SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4), 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST KETAN V. PAREKH, KARTIK K. PAREKH, CLASSIC CREDIT LTD, PANTHER FINCAP & MANAGEMENT SERVICES LTD, LUMINANT INVESTMENT LTD, SAIMANGAL INVESTRADE LTD, CHITRAKUT COMPUTERS PRIVATE LTD, CLASSIC INFIN LTD AND PANTHER INVESTRADE LTD

1.0 Significant price rise and volumes were witnessed in the scrip of Lupin Laboratories Ltd. during the period September-December 1999 on The Stock Exchange, Mumbai [hereinafter referred to as 'BSE'] and National Stock Exchange [hereinafter referred to as 'NSE']. Investigations were conducted by Securities and Exchange Board of India [hereinafter referred to as 'SEBI'] into the buying, selling and dealings in the scrip of Lupin Laboratories Ltd. and it was revealed that certain entities/individuals viz. Ketan Parekh, Classic Credit Ltd, Panther Fincap and Management Services Ltd and Saimangal Investrade Ltd had indulged in the price manipulation in the scrip of Lupin Laboratories. Therefore, a show cause notice dated March 27, 2002 (**hereinafter referred to as the first show cause notice)** was issued to them asking to show cause as to why necessary direction under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 should not be issued against them.

1.1 Investigations were conducted by SEBI in the wake of excessive volatility in the index movements of stock exchanges in India during mid February to mid March 2001 and apprehensions of possible attempts by certain entities to distort the true price discovery and manipulate the securities market. Investigations conducted for the period from April 01, 2000 to March 31, 2001 revealed that shares sold by entities viz., Classic Credit Ltd [hereinafter referred to as 'Classic'], Luminant Investment Pvt Ltd [hereinafter referred to as 'Luminant'] and Panther Fincap and Management Services Ltd [hereinafter referred to as 'Panther'] through Credit Suisse First Boston Securities (CSFB) and Dresdner Kleinworth Benson Securities (DKB) were bought either by the same entity i.e., Classic, Luminant and Panther or by other entities connected/controlled by Ketan V Parekh/Kartik Parekh., i.e., Saimangal Investrade Ltd [hereinafter referred to as 'Saimangal'], NH Securities Ltd (on its proprietary account), Classic Shares and Stock Brokers Ltd (proprietary account), Chitrakut Computers Private Ltd [hereinafter referred to as 'Chitrakut'], Classic Infin Ltd. [hereinafter referred to as 'Classic Infin'], and Panther Investrade Ltd through other brokers. Classic, Luminant, Panther, Saimangal, NH Securities Ltd, Classic Shares and Stock Brokers Ltd, Chitrakut, Classic Infin, and Panther Investrade Ltd were found to be either connected or controlled by Ketan Parekh and hereinafter are collectively referred to as 'KP Entities.'

1.2 Investigations revealed that KP Entities indulged in certain manipulative activities such as:

1. Synchronized Trades
2. Financing transactions given the semblance of purchase and sale of shares at the Exchanges.
3. Circular Trading and creation of artificial volume
4. Benchmarking of the prices of certain scrips by executing non-genuine transactions;

which were detrimental to the integrity of the securities market and also violative of SEBI (Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Therefore, a show cause notice dated July 30, 2002 (**hereinafter referred to as the 2nd show cause notice**) was issued to Ketan Parekh, Kartik Parekh, Classic, Panther, Luminant, NH Securities Ltd (Proprietary account), Classic Shares & Stock Broker Ltd (Proprietary account), Chitrakut, Saimangal, Classic Infin and Panther Investrade asking them to show cause why suitable direction under regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Section 11B of the SEBI Act, 1992 including a direction to prohibit from dealing in securities for a particular duration should not be passed against them.

2.0 Although none of the entities replied to the show cause notice despite several reminders, Shri Ketan V Parekh is found to have replied to the Ist show cause notice. He is stated to be replying in two parts. However, the second part has not come forth. In the reply(Part I) dated 16th December, 2001, he stated that the analysis of price movement has been done on wrong premises by SEBI.

3.0 With respect to the entities covered by the First Show Cause Notice, hearing was granted on March 14, 2003. The entities had requested that since Shri Ketan Parekh was in judicial custody of Kolkatta Police and they require his presence during the hearing, the same may be adjourned. Hearing was accordingly rescheduled and held on a further date i.e., on April 30, 2003. Further adjournment was sought and finally hearing was conducted on June 25, 2003. Ms Prarthana Awasthi, Advocate attended the hearing on behalf of entities covered by the first show cause notice and made the submissions.

3.1 In so far as the second show cause notice is concerned, all the entities were advised to avail an opportunity of hearing before me on March 14, 2003, vide letter dated March 4, 2003. The entities had requested that since Shri Ketan Parekh was in judicial custody of Kolkatta Police and they required his presence during the hearing, the same might be adjourned. Hearing was accordingly rescheduled and held on a further date i.e., on April 30, 2003 vide letter dated March 27, 2003. The parties had, vide letter dated April 30, 2003 sought for adjournment since there were other proceedings against the broking entities of KP on the same date. Accordingly, further date of hearing was fixed on June 12, 2003 and the same was communicated vide letter dated May 28, 2003. However, parties again sought for adjournment vide their letter dated June 02, 2003. Finally, hearing was held on June 19, 2003. On the said date, Ms Prarthana Awasthi, Advocate attended the hearing on behalf of entities covered by the first show cause notice and made the submissions.

Written Submissions by the entities covered in first show cause notice

3.2 Written submissions were forwarded by the entities covered by the first show cause notice during July 2003. In the written submissions submitted by Shri Ketan Parekh vide his letter dated July 2003, it was submitted that during the period of investigation he was a director on the Board of Classic, Panther, and Saimangal. He also stated that he had not acquired any shares in the scrip of Lupin Laboratories Ltd. and the transactions were carried out by investment companies, on whose Board he was a director. He also stated that there was no necessity for the prices of shares of all the companies in any one industry to be moving to the same extent as other scrips in such industry or sector. Also, he stated that abnormality in the price rise cannot be determined merely on comparison of price movements between select stocks in a particular industry. It was also his contention that mere association, as had been admitted by him during investigation, with the broking entities was insufficient to make him responsible for all the alleged actions of those companies, as figured in the show cause notice. He also denied any artificial price rise in the scrip during the period under consideration. It was submitted by him that although he had not placed any order, placing large orders in the market is not per se illegal.

3.3 The written submissions made by Classic and Panther also contended that SEBI cannot state with ultimate authority whether the price of the scrip in the market is justifiable or not. It was also mentioned that the comparison of the price movement with those of other pharmaceutical industry was incorrect. In its written submissions, Classic had also mentioned that it did not act in concert with others to artificially manipulate the price and volume of the scrip and said that no action shall lie against them. Similar submissions were made by Panther. They also denied that their orders for purchase of sale placed with the brokers in the market had created any artificial demand for the shares or hampered with the free and fair discovery of price of the scrip in the market.

<u>Written Submissions by the entities covered in second show cause notice</u>

3.4 Shri Kartik Parekh, in his written submissions contended that there are no acts mentioned in the show cause notice that had been attributed to him, for which he could be held liable and further the entities mentioned in the show cause notice had no connection with him. He denied all the imputations made in the show cause notice. Regarding the allegation of the transactions of Ketan Parekh through CSFB/DKB Securities being circular and fictitious trades creating artificial volume and artificial market in the scrips, it was submitted that since the same was carried out for the purpose of availing finance, there cannot be any other intention for carrying out such transactions. It was also stated that he had no connection with the transactions mentioned in the show cause notice. It was also submitted that the act of availing finance for the purpose of meeting obligations or for any other reason pertaining to the market is completely legal and permissible activity and hence no action was possible against him. Further, with respect to the allegation of non-transfer of beneficial ownership of the shares, he had cited Section 10(3) under Depositories Act, 1996 and said that when shares are transferred from the demat account of the seller to the demat account of the broker or buyer, it would mean that the beneficial ownership is also transferred and therefore, the same allegation was not sustainable. Again on the reference relating to the trades being synchronized and negotiated deals, the circular dated September 14, 1999 was quoted and it was stated that the relevant circular do not ban negotiated deals and it only states that such deals have to be executed on the screens of the exchange in the price and order matching mechanism of the exchanges. It was also submitted that certain orders placed by the entities covered by the relevant show cause notice through brokers had matched with the orders of other brokers, which was permitted by the exchange mechanism and hence it was incorrect to attribute intention of wrong doing to the same. Raising finance by the sale of shares in the market is neither wrong nor banned by SEBI was the main argument that had been put forward by Shri Kartik Parekh. He also reiterated his request for an opportunity for cross examination of those whose statements have been relied upon from CSFB/DKB. He also referred to the statements relied upon by SEBI where the persons who had made the same had said that they are not aware of the transactions being synchronized.

3.5 The allegation in the show cause notice about the transactions of shares in Nirma and others, not being real and were done under the cover of normal sale / purchase and the consideration being received on the same date of the transfer of shares to brokers were objected to by Shri Kartik Parekh in his written submissions. He submitted that pursuant to the objective of receiving finance, these entities had sold shares to CSFB/DKB in spot and had purchased or arranged to be purchased by others, shares in the market. All such sales and purchases were made in the actual transfer of beneficial ownership of shares and payment of due consideration and the transactions having actually occurred, the allegation that the financing transaction being carried out as regular sale and purchase would be incorrect, he said. The transactions were forming part of actual volume of the exchange and hence the allegation of artificial volume being created lacked substance, according to Shri Kartik Parekh. Further, he also said that the required element of intention to artificially raise or depress the prices of securities and thereby inducing the sale or purchase of securities has not been alleged, proved or substantiated in the show cause notice, whereas there are allegations of transactions being carried out in violation of Regulation 4(a),(b),(c) and (d) of the Securities and Exchange Board of India Regulation 1995. All the allegations of violation of Regulation 4(a),(b),(c) and (d) of SEBI (Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 are denied by Shri Kartik Parekh, which according to him were inapplicable in his case. He alleged the show cause notice to be baseless and frivolous and further maintained that all the transactions referred in the same being legal.

3.6 The replies of entities, Classic, Panther, Luminant, Chitrakut, NH Securities Ltd., Classic Share and Stock Broking Services Ltd., Saimangal, Classic Infin, Panther Investrade Ltd. were on similar lines as the reply by Shri Kartik Parekh and hence to avoid repetition of the submissions, the same have not been reproduced herein.

4.0 I have perused the findings of the investigation, and carefully examined the same as well as the show cause notices, replies to the notices, oral and written submissions of different individuals / entities. My findings are as under :-

Findings w.r.t first show cause notice

4.1 I find that the scrip of Lupin Laboratories Ltd. was quoted/transacted in the range of Rs.100/- to Rs.150/- during April to August, 1999. The average daily volumes for the scrip during the period April-August, 1999 were found to be to the extent of 10,000-15,000 shares per day on BSE and NSE. From the month of August 1999, the price of the scrip had started moving upwards which was found to have been accompanied with significant increase in the average daily volumes for the scrip in BSE and NSE. The price of the scrip during the period September-December 1999 was found to have increased from a range of Rs. 150/- to Rs.600/-. Likewise the average daily volumes in the scrip moved from 10,000- 15,000 shares per day to approx. 80,000-1,00,000 shares per day during this period. During January 2000 the scrip was shifted to compulsory rolling settlement mode (from January 10, 2000). The scrip after January 2000 showed a decline in price and reached to Rs.150/- during June 2000. The average daily volumes during this period were in the range of 10,000-15,000 shares per day.

4.2 A comparison of price movement in the scrip during August-December 1999 with the movement in BSE Sensex and NSE Nifty showed that price rise in the scrip was abnormal. It has been noticed from the analysis of price volume data that the price of the scrip had moved from Rs.175/- to Rs.600/- during September - December 1999.

4.3 A comparison of the price movement of the scrip of Lupin Laboratories Ltd. vis-à-vis the price movements of other scrips in the same industry (i.e. pharmaceutical industry) is tabulated below.

PRICE MOVEMENT OF CERTAIN SELECT PHARMA STOCKS

Date	Ranbaxy	Glaxo	Novartis	Lupin	Cipla
01-Sep-99	1128.1	709	979	169.35	979.56
02-Sep-99	1099	701.4	981	161.15	984.51
03-Sep-99	1062.1	706	979.04	157.25	1002.96
06-Sep-99	1106.95	727	970.1	169.45	1083.19
07-Sep-99	1097.5	729.5	937.84	182.95	1081.89
08-Sep-99	1126	729.5	917.59	184.1	1078.2
09-Sep-99	1103.25	724	898.9	178.1	1085.44
10-Sep-99	1100	720.05	898.01	171.7	1094.4
14-Sep-99	1058	722	898.86	181.7	1181.93
15-Sep-99	1040.95	710.5	886.48	174.45	1191.96
16-Sep-99	1008	705	888.22	170	1164.92
17-Sep-99	1009	707.1	887.33	169.5	1177.2
20-Sep-99	999.75	729	905.53	167.9	1258.38
21-Sep-99	979	740	907.8	167.7	1359.04
22-Sep-99	1030	756.9	931.83	169.6	1467
23-Sep-99	1089.1	770	953.41	183.15	1555.2
24-Sep-99	1047	763	950.52	197.75	1548
27-Sep-99	1077.75	767	949.5	212.55	1521
28-Sep-99	1069.75	773.5	932.9	229.5	1454.4
29-Sep-99	1092	790	940.15	247.85	1469.25
30-Sep-99	1072.05	775	949.54	254.8	1421.64
01-Oct-99	1025	750	932.72	239.55	1355.4
04-Oct-99	989.05	746.5	930.05	234	1433.16
05-Oct-99	1009.5	744.4	930.05	241	1429.2
06-Oct-99	992.25	751	943.4	260.25	1430.28
07-Oct-99	1071.6	811.05	996.8	281.05	1544.69
08-Oct-99	1157.3	837.3	1001.25	303.5	1571.4
11-Oct-99	1161	855	1031.29	327.75	1697.09
12-Oct-99	1153	863	1044.86	353.95	1789.2
13-Oct-99	1215	897	1050.2	382.25	1760.4
14-Oct-99	1204	968	1075.97	395	1680.48
15-Oct-99	1107.7	925	1075.3	365.5	1594.8

