BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/VV/AA/2021-22/12070-12078]

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

In respect of

1. **Amol Kokane (PAN: AZZPK1169N)**
2. **Falguni Jayesh Shah (PAN: AYYPS0649D)**
3. **Hardik Mithani (PAN: AMGPM0573Q)**
4. **Priyanka Darshan Desai (PAN: AIEPD5556C)**
5. **Inventure Growth and Securities Ltd. (PAN: AAACI2044K)**
6. **SPJ Stock Broker Pvt. Ltd. (PAN: AAHCS8124R)**
7. **DKG Securities Pvt. Ltd. (PAN: AABCD8837A)**
8. **APL Infrastructure Ltd. (PAN: AADCB0069J)**
9. **Milanbhai Mithani (PAN: ACXPM5199B)**

In the matter of Pyramid Saimira Theatre Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation to ascertain the violations, if any, of the provisions of Securities and Exchange Board of India, Act 1992 (hereinafter referred to as the '**SEBI Act**') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the '**PFUTP Regulations, 2003**') by certain entities while trading in the scrip of Pyramid Saimira Theatre Limited (hereinafter referred to as "**PSTL /**

the company") during the period from June, 2008 to December, 2008 (hereinafter referred to as '**investigation period**').

2. It was observed that, there were several media reports on December 21 and 22, 2008 that SEBI had directed Mr. P. S. Saminathan, one of the promoters of PSTL, to make an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as "**SAST Regulations**") for an additional 20% stake at a price not less than Rs. 250/- within 14 days, for allegedly violating creeping acquisition norms. With the reports in the media appearing about the impending offer at Rs. 250/-, the price of the shares of PSTL increased on December 22, 2008, when the stock markets opened for the day. On December 22, 2008, PSTL first informed BSE Limited (hereinafter referred to as "**BSE**") and National Stock Exchange of India Limited (hereinafter referred to as "**NSE**") that the company had not received any communication from SEBI regarding the media reports on Open Offer. BSE disseminated the said disclosure made by PSTL at 10:28:04 AM on December 22, 2008 on its website, while NSE disseminated the same at 10:30:00 AM on the same day.

3. Subsequently, on the same day, i.e., on December 22, 2008, at around 10:30 AM, PSTL received the alleged SEBI order directing Mr. P. S. Saminathan to make an open offer. Mr. P.S. Saminathan informed BSE and NSE on December 23, 2008 about receipt of the aforesaid letter from SEBI. In this regard, on December 23, 2008, SEBI issued a Press Release clarifying that SEBI had neither issued a letter nor an order to Shri P.S. Saminathan for the said open offer and that the said letter was apparently circulated with ulterior motives. SEBI lodged an FIR with regard to forgery of the SEBI letter at Bandra Kurla Police Station, Mumbai and also initiated an investigation into the matter.

4. The investigation by SEBI, *prima facie*, revealed that the forgery was done to manipulate the stock price of PSTL and that Mr. Nirmal Kotecha, one of the

promoters and the then largest shareholder of PSTL, was one of the major beneficiaries of the said manipulation and appeared to have masterminded the forgery. It was further observed that several persons/ entities directly and indirectly related to Mr. Nirmal Kotecha had purchased shares of PSTL on BSE and NSE during December 15-19, 2008 and sold these shares on December 22, 2008, i.e., after the price rise in the PSTL shares on December 22, 2008 consequent to the publication of news about the forged SEBI letter. It was also found that some persons/ entities had sold PSTL shares on December 22, 2008 and bought back the shares at lower prices on the same day taking advantage of both the price rise which occurred due to publication of the forged SEBI letter as well as the price fall which occurred due to a clarification on media reports on Open Offer provided by Mr. P.S. Saminathan to the stock exchanges (BSE and NSE) that the company had not received any communication directing Mr. P. S. Saminathan to make open offer.

5. Pending investigation, SEBI vide an *ad interim ex parte* order dated April 23, 2009 (hereinafter referred to as "**the interim order**") issued under Sections 11, 11B and 11(4) of the SEBI Act *inter alia* directed 257 entities and their proprietors/ partners/ directors who *prima facie* appeared to have played a role in the forgery of the SEBI letter, dissemination of the information contained in the forged letter to the media, misleading the media to believe in the authenticity of the information that was circulated to them, carrying out suspicious banking transactions, carrying out and disguising his manipulative intent and gaining advantage from the forgery and to have channelled funds either directly or indirectly in the stock markets for manipulating the scrip of PSTL, to not to buy, sell or deal in the securities market including in Initial Public Offerings, in any manner, either directly or indirectly, till further directions.

6. Investigation revealed that there were several entities that were involved in the manipulation in the scrip of PSTL and associated with Mr. Nirmal Kotecha. It

was observed that Amol Kokane, Falguni Jayesh Shah, Hardik Mithani, Priyanka Darshan Desai, Inventure Growth & Securities Ltd, SPJ Stock Broker Pvt Ltd, DKG Securities Pvt Ltd., APL Infrastructure Ltd and Milanbhai Mithani (hereinafter collectively referred to as '**Noticees**') were among the said entities who were involved in the manipulation in the scrip of PSTL. In view of all of the above, Adjudication Proceedings were initiated against the Noticees and it was alleged that the Amol Kokane had violated the provisions of Section 12A of SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), 4(2)(e) and 4(2)(g) of PFUTP Regulations, 2003, while Falguni Jayesh Shah, Hardik Mithani, Priyanka Darshan Desai, Inventure Growth & Securities Ltd, SPJ Stock Broker Pvt Ltd, DKG Securities Pvt Ltd., APL Infrastructure Ltd and Milanbhai Mithani were alleged to have violated the provisions of Section 12A of SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of PFUTP Regulations, 2003

APPOINTMENT OF ADJUDICATING OFFICER

7. Ms. Barnali Mukherjee was appointed as the Adjudicating Officer under Section 15I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the '**Adjudication Rules**') to inquire into and adjudge under Section 15HA of the SEBI Act for the alleged violation of the provisions of Sections 12A(a), 12A(b) and 12A(c) of the SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), 4(2)(e) and 4(2)(g) of PFUTP Regulations, 2003, as applicable, by the Noticees. Pursuant to the transfer of the case to different Adjudicating Officers, the undersigned has been appointed as the Adjudicating Officer in the present matter vide order dated August 09, 2019.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

8. A Show Cause Notice (hereinafter referred to as "**SCN**") dated December 27, 2011 was issued to Amol Kokane, Falguni Jayesh Shah, Hardik Mithani,

Priyanka Darshan Desai, Inventure Growth & Securities Ltd, SPJ Stock Broker Pvt Ltd, DKG Securities Pvt Ltd. and APL Infrastructure Ltd and a separate SCN dated March 30, 2012 was issued to Milanbhai Mithani under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HA of the SEBI Act for the alleged violations specified in the SCN.

9. The following was *inter alia* alleged in the SCNs:
   (i) Amol Kokane has acted as a front entity of Nirmal Kotecha and aided him to execute alleged fraudulent trades in the securities market.
   (ii) The Noticees executed circular trades, reversal trades, synchronized trades and self-trades in PSTL shares amongst entities associated with Nirmal Kotecha on various dates resulting in manipulation of the price/volume in the shares of PSTL. It was alleged that Milanbhai Mithani executed fraudulent / fictitious trades on behalf of Hardik Mithani.
   (iii) The Noticees have executed fraudulent and fictitious trades and have facilitated Nirmal Kotecha in offloading his stake in the scrip of PSTL in the market.
   (iv) In view of the above, it was alleged that the Noticees had violated Sections 12A (a), (b), (c) of SEBI Act and Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b) and (e) of the PFUTP Regulations, 2003. Additionally, Amol Kokane is alleged to have also violated Regulation 4(2)(g) of the PFUTP Regulations.

