

**SECURITIES AND EXCHANGE BOARD OF INDIA  
ORDER**

**UNDER SECTIONS 11(1), 11(4) AND 11B(1) and 11B(2) OF THE SEBI ACT, 1992 READ WITH RULE 4 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995 ('SEBI ADJUDICATION RULES')**

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**In respect of:**

<b>Noticee no.</b>	<b>Name of the Noticee</b>	<b>PAN</b>
1	Paresh Nathalal Chauhan	AAPPC4494H

**In the matter of Timbor Home Limited**

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**Background**

1. The current proceeding is emanating subsequent to the common remand directions issued by the Hon'ble Securities Appellate Tribunal ("SAT") in Appeal No. 483 and 484 of 2024, whereby the Hon'ble SAT, vide its order dated July 17, 2025 (hereinafter referred to as the "**SAT Order**"), remanded back the SEBI order No. WTM/AB/EFD-1/DRA1/16/2020-21 dated November 20, 2020 under Section 11B of the SEBI Act, 1992 as well as the adjudication order No. AP/AS/2020-21/Order/AP/AS/2020-21/11046-11063 dated March 23, 2021 under Section 15-I read with Section 15HA of the SEBI Act, passed in the matter of Timbor Home Limited (hereinafter referred to as the "**Timbor**"/ "**the Company**"), to SEBI for deciding the matter afresh *qua* Mr. Paresh Nathalal Chauhan (hereinafter referred to as the "**Noticee**").
2. The Hon'ble SAT observed that the Show Cause Notices dated September 21, 2018 in the 11B proceeding and dated December 05, 2018 in the Adjudication proceeding (hereinafter referred to as the "**SCNs**") were not served upon the Noticee and the Noticee was denied the right of reply to defend himself. The Hon'ble Tribunal accordingly directed the Noticee to appear before SEBI on August 20, 2025.
3. I note that the Hon'ble SAT has set aside both the orders only in so far as they relate to the present Noticee, on the limited ground that proper service of the SCN and

compliance with the principles of natural justice were not established in respect of this Noticee. It is equally pertinent to note that, in other connected appeal no. 259/2022 arising from the same investigation and common order under Section 11B of the SEBI Act, 1992 dated November 20, 2020 and a common adjudication order dated March 23, 2021, the Hon'ble SAT has upheld the factual findings and conclusions on merits regarding the scheme and modus operandi alleged in the SCN, both in respect of the adjudication proceedings as well as the Section 11B proceedings, as detailed in subsequent paragraphs of this Order.

4. Accordingly, in compliance with the directions of the Hon'ble SAT, this present order is passed disposing the SCNs dated September 21, 2018 and December 05, 2018 qua the Noticee, on the basis of the facts already upheld and the material available, in exercise of powers under Section 11B(1) and 11B(2) of the SEBI Act.

#### **Service of the SCN and Hearing**

5. Subsequent to the aforesaid Hon'ble SAT directions to the Noticee to appear before SEBI, the Authorized Representative ("AR") of the Noticee appeared online and submitted that they would collect the SCNs along with Annexures from the office of the competent authority within 2-3 days. Subsequently, the representative of the AR collected both the aforesaid SCNs (11B and adjudication) along with its annexures (including 2 CDs) from the office of the competent authority on August 26, 2025. The same was intimated to the Noticee as well as the AR, vide email dated August 26, 2025 and they were advised to acknowledge the receipt of the same. However, no reply was received from the Noticee.
6. In the absence of any reply, and in accordance with principles of natural justice, an opportunity of hearing was granted to the Noticee, vide hearing notice dated October 03, 2025 on October 13, 2025, which his AR, vide email dated October 11, 2025, requested to adjourn, citing medical emergency. Further, vide mail dated October 13, 2025, Noticee also requested for adjournment of the hearing mentioning that he is in process of engaging an advocate and he further requested to provide a copy of SCNs and Annexures along with the Investigation Report. Though the SCN was already

served to the AR of the Noticee, the scan copies of both the SCNs were provided to him by email.

7. Subsequently, vide email dated October 14, 2025, one more opportunity of hearing was granted to the Noticee on October 28, 2025. As the Noticee didn't appear for the said hearing, another hearing opportunity was granted to the Noticee on November 10, 2025. However, vide letter dated November 10, 2025, the Noticee once again sought more time to file the reply and adjournment of the hearing. Acceding to the request, one more opportunity of hearing was provided to him on November 24, 2025. However, vide email dated November 21, 2025, the new AR of the Noticee again sought adjournment, acceding to which the hearing was adjourned to December 04, 2025, then to December 08, 2025 and finally to December 09, 2025. Meanwhile, the Noticee submitted written replies, vide letters dated December 08 and December 09, 2025.
8. Summary of the replies dated December 08 and December 09, 2025 of the Noticee are as below:
  - 8.1. *The SCN does not contain any evidence of communication, coordination, meeting, financial linkage, call data record, message or document showing his involvement with promoters, SMS senders or alleged operators.*
  - 8.2. *Mere receipt of shares through off-market transfer and subsequent sale cannot establish participation in a fraudulent scheme*
  - 8.3. *His PAN, Aadhaar, signatures, demat account, trading account and proprietary bank account were misused by one Mr. Ankit Mehta, his friend and CA, who induced him to part with his KYC documents on the pretext of settling a financial arrangement.*
  - 8.4. *No involvement in LTP manipulation and bulk SMS circulation*
  - 8.5. *He never authorised or executed any trades in the shares of Timbor Home Limited and never operated the demat or trading accounts used for such transactions. All off-market receipt of shares, secondary market sales and routing of funds were carried out entirely by Mr. Ankit Mehta without his knowledge or consent. Ankit Mehta committed offenses, cheating, forgery using forged documents.*
  - 8.6. *He derived no benefit from the alleged trades and that sale proceeds were not retained by him.*

8.7. *Reply submitted by a promoter of the company, wherein it is stated that the entire off-market movement of promoter shares was orchestrated by the promoters themselves through intermediaries, acknowledges that shares were transferred to multiple demat accounts, including that of the Noticee, only as part of a financing arrangement and under the promoters' exclusive control and that the Noticee was neither a beneficiary nor a decision-maker and that his demat account was merely used as a temporary conduit. As admitted by that that promoter himself, the entire monetary benefit from sale of shares was received by the promoters, thereby negating any allegation of gain or enrichment on his part.*

8.8. *The allegation that promoters transferred shares "free of cost" to him is commercially implausible and contrary to basic principles of corporate finance and market behavior and that such transfers were part of financing arrangements, orchestrated by Sanjay Soni rather than gifts. The assumption of zero cost of acquisition is unsupported by evidence and legally untenable.*

8.9. *Annexure-7 to the SCN incorrectly treats the entire sale value of shares as "ill-gotten gains". Disgorgement can only be of net unlawful gains and not gross turnover or sale proceeds. SEBI has not computed purchase price, selling price, net profit or gain attributable to him. SEBI's own findings attribute the alleged unlawful gains entirely to promoters, and therefore proceedings for disgorgement against him are arbitrary and unsustainable.*

8.10. *The disgorgement amount attributed to him in Annexure-7 of the SCN differs from the amount ultimately directed to be disgorged in the impugned order, without any explanation, recalculation, or opportunity of rebuttal. No reasons, workings, or revised calculations were supplied to justify the change in figures, nor was any supplementary SCN issued.*

8.11. *The Show Cause Notice and the subsequent orders proceed on similar factual premises in so far as the role and liability of another entity, Krishna Kumar Periwal are concerned. However, the final findings recorded in the WTM Order do not put any disgorgement amount on Krishna Kumar Periwal, despite the SCN attributing a substantive role to him.*

9. The AR of the Noticee appeared for the said hearing on December 09, 2025 and requested for one more hearing. The said request was accepted and second opportunity of hearing was granted to the Noticee on December 19, 2025. The said AR

of the Noticee appeared in the second hearing and submitted the following, which were recorded in the hearing minutes dated December 19, 2025 and also shared with the Noticee on the same day:

- 9.1. *There is discrepancy in the disgorgement amount, though the correct disgorgement amount is not calculated by the Noticee.*
- 9.2. *Final order in Sanjay Soni and Others vs SEBI is pending in Hon'ble SAT.*
- 9.3. *Noticee's bank account was only used as pass-through and he neither retained or derived any economic benefit.*
- 9.4. *Noticee's CA had all the KYC related documents who used those documents without the knowledge of the Noticee to fraudulently open demat account, trading account and bank account in the name of the Noticee.*
- 9.5. *The impugned bank account was not used frequently by the Noticee.*

10. Accordingly, having complied with the principles of natural justice, and after examining all material available on record, including the replies/submissions of the Noticee and the findings of the investigation, I proceed to examine the matter, the issues involved in the SCNs dated September 21, 2018 and December 05, 2018 qua the Noticee in exercise of the powers conferred upon me under Sections 11(1),11(4) and11B(1) and 11B(2) of the SEBI Act, 1992 read with Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 ("SEBI Adjudication Rules").

