	17915900000000830	Usha	Swastika	94221800000004360	Sandeep	1000	950	1280	1280	10:09:52	10:09:52
13-Oct-08	10:09:54	50	1280	India Infoline	17915900000000830	Usha	Swastika	94220900000083453	Sandeep	1000	50	1280	1280	10:09:52	10:09:53
13-Oct-08	10:10:09	450	1282	India Infoline	17915900000000831	Usha	Swastika	94220800000083149	Sandeep	500	450	1282	1282	10:10:08	10:10:09
13-Oct-08	10:10:10	50	1282	India Infoline	17915900000000831	Usha	Swastika	94221000000082832	Sandeep	500	50	1282	1280	10:10:08	10:10:10
13-Oct-08	10:39:47	1900	1260	India Infoline	17915900000000841	Usha	Triveni	313420100000049585	Meen Been	2000	1900	1260	1260	10:39:46	10:39:46
13-Oct-08	10:39:48	100	1260	India Infoline	17915900000000841	Usha	Triveni	313420100000049586	Meen Been	2000	100	1260	1260	10:39:46	10:39:48
13-Oct-08	10:40:12	950	1260	India Infoline	17915900000000842	Usha	Triveni	313420100000049587	Meen Been	1000	950	1260	1260	10:40:12	10:40:12
13-Oct-08	10:40:14	50	1260	India Infoline	17915900000000842	Usha	Triveni	313420100000049588	Meen Been	1000	50	1260	1260	10:40:12	10:40:14
13-Oct-08	11:38:09	850	1308	India Infoline	17915900000000849	Usha	Swastika	94221700000004228	Sandeep	1000	850	1308	1308	11:38:09	11:38:09
13-Oct-08	11:38:12	150	1308	India Infoline	17915900000000849	Usha	Swastika	94221800000004422	Sandeep	1000	150	1308	1308	11:38:09	11:38:11
13-Oct-08	11:38:20	750	1307	India Infoline	17915900000000850	Usha	Swastika	94221000000082899	Sandeep	1000	750	1307	1307	11:38:19	11:38:19
13-Oct-08	11:38:22	250	1307	India Infoline	17915900000000850	Usha	Swastika	94221100000083373	Sandeep	1000	250	1307	1306	11:38:19	11:38:21
13-Oct-08	11:38:37	750	1309	India Infoline	17915900000000851	Usha	Swastika	94221100000083374	Sandeep	1000	750	1309	1309	11:38:36	11:38:36
13-Oct-08	11:38:38	250	1309	India Infoline	17915900000000851	Usha	Swastika	94221800000004425	Sandeep	1000	250	1309	1307	11:38:36	11:38:38
13-Oct-08	12:58:32	700	1315	India Infoline	17902600000106944	Usha	Emkay	18520400020350786	Jitendra	700	700	1315	1315	12:58:31	12:58:32
13-Oct-08	12:59:02	850	1315	India Infoline	17902600000106945	Usha	Swastika	94220900000083571	Sandeep	1000	850	1315	1315	12:59:00	12:59:01
13-Oct-08	12:59:03	150	1315	India Infoline	17902600000106945	Usha	Swastika	94221000000082939	Sandeep	1000	150	1315	1314	12:59:00	12:59:03

Synchronized trades with Mehta Group, when Noticee was executing sell trades in the account of Usha Mehta, is at **Annexure B**. Few instances on sample basis is given below:

Trade Date	Trade Time	Trade Qty	Trade Price	Buy Member	Buy Order No	Buy Client	Sell Member	Sell Order No	Sell Client	Buy Order Qty	Sell Order Qty	Buy Order Rate	Sell Order Rate	Buy Order Time	Sell Order Time
10-Oct-08	11:20:47	950	1121	Emkay	18520400020349909	Jitendra	India Infoline	17915900000000788	Usha	950	950	1121	1121	11:20:46	11:20:45
10-Oct-08	11:21:01	300	1121	Emkay	18520400020349910	Jitendra	India Infoline	17915900000000789	Usha	300	300	1121	1121	11:21:01	11:21:01
10-Oct-08	11:21:24	150	1119	BP Equities	7420300020244501	Jitendra	India Infoline	17915900000000790	Usha	751	150	1119	1119	11:21:24	11:21:22
10-Oct-08	11:22:04	600	1119	BP Equities	7420300020244504	Jitendra	India Infoline	17915900000000791	Usha	600	600	1119	1119	11:22:04	11:22:03
10-Oct-08	12:29:20	850	1116	BP Equities	7420300020244819	Jitendra	India Infoline	17915900000000796	Usha	850	850	1116	1116	12:29:19	12:29:19
10-Oct-08	12:29:28	150	1116	BP Equities	7420300020244820	Jitendra	India Infoline	17915900000000797	Usha	150	150	1116	1116	12:29:27	12:29:27
10-Oct-08	12:29:39	950	1115	BP Equities	7420300020244824	Jitendra	India Infoline	17915900000000798	Usha	950	950	1115	1115	12:29:38	12:29:38
10-Oct-08	12:29:47	50	1115	BP Equities	7420300020244827	Jitendra	India Infoline	17915900000000799	Usha	50	50	1115	1115	12:29:45	12:29:46
10-Oct-08	12:33:07	950	1118	BP Equities	7420300020244853	Jitendra	India Infoline	17915900000000801	Usha	950	1000	1118	1118	12:33:06	12:33:06
10-Oct-08	12:33:08	50	1118	BP Equities	7420300020244854	Jitendra	India Infoline	17915900000000801	Usha	50	1000	1118	1118	12:33:08	12:33:06
10-Oct-08	13:18:26	999	1113	Swastika	94220900000083371	Sandeep	India Infoline	17915900000000802	Usha	999	1000	1113.5	1113	13:18:25	13:18:24
10-Oct-08	13:18:28	1	1113	Swastika	94221000000082761	Sandeep	India Infoline	17915900000000802	Usha	1	1000	1118.5	1113	13:18:27	13:18:24
10-Oct-08	13:20:07	995	1114	Swastika	94221100000083219	Sandeep	India Infoline	17915900000000805	Usha	995	1000	1114	1114	13:20:06	13:20:06
10-Oct-08	13:20:08	5	1114	Swastika	94220200020787143	Sandeep	India Infoline	17915900000000805	Usha	5	1000	1114	1114	13:20:08	13:20:06
10-Oct-08	13:21:37	950	1116.5	Swastika	94221000000082763	Sandeep	India Infoline	17915900000000807	Usha	950	1000	1116.5	1116.5	13:21:36	13:21:36
10-Oct-08	13:21:40	50	1116.5	Swastika	94221700000004096	Sandeep	India Infoline	17915900000000807	Usha	50	1000	1118.5	1116.5	13:21:40	13:21:36
10-Oct-08	13:29:14	850	1115.5	BP Equities	7420300020245281	Jitendra	India Infoline	17915900000000815	Usha	850	850	1115.5	1115.5	13:29:13	13:29:13
10-Oct-08	13:29:29	150	1116	BP Equities	7420300020245284	Jitendra	India Infoline	17915900000000816	Usha	150	150	1116	1116	13:29:28	13:29:29
10-Oct-08	13:30:04	950	1117	Swastika	94220800000083072	Sandeep	India Infoline	17915900000000817	Usha	950	1000	1117	1117	13:30:04	13:30:03
10-Oct-08	13:30:05	50	1117	Swastika	94221000000082764	Sandeep	India Infoline	17915900000000817	Usha	50	1000	1117	1117	13:30:05	13:30:03
10-Oct-08	14:58:11	850	1111	BP Equities	7420300020245864	Jitendra	India Infoline	17915900000000823	Usha	850	850	1111	1111	14:58:11	14:58:10
10-Oct-08	14:58:21	150	1111	BP Equities	7420300020245865	Jitendra	India Infoline	17915900000000824	Usha	150	150	1111	1111	14:58:20	14:58:20
10-Oct-08	15:00:36	1000	1108	BP Equities	7420300020245876	Jitendra	India Infoline	17915900000000828	Usha	1000	1000	1108	1108	15:00:35	15:00:36
10-Oct-08	15:00:49	380	1108	BP Equities	7420300020245878	Jitendra	India Infoline	17915900000000829	Usha	380	380	1108	1108	15:00:49	15:00:49
13-Oct-08	10:15:17	500	1274	Emkay	18520400020350480	Jitendra	India Infoline	17915900000000838	Usha	500	500	1274	1274	10:15:16	10:15:16
13-Oct-08	10:16:13	950	1270	Emkay	18520400020350484	Jitendra	India Infoline	17915900000000839	Usha	950	950	1270	1270	10:16:13	10:16:12
13-Oct-08	10:16:30	50	1272	Emkay	18520400020350485	Jitendra	India Infoline	17915900000000840	Usha	50	50	1272	1272	10:16:29	10:16:30
13-Oct-08	10:40:44	999	1267	Swastika	94221100000083323	Sandeep	India Infoline	17915900000000843	Usha	999	1000	1267	1267	10:40:44	10:40:43
13-Oct-08	10:40:47	1	1267	Swastika	94221800000004386	Sandeep	India Infoline	17915900000000843	Usha	1	1000	1269.9	1267	10:40:46	10:40:43
13-Oct-08	10:40:59	950	1267	Swastika	94221100000083324	Sandeep	India Infoline	17915900000000844	Usha	950	1000	1267	1267	10:40:59	10:40:59
13-Oct-08	10:41:02	50	1267	Swastika	94221800000004388	Sandeep	India Infoline	17915900000000844	Usha	50	1000	1268	1267	10:41:02	10:40:59
13-Oct-08	10:41:20	800	1267	Swastika	94220200020787247	Sandeep	India Infoline	17915900000000845	Usha	800	1000	1267	1267	10:41:20	10:41:20
13-Oct-08	10:41:23	200	1267	Swastika	94220600000113478	Sandeep	India Infoline	17915900000000845	Usha	200	1000	1267	1267	10:41:22	10:41:20
13-Oct-08	11:38:58	700	1310	BP Equities	7420300020246720	Jitendra	India Infoline	17915900000000852	Usha	700	700	1310	1310	11:38:58	11:38:57
13-Oct-08	11:39:50	700	1310	Emkay	18520400020350646	Jitendra	India Infoline	17915900000000853	Usha	700	700	1310	1310	11:39:49	11:39:47

