

WTM/AB/IVD/ID2/7987/2020-21

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**FINAL ORDER**

**Under Sections 11 and 11B of Securities and Exchange Board of India Act, 1992 read with Regulation 11(1) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.**

**In respect of:**

<b>Noticee No.</b>	<b>Name of the Noticee</b>	<b>PAN</b>
1.	Amol Anand Konkane	AZZPK1169N
2.	Falguni Jayesh Shah	AYYPS0649D
3.	Hardik Mithani	AMGPM0573Q
4.	Priyanka Darshan Desai	AIEPD5556C
5.	Inventure Growth & Securities Limited	AAACI2044K
6.	SPJ Stock Broker Pvt. Ltd.	AAHCS8124R
7.	Ankit Girishkumar Vasani	AFKPV5001K
8.	DKG Securities Pvt. Ltd.	AABCD8837A
9.	APL Infrastructure Ltd.	AADCB0069J
10.	Milanbhai Mithani	ACXPM5199B

**In the matter of Pyramid Saimira Theatre Limited**

*The aforesaid entities are hereinafter referred to individually by their respective names/Noticee numbers and collectively as “the Noticees”.*

1. On December 21 and 22, 2008, there were several media reports that the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had directed P.S. Saminathan, one of the promoters of Pyramid Saimira Theatre Limited (hereinafter referred to as “**PSTL**”/ “**the company**”), to make an open offer under the Securities and Exchange Board of India (Substantial Acquisition

of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as “**SAST Regulations**”) for an additional 20% stake at a price not less than Rs. 250/- within 14 days, for allegedly violating creeping acquisition norms. With the reports in the media appearing about the impending offer at Rs. 250/-, the price of the shares of the company increased on December 22, 2008, when the stock markets opened for the day. On December 22, 2008, PSTL first informed the BSE Limited (hereinafter referred to as “**BSE**”) and National Stock Exchange of India Limited (hereinafter referred to as “**NSE**”) in the morning that the company had not received any communication from SEBI regarding the media reports on Open Offer. BSE disseminated the denial by the company at 10:28:04 a.m. on December 22, 2008 on its website and NSE did so at 10:30:00 a.m. on same day.

2. Subsequently, on the same day i.e. December 22, 2008, at around 10:30 a.m., PSTL received the alleged SEBI letter directing PSTL to make an open offer, when the courier company, Blue Dart, delivered the purported SEBI letter to the company. P.S. Saminathan informed BSE and NSE on December 23, 2008 about the receipt of the letter from SEBI. In this regard, on December 23, 2008, SEBI issued a Press Release clarifying that the SEBI had neither issued a letter nor an order to P.S. Saminathan for the said alleged open offer and that the said letter was apparently forged and circulated with ulterior motives. SEBI lodged an FIR with regard to the forgery of the SEBI letter in Bandra Kurla Police Station, Mumbai and also initiated an investigation into the matter.
3. The investigations by SEBI, *prima facie*, revealed that the forgery was done to manipulate the stock price of PSTL and that Nirmal Kotecha, one of the promoters and the then largest shareholder of PSTL, was one of the major beneficiaries of the said manipulation and appeared to have masterminded the forgery. It was further observed that several persons/ entities directly and indirectly related to Nirmal Kotecha had bought PSTL shares on BSE and NSE during December 15-19, 2008 and sold these shares on December 22, 2008 i.e.

after the price rise in the shares on December 22, 2008 consequent to the publication of news about the forged SEBI letter. It was also found that some persons/ entities had sold PSTL shares on December 22, 2008 and bought back the shares at lower prices on the same day taking advantage of both the price rise which occurred due to the publication of the forged SEBI letter as well as the price fall which occurred due to a clarification on media reports on open offer provided by P.S. Saminathan to the stock exchanges that the company had not received any communication from SEBI directing P. S. Saminathan to make open offer.

4. Pending investigation, SEBI vide an *ad interim ex parte* order dated April 23, 2009 (hereinafter referred to as “**the interim order**”) issued under Sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) *inter alia* directed 257 entities and their proprietors/partners/directors who prima facie appear to have played a role in the forgery of the SEBI letter, dissemination of the information contained in the forged letter to the media, misleading the media to believe in the authenticity of the information that was circulated to them, carrying out suspicious banking transactions, carrying out and disguising his manipulative intent and gaining advantage from the forgery and have channeled funds either directly or indirectly in the stock markets for manipulating the scrip of PSTL, not to buy, sell or deal in the securities market including in Initial Public Offerings, in any manner, either directly or indirectly, till further directions.
5. Noticee no. 1 (Amol Kokane) was one of the entities against whom such directions were passed vide the interim order. Subsequently, vide order dated January 28, 2010, the interim order was confirmed against Noticee no. 1.
6. Investigation revealed that besides Amol Konkane, there were several others who were also involved in the manipulation in the scrip of PSTL and associated with Nirmal Kotecha. Accordingly, show cause notices were issued to 44

entities, including to the 10 Noticees herein vide Show Cause Notice dated April 30, 2015 (hereinafter referred to as “**SCN**”). The SCN *inter alia* alleged that:

- (i) The Noticees are associates of Nirmal Kotecha and are directly or indirectly related with him as part of the ‘Nirmal Kotecha Associates’ and have benefitted from the circulation of the forged letter.
  - (ii) Amol Konkane has acted as a front entity of Nirmal Kotecha to execute alleged fraudulent trades in the securities market and camouflage his nefarious activities.
  - (iii) The Noticees have executed circular trades, reversal trades, synchronized trades and self-trades in PSTL shares amongst entities associated with Nirmal Kotecha on various dates resulting in manipulation of the price/volume in the shares of PSTL.
  - (iv) The Noticees have executed fraudulent and fictitious trades and have facilitated Nirmal Kotecha in offloading his stake in the scrip of PSTL in the market.
7. Thus, SCN alleges that the Noticees have violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”). Additionally, Noticee no. 1 is alleged to have violated Regulation 4(2)(g) of the PFUTP Regulations, also.
8. The SCN issued to the Noticees contained relevant findings of the investigation report qua the Noticees along with certain annexures which were provided to the Noticees, list of which is as under:

**Table: 1**

<b>S. No.</b>	<b>Particulars of Document</b>
1.	Forged SEBI Letter

2.	Statement of Amol Kokane dated February 27, 2009
3.	Fund Trail
4.	Statement of Amol Kokane dated June 25, 2009
5.	Details of counterparties to the transactions of Nirmal Kotecha in NSE and BSE
6.	Trade log for Self-trades of Nirmal Kotecha at BSE
7.	Trade log for Self-trades of Nirmal Kotecha at NSE
8.	Statement of Priyanka Desai recorded on March 18, 2010
9.	Role of Darshan Desai & Nitin Goradia
10.	Letter of Ankit Vasani dated April 01, 2010
11.	Statement of Kanji B. Rita dated July 30, 2010
12.	Statement of Radha Krishna Marg dated October 09, 2009
13.	Statement of Milan Jayvantilal Mithani dated April 06, 2010
14.	Statement of Pal Jain dated March 18, 2010
15.	Statement of Shatrugan Singh dated May 28, 2010
16.	Statement of Chandrasekhar Jaykishan Thanvi dated June 08, 2010
17.	Statement of Sanjay Gupta dated April 30, 2010
18.	Date wise contribution by Noticees in BSE
19.	Date wise contribution in NSE
20.	Date wise contribution among Noticees in BSE
21.	Date wise contribution in NSE
22.	Date wise contribution within the group in NSE
23.	Data of top five counterparties
24.	Sell order No.301822100000223581) placed by Milanbhai Hardik
25.	Manner of execution of buy order of SPJ Stock Broker Pvt. Ltd. for 15,000 shares
26.	Order log of order no.79108200000026634
27.	Order log of order no. 79108200000026635
28.	Order log of order no. 79108200000026639
29.	Order log of order no. 79108200000026655
30.	Trade and order logs of reversal trades - Hardik M. Mithani, SPJ Stock Brokers Pvt. Ltd., Inventure Growth & Securities Ltd. dated

	December 08, 2008
31.	Trades and order logs of synchronized trades - Sharda Pujara, Hardik M Mithani, Inventure Growth & Securities Ltd. and SPJ Stock Broker Pvt. Ltd. dated December 08, 2008
32.	Trades and order logs of synchronized trades - Meet Shares and Stock Services Pvt. Ltd., Hardik M Mithani and Inventure Growth & Securities Ltd. dated December 08, 2008
33.	Trades and order logs of synchronized trades - SPJ Stock Broker Pvt. Ltd., Hardik M Mithani and Inventure Growth & Securities Ltd. in BSE December 08, 2008
34.	39 pages chart on reversal and circular trades
35.	At page 121 CD is enclosed for annexures related to fund trail, chart on reversal and circular trades, and order and trade log.

**Replies, Hearing and Written submissions:**

9. It is to be noted that pending investigation an interim order dated April 23, 2009 was issued to around 257 entities and their proprietors/partners/directors in the present matter of PSTL. Further, confirmatory orders were passed on different dates against some of the entities. Upon completion of the investigation, SCN was issued to 44 entities, including the 10 noticees herein. I note that Adjudication proceedings under Chapter VIA of the SEBI Act, 1992 have also been initiated for some of the entities. The details of the 44 entities to the show cause notices issued under Sections 11 and 11B of SEBI Act, are given below in para 18. Since all the entities are alleged to be inter related with one another and connected to Nirmal Kotecha, opportunity of personal hearing were jointly given to all the entities in the matter of PSTL, including the Noticees to the present SCN, on July 27, 2015 and April 30, 2016 by the then Whole Time Member, before whom the proceedings were pending. I note that a separate show cause notice dated December 03, 2013 was issued to Nirmal Kotecha, the alleged mastermind behind the fraud in the scrip of PSTL, who had then filed a miscellaneous application before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") seeking inspection of documents and cross examination of certain entities. The Hon'ble SAT vide its Order dated May

19, 2016 disposed of the application directing that *“It is made clear that on 31.05.2016 the application to be filed by the appellant within one week from today shall be heard first and thereafter the Whole Time Member of SEBI shall proceed to hear the show cause notices subject to granting any short adjournment if any, sought by the appellant”*. Subsequently, the Nirmal Kotecha vide various letters sought cross examination of 64 persons, including Noticee no. 1. The then Whole Time Member heard the matter on May 31, 2016 and passed an order on May 31, 2016 disposing of all applications dated May 26, 2016 filed by Nirmal Kotecha and directed him to file fresh applications by June 24, 2016 with justification as to why inspection of documents, copy of documents/statements/information, and cross examination of 64 persons are required. Subsequently, Nirmal Kotecha filed a fresh application dated June 28, 2016 and an opportunity of inspection of documents/information was granted to the Noticee on August 22, 2016. Further, cross examination of 7 entities (including Noticee no. 1) from the 24 sought by Nirmal Kotecha were granted to him on January 10, 2017. During the course of cross examination, it is noted that Nirmal Kotecha took considerable amount of time to cross examine each person and hence the cross examination of the 7 entities had to be adjourned to separate days for each entity. Nirmal Kotecha vide email dated January 23, 2017, had sought adjournment of the cross examination of Noticee no. 1 which was scheduled for January 24, 2017. Accordingly, cross examination of Noticee no. 1 was granted to Nirmal Kotecha on March 21, 2017, and the same was concluded on the said date. Cross examination of the remaining entities were granted to Nirmal Kotecha on May 03 and 04, 2017. Since 3 entities sought adjournment, cross examination of the 3 entities were granted on May 22, 2017. One of the entities (Yatin B. Shah) sought adjournment and a final opportunity was granted to the entity to appear for cross examination on June 07, 2017. However, on the scheduled date of June 07, 2017, Yatin B Shah sought for an adjournment. Since several opportunities had already been granted, no further adjournment was granted and the cross examination of the said entity was closed. I note that during this period, Nirmal Kotecha had also filled for

settlement of proceedings which was subsequently rejected in August 2017 and the proceedings continued against him. Subsequently, the final Order against Nirmal Kotecha was passed on March 22, 2018, which was challenged by Nirmal Kotecha before the Hon'ble SAT. Further, the final order dated March 22, 2018 against Nirmal Kotecha has also been upheld by the Hon'ble SAT vide its order dated March 02, 2020 in Appeal no. 261 of 2018.

10. I note that Rajesh Jayantial Shah and 8 others (hereinafter referred to as the "**Shah Group**"), who are Noticees to Show cause notice dated January 16, 2014, had filed an appeal before the Hon'ble SAT against the confirmatory order dated December 14, 2009 passed against them. The Hon'ble SAT vide its order dated June 30, 2017 directed SEBI to pass a final order with regard to the Shah Group within a period of 6 months from the date of the Order. During this period the matter of PSTL was assigned to another Whole Time Member, due to the end of tenure and retirement of the earlier Whole Time Member to whom it was assigned. Due to the matter being assigned to a new Whole Time Member, following the principles of natural justice, an opportunity of personal hearing was again granted to the Shah Group on November 27, 2017. Thereafter, written submissions were received from the Shah Group on December 04, 2017. A request for extension of time in passing the final order against the Shah Group was made before the Hon'ble SAT and it was pleased to grant a further period of 3 months vide its order dated December 21, 2017. Final order against the Shah Group was passed on March 22, 2018. I note that final order dated March 22, 2018 against the Shah Group has been upheld by the Hon'ble SAT vide its Order dated March 17, 2020 in Appeal no. 179 of 2018.
11. The matter of PSTL in respect of the remaining 32 entities was subsequently assigned to the undersigned and accordingly, following the principles of natural justice, an opportunity of personal hearing was granted to the Noticees on August 07, 2019. Noticees no. 3, 5, 9 and 10 appeared on August 07, 2019 and



made submissions. Noticee no. 9 sought time to file their written submissions and subsequently, vide letter dated August 27, 2019, filed his written submissions. The advocates for Noticee no. 8 appeared on August 07, 2019, and sought for cross examination of Amol Kokane and Nirmal Kotecha prior to availing the opportunity of hearing. While Noticee no. 1 sought for an adjournment, Noticees no. 2, 4, 6 and 7 did not appear for the hearing on August 07, 2019. Accordingly, another opportunity of hearing was granted to Noticees no. 1, 2, 4, 6 and 7 on September 23, 2019 and cross examination of Nirmal Kotecha and Amol Kokane was granted to Noticee no. 8 on September 23, 2019. On September 23, 2019, Advocates on behalf of Noticees 1 and 6 appeared for the hearing and made submissions. Noticee no. 2, 4 and 7 failed to appear for the hearing on September 23, 2019. Further, no request for adjournment or further date of hearing was received from the Noticee no. 2, 4 and 7 and since 2 opportunities have been given, hearing for Noticee no. 2, 4 and 7 stands concluded. The cross examination of Amol Kokane was conducted by Noticee no. 8. However, Nirmal Kotecha did not appear for the cross examination on September 23, 2019. Upon the request of the Noticee no. 8, a final opportunity of hearing was granted on October 03, 2019, wherein, the advocates for the Noticee appeared and made submissions and requested time for filing written submissions. However, I note that the same has not been filed.

12. As noted above, proceedings were first initiated against the main entity Nirmal Kotecha by issue of interim order dated April 23, 2009. Subsequently, a final order was passed on March 22, 2018 against Nirmal Kotecha. The SEBI order dated March 22, 2018 against Nirmal Kotecha was upheld by the Hon'ble SAT vide its Order dated March 02, 2020 in Appeal no. 261 of 2018. Further, a final order dated March 22, 2018 was also passed against the Shah Group and has been upheld by the Hon'ble SAT vide its Order dated March 17, 2020 in Appeal no. 179 of 2018. Such orders have a bearing on the proceedings given that Nirmal Kotecha was alleged to have masterminded the entire fraud and all the other entities, including the Noticees, were *inter alia* alleged to have colluded

with him in manipulating the scrip of PSTL.

13. Subsequently, there was an outbreak of COVID-19 and consequential lock down was imposed. Accordingly, the SCN issued against the Noticees herein after giving an opportunity of personal hearing and filing of written submissions following the principles of natural justice, is being dealt with in the present order with directions in terms of para 109.

**Submissions of the Noticees:**

14. The brief of the submissions made by each of the Noticee is as under:
  - (i) Noticee no. 1 (Amol Anand Kokane) vide letter dated September 23, 2019, *inter alia* submitted that:
    - a) *It is pertinent to note that the ban upheld in the above proceedings is still continuing despite the Notice's repeated submissions that he was innocent and never a party to any of the alleged nefarious transactions, as claimed by SEBI. In this regard, the Noticee submits that on ground of human rights and natural justice, these proceedings can be dropped against the Noticee.*
    - b) *The Noticee would like to submit that he never had an iota of evidence of that the trades executed on his behalf through his account, nor he was in possession of any of the documents or information with regard to the alleged trades and transactions cited by your good self throughout the SCN. On analyzing and understanding the lengthy SCN issued in the matter, Noticee humbly submits that he had no knowledge of the trades and transactions mentioned in the SCN, he does not have any alleged connection or it is associated with Mr. Nirmal Kotecha as alleged in the SCN.*
    - c) *The Noticee submits that his brother in law used to work with Mr. Nirmal Kotecha. It was during September 2008, that his late brother in law*

*approached him and requested him to open a trading account with M/s India Capital Markets Limited (ICMPL) as his brother in law wanted to trade in securities in his name. His late brother in law had informed him that since he was not allowed to open account in his own name due to his employment yet wanted to trade in securities market and hence, had requested the Noticee to open a trading account. The Noticee submits that he readily agreed to his late brother in law's request as he totally trusted him. Pursuant to that, he accordingly signed on all the required documents for the purpose of opening an account and rest of the other details were filled up by him.*

- d) Further, the Noticee humbly submits that his knowledge was limited to the signing of various slips and documents from time to time on the instructions of his late brother in law. In this regard please note, that the Noticee did not have any knowledge as to the relevance of the documents and slips the Noticee signed on. The Noticee just followed the instructions and never doubted any dubiousness or mischief behind such acts.*
- e) Further, the Noticee submits that his late brother in law also asked him to subscribe for a mobile connection in his name which he did. The Noticee submits that it must be taken into account that the said phone was supposed to be used by his late brother in law for his office purposes. The Noticee submits that he never made any calls, nor received any and also did not pay its bills. All the bills in relation to the said phone were handed over to his brother in law who accordingly took care towards their payments. It was only after the investigations were initiated in the present matter that the Noticee came to know that Nirmal Kotecha was using the mobile connection so procured in his name.*
- f) Further, after the death of the Noticee's brother in law, the Noticee's account was used by the Mr. Darshan Desai ("Darshan"). The said fact is observed by the Hon'ble Whole Time Member in the Order in the matter of Pyramid Saimira Theatre Limited with respect to Mr. Nirmal Kotecha dated March 22, 2018.*

- g) *The Noticee reiterates his submission that the Noticee never had even an iota of knowledge regarding the trades executed on his behalf through his account, nor was he in possession of any of the documents with regard to the alleged trades and transactions. The trading in the account of the Noticee was executed by Sandeep and post his death by Darshan. Accordingly, since he has never operated his trading account, the trades executed through his account cannot be imputed to the Noticee.*
  - h) *The Noticee humbly submits that during the relevant period under consideration, he had met Mr. Nirmal Kotecha only on two occasions, first, when his late brother in law was hospitalized and Mr. Nirmal Kotecha had visited the hospital to sympathize my sister and offer her his assistance and secondly, after the death of his brother in law, the Noticee had visited the home of Mr. Nirmal Kotecha for requesting to give compensation to his sister because his late brother in law was working with him.*
  - i) *In view of the state of knowledge of Noticee with regard to affairs in the trading and banking account of the Noticee during the relevant period, it is submitted that the SCN can in no way say as to why and on whose instructions were the said transactions executed. The Noticee submits that no negative inference can be drawn against the Noticee with regard to his ignorance of the state of affairs of his trading and banking account.*
  - j) *With regard to the further observation made by your good self that Noticee has admitted in his statements that his accounts were opened and operated by and on behest of Mr. Nirmal Kotecha, it is further submitted that though the Noticee had given signatures on various documents to Sandeep, he has never signed over any documents and given to Mr. Nirmal Kotecha. Therefore, he could not have in any way could have stated that the accounts were operated on the instructions of Mr. Nirmal Kotecha.*
- (ii) Noticee no. 2 (Falguni Jayesh Shah) has not filed any reply to the SCN.