#### **Background and Allegations:**

11. M/s Timbor Home Limited was a listed company whose shares were listed on Bombay Stock Exchange Limited ("BSE") and National Stock Exchange Limited ("NSE") during the relevant period. SEBI undertook an investigation in the scrip of the Company covering the period between April 01, 2014 and May 30, 2015 (hereinafter referred to as "**IP**"/ "**Investigation Period**"), following a complaint received in the SEBI Complaints Redressal System ("**SCORES**") which mentioned that complainant had received SMS with the recommendation of buying of shares of Timbor. The investigation was conducted with respect to 2 Patches of investigation period i.e. from April 01, 2014 to July 24, 2014 (Patch I) and from July 25, 2014 to May 30, 2015 (Patch II).

12. During the investigation, it was noted that the shares of Timbor Home Limited ("the Company") were traded on the BSE and NSE during the period under examination. During this period, SEBI received complaints regarding circulation of unsolicited bulk SMS recommending purchase of the shares of the Company. The investigation revealed abnormal and significant increase in trading volumes and price movement in the scrip, despite the absence of any corresponding improvement in the financial performance of the Company or any material corporate announcements justifying such movement.

13. The investigation further revealed that, Promoter entities transferred a significant quantity of shares through off-market transactions to certain non-promoter entities connected to them, resulting in substantial reduction of the promoter shareholding in the Company. Thereafter, one connected entity circulated bulk SMS, recommending purchase of the shares of the company, subsequent to which such connected entities first manipulated the price of the company and then sold the shares in the secondary market during the period of inflated volumes, thereby offloading shares to unsuspecting investors.

14. In this background, the role of the Noticee came under investigation. It was alleged that the Noticee was a connected entity within the promoter-connected group and that he received shares of the Company through off-market transfers from entities which had, directly or indirectly, received shares from the promoters. It was further alleged that the Noticee sold such shares in the secondary market during the period of heightened trading volumes built on the circulation of bulk SMS recommending purchase of the shares of the Company and the price manipulation.

15. It was alleged that the Noticee was part of the aforesaid scheme and artifice, whereby promoter-connected entities collectively facilitated the offloading of promoter shares in the secondary market by creating artificial interest and volume in the scrip through circulation of misleading unsolicited SMS and by manipulating the price. Such acts were alleged to have resulted in deceptive trading activity, causing inducement of unsuspecting investors and undermining the integrity of the securities market.

16. On the basis of the above observations, it was alleged that the Noticee violated the provisions of Regulations 3(a), (b), (c) and (d) read with Regulations 4(1), 4(2)(f) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**"). It was further alleged that the Noticee derived unlawful gains through sale of shares as part of the fraudulent scheme, thereby attracting directions including disgorgement under Sections 11 and 11B of the SEBI Act, 1992. It was also alleged that Noticee was liable for penalty under Section 15HA of SEBI Act.

17. In light of the above facts, allegations and the material placed on record, I note that the following issues arise for consideration in the present proceedings:

**Issue A:** *Whether there existed modus operandi, whereby the promotores transferred the shares to the connected entities, who engaged in trading in small quantities contributing to an increase in the scrip price and in circulation of bulk SMS recommending purchase of the shares of the Company, and thereafter such connected entities offloaded the shares in the secondary market during the period of heightened trading volume?*

**Issue B:** *Whether the Noticee, as alleged in the SCN, was a connected entity within the promoter-connected group of person, who received shares through off-market transfers from entities connected, directly or indirectly, with the promotores of the company and thereafter sold such shares in the secondary market during the period contemporaneous with the circulation of bulk SMS?*

**Issue C:** *Whether the acts and omissions attributed to the Noticee constituted participation in a fraudulent and manipulative scheme, thereby attracting violations of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; if so, whether Noticee is liable for an appropriate direction and monetary penalty?*

**Issue D:** *Whether the Noticee derived any unlawful gain as a consequence of the alleged violations, warranting disgorgement under Section 11B(1) and 11B(2) read with Sections 11(4) of the SEBI Act, 1992?*

18. Before proceeding to deal with the aforesaid issues, I find it appropriate to deal with the preliminary objections / issues raised by the Noticee.
19. The Noticee has submitted that he has reserved the right to file an additional reply after the final outcome of SEBI Appeal No. 47 of 2022 (Sanjay Soni and Others vs. SEBI), pending before the Hon'ble Securities Appellate Tribunal. On this basis, the Noticee seeks to indicate that the reply presently on record be treated as merely a preliminary reply.
20. At the outset, it is noted that where a Noticee seeks to qualify his defence on account of a pending appeal of some other entity, the burden squarely lies upon such Noticee to demonstrate the relevance of the said appeal to the issues arising in the present proceedings. The Noticee is required to specifically establish which precise issue, contention, or defence raised herein is contingent upon the outcome of the pending appeal and how such outcome would have a direct bearing on the adjudication of the present matter.
21. Upon consideration of the submissions, I find that the Noticee has failed to discharge this burden. The Noticee has neither identified any specific issue or factual aspect of his defence that is dependent upon the outcome of the said appeal, nor explained the manner in which the decision therein would affect the findings to be rendered in the present proceedings.
22. The submission remains at a vague and general level, devoid of any concrete link between the pendency of the appeal and the adjudication of the allegations in the present case
23. Further, the Noticee has not specified any particular contention, explanation, or defence which he proposes to raise or supplement at a later stage upon disposal of the said appeal. A plea that a reply is "preliminary" necessarily presupposes that certain identifiable aspects of the Noticee's own case are being withheld or deferred. In the present matter, no such identification has been made. In the absence of any clarity as to what is sought to be supplemented or deferred, the submission that the reply is preliminary remains unsubstantiated and without any basis.

24. It is also relevant to note that no order of stay has been produced by the Noticee staying the present proceedings. In the absence of the same and considering that the Noticee has already been afforded adequate opportunity to present his defence, the contention that the reply should be treated as merely preliminary remains unsubstantiated and therefore cannot be accepted.

***Issue A: Whether there existed modus operandi, whereby the promoters transferred the shares to the connected entities, who engaged in trading in small quantities contributing to an increase in the scrip price and in circulation of bulk SMS recommending purchase of the shares of the Company, and thereafter such connected entities offloaded the shares in the secondary market during the period of heightened trading volume?***

25. I note the following findings of the investigation.

25.1. The promoters had sold/transferred their shareholding during the IP and the promoter's shareholding reduced from 29.90% at quarter ended March 2014 to 2.93% at quarter ended December 2014 and to 0.29% in quarter ended June 2015. The scrip was suspended by the Bombay Stock Exchange Ltd. (hereinafter referred to as "**BSE**") and National Stock Exchange of India Ltd. (hereinafter referred to as "**NSE**") from October 29, 2015, due to liquidation proceedings initiated against the Company.

25.2. The price of the scrip at BSE opened at Rs.11.65, touched a low of Rs.3.26, high of Rs.20.20, and closed at Rs.5.20 during the IP. The scrip closed at Rs.2.21 in BSE on October 28, 2015. Similarly, it was observed that the price of the scrip at NSE opened at Rs.11.70, touched a low of Rs.3.20, high of Rs.20.20, and closed at Rs.5.10 during the IP. The scrip closed at Rs.2.75 on NSE on October 28, 2015. The Company's financials were deteriorating during the relevant period and there were no corporate developments justifying the observed price rise.

25.3. Out of top 10 buy and sell Clients who had traded in the scrip of Timbor during IP at BSE and NSE, the Noticee was top seller in both BSE and NSE with a Gross Sell Volume of Rs.14,88,625 with 14.26% of Sell traded Volume in BSE and of Rs.12,44,075 with 13.02% of Sell traded Volume in NSE.

