

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER: Order/MC/VS/2020-21/9099-9103]

**UNDER SECTION 15-I (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES) RULES, 1995**

In respect of –

- 1) **Pooja Hemanshu Gupta** [PAN: BBYPM2351J] having address at 101, Haridarshan B-Wing, Bhogilal, Phadia Road, Kandivali (East), Mumbai - 400067
- 2) **Odyssey Corporation Ltd.** [PAN: AAACO0463C] having address at Shop No. 3, Hemu Castle, Dadabhai Road, Near Gokhlibai School, Vile Parle (West), Mumbai - 400056
- 3) **Naysaa Securities Ltd.** [PAN: AACCN6196R] having address at 102/104, Shivam Chambers, S.V. Road, Goregaon (W), Mumbai - 400062
- 4) **Vikram Shares Stok Broking Pvt Ltd** [PAN: AACCV7779E] having address at 102/104, Shivam Chambers, S.V. Road, Goregaon (W), Mumbai - 400062
- 5) **Alacrity Securities Ltd.** [PAN: AACCA0737D] having address at 101, Haridarshan B-Wing, Bhogilal, Phadia Road, Kandivali (East), Mumbai - 400067

in the matter of Alacrity Securities Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) initiated adjudication proceedings under Section 15A (b), Section 15HA and Section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) against against Pooja Hemanshu Mehta (“**Noticee No. 1**”), Odyssey Corporation Ltd. (“**Noticee No. 2**”), Naysaa Securities Ltd. (“**Noticee No. 3**”), Vikram Shares Stock Broking Private Limited (“**Noticee No. 4**”) and Alacrity

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Securities Limited (“**Noticee No. 5**”), hereinafter together referred to as “the Noticees”, for the alleged violations of provisions of the SEBI Act, 1992 (“**the SEBI Act**”) the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as the “**PFUTP Regulations**”), SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the “**PIT Regulations 2015**”) and Clause A (2) in the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the “**Broker Regulations**”).

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) under Section 15-I of the SEBI Act, 1992 (“**SEBI Act**”) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the “**Adjudication Rules**”), vide order dated December 13, 2019, to inquire into, and adjudge under Section 15A (b), Section 15HA and Section 15HB of the SEBI Act the aforesaid alleged violations.
3. The appointment of the undersigned as AO was communicated vide order dated December 31, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice No. EAD5/MC/VS/2020/10681/1-5 dated May 28, 2020 (hereinafter referred to as “**SCN**”), was issued to the Noticee Nos. 1 to 5, in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees in terms of Sections 15A (b), 15HA and 15HB of the SEBI Act, for the aforesaid alleged violations.
5. The allegations levelled against the Noticee in the SCN are summarized as follows:-

- a) SEBI examined trading activity in the scrip of Alacrity Securities Ltd. (“**ASL**”) for the period June 13, 2017 to March 27, 2018 (hereinafter referred to as the “**investigation period**” or “**IP**”).
- b) ASL was listed on BSE SME platform on August 4, 2013. The registered office of ASL is situated at 101, Haridarshan Building, Bhogilal Fadia Road, Near SVP Primary School, Kandivali (West), Mumbai, Maharashtra, 400067. ASL is a stock broker registered with SEBI and is involved in the business of Financial Services.
- c) ASL is listed on SME platform of BSE and hence shareholding pattern on half yearly basis was filed by it with BSE. The same is given as follows:-

Category	March 2017			September, 2017			March, 2018			September, 2018		
	No of share holder	Shares held	% of shares held	No of share holders	Shares held	% of shares held	No of share holder	Shares held	% of shares held	No of share holders	Shares held	% of shares held
Promoter	2	10495700	49.79	2	10903700	51.73	3	11471700	54.42	3	11655700	55.29
Non-Promoter	316	10584300	50.21	269	10176300	48.27	249	9808300	45.58	242	9424300	44.71
Total	318	21080000	100.00	271	21080000	100.00	252	21080000	100.00	245	21080000	100.00

- d) From the table, it is observed that the promoter shareholding has increased from 49.79% to 55.29% from half year ended March 2017 to September 2018.
- e) The promoter shareholding in the company during the above period is tabulated as follows:-

Name of the entity	31-Mar-2017		30-sept-2017		31-Mar-2018		30-Sept-2018	
	Shares held	% of holding	Shares held	% of holding	Shares held	% of holding	Shares held	% of holding
Himanshu R Mehta	1,59,000	0.75	1,59,000	0.75	1,59,000	0.75	1,59,000	0.75
Pooja H Mehta	1,03,36,700	49.04	1,07,44,700	50.97	1,07,76,700	51.12	1,07,76,700	51.12
Odyssey Corp Ltd					5,36,000	2.54	7,20,000	3.42
Total	1,04,95,700	49.79	1,09,03,700	51.73	1,14,71,700	54.42	1,16,55,700	55.29

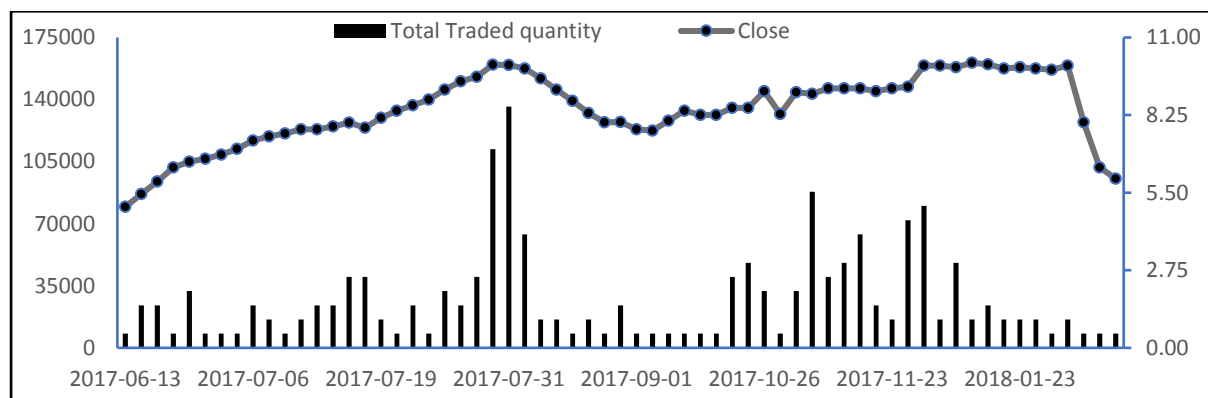
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- f) It is observed from the above table that shareholding of promoter Pooja H Mehta has increased from 1,03,36,700 (49.04%) as on March 31, 2017 to 1,07,76,700 (51.12%) as on March 31, 2018.
- g) During the period of Investigation, the price of the scrip opened at Rs.5.00 and closed at Rs.6.00 after touching a high of Rs.11.00 on January 15, 2018 with an average volume of 27,048 shares. Total traded volume for the period of investigation was 17,04,000 shares. The scrip has traded on 63 days out of total 197 available trading days.
- h) On the basis of price movement of the scrip at BSE, the trading period was divided into 4 patches as follows:-

i) Period	Dates		Opening Price / Volume)	Closing Price / Volume	Low Price / Volume	High Price / Volume	Avg. no. of shares traded daily during the period
Before Investigation period	06/04/2017 to 08/06/2017	Price	8.00	6.00	6.00 (08/06/2017)	9.15 (19/04/2017)	9,600
		Vol	8,000	8,000	8,000 (4 days)	16,000 (25/04/2017)	
Patch -1 (price Rise)	13/06/2017 to 31/07/2017	Price	5.00	10.03	5.00	10.05	28,480
		Vol	8000	136000	8000 (8 days)	136000 (31/07/2017)	
Patch -2 (price fall)	01/08/2017 to 04/09/2017	Price	9.95	7.70	7.70	10.00	18,667
		Vol	64000	8000	8000	64000 (01/08/2017)	
Patch -3 (price Rise)	11/09/2017 * to 26/02/2018	Price	8.05	10.00	8.05	11.00	30,769
		Vol	8000	16000	8000	80000 (15/01/2018)	
Patch -4 (price Fall)	16/03/2018 ** to 27/03/2018	Price	8.00	6.00	6.00	8.00	8,000
		Vol	8000	8000	8000	8000	
Post- Investigation period	(28/03/2018 to 30/06/2018)	Price	6.50	7.40	6.50 (30/04/2017)	7.40 (20/06/2018)	9,600
		Vol	16,000	8,000	8,000 (Many days)	16,000 (30/04/2018)	

*no trades from 05/09/2017 to 10/09/2017 ** no trades from 27/02/2018 to 15/03/2018

j) The price volume chart during the period of Investigation is as follows:-



k) Brokers' Concentration

Details of Top 10 buy broker and sell broker concentration at BSE during the investigation is tabulated as below:-

