

**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. BM/AO- 31 to 33 /2012]**

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**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

**Shri Sujit Karkera (PAN: ADHPK0957G)**

**Shri Purushottam Karkera (PAN: AAGPK5132M)**

**Smt Shilpa Kotak (PAN: AHDPK7485R)**

In the matter of Trading Activity of Sujit Karkera and Group

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**FACTS OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation of the trading activity of Shri Sujit Karkera, Shri Purushottam Karkera and Smt Shilpa Kotak (hereinafter referred to as "**Sujit Karkera and group / Noticees**"). It was observed that Sujit Karkera and group while trading through B P Equities Pvt. Ltd. were trading ahead of the trades of Citigroup Global Markets Mauritius Pvt. Ltd. (hereinafter referred to as "**CGMMPL**") for the period October 01, 2008 to December 31, 2008 (hereinafter referred to as "**investigation period**") and it was observed that Sujit Karkera and group was having prior knowledge of the trades of CGMMPL.
2. It was observed that Suresh Menon, a trader of CGMMPL, was in possession of the orders of CGMMPL for the 6 scrip days i.e. Aurobindo Pharma Ltd. on November 05, 2008 and

November 06, 2008, ICICI Bank Ltd. on October 17, 2008 and SBI on October 14, 2008, November 24, 2008 and November 26, 2008. Suresh Menon had received the orders from the clients of CGMMPL and had placed the orders for CGMMPL to the dealer of the trading member Geojit BNP Paribas Financial Services Ltd. (hereinafter referred to as "**GBPFSL**") for the above mentioned scrip days.

3. It was observed from the call records of Sujit Karkera and Suresh Menon that there were several calls made between Suresh Menon and his family friend Sujit Karkera (calls made from Suresh Menon to Sujit Karkera and vice versa) on the above mentioned 6 days i.e. October 14, 2008, October 17, 2008, November 05, 2008, November 06, 2008, November 24, 2008 and November 26, 2008. It was further observed that Sujit Karkera has informed that they were good friends and Sujit Karkera was aware that Suresh Menon was a trader in Citigroup, Hong Kong.
4. It was observed from the translations of the telephonic conversations between Suresh Menon and Sujit Karkera obtained from Citi Group Market Asia Ltd. hereinafter referred to as "**CGMA**") that there was flow of information of scrip name, order quantity, order timing and order price of the orders placed by Suresh Menon for CGMMPL. It was alleged that Suresh Menon has passed the order information to Sujit Karkera while in possession of orders of CGMMPL and was also actively participating and discussing the trades of Sujit Karkera. The orders placed/ pending orders/ traded quantity and price etc. of Sujit Karkera were discussed between them and Suresh Menon was tracking the activity of Sujit Karkera. It was further alleged that Sujit Karkera used the information provided by Suresh Menon and traded for self and also on the trading accounts of his wife Smt Shilpa Kotak and his father Shri Purushottam Karkera.
5. It was therefore alleged that Sujit Karkera and group had prior information of the order details of CGMMPL and had sold shares prior to the selling of shares by CGMMPL. It was further alleged that Sujit Karkera and group had purchased the shares at low price at the time when CGMMPL was selling shares in the market, thereby earning profits.

6. It was therefore alleged that Sujit Karkera and group violated Regulations 3 (a), (b), (c), (d) and 4 (1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP**”). Consequently, in respect of the alleged charges, Sujit Karkera and group would be liable for monetary penalty under section 15HA of SEBI Act.

#### **APPOINTMENT OF ADJUDICATING OFFICER**

7. The undersigned was appointed as Adjudicating Officer vide order dated October 22, 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 committed by Sujit Karkera and group.

#### **SHOW CAUSE NOTICE, HEARING AND REPLY**

8. Show Cause Notices No. EAD-6/BM/VS/3496/2011, EAD-6/BM/VS/3493/2011 and EAD-6/BM/VS/3491/2011 dated January 28, 2011 (hereinafter referred to as ‘**SCN**’) were issued to Sujit Karkera and group 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 15HA of SEBI Act for the alleged violation specified in the said SCN.
9. Sujit Karkera and group vide its letter dated February 7, 2011 claimed that all the documents relied upon for the preparation of SCN has not been provided to them and sought time for four weeks to file reply to the SCN once all the documents relied upon by SEBI is provided to them. Since Sujit Karkera and group has not specified the documents required by them therefore vide letter dated February 23, 2011 Sujit Karkera and group were asked to specify the same and file reply to the SCN by March 01, 2011.

10. Vide letter dated February 28, 2011 and April 7, 2011 Sujit Karkera and group sought the following documents:

- a) Copy of investigation report.
- b) Copy of KYC of Sujit Karkera and group.
- c) Copy of trade details provided by the broker BP Wealth vide its letter dated May 4, 2009.
- d) Copy of deposition of Suresh Menon that may be recorded by SEBI.
- e) Copy of deposition of Manish Karkera that may be recorded by SEBI.
- f) Copy of documents referred to that show Suresh Menon was in possession of information about the orders to be placed by CGMMPL.
- g) Copy of Bloomberg message / chats.
- h) Copy of trade and order logs that reflect the transactions as set out in para 13(i) to (v) of the SCN.
- i) Copy of deposition of Sujit Karkera as taken by SEBI which also reflects that he knows Suresh Menon.
- j) Copy of statement made by Suresh Menon to CGMA.
- k) Copy of translated version of telephonic conversation from the board line of Citibank to me.
- l) Copy of complete data relied on for tracking the telephonic conversation as extracted in the SCN.
- m) All other relevant documents as relied on in preparation of the Notice.

11. Vide letter dated March 16, 2011 and April 21, 2011 Sujit Karkera and group were provided with the following information and documents:

- a) Copy of KYC's of Sujit Karkera and group.
- b) The trade details provided by the broker BP Wealth vide its letter dated May 4, 2009.
- c) Copy of Bloomberg / chat messages showing that Suresh Menon was in possession of information about the orders to be places by CGMMPL.
- d) Copy of Sujit Karkera's deposition.

- e) Copy of statement made by Suresh Menon to CGMA.
- f) Copy of call records / transcripts relied on to track calls exchanged between Sujit Karkera and Suresh Menon.
- g) Copy of translated version of telephonic conversation from the board line of Citibank to Sujit Karkera.
- h) Copy of complete data relied on for tracking the telephonic conversation.
- i) Copy of translated version of the exact sound recordings of the alleged telephonic conversation between Sujit Karkera and Suresh Menon.

Further they were informed that:

- a) The abstract of the investigation report as relevant to Sujit Karkera and group was provided to them in the SCN.
- b) No deposition was given by Suresh Menon and Manish Karkera.
- c) Copy of trade and order logs for the period of investigation relevant to Sujit Karkera and group and the counterparty details on the basis of which charges are framed were provided as annexures 10, 11, 12, 13, 14, 15 &16 to the SCN.

Sujit Karkera and group were advised to reply to the SCN by May 2, 2011.

12. Thereafter, vide letter dated April 29, 2011 Sujit Karkera and group sought extension of time for four weeks for filing reply to the SCN and the same was provided to them vide email dated May 05, 2011. Vide email dated may 29, 2011 Sujit Karkera and group again sought time till June 27, 2011 for filing reply to the SCN. Sujit Karkera and group was granted extension of time with the advise that if no reply is received then the matter shall be proceeded on the basis of material available on record. Vide letter dated June 24, 2011 Sujit Karkera and group submitted that Sujit Karkera is suffering from slip disc due to which he is bed ridden and unable to move and enclosed medical certificates. Sujit Karkera and group was given final opportunity for filing reply to the SCN till July 20, 2011. However, no reply was received from them.

13. In the interest of natural justice and in order to conduct an inquiry as per rule 4 (3) of the Rules, Sujit Karkera and group was granted an opportunity of personal hearing on August 30, 2011 at SEBI, Head Office, Mumbai vide notice dated August 11, 2011. Vide letter dated August 12, 2011 Sujit Karkera and group cited medical reasons and sought one month time for filing reply to the SCN. Thereafter, another opportunity of personal hearing was granted to Sujit Karkera and group on September 20, 2011 vide hearing notice dated September 6, 2011. Vide email dated September 19, 2011 Sujit Karkera and group sought extension for four days. Accordingly, vide hearing notice dated September 20, 2011 Sujit Karkera and group was provided final opportunity for personal hearing on September 26, 2011. Shri Vinay Chauhan, Corporate Law Chambers India Advocates, Authorised Representatives (AR) appeared on behalf of Sujit Karkera and group. AR requested for the CD containing conversations between Sujit Karkera and Suresh Menon as relied upon by SEBI for issuing SCN to be made available to them. AR submitted that once the CD is received Sujit Karkera and group will file reply to the SCN within 15 days of the receipt of the same. Accordingly, vide letter dated October 18, 2011 CD containing conversations between Sujit Karkera and Suresh Menon was provided to Sujit Karkera and group and further advised to submit reply within 15 days from the receipt of the letter. Vide email dated November 1, 2011 Sujit Karkera and group acknowledged the receipt of the CD and sought time for four weeks for filing reply to the SCN and a request for personal hearing after filing reply. Sujit Karkera and group vide letter dated November 29, 2011 further sought for 15 days time for filing reply to the SCN. Vide letter dated December 1, 2011 Sujit Karkera and group was given time till December 15, 2011 to submit their reply with the advise that if no reply is received enquiry shall be conducted on the basis of material available on record.

14. Vide letter dated December 15, 2011 Sujit Karkera and group filed reply to the SCN denying all the allegations alleged against them and inter alia submitted that:

- a) *The First Noticee Purushottam Karkera aged 72 years is the father of Sujit Karkera. He is retired from service and make a living from investments. As he is not experienced in any other business or profession he has no other source of income. The Second Noticee Sujit Karkera, son of Purushottam Karkera (the First Noticee) is MBA from Bombay University, Mumbai. The third Noticee Shilpa Kotak is wife of Sujit Karkera, the Second Noticee. The Noticee hail from a middle class family and trading in securities was their profession and source of income. Post issuance of the Show Cause Notice, the Noticee have abstained from trading in securities market, apprehending unforeseen fear of getting trapped in similar legal issues for no fault of theirs.*
- b) *That the notice completely ignored the glaring fact that we traded in various scrips and in considerable volume on, before and after the alleged dates.*
- c) *That the alleged telephonic conversations between Sujit Karkera (Second Noticee) and Suresh Menon were not in respect to the scrips of Aurobindo Pharma Ltd (Aurobindo), ICICI Bank Ltd (ICICI), State Bank of India (SBI) (collectively referred to as the said Scrips), as alleged. It is submitted that we had during the period of October 1, 2008 to December 31,2008 (Investigation Period) transacted in several scrips in the ordinary course on the order matching mechanism of the exchange. It is submitted that Sujit Karkera (Second Noticee) had made calls to Suresh Menon not only during the Investigation Period but even pre and post Investigation Period. The Notice nowhere demonstrates that we had any “prior” knowledge of the trades of CGMMPL.*
- d) *That the communications in the CD does not flow in sync and the linkage between all the communications so provided are absolutely nil. Firstly none of the conversations are linked with each other, secondly the communications appear casual talks made between few people and do no express or indicate any specific indication that they are oriented towards any manipulation, leave apart manipulation of such a serious nature as alleged in the SCN.*
- e) *That it is denied that the voice communications contained in the CD are of between Sujit Karkera and Suresh Menon. Apparently from the communications, it contains various voices and the communication is unclear and if heard individually or in continuation, it*

*cannot be made out as to in what context they are made and more importantly it nowhere shows that there is any exchange of information between the parties to the communication. Least to say, the conversations lead to nowhere.*

- f) It is submitted that the allegation against us is baseless, and the voice recording provided by SEBI does not establish that it is Sujit Karkera (Second Noticee) who had telephonic conversation with Suresh Menon, and that in such conversation discussions pertaining to the trades in the alleged scrips took place or information passed regarding the alleged scrips. Further our trading pattern demolishes all the allegations in this regard since the trades executed do not match with the telephonic conversation or transcripts or the allegations in the Notice.*
- g) It is vehemently denied that we, while trading through B P Equities Pvt. Ltd., were trading ahead of the trades of CGMMPL. It is denied that we had any prior knowledge of the trades of CGMMPL. It is submitted that the Notice fail to demonstrate that there is any prima facie evidence that points to the possibility of our having any prior knowledge of the trades of CGMMPL. It is submitted that the only basis on which it is alleged that we had prior knowledge of transactions of CGMMPL is the alleged telephonic conversations between Sujit Karkera (Second Noticee) and Suresh Menon which factually never took place.*
- h) It is submitted that the transactions carried out by us are independent transactions based on commercial wisdom and these do not match with the facts and allegations in the Notice and the voice conversations provided in the CD. At the time of carrying out transactions we were not aware of the nature of transactions of CGMMPL. The transactions carried out by CGMMPL have no connection with the transactions carried out by us in the said Scrips. It is submitted that we have no connections/ relations with CGMMPL.*
- i) It is submitted that though the transactions were square off trades, they were not carried out with any fraudulent intent.*
- j) The notice proceeds on the basis of few selected transactions out of our total transactions on the alleged dates, alleging that the alleged transactions appear to be*

*possibly executed with prior knowledge of trades of CGMPL on the alleged dates, and evidently these trades does not match with the alleged voice conversation and out of the inferences drawn out of these conversation. Merely on the basis of a few cherry picked trades, the notice attempts to link our transactions based on a possibility of prior knowledge of trades of CGMPL, with the alleged voice recordings, which is far stretching. Further, for the alleged transactions on the alleged dates, the notice arbitrarily and without any reason or basis, taken into account our entire trades on the alleged dates to calculate profits which are totally erroneous.*