25.4. The contribution of the connected entities to gross sell volume was more in comparison to gross buy volume. It was also observed that the connected entities mainly traded through the exchange mechanism (on market) during the investigation period and two promoters transferred share through off market to other connected entities.

25.5. During the investigation period, there were off-market transfers of shares of the Company amongst various entities. On the basis of off-market transaction data, Unique Client Code details received from the exchanges and MCA data, it was observed that twenty-one entities, including the Noticee were found to be connected to each other by way of off market transfer, common address, common phone number or common email id.

25.6. It was observed that the four promoters of Timbor transferred a total of 37,82,750 shares before and after circulation of bulk SMS directly or indirectly to other connected entities.

25.7. Based on the timing of bulk SMS circulation period, the investigation period was divided into pre SMS circulation period (Patch I) and post SMS circulation period (Patch II). During the pre SMS circulation period price rise were observed with very low trading volume. Thereafter, price was observed to have fallen till the end of the investigation period. However, the trading volumes were very high during the post SMS circulation period. The following patches were identified, details of which are given as under:

Patches	Price/Volume trend	Period		Exch ange	Price Movement				Average Daily Volume
		From	To		Open	High	Low	Close	
Patch-I (Pre SMS Circulation Period)	Price rise with low trading volume	01/04/2014	24/07/2014	BSE	11.65	20.20	10.58	12.70	20757
				NSE	11.10	20.20	10.50	12.60	17107
Patch-II (Post SMS Circulation Period)	Price fall with high trading volume	25/07/2014	30/05/2015	BSE	13.20	13.80	3.26	5.20	44306
				NSE	13.25	13.85	3.20	5.10	41528

#### **Patch-I (Price rise) (01/04/2014 to 24/07/2014):**

##### **Exchange-BSE**

25.8. The price of the scrip at BSE opened at Rs.11.65 (previous trading day closed at Rs.11.13), touched a high of Rs.20.20 and closed at Rs.12.70. Out of 21

connected entities, ten traded as buyer during the Patch-I and 5 contributed to positive LTP for Rs.96.36 (43.33% of total market positive LTP) in 475 trades with a trading volume 1,16,513 shares. It was observed that these five connected entities contributed 35.47% of total market positive LTP, by putting orders for small quantity i.e. 1-10 shares.

### **Exchange-NSE**

25.9. The price of the scrip at NSE opened at Rs.11.70 (previous trading day closed at Rs.11.30), touched a high of Rs.19.55 and closed at Rs.12.70. Out of 21 connected entities, 10 traded as buyer during the Patch-I and 2 contributed to positive LTP of Rs.55.35 (33.48% of total market positive LTP) in 205 trades with a trading volume 17,659 shares. It was observed that these two connected entities contributed 25.80% of total market positive LTP, by putting orders for small quantity i.e. 1-10 shares.

25.10. A few of the connected entities (not the Noticee) were not acting as genuine buyers on both NSE and BSE and had no bona fide intention to buy because in-spite of sufficient sell order quantity being available in the market, they bought small quantity of shares in each transaction. By these trades, they were instrumental in establishing a price higher than the last traded price and thus contributed to increased scrip price with most of their trades. In view of the repeated nature of such trades, it was observed that these connected entities were acting in concert and contributed to manipulation in the scrip price and created a misleading appearance of trading in the scrip by such trades as explained above.

### **Patch II and Circulation of Bulk SMS**

25.11. As mentioned above, a complaint was lodged in SCORES in the month of August 2014 by a recipient of SMS recommending buying of shares of Timbor. The SMS was circulated as DM-70000 with message "BEST BUY TIMBOR HOME AT BSE (533444) & NSE (24316) AT CMP 14 SHORT TERM TGT @17 THIS WEEK N 25 WITHIN NEXT WEEK WITH SAFESIDE SL 11.5 LONG TERM TGT 60" from July 2014 onwards.

25.12. One of the connected entities, who was also related to promotor of Timbor, circulated the above bulk SMS containing buy recommendation in the scrip. There was spurt in traded volumes and substantial rise in volumes in the scrip soon after the day of circulation of bulk SMS (i.e.25 July, 2014), which could be attributed to the impact of such bulk SMS.

26. From the aforementioned facts, I note that the shares of the Company were listed on BSE and NSE. SEBI received complaints during July - August 2014 regarding circulation of SMS advising purchase of the Company's shares. The price of the scrip has been noted to have fallen thereafter. The price volume data of the scrip on BSE and NSE for periods before, during, and after the investigation was detailed in the SCN and it is noted that during the investigation period, the price of the scrip witnessed considerable fluctuation and the trading volumes increased substantially.

27. The Company's financials were deteriorating during the relevant period and there were no corporate developments justifying the observed price rise. Preliminary examination showed that the promoter shareholding reduced drastically during the same period when unsolicited SMS were being circulated. Further, promoter shareholding fell from 29.90% in March 2014 to 2.93% in December 2014 and then to 0.29% by June 2015.

28. It was observed that the promoters had transferred substantial quantities of shares to connected entities through off-market transfers around the period of SMS circulation and that these connected entities subsequently sold the shares in the secondary market to unsuspecting investors.

29. The Company was also facing winding-up proceedings, which were admitted by the Hon'ble Gujarat High Court on June 29, 2015, and trading in the Company's shares was suspended by both stock exchanges from October 29, 2015. Ultimately, the Company was ordered to be wound up by the High Court on June 16, 2016. It was in this context that SEBI initiated investigation into the trading in the scrip.

30. Based on preliminary examination of trading activity, UCC data, off-market transfers and corporate records, SEBI identified twenty-one entities (including the present Noticee) as connected entities forming part of the alleged scheme.

31. It was observed that the promoters of the Company had transferred shares, both before and after the SMS circulation, to certain connected entities. These entities (including the present Noticee) were alleged to have offloaded the shares in the secondary market during the period of heightened investor interest created by the SMS campaign.

32. In view of the above facts, upon examination of the material on record, including off-market transfer details, trading data, and the sequence of events surrounding the circulation of bulk SMS as well as manipulation of the price, I find that the pattern of activities demonstrates that, there was off-market transfer of shares from promoters to connected entities, followed by the circulation of unsolicited bulk SMS and connected entities being engaged in trades contributing to increased liquidity in the scrip, and subsequent sale of such shares in the secondary market during the period of artificially enhanced trading volume generated post-SMS circulation.

33. The absence of any fundamental justification for the abnormal price and volume movement further reinforces the conclusion that the trading activity was not driven by genuine market forces. The coordinated nature of the transactions, viewed holistically, evidences a pre-meditated scheme designed to create artificial demand and facilitate exit of promoter-linked holdings at elevated prices.

33.1. From the above, I find the following *modus operandi*:

33.1.1. Promoters of the Company transferred shares to other connected entities through off market route. Simultaneously, connected entities bought small quantity of shares in each transaction, which contributed to increase in scrip price.

33.1.2. Subsequently, one of the entities, circulated bulk SMS during July 25, 2014 to July 28, 2014 containing unsolicited advice recommending purchase of shares of the Company and lured unsuspecting gullible investors to buy the shares of the Company. Pursuant to sending bulk SMS in Patch II of the IP, seventeen connected entities and two

promoters, offloaded shares of Timbor on BSE and seventeen connected entities and one promoter offloaded shares on NSE.

- 33.1.3. It was also observed that in Patch II, connected entities traded among themselves at BSE and NSE, and thereby created an impression of artificial volume generation, which invited the attention of gullible investors towards the scrip.
- 33.1.4. The average daily trading volumes during Patch I (April 1, 2014 to July 24, 2014) i.e. before the bulk SMS circulation period were low vis-à-vis average daily trading volumes during patch II (July 25, 2014 to May 30, 2015) i.e. after circulation of bulk SMS.