I note that during the investigation period Noticee executed buy and sell trades in synchronized manner with the Mehta Group from October 10, 2008 to November 20, 2008.

(ii) Noticee executed 92 buy and 147 sell orders for 49009 shares and 68528 shares respectively which were found to be structured with the Mehta Group. Details of the structured trades on sample basis are given below.

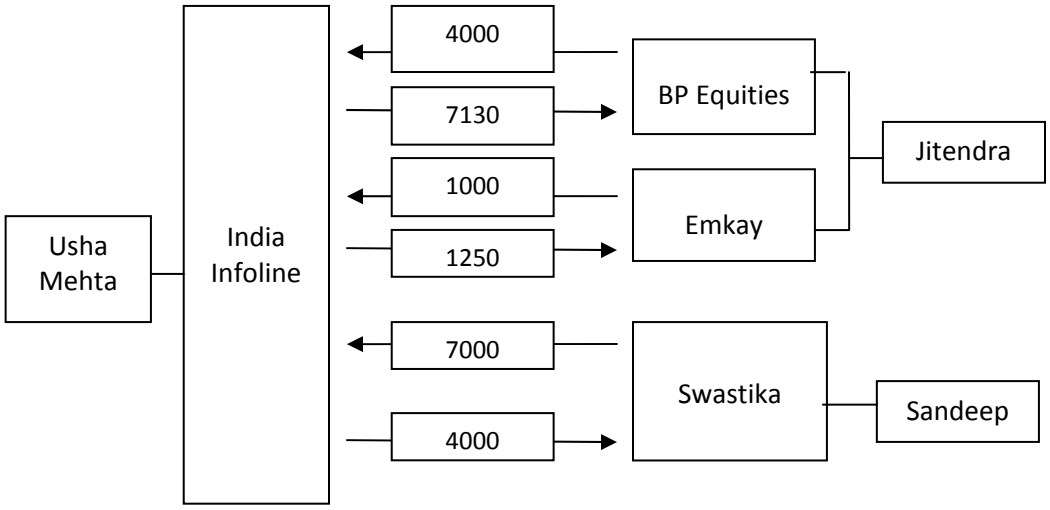
Structured trades with Mehta Group, when Noticee was executing buy trades in the account of Usha Mehta, is at **Annexure-C.** Few instances on sample basis are given below:

Trade Date	Trade Time	Trade Qty	Trade Price	Buy Member	Buy Order No	Buy Client	Sell Member	Sell Order No	Sell Client	Buy Order Qty	Sell Order Qty	Buy Order Rate	Sell Order Rate	Buy Order Time	Sell Order Time
10-Oct-08	12:31:24	1000	1115	India Infoline	17915900000000800	Usha	Emky	18520400020350032	Jitendra	1000	1000	1115	1115	12:31:22	12:31:23
10-Oct-08	13:19:19	1000	1114	India Infoline	17915900000000803	Usha	BP Equities	7420300020245203	Jitendra	1000	1000	1114	1114	13:19:19	13:19:19
10-Oct-08	13:19:29	1000	1114	India Infoline	17915900000000804	Usha	BP Equities	7420300020245205	Jitendra	1000	1000	1114	1114	13:19:28	13:19:27
10-Oct-08	13:20:39	1000	1113.5	India Infoline	17915900000000806	Usha	BP Equities	7420300020245212	Jitendra	1000	1000	1113.5	1113.5	13:20:38	13:20:38
10-Oct-08	13:30:34	950	1116	India Infoline	17915900000000818	Usha	BP Equities	7420300020245291	Jitendra	950	950	1116	1116	13:30:34	13:30:34
10-Oct-08	13:30:44	50	1116	India Infoline	17915900000000819	Usha	BP Equities	7420300020245292	Jitendra	50	50	1116	1116	13:30:44	13:30:44
10-Oct-08	14:59:30	250	1107	India Infoline	17915900000000826	Usha	Bakliwal	16420100020755411	Rajnish	250	250	1107	1107	14:59:29	14:59:29
10-Oct-08	14:59:54	130	1107	India Infoline	17915900000000827	Usha	Bakliwal	16420100020755413	Rajnish	130	130	1107	1107	14:59:53	14:59:53
13-Oct-08	12:58:32	700	1315	India Infoline	17902600000106944	Usha	Emky	18520400020350786	Jitendra	700	700	1315	1315	12:58:31	12:58:32
14-Oct-08	11:56:03	500	1316	India Infoline	17915900000000914	Usha	Swastika	94221800000004672	Sandeep	500	500	1316	1316	11:56:03	11:56:03
14-Oct-08	14:26:19	850	1285	India Infoline	17915900000000935	Usha	Emky	18520400020351815	Jitendra	850	850	1285	1285	14:26:18	14:26:19
14-Oct-08	14:26:33	150	1285	India Infoline	17915900000000936	Usha	Emky	18520400020351816	Jitendra	150	150	1285	1285	14:26:31	14:26:32
14-Oct-08	14:29:04	500	1287	India Infoline	17915900000000938	Usha	Emky	18520400020351820	Jitendra	500	500	1287	1287	14:29:04	14:29:04
14-Oct-08	14:29:25	500	1287	India Infoline	17915900000000939	Usha	Triveni	313420100000049999	Bharat	500	500	1287	1287	14:29:19	14:29:25
15-Oct-08	10:12:40	1000	1287	India Infoline	17915900000000940	Usha	Swastika	94221100000083723	Sandeep	1000	1000	1287	1287	10:12:38	10:12:39
15-Oct-08	10:13:28	700	1288	India Infoline	17915900000000941	Usha	Swastika	94221700000004570	Sandeep	700	700	1288	1288	10:13:26	10:13:27
15-Oct-08	10:14:50	300	1289	India Infoline	17915900000000942	Usha	Swastika	94221000000083225	Sandeep	300	300	1289	1289	10:14:48	10:14:50
15-Oct-08	10:15:19	250	1288	India Infoline	17915900000000943	Usha	Swastika	94220600000113809	Sandeep	250	250	1288	1288	10:15:18	10:15:19
15-Oct-08	13:52:53	650	1291	India Infoline	17915900000000985	Usha	BP Equities	7420300020250810	Jitendra	650	650	1291	1291	13:52:52	13:52:52
15-Oct-08	13:53:03	350	1292	India Infoline	17915900000000986	Usha	BP Equities	7420300020250813	Jitendra	350	350	1292	1292	13:53:02	13:53:01
16-Oct-08	10:16:52	750	1250	India Infoline	17915900000000996	Usha	Emky	18520400020352750	Jitendra	750	750	1250	1250	10:16:51	10:16:51
16-Oct-08	10:17:28	300	1255	India Infoline	17915900000000997	Usha	Emky	18520400020352755	Jitendra	300	300	1255	1255	10:17:26	10:17:28
16-Oct-08	10:18:40	850	1255	India Infoline	17915900000000998	Usha	Emky	18520400020352764	Jitendra	850	850	1255	1255	10:18:39	10:18:40