(iii) Noticee no. 3 (Hardik Mithani) and 10 (Milanbhai Mithani) vide letter dated June 09, 2015, *inter alia* submitted that:

- a) *Hardik Mithani has not undertaken any transactions whatsoever as informed to the SEBI earlier by Milanbhai J. Mithani. All the transactions in the shares of PSTL were undertaken by Milanbhai J. Mithani in the account of Hardik Mithani. No transactions have been undertaken in the shares of PSTL in the account of Milanbhai J. Mithani at all. Thus it is requested that Hardik Mithani, who is a student, should not face any proceedings, penalty or actions as he has not undertaken any transactions in PSTL nor was he aware of any transactions and all the transactions were done by his father Milanbhai J. Mithani.*
- b) *Milanbhai J. Mithani was doing arbitraging and jobbing in various scrip including PSTL and most the trades were in the nature of day trading in the shares of PSTL. He has stated that he does not know promoters of PSTL nor does he know anyone from management of PSTL or the persons or entities mentioned in para 25 of the SCN.*
- c) *He submits that since he had undertaken larger volumes on BSE and NSE, therefore some transaction were bound to match with traders with whom purchase or sale transactions had been executed earlier.*
- d) *He has made net loss in the transactions of PSTL. Thus he has not benefitted financially nor offloaded any shares of PSTL in the market. He has not indulged in any synchronized trades since he was involved in day trading, transactions continued from time to time and they may be patchy with purchase and sale order of other traders.*
- e) *He knew Yatin Shah socially as he and wife of Yatin Shah are hailing from city of Rajkot, Gujarat. He is not concerned at all with what may have transpired between Yatin Shah and Nirmal Kotecha. Milanbhai J. Mithani does not recollect having called Nirmal Kotecha at all.*
- f) *He has not executed any fraudulent/fictitious trades with other entities allegedly associated with Nirmal Kotecha and/or with Mr. Nirmal Kotecha,*

*which resulted in manipulation of price/volume in the shares of PSTL as alleged.*

(iv) Noticee no. 4 (Priyanka Darshan Desai) vide letter dated August 31, 2015, *inter alia* submitted that:

- a) *My transactions in PSTL, as is seen in the SCN itself, are on very few days. In particular, my transactions are not during the alleged days of conspiracy. My transactions in PSTL have been as part of my transactions on stock exchange in ordinary course of business as I have carried out in other scrips. If there has been any alleged conspiracy, I have no knowledge or connection with them.*
- b) *I have already been severely punished by this order. SEBI's order of 2008 has resulted in my being removed from the broker company with which I was connected and stock exchange both and this has continued till date and thus for more than six and half years now.*
- c) *I have been a jobber/day-trader/arbitrageur in various scrips including PSTL during the relevant period. As such, I buy and sell shares in large quantities generally with the intention to profit from small movements or differences in prices. PSTL was just one of the scrips in which I have traded.*
- d) *My transactions have been through opaque computerized stock market mechanism. It is not possible to know who the buyers/sellers are. In any case, I had placed my orders at the ruling market price. Several orders and prices have been displayed on the computer screen and my trades would have been matched by the computerized screen and my trades would have been matched by the computerized mechanism against the most favorable/valid orders on the other side.*
- e) *It is seen that, from the SCN sent, that the counter parties are several and many are not connected with me. At the same time, it is quite likely that some of the counter parties may be persons I know. However, it is not*

*possible for me to control the order making mechanism, more so in case where there is huge turnover.*

- f) The SCN alleges in paragraph 27 that my name figures in the top 40 traders in PSTL. However, it can be seen that my name is 28<sup>th</sup> in terms of ranking. Thus I am far, far below in the list of top 40 traders. Thus, to call me even as a high ranking trader is false and grossly misleading.*
  - g) Even if the allegations made against me were to be true, I have been punished many times more than any other persons would have ordinarily punished by SEBI.*
  - h) It is well settled that if an order of ban is passed against a person, the ban he has already undergone is adjusted. In my case, there is no case even if the worst was presumed to be true for a ban of seven years. Thus, no further adverse order would be fair or just or legal.*
- (v) Noticee no. 5 (Inventure Growth & Securities Limited) vide letter dated August 19, 2015, inter alia submitted that:*
- a) We deny that we are related entity of AK and NK. We had traded in the PSTL in normal course of our trading activity like any other securities of market.*
  - b) Our trades were executed with sole intention of carrying out arbitrage in PSTL. Our trades were entered in trading platform provided by BSE and NSE where identity of counter parties was anonymous. We do not know who is opposite party while entering orders on Exchange platform in any security so matching of trades with AK on dates given is mere coincidence. Only because few trades match with NK and AK doesn't make us related entity as alleged.*
  - c) We deny that notice has any connection or relation with Mr. Nirmal Kotecha as alleged in the said point. Mrs. Shanti K Rita is wife of our director Mr. Kanju B. Rita who is having many other ventures/business apart from having directorship in IGSL. As in his statement he explained*

*your kind office that loan taken from Mr. Nirmal Kotecha was arranged by one of his friend Mr. Hiren Mohanlal Shah and Mr. Kanji Rita has not approached directly to Mr. Nirmal Kotecha. Loan was purely personal in nature taken by wife of Mr. Kanji Rita in March 2007 and repaid in July 2007. IGSL neither have any role in this transaction nor it was knowing prior to your kind office bring to its notice so there is no question of any manipulative intention. Personal transaction of any directors wife cannot be linked with this investigation wherein period is also one year prior to investigation.*

- d) We will be major clients in many other securities during the identified period as we have more than 25 pairs of Arbitrage and Jobbers who carry out trading in multiple securities in our proprietary account. We do not understand that what your kind office try to alleged by pointing trading rank of Noticee in BSE and NSE.*
- e) We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with APL Infrastructure Pvt. Ltd.(APL) It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with APL during 7 month long investigation period.*
- f) We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with Ankit Girishkumar Vasani. It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with Ankit during 7 month long investigation period.*
- g) We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with SPJ Stock Brokers Pvt. Ltd., Millanbhai Hardik and AK. It is to be noted that trades matched with these counter parties is just a coincidence and we were trading in PSTL in routine course of business just like any other security.*
- h) We are not aware about the counter party when we enter order in the*



*trading terminal provided by the Exchange. We do not have any connection with Priyanka Darshan Desai (PDD). It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with PDD during 7 month long investigation period.*

- i) We had traded in PSTL with intention to carry out arbitrage and jobbing and we do not have any relation with NK and others as alleged in the SCN. It is obvious that in arbitrage/jobbing one will square off position at the end of the day so net pay-in-obligation will be nil. This doesn't mean that those trades are non-genuine.*

*(vi) Noticee no. 6 (SPJ Stock Broker Pvt. Ltd.) vide letter dated September 11, 2019 and October 07, 2019, inter alia submitted that:*

- a) The Noticee mainly carried out jobbing transactions i.e. buying and selling scrips on intraday basis. The Noticees arbitrageurs and jobbers regularly undertook jobbing transactions looking into the opportunities available to them.*
- b) The Noticee had traded in PSTL scrip in normal routine course of its jobbing activity with an intent to earn profits. All trades were within the framework of rules, regulations of the Stock Exchanges. The Noticee had not deployed any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder. However, it is pertinent to mention herein that though the Noticee was a jobber, it had uncured a loss of Rs. 9,56,845.45/- in the scrip of PSTL.*
- c) The Noticee has voluntarily closed its business activity, and accordingly, the trading membership of the company had ceased on April 16, 2013.*
- d) With regard to para 5 to 9 of the SCN, the Noticee humbly submits that they do not know Nirmal Kotecha and Amol Kokane personally, nor do they have any connection whatsoever with them and therefore the allegations and findings do not stand against them. However, it is submitted that the*

*trading done by the Noticee in the scrip of PSTL was outcome of trading decision and it was not influenced by any other factors.*

- e) *It is pertinent to note that, your good self had tried to establish connection between the Noticee and various other entities including Nirmal Kotecha and Amol Kokane, thereby concluding that a member who allegedly had prior information for the alleged fraud perpetrated by Nirmal Kotecha, informed the Noticee about the same, thereby enabling the Noticee to benefit from the fraud. Assuming without accepting, that the information of the said fraud was shared with the notice, it is reasonable to conclude that the same would only be if the person who received the information is benefitted from the same. However, in the present case, the Noticee did not make any profit and in fact incurred loss by trading the scrip of PSTL during the relevant time. Further, it is submitted that there was no monetary transactions between the Noticee and Nirmal Kotecha or Amol Konkane that would prove the Noticees alleged connection with them and constitute itself as a party to the alleged fraud.*
- f) *The Noticee was a jobber and was only carrying out jobbing transactions and in the present case, inadvertently some transactions carried out by it had matched with connected/associated entities of Nirmal Kotecha but on the basis of these coincidental matching it is humbly submitted that it cannot be inferred that trades executed by the Noticee were manipulated/fraudulent or in connivance with the alleged group.*
- g) *With respect to your goodselfs mail dated August 28, 2019, the Noticee was informed that its request for cross-examination of Mr. Yatin Shah, Mr. Chandrashekhar Jaykishan Thanvi and Mr. Shatrugan Singh have been declined and only Mr. Nirmal Kotecha's cross examination has been provided. In this respect, it is submitted that since the cross examination request of other individuals have not been acceded to by SEBI, the statements made by them should not be taken into consideration while assessing the Noticee's case, as the same will amount to the violation of principles of natural justice, the reference for which is drawn from the*

*Noticees letter dated August 01, 2019. Therefore, it is humbly requested to kindly look into the matter while giving regard to the fact that the Noticee have not been provided with an opportunity to check the veracity of the statements made by the aforesaid individuals, by way of cross-examination.*

- h) With regard to para 27 of the SCN, it is submitted that it is a matter of fact and record that the Noticee was highest trader on the basis of gross traded quantity. However, no negative inference can be drawn against it on the basis of the same.*
  - i) With regard to para 49 of the SCN, it is submitted that the matching of trades were in normal course of trading. Further, no negative inference can be drawn against the Noticee merely because certain trades matched with Inventure Growth and Securities Limited.*
  - j) It is further reiterated that mere matching per se is not illegal especially when the players are major market player in the scrip.*
- (vii) Noticee no. 7 (Ankit Girishkumar Vasani) vide letter received on September 01, 2015, inter alia submitted that:*
- a) I have absolutely no connection with PSTL, its promoters or even its management. I have not even been alleged to be so connected with any of them. I am not a director, employee, associate or otherwise of PSTL.*
  - b) I have been a jobber/day trader/arbitrageur in various scrips including PSTL during the relevant period. As such, I buy and sell shares in large quantities generally with the intention to profit from small movements or differences in prices. PSTL was just one of the scrips in which I have traded.*
  - c) The SCN details the voluminous trading over several months in the shares of PSTL. Furthermore, and in particular, on the days when I have traded in the shares of PSTL, the turnover was also quite huge. My turnover in the shares of PTSL, whether taken as percentage of total turnover during the*

*period or even on the days when I traded is quite normal and even miniscule.*

- d) The SCN alleges in paragraph 27 that my name figures in the top 40 traders in PSTL. However, it can be seen that my name is 21<sup>st</sup> in terms of ranking. Thus, I am far, far below in the list of top 40 traders. Thus, to call me even as high ranking trader is false and grossly misleading.*
- e) It has been stated in this paragraph that as a “noticee” my name figures in top trading clients in the scrip of PSTL on NSE. However, it is seen from the list given in that paragraph that my name does not appear in the top trading clients in such list at all.*
- f) As per the SCN itself, it can be seen that there was heavy trading in PSTL on the stock exchanges on the stated dates. Orders were being matched constantly and it appears from the SCN that they were not being carried forward for long. It was unavoidable therefore that my trades would match the trades of other persons who may have entered before or after my order time. To conclude therefore that there was deliberate synchronization is baseless.*
- g) It has been alleged in paragraph 98 that I have engaged in “self-trading” and thus this is held to be a violation. However, the SCN itself gives the facts and quantity that shows that the allegation is baseless. The alleged self-trade quantity is a mere 250 shares, and that too in merely 5 trades. The quantity of alleged self-trade is a miniscule fraction of my total trades. In an hyperactive market of a scrip on a particular day, and that too for a person like myself who is engaged in jobbing/day-trading, such things are very likely to happen. The objective of a day-trader/jobber is to make profits by buying and selling constantly. It may thus happen that a small number of trades are matched with own trades. Hence, the allegation that I deliberately engages in self-trades is baseless and false.*
- h) It can be clearly seen from the above that in each of the days when I had traded, my net quantity of shares was equal. The Net position was in each of the cases – Nil. In other words, I fitted exactly the condition of SEBI as*

*specified in the SCN that – Therefore, the quantity bought by the arbitrageur on one exchange on any given date would be the same as quantity sold by him on another exchange. The data clearly supports that I am an arbitrageur. However, SEBI has wrongly put me in the category of “noticees”. What may have been allegedly true for other such persons is presumed wrongly to be true in my case also.*

- i) It is evident from the reading of the SCN that a common notice has been passed against several persons named. The facts of individual cases have not been investigated. Everyone has been painted by the same brush. It is also evident that one group of people have been alleged to have masterminded the whole alleged scheme of transactions while there are several others who have apparently dealt with in the shares of the company during that time but no such serious allegations have been levied against them. However, despite that, a common SCN has been issued against all of them.*
- j) By SEBI order in 2008, I have been banned from carrying out such business. Thus, for nearly seven long years, my source of livelihood has been made to be stopped and I left without earnings. The loss in terms of amount of earnings deprived is huge by itself. Thus, I have been punished in more ways than one. Even if the allegations made against me were to be true, I have been punished many times more than any other persons would have ordinarily punished by SEBI.*

*(viii) Noticee no. 8 (DKG Securities Pvt. Ltd.) vide letter dated June 04, 2018, inter alia submitted that:*

- a) It is submitted that we have not entered into any transaction with the intention of artificially raising or depressing the prices and thereby induced an person to purchase or sale the securities. It is submitted that we had simply transacted in the shares. Therefore, our trades in the alleged shares, which were executed at the prevalent market price, cannot be*

*construed to have artificially raised or depressed the prices as alleged.*

- b) *Further, execution of the transaction without any intention to manipulate and in the absence of any knowledge about the counter party broker/counter party client, cannot be deemed to be a manipulative transaction. There is not even a suggestion to that effect in the Notice that we had the knowledge about the acts of the others who allegedly traded in the securities to manipulate the same. In the absence of such knowledge on our part, there is no question of manipulation on our part as alleged. Further inference of any synchronized trading cannot be drawn simply on the basis of time gap between the trades.*
- c) *As regards paragraph 22 of the SCN, it is submitted that the identification criteria classifying us in Level 1 is erroneous and without any basis or justification. It is denied that we have done any reversal trades and/or circular trades with AK. At the time of our trading in the scrip of PSTL, we were never aware as to the counterparty traders identity in any of our trades. All our trades were executed on the screen based trading mechanism of the stock exchange and we were at no point in time aware about any of the counterparty traders. It is vehemently denied that we were connected/associated entity of AK, who was acting as the front entity of Nirmal Kotecha. The basis of linking is highly vague and imaginary. There is no basis or substantiation of the alleged linkage. The table in paragraph 22 showing level 1 entities reflects that we have been placed in Level 1 along with other four entities on the basis of alleged 'circular trades' on November 04, 2008 through Ankit Girishkumar Vasani.*
- d) *As regards paragraph 25 of the SCN, it is submitted that the allegation of our association with Nirmal Kotecha is baseless and thus vehemently denied. Our director Mr. Radhakrishna Garg might be acquainted with Mr. Nirmal Kotecha, however, DKG cannot be held responsible for that. Further, Mr. Garg has stated that he met Nirmal two or three times and nothing adverse should be drawn by SEBI out of these meetings. Just by meeting a person two or three times, it cannot be construed that trading*

*carried out by us have matched and counter party was known to us. We once again submit and reiterate that we carried out our trading on the anonymous, faceless and electronic trading platform provided by stock exchange wherein the counter party is not known. We further submit that we have dealt in the securities market with our own funds and have not received/paid funds from/to Mr. Nirmal Kotecha.*

- e) We submit that it is SEBI's own case that neither in the statement of Mr. Garg nor in the statement recorded of Mr. Milanbhai Hardik or Mr. Shri Pal Jain of SPJ Stock Broker P Ltd, it has been revealed that DKG or Mr. Garg knows Mr. Milanbhai Hardik Mithai or any person of SPJ Broker P Ltd. to enable us to plan to enter into circular trades. We further submit that we do not know any director or shareholder or any person in SPJ and we also do not know Mr. Milanbhai Hardik.*
- f) It is SEBI's own case that during the investigation period we have traded for only around 3% of the total market volume which is highly insignificant and miniscule and cannot be called as fraudulent by any stretch of imagination. It is submitted that adverse inference drawn against us merely on the basis of significant trades is highly prejudicial and unjustified.*
- g) As regards allegations of volume/price manipulation by circular trades dealt in paragraphs 84 and 85 of the SCN, it is denied that we were involved in circular trades at all. The allegations that the orders were placed by us in a synchronized manner so as to result in our orders getting matched with Ankit Vasani and Amol Konkane is highly imaginary, baseless and unsubstantiated. The telephone call of Nirmal Kotecha on November 04, 2008 to Radhakrishna Garg and at 02:49:58 P.M. and thereafter, execution of the sale order of 34,000/- shares matched with order quantity of 77032 of Mr. Amol Konkane and allegation of its synchronization is without any basis as entire trading system of Saurashtra execution is out of control of the notice and there is not necessary that the content of the telephonic talk by Nirmal Kotecha to Radhakrishna Garg was relating to PSTL shares. DKG Securities Private Limited or Radhakrishna Garg have no business*

*connection with Nirmal Kotecha or Amol Konkane. We have not been provided with call data records of all the individuals to enable us to suitably defend us which is in complete violation of principles of natural justice, equity and fair play.*

- h) As regards to the allegation of Volume/price manipulation by synchronized trades in the scrip of PSTL as dealt in paragraph 86 and 87 of the SCN, it is submitted that we have never entered into any trades to manipulate price and volume in the scrip. The allegations are baseless and unfounded. Further, it is submitted that notice suffered loss of Rs. 2,70,80,410.21 in PSTL shares for the notice period from June 01, 2008 to December 19, 2008.*
- i) As regards paragraphs 107 price manipulation – price impact on account of order revision by Amol Konkane, it is submitted that reference to us has been at few places as Amol Konkane is alleged to be counterparty to some of our trades. The reference is based on the record, and we are completely unaware about Mr. Amol Konkane and we have done the trade in ordinary course of business and alleged to be counter party of some of our trade were merely incidental as entire trades were done on online trading system of BSE and NSE through stock brokers who have the control on part of the input of trades.*

*(ix) Noticee no. 9 (APL Infrastructure Ltd.) vide letters dated June 08, 2015 and May 29, 2019, inter alia submitted that:*

- a) That the only reason of implicating us in the SCN had been alleged relation/association of APL Infra, its director Mr. Sanjay Gupta with two individuals namely Mr. Mukesh Jain and Mr. Nirmal Kotecha. In this regard, it is utmost pertinent to bring out that Mr. Mukesh Jain who has traded in the scrip of PSTL is not the Mukesh Jain who was appointed as the director of Bihar Tubes Limited. This can be further substantiated from the PAN no. of Mr. Mukesh Jain i.e. AAQPJ3637G. We do not possess the*



*PAN details of Mr. Jain who had traded in the scrip although your good office can verify the same from your records. That Mr. Mukesh Jain was appointed as the director in Bihar Tubes Limited on 30.04.2009 and due to his death has been ceased from holding directorship in Bihar Tubes Limited w.e.f. 02.07.2010. That as submitted above Mukesh Jain who was the Director in BTL is now deceased, and to our affirm knowledge had never traded in the scrip of PSTL.*

- b) The only basis of relationship drawn with Mr. Nirmal Kotecha (NK) is only through call records of Mr. Sanjay Gupta (Director of APL Infra) with NK. In this regard, we herein submit that Mr. Sanjay Gupta is the business acquaintance of Mr. Nirmal Kotecha. Further, as to the alleged list of phone calls and SMS between the two individuals, it is herein submitted that your good office had not provided the call recordings and content of SMS and hence reliance cannot be made on merely the logs as available; moreover it is also pertinent to note herein that the call log record is only available for the period from November 2008 to December 2008, wherein, Mr. Sanjay was in touch with Mr. Kotecha on and off on various occasions during the period prior and after.*
- c) As evident from the aforesaid, our trading in the scrip of PSTL during the whole investigation period was a meager as 0.69% at BSE and 0.39% at NSE as compared to gross traded quantity of PSTL in the respective markets. Hence, by no stretch of imagination such miniscule volume in the stock exchange would not have manipulated the price/volume of the scrip of PSTL. In the addition to the above, it more important to note here that by executing the aforesaid transactions the company had incurred a loss of Rs. 1.20 crores. Had the trades executed in connivance, the company would have also known when to exit and would not had incurred losses.*
- d) Without prejudice to the contention that the alleged trades were not “reversal” even presuming them to be so, the quantum of alleged “reversal trades” as evident from the table above, is so miniscule/negligible that they cannot be said to have any impact on the market. Moreover, allegations*

*w.r.t. trades with SPJ as on 22.07.2008 being reversal, it is our primary contention that they cannot be said to be reversal, the same can be substantiated from the fact that we had bought 50,000 share on BSE out of which for 20,980 shares SPJ was the counter sale party and for remaining 29020 shares were counter parties were those not alleged in the SCN. Further, on the same day we sold 50,000 shares on BSE out of which only in case of 7060 shares; SPJ was the counter buy party, whereas remaining 42940 shares transacted to counter parties other than notices. This shows that the normal market forces were in play and it is mere coincidental that for Buy and Sale, a marginal part of the orders so placed, got transacted with the same counterpart. But due to the nature of the trades, the same cannot be said to be reversal as there was change in beneficial ownership and also difference in the buy price and sale price.*

- e) It is erroneous to hold us liable for contribution to LTP as the price on that day had gone higher than our traded price and also closed at the price below our trading price. In light of these facts, it is evident that our trading has not resulted in contribution to the price rise of the scrip on the said day. It is also important to note that in both the transaction at BSE and NSE, we have had buy trades and admittedly by SEBI's own admission the market had been dominated by the sellers during the period. And hence we cannot be alleged to have contributed to the trade price being a buyer ourselves.*
- f) In all orders so placed, there was difference of at least 13 minutes between the orders of Mr. Kotecha and APL Infra. That in the scrip which had been liquid and the order already pending at a certain price for 13 minutes, and subsequent buy order placed by APL Infra, the transaction by no stretch can be said to be synchronized. There is substantial difference between the quantity ordered and quantity traded with NK. Also as against the quantity ordered by NK there is again the difference in quantity transacted with APL Infra. That for a trade to be synchronized, the quantity ordered and traded by both the parties have to be the same which is not the case presently.*

g) *So as to the alleged reverse trades during December 2008, it may be noted that out of our total trades only on one trading day i.e. 18.12.2008 our trades with Inventure are alleged as reversal. At the outset, we herein put forth that the trades alleged to be “reversal” was actually not reversal. Although without prejudice to the averment that the alleged trade was not reversal, we wish to submit that the quantum of the so called alleged reverse trade was so miniscule that cannot be said to have any impact on the market volumes. With respect to the trades on 18.12.2008, the normal market forces were in play and it is mere coincidental that for buy and sale, a marginal part of the orders so placed, got transacted with the same counter party. But due to the nature of the trades, the same cannot be said to be reversal as there was change in beneficial ownership and also difference in the buy price and sale price.*

**Consideration of submissions and findings:**

15. I have perused the SCN dated April 30, 2015, along with its annexures, the replies filed by the Noticees and submissions made during the course of personal hearing. The issue for consideration in these proceedings is whether Noticee no. 1 to 10 in connection with Nirmal Kotecha resorted to artificial inflation of the trading volumes and stock prices, in the scrip of PSTL by entering into circular trades, synchronized trades, reversal trades and self-trades, in violation of the SEBI Act and PFUTP Regulations or not.
16. Before considering the above issue and dealing with the various contentions raised by the Noticees, the relevant provisions of law which are necessary to advert to are extracted hereunder:

**Relevant extract of provisions of SEBI Act:**

**“Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.**

12A. No person shall directly or indirectly –

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognized stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder; .....