34. In this regard I note that the Hon'ble Securities Appellate Tribunal, in the matter of **Kajal Nimish Shah vs SEBI (259/2022)**, while upholding the SEBI adjudication order, in the appeal filed by Kajal Nimish Shah in the same matter of Timbor, had held that:

*"7. Having heard the learned counsel for the parties and having perused the record, we find that the modus operandi was that four promoters of the Company had transferred shares directly or indirectly to other connected entities who in turn sold the shares in the market. Prior to sending bulk SMS by one of the connected entity, some of the entities bought small quantities of shares in each transaction which contributed to the increase in the price of the scrip. Around the same time, promoters of the Company transferred shares to other connected entities off market and, thereafter, one of the entities, namely, Mr. Soni Sanjay Jethalal circulated bulk SMS recommending purchase of shares of the Company which led gullible investors to buy the shares of the Company. Based on these bulk SMS the promoters and connected entities off loaded their shares and made unlawful gains."*

35. Accordingly, I find that the Issue No. 1 is answered in the affirmative.

***Issue B: Whether the Noticee, as alleged in the SCN, was a connected entity within the promoter-connected group of person, who received shares through off-market transfers from entities connected, directly or indirectly, with the promoters of the company and thereafter sold such shares in the secondary market during the period contemporaneous with the circulation of bulk SMS?***

***Issue C: Whether the acts and omissions attributed to the Noticee constituted participation in a fraudulent and manipulative scheme, thereby attracting violations of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(f) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; if so, whether Noticee is liable for an appropriate direction and monetary penalty?***

36. The allegation is that as part of the scheme, the Noticee received shares through off-market transfers from 6 entities namely Sanjay Jethalal Soni HUF, Nimish Shah, Amul G Desai, Soni Krupa Sanjay, Soni Sanjay Jethalal and Mahesh Somabhai Desai, directly or indirectly connected to the promoters, who also received the shares of the company through off market.
37. The Noticee has contended that he had no connection whatsoever with the promoters or alleged masterminds of the scheme, and that there is no evidence of any telephonic communication, meeting, financial exchange, or coordination linking him to the promoters or other connected entities. He has further contended that he did not receive any shares directly from the promoters and that his acquisition of shares was effected through legitimate market mechanisms.
38. As part of his defense, Noticee replied that his trading, demat and bank accounts were not under his control, right from the stage of opening of the accounts through their operation. In support of this contention, the Noticee relied upon the FIR dated June 12, 2024 against Mr. Ankit Mehta filed in the criminal case in the Anandnagar Police Station, Ahmedabad, the complaint of a promoter, Mr. Anant Maloo, before the Hon'ble Criminal Court of Hon'ble Add. Chief Metropolitan Magistrate, Ahmedabad, and the reply of the said promoter, Mr. Maloo, submitted before SEBI, to contend that the entire movement of shares was orchestrated by others and that he has no control on the accounts or involvement in the matter.
39. **Account control:** Therefore, the question that arises for consideration is whether the accounts were not under the control of the Noticee right from the stage of opening of the accounts through their operation. This question is first dealt with before the allegation on connection is proceeded.

40. On examination of the submissions made by the Noticee, I note that the Noticee has failed to put forth a single, consistent and coherent explanation as to how and in what manner his accounts were allegedly opened and operated without his knowledge or consent. On the contrary, the versions advanced by him at different stages are mutually inconsistent and irreconcilable.

41. At one stage, the Noticee has stated that the documents required for opening his bank, demat and trading accounts were already available with his Chartered Accountant, Mr. Ankit Mehta, who allegedly utilised the same without the Noticee's knowledge. This version proceeds on the premise of complete absence of awareness or consent on the part of the Noticee and seeks to portray him as entirely oblivious to the existence and operation of the accounts in his name.

42. At another stage, the Noticee advances a materially different version. According to this narrative, the opening of the accounts was linked to a financial arrangement involving Sanjay Soni. The Noticee states that Mr. Ankit Mehta was entitled to receive certain amounts from Sanjay Soni, and since such amounts could not be paid in cash, it was agreed that shares would be transferred instead. As there were alleged difficulties in receiving such shares directly in the Chartered Accountant's account, the assistance of the Noticee was sought for opening new accounts in his name, through which the shares would be received and subsequently sold. In this version, the Noticee admits that he furnished the necessary documents for opening the bank, demat and trading accounts and permitted the opening and operation of such accounts.

43. Further, at one place the Noticee even stated that the Chartered Accountant forged his documents and cheated.

44. These explanations are fundamentally inconsistent. While one suggests complete lack of knowledge and consent, the other admits conscious participation by furnishing documents and permitting the opening and operation of the accounts. Another suggests that the CA did not have the proper documents and he forged the same to open the accounts. Such shifting stands undermine the credibility of the Noticee's claim that his accounts were opened and operated entirely without his control. The Noticee cannot, depending upon convenience, alternately plead total ignorance and active facilitation.

The absence of a consistent explanation fails to establish, in any credible manner, that the Noticee lacked control over his accounts.

45. On the argument of lack of account control, the Noticee has further relied upon the reply submitted by a promoter, Mr. Anant Maloo, to SEBI on 7 January 2019 to contend that the entire off-market movement of shares was orchestrated by the promoter and that the shares came to be credited to the Noticee's demat account only pursuant to directions issued through intermediaries. On this basis, the Noticee seeks to argue that he neither exercised control over his demat account nor had any role in the receipt or subsequent handling of the shares.
46. Even if the said reply is taken at face value, it does not support the Noticee's version in material aspects. As per the said reply, the promoter shares were first transferred to one intermediary entity and thereafter moved, under the directions of the promoter, into the demat accounts of Sanjay Soni, the Noticee and others. As per this version, the shares were credited under the directions of the promoter, not under the directions of Mr. Sanjay Soni. However, the Noticee has elsewhere categorically stated that the shares credited to his demat account were received from Sanjay Soni. This inconsistency strikes at the root of the Noticee's defence regarding the source of receipt of shares. The version emerging from the promoter's reply does not corroborate the Noticee's own stated source of receipt and therefore cannot be relied upon to establish that the Noticee's demat account was operated or controlled by others in the manner claimed.
47. Further, the evidentiary value of the promoter, Mr. Anant Maloo's reply itself stands diluted. It is noted that a substantially similar version was earlier set out by the same promoter in his complaint before the Hon'ble Criminal Court of Hon'ble Add. Chief Metropolitan Magistrate, Ahmedabad (Criminal Case No. 35739/2020). The version of events narrated by the Promoter before SEBI and the Hon'ble Criminal Court are substantially same. However, the promoter during the examination in chief before the Hon'ble Criminal Court, disowned his statement. The Hon'ble Criminal Court proceedings culminated in acquittal not on merits, but on account of the informant turning hostile. In such circumstances, the statements attributed to the promoter cannot

be treated as reliable or independent corroboration for accepting the Noticee's plea regarding misuse or lack of control over his accounts.

48. In the absence of any independent credible material to substantiate the claim that the Noticee's demat, trading and bank accounts were misused or operated without his control, reliance on such statements, which neither support the Noticee's own version nor inspire confidence, cannot advance the Noticee's case. There is also nothing in the promoter's reply, as incorrectly claimed by the Noticee, to establish that the promoters have confirmed that the Noticee was not a beneficiary of the promoter share transfers.

49. In view of the above discussion, I find that Noticee has not substantiated his case of lack of account control. I find that accounts were under the control of the Noticee.

50. **Receipt of shares by the Noticee:** The Noticee received 27,32,700 shares of Timbor through off market transactions from 6 connected entities namely Sanjay Jethalal Soni HUF, Nimish Shah, Amul G Desai, Soni Krupa Sanjay, Soni Sanjay Jethalal and Mahesh Somabhai Desai, for which no consideration amount was mentioned in the DIS. The detail of the same is as below:

S. No	Date	Transferor entity name	Transferee entity name	Transferred Quantity
1	10/07/2014	AMUL GAGABHAI DESAI	PARESH NATHALAL CHAUHAN	100000
2	17/07/2014	AMUL GAGABHAI DESAI	PARESH NATHALAL CHAUHAN	100000
3	18/07/2014	AMUL GAGABHAI DESAI	PARESH NATHALAL CHAUHAN	170000
4	22/08/2014	AMUL GAGABHAI DESAI	PARESH NATHALAL CHAUHAN	23000
5	06/08/2014	AMUL GAGABHAI DESAI	PARESH NATHALAL CHAUHAN	53000
6	04/08/2014	KRUPA SANJAY SONI	PARESH NATHALAL CHAUHAN	70000
7	14/08/2014	KRUPA SANJAY SONI	PARESH NATHALAL CHAUHAN	36000
8	28/07/2014	KRUPA SANJAY SONI	PARESH NATHALAL CHAUHAN	6900
9	06/08/2014	KRUPA SANJAY SONI	PARESH NATHALAL CHAUHAN	51000
10	31/07/2014	MAHESH DESAI	PARESH NATHALAL CHAUHAN	49700
11	23/07/2014	NIMISH P SHAH	PARESH NATHALAL CHAUHAN	200000