Buy Broker Name	Gross Buy Volume	% of Gross Buy to Mkt. Volume	Sell Broker Name	Gross Sell Volume	% of Gross Sell to Mkt. Volume
Alacrity Securities Ltd.	10,00,000	58.69	Alacrity Securities Ltd.	3,20,000	18.78
ASE Capital Markets Ltd.	2,80,000	16.43	Sushil Financial Services Pvt. Ltd.	1,76,000	10.33
Prabhudas Lilladher Pvt. Ltd.	72,000	4.23	Inventure Growth & Securities Ltd.	1,60,000	9.39
LKP Securities Ltd.	64,000	3.76	ASE Capital Markets Ltd.	1,36,000	7.98
Anand Rathi Share & Stock Brokers Ltd.	48,000	2.82	Navkar Share & Stock Brokers Pvt. Ltd.	1,12,000	6.57
Canon Capital & Finance	40,000	2.35	Ashika Stock Broking Ltd.	72,000	4.23
Bhansali Value Creations Pvt. Ltd.	40,000	2.35	Joindre Capital Services Ltd.	56,000	3.29
Marfatia Stock Broking Pvt. Ltd.	24,000	1.41	Sanchay Fincom Ltd.	40,000	2.35
Sachdeva Stocks Pvt. Ltd.	24,000	1.41	Canon Capital & Finance Ltd.	40,000	2.35

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Buy Broker Name	Gross Buy Volume	% of Gross Buy to Mkt. Volume	Sell Broker Name	Gross Sell Volume	% of Gross Sell to Mkt. Volume
Naysaa Securities Ltd.	24,000	1.41	Bhansali Value Creations Pvt. Ltd.	40,000	2.35
Total of Top 10 Brokers	16,16,000	94.83	Total of Top 10 Brokers	11,52,000	67.60
Remaining Brokers	88,000	5.17	Remaining Brokers	5,52,000	32.40
Total Traded Volume	17,04,000	100.00	Total Traded Volume	17,04,000	100.00

l) Top 10 brokers accounted for 94.83% of the total gross buy side volume and 67.60% of total gross sell side volume at BSE. Noticee No.5 accounted for 58.69% of the total gross buy side volume and 18.78% of total gross sell side volume at BSE and was also the highest contributor on both sides.

m) Details of top 10 buy clients and sell clients concentration on BSE during the Investigation period is tabulated as follows:-

Buy Client Name	Gross Buy Volume	% of Gross Buy to Mkt. Volume	Sell Client Name	Gross Sell Volume	% of Gross Sell to Mkt. Volume
Odyssey Corporation Ltd.	5,36,000	31.46	Bharat Dhirajlal Parikh	1,12,000	23.40
Pooja Hemanshu Mehta	4,24,000	24.88	Praful Nagindas Shah	80,000	7.95
Vividoffset Printers Pvt. Ltd.	1,68,000	9.86	Kumar Nagindas Shah	80,000	6.30
Mithalal Kacharalal Prajapati	56,000	3.29	Hitesh Ramniklal Mehta	64,000	6.23
Laxmipat Dudheria	48,000	2.82	Hitesh R Mehta Huf	64,000	4.01
Ravikant Birendrakumar Singh	48,000	2.82	Bharat Ramanlal Parekh	56,000	3.94
Rajesh Pravinkumar Jasani	40,000	2.35	Purvi Dhiren Modi	56,000	3.42
Avinash C Kapur	40,000	2.35	Harshad Fatehchand Mehta	48,000	3.06
Gopinath Yeshwant Sarfare HUF	32,000	1.88	Rekha Harshad Mehta	48,000	2.23

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Swati Gopinath Sarfare	32,000	1.88	Hitesh Ramanlal Parekh	48,000	2.02
Total of Top 10 Brokers	14,24,000	83.57	Total of Top 10 Brokers	6,56,000	38.50
Remaining Brokers	2,80,000	16.43	Remaining Brokers	10,48,000	61.50
Total Traded Volume	17,04,000	100.00	Total Traded Volume	17,04,000	100.00

- n) Top 10 clients accounted for 83.57% of the total gross buy and 38.50% of the total gross sell at BSE. Noticee No.1 and 2 are the promoters of ASL and together accounted for 56.34% of the total gross buy during the Investigation period.
- o) On the basis of BSE's observations, information collected from UCC details, bank statements linked to the trading accounts of 5% and above LTP contributors, off market transfer data, and MCA Portal, the following 5 Noticees were identified as connected entities. Name and basis of connection of all such entities is given as follows:-

S. No.	Client Name/ PAN	Basis of connection
1	Pooja Hemanshu Mehta BBYPM2351J	Entities number 1, 2 and 3 are related being promoter and promoter group of the ASL the company whose scrip is under investigation(Entity number 3)
2	Odyssey Corporation Limited AAACO0463C	
3	Alacrity Securities Ltd AACCA0737D	Entities number 3 and 5 are connected through off market transactions in securities. Entities number 4 and 5 are connected by way of common director, address and mobile number i.e. UCC data. Thus entities number 1,2,3, 4 and 5 are also connected.
4	Naysaa Securities Ltd AACCN6196R	
5	Vikram Shares Stock Broking P Ltd AACCV7779E	

- p) A summary of trading done by the Noticees during the Investigation Period is presented as follows:-

Sr. No	Client Name	Gross Buy	Gross Sale	Net Trade	Gross Buy % to total Buy vol.	Gross Sell % to total Sell vol.
	Odyssey Corporation Ltd	5,36,000	0	5,36,000	31.46%	0%

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Sr. No	Client Name	Gross Buy	Gross Sale	Net Trade	Gross Buy % to total Buy vol.	Gross Sell % to total Sell vol.
	Pooja Hemanshu Mehta	4,24,000	0	4,24,000	24.88%	0%
	Alacrity Securities Ltd	16,000	16,000	0	0.94%	0.94%
	Naysaa Securities Ltd	16,000	16,000	0	0.94%	0.94%
	Vikram Shares Stock Broking Pvt Ltd	8,000	16,000	-8,000	0.47%	0.94%
Total		10,00,000	48,000	9,52,000	58.69%	2.82%

q) As seen from above table, the Noticees have purchased 10,00,000 shares (58.69% of total market volume) and sold 48,000 shares (2.82% of total market volume) during Investigation period.

r) On the basis of price movement (rise and fall), investigation period was divided into 4 patches and the LTP contribution of Noticees and the top 10 LTP contributors is as follows:

Patch -1 (Price rise) (13/06/2017 to 31/07/2017):

s) The top 10 entities contributing to positive LTP during Patch-1 on BSE included Noticee Nos. 1, 3 and 4. The details are as follows:-

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff		% of positive LTP to Total Market
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Ravikant Birendrakumar Singh	1.25	48000	6	1.25	32000	4	0.00	0	0	16000	2	20.29
Pooja Hemanshu Mehta	0.83	296000	37	2.60	120000	15	-1.77	80000	10	96000	12	42.21
Dilip Sheth	0.65	24000	3	0.65	24000	3	0.00	0	0	0	0	10.55
Avinash C Kapur	0.40	40000	5	0.40	40000	5	0.00	0	0	0	0	6.49
Pattammal N. Muriidharan	0.25	24000	3	0.30	16000	2	-0.05	8000	1	0	0	4.87
Niru Danajibhai Sumera	0.20	24000	3	0.20	24000	3	0.00	0	0	0	0	3.25
Rashmikaben S Desai	0.20	16000	2	0.20	8000	1	0.00	0	0	8000	1	3.25
Naysaa Securities Limited	0.17	16000	2	0.17	16000	2	0.00	0	0	0	0	2.76
Dilip Manubhai Shah	0.10	16000	2	0.10	8000	1	0.00	0	0	8000	1	1.62
Vikram Shares Stock Broking P.Ltd	0.10	8000	1	0.10	8000	1	0.00	0	0	0	0	1.62
Total top 10	4.15	512000	64	5.97	296000	37	-1.82	88000	11	128000	16	96.92
Others	-0.11	200000	16	0.19	96000	8	-0.30	8000	1	96000	7	3.08
Market	4.04	712000	80	6.16	392000	45	-2.12	96000	12	224000	23	100.00

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- t) The analysis of Noticees contributing to positive LTP during Patch -1 on BSE as buyers is as follows:-

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff		% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Pooja Hemanshu Mehta	0.83	296000	37	2.60	120000	15	-1.77	80000	10	96000	12	42.21
Naysaa Securities Limited	0.17	16000	2	0.17	16000	2	0.00	0	0	0	0	2.76
Vikram Shares Stock Broking P Ltd	0.10	8000	1	0.10	8000	1	0.00	0	0	0	0	1.62
Alacrity Securities Ltd	-0.30	8000	1	0.00	0	0	-0.30	8000	1	0	0	0.00
Group Total	0.80	328000	41	2.87	144000	18	-2.07	88000	11	96000	12	46.59
Market	4.04	712000	80	6.16	392000	45	-2.12	96000	12	224000	23	100.00

- u) During the Patch-1, 4 out of 5 Noticees i.e Pooja, ASL, Naysaa and Vikram have contributed to positive LTP Rs.2.87 (46.59% of total market positive LTP). In 8 out of total 18 positive LTP contributing trades, buy orders of Pooja, Naysaa and Vikram were placed before the sell orders which contributed to positive LTP of Rs.1.45 (24.89% of total market positive LTP) which is significant. For 2 trades of Pooja out of these 8 trades, the counterparties were Naysaa and Vikram which are connected entities and which contributed to positive LTP of Rs 0.45 (7.54% of total market positive LTP) which is significant. Out of the remaining 10 positive LTP contributing trades, there were 5 instances where the buy orders were placed after the sell orders at the price matching the sell order price and in 1 trade, buy order was placed at higher than the existing sell order price. Trade log was enclosed with the SCN.
- v) During the Patch-1, Pooja and Vikram contributed LTP of Rs.1.67 through 9 first trades which is significant.