- k) The notice nowhere provides basis for calculations of profit, taking into account the entire trading done by us on the alleged dates, when the alleged trades are much less.*
- l) It is submitted that we are not aware that Suresh Menon was in possession of information about the orders to be placed for CGMMPL and we are not concerned with the same. We are further not aware of the orders that were given by Suresh Menon to the dealer Manish Karkera. Upon request a copy of the Bloomberg message/ chat messages was provided to us by SEBI. From the perusal of the copy of Bloomberg messages, it is observed that there are several such messages exchanged between Suresh Menon and other entities for instance Michael Johnson and N Fisher. These messages appear to be innocuous carried out in the ordinary course of business. However, the exchange of information between Suresh Menon and Manish Karkera does not concern us or the transactions that were carried out by us or on our behalf in the said scrips. It is submitted that Sujit Karkera (Second Noticee) knowing Suresh Menon cannot be the basis to draw adverse inferences against us.*
- m) It is submitted that the charge against Sujit Karkera (Second Noticee) is based on mere exchange of telephonic calls between Sujit Karkera (Second Noticee) and Suresh Menon. During the course of investigation, admittedly Suresh Menon's statement was not recorded, he was not questioned pertaining to the exchange of calls and also the nature of transactions in the said Scrips. The charge is levelled against the Noticee including Sujit Karkera (Second Noticee) based on incomplete investigation and on telephonic*

*conversations that are totally beyond the scope of the allegations in the Notice and thus leads to nowhere.*

- n) With regard to the observations in para 16 of the Notice, it is denied that Sujit Karkera (Second Noticee) had any discussion with Suresh Menon pertaining to the order price, order quantity, and order timing of the orders of CGMMPL. It is denied that Sujit Karkera (Second Noticee) took any advise of Suresh Menon on the price, quantity and timings of the orders to be placed in the said Scrips on any of the days ie October 14, 2008, October 17, 2008, November 5, 2008, November 6, 2008, November 24, 2008 and November 26, 2008. The Voice recordings CD we nowhere find a single instance indicating any of the alleged advice/information. It is submitted that the Transcripts of the alleged telephonic conversations is unreliable as it does not specifically disclose the identity of the Other Side i.e. "OS" to whom Suresh Menon is allegedly interacting with, and in the voice recordings CD provided by SEBI there is no such information that leads to levelling of such allegations. Further from the perusal of the entire Transcript, it does not reveal the identity of the "OS" except in the conversations that have taken place on October 14, 2008 with Jain Mehta (start time - 1:07:17pm & stop time- 1:08:43pm) and on November 24, 2008 with Sanjay (start time- 2:05:27pm & stop time- 2:06:45pm). It is absurd how a telephonic conversation can begin where the OS does not disclose its identity. The recordings of the conversations have taken place between other entities and not Sujit Karkera (Second Noticee). Further, the contents of the transcript does not give any idea or head and tail of the communication to demonstrate that the communication pertains to any trade, leave aside an identified transaction. The transcripts which are basis of SEBI levelling allegations on us, are firstly neither accurate, nor reliable as the source authenticating its genuineness is nowhere displayed on any page of the transcripts, secondly nowhere in the transcripts it is suggested that it is Sujit Karkera (Second Noticee) who is one of the communicating party in the transcript. We dispute the genuineness, authenticity and reliability of the contents and submit that it is merely an attempt to draw adverse inferences against us.*
- o) Further, following highlights in the Transcript of the telephonic conversion such as:*

<i>"...."</i>	<i>Unclear conversation</i>
<i>(...)</i>	<i>Implies</i>
<i>[...]</i>	<i>Narration</i>
<i>Italics</i>	<i>Sounds like</i>

*These indicate that the allegations are based on conversations that are unclear, based on implications and on guess work. There is no certainty in the understanding of the conversations based on which adverse conclusions are arrived at against us.*

15. Sujit Karkera and group was given an opportunity for personal hearing on January 30, 2012 vide hearing notice dated January 4, 2012. The said hearing was rescheduled to January 31, 2012 and the same was informed to Sujit Karkera and group vide letter dated January 12, 2012. AR along with Shri Prakash Shah, Shri Anant Upadhyay and Shri Purushottam Karkera appeared for the hearing and sought time till February 07, 2012 to file additional submissions. Vide letter dated February 07, 2012 Sujit Karkera & group made the following further submissions:

- a) The vital issue to be considered is that had it been a case that we had prior information of the order details of CGMMPL, we should have placed higher volumes of trades to book maximum profits as against the trades in small volumes executed by the Noticees.*
- b) That the quantity of shares allegedly bought by the Noticees, in relation to which the alleged telephonic conversation is relied upon in the Notice, is only a portion of our total trades in the alleged scrips on the given days. However, the profits out of our entire trades have been taken into consideration while leveling allegations against us in the Notice. On the alleged days of trades, we traded in 6,31,836 shares, and total profit comes to Rs.40.20 lacs. Whereas the total shares traded for which the alleged conversations have been relied upon is 1,75,000 shares, for which total profit comes to only Rs. 10.27 lacs. It is not the case as if we have bought and sold entire shares during the alleged period based on the alleged communications. In the Notice, attempt has been made to match few of our trades with that of CGMMPL and to draw a connection*

*with the alleged voice conversation to allege that we had prior information of the trades of CGMMPL and that we traded on the basis of this prior information. Apparently, our trades were not at all comparable with that of CGMMPL. Neither the trades nor the figures and alleged instructions from Suresh Menon appearing in the alleged conversation tally with the trades, volume, price, timings of the trades of the Noticees.*

*c) while drawing any inference based on the circumstance, following circumstances cannot be overlooked and ignored:*

*(i) We are financially independent and have employed our own funds for trading in the alleged scrips on the alleged dates;*

*(ii) We have traded in the ordinary course, without any prior information of the order details of CGMMPL;*

*(iii) We have purchased and sold the shares of the alleged Companies on alleged dates on the basis of our commercial wisdom, as day traders;*

*(iv) The quantum of shares bought by us, based on the alleged prior information of the order details of CGMMPL, is exceedingly insignificant as compared to the quantum of trades done by CGMMPL, which could not have been a case had we had prior information of the order details of CGMMPL and we must have endeavored to book maximum profits by placing maximum buy/sell orders;*

*(v) We have impeccable track record and this is for the first time that a show cause notice has been issued to us by any regulatory body.*

*d) Without prejudice to our rights and contentions and submissions made herein as also in our reply dated 15.12.2011, even if we presume that the alleged telephonic communication happened on the day of alleged trades executed, the profits calculated in the Notice is erroneous. Out of the total trades executed on the alleged dates in the alleged scrips, inferences based on alleged conversation has been drawn in respect of trades which are only a small portion of our total trades. The alleged trades for which the Notice drew inference on the basis of alleged conversation, we submit as under:*

*(i) As per the show cause notice the figure in question is Rs. 42.29 Lacs. As per the calculation emerging from the difference in the BUY VALUE and SELL VALUE in a*

particular scrip provided in the ANNEXURE III page 311/309/310, the total works out to only **Rs 40.20 Lacs** and not Rs 42.29 Lacs. The details of which are given below:

<b>Scrip/Date</b>	<b>Profit- Sujit</b>	<b>Profit- Shilpa</b>	<b>Profit- Purushottam Karkera</b>	<b>Total</b>
SBI 14/10	77,882	1,89,700	32,097	<b>2,99,649</b>
ICICI 17/10	4,19,480	2,49,577	29,969	<b>6,99,026</b>
Aurobindo 5/11	1,85,701	1,01,911	13,260	<b>3,00,872</b>
Aurobindo 6/11	1,98,947	2,02,722	19,890	<b>4,21,559</b>
SBI 24/11	7,95,424	4,57,358	29,913	<b>12,82,695</b>
SBI 26/11	7,53,419	2,59,529	3,297	<b>10,16,245</b>
<b>TOTAL</b>	<b>24,30,853/-</b>	<b>14,60,797/-</b>	<b>1,28,396/-</b>	<b>40,20,067/-</b>

(ii) The figure of 40,20,067 is a gross figure and it also includes STT/Service charges/other charges and brokerages which is not a part of the Noticees' gains. As per the contract notes/trade log the figure works out as follows:

	<b><u>Amount</u></b>
Gross Figure	40,20,067.00
<b>Less</b> STT/Service Tax/Other Charges	2,17,500.00
<b>Less</b> Brokerages	2,50,000.00

@.05paise/Rs.100 on buy or on sell.

As per SCN page 2 and 3, Sujit Karkera

and group had a total 5030 lacs of buying.

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**35,52,567.00**

Out of the aforesaid trades, profits in question can be bifurcated as follows:

<b>Scrip Name/ Date</b>	<b>Profit in question (Approx.)</b>	<b>Telephonic conversation alleged to be related to profits amounting to(Approx figures)</b>	<b>No Evidence given for (APPROX FIGURES)</b>
SBI (24/11)	12.82 lacs		12.63 lacs
SBI (26/11)	10.16 lacs	2 lacs	8.07 lacs
ICICI(17/10)	6.99 lacs	3.70 lacs	3.29 lacs
Aurobindo(5/11)	3.0 lacs	2.32 lacs	68k
Aurobindo(6/11)	4.21 lacs		4.21 lacs
SBI (14/10)	2.99 lacs	2.25 lacs	74k
<b>Total</b>	<b>40.20 lacs</b>	<b>10.27 lacs</b>	<b>29.62 lacs</b>

*(iii) Thus, alleged conversations relied to in the SCN pertain to trades amounting to profits of Rs.10.27 Lacs (approx.) only whereas the entire trades' profit has been taken into account in the Notice.*

*e) That out of our entire trades done on the alleged dates in the alleged scrips, merely voice recording is provided limited to profits worth 10.27 lakhs only.*

16. Vide email dated March 26, 2012 Sujit Karkera and group was provided with the entire trade and order log containing buy and sell details pertaining to the scrips of Aurobindo Pharma (November 05 & 06, 2008), ICICI Bank (October 17, 2008) and SBI (October 14, 2008, November 24, 2008, November 26, 2008). Sujit Karkera and group vide reply dated April 18, 2012 submitted that:

*a) The sale orders were independent of and have nothing to do with the sale orders placed by CGMMPL on any of the alleged trading dates. We reiterate that the transactions carried out by us were independent of the transactions carried out by CGMMPL. We are not aware of the nature of transactions carried out by CGMMPL and same is of no concern to us. There is no comparison between the transactions carried out by us and CGMMPL, and any attempt to draw inter connection/linkage between the two is erroneous. Our trades, at all points of time, were independent unrelated and unconnected to the trades of CGMMPL.*

*b) That the vital issue for is that had it been a case of our having prior information of the order details of CGMMPL, we should have placed higher volumes of trades to book maximum profits as against the trades in small volumes evidently executed.*

*c) From our alleged trades, we have neither made any disproportionate gain nor gained unfair advantage nor caused any loss to investors or group of investors.*

## **CONSIDERATION OF ISSUES AND FINDINGS**

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

- Sujit Karkera and group had prior information of the order details of CGMMPL and had purchased/sold shares prior to the purchase/selling of shares by CGMMPL.
- Sujit Karkera and group purchased/sold shares at low/high price at the time when CGMMPL was selling/purchasing shares in the market, thereby earning profits.
- Suresh Menon has passed the information to Sujit Karkera while in possession of orders of CGMMPL and was also actively participating and discussing the trades of Sujit Karkera.
- Sujit Karkera used the information provided by Suresh Menon and traded for self and also on the trading accounts of his wife and his father.
- Sujit Karkera and group made profit of ₹ 42.29 lakhs (approx.).

18. In the light of the above transactions, it is alleged that Sujit Karkera and group violated Regulations 3 (a), (b), (c), (d) and 4 (1) of PFUTP. The provisions of the aforesaid regulations are reproduced hereunder:-

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

- i. Whether Sujit Karkera and group/Noticees and Suresh Menon were known to each other?
- ii. Whether there was flow of information of scrip name, order quantity, order timing and order price of the orders placed by Suresh Menon for CGMMPL to Sujit Karkera?
- iii. Whether Sujit Karkera and group/Noticees had prior information of the order details of CGMMPL from Suresh Menon and had purchased/sold shares prior to the purchase/selling of shares by CGMMPL thereby earning profit.