18-Oct-99	1121.35	921	1148.1	394.7	1574.13
20-Oct-99	1123.4	893	1063.15	426.25	1722.35
21-Oct-99	1050	846	1061.32	417.4	1615
22-Oct-99	1016.2	800	1029.73	401.9	1542
25-Oct-99	989.4	774	996.8	369.75	1418.65
26-Oct-99	994	745	1003.83	377.05	1414
27-Oct-99	968	752	1001.25	358.35	1364
28-Oct-99	930	745	996.8	330.6	1305.4
29-Oct-99	869.95	739	1076.5	319.95	1300
01-Nov-99	800.4	725	1049.53	294.4	1239
02-Nov-99	864.4	773	1060.88	317.9	1338.1
03-Nov-99	841.15	732.2	1051.54	307.2	1245.5
04-Nov-99	908.4	707	1023.5	314.8	1266.25
05-Nov-99	954.15	710.05	1034.45	339.5	1281
07-Nov-99	962.5	729.75	1048.64	345.9	1310.25
09-Nov-99	971	716.4	1032.4	363.65	1304
11-Nov-99	980.2	745.5	1041.3	360.4	1302
12-Nov-99	993	737	1057.32	371.35	1280
15-Nov-99	979	740.45	1069.78	371.25	1262
16-Nov-99	970	740	1058.21	374.95	1362.95
17-Nov-99	942.95	743.15	1052.78	388.9	1355.05
18-Nov-99	929	742	1054.29	373.95	1388
19-Nov-99	920.6	734.05	1022.08	369.35	1388
22-Nov-99	931	736.6	1027.95	398.85	1464
24-Nov-99	976	745	1028.84	415	1452
25-Nov-99	988	746	1027.1	416.5	1434.95
26-Nov-99	990	743.1	1030.26	449.25	1467
29-Nov-99	979.5	757	1055.5	485.15	1540.55
30-Nov-99	992.5	788	1047.53	468	1626.4
01-Dec-99	1005	768.05	1056.92	458	1570
02-Dec-99	1083	770	1096.48	448	1580
03-Dec-99	1075	758.5	1183.7	452	1544.45
06-Dec-99	1092	769	1245.55	488.15	1546
07-Dec-99	1136	760	1195.27	527.15	1525
08-Dec-99	1045.15	740.5	1139.2	504	1456.25
09-Dec-99	1045	739.5	1130.3	496	1460
10-Dec-99	1004	738.4	1112.94	504	1460
13-Dec-99	999	737.6	1114.32	514	1359.15
14-Dec-99	977	707	1100.26	491	1385
15-Dec-99	940	703	1072.45	481.55	1340

16-Dec-99	980	716	1120.73	519.9	1429
17-Dec-99	935	703	1110.28	540	1481.15
20-Dec-99	957	758.95	1165.9	497	1570
21-Dec-99	945	728	1155.22	536.75	1530
22-Dec-99	953	727.75	1134.75	579.65	1479
23-Dec-99	956	734	1121.58	596	1470.7
24-Dec-99	928.95	719	1103.6	555	1373
27-Dec-99	923.5	722.1	1112.5	549	1350.3
28-Dec-99	927.85	730.5	1121.84	557.5	1416.75
29-Dec-99	932	733.85	1141.87	567	1400
30-Dec-99	923	730.75	1138.98	575	1390

From the above, it can be seen that, the price of the scrip of Ranbaxy Laboratories Ltd. moved from Rs. 1128/- on September 01, 1999 to Rs. 923/- on December 31, 1999, which showed a decrease of about 18% in the price of the scrip. Likewise, the price of the scrip of Glaxo moved from Rs. 709/- to Rs. 730/- which shows a rise of about 3%, the price of Novartis moved from Rs. 979/-to Rs.1 139/- i.e. a rise of about 16% and Cipla moved from Rs. 979/- to Rs. 1390/-, which showed a rise of about 43%. It is also seen that, the price rise in the scrip of Lupin Laboratories Ltd. during the aforesaid period from Rs. 170/- to Rs. 575/- which was a rise of about 239%.

4.4 The price rise in the scrip of Lupin Laboratories Ltd. during the aforesaid period was neither in consonance with the movement of market indices such as BSE Sensex and NSE-Nifty nor was it in tandem with the price movements of other scrips in the pharmaceutical industry like Ranbaxy, Glaxo, Novartis and Cipla. It was observed from the analysis of price volume data that price of the scrip of Lupin Laboratories Ltd. had moved from Rs. 175/- to Rs. 609/- during September- December 1999. In view of this, it was seen that, the price of the scrip of Lupin Laboratories Ltd had moved upwards substantially during a short span of time and this was accompanied with large volumes.

4.5 I find that the broking firms and entities / companies associated/connected with Ketan Parekh had transacted in the scrip of Lupin Laboratories during the period September 1999-February 2000 with a view to establish an artificial high price and artificial volumes/liquidity in the scrip. Analysis of Order Log and Trade Log had revealed that, these entities associated/connected with Ketan Parekh had entered orders in the scrip of Lupin Laboratories Ltd., on BSE and NSE, in order to create a higher price for the scrip. The analysis of volumes in the scrip shows that the transactions by these entities of Ketan Parekh had constituted a significant portion of the total transactions in the scrip during the aforesaid period. Investigations also revealed that, on various occasions, broking firms associated/connected with Ketan Parekh viz. NH Securities Ltd. and Classic Share and Stock Broking Services Ltd. had put orders for purchase of shares of Lupin Laboratories Ltd., which were above the prevailing market price for the scrip. It was also found that these orders established a higher rate for the scrip. Order Log and Trade Log analysis revealed such instances on many occasions during the period under consideration.

4.6 Classic Credit Ltd., an investment company connected with Shri Ketan Parekh, was found to have transacted in the scrip of Lupin Laboratories Ltd. in significant quantities in BSE and NSE through different brokers, as under :-

Name of the Exchange	**Settlement No.**	**Name of the Broker**	**Gross Purchase**	**Gross Sale**	**Net Position**
BSE	30/99-2000	Milan Mahendra	0	22400	-22400
BSE	37/99-2000	Milan Mahendra	0	29931	-29931
BSE	39/99-2000	Milan Mahendra	0	10000	-10000
BSE	40/99-2000	Milan Mahendra	35000	3850	31150
BSE	30/99-2000	C. J.Dalal	60900	62800	-1900
BSE	32/99-2000	C. J.Dalal	5400	0	5400
BSE	33/99-2000	C. J.Dalal	5400	0	
BSE	34/99-2000	C. J.Dalal	9500	5100	4400
BSE	35/99-2000	C. J.Dalal	4400	4400	0
BSE	37/99-2000	C. J.Dalal	0	2931	-2931
BSE	38/99-2000	C. J.Dalal	10000	10000	0
BSE	39/99-2000	C. J.Dalal	7500	7500	0
BSE	40/99-2000	C. J.Dalal	10000	15000	-5000

Name of the Exchange	Settlement No.	Name of the Broker	Gross Purchase	Gross Sale	Net Position
BSE	42/99-2000	C. J.Dalal	0	10000	-10000
BSE	30/99-2000	Hem Securities Ltd.	0	25000	-25000
BSE	35/99-2000	Hem Securities Ltd.	12600	222100	-209500
BSE	37/99-2000	Hem Securities Ltd.	0	35000	-35000
BSE	39/99-2000	Hem Securities Ltd.	0	5000	-5000
BSE	40/99-2000	Hem Securities Ltd.	70000	22602	47398
BSE	42/99-2000	Hem Securities Ltd.	0	10000	-10000
BSE	29/99-2000	Triumph Securities	86300	0	86300
BSE	38/99-2000	Triumph Securities	0	21602	-21602
BSE	39/99-2000	Triumph Securities	0	7617	-7617
BSE	30/99-2000	Pravin V. Shah	0	25000	-25000
BSE	36/99-2000	Pravin V. Shah	0	66000	-66000
BSE	38/99-2000	Pravin V. Shah	6202	6202	0
BSE	42/99-2000	Pravin V. Shah	0	4735	-4735
		BSE Total	323202	634770	-316968
NSE	N/1999046	Classic Shares & Stock Broking	0	9600	-9600
NSE	N/1999047	Classic Shares & Stock Broking	595005	0	595005
NSE	N/1999051	Classic Shares & Stock Broking	241500	0	241500
NSE	W/200026	Classic Shares & Stock Broking	5000	0	5000
NSE	W/200032	Classic Shares & Stock Broking	27770	0	27770
NSE	W/200035	Classic Shares & Stock Broking	16232	0	16232
NSE	W/200036	Classic Shares & Stock Broking	60000	0	60000
NSE	W/200040	Classic Shares & Stock Broking	12315	0	12315
NSE	N/1999045	NH Securities Ltd.	0	455800	-455800
NSE	N/1999046	NH Securities Ltd.	104700	0	104700
NSE	N/1999048	NH Securities Ltd.	0	26118	-26118
NSE	N/1999049	NH Securities Ltd.	0	5000	-5000
NSE	N/1999050	NH Securities Ltd.	0	21600	-21600
NSE	N/1999051	NH Securities Ltd.	0	38846	-38846
NSE	N/1999052	NH Securities Ltd.	0	15225	-15225
NSE	N/2000001	NH Securities Ltd.	0	34850	-34850
NSE	N/1999043	Triumph International Finance India Ltd.	45000	0	45000
NSE	N/1999047	Triumph International Finance India Ltd.	100000	65000	35000
NSE	N/1999048	Triumph International Finance India Ltd.	0	15000	-15000
NSE	N/1999049	Triumph International Finance India Ltd.	0	38788	-38788
NSE	N/1999050	Triumph International Finance India Ltd.	51370	51370	0
NSE	W/1999187	Triumph International Finance India Ltd.	0	241500	-241500
NSE	F/2000030	Triumph International	90000	0	90000

Name of the Exchange	Settlement No.	Name of the Broker	Gross Purchase	Gross Sale	Net Position
		Finance India Ltd.			
NSE	F/2000034	Triumph International Finance India Ltd.	208007	0	208007
NSE	S/1999025	Triumph International Finance India Ltd.	0	125000	-125000
	26/11/1999	M. D. Doshi	300000	0	300000
		NSE Total	1856899	1143697	713202
		BSE and NSE Total	2180101	1778467	396234
		Gross BSE and NSE (Purchase + Sale)	3958568		

It is thus seen that Classic had transacted in the scrip of Lupin Laboratories Ltd. during the period under consideration in large quantities, in BSE and NSE, through different brokers. Classic, in all had purchased 3,23,202 shares and sold 6,34,700 shares resulting in a net sale position of 3,16,968 shares sold at BSE. Likewise, on NSE, Classic had purchased 18,56,899 shares and sold 11,43,697 shares and therefore had a net purchase position of 7,13,202 shares. The combined position of Classic at BSE and NSE was purchase of 21,80,101 shares and sale of 17,78,467 shares which resulted in a net purchase position of 3,96,234 shares and gross position of 39,58,568 shares transacted.

4.7 I find that Panther Fincap, another entity connected to Shri Ketan Parekh had transacted in the scrip of Lupin Laboratories Ltd. on BSE and NSE through Triumph Securities Limited and NH Securities, broking entities connected to Shri Ketan Parekh. The table below shows a summary of transactions entered into by Panther Fincap in the scrip of Lupin Laboratories Ltd. during the period under consideration.

Name of the Exchange	Settlement No.	Name of the Broker	Gross Purchase	Gross Sale	Net Position
No	31/8/1999	N.A.	386900	0	386900
BSE	36/99-2000	Milan Mahendra	0	103489	-103489
BSE	36/99-2000	C. J. Dalal	0	100783	-100783
BSE	36/99-2000	Hem Securities Ltd.	0	71187	-71187
BSE	36/99-2000	Triumph Securities Ltd.	0	17500	-17500
NSE	N1999047	NH Securities Ltd.	0	189315	-189315

4.8 Saimangal Investrade Ltd., another entity connected to Shri Ketan Parekh, had also sold the shares of Lupin Laboratories Ltd. in large quantities on NSE. These transactions were done through the broking concern associated/connected with Shri Ketan Parekh namely, NH Securities Ltd. The transactions by Saimangal Investrade Ltd. in the scrip of Lupin Laboratories Ltd. during the period August 1999 to December 1999 are shown in the table below:

Name of the Exchange	Settlement No.	Name of the Broker	Gross Purchase	Gross Sale	Net Position
NSE	N/1999041	NH Securities Ltd.	0	161500	-161500
NSE	N/1999045	NH Securities Ltd.	0	303500	-303500

4.9 An analysis of order log and trade log was done with respect to certain days on which significant movement in price of the scrip was observed. The analysis revealed that Classic Credit Ltd. had entered orders for purchase of shares of Lupin Laboratories Ltd. with a view to establish a higher price for the scrip on certain occasions. The following are instances noticed upon such analysis:

Date	**Name of the Exchange**	**Name of the Broker**	**Time**	**Qty.**	**Order No.**	**Rate (Rs.)**	*** LTP (Rs.)**	**Change in Price (Rs.)**
6/10/99	BSE	Triumph Securities Ltd.	10:14:37	10000	372010160	250	245	5
6/10/99	BSE	Triumph Securities Ltd.	10:15:44	10000	372010161	255	250	5
6/10/99	BSE	Triumph Securities Ltd.	10:16:47	10000	372010162	260	255	5
6/10/99	BSE	Triumph Securities Ltd.	10:17:24	10000	372010166	260.1	260	0.1
6/10/99	BSE	Triumph Securities Ltd.	10:17:35	10000	372010167	260.2	260.1	0.1
6/10/99	BSE	Triumph Securities Ltd.	10:18:01	10000	372010169	260.25	260.2	0.05
14/10/99	BSE	C. J. Dalal (purchase)	10:03:34	25000	85040040	411	382.25 (closing price on previou s day)	Buyer and Seller both Classic Credit Ltd.
14/10/99	BSE	Parvin V. Shah (sale)	10:03:34	25000		411		
14/10/99	BSE	C. J. Dalal (purchase)	15:12:51	30000	85040076	412.80	Buyer and Seller both Classic Credit Ltd.	
14/10/99	BSE	Milan Mahendra (sale)	15:12:52	40000	460120041	412.80		
15/10/99	BSE	C.J. Dalal	10:33:55	5000	85040083	365	Orders placed at increasing rates established a rate of Rs.390/- from Rs.365/-	
15/10/99	BSE	C.J. Dalal	10:40:49	5000	85040085	365		
15/10/99	BSE	C.J. Dalal	10:44:52	5000	85040087	365		
15/10/99	BSE	C.J. Dalal	11:05:33	5000	85040089	365		
15/10/99	BSE	C.J. Dalal	12:14:50	100000	85040102	366		
15/10/99	BSE	C.J. Dalal	12:15:54 `	50000	85040104	375		
15/10/99	BSE	C.J. Dalal	12:16:05	25000	85040105	385		
15/10/99	BSE	C.J. Dalal	12:16:20	25000	85040106	390		
15/10/99	BSE	C.J. Dalal	12:17:55	25000	85040110	400		
11/11/99	BSE	C.J. Dalal	14:05:18	25000	85040038	350	343	

- From the above table, it can be seen that Classic Credit Ltd. on various days was instrumental in establishing an artificial higher price for the scrip of Lupin Laboratories Ltd. On October 6, 1999, Classic Credit Ltd. had placed consecutive buy order of large quantities at increasing rates. From the above table, it can be seen that these orders were placed during the period 10:15:44 to 10:51:34 in large quantities in the price range of Rs.250/- to Rs.260.25, when the market price in the scrip was Rs.245/-. These orders had thus established a price of Rs.260.25 in the scrip of Lupin Laboratories Ltd. on that day, which is the maximum permissible upper circuit price level of 8% above the closing price on the previous day. As a result of this, the scrip was traded only at the upper circuit price level of Rs.260.25 on that day. During the course of investigations, statement of Triumph Securities Ltd. (Shri. Nimesh Dhedia) was recorded. He was asked to state who had placed the aforesaid orders and what was the instruction in respect of the aforesaid order. It was replied that, the orders were placed on behalf of Classic Credit Ltd., for which, the persons who had placed orders were either Shri Ketan Parekh or Shri Kartik Parekh.