Entity	Number of first Trades	No. of first Trades with LTP	Positive LTP (Rs.)	Net LTP (Rs.)
Pooja Hemanshu Mehta	12	8	1.57	0.37
Vikram Shares Stock Broking P Ltd	1	1	0.1	0.1
Total	13	9	1.67	0.17

- w) Additionally, during Patch-1, Pooja, Naysaa and Vikram had significant contribution of Rs.1.85 (36.63% of total market NHP) in New High Price (NHP) in 40 trades.

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Entity Name	Qty	No. of Trades	NHP (Rs.)	% of total mkt NHP
Pooja Hemanshu Mehta	296000	37	1.6	31.68%
Naysaa Securities Limited	16000	2	0.15	2.97%
Vikram Shares Stock Broking P Ltd	8000	1	0.1	1.98%
Total	320000	40	1.85	36.63%

- x) Considering the above trading pattern, the intention of Pooja, Naysaa and Vikram was to mark the price higher and not merely to enter into the buy transactions carried out by them. Hence, it was alleged that Noticee Nos. 1, 3 and 4 manipulated the scrip price and created a misleading appearance of trading in the scrip by such trades and thereby violated Section 12A (a), (b) and (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (e) of the PFUTP Regulations.
- y) Alacrity Securities Ltd. (Noticee No. 5) acted as buy and sell broker of Noticee No. 1 for all her LTP trades. It was observed from the Annual Report that Noticee Nos. 1 and 2 are the promoters of the broker ASL. Hence, Alacrity Securities Ltd. has allegedly facilitated the manipulative trades of Noticee Nos. 1 and 2 during the investigation period leading to creation of misleading appearance of trading in the scrip. ASL was thus alleged to have violated Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations. Further, by doing so, ASL is alleged to have failed to exercise due skill and care in terms of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.
- z) Noticee Nos. 3 and 4 (Naysaa and Vikram) are connected as they share same UCC details including its mail ID and Noticee No. 3 acted as buy broker for trades of Noticee No. 4 including its own trades. Hence, Naysaa not only undertook manipulative trades but also facilitated the manipulative trades of Vikram during the investigation period leading to creation of misleading appearance of trading in the scrip. Noticee No. 3 was thus alleged to have

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violated regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of the PFUTP Regulations. Further, by doing so, Noticee No. 3 was alleged to have failed to exercise due skill and care in terms of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of the Broker Regulations.

Patch-3 (Price Rise) (11/09/2017 to 26/02/2018)

aa) Analysis of top 10 entities contributing to positive LTP during Patch-3 on BSE as buyers is as follows:-

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff		% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Odyssey Corporation Limited	4.65	536000	54	8.88	216000	22	-4.23	136000	12	184000	20	68.68
Laxmipat Dudheria	1.00	48000	6	1.20	24000	3	-0.20	16000	2	8000	1	9.28
Kailash Chand	0.95	8000	1	0.95	8000	1	0.00	0	0	0	0	7.35
Pooja Hemanshu Mehta	-0.01	64000	8	0.95	16000	2	-0.96	16000	2	32000	4	7.35
Gopinath Yeshwant Sarfare Huf	0.25	32000	4	0.40	16000	2	-0.15	8000	1	8000	1	3.09
Gopinath Yeshwant Sarfare	0.35	8000	1	0.35	8000	1	0.00	0	0	0	0	2.71
Alacrity Securities Limited	0.15	8000	1	0.15	8000	1	0.00	0	0	0	0	1.16
Sarjobala Pravinkumar Jasani	-0.10	24000	3	0.05	8000	1	-0.15	8000	1	8000	1	0.39
Mahaveer Jain	-2.75	8000	1	0.00	0	0	-2.75	8000	1	0	0	0.00
Naina Bharat Parikh	0.00	8000	1	0.00	0	0	0.00	0	0	8000	1	0.00
Total top 10	4.49	744000	80	12.93	304000	33	-8.44	192000	19	248000	28	100.00
Others	-2.19	56000	7	0.00	0	0	-2.19	16000	2	40000	5	0.00
Market	2.30	800000	87	12.93	304000	33	-10.63	208000	21	288000	33	100.00

bb) From the above table, it is observed that the top 10 entities contributed Rs.12.93 to positive LTP (100% to market positive LTP) in 33 trades.

cc) The analysis of Noticees contributing to positive LTP during Patch-3 on BSE as buyers is as follows:-

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff		% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Odyssey Corporation Limited	4.65	536000	54	8.88	216000	22	-4.23	136000	12	184000	20	68.68
Pooja Hemanshu Mehta	-0.01	64000	8	0.95	16000	2	-0.96	16000	2	32000	4	7.35
Alacrity Securities Limited	0.15	8000	1	0.15	8000	1	0.00	0	0	0	0	1.16
Group Total	4.79	608000	63	9.98	240000	25	-5.19	152000	14	216000	24	77.18
Market	2.30	800000	87	12.93	304000	33	-10.63	208000	21	288000	33	100.00

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dd) During the Patch-3, 3 out of 5 Noticees i.e OCL, Pooja and ASL have contributed to positive LTP of Rs.9.98 (77.18% of total market positive LTP) in 25 trades which is significant. As regards the 1 trade executed by ASL mentioned in the table above, it was clarified by ASL that the said trade was undertaken on behalf of Odyssey Corporation Ltd. (OCL), however, the trade was punched erroneously in the name of ASL due to human error. Out of 25 trades, in 3 trades, buy orders were placed at higher prices than the existing sell order price and LTP contribution of these trades were Rs.2.61, which is significant.

ee) It is also observed that Pooja and OCL contributed LTP of Rs.2.71 through 9 first trades which is significant.

Entity	Number of first Trades	No. of first Trades with LTP	Positive LTP (Rs.)	Net LTP (Rs.)
Odyssey Corporation Limited	14	7	1.76	0.46
Pooja Hemanshu Mehta	5	2	0.95	-0.01
Grand Total	19	9	2.71	0.45

ff) Additionally, it is observed that Pooja and OCL had significant contribution of Rs.1.40 (47.46% of total market NHP) in New High Price (NHP) in 62 trades.

Entity Name	Qty	No. of Trades	NHP (Rs.)	% of total mkt NHP
Odyssey Corporation Limited	536000	54	0.8	27.12%
Pooja Hemanshu Mehta	64000	8	0.6	20.34%
Total	600000	62	1.4	47.46%

gg) Considering the above trading pattern, it is evident that OCL and Pooja intended to mark the price higher and not merely to enter into the buy transactions carried out by them. Hence, it was alleged that Noticee 1 and 2 manipulated the scrip price and created a misleading appearance of trading in the scrip by such trades and have violated section 12A (a), (b) and (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.

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hh) Noticee 5 acted as buy and sell broker of Pooja and OCL for all its LTP trades.