12	24/07/2014	NIMISH P SHAH	PARESH NATHALAL CHAUHAN	500000
13	11/08/2014	NIMISH P SHAH	PARESH NATHALAL CHAUHAN	500000
14	09/07/2014	SANJAY JETHALAL SONI	PARESH NATHALAL CHAUHAN	100000
15	10/07/2014	SANJAY JETHALAL SONI	PARESH NATHALAL CHAUHAN	100000
16	17/07/2014	SANJAY JETHALAL SONI	PARESH NATHALAL CHAUHAN	100000
17	21/08/2014	SANJAY JETHALAL SONI HUF	PARESH NATHALAL CHAUHAN	41500
18	22/08/2014	SANJAY JETHALAL SONI HUF	PARESH NATHALAL CHAUHAN	8800
19	08/08/2014	SANJAY JETHALAL SONI HUF	PARESH NATHALAL CHAUHAN	130000
20	14/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	125000
21	19/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	80000
22	25/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	79000
23	25/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	40000
24	19/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	60000
25	21/08/2014	SANJAYKUMAR JETHALAL SONI	PARESH NATHALAL CHAUHAN	8800
<b>Total</b>				<b>27,32,700</b>

51. **Connection:** Coming to the connection of the Noticee with the promotor/promoter-connected group, the same can be seen through a combination of evidences. It is noted that the Noticee received shares through off-market transfers which can be traced back to the promoters of the Company, and such transfers were effected without any consideration, as evident from the DIS slips which does not mention any consideration amount. Further, investigation has revealed that the Noticee shared common mobile numbers with three other connected entities involved in the scheme namely Amul G Desai, Mahesh S Desai and Soni Krupa Sanjay, who themselves are connected to other entities. This demonstrates close coordination and linkage among them. When viewed holistically, the off-market receipt of shares without consideration and the existence of common contact details clearly establish that the Noticee was a connected entity acting in concert with the promoter-connected group in furtherance of the fraudulent scheme.

52. Further, in the present case, the material on record, such as the DIS slip issued by Sanjay Jethalal Soni HUF, Nimish Shah, Amul G Desai, Soni Krupa Sanjay, Soni Sanjay Jethalal and Mahesh Somabhai Desai establishes that the Noticee received shares through off-market transfers from entities who themselves had received shares directly or indirectly from the promoters. The record clearly establishes that shares originating from the promoter group or promoter-connected entities were credited into the demat account of the Noticee through off-market transfers. The factum of receipt of shares in the Noticee's demat account is not disputed. The Noticee's attempt to distance himself from such receipt by attributing control to third parties fails for the reasons discussed above. The fact of off market receipt of shares further points to the fact that such receipt is possible only with respect to the known entities and acquiring shares from 6 different entities, without any consideration from any one of them in very short time, further corroborates the connectedness to the scheme.

53. There is one more fact which corroborates the fact of Noticee connection to the promoter group entities. The same comes from the prosecution on the FIR filed by the promoter, Mr. Anant Maloo. It is important to note that in the FIR filed by Mr. Maloo, he has included Noticee as an accused person and criminal prosecution proceeded with Noticee as one of the accused in the said proceedings. Though the proceedings resulted in acquittal due to the promoter, who filed the FIR, turning hostile to his own case, he has recorded that there was a settlement between them. The fact of the settlement was also recorded in the judgement dated July 05, 2022 of the Hon'ble Criminal Court, of Hon'ble Add. Chief Metropolitan Magistrate, Ahmedabad. The fact of settlement only reinforces that the Noticee and the promoter were connected

54. Therefore, in view of the commonalities such as overlapping contact details with other connected entities, the timing and pattern of receipt and sale of shares, establish that the Noticee formed part of the promoter-connected group of persons.

55. I note that connection under the PFUTP Regulations is not required to be established solely through direct evidence of communication or meetings. The determination of connection is to be made on the basis of circumstantial evidences, conduct, and inter-linkages which, taken cumulatively, indicate coordinated activity.

56. Accordingly, I find that the Noticee was connected to the promoter-connected group and received shares through off-market transfers as part of the chain of transactions forming the alleged scheme. The contention that the Noticee neither exercised control over his accounts nor had any role in the acquisition of shares is not tenable.

57. **Sale of shares by the Noticee:** In view of the above findings, it needs to be determined whether the Noticee has, on receipt of the shares from the connected entities, sold the same in secondary market. Noticee, while putting forward his case of non-existence of any unlawful gains, contended that the shares credited to his demat account were not sold in the secondary market, but were returned to the promoter. In support of this submission, the Noticee has relied upon a statement made by Anant Maloo before the Hon'ble Criminal Court, submitted as exhibit 'A' of the reply in the instant proceedings, wherein it was stated that the shares were returned to him by the accused Paresh Nathalal Chauhan. On the strength of this statement, the Noticee contends that no sale of shares was undertaken by him and, consequently, no gain accrued in his hands.

58. At the outset, I note that the Noticee has not adopted a consistent or coherent stand on this issue also. At one stage, he asserts that the shares credited to his demat account were returned to the promoter and were never sold. At another stage, he states that the shares were sold and that the sale proceeds were transferred to the promoter. These two versions are plainly mutually destructive. A person cannot, in law, be permitted to approbate and reprobate by advancing contradictory factual positions on the same set of transactions, depending upon convenience. Such inconsistency materially erodes the credibility of the defense put forth by the Noticee.

59. In any event, the material available on record does not support the Noticee's contention that the shares were returned and not sold. The trade log data, forming part of the investigation record and furnished to the Noticee, clearly establishes that the shares credited to the Noticee's demat account were sold in the secondary market through his trading account. The said trade logs evidence execution of sell trades. This documentary evidence clearly establishes the factum of sale of shares by the Noticee.

60. The documentary evidence further demonstrates that the Noticee sold a substantial quantity of shares during the relevant period of increased trading volume following the circulation of bulk SMS recommending purchase of the shares of the Company. The quantum of shares sold, the dates of sale, and the prices at which such sales were executed are all borne out from the trade log data relied upon in the Show Cause Notice.
61. The reliance placed by the Noticee on the statement of Anant Maloo that shares were returned to him before the Hon'ble Criminal Court does not advance his case. The judgment of the Hon'ble Criminal Court dated July 05, 2022 does not record any finding that the shares were returned by the Noticee to the promoter. The acquittal in the criminal proceedings was rendered primarily on the ground that the informant promoter turned hostile and that the prosecution failed to independently establish the charges. There is no judicial determination in the said judgment stating that the shares were returned or that no sale took place.
62. In view of the above, given the positive documentary evidence on record, I find that the shares credited to the Noticee's demat account were sold in the secondary market, and that gains were generated from such sales. The Noticee's contention that the shares were merely returned to the promoter and that no unlawful gain accrued to him is contradicted by his own inconsistent submission and documentary evidence on record.
63. From the foregoing analysis, it is evident that the Noticee was a connected entity with the modus operandi involving off-market transfer of shares, artificial creation of demand through circulation of unsolicited bulk SMS, and subsequent offloading of shares in the secondary market. The Noticee exercised control over his accounts, received shares through connected entities, sold such shares during the period of inflated trading activity, and derived gains therefrom. The quantum of shares sold and the gains accrued will be dealt with in the subsequent issue.
64. The conduct of the Noticee formed an integral part of the fraudulent and manipulative scheme designed to induce unsuspecting investors to purchase shares on the basis of misleading information and artificial market conditions. Such conduct squarely falls within the ambit of fraudulent and unfair trade practices.

65. Accordingly, I hold that the Noticee has violated Regulations 3(a), 3(b), 3(c) and 3(d) and Regulations 4(1), 4(2)(f) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. The violations attract consequences under the SEBI Act, 1992 and the regulations framed thereunder.