Structured trades with Mehta Group, when Noticee was executing sell trades in the account of Usha Mehta, is at **Annexure-D**. Few instances are given below:

Trade Date	Trade Time	Trade Qty	Trade Price	Buy Member	Buy Order No	Buy Client	Sell Member	Sell Order No	Sell Client	Buy Order Qty	Sell Order Qty	Buy Order Rate	Sell Order Rate	Buy Order Time	Sell Order Time
10-Oct-08	11:20:47	950	1121	Emky	18520400020349909	Jitendra	India Infoline	17915900000000788	Usha	950	950	1121	1121	11:20:46	11:20:45
10-Oct-08	11:21:01	300	1121	Emky	18520400020349910	Jitendra	India Infoline	17915900000000789	Usha	300	300	1121	1121	11:21:01	11:21:01
10-Oct-08	11:22:04	600	1119	BP Equities	7420300020244504	Jitendra	India Infoline	17915900000000791	Usha	600	600	1119	1119	11:22:04	11:22:03
10-Oct-08	12:29:20	850	1116	BP Equities	7420300020244819	Jitendra	India Infoline	17915900000000796	Usha	850	850	1116	1116	12:29:19	12:29:19
10-Oct-08	12:29:28	150	1116	BP Equities	7420300020244820	Jitendra	India Infoline	17915900000000797	Usha	150	150	1116	1116	12:29:27	12:29:27
10-Oct-08	12:29:39	950	1115	BP Equities	7420300020244824	Jitendra	India Infoline	17915900000000798	Usha	950	950	1115	1115	12:29:38	12:29:38
10-Oct-08	12:29:47	50	1115	BP Equities	7420300020244827	Jitendra	India Infoline	17915900000000799	Usha	50	50	1115	1115	12:29:45	12:29:46
10-Oct-08	13:29:14	850	1115.5	BP Equities	7420300020245281	Jitendra	India Infoline	17915900000000815	Usha	850	850	1115.5	1115.5	13:29:13	13:29:13
10-Oct-08	13:29:29	150	1116	BP Equities	7420300020245284	Jitendra	India Infoline	17915900000000816	Usha	150	150	1116	1116	13:29:28	13:29:29
10-Oct-08	14:58:11	850	1111	BP Equities	7420300020245864	Jitendra	India Infoline	17915900000000823	Usha	850	850	1111	1111	14:58:11	14:58:10
10-Oct-08	14:58:21	150	1111	BP Equities	7420300020245865	Jitendra	India Infoline	17915900000000824	Usha	150	150	1111	1111	14:58:20	14:58:20
10-Oct-08	15:00:36	1000	1108	BP Equities	7420300020245876	Jitendra	India Infoline	17915900000000828	Usha	1000	1000	1108	1108	15:00:35	15:00:36
10-Oct-08	15:00:49	380	1108	BP Equities	7420300020245878	Jitendra	India Infoline	17915900000000829	Usha	380	380	1108	1108	15:00:49	15:00:49
13-Oct-08	10:15:17	500	1274	Emky	18520400020350480	Jitendra	India Infoline	17915900000000838	Usha	500	500	1274	1274	10:15:16	10:15:16
13-Oct-08	10:16:13	950	1270	Emky	18520400020350484	Jitendra	India Infoline	17915900000000839	Usha	950	950	1270	1270	10:16:13	10:16:12
13-Oct-08	10:16:30	50	1272	Emky	18520400020350485	Jitendra	India Infoline	17915900000000840	Usha	50	50	1272	1272	10:16:29	10:16:30