It was observed from its Annual Report that Pooja and OCL are the promoters of the broker ASL. Hence, Alacrity Securities Ltd. has facilitated the manipulative trades of Pooja and OCL during the investigation period leading to creation of misleading appearance of trading in the scrip. Noticee 5 was thus alleged to have violated regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of SEBI (PFUTP) Regulations, 2003. Further, by doing so, ASL is alleged to have failed to exercise due skill and care in terms of Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

ii) On analysis of the change in shareholding of the promoter-director entities and the disclosures requirements under PIT Regulations 2015, it was observed that some of the promoters had not made disclosures as required on a few occasions. Summary of the instances of delayed/non-disclosure is given as follows:-

Date of transaction	Total cumulative value of Buy and Sell on BSE (Rs. Lakh)	Cumulative total of Number of shares bought/sold	Trigger for Disclosure violations	Disclosure under R.7(2) of SEBI (PIT) 2015		Violation of R.7(2) (a) of SEBI (PIT) 2015	Violation of R.7(2) (b) of SEBI (PIT) 2015
				Date of receipts of disclosures by the Company	Date of receipts of disclosure to Exchange		
Pooja Mehta							
11/07/2017	1.24	16000	No	NA	NA	NA	NA
12/07/2017	3.12	40000	No	NA	NA	NA	NA
13/07/2017	4.98	64000	No	NA	NA	NA	NA
17/07/2017	8.18	104000	No	NA	NA	NA	NA
18/07/2017	11.30	144000	Yes	No Disclosure	No Disclosure	Yes	NA
19/07/2017	11.94	152000	No	NA	NA	NA	NA
21/07/2017	14.01	176000	No	NA	NA	NA	NA
24/07/2017	14.72	184000	No	NA	NA	NA	NA
26/07/2017	16.96	208000	No	NA	NA	NA	NA
27/07/2017	20.01	240000	No	NA	NA	NA	NA

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Date of transaction	Total cumulative value of Buy and Sell on BSE (Rs. Lakh)	Cumulative total of Number of shares bought/sold	Trigger for Disclosure violations	Disclosure under R.7(2) of SEBI (PIT) 2015		Violation of R.7(2) (a) of SEBI (PIT) 2015	Violation of R.7(2) (b) of SEBI (PIT) 2015
				Date of receipts of disclosures by the Company	Date of receipts of disclosure to Exchange		
28/07/2017	21.61	256000	Yes	No Disclosure	No Disclosure	Yes	NA
31/07/2017	24.80	288000	No	NA	NA	NA	NA
01/08/2017	25.58	296000	No	NA	NA	NA	NA
02/08/2017	27.14	312000	No	02/08/2017	03/08/2017	NA ¹	NA
03/08/2017	28.61	328000	No	NA	NA	NA	NA
31/08/2017	29.90	344000	No	NA	NA	NA	NA
04/09/2017	30.51	352000	No	NA	NA	NA	NA
11/09/2017	31.16	360000	No	NA	NA	NA	NA
13/09/2017	31.82	368000	Yes	No Disclosure	No Disclosure	NA	NA
14/09/2017	32.48	376000	No	NA	NA	NA	NA
20/09/2017	33.16	384000	No	NA	NA	NA	NA
26/10/2017	35.34	408000	No	NA	NA	NA	NA

1. On 02/08/2017, disclosure made by Pooja Mehta for transactions dated 19/07/2017 to 31/07/2017

jj) From the above table, it was observed that Pooja H Mehta i.e. Noticee No. 1 had transacted in the scrip for the value exceeding more than Rs.10 Lakh, however, she had not filed the disclosures with the company on 3 occasions, and was thus alleged to be in violation of Regulation 7 2 (a) of PIT Regulations 2015.

6. The SCN was served upon the Noticees vide e-mail dated May 28, 2020. The Noticees were granted a period of 14 days from the date of receipt of notice by them, to submit a reply to the SCN, if any. Noticees 1, 2, and 5 vide letter dated August 13, 2020 and Noticees 3 and 4 vide letter dated August 12, 2020 replied to the SCN.

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7. The replies of Noticees 3 and 4 dated August 12, 2020 are nearly identical and are summarised below for reference:-

- (a) Noticee 3 is a stock broker with exchanges and SEBI. It carries out trading transactions for our clients. During the Investigation Period, Noticee 3 and its client, Vikram Shares Stock Broking P. Ltd (“Noticee 4”) through Noticee 3, carried out a few transactions in shares of Alacrity Securities Limited (“Alacrity”).
- (b) The transactions were purchases and sales in ordinary course of business through the opaque electronic stock exchange mechanism. There was nothing irregular or even seemingly irregular in these transactions. Even in numbers, the transactions listed in the SCN are very few – 4 by Noticee 3 and 3 by its client, Noticee 4/Vikram Shares Stock Broking Private Limited” – and these too are widely spaced out.
- (c) The transactions were at the ruling market price with a very small higher price offered where shares were not available at ruling market price. The increase in price offered was not disproportionate even in a single case and matched the price that would have resulted in their getting more shares. In any case, the higher price was well within the range of price permitted by the exchange and SEBI rules. There was nothing untoward in such transactions or the prices offered. It is a simple principle of law of demand and supply in stock markets that higher demand would mean a higher price to be offered.
- (d) Noticee 3 purchased and sold 16000 shares of Alacrity over a period about two weeks. This was in 4 transactions of 8000 each, where 8000 is the minimum trading lot. Its Client, Noticee 4 purchased 8000 shares and sold 16000 shares, in 3 transactions, also over a period of two weeks. Notably, the total trading volume in the Investigation Period as covered by the SCN was 17,52,000 shares. Noticee 3’s trading volume or of its Client Noticee 4 was thus less than 2% of such trading volumes.
- (e) Even if the transactions of broker, Noticee 3 are counted with Noticee 4, that would make two more purchases and at prices similar to Noticee 4 in terms of

difference with the LTP. Noticee 3 purchases are also at a price less than 2% higher than the ruling market price. Noticee 4 made just one purchase and 2 sales.

- (f) The dealings were through open electronic market, not synchronized and spaced out. Due payments were made/received and deliveries given/received through the stock market mechanism. Shares duly changed hands through demat accounts.
- (g) Since there are no irregularities or illegalities, the question of Noticee 3 having not exercised due care and diligence does not arise. Noticee 3 has not violated any provisions of the Brokers Regulations.
- (h) For each and every of such transaction, delivery was duly taken/given through the market mechanism. Thus, there is no question of any 'misleading appearance' of trading. Each purchase actually happened, was genuine and for which payment was duly made through the exchange mechanism and delivery of shares received.
- (i) From the partial trade log sent to Noticees 3 and 4 mainly relating to their trades, it is evident that there are many other buyers and sellers trading with each other, with the said Noticees not being involved at all. Thus, there was an active market and trading by various persons in the public, none of whom seem to be connected to the other. In context of such trading, it was impossible to suggest that there was price manipulation or misleading trading since these parties too carried out trades at or around the ruling market price.
- (j) It has been stated that Noticees 3 and 4 offered, in the totally 3 transaction of purchases, an aggregate of price higher than LTP by 10-20 paise. This is barely 2% of the ruling market price of the shares of Alacrity. This higher price is negligible and also unavoidable if they were to ensure purchase of shares. Even these transactions of purchases of Noticees 3 and 4 taken together were over one month.
- (k) The total value of purchases of Noticee 3 was Rs. 1.45 lakhs and value of sales was Rs. 1.49 lakhs before other costs. The purchases were at weighted

average cost of more than Rs. 9. Noticee 3 made less than Rs. 0.04 lakhs profits before costs. Noticee 4 made a purchase of Rs. 0.60 lakhs and sold shares at value of Rs. 1.14 lakhs.

- (l) It can be seen from the trade logs supplied to Noticee 3, the SCN and the general data that there were numerous stock brokers and their clients involved in the trading of the shares of Alacrity. This is despite the fact that there are barely 250 shareholders in Alacrity.
- (m) Alleged connections amongst Noticees 1-5 is the basis of issuance of SCN. However, transactions are so miniscule that there could not possibly have been even a remote allegation of any wrong doing by Noticee 3 considering that its transaction were just 2 purchases/2 sales and Noticee 4 had purchased once and sold twice.
- (n) Annexure II to the SCN alleges that there is off market transfer of shares from Noticee 3 to Noticee 4 during the period 1st April 2017 to 31st March 2018. The said transfer of shares is in the ordinary course of business. Noticee 4 had placed an order through Noticee 3 on 6th July 2017 for purchase of 15000 shares in Rajesh Exports Limited (“REL”). This was the one and only transaction done during the financial year 2017-2018 by Noticee 3 for Noticee 4. The payment of the total purchase consideration for such shares, Rs. 100.60 lakhs was delayed by Noticee 4 for some days. In view of this, the said 15,000 shares of REL received were retained by Noticee 3 in client beneficiary account.
- (o) Noticee 4 paid the full consideration due of Rs. 100.60 lakhs on 13th July 2017 (in two parts – Rs. 64 lakhs and Rs. 36.60 lakhs). Accordingly, the shares were transferred by Noticee 3 to Noticee 4 on the same day – viz., 13th July 2017.
- (p) It can be seen that the above transaction and transfer of shares were in the ordinary course of business between Noticee 3 as stock broker and Noticee 4 as their client. There was no off market purchase/sale of shares. Thus, there is no ‘connection’ as alleged.