**Relevant extract of provisions of PFUTP Regulations:**

**“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.*

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

*(a) indulging in an act which creates false or misleading appearance of trading in the securities market;*

*(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*

*(c).....*

*(d).....*

*(e) any act or omission amounting to manipulation of the price of a security;*

*(f).....*

*(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;  
.....”*

17. As noted above, an order dated March 22, 2018 was passed by SEBI against Nirmal Kotecha for violating provisions of the SEBI Act and PFUTP Regulations. The same was upheld by the Hon’ble SAT vide its order dated March 02, 2020. Hence, before dealing with the allegations against the Noticees, it would be appropriate to discuss the role of Nirmal Kotecha who was one of the promoters and the then largest shareholder of PSTL. I note that Nirmal Kotecha was one of the major beneficiaries of the said manipulation and was found to have

masterminded the forgery of the SEBI Letter. Nirmal Kotecha had caused to publish a false media report on December 20 and 21, 2008 that on December 19, 2008, SEBI had issued a letter to P. S. Saminathan, one of the promoters of PSTL to make an open offer under the SAST Regulations, for an additional 20% stake at a price not less than Rs. 250/-, for violating creeping acquisition norms. It was observed that during the period June 2008 to December 2008, persons/entities directly and indirectly related to Nirmal Kotecha were found to have had significant market presence in the scrip of PSTL in BSE and NSE. Further, several persons/entities directly and indirectly related to Nirmal Kotecha had bought PSTL shares on BSE and NSE during December 15-19, 2008 and sold these shares on December 22, 2008 i.e. after the price rise in the shares on December 22, 2008 consequent to the publication of news about the forged SEBI letter. It was also found that some persons/entities had sold PSTL shares on December 22, 2008 and bought back the shares at lower prices on the same day taking advantage of both the price rise which occurred due to the publication of the forged SEBI letter as well as the price fall which occurred due to a clarification on media reports on Open Offer provided by P.S. Saminathan to the stock exchanges that he had not received any communication directing P. S. Saminathan to make open offer. In view of this SEBI had passed a final order against Nirmal Kotecha on March 22, 2018. The said SEBI order was challenged by Nirmal Kotecha by filing an Appeal No. 261 of 2018 before Hon'ble SAT which was dismissed by Hon'ble SAT vide its order dated March 02, 2020. Thus, the role of Nirmal Kotecha in devising a scheme to manipulate the scrip of PSTL stands established.

18. As noted above, SEBI conducted an investigation in the manipulation in the scrip of PSTL and initiated several proceedings vide separate show cause notices against the various entities found to be involved in the fraudulent scheme devised by Nirmal Kotecha. The details of the proceedings initiated by SEBI under Sections 11 and 11B of the SEBI Act where orders have been passed, is as follows:

<b>Sr. No</b>	<b>Name of the entity</b>	<b>Date of SEBI Order</b>	<b>Date of SAT Order</b>
1.	SCN dated 03.12.2013  Nirmal Kotecha	Final Order under Section 11 and 11B of SEBI Act dated March 22, 2018	SEBI Order was upheld by the SAT Order dated March 02, 2020
2.	SCN dated 16.01.2014  (Shah Group) 1. Mr. Rajesh Jayantilal Shah 2. Mr. Shailesh Jayantilal Shah 3. Mr. Nirmal Rohitbhai Shah 4. Mr. Devang R Shah 5. Ms. Ritaben Rohitkumar Shah 6. Mr. Jayantilal Ratilal Shah 7. Ms. Binaben Shaileshkumar Shah 8. Ms. Namitaben Sachinkumar Shah 9. Mr. Sachin Jayantilal Shah 10. Ms. Manishaben Rajeshkumar Shah 11. Ms. Jinny Nirmal Shah	Final Order under Section 11 and 11B of SEBI Act dated March 22, 2018	SEBI Order was upheld by the SAT Order dated March 17, 2020
3.	SCN dated 16.01.2014  1. Mr. Maheshbhai Himatlal Sheth 2. Mr. Deepak Thakkar 3. Mr. Raju G. Shah 4. Ms. Sharda Pujara 5. M/s. Meet Shares and	Final Order dated June 23, 2020 passed by SEBI under Sections 11 and 11B of the SEBI Act, 1992.	

	Services Pvt. Ltd. 6. Ms. Monali Harsh Doshi 7. Mr. Harsh Doshi 8. Mr. Mukesh Jain 9. Mr. Sanjay Gupta		
4.	SCN dated 02.12.2015  1. Mr. Darshan Desai 2. Mr. Nitin Goradia 3. Mr. Amit N. Joshi 4. Nikhil Securities Ltd. 5. Mr. Yatin B. Shah 6. Mr. Jayesh Shah 7. Mr. Rajesh Jani 8. Dynamic Stock Broking Pvt. Ltd. 9. Mr. Nimesh Chitalia	Final Order dated June 23, 2020 passed by SEBI under Sections 11 and 11B of the SEBI Act, 1992.	
5.	SCN dated 02.12.2015  1. Mr. Rakesh Sharma 2. Mr. Rajesh Unnikrishnan 3. Mr. Dharmesh Shah	Final Order dated June 23, 2020 passed by SEBI under Sections 11 and 11B of the SEBI Act, 1992.	
6.	SCN dated 07.12.2015  P.S. Saminathan	Final Order dated June 23, 2020 passed by SEBI under Sections 11 and 11B of the SEBI Act, 1992.	
7.	SCN dated 30.04.2015	Present proceedings	

19. I observe that in the SCN, the alleged connection of the Noticees with Nirmal Kotecha have been made through certain entities who were close conduits and associates of Nirmal Kotecha but are not Noticees in this SCN. I note that Yatin B. Shah is one such entity against whom separate proceedings have been initiated, vide show cause notice dated December 02, 2015. I note that in his statement recorded on July 27, 2010, Yatin B. Shah has stated



that Nirmal Kotecha is his friend and that he has known him for the past 5 to 6 years. He has stated that he knew Nirmal Kotecha as he was trading through ILF&S, and, at that point of time, he was introduced to Nirmal Kotecha by his friend Mahesh Pujara. He has also stated that he was previously in touch with Nirmal Kotecha for market information since he was an HNI trader. As per the Schedule of Loans and Advances as on March 31, 2007 made available by Nirmal Kotecha, it is seen that Nirmal Kotecha had given a loan of Rs. 20 lacs to Yatin B. Shah. I note that vide SEBI Order dated March 22, 2018 against Nirmal Kotecha, it was held that Yatin Shah is the connecting link between Nirmal Kotecha and Hardik Milanbhai Mithani (Noticee no. 3) and SPJ Stock Brokers Pvt. Limited (Noticee no. 6) etc. The said SEBI order dated March 22, 2018 was upheld by the Hon'ble SAT vide its order dated March 02, 2020. Hence, it is an established fact that Yatin B. Shah was a close conduit and associate of Nirmal Kotecha.

20. Further, that Darshan Desai is another such entity against whom separate proceedings have been initiated, vide show cause notice dated December 02, 2015. I note that he is the husband of Priyanka Darshan Desai (Noticee no. 4) and is also alleged to be the connecting entity for Falguni Jayesh Shah (Noticee no. 2), Priyanka Darshan Desai (Noticee no. 4) and Ankit Girishkumar Vasani (Noticees no. 7) in the SCN. In this regard, I note that in the SEBI Order dated March 22, 2018 against Nirmal Kotecha, it was held that:

*“14. As already noted in Issue A, Darshan Desai was a guarantor for several loans received by Amol Kokane. In cross-examination, Darshan Desai deposed that “On the instructions of Sandeep Gawhane in order to increase my broking business, I arranged for the loans and stood guarantor. Since the loan amount as well as the shares remained with ICMPL, I am secured”. Admittedly, Darshan Desai stood as a guarantor for loans given to his client Amol Kokane. This, he says, was based on the request of SG. As a sub-*

*broker, Darshan Desai primarily acted beyond the scope of his relationship with his client, thereby indicating that he was otherwise connected to SG and Amol Kokane – who were in turn connected to the Noticee. Moreover, the part of the statement that he arranged for the loans to AK’s account and that he stood as guarantor to increase his broking business, bears testimony to the conduct of Darshan Desai and to his eventual connection with NK. It is also relevant to note that Darshan Desai was admittedly operating the account of AK after the death of SG. Further, the opening of AK’s account is itself at the behest of the Noticee and it is apparent that SG and Darshan Desai were aware of these understandings with the Noticee.”*

I note that the said SEBI order was upheld by the Hon’ble SAT vide its order dated March 02, 2020. Hence, it is an established fact that Darshan Desai was a close conduit and associate of Nirmal Kotecha.

21. I shall now proceed to examine the connection of the Noticees with Nirmal Kotecha and the trading of each Noticee in the scrip of PSTL as to whether they have entered into trades that were in the nature of synchronized, circular, and reversal transactions and also deal with the submissions of the Noticee with regard to the alleged trading. It may be noted that for the purpose of examining reversal trades and / or circular trades in the present matter, the same were defined in the SCN as follows:
  - (i) Reversal trade: If a party bought 5,000 shares or more of PSTL from a counterparty and sold back 5,000 shares or more of PSTL to the same counterparty on a trading date, it is considered as reversal trade.
  - (ii) Circular trade: If Party A sold 25,000 shares or more of PSTL to Party B, Party B in turn sold 25,000 shares or more to Party C and Party C sold 25,000 shares or more back to Party A, it is considered as circular trade.
  
22. I note that the noticees were amongst the major trading clients in the scrip of

PSTL on BSE and NSE during the identified period in the SCN i.e. from June 1, 2008 to December 19, 2008, as under:

Noticee no.	Name of entity	Market Rank (on the basis of gross traded qty) on BSE	Market Rank (on the basis of gross traded qty) on NSE
1	Amol Anand Konkane	14	53
2	Falguni Jayesh Shah	40	-
3	Hardik Mithani	2	1
4	Priyanka Darshan Desai	28	138
5	Inventure Growth & Securities Limited	8	6
6	SPJ Stock Broker Pvt. Ltd.	1	-
7	Ankit Girishkumar Vasani	21	-
8	DKG Securities Pvt. Ltd.	3	2
9	APL Infrastructure Ltd.	16	43

23. The gross traded quantity of the noticees in the scrip of PSTL during June 1, 2008 to December 19, 2008 was compared with the market gross traded quantity during the same period on BSE and on NSE. The individual contribution of the Noticees on BSE and NSE are as given below:

**Table : Market concentration of noticees in PSTL shares on BSE**

S.No.	Name of entity	Buy quantity in market	Sell quantity in Market	Gross quantity in market	Gross Market Traded Qty	Percentage Contribution to Market
1	SPJ STOCK BROKER PVT LTD	2,746,250	2,746,275	5,492,525	85,550,058	6.42%
2	HARDIK MITHANI	1,795,004	1,795,004	3,590,008	85,550,058	4.20%
3	DKG SECURITIES PVT LTD	1,576,663	1,488,252	3,064,915	85,550,058	3.58%
4	INVENTURE GROWTH & SECURITIES LTD.	907,634	915,719	1,823,353	85,550,058	2.13%
5	AMOL ANAND KOKANE	459,084	421,974	881,058	85,550,058	1.03%
6	APL INFRASTRUCTURE PRIVATE LIM	434,248	151,960	586,208	85,550,058	0.69%

S.No.	Name of entity	Buy quantity in market	Sell quantity in Market	Gross quantity in market	Gross Market Traded Qty	Percentage Contribution to Market
7	ANKIT GIRISHKUMAR VASANI	224,367	224,367	448,734	85,550,058	0.52%
8	PRIYANKA DARSHAN DESAI	194,910	194,910	389,820	85,550,058	0.46%
9	FALGUNI JAYESH SHAH	140,265	140,265	280,530	85,550,058	0.33%
	<b>Gross Total</b>	<b>12,225,565</b>	<b>11,807,711</b>	<b>24,033,276</b>	<b>85,550,058</b>	<b>28.09%</b>

**Table: Market concentration of noticees in PSTL shares on NSE**

Sr. No.	Name of entity	Buy quantity in market	Sell quantity in Market	Gross quantity in market	Gross Market Traded Qty	Percentage Contribution to Market
1.	HARDIK M MITHANI	1,747,056	1,801,026	3,548,082	92,843,518	3.82%
2.	DKG SECURITIES PVT LTD.	1,381,895	1,543,197	2,925,092	92,843,518	3.15%
3.	INVENTURE GROWTH & SECURITIES LTD	802,953	793,998	1,596,951	92,843,518	1.72%
4.	APL INFRASTRUCTURE PRIVATE LIM	280,000	2,288	282,288	92,843,518	0.30%
5.	AMOL ANAND KOKANE	93,909	131,019	224,928	92,843,518	0.24%
6.	PRIYANKA DARSHAN DESAI	35,255	35,255	70,510	92,843,518	0.08%
	<b>Grand Total</b>	<b>4,341,068</b>	<b>4,306,783</b>	<b>8,647,851</b>	<b>92,843,518</b>	<b>9.31%</b>

24. I observe that some of the Noticees have individually contributed in a significant manner to the trading volume in the scrip of PSTL. Noticee no. 6 (SPJ Stock Brokers Pvt. Ltd) and Noticee no. 3 (Hardik Mithani) have individually contributed as much as 6.42% and 4.20%, respectively, of the gross market traded quantity during the relevant period in the scrip of PSTL on BSE. Further, Noticee no. 3 (Hardik Mithani) and Noticee no. 8 (DKG Securities Pvt. Ltd.) have individually contributed as much as 3.82% and 3.15%, respectively, of the gross market traded quantity during the relevant period in the scrip of PSTL on NSE. I shall now proceed to examine the

individual trade details of the Noticees.

25. **Amol Kokane (Noticee no. 1):** The SCN alleges that during the period June 2008 to December 2008, persons/ entities connected to Nirmal Kotecha through Amol Kokane were found to have had significant market presence in the scrip of PSTL in BSE and NSE. I observe that in his statement given to the Investigating Authority on February 27, 2009, Amol Kokane admitted that Nirmal Kotecha was operating all his accounts. In these statements and also during the hearing as well as in his reply/written submissions, Amol Kokane has admitted that his trading account was opened by his brother-in-law who was employed with Nirmal Kotecha and after the death of his brother-in-law - Sandeep Shripati Gavhane, Nirmal Kotecha was using his bank and trading accounts. He also admitted that his mobile phone was being used by the employee of Kotecha Capital Services Pvt. Ltd. and bills of that phone were also paid by them. Further, Amol Kokane in his statement claimed to have opened a share trading account with the broker M/s. India Capital Markets Pvt. Ltd. (hereinafter referred to as “**ICMPL**”) on the recommendation of his late brother-in-law, who was working as an accountant with M/s. Kotecha Capital Services Pvt. Ltd. He also stated that his brother-in-law was operating that account for his boss Nirmal Kotecha and that his brother-in-law used to take his signatures on forms and documents. Amol Kokane has stated that he does not have any idea about the share market, that he has never visited the broker’s office, and that he had never given any order (buy or sell) to the said broker. Further, he stated that his account was being operated by his brother-in-law, till his brother-in-law met with an accident on October 16, 2008 and had to be hospitalized. He further claimed that after the death of his brother-in-law on November 01, 2008, Nirmal Kotecha was operating his share trading account and also his bank account.
26. I note that while the recording of Amol Kokane’s statement by SEBI Investigating Authority was in progress at his residence on February 27,

2009, Nirmal Kotecha came to Amol Kokane's residence and directed him not to disclose any material information to SEBI officials and only to record the statement to the effect that he does not have any knowledge of anything in the matter of PSTL. He also advised him to say "I don't know" to any question that SEBI officials would ask him in the matter. Nirmal Kotecha was advised by the concerned officers of SEBI, that he should not interfere and disrupt the recording of the statement. However, he remained there and tried to influence Amol Kokane and prevented him from disclosing any further material information to SEBI. He also advised Amol Kokane to change his statement that had already been recorded. As a result, I note that further statement of Amol Kokane could not be recorded by SEBI officials. I note that as per Section 11C (7) of the SEBI Act, the statement of any person examined during investigation is admissible as evidence against him.

27. I observe that vide his statement to SEBI dated July 22, 2010, Nirmal Kotecha claimed that the mobile number 9819988816 belonged to him. However, as per the information obtained by SEBI from the telecom service provider (vodafone), the mobile number 9819988816 is registered in the name of Amol Kokane (resident of 622/B, Kushaba Kale Chawl, N.M. Joshi Marg, Byculla, Mumbai – 400027). I observe that Amol Kokane had claimed in his statement to SEBI that he is a student of an Engineering College at Navi Mumbai and that he did not have any personal income and the family's annual income as disclosed in the Client Registration form of the broker ICMPL was in the range of Rs.1-5 lacs only. On the other hand, it was found that cash payments of as high as Rs. 40,000/- in a month were made towards charges incurred on the aforesaid mobile number 9819988816. I note that Amol Kokane has submitted in his statement to SEBI that the mobile number 9819988816, which was registered in his name, was never used by him nor his brother-in-law, but was used by his brother-in-law's office staff at M/s. Kotecha Capital Services Pvt. Ltd.

28. I observe from the fund trail of Amol Kokane's bank account held with Bank of India, D.N. Road branch (A/c no. 001710100058428) that he had received Rs. 10 lakhs from the bank account of one M/s. Om Associates held with Axis Bank on September 10, 2008. I find that Nirmal Kotecha was the ultimate beneficiary of the Rs. 10 lakhs that were transferred from M/s. Om Associates' account to Amol Kokane's account on September 10, 2008. It is noted that these funds were ultimately routed to the stock market through the broker M/s. India Capital Market Pvt. Ltd. Thus, the funds which were routed to the stock market through the account of Amol Kokane and M/s Om Associates belonged to Nirmal Kotecha. I also observe that Amol Kokane had traded in the scrips of PSTL, Usher Agro, SEL Mfg., Suzlon Energy, Akruti City, RIL, REL, Unitech Ltd. etc. through the broker M/s. India Capital Markets Pvt. Ltd. It is noted that the client account of Amol Kokane with the broker M/s. India Capital Market Pvt. Ltd. was opened in his name on September 12, 2008, and on the very same day, I observe that Nirmal Kotecha too had opened a new client account with M/s. India Capital Market Pvt. Ltd.
29. Further, from a perusal of the statement of the Bank of India account of Amol Kokane for the period September-October 2008, I observe that funds were transferred to the account of the Noticee through cheques issued from the bank accounts of various persons/entities. It is seen that one such cheque no. 769790 for Rs. 18 lakhs drawn on Indian Overseas Bank, Kalbadevi branch was credited in the bank account of Amol Kokane on October 15, 2008. The said cheque was issued to the Noticee by Classic Enterprises. The pay-in-slip dated October 14, 2008 used for depositing the said cheque into the account of Amol Kokane was not deposited at D.N. Road branch of Bank of India where Amol Kokane's account was but was deposited at the Bandra Kurla Complex branch of Bank of India. Further, I observe that on the said pay-in-slip, local contact phone number details were mentioned as: Tel Number: 22886202 and Mobile Number: 9867076307. I note that

investigation had revealed that the landline number 22886202 mentioned on the pay-in-slip was the landline number of M/s. Kotecha Capital Services Pvt. Ltd and the mobile number 9867076307 mentioned on the pay-in-slip belonged to one Ghanshyam Yadav, who worked as a peon of Nirmal Kotecha at Kotecha Capital Services Pvt. Ltd. Further, Amol Kokane in his statement dated June 25, 2009 also stated that he has not filed any Income Tax and has also not paid any advance tax. Thus, I observe that Amol Kokane's trading account as well as bank account was operated on behalf of Nirmal Kotecha.

30. In this regard, Amol Kokane has contended that that he had subscribed to a mobile connection in his name on the request of his late brother in law, which was supposed to be used by his brother in law for office purposes and that he has never made any calls, or received any calls or paid any of its bills. That it is only after the investigations that he came to know that his number was being used by Nirmal Kotecha. Further, he has contended that no negative inference can be drawn against him with regard to his ignorance of the state of affairs of his trading and banking account. However, I find the submissions of Amol Kokane as untenable. I find that Amol Kokane opened a mobile connection and a bank and trading account without supposedly enquiring about the status or use of such accounts/connection. I find that in his reply dated September 23, 2019, he has submitted that he had gotten to know about the use of the accounts only after the SEBI investigation. However, during his statements before the Investigating Officer on February 27, 2009, he had stated that he was aware that his mobile number was being used by an employee of M/s. Kotecha Capital Services Pvt. Ltd. Hence, I find contradiction in his statements and replies. Further, even if such accounts were opened for the sake of his brother in law, I find that he should have enquired about these accounts/connections. Hence, I find that Amol Kokane was not ignorant of such facts. I find that Amol Kokane acted as the front entity of Nirmal Kotecha to camouflage his nefarious activities. Further, the



attempt of Nirmal Kotecha to prevent SEBI Investigating Officer from obtaining relevant information by actively interfering in the information gathering process of SEBI as seen from his meddling while SEBI recorded the statement of Amol Kokane on February 27, 2009, further supports this allegation that Amol Kokane was acting as front entity of Nirmal Kotecha, especially since Amol Kokane decided to stop giving further statements after that.

31. With regard to the trading by Amol Kokane, I observe that it was Darshan Desai who was operating the accounts of Amol Kokane on behalf of Nirmal Kotecha. In this regard, I note that during the period from June 1, 2008 to December 19, 2008, Amol Kokane had purchased 4,59,084 shares and sold 4,21,974 shares on **BSE**. Examination of the major counterparties of Amol Kokane revealed that he had purchased from the following major selling clients i.e. Noticee no. 4 (65,089 shares), Noticee no. 7 (33,607 shares), Noticee no. 8 (31,538 shares), Noticee no. 5 (29,841 shares) and Sykes & Ray Equities (I) Ltd. (19,668 shares). Amol Kokane sold to the following major buying clients i.e. Noticee no. 7 (84,464 shares), Noticee no. 2 (66,451 shares), Noticee no. 4 (42,475 shares), Noticee no. 5 (31,898 shares) and Sykes & Ray Equities (I) Ltd. (15,254 shares). Further, during the period from June 1, 2008 to December 19, 2008, Amol Kokane had purchased 93,009 shares and sold 1,31,019 shares on **NSE**. Examination of the major counterparties of Amol Kokane revealed that he had purchased from the following major selling clients i.e. Tejaswy Nandury (9,807 shares), Radhika Dipan Mehta (6,759 shares), Noticee no. 5 (6,421 shares), Photon Capital Advisors Ltd. (5,175 shares) and Sykes & Ray Equities (I) Ltd. (5,090 shares). The Noticee sold to the following major buying clients namely Radhika Dipan Mehta (7,576 shares), Noticee no. 5 (7,005 shares), Citigroup Global Market Mauritius Pvt. Ltd. (5,526 shares), Dinesh H Ambawat (4,998 shares) and Sykes & Ray Equities (I) Ltd. (4,379 shares).