- It is also seen that, on 14/10/99, Classic Credit Ltd. had placed an order for purchase of 25,000 shares of Lupin Laboratories Ltd. at the rate of Rs.411/- at 10:03:34 i.e. at the beginning of trading session through M/s. C.J. Dalal. At the same time, classic Credit ltd. placed an order for sale of 25,000 shares of Lupin Laboratories Ltd. through Pravin V. Shah Stock Broking P. Ltd. (member BSE). The closing price for the scrip on the previous day was Rs.382.25. The order for purchase and sale was entered and executed by Classic Credit Ltd. at the opening of trading session on 14/10/99 at a rate of Rs.411/-. With this transaction Classic Credit Ltd. established a price of Rs.411/- in the scrip of Lupin Laboratories Ltd. 8% higher than the closing price on the previous day which was Rs.382.25. On the same day, Classic Credit Ltd. had placed an order for 30,000 shares at 15:12:51 through C.J. Dalal at the rate of Rs.412.80 and an order for sale 40,000 shares at 15:12:52 through Milan Mahendra Securities P. Ltd. (member BSE). These orders were matched for a quantity of 22,400 shares and the remaining quantity of 7,600 shares was deleted by Classic Credit Ltd. This transaction had established a rate of Rs.412.80 in the scrip of Lupin Laboratories Ltd. on 14/10/99 which was the upper circuit level for the scrip i.e. at a rate of 8% above the closing price in the scrip on the pervious day.

- On 15/10/99, it is seen that Classic Credit Ltd. had placed orders during 10:33:55 to 11:05:33 at a price of Rs.365/- for the scrip of Lupin Laboratories Ltd. and subsequently placed orders for purchase of shares of Lupin Laboratories Ltd. in large quantities at increasing range from Rs.366/- to Rs.390/- during 12:14:50 to 12:16:20. It was also seen that the orders placed at Rs.366/- for 1,00,000 shares and Rs.375/- for 50,000 shares was deleted for the remaining quantity and an order for purchase of 25,000 shares was placed at a rate of Rs.400/- at 12:17:55. These consecutive orders placed at increasingly higher rates and immediate deletion of the earlier orders placed for lower rates artificially established higher price of the scrip which moved from Rs.365/- to Rs.400/-.

- On 11/11/99, Classic Credit Ltd. placed an order for purchase of 25,000 shares of Lupin Laboratories Ltd. at the rate of Rs.350/- at 14:05:18 through M/s. C.J. Dalal. The market price in the scrip at that time was Rs.343/- and this order established a rate of Rs.350/- for the scrip of Lupin Laboratories Ltd. It was also seen that this order was deleted by Classic Credit Ltd. for a quantity of 21,900 shares at 14:09:54. This shows that Classic Credit Ltd. was putting orders for purchase of shares of Lupin with a view to establish an artificial price for the scrip.

4.10 I find that NH Securities Ltd., one of the broking entities of KP, had also transacted in the scrip of Lupin Laboratories Ltd. in large quantities during the period under consideration. The transactions were mainly done on its own account and on behalf of clients namely, Classic, Panther and Saimangal. These entities/clients as stated above, were entities associated/connected with Ketan Parekh, who is also the

Director and person in-charge of NH Securities Ltd. The transactions by the broker together with other broking firms associated/connected with Ketan Parekh constituted a significant portion of the total transactions in the scrip on NSE.

4.11 The orders were found to have been placed by NH Securities Ltd. on behalf of Classic. Both NH and Classic were found to have been managed, operated and controlled by Shri Ketan Parekh. The orders on behalf of Classic were placed by Ketan Parekh and the authorised person to do transactions on behalf of Classic and NH was stated to be Ketan Parekh himself.

4.12 NH Securities Ltd had entered orders for purchase of shares of Lupin Laboratories Ltd. on NSE with a view to establish a higher price for the scrip on certain occasions. On many such occasions, the client for whom they had traded was Classic Credit. The following illustrates such instances :

Date	Time	Qty.	Order No.	Rate (Rs.)	* LTP (Rs.)	Change in Price (Rs.)	Name of the Client
17/11/1999	11:37:26	25000	199911170260035	400	393.25	6.75	Classic Credit
17/11/1999	1:47:01	2200	199911170426167	400	394.5	5.5	Classic Credit
22/11/1999	2:21:55	25000	199911220438795	380	378	2	Classic Credit
22/11/1999	3:28:03	25000	199911220562016	372	366.3	5.7	Classic Credit
31/01/2000	10:34:34	5000	200001310145955	475	467	8	Classic Credit
31/01/2000	11:55:41	5000	200001301352529	490	475	15	Classic Credit
3/2/2000	10:18:46	2000	200002030087177	500	490	10	Classic Credit
3/2/2000	13:52:09	5000	200002030572680	500	495	5	Classic Credit
3/2/2000	13:52:16	5000	200002030572850	505	501	4	Classic Credit
3/2/2000	13:52:26	5000	200002030573104	510	505	5	Classic Credit
3/2/2000	13:52:43	5000	200002030573544	520	510	10	Classic Credit
3/2/2000	14:11:17	5000	200002030604128	530	520	10	Classic Credit
3/2/2000	14:11:36	5000	200002030604828	530.4	530	0.4	Classic Credit
8/2/2000	12:30:36	1993	200002084437542	500	489	11	Classic Credit
8/2/2000	14:47:43	5000	200002080683953	500	499	1	Classic Credit
9/2/2000	11:04:57	5000	200002090259895	520	510	10	Classic Credit
9/2/2000	11:05:04	5000	200002090262050	530	520	10	Classic Credit
9/2/2000	11:05:38	5000	200002090261870	540	530	10	Classic Credit
9/2/2000	11:06:22	5000	200002090263978	547.95	540	7.95	Classic Credit
21/2/2000	12:00:50	5000	200002210388469	485	470	15	Classic Credit

(* LTP means Last Traded Price)

From the above table, it can be seen that NH Securities Ltd. had entered order for purchase of shares of Lupin Laboratories Ltd. at a rate which was higher than the prevailing rate/last traded price for the scrip. These buy orders in large quantities, swept the existing purchase orders at increasing rates and established a higher price for the scrip. On certain occasions these large orders caused the price to move up and touch the upper circuit price level for the scrip for the day. These instances are sufficient to show that the broker had been instrumental in establishing the higher price for the scrip.

4.13 Other brokers, Triumph International & Finance India Ltd. (member NSE), Classic Share & Stock Broking Services Ltd. (member NSE) and Triumph Securities Ltd. (member BSE), which were broking concerns associated/connected with Shri Ketan Parekh, had transacted in the scrip of Lupin Laboratories Ltd. on BSE and NSE, in large quantities. I find that the transactions by aforesaid entities had constituted a significant portion of the total transactions in the scrip on the exchanges.

4.14 Comparison of transactions by the aforesaid brokers associated/connected with Ketan Parekh vis-à-vis the total transactions in NSE in the scrip of Lupin Laboratories Ltd. during the period under consideration is tabulated below :

Sett. No.	**Name of the broker**	**% of Net sale vis-à-vis mkt.net qty.**	**% of Net buy vis-à-vis market net qty.**	**% of gross traded vis-à-vis market gross qty.**
1999040	Triumph Intl. Finance	22.15	-	6.47
	Milan Mahendra	-	5.48	-
1999041	NH Securities	-	39.03	10.85
1999042/43/44 under No Delivery				
19999045 (for 1999042 to 45)	Triumph Intl. Finance	55.6	-	5.21
	NH Securities	-	42.73	14.97
1999046	NH Securities	60.07	-	5.47
	Classic Share & Stock Broking Services Ltd.	-	5.51	-
1999047	NH Securities	-	55.63	4.5
	Classic Share & Stock Broking Services Ltd.	-	26.52	30.45
1999048	Triumph Intl. Finance	31.59	-	9.86
	NH Securities	-	15.28	-
1999049	Triumph Intl. Finance	-	42.22	12.85
	NH Securities	-	3.35	-
1999050	Triumph Intl. Finance	5.38	-	7.81
	NH Securities	-	5.34	4.77
1999051	NH Securities	-	20.59	5.49
1999052	NH Securities	-	29.71	5.17
2000001	NH Securities	-	26.24	6.5
	Milan Mahendra	-	6.78	-
2000002	Triumph Intl. Finance	-	18.23	54.95
2000003 to 2000007 under No Delivery		-	-	-
2000008	Triumph Intl. Finance	3.08	-	-
2000011	Triumph Intl. Finance	1.26	-	0.62
2000013	Triumph Intl. Finance	3.33	-	

2000014	NH Securities	56.18	-	26.67
	Triumph Intl. Finance	-	6.51	3.09
2000015	NH Securities	76.82	-	32.44
2000020	NH Securities	61.02	-	23.34
2000022	Triumph Intl. Finance	-	2.46	-
2000023	NH Securities	75.77	-	5.56
	Triumph Intl. Finance	-	18.39	85.19
2000024	NH Securities	29.11	-	7.06
2000025	Triumph Intl. Finance	-	19.49	94.78
2000026	Classic Share & Stock Broking Services Ltd.	46.19	-	16.97
	Triumph Intl. Finance	18.41	-	6.77
2000027	Triumph Intl. Finance	51.88	-	23.93
	NH Securities	44.47	-	19.72
	Milan Mahendra	-	7.71	-
2000028	NH Securities	72.96	-	26.77
2000029	NH Securities	72.89	-	29.23
2000030	NH Securities	77.66	-	31.2
	Triumph Intl. Finance	-	16.51	9.89
2000031	NH Securities	53.61	-	23.19
	Triumph Intl. Finance	20.29	-	8.78
2000032	Classic Share & Stock Broking Services Ltd.	79.03	-	23.24
	NH Securities	5.69	-	18.41
	Triumph Intl. Finance	-	17.79	7.74
2000033	Triumph Intl. Finance	9.7	-	54.45
2000034	Triumph Intl. Finance	7.05	-	2.54
2000035	Classic Share & Stock Broking Services Ltd.	46.01	-	21.06
	NH Securities	2.94	-	-
2000036	Classic Share & Stock Broking Services Ltd.	77.79	-	34.11
2000038	NH Securities	37.28	-	16.27
	Triumph Intl. Finance	15.06	-	6.58
2000039	Triumph Intl. Finance	4.13	-	-
2000040	Classic Share & Stock Broking Services Ltd.	85.49	-	31.24
2000041	Classic Share & Stock Broking Services Ltd.	39.79	-	18.47
	NH Securities	39.79	-	18.47

4.15 Explanations were sought from the entities which were found to have entered the transactions. They were asked to state on whose behalf these orders had been placed and what were the instructions in respect of quantity, rate and time of these orders. Replies were received only from NH Securities Ltd. and Classic Share and Stock Broking Services Ltd. who contended that, all these orders had been placed on behalf of their client viz. Classic. Investigations had revealed that Classic, client of NH Securities Ltd. and Classic Share and Stock Broking Service Ltd., was an associate/group company of Shri.Ketan Parekh and all the three are operated and controlled by Ketan Parekh. The orders on behalf of Classic were placed by Ketan Parekh, who is the authorised person to do the transactions on behalf of Classic. I find that on certain occasions NH Securities was putting orders for purchase at higher rates at a gap of few seconds. For eg. orders for purchase at the rate of Rs.500/-., Rs.505/-, Rs.510/-, Rs.520/- were placed during a span of about one minute on 03/02/2000. Investigations had revealed that the floating stock in the scrip was very less since promoters were holding about 82.40% of the equity capital of the scrip. Therefore, continuous buy orders of NH Securities and Classic Share & Stock Broking Services Ltd., on behalf of these clients, had artificially raised the price of the scrip and had created an artificial demand for the scrip through continuous buy orders. It was therefore seen that both the demand and the supply side, which constitute the determination/formation of price in the market, had been disturbed by the aforesaid entities, with a view to establish an artificial market for the scrip. Therefore there had been no free and fair discovery of price for the scrip.

4.16 Various letters and summons were issued to the entities associated/connected with Ketan Parekh viz. Classic, Panther and Saimangal. However, there was no response. Summons were also issued to these entities asking them to furnish clarifications in respect of various facts brought out during the course of investigations. However, no reply was received from these entities. The directors of Panther are

Shri Ketan Parekh, Shri Kartik Parekh, Shri Kirti Parekh and Shri Navinchandra Parekh. The operations and management of the company was done by Shri Ketan Parekh and his relative Shri Kartik Parekh.

4.17 Panther also did not respond to letter / summons issued by SEBI during investigation. From the details submitted by brokers of BSE & NSE, it was observed that Panther had sold around 4,82,274 shares of Lupin Laboratories Ltd. during November 1999.

4.18 As brought out above, the price rise in the scrip during the period September - December 1999 was artificial, which was accompanied with artificial volumes/liquidity in the scrip. I find that, the entities associated/connected with Shri. Ketan Parekh had acquired shares of Lupin Laboratories Ltd. in large quantities and had dealt heavily in the scrip during the period September - December 1999 on BSE and NSE. A majority of the transactions of these investment companies associated with Ketan Parekh were done through the broking concerns associated/connected with Shri. Ketan Parekh. The transactions by the aforesaid broking firms and investment companies associated/connected with Shri Ketan Parekh have constituted a significant portion of the total transactions done in the exchange. I find from the Order Log and Trade Log that these entities have entered orders for purchase of shares of Lupin Laboratories Ltd. at a rate which was higher than the price of the scrip at the time of entering the order. These orders which were for large quantities swept all the existing sale orders at lesser price and established a higher rate for the scrip. Repeated occurrence of such instances show that these entities were instrumental in creating an artificial higher price for the scrip. Likewise, these transactions in large quantities knowing fully well that floating stock was low and concentrated with promoters, created abnormal volumes for the scrip and created an artificial liquidity for the scrip.