***Issue D: Whether the Noticee derived any unlawful gain as a consequence of the alleged violations, warranting disgorgement under Section 11B(1) and 11B(2) read with Sections 11(4) of the SEBI Act, 1992?***

**Jurisdiction to direct disgorgement**

66. The Noticee has contended that the foundational requirement for directing disgorgement, namely the existence of unlawful gain, is wholly absent in the present case. According to the Noticee, the material on record does not disclose that he received any sale proceeds, economic benefit, or advantage whatsoever, and in the absence of any such material, the jurisdictional precondition for issuing a direction of disgorgement fails. On this basis, the Noticee has questioned the jurisdiction in law to sustain any direction of disgorgement against him.

67. I note that the Show Cause Notice specifically alleges a quantified disgorgement amount, representing the unlawful gain allegedly made by the Noticee through sale of shares as part of the fraudulent scheme. The allegation is thus squarely founded on sale proceeds stated to have been received by the Noticee. In support thereof, the material on record includes trade log data evidencing sale transactions executed from the trading account of the Noticee. Therefore, it is incorrect to contend that there is no material on record disclosing receipt of sale proceeds or unlawful gain.

68. The Noticee's argument proceeds on the erroneous premise that disgorgement has been invoked in the absence of any factual basis. That is not the case here. Whether the alleged sale transactions form part of the fraudulent scheme and whether the quantified unlawful gain is correctly computed are matters to be examined on merits. However, the existence of a specific allegation, supported by trade log material, is sufficient to negate the Noticee's objection to jurisdiction at the threshold.

### **On submission of travelling beyond the show cause notice**

69. The Noticee has contended that since Annexure-7 forms the sole basis for quantification of disgorgement, any correction, modification, or recalibration of the figures at the stage of adjudication would amount to travelling beyond the Show Cause Notice and would violate the principles of natural justice.

70. According to the Noticee, Annexure-7 itself is erroneous, and therefore the adjudicating authority cannot improve upon or reconstruct the computation by relying on revised figures or methodology. It is further contended that such an exercise would require the Noticee to meet a case different from the one set out in the Show Cause Notice.

71. This contention proceeds on an incorrect understanding of both the purpose of a show cause notice and the scope of adjudication. It is trite law that the allegations of fact constituting the basis of the alleged violation must be communicated to the Noticee so as to enable him to offer his explanation. In the present case, the allegation of unlawful gain and the basis thereof, including the figures reflected in Annexure-7, were clearly set out in the Show Cause Notice. The Noticee was fully aware that unlawful gain was alleged to have arisen from sale of shares and of the manner in which such gain was proposed to be computed. He was afforded full opportunity to respond to both the factual allegations and the proposed quantification.

72. The figures placed in the Annexure-7 of the Show Cause Notice represent the unlawful gain, which necessarily is subject to examination, verification, and determination during adjudication based on the contentions raised. The very purpose of placing such figures before the Noticee is to invite his response and objections, so that a final determination can be arrived at after considering the material on record.

73. The determination of the final disgorgement figure, even if it differs from the provisional figure indicated in Annexure-7, flows from the same factual allegations and material already disclosed to the Noticee. Such determination does not amount to travelling beyond the Show Cause Notice, but is an integral part of the adjudicatory process and is fully consistent with the principles of natural justice.

74. In the present case, no new factual premise has been introduced. The factual case remains the same throughout, namely that the Noticee derived unlawful gain through sale of shares as part of the fraudulent scheme.

75. If, upon consideration of the record and the submissions of the Noticee, a different disgorgement figure is determined, such determination cannot be characterised as reliance on extraneous material. The Noticee's contention that no variation or determination of figures is permissible at the adjudication stage reflects a flawed understanding of the adjudicatory process and cannot be accepted.

76. Accordingly, the contention that any determination of disgorgement figures beyond Annexure-7 per se violates principles of natural justice is rejected.

#### **On the Intrinsic value**

77. The Noticee has further contended that the intrinsic value was not determined and the lawful value was also not segregated from alleged unlawful enrichment, which rendered the computation of disgorged amount unsustainable.

78. The object of anti-fraud provisions in securities law is to prevent and deter fraudulent conduct that distorts the fairness and integrity of the market. These provisions operate by restraining persons from acquiring or holding securities as part of a fraudulent scheme or artifice. While, as a matter of policy, a finding of fraud may not generally disturb the underlying title to the shares, unless there are grounds, it directly governs the permissibility of acquiring, possessing, and benefiting from such shares during the execution of the fraudulent scheme.

79. Where shares are acquired or continued to be held as part of a fraudulent scheme, the possession of those shares cannot be treated as a one pursuant to a genuine economic act. The holding itself forms an integral component of the fraud, enabling its execution or continuance. In such circumstances, the law does not recognise a legitimate entitlement to the economic benefits ordinarily associated with shareholding during the period of fraudulent possession.

80. Accordingly, in cases of fraudulent fresh acquisition and thereafter holding those shares fraudulently, the person concerned cannot claim the benefit of intrinsic value or value accretions attributable to general market forces during the subsistence of the fraud. Concepts such as intrinsic value and market-driven appreciation presuppose a holding that is unconnected with fraud. Where continued possession of the shares post fraudulent acquisition is itself part of the fraudulent scheme, those concepts lose their relevance, as the economic position from which such benefits arise is one that the law seeks to prevent.

81. The benefit of market forces can accrue only in respect of shares held independently of the fraudulent conduct. Where a person acquires and continues to hold shares as part of his role in executing or sustaining the fraud, any appreciation in value during that period is inseparably linked to the fraudulent conduct. Granting the benefit of such appreciation would amount to permitting the person who has committed fraud to profit from a position that he would not have occupied but for the commission for the fraud.

82. Allowing retention of market-force accretion in such cases would result in unjust enrichment. It would place the one who has committed fraud in a better position than an honest market participant by allowing him to benefit from market movements that he accessed solely by virtue of his participation in the fraud. Such an outcome would undermine both the preventive and remedial objectives of anti-fraud provisions.

83. The Hon'ble Securities Appellate Tribunal has consistently held that disgorgement is an equitable remedy, intended to prevent unjust enrichment and to strip away benefits obtained through fraudulent conduct. In keeping with this equitable character, and in fit cases, the acquisition cost may be excluded from disgorgement to ensure that disgorgement does not assume a punitive character. However, this equitable exclusion is limited strictly to the acquisition cost. It cannot be extended to protect intrinsic value or market-driven accretions arising during the period when the shares were held as part of the fraudulent scheme.

84. Thus, the economic benefits arising from possession during the subsistence of fraud do not enjoy protection as it is wrongful gain. Disgorgement, in such cases, must extend

to all gains beyond the acquisition cost, as any other approach would defeat the core purpose of anti-fraud regulation and equitable character of disgorgement

### **On the Computation of Disgorgement**

85. The Noticee has disputed the computation of unlawful gain on the ground that the figures reflected in the Show Cause Notice are allegedly contradictory to the trading log data.
86. Despite, disputing the figures, the Noticee has not articulated his own case as to what, according to him, would be the correct computation of unlawful gain. He has neither specified the number of shares actually sold by him nor indicated the price at which such shares were allegedly sold, despite the trading log relied upon by him forming part of the Show Cause Notice.
87. It is further relevant to note that the Noticee has simultaneously relied upon his bank records to contend that the sale proceeds were transferred by him. Such reliance necessarily presupposes receipt of sale proceeds arising from sale of shares. Yet, the Noticee has not taken any specific stand with respect to the quantity of shares sold or the sale price, thereby failing to present his case on computation.
88. In view of the absence of any specific alternative computation advanced by the Noticee, I proceed to determine the disgorgement amount on the basis of the material available on record after considering his contentions.

### **Findings on Disgorgement**

89. The investigation observed that the promoters of the Company transferred a total of 37,82,750 equity shares of Timbor Home Limited to six connected entities before and after the circulation of bulk SMS. These transfers were effected through the off-market route and without any consideration. Thereafter, these shares were further transferred by the said connected entities to fourteen other connected entities, including the Noticee.

90. Pursuant to the circulation of unsolicited bulk SMS recommending purchase of the shares of the Company during Patch II of the investigation period, seventeen connected entities and two promoters offloaded 26,15,280 shares on BSE, while seventeen connected entities and one promoter offloaded 31,99,688 shares on NSE. These sales coincided with the period of heightened trading activity and abnormal increase in volume in the scrip.

91. On analysis of the trading activity during the investigation period, it was observed that the gross sell volume of the connected entities was significantly higher than their gross buy volume, indicating net offloading of shares. The connected entities predominantly traded through the exchange mechanism.