32. I observe that Amol Kokane had bought and sold the scrip of PSTL majorly from / to the same counterparties namely Noticee no. 4, Noticee no. 7 and Noticee no. 5. Examination of the trades of Amol Kokane with Noticee no. 4, Noticee no. 7 and Noticee no. 5 on a sample basis revealed that these trades were in the nature of synchronized, circular, reversal and structured transactions. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

**Reversal trading:**

- (i) On November 3, 2008 Noticee no. 4 sold 27,902 shares of PSTL through 11 trades to Amol Kokane on BSE. On the same day, Noticee no. 4 bought back 36,753 shares through 4 trades from Amol Kokane on BSE. I observe that the orders were placed by Amol Kokane and Noticee no. 4 in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.
  
- (ii) On November 04, 2008 Noticee no. 4 sold 37,087 shares of PSTL through 12 trades to Amol Kokane on BSE. On the same day, Noticee no. 4 bought back 5,722 shares through 2 trades from Amol Kokane on BSE.

**Circular Trading:**

- (i) On November 04, 2008, Amol Kokane sold 40,363 shares of PSTL to Noticee no. 7. On the same day, Noticee no. 7 sold 41,019 shares to Noticee no. 8 who in turn sold 31,538 shares to Amol Kokane. I observe that this circular transaction involved 29 trades between the three Noticees and that many of these trades between Amol Kokane resulted from synchronized orders placed by them.

**Synchronized Trading:**

- (i) From the trade log it is found that there were 11 trades through which Amol Kokane purchased 27,902 shares from Noticee no. 4, out of which

as many as 19,674 shares were purchased through five trades. On November 03, 2008, Amol Kokane purchased 6,000 shares vide trade no. 2580 from Noticee no. 4 at Rs. 49.75 per share at 2:40:24 P.M. The aforesaid trades revealed that

- a) At 2:40:19 P.M., Priyanka Darshan Desai placed a sell order, through the broker Venture Broking Pvt. Ltd. for 6,000 shares at Rs. 49.75 per share.
- b) At 2:40:24 P.M., (after 5 seconds) Amol Kokane placed a buy order through the broker India Capital Markets Pvt. Ltd. for 7,000 shares at Rs. 50.00 per share.
- c) At 2:40:24 P.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 49.75 per share) for traded quantity of 6,000 shares.

33. I note that the sell order was placed earlier than the buy order. Therefore, the sell order became the passive order in the order book of the stock exchange and the buy order which was placed later was the active order. I note that as per the order matching mechanism of BSE (as well as NSE), if the active order is placed at a better rate than the passive order, the orders get matched and the trade gets executed at the passive order rate. Thus, in the instant case, though the buy order was placed at a rate higher than the sell order, the trade got executed at the passive order rate. Hence, it appears that the parties tried to hoodwink the surveillance mechanism of the stock exchange by placing the buy order and sell order at different rates and at the same time attempted to ensure that their orders got matched with each other by using the order matching logic of the stock exchange to their advantage. The balance portion of 1,000 shares of Amol Kokane's buy order got matched with 29 third parties through trades of 250 shares or less each. These third parties placed sell orders before 2:40:24 P.M. at a price less than or equal to Rs.50.00 per share.

34. Thus, I find that Noticee no. 4 and Amol Kokane had executed synchronized

reversal transactions. I note that the Hon'ble SAT in **Ketan Parekh vs. SEBI** (Order dated July 14, 2006 in Appeal No. 2 of 2004) had held that:

*“20. .... “A synchronized trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronized deal depending on the time when the buy and sell orders are placed. ....”*

The Hon'ble Tribunal further held that:

*“20. .... As already observed ‘synchronization’ or a negotiated deal ipso facto is not illegal. A synchronized transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties.”*

35. I observe that the aforesaid trades of Noticee no. 4 were executed by Darshan Desai through the broker Venture Broking. The trades of Amol

Kokane were also executed by Darshan Desai, but, through ICMPL, during the period October 27, 2008 to November 17, 2008. Therefore, during the said period, I find that it was Darshan Desai himself who was executing the trades in the name of both viz. his wife Priyanka Desai, through Venture Broking, and, Amol Kokane, through ICMPL, which had matched. Therefore, I observe that though these trades prima-facie show transfer of beneficial ownership, if we lift the veil, it is clear that it was Darshan Desai himself who was taking both the buy and sell decisions for the trades between Amol Kokane and Noticee no. 4. Thus, I find that these trades were not genuine and an attempt by Nirmal Kotecha and Darshan Desai to mislead unsuspecting investors.

36. In this regard, I note that vide SEBI order dated March 22, 2018 against Nirmal Kotecha in the matter of PSTL, it was *inter alia* held that neither Amol Kokane nor his brother in law had the financial strength to put through trades of the magnitude alleged against them and that it was Nirmal Kotecha who was using the mobile number and the trading and bank accounts of Amol Kokane for his fraudulent trades in PSTL. Thus, it was held that Nirmal Kotecha had contravened the provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 and Regulation 3(a), 3(b), 3(c), 3(d), 4(1) 4(2)(a), (b), (d), (e), (f), (g), (k) & (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. The same has been upheld by the Hon'ble SAT vide its order dated March 02, 2020, in Appeal No. 261 of 2018, wherein, it was held that:

*“20. Thus, the fact that the mobile number of Mr. Amol Kokane was being used by the appellant, the fact that the said Mr. Amol Kokane’s brother-in-law Mr. Sandeep Gavhane was working with the appellant, said Mr. Sandeep Gavhane did not have any wherewithal for transacting into the shares of the PSTL worth crore of rupees would clearly show that the account of Mr. Amol Kokane was used as front by the appellant for carrying transactions in the shares of the PSTL.”*

Further, with regard to trades of Amol Kokane, it was also held that:

*“21. The details of the synchronized and reversal trades with various entities are detailed by the WTM from paragraph No. 4.26 (7) to (27) of the impugned order. These details would show that from the account of Mr. Amol Kokane synchronized trades were made in PSTL continuously within a short period ranging from minutes to a day, with various entities and between themselves as detailed in the impugned order.”*

37. In view of the above, I find that Amol Kokane was acting as the front entity for Nirmal Kotecha, who had used the accounts (trading and bank account) and mobile number registered in the name of Amol Kokane for the purpose of carrying out fraudulent activities in the scrip of PSTL. Further, I find that Amol Kokane had knowingly opened these accounts and mobile number for which he claims was for his brother in law to operate, and after the death of his brother in law he has admitted that the same was operated by Nirmal Kotecha. Hence, I find that Amol Kokane has aided and abetted Nirmal Kotecha and acted as a conduit for trading and fund transfers by Nirmal Kotecha in the scrip of PSTL. Hence, I find that Noticee no. 1 (Amol Kokane) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.
38. **Falguni Jayesh Shah (Noticee no. 2):** Falguni J. Shah had stated that her husband Jayesh Kumar Chimanlal Shah (hereinafter referred to as “**Jayesh Shah**”) was doing trading in her name. I note that on behalf of Falguni J. Shah, her husband Jayesh Shah appeared for statement recording before the Investigating Authority. Jayesh Shah vide his statement dated March 18, 2010, stated that he did not know Amol Kokane or Nirmal Kotecha. He further stated that one Piyush Shah had introduced him to Darshan Desai and also opened the trading account with Darshan Desai for carrying out day trading. I observe that Jayesh Shah in his statements had declared his mobile number

as 9324594069 and landline number as 20393631, however, I note that the mobile number 9322494242 was also registered in his name. Further, I observe that Jayesh Shah was in communication through his aforesaid numbers with Darshan Desai and Piyush Shah during the relevant period. I also observe that the Falguni J. Shah's account with The Kapol Co-op. Bank Ltd. shows receipt of Rs. 4,76,340/- on Jan 23, 2008 from the account of one Nitin Goradia HUF and the said funds were transferred to ICMPL on Jan 24, 2008. The Borivali (West) branch of ICMPL was being run from 202, B Wing, Goyal Shopping Centre, Borivali (West), Mumbai – 400092, which was the premises owned by the said Nitin Goradia and lent on leave and license basis to ICMPL.

39. In this regard, as noted in the aforesaid paras, it has already been established that Darshan Desai is a close conduit and associate of Nirmal Kotecha and I also note that separate proceedings have been initiated against Nitin Goradia and Darshan Desai in the matter of PSTL vide show cause notice dated December 02, 2015 for facilitating Nirmal Kotecha in the manipulation contrived to create artificial volumes in the PSTL scrip. I find the fact that Nitin Goradia HUF had transferred funds from his account to the account of Falguni J. Shah, which in turn, were transferred to ICMPL, brings to light the fact that Falguni J. Shah was also one of the fronts of Nitin Goradia. Hence, I find that Falguni J. Shah was indirectly connected/associated with Nirmal Kotecha through her husband Jayesh Shah, who in turn, was in touch with Darshan Desai.
40. I observe that Jayesh Shah had opened a trading account with Darshan Desai and more than 50% of trades of Falguni J. Shah were matched within the group associated with Nirmal Kotecha i.e. they were largely trading within the group. In this regard, I observe that during the period from June 1, 2008 to December 19, 2008, Falguni J. Shah had purchased 1,40,265 shares and sold 1,40,265 shares on BSE. Examination of the major counterparties of

Falguni J. Shah revealed that she had purchased from the following major selling clients i.e. Noticee no. 1 (66,451 shares), Noticee no. 4 (44,696 shares), Noticee no. 7 (3,987 shares), Sykes & Ray Equities (I) Ltd. (2,782 shares) and Multi Stock Broking Pvt. Ltd. (2,432 shares). Falguni J. Shah sold to the following major buying clients i.e. Noticee no. 4 (45,847 shares), Sykes & Ray Equities (I) Ltd. (12,753 shares), Multi Stock Broking Pvt. Ltd. (12,556 shares), Radhika Mehta (7,909 shares) and Noticee no. 5 (7,015 shares).

41. I observe that Falguni J. Shah had bought and sold majorly from/to the same counterparty i.e. Noticee no. 4 (Priyanka Darshan Desai) who is the wife of Darshan Desai, a close associate of Nirmal Kotecha. I observe that Falguni J. Shah had entered into various trades in the nature of synchronized and reversal transactions with Noticee no. 4. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

**Reversal Trades:**

- (i) On November 3, 2008, Falguni J. Shah sold 20,000 shares of PSTL through one trade to Priyanka Darshan Desai on BSE. On the same day, Falguni J. Shah bought back 19,900 shares through 2 trades from Priyanka Darshan Desai on BSE. Further, on November 4, 2008 Falguni J. Shah sold 25,847 shares of PSTL through 3 trades to Priyanka Darshan Desai on BSE. On the same day, Falguni J. Shah bought back 24,796 shares through 4 trades from Priyanka Darshan Desai on BSE. Some of the orders placed by Falguni J. Shah and Priyanka Darshan Desai which resulted in large quantities of shares being traded amongst them were examined on a random and test check basis. The examination revealed that the orders were placed by Falguni J. Shah and Priyanka Darshan Desai in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.



**Synchronized Trading:**

- (i) From the trade log it is seen that on November 3, 2008, Falguni J. Shah sold 20,000 shares vide trade no. 3650 to Priyanka Darshan Desai at Rs. 51.50 per share at 3:20:12 P.M. Examination of the orders relating to the aforesaid trade revealed that:
- a) At 3:20:08 P.M., Falguni J. Shah placed a sell order, through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 51.50 per share.
  - b) At 3:20:12 P.M., (after 4 second) Priyanka Darshan Desai placed a buy order through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.60 per share.
  - c) At 3:20:12 P.M., the aforesaid buy and sell order matched at the passive order rate (i.e. 51.50 per share) for trade quantity of 20,000 shares.

The aforesaid transaction was reversed through the following order / transactions:

- (i) At 3:20:47 P.M., Priyanka Darshan Desai placed a sell order, through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.55 per share.
- (ii) At 3:20:52 P.M., (after 5 second) Falguni J. Shah placed a buy order through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 52 per share.
- (iii) At 3:20:52 P.M., out of the buy order of Falguni J. Shah, 599 shares got matched with third parties and the balance 19,401 shares of Falguni J. Shah's buy order got matched with the sell order of Priyanka Darshan Desai at 3:20:52 P.M., at the passive order rate (i.e. 51.55 per share) vide trade no. 3655.

(ii) From the trade log it is seen that there were three trades through which Priyanka Darshan Desai purchased 25,847 shares from Falguni J. Shah out of which as many as 25,000 shares were purchased through one trade. Accordingly, the manner in which the orders which resulted in the trade were placed, were examined on a sample basis. The observations in this regard are given below:

a) On November 04, 2008, Priyanka Darshan Desai purchased 25,000 shares vide trade no. 3404 from Falguni J. Shah at Rs.58.75 per share at 02:57:47 P.M. Examination of the orders relating to the aforesaid trade revealed that:

- 1) At 02:57:43 P.M., Falguni J. Shah placed a sell order, through the broker B. N. Rathi Securities Ltd., for 25,000 shares at Rs. 58.75 per share.
- 2) At 02:57:46 P.M., (after 3 seconds) Priyanka Darshan Desai placed a buy order through the broker Venture Broking Pvt. Ltd., for 25,000 shares at Rs. 60.00 per share.
- 3) At 02:57:47 P.M., the aforesaid buy and sell order got matched at passive order rate (i.e. 58.75 per share) for traded quantity of 25,000 shares.

(iii) It is noted that the sell order was placed earlier than the buy order. Therefore, the sell order became the passive order in the order book of the stock exchange and the buy order which was placed later was the active order. As per the order matching mechanism of BSE (as well as NSE), if the active order is placed at a better rate than the passive order, the orders get matched and the trade gets executed at the passive order rate. Thus, in the instant case, though the buy order was placed at a rate higher than the sell order, the trade got executed at the passive order rate. I find that the parties tried to hoodwink the surveillance mechanism of the stock exchange by placing the buy order and sell order at different rates and at the same time attempted to

ensure that their orders got matched with each other by using the order matching logic of the stock exchange to their advantage. From the above examination of the order log and trade log analysis, it is alleged that on November 4, 2008, Falguni J. Shah had sold PSTL shares to Priyanka Darshan Desai by executing synchronized trades.

42. I note that Falguni J. Shah has not filed any reply to the SCN and the allegations of reversal or synchronized trading therein. Be that as it may, from the statements made by Falguni J. Shah before the Investigating Authority and the evidence of trades executed by Falguni J. Shah as alleged in the SCN, available before me, I find that Falguni J. Shah's husband is associated with Darshan Desai who was closely connected to Nirmal Kotecha and hence, I find that Falguni J. Shah is indirectly connected to Nirmal Kotecha. In this regard, I note that separate proceedings have also been initiated against Jayesh Shah vide show cause notice dated December 02, 2015.
  
43. Further, from the details of the trades executed by Falguni J. Shah in the foregoing paras, I find that Falguni J. Shah has entered into reversal and synchronized trades with Priyanka Desai, who is the wife of Darshan Desai. In this regard, I observe that Jayesh Shah who was trading on behalf of his wife Falguni J. Shah, was trading with Priyanka Desai, the wife of Darshan Desai. Darshan Desai is known to Jayesh Shah and was in telephonic communication with him during the relevant period. Further, I note that Priyanka Desai vide her statement recorded on March 18, 2010, had submitted that it was her husband Darshan Desai who had traded in her name. Hence, I find that Jayesh Shah was indirectly trading with Darshan Desai in the names of their respective wives and given that they are known to each other and were in telephonic communication with each other during the relevant period, it is clear that there was meeting of minds between the two and they entered into synchronized trades with each other. In view of the

above, I find that the Noticee no. 2 (Falguni J. Shah) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

44. **Hardik Milanbhai Mithani and Milan Javyantilal Mithani (Noticee no. 3 and 10)**: Milan Javyantilal Mithani (hereinafter referred to as “**Milan**”), the father of Hardik Milanbhai Mithani (hereinafter referred to as “**Hardik**”) had appeared before the Investigating Authority for statement recording on behalf of his son on April 06, 2010 and submitted that he had done all the trading for his son who was just a student. Milan has stated that he was doing arbitraging and jobbing in various scrip including PSTL and most of the trades were in the nature of day trading in the shares of PSTL. He claimed that he did not know Inventure Growth and Securities Ltd., DKG Securities Pvt. Ltd. and SPJ Stock Brokers Pvt. Ltd., with whom he is alleged to have traded. It has also been alleged in the SCN that Milan was in telephonic communication with Yatin B. Shah, a close associate of Nirmal Kotecha against whom separate proceedings have been initiated vide show cause notice dated December 02, 2015. Milan vide his reply dated June 09, 2015, has admitted that he knew Yatin B. Shah as he hails from the same city as Yatin B. Shah’s wife. Hence, I find that Milan is indirectly associated with Nirmal Kotecha. Further, the relationship of Hardik is also established with Nirmal Kotecha as he is the son of Milan who has submitted that he was doing all the trades on behalf of his son Hardik.
45. I note that during the period from June 1, 2008 to December 19, 2008, Hardik had purchased 17,95,004 shares and sold 17,95,004 shares on **BSE**. Examination of the major counterparties of Hardik revealed that he had purchased from the following major selling clients i.e. Noticee no. 6 (4,48,856 shares), Matterhorn India Fund (1,46,670 shares), Noticee no. 8 (1,18,515 shares), BK Shah (98,254 shares) and Comet Investment Pvt. Ltd. (48,848 shares). Hardik sold to the following major buying clients namely Noticee no.

6 (3,40,103 shares), BK Shah (1,12,103 shares), Noticee no. 8 (84,159 shares), Standard Securities & Investment Intermediates Ltd. (63,183 shares) and MBL & Co. Ltd. (61,713 shares). Further, during the period from June 1, 2008 to December 19, 2008, Hardik had purchased 17,47,056 shares and sold 18,01,026 shares on **NSE**. Examination of the major counterparties of Hardik revealed that he had purchased shares from the following major selling clients namely Noticee no. 8 (5,79,838 shares), Matterhorn Advisory Singapore PTE Ltd. (1,79,056 shares), Deshpande Sowmya Gautam (1,74,450 shares), B.K. Shah & Co. (73,915 shares) and Bhadresh T Mehta (39,332 shares). Hardik sold to the following major buying clients namely B.K. Shah & Co. (1,38,872 shares), MBL & Co. Ltd. (76,652 shares), Transglobal Securities Ltd. (72,624 shares), Standard Securities & Investment Intermediates Ltd. (72,360 shares) and FNIL A/C. Copthall Mauritius Investments Ltd. (65,283 shares).

46. I observe that Hardik had bought and sold majorly from/to the same counterparties i.e. Noticee no. 6 and Noticee no. 8. I note that an examination of the trades of Hardik Mithani with Noticee no. 6 and Noticee no. 8 on a sample basis revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances of such transactions brought out in the SCN. Some of them are as under:

**Reversal Trades:**

- (i) On July 8, 2008 Hardik sold 9,191 shares through 16 trades to Noticee no. 6 on BSE. On the same day, Hardik bought back 45,920 shares through 13 trades from Noticee no. 6 on BSE.
  
- (ii) On July 9, 2008 Hardik sold 36,892 shares through 4 trades to Noticee no. 6 on BSE. On the same day, Hardik bought back 67,174 shares through 3 trades from Noticee no. 6 on BSE.

Thus I find that Hardik and Noticee no. 6 had done reversal transactions in PSTL shares on July 8 and 9, 2008 on BSE. I observe that many of the orders placed by Noticee no. 6 and Hardik resulted in large quantities of shares being traded amongst them were in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.

**Synchronized Trades:**

- (i) From the trade logs on **July 04, 2008**, it is seen that there were 25 trades through which Noticee no. 6 purchased 64,482 shares from Hardik. I note that on a sample analysis of the order log and trade log, it was found that Noticee no. 6 had purchased as many as 44,333 shares from Hardik through two trades on July 04, 2008. The details of the trades are as under:
- a. On July 04, 2008, Noticee no. 6 purchased 21,419 shares vide trade no. 8239 and further purchased 22,914 shares vide trade no. 8243 from Hardik at Rs.183.00 per share at 11:21:44 A.M. Examination of the orders relating to the aforesaid trades revealed that
    - i. At 11:21:06 A.M., Noticee no. 6 placed a buy order, through the broker UPSE Securities Ltd., for 25,000 shares at Rs.183.00 per share.
    - ii. Thereafter, at 11:21:13 A.M., Noticee no. 6 placed another buy order, through the broker UPSE Securities Ltd., for 25,000 shares at Rs.183.00 per share.
    - iii. At 11:21:44 A.M., (after 31 seconds) Hardik placed a sell order through the broker ARCADIA Shares and Stock, for 47,540 shares at Rs.183.00 per share.
    - iv. At 11:21:44 A.M., the aforesaid buy and sell orders got matched at the common order rate (i.e. 183.00 per share) for trade quantity of 44,333 shares.
    - v. Out of the sell order of 47,540 shares placed by Hardik, 44,333 shares got traded against the buy order of Noticee no.

6. Out of the remaining sell order quantity of 3207 shares, 207 shares got traded with the buy orders placed by six third parties and 3000 shares got traded against the following two buy orders placed by Chimanlal Manecklal Securities Pvt. Ltd.

(ii) From the trade logs on **July 07, 2008**, it is seen that there were 48 trades through which Hardik had purchased 1,35,484 shares from Noticee no. 6. I note that on a sample analysis of the order log and trade log, it was found that Hardik had purchased as many as 68,931 shares from Noticee no. 6 through five trades on July 07, 2008. The details of one of such trades are as under:

a. On July 07, 2008, Hardik purchased 24,990 shares vide trade no. 10362 from Noticee no. 6 at Rs.181.40 per share at 1:35:05 P.M. Examination of the orders relating to the aforesaid trade revealed that:

- i. At 1:34:54 P.M., Noticee no. 6 placed a sell order, in its proprietary account for 25,000 shares at Rs.181.40 per share.
- ii. At 1:35:05 P.M., (after 11 seconds) Hardik placed a buy order through the broker Arcadia Share & Stock Broker for 25,000 shares at Rs.181.40 per share.
- iii. At 1:35:05 P.M., the aforesaid buy and sell order matched at the common order rate (i.e. 181.40 per share) for trade quantity of 24,990 shares.
- iv. The balance portion of 10 shares of sell order Noticee no. 6 and the balance portion of 10 shares of buy order of Hardik got matched with third parties.