Price Manipulation

4.19 Therefore, entities connected to and controlled by Ketan Parekh, were found to have entered into transactions in the scrip of Lupin Laboratories during the period September – December 1999 with a view to manipulate prices and artificially establish high price in the scrip and create artificial volumes/liquidity in the scrip. The analysis of volumes in the scrip showed that the transactions by these entities of Ketan Parekh mainly Classic Credit Ltd., Panther Fincap and Saimangal constituted a significant portion of the total transactions in the scrip during the aforesaid period. Analysis of Order Log and Trade Log revealed that, these entities associated/connected with Ketan Parekh, had entered orders in the scrip of Lupin Laboratories Ltd. on BSE and NSE in order to create a higher price for the scrip. The common pattern observed in the case of these entities was that orders would be placed at prices higher than the last traded price and thereby establishing a higher price for the scrip. Simultaneously, price rise in the scrip had also been noted. Considering the large volume of the transactions entered into by KP entities, I am of the view that, artificial price rise has been caused by the entities connected to KP in the scrip of Lupin Laboratories. Regulation 4(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 prohibits entering into trades in any scrip, directly or indirectly with the intention of inflating the price. In the instant case, manipulative intent can be read into the trades entered by the KP entities, where orders were placed at prices higher than the last traded price coupled with large transactions causing price rise. These entities who had entered into manipulative trades in the scrip of Lupin Laboratories i.e., Classic Credit, Panther Fincap and Saimangal are entities connected to and controlled by Shri Ketan Parekh. All these entities are having directors who are close relatives of Shri Ketan Parekh and it had also been stated during the recording of the statement that such entities were operated by Shri Ketan Parekh. In regard to the above, I conclude that Classic Credit, Panther Fincap and Saimangal are guilty of violating Regulation 4(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 in respect of their dealings in the scrip of Lupin

Laboratories. Although, violations are noted to have been committed by NH Securities, Classic Share and Stock Broker and Triumph Securities Ltd. with respect to the scrip of Lupin Laboratories, the entities being broking firms are proceeded separately under the SEBI(Procedure for Holding Enquiry and Imposing Penalties)Regulations, 2002.

Findings w.r.t second show cause notice

5.1 One of the major objections raised by the all the KP Entities were that they cannot be termed as KP Entities since their shareholding pattern was different from each other and there was nothing to suggest that they were connected to each other. However, I find from the records available with SEBI that a statement to the effect that they were all either connected or controlled by Ketan Parekh, was made by Ketan V Parekh during the investigation carried out by SEBI. The following details bring out that all these entities were controlled by/belonged to Ketan Parekh/Kartik Parekh:

Name of the entity	Address	Director
1. Classic	5th Floor Manek Mahal 90 Veer Nariman Road Mumbai	Kiritkumar N Parekh Kartik K Parekh Ketan V Parekh
2. Panther Fincap & Management Services Ltd	9 Bhupeen Chambers Gr.Floor Dalal Street, Mumbai	Kiritkumar N Parekh Kartik K Parekh Ketan V Parekh
3. Luminant Investments (P) Ltd	1st Floor, Radha Bhavan Nagindas Master Road, Fort, Mumbai	Ketan V Parekh Arun J Shah
4. Classic Share and Stock Broking Services Ltd.	121 Radha Bhavan 1st Floor Nagindas Master Road Mumbai	Kiritkumar N Parekh Kartik K Parekh
5. NH Securities (P) Ltd	9, Bhupeen Chambers, Dalal Street, Fort Mumbai	Vinaychandra N Parekh (father of Ketan Parekh) Navinchandra N Parekh Kiritkumar N Parekh (father of Kartik Parekh)
6. Saimangal Investrade Ltd	1st Floor, Radha Bhavan Nagindas Master Road, Fort,	Ketan V Parekh Kartik K Parekh

		Mumbai	
7.	Chitrakut Computers (P) Ltd	9 Dalal Street, Bhupen Chambers Gr.Floor Mumbai	Kiritkumar N Parekh Ketan V Parekh
8.	Classic Infin Limited	5th Floor Manek Mahal 90 Veer Nariman Road Mumbai	Ketan V Parekh Karthik K Parekh
9.	Panther Investrade Ltd.	121 Radha Bhavan 1st Floor Nagindas Master Road Mumbai	Kiritkumar N Parekh Kartik K Parekh

All the above entities except for Classic Shares and Stock Broker and Panther Investrade have Shri Ketan Parekh as their director. In Classic Shares and Stock Broker and Panther Investrade, Shri Kartik Parekh is a director. I find that other directors in all other entities are closely related to Shri Ketan Parekh or Shri Kartik Parekh. Shri Vinay Chandra Parekh is the father of Shri Ketan Parekh. It is also known that Shri Kartik Parekh and Shri Ketan Parekh are cousin brothers. In view of the above, all these entities are connected and associated and collectively referred to as "KP entities".

5.2 I find that transactions of KP entities through Credit Suisse First Boston Securities [hereinafter referred to as 'CSFB Securities'] and Dresdner-Kleinworth & Benson Securities [hereinafter referred to as 'DKB Securities'] are in the nature of circular and fictitious trades which had resulted in creation of artificial volume and artificial markets in the scrips. It is also seen that KP entities were facilitated by CSFB Securities and DKB Securities to receive finance against the delivery of shares without waiting for pay-out at the exchange and the deals were so structured so as to give them a semblance of actual "sale and purchase" of shares at the recognized stock exchanges. Transactions made by Classic, Luminant and Panther through CSFB Securities and DKB Securities were found to be non-genuine since there was no change in the beneficial ownership of shares i.e. the shares were merely rotating from one KP entity to same or other KP entity. These trades were merely circular trades and undertaken to create artificial volumes and artificial markets in certain scrips.

5.3 Classic and Panther were also found to have indulged in similar circular trades even through the proprietary account of CSFB Securities, thereby creating artificial volumes and artificial markets in certain scrips. The details gathered during the course of investigation for the period from April 01, 2000 to March 31, 2001 revealed that Classic, Luminant and Panther had executed only sale transactions through CSFB Securities at NSE and BSE in respect of certain scrips such as Adani Exports, Global Trust Bank, Mukta Arts, Nirma, DSQ Bio Tech, Tips Ind, HFCL, Global Tele-system, Zee Tele, Jaiprakash Industries, Cadila Healthcare, Lupin Lab, Shonkh Tech, Mascon Global etc. Classic, Luminant and Panther had received the sale consideration from CSFB Securities, on the date of sale transactions itself, without waiting for pay-out of funds from the exchange.

5.4 The aggregate sales done by Classic, Luminant and Panther through CSFB Securities for the period during April 01, 2000-March 31, 2001 were Rs. 5644 crores (NSE: Rs. 2462 + BSE: Rs. 3182), which is summarized below:

TRADING BY CLASSIC

	BSE		NSE	
Scrip Name	**Qty**	**Value (Crores)**	**Qty**	**Value (Crores)**
ADANI EXPORTS	1474000	6.11	---	91.21
APTECH LTD	220000	12.21	---	---
DSQ BIOTECH	---	---	600000	5.66
GLOBAL TELESYSTEM	1748000	199.43	244100	25.92
GLOBAL TRUST BANK	3250000	24.96	3500000	30.42
HIMACHAL FUTURISTIC	8395000	1,114.84	3033000	411.64

NIRMA LTD	15500	11.83	---	---
SATYAM COMPUTERS	---	---	147500	4.40
SHONKH TECHNOLOGY	1500000	44.51	---	---
SILVERLINE INDUSTRIES	750000	27.13	---	---
DSQ SOFTWARE	180000	12.65	---	---
ZEE TELE FILMS	6500000	273.55	5440000	206.51
		1,727.21		**775.75**
Total Value (BSE+NSE)				**2,502.96**

TRADING BY LUMINANT INVESTMENT PRIVATE LTD

	BSE		NSE	
Scrip Name	**Qty**	**Value (Crores)**	**Qty**	**Value (Crores)**
ADANI EXPORTS	1830000	137.07	3851000	292.01
AFTEK INFOSYSTEM	---	---	23000	1.68
CADILLA HEALTH	2180000	34.17	520000	7.64
DSQ BIOTECH	560000	8.52	1310000	22.02
DSQ SOFTWARE	20000	0.67	250000	9.59
GLOBAL TELESYSTEM	470000	32.72	394000	26.49
GLOBAL TRUST BANK	---	---	1500000	12.19
HIMACHAL FUTURISTIC	325000	32.77	2239000	208.01
JAIPRAKASH INDUSTRIES	199000	1.51	380000	2.83
LUPIN LABS	200000		---	---

	BSE		NSE	
Scrip Name	**Qty**	**Value (Crores)**	**Qty**	**Value (Crores)**
		4.46		
MASCON GLOBAL	7600000	249.97	---	---
MUKTA ARTS	---	---	100000	2.53
NIRMA LTD	250000	16.40	432000	30.75
SHONKH TECHNOLOGY	14438000	409.61	---	---
SILVERLINE INDUSTRIES	1395000	30.42	---	---
SSI	41000	4.76	---	---
TIPS INDUSTRIES	415000	7.94	680000	12.45
ZEE TELE FILMS	2630000	71.53	310000	700.88
		1,042.53		**1,329.08**
Total aggregate sale value in crores (BSE+NSE)				**2,371.60**

TRADING BY PANTHER FINCAP & MANAGEMENT SERVICES LTD

	BSE		NSE	
Scrip Name	**Qty**	**Value (Crores)**	**Qty**	**Value (Crores)**
ADANI EXPORTS	130000	8.58	954000	69.77
DSQ BIOTECH	2775000	40.44	---	---
GLOBAL TELESYSTEM	---	---	70000	7.92
GLOBAL TRUST BANK	1200000	11.88	1735000	13.83
HIMACHAL FUTURISTIC	2047199	209.07	1700000	201.07
MASCON GLOBAL	3000000	85.25	---	---

	BSE		NSE	
Scrip Name	**Qty**	**Value (Crores)**	**Qty**	**Value (Crores)**
NIRMA	---	---	52000	3.94
SHONKH TECHNOLOGY	1495000	42.90	---	---
ZEE TELEFILMS	200000	14.68	800000	61.02
		412.8		**357.55**
Total aggregate sale value in crores (BSE+NSE)				**770.35**

5.5 Analysis of order log and trade log of transaction made by Classic, Luminant and Panther through CSFB Securities revealed that entire quantity or almost entire quantity of sell order of Classic, Luminant and Panther put through CSFB Securities matched almost every time with buy orders of only select group of brokers such as, Triumph Securities Ltd, Triumph International Finance Ltd, Classic Shares & Stock Brokers Ltd, NH Securities Ltd, Chadravadan J. Dalal, Milan Mahendra Securities, Hem Securities Ltd, Latin Manharlal Securities Ltd, Visaria Securities Ltd, Woodstock, Vyomit Shares, Keynote Capitals, Mukesh Babu etc. Details of buying client obtained from the buying brokers revealed that entire sell quantity or almost entire quantity of sale orders of Classic, Luminant and Panther put through CSFB Securities got matched with the buy orders of same selling KP entity or other KP entity viz. Chitrakut, NH Securities Ltd (Proprietary account), Classic Shares & Stock Broker Ltd (Proprietary account) and Saimangal put through these select brokers. It is also seen that entire quantity or almost entire quantity of sale order of Classic, Luminant and Panther put through CSFB Securities matched every time with the buy orders of only select group of brokers such as, Triumph Securities, Triumph International Finance, Classic Shares & Stock Brokers, NH Securities, C. J. Dalal, Milan Mahendra, Hem Securities, Latin Manharlal, Visaria Securities, Woodstock, Vyomit Shares, Keynote Capitals etc., even when there are more than few thousand brokers spread over more than 300 cities. It is also seen that that buy and sell orders were put at the same time or almost at the same time i.e. within a gap of few seconds of putting in of buy / sell order. This trading pattern indicated that these orders were synchronized and were put with prior understanding with a view to ensure that sell order of one KP entity put through CSFB Securities matched with the buy orders of same selling KP entity or other set of KP entity.

5.6 The representatives of CSFB, while being examined during the investigation had confirmed on oath that all sale transactions executed by them on behalf of Ketan Parekh entities were synchronized trades and that Mr. Kartik Parekh or sometimes Ketan Parekh was coordinating these buy and sell orders. The buyer was arranged by Ketan Parekh or Kartik Parekh. Hence, by synchronizing the buy and sell orders, the shares sold by one of the KP entities through CSFB Securities were again purchased back by same selling KP entity or other KP entity through other select brokers, thus these trades involved no change in beneficial ownership, which resulted in circular trading.

5.7 I find that Classic, Luminant and Panther received sale consideration from CSFB Securities on the date of sale transactions itself, without waiting for pay-out of funds from the exchange. In the normal course, the entities would have received sale consideration from CSFB Securities on the pay-out date of the exchange. It was also revealed that rate of brokerage paid by Classic, Luminant and Panther to CSFB Securities for these sale transactions varied on each occasion. The analysis of varying rate of brokerage paid showed that the same was related to the number of days between date when payment was received by the KP entity from CSFB Securities and date such entity would had received sale consideration on pay-out day. It was revealed that longer the number of days between the date when payment was received by KP entity from CSFB Securities and the date when KP entity would have received sale consideration on pay-out day, higher was the rate of brokerage paid. This aspect was confirmed by CSFB on oath and they were providing immediate payment facility to Classic, Luminant and Panther who had sold the securities through them. CSFB also confirmed on oath that basically the varying rate of brokerage charged from Classic, Luminant and Panther was on account of the risk involved in getting payment for the sale executed through CSFB and that longer the gap between the date when the payment was made to Classic, Luminant and Panther and date when payment was received by CSFB Securities from the exchange after pay-out, higher rate of brokerage was charged.

5.8 I find that there were around 97 such instances (54 instances in BSE and 43 instances in NSE) where Classic, Luminant and Panther had executed only sale transactions through CSFB Securities at NSE and BSE. In all these instances, it was noticed that trades were executed in the manner mentioned above. Classic, Luminant and Panther had put around 400 sell orders through CSFB Securities, which invariably matched, with buy orders of same KP entity or other set of KP entities put through other brokers. Two such instances are referred in detail, as under:-

I. On 12-Feb-01, Luminant had placed sell order through CSFB Securities for sale of 2,20,000 shares of Adani Exports @ Rs. 854.00 in the physical segment of BSE.

Order log and trade log show that sell order placed in respect of Luminant for sale of 2,20,000 shares of Adani Exports matched with buy orders of Panther placed through other brokers. These “matched” buy and sell orders are as discussed below:

- Luminant placed sell order through CSFB Securities for sale of 100000 shares of Adani Exports @ Rs.854 at time 12:16:24. This sell order was matched with the buy order of Panther placed through broker Milan Mahendra Securities at time 12:16:24 for 100000 shares @ Rs.854. The buy and sell orders were placed at the same time.