10. I note from available records that the SCN has been duly delivered to the Noticees. I note that Amol Anand Kokane has made written submissions in the matter vide letter dated January 5, 2021. I also note that Amol Kokane has availed of hearing opportunity before the undersigned on January 6, 2021, wherein the Authorised Representative ('AR') of the Noticee made oral submissions, while reiterating the written submissions submitted by Amol

Kokane. I note that Amol Kokane in his aforesaid letter has *inter alia* made the following submissions:

a) *He had no knowledge of the trades and transactions mentioned in the SCN therefore no allegation of manipulation can be attributed to him. The Noticee submits that he had no connection with NK or any of his associates as alleged in the SCN.*

b) *The Noticee submits that his brother-in-law late Mr. Sandeep Shripati Gavhane used to work with Mr. Nirmal Kotecha. During September 2008, Sandeep requested him to open a trading account with M/s India Capital Markets Limited (ICMPL) as his brother-in-law wanted to trade in securities in his name. His late brother-in-law had informed him that since he was not allowed to open account in his own name due to his employment yet wanted to trade in securities market and hence, had requested the Noticee to open a trading account. The Noticee submits that he readily agreed to his late brother in law's request as he totally trusted him. Pursuant to that, he accordingly signed on all the required documents for the purpose of opening an account and rest of the other details were filled up by him.*

c) *Further, the Noticee would like to submit that he never had even an iota of knowledge of the alleged trades executed on his behalf through his account, nor was he in possession of any of the documents or information with regard to the alleged trades and transactions cited throughout the SCN which were executed in his account.*

d) *The trades executed in the account of the Noticee were executed by his brother-in-law, late Mr. Sandeep Shripati Gavhane and the Noticee was not aware about the same. After the death of Sandeep, the Noticee's account was used by Mr. Darshan Desai for executing trades. it was informed by Darshan to him that there was some debit in the account due to the trades executed by Sandeep and in order to recover the amount so due and clear the debit balance the trades were executed by him. Accordingly, he had never operated his trading account, the trades executed through his account cannot be imputed to the Noticee.*

e) *The transactions in the trading account and related transactions in the bank account were executed by or on behest of Sandeep and the Noticee had no role to play whatsoever in the same.*

f) *It is reiterated that he had no control over his trading account. He used to sign the necessary documents to enable Sandeep. He was just a student at that period of time with no source of personal income and thus he did not have capability of executing such high value transactions. It has to be taken into account that he never paid or received any amount from any entity or person mentioned in the SCN and all the alleged funds were handled by Sandeep.*

g) *The Noticee humbly submits that he had no connections with NK or his group/ associate entities alleged to be connected to NK in the SCN.*

h) *Further, the Noticee humbly submits that his knowledge was limited to the signing of various slips and documents from time to time on the instructions of his late brother-in-law. In this regard please note, that the Noticee did not have any knowledge as to the relevance of the documents and slips the Noticee signed on. The Noticee just followed the instructions and never doubted any dubiousness or mischief behind such acts.*

i) *Further, the Noticee submits that his late brother-in-law also asked him to subscribe for a mobile connection in his name which he did. The Noticee submits that it must be taken into account that the said phone was supposed to be used by his late brother-in-law for his office purposes. The Noticee submits that he never made any calls, nor received any and also did not pay its bills. All the bills in relation to the said phone were handed over to his brother-in-law who accordingly took care towards their payments. It was only after the investigations were initiated in the present matter that the Noticee came to know that Nirmal Kotecha was using the mobile connection so procured in his name.*

j) *The Noticee humbly submits that during the relevant period under consideration, he had met Mr. Nirmal Kotecha only on two occasions, first, when his late brother in law was hospitalized and Mr. Nirmal Kotecha had visited the hospital to sympathize my sister and offer her his assistance and secondly, after the death of his brother in law, the Noticee had visited the home of Mr. Nirmal Kotecha for requesting to give compensation to his sister because his late brother in law was working with him.*

k) *With regard to the further observation made by your good self that Noticee has admitted in his statements that his accounts were opened and operated by and on behest of Mr. Nirmal Kotecha, it is further submitted that though the Noticee*

had given signatures on various documents to Sandeep, he has never signed over any documents and given to Mr. Nirmal Kotecha. Therefore, he could not have in any way could have stated that the accounts were operated on the instructions of Mr. Nirmal Kotecha.

11. I note that Falguni Jayesh Shah, vide letter dated September 26, 2012 and an undated letter received on December 27, 2012, *inter alia* submitted that her husband Mr. Jayesh Shah was doing trading in her name. Falguni Jayesh Shah also submitted a reply dated September 26, 2012 of Mr. Jayesh Shah in the adjudication proceedings in the same matter. I further note that Falguni Jayesh Shah in her letter dated December 27, 2012 stated that she will not avail of hearing opportunity and has not availed of the hearing opportunity granted by the undersigned to her. I note that, in the said letter dated September 26, 2012, Mr. Jayesh Shah had *inter alia* made the following submissions:

    (i) I have entered in to the stock market industry only with the inspiration of Mr. Piyush Shah, belonging from my own native place, I have never met or knew Mr. Amol Kokane & Mr. Nirmal Kotecha.

    (ii) I was a simple & enthusiastic trader, trading on the hot scrips by refereeing to leading News Papers, Business Channels, Investment Magazines & stock market rumour.

    (iii) In connection with your allegations of being a part in fraudulent trades, I would like to state that PSTL was a highly traded scrip at that time.

    (iv) Matching of my trades with Mrs. Priyanka Darshan Desai's trades is a co-incidence. I have not had any communication with the said party in the said duration.

    (v) I may have traded in the scrip only for 2 or 3 days. I have not traded in the said scrip before & thereafter the said period.

12. I note that Hardik Mithani and Milanbhai Mithani have made common written submissions in the matter vide letters dated November 30, 2012; December 15, 2012; March 26, 2018; July 13, 2020 and July 29, 2020. I note that Milanbhai Mithani has availed of hearing opportunities in the matter on

November 30, 2012 and March 07, 2018 before the erstwhile Adjudicating Officers on behalf of himself and Hardik Mithani and reiterated their replies submitted in the matter. The undersigned had also granted hearing opportunities to them; however, they have failed to avail of the said opportunities. In their letters, Hardik Mithani and Milanbhai Mithani have *inter alia* submitted that:

(i) *All the transactions in the shares of PSTL were undertaken by Milanbhai J. Mithani in the account of Hardik Mithani. No transactions have been undertaken in the shares of PSTL in the account of Milanbhai J. Mithani at all. Therefore, Hardik Mithani, who is a student, should not face any proceedings, penalty or actions as he has not undertaken any transactions in PSTL nor was he aware of any transactions and all the transactions were done by his father Milanbhai J. Mithani.*

(ii) *Milanbhai J. Mithani was doing arbitraging and jobbing in various scrip including PSTL and most the trades were in the nature of day trading in the shares of PSTL. He has stated that he does not know promoters of PSTL nor does he know anyone from management of PSTL or the persons or entities mentioned in the SCN.*

(iii) *He submits that since he had undertaken larger volumes on BSE and NSE, therefore some transactions were bound to match with traders with whom purchase or sale transactions had been executed earlier.*

(iv) *He has made net loss in the transactions of PSTL. Thus, he has not benefitted financially nor offloaded any shares of PSTL in the market. He has not indulged in any synchronized trades since he was involved in day trading, transactions continued from time to time and they may be patchy with purchase and sale order of other traders.*

(v) *He knew Yatin Shah socially as he and wife of Yatin Shah are hailing from city of Rajkot, Gujarat. He is not concerned at all with what may have transpired between Yatin Shah and Nirmal Kotecha. Milanbhai J. Mithani does not recollect having called Nirmal Kotecha at all.*

(vi) *He has not executed any fraudulent/fictitious trades with other entities allegedly associated with Nirmal Kotecha and/or with Mr. Nirmal Kotecha,*

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

13. I note that Priyanka Darshan Desai had filed a consent application in the matter with SEBI after issuance of SCN. I also note that SEBI had rejected the said consent application filed by Priyanka Darshan Desai, which was intimated to her vide letter dated January 01, 2015. I further note that Priyanka Desai has made written submissions in the matter vide letter dated February 19, 2018. I also note that Priyanka Desai was granted hearing opportunities in the matter; however, vide letter dated April 16, 2018, she had waived personal hearing requirement. Priyanka Desai in the aforesaid letter has *inter alia* made the following submissions:

    (i) My transactions in PSTL are on very few days. In particular, my transactions are not during the alleged days of conspiracy. My transactions in PSTL have been as part of my transactions on stock exchange in ordinary course of business as I have carried out in other scrips. If there has been any alleged conspiracy, I have no knowledge or connection with them.

    (ii) I have already been severely punished by this order. SEBI's order of 2008 has resulted in my being removed from the broker company with which I was connected and stock exchange both and this has continued till date and thus for more than six and half years now.

    (iii) I have been a jobber/day-trader/arbitrageur in various scrips including PSTL during the relevant period. As such, I buy and sell shares in large quantities generally with the intention to profit from small movements or differences in prices. PSTL was just one of the scrips in which I have traded.

    (iv) My transactions have been through opaque computerized stock market mechanism. It is not possible to know who the buyers/sellers are. In any case, I had placed my orders at the ruling market price. Several orders and prices have been displayed on the computer screen and my trades would have been matched by the computerized screen and my trades would have been matched by the computerized mechanism against the most favorable/valid orders on the other side.