92. Further, during Patch II, the connected entities were also found to have traded among themselves for 8,49,220 shares on BSE and 8,31,895 shares on NSE, thereby creating an appearance of artificial volume in the scrip, which had the effect of attracting unsuspecting investors.

93. Noticee was one of the top sellers on both BSE and NSE. The Noticee sold 14,88,625 shares on BSE, constituting 14.26% of the total sell volume, and 12,44,075 shares on NSE, constituting 13.02% of the total sell volume. Thus, the Noticee sold a total of 27,32,700 shares across both exchanges during the investigation period.

94. Since the 37,82,750 shares transferred off-market by the promoters were without any consideration, the cost of acquisition of these shares was taken as nil for the purpose of assessing unlawful gain. As the connected entities, including the Noticee, were trading both among themselves and with public investors, the sale value of the first 37,82,750 shares sold by the connected entities was proposed to be disgorged as ill-gotten gains.

95. Accordingly, the Show Cause Notice proposed disgorgement of the entire sale consideration of these shares, amounting to ₹3,78,23,499.92, as detailed below:

Sale Consideration	Sale Volume (A)	Sale Value Rs. (A)	Cost Value Rs. (B)	Profit (A-B)
Sale Consideration is available in actual and will be same for the all option.	37,82,750	3,78,23,499.92	0 (37,82,750 * 0)	3,78,23,499.92

96. Further, based on the sale of the first 37,82,750 shares by the connected entities, the sum of trade quantity and trade value attributable to the Noticee, as proposed in the SCN, was as follows:

Name of the entity	NSE		BSE		Total both the exchange	
	Traded qty	traded value	traded qty	traded value	Total traded qty	traded value
Paresh Nathalal Chauhan	8,76,403	84,85,401.25	8,98,297	97,46,733.04	17,74,700	1,82,32,134.29

97. During the course of adjudication, upon appreciation of evidence and examination of the role of individual entities, two connected entities were exonerated on merits and held not to be participants in the fraudulent scheme in the order dated November 20, 2020 in the matter of Timbor Home Limited. As a direct consequence of such exoneration, the 8,00,000 shares received by those two entities from the promoters were excluded from the universe of shares forming part of the fraudulent scheme. Accordingly, the total number of shares considered for disgorgement stood reduced from sale of first 37,82,750 shares to sale of first 29,82,750 shares.

98. Consequent to the exclusion of the aforesaid 8,00,000 shares and considering sale of first 29,82,750 shares, the sum of trade quantity and trade value of the Noticee considered for disgorgement is as follows:

Name of the entity	NSE		BSE		Total both the exchange	
	Traded qty	traded value	traded qty	traded value	Total traded qty	traded value
Paresh Nathalal Chauhan	7,83,793	87,60,300.78	754654	74,44,739.10	15,38,447	1,62,05,039.88

99. From the trading details of the Noticee, it is noted that out of the aforementioned sale of 15,38,447 shares, the last trade done by the Noticee, in both BSE and NSE, was on August 20, 2014. Accordingly, the said date is considered for calculation of interest on

the disgorgement amount payable till the date of this order. In order to compensate the period which passed because of the earlier order wherein the service to the Noticee was not proper, instead of 12 percent interest, interest at the rate of 8 percentages is determined. Accordingly, necessary direction in this regard is incorporated.

100. From the factual analysis set out hereinabove, it clearly established that the Noticee was a significant seller of the shares of Timbor during the relevant period, accounting for a substantial proportion of the gross sell volume on both BSE and NSE. The sale transactions were executed from the Noticee's own trading account and the sale consideration was received through the normal settlement mechanism. The gain arising from such sale transactions, therefore, accrued directly to the Noticee.
101. Although the Show Cause Notice initially proposed disgorgement on the basis of sale of the first 37,82,750 shares sold by the connected entities, the adjudicatory process resulted in the exoneration of two connected entities on merits. As a necessary and logical consequence thereof, the 8,00,000 shares received by those entities from the promoters were excluded from the total shares forming part of the fraudulent scheme. Upon such exclusion, the shares attributable to the scheme stood reduced to 29,82,750 shares, and the corresponding recalibration of individual sale quantities and values followed as a matter of factual consequence.
102. Accordingly, for the Noticee, only sale of 15,38,447 shares on BSE and NSE put together, for a total sale consideration of ₹1,62,05,039.88, are taken into consideration for calculation of unlawful gain, as these shares fall into the first 29,82,750 shares sold pursuant to the fraudulent scheme. Since the cost of acquisition of these shares was nil, as reflected in the DIS slips of Sanjay Jethalal Soni HUF, Nimish Shah, Amul G Desai, Soni Krupa Sanjay, Soni Sanjay Jethalal and Mahesh Somabhai Desai w.r.t. off market transfer of shares to the Noticee, the entire sale consideration represents unlawful gain derived by the Noticee.
103. Accordingly, it is established that the Noticee has derived unlawful gain to the extent of ₹1,62,05,039.88 through the sale of shares acquired as part of the fraudulent scheme. The said amount represents unjust enrichment arising from conduct in violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade

Practices relating to Securities Market) Regulations, 2003, and is therefore liable to be disgorged in exercise of powers under the SEBI Act, 1992.

### **On the submission of exclusion of Krishna Kumar Periwal**

104. The Noticee has contended that there exists a dichotomy between the allegations contained in the Show Cause Notice and the findings recorded in the final order, insofar as Krishna Kumar Periwal is concerned. According to the Noticee, since Krishna Kumar Periwal was allegedly similarly placed and yet was not subjected to identical consequences, the continuation of proceedings against the Noticee is vitiated on account of inconsistency, arbitrariness, and violation of principles of natural justice. The Noticee has further contended that such selective approach undermines the very foundation of the alleged scheme and breaks the chain of causation sought to be established in the SCN.
105. As already detailed above, the promoters of the Company transferred a total of 37,82,750 shares through the off-market route to certain connected entities without any consideration, the cost of acquisition of these shares was taken as zero for the purpose of assessing unlawful gain. The said shares were subsequently sold in the secondary market during the period of heightened trading activity following the circulation of unsolicited bulk SMS, and accordingly, the sale value of the first 37,82,750 shares sold by the connected entities was proposed to be disgorged as ill-gotten gains. Krishna Kumar Periwal was included at the SCN stage on the basis of the trading data pertaining to the sale of the said first 37,82,750 shares.
106. However, during the course of adjudication, upon appreciation of evidence and examination of the role of individual entities, two of the connected entities were exonerated on merits and were held not to be participants in the fraudulent scheme. As a necessary consequence of such exoneration, the 8,00,000 shares received by those two entities from the promoters were excluded from the universe of shares forming part of the scheme. Consequently, the total number of shares considered for disgorgement stood reduced from 37,82,750 shares to 29,82,750 shares.
107. It is in this factual backdrop that the exclusion of Krishna Kumar Periwal from the final computation occurred. The exclusion was not based on any finding that the alleged

scheme was illusory, nor did it amount to a determination that Krishna Kumar Periwal was never associated with the factual narrative emerging at the SCN stage. Rather, it was a consequential outcome of the revised computation necessitated by the partial exoneration of certain connected entities during adjudication.

108. The Noticee's attempt to portray such consequential adjustment as a fatal contradiction between the SCN and the final order is therefore misplaced. The adjudicatory process necessarily involves evaluation of evidence and may culminate in differential outcomes for different entities, depending upon the findings arrived at on merits. The exclusion of certain persons initially proceeded against does not invalidate the proceedings against others, nor does it undermine the existence of the alleged scheme itself.
109. Each entity's liability is required to be assessed independently, on the basis of their own role, conduct, and transactions. The proceedings cannot be rendered arbitrary or unenforceable merely because the final adjudication results in modification of the initial universe of persons or transactions identified at the SCN stage. Indeed, the very purpose of adjudication is to arrive at conclusions based on evidence, which may legitimately differ from the *prima facie* allegations contained in the SCN.
110. Accordingly, the contention of the Noticee that the proceedings are vitiated on account of an alleged dichotomy between the SCN and the final order, insofar as Krishna Kumar Periwal is concerned, is rejected. The disgorgement computation is a legitimate and inevitable outcome of the adjudicatory process and does not render the proceedings inconsistent, arbitrary, as claimed by the Noticee.
111. Noticee has also contended that the liability was joint and several and disgorgement was calculated as group and that if one of the fourteen contributors is excluded, the sum-total and apportionment logic collapse and require re-computation on an individual basis. In this regard, it is noted that the Show Cause Notices nowhere allege or propose joint and several disgorgement. On the contrary, the SCNs specifically identify the role, transactions and unlawful gains attributable to each of the Noticee separately, based on the proceeds derived by such Noticee from the

impugned transactions. Accordingly, the argument that exclusion of any one of the contributors would cause the sum-total or apportionment logic to collapse is untenable.