- Luminant then placed second sell order through CSFB Securities for sale of 120000 shares of Adani Exports @ Rs.854 at time 12:16:42. This sell order was matched with the buy order of Panther, placed through broker Hem Securities at time 12:16:42 for 120000 shares @ Rs.854. The buy and sell orders were placed at the same time.

The above details show that buy and sell orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the order rate. The shares sold by Luminant through CSFB were again purchased back by Panther through other brokers. CSFB Securities had confirmed on oath that this sale transaction executed by them on behalf of Luminant was a synchronized trade, and that Shri Kartik Parekh or sometimes Shri Ketan Parekh was co-ordinating these buy and sell orders. Luminant had received the payment from CSFB Securities on the date of transaction itself for shares sold without waiting for pay-out of funds from the exchange. In the normal course, Luminant would have received sale consideration from CSFB Securities on the pay-out date of the exchange. There was a gap of 11 days between the date when payment was made to Luminant and the date when Luminant ought to have received from the exchange on pay-out day. It is also seen that the rate of brokerage charged by CSFB Securities for this transaction was 1.24 %. CSFB Securities had confirmed on oath that the basis of brokerage in this case was, basically the risk involved in getting the payment for the sale executed through CSFB i.e. the longer the gap between the date of payment made to Luminant and date when Luminant would had received sale consideration pay-out day, higher will be the rate of brokerage. The sell transaction of Luminant through CSFB Securities constituted 85.48 % of the total quantity traded in the scrip of Adani Exports in the physical segment at the Exchange on that day which is a very high percentage of deliverable quantity. There was no change in the beneficial ownership of shares as such, (i.e. shares were sold by Luminant, one of the KP entities through CSFB Securities were again purchased back by Panther, another KP entity, through other brokers through synchronized deals at the market). This transaction created a false/ misleading appearance of trading and created artificial market in the scrip.

II. On 12-Feb-01, Luminant placed an order through CSFB Securities for sale of 543000 shares of Shonkh Tech @ Rs. 305.50 in the Physical segment of BSE.

Order log and trade log show that sell orders of Luminant placed through CSFB Securities for sale of 543000 shares of Shonkh Tech matched with buy orders of Classic placed through Triumph Securities Ltd. These "matched" buy and sell orders are as discussed below:

- Luminant placed an order through CSFB Securities for sale of 200000 shares of Shonkh @ Rs.305.50 at time 10:45:52. This sell order got matched with the buy order of Classic placed through broker Triumph Securities Ltd at time 10:45:51 for 200000 shares @ Rs.305.50. The buy and sell orders were placed within a space of one second.

- Luminant then placed second sell order through CSFB Securities for sale of 200000 shares of Shonkh @ Rs.305.50 at time 10:46:04. This sell order got matched with the buy order of Classic placed through broker Triumph Securities Ltd at time 10:46:01 for 200000 shares @ Rs.305.50. The buy and sell orders were placed within a space of three seconds.

- Luminant then placed third sell order through CSFB Securities for sale of 143000 shares of Shonkh @ Rs.307.50 at time 10:46:24. This sell order got matched with the buy order of Classic placed through broker Triumph Securities Ltd at time 10:46:23 for 143000 shares @ Rs.305.50. The buy and sell orders were placed within a space of one second.

The above details show that buy and sell orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the order rate. The shares sold by Luminant through CSFB Securities were again purchased back by Classic through Triumph Securities. CSFB Securities confirmed on oath that this sale transaction executed by them on behalf of Luminant was a synchronized trade, and that Shri Kartik Parekh or sometimes Shri Ketan Parekh was coordinating these buy and sell orders. On 12-Feb-01, i.e. date of transaction itself, Luminant received payment from CSFB Securities for the shares sold without waiting for pay-out of funds from the exchange. In the normal course, Luminant would have received sale consideration from CSFB Securities on the pay-out date of the exchange. The difference of days between the date when payment was made to Luminant and the date when the amount was to be Luminant on the pay-out day, was 11 days. It is also seen that the rate of brokerage charged by CSFB Securities for this transaction was 1.25 %. CSFB Securities confirmed on oath that the basis of brokerage in this case was, the risk involved in getting the payment for the sale executed through CSFB Securities i.e. the longer the gap between the date of payment made to Luminant and date when payment received from the exchange on pay-out day, higher will be the rate of brokerage. The sell transaction of Luminant through CSFB Securities constituted 82.71% of the total quantity traded in the scrip of Shonkh Tech in the Physical Segment at the Exchange on that day, which is a very high percentage of deliverable quantity. There was no change in the beneficial ownership of shares as such, (i.e. shares sold by Luminant, one of the KP entities through CSFB Securities were again purchased back by Classic, another KP entity, through Triumph Securities Ltd through synchronized deals at the market). This transaction is found to have created a false / misleading appearance of trading and created artificial market in the scrip.

5.9 The above two instances show that buy orders of KP entities placed through other select brokers and sell orders of KP entity placed through CSFB Securities were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the order rate, which indicated that these orders were synchronized and were put with prior understanding to get matched. This was also confirmed from the statement of CSFB Securities that sale transactions executed by them on behalf of KP entities were synchronized trades and that Shri. Kartik Parekh or sometimes Shri Ketan Parekh was co-ordinating these buy and sell orders. Hence, by synchronizing the orders, shares sold by KP entities through CSFB Securities were again purchased back by KP entities through other brokers, thus these trades involved no change in beneficial ownership and thus KP entities indulged in circular trading. The shares did not change hands as such and were merely rotating from one entity connected with Shri Ketan Parekh to other entity of / connected with Shri Ketan Parekh. The sell transaction of KP entities constituted a very high percentage of the total quantity traded in the scrip in the Physical Segment at the Exchange on the date of selling. There was no change in the beneficial ownership of shares effectively (i.e. shares were sold by the KP entity through CSFB Securities were again purchased back by the same / different KP entity through other brokers through synchronized deals at the market). Transactions of KP entities had created a false/misleading appearance of trading and created artificial market in certain scrips. Further, it was seen that varying rate of brokerage was charged from KP entities, which clearly indicates that dealings of Classic, Luminant and Panther through CSFB Securities was for receiving finance from CSFB Securities against delivery of shares. On the date of transaction itself, Classic, Luminant and Panther received payment from CSFB Securities for the shares sold without waiting for pay-out of funds from the exchange. In the normal course, Luminant would have received sale consideration from CSFB Securities on the pay-out date of the exchange. It is seen that longer the gap between the date when the payment was made to selling KP entity and date when the selling KP entity would have received sale consideration from exchange on the pay-out day, higher was the rate of brokerage paid which was confirmed by CSFB Securities. The above examples are only illustrative.

5.10 I find from order log and trade log of sell transactions made by Classic, Luminant and Panther through CSFB Securities at BSE and NSE along with counter party members and buying client showing similar trading pattern of synchronization, circular trade and non-genuine trades creating artificial market in various scrips.

5.11 I further find that Classic and Panther had indulged in similar circular trades even through CSFB's proprietary account. The modus operandi was that KP entities would first purchase the shares from CSFB proprietary account by synchronizing trades. Then, on the same day after a short gap, Classic and Panther were found to have sold these very shares to CSFB proprietary account, through CSFB Securities by way of cross deals. It is also seen that Classic and Panther had also received sale consideration from CSFB Securities on the date of transactions itself. Analysis showed that matched sell orders of the CSFB proprietary account and buy orders of KP entities were put at the same time or almost at the same time and, there was almost exact matching in the order quantity and the same buy and sell rate. It was admitted by CSFB Securities that Shri Ketan Parekh / Shri Kartik Parekh had arranged the buyer of the shares sold by the proprietary account at the exchange and it was a synchronized trade. The representative of CSFB proprietary account also stated that they had the knowledge that whatever quantity was being put for sale would be picked up instantly. Once the shares are purchased from CSFB proprietary account through synchronized trades, KP entities viz. Classic and Panther then sold the same quantity of shares that were purchased earlier, to CSFB proprietary account via cross deal through CSFB Securities. Classic and Panther then received the sale consideration from CSFB Securities on the date of transaction itself. In short, KP entities could through synchronized trades purchase back the entire or almost entire quantity of shares which were sold to CSFB Proprietary account by same/different KP entity. In all such cases, the price at which KP entity purchased the shares from CSFB proprietary account was invariably higher than the price at which KP entity sold the shares to CSFB proprietary account via cross deal through CSFB Securities. Hence, by entering into these structured deals, the shares did not go out of the control of the KP entities and through circular trades, shares sold by KP entity to CSFB proprietary account were again purchased back through this mechanism. CSFB proprietary account was assured of payment for shares sold by them at the exchange as the payment was guaranteed by the settlement guarantee fund of the exchange, if KP entity or their brokers failed to pay. Thus, settlement system of the exchange was put to risk. I find that there are 49 such instances where KP entities had first purchased the shares from CSFB proprietary account through synchronized trades. Then, on the same day after a short gap, Classic and Panther had sold these very shares to CSFB proprietary account, through CSFB Securities by way of cross deals. Two such instances are as under:-

I. On 09/08/00, Classic purchased 105000 shares of Nirma @ Rs. 780 from CSFB proprietary account in the normal segment of NSE through synchronized trades. After a small gap of time, Classic then sells the same quantity of shares i.e. 105000 shares of Nirma @ Rs. 762 to CSFB proprietary account in the rolling segment of BSE as cross deal.

This transaction was structured in two steps. First, sell order placed by CSFB Securities on behalf of CSFB proprietary account for sale of 105000 shares of Nirma was matched with buy orders of Classic placed through member Triumph International Finance Ltd. These "matched" buy and sell orders are as discussed below: It is pertinent to note the proximity in timing of in-putting of buy and sell orders, same rate for buy and sell and almost same quantity in these orders, which ensured that the shares sold by CSFB proprietary account were purchased by Ketan Parekh entities.

1. On 09-Aug-00 CSFB Prop A/c placed an order for sale of 50000 shares of Nirma through CSFB Securities @ Rs. 780.00 at time 14:44:27. This sale order got matched with the buy order of Classic,

which was placed through broker Triumph International for 50000 shares @ Rs. 780.00 at time 14:44:27. The buy and sell orders were placed at the same time.

2. On 09-Aug-00 CSFB Prop A/c then placed second order for sale of 50000 shares of Nirma through CSFB Securities @ Rs. 780.00 at time 14:44:37. This sale order was matched with the buy order of Classic, which was placed through broker Triumph for 50000 shares @ Rs. 780.00 at time 14:44:37. The buy and sell orders were placed at the same time.

3. On 09-Aug-00 CSFB Prop A/c placed third order for sale of 5000 shares of Nirma through CSFB Securities @ Rs. 780.00 at time 14:44:47. This sale order was matched with the buy order of Classic, which was placed through broker Triumph for 5000 shares @ Rs. 780.00 at time 14:44:47. The buy and sell orders were placed at the same time.

The above details show that buy and sell orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the same buy and sell rate, which indicated that these orders were synchronized and were put with prior understanding to ensure that the shares sold by CSFB proprietary account were purchased by Ketan Parekh entities. Through above-mentioned "matched" orders, sale of 105000 shares of Nirma @ Rs. 780 was executed by time 14:44:47, out of which all 105000 shares matched with buy orders of KP entity. It was admitted by CSFB Securities that Ketan Parekh / Karthik Parekh had arranged the buyer of the shares sold by the proprietary account at the exchange and it was a synchronized trade. The representative of CSFB proprietary account also stated that they had the knowledge that whatever quantity was being put for sale would be picked up instantly. Subsequently, at time 15:08:09 on the same day, Classic had then sold 105000 shares of Nirma @ Rs. 762 in BSE to CSFB proprietary account through cross deal. The purchase price is much less than the sale price. Hence, shares sold by Ketan Parekh entity i.e. Classic, were again purchased back by Classic through this mechanism. This show that KP entity indulged in circular trade wherein same KP entity i.e. Classic is the selling client and Classic is again the buying client. Classic had transferred 105000 shares of Nirma shares to demat account of CSFB Securities on 09/08/00 and on the same day itself, Classic received sale considerations from CSFB Securities. It is also seen that Classic first purchased the shares at NSE in Normal segment while sold the shares in the Rolling segment at BSE through cross deal. Purchase price (Rs 780) was much higher than the sale price (Rs. 762) i.e. (Price difference: Rs.18 per share). This price difference apparently represents the interest for the period between the date when the sale consideration was received by Classic on 09-Aug -00 i.e. the day of transaction and the date when the sale consideration was to be received by Classic on the pay-out day. In order to pay the interest to CSFB Securities for receipt of sale consideration on the date of transactions itself, Classic artificially benchmarked price at the lower rate in the rolling segment.

5.12 The above details show that the said transaction was financing transactions but had been given the color of sale and purchase of shares. Classic was found to have received the sale consideration on the date of transaction itself. The buy transaction of Classic constituted 96% of the total quantity traded in the scrip of Nirma at the Exchange on that day. This volume constituted a very high percentage of delivery in the scrip on this day. As there is no change in the beneficial ownership of shares as such, (i.e., shares were sold by one KP entity to CSFB Prop a/c and were again purchased back by same KP entity from CSFB Prop a/c through synchronized deals at the market), this transactions was not genuine sale and purchase transaction and had the effect of creating artificial volume.

II. On 10/08/00, Panther purchased 85000 shares of Adani Exports @ Rs. 735 from CSFB proprietary account in the normal segment of

NSE through synchronized trades. After a small gap of time, Classic has sold 85000 shares of Adani Exports @ Rs. 719 to CSFB proprietary account in the rolling segment of BSE through cross deal.

This transaction was structured in two steps. First, sell order placed by CSFB Securities on behalf of CSFB proprietary account for sale of 85000 shares of Adani Exports matched with buy order of Panther placed through member, Classic Shares & Stock Brokers Ltd (CSSB). These “matched” buy and sell orders are as discussed below. The proximity in timing of in - putting of buy and sell orders, same rate for buy and sell and almost same quantity in these orders which ensured that the shares sold by CSFB proprietary account were purchased by Ketan Parekh entity.

1. On 10-Aug-00 CSFB Prop A/c placed an order for sale of 50000 shares of Adani Exp through CSFB Securities @ Rs. 735.00 at time 12:03:19. This sale order was matched with the buy order of Panther, which was placed through broker CSSB for 50000 shares @ Rs. 735.00 at time 12:03:19. The buy and sell orders were placed at the same time.

2. On 10-Aug-00 CSFB Prop A/c then placed second order for sale of 35000 shares of Adani Exp through CSFB Securities @ Rs. 735.00 at time 12:03:39. This sale order was matched with the buy order of Panther, which was placed through broker CSSB for 35000 shares @ Rs. 735.00 at time 12:03:38. The buy and sell orders were placed within a space of 1 second.