(v) *It is seen that, from the SCN sent, that the counter parties are several and many are not connected with me. At the same time, it is quite likely that some of the counter parties may be persons I know. However, it is not possible for me to control the order making mechanism, more so in case where there is huge turnover.*

(vi) *The SCN alleges that my name figures in the top 40 traders in PSTL. However, it can be seen that my name is 28th in terms of ranking. Therefore, to call me a high ranking trader is false and grossly misleading.*

(vii) *Even if the allegations made against me were to be true, I have been punished many times more than any other persons would have ordinarily punished by SEBI.*

14. I note that Inventure Growth & Securities Limited, vide their various letters dated January 18, 2012; October 9, 2012; October 16, 2012; July 30, 2018; October 8, 2018 and January 22, 2021, has made written submissions in the matter. I note that Inventure Growth & Securities Limited has availed of hearing opportunities in the matter on October 4, 2012 and July 30, 2018 before the erstwhile Adjudicating Officers and before the undersigned on January 8, 2021 and January 13, 2021. In the said hearings, the AR of Inventure Growth & Securities Limited reiterated their replies submitted in the matter. In their letters, Inventure Growth & Securities Limited have *inter alia* submitted that:

(i) *We deny that we are related entity of Amol Kokane and Nirmal Kotecha. We had traded in the PSTL in normal course of our trading activity like any other securities of market.*

(ii) *Our trades were executed with sole intention of carrying out arbitrage in PSTL. Our trades were entered in trading platform provided by BSE and NSE where identity of counter parties was anonymous. We do not know who is opposite party while entering orders on Exchange platform in any security so matching of trades with AK on dates given is mere coincidence. Only because few trades match with NK and AK doesn't make us related entity as alleged.*

(iii) *We deny that notice has any connection or relation with Mr. Nirmal Kotecha as alleged in the said point. Mrs. Shanti K Rita is wife of our director Mr. Kanju B.*

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

(iv) *We will be major clients in many other securities during the identified period as we have more than 25 pairs of Arbitrage and Jobbers who carry out trading in multiple securities in our proprietary account. We do not understand that what is alleged by pointing trading rank of Noticee in BSE and NSE.*

(v) *We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with APL Infrastructure Pvt. Ltd. It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with APL during 7 month long investigation period.*

(vi) *We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with Ankit Girishkumar Vasani. It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with Ankit during 7 month long investigation period.*

(vii) *We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with SPJ Stock Brokers Pvt. Ltd., Millanbhai Hardik and Amol Kokane. It is to be noted that trades matched with these counter parties is just a coincidence and we were trading in PSTL in routine course of business just like any other security.*

(viii) *We are not aware about the counter party when we enter order in the trading terminal provided by the Exchange. We do not have any connection with Priyanka Darshan Desai. It is to be noted that only small portion of sell volume of PSTL were coincidentally matched with PDD during 7-month long*

investigation period.

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

15. SPJ Stock Broker Pvt. Ltd., vide letters dated February 06, 2012; July 17, 2018; and December 4, 2019 has made written submissions in the matter. I note that SPJ Stock Broker Pvt. Ltd has availed of hearing opportunity on January 31, 2018 before the erstwhile Adjudicating Officer and on December 22, 2020 before the undersigned. During the hearing, the AR of SPJ Stock Broker Pvt. Ltd. has reiterated their written submissions. In the aforesaid letters, SPJ Stock Broker Pvt. Ltd. has *inter alia* submitted that:

(i) *The Noticee mainly carried out jobbing transactions, i.e., buying and selling scrips on intraday basis. The Noticee's arbitrageurs and jobbers regularly undertook jobbing transactions looking into the opportunities available to them.*

(ii) *The Noticee had traded in PSTL scrip in normal routine course of its jobbing activity with an intent to earn profits. All trades were within the framework of rules, regulations of the Stock Exchanges. The Noticee had not deployed any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder. However, it is pertinent to mention herein that though the Noticee was a jobber, it had incurred a loss of Rs. 9,56,845.45/- in the scrip of PSTL.*

(iii) *The Noticee has voluntary closed its business activity, and accordingly, the trading membership of the company had ceased on April 16, 2013.*

(iv) *The Noticee humbly submits that they do not know Nirmal Kotecha and Amol Kokane personally, nor do they have any connection whatsoever with them and therefore the allegations and findings do not stand against them. However, it is submitted that the trading done by the Noticee in the scrip of PSTL was outcome of trading decision and it was not influenced by any other factors.*

(v) *It is pertinent to note that, your good self had tried to establish connection*

between the Noticee and various other entities including Nirmal Kotecha and Amol Kokane, thereby concluding that a member who allegedly had prior information for the alleged fraud perpetrated by Nirmal Kotecha, informed the Noticee about the same, thereby enabling the Noticee to benefit from the fraud. Assuming without accepting, that the information of the said fraud was shared with the notice, it is reasonable to conclude that the same would only be if the person who received the information is benefitted from the same. However, in the present case, the Noticee did not make any profit and in fact incurred loss by trading the scrip of PSTL during the relevant time. Further, it is submitted that there was no monetary transactions between the Noticee and Nirmal Kotecha or Amol Kokane that would prove the Noticees alleged connection with them and constitute itself as a party to the alleged fraud.

(vi) The Noticee was a jobber and was only carrying out jobbing transactions and in the present case, inadvertently some transactions carried out by it had matched with connected/associated entities of Nirmal Kotecha but on the basis of these coincidental matching it is humbly submitted that it cannot be inferred that trades executed by the Noticee were manipulated/fraudulent or in connivance with the alleged group.

(vii) With respect to your goodselfs mail dated August 28, 2019, the Noticee was informed that its request for cross-examination of Mr. Yatin Shah, Mr. Chandrashekhar Jaykishan Thanvi and Mr. Shatrugan Singh have been declined and only Mr. Nirmal Kotecha's cross examination has been provided. In this respect, it is submitted that since the cross-examination request of other individuals have not been acceded to by SEBI, the statements made by them should not be taken into consideration while assessing the Noticee's case, as the same will amount to the violation of principles of natural justice. Therefore, it is humbly requested to kindly look into the matter while giving regard to the fact that the Noticee have not been provided with an opportunity to check the veracity of the statements made by the aforesaid individuals, by way of cross-examination.

(viii) It is a matter of fact and record that the Noticee was highest trader on the basis of gross traded quantity. However, no negative inference can be drawn against it on the basis of the same.

(ix) *It is submitted that the matching of trades were in normal course of trading. Further, no negative inference can be drawn against the Noticee merely because certain trades matched with Inventure Growth and Securities Limited.*

(x) *It is further reiterated that mere matching per se is not illegal especially when the players are major market player in the scrip.*

16. I note that DKG Securities Pvt. Ltd., vide letters dated January 16, 2012; February 01, 2012; December 17, 2012 and January 12, 2021 has made written submissions in the matter. I also note that DKG Securities Pvt. Ltd. has availed of hearing opportunity before the erstwhile Adjudicating Officer on December 7, 2012 & March 6, 2018 and before the undersigned on December 13, 2019 & January 11, 2021. During the hearing, the AR of DKG Securities Pvt. Ltd. reiterated their written submissions. In the aforesaid letters, DKG Securities Pvt. Ltd. has *inter alia* submitted that:

(i) *It is submitted that we have not entered into any transaction with the intention of artificially raising or depressing the prices and thereby induced an person to purchase or sale the securities. Our trades in the alleged shares, which were executed at the prevalent market price, cannot be construed to have artificially raised or depressed the prices as alleged.*

(ii) *Further, execution of the transaction without any intention to manipulate and in the absence of any knowledge about the counter party broker/counter party client, cannot be deemed to be a manipulative transaction. There in not even a suggestion to that effect in the Notice that we had the knowledge about the acts of the others who allegedly traded in the securities to manipulate the same. In the absence of such knowledge on our part, there no question of manipulation on our part as alleged. Further inference of any synchronized trading cannot be drawn simply on the basis of time gap between the trades.*

(iii) *It is submitted that the identification criteria classifying us in Level 1 is erroneous and without any basis or justification. It is denied that we have done any reversal trades and/or circular trades with Amol Kokane. At the time of our trading in the scrip of PSTL, we were never aware as to the counterparty trader's identity in any of our trades. All our trades were executed on the screen-based trading*

mechanism of the stock exchange and we were at no point in time aware about the any of the counterparty traders. It is vehemently denied that we were connected/associated entity of Amol Kokane, who was acting as the front entity of Nirmal Kotecha. The basis of linking is highly vague and imaginary. There is no basis or substantiation of the alleged linkage.

(iv) The allegation of our association with Nirmal Kotecha is baseless and thus vehemently denied. Our director Mr. Radhakrishna Garg might be acquainted with Mr. Nirmal Kotecha, however, DKG cannot be held responsible for that. Further, Mr. Garg has stated that he met Nirmal two or three times and nothing adverse should be drawn by SEBI out of these meetings. Just by meeting a person two or three times, it cannot be construed that trading carried out by us have matched and counter party was known to us. We once again submit and reiterate that we carried out our trading on the anonymous, faceless and electronic trading platform provided by stock exchange wherein the counter party is not known. We further submit that we have dealt in the securities market with our own funds and have not received/paid funds from/to Mr. Nirmal Kotecha.