- (q) Noticee 3 is registered brokers and has stated to have numerous clients in respect of which dealings in the stock market are carried out. Such relation of broker and their client Noticee 4 does not amount to 'connection' and definitely not in the sense alleged in the SCN. No stock broker can be held to be 'connected' to its client for a serious charge of price manipulation merely because he carries out trades as a stock broker for his client in ordinary course of business.
- (r) Noticee 3 is not connected with the other three noticees – Alacrity/Pooja Mehta/Odyssey. Its transactions of purchases were merely three and the total increase in LTP alleged ranges between 10 and 20 paise and that too over a period of more than one month. The allegation of price manipulation on account of price higher than LTP offered thus fails.
- (s) It has been stated that in 2 trades of Pooja/Noticee 1, counter parties are Noticee 3 and Noticee 4. It may be noted that in the long investigation period, there are about 200 trades, as the trade log provided with the SCN itself shows. Further, the data relates to 18 long months. Thus, during these 18 months of trading, there are just two instances where the trades between the two parties have matched. This cannot be even remotely held to be planned in any manner.
- (t) It is also seen that Noticee 1 has traded several times over this period and its trades have matched with scores of persons. In only two instances, the trades have matched. The trades specified are not synchronized or circular and resulted in delivery of shares and receipt of payment. The trades were thus genuine, in ordinary course of business and at market rates.
- (u) Attention is drawn to the decision of the Supreme Court has held in Adjudicating Officer, Securities and Exchange Board of India v. Bhavesh Pabari [2019] 152 SCL 717 (SC) for submission that surrounding facts and circumstances should be considered and Adjudicating Officer has discretion, to be exercised judicially, that penalty does not have to be always levied.

(v) The Supreme Court has held in Securities & Exchange Board of India v. Rakhi Trading (P.) Ltd. 163 (SC)/[2018] 207 COMP CASE 443 (SC) that when there is actual trading of the scrip, there is not only "change of beneficial ownership" but also physical delivery/movement of the traded scrip. It is only when this does not happen in the cash segment, the trade is described as a fictitious trade creating false volumes which manipulates the market. In the present case, there is actual trading and also physical delivery and movement of the traded scrip. Thus, the question of there being any manipulative or misleading trades does not arise.

(w) Hon'ble SAT in its order dated 29/07/2011 in the matter of Narendra Ganatra vs. SEBI, has inter alia observed that:

".....I should not lose sight of the fact that the charge against the appellant is of conniving with the group entities in creating false and misleading appearance of trading in the market and artificially raising the price of the scrip and for such a serious charge, higher degree of probability is required. Such a charge cannot stand on surmises and conjectures."

8. Submissions of Noticees 1, 2 and 5 are summarised below:-

(a) Transactions of the said Noticees 1, 2 and 5 were in the ordinary course of business and are genuine and *bonafide* purchases of shares have been misconstrued and allegations of violations of the PFUTP Regulations have been made for such purchase of shares. Further, Noticees 1 and 2 made full and substantive disclosures of their purchases and in the facts and circumstances of the case, there is no violation of the Insider Trading Regulations in letter or spirit and hence there is no case for levy of any penalty on that ground too. Accordingly, penalty is not leviable under the SEBI Act for their transactions as specified in the SCN.

(b) Noticee 1 is one of the promoters of Alacrity Securities Ltd. Noticee 1 made purchases of shares of Alacrity from the open market in ordinary course of business at prevailing market prices. The purchases were bonafide, made

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through the electronic market mechanism of stock exchange from sellers not connected to Noticee 1 in any manner. The purchases were duly made, paid for and the shares duly transferred to name of Noticee 1 and even after nearly 2-3 years, Noticee 1 still holds the shares. Noticee 1 purchased shares of Alacrity in the past too when funds were available and she felt that the price of shares was reasonable.

- (c) In about 2017, Noticees 1 and 2 as promoters felt that the current ruling market price of the shares of Alacrity was below what they deemed to be reasonable value based on publicly available information and even otherwise Noticees 1 and 2 had desired to increase their shareholding within the permissible limits under law in view of availability of funds. Accordingly, they purchased shares available at the ruling market price and when there were not enough shares available, they offered a little higher price for the shares but within the limits under legal and exchange rules. They took delivery of all shares purchased and did not sell a single share. They kept on purchasing over a long period of nearly one and a half years. They purchased shares till they had funds for such investment and they desired to purchase further shares. They were not aware who were the sellers since their objective was to purchase shares as available from any person at our offered price. They thus gave liquidity and high price to several persons who could offload the shares held by them at a higher price.
- (d) It was inevitable, as basic principles of economics/demand and supply would indicate, that a higher price would have to be paid for a higher demand for shares and they paid thus the market determined higher price to make bonafide purchases and took delivery. Thus, there was no question of manipulating the market price.
- (e) Each and every purchase was genuine and paid for and delivery obtained and received in demat accounts of Noticees 1 and 2 where they still stand even today. Thus, there was no question of any misleading trading since the trades were genuine and factual.

- (f) Noticees 1 and 2 did not sell even a single share so purchased. Their purchase price for initial purchases was as low as Rs. 5 while later the market price was as high as Rs. 10. Any person with lack of bonafides would have started selling and profiting from the price rise. There has not been a single case of sale of even one share by Noticee 1 or 2 or the Promoter Group not only during the investigation period but even till date.
- (g) Purchases of Noticees 1 and 2 and the purchases of the other promoter during this period have extended over a long period of one and a half year. Even during this period, their purchases have been with large gaps of time depending on availability of funds with us and price and other factors. During this time, other investors/public has continued their trading. It is impossible to allege a charge of price manipulation over such a long period and that too with so many other persons trading. Had there been any price manipulation, the price would have fallen down when they were not involved and such periods were often in months between their two purchases.
- (h) No synchronized trading - SEBI has provided details of the transactions of purchase of shares by Noticees 1 and 2 along with the SCN where the details of counter parties, their order time, etc. are shown. It is evident that there is no synchronized trading. Sometimes the counter parties have placed first orders to sell shares and sometimes Noticees have placed first. There is almost always gap of time between these orders. During this gap, any other person could have come to either purchase at a higher price than us the shares offered by the counter parties or sell shares to Noticees at a lower price than that offered by the counter parties
- (i) For example in the case of the very first two orders of purchases by Pooja Mehta/Noticee 1. On 25th April 2017, she placed an order for purchase at 10.30am. The counter party placed an order more than 3 hours after her order, i.e. at about 1.30pm. Thus for 3 long hours her order was available for any person to sell his shares. Only after this period, someone came and offered to sell his shares and the trade took place.

- (j) Similarly, on 16th May 2017, that is three weeks later, Noticee 1 placed an order at about 10.36am and for about two and half hours though the order stood, no one offered to sell shares to Noticee 1 at her price. Then at about 1.05pm, a counter party came and sold their shares.
- (k) In even the later transactions, her next purchase was on 11th July 2017, that is almost two months later. She again placed an order at about 10.31am. and she got a counter party order at 3.04pm, i.e. after 4 hours.
- (l) Noticee 1 kept on buying shares at intermittent gaps depending till nearly 26th October 2017. In each of the cases, there was not even remotely any synchronised trading.
- (m) As the SCN states and as Noticee 1 disclosures show, she purchased about 4,24,000 shares during the Investigation Period (IP).
- (n) Although the price had moved (due to market forces) from about Rs. 5.20 per share to more than Rs. 10 per share, and although there was enough trading in the market, she did not sell a single share though there was opportunity to me to sell and make some profit. This is again demonstrating that there was no intended or actual price manipulation or misleading trading.
- (o) Multifarious counter parties, none of whom are connected with Noticee 1 nor alleged to be connected to her -The trade log of her transaction as supplied by Noticee 1 shows that in respect of each of her trades, there is a different counter party and none of which is known to her or connected to her or even alleged to be connected to me.
- (p) Countless other buyers/sellers trading with each other - From the partial trade log sent to the Noticees mainly relating to their trades, it is evident that there are many other buyers and sellers trading with each other, with Noticees not being involved at all. It is evident that there was a robust market for shares during this period. By definition, it is impossible to carry out any price manipulation or misleading trading when there are so many other ready and willing parties dealing in the shares of a company.

- (q) Shares were purchased at a slightly higher price than ruling market price as Notices 1 and 2 intended to purchase in large quantities. The prices offered by Noticees were within the maximum offer price as permitted by SEBI and exchange rules. To elucidate, cumulatively, Noticee 1 purchased 4,24,000 shares during the period. It was not possible for her to buy even a small fraction of these at the daily price. Hence, she had to keep offering a higher price to acquire more shares. In each case she has offered a substantial quantity of shares to be purchased and when shares were available, promptly acquired those shares.
- (r) Thus, there is no question of any intention to manipulate the price of the shares by offering a higher price. Offering a price slightly higher than LTP was inevitable since otherwise purchases could not possibly have been executed to the extent of quantity desired by Noticees 1 and 2.
- (s) Thus, it would be a baseless charge to suggest that a price higher than LTP was offered for any ulterior purpose of price manipulation or the like. The price higher than LTP was offered for pure commercial and economic reasons and to ensure that the quantity of purchases desired would be made available by counter parties. These parties got a higher price for their shares than they would have otherwise got and also liquidity whereby they could sell their shares. They got thus higher profits and also importantly they were able to sell shares they may not have been otherwise able to sell at that price.
- (t) Thus, transactions of Noticees 1 and 2 were precisely within the ordinary market trading as it happens in the ordinary course of business.
- (u) Offering a price higher than LTP, as is well settled, is a standard market practice and the result of the laws of supply and demand. It is only if the intention is merely to raise the price higher by offering very small quantity of shares, purchasing from connected parties, engaging in circular trades and of course, above all, eventually offloading shares at a higher price, that the question of any price or market manipulation arises. In the case of Noticees 1 and 2, nothing of this sort has happened nor even alleged.