5.13 The above details show that buy and sell orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the same buy and sell rate, which indicated that these orders were synchronized and were put with prior understanding to ensure that the shares sold by CSFB proprietary account were purchased by Ketan Parekh entities. Through above-mentioned "matched" orders, sale of 85000 shares of Adani Exports @ Rs. 735 was executed by time 12:03:39, of which all 85000 shares were matched with buy orders of Panther, a Ketan Parekh entity. It was admitted by CSFB Securities that Ketan Parekh / Karthik Parekh arranged the buyer of the shares sold by the proprietary account at the exchange and it was a synchronized trade. The representative CSFB proprietary account also stated that they had the knowledge that whatever quantity was being put for sale would be picked up instantly. Subsequently, at time 12:21:32 on the same day, Classic had then sold 85000 shares of Adani Exports @ Rs. 719 in BSE to CSFB proprietary account through cross deal. It is pertinent to note that the purchase price is much less than the sale price. Shares sold by KP entity i.e. Classic was again purchased back by another KP entity – Panther through this mechanism. This show that Ketan Parekh entities indulged in circular trade wherein one set of KP entity i.e. Classic was the selling client and other set of entity i.e. Panther was the buying client. Classic has transferred 85000 shares of Adani Expo shares to demat account of CSFB Securities on 10/08/00 and on the same day itself, Classic has received sale consideration from CSFB Securities. It is also seen that Classic had purchased 85000 shares of Adani Exports @ Rs. 735 in the normal segment of NSE and subsequently had sold 85000 shares of Adani Exports @ 719 in the rolling segment of BSE through cross deal. Purchase price (Rs. 735) is higher than the sale price (Rs. 719) i.e. (Price difference: Rs. 16 per share). This price difference apparently represents the interest for period between the date when the payment was received by Classic on 10-Aug-00 i.e. the date of transaction and the date when Classic would have received the sale consideration from the exchange on the pay-out day. In order to pay the interest to CSFB Securities for receipt of sale consideration on the date of transactions itself, Classic is found to have artificially benchmarked the price at the lower rate in the rolling segment.

5.14 The above details show that the said transaction was financing transactions but given the color of sale and purchase of shares. The buy transaction of Panther constituted 93.85% of the total quantity traded at the Exchange in the scrip of Adani Exports on that day. This volume constituted a very high percentage of delivery in the scrip on this day. As there is no change in the beneficial ownership of shares as such, (i.e. shares were sold by one KP entity to CSFB Securities Proprietary Account and were again purchased back by other KP entities from CSFB Securities Proprietary Account through synchronized deals at the market), this transactions was not genuine sale and purchase transaction and had the effect of creating artificial volume.

5.15 The examples above clearly show that transactions of KP entities created a false/misleading appearance of trading and created artificial market in certain scrips. The above examples are only illustrative. I find that there are 51 such instances where CSFB Securities proprietary account first sold these shares at the exchange which were purchased by entities connected with Ketan Parekh by synchronizing the trades and then on the same day after a short gap, Classic and Panther is found to have sold these very shares to CSFB Securities proprietary account by way of cross deals.

5.16 The details of trade logs and order logs of such synchronized, circular trades and non-genuine trades executed in the manner as mentioned above between KP entities and CSFB Securities proprietary account were also examined. It was seen that KP entity first purchased the shares from CSFB Securities proprietary account at either NSE or BSE in Normal segment through synchronized trades. Subsequently after a small gap, KP entity had sold these shares to CSFB Securities proprietary account through cross deal in the Rolling segment at either BSE or NSE at price less than the price at which it had purchased these shares earlier from CSFB Securities proprietary account. Thus, artificial volume were created and financing trades were carried out as regular purchase and sale of shares at the exchange.

FINDINGS IN THE CASE OF TRADES EXECUTED BY KP ENTITES THROUGH DKB SECURITIES

5.17 I find that trades of Classic and Panther through DKB Securities were similar to those observed in the case of CSFB Securities i.e. trades of KP entities executed through DKB Securities were synchronized and were put with the prior understanding with the counter party broker to ensure that orders put by KP entities through DKB Securities matched with buy order of same/other KP entity put through select buying brokers. Transactions of KP entities were in the nature of circular and fictitious trades which created artificial volume and artificial markets in the scrips. It also facilitated KP entities to receive finance against the delivery of shares without waiting for pay-out at the exchange and were so structured to give them a semblance of actual “sale and purchase” of shares at the recognized stock exchanges.

5.18 The cumulative value of sales made by Classic and Panther through DKB Securities at BSE and NSE during the period from August, 2000 to March, 2001 aggregated to Rs. 2022.79 crore (NSE: Rs.1349.11 crore + BSE: Rs. 673.68 crore), which is summarized below:

Trading by Classic Credit Limited at NSE

Scrip Name	Sold Qty	Value (Rs. in Crores)
DSQ BIO TECH	27,75,000	51.31
DSQ SOFTWARE	2,75,000	11.05
GLOBAL TELE.	10,15,000	106.30
HFCL	58,96,500	753.59
SILVERLINE	4,50,000	13.74
ZEE TELEFILM	83,25,000	207.69
Grand Total (Rs. in crores)		**1,143.68**

Trading by Classic Credit Limited at BSE

Scrip Name	Sold Qty	Value (Rs.in Crores)

Scrip Name	Sold Qty	Value (Rs.in Crores)
DSQ BIO TECH	75,000	1.05
GLOBAL TELE.	2,75,000	18.48
HFCL	20,81,000	249.81
MASCON GLOBAL	5,00,000	16.62
SHONKH TECH	5,00,000	11.75
TIPS INDUS.	1,00,000	2.56
ZEE TELEFILM	80,95,000	243.39
Grand Total (Rs. in crores)		**543.65**

Trading by Panther Fincap & Management Services Ltd at NSE

Scrip Name	Sold Qty	Value (Rs. in Crores)
DSQ BIO TECH	7,95,000	15.26
GLOBAL TELE.	2,56,000	27.18
HFCL	14,15,000	163.00
Grand Total (Rs. in Crores)		**205.43**

Trading by Panther Fincap & Management Services Ltd at BSE

Scrip Name	Sold Qty	Value (Rs. in Crores)
DSQ BIO TECH	6,00,000	11.38
GLOBAL TELE.	70,000	5.58
HFCL	3,65,000	50.56
ZEE TELEFILM	25,30,000	62.50
Grand Total (Rs.in Crores)		**130.03**

5.19 I find that sell orders of KP entities put through the DKB Securities uncannily matched invariably with the buy orders of certain select brokers. These brokers in turn were dealing for KP entities. There was almost exact matching in time of inputting of the orders by buying client and selling client, the order quantity and the order rate, which indicated that these orders were synchronized and were put with prior understanding with a view to ensure that sell orders of KP entities matched with the buy order of other set of KP entities / same set of KP entities namely Classic, Luminant, Panther, Chitrakut, Classic Infin, Panther Investrade Ltd., NH Securities Ltd (NH Securities-proprietary account) and Classic Shares & Stock Brokers Ltd (Classic Shares--proprietary account). In short, modus operandi used here was exactly similar to what has been described in detail earlier for CSFB Securities.

5.20 Representative of DKB Securities had stated on oath that either Mr. Kartik Parekh or Ketan Parekh used to give sale orders specifying the number of shares to be put for sale in an order and the rate. DKB Securities had also admitted that Mr. Kartik Parekh told them that if they put the order at the specific price and quantity given by him, the order would be executed. It is seen from the order log and trade, during the period from August 2000 to March 2001, KP entities had put around 470 sell orders (380 order at NSE + 95 order at BSE) through DKB Securities which invariably got matched with buy orders of same selling KP entity or other set of KP entities. This matching between buy orders and sell orders were noticed on each occasion even when there are more than a few thousand brokers spread over more than 300 cities. This trade pattern is found to be exactly similar to that described in the case of CSFB Securities.

5.21 Investigation similarly brought out that Classic and Panther received sale considerations from the DKB Securities on the date of transactions itself, without waiting for pay-out of funds from the exchange. In the normal course, KP entity would have received sale consideration from DKB Securities on the pay-out date of the exchange. It was also revealed that rate of brokerage paid by Classic and Panther to DKB Securities for these sale transactions varied on each occasion. The analysis of varying rate of brokerage paid revealed that rate of brokerage paid was related to the number of days between date when payment was received by KP entity from DKB Securities and date when KP entity would had received sale consideration on pay-out day. It was revealed that longer the number of days between the date when payment was received by KP entity from DKB Securities and the date when KP entity would have received sale consideration on pay-out day, higher was rate of brokerage paid. DKB Securities confirmed this aspect.

5.22 I find that there were around 61 such instances (23 instances in BSE and 39 instances in NSE) where Classic, Luminant and Panther had conducted only sale transactions through CSFB Securities at NSE and BSE. In these entire instances, it was noticed that trades were executed in the manner mentioned above. KP entities had put around 473 sell orders (380 order at NSE + 93 order at BSE) through DKB Securities which invariably got matched with buy orders of same selling KP entity or other KP entities One such instance is as under:-

I. On 01-Feb-01, Classic had sold 500,000 shares of Shonkh Tech @ Rs. 235.00 on through DKB Securities in the Physical segment of BSE.

Order log and trade log show that sell order placed by DKB Securities on behalf of Classic for sale of 500000 shares of Shonkh Tech matched with buy order of Panther placed through other select brokers. These "matched" buy and sell orders are as discussed below. It is pertinent to note the proximity in timing of in - putting of buy and sell orders, same rate for buy and sell and almost same quantity in these orders, which ensured that the shares sold by Classic were purchased back by Panther, a KP entity, therefore this trade, involved no change in beneficial ownership of shares.

1. On 01-Feb-01, Classic placed an order for sale of 250000 shares of Shonkh Tech through DKB Securities @ Rs. 235.00 at time 13:23:24. This sale order was matched with the buy order of Panther, which was placed through broker Latin Manharlal Securities for 250000 shares **@** Rs. 235.00 at time 13:23:24. The buy and sell orders were placed at the same time.

2. On 01-Feb-01, Classic placed second order for sale of 250000 shares of Shonkh through DKB Securities @ Rs. 235.00 at time 13:23:35.

This sale order was matched with the buy order of Panther, which was placed through broker Vyomit for 250000 shares @ Rs. 235.00 at time 13:23:35. The buy and sell orders were placed at the same time.

5.23 The above details show that buy and sell orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the same buy and sell rate. The shares sold by Classic through DKB Securities were again purchased back by Panther through other brokers. On 01-Feb-01, i.e. date of transaction itself, Classic received sale consideration from DKB Securities. In the normal course, KP entity would have received sale consideration from DKB Securities on the pay-out date of the exchange. The difference in the number of days between the date when sale consideration was received by Classic and the date when the amount was to be received by Classic on the pay-out day, was 8 days. The rate of brokerage paid by Classic for this transaction was 0.80%. Sell transaction of DKB Securities constituted 42.81 % of the total quantity traded in the scrip of Shonkh Tech in the Physical Segment at the Exchange on February 1, 2001. This volume constituted a very high percentage of deliverable quantity. As there is no change in the ownership of shares as such, (i.e. shares were sold by one KP entity through DKB Securities were again purchased back by other KP entity through other brokers through synchronized deals at the market), these transactions were not genuine sale and purchase transaction and had the effect of creating artificial volume. The above example is only illustrative.

5.24 The details of order log and trade log of synchronized, circular and non-genuine transactions creating artificial market by Classic and Panther through DKB Securities at BSE and NSE were also examined. I find as follows:

1. Synchronized Trades:

5.25. The order log/ trade log reveal that there was almost perfect matching of entire sell orders put by Classic, Luminant and Panther through CSFB Securities and DKB Securities with the buy orders put by same/ different KP entity through other selected buying broker. Details of matched sell orders of KP entities placed through CSFB Securities and DKB Securities and buy orders of KP entities placed through other select brokers shows that these orders were put at the same time or almost at the same time, there was almost exact matching in the order quantity and the order rate, which indicated that these orders were synchronized and were put with prior understanding to get matched. Classic, Luminant and Panther had put almost 400 sale orders through CSFB Securities, which invariably matched on almost each occasion with the buy orders put by same KP entity or other KP entities through select brokers.

5.26 Like-wise, KP entities had put around all 473 sell orders (380 orders at NSE + 93 orders at BSE) through DKB Securities which invariably got matched with buy orders of same selling KP entity or other KP entities. This happened despite there being more than a few thousand brokers spread over more than 300 cities across the country**.** This cannot be explained based on coincidence or theory of probability, which is a scientifically accepted mathematical position. Likewise around (400) orders were observed in respect of trades between KP entities and CSFB proprietary account wherein trades matched for almost exact quantity of shares sold on each occasion between CSFB proprietary account and same or other KP entity which were acting as buying client of other select brokers. This fact along with the admission of CSFB Securities and DKB Securities clearly shows that KP entities were putting sell order through CSFB Securities and DKB Securities and buy orders through other brokers at a pre-meditated time, price and quantity, so as to ensure that the sale order of KP entity placed through CSFB Securities and DKB Securities matches with the buy order of same KP entity or other KP entity placed through selected buying broker. The terms of transactions therefore, seem to have been already negotiated between the parties. Thus, there was almost perfect matching of sell orders put by Classic, Luminant and Panther through CSFB Securities and DKB Securities with the buy orders put by same/ different KP entity through other selected buying broker. Such synchronization of trades effectively excluded other general investors from the said sale offer of KP entities and ensured exact matching of price and quantity of the sell offer put in by KP entity with the buy order of same/other KP entity put through other select buying broker, by punching in the trade (sale order) at a pre-meditated / mutually decided time with the buying broker. Shri Ketan Parekh and Kartik Parekh through these above mentioned entities which are connected/controlled by Ketan Parekh/Kartik Parekh undertaken these synchronized, circular and non-genuine trades with a view to create artificial volumes and artificial markets in certain scrips.

5.27 Entering into such synchronized trades is a misuse of the stock exchange mechanism and tampers with the free, fair and transparent price discovery system of the stock exchange. Such practices where transactions are put in with a premeditated understanding distort and interfere in the price discovery mechanism of the stock exchange and leads to the creation of a false market.

2. Financing transaction given the semblance of purchase and sale of share at Exchange

5.28 I find that transactions made by Classic, Luminant and Panther through CSFB Securities and DKB Securities, the shares were merely rotating from one Ketan Parekh Group entity (KP entity) to same or other KP entities. These trades were merely circular trades and thus created artificial volumes and artificial markets in certain scrips. KP entities indulged in similar circular trades even through proprietary account of CSFB Securities, thereby creating artificial volumes and artificial markets in certain scrips. These trades were non-genuine and involved no change in the beneficial ownership of shares.