(v) We submit that it is SEBI's own case that neither in the statement of Mr. Garg nor in the statement recorded of Mr. Milanbhai Hardik or Mr. Shri Pal Jain of SPJ Stock Broker P Ltd, it has been revealed that DKG or Mr. Garg knows Mr. Milanbhai Hardik Mithai or any person of SPJ Broker P Ltd. to enable us to plan to enter into circular trades. We further submit that we do not know any director or shareholder or any person in SPJ and we also do not know Mr. Milanbhai Hardik.

(vi) It is SEBIs own case that during the investigation period we have traded for only around 3% of the total market volume which is highly insignificant and miniscule and cannot be called as fraudulent by any stretch of imagination. It is submitted that adverse inference drawn against us merely on the basis of significant trades is highly prejudicial and unjustified.

(vii)As regards allegations of volume/price manipulation by circular trades, it is denied that were involved in circular trades at all. The allegations that the orders were places by us in a synchronized manner so as to result in our orders getting matched with Ankit Vasani and Amol Kokane is highly imaginary, baseless and

unsubstantiated. The telephone call of Nirmal Kotecha on November 04, 2008 to Radhakrishna Garg and at 02:49:58 P.M. and thereafter, execution of the sale order of 34,000/- shares matched with order quantity of 77032 of Mr. Amol Kokane and allegation of its synchronization is without any basis as entire trading system of Sauda execution is out of control of the notice and there is not necessary that the content of the telephonic talk by Nirmal Kotecha to Radhakrishna Garg was relating to PSTL shares. DKG Securities Private Limited or Radhakrishna Garg have no business connection with Nirmal Kotecha or Amol Kokane. We have not been provided with call data records of all the individuals to enable us to suitably defend us which is in complete violation of principles of natural justice, equity and fair play.

(viii) As regards to the allegation of Volume/price manipulation by synchronized trades in the scrip of PSTL, it is submitted that we have never entered into any trades to manipulate price and volume in the scrip. The allegations are baseless and unfounded. Further, it is be submitted that notice suffered loss of Rs. 2,70,80,410.21 in PSTL shares for the notice period from June 01, 2008 to December 19, 2008.

(ix) As regards price manipulation - price impact on account of order revision by Amol Kokane, it is submitted that we have done the trade in ordinary course of business and alleged to be counter party of some of our trades were merely incidental as entire trades were done on online trading system of BSE and NSE through stock brokers who have the control on part of the input of trades.

(x) Mr. R K Garg has expired and a death certificate in this regard is submitted.

17. I note that APL Infrastructure Ltd., vide letters dated January 23, 2012; February 22, 2012; December 7, 2012, January 7, 2013; July 5, 2018; July 23, 2018; December 26, 2019 and January 19, 2021, has made written submissions in the matter. I also note that APL Infrastructure Ltd. has availed of hearing opportunity on December 7, 2012; March 08, 2018 & July 12, 2018 before the erstwhile Adjudicating Officers and on December 13, 2019 & January 6, 2021 before the undersigned. In the aforesaid letters, APL Infrastructure Ltd. has *inter alia* submitted that:

(i) *We have been implicated in the SCN on the basis of alleged relation/association of APL Infra, its director Mr. Sanjay Gupta with two individuals namely Mr. Mukesh Jain and Mr. Nirmal Kotecha. In this regard, it is submitted that Mr. Mukesh Jain who has traded in the scrip of PSTL is not the Mukesh Jain who was appointed as the director of Bihar Tubes Limited. This can be further substantiated from the PAN no. of Mr. Mukesh Jain i.e. AAQPJ3637G. We do not possess the PAN details of Mr. Jain who had traded in the scrip although your good office can verify the same from your records. That Mr. Mukesh Jain was appointed as the director in Bihar Tubes Limited on 30.04.2009 and due to his death has been ceased from holding directorship in Bihar Tubes Limited w.e.f. 02.07.2010. That as submitted above Mukesh Jain who was the Director in BTL is now deceased, and to our affirm knowledge had never traded in the scrip of PSTL.*

(ii) *The only basis of relationship drawn with Mr. Nirmal Kotecha (NK) is only through call records of Mr. Sanjay Gupta (Director of APL Infra) with NK. In this regard, we herein submit that Mr. Sanjay Gupta is the business acquaintance of Mr. Nirmal Kotecha. Further, as to the alleged list of phone calls and SMS between the two individuals, it is herein submitted that your good office had not provided the call recordings and content of SMS and hence reliance cannot be made on merely the logs as available; moreover it is also pertinent to note herein that the call log record is only available for the period from November 2008 to December 2008, wherein, Mr. Sanjay was in touch with Mr. Kotecha on and off on various occasions during the period prior and after.*

(iii) *As evident from the aforesaid, our trading in the scrip of PSTL during the whole investigation period was a meagre as 0.69% at BSE and 0.39% at NSE as compared to gross traded quantity of PSTL in the respective markets. Hence, by no stretch of imagination such miniscule volume in the stock exchange would not have manipulated the price/volume of the scrip of PSTL. In the addition to the above, it more important to note here that by executing the aforesaid transactions the company had incurred a loss of Rs. 1.20 crores. Had the trades executed in connivance, the company would have also known when to exit and would not had incurred losses.*

(iv) *Without prejudice to the contention that the alleged trades were not "reversal"*

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

(v) *It is erroneous to hold us liable for contribution to LTP as the price on that day had gone higher than our traded price and also closed at the price below our trading price. In light of these facts, it is evident that our trading has not resulted in contribution to the price rise of the scrip on the said day. It is also important to note that in both the transaction at BSE and NSE, we have had buy trades and admittedly by SEBI's own admission the market had been dominated by the sellers during the period. And hence we cannot be alleged to have contributed to the trade price being a buyer ourselves.*

(vi) *In all orders so placed, there was difference of at least 13 minutes between the orders of Mr. Kotecha and APL Infra. That in the scrip which had been liquid and the order already pending at a certain price for 13 minutes, and subsequent buy order placed by APL Infra, the transaction by no stretch can be said to be synchronized. There is substantial difference between the quantity ordered and quantity traded with NK. Also as against the quantity ordered by NK there is again the difference in quantity transacted with APL Infra. That for a trade to be synchronized, the quantity ordered and traded by both the parties have to be the same which is not the case presently.*

(vii) *So as to the alleged reverse trades during December 2008, it may be noted that*

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

18. I note from above that the Noticees have filed their written submissions in the matter and have been granted hearing opportunities in the matter. In view of the same, I now proceed further in the matter.

CONSIDERATION OF ISSUES AND FINDINGS

19. I have carefully perused the charges levelled against the Noticees, their reply and the documents / material available on record. The issues that arise for consideration in the present case are:
    (a) Whether the Noticees have violated Section 12A of the SEBI Act read with regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of PFUTP Regulations, 2003?
    (b) Whether Amol Kokane has further violated the provisions of regulation 4(2)(g) of the PFUTP Regulations, 2003?
    (c) Do the violations, if any, attract monetary penalty, as applicable, under Sections 15HA of the SEBI Act?
    (d) If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act?

20. Before proceeding further, I would like to refer to the relevant provisions of the SEBI Act and PFUTP Regulations as below:

Section 12A of SEBI Act

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

12A. No person shall directly or indirectly

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

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

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

PFUTP Regulations, 2003

Regulation 3: - Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange

in contravention of the provisions of the Act or the rules and the regulations made thereunder.

Regulation 4: - Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

…….

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

……..

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

21. I note from the SCN that Nirmal Kotecha, one of the promoters and the then largest shareholder of PSTL, was one of the major beneficiaries of the manipulation in the scrip of PSTL and was found to have masterminded the forgery. Investigation observed that several persons/ entities directly and indirectly related to Nirmal Kotecha including the Noticees had bought PSTL shares on BSE and NSE during December 15- 19, 2008 and sold these shares on December 22, 2008, i.e., after the price rise in the shares on December 22, 2008 consequent to the publication of news about the forged SEBI letter. I note that SEBI passed an order dated March 22, 2018 against Nirmal Kotecha for violating provisions of the SEBI Act and PFUTP Regulations, 2003. The same was upheld by the Hon'ble SAT vide its order dated March 02, 2020. In view of the same, it would be appropriate to discuss the role of Nirmal Kotecha in the manipulation of scrip of PSTL. Investigation observed that Nirmal Kotecha had

caused to publish a false media report on December 20 and 21, 2008 that, on December 19, 2008, SEBI had issued a letter to P. S. Saminathan, one of the promoters of PSTL to make an open offer under the SAST Regulations, for an additional 20% state at a price not less than Rs. 250/-, for violating creeping acquisition norms. It was observed that during the period June 2008 to December 2008, persons/ entities directly and indirectly related to Nirmal Kotecha were found to have had significant market presence in the scrip of PSTL in BSE and NSE. Further, several persons/ entities directly and indirectly related to Nirmal Kotecha had bought PSTL shares on BSE and NSE during December 15-19, 2008 and sold these shares on December 22, 2008, i.e., after the price rise in the shares on December 22, 2008 consequent to the publication of news about the forged SEBI letter. It was also found that some persons/ entities had sold PSTL shares on December 22, 2008 and bought back the shares at lower prices on the same day taking advantage of both the price rise which occurred due to the publication of the forged SEBI letter as well as the price fall which occurred due to a clarification on media reports on Open Offer provided by P.S. Saminathan to the stock exchanges that he had not received any communication from SEBI directing him to make open offer. In view of this SEBI had passed a final order against Nirmal Kotecha on March 22, 2018, which was upheld by Hon'ble SAT vide its order dated March 02, 2020. Therefore, the role of Nirmal Kotecha in devising a scheme to manipulate the scrip of PSTL stands established.