13-Oct-08	11:38:58	700	1310	BP Equities	7420300020246720	Jitendra	India Infoline	17915900000000852	Usha	700	700	1310	1310	11:38:58	11:38:57
13-Oct-08	11:39:50	700	1310	Emky	18520400020350646	Jitendra	India Infoline	17915900000000853	Usha	700	700	1310	1310	11:39:49	11:39:47
13-Oct-08	11:40:18	185	1310	Triveni	313420100000049602	Meen Been	India Infoline	17915900000000855	Usha	200	200	1310	1310	11:40:15	11:40:18
13-Oct-08	14:38:23	800	1310	Emky	18520400020350961	Jitendra	India Infoline	17915900000000874	Usha	800	800	1310	1310	14:38:23	14:38:23
13-Oct-08	14:38:35	700	1310	Emky	18520400020350962	Jitendra	India Infoline	17915900000000875	Usha	700	700	1310	1310	14:38:34	14:38:34
13-Oct-08	14:39:04	671	1316	Swastika	94220800000083306	Sandeep	India Infoline	17915900000000876	Usha	671	671	1316	1316	14:39:04	14:39:03
13-Oct-08	14:40:51	129	1313	Emky	18520400020350977	Jitendra	India Infoline	17915900000000878	Usha	129	129	1313	1313	14:40:50	14:40:45
14-Oct-08	10:27:39	650	1316	BP Equities	7420300020248194	Jitendra	India Infoline	17915900000000885	Usha	750	750	1316	1316	10:27:37	10:27:38
14-Oct-08	10:28:05	250	1318	BP Equities	7420300020248203	Jitendra	India Infoline	17915900000000886	Usha	250	250	1318	1318	10:28:04	10:28:04
14-Oct-08	12:28:39	500	1307	Swastika	94220600000113693	Sandeep	India Infoline	17915900000000924	Usha	500	500	1307	1307	12:28:39	12:28:39
14-Oct-08	12:28:50	300	1309	Swastika	94221000000083120	Sandeep	India Infoline	17915900000000925	Usha	300	300	1309	1309	12:28:49	12:28:49
15-Oct-08	11:31:30	900	1293	Emky	18520400020352199	Jitendra	India Infoline	17915900000000960	Usha	900	900	1293	1293	11:31:30	11:31:29
15-Oct-08	11:31:41	900	1292	Emky	18520400020352200	Jitendra	India Infoline	17915900000000961	Usha	900	900	1292	1292	11:31:40	11:31:40
15-Oct-08	11:35:20	500	1296	BP Equities	7420300020250087	Jitendra	India Infoline	17915900000000966	Usha	500	500	1296	1296	11:35:18	11:35:20
15-Oct-08	11:35:29	500	1296	BP Equities	7420300020250089	Jitendra	India Infoline	17915900000000967	Usha	500	500	1296	1296	11:35:27	11:35:28
15-Oct-08	12:56:10	850	1294	BP Equities	7420300020250477	Jitendra	India Infoline	17915900000000973	Usha	850	850	1294	1294	12:56:10	12:56:10
15-Oct-08	12:56:17	150	1294	BP Equities	7420300020250479	Jitendra	India Infoline	17915900000000974	Usha	150	150	1294	1294	12:56:17	12:56:17
15-Oct-08	12:56:36	900	1294	BP Equities	7420300020250482	Jitendra	India Infoline	17915900000000975	Usha	900	900	1294	1294	12:56:35	12:56:35
15-Oct-08	12:56:41	50	1294	BP Equities	7420300020250485	Jitendra	India Infoline	17915900000000976	Usha	50	50	1294	1294	12:56:40	12:56:41