(iii) Further, from the trade logs on **July 09, 2008**, it is seen that there were three trades through which Hardik purchased 67,174 shares from Noticee no. 6 out of which 67,173 shares were purchased by Hardik from Noticee no. 6 through two trades. Accordingly, the manner in which the orders

which resulted in the two trades were placed, were examined. The observations in this regard are given below:

a) On July 09, 2008, Hardik purchased 46,513 shares vide trade no. 3292 from Noticee no. 6 at Rs.160.10 per share at 10:57:55 A.M. Further Hardik purchased 20,660 shares vide trade no 3299 from Noticee no. 6 at Rs. 160.10 per share at 10:58:03 A.M. Examination of the orders relating to the aforesaid trades revealed that:

- 1) At 10:57:38 A.M., Noticee no. 6 placed a sell order in its proprietary account for 70,000 shares at Rs. 160.10 per share.
- 2) At 10:57:54 A.M., (after 16 seconds) Hardik placed a buy order, through the broker Arcadia Shares and Stock for 50,000 shares at Rs.161.00 per share.
- 3) At 10:57:55 A.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 160.10 per share) for 46,513 shares vide trade no. 3292. The balance portion of buy order i.e 3,487 shares of Hardik got matched with third parties who placed their sell orders between 10:56:15 A.M. to 10:57:53 A.M. at a price range of Rs. 159.95 to Rs. 161.00 per share through 12 trades.
- 4) Out of the sell order of Noticee no. 6, 23,487 shares (i.e. 70,000 minus 46,513) remained unexecuted. Against this, at 10:58:02 A.M., (after 7 seconds) Hardik placed another buy order, through the broker Arcadia Shares and Stock for 25,000 shares at Rs.161.00 per share.
- 5) At 10:58:03 A.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 160.10 per share) for 20,660 shares vide trade no. 3299. It may be mentioned that the sell order was placed earlier than the buy order.
- 6) The balance portion of buy order of Hardik i.e. 4,340 shares (25,000 minus 20,660), got traded with third parties and thereafter, at 10:58:08 A.M., (i.e. after 5 second from



execution of trade for 20,660 shares between Noticee no. 6 and Hardik) Noticee no. 6 deleted the unexecuted portion of its sell order i.e. Noticee no. 6 deleted 2,827 shares (70,000 minus 67,173).

- 7) I note that the sell order became the passive order in the order book of the stock exchange and the buy order which was placed later was the active order. As per the order matching mechanism of BSE (as well as NSE), if the active order is placed at a better rate than the passive order, the orders get matched at the passive order rate and the trade gets executed. Thus, in the instant case, though the buy order was placed at a rate higher than the sell order, the trade got executed at the passive order rate. I find that the parties tried to hoodwink the surveillance mechanism of the stock exchange by placing the buy order and sell order at different rates and at the same time attempted to ensure that their orders got matched with each other by using the order matching logic of the stock exchange to their advantage.
47. I note that the buy orders which resulted in cumulative traded quantity of 5,000 shares or more along with a cumulative positive price impact of 25 paisa or more as compared to the last traded price (LTP) were examined in the SCN. In this regard, I note that Hardik had placed 15 buy orders in PSTL shares on December 19, 2008 on BSE and out of these 15, he placed five buy orders for 5000 shares or more each. I observe that out of the five buy orders placed by Hardik, four buy orders were placed above LTP for 45,000 shares. These orders put above LTP were partly executed and these trades caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008. Further, I note that Hardik had placed 11 buy orders in PSTL shares on December 19, 2008 on NSE and out of these 11 buy order, six buy orders were placed for quantities of 5,000 shares or more. I observe

that out of the six buy orders placed by Hardik, five buy orders were placed above or at LTP for 46,114 shares. Out of the same, 32,400 shares got executed and he deleted the unexecuted portion of 13,714 shares. Further it is seen that he had placed one buy order below LTP for 10,000 shares out of which 4,391 shares got traded and he deleted the unexecuted portion of 5,609 shares. Hence, I find that the four orders put above LTP caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008.

48. In regard to the trades as alleged in the SCN, Milan who has claimed to have traded on behalf of his son Hardik, had submitted that he had undertaken larger volumes on BSE and NSE, therefore, some transactions were bound to match with traders with whom purchase or sale transactions had been executed. Further, that he had made net loss in the transactions of PSTL and he has not benefitted financially nor offloaded any shares of PSTL in the market. He contended that he has not indulged in any synchronized trades and has not executed any fraudulent/fictitious trades with entities associated with Nirmal Kotecha.
49. In this regard, I observe that the Hardik has done multiple trades on multiple occasions with Noticee no. 6 in the scrip of PSTL. Hence, I find the submissions of the Noticee untenable as just from the transactions entered into between Hardik and Noticee no. 6, as brought out in the foregoing paras, it is evident that Hardik had connection with the counter party as he has executed large number of synchronized trades. Further, I find that the execution of trades by Hardik was not an isolated instance but multiple numbers of such transactions were carried out with multiple entities associated with Nirmal Kotecha, which clearly establishes the malafide intent of Hardik and his association with Nirmal Kotecha group. Further, I find that Hardik had also placed buy orders above the LTP which caused a positive impact on the traded price of PSTL shares on BSE on December 19,

2008. Accordingly, since Milan has submitted that he had traded on behalf of his son, I find that the malafide intent of Milan is also established. Hence, I find that the trading pattern created artificial volume and artificial price rise in the scrip of PSTL which leads to the malafide intention of Hardik and Milan. I note that the Hon'ble SAT in **Ketan Parekh vs. SEBI** (Order dated July 14, 2006 in Appeal No. 2 of 2004) had held that:

*"... in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available."*

50. Further, I note that direct evidence is rarely forthcoming in cases of synchronized trades and the evidence must be based on the facts and circumstances of each case. In this regard, I place reference on the Order of the Hon'ble Supreme Court, in the matter **SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368** wherein, it had held that:

*".....While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt."*

51. Thus, from the aforesaid transactions of Hardik that were done by his father Milan, I find that Hardik had entered into reversal synchronized trades with entities associated with Nirmal Kotecha. In view of the above, I find that Noticee no. 3 (Hardik Milanbhai Mithani) and Noticee no. 10 (Milan

Javyantilal Mithani) have violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

52. **Priyanka Darshan Desai (Noticee no. 4):** Priyanka Darshan Desai (hereinafter referred to as “**Priyanka**”) is the wife of Darshan Desai, in whose name the Borivali (West) branch of IC MPL was registered. In her statement recorded on March 18, 2010 she had stated that her husband Darshan Desai did all the trading in her name and that wherever her husband told her to sign, she signed. Further, she had stated that Nitin Goradia, a conduit and close associate of Nirmal Kotecha, was her Chartered Accountant. Accordingly, given that her husband and Chartered Accountant are both close associates of Nirmal Kotecha, I find that Priyanka is indirectly connected to Nirmal Kotecha.

53. I observe that more than 50% of the trades of Priyanka were matched within the group associated with Nirmal Kotecha i.e. she was largely trading within the group. In this regard, I observed that during the period from June 1, 2008 to December 19, 2008, Priyanka had purchased 1,94,910 shares and sold 1,94,910 shares on BSE. Examination of the major counterparties of Priyanka revealed that she had purchased from the following major selling clients i.e. Noticee no. 2 (45,847 shares), Noticee no. 1 (42,475 shares), Kotak Mahindra Mutual Fund A/C K-30 (9,260 shares) and Noticee no. 5 (6,249 shares). I also note that Priyanka sold to the following major buying clients i.e. Noticee no. 1 (65,089 shares), Noticee no. 2 (44,696 shares), Hari Shankar (8,378 shares), Bijal Madhani HUF (5,000 shares) and M. P. Vora Shares & Sec Pvt. Ltd. (4,975 shares). Further, during the period from June 1, 2008 to December 19, 2008, Priyanka had purchased 35,255 shares and sold 35,255 shares on NSE. Examination of the major counterparties of Priyanka Darshan Desai revealed that it had purchased from the following major selling clients i.e. B. K. Shah & Co. (8,170 shares), BP Fintrade Pvt. Ltd. (5,029 shares), Chola Mutual Fund (5,000 shares), Raj Kumar HUF

(2,002 shares) and Dindayal Biyani Stock Brokers Ltd. (2,000 shares). I also note that Priyanka sold to the following major buying clients i.e. Standard Securities & Investment Intermediates Ltd. (9,378 shares), MBL & Co. Ltd. (5,636 shares), Axis Capital Markets (INDIA) Ltd. (3,258 shares), Capital Wizard Stock Broking Pvt. Ltd. (2,195 shares) and Noticee no. 5 (1,696 shares).

54. I observe that Priyanka had bought and sold majorly from/to the same counterparties namely Noticee no. 1, Noticee no. 2 and Noticee no. 5. Examination of the trades of Priyanka with Noticee no. 1 and Noticee no. 2 revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

**Reversal and Synchronized trades:**

- (i) From the trade logs it is observed that there were 11 trades through which Noticee no. 1 purchased 27,902 shares from Priyanka, out of which as many as 19,674 shares were purchased through five trades. Accordingly, the manner in which the orders which resulted in the five trades were placed, were examined on a sample basis. The observations in one such instance is as given below:

- a) On November 03, 2008, Noticee no. 1 purchased 6,000 shares vide trade no. 2580 from Priyanka at Rs. 49.75 per share at 2:40:24 P.M. Examination of the orders relating to the aforesaid trade revealed that:

- (i) At 2:40:19 P.M., Priyanka placed a sell order, through the broker Venture Broking Pvt. Ltd. for 6,000 shares at Rs. 49.75 per share.
- (ii) At 2:40:24 P.M., (after 5 seconds) Noticee no. 1 placed a buy order through the broker India Capital Markets Pvt. Ltd. for 7,000 shares at Rs. 50.00 per share.

- (iii) At 2:40:24 P.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 49.75 per share) for traded quantity of 6,000 shares.
- (ii) From the trade log it is seen that on November 3, 2008, Priyanka purchased 20,000 shares vide trade no. 3650 from Noticee no. 2 at Rs. 51.50 per share at 3:20:12 P.M. Examination of the orders relating to the aforesaid trade revealed that:
- a) At 3:20:08 P.M., Noticee no. 2 placed a sell order, through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 51.50 per share.
  - b) At 3:20:12 P.M., (after 4 second) Priyanka placed a buy order through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.60 per share.
  - c) At 3:20:12 P.M., the aforesaid buy and sell order matched at the passive order rate (i.e. 51.50 per share) for trade quantity of 20,000 shares.

The aforesaid transaction was reversed through the following order / transactions:

- a) At 3:20:47 P.M., Priyanka placed a sell order, through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.55 per share.
- b) At 3:20:52 P.M., (after 5 second) Noticee no. 2 placed a buy order through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 52 per share.
- c) At 3:20:52 P.M., out of the buy order of Noticee no. 2, 599 shares got matched with third parties and the balance 19,401 shares of Noticee no. 2 buy order got matched with the sell order of Priyanka at 3:20:52 P.M., at the passive order rate (i.e. 51.55 per share) vide trade no. 3655.

- (iii) On November 3, 2008 Priyanka sold 27,902 shares of PSTL through 11 trades to Noticee no. 1 on BSE. On the same day, Priyanka bought back 36,753 shares through 4 trades from Noticee no. 1 on BSE. Further, on November 4, 2008 Priyanka sold 37,087 shares of PSTL through 12 trades to Noticee no. 1 on BSE. On the same day, Priyanka bought back 5,722 shares through 2 trades from Noticee no. 1 on BSE.
55. With regard to the allegations of trades in the SCN, Priyanka has vide letter dated August 31, 2015 submitted that she has been a jobber/day-trader/arbitrageur in various scrips including PSTL during the relevant period. That her transactions have been through opaque computerized stock market mechanism and it is not possible to know who are the buyers/sellers. Further, several orders and prices have been displayed on the computer screen and her trades would have been matched by the computerized screen and her trades would have been matched by the computerized mechanism against the most favorable/valid orders on the other side. She has submitted that the counter parties are several and many are not connected with her and that at the same time, it is quite likely that some of the counter parties may be persons that she knows. Also that it is not possible for her to control the order making mechanism, more so in cases where there is huge turnover.
56. In this regard, I observe that her trades were mainly with entities that were associated with Nirmal Kotecha. Further, I observe that she has traded with Noticee no. 1 and Noticee no. 2. As brought out in the aforesaid paras while discussing Noticee no.1, it has been established that it was Darshan Desai who was operating the trading account of Noticee no. 1 for Nirmal Kotecha. Given that Darshan Desai is the husband of Priyanka, and had also traded on behalf of her, I find that it was Darshan Desai who was placing trades for both Noticee no. 1 and Priyanka. Hence, there is no requirement to examine whether there was meeting of minds between Priyanka and Noticee no. 1 as

both their trades were being placed by the same person that is Darshan Desai. Therefore, though these trades prima-facie show transfer of beneficial ownership, if we lift the veil, it is clear that it was Darshan Desai himself who was taking both the buy and sell decisions for the trades between Noticee no. 1 and Priyanka. Further, with regard to her trades with Noticee no. 2, it has already been established in the aforesaid paras that the trades of Noticee no. 2 were placed by her husband Jayesh Shah who is closely associated with Darshan Desai. Hence, as noted above in the findings with regard to Noticee no. 2, I find that Jayesh Shah was indirectly trading with Darshan Desai in the names of their respective wives and given that they are known to each other and were in telephonic communication with each other during the relevant period, it is clear that there was meeting of minds between the two and they entered into synchronized trades with each other. Therefore, I find the submissions of the Noticee no. 4 as untenable as it is clear that she has entered into multiple transactions of reversal and synchronized trades in the shares of PSTL with multiple entities associated with Nirmal Kotecha.

57. In view of the above, I find that Noticee no. 4 (Priyanka Darshan Desai) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.
58. **Inventure Growth & Securities Limited (Noticee no. 5):** It has been alleged in the SCN that Nirmal Kotecha had given a loan of Rs. 25 lacs to one Shanti Kanji Rita, who is the wife of Kanji B. Rita, one of the directors of Inventure Growth & Securities Limited (hereinafter referred to as "**Inventure**"). I note that Kanji B. Rita in his statement dated July 30, 2010 to SEBI has stated that his wife Shanti K. Rita had taken a temporary loan of Rs. 25 lacs in March 2007 from Nirmal Kotecha and repaid the same in July 2007. He also stated that his wife had not entered into any loan agreement with Nirmal Kotecha and no interest was paid on this loan. Further, that he has no relation/association/connection with Nirmal Kotecha and that it was



his friend Hiren Mohanlal Shah who had arranged the same from Nirmal Kotecha. I note that Inventure, vide their reply dated August 19, 2015 submitted that the loan taken by Kanji Rita was purely personal in nature and was taken in March 2007 and repaid in July 2007. Further, that the company did not have any role in this transaction and was not aware of such loan until SEBI bought it to its notice and hence there was no manipulative intention.

59. In this regard, I note that the instance of interest free loan advanced by Nirmal Kotecha to the wife of the director of Inventure, without any loan agreement, has been stated in the SCN to show the relationship of Inventure with Nirmal Kotecha and not for the purpose of manipulation in the scrip of PSTL. I find that such an interest free loan for such an amount cannot be advanced without the existence of a known relationship between the parties. The same has been established in the order dated March 02, 2020 of the Hon'ble SAT against Nirmal Kotecha, wherein, it was held that "*The connection of all these entities in one or the other way with the appellants is also brought out in detail. For example, the appellant had advanced interest free loan of Rs. 25 lacs to the wife of one of the director of Inventure Growth and Securities Ltd*". Accordingly, I find that the relationship of Inventure with Nirmal Kotecha is established through its director.

60. I note that Inventure was one of the top ten trading clients in the scrip on BSE and on NSE during June 01, 2008 to December 19, 2008. I observe that during the period from June 1, 2008 to December 19, 2008, Inventure had purchased 9,07,634 shares and sold 9,15,719 shares on BSE. Examination of the major counterparties of Inventure revealed that it had purchased from the following major selling clients i.e. Noticee no. 6 (61,550 shares), Noticee no. 3 (40,243 shares), Noticee no. 1 (31,898 shares), Noticee no. 7 (23,200 shares) and Sykes & Ray Equities (I) Ltd. (16,891 shares). It also sold to the following major buying clients i.e. Noticee no. 6 (59,143 shares), Noticee no. 1 (29,841 shares), Panchapikesa Saminathan (27,696 shares), Sophia

Growth (25,763 shares) and Noticee no. 3 (23,143 shares). Further, during the period from June 1, 2008 to December 19, 2008, Inventure had purchased 8,02,953 shares and sold 7,93,998 shares on NSE. Examination of the major counterparties of Inventure revealed that it had purchased from the following major selling clients i.e. Noticee no. 3 (41,452 shares), Noticee no. 8 (12,160 shares), B.K. Shah & Co. (11,854 shares), Prudential Management Advisors Pvt. Ltd. (11,041 shares) and Meet Shares and Stocks Services Pvt. Ltd. (8,709 shares). It also sold to the following major buying clients i.e. Bhomiya Suppliers Pvt. Ltd. (22,332 shares), Meet Shares and Stocks Services Pvt. Ltd. (21,150 shares), Prudential Management Advisors Pvt. Ltd. (19,518 shares), Noticee no. 3 (15,586 shares) and Noticee no. 8 (12,652 shares).

61. Hence, I note that Inventure had bought and sold majorly from / to the same counterparties namely Noticees no. 1, 3, 6 and 8. Further, other than the Noticees in the SCN, I observe that Inventure also traded with other entities that are associated with Nirmal Kotecha namely, Sharda Pujara and Meet Shares and Stock Services Pvt. Ltd, against whom separate proceedings have been initiated vide show cause notice dated January 16, 2014. Examination of the trades of Inventure with these Noticees and entities on a sample basis revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances brought out in the SCN of such transactions. Some of them are as under:

**Reversal Trades:**

- (i) I observe that Inventure had entered into reversal transactions with Noticees no. 1 and Noticee no. 6. A few instances are as under:
- a) On July 7, 2008 Noticee no. 6 sold 22,081 shares of PSTL through 101 trades to Inventure on BSE. On the same day, Noticee no. 6 bought back 18,468 shares through 62 trades from Inventure on BSE.

- b) On November 3, 2008 Noticee no. 1 sold 10,021 shares of PSTL through 44 trades to Inventure on BSE. On the same day, Noticee no. 1 bought back 7,041 shares through 68 trades from Inventure on BSE.
- c) On November 4, 2008 Noticee no. 1 sold 5,014 shares of PSTL through 17 trades to Inventure on BSE. On the same day, Noticee no. 1 bought back 6,519 shares through 66 trades from Inventure on BSE.

**Synchronized Trades:**

- (ii) Examination of the orders relating to certain trades between Sharda Pujara, Noticee no. 3, Inventure and Noticee no. 6 revealed as follows;
  - a) On December 08, 2008, Sharda Pujara purchased 7,900 shares vide trade no. 4422 from Noticee no. 3 on BSE. Examination of the orders relating to the aforesaid trade revealed that;
    - 1) At 1:27:35 P.M., Sharda Pujara placed a buy order through the broker SPS Share Brokers Pvt. Ltd. for 10,000 shares at Rs.51.35 per share.
    - 2) At 1:33:22 P.M., Noticee no. 3 placed a sell order through the broker Arcadia Shares and Stock for 8,000 shares at Rs.51.80 per share.
    - 3) At 1:33:55 P.M., (i.e. 33 seconds later) Sharda Pujara revised her buy order rate at Rs.52.00 per share.
    - 4) At 1:33:56 P.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 51.80 per share) for 7,900 shares vide trade no. 4422.
    - 5) The balance portion of Sharda Pujara's sell order (i.e. 2,100 shares) got traded as under:
      - (i) At 1:34:07 P.M., Inventure placed a sell order of 500 shares at a price of Rs. 52.00 per share. This order was got matched with sell order of Sharda Pujara for 500

shares at a price Rs. 52.00 per share vide trade no. 4436

(ii) At 1:34:13 P.M., Inventure placed another sell order of 500 shares at a price of Rs. 52.00 per share. This order was got matched with sell order of Sharda Pujara for 212 shares at a price Rs. 52.00 per share vide trade no. 4438. Out of the balance sell order of Inventure, 2 shares got traded with two third parties. At 1:34:19 P.M., Inventure deleted unexecuted portion of his sell order (i.e.  $500 - 214 = 286$  shares).

(iii) The balance portion of sell order of Sharda Pujara (i.e. 1,388 shares) got matched various third parties through 18 trades.

(iii) Examination of the orders relating to certain trades between Meet shares and Stock Services Pvt. Ltd., Noticee no. 3 and Inventure revealed as follows;

a) On December 8, 2008, Meet shares and Stock Services Pvt. Ltd. purchased from Noticee no. 3, 5,000 shares vide trade no. 2008120833804285 on NSE. Examination of the orders relating to the aforesaid trade revealed that:

- 1) At 11:15:51 A.M., Noticee no. 3 placed a sell order for 5,000 shares at Rs. 50.60 per share.
- 2) At 11:16:25 A.M., Meet Shares and Stock Services Pvt. Ltd. placed a buy order for 10,000 shares at Rs.50.70 per share.
- 3) At 11:16:25 A.M., the aforesaid buy and sell order matched vide trade no. 2008120833804285 at the passive order rate (i.e. Rs.50.60 per share) for trade quantity of 5,000 shares.
- 4) Out of the balance portion of Meet Shares and Stock Services Pvt. Ltd.'s buy order, 1,270 shares got matched with following sell orders of Inventure:

- (i) At 11:15:09 A.M., Inventure placed a sell order for 100 shares at Rs. 50.70 per share.
- (ii) At 11:16:29 A.M., Inventure placed another sell order for 500 shares at Rs.50.50 per share.
- (iii) At 11:16:29 A.M., Inventure placed another sell order for 500 shares at Rs.50.70 per share.
- (iv) At 11:16:29 A.M., Inventure placed another sell order for 170 shares at Rs.50.70 per share.
- (v) The balance portion of Meet Shares and Stock Services Pvt. Ltd.'s buy order (i.e. 3,730 shares) got matched with various third parties through 28 trades.