22. I note that the connection of the Noticees with Nirmal Kotecha in the SCN has been made through certain associates of Nirmal Kotecha who are not the Noticees in the present SCNs. Yatin B. Shah is one such entity against whom separate adjudication proceedings have been initiated, vide show cause notice dated February 17, 2012. I note that in his statement recorded on July 27, 2010, Yatin B. Shah has stated that Nirmal Kotecha is his friend and that he has known him for the past 5 to 6 years. He has stated that he was introduced to Nirmal Kotecha by his friend Mahesh Pujara and that Nirmal Kotecha was trading

through ILF&S. Yatin B. Shah has also stated that he was previously in touch with Nirmal Kotecha for market information since he was an HNI trader. As per the Schedule of Loans and Advances as on March 31, 2007 made available by Nirmal Kotecha, it is observed that Yatin B. Shah had received a loan of Rs. 20 lacs from Nirmal Kotecha. I note that vide SEBI Order dated March 22, 2018 against Nirmal Kotecha, it was held that Yatin Shah is the connecting link between Nirmal Kotecha and Hardik Milanbhai Mithani and SPJ Stock Brokers Pvt. Limited. The said SEBI order dated March 22, 2018 was upheld by the Hon'ble SAT vide its order dated March 02, 2020. Hence, it is an established fact that Yatin B. Shah was an associate of Nirmal Kotecha.

23. I further note that Darshan Desai is another entity through which some of the Noticees are connected to Nirmal Kotecha. I also note that separate adjudication proceedings have been initiated against Darshan Desai. Darshan Desai is the husband of Priyanka Darshan Desai and is also alleged to be the connecting entity for Falguni Jayesh Shah, Priyanka Darshan Desai and Ankit Girishkumar Vasani. In this regard, I note that in the SEBI Order dated March 22, 2018 against Nirmal Kotecha, it was held that Darshan Desai was connected with Amol Kokane and was a guarantor for several loans received by Amol Kokane. Darshan Desai was admittedly operating the account of Amol Kokane after the death of Sandeep Gawhane. Further, the opening of Amol Kokane's account was opened at the behest of Nirmal Kotecha and it is apparent that Sandeep Gawhane and Darshan Desai were aware of these understandings with Nirmal Kotecha. I note that the said SEBI order was upheld by the Hon'ble SAT vide its order dated March 02, 2020. Hence, it is an established fact that Darshan Desai was a close conduit and associate of Nirmal Kotecha.

24. I shall now proceed to examine the connection of the Noticees with Nirmal Kotecha and the trading of each Noticee in the scrip of PSTL as to whether they have entered into trades that were in the nature of synchronized, circular, and

reversal transactions and also deal with the submissions of the Noticee with regard to the alleged trading. It may be noted that for the purpose of examining reversal trades and / or circular trades in the present matter, the same were defined in the SCN as follows:

(i) Reversal trade: If a party bought 5,000 shares or more of PSTL from a counterparty and sold back 5,000 shares or more of PSTL to the same counterparty on a trading date, it is considered as reversal trade.

(ii) Circular trade: If Party A sold 25,000 shares or more of PSTL to Party B, Party B in turn sold 25,000 shares or more to Party C and Party C sold 25,000 shares or more back to Party A, it is considered as circular trade.

25. I note that the noticees were amongst the major trading clients in the scrip of PSTL on BSE and NSE during the identified period in the SCN, i.e., from June 1,2008 to December 19, 2008, as under:

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

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

Contribution on BSE

S. No.	Name of entity	Buy quantity in market	Sell quantity in Market	Gross quantity in market	Gross Market Traded Qty	%age Contribution to Market
1	SPJ Stock Broker Pvt Ltd	27,46,250	27,46,275	54,92,525	8,55,50,058	6.42%
2	Hardik Mithani	17,95,004	17,95,004	35,90,008	8,55,50,058	4.20%
3	DKG Securities Pvt Ltd	15,76,663	14,88,252	30,64,915	8,55,50,058	3.58%
4	Inventure Growth & Securities Ltd	9,07,634	9,15,719	18,23,353	8,55,50,058	2.13%
5	Amol Kokane	4,59,084	4,21,974	8,81,058	8,55,50,058	1.03%
6	APL Infrastructure Pvt Ltd	4,34,248	1,51,960	5,86,208	8,55,50,058	0.69%
7	Ankit Girishkumar Vasani	2,24,367	2,24,367	4,48,734	8,55,50,058	0.52%
8	Priyanka Darshan Desai	1,94,910	1,94,910	3,89,820	8,55,50,058	0.46%
9	Falguni Jayesh Shah	1,40,265	1,40,265	2,80,530	8,55,50,058	0.33%
	Gross Total	84,78,425	80,78,726	1,65,57,151	8,55,50,058	19.36%

Contribution on NSE

S. No.	Name of entity	Buy quantity in market	Sell quantity in Market	Gross quantity in market	Gross Market Traded Qty	%age Contribution to Market
1	Hardik Mithani	17,47,056	18,01,026	35,48,082	9,28,43,518	3.82%
2	DKG Securities Pvt Ltd	13,81,895	15,43,197	29,25,092	9,28,43,518	3.15%
3	Inventure Growth & Securities	8,02,953	7,93,998	15,96,951	9,28,43,518	1.72%
4	APL Infrastructure Pvt Ltd	2,80,000	2,288	2,82,288	9,28,43,518	0.30%
5	Amol Kokane	93,909	1,31,019	2,24,928	9,28,43,518	0.24%
6	Priyanka Darshan Desai	35,255	35,255	70,510	9,28,43,518	0.08%
	Grand Total	43,41,068	43,06,783	86,47,851	9,28,43,518	9.31%

27. I note from the above traded quantity data that SPJ Stock Brokers Pvt. Ltd. and Hardik Mithani have individually contributed as much as 6.42% and 4.20%, respectively, of the gross market traded quantity during the relevant period in the scrip of PSTL on BSE. Further, Hardik Mithani and DKG Securities Pvt. Ltd. have individually contributed as much as 3.82% and 3.15%, respectively, of the gross market traded quantity during the relevant period in the scrip of PSTL on NSE. Therefore, I note that the said Noticees have individually contributed in a significant manner to the trading volume in the scrip of PSTL. I shall now proceed to examine the individual trade details of the Noticees.

Amol Kokane:

28. I note that it is alleged in the SCN that persons/ entities connected to Nirmal Kotecha through Amol Kokane had significant market presence in the scrip of PSTL during the period June 2008 to December 2008. Amol Kokane, in his statement given to the Investigating Authority on February 27, 2009, admitted that Nirmal Kotecha was operating all his accounts. I note that Amol Kokane has admitted that his trading account was opened by his late brother-in-law Mr. Sandeep Shripati Gavhane, who was employed with Nirmal Kotecha and after the death of his brother-in-law - Sandeep Shripati Gavhane, Nirmal Kotecha was using his bank and trading accounts. He also admitted that his mobile phone was being used by the employee of Kotecha Capital Services Pvt. Ltd. and bills of that phone were also paid by them. Further, Amol Kokane in his statement claimed to have opened a share trading account with the broker M/s. India Capital Markets Pvt. Ltd. on the recommendation of his late brother-in-law, who was working as an accountant with M/s. Kotecha Capital Services Pvt. Ltd. He also stated that his brother-in-law was operating that account for his boss Nirmal Kotecha and that his brother-in-law used to take his signatures on forms and documents. Amol Kokane has stated that he does not have any idea about the share market, that he has never visited the broker's office, and that he had never given any order (buy or sell) to the said broker. Further, he stated that his account was being operated by his brother-in-law, till his brother-in-law met with an accident on October 16, 2008 and had to be hospitalized. He further claimed that after the death of his brother-in-law on November 01, 2008, Nirmal Kotecha was operating his share trading account and also his bank account.