- (v) The market price rose obviously because Noticees 1 and 2 had purchased shares available at the lower price. However, eventually, since there may have not been other purchases seeking to buy at the higher price, the price fell gradually.
- (w) It may be noted that nearly 50% of the shares of Alacrity were with the public. If the price was raised even slightly artificially higher, than many of the shareholders would have readily come and sold their shares. However, that has not happened. Hence, the price was certainly not artificially higher. It was only those few people who desired to sell shares at this slightly higher price who sold their shares. Almost 49% of the shareholders continued not to sell any of their shares.
- (x) Weighted average of purchases – To elucidate, Noticee 1 purchased 4,24,000 shares for an aggregate purchase consideration of Rs. 36.40 lakhs thus giving a weighted average of Rs. 8.58 per share. The purchase consideration has gone for the benefit of those sellers in the market belonging to the public who otherwise were seeing trades at Rs. 5 per share.
- (y) Likewise, Noticee 2 purchased 5,36,000 shares for an aggregate purchase consideration of Rs. 50,13,360 thus giving a weighted average of Rs. 9.35 per share. Thus, Noticee 2 paid out of its own pocket and funds prices ranging from Rs. 5 to Rs. 10.10 with a high weighted average of Rs. 9.35.
- (z) Purchases of Noticees 1 and 2 have not only given liquidity to public shareholders but also a high price. This is entirely inconsistent with the theory that there was price manipulation or misleading trading.
- (aa) It is apparent and evident also from the trading log that Noticees 1 and 2 have purchased shares after gaps of several weeks. There has been extensive trading by other persons who have purchased shares at higher LTP for reasons such as fall in price or their perception.
- (bb) To elucidate, Noticees 1 and 2 purchased shares on 25th April 2017 at a price that was 2.5% lower than LTP. They again purchased shares 16th May 2017 at a price lower than LTP by 14.29%. However, thereafter, on 8th June

2017, another person, Devi Prasad Chowdhary HUF purchased shares at a price 16.27% lower than LTP. This was clearly as per market trends and none of Noticees can be alleged of any wrong doing.

(cc) Thereafter, between 13th June 2017 and 10th July 2017, various parties purchased shares at a price that was higher upto 8.47% of LTP. Noticee 1 had not acquired during this period. The price rose from Rs. 5 to Rs. 7.5, i.e. a rise of 50%. These trades too, were made by buyers seeking to purchase shares at the best price available. The SCN, however, does not refer to this substantial price rise of 50% in about a month's time. All these parties appear to be public and SEBI has not made any allegation of any wrong doing against them and rightly so.

(dd) Thereafter, between 11th July 2017 and 19th July 2017, the promoters of Alacrity acquired shares at varying prices which were different from LTP from a higher side of 2.58% to a lower side of -1.29%. Noticee 1 acquired substantial quantity of shares at the higher price that ranged from Rs. 7.50 to Rs. 8.00. Shares were available at or around these prices and were purchased by Noticee 1. Though Noticee 1 purchased shares earlier at a much lower price, Noticee 1 did not sell a single share. Had there been any question of any price manipulation or misleading trading, a guilty person would have sold the shares and made profits.

(ee) It is well settled and obvious that orders at a higher price that are backed by actual purchases cannot be held to be manipulative. In the present case, the orders are of significant quantities which then are duly taken up when offered at the higher price.

(ff) It has been alleged that acquisitions by Noticee 1 from 11th July 2017 to 18th July 2017 of 144000 shares of a total cumulative value of Rs. 11.30 lakhs have not been disclosed. A copy of filings made with stock exchanges on July 19th, 2017 is enclosed. Noticee 1 also disclosed, for better information, earlier acquisitions of 24000 shares made in June 2017. The acquisition of 144000

shares for a cumulative cost of Rs. 11.34 lakhs (including incidental costs) have been duly and separately disclosed.

(gg) Likewise, it is alleged that in respect of acquisitions by Noticee 1 from 19th July 2017 to 28th July 2017 of 112000 shares of a total cumulative value of Rs. 10.31 lakhs has not been disclosed. A copy of filings made with stock exchanges on 3rd August 2017 of the disclosures duly made is enclosed. Considering that by the time allowed for disclosure, Noticee 1 had made further purchases of 32000 shares, she has included such purchases too in the disclosure to make the disclosure complete and accurate.

(hh) It has been alleged that in respect of acquisitions of 88000 shares by Noticee 1 had not been disclosed. However, no disclosure was required in respect of such acquisitions. Disclosures of all acquisitions till 31st July 2017 were duly made in the earlier disclosure made on 3rd August 2017. The purchases of shares after 31st July 2017 are as follows:-

<u>Date</u>	<u>Cumulative purchase</u>
01-Aug-17	25.58
02-Aug-17	27.14
03-Aug-17	28.61
31-Aug-17	29.90
04-Sep-17	30.51
11-Sep-17	31.16
13-Sep-17	31.82
14-Sep-17	32.48
20-Sep-17	33.16

(ii) The cumulative purchases till 31st July, being the earlier disclosure, was Rs. 24.80 lakhs. The purchases till 13th September 2017 or even upto 20th September 2017 are not incrementally more than Rs. 10 lakhs. For example, the incremental purchases upto 13th September 2017 are Rs. 7.02 lakhs (i.e., Rs. 31.82-24.80= 7.02 lakhs). The incremental purchases upto 20th September 2017 are Rs. 7.02 lakhs (i.e., Rs. 33.16-24.80 = 8.36 lakhs).

(jj) There are no purchases after 20th September 2017 for the calendar quarter ended 30th September 2017. Thus, in either situation, during the calendar

quarter ended 30th September 2017, there were no incremental purchases of more than Rs. 10 lakhs after the last disclosure made.

(kk) Thus, no disclosure was required in this respect for the quarter ended 30th September 2017 after the last disclosure and hence there is no violation of the provisions of Regulation 7(2)(a) of the Insider Trading Regulations.

(ll) The following table clearly shows that all the purchases that were required to be disclosed by the Insider Trading Regulations have been duly disclosed.

<u>Date</u>	<u>Cumulative purchases</u>	<u>Disclosed with exchange</u>
11-Jul-17	1.24	
12-Jul-17	3.12	
13-Jul-17	4.98	
17-Jul-17	8.18	
18-Jul-17	11.30	19-Jul-17
19-Jul-17	11.94	
21-Jul-17	14.01	
24-Jul-17	14.72	
26-Jul-17	16.96	
27-Jul-17	20.01	
28-Jul-17	21.61	
31-Jul-17	24.80	03-Aug-17
01-Aug-17	25.58	
02-Aug-17	27.14	
03-Aug-17	28.61	
31-Aug-17	29.90	
04-Sep-17	30.51	
11-Sep-17	31.16	
13-Sep-17	31.82	
14-Sep-17	32.48	
20-Sep-17	33.16	
26-Oct-17	35.34	No disclosure required as cumulative further purchases <Rs. 10 lakhs

(mm) Thus, the information was duly made public and considering the spirit and letter of the Insider Trading Regulations, no penalty deserves to be awarded. There have been a minor delay of one or two days and under law that is well

settled, punishment in the form of penalty, which is due only in case of serious and substantive violations, is not deserved.

- (nn) Thus, Noticee 1 duly made, well in time, disclosures of the prescribed information as required by Regulation 7(2)(a) of the Insider Trading Regulations and is thus in full compliance of the requirements.
- (oo) Noticee 5 also submitted that its transactions were genuine and in the ordinary course of business.
- (pp) Noticee 5 is duly registered stock broker with stock exchanges and SEBI and also a listed company. It carries out trading transactions for its clients. During the Investigation Period, Noticee 5 clients, i.e Noticee 1 and 2, carried out transactions in shares of Alacrity Securities Limited (i.e. shares of Noticee 5) through Noticee 5. The transactions were at the ruling market price and where the client desired to purchase shares more than the number of shares offered at the last traded price, a higher price was offered by those of its clients who desired to purchase more shares even if it meant paying a higher price. Clients purchased shares over a long period of nearly one and a half years and not abruptly within a few days or even weeks.
- (qq) Systems of Noticee 5 are thorough and sturdy and are a mix of automatic monitoring along with alert and diligent humans operating the system.
- (rr) Clients of Noticee 5 (Pooja and Odyssey) have not carried out any transaction in violation of any provision of the PFUTP Regulations. A similar pattern of delivery-based trading and purchase of shares was engaged in by Pooja and Odyssey before the investigation period as well. Market-determined higher prices were paid where necessary to make *bonafide* purchases. Clients did not sell even a single share thus purchased, bought at as high a price as Rs. 10, and retained them till date, not trying to profit from any price rise in the scrip.
- (ss) To elucidate with the help of the very first two orders of purchases by client of Noticee 5 - On 25th April 2017, an order was placed for purchase at 10.30am. The counter party placed an order more than 3 hours after its order, i.e. at

about 1.30pm. Thus for 3 long hours our order was available for any person to sell his shares. Only after this period, someone came and offered to sell his shares and the trade took place.