(iv) Examination of the orders relating to certain trades between Noticee no. 6, Noticee no. 3 and Inventure revealed as follows;

a) On December 8, 2008, Noticee no. 6 sold to Noticee no. 3 400 shares vide trade no. 2850 and for 10,000 shares vide trade no. 2852. Examination of the orders relating to the aforesaid trade revealed that;

- 1) At 11:57:01 A.M., Noticee no. 6 placed a sell order in its proprietary A/c for 10,000 shares at Rs.52.30 per share vide trade no. 2852.
- 2) At 11:57:03 A.M., Noticee no. 6 placed another sell order in its proprietary A/c, for 400 shares at Rs.52.25 per share vide trade no. 2850.
- 3) At 11:57:28 A.M, (25 seconds) Noticee no. 3 placed a buy order through the broker Arcadia Share & Stock Broker, for 15,000 shares at Rs.52.50 per share.
- 4) At 11:57:28 A.M., the aforesaid buy and sell orders got matched at a passive rate Rs. 52.25 per share for 400 shares vide trade no. 2850 and for 10,000 shares vide trade no. 2852.

- 5) The balance portion of the Noticee no. 3's buy order got executed as under:
- (i) At 11:57:34 A.M., Inventure updated a sell order for 2,000 shares at Rs.52.50 per share vide trade no. 2872. At 11:57:34 A.M., this order was got matched with buy order of Noticee no. 3 for 1,040 shares at the common order rate of Rs. 52.50 per shares vide trade no. 2872 and one share got traded with a third party. At 11:57:36 A.M., Inventure then deleted the unexecuted portion of its sell order for 959 shares at Rs. 52.50 per share vide trade no. 2872.
  - (ii) The balance portion of Noticee no. 3's buy order (i.e. 15,000 – 10,400 - 1040 shares) was got matched with various third parties through 31 trades.
62. In addition to the above trades, I observe that in many synchronized trades between the group entities, a part of the unmatched portions of the buy orders were mopped up by Inventure. Further, I observe that Inventure had also executed several self-trades. As alleged in the SCN, I find that Inventure had executed 1,413 self-trades involving 23,299 shares of PSTL.
63. With regard to the alleged reversal and synchronized trading, Inventure has submitted that their trades were executed with the sole intention of carrying out arbitrage in PSTL and they were not aware of the opposite party while entering orders on the Exchange platform and hence, matching of trades with the alleged associates of Nirmal Kotecha is mere coincidence. That they were major clients in many other securities during the identified period as they have more than 25 pairs of Arbitrage and Jobbers who carry out trading in multiple securities in their proprietary account. It was contended that in arbitrage/jobbing one will square off position at the end of the day so net pay-in-obligation will be nil, however, this doesn't mean that those trades are non-

genuine. That simply because a few trades were matching with Noticee no. 1 and Nirmal Kotecha does not make them related entities. Further, they submitted that they have no connection with Noticee no. 9, Noticee no. 7, Noticee no. 6, Noticee no. 3, Noticee no. 1 or Noticee no. 4 and any trades matched with them is just a small portion that was coincidentally matched with them.

64. In this regard, I find the Noticees submissions to be untenable as I observe that Inventure has entered into reversal and synchronized trades with multiple entities associated with Nirmal Kotecha. I find that the execution of trades by Inventure was not an isolated instance but multiple numbers of such transactions were carried out with multiple entities associated with Nirmal Kotecha, which clearly establishes the malafide intent of Inventure and his association with Nirmal Kotecha group. Further, I find that Hardik had had also placed buy orders above the LTP which caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008.

65. Further, I find the contention of Inventure that he didn't know the counterparties as untenable as the fact that Inventure has entered into reversal and synchronized trades with 6 other Noticees in this SCN and also with Sharda Pujara and Meet Shares and Stocks Services Ltd, who are all associated with Nirmal Kotecha, proves that its trades were not a coincidence, but were executed with malafide intent to manipulate the scrip of PSTL. In this regard, I place reference on the Order of the Hon'ble Supreme Court, in the matter **SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368** wherein, it had held that:

*".....While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil*

*liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt.*

*The conclusion has to be gathered from various circumstances like the volume of the trade affected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The fact that the broker himself has initiated the sale of a particular quantity of the scrip on any particular day and at the end of the day approximately equal number of the same scrip has come back to him; that trading has gone on without settlement of accounts i.e. without any payment and the volume of trading in the illiquid scrips, all, should raise a serious doubt in a reasonable man as to whether the trades are genuine. ....”*  
(emphasis supplied)

66. Further, the trades of Inventure with some of the entities may have been in small portions as contended by it, however, collectively Inventure's overall trades had put it in the top ten trading clients in the scrip on BSE and on NSE during June 01, 2008 to December 19, 2008. Hence, in the given facts and circumstances of the case, I find that the malafide intention of Inventure to manipulate the market by creating artificial volume and artificial price rise in the scrip of PSTL is established.
67. In view of the above, I find that Noticee no. 5 (Inventure Growth & Securities Limited) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.
68. **SPJ Stock Broker Pvt. Ltd. (Noticee no. 6):** Shri Pal Jain, the director of SPJ Stock Brokers Pvt. Ltd. had appeared before the Investigating Officer on



behalf of the SPJ Stock Broker Pvt. Ltd. (hereinafter referred to as "SPJ") and vide his statement dated March 18, 2010, stated that the company only did jobbing (day trading) and that they have no clientele. He stated that they had only five jobbers viz. Shri Pal Jain, Manoj Jain, Rajiv Jain, Chandrasekhar Thanvi and Shatrugan Singh. He denied knowing any of the entities with whom they had carried out reversal and circular trades in the scrip of PSTL, as alleged in the SCN. I note that on being showed the SEBI interim order dated April 23, 2009 for any relation/ association of any of the directors/ jobbers of SPJ Stock Brokers Pvt. Ltd. with any of the persons/ entities against whom directions were issued in the said order, Shri Pal Jain had stated that he and other directors in SPJ did not know any of the said persons/ entities. Further, he also stated that he was using mobile number 9322278508. In this regard, I note that the call data records of Yatin Shah's mobile number 9890355693 revealed that mobile number 9833178508 registered in the name of Shri Pal Jain had called Yatin Shah on December 05, 2008 and Yatin Shah too had called on the said mobile number on December 02, 2008. As noted in the aforesaid paras, it has already been established that Yatin B. Shah is a close associate and conduit of Nirmal Kotecha and that separate proceedings have been initiated vide show cause notice dated December 02, 2015 against him.

9. I note that the statement of Shatrugan Singh, who was a jobber at the company, was recorded on May 28, 2010. He stated that he was working with SPJ from 1990 as a peon, however, for the last five years he was working as a bolt operator. He claimed that he did not know Noticee no. 3, with whom synchronized transactions were carried out by SPJ on July 07, 2008 from the ID registered in his name. He also claimed that he did not know Yatin B. Shah and had not called him. However, he claimed that the mobile number 9322278508, registered in the name of Shri Pal Jain, was used by him. The statement of Chandrasekhar Jaykishan Thanvi, another jobber with the company, was also recorded on June 08, 2010. He stated

that he was working with SPJ for the last 18-20 years and doing back office and bolt operations work for which he is paid Rs. 7,500/- and that he was using the mobile number 9820310442 for the last 3-4 years. He stated that he knew Yatin B. Shah and had met him for the first time in the trading hall. Further, that he had been to Yatin B. Shah's house after the death of his mother 3-4 years back as Yatin B. Shah had sent him an SMS about his mother's death. He also stated that he sometimes used to talk 2-3 times in a day with Yatin Shah about the market situation. In this regard, I note that the call data records of Yatin Shah's mobile number 9890355693 revealed that Chandrakant Thanvi was in touch with Yatin Shah from his mobile number 9820310442. Hence, I find that SPJ is indirectly connected with Nirmal Kotecha through Yatin B. Shah who is known to its director Shri Pal Jain and jobber Chandrasekhar Jaykishan Thanvi.

70. I note that SPJ was the top trading client in the shares of PSTL on BSE during the identified period of June 01, 2008 to December 19, 2008. I observe that during this, SPJ had purchased 27,46,250 shares and sold 27,46,275 shares on BSE. Examination of the major counterparties of SPJ revealed that it had purchased from the following major selling clients i.e. Noticee no. 3 (3,40,103 shares), Noticee no. 8 (1,86,657 shares), Matterhorn India Fund (1,39,318 shares), BK Shah (1,25,635 shares) and MBL & Co. Ltd. (96,337 shares). It sold to the following major buying clients i.e. Noticee no. 3 (4,48,856 shares), BK Shah (1,71,627 shares), MBL & Co. Ltd. (1,15,862 shares), M/s Standard Securities & Investment Intermediates Ltd. (1,02,958 shares) and Bihar Tubes Ltd. (65,315 shares). I find that SPJ had bought and sold majorly from/to the same counterparties namely Noticee no. 3. I observe that many of the orders placed by SPJ and Noticee no. 3 resulted in large quantities of shares being traded amongst them were in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares. There are several instances brought out in the SCN of such transactions. Some of the instances are as below:

**Reversal Trades:**

- (i) It is observed that SPJ had entered into several reversal transactions with group entities of Nirmal Kotecha.
  - a) On July 7, 2008 SPJ sold 22,081 shares of PSTL through 101 trades to Noticee no. 5 on BSE. On the same day, SPJ Stock Broker Pvt. Ltd bought back 18,468 shares through 62 trades from Noticee no. 5 on BSE.
  - b) On July 22, 2008 Noticee no. 9 sold 7,060 shares of PSTL through 10 trades to SPJ on BSE. On the same day, Noticee no. 9 bought back 20,982 shares through 7 trades from SPJ on BSE.
  - c) On July 7, 2008 SPJ sold 1,35,484 shares of PSTL through 48 trades to Noticee no. 3 on BSE. On the same day, SPJ bought back 1,03,753 shares through 47 trades from Noticee no. 3 on BSE. Examination of the trades between SPJ and Noticee no. 3 revealed that there were a total of 95 trades between them on July 7, 2008 on BSE. The trades between SPJ and Noticee no. 3 were examined and I observe that the orders were placed by SPJ and Noticee no. 3 in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.

**Synchronized Trades:**

- (i) Several instances of synchronized trading with Noticee no. 3 have been brought out in the aforesaid paras while discussing the trades of Noticee no. 3. Some of the trades, as brought out in para 35 are as under:
  - a. From the trade logs on July 04, 2008, it is seen that there were 25 trades through which SPJ purchased 64,482 shares from Noticee no. 3. I note that on a sample analysis of the order log and trade log, it was found that 3 had purchased as many as 44,333 shares from

Noticee no. 3 through two trades on July 04, 2008. The details of the trades have been brought out in para 35.

- b. From the trade logs on July 07, 2008, it is seen that there were 48 trades through which Noticee no. 3 had purchased 1,35,484 shares from SPJ. I note that on a sample analysis of the order log and trade log, it was found that Noticee no. 3 had purchased as many as 68,931 shares from SPJ through five trades on July 07, 2008. The details of the trades have been brought out in para 35.
- c. Further, from the trade logs on July 09, 2008, it is seen that there were three trades through which Noticee no. 3 purchased 67,174 shares from SPJ out of which 67,173 shares were purchased by Noticee no. 3 from SPJ through two trades. The details of the trades have been brought out in para 35.

71. With regard to the alleged reversal and synchronized trades, SPJ submitted that it was a jobber and was only carrying out jobbing transactions, and in the present case, inadvertently some transactions carried out by it had matched with connected/associated entities of Nirmal Kotecha, but on the basis of these coincidental matching it cannot be inferred that trades executed by them were manipulated/fraudulent or in connivance with the alleged group. Further, that assuming without accepting, that the information of the said fraud was shared with them, it is reasonable to conclude that the same would only be if the person who received the information is benefitted from the same, however, they have submitted that they have incurred a loss of Rs. 9,56,845.45/- in the scrip of PSTL.

72. In this regard, I find SPJ's submissions to be untenable as I observe that SPJ had entered into multiple reversal and synchronized trades with multiple entities associated with Nirmal Kotecha. SPJ has contended that it was a major market player and hence matching of trades was in the normal course of trading. However, I find that the execution of trades by SPJ was not an

isolated instance but multiple numbers of such transactions were carried out with multiple entities associated with Nirmal Kotecha, which clearly establishes the malafide intent of SPJ. It was the highest trader during the identified period and I note that on July 07, 2008, it sold 1,35,484 shares to Noticee no. 3 alone which was then reversed. I find that such multiple trades of such an amount could not have taken place without meeting of minds of the counter parties. Further, it has already been established that Noticee no. 3 was indirectly associated with Nirmal Kotecha. Furthermore, with regard to the contention of SPJ that it incurred a loss Rs. 9,56,845.45/- in the scrip of PSTL, I find that the same is irrelevant to the findings that SPJ had indulged in manipulative trades as a loss per se is not a factor to prove that it was not involved in the fraudulent activity.

73. I also note that cross-examination of Yatin Shah, Chandrashekhar Jaykishan Thanvi and Shatrugan Singh were not provided to the Noticee. Hence, SPJ has contended that the statements given by these individuals should not be taken into consideration while assessing its case. In this regard, I note that the connection of SPJ with Nirmal Kotecha, as alleged in the SCN, was established through the statement of these individuals. Be that as it may, I find that the connection of SPJ is not entirely based on the statement made by the said individuals. I note that the call records of Yatin B. Shah reveal that Shri Pal Jain, the director and Shatrugan Singh, one of the jobbers were in touch with Yatin B. Shah during this period. Hence, it is evident that the director and jobber of the company had an established relationship with Yatin B. Shah who was a close conduit of Nirmal Kotecha. Further, the fact that SPJ had entered into multiple reversal and synchronized trades with multiple entities associated with Nirmal Kotecha, proves that its trades were not merely a coincidence or an inadvertent transaction as contended by SPJ, but were executed with malafide intent to manipulate the scrip of PSTL. Furthermore, I also observe that SPJ had executed 231 self-trades involving traded quantity of 79,259 shares of PSTL. Given the above facts and placing

reference to the Order of the Hon'ble SAT in **Ketan Parekh vs. SEBI** (supra) and Order of the Hon'ble Supreme Court in the matter **SEBI vs. Kishore R. Ajmera** (supra), I find that the facts and circumstances in the present case overwhelmingly prove SPJ's connection with Nirmal Kotecha and also the malafide intention of SPJ to manipulate the market by creating artificial volume and artificial price rise in the scrip of PSTL.

74. In view of the above, I find that Noticee no. 6 (SPJ Stock Broker Pvt. Ltd.) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.
75. **Ankit Girishkumar Vasani (Noticee no. 7)**: I observe that Ankit Girishkumar Vasani (hereinafter referred to as "**Ankit Vasani**") vide his statement dated March 18, 2010 has stated that one Amit Shah had introduced him to Amit Joshi, the Branch Manager of Rashmi Building, Borivali (West) branch of ICMPL, and, Amit Joshi had in turn introduced him to ICMPL. He further stated that Nitin Goradia introduced him to Ventura Broking and Emkay Broking and that Darshan Desai was the dealer who used to place his order. He stated that his mobile number is 9833884005. I observe from the call data records of Ankit Vasani's mobile number that he was in close touch with Amit Joshi (mobile number 9930002346) and also with Darshan Desai. I note that Ankit Vasani vide letter dated April 01, 2010 has further submitted that he had investments in property with Giri Gopal Investments, a property development and consultancy firm and with Salasar Suppliers Pvt. Ltd., whom he knew through his stock market circle and had purchased unlisted shares from them. I note that Yatin B. Shah is the proprietor of Giri Gopal Investments. Further, I note that as per the reply dated July 29, 2010 submitted by Yatin B. Shah to the queries raised during his statement recording, Yatin Shah submitted that Ankit Vasani had invested an amount of Rs. 10 lacs through one of his acquaintances in Yatin B. Shah's construction project at Palghar through the firm Tirupati Developers where Yatin Shah

was one of the partners. In this regard, as noted in the aforesaid paras, it has been established that Darshan Desai and Yatin B. Shah are close conduits and associates of Nirmal Kotecha. Further, I note that Amit Joshi and Nitin Goradia are also entities associated with Nirmal Kotecha and separate proceedings have been initiated against them vide show cause notice dated December 02, 2015. Thus, I find that Ankit Vasani was indirectly connected with Nirmal Kotecha through Amit Joshi, Darshan Desai, Nitin Goradia and Yatin B. Shah.

76. During the period from June 1, 2008 to December 19, 2008, Ankit Vasani had purchased 2,24,367 shares and sold 2,24,367 shares on BSE. Examination of the major counterparties of Ankit Vasani revealed that he had purchased from the following major selling clients i.e. Noticee no. 1 (84,464 shares), Noticee no. 5 (9,954 shares), Noticee no. 8 (9,713 shares), Radhika Mehta (6,390 shares) and Sykes & Ray Equities (I) Ltd. (6,193 shares). He sold to the following major buying clients namely Noticee no. 8 (42,697 shares), Noticee no. 1 (33,607 shares), Noticee no. 5 (23,200 shares), Mithali Mukesh Gudekar (16,525 shares) and Sykes & Ray Equities (I) Ltd. (11,583 shares).
77. I observe that Ankit Vasani had bought and sold majorly from/to the same counterparties i.e. Noticee no. 1, Noticee no. 5 and Noticee no. 8 amongst the noticees. Examination of the trades of Ankit Vasani with Noticee no. 1, and Noticee no. 8 on a sample basis revealed that these trades were in the nature of synchronized, circular and reversal transactions. There are several instances brought out in the SCN of such transactions. Some of them are as under:

**Reversal Trades:**

- (i) I observe that on November 3, 2008 Noticee no. 1 sold 6,700 shares of PSTL through 4 trades to Ankit Vasani on BSE. On the same day,

Noticee no. 1 bought back 10,050 shares through 5 trades from Ankit Vasani on BSE.

- (ii) Further, on November 5, 2008, Noticee no. 1 sold 35,225 shares of PSTL through 10 trades to Ankit Vasani on BSE. On the same day, Noticee no. 1 bought back 5,238 shares through 10 trades from Ankit Vasani on BSE.

**Circular Trading:**

- (i) On November 04, 2008, Noticee no. 1 sold 40,363 shares of PSTL to Ankit Vasani. On the same day, Ankit Vasani sold 41,019 shares to Noticee no. 8, who in turn sold 31,538 shares to Noticee no. 1. I observe that this circular transaction involved 29 trades between the three Noticees and that many of these trades between Noticee no. 1, Noticee no. 8 and Ankit Vasani which resulted in the aforesaid circular movement of shares, resulted from synchronized orders placed by them.

**Synchronized Trades:**

- (i) The trade logs had revealed that on November 04, 2008, there were nine trades through which Noticee no. 8 purchased 41,019 shares from Ankit Vasani.
  - a) On November 04, 2008, Noticee no. 8 purchased 900 shares vide trade no. 3707 at Rs. 57.00 at 3:10:31 P.M. and further purchased 4,100 shares vide trade no. 3708 from Ankit Vasani at Rs.57.00 per share at 3:10:34 P.M. Examination of the orders which resulted in the aforesaid trades revealed that:
    - 1) At 3:10:25 P.M., Noticee no. 8 placed a buy order, through the broker UPSE Securities Ltd., for 5,000 shares at Rs. 57.00 per share.
    - 2) Thereafter, at 3:10:31 P.M., (after 6 seconds) Ankit Vasani placed sell order, through the broker Venture



Broking Pvt. Ltd., for 900 shares at Rs. 57.00 per share.

- 3) At 3:10:31 P.M., the aforesaid buy and sell orders got matched at the common order rate i.e. Rs. 57.00 per share for 900 shares.
- 4) At 3:10:34 P.M., Ankit Vasani placed another sell order through the broker Venture Broking Pvt. Ltd., for 5,000 shares at Rs. 57.00 per share.
- 5) At 3:10:34 P.M., the aforesaid sell order got matched with the balance quantity of buy order i.e. 4100 shares, at the common order rate of Rs. 57.00 per share.

b) Thus, the buy order of Noticee no. 8 for 5,000 shares got fully matched with the counter orders placed by Ankit Vasani. Out of the total sell order of 5900 shares placed by Ankit Vasani, 5,000 shares got traded with Noticee no. 8. Immediately after the said trade, Ankit Vasani deleted the unexecuted portion of 900 shares at 03:10:39 P.M. From the above transaction, I find that Ankit Vasani had entered into synchronized trades with Noticee no. 8.