- iv. Whether the Noticees violated Regulation 3 (a), (b), (c), (d) and 4 (1), of PFUTP Regulations?
  - v. Does the violation, if any, on the part of the Noticee attract monetary penalty under sections 15 HA of the SEBI Act?
  - vi. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?
20. Before moving forward, it will be appropriate to refer to the relevant provisions of the PFUTP Regulations, which reads as under:

**3. Prohibition of certain dealings in securities**

*No person shall directly or indirectly—*

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

**4. Prohibition of manipulative, fraudulent and unfair trade practices**

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

## FINDINGS:

21. I now proceed with the alleged violations of PFUTP Regulations. Upon careful perusal of the material available on record, I find the following:

- a) It was observed during investigation that Sujit Karkera and group trading through B P Equities Pvt. Ltd were trading ahead of the trades of Citi Global Markets Mauritius Pvt. Ltd (hereinafter known as CGMMPL) and it was observed that Sujit Karkera and group was having prior knowledge of the trades of CGMMPL. From the trading details of Sujit Karkera and group I note that they had bought 13,02,677 shares and sold 13,02,636 shares (gross quantity – 26,05,303 shares and net purchase of 41 shares) during the investigation period.
- b) Sujit Karkera bought 6,32,146 shares and sold 6,32,105 shares during the investigation period. The details of his trades on the aforementioned 6 scrip days (i.e. AUROPHARMA - Nov 05 & 06, 2008; ICICIBANK - Oct 17, 2008; SBIN - Oct 14, Nov 24 & 26, 2008) are as under:

Scrip	Date	BUY Qty.	BUY Value (₹ lakhs)	% of Total Buy by Sujit Karkera during invg. Period	SELL Qty.	SELL Value (₹ lakhs)	% of Total Sell by Sujit Karkera during the invg. Period
ICICI Bank	17-Oct-08	100000	390.19	7.88	100000	394.39	7.91
Aurobindo Pharma Ltd.	5-Nov-08	27623	33.80	0.68	27623	35.66	0.71
Aurobindo Pharma Ltd.	6-Nov-08	26365	27.97	0.56	26365	29.96	0.60
State Bank of India	14-Oct-08	25000	389.00	7.85	25000	389.78	7.81
State Bank of India	24-Nov-08	122520	1392.59	28.11	122520	1400.54	28.08
State Bank of India	26-Nov-08	80001	841.97	16.99	80001	849.49	17.03
<b>Total</b>		<b>381509</b>	<b>3075.52</b>	<b>62.08</b>	<b>381509</b>	<b>3099.82</b>	<b>62.15</b>
<b>Total by Sujit Karkera</b>		<b>6,32,146</b>	<b>4954.30</b>		<b>6,32,105</b>	<b>4988.03</b>	

- c) Shilpa Kotak bought and sold 2,77,014 shares during the period of investigation. The details of her trades on the aforesaid 6 scrip days are as under:

Scrip	Date	BUY Qty.	BUY Value (₹ lakhs)	% of Total Buy by S Kotak during invg. Period	SELL Qty.	SELL Value (₹ lakhs)	% of Total Sell by S Kotak during the invg. Period
ICICI Bank	17-Oct-08	45129	179.32	7.37	45129	181.81	7.42
Aurobindo Pharma Ltd.	5-Nov-08	13961	16.92	0.70	13961	17.94	0.73
Aurobindo Pharma Ltd.	6-Nov-08	30000	31.86	1.31	30000	33.89	1.38
State Bank of India	14-Oct-08	10000	154.00	6.33	10000	155.90	6.36
State Bank of India	24-Nov-08	89145	1014.85	41.70	89145	1019.43	41.58
State Bank of India	26-Nov-08	35062	369.42	15.18	35062	372.02	15.17
<b>Total</b>		<b>2,23,297</b>	<b>1766.37</b>	<b>72.58</b>	<b>2,23,297</b>	<b>1780.99</b>	<b>72.64</b>
<b>Total by Shilpa Kotak</b>		<b>2,77,014</b>	<b>2433.64</b>		<b>2, 77,014</b>	<b>2451.70</b>	

d) Purushottam Karkera bought and sold 3,93,517 shares during the period of investigation. The details of his trades on the aforesaid 6 scrip days are as under:

Scrip	Date	BUY Qty.	BUY Value (₹ lakhs)	% of Total Buy by Purushottam Karkera during invg. Period	SELL Qty.	SELL Value (₹ lakhs)	% of Total Sell by Purushottam Karkera during the invg. Period
ICICI Bank	17-Oct-08	10000	38.92	5.05	10000	39.22	5.08
Aurobindo Pharma Ltd.	5-Nov-08	3000	3.65	0.47	3000	3.78	0.49
Aurobindo Pharma Ltd.	6-Nov-08	3000	3.19	0.41	3000	3.39	0.44
State Bank of India	14-Oct-08	5000	77.44	10.05	5000	77.76	10.08
State Bank of India	24-Nov-08	5000	56.02	7.27	5000	56.32	7.30
State Bank of India	26-Nov-08	1030	10.86	1.41	1030	10.89	1.41
<b>Total</b>		<b>27,030</b>	<b>190.08</b>	<b>24.68</b>	<b>27,030</b>	<b>191.36</b>	<b>24.81</b>
<b>Total by Purushottam</b>		<b>3,93,517</b>	<b>770.25</b>		<b>3,93,517</b>	<b>771.42</b>	

### **Observations on KYCs and Other Details of Sujit Karkera and group**

e) I note from KYC's of Sujit Karkera and group that they had a common introducer Trustcom Financial Services Ltd., sub-broker of B P Equities Pvt. Ltd. It was observed that Purushottam Karkera is the father of Sujit Karkera and Shilpa Kotak is wife of Sujit Karkera. Sujit Karkera vide his letter dated May 05, 2009 submitted that the portfolio of

Shilpa Kotak and Purushottam Karkera was being handled by him. Purushottam Karkera and Shilpa Kotak vide their respective letters dated May 05, 2009 had also submitted that Sujit Karkera had instructed the broker to place the orders for their trades. It is further observed that Shilpa Kotak was a registered sub-broker of the trading member GBPFSL.

- f) The trading member BP Equities Pvt. Ltd. vide its letter dated May 04, 2009 submitted that Sujit Karkera and group were registered through a sub-broker Trustcom Financial Services Ltd. I note from the submission of the broker that Sujit Karkera used to visit the office of the sub-broker and give their orders to the dealer who placed these orders immediately on the trading platform of the exchange.

**Trading by Citigroup Global Markets Mauritius Pvt. Ltd. (CGMMPL)**

- g) CGMMPL was registered as a client with the following trading members:

TM Code	TM Name	Client Code	Client Name
11413	Citigroup Global Markets India Pvt. Ltd	1	CGMMPL
11413	Citigroup Global Markets India Pvt. Ltd	90	CGMMPL
11413	Citigroup Global Markets India Pvt. Ltd	1S	CGMMPL
06075	Reliance Equities International Pvt. Ltd.	CDR	CGMMPL
08067	Geojit BNP Paribas Financial Services Ltd	FIC027	CGMMPL
08067	Geojit BNP Paribas Financial Services Ltd	FIC032	CGMMPL
08067	Geojit BNP Paribas Financial Services Ltd	FIC033	CGMMPL
08067	Geojit BNP Paribas Financial Services Ltd	FIC035	CGMMPL
10412	Motilal Oswal Securities Ltd.	SSB	CGMMPL

- h) I note from the date-wise trading details of CGMMPL that it had purchased a total of 24,71,97,593 shares (19,10,42,249 at NSE and 5,61,55,344 at BSE) and sold 44,73,12,025 shares (33,75,92,512 at NSE and 10,97,19,513 at BSE). The trading details of CGMMPL on the 6 scrip days in which Sujit Karkera and group were observed to be trading ahead of CGMMPL are as under:

Scrip	Date	BUY	SELL	% of Total Buy by	% of Total Sell by
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				CGMMPL during invg. Period (In terms of No. of shares)	CGMMPL during invg. Period (In terms of No. of shares)
ICICI Bank	17-Oct-08	1,90,653	36,69,758	0.08	0.82
Aurobindo Pharma Ltd.	5-Nov-08	0	3,53,334	0.00	0.08
Aurobindo Pharma Ltd.	6-Nov-08	0	4,47,000	0.00	0.10
State Bank of India	14-Oct-08	6,91,755	0	0.28	0.00
State Bank of India	24-Nov-08	0	7,80,000	0.00	0.17
State Bank of India	26-Nov-08	0	10,00,000	0.00	0.22
<b>Total</b>		<b>8,82,408</b>	<b>62,50,092</b>	<b>0.36</b>	<b>1.40</b>
<b>Total by CGMMPL during the period</b>		<b>24,71,97,593</b>	<b>44,73,12,025</b>		

### Orders placed for CGMMPL

- i) It was observed that Suresh Menon was a trader of CGMMPL and had information for the dealings of CGMMPL alongwith the following traders in the above 6 scrip days:

Date	Scrip	Quantity	Buy/Sell	Remarks	Name of Trader	Name of Client	Address of Client
5-Nov-08	Aurobindo Pharma Ltd.	441,334	Sell	Access product / pnote order	Suresh Menon/ Louisa So/ Andy Leung	Kris Tomasulo	Galleon Partners Management, 590 Madison Avenue, 34th Floor, New York NY 10022, United States
6-Nov-08	Aurobindo Pharma Ltd.	635,743	Sell	Access product / pnote order	Suresh Menon/ Louisa So/ Andy Leung	Kris Tomasulo	Galleon Partners Management, 590 Madison Avenue, 34th Floor, New York NY 10022, United States
14-Oct-08	State Bank of India	806,255	Buy	Access product / pnote order	Suresh Menon/ Louisa So/ Andy Leung	Michael Johnson	Artio Global Management LLC, 330 Madison Avenue, New York NY 10017, United States.
		30,000	Buy and Sell	Trade for Principal Strategy	Akshay Sahni	N/A	N/A
17-Oct-08	ICICI Bank	1,663	Buy	Traded as hedge for client's secondary order	Chris Leung	Yuji Shimoyama	Simplex Asset Management Co., Ltd., Shin-Marunouchi Building, 15th Floor, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, 100-6515, Japan.
		880,000	Sell	Client unwind LEPO	Suresh Menon/ Louisa So/ Andy Leung	Nathan Fisher	Sansar Capital Management LLC, 135 East 57th Street, 23rd Floor,
		3,613,579	Sell	Access product / pnote order	Suresh Menon/ Louisa So/ Andy Leung	Michael Johnson	Artio Global Management LLC, 330 Madison Avenue, New York NY 10017, United States.
		189,758	Sell and Buy	Trade for Principal Strategy	Sachin Tulshyan	N/A	N/A
24-Nov-08	State Bank	980,000	Sell	Access product /	Suresh Menon/	Michael	Artio Global Management LLC,

	of India			pnote order	Louisa So/ Andy Leung	Johnson	330 Madison Avenue, New York NY 10017, United States.
26-Nov-08	State Bank of India	1,133,000	Sell	Access product / pnote order	<b>Suresh Menon/</b> Louisa So/ Andy Leung	Michael Johnson	Artio Global Management LLC, 330 Madison Avenue, New York NY 10017, United States.

j) It was observed that Suresh Menon was in possession of information about the orders to be placed for CGMMPL. The trading member GBPFSL submitted that the orders were given by Suresh Menon on behalf of CGMMPL to the dealer Manish Karkera as follows:

(i) The order for sale of 1,50,000 shares of Aurobindo Pharma Ltd. on Nov 05, 2008 placed by Suresh Menon to Manish Karkera (dealer in GBPFSL) through Bloomberg message/chat.

(ii) The order for sale of 3,00,000 shares of ICICI Bank on Oct 17, 2008 was placed by Suresh Menon to Manish Karkera through Bloomberg message/chat. It is further observed that after the sale of 1,89,758 shares of ICICI Bank Ltd., Suresh Menon had cancelled the order.

(iii) The order for purchasing shares of SBI on October 14, 2008 was placed by Suresh Menon to Manish Karkera through Bloomberg message/chat.

(iv) The order for sale of 3,00,000 shares of SBI at limit price of ₹ 1145 on Nov 24, 2008 was placed by Suresh Menon to Manish Karkera through Bloomberg message/chat. It is further observed that Suresh Menon had placed another sell order for 3,00,000 shares of SBI at limit price of ₹ 1120 to Manish Karkera.

(v) The order for sale of shares of SBI on November 26, 2008 was placed by Suresh Menon to Manish Karkera through Bloomberg message/chat.

Thus, it was observed that Suresh Menon was the only person who was in possession of information relating to orders of CGMMPL in the same scrip days when Sujit Karkera and group had traded (6 scrip days as mentioned earlier).

With regard to the connection of Suresh Menon and Sujit Karkera it was submitted before investigation by Sujit Karkera that he knows Suresh Menon since 2003. He

further submitted that they are good friends and the family of Suresh Menon is known to him. Further investigation observed that Suresh Menon was in constant touch with Sujit Karkera over phone during the investigation period which is enumerated below. Thus, it can be concluded that Sujit Karkera and Suresh Menon were connected to each other.

**Flow of Information from Suresh Menon to Sujit Karkera**

k) The call records (phone numbers of incoming/ outgoing calls and messages with date and time) were analyzed for the investigation period in order to establish further connection between the entities Sujit Karkera and group and Suresh Menon who allegedly have passed on the information to them. The phone numbers of Sujit Karkera and group are as given below:

<b>Name</b>	<b>Phone Numbers</b>
Sujit Karkera	2226777379
	9820338550
Shilpa Kotak	2226777379
	9820176227
Purushottam Karkera	22266959294
	9833246495

l) It was observed from the call records that Sujit Karkera was frequently in touch with the following numbers based in Hong Kong during the investigation period:

<b>S. No</b>	<b>Telephone/ Mobile Number</b>	<b>Owner of telephone/Mobile</b>	<b>Nature of calls</b>
1	(00852) 98360364	Suresh Menon’s Personal Mobile (SM – Mobile)	<b>Sujit Karkera made calls to this number and received calls from this number.</b>
2	(00852) 28688888	Board Line of Citibank N.A., Hong Kong (Citi Board Line - HK)	<b>Sujit Karkera made calls to this number and received calls from this number.</b>

3	(00852) 65054057	Blackberry mobile phone number for Suresh Menon (SM – Blackberry Mobile)	<b>Sujit Karkera made calls to this number and received calls from this number.</b>
4	(00852) 63900134	Personal mobile phone number for Suresh Menon’s wife. (SM – Wife)	Sujit Karkera made calls to this number.
5	(00852) 22589585	Home number for Suresh Menon (SM’s home - HK)	Sujit Karkera made calls to this number.
6	(00852) 25012837	Direct office line of Suresh Menon (SM – Direct Office Line)	<b>Sujit Karkera made calls to this number and received calls from this number.</b>

m) I note from the statement made by Sujit Karkera before the investigating authority that he knew Suresh Menon was a trader with CGMMPL. Suresh Menon submitted to CGMA that he does not know and is not associated or related to Sujit Karkera. Instead of Sujit Karkera, he has a family friend named Sujit Kumar with mobile number 9820338550. It was observed that the number 9820338550 was of Sujit Karkera.

n) The call details of Sujit Karkera (Vodafone No. – 9820338550) were analyzed to find the calls made by / to Sujit Karkera during the six trading days i.e. on October 14, November 05, November 06, November 24 and November 26, 2008. The following observations were made:

Date	Scrip	Call Type	Call/SMS From	Call/SMS To	First call/SMS	Last call/SMS	No of calls / SMS	Total No. of calls and SMS on a day
14-Oct-08	SBI	Call	‘Citi Board Line – HK’	Sujit Karkera	9.19.59	15.11.44	12	Calls – 15
		SMS	Sujit Karkera	‘SM – Mobile’	9.45.53	17:32:30	6	
		Call	Sujit Karkera	‘SM – Direct Office Line’	9.59.56	10.08.23	2	SMS - 6
		Call	Sujit Karkera	‘SM – Mobile’	17:20:58	17:20:58	1	
17-Oct-08	ICICI Bank	Call	‘Citi Board Line - HK’	Sujit Karkera	10.08.56	14.13.23	12	Calls – 20
		SMS	Sujit Karkera	‘SM – Mobile’	10.09.40	13.15.20	4	

		Call	Sujit Karkera	'SM – Direct Office Line'	10.18.32	13.12.53	5	SMS - 4	
		Call	Sujit Karkera	'SM – Blackberry Mobile'	14.58.33	14.58.33	1		
		Call	Sujit Karkera	'SM – Mobile'	22:45:41	23:00:18	2		
05-Nov-08	Aurobindo Pharma Ltd.	SMS	Sujit Karkera	'SM – Mobile'	8.36.24	15:33:34	8	Calls – 17	
		Call	Sujit Karkera	'SM – Mobile'	14.18.05	14.18.05	1		
		Call	'Citi Board Line – HK'	Sujit Karkera	8.43.23	13.43.41	13	SMS - 8	
		Call	Sujit Karkera	'SM – Direct Office Line'	10.03.35	10.52.23	3		
06-Nov-08	Aurobindo Pharma Ltd.	Call	'Citi Board Line - HK'	Sujit Karkera	09.58.45	14.51.29	16	Calls – 19	
		Call	Sujit Karkera	'SM – Direct Office Line'	10.19.35	14.42.33	2		
		SMS	Sujit Karkera	'SM – Mobile'	12.13.18	12.13.18	1	SMS - 1	
		Call	Sujit Karkera	'SM – Mobile'	17:12:34	17:12:34	1		
24-Nov-08	SBI	Call	Sujit Karkera	'SM – Direct Office Line'	11.17.33	14.07.00	10	Calls – 25	
		Call	'Citi Board Line - HK'	Sujit Karkera	11.21.56	13.40.57	15		
		SMS	Sujit Karkera	'SM – Mobile'	11.26.51	14.06.08	7	SMS - 7	
26-Nov-08	SBI	Call	'Citi Board Line - HK'	Sujit Karkera	09.59.10	14.35.17	14	Calls – 24	
		Call	Sujit Karkera	'SM – Direct Office Line'	10.04.34	12.57.20	7		
		SMS	Sujit Karkera	'SM – Mobile'	10.07.19	19:02:44	5	SMS - 5	
		Call	Sujit Karkera	'SM – Mobile'	17:33:15	19:36:47	3		
<b>Total</b>		Calls						120	
		SMS						31	

- o) I note from the call records provided by Vodafone that there were total 120 calls between Sujit Karkera and Suresh Menon on the above mentioned 6 days, out of which:
- (i) 82 calls were made from board line of Citibank N.A, Hong Kong to Sujit Karkera's mobile number (9820338550). CGMA has provided a translated version of the telephonic conversation made or received by Suresh Menon through this number.

- (ii) 29 calls were made from Sujit Karkera from his mobile number 9820338550 to direct office line of Suresh Menon.
- (iii) 8 calls were made from Sujit Karkera from his mobile number 9820338550 to Suresh Menon's personal mobile phone (00852-98360364)
- (iv) 1 call was made from Sujit Karkera from his mobile number 9820338550 to Blackberry mobile phone number of Suresh Menon (00852 - 65054057).
- (v) There were a total of 31 SMS made from Sujit Karkera from his mobile number 9820338550 to personal mobile phone number of Suresh Menon.

p) Sujit Karkera and group in their reply claimed that the alleged telephonic conversations contained in the CD and in the SCN does not pertain to Sujit Karkera and Suresh Menon. The evidence before me i.e. the call records provided by Vodafone, sufficiently proves that that conversation was between Suresh Menon and Sujit Karkera. Further Sujit Karkera and group did not deny that the number from which the calls were made did not belong to Sujit Karkera. They have merely denied that the conversation does not pertain to Sujit Karkera but have failed to provide any proof to substantiate that the alleged telephonic conversations contained in the CD does not pertain to Sujit Karkera and Suresh Menon. I note that the sound recorded version and the translated version of the alleged telephonic conversations as provided by CGMA were verified with the call records provided by Vodafone. I note that the timings of the calls as mentioned in the translated version provided by CGMA were matching with the call records provided by Vodafone. Thus, from the data provided by CGMA and Vodafone I find that the telephonic conversation was between Suresh Menon and Sujit Karkera.

**Trading Activity of Sujit Karkera and group ahead of the trades of CGMMPL in the scrip of Auropharma, ICICI and SBI.**

q) It was alleged that Sujit Karkera and group was selling shares ahead of the sales made by CGMMPL in the scrip of Auro Pharma on Nov 05 and Nov 06, 2008 ICICI on October 17,

2008 and SBI on November 24 & 26, 2008, and were buying shares ahead of the buying made by CGMMPL in the scrip of SBI on October 14, 2008. Subsequently, they were the counter party buyers/seller to the sell/buy transactions of CGMMPL. This was observed from the trading pattern of Sujit Karkera group and CGMMPL.

**Trading Activity of Sujit Karkera and group and CGMMPL in the scrip of Auropharma on November 5, 2008:**

- r) Sujit Karkera group traded in the scrip of Auro Pharma of November 5, 2008 through the broker BP Equities Pvt. Ltd. Investigation also observed that there was telecon between Sujit Karkera and Suresh Menon on November 5, 2008 during the period when they were trading in the scrip. The call analysis are as given below:

Table 1:

Srl No.	Call Details				Buy/Sell Details						
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Buy Trade Time	Order Price	Order Qty	Trade Qty
1					Sujit Karkera	Sell	9:55:30		134.00	5000	5000
	Call	10:23:15	85228688888	9820338550							
2					Shilpa Kotak	Sell	10:23:59		130.00	4000	4000
3					Sujit Karkera	Sell	10:27:18		130.00	1580	1580
									131.00	4500	2920
									132.00	5000	500
4					Sujit Karkera	Sell	10:29:22		130.00	1000	1000
5					Shilpa Kotak	Sell	10:29:45		130.00	5000	5000
6					Sujit Karkera	Sell	10:32:09		129.75	5000	5000
	Call	11:15:22	85228688888	9820338550							
					Sujit Karkera	Buy	11:48:14		126.10	2500	1473
									126.50	1027	1027
7					Sujit Karkera	Buy	11:48:26	13:39:46	121.10	10000	10000
					Sujit Karkera	Buy	12:41:41		126.50	3500	3500
	Call	12:54:34	85228688888	9820338550							
8					Shilpa Kotak	Buy	12:55:29	13:39:46	121.20	9000	9000
	Call	12:57:06	85228688888	9820338550							
9					Sujit Karkera	Sell	12:58:06		126.00	6000	6000
	Call	13:06:48	85228688888	9820338550							
10					Sujit Karkera	Buy	13:11:09	13:39:46	121.45	6000	6000
11					Purushottam	Sell	13:11:25		126.00	1000	1000

12					Purushottam	Sell	13:12:35		126.00	2000	2000
13					Purushottam	Buy	13:15:59	13:39:46	121.50	3000	3000
14					Shilpa Kotak	Sell	13:19:06		126.00	5000	1377
15					Shilpa Kotak	Buy	13:19:43	13:39:46	121.15	1377	1377
	Call	13:22:45	85228688888	9820338550							
16					Sujit Karkera	Sell	13:23:53		126.00	5000	5000
17					Sujit Karkera	Sell	13:25:21		126.00	623	623
	Call	13:25:44	85228488888	9820338550							
18					Shilpa Kotak	Sell	13:26:47		126.00	5000	3584
19					Sujit Karkera	Buy	13:28:24	13:39:46	121.35	5000	5000
20					Shilpa Kotak	Buy	13:29:16	13:39:46	121.35	3584	3584
	Call	13:34:01	85228688888	9820338550							
	Call	13:37:08	85228688888	9820338550							
21					Sujit Karkera	Buy	13:38:54	13:39:46	121.35	623	623
22					CGMM	Sell	13:39:46		121.00	34500000	56334
	Call	13:43:41	85228688888	9820338550							

- s) Telecon of the sample trades on November 5, 2008, the comments of Sujit Karkera and group and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Noticees Comments in brief	Our Observation
<p><b>Call from Suresh Menon(SM) to Sujit Karkera (OS) at 10:23:15:</b></p> <p>1. "SM: How much did you do on <b>Auro</b>? OS: What? 5, 5.</p>	<p>It is noted that by this time Sujit Karkera had sold 5,000 shares of Auropharma.</p>	<p>Telephonic conversation at 10:23:15 that took place between Sujit Karkera and Suresh Menon did not pertain to the alleged transactions. Admittedly, Sujit Karkera commenced trading at 9.55 am almost about half an</p>	<p>It is observed from the trade details that Sujit Karkera indeed traded first at 9.55 am. It is also observed from the call/sms details that there were calls and sms made to Sujit Karkera by Suresh Menon before the Noticees started trading. However, since the transcript is not available</p>

		<p>hour later whereas the first call from Suresh Menon was at 10:23:15. Further apart from the inference that Sujit Karkera sold 5000 shares nothing is there to substantiate its inference.</p>	<p>before me it is not known what the contents were. However, it is noted that just before the call made at 10:23:15 for which the transcript is available it is observed from the trade details that Sujit Karkera indeed traded for 5000 shares at 9.55 am as shown in serial no 1 in the above table and it was immediately before the call made at 10:23:15.</p>
<p>2. SM: You want to ***** *****? OS: No, no, Boss, it has already happened for that, see boss I can't screw it up SM: So till now you were waiting? OS: Listen brother, once it goes up slightly, I will do it in ₹ 1000 ... SM: You are ***** OS: Hit it?...Open Auro slightly; open Auro slightly; it is 46 now SM: You are *****. What can I say? OS: This has also</p>	<p>SM tells Sujit Karkera that the price will go to 120.</p>	<p>The mention of ₹ 1000 is confusing. It is wonder as to how in the Notice it has been inferred as the price will go to 120. It has not been clarified as to what does the term "both" indicates.</p>	<p>It is only an inference that the price can go to ₹ 120. The observation of the Noticee with regard to ₹ 1000 is conceded.</p>

<p><i>come down</i>  <i>SM: What a *****,</i>  <i>now both will</i>  <i>become 20, you see</i></p>			
<p>3. <i>OS: Has it come?</i>  <i>Then hit it, its here</i>  <i>only, I hit it at</i>  <i>34?..."</i></p>	<p>Sujit Karkera asks Suresh Menon whether he should place the order at ₹ 134</p>	<p>It is very strange to see that 34 has been inferred as ₹ 134. From a plain reading it is obvious that OS is instructing somebody to hit it which does not appear to be in the nature of seeking approval as alleged</p>	<p>It is an inference drawn. It is observed from the trading details that before the conversation trades happened at ₹ 134 wherein sell order for 5000 shares were placed at 9:55:30 as may be evident from serial number 1 of the table given above. It is understood that in market parlance generally the orders are placed in such fashion. This trend of referring to price is found all through the entire transcript of the Noticee.</p>
<p><b>Call from Suresh Menon to Sujit Karkera at 12:54:34:</b></p> <p>1. <i>OS: Okay. Are you coming or should I keep it like that?</i>  <i>SM: I will come at 20, 21.</i></p> <p><i>OS: You will come exactly at 21, right?</i></p>	<p>SM tells Sujit Karkera that he would place the order at 120 or 121.</p> <p>SM tells Sujit Karkera that he</p>	<p>The Notice erred in inferring that SM tells Sujit Karkera that he would place the order at 121. The table nowhere provides any transaction executed at ₹ 121.</p>	<p>It is evident from the trade and order log that orders were placed on behalf of CGMMPL at ₹ 121 after the conversation was made. The order was placed by Suresh Menon (SM) for CGMMPL. Hence, it can be concluded that</p>

<p><i>SM: Yes, I will come at 21.</i></p>	<p>would place the order at 121. SM passes on the information of CGMMPL's order time and price</p>		<p>SM communicated the details on price at which the shares on behalf of CGMMPL was sold in the market.</p>
<p>2. <i>OS: Auro, Auro</i>  <i>SM: What did I tell you before?</i>  <i>OS: 21</i>  <i>SM: Yes. Then?</i>  <i>Then how did 25 come about?</i>  <i>OS: You only said 25</i>  <i>SM: Uh...****</i>  <i>****.</i>  <i>OS: Okay, I won't keep it. 21, 21, okay</i>  <i>SM: Huh? What will you do at 25?</i>  <i>OS: Hit more?</i>  <i>SM: Yes, then what? *****</i>  <i>*****</i>  <i>OS: Hit more?</i>  <i>SM: Yes</i></p>	<p>Suresh Menon asks Sujit Karkera to place more orders. It is observed that Sujit Karkera placed more sell orders after this call. 4 Sell orders totaling 14,000 shares were placed between 12:58:00 to 13:20:00.</p>	<p>The Notice erred in stating that Suresh Menon asks Sujit Karkera to place more orders. It is denied that more sell orders were placed after this call. Notice makes an inference that after the call of 12:54:34 pm, Sujit Karkera placed orders totalling to 14,000 shares but failed to appreciate that the figure of 14000 was nowhere mentioned in the alleged conversation.</p>	<p>From the trade and order log it is observed that the Noticees indeed placed four sell orders totaling 14000 shares between 12:58:00 to 13:20:00. Thus, the observation made by investigations is not merely an inference but indeed evidential in nature. Hence the submissions made by the Noticees that it was an inference is not accepted.</p>
<p><b>Call from Suresh Menon to Sujit Karkera at 13:22:45:</b></p> <p>1. <i>OS: Hello</i>  <i>SM: Yes</i>  <i>OS: 35,200</i></p>	<p>Sujit Karkera says to Suresh Menon that he has sold 35,200 shares.</p>	<p>It is denied that Sujit Karkera says to Suresh Menon that he had sold 35,200 shares.</p>	<p>From the trade and order log it is observed that the Noticees sold 35,377 shares from 9.55 am to 13.19.43. I observe from</p>