29. I note that while the recording of Amol Kokane's statement by SEBI Investigating Authority was in progress at his residence on February 27, 2009, Nirmal Kotecha came to Amol Kokane's residence and directed him not to disclose any material information to SEBI officials and only to record the statement to the effect that he does not have any knowledge of anything in the matter of PSTL. He also advised

him to say “I don't know” to any question that SEBI officials would ask him in the matter. Nirmal Kotecha was advised by the concerned officers of SEBI, that he should not interfere and disrupt the recording of the statement. However, he remained there and tried to influence Amol Kokane and prevented him from disclosing any further material information to SEBI. He also advised Amol Kokane to change his statement that had already been recorded. As a result, I note that further statement of Amol Kokane could not be recorded by SEBI officials.

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

31. I observe from the fund trail of Amol Kokane’s bank account held with Bank of India, D.N. Road branch (A/c no. 001710100058428) that he had received Rs. 10 lakhs from the bank account of one M/s. Om Associates held with Axis Bank on September 10, 2008. I find that Nirmal Kotecha was the ultimate beneficiary of the Rs. 10 lakhs that were transferred from M/s. Om Associates’ account to Amol Kokane's account on September 10, 2008. It is noted that these funds were

ultimately routed to the stock market through the broker M/s. India Capital Market Pvt. Ltd. Thus, the funds which were routed to the stock market through the account of Amol Kokane and M/s Om Associates belonged to Nirmal Kotecha. I also observe that Amol Kokane had traded in the scrips of PSTL, Usher Agro, SEL Mfg., Suzlon Energy, Akruti City, RIL, REL, Unitech Ltd. etc. through the broker M/s. India Capital Markets Pvt. Ltd. It is noted that the client account of Amol Kokane with the broker M/s. India Capital Market Pvt. Ltd. was opened in his name on September 12, 2008, and on the very same day, I observe that Nirmal Kotecha too had opened a new client account with M/s. India Capital Market Pvt. Ltd.

32. I note, from a perusal of the statement of the Bank of India account of Amol Kokane for the period September-October 2008, I observe that funds were transferred to the account of the Noticee through cheques issued from the bank accounts of various persons/entities. It is seen that one such cheque no. 769790 for Rs. 18 lakhs drawn on Indian Overseas Bank, Kalbadevi branch was credited in the bank account of Amol Kokane on October 15, 2008. The said cheque was issued to the Noticee by Classic Enterprises. The pay-in-slip dated October 14, 2008 used for depositing the said cheque into the account of Amol Kokane was not deposited at D.N. Road branch of Bank of India where Amol Kokane's account was but was deposited at the Bandra Kurla Complex branch of Bank of India. Further, I observe that on the said pay-in-slip, local contact phone number details were mentioned as: Tel Number: 22886202 and Mobile Number: 9867076307. I note that investigation had revealed that the landline number 22886202 mentioned on the pay-in-slip was the landline number of M/s. Kotecha Capital Services Pvt. Ltd and the mobile number 9867076307 mentioned on the pay-in-slip belonged to one Ghanshyam Yadav, who worked as a peon of Nirmal Kotecha at Kotecha Capital Services Pvt. Ltd. Further, Amol Kokane in his statement dated June 25, 2009 also stated that he has not filed any Income Tax and has also not paid any advance tax. Thus, I observe that Amol Kokane's

trading account as well as bank account was operated on behalf of Nirmal Kotecha.

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

34. With regard to the trading by Amol Kokane, I observe that it was Darshan Desai who was operating the accounts of Amol Kokane on behalf of Nirmal Kotecha. In this regard, I note that during the period from June 1, 2008 to December 19, 2008, Amol Kokane had purchased 4,59,084 shares and sold 4,21,974 shares on BSE. Examination of the major counterparties of Amol Kokane revealed that he had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Priyanka Darshan Desai	65,089	Ankit Girishkumar Vasani	84,464
2	Ankit Girishkumar Vasani	33,607	Falguni Jayesh Shah	66,451
3	DKG Securities Pvt. Ltd.	31,538	Priyanka Darshan Desai	42,475
4	Inventure Growth & Securities Ltd	29,841	Inventure Growth & Securities Ltd	31,898
5	Sykes & Ray Equities (I) Ltd.	19,668	Sykes & Ray Equities (I) Ltd.	15,254

35. I further note that, during the period from June 1, 2008 to December 19, 2008, Amol Kokane had purchased 93,009 shares and sold 1,31,019 shares on NSE. Examination of the major counterparties of Amol Kokane revealed that he had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Tejaswy Nandury	9,807	Radhika Dipan Mehta	7,576
2	Radhika Dipan Mehta	6,759	Inventure Growth & Securities Ltd	7,005
3	Inventure Growth & Securities Ltd	6,421	Citigroup Global Market Mauritius Pvt. Ltd.	5,526
4	Photon Capital Advisors Ltd.	5,175	Dinesh H Ambawat	4,998
5	Sykes & Ray Equities (I) Ltd.	5,090	Sykes & Ray Equities (I) Ltd.	4,379

36. I note from above that Amol Kokane had bought and sold the scrip of PSTL majorly from / to the same counterparties namely Priyanka Darshan Desai, Ankit Girishkumar Vasani and Inventure Growth & Securities Limited. Examination of the trades of Amol Kokane with Priyanka Darshan Desai, Ankit Girishkumar Vasani and Inventure Growth & Securities Limited on a sample basis revealed that these trades were in the nature of synchronized, circular, reversal and

structured transactions. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

Reversal trading:

(i) On November 3, 2008, Priyanka Darshan Desai sold 27,902 shares of PSTL through 11 trades to Amol Kokane on BSE. On the same day, Priyanka Darshan Desai bought back 36,753 shares through 4 trades from Amol Kokane on BSE. I observe that the orders were placed by Amol Kokane and Priyanka Darshan Desai in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.

(ii) On November 04, 2008, Priyanka Darshan Desai sold 37,087 shares of PSTL through 12 trades to Amol Kokane on BSE. On the same day, Priyanka Darshan Desai bought back 5,722 shares through 2 trades from Amol Kokane on BSE.

Circular Trading:

(i) On November 04, 2008, Amol Kokane sold 40,363 shares of PSTL to Ankit Girishkumar Vasani. On the same day, Ankit Girishkumar Vasani sold 41,019 shares to DKG Securities Pvt Ltd who in turn sold 31,538 shares to Amol Kokane. I observe that this circular transaction involved 29 trades between these three entitiess and that many of these trades between Amol Kokane resulted from synchronized orders placed by them.

Synchronized Trading:

(i) From the trade log it is found that there were 11 trades through which Amol Kokane purchased 27,902 shares from Priyanka Darshan Desai, out of which as many as 19,674 shares were purchased through five trades. On November 03, 2008, Amol Kokane purchased 6,000 shares vide trade no. 2580 from Priyanka Darshan Desai at Rs. 49.75 per share at 2:40:24 P.M. The aforesaid trades revealed that

a) At 2:40:19 P.M., Priyanka Darshan Desai placed a sell order, through

the broker Venture Broking Pvt. Ltd. for 6,000 shares at Rs. 49.75 per share.

b) At 2:40:24 P.M., (after 5 seconds) Amol Kokane placed a buy order through the broker India Capital Markets Pvt. Ltd. for 7,000 shares at Rs. 50.00 per share.

c) At 2:40:24 P.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 49.75 per share) for traded quantity of 6,000 shares.

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

38. Thus, I find that Priyanka Darshan Desai and Amol Kokane had executed synchronized reversal transactions. I note that the Hon'ble SAT in Ketan Parekh vs. SEBI (Order dated July 14, 2006 in Appeal No. 2 of 2004) had held that:

"20 "A synchronized trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be

done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronized deal depending on the time when the buy and sell orders are placed.."

The Hon'ble Tribunal further held that:

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

39. I observe that the aforesaid trades of Priyanka Darshan Desai were executed by Darshan Desai through the broker Venture Broking. The trades of Amol Kokane were also executed by Darshan Desai, but, through ICMPL, during the period October 27, 2008 to November 17, 2008. Therefore, during the said period, I find that it was Darshan Desai himself who was executing the trades in the name of both viz. his wife Priyanka Desai, through Venture Broking, and, Amol Kokane, through ICMPL, which had matched. Therefore, I observe that it was Darshan Desai himself who was taking both the buy and sell decisions for the trades between Amol Kokane and Priyanka Darshan Desai. Thus, I find that these

trades were not genuine and an attempt by Nirmal Kotecha and Darshan Desai to mislead unsuspecting investors.