(tt) Similarly, on 16th May 2017, that is three weeks later, client of Noticee 5 placed an order at about 10.36am and for about two and half hours though the order stood, no one offered to sell shares at the offered price. Then at about 1.05pm, a counter party came and sold their shares.

(uu) The next purchase of client of Noticee 5 was on 11th July 2017, that is almost two months later (To emphasize and repeat, price manipulation/misleading trading is wholly inconsistent with so far out trades with gap of months). The Client again placed an order at about 10.31am. They got a counter party order at 3.04pm, i.e. after 4 hours. Noticee 1 and 2 kept on buying shares at intermittent gaps for a long period of several months. In each of the cases, there was not even remotely any synchronised trading.

(vv) Cumulatively, clients of Noticee 5 – Noticee 1 and 2 - purchased totally 9,60,000 shares during the period, for an aggregate purchase consideration of Rs. 87.78 lakhs thus giving a weighted average of Rs. 9.14 per share.

(ww) The price which they have paid has ranged from a minimum of Rs. 5.00 to a maximum of Rs. 10.02. When they desired to buy higher number of shares, the demand for shares thus was higher than available supply.

(xx) The equilibrium price, or the price at which trades would happen, would thus be higher. Hence, there was no choice but to offer a higher price to acquire a higher quantity of shares.

(yy) Thus, the very basic element of price manipulation is absent.

(zz) The other submissions made by Noticee 5 were identical to the submissions made by Noticee 3 and are therefore not being repeated here.

9. Subsequently, the Noticees were served with Hearing Notices dated August 20, 2020, providing them with opportunity of hearing through videoconferencing on

September 2, 2020. On the said date, the Noticees were represented by Mr. Jayant Thakur (Chartered Accountant and Authorised Representative), Mr. Manojkumar Singhal (Chartered Accountant), Mr. Hiten Mehta and Mr. Kishore Shah.

10. The Authorised Representatives of the Noticees reiterated submissions made in replies dated August 12 and 13, 2020, stating that Noticees 1 and 2 were promoters of Noticee 5. In respect of violation of the PFUTP Regulations it was submitted that the said Noticees purchased shares at market prices and even at higher prices and did not sell any shares. It was stated that all transactions were delivery-based and there were many unrelated parties dealing in/selling shares of the company in the market. Further, it was submitted that purchases have been made by Noticees 1 and 2 prior to the investigation period also.
11. In respect of the violation of the PIT Regulations, it was submitted that all purchases were disclosed by the Noticees. To avoid inaccurate disclosures as on the date of disclosure, shares acquired in the intervening period between due date of disclosure on account of exceeding Rs.10,00,000 in traded value, and the actual date of disclosure to the Company and the exchange, were also included in the disclosures made under Regulation 7 (2) (a) read with 7 (2) (b) of the PIT Regulations. The extra shares thus included were excluded from calculation and disclosure in future transactions covered under Regulation 7 (2) (a), to avoid duplication.
12. Regarding off-market transfer alleged to have been carried out between Noticees 4 and 5, it was stated that Noticee 5 was the broker of Noticee 4 (client) and what was alleged to be off-market transfer was merely on account of delayed payment by Noticee 4 to Noticee 5 in respect of transaction in a different scrip of Rajesh Exports Limited carried out on 06.07.20917 on behalf of Noticee 4 as a client. Therefore, there was no connection between Noticees 1,2 & 5 on one side and Noticees 3 and 4 except as broker and client between Notice 4 & 5.

13. On behalf of Noticees 3 and 4 it was submitted that Noticee 4 purchased and sold shares in multiples of 8000 shares. Noticee 3 bought 8000 and sold 16000 shares in its capacity as broker, and bought and sold 16000 shares in own account. All these transactions were delivery-based and shares were received in the demat account. There was no connection of Noticees 3/4 with other Noticees. LTP contribution through these transactions was also marginal.
14. The Authorised Representatives undertook to submit data (on price, quantity, parties, volume impact) relating to similar purchases as those alleged in the SCN, over last three months prior to the investigation period, within a week from the date of the hearing.
15. Vide e-mail dated September 8, 2020 Noticee 1 submitted quarter-wise data pertaining to her transactions in the scrip of Alacrity Securities Ltd. for the year preceding March 2017. Noticee 1 further submitted that her trading activity is largely similar as in the Investigation Period. She purchased shares at or slightly above the ruling market price (depending on availability of shares) as and when funds were available with her, did not sell a single share, and took delivery of all the purchases and the purchases were made in open market.
16. While the purchase price has changed from time to time, rising and falling, Noticee 1 purchased shares as and when funds were available and also where shares were available for sale. The weighted average price of Noticees' purchases for each quarter were also provided. It was submitted that data consistently shows that Noticee 1 is *bonafide* purchaser of shares, taking due delivery and transferring beneficial interest and which process also resulted in sellers in market getting not only opportunity to sell but also often a high price.
17. It was submitted that Odyssey Corporation Limited has not traded at all during this period and it is only Noticee 1 who purchased the shares.

18. In the light of the allegations contained in the SCN, the Noticees' submissions in respect of the allegations made in the SCN and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS

19. The issues arising for consideration in the instant proceedings before me are:-

ISSUE I Whether the provisions of -

- a) Section 12A (a), (b) and (c) of the SEBI Act, and Regulations 3 (a), (b), (c) & (d), 4 (1) and 4(2) (a) & (e) (and (g) in case of Noticee 5) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 have been violated by Noticee 1-5
- b) Regulation 7 (2)(a) of SEBI (Prohibition of Insider Trading) Regulations, 2015 have been violated by Noticee 1
- c) Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of the Broker Regulations has been violated by Noticees 3 and 5

ISSUE II If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15HA, 15A (b) and 15HB of the SEBI Act?

ISSUE III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15 J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

ISSUE I. Whether the following provisions of law have been violated by the Noticees –

(a) Section 12A (a), (b) and (c) of the SEBI Act, and Regulations 3 (a), (b), (c) & (d), 4 (1) and 4(2) (a) & (e) (and (g) in case of Noticee 5) of

the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 by Noticees 1-5

(b) Clause A (2) of the Code of Conduct for Stock Brokers in Schedule II of the Broker Regulations by Noticees 3 and 5, and

(c) Regulation 7 (2) (a) of the PIT Regulations by Noticee 1

20. With respect to violation of the PFUTP Regulations, the allegation levelled against Noticees is that during two price-rise patches between 13.06.2017 to 31.07.2017 (Patch 1) and 11.09.2017 to 26.02.2018 (Patch 3), the buy trades of Noticees 1, 3 and 4 in Patch 1, and Noticees 1 and 2 in Patch 3, contributed positively to LTP in 18 and 24 trades respectively. The price rise during these 2 period was from Rs. 5 to Rs.10 in Patch 1 and from Rs.8.05 to Rs.10 in Patch 3.
21. I note that the scrip of Alacrity is listed on the SME segment where the minimum trading lot in the scrip is 8000. I also note that in September 2017 there were 271 shareholders in the company. Noticee 1 and 2 are promoters of the company holding 51.73% of shares in the Company, remaining shares being held by 269 shareholders.
22. In the context of the allegations, I note that in Patches 1 and 3 the Company had average trading volume of 28,480 shares and 30,769 shares. However, considering the minimum lot size of 8000 shares, the total number of trades during the respective periods is seen as 80 in Patch 1 and 87 in Patch 3. It is also seen that Noticee 1 engaged in 37 trades in Patch 1 and Noticee 2 engaged in 54 trades in Patch 2.
23. Noticee 1 and 2 are promoters of the company, which is the Noticee 5. They have been alleged to be connected to Noticees 3 and 4 by way of an off-market transfer of shares between Noticees 3 and 4. I have gone through the submissions by the Noticees in respect of this off-market transfer and I am satisfied that the transfer of shares is a *bona fide* transaction of shares purchased on market on 6/7/2017 by the broker i.e. Noticee 5 for its client i.e. Noticee 4, which shares were retained

on account of pending payment and subsequently transferred on 13/7/2017 from Noticee 5 to Noticee 4 after receipt of payment. A transfer of shares between a broker and client indicates a broker-client relationship and any other meaning of such connection can only be drawn if substantiated by other facts.