<p>2. SM: Okay, at what price? OS: Now that ... average is around 28. ... not again. Its fluctuating</p> <p>3. SM: 35, 200 right? OS: Yes, yes</p> <p>4. SM: Round it off to 40K OS: Round it to 40K? Okay. Fine.”</p>	<p>Sujit Karkera tells Suresh Menon that the avg. sell price was around ₹ 128</p> <p>Suresh Menon tells Sujit Karkera to make it till 40,000 shares; subsequently Sujit Karkera sells more shares and their net sell was 38,584 shares when Suresh Menon placed its sell order.</p>	<p>The notice erred in observing that the average sell price was around ₹ 128. It is submitted that the average sell price of trades by Sujit Karkera was ₹ 129.16. Admittedly, the net sell of Noticee was 38,584 against the alleged instruction from Suresh Menon to round it off to 40,000 shares as has been inferred in the Notice.</p>	<p>the details of the price available that the average sell price of the trades by Sujit Karkera and group was ₹ 128.58 and thus the same is very near to the figure as mentioned in the telecon. The Noticee merely submitted that the average price was ₹ 129.16 but has not shown any details of how they have arrived at the average price. The calculation of average price is a simple arithmetical formula applied to various prices. Investigations have provided the calculation of the average price and its basis, while contesting; the Noticee has merely contested the end product but has not provided the various prices used for arriving at its average price. Thus I do not accept the contest of the Noticees. It is further observed that their net sell was 38584 after Suresh Menon placed the sell order on behalf of CGMMPL and the same has been admitted by the Noticees.</p>
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<p><b>Call from Suresh Menon to Sujit Karkera at 13:37:08:</b></p> <p><i>OS: Hello, yes, tell me</i>  <i>SM: I am coming</i></p>	<p>Suresh Menon informs Sujit Karkera about CGMMPL's order and time.</p>	<p>It is denied that Suresh Menon told Sujit Karkera that he was going to place order at the call at 13:37:08. The trades were placed by CGMMPL at 13:39:46 which was after a gap of more than 2 mins.</p>	<p>From the table above and as accepted by the Noticees Suresh Menon placed sell order for CGMMPL immediately after the call was made at 13:37:08. The facts thus very much support the observation made by the investigation. It is interesting to note further that the buy orders which were placed before the sell order placed by CGMMPL was modified to their sell order time i.e 13:39:46.</p>
<p><b>Call from Suresh Menon to Sujit Karkera at 13:43:41:</b></p> <p><i>OS: Hmmm</i>  <i>SM: Its done?</i>  <i>OS: Hello</i>  <i>SM: Huh?</i>  <i>OS: It's done, its done. Its fine, I'll mail you.</i>  <i>SM: Okay. Are you happy?</i></p>	<p>Suresh Menon keeping track of orders placed and trades executed by Sujit Karkera.</p>	<p>The Notice erred in inferring that the extract is regarding Suresh Menon keeping track of orders placed and trades executed by Sujit Karkera.</p>	<p>It can be observed from above that immediately after the call at 13:37:08 Suresh Menon placed orders for CGMMPL at 13:39:46 and the buy orders placed by the Noticees matched with the sell orders at 13:39:46</p>

<p><i>OS: Uh, I am very happy dude.</i></p>			<p>i.e. the time when Suresh Menon placed the sell order for CGMMPL. From the flow of conversation and the trades being executed it can very well be concluded that he was seamlessly keeping track of the orders placed and trades executed.</p>
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I observe from the call details, the pattern of trading and the telecon that the Sujit Karkera and group were indeed trading in the scrip of Auro Pharma ahead of the trades of CGMMPL and on the instruction of Suresh Menon who was placing the order for CGMMPL. It is also noted that the buy orders of 44,584 shares was placed by the Sujit Karkera and group before the sell orders were placed by Suresh Menon on behalf of CGMMPL for 3,45,00,000 shares at 13:39:46 out of which 38,584 shares of Sujit Karkera and group got executed with CGMMPL's order at the same time i.e. 13:39:46.

**Trading Activity of Sujit Karkera and group and CGMMPL in the scrip of Auropharma on November 6, 2008:**

- t) Trades executed by Sujit Karkera and Suresh Menon on November 6, 2008 in Auro Pharma and the analysis of the calls made and the trades executed pertaining to the above scrip on the said date is as given below:

Table 2:

Srl No.	Call Details				Buy/Sell Details							
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Buy Trade Time	Order Price	Order Qty	Trade Qty	
1					Sujit Karkera	Sell	9:55:44		116.00	4995	762	
									121.00	5000	5	

2					Sujit Karkera	Sell	9:57:21		114.00	3830	3830
									115.00	5000	1170
	Call	9:58:45	85228688888	9820338550							
	Call	10:00:03	85228688888	9820338550							
3					Shilpa Kotak	Sell	10:00:45		114.00	5000	5000
4					Shilpa Kotak	Sell	10:01:49		115.00	5000	5000
5					Sujit Karkera	Sell	10:03:57		115.00	5000	4516
6					Sujit Karkera	Sell	10:07:25		113.00	5000	5000
8					Sujit Karkera	Sell	10:08:38		113.00	5000	5000
9					Purushottam	Sell	10:09:17		113.00	3000	3000
10					Shilpa Kotak	Sell	10:10:12		113.00	5000	5000
11					Sujit Karkera	Buy	10:13:31	11:42:44	106.10	26365	26365
12					Sujit Karkera	Sell	10:14:17		113.00	2000	2000
13					Purushottam	Buy	10:14:43	11:42:44	106.30	3000	3000
14					Shilpa Kotak	Buy	10:15:41	11:42:44	106.20	30000	30000
16					Sujit Karkera	Sell	10:17:00		113.00	2717	2717
	Call	10:44:26	85228688888	9820338550							
17					Shilpa Kotak	Sell	10:48:32		112.00	5000	5000
18					Shilpa Kotak	Sell	11:02:37		112.00	5000	5000
19					Shilpa Kotak	Sell	11:04:15		112.00	5000	5000
20					Sujit Karkera	Sell	11:05:02		112.00	5000	1103
22					Sujit Karkera	Sell	11:10:39		112.00	3897	262
	Call	11:22:37	85228688888	9820338550							
23					CGMM	Sell	11:42:44		106.00	47050016	100000
	Call	11:44:21	85228688888	9820338550							
	Call	14:51:29	85228688888	9820338550							

Extracts of the telecon of the sample trades, the comments of Sujit Karkera and group and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Noticees Comments in brief	Our Observation
Call from Suresh Menon (SM) to Sujit Karkera (OS) at 11:22:37:			

<p>1. OS: Yes, tell me? SM: What is the second average price? What is the quantity? OS: 56</p>	<p>It is observed that Sujit Karkera and group had sold 59,365 shares by that time; It is further observed that Sujit Karkera and Shilpa Kotak had sold 56,365 shares by that time. Suresh Menon keeping track of orders/trades of Sujit Karkera.</p>	<p>Sujit Karkera commenced trading at 9.55 am (sell) and started buying from 10.13 am onwards. Thereafter he was both buying and selling. Whereas the alleged call is made by Suresh Menon only at 11.22.37 i.e. nearly 1½ hr after they started trading. It is inferred that the figure 56 refers to the number of shares which is wrong as the sale by the group was 59365.</p>	<p>From the trade and order log it is observed that the Noticees indeed started trading, which was their sell, from 9:55 am. They had started placing buy orders from 10.13.31 am onwards and as is noted from above table these orders matched with the time of the sell order placed by Suresh Menon on behalf of CGMMPL. Further the sell by the group was 59,365 shares in the scrip of Auro Pharma and by Sujit Karkera and Shilpa Kotak was together 56,365 before the call was made at 11:22:37 hence it can safely concluded that 56 refers to the number of shares in rounding off.</p>
<p>2. SM: What is the average? OS: One minute. 113.31</p>	<p>Sujit Karkera informs Suresh Menon that the avg. sell price was ₹ 113.31; It is observed from the trade log that the avg. price for sale of 59,365 shares was ₹ 113.31.</p>	<p>The Noticee disputes the inference since the subsequent extract again mentions the figure 56 which again does not pertain to the Noticee and the inference is totally misconceived.</p>	<p>It is observed from the trade and order log that the average price of 59365 shares was 113.27 which is very close to the price as indicated in the telecon. The Noticee has merely denied and has not submitted any details while disputing the same. Hence, the submission of the Noticee is not accepted. As stated above</p>

<p>3. SM: ...happened at this level only OS: Hmm SM: ... how much? 56? OS: What? SM: How much? 56?</p>	<p>Suresh Menon asks to confirm if it is 56,000 shares.</p>		<p>the sell by the Noticees Sujit Karkera and Shilpa Kotak was 56,365 which is very near to the figure as indicated in the telecom. Hence it can be concluded that the conclusion drawn is not wrong.</p>
<p>4. OS: Yes, 56. Right okay.... went at 3. 3 went at 750. 60, 60 total</p>	<p>After calculations, Sujit Karkera says it is 60,000 shares.</p>	<p>Notice makes no inference about “3 went at 750”. The extracts are totally misleading.</p>	<p>Noticee has not made any comment on 60. The department has not inferred on “3 went at 750” as rightly pointed out but has inferred that Noticee says about 60,000 shares which appears to be correct as the sell by the group was 59,365 which is very near to the figure of 60,000 in rounding off.</p>
<p>5. SM: Okay. How much has it gone for now? OS: 750. Total 13.30 went SM: Okay. 60,000 is there? OS: Yes</p> <p>6. SM: Okay... 6, keep it at 6? Keep it at 6. OS: Okay.</p>	<p>Suresh Menon confirms the quantity from Sujit Karkera.</p> <p>Suresh Menon asks Sujit Karkera to keep the buy order price at 106; It is</p>	<p>The Notice erred in inferring figure “6” as “106”. It is denied that Suresh Menon had advised Sujit Karkera to keep the buy price at approx. ₹ 106 for 60,000 shares.</p>	<p>It is observed that subsequent to the call Suresh Menon placed sell order at ₹ 106 for CGMMPL and the buy orders placed by the Noticees within the range of ₹ 106.10 to ₹ 106.30., matched with the sell orders placed on behalf of CGMMPL. In their submission the Noticees have merely denied, they have not provided any</p>

	observed that Sujit Karkera had placed buy orders between ₹ 106.10 to ₹ 106.30.		information. Hence, the submissions made by the Noticees are not acceptable.
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From the trade and order log it is observed that the Sujit Karkera and group squared off their position at the end of the day. From the above table 2 it can be concluded that Sujit Karkera and group were selling ahead of the trades of CGMMPL and were the counter party to the trades of CGMMPL. It is also noted that the buy orders of 59,365 shares was placed by the Sujit Karkera and group before the sell orders were placed by Suresh Menon on behalf of CGMMPL for 4,70,50,016 shares at 11:42:44 out of which 59,365 shares of Sujit Karkera and group got executed with CGMMPL's order at the same time i.e. 11:42:44.

**Trading Activity of Sujit Karkera and group and CGMMPL in the scrip of ICICI Bank on October 17, 2008:**

- u) Sujit Karkera and group and CGMMPL had traded in the scrip ICICI Bank on October 17, 2008 through broker BP Equities Pvt. Ltd. The analysis of the calls made between them and the trades executed are as given below:

Table 3:

Srl No.	Call Details				Buy/Sell Details						
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Buy Trade Time	Order Price	Order Qty	Trade Qty
	Call	10:24:00	85228688888	9820338550							
1					Sujit Karkera	Sell	10:26:48		399.00	19981	19981
										50000	30019
2					Purushottam	Sell	10:28:14		399.00	5000	5000
3					Sujit Karkera	Buy	10:32:24	11:18:40	397.25	25000	25000

4					Sujit Karkera	Buy	10:32:33	11:18:40	397.40	25000	25000
5					Purushottam	Buy	10:33:05	11:18:40	397.40	5000	5000
	Call	10:39:30	85228688888	9820338550							
	Call	10:50:10	85228688888	9820338550							
6					Shilpa Kotak	Sell	10:51:20		403.00	50000	45129
7					Shilpa Kotak	Buy	10:54:04	11:18:40	397.35	45129	45129
	Call	11:10:19	85228688888	9820338550							
8					CGMM	Sell	11:18:39		397	300000	100129
	Call	11:20:58	85228688888	9820338550							
	Call	13:03:40	85228688888	9820338550							

Extracts of the telecon of the sample trades, the comments of Sujit Karkera and group and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Notices Comments in brief	Our Observation
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 10:24:00:</b></p> <p><i>OS: Uhh, in ICICI Bank</i>  <i>SM: Yes, yes, to hit any...</i>  <i>OS: Okay, how much should I hit? Two and [pause] you tell me?</i>  <i>SM: 400...</i>  <i>OS: ... have 398</i>  <i>SM: Hit it, hit ... something</i>  <i>OS: How much? Have 400? Here</i></p>	<p>After this conversation, Sujit Karkera placed sell orders for 55,000 shares at ₹ 399.</p>	<p>It is impossible to make out any sense of the conversation and the figures "400" &amp; "398". Apparently ₹ 399 is again a new figure which does not match with 398 and 400. The Notice conveniently makes an erroneous correlation between the conversations and makes the</p>	<p>It can be observed from serial no 1 &amp; 2 in the table-3 above that immediately after the telecon the Notices placed their sell order at ₹ 399. The conversation can thus be safely related to the price they actually placed the order. Further, the Notices have not contested that it has indeed sold 55,000 shares as is evident from the</p>