40. In this regard, I note that vide SEBI order dated March 22, 2018 against Nirmal Kotecha in the matter of PSTL, it was *inter alia* held that neither Amol Kokane nor his brother-in-law had the financial strength to put through trades of the magnitude alleged against them and that it was Nirmal Kotecha who was using the mobile number and the trading and bank accounts of Amol Kokane for his fraudulent trades in PSTL. The same has been upheld by the Hon'ble SAT vide its order dated March 02, 2020, in Appeal No. 261 of 2018, wherein, it was held that:

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

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

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

41. In view of the above, I find that Amol Kokane was acting as the front entity for Nirmal Kotecha, who had used the accounts (trading and bank account) and mobile number registered in the name of Amol Kokane for the purpose of carrying out fraudulent activities in the scrip of PSTL. Further, I find that Amol Kokane had knowingly opened these accounts and mobile number for which he claims was for his brother-in-law to operate, and after the death of his brother-in-law he has

admitted that the same was operated by Nirmal Kotecha. Hence, I find that Amol Kokane has aided and abetted Nirmal Kotecha and acted as a conduit for trading and fund transfers by Nirmal Kotecha in the scrip of PSTL. Hence, I find that Amol Kokane has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.

Falguni Jayesh Shah:

42. Falguni J. Shah had stated that her husband Jayesh Kumar Chimanlal Shah (hereinafter referred to as **"Jayesh Shah"**) was doing trading in her name. I note that on behalf of Falguni J. Shah, her husband Jayesh Shah appeared for statement recording before the Investigating Authority. Jayesh Shah vide his statement dated March 18, 2010, stated that he did not know Amol Kokane or Nirmal Kotecha. He further stated that one Piyush Shah had introduced him to Darshan Desai and also opened the trading account with Darshan Desai for carrying out day trading. I observe that Jayesh Shah in his statements had declared his mobile number as 9324594069 and landline number as 20393631, however, I note that the mobile number 9322494242 was also registered in his name. Further, I observe that Jayesh Shah was in communication through his aforesaid numbers with Darshan Desai and Piyush Shah during the relevant period. I also observe that the Falguni J. Shah's account with The Kapol Co-op. Bank Ltd. shows receipt of Rs. 4,76,340/- on Jan 23, 2008 from the account of one Nitin Goradia HUF and the said funds were transferred to ICMPL on Jan 24, 2008. The Borivali (West) branch of ICMPL was being run from 202, B Wing, Goyal Shopping Centre, Borivali (West), Mumbai - 400092, which was the premises owned by the said Nitin Goradia and lent on leave and license basis to ICMPL.

43. In this regard, as noted in the aforesaid paras, it has already been established that Darshan Desai is a close conduit and associate of Nirmal Kotecha and I also note that separate proceedings have been initiated against Nitin Gorodia and

Darshan Desai in the matter of PSTL for facilitating Nirmal Kotecha in the manipulation contrived to create artificial volumes in the PSTL scrip. I find the fact that Nitin Goradia HUF had transferred funds from his account to the account of Falguni J. Shah, which in turn, were transferred to ICMPL, brings to light the fact that Falguni J. Shah was also one of the fronts of Nitin Goradia. Hence, I find that Falguni J. Shah was indirectly connected/associated with Nirmal Kotecha through her husband Jayesh Shah, who in turn, was in touch with Darshan Desai.

44. I observe that Jayesh Shah had opened a trading account with Darshan Desai and more than 50% of trades of Falguni J. Shah were matched within the group associated with Nirmal Kotecha i.e. they were largely trading within the group. In this regard, I observe that during the period from June 1, 2008 to December 19, 2008, Falguni J. Shah had purchased 1,40,265 shares and sold 1,40,265 shares on BSE. Examination of the major counterparties of Falguni J. Shah revealed that she had traded with the following major clients BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Amol Kokane	66,451	Priyanka Darshan Desai	45,847
2	Priyanka Darshan Desai	44,696	Sykes & Ray Equities (I) Ltd.	12,753
3	Ankit Girishkumar Vasani	3,987	Multi Stock Broking Pvt. Ltd.	12,556
4	Sykes & Ray Equities (I) Ltd.	2,782	Radhika Mehta	7,909
5	Multi Stock Broking Pvt. Ltd.	2,432	Inventure Growth & Securities Ltd	7,015

45. I note from above that Falguni J. Shah had bought and sold majorly from/to the same counterparty, i.e., Priyanka Darshan Desai, who is the wife of Darshan Desai, a close associate of Nirmal Kotecha. I observe that Falguni J. Shah had entered into various trades in the nature of synchronized and reversal transactions with Priyanka Darshan Desai. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

Reversal Trades:

(i) On November 3, 2008, Falguni J. Shah sold 20,000 shares of PSTL through one trade to Priyanka Darshan Desai on BSE. On the same day, Falguni J.

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

Synchronized Trading:

(i) From the trade log it is seen that on November 3, 2008, Falguni J. Shah sold 20,000 shares vide trade no. 3650 to Priyanka Darshan Desai at Rs. 51.50 per share at 3:20:12 P.M. Examination of the orders relating to the aforesaid trade revealed that:

   a) At 3:20:08 P.M., Falguni J. Shah placed a sell order, through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 51.50 per share.

   b) At 3:20:12 P.M., (after 4 second) Priyanka Darshan Desai placed a buy order through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.60 per share.

   c) At 3:20:12 P.M., the aforesaid buy and sell order matched at the passive order rate (i.e. 51.50 per share) for trade quantity of 20,000 shares.

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

   (i) At 3:20:47 P.M., Priyanka Darshan Desai placed a sell order, through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.55

per share.

(ii) At 3:20:52 P.M., (after 5 second) Falguni J. Shah placed a buy order through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 52 per share.

(iii) At 3:20:52 P.M., out of the buy order of Falguni J. Shah, 599 shares got matched with third parties and the balance 19,401 shares of Falguni J. Shah's buy order got matched with the sell order of Priyanka Darshan Desai at 3:20:52 P.M., at the passive order rate (i.e. 51.55 per share) vide trade no. 3655.

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

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

1) At 02:57:43 P.M., Falguni J. Shah placed a sell order, through the broker B. N. Rathi Securities Ltd., for 25,000 shares at Rs. 58.75 per share.

2) At 02:57:46 P.M., (after 3 seconds) Priyanka Darshan Desai placed a buy order through the broker Venture Broking Pvt. Ltd., for 25,000 shares at Rs. 60.00 per share.

3) At 02:57:47 P.M., the aforesaid buy and sell order got matched at passive order rate (i.e. 58.75 per share) for traded quantity of 25,000 shares.

(iv) It is noted that the sell order was placed earlier than the buy order. Therefore, the sell order became the passive order in the order book of the stock exchange and the buy order which was placed later was the active order. As per the order matching mechanism of BSE (as well as NSE), if the active order is placed at a better rate than the passive order, the orders get matched and the trade gets executed at the passive order rate. Thus, in the instant case, though the buy order was placed at a rate higher than the sell order, the trade got executed at the passive order rate. I find that the parties tried to hoodwink the surveillance mechanism of the stock exchange by placing the buy order and sell order at different rates and at the same time attempted to ensure that their orders got matched with each other by using the order matching logic of the stock exchange to their advantage. From the above examination of the order log and trade log analysis, it is alleged that on November 4, 2008, Falguni J. Shah had sold PSTL shares to Priyanka Darshan Desai by executing synchronized trades.

46. I note that Falguni J. Shah in her submissions has stated that the trading in her account was done by her late husband. As noted earlier, I find that Falguni J. Shah's husband was associated with Darshan Desai, who in turn was closely connected to Nirmal Kotecha and hence, I find that Falguni J. Shah is indirectly connected to Nirmal Kotecha. Further, from the details of the trades executed by Falguni J. Shah in the foregoing paras, I find that Falguni J. Shah has entered into reversal and synchronized trades with Priyanka Desai, who is the wife of Darshan Desai. In this regard, I observe that Jayesh Shah who was trading on behalf of his wife Falguni J. Shah, was trading with Priyanka Desai, the wife of Darshan Desai. Darshan Desai is known to Jayesh Shah and was in telephonic communication with him during the relevant period. Further, I note that Priyanka Desai vide her statement recorded on March 18, 2010, had submitted that it was her husband Darshan Desai who had traded in her name. Hence, I find that Jayesh Shah was indirectly trading with Darshan Desai in the names of their

respective wives and given that they are known to each other and were in telephonic communication with each other during the relevant period, it is clear that there was meeting of minds between the two and they entered into synchronized trades with each other. In view of the above, I find that Falguni J. Shah has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

Hardik Milanbhai Mithani and Milan Javyantilal Mithani:

47. Milan Jayantilal Mithani (hereinafter referred to as “Milan”), the father of Hardik Milanbhai Mithani (hereinafter referred to as “Hardik”) had appeared before the Investigating Authority for statement recording on behalf of his son on April 06, 2010 and submitted that he had done all the trading for his son who was just a student. Milan has stated that he was doing arbitraging and jobbing in various scrip including PSTL and most of the trades were in the nature of day trading in the shares of PSTL. He claimed that he did not know Inventure Growth and Securities Ltd., DKG Securities Pvt. Ltd. and SPJ Stock Brokers Pvt. Ltd., with whom he is alleged to have traded. It has also been alleged in the SCN that Milan was in telephonic communication with Yatin B. Shah, a close associate of Nirmal Kotecha against whom separate proceedings have been initiated vide show cause notice dated December 02, 2015. Milan has admitted that he knew Yatin B. Shah as he hails from the same city as Yatin B. Shah's wife. Hence, I find that Milan is indirectly associated with Nirmal Kotecha. Further, the relationship of Hardik is also established with Nirmal Kotecha as he is the son of Milan who has submitted that he was doing all the trades on behalf of his son Hardik.