(ii) From the trade log it is found that on November 4, 2008, Ankit Vasani purchased 40,363 shares of PSTL from Noticee no. 1 on BSE. Upon examination of order log and trade log on a sample basis, it is found that Ankit Vasani had purchased as many as 39,498 shares from Noticee no. 1 through six trades. Accordingly, the manner in which the orders which resulted in the six trades were placed, were examined on a sample basis. The details of the trades are as given below:

- a) On **November 04, 2008**, Ankit Vasani purchased 4,000 shares vide trade no. 829 and further purchased 498 shares vide trade

no. 830 from Noticee no. 1 at Rs.48.70. per share at 11:16:45 A.M. Examination of the orders relating to the aforesaid trades revealed that;

- 1) At 11:16:41 A.M., Ankit Vasani placed a buy order, through the broker Venture Broking Pvt. Ltd. for 4,000 shares at Rs. 48.70 per share.
  - 2) At 11:16:45 A.M., (after 4 seconds) Noticee no. 1 placed a sell order through the broker India Capital Markets Pvt. Ltd. for 5,000 shares at Rs.48.70 per share.
  - 3) At 11:16:45 A.M., the aforesaid buy and sell orders got matched at the common order rate (i.e. 48.70 per share) for traded quantity of 4000 shares.
  - 4) At 11:16:45 A.M., out of the balance portion of sell order of Noticee no. 1, 500 shares were got traded with Noticee no. 5 at a price Rs 48.75 per share and 2 shares were got matched with third party. Thus, 498 shares of the sell order of Noticee no. 1 remained unexecuted.
  - 5) At 11:16:50 A.M., Ankit Vasani placed another buy order for 500 shares at Rs. 48.70 per share.
  - 6) At 11:16:50 A.M., the aforesaid buy and sell order got matched at the common order rate (i.e. 48.70 per share) vide trade no. 830 for traded quantity of 498 shares.
  - 7) At 11:17:16 A.M., Ankit Vasani deleted the unexecuted portion of two trades.
- b) On **November 04, 2008**, Ankit Vasani purchased 35,000 shares from Noticee no. 1 through four trades having trade numbers 4025, 4027, 4028 & 4029. The details of the orders placed by

Ankit Vasani & Amol Noticee no. 1 and the details of the four trades are narrated below:

- 1) At 3:29:13 P.M., Ankit Vasani placed buy order for 10,000 shares at Rs. 56.50 per share.
- 2) At 3:29:16 P.M., Ankit Vasani placed another buy order for 5,000 shares at Rs. 56.00 per share.
- 3) At 3:29:19 P.M., Ankit Vasani placed another buy order for 20,000 shares at Rs. 56.00 per share.
- 4) Thus, Ankit Vasani placed buy order for 35,000 shares. This got matched completely with the sell order placed by Noticee no. 1 resulting in traded quantity of 35,000 shares. The details of sell orders placed by Noticee no. 1 which resulted in the aforesaid trade of 35,000 shares is given below:

- (i) At 3:29:07 P.M., Noticee no. 1 placed sell order for 25,000 shares at Rs.56.00 per share.
  - (ii) At 3:29:24 P.M., Noticee no. 1 placed another sell order for 25,000 shares at Rs.56.00 per share.
- 5) Thus, Noticee no. 1 placed sell order for 50,000 shares at Rs. 56.00 per share. The aforesaid buy and sell orders of Ankit Vasani and Noticee no. 1 got matched as follows:
    - (i) 10,000 shares got matched at Rs. 56.00 per share at 3:29:14 P.M. vide trade no. 4025.
    - (ii) 5,000 shares got matched at Rs. 56.00 per share at 3:29:16 P.M. vide trade no. 4027.
    - (iii) 8,683 shares got matched at Rs. 56.00 per share at 3:29:20 P.M. vide trade no. 4028.
    - (iv) 11,317 shares got matched at Rs. 56.00 per share at 3:29:24 P.M. vide trade no. 4029.
  - 6) Thus, 35,000 shares got traded between Ankit Vasani and Noticee no. 1 in respect of the aforesaid orders. Out

of the sell order of 50,000 shares placed by Noticee no. 1, 35,000 shares got traded with Ankit Vasani through the aforesaid synchronized trades and the balance 15,000 shares got traded with various third parties through 45 trades.

c) From the above, I find that Ankit Vasani had purchased PSTL shares from Noticee no. 1 by executing synchronized trades. From the above narrations of the trades executed between Noticee no. 1, Noticee no. 8 and Ankit Vasani, I observe that on November 04, 2008, Noticee no. 1 purchased 31538 shares from Noticee no. 8, who in turn had purchased 41,019 shares from Ankit Vasani who had purchased 40,363 shares from Noticee no. 1 on the same trading day i.e. November 04, 2008. Thus, I find that there was a circular movement of PSTL shares among Noticee no. 1, Noticee no. 8 and Ankit Vasani. Further, I find that many of the trades between Noticee no. 1, Noticee no. 8 and Ankit Vasani which resulted in the aforesaid circular movement of shares resulted from synchronized orders placed by them. Thus, I find that Noticee no. 1, Noticee no. 8 and Ankit Vasani had executed synchronized circular transactions in PSTL scrip on BSE on November 04, 2008.

78. With regard to the alleged synchronized circular trading, Ankit Vasani has submitted that he has been a jobber/day trader in various scrips including PSTL during the relevant period and there was heavy trading in PSTL on the stated dates in the SCN and orders were being matched constantly and it appears from the SCN that they were not being carried forward for long. Therefore, that it was unavoidable that his trades would match the trades of other persons who may have entered before or after his order time and hence, to conclude that there was deliberate synchronization is baseless.

Further, that the alleged self-trade quantity is a mere 250 shares, and that too in merely 5 trades and therefore, the quantity of alleged self-trade is a miniscule fraction of his total trades. He has submitted that in each of the days when he had traded, his net quantity of shares was equal and the net position on each of the cases was nil and hence, he has contended that the facts of individual cases have not been investigated and everyone has been painted by the same brush.

79. However, I find Ankit Vasani's contentions untenable as I find that each individual case has been investigated and there is sufficient evidence against each individual for their manipulative transactions and role in colluding with Nirmal Kotecha. In this regard, I observe from the call data records of Ankit Vasani's mobile number 9833884005 that he was in touch with Amit Joshi and Darshan Desai on November 03, 2008. I note that Darshan Desai had called Amit Joshi on November 03, 2008 at 9:08:39 and then called Ankit Vasani at 09:09:53. Amit Joshi then called Ankit Vasani at 9:38:45. Darshan Desai again called Amit Joshi at 9:48:41, who in turn called Ankit Vasani at 11:19:01. In between Ankit Vasani had also called Darshan Desai at 10:00:34. I note that Ankit Vasani started trading in the scrip of PSTL from 11:19:26 through Venture Broking i.e. immediately after he received the second call from Amit Joshi on November 03, 2008 at 11:19:01. I further note that Ankit Vasani placed a total buy order for 3,77,420 shares and sell order for 5,20,309 shares of PSTL on November 03, 2008.
80. In this regard, I also note that Darshan Desai has admitted and that it is also an established fact that he was executing the trades on behalf of Amol Kokane during the said period. Further, it has already been established in the foregoing paras that Amol Kokane was Nirmal Kotecha's front. Thus, I find that on November 03, 2008, Darshan Desai, the Branch Manager of Borivali (West) branch of ICMPL and Amit Joshi, Branch Manager, Rashmi Building, Borivali (West) branch of ICMPL were together facilitating Nirmal Kotecha,

through his front Amol Kokane, to carry out synchronized reversal transactions with Ankit Vasani, who was introduced to Borivali (West) branch of ICMPL by Amit Joshi. The telephonic communication as revealed from the call data records of Ankit Vasani bring a clear finding to the fact that there was meeting of minds between him and Darshan Desai, who was trading on behalf of Amol Kokane. Hence, I find the Noticee's contention that individual cases have not been investigated as wholly untenable as the evidence against the Noticee has been meticulously brought out and established that he was associated with Nirmal Kotecha and traded with entities associated with Nirmal Kotecha in the scrip of PSTL with malafide intentions.

81. In view of the above, I find that Noticee no. 7 (Ankit Girishkumar Vasani) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.
82. **DKG Securities Pvt. Ltd. (Noticee no. 8):** I observe that Radha Krishna Garg, who is an employee and former director of DKG Securities Pvt. Ltd. (hereinafter referred to as "DKG") had vide his statements recorded on October 09, 2009 stated that he use to take the trading decisions for DKG. He stated that he was earlier a broker on U.P. Stock Exchange and subsequently formed DKG. His wife Manju Garg and his son Vishal Garg are the directors of DKG. Further, he stated that his mobile number is 9839084979 and that he had met Nirmal Kotecha on 2 or 3 occasions. He also stated that he knew Nikhil Securities Ltd and its directors since they were brokers of UP Stock Exchange and had done financial dealings with them. In this regard, I observe from the Call Data Records of Nirmal Kotecha's Amol Kokane number that Nirmal Kotecha was in close touch with Radha Krishna Garg on an almost daily basis from Amol Kokane's number. Radha Krishna Garg has stated that they used to talk about the stock market and exchanged views. Hence, I find that DKG is indirectly associated with Nirmal Kotecha through their employee and former director Radha Krishna

Garg.

83. I observe that DKG was the third highest trading client in the scrip of PSTL on BSE and the second highest trading client in the scrip of PSTL on NSE during the identified period i.e. June 01, 2008 to December 19, 2008. I note that during the identified period, DKG had purchased 15,76,663 shares and sold 14,88,252 shares on **BSE**. Examination of the major counterparties of DKG Securities Pvt. Ltd. revealed that it had purchased from the following major selling clients i.e. Noticee no. 3 (84,159 shares), KMUK A/C (70,140 shares), Dimensions (67,794 shares), Mithali Mukesh Gudekar (61,100 shares) and BK Shah (50,845 shares). DKG sold to the following major buying clients i.e. Matterhorn India Fund (2,05,622 shares), Noticee no. 6 (1,86,657 shares), Sophia Growth (1,44,263 shares), Mavi Investment Fund Ltd. (1,39,526 shares) and Noticee no. 3 (1,18,515 shares). Further, I also note that during the period from June 1, 2008 to December 19, 2008, DKG had purchased 13,81,895 shares and sold 15,43,197 shares on **NSE**. Examination of the major counterparties of DKG Securities Pvt. Ltd. revealed that it had purchased from the following major selling clients i.e. Nikhil Securities Ltd. (87,295 shares), TAIB Bank A/C TSML (74,116 shares), HDFC Mutual Fund (49,805 shares), B.K. Shah & Co. (44,489 shares) and KMUK A/C Sanstone Capital India Master Fund Ltd. (43,393 shares). DKG also sold to the following major buying clients i.e. Noticee no. 3 (5,79,838 shares), Matterhorn Advisory Singapore PTE Ltd. (2,44,981 shares), Mavi Investment Fund Ltd. (1,39,597 shares), Sophia Growth – A Share Class of Somerset India Fund (1,19,621 shares) and Nikhil Securities Ltd. (49,900 shares).
84. Hence, I observe that DKG had bought and sold majorly from / to the same counterparty i.e. Noticee no. 3. Further, I also note that DKG has largely traded with Nikhil Securities Limited, who is associated with Nirmal Kotecha and separate proceedings against it have been initiated vide show cause

notice dated December 02, 2015. Examination of the trades of DKG with Noticee no. 3 on a sample basis revealed that these trades were in the nature of synchronized, circular and reversal transactions. I note that several instances have been brought out in the SCN of such transactions. Some of them are as under:

**Reversal Trades:**

- (i) On July 4, 2008 Noticee no. 3 sold 64,482 shares through 25 trades to DKG. On the same day, Noticee no. 3 bought back 92,090 shares through 6 trades from DKG.
- (ii) Further, on July 7, 2008 DKG sold 4,19,211 shares of PSTL to Noticee no. 3 on NSE. On the same day, DKG bought back 11,537 shares from Noticee no. 3 on NSE.

**Circular Trading:**

- (i) On November 04, 2008, Noticee no. 1 sold 40,363 shares of PSTL to Noticee no. 7. On the same day, Noticee no. 7 sold 41,019 shares to DKG who in turn sold 31,538 shares to Noticee no. 1. I observe that this circular transaction involved 29 trades between the three Noticees and that many of these trades between Noticee no. 1, DKG and Noticee no. 7 which resulted in the aforesaid circular movement of shares resulted from synchronized orders placed by them.

**Synchronized Trades:**

- (i) From the trade log it is found that on July 04, 2008, Noticee no. 3 purchased 92,090 shares from DKG through six trades:
  - a) On July 04, 2008, Noticee no. 3 purchased 68,599 shares from DKG through five trades having trade numbers 11081, 11088, 11089, 11098, and 11099. The details of the orders placed by Noticee no. 3 and DKG and the details of the five trades are narrated below:



- 1) At 12:25:29 P.M., DKG placed a sell order for 25,000 shares at Rs. 178 per share.
- 2) At 12:25:36 P.M., DKG placed another sell order for 25,000 shares at Rs. 178 per share.
- 3) At 12:25:45 P.M., DKG placed another sell order for 25, 000 shares at Rs. 178 per share. Thus, DKG placed sell order for 75,000 shares at Rs. 178 per share.
- 4) At 12:26:05 P.M., Noticee no. 3 placed buy order for 25,000 shares at Rs. 178 per share.
- 5) At 12:26:11 P.M., Noticee no. 3 placed another buy order for 25,000 shares at Rs. 178 per share.
- 6) At 12:26:17 P.M., Noticee no. 3 placed another buy order for 25,000 shares at Rs. 178 per share. Thus, Noticee no. 3 placed buy order for 75,000 shares at Rs. 178 per share.

b) The aforesaid buy and sell orders of Noticee no. 3 and DKG got matched as follows:

- 1) 24,026 shares got matched at Rs. 178 per share at 12:26:06 P.M. vide trade no.11081.
- 2) 974 shares got matched at Rs. 178 per share at 12:26:11 P.M. vide trade no.11088.
- 3) 23,897 shares got matched at Rs. 178 per share at 12:26:11 P.M. vide trade no.11089.
- 4) 1,098 shares got matched at Rs. 178 per share at 12:26:17 P.M. vide trade no.11098.
- 5) 18,604 shares got matched at Rs. 178 per share at 12:26:17 P.M. vide trade no.11099.

c) Thus, 68,599 shares got traded between DKG and Noticee no. 3 in respect of the aforesaid orders. Out of the balance portion of sell order of DKG being 6401 shares (i.e. 75,000 minus 68,599 shares), 60 shares got traded with third parties through five trades who placed the buy orders between 12:26:11 P.M. to 12:26:21 P.M. at a price range from Rs 178.00 to Rs 179.73 per share. DKG deleted the unexecuted portion of 6,341 shares at 12:26:50 P.M. i.e. 33 seconds after the last trade between Noticee no. 3 & DKG which was executed at 12:26:17 P.M.

85. From the above, I find that Noticee no. 3 had purchased shares of PSTL from DKG by executing synchronized trades. A part of the unmatched portions of the buy order and sell order of Noticee no. 3 and DKG respectively, were mopped up by four others. I also note that a part of the order of DKG got matched with third parties who had placed their orders for very small quantities around the same time and at nearly the same rate. Therefore, in respect of the trades between Noticee no. 3 and DKG on July 04, 2008, I find that DKG and Noticee no. 3 had executed synchronized reversal transactions on July 04, 2008.

86. Further, I also note that DKG had entered into synchronized circular trading with Noticee no. 1 (Amol Kokane) and Noticee no. 7 (Ankit Girishkumar Vasani) on November 04, 2008. I observe that Noticee no. 1 sold 40,363 shares of PSTL to Noticee no. 7. On the same day, Noticee no. 7 sold 41,019 shares to DKG and DKG in turn sold 31,538 shares to Noticee no. 1. The aforesaid circular transaction involved 29 trades between the three Noticees. I observe that some of the orders placed by Noticee no. 7, Noticee no. 1 and DKG which resulted in large quantities of shares being traded amongst them were examined on a random and test check basis and it was revealed that the orders were placed by the three Noticees in a synchronized manner so as to result in their orders getting matched in trades of large quantities of

shares. In this regard, I observe that:

(i) From the trade logs, I note that there were 11 trades through which Noticee no. 1 purchased 31,538 shares from DKG. During the time period from 2:26:30 P.M. to 03:00:47 P.M. Noticee no. 1 placed six buy orders for a cumulative order quantity of 77,032 shares at a price range of Rs. 51.15 to Rs. 59.25 per share and DKG had placed the following sell orders:

1. At 02:50:20 P.M., sell order for 4000 shares at Rs. 58.50 per share.
2. At 02:51:09 P.M., sell order for 5000 shares at Rs. 59.00 per share.
3. At 02:51:32 P.M., sell order for 5000 shares at Rs. 59.00 per share.
4. At 02:51:44 P.M., sell order for 5000 shares at Rs. 59.00 per share.
5. At 02:52:13 P.M., sell order for 5,000 shares at Rs. 58.50 per share.
6. At 02:52:22 P.M., sell order for 5000 shares at Rs. 58.50 per share.
7. At 02:53:21 P.M., sell order for 5,000 shares at Rs. 58.00 per share.

(ii) I note that DKG Securities Pvt. Ltd. had cumulatively placed sell order for 34,000 shares. The aforesaid buy and sell orders of Noticee no. 1 and DKG Securities Pvt. Ltd. got matched and resulted in the following trades.

1. At 02:50:21 P.M., 3900 shares got traded at Rs. 58.50 per share vide trade no. 3101.
2. At 02:51:10 P.M., 4966 shares got traded at Rs. 59.00 per share vide trade no. 3185.
3. At 02:51:32 P.M., 3672 shares got traded at Rs. 59.25 per share vide trade no. 3206.
4. At 02:51:54 P.M., 4000 shares got traded at Rs. 59.25 per share

vide trade no. 3213.

5. At 02:52:13 P.M., 1407 shares got traded at Rs. 59.25 per share

vide trade no. 3233.

6. At 02:52:13 P.M., 3593 shares got traded at Rs. 59.25 per share

vide trade no. 3234.

7. At 02:52:23 P.M., 1854 shares got traded at Rs. 59.25 per share

vide trade no. 3240.

8. At 02:52:23 PM., 1,100 shares got traded at Rs. 59.20 per share

vide trade no. 3241.

9. At 02:52:23 P.M., 1050 shares got traded at Rs. 59.15 per share

vide trade no. 3242.

10. At 02:52:23 PM., 996 shares got traded at Rs. 59.10 per share

vide trade no. 3243.

11. At 02:53:21 P.M., 5,000 shares got traded at Rs. 58.00 per share

vide trade no. 3330.

87. Thus, vide the aforesaid trades, I find that Noticee no. 1 purchased 31,538 shares from DKG Securities Pvt. Ltd. in a synchronized manner. In turn, DKG had purchased 41,019 shares from Noticee no. 7 who had purchased 40,363 shares from Noticee no. 1 on the same trading day i.e. November 04, 2008. I find that there was a circular movement of PSTL shares among Noticee no. 1, DKG and Noticee no. 7 and many of the trades between the three Noticees which resulted in the aforesaid circular movement of shares resulted from synchronized orders placed by the said three noticees. Thus, I find that DKG had entered into synchronized circular transactions in the scrip of PSTL on BSE on November 04, 2008 with Noticee no. 1 and Noticee no. 7.

88. With regard to the alleged transactions, DKG vide their reply June 04, 2018 have submitted that execution of the transaction without any intention to manipulate and in the absence of any knowledge about the counter party

broker/counter party client, cannot be deemed to be a manipulative transaction. That there is not even a suggestion to that effect in the SCN that they had the knowledge about the acts of the others who allegedly traded in the securities to manipulate the same. In the absence of such knowledge on their part, there is no question of manipulation on their part as alleged. Further, that inference of any synchronized trading cannot be drawn simply on the basis of time gap between the trades. With regard to trades with Noticee no. 1, it was submitted that the reference is based on the record, and they are completely unaware about Noticee no. 1. Further, they contended that they have traded in ordinary course of business and the alleged counterparties of some of their trades were merely incidental as entire trades were done on online trading system of BSE and NSE through stock brokers who have the control on part of the input of trades.

89. However, I find the Noticee's submission that he was not aware of the counter parties to be untenable. It is already an established fact that the account of Amol Kokane was being operated by Darshan Desai for Nirmal Kotecha. Further, as noted in the foregoing paras, I note that Radha Krishna Garg, who was trading on behalf of DKG was in constant touch with Nirmal Kotecha over the phone. In this regard, I note from the Call Data Records that on November 04, 2008, Nirmal Kotecha had called Radha Krishna Garg at 02:49:58 pm. DKG had cumulatively placed sell order for 34,000 shares from time period 02:50:20 pm to 02:53:21 pm. i.e. immediately after Nirmal Kotecha had called Radha Krishna Garg. I find that this clearly brings out that the transactions between Noticee no. 1 and DKG were synchronized. Hence, the fact that DKG was entering into circular trades with Noticee no. 1 meant that DKG was entering into trades with Nirmal Kotecha who he was in constant touch with over the phone. Further, I have already established in the foregoing paras that Noticee no. 3 and Noticee no. 6 were associated to Nirmal Kotecha. Therefore, I find that DKG has entered into multiple reversal and synchronized circular trades with multiple entities associated with Nirmal

Kotecha, including trades with Nirmal Kotecha himself (through Amol Kokane). As held in the Order of Hon'ble SAT in ***Ketan Parekh vs. SEBI (supra)***, direct evidence may not always be available and one has to depend on the attending circumstances of the case. Hence, in the given facts and circumstances of the case, I find that DKG has traded in the shares of PSTL with malafide intent during this identified period, as alleged in the SCN.

90. With regard to DKG's submission that they are not connected to Noticee no. 1 and they cannot be responsible if their director Radhakrishna Garg is acquainted with Nirmal Kotecha, I find that the same is untenable and erroneous. I note that Radhakrishna Garg has stated that he was an employee who traded on behalf of DKG. Further, Radhakrishna Garg's wife and son are the directors of DKG, which was founded by Radhakrishna Garg. Therefore, I find that Radhakrishna Garg is an integral part of the company and was making the trading decisions of the company and hence, the company cannot simply disassociate itself from the actions of Radhakrishna Garg as the manipulative trades were carried out through the company. In this regard, I note that DKG had cross examined Noticee no. 1 on September 23, 2019 before me. The Noticee no. 1 was asked whether he was ever connected to PSTL or has any share of PSTL, whether he knew DKG or Radha Krishna Garg or any other entity related to DKG and whether he has ever been counter party to the transactions executed by DKG Securities in the shares of PSTL. I note that the Noticee no. 1 had answered in the negative to all the queries. I find that this further corroborates the fact that it was Darshan Desai who was operating the account of Amol Kokane for Nirmal Kotecha and it is established that Radha Krishna Garg was a close friend of Nirmal Kotecha and was in touch with him when the trades were executed by DKG with Noticee no. 1. Further, I note that the Hon'ble SAT, vide Order dated March 02, 2020 against Nirmal Kotecha, had held that:
- "21. .... Similarly, the appellant was in touch with Radha Krishna Garg, almost on a day to day basis, as revealed from call data record of their*

*mobile numbers. This Mr. Garg was an employee of one DKG Securities Pvt. Ltd. - an entity involved in circular and reversal trades of PSTL shares.”*

91. In view of the above, I find that Noticee no. 8 (DKG Securities Pvt. Ltd) violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.
92. **APL Infrastructure Ltd. (Noticee no. 9):** APL Infrastructure Ltd. (hereinafter referred to as “**APL**”) is a promoter group of Bihar Tubes Limited. I note that Sanjay Gupta, vide his statement dated April 30, 2010 had stated that he is the Managing Director of the company of Bihar Tubes Limited and a director in APL. I note that from the November-December 2008 call data records of Nirmal Kotecha’s Amol Kokane mobile number, it was revealed that Sanjay Gupta was in close touch with Nirmal Kotecha from December 12, 2008 onwards. Sanjay Gupta has also stated that Mukesh Jain was the new director in the company. In this regard, I note that separate proceedings have been initiated against Sanjay Gupta and Mukesh Jain vide show cause notice dated January 16, 2014. Further, I note that the show cause notice was issued to one Mukesh Jain who had actually traded in the scrip of PSTL but who was not the director of Bihar Tubes Limited or APL. It appears that the Mukesh Jain against whom the show cause notice dated January 16, 2014 was issued to was wrongly assumed to be the director of Bihar Tubes Limited or APL. Hence, the role of Mukesh Jain vis-à-vis APL, will not be taken into consideration while examining the allegations in the SCN against APL. Be that as it may, I find that APL is indirectly connected to Nirmal Kotecha through its director Sanjay Gupta.
93. I observe that during the period from June 1, 2008 to December 19, 2008, APL Infrastructure Pvt. Ltd. had purchased 4,34,248 shares and sold 1,51,960 shares on **BSE**. Examination of the major counterparties of APL revealed that it had purchased from the following major selling clients i.e. Nirmal Kotecha (1,28,262 shares), Satya Tulsian (50,000 shares), Noticee

no. 6 (20,982 shares), Noticee no. 5 (10,380 shares) and Ram Bhargava (10,000 shares). APL sold to the following major buying clients i.e. Meet Shares and Stocks Services Pvt. Ltd. (12,614 shares), Noticee no. 5 (10,658 shares), M/S Standard Securities & Investment Intermediates Ltd. (8,141 shares), Noticee no. 6 (7,081 shares) and Pritiraj Pvt. Ltd. (6,927 shares). Further, I observe that during the period from June 1, 2008 to December 19, 2008, APL had purchased 2,80,000 shares and sold 2,288 shares on **NSE**. Examination of the major counterparties of APL revealed that it had purchased from the following major selling clients i.e. Nirmal Kotecha (1,31,972 shares), Noticee no. 8 (31,800 shares), Rajesh Jayantilal Shah (27,712 shares), Shilpa Vishal Vasa (12,500 shares) and PCS Traders (9,600 shares). APL also sold to the following major buying clients namely Gupta Vineet (500 shares), MBL & Co. Ltd. (234 shares), Samim Vasaya (200 shares), Harit Dhirajlal Suru (198 shares) and Spire Associates (102 shares).