<p>only? SM: Hmm... OS: Okay. I will hit it here only “</p>		<p>observation.</p>	<p>table-3 above. Thus, this is not just an erroneous correlation as claimed by the Noticees.</p>
<p><b>Call from Suresh Menon to Sujit Karkera at 10:50:10:</b></p> <p>1. OS: What are you telling me, there only? SM: Hmmm. Yes, how much did you make yours? Average...tell me?</p>	<p>Suresh Menon asks the total quantity and price. Suresh Menon keeping track of orders/trades of Sujit Karkera.</p>	<p>It does not pertain to us and our transactions are independent of the alleged transactions. There is nothing in support to show that our actual transactions took place as a result of the alleged conversation</p>	<p>The Noticees have merely denied and have not demonstrated how the transactions are not related to them. This is further corroborated by the subsequent conversation where the Noticees exchange the details of the average price for the quantity sold.</p>
<p>2. OS: 50. 99-50 SM: One minute, one minute. One minute, 50,000. What average did you do it in? OS: 99 exact</p>	<p>Sujit Karkera tells Suresh Menon that the total quantity is 50,000 shares with Avg. price of ₹ 399. As observed from the trade log Sujit Karkera had sold 50,000 shares by that time with avg. price of ₹ 399. It is further noted</p>	<p>It is difficult to make out any sense of the conversation and the figures “99-50” and “50,000”. The Notice very conveniently makes an erroneous correlation and makes the observation. The figures of the shares sold were if 55000 then what provoked Sujit Karkera to withhold information</p>	<p>It is observed from the trade and order log that the Noticee Sujit Karkera had indeed sold 50,000 shares at an average price of ₹ 399 by the time the call was made. The Noticees have not contested that 50,000 shares were sold by Sujit Karkera. Thus this is not just an erroneous correlation as claimed by the Noticees.</p>

	that he had also sold 5,000 shares by that time from the account of Purushottam Karkera which was not disclosed to Suresh Menon in this conversation.	about sell of merely 5000 shares in the alleged conversation. The inferences in the Notice are drawn by fitting facts to suit the conversation against the Noticee.	
3. SM: 99 okay. Do another 50 in 413  OS: Okay	Suresh Menon asks Sujit Karkera to sell another 50,000 shares at ₹ 413. It was observed that immediately after this conversation, Sujit Karkera had placed a sell order from the account of Shilpa Kotak for 50,000 shares at ₹ 403.	Admittedly Sujit Karkera placed a sell order for 50000 shares at ₹ 403 and not ₹ 413, which is ₹ 10 less than the price allegedly instructed. This shows that the conversations are vague and wrongly inferred against the Noticee.	While examining this contention I came to the conclusion that the price as mentioned by the Noticee was correct and as given in the transcript was wrong. I also subsequently went through the audio records and it is confirmed from the same that the price instructed was indeed ₹ 403 and not ₹ 413 as erroneously translated in the transcript. As admitted by the Noticee orders were indeed placed at ₹ 403 and I observe from the trade and order log that the same was immediately placed after the calls made between them. Hence, the conversations are not vague and

<p><b>Call from Suresh Menon to Sujit Karkera at 11:10:19</b></p> <p>1. <i>SM: What is your average cost? Tell me the total quantity and average</i>  <i>OS: Uh, it will be 1.10</i>  <i>SM: Uh, tell me price and quantity,</i>  <i>***** *****</i>  <i>OS: 90,000 hello, 90,000, till 1.10</i>  <i>SM: What? 401.10</i>  <i>OS: 1.10</i>  <i>SM: Okay</i>  <i>OS: 90,000</i></p>	<p>Sujit Karkera informs Suresh Menon that it is 90,000 shares with avg. price of ₹ 401.10 i.e. Suresh Menon keeping a track of orders/trades of Sujit Karkera.</p>	<p>It is very difficult to make out any sense of the conversation and the figures “1.10”, “90,000” and “401.10”. Notice very conveniently makes an erroneous correlation between the conversations and makes the observation.</p>	<p>wrongly inferred though the transcript appears in this case have been wrongly done. However, as mentioned above the audio of the entire conversations and its transcripts were provided to the Noticee as part of evidence and thus no prejudice is caused to the Noticee in my finding that the transcript was erroneously translated.</p> <p>From the trade and order log it is observed that the quantity sold by the Noticees Sujit Karkera and Shipa Kotak was 95129 and the average sell price was 400.89 and the figures are very close to the ones in the conversation. Hence there is indeed a correlation between the conversations and the trading of the Noticees. It can be concluded from the conversation that SM was keeping track of the orders/trades of the Noticee. The Noticees in their reply have merely</p>
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			denied and have not provided any details/information. Hence, the submissions made by the Noticees are not acceptable.
<p>2. SM: Yes, wait a minute. Where is it now? Hold on for a minute. Where is it now? 400... Hold on for a minute.”</p> <p>.....</p> <p>.....</p> <p>SM: 401.10. okay 2, 397 right?</p>	<p>Suresh Menon asks Sujit Karkera if he is Okay to ₹ 397 i.e. mutually deciding about CGMMPL’s price which would be ok to them.</p>	<p>It is again not possible to make out any sense of the figures mentioned “401.10 okay 2, 397 right?” and the subsequent extract OS: Yes, it’s there only.</p>	<p>It is observed that after the conversation Suresh Menon on behalf of CGMMPL placed sell order for 3,00,000 shares at 11:18:39 at a price of ₹ 397 when the prevailing market price was around ₹ 402.90. Noticees were the counter party buyers to the trades of CGMMPL. Hence it can be concluded that Suresh Menon was confirming with the Noticees the rate at which the trade could be executed.</p>
<p>3. OS: Yes, it’s there only.</p> <p>SM: Fine, fine”</p>	<p>Suresh Menon places Order for CGMMPL at ₹ 397.</p>	<p>SM: Fine, fine”. The extracts, on a plain reading, do not confer with the inference drawn in the Notice.</p>	

From the trade and order log it is observed that the Sujit Karkera and group squared off their position at the end of the day. From the call details the telecon and the pattern of trading as given in above table 3 it can be concluded that Sujit Karkera and group were selling ahead of the trades of CGMMPL and were the counter party to the trades of CGMMPL. It is also noted that the buy orders of 155129 shares was placed by the Sujit Karkera and group before the sell orders were placed by Suresh Menon on behalf of CGMMPL for 3,00,000 shares at 11:18:39 out of which 1,00,129 shares of Sujit Karkera and group got executed with CGMMPL's order at 11:18:40.

**Trading Activity of Sujit Karkera and group CGMMPL in the scrip of State Bank of India  
on October 14, 2008:**

v) It was observed that Sujit Karkera and group as well as CGMMPL had traded in the scrip of SBI on Oct 14, Nov 24 and 26, 2008. The trade and order details of their trades are as under:

Table 4:

Srl No.	Call Details				Buy/Sell Details						
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Sell Trade Time	Order Price	Order Qty	Trade Qty
1					Sujit Karkera	Buy	9:56:46		1560.00	5000	5000
2					Sujit Karkera	Buy	9:58:01		1552.00	5000	5000
3					Sujit Karkera	Buy	10:01:48		1555.00	5000	5000
	Call	10:05:22	85228688888	9820338550							
4					Sujit Karkera	Buy	10:05:43		1557.00	5000	5000
5					Purushottam	Buy	10:05:54		1558.00	2000	2000
6					Purushottam	Sell	10:06:09	10:33:03	1558.00	2000	500
								10:33:07	1558.00	2000	231
								10:33:08	1558.00	2000	150
								10:33:09	1558.00	2000	801
								10:33:10	1558.00	2000	1
								10:33:11	1558.00	2000	317
7					Sujit Karkera	Buy	10:06:17		1558.00	5000	5000
	Call	10:19:00	85228688888	9820338550							
8					Shilpa Kotak	Buy	10:19:09		1540.00	10000	10000
	Call	10:20:10	85228688888	9820338550							
9					Purushottam	Buy	10:20:22		1542.00	3000	376
									1543.00	2624	2624
10					Purushottam	Sell	10:25:50	10:31:23	1554.90	3000	398
								10:31:24	1554.90	3000	55
								10:31:27	1554.90	3000	225
								10:31:28	1554.90	3000	1292
								10:31:29	1554.90	3000	275
								10:31:32	1554.90	3000	250
								10:31:33	1554.90	3000	190
								10:31:34	1554.90	3000	141

								10:31:35	1554.90	3000	174
	Call	10:32:29	85228688888	9820338550							
11					Sujit Karkera	Sell	10:34:00	10:46:16	1559.75	25000	25000
12					Shilpa Kotak	Sell	10:34:10	10:46:16	1559.60	10000	10000
	Call	10:34:11	85228688888	9820338550							
	Call	10:37:44	85228688888	9820338550							
	Call	10:38:55	85228688888	9820338550							
13					CGMM	Buy	10:46:16		1560.00	100000	25000
14					CGMM	Buy	10:46:16		1560.00	100000	10000
	Call	10:47:16	85228688888	9820338550							
	Call	12:43:13	85228688888	9820338550							
	Call	15:11:44	85228688888	9820338550							

Extracts of the telecon of the sample trades, the comments of the Noticee and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Noticees Comments in brief	Our Observation
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 10:05:22:</b></p> <p>1. OS: ...I added five, tell me  SM: Oh. Okay. How much had you taken?  OS: <b>15 now</b></p>	<p>It is observed from the trade log that Sujit Karkera had purchased a total of 15,000 shares by that time.</p>	<p>There is nothing in support to show that our transactions took place on the basis of such alleged transactions. Sujit Karkera commenced trade at 9.55 am whereas the alleged call was at 10.05 am.</p>	<p>As observed from serial number 1 to 3 Noticee bought total 15000 shares from 9:56:46 till 10:01:48. After this the call was made at 10:05:22 wherein Noticee confirmed that he had taken 15 on the query raised by Suresh Menon. As can be seen from the conversation Suresh Menon was asking how much he had already</p>

			taken to which it has been replied in confirmation that another 5000 has been taken and thus the figure standing is now 15000, which is corroborated with the trade and order log. Hence, the submission of the Noticees cannot be accepted.
<p>2. <i>SM: How much? At what price?</i>  <i>OS: 51-50</i>  <i>SM: Okay...do more like this.</i></p>	<p>Suresh Menon advises Sujit Karkera to place more such orders. Suresh Menon keeping a track of the orders/trades of Sujit Karkera</p>	<p>From the content of the extract it is very difficult to make out any sense. The Notice has very conveniently made such observation.</p>	<p>As is observed elsewhere the Noticee, has been following the general market practice of referring to the price range for execution of the orders/ trades. The ruling market price at the time of this conversation was hovering around ₹ 1550. Further, it is observed that after the conversation Noticees placed more orders.</p>
<p><b>Call from Suresh Menon to Sujit Karkera at 10:32:29"</b></p> <p>1. <i>OS: Hello</i>  <i>SM: Hello</i>  <i>OS: Hmmm</i>  <i>SM: How much?</i>  <i>OS: 54</i>  <i>SM: No, I don't</i></p>	<p>It is observed that Sujit Karkera and Shilpa Kotak had a total purchase of 35,000 shares</p>	<p>It does not pertain to our trading or the alleged transactions and there is nothing in support to show that our trading was</p>	<p>It is observed from the trade details as given in the above table that just before the conversation Noticees placed sell order at ₹ 1554.90 and total</p>

<p><i>understand</i> <i>OS: Presently the price is 1554, and we have 35,000</i> <i>SM: Okay; okay we have 35,000</i></p> <p>2. <i>OS: Hmmm</i> <i>SM: Keep it at 60</i> <i>OS: 2; how much?</i> <i>SM: At 60</i></p>	<p>and the same was informed by Sujit Karkera to Suresh Menon. The price of the scrip at that time was approx. ₹ 1554.</p> <p>Suresh Menon advises Sujit Karkera to place the sell order at ₹ 1560</p>	<p>done based on such alleged conversation.</p>	<p>purchase by Noticees Sujit Karkera and Shilpa Kotak was 35000 shares. Hence it can be conveniently said that the conversation was pertaining to their trades. Immediately after the conversation Noticees placed sell order for 35000 shares. Enough evidence is there to support that the trades of the Noticees were based on the conversation between Suresh Menon and Sujit Karkera.</p>
<p><b>Call from Suresh Menon(SM) to Sujit Karkera (OS) at 10:34:11:</b></p> <p>1. <i>OS: No? Can you hit 70?</i></p>	<p>Sujit Karkera asks Suresh Menon if he can place the order for CGMMPL at ₹ 1570, i.e. mutually deciding about CGMMPL's price which would be ok to them</p>	<p>It does not pertain to our trading or the alleged transactions and there is nothing in support to show that our trading was done based on such alleged conversation.</p>	<p>Noticees have made a general observation hence no specific observations are warranted.</p>
<p>2. <i>SM: No, No, keep it at 62</i> <i>OS: How much? 62?</i> <i>SM: Yes</i></p>	<p>Suresh Menon tells Sujit Karkera to place the order at ₹</p>	<p>It does not pertain to our trading or the alleged transactions and there is nothing</p>	<p>Noticees have made a general observation hence no specific observations are</p>

<p><i>OS: Huh... Hello? 62 right?</i>  <i>SM: Yes</i>  <i>OS: Okay. On 61?"</i></p>	1562	in support to show that our trading was done based on such alleged conversation.	warranted.
<p><b>Call from Suresh Menon to Sujit Karkera at 10:37:44:</b></p> <p><i>OS: Yes</i>  <i>SM: Its *****, keep it at 60, I am coming later, okay?</i>  <i>OS: Okay</i></p>	<p>Suresh Menon tells Sujit Karkera to place the order at ₹ 1560 and informs him of CGMMPL's order and time. It is observed that Suresh Menon places the order for CGMMPL at ₹ 1560</p>	<p>It does not pertain to our trading or the alleged transactions and there is nothing in support to show that our trading was done based on such alleged conversation.</p>	<p>From the trade and order log it is observed that Suresh Menon on behalf of CGMMPL while trading through GBPFSL had placed a buy order, for 1,00,000 shares at 10:46:16 i.e. immediately after the conversation, at ₹ 1560 when the prevailing market price was around ₹ 1550.5. The counter party sellers were the Noticees.</p>

From the trade and order log it is observed that Sujit Karkera and group squared off their position at the end of the day. From the call details the telecon and the pattern of trading as given in above table 4 it can be concluded that Sujit Karkera and group were buying ahead of the trades of CGMMPL and were the counter party to the trades of CGMMPL. It is also noted that the sell orders of 35,000 shares was placed by the Sujit Karkera and group before the buy orders were placed by Suresh Menon on behalf of CGMMPL for 1,00,000 shares at 10:46:16 out of which 35,000 shares of Sujit Karkera and group got executed with CGMMPL's order at the same time i.e. 10:46:16.