48. I note that during the period from June 1, 2008 to December 19, 2008, Hardik had purchased 17,95,004 shares and sold 17,95,004 shares on BSE. Examination of the major counterparties of Hardik revealed that he had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Inventure Growth & Securities Ltd	4,48,856	SPJ Stock Broker Pvt. Ltd.	3,40,103
2	Matterhorn India Fund	1,46,670	BK Shah	1,12,103
3	DKG Securities Pvt. Ltd.	1,18,515	DKG Securities Pvt. Ltd.	84,159
4	BK Shah	98,254	Standard Securities & Investment Intermediates Ltd.	63,183
5	Comet Investment Pvt. Ltd.	48,848	MBL & Co. Ltd.	61,713

49. I further note that, during the period from June 1, 2008 to December 19, 2008, Hardik had purchased 17,47,056 shares and sold 18,01,026 shares on NSE. Examination of the major counterparties of Hardik revealed that he had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	DKG Securities Pvt. Ltd.	5,79,838	B.K. Shah & Co.	1,38,872
2	Matterhorn Advisory Singapore PTE Ltd.	1,79,056	MBL & Co. Ltd.	76,652
3	Deshpande Sowmya Gautam	1,74,450	Transglobal Securities Ltd.	72,624
4	B.K. Shah & Co.	73,915	Standard Securities & Investment Intermediates Ltd.	72,360
5	Bhadresh T Mehta	39,332	FNIL A/C. Copthall Mauritius Investments Ltd.	65,283

50. I note from above that Hardik had bought and sold majorly from/to the same counterparties, i.e., SPJ Stock Broker Pvt. Ltd. and DKG Securities Pvt. Ltd. I note that an examination of the trades of Hardik Mithani with SPJ Stock Broker Pvt. Ltd. and DKG Securities Pvt. Ltd. on a sample basis revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances of such transactions brought out in the SCN. Some of them are as under:

Reversal Trades:

(i) On July 8, 2008 Hardik sold 9,191 shares through 16 trades to SPJ Stock Broker Pvt. Ltd. on BSE. On the same day, Hardik bought back 45,920 shares through 13 trades from SPJ Stock Broker Pvt. Ltd. on BSE.

(ii) On July 9, 2008 Hardik sold 36,892 shares through 4 trades to SPJ Stock Broker Pvt. Ltd.on BSE. On the same day, Hardik bought back 67,174 shares through 3 trades from SPJ Stock Broker Pvt. Ltd. on BSE.

From above, I find that Hardik and SPJ Stock Broker Pvt. Ltd. had done reversal transactions in PSTL shares on July 8 and 9, 2008 on BSE. I observe that many of the orders placed by SPJ Stock Broker Pvt. Ltd.and Hardik resulted in large quantities of shares being traded amongst them were in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.

Synchronized Trades:

(i) From the trade logs on July 04, 2008, it is seen that there were 25 trades through which SPJ Stock Broker Pvt. Ltd. purchased 64,482 shares from Hardik. I note that on a sample analysis of the order log and trade log, it was found that SPJ Stock Broker Pvt. Ltd.had purchased as many as 44,333 shares from Hardik through two trades on July 04, 2008. The details of the trades are as under:

A. On July 04, 2008**,** SPJ Stock Broker Pvt. Ltd. purchased 21,419 shares vide trade no. 8239 and further purchased 22,914 shares vide trade no. 8243 from Hardik at Rs.183.00 per share at 11:21:44 A.M. Examination of the orders relating to the aforesaid trades revealed that

a) At 11:21:06 A.M., SPJ Stock Broker Pvt. Ltd. placed a buy order, through the broker UPSE Securities Ltd., for 25,000 shares at Rs.183.00 per share.

b) Thereafter, at 11:21:13 A.M., SPJ Stock Broker Pvt. Ltd. placed another buy order, through the broker UPSE Securities Ltd., for 25,000 shares at Rs.183.00 per share.

c) At 11:21:44 A.M., (after 31 seconds) Hardik placed a sell order through the broker ARCADIA Shares and Stock, for 47,540 shares

at Rs.183.00 per share.

d) At 11:21:44 A.M., the aforesaid buy and sell orders got matched at the common order rate (i.e. 183.00 per share) for trade quantity of 44,333 shares.

e) Out of the sell order of 47,540 shares placed by Hardik, 44,333 shares got traded against the buy order of SPJ Stock Broker Pvt. Ltd.

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

(ii) From the trade logs on July 07, 2008, it is seen that there were 48 trades through which Hardik had purchased 1,35,484 shares from SPJ Stock Broker Pvt. Ltd. I note that on a sample analysis of the order log and trade log, it was found that Hardik had purchased as many as 68,931 shares from SPJ Stock Broker Pvt. Ltd. through five trades on July 07, 2008. The details of one of such trades are as under:

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

a) At 1:34:54 P.M., SPJ Stock Broker Pvt. Ltd. placed a sell order, in its proprietary account for 25,000 shares at Rs.181.40 per share.

b) At 1:35:05 P.M. (after 11 seconds) Hardik placed a buy order through the broker Arcadia Share & Stock Broker for 25,000 shares at Rs.181.40 per share.

c) At 1:35:05 P.M., the aforesaid buy and sell order matched at the common order rate (i.e.,181.40 per share) for trade quantity of 24,990 shares.

d) The balance portion of 10 shares of sell order SPJ Stock Broker Pvt. Ltd. and the balance portion of 10 shares of buy order of Hardik got matched with third parties.

(iii) Further, from the trade logs on July 09, 2008, it is seen that there were three trades through which Hardik purchased 67,174 shares from SPJ Stock Broker Pvt. Ltd. out of which 67,173 shares were purchased by Hardik from SPJ Stock Broker Pvt. Ltd. through two trades. Accordingly, the manner in which the orders which resulted in the two trades were placed, were examined. The observations in this regard are given below:

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

a) At 10:57:38 A.M., SPJ Stock Broker Pvt. Ltd. placed a sell order in its proprietary account for 70,000 shares at Rs. 160.10 per share.

b) At 10:57:54 A.M., (after 16 seconds) Hardik placed a buy order, through the broker Arcadia Shares and Stock for 50,000 shares at Rs.161.00 per share.

c) At 10:57:55 A.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 160.10 per share) for 46,513 shares vide trade no. 3292. The balance portion of buy order i.e 3,487 shares of Hardik got matched with third parties who placed their sell orders between 10:56:15 A.M. to 10:57:53 A.M. at a price range of Rs. 159.95 to Rs. 161.00 per share through 12 trades.

d) Out of the sell order of SPJ Stock Broker Pvt. Ltd., 23,487 shares (i.e. 70,000 minus 46,513) remained unexecuted. Against this, at

10:58:02 A.M., (after 7 seconds) Hardik placed another buy order, through the broker Arcadia Shares and Stock for 25,000 shares at Rs.161.00 per share.

e) At 10:58:03 A.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 160.10 per share) for 20,660 shares vide trade no. 3299. It may be mentioned that the sell order was placed earlier than the buy order.

f) The balance portion of buy order of Hardik i.e. 4,340 shares (25,000 minus 20,660), got traded with third parties and thereafter, at 10:58:08 A.M., (i.e., after 5 second from execution of trade for 20,660 shares between SPJ Stock Broker Pvt. Ltd. and Hardik) SPJ Stock Broker Pvt. Ltd. deleted the unexecuted portion of its sell order i.e. SPJ Stock Broker Pvt. Ltd. deleted 2,827 shares (70,000 minus 67,173).

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

51. I note that the buy orders which resulted in cumulative traded quantity of 5,000 shares or more along with a cumulative positive price impact of 25 paisa or more

as compared to the last traded price (LTP) were examined in the SCN. In this regard, I note that Hardik had placed 15 buy orders in PSTL shares on December 19, 2008 on BSE and out of these 15, he placed five buy orders for 5000 shares or more each. I observe that out of