(j) It may be seen from above that when Noticee executed buy and sell orders in the account of Usha Mehta there were exact matching of price, quantity and time. Further most of the trades were reversed with the same set of brokers. I note that Noticee dealt in the scrip for the client, Usha Mehta, during the investigation period who was having highest concentration among all the clients during the period. The pictorial representation of reversal of trades executed on October 10, 2008 is given below:



I note that the trades which were reversed were synchronized in nature. I find that such reversal trading were executed by the Noticee from October 10, 2008 to November 20, 2008 with the Mehta group entities only. The above trades led to manipulation of the volume and casued fluctuation in the price of the scrip.

14. It has been alleged that the Noticee received orders for the above trades from Sunil Mehta on behalf of Usha Mehta without obtaining any authorization in favour of Sunil Mehta. As stated above Sunil Mehta is the son of Usha Mehta and he also traded in the scrip of ASCL during the investigation period through the broker BP Equities. I note that all the trade confirmations for Usha Mehta were used to be given on the mobile number 9320223257 which was being used by Sunil Mehta. Further as admitted by the Notice Sunil Mehta was placing orders for Usha Mehta

however no written authorization was taken by the Noticee from their client Usha Mehta. Thus the claim of the Noticee that SEBI has relied upon the statement of Mr. Sunil Mehta is not correct and not acceptable. Noticee submitted that verbal authorization was given by Usha Mehta in favour of her son Usha Mehta. Noticee was enquired whether they followed the same policy for all clients where orders were taken from third party i.e. no written authorization taken. In reply Noticee submitted that "*Prior to July 2009, such Authorization was obtained in writing from the clients separately in cases where clients give authorization to the third party. This was as per the standard policy and was followed without any exception or deviation*." From the documents available on record it is observed that Usha Mehta was the client of the Noticee from August 2008 hence as per the standard policy written authorization should have been taken by the Noticee. However Noticee failed to follow the policy adopted by them and in so much as made an exception of the stated policy for the said client i.e. they did not take written authorization for placing orders by Sunil Mehta. The submission made by the Noticee that verbal authorization was taken from Usha Mehta and they had followed up with the client to give written authorization therefore appears to an afterthought. I am of the view that the Noticee in failing to follow its standard practice in this specific instance allowed the client Usha Mehta to act as the front of Sunil Mehta who jointly traded in the scrip. It is to be seen that the Sunil Mehta was also the main link between the entitites who executed synchronized trades with the Mehta group.

15. From the foregoing it can be seen that the Noticee by allowing the client to trade in the fashion as described above which led to manipulation of the market, cannot be absolved of the responsibility bestowed on him as a market intermeidiary to provide access to clients after conducting due diligence as required under the provisions of law. Further the very issue of granting access to clients by due authorization forms one of the bacis duties of due dlilignce that could be least expected from any market participant. While as observed above, the noticee appears to have willfully waved off its standard policy of seeking authorization and allowed its client to indulge in

large number of synchronized, structured trades on behalf of its client which were also found to be reversal in nature too with the Mehta Group entities. I find that the trades as executed in Usha Mehta's account were not of one instance but such transactions were carried out over a period of time.

16. Clauses A (1) to A (2) of Code of Conduct in the Brokers Regulations state that a broker shall maintain integrity and exercise due skill and care. Furthermore, a broker shall abide by all the provisions and statutory requirements of the Act and rules.

17. I have noted the submissions made by the Noticee. I note that the Noticee has not substantiated its claim that they were in fact acting in the prudent manner. I also note that Noticee failed to submit before IA, any authority letter from Usha for authorizing orders from Sunil Mehta in spite of undertaking to submit it. A broker has the responsibility to verify the credentials of their client to ensure that no malpractice is taking place. The Noticee was expected to be diligent and use required skill and care while acting as a broker, in which I find the Noticee has failed. The Noticee cannot plead ignorance and shrug off their responsibilty as a broker. Therefore, I don't find the explanations of the Noticee satisfactory.

18. In the light of the facts of the case and materials available on record, I find that Noticee has violated the provisions of Regulation 7 read with Clauses A(1) & A(2) of Code of Conduct for Stock Brokers as specified in Schedule II of the Broker Regulations.

19. The next issue for consideration is as to what would be monetary penalty that can be imposed on the Noticee for violation Regulations, Regulation 7 read with Clauses A(1) & A(2) of Code of Conduct for Stock Brokers as specified in Schedule II of the Broker Regulations. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as*

contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".

20. Thus, the aforesaid violations by the Noticee make them liable for penalty under Section 15 HB of the SEBI Act, 1992 which read as follows:

15HB - Penalty for contravention where no separate penalty has been provided

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."

21. While determining the quantum of penalty under sections 15HB , it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

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

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

22. It is difficult, in cases of such nature, to quantify exactly the disproportionate gains or unfair advantage enjoyed by an entity and the consequent losses suffered by the investors. I have noted that the investigation report also does not dwell on the extent of specific gains made by the clients or broker/s. Suffice to state that keeping

in mind the practices indulged in by the Noticee, gains per se were made by the Noticee in that they allowed their client to trade in the manner as descrbed above. With regard to repetitive nature, I find that the Noticee allowed their client to trade without giving third party authorization through out the investigation period. Hence the default was repetitive in nature.

ORDER

23. After taking into consideration all the facts and circumstances of the case, I impose a penalty of ₹ 5,00,000 (Rupees Five lakh only) under section 15HB on the Noticee which will be commensurate with the violations committed by it.

24. The Noticee shall pay the said amount of penalty by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to Mr. Jeevan Sonparote, General Manager, Investigations Department, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

25. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to the Securities and Exchange Board of India.

Date: **January 12, 2012** **BARNALI MUJHERJEE**

Place: **Mumbai** **ADJUDICATING OFFICER**