94. From the above, I observe that APL had traded with Nirmal Kotecha and with various entities associated with Nirmal Kotecha. He had traded with Nirmal Kotecha, Noticee no. 6, Noticee no. 5, Meet Shares and Stocks Services Pvt. Ltd., Noticee no. 8 and Rajesh Jayantilal Shah. Thus, APL had traded mainly within the group of Nirmal Kotecha entities. Trades with these entities were examined and it was alleged that APL entered into manipulative trades with these group entities of Nirmal Kotecha. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

**(i) Reversal Trades:**

- a) I observe that on July 22, 2008 APL sold 7,060 shares of PSTL through 10 trades to Noticee no. 6 on BSE. On the same day, APL bought back 20,982 shares through 7 trades from Noticee no. 6 on BSE.
- b) Further, on December 18, 2008 Noticee no. 5 sold 6,955 shares



of PSTL through 49 trades to APL on BSE. On the same day, Noticee no. 5 bought back 9,909 shares through 23 trades from APL on BSE.

**(i) Synchronized Trades:**

a) I observed that Nirmal Kotecha and APL were the largest selling and buying clients respectively on December 17, 2008 on BSE. On December 17, 2008, Nirmal Kotecha sold 1,28,262 shares to APL and 5,000 shares to Deepak Thakkar on BSE. Examination of the orders relating to the aforesaid trade revealed that:

- 1) At 10:25:41 A.M., Nirmal Kotecha placed a sell order, through the broker Kotak Securities Ltd. for 1,00,000 shares at Rs.60.00 per share with a disclosed quantity of 14,000 shares.
- 2) At 10:27:04 A.M. Nirmal Kotecha placed second sell order, through the broker Kotak Securities Ltd. for 40,000 shares at Rs.60.00 per share.
- 3) At 10:38:49 A.M., APL placed a buy order through the broker Religare Securities Ltd., for 99,000 shares at Rs.60.00 per share.
- 4) At 10:38:50 A.M., the first sell order of Nirmal Kotecha and the buy order of APL got matched at the common order rate (i.e. Rs.60.00 per share) for trade quantity of 93,102 shares.
- 5) The balance portion of buy order of APL (i.e. 5,898 shares) got traded with various third parties through 25 trades.
- 6) Thereafter at 10:40:21 A.M., APL placed its second buy order through the broker Religare Securities Ltd. for 40,000 shares at Rs.60.00 per share.

- 7) At 10:40:21 A.M., the second buy order of APL got matched with the balance quantity of Nirmal Kotecha's first sell order (i.e. 6,898 shares) at a price of Rs.60.00 per share
- 8) At 10:40:21 A.M., out of the balance portion of the second buy order of APL, 28,262 shares got matched with second sell order of Nirmal Kotecha at a price of Rs. 60.00 per share.
- 9) The balance portion of the second buy order of APL, (i.e. 4,840 shares) got traded with various third parties through eight trades.
- 10) At 10:49:26 A.M. Deepak Thakkar placed a buy order of 5,000 shares at a price of Rs. 60.00 per share.
- 11) Out of the balance portion of second sell order of Nirmal Kotecha, 5,000 shares were got matched with Deepak Thakkar's aforesaid buy order at a price of Rs.60.00 per share vide trade no. 785 at 10:49:26 A.M.
- 12) The balance portion of the second sell order of Nirmal Kotecha (i.e. 67,387 shares) got traded with various third parties through 13 trades.
- 13) It is found that there was a time difference of 13:08 minutes between the placing of APL's buy order and the placing of Nirmal Kotecha's sell order (10:38:49 A.M minus 10:25:41 A.M). Examination of trade logs of PSTL shares on December 17, 2008 revealed as follows:
  - (i) At 10:25:41 A.M., when Nirmal Kotecha placed his sell order at Rs.60.00 per share, the last traded price was Rs. 58.15. Thus Nirmal Kotecha had placed a sell order at a price which was higher than the last traded price by Rs. 1.85 per share.
  - (ii) During the time period between 10:25:41 A.M and 10:38:49 A.M (i.e. between the placing of Nirmal

Kotecha's sell order and the placing of APL's buy order), PSTL shares were being traded on BSE at price range of Rs. 58.40 per share to 59.20 per share.

- (iii) Therefore the sell order of Nirmal Kotecha remained unexecuted in the order book of the stock exchange.
- (iv) Thereafter at 10:38:49 A.M, APL placed a buy order at Rs.60.00 per share which got matched with the unexecuted order of Nirmal Kotecha which was pending in the order book of the stock exchange and the trade got executed between their order at the common order rate of Rs.60.00 per share.
- (v) Thus the trade between Nirmal Kotecha and APL resulted in an increase in the traded price of PSTL on BSE on December 17, 2008 and the market traded price of PSTL became Rs.60.00 per share.

14) I observed that though there was a time gap of 13 minutes between the sell order placed by Nirmal Kotecha and buy order placed by APL, I find that Nirmal Kotecha had intentionally placed a sell order higher than the price at which the scrip of PSTL was being traded at BSE. As noted, PSTL shares were being traded on BSE at price range of Rs. 58.40 per share to 59.20 per share. Therefore, the sell order of Nirmal Kotecha did not match anyone until APL placed a buy order at a higher price matching that of the sell order of Nirmal Kotecha.

- b) Further, on December 17, 2008, APL purchased 96,049 shares from Nirmal Kotecha through eight trades. The details of the orders placed by APL and Nirmal Narendra Kotecha and the details of eight trades as narrated below:

- 1) At 10:27:25 A.M., Nirmal Kotecha placed a sell order for 1,40,000 shares at Rs.60.00 per share with a revealed quantity of 14,000 shares.
- 2) At 10:44:04 A.M., APL placed a buy order for 99,000 shares at Rs.60.00 per share.
- 3) Thereafter, at 10:44:30 A.M., APL placed another buy order for 1,000 shares at Rs.60.00 per share.
- 4) The aforesaid buy and sell orders of APL and Nirmal Kotecha got matched as follows:
  - a. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689162.
  - b. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689179.
  - c. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689185.
  - d. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 AM. vide trade no. 2008121733689190.
  - e. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689195.
  - f. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689200.
  - g. 11,928 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689205.
  - h. 121 shares got matched at Rs.60.00 per share at 10:44:30 A.M. vide trade no. 2008121733692260.
- 5) Thus 96,049 shares got traded between APL and Nirmal Kotecha in respect of the aforesaid orders.
- 6) The balance portion of buy order of APL (i.e. 3,951 shares) got matched with various third parties through 50 trades.

- 7) The balance portion of sell order of Nirmal Kotecha (i.e.808 shares) got matched with various third parties through seven trades.
- 8) At 10:48:35 A.M. Nirmal Kotecha deleted the unexecuted portion of his sell order (i.e. 43,143 shares).
- 9) It is found that there was a time difference of 16:39 minutes between the APL's buy order placement time and Nirmal Kotecha's sell order placement time (10:44:04 A.M minus 10:27:25 A.M). Examination of traded logs for the aforesaid period revealed as follows:
  - a. At 10:27:25 A.M., when Nirmal Kotecha placed his sell order at Rs.60.00 per share, the last traded price was Rs. 58.75. Thus Nirmal Kotecha had placed a sell order at a price which was higher than the last traded price by Rs. 1.25 per share.
  - b. During the time period between 10:27:25 A.M and 10:44:04 A.M (i.e. between the placing of Nirmal Kotecha's sell order and the placing of APL's buy order), PSTL shares were being traded on NSE at price range of Rs. 58.00 per share to 59.50 per share.
  - c. Therefore the sell order of Nirmal Kotecha remained unexecuted in the order book of the stock exchange.
  - d. Thereafter at 10:44:04 A.M APL placed a buy order at Rs.60.00 per share which got matched with the unexecuted order of Nirmal Kotecha which was pending in the order book of the stock exchange and the trade got executed between their order at the common order rate of Rs.60.00 per share.
- 10) Thus the trade between Nirmal Kotecha and APL resulted in an increase in the traded price of PSTL on BSE on December

17, 2008 and the market traded price of PSTL became Rs.60.00 per share.

95. Further, I also observe that during the period December 15-19, 2008 price of PSTL shares increased from Rs.45.80 to Rs.75.40. It was found that during the period December 15-19, 2008, there was significant rise in the price of the scrip of PSTL on three trading dates namely December 19, 2008 (Price rise of Rs.9.40), December 16, 2008 (Rs.7.70) and December 15, 2008 (Rs.6.30). Therefore, the LTP analysis of the orders and trades in PSTL shares on December 19, 16 and 15 of 2008 were carried out. In this regard, I observe that APL had placed only one buy order in PSTL shares on December 16, 2008 on BSE for 5,000 shares or more each. I find that APL placed a buy order for 140,000 shares at a price of Rs.0.80 more than the last traded price and this order got fully executed. This order caused a positive impact on the traded price of PSTL shares on BSE on December 16, 2008.
96. With regard to the alleged transactions, APL have submitted that without prejudice to the contention that the alleged trades were not “reversal” even presuming them to be so, the quantum of alleged “reversal trades” is so miniscule/negligible that they cannot be said to have any impact on the market. Further, that in all orders placed by them, there was difference of at least 13 minutes between the orders of Nirmal Kotecha and APL. That in the scrip which had been liquid and the order already pending at a certain price for 13 minutes, and subsequent buy order placed by APL, the transaction by no stretch can be said to be synchronized. Further, that there is substantial difference between the quantity ordered and quantity traded with Nirmal Kotecha, and as against the quantity ordered by Nirmal Kotecha there is again the difference in quantity transacted with APL. Also that for a trade to be synchronized, the quantity ordered and traded by both the parties has to be the same which is not the case presently.

97. In this regard, as contended by APL, I note that there was a 13 minutes gap between the sell and the buy orders with Nirmal Kotecha. However, I find the Noticees submissions to be untenable for the reasons already mentioned in the aforesaid para, that though there was a time gap of 13 minutes between the sell order placed by Nirmal Kotecha and buy order placed by APL, I find that Nirmal Kotecha had intentionally placed a sell order higher than the price at which the scrip of PSTL was being traded at BSE, which was in the range of Rs. 58.40 per share to 59.20 per share. Therefore, the sell order of Nirmal Kotecha did not match anyone until APL placed a buy order at a higher price matching that of the sell order of Nirmal Kotecha.
98. Further, from the call data records, I find that Sanjay Gupta, the director of APL, was in close touch with Nirmal Kotecha during this period, which further strengthens the argument that there was meeting of minds between the parties. I observe that Nirmal Kotecha was in touch with Sanjay Gupta on his mobile number 9810096439 through calls and SMSs just prior to the execution of the aforesaid trades on BSE (starting 10:25) and NSE (starting 10:27) and again at 10:50 i.e. immediately after Nirmal Kotecha deleted the unexecuted portion of his sell order (i.e. 43,143 shares) at 10:48:35. In this regard, I place reference to the Order of the Hon'ble Supreme Court in the matter of **SEBI Vs. Kishore R. Ajmera** (Supra), wherein, it was held that the test to establish the meeting of minds is on the preponderance of probabilities, which in my opinion, has been established from the trading pattern of APL and the call data records. Hence, I also find the contentions of APL that for a trade to be synchronized, the quantity ordered and traded by both the parties have to be the same, as untenable. This is further corroborated by the fact that it was not a single transaction but multiple transactions in the scrip of PSTL by APL. Further, APL has also contended that the company had incurred a loss of Rs. 1.20 crores. That if the trades were executed in connivance, the company would have also known when to

exit and would not have incurred losses. However, I find that the same is irrelevant to the findings that APL had indulged in manipulative trades as a loss per se is not a factor to prove that he was not involved in the fraudulent activity. Therefore, in the present facts and circumstances of the case, I find that APL had entered into synchronized trades with Nirmal Kotecha in the scrip of PSTL on December 17, 2008.

99. The Noticee has also contended that the alleged trades were not reversal and even presuming them to be so, the quantum of alleged reversal trades is so miniscule/negligible that they cannot be said to have any impact on the market. In this regard, as noted in the aforesaid paras, I find that on December 18, 2008, Noticee no. 5 had sold 6,955 shares of PSTL through 49 trades to APL on BSE. On the same day, Noticee no. 5 bought back 9,909 shares through 23 trades from APL on BSE. Hence, it is evident that APL along with Noticee no. 5, who are both associates of Nirmal Kotecha, entered into multiple transactions with each other to manipulate the market into showing higher trading activity in the scrip of PSTL. Hence, I find the Noticee's contention that it did not have any impact on the market as untenable.

100. Further, with regard to the submissions of APL on the contribution to LTP that the price on that day had gone higher than their traded price and also closed at the price below their trading price, I find that the same is untenable. I find that APL placed a buy order for 140,000 shares at a price of Rs.0.80 more than the last traded price and this order got fully executed. This order caused a positive impact on the traded price of PSTL shares on BSE on December 16, 2008. Hence, I find that APL has placed a buy order for a large number of shares at a price higher than the LTP and contributed to the rise in price of PSTL shares on December 16, 2008. In this regard, I place reference to the order dated March 21, 2014 of the Hon'ble SAT in the matter of **Saumil Bhavanagari v/s SEBI**, wherein it was held that:

*"It is amply clear that although the scrip was available at a lower price, the*



*Noticees bought them at a higher price only with a view to give false representation to the general public about the rise in price of the scrip. This was repeatedly done by the Noticees. Such trades undoubtedly have a potential of raising the price of the scrip by sending a wrong signal to the gullible investors about the activity of price hike in the scrip.*

*..... This was done evidently with ulterior motives, because if shares were available for a lesser price, there was no reason to place orders at a price higher than the LTP and if orders at price higher than LTP were placed on account of the financial status of the company then there was no reason to place some orders below LTP.”*

101. In view of the above, I find that Noticee no. 9 (APL Infrastructure Ltd.) has violated Section 12A (a), (b) & (c) of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), and 4(2)(e) of the PFUTP Regulations.

102. I observe that some of the Noticees have, in their submissions, placed reliance on certain judgements in order to establish that for the charge of fraud, cogent and compelling evidence is required. The Noticees have *inter alia* relied upon the findings in the following cases to buttress their argument that when fraud is alleged, mere concern or probability is not sufficient to prove the charge of fraud and it must be based on cogent evidence:

- (i) *Mousam Singha Roy v. State of West Bengal (2003) 12 SCC 377,*
- (ii) *Hornal vs. Neuberger Products Ltd. (1956) 3 All E.R. 970 Hodson,*
- (iii) *R.K. Global Shares and Securities Ltd vs. SEBI in Appeal No. 158 of 2008,*
- (iv) *Hansraj Gupta vs. Dehra Dun Mussoorie Electric Tramway Ltd. (AIR 1940 Privy Council 98),*
- (v) *SEBI vs. Indsec Securities and Finance (Order dated May 17, 2005),*
- (vi) *Ketan Parekh vs. SEBI (SAT Order dated July 14, 2006),*
- (vii) *Bubna Stock Broking Services vs. SEBI (Appeal No. 41 of 2009),*
- (viii) *Sanman Consultants vs SEBI [2001] 30 SCL 45,*

- (ix) *Nirmal Bang Securities Pvt. Ltd. vs. SEBI,*
- (x) *Ram Chandra Singh vs. Savitri Devi and Ors 2003 8 SCC 319,*
- (xi) *KSL Industries Ltd. vs. SEBI (SAT Appeal no. 9 of 2003),*
- (xii) *EssEss Intermediaries vs SEBI (Appeal no. 13 of 2013),*
- (xiii) *SEBI vs. Shriram Mutual Fund (2006) 5 SCC 361 (SC),*
- (xiv) *Cabot International Ltd vs. SEBI (2004) 51 SCL 307,*
- (xv) *Dilip Pendse vs. SEBI (SAT Order dated November 19, 2009),*
- (xvi) *Parsoli Corporation Ltd. vs. SEBI (SAT Order dated August 12, 2011)*
- (xvii) *Vintel Securities Pvt. Ltd vs. SEBI (Appeal No. 219 of 2009)*
- (xviii) *SPJ Stock Brokers Pvt. Ltd. vs SEBI (Appeal No. 52 of 2013)*

103. Most of the cases are not relevant to the facts and circumstances and the proceedings with respect to PFUTP Regulations. As regards the relevance placed on some of the case laws with reference to the standard of proof, I find that the standard of proof in matters of fraud arising out of violation of the SEBI Act or the provisions of the Regulations framed thereunder, is the test of preponderance of probability, as has been clearly laid down in the following recent judgments of the Hon'ble Supreme Court, as relied upon in the aforementioned paras, wherein, it was held that:

***SEBI Vs. Kishore R. Ajmera (2016) 6 SCC 368***

*“.....While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt.*”

*The conclusion has to be gathered from various circumstances like the volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The fact that the broker himself has initiated the sale of a particular quantity of the scrip on any particular day and at the end of the day approximately equal number of the same scrip has come back to him; that trading has gone on without settlement of accounts i.e. without any payment and the volume of trading in the illiquid scrips, all, should raise a serious doubt in a reasonable man as to whether the trades are genuine. ....” (emphasis supplied)*

***SEBI Vs. Rakhi Trading Pvt. Limited (MANU/SC/0096/2018)***

*“We are fortified in our conclusion by the judgment of this Court in Securities And Exchange Board of India v. Kishore R. Ajmera, though it is a case pertaining to brokers, wherein it has been held at paragraph 25:*

*“25. The SEBI Act and the Regulations framed thereunder are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors’ confidence in the capital/securities market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors’ confidence in the capital market. The primary purpose of the statutory enactments is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light.”*

*In this case it was also held that in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out*

*of the violation of the Act or the provision of the Regulations is concerned.”*  
(emphasis supplied)

104. I have considered the submissions of the Noticees and the various judgments relied upon by the Noticees to substantiate their arguments that there is not enough evidence to hold them in violation of manipulating the scrip of PSTL. I find the submissions untenable as sufficient evidence has been put forward, as discussed, in the above paras for each Noticee and their association with Nirmal Kotecha and how they have resorted to artificial inflation of the trading volumes and stock prices in the scrip of PSTL by entering into circular trades, synchronized trades, reversal trades and self-trades, primarily among themselves in order to manipulate the price of PSTL shares to facilitate Nirmal Kotecha to off load his stake in PSTL at higher prices. I find that the test of preponderance of probability as held in **SEBI Vs. Rakhi Trading Pvt. Limited** has been satisfied for each Noticee in view of the findings in the above paras against each Noticee, and hence, I conclude that the Noticees have entered into circular trades, synchronized trades, reversal trades and self-trades in the scrip of PSTL as individually established in the aforementioned paras.

105. In view of the findings as given in the above paras 25 to 104, I conclude that the Noticees no. 1 to 10 have contravened the provisions of section Section 12A of SEBI Act, 1992 and Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations”). Further, I conclude that Noticee no. 1 has also violated Regulation 4(2)(g) of the PFUTP Regulations.

106. While considering the role of Noticee no. 1, the facts indicate that the Noticee acted as a conduit for trading and fund transfers by Nirmal Kotecha. As compared to other Noticees in the SCN, the role of the Noticee no. 1 was

graver as he acted as a close aide and facilitated Nirmal Kotecha in his fraudulent scheme of trading in the shares of PSTL. I note that the Noticee has already undergone debarment from the securities market for a period of more than 10 years pursuant to SEBI's ad interim order dated April 23, 2009.

107. With regard to Noticees no. 2 to 10, the facts have indicated that the Noticees as associates of Nirmal Kotecha have indulged in fraudulent trade practices while trading in the scrip of PSTL. I note that the violations have taken place in 2008 and the SCN was issued on April 15, 2015 and that a considerable amount of time has lapsed since the act of the Noticees took place. I also note that adjudication proceedings under Chapter VIA of the SEBI Act, 1992 for imposition of monetary penalty have been initiated against the Noticees 2 to 10 for the violation of the provisions of the SEBI Act and the PFUTP Regulations in the matter.

108. Having regard to all the aforesaid facts and circumstances including the nature of violations and conduct of the Noticees, I find that issue of directions under Sections 11, 11A and 11B of the SEBI Act, 1992, is called for in the present matter as given in para 109.

**DIRECTIONS:**

109. In view of the above, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B read with Section 19 of the SEBI Act, 1992, and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 hereby, issue the following directions:

- (i) Noticee no. 1 is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of 12 (Twelve) years from the date of coming into force of this Order. However,

the period of debarment already undergone by the said Noticee, in terms of the interim order shall be set-off against the debarment period imposed by the present order;

- (ii) Noticees no. 2 to 10 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of 02 (Two) years from the date of coming into force of this Order; and
- (iii) Obligation of the aforesaid Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order in respect of pending transactions, if any. Further, all open positions, if any, of the aforesaid Noticees in the F&O segment of the stock exchange, are directed to be squared off, irrespective of the restraint/prohibition imposed by this Order.

110. This order shall come into force with immediate effect.

111. A copy of this order shall also be sent to all the Noticees, recognized Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Sd/

**Place: Mumbai**  
**Date: June 23, 2020**

**ANANTA BARUA**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**