5.29 Similarly, I find that financing of trades of KP entities were being routed through CSFB proprietary account. KP entities were found to have purchased the shares from CSFB proprietary account at either NSE or BSE in Normal segment. Then, on the same day after a short gap, Classic and Panther was seen to have sold these very shares to CSFB proprietary account, through CSFB Securities by way of cross deals. Once the shares were purchased from CSFB Securities proprietary account through synchronized trades, KP entities viz. Classic and Panther then sold the same quantity of shares that were purchased earlier, to CSFB proprietary account via cross deal through CSFB Securities. Classic and Panther then received the sale consideration from CSFB Securities on the date of transaction itself. In short, KP entities through synchronized trades purchased back the entire or almost entire quantity of shares which were sold to CSFB Proprietary Account by same/different KP entity. For instance, on October 30, 2000, Classic had sold 10,00,000 shares of Global Trust Bank (GTB) to CSFB proprietary account via cross deals through CSFB Securities. On the same day, Panther had purchased back 9,99,750 shares out of 10,00,000 shares from CSFB proprietary account through synchronized trades and the remaining quantity of shares had matched with other brokers i.e. Panther could purchase back around 99.97% quantity of shares from CSFB proprietary account. Classic had received the sale consideration from CSFB Securities on the date of transaction itself for sale of 10,00,000 shares of GTB to CSFB proprietary account via cross deal. In order to ensure delivery of shares back to KP entity, purported buy transactions were executed by KP entities wherein KP entities purchased the shares from CSFB proprietary account at either NSE or BSE in Normal segment through synchronized trades. This ensured that in the event of KP entities defaulting in honoring payment obligations at the stock exchange, the settlement guarantee fund would make good the default of KP entities. It is seen that the price at which KP entity had purchased the shares from CSFB proprietary account was invariably higher than the price at which KP entity had sold to CSFB proprietary account. This price difference (between sale and purchase) represented the interest paid to CSFB Securities for the sale consideration received by KP entity on the date of transaction itself. This was confirmed from statement of CSFB Securities who stated that all immediate payment transactions take place at a discount to prevailing market price and the price difference is attributable to the risk attached to the time lag between the transaction date (when the payment was made for the purchase of shares) and receipt of money from the exchange. CSFB has also admitted that buy and sell order were co-ordinated by Shri. Ketan Parekh. This fact shows that KP entities had been putting sell order through CSFB Securities and DKB Securities and buy orders through other brokers at a pre-determined time, price and quantity, so as to ensure that the sale orders of KP entity placed through CSFB Securities and DKB Securities matches with the buy orders of same KP entity or other KP entity placed through selected buying broker and shares remained in control of Shri Ketan Parekh. These transactions were financing transaction against the delivery of shares, but were given the semblance of sale and purchase of shares at the stock exchange.

5.30 In the instances where shares sold by KP entities through CSFB Securities and DKB Securities were again purchased back by the same/different KP entity through another broker and receipt of sale consideration on the date of transaction and the basis for varying rate of brokerage paid by KP entities to CSFB Securities and DKB Securities, indicates unequivocally that dealing of KP entities through CSFB Securities and DKB Securities was for purpose of receiving finance from CSFB Securities and DKB Securities against the delivery of shares. Further, trading pattern shows beyond doubt that synchronized and circular trades were put to create artificial and misleading appearance of trading in the scrips. In order to ensure the repayment of finance to CSFB Securities and DKB Securities and delivery of shares back to KP entities, purported sell and buy transactions were executed by KP entity through CSFB Securities and DKB Securities and through other selected brokers through the trading and settlement mechanism of the stock exchange. The two instances of CSFB proprietary trades given above brings out the modus operandi used by KP entity, where shares sold by KP entities to CSFB proprietary account were again purchased back by KP entities.

5.31 From the above, it is clear that transactions of Classic, Luminant and Panther through CSFB Securities and DKB Securities were financing transactions but were done as purchase and sale of shares in the market and in all these transactions shares were merely being passed from one KP entity to same or another KP entities. KP entity even used CSFB proprietary account for receiving finance and executing such non genuine transactions, which actually was a cover up for receiving finance, to make use of the stock exchange system. This ensured that in the eventuality of Ketan Parekh entities defaulting on making payments to the buying brokers, CSFB Securities and DKB Securities would have got the money out of settlement guarantee fund of the exchange. Shri Ketan Parekh and Kartik Parekh through these above mentioned entities which are connected/controlled by Ketan Parekh/Kartik Parekh had undertaken these financing, circular and fictitious trades with a view to create artificial volumes and artificial markets in certain scrips. By entering into these financing, circular and fictitious trades, the above mentioned persons/entities had put the trading and settlement system of the stock exchange at risk. These acts of persons/entities were in violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

3. Circular Trading and creation of artificial volume

5.32 I find that Classic, Luminant and Panther entities have put around 400 sale orders through CSFB Securities in respect of scrips, which included scrips namely-- Adani Exports, Mukta Arts, Nirma DSQ Bio Tech, Tips Ind, Jaiprakash Industries, Cadila Healthcare, Lupin Lab, Shonkh Tech, Mascon Global etc. These synchronised trades created large artificial volumes especially in the scrips like Adani Exports, Shonkh Tech, Mascon Global, Nirma, DSQ Biotech, etc. which are otherwise not very liquid stocks.

5.33 The table given below shows that if these circular transactions are excluded from the volumes traded at the exchanges on the given day, then there are hardly any genuine volumes i.e. the large part of the liquidity on the given day in the scrip was on account of circular transactions of KP entities.

Scrip	**Exch**	**Selling KP entity**	**Trade Date**	**Sell Qty by KP entity**	**Total traded qty in the exchange**	**% of trades of Ketan Parekh entities to total traded qty in Exchange**
1. ADANI EXPO	BSE	Luminant	1-Jan-01	160000	162750	98.31
2. ADANI EXPO	BSE	Luminant	3-Jan-01	249990	264639	94.46
3. ADANI EXPO	NSE	Luminant	3-Jan-01	250000	259142	96.47
4. ADANI EXPO	NSE	Luminant	10-Jan-01	307000	383941	79.96
5. ADANI EXPO	NSE	Luminant	11-Jan-01	249975	482261	51.83
6. ADANI EXPO	BSE	Luminant	15-Jan-01	200000	205500	97.32
7. ADANI EXPO	NSE	Luminant	18-Jan-01	400000	565300	70.76
8. ADANI EXPO	NSE	Luminant	25-Jan-01	199900	465619	42.93
9. ADANI EXPO	BSE	Luminant	29-Jan-01	200000	253739	78.82
10. ADANI EXPO	NSE	Luminant	31-Jan-01	400000	616967	64.83
11. ADANI EXPO	BSE	Luminant	5-Feb-01	500000	507305	98.56
12. ADANI EXPO	NSE	Luminant	7-Feb-01	299980	567649	52.85
13. ADANI EXPO	NSE	Luminant	9-Feb-01	149999	370029	40.54
14. ADANI EXPO	BSE	Luminant	12-Feb-01	220000	257383	85.48
15. ADANI EXPO	NSE	Luminant	14-Feb-01	360000	521604	69.02
16. ADANI EXPO	NSE	Luminant	15-Feb-01	44000	129839	33.89
17. ADANI EXPO	NSE	Luminant	16-Feb-01	500000	728831	68.60
18. ADANI EXPO	NSE	Luminant	22-Feb-01	520000	1280655	40.60
19. ADANI EXPO	NSE	Luminant	23-Feb-01	120000	458047	26.20
20. ADANI EXPO	BSE	Luminant	27-Feb-01	300000	849960	35.30
21. ADANI EXPO	NSE	Panther	28-Feb-01	210694	806715	26.12
22. CADILA	BSE	Luminant	2-Jan-01	548645	567790	96.63
23. CADILA	BSE	Luminant	15-Jan-01	541000	554912	97.49
24. CADILA	BSE	Luminant	29-Jan-01	540600	571527	94.59
25. CADILA	BSE	Luminant	12-Feb-01	547800	620453	88.29
26. CADILA	NSE	Luminant	23-Feb-01	520000	566561	91.78
27. GTB	NSE	Luminant	3-Jan-01	249940	1282591	19.49

Scrip	Exch	Selling KP entity	Trade Date	Sell Qty by KP entity	Total traded qty in the exchange	% of trades of Ketan Parekh entities to total traded qty in Exchange
28. GTB	NSE	Luminant	23-Feb-01	1250000	1317284	94.89
29. GTB	NSE	Panther	2-Mar-01	1200000	1859772	64.52
30. JPIND	NSE	Luminant	15-Feb-01	377902	3657923	10.33
31. LUPIN LAB	BSE	Luminant	1-Jan-01	200000	200383	99.81
32. MASCON GL	BSE	Luminant	24-Jan-01	999900	1013512	98.66
33. MASCON GL	BSE	Luminant	9-Feb-01	1000000	1001675	99.83
34. MASCON GL	BSE	Luminant	12-Feb-01	1000000	2009841	49.76
35. MASCON GL	BSE	Luminant	20-Feb-01	1000000	1004958	99.51
36. MASCON GL	BSE	Luminant	23-Feb-01	2000000	2003043	99.85
37. MASCON GL	BSE	Panther	1-Mar-01	1000000	1015333	98.49
38. MASCON GL	BSE	Panther	2-Mar-01	1999500	2031354	98.43
39. NIRMA	NSE	Luminant	3-Jan-01	255000	367100	69.46
40. NIRMA	NSE	Luminant	19-Jan-01	62000	75336	82.30
41. NIRMA	BSE	Luminant	12-Feb-01	250000	286241	87.34
42. NIRMA	NSE	Luminant	28-Feb-01	115000	132718	86.65
43. SHONKH TECH	BSE	Classic	23-Nov-00	494850	503650	98.25
44. SHONKH TECH	BSE	Luminant	19-Jan-01	617550	837950	73.70
45. SHONKH TECH	BSE	Luminant	22-Jan-01	650000	824850	78.80
46. SHONKH TECH	BSE	Luminant	29-Jan-01	505000	753650	67.01
47. SHONKH TECH	BSE	Luminant	30-Jan-01	550000	1561900	35.21
48. SHONKH TECH	BSE	Luminant	31-Jan-01	550000	1836750	29.94
49. SHONKH TECH	BSE	Luminant	1-Feb-01	500000	1167950	42.81
50. SHONKH TECH	BSE	Luminant	5-Feb-01	1795650	2104700	85.32
51. SHONKH TECH	BSE	Luminant	6-Feb-01	749650	1321300	56.74
52. SHONKH TECH	BSE	Luminant	12-Feb-01	543000	656500	82.71
53. SHONKH TECH	BSE	Luminant	16-Feb-01	850000	890450	95.46
54. SHONKH TECH	BSE	Luminant	19-Feb-01	999900	1048750	95.34
55. SHONKH TECH	BSE	Luminant	20-Feb-01	2000000	2026450	98.69
56. SHONKH TECH	BSE	Luminant	22-Feb-01	500000	551600	90.65
57. SHONKH TECH	BSE	Luminant	26-Feb-01	200000	723700	27.64
58. SHONKH TECH	BSE	Luminant	27-Feb-01	2658500	2798100	95.01
59. SHONKH TECH	BSE	Panther	2-Mar-01	1000000	2155700	46.39
60. TIPS	NSE	Luminant	18-Jan-01	283318	516655	54.84
61. TIPS	NSE	Luminant	31-Jan-01	184498	370029	49.86
62. TIPS	BSE	Luminant	12-Feb-01	415000	583269	71.15
63. TIPS	NSE	Luminant	15-Feb-01	140000	374095	37.42
64. TIPS	NSE	Luminant	23-Feb-01	70000	516916	13.54

The above table gives instances where volumes were artificially created in the illiquid scrips such as Shonkh Tech, Mascon global, Nirma, Tips, Adani Exports, Cadila, etc. through circular trading.

5.34 As mentioned above, KP entity even used CSFB proprietary account for receiving finance and executing such non genuine transactions, which actually was a cover up for funding, to make use of the stock exchange system. The table given below shows that large volumes were created by KP entities through these circular transactions using proprietary account of CSFB Securities. This is evident from the percentage of trades of buy transactions of KP entity in the first part where KP entity had purchased shares from CSFB proprietary account through synchronised trades, vis a vis total volumes traded at the exchange.

	Exch	**Segment**	**Trade Date**	**Scrip Name**	**Rate**	**Quantity**	**Total Traded Qty for the day**	**% to traded qty**
1.	NSE	Normal	9-Aug-00	Nirma	780	105000	109206	96.14
2.	NSE	Normal	10-Aug-00	Adani Exp	735	85000	90566	93.85
3.	NSE	Normal	10-Aug-00	Nirma	782	50000	72968	68.52
4.	NSE	Normal	25-Oct-00	DSQ Bio	64.7	1000000	2508915	39.85
5.	BSE	Normal	27-Oct-00	Adani Exp	660	439000	446881	98.23
6.	NSE	Rolling	30-Oct-00	GTB	70	1000000	2040600	49.00
7.	NSE	Rolling	31-Oct-00	GTB	72	2250000	2788230	80.69
8.	NSE	Normal	1-Nov-00	Adani Exp	675	130000	141245	92.03
9.	BSE	Normal	6-Nov-00	DSQ Bio	96.47	600000	794237	75.54
10.	BSE	Rolling	7-Nov-00	GTB	95	2500000	5338044	46.83
11.	NSE	Rolling	9-Nov-00	GTB	90.25	1000000	1327541	75.32
12.	BSE	Normal	13-Nov-00	Adani Exp	640	39000	43512	89.63
13.	BSE	Rolling	13-Nov-00	GTB	91.75	535000	574132	93.18
14.	BSE	Normal	13-Nov-00	Nirma	775	52000	53483	97.22
15.	BSE	Normal	14-Nov-00	Adani Exp	674.99	450000	454276	99.05
16.	BSE	Normal	21-Nov-00	Adani Exp	674.8	500000	503635	99.27
17.	NSE	Rolling	22-Nov-00	GTB	99.95	1200000	1632542	73.50
18.	NSE	Normal	24-Nov-00	DSQ Bio	193.68	1575000	4413122	35.68
19.	BSE	Normal	27-Nov-00	Adani Exp	669.63	490000	495110	98.96

5.35 During the period from August, 2000 to March, 2001, transaction of KP entities through DKB Securities created false/misleading appearance in the certain scrips such as DSQ Bio-Tech, Shonkh Tech, Mascon etc. which is as given below:

Exch	Trade Date	Selling KP entity	Scrip Name	Selling quantity by KP entity	Total Traded Qty in the scrip at the exchange on the day of selling by KP entity	Percent of selling quantity of KP entity to the total traded quantity in the scrip
BSE	2/1/2001	Classic	SHONKH TECH	500,000	1167950	42.81
BSE	12/26/2000	Classic	TIPS INDUS.	100,000	409208	24.44
BSE	11/20/2000	Panther	DSQ BIO TECH LT	400,000	1230046	32.52
BSE	12/4/2000	Panther	DSQ BIO TECH LT	200,000	608463	32.87
NSE	12/7/2000	Panther	DSQ BIO TECH LT	500,000	1337557	37.38
NSE	1/3/2001	Classic	DSQ BIO TECH LT	1000000	3793853	26.36

5.36 The above details shows as an illustration that if these circular transactions are excluded from the volumes traded at the exchanges on the given day, then there are hardly any genuine volumes i.e. the large part of the liquidity on the given day in the scrip was on account of circular transactions of KP entities. These trades could have induced the general investing public to transact in these scrips on the above mentioned days due to false appearance trading activity which actually was largely on account of circular trades of KP entity.