24. Noticees 3 and 4 are connected to each other by way of a common director. Together, they have engaged in only 3 trades in Patch 1 with a total LTP contribution of Rs.0.27 which cannot be considered out of the ordinary. Hence, the pattern of trades by Noticee 3 and 4 does not substantiate the allegation of a connection with Noticee 5 for the purpose of manipulating the share price. Therefore, I find that the 3 trades of Noticee 3 and 4 cannot be considered to be manipulative, artificial or misleading.
25. It has been alleged that there are 18 positive LTP contributing buy trades in Patch 1 by the concerned Noticees 1, 3 and 4. Of these, 8 orders were placed before the sell orders, and they contributed to 36.63% of New High Price during the said Patch. As noted above, Noticees 3 and 4 engaged in only 3 trades during Patch 1. The remaining 15 trades with positive LTP in Patch 1 are of Noticee 1. I find that of the total 37 trades of Noticee 1, 15 contributed to positive LTP of Rs.2.60 and 10 trades contributed to negative LTP of Rs.1.77, so that the net LTP contribution by Noticee 1 was Rs.0.83. 12 trades of Noticee 1 had zero impact on LTP. I also note that on several trading days in Patch 1, Noticee 1 was the only buyer. The buy orders were placed at marginally incremental prices causing price rise. When seen in the context of submissions by the Noticee 1 that she was continuously buying in the scrip, and continues to hold the shares purchased, I find that the pattern of trading by Noticee 1 in Patch 1 does not indicate manipulative, artificial or misleading trades. A net purchase of shares ordinarily exerts an upward pressure on price and the extent of price rise seen of Rs.0.83 is not unusual or extraordinary in the context of purchase of 2.96 lakh shares. I also note that Noticee 5 has just 1 trade with a negative LTP of Rs.0.30 and thus did not contribute to price rise at all.

26. Similarly, it is alleged that in Patch 3, Noticees 1 and 2 contributed to 77.18% of positive LTP in the market through 24 trades, out of which 3 buy orders in the case of 3 trades were placed at prices higher than existing sell order prices, there was positive LTP contribution by Noticees 1 and 2 of Rs. 2.71 through 9 first trades as well, and contribution to NHP in 62 trades. I find that out of total 87 trades in Patch 3, 55 trades are by Noticee 2 which are all buy trades. There is a Net LTP contribution of Rs.4.80 through these 55 trades. Noticee 1 has engaged in only 8 trades with a net LTP contribution of negative Rs.0.01. Hence, Noticee 1 did not contribute to price rise in Patch 3. With regard to trades by Noticee 2, I note that of the total traded quantity of 8 lakh shares in Patch 3, Noticee 2 purchased 5.36 lakh shares. Noticee 2 has submitted that it still holds these shares, that the purchases were scattered over several days and shares were purchased from numerous counterparties. I also note that Noticee 2 was the only buyer on several trading days in Patch 3. I note that delivery based continuous purchases ordinarily exert upward pressure on price and the extent of price rise is not seen to be unusual or extraordinary.

27. I also take note of the contention of the Noticees that they have not entered into any synchronised, circular or otherwise premeditated trades with any connected counterparties.

28. In respect of the 2 buy orders of Noticee 1 which were placed before sell orders of counterparties and contributed to positive LTP in the scrip of Alacrity, the counterparties were Noticees 3 and 4. However, since no connection has been successfully drawn between Noticee 1 and Noticees 3 or 4 outside the realm of ordinary business/trading activity between broker and client, a charge of fraudulent or manipulative trading between Noticee 1 and Noticees 3 or 4 as connected counterparties cannot stand the test of preponderance of probability. I also take note of the submission of the Noticees that the counterparties for their buy trades during the relevant period were distributed amongst a diverse set of entities, and there is no relationship established amongst counterparties for the

bulk of the buy trades executed by them in the scrip of Alacrity. In multiple instances cited by the Noticees in their replies, the trading pattern involves a gap of several hours between buy and sell orders in a market with a fairly large number of participants and orders, thus reinforcing absence of synchronisation/circular trades/trades premeditated to be executed at an artificial price or predetermined quantity with connected counterparties.

29. I find merit in the explanation offered in respect of their purchases (in some instances at slightly higher than LTP) by Noticees 1 and 2 as promoters of Noticee 5 who then went on to retain the entire purchased shareholding till date even after the scrip price rose, that the trading pattern of high volume of buy orders of the said Noticees was motivated by commercial judgment, and was executed in a *bonafide* manner without circumventing any laws or unlawfully gaining at the cost of other investors. Noticee 1 has subsequently also submitted details of trades in the scrip of Alacrity executed in its account prior to the investigation period, where a similar pattern of buying and retaining shares of Noticee 5 is observed, without any instances of sale of shares. As per quarter-wise details of price and volumes traded by Noticee 1, she traded 592000 shares of Alacrity on BSE out of a total of 768000 shares of the scrip traded overall during the quarters ended June 2016 to March 2017. The said trades of Noticee 1 were executed at weighted average prices ranging from Rs. 3.63 on 17.08.2016 to Rs. 8.93 on 22.03.2017. Thus, the trades of Noticee 1 executed prior to the investigation period are similar in pattern to those executed by it during the investigation period, and corroborate its stand that Noticee 1 purchased large quantities of shares of Alacrity as promoters.

30. In the light of the above, I note that while purchases by Noticee 1 and 2 caused an upward pressure on price to be maintained, in the absence of any evidence indicating premeditated, artificial or manipulative trades in the accounts of the Noticees during the investigation period, I note that mere positive contribution to LTP by entering into trades at prices higher than Last Traded Price is not sufficient to establish violation of the PFUTP Regulations by the Noticees.

31. Accordingly, the allegation of violation of Section 12A (a), (b) and (c) of the SEBI Act, Regulations 3 (a), (b), (c), (d) and 4 (1), (2) (a) and (e) (as well as (g) in the case of Noticee 5) of the PFUTP Regulations by the Noticees 1 to 5 is not established. Consequently, the charge of failure to exercise due skill and diligence in alleged violation of Clause A (2) of Schedule II of the Broker Regulations by Noticees 3 and 5 also does not stand established.

32. I now deal with the allegation of failure of Noticee 1 to disclose to the Company/Noticee 5, its acquisition of shares aggregating to traded value of more than Rs. 10,00,000 in the calendar quarter of July-September 2017, and failure to disclose the number of shares traded to Noticee 5 on 3 occasions – 18.07.2017, 28.07.2017 and 13.09.2017. In this regard, I note that Noticee 1 has brought on record disclosure duly intimated to Noticee 5 in respect of its acquisition of shares of cumulative value of Rs. 11.34 lakhs between 11.07.2017 and 18.07.2017 vide letter dated 19.07.2017 duly acknowledged by Noticee 5. In respect of alleged non-disclosure of acquisition of shares for value of Rs. 10.31 lakhs between 19.07.2017 and 28.07.2017, Noticee 1 has submitted a copy of intimation dated 03.08.2017 duly filed with and acknowledged by Noticee 5 in respect of the acquisition between 19.07.2017 and 31.07.2017 of cumulative value of Rs.13.34 lakhs. In respect of alleged non-disclosure in respect of acquisition of shares made between 03.08.2017 and 13.09.2017, Noticee 1 has submitted data to show that cumulative value of shares purchased between the said dates did not exceed Rs. 10 lakhs but was only Rs. 7.02 lakhs, with no further purchases till the end of calendar quarter ending September 30, 2017.

33. In view of the submissions of Noticee 1, I find that the said Noticee has complied with disclosure requirements stipulated in Regulation 7 (2) (a) of the PIT Regulations by making the required disclosure to the Company. Thus, the allegation of violation of the Regulation 7 (2) (a) of the PIT Regulations by Noticee 1 does not stand established.

34. Consequently, Issues II and III do not merit consideration.

ORDER

35. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I find that the allegations of violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a), (b), (c) and (d) and 4(1), 2(a), (e) [and (g) in case of Noticee 5] of the PFUTP Regulations by Noticees 1 to 5, of Clause A (2) of the Code of Conduct for Stock Brokers in Schedule II of the Broker Regulations by Noticees 3 and 5, and of Regulation 7 (2) (a) of the PIT Regulations by Noticee 1, do not stand established. Therefore, imposition of penalty on the Noticees under Sections 15HA, 15A (b) and 15HB of the SEBI Act, as applicable, is not warranted. The SCN is disposed of accordingly.

36. Copies of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: SEPTEMBER 22, 2020

PLACE: MUMBAI

MANINDER CHEEMA

ADJUDICATING OFFICER