**On Transfer of sale proceeds:**

112. The Noticee has contended that no disgorgement can be sustained against him on the ground that the alleged sale proceeds were transferred further and therefore the unjust enrichment does not rest with him. This submission is untenable and is squarely answered by the law laid down by the Hon'ble Securities Appellate Tribunal in *Gagan Rastogi v. SEBI*.
113. In *Gagan Rastogi*, the Tribunal has unequivocally held that while disgorgement, being an equitable remedy, is to be made from the point of unjust enrichment, the authority is not required to trace the proceeds to the last point of the chain. The Tribunal categorically rejected the argument that further transfer of proceeds absolves the original beneficiary of unjust enrichment. It was held that where unjust enrichment is established, the authority is entitled to disgorge such gain from any point in the chain, including the original beneficiary, and that insisting upon tracing the proceeds to the final recipient is an exercise in futility. The Hon'ble Tribunal further observed that when proof of unjust enrichment is evident on record, chasing subsequent transfers amounts to pursuing a mirage and cannot be supported.
114. Applying the aforesaid principle to the present case, it is noted that the Noticee executed the sale transactions from his own trading account. The trades were placed by him and settled through his account, and the unlawful gains arose directly from such sale transactions. The unjust enrichment, therefore, crystallised at the point of Noticee.
115. The Noticee's own bank statements, which have been placed on record by him, clearly evidence receipt of the sale consideration in his bank account. The Noticee's plea that the funds were subsequently transferred further does not detract from this position. Firstly, subsequent transfer of funds does not erase or negate the unjust enrichment that has already accrued to the Noticee. Secondly, the Noticee has failed

to establish, by any cogent material, that the alleged transfer made to Vineet Enterprises, is a promoter. Therefore, Noticee has not established his claim that the sale proceeds were transferred to the promoter.

116. In view of the clear ratio laid down in Gagan Rastogi, the authority is not required to determine where the proceeds ultimately rested, nor is it necessary to establish the final destination of the funds. The unjust enrichment having arisen in the hands of the Noticee through sale of shares from his own account and receipt of proceeds in his bank account, disgorgement is rightly directed against him.
117. Accordingly, the Noticee's contention that disgorgement cannot be sustained on the ground of further transfer of funds is rejected.
118. In view of the foregoing findings and analysis, it stands established that the Noticee, Shri Paresh Nathalal Chauhan, was a participant in the fraudulent and manipulative scheme involving off-market transfer of shares from the promoters through connected entities and subsequent offloading of such shares in the secondary market during the period of artificially increased trading volume following the circulation of unsolicited bulk SMS recommending purchase of the shares of the Company and the manipulation of price of the share. The material available on record, including off-market transfer details, DIS slips, trade logs, and bank statements, clearly evidences that the Noticee sold shares received as part of the said scheme through his own trading account and received the corresponding sale consideration in his bank account.
119. Since the shares forming part of the scheme were transferred without any consideration, the cost of acquisition of such shares is taken as zero for the purpose of computation of unlawful gain. The sale proceeds realised by the Noticee from the sale of such shares therefore represent the unlawful gain derived by him as a direct consequence of his participation in the fraudulent scheme. Upon appreciation of the evidence on record and exclusion of the shares pertaining to entities exonerated on merits, the unlawful gain attributable to the Noticee is observed as ₹1,62,05,039.88 (Rupees One Crore Sixty-Two Lakh Five Thousand Thirty-Nine and Eighty-Eight

Paise only), being the sale consideration corresponding to 15,38,447 shares sold by him on BSE and NSE as part of the scheme.

120. Accordingly, I hold that the Noticee has made unlawful gains to the aforesaid extent, which are liable to be disgorged. Disgorgement of the said amount is necessary to prevent unjust enrichment, to neutralise the economic benefit derived from the fraudulent conduct, and to uphold the integrity and fairness of the securities market.
121. For the reasons stated above, since the Noticee has indulged in fraudulent and unfair trade practice in respect of the scrip of Timbor Home Limied, the Noticee is also liable for penalty under Section 15HA of SEBI Act.
122. However, I also note that vide an order dated November 20, 2020 under Section 11B of the SEBI Act, 1992, the Noticee was restrained from accessing the securities market and from buying, selling or otherwise dealing in securities for a period of two years. I note that the said restraint period has already elapsed, and the Noticee has thus served the entirety of the debarment imposed under the said order.
123. In view of the fact that the Noticee has already undergone the period of restraint imposed earlier under Section 11B of the SEBI Act, 1992, and having regard to the principle of proportionality, I find that no further direction of debarment is warranted in the present proceedings.
124. Having considered the above facts and circumstances, while adjudging the quantum of penalty under section 15HA, I have also given due regard to the factors provided in section 15J of the SEBI Act which provides as follows:

***Factors to be taken into account while adjudging quantum of penalty.***

*15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —*

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

*Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”*

125. In this case, the Noticee have made unlawful gains which has been duly quantified for the purpose of disgorgement as found hereinabove. The amount of loss caused to investors has not been brought on record by investigation. This is a case where persons with fraudulent tactics induced innocent investors, to trade in the scrip likely to result in financial losses when the perpetrators sell their holding to them at inflated prices. It is also a case where the Noticee has indulged in fraudulent, manipulative and unfair practices relating to security market which affect the trust and values of integrity in the securities market.

**Directions:**

126. In view of the above, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) and 11B(2) read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby issue the following directions:

126.1. Noticee is hereby directed to disgorge the illegal gains made by him, i.e. ₹1,62,05,039.88 (Rupees One Crore Sixty-Two Lakh Five Thousand Thirty-Nine and Eighty-Eight Paise only), along with interest calculated at the rate of 8 % p.a. w.e.f. the date of last sale done by the Noticee i.e. August 20, 2014, till the date of this order, within a period of 45 days from the date of this order. The same shall be credited into the IPEF referred to in section 11(5) of the SEBI Act, within 45 days from the date of this order.

126.2. In case, the Noticee fail to pay the disgorgement amount within 45 days from the date of this order, he shall be restrained from the expiry of the said 45<sup>th</sup> day till he makes the payment, from accessing the securities market and prohibited from buying, selling or otherwise dealing in the securities market. However, such debarment shall not discharge the Noticee, from his liability to pay the disgorgement amount along with interest already levied and leivable for the

period of nonpayment after the date of this order as per law, which shall be recovered by SEBI in accordance with Section 28A of the SEBI Act, 1992.

126.3. In light of the facts and circumstances of this case as discussed above, the factors listed in Section 15J of the SEBI Act and in exercise of powers conferred upon me under Sections 11(4A) and 11B (2), I hereby impose a monetary penalty of Rs.5,00,000/- (Rupees Five Lakhs Only) on the Noticee under Section 15HA of the SEBI Act.

126.4. Noticee shall remit/ pay the amount of penalty mentioned above, within 45 days of receipt of this Order through online payment facility available on the website of SEBI i.e. SEBI i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link [www.sebi.gov.in/ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW](http://www.sebi.gov.in/ENFORCEMENT->Orders->Orders-of-EDs/CGMs->PAY-NOW). In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support of [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

126.5. Noticee is prohibited from selling his assets, properties including mutual funds/shares/securities held by him in demat and physical form during the period of debarment except for the purpose of effecting disgorgement as directed above or payment of penalty in terms of this order.

127. This Order shall come into force with immediate effect.

128. This order is signed with physical and digital signature.

129. A copy of this order shall be on the Noticee, recognized Stock Exchanges, Banks, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

**DATE: December 31, 2025**

**N. MURUGAN**

**PLACE: MUMBAI**

**CHIEF GENERAL MANAGER  
SECURITIES AND EXCHANGE BOARD OF INDIA**