**Trading Activity of Sujit Karkera and group CGMMPL in the scrip of State Bank of India  
on November 24, 2008:**

w) It was observed that Sujit Karkera and group as well as CGMMPL had traded in the scrip of SBI on November 24, 2008. The trade and order details of their trades are as under:

Table 5:

Srl No.	Call Details				Buy/Sell Details						
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Buy Trade Time	Order Price	Order Qty	Trade Qty
	Call	11:21:56	85228688888	9820338550							
					Sujit Karkera	Sell	11:22:19		1180.00	9334	9334
									1185.00	10000	666
	Call	11:24:21	85228688888	9820338550							
					Sujit Karkera	Sell	11:24:43		1179.00	10000	10000
					Sujit Karkera	Buy	11:28:17	11:40:07	1172.80	10000	5
								11:40:08	1172.80	10000	10
								11:40:09	1172.80	10000	107
								11:40:10	1172.80	10000	400
								11:40:11	1172.80	10000	1128
								11:40:12	1172.80	10000	1232
								11:40:13	1172.80	10000	6052
								11:40:14	1172.80	10000	964
								11:40:15	1172.80	10000	102
					Sujit Karkera	Buy	11:28:26	11:40:48	1167.10	10000	126
								11:40:49	1167.10	10000	813
								11:40:50	1167.10	10000	1405
								11:40:51	1167.10	10000	137
								11:40:52	1167.10	10000	273
								11:40:53	1167.10	10000	1072
								11:40:54	1167.10	10000	934
								11:40:55	1167.10	10000	384
								11:40:56	1167.10	10000	266
								11:40:57	1167.10	10000	12
								11:40:58	1167.10	10000	491
								11:41:43	1169.00	4087	1014
								11:41:45	1169.00	4087	484

								11:41:46	1169.00	4087	101
								11:41:47	1169.00	4087	399
								11:41:49	1169.00	4087	2089
	Call	11:37:16	85228688888	9820338550							
	Call	12:06:24	85228688888	9820338550							
					Sujit Karkera	Sell	12:08:53		1150.00	20000	20000
					Shilpa Kotak	Sell	12:11:34		1150.00	20000	20000
	Call	12:12:29	85228688888	9820338550							
					Sujit Karkera	Buy	12:12:42	12:24:24	1145.30	20000	20000
					Shilpa Kotak	Sell	12:12:50		1150.00	20000	20000
					Shilpa Kotak	Buy	12:13:57	12:24:24	1145.35	20000	20000
					Shilpa Kotak	Buy	12:15:05	12:24:24	1145.20	20000	20000
	Call	12:15:53	85228688888	9820338550							
					Sujit Karkera	Sell	12:19:27		1150.00	20000	20000
					Sujit Karkera	Buy	12:20:29	12:24:24	1145.30	20000	20000
					Shilpa Kotak	Sell	12:21:10		1152.00	25000	25000
					Shilpa Kotak	Buy	12:22:03	12:24:24	1145.10	25000	25000
	Call	12:23:30	85228688888	9820338550							
					CGMM	Sell	12:24:23		1145.00	300000	40000
					CGMM	Sell	12:24:23		1145.00	300000	65000
	Call	12:40:34	85228688888	9820338550							
	Call	12:50:35	85228688888	9820338550							
					Shilpa Kotak	Sell	12:50:43		1125.00	25000	14145
					Shilpa Kotak	Buy	12:53:05	13:39:49	1120.20	24145	24145
					Sujit Karkera	Sell	12:53:40		1125.00	6326	2156
									1126.00	25000	18674
					Sujit Karkera	Buy	12:56:04	13:39:49	1120.20	25000	25000
					Sujit Karkera	Sell	12:59:39		1125.00	4125	4125
					Sujit Karkera	Sell	13:00:16		1125.00	45	45
					Sujit Karkera	Sell	13:12:33		1133.00	25000	17520
	Call	13:12:41	85228688888	9820338550							
					Sujit Karkera	Buy	13:15:35	13:39:49	1120.35	37520	37520
	Call	13:19:52	85228688888	9820338550							
	Call	13:33:20	85228688888	9820338550							
					Purushottam	Sell	13:24:35		1126.00	2531	2531
									1128.00	5000	2469
					Purushottam	Buy	13:26:08	13:39:49	1120.50	2500	2500
					Purushottam	Buy	13:27:15	13:39:49	1120.15	2500	2500
					Sujit Karkera	Sell	13:33:30		1124.00	185	185
									1125.00	1770	1585
									1126.00	19759	17989

									1128.00	20000	241
					Shilpa Kotak	Sell	13:37:12		1125.00	10000	10000
					CGMM	Sell	13:39:49		1120.00	300000	62520
					CGMM	Sell	13:39:49		1120.00	300000	24145
					CGMM	Sell	13:39:49		1120.00	300000	5000
	Call	13:40:57	85228688888	9820338550							

Extracts of the telecon of the sample trades, the comments of Sujit Karkera and group and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Noticees Comments in brief	Our Observation
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 11:17:33:</b></p> <p><i>SM: What's the update on SBI?</i>  <i>OS: Ya, SBI is good ya.</i>  <i>SM: Ya, ok. "</i></p>	<p>Sujit Karkera enters into this scrip after this telephonic conversation.</p>	<p>Telecon at 11:17:33 on November 24, 2008 is not an incoming call but a call made by Suit Karkera to Suresh Menon. The time of entry of Sujit Karkera in the scrip on the said day was not dependent on or waiting for the alleged telephonic conversation, before commencing his trades. On the day, we traded on three occasions i.e. 1180 &amp; 1167, 1150 &amp; 1145</p>	<p>From the transcript it is observed that the call was made from the landline of Suresh Menon to Sujit Karkera at 13:50:03 Hongkong time which when converted to Indian time is 11:21:56 and not 11:17:33. I note that the call made by Suresh Menon at 11:21: 56 was erroneously mentioned as 11:17:33.</p>

		and 1126 & 1120. Alleged conversation is totally different from actual trades.	
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 12:06:24:</b></p> <p><i>SM: Do it at 22. One lakh, whatever it is, do it.</i>  <i>OS: Huh?</i>  <i>SM: One lakh, whatever it is, do it.</i>  <i>OS: Ok. At 50 right?</i>  <i>SM: Yes.</i>  <i>OS: Ok. Doing it at 50. Later.</i></p>	<p>Suresh Menon asks Sujit Karkera to sell 1 lakh shares of SBI at approx. ₹ 1150. It is further observed from the trade log that after this call, Sujit Karkera was selling shares of SBI and had sold 1,05,000 shares till 12:21:51 with average price of ₹ 1150.7.</p>	<p>From the details it can be seen that our trades were independent for the reasons that it was neither at 22 nor at 50 but at 1150.70(avg price). At one point Suresh Menon says 22 and immediately he agrees at 50, which itself clarifies that the talks were not pertaining to any instruction as alleged as it cannot be vague and flexible as in the alleged conversation.</p>	<p>As can be seen from the above trading details the shares were trading at around 115. The Noticees were observed to have sold 105,000 shares at average price of 1150.70 from 12:08:53 till 12:21:51. The Noticees have also admitted that the average sell price was 1150.70. Hence the figure 50 can be safely relate to the sell price which was around 1150.</p>
<p><b>Call from Suresh Menon(SM) to Sujit Karkera (OS) at 13:12:41:</b></p> <p>1. <i>SM: How much did you do?</i>  <i>OS: In 30, (I bought)</i></p>	<p>Suresh Menon asks Sujit Karkera if he</p>	<p>Sujit Karkera was placing sell orders at the time, and the</p>	<p>Just before the telecon it is observed that the Noticee Sujit Karkera</p>

<p>12 and 50... In 25. SM: Ok. You have punched in 50? Ok. Uh. OS: Yes</p>	<p>had already punched the sell orders for 50,000 shares. From the order log it is observed that Sujit Karkera had placed a sell order for 25,000 shares from his account at 12:53:40 and for 25,000 shares from the account of Shilpa Kotak at 12:50:43.</p>	<p>conversation states purchase orders, which is contradictory, and thus definitely cannot pertain to our trades. With regard to our sell orders the transactions were done by us on our own commercial wisdom. The contract note shows that at 13.12.33 PM we were selling at 1133 and sold a lot before the time of the alleged call. Further we were continuously selling till 13.36.19 pm and sold till a price of ₹ 1124. The conversation extracts nowhere shows any instructions for sale at ₹ 1124.</p>	<p>placed buy order for 25000 shares at 12:56:04. Further, sell orders were placed on his account and his wife's account for 25000 each thus making it 50,000. Further the Noticee admitted that their sell took place at 1133 and this can be related to the conversation of 32-33 where probably the rate was discussed. Hence it can be safely said that the conversation pertains to their trade.</p>
<p>2. SM: This... Put one more (lot of) 50 (shares). OS: ok. SM: It is 32-33 (the rate)."</p>	<p>Suresh Menon asks Sujit Karkera to sell 50,000 shares more. It was observed that Sujit Karkera had placed a sell order for 25,000 shares from his account at 13:12:33, sell order for 5,000 shares from his father's account at 13:24:35 and sell of 20,000 shares from his account at</p>		

	<p>13:33:30 i.e. a total of 50,000 shares. It was also noticed that he had placed another sell order for 10,000 shares from the account of Shilpa Kotak at 13:37:12. It was observed that the price of the scrip was approx ₹ 1133 during the call time.</p>		
<p><b>Call from Suresh Menon(SM) to Sujit Karkera(OS) at 13:40:57:</b></p> <p><i>SM: Yes.</i>  <i>OS: Hmm?</i>  <i>SM: Yes. Through?</i>  <i>OS: Through through through through.</i>  <i>SM: Ok. Hmm.</i>  <i>Later.</i>  <i>OS: I'll send you an SMS</i></p>	<p>Discusses that the trades are executed.</p>	<p>Our transaction does not pertain to the alleged communication and there is nothing in support to show that our trades were based on such alleged conversation.</p>	<p>As can be observed from the table above that the sell orders placed by Suresh Menon on behalf of CGMMPL matched with the buy orders of the Noticees at 13:39:49 and this happened immediately before the call made at 13:40:57. It can be concluded that there was sufficient evidence to show the conversation related to their trades.</p>

From the trade and order log it is observed that the Sujit Karkera and group squared off their position at the end of the day. From the call details the telecom and the pattern of trading as given in above table 5 it can be concluded that Sujit Karkera and group were selling ahead of the trades of CGMMPL and were the counter party to the trades of CGMMPL. It is also noted that the buy orders of 2,16,665 shares was placed by Sujit Karkera and group before the sell orders were placed by Suresh Menon on behalf of CGMMPL for 3,00,000 shares at 13:39:49 out of which 2,16,665 shares of Sujit Karkera and group got executed with CGMMPL's order at the same time i.e. 13:39:49.

**Trading Activity of Sujit Karkera and group CGMMPL in the scrip of State Bank of India on November 26, 2008:**

- x) It was observed that Sujit Karkera and group as well as CGMMPL had traded in the scrip of SBI on October 24, 2008. The trade and order details of their trades are as under:

Table 6:

Srl No	Call Details				Buy/Sell Details						
	Call	Time	From	To	Client Name	Buy/Sell	Order Time	Buy Trade Time	Order Price	Order Qty	Trade Qty
	Call	11:34:32	85228688888	9820338550							
1					Purushottam	Sell	11:35:39		1055.00	5000	275
2					Purushottam	Buy	11:36:21	11:36:58	1050.50	275	185
								11:36:59	1050.50	275	90
	Call	11:37:29	85228688888	9820338550							
3					CGMM	Sell	11:38:09		1050.00	1000	261
	Call	11:51:58	85228688888	9820338550							
4					CGMM	Sell	11:53:42		1050.00	1000	996
	Call	11:55:55	85228688888	9820338550							
5					CGMM	Sell	12:02:12		1050.00	2000	168
6					CGMM	Sell	12:02:12		1050.00	2000	1000
7					CGMM	Sell	12:06:13		1051.00	1000	1000
	Call	12:06:27	85228688888	9820338550							
8					CGMM	Sell	12:06:56		1052.00	1000	990

9					CGMM	Sell	12:09:44		1052.00	2000	1979
10					CGMM	Sell	12:10:49		1052.00	1000	391
11					CGMM	Sell	12:10:49		1052.00	1000	609
	Call	12:18:59	85228688888	9820338550							
12					CGMM	Sell	12:24:23		1145.00	300000	40000
13					CGMM	Sell	12:24:23		1145.00	300000	65000
14					Sujit Karkera	Sell	12:39:46		1060.00	1	1
15					Sujit Karkera	Sell	12:41:37		1060.00	10000	10000
16					Shilpa Kotak	Sell	12:42:29		1060.00	10000	10000
17					Sujit Karkera	Buy	12:42:51	13:12:54	1055.25	20001	20001
18					Purushottam	Sell	12:43:01		1059.00	5000	755
19					Shilpa Kotak	Buy	12:43:15	13:12:54	1055.20	20000	20000
20					Purushottam	Buy	12:43:35	13:12:54	1055.40	755	755
21					Shilpa Kotak	Sell	12:50:09		1060.00	10000	10000
22					Sujit Karkera	Sell	12:56:13		1060.00	10000	10000
	Call	12:57:32	85228688888	9820338550							
	Call	13:10:59	85228688888	9820338550							
23					CGMM	Sell	13:12:54		1055.00	100000	20001
24					CGMM	Sell	13:12:54		1055.00	100000	20000
25					CGMM	Sell	13:12:54		1055.00	100000	755
	Call	13:14:26	85228688888	9820338550							
	Call	13:19:36	85228688888	9820338550							