5.37 I find from the above that Shri Ketan Parekh and Kartik Parekh through these above mentioned entities which are connected/controlled by Ketan Parekh/Kartik Parekh undertaken these financing, circular and fictitious trades with a view to create artificial volumes and artificial markets in certain scrips. These acts of above mentioned persons/entities were in violations of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

4. Benchmarking of price of scrip based on non-genuine transaction.

5.38 I find from the Order log and trade log that the shares sold by KP entities through CSFB Securities and DKB Securities were again purchased back by same / other KP entities through other brokers. Similarly, by using CSFB proprietary account, shares were sold by one KP entity to CSFB proprietary account and were again purchased back by same/other KP entities from CSFB proprietary account through synchronised deals. Trades of KP entities have involved no change in beneficial ownership of shares i.e. shares were rotating from one KP entity to same/different KP entities and thus trades executed by Ketan Parekh entities were fictitious trades and were not genuine trades. They created artificial volumes & false market and gave misleading appearance of trading in select scrips.

5.39 These purported sale of transactions of CSFB Securities on behalf of KP entities constituted a substantial portion of the total quantity traded in the scrip at the Exchange on the day of the transaction. For example, on Feb 23, 2001, Luminant had sold 2000000 shares of Mascon Global through CSFB Securities which represented 99.85% of the total traded volume in the scrip of Mascon Global on that day at BSE. Similarly, on January 1, 2001, sale transaction of Luminant through CSFB Securities in Lupin Lab constituted more than 99.81% of total traded volume in the scrip of Lupin Lab on that day at BSE. On February 1, 2001, sale transactions of Luminant in the scrip of Shonkh Tech constituted 42.81% of total traded volume in that scrip on that day at BSE. On January 29, 2001, sale transaction of Luminant in the scrip of Cadila Healthcare constituted 94.66% of total traded volume in the scrip on that day at BSE. On February 16, 2001, sale transactions of Luminant in Adani Exports constituted 68.60% of total traded volume in the scrip on that day at NSE. I find that like-wise, purported sale transactions of KP entities through DKB Securities constituted a substantial portion of the total quantity traded in the scrip at the Exchange on the day of transaction. For example, on February 1, 2001, sale trade of Classic the scrip of Shonkh Tech constituted 42.81% of total traded volume in the scrip on that day at BSE. On December 26, 2000, Classic had sold 100000 shares of Tips Industries which constituted 24.44% of total traded volume in the scrip on that day at BSE. Similarly, on Feb 01, 2001, Classic had sold 500000 shares of Mascon Global through DKB Securities at BSE, which represented 16.83% of the total traded volume in the scrip of Mascon Global on that day at BSE. In view of such large volume, price of scrip on these days was established based on the synchronised, circular and non-genuine trades by above mentioned entities. Shri Ketan Parekh and Kartik Parekh through the above mentioned entities which are connected to /controlled by Ketan Parekh/Kartik Parekh had undertaken and indulged in these financing, circular and fictitious trades with a view to create artificial volumes and artificial markets. These acts of above mentioned persons/entities were in violations of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

6.1 The submissions made by 'KP entities' w.r.t the charges under the first show cause notice are baseless, irrelevant and not tenable according to me. Their contentions are:-

a. SEBI cannot sit in judgment about the abnormality of price rise in a particular scrip in the market
b. That there is no similar trend in other scrips in the same industry

I am concerned with the allegations of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 committed by the KP entities as mentioned in the show cause notices. To establish the charge of entering into trades with manipulative intent, there cannot be more reasonable and convincing evidence as in the instant case. One needs to consider the following two things in cases involving allegation of market manipulation :

(1.) whether the traded volume was sufficient to have impact on the market, and ;

(2.) whether alleged transactions were effected with the motive of manipulating the market.

In so far as the volume of trades indulged into by the entities connected with Ketan Parekh is concerned, the same is evident from the table given at para 5.33 above. It can be seen that total volumes of KP entities as compared to the market volume were very large and trading volume represented 98% or 99% of total market volume on many days.

And as far as "motive" is concerned, the same is also evident from the trading pattern adopted by KP entities as discussed in detail in preceding paras. In the matter of Carole L. Haynes, decided by the Administrative Law Judge of U.S. Securities Exchange Commission, on November 24, 1995, it was held that the proof of 'scienter' in manipulation cases need not be direct, but rather may be inferred from circumstantial evidence, including evidence of price movement, trading activity and other factors.

"Proof of a manipulation almost always depends on inferences drawn from a mass of factual data. Findings must be gleaned from patterns of behaviour, from apparent irregularities and from trading data. When all of these are considered together, they can emerge as ingredients in a manipulative scheme designed to tamper with free market forces."

I find that all the entities connected to Shri Ketan Parekh had acted in concert constantly buying and selling of shares without change in the beneficial ownership, and synchronizing the trades with a pre-determined plan to oust other market participants which is established from the facts stated in the preceding paragraphs. It is the contention of Shri Ketan Parekh that he himself had not indulged in any of the alleged transactions. The same is not sustainable in the light of the fact that Shri Ketan Parekh is connected to all such entities in one way or the other and for the reason that the entities were acting on his behalf and under his instructions. All the entities had either Shri Ketan Parekh or Shri Kartik Parekh or their close relatives as directors. It is very clear that Shri Ketan Parekh was the controlling mind of all these entities who had acted in concert in order to perpetrate the violations. The common pattern observed in the case of these entities was that orders were placed at prices higher than the last traded price thereby establishing a higher price for the scrip. Simultaneously, price rise in the scrip also had been noted. Considering the large volume of the transactions entered into by KP entities, I am of the view that, artificial price rise has been caused by the entities connected to KP in the scrip of Lupin Laboratories. Regulation 4(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 prohibits entering into trades in any scrip, directly or indirectly with the intention of inflating the price. In the instant case, manipulative intent is manifest in the pattern of trades entered by the KP entities, where orders were placed at prices higher than the last traded price coupled with large transactions causing price rise. In view of the above, I find Classic Credit, Panther Fincap and Saimangal guilty of violating Regulation 4(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 in respect of their dealings in the scrip of Lupin Laboratories.

6.2 As far as second show cause notice is concerned, although Shri Kartik Parekh and other entities have raised the contention that they are not connected, I find that with respect to the Investment companies connected to Ketan Parekh, all of them either have Ketan Parekh as its director or all are having family members of Ketan Parekh as directors in such companies. Detailed finding in respect of their connection is given at para 5.1 above. Also, in the statements taken on oath during investigation, it was revealed that Shri Ketan Parekh was the authorized person to give instructions as to transactions entered by all these entities. I find that all the entities are connected with each other and Shri Ketan Parekh is the person acting through all these entities keeping them as front entities. As observed earlier, Shri Kartik Parekh also had acted through these entities. Furthermore, it has been submitted by the authorized representatives of the CSFB Securities and DKB Securities that the transactions had been entered into by the entities at the instance of Shri Ketan Parekh or his relative Shri Kartik Parekh.

6.3 Another contention put forth is that their intentions were only to obtain finance by way of entering into the trades in question, and financing per se is not bad in law. According to me, all the KP entities had been acting in concert and misusing the exchange mechanism for the purpose of raising finance. These transactions entered into by them were not genuine and had resulted in creation of the artificial volumes in the scrip. The pattern of transactions entered into by the connected entities in the instant case have already been discussed in the paragraphs above. Although shares had changed hands in the course of alleged transactions, I find that they were rotating within a group, all the members of such group being individuals/entities who are connected/associated with Ketan Parekh. In this regard, I go a little ahead of what is stated before me. Although, the separate acts of individual entities, as they claim, may not have resulted in any aberration of law, I find that the entities which were otherwise also connected with each other have acted in concert. When the corporate personality is being blatantly used as a cloak for fraud or improper conduct, and where the protection of public interest is of paramount importance, it is necessary to lift the corporate veil so as to pass an appropriate order rendering justice. This power of the adjudicating authority has been accepted by the Courts and a specific instance of the same can be found in the decision of the Hon. Supreme Court in Delhi Development Authority Vs. Skipper Construction Pvt. Ltd. and Another [(1996) 4 SCC 662].

6.4 I am convinced that all the KP entities have been acting under instructions from Shri Ketan Parekh/Shri Kartik Parekh and had acted in order to perpetrate the manipulative intent of Shri Ketan Parekh/Shri Kartik Parekh. The fact that the transactions had continued for a considerable period of time, that similar pattern of trades had been used and the proximity of placing sell / buy orders between the entities, all go to prove that the trades were synchronized with manipulative intent, and was the result of pre-meditated arrangement on the part of the entities.

This, I find, is reasonable and convincing evidence to indict the culpability of the delinquents in the instant case. Furthermore, it has been submitted by the authorized representatives of the brokers that the transactions had been entered into by the entities at the instance of Shri Ketan Parekh or his relative Shri Kartik Parekh.

6.5 The reference by the KP entities in their reply about the circular relating to negotiated deals is also misplaced in the sense that the violations committed by the entities covered hereunder are with respect to the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. In the disguise of normal trade transactions, shares were churned out continuously, passing through a similar set of persons/entities, which again affected the price discovery mechanism at the exchange. This action of theirs had created a false and misleading appearance in so far as ordinary investors were concerned. It is the duty of the regulator to see that the securities market is a safe place for all the investors and there is sufficient room for all and no one is misguided as a result of such non-genuine transactions.

6.6 I am of the considered view that the activities described above indulged into by the individuals/entities in the instant case are violative of Regulation 4(b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. Proof for violation of Regulation 4(b) requires indulging in any act, which was calculated to create a false and misleading appearance of trading on the Securities Market. In the instant case, Ketan Parekh, Kartik Parekh and all the KP entities, have indulged in activities which were carried out for no other reason but for creation of false and misleading appearance of trading in the Securities Market. Admittedly, the intention of Ketan Parekh and the entities through which he had employed, in conducting the transactions described above, was to carry out financing transactions. This is sufficient to conclude that the ulterior motive of Ketan Parekh and these entities was responsible for creation of artificial volumes by misusing the stock exchange mechanism, thereby misleading the investors in order to make undue gains. Violation of Regulation 4(c) of the aforestated regulation require indulging in any act which had resulted in the reflection of prices of securities based on transactions that were not genuine trade transactions. Here also, the non-genuine trade transactions carried out by Shri Ketan Parekh through his entities had resulted in the reflection of prices of securities based on transactions which were not genuine trade transactions. I have also noted that such transactions were done by them in securities which were otherwise not very liquid such as Shonkh Technologies, Mascon Global etc. The shares had been continuously passing through entities who were connected to and controlled by Shri Ketan Parekh himself, which means that there has been no effective transfer of beneficial ownership and the transactions were intended to operate as a device to inflate the market price of the securities in violation of Regulation 4(d) of the aforesaid regulation.

6.7 In respect of their request for cross-examination, it is a well settled principle of law that where prejudice is caused to the party by way of the denial for cross-examination by the authority, the same will be in breach of principles of natural justice. If the statement given by CSFB/DKB representative was the only evidence that was used against him, the request was to be accepted. However, there are the order logs and trade logs to show that trades were synchronized. The conclusion to the effect that trades were synchronized is not based on the statement given by CSFB/DKB representative. It was also observed by the Hon'ble Securities Tribunal in the matter of Bang Securities (Appeals Nos: 54,55,56,57 of 2002), that intention required for proving violation of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 is implicit in a synchronized trading. The details of trades which constitutes synchronized trades have been mentioned at paragraph 5 above. Therefore, I am not conceding to the request for cross-examination .

6.8 According to me, the entities connected to and controlled by Ketan Parekh, if allowed to continue with their operations in the securities market, could pose constant threat to the integrity of the securities market and endanger the investors' interests. Two of the registered intermediaries, i.e., N H Securities and Classic Shares & Stock Broker Ltd, while entered into proprietary trades, have also indulged in manipulative transactions, as had been noted at paras 5.5 and 5.19 above. There are other actions of violations noted against these intermediaries and proceedings are underway. Enquiry had been conducted into the violations and statutory penalties would follow separately in respect of the same.

6.9 An order dated April 04, 2001 had been passed against Mr Ketan Parekh, Mr Kartik Parekh and broking firms which were controlled by and connected with him such for their prima-facie involvement in market manipulation debarring them from undertaking any fresh business as a stock broker or merchant banker till further orders. This order was subsequently confirmed vide order dated June 21, 2001, after the post decisional hearing. Another order dated 6th June 2003 was passed against M/s Triumph Securities, M/s Classic Shares & Stockbroking Services Ltd., M/s Classic Credit Ltd., M/s Luminant Investment Pvt. Ltd., M/s KNP Securities Ltd., Panther Fincap & Management Services, M/s Panther Investrade and M/s N.H. Securities under Section 11B of SEBI Act, directing them not to buy, sell, or transfer, pledge or dispose off or deal in any other manner the shares of Global Trust Bank till investigations are completed, having noticed their roles in the price manipulation in the scrip of Global Trust Bank.

6.10 Therefore, in exercise of the powers conferred upon me by Section 4(3) read with Section 11B and Sec 11(4)(b) of the SEBI Act, 1992, and Regulation 11 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby prohibit Shri Ketan V. Parekh, Kartik K. Parekh, Classic Credit Ltd., Panther Fincap and Management Services Ltd., Luminant

Investment Ltd., Chitrakut Computers Pvt. Ltd., Saimangal Investrade Ltd., Classic Infin and Panther Investrade Ltd. from buying, selling or dealing in securities in any manner directly or indirectly and also debar them from associating with the securities market, for a period of fourteen years.

6.11 It is also clarified that the instant order does not preclude the actions taken or any other proceeding pending/to be taken in future by SEBI against the individuals/entities covered in this order.

6.12 This order shall come into force with immediate effect.

G.N. BAJPAI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Date : December 12, 2003.
Place : Mumbai.