Extracts of the telecon of the sample trades, the comments of Sujit Karkera and group and our observation are as given below:

Extracted telephonic conversation	Investigation Departments observation	Notices Comments in brief	Our Observation
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS)at 11:34:32:</b></p> <p><i>SM: Where is this (at)?</i></p> <p><i>OS: This is at 57</i></p>	<p>Suresh Menon advises Sujit Karkera to place</p>	<p>The conversation pertains to booking of ticket. The</p>	<p>From the conversation it can very well be concluded that they</p>

<p><i>right now. On an average of 59.</i>  <i>SM: How much have you taken (bought)?</i>  <i>OS: 70000. 70000.</i>  <i>SM: Uhh, ok.</i>  <i>OS: Put 50?</i>  <i>SM: Yes.</i>  <i>OS: At 50?"</i></p>	<p>the buy order at ₹ 1050</p> <p>After this call, Sujit Karkera modifies buy orders for 50,000 shares at ₹ 1050.40</p>	<p>conversation as set out in the second call of the translated version of the telephonic conversation appears to be interpolated. From the perusal of the transcript of the call, the conversation begins with organising of Rajesh's ticket and suddenly flickers to some discussion on a subject which is unclear and then it flickers back to the topic of Rajesh and his ticket. There is no continuity in the conversation as reproduced in the document. Further we started trading at 9.59/10 am and much before the alleged call we had exited our positions.</p>	<p>related to the scrip price and quantity and not to any ticket as claimed by the Noticees. It is observed from the trade and order log that buy orders of 50,000 shares were modified at ₹ 1050.40.</p>
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 11:55:55:</b></p> <p><i>OS: Yes, tell me.</i>  <i>SM: Yes. How much has it become.</i></p>	<p>Suresh Menon asks Sujit Karkera about</p>	<p>Our transactions do not pertain to the alleged conversation</p>	<p>As admitted by the Noticee the pending orders were 33009 which</p>

<p><i>OS: [voice breaking]</i>  <i>SM: Yes</i>  <i>OS: [voice breaking]</i>  <i>SM: Hello?</i>  <i>OS: 33 pending at 50.40 [says 50 dot 40]"</i></p>	<p>the status of the buy order to which Sujit Karkera replies that 33,000 shares are in pending orders at order price of ₹ 1050.40</p> <p>It was observed from the trade log that 16,991 shares out of 50,000 shares were executed by the time of the call. Pending quantity was for 33,009 shares</p>	<p>and there is nothing in support to show that our transactions were based on such alleged conversation. Further, the conversation itself is very vague. It is submitted that Sujit squared off the rest 33009 shares at ₹ 1052.</p>	<p>is very close to the figure mentioned in the conversation. Hence it be safely concluded that the conversation related to their transactions</p>
<p><b>Call from Suresh Menon(SM) to Sujit Karkera (OS) at 12:18:59:</b></p> <p><i>1) OS: Yes.</i>  <i>SM: What happened? Hello?</i>  <i>OS: Yes, I went out (sold) at 52</i></p> <p><i>OS: Ok, so should I stand (stay) at 60?</i>  <i>SM: Yes</i>  <i>SM: Ok.</i></p>	<p>It was observed that Sujit Karkera had got the pending orders executed by this time. He had executed the pending orders by updating price to ₹ 1052</p>	<p>Our transactions do not pertain to the alleged conversation and there is nothing in support to show that our transactions were based on such alleged conversation. Further, the conversation itself is very vague</p>	<p>The Noticee has made a general statement. As admitted by the Noticees the pending 33009 shares were squared off at ₹ 1052. Hence it can be concluded that the conversation is not vague and very much relates to their transactions.</p>

	Sujit Karkera asks Suresh Menon for the sell order price		
<p><b>Call from Suresh Menon (SM) to Sujit Karkera (OS) at 13:10:59:</b></p> <p>1. OS: Ya. Say SM: How much did you do? OS: 40 SM: Where did you do 40 right now 40, Are you charged money on stock</p> <p>2. OS: Yes, what? SM: Are you charged money on stock, then do one thing, 55? OS: Should I keep 55 SM: Ok with that? OS: I am ok with that”</p>	<p>It was observed that Sujit Karkera and group had a net sell position of 40,756 shares by this time.</p> <p>Suresh Menon asks Sujit Karkera to keep his order price at ₹ 1055. It is observed that Suresh Menon had placed the order for CGMMPL at this price within 2 minutes of this conversation.</p>	<p>Our transactions do not pertain to the alleged conversation and there is nothing in support to show that our transactions were based on such alleged conversation. Further, the conversation itself is very vague.</p>	<p>Noticees have made a general statement without demonstrating how the conversation is vague. It is observed from the trade and order log that the net sell position of the Noticees was indeed 40,756 shares by the time of the call made. Further, Suresh Menon on behalf of CGMMPL was observed to have placed sell order at 13:12:54 at a price of ₹ 1055 which was within 2 mins of the conversation. The sell orders of CGMMPL got matched with the buy orders of the Noticees at ₹ 1055.</p>

From the trade and order log it is observed that the Sujit Karkera and group squared off their position at the end of the day. From the call details, the telecon and the pattern of trading as given in above table 6 it can be concluded that Sujit Karkera and group were selling ahead of the trades of CGMMPL and were the counter party to the trades of

CGMMPL. It is also noted that Suresh Menon on behalf of CGMMPL had placed sell order at 13:12:54 for 1,00,000 shares out of which 40,756 shares of Sujit Karkera and group got executed with CGMMPL's order at the same time i.e. 13:12:54.

- y) I have noted the submissions of Sujit Karkera and group. They have stated that their transactions do not pertain to the alleged conversation and there is nothing in support to show that their transactions were based on such alleged conversation. They further submitted that their trades were totally independent of the trades carried out by CGMMPL and the orders were placed based on their independent commercial wisdom. Sujit Karkera and group were provided with the call records details of Vodafone, the transcript and a CD containing the conversation between Sujit Karkera and Suresh Menon as annexures which was evidence enough to show that the calls were made between the two of them and they were constantly in touch. Further, the calls made and the trading pattern as demonstrated in the above tables clearly shows that there was flow of information of scrip name, order quantity, order time and order price of the orders placed by Suresh Menon to Sujit Karkera and that Sujit Karkera and group had prior information of the order details of CGMMPL and were trading ahead of CGMMPL's buy or sell. Hence, I do not accept the submissions made by Sujit Karkera and group.

### **Profit Calculation**

- z. Sujit Karkera and group submitted that they have not made profit of ₹ 42.29 lakhs while trading in the scrips. As per the calculation emerging from the difference in the buy value and sell value in particular scrip the total works out to only ₹ 40.20 lakhs and not ₹ 42.29 lakhs. Sujit Karkera and group further submitted that the figure of ₹ 40,20,067 is a gross figure and it also includes STT/Service charges/other charges and brokerages which is not a part of Sujit Karkera and group's gains and as per the contract notes/trade log the figure works out to be ₹ 35,52,567. Sujit Karkera and group submitted that out of the total profit in question of ₹ 40.20 lakhs no evidence was given for profit amount of ₹

29.63 lakhs and the telephonic conversation alleged to be related to profits amount to only ₹ 10.27 lakhs.

Investigation alleged that Sujit Karkera and group made a profit of ₹ 42.29 lakhs while trading in the three scrips and have taken into consideration all the trades executed by Sujit Karkera and group in the scrips during the entire day. However, I have given a leeway to Sujit Karkera and group in as much as I have calculated the profit made by them only on those trades where they have traded ahead of the orders placed by Suresh Menon on behalf of CGMMPL as given in tables 1 to 6. However, with regard to STT and other charges I am of the view that Noticees does not warrant for further discount as I may not have the best say. The details of profit calculation are as given below:

<b>Scrip Name/ Date</b>	<b>Name of Noticees</b>	<b>Profit as arrived at on the basis of trades made by the Noticees ahead of CGMMPL 's trades Amount(₹)</b>	<b>Basis of Calculation  (No. of shares bought/sold) X (Avg sell price - Avg buy price)</b>	<b>Table for Reference</b>
Aurobindo (5/11)	Sujit Karkera	187360	27,623* (129.16 - 122.38)	Table 1
	Shilpa Kotak	102749	13,961 * (128.59 - 121.23)	
	Purushottam	13500	3,000 * (126.00 - 121.50)	
	Total	303609		
Aurobindo (6/11)	Sujit Karkera	200267	26,365 * (113.70 - 106.10)	Table 2
	Shilpa Kotak	204223	30,000 * (113.01 - 106.20)	
	Purushottam	20100	3,000 * (113.00 - 106.30)	
	Total	424590		
ICICI (17/10)	Sujit Karkera	86815	50,000 * (399.06 - 397.32)	Table 3
	Shilpa Kotak	257250	45,129 * (403.05 - 397.35)	
	Purushottam	8862	5,000 * (399.17 - 397.40)	
	Total	352927		
SBI (14/10)	Sujit Karkera	93633	25,000 * (1559.75 - 1556.00)	Table 4
	Shilpa Kotak	196000	10,000 * (1559.60 - 1540.00)	
	Purushottam	36798	5,000 * (1556.14 - 1548.78)	
	Total	326431		

SBI (24/11)	Sujit Karkera	852159	1,22,520 * (1143.58 - 1136.63)	Table 5
	Shilpa Kotak	498463	89,145 * (1144.03 - 1138.43)	
	Purushottam	33313	5,000 * (1126.99 - 1120.33)	
	Total	1383935		
SBI (26/11)	Sujit Karkera	98095	20,001 * (1060.15 - 1055.25)	Table 6
	Shilpa Kotak	96118	2,000 * (1060.00 - 1055.20)	
	Purushottam	3954	1,030 * (1057.93 - 1054.09)	
	Total	198167		
<b>Grand Total</b>		<b>29,89,659</b>		

Thus, it can be observed from the above table that the Noticee made a profit of ₹ 29,89,659. The profit of Sujit Karkera and group thus is summarized as follows:

Name of the Scrip	Name of the Noticees		
	Sujit Karkera Amount(₹)	Shilpa Kotak Amount(₹)	Purushottam Amount(₹)
SBI	10,43,887	7,90,581	74,065
Aurobindo Pharma	38,7627	3,06,972	33,600
ICICI	86,815	2,57,250	8862
<b>Total</b>	<b>15,18,329</b>	<b>13,54,803</b>	<b>1,16,527</b>

22. From the transcript of the conversation, the trading details and the other material on record I observe that Sujit Karkera and group were front running the orders of CGMMPL in the shares of Aurobindo Pharma, SBI and ICICI. Consideration the facts and circumstances as given above I hold that the allegation of violation of Regulation 3 (a), (b), (c), (d) and 4 (1), of PFUTP Regulations against Sujit Karkera and group stands established.

23. The next issue for consideration is as to what would be monetary penalty that can be imposed on Sujit Karkera and group for violation of Regulation 3 (a), (b), (c), (d) and 4 (1), of PFUTP 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...”.*

24. Thus, the aforesaid violations by Sujit Karkera and group make them liable for penalty under Section 15HA of SEBI Act, 1992 which read as follows:

***“15HA - Penalty for fraudulent and unfair trade practices***

*If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

25. While determining the quantum of penalty under sections 15HA , 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.”*

26. From the material available on record it is observed that Sujit Karkera and group made an unlawful gain of ₹ 29,89,659. I am of the opinion that such profits made by Sujit Karkera and group are naturally a loss to the retail investors.

27. Front running is one of the most heinous crimes in the securities markets. It has the potential of eroding the faith of the investors in the securities market. It amounts to defrauding an innocent and unsuspecting investor who blindly repose trust in the entity to

transact on his behalf in the securities market. Once this trust is played truant with, one would run the risk of losing the investor, not only for the loss it would have suffered but also for the loss of confidence. It is of utmost importance that a sense of fair play be maintained in the market so that innocent investors do not find themselves at the receiving end of irregular conduct by entities in the market. Thus, I have considered it critical that the penalty in the matter should be seen not only disgorgement in nature but also deterrent in effect. Given this consideration I am imposing a penalty with a multiple of 3 of the profit made for deterrent effect. With regard to repetitive nature, I find that the default was repetitive in nature.

**ORDER:**

28. After taking into consideration all the facts and circumstances of the case, I impose following penalty under Section 15HA on the Noticees which will be commensurate with the violations committed by them.

Sr. No.	Name of the Noticees	Penalty under Section 15HA		Total Penalty
		Profit/ Unlawful gains made	Three time the profit	
1	Sujit Karkera	₹ 15,18,329	₹ 45,54,987	₹ 60,73,316 (Rupees sixty lakhs seventy three thousand three hundred and sixteen only)
2	Shilpa Kotak	₹ 13,54,803	₹ 40,64,409	₹ 54,19,212 (Rupees fifty four lakhs nineteen thousand two hundred and twelve only)
3	Purushottam Karkera	₹ 1,16,527	₹ 3,49,581	₹ 4,66,108 (Rupees four lakhs sixty six thousand one hundred and eight only)

29. The Noticees 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 Shri Suresh Gupta, (CGM) Investigations Department 5, SEBI Bhavan, Plot No. C – 4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

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

Date: **May 15, 2012**

Place: **Mumbai**

**BARNALI MUKHERJEE**  
**ADJUDICATING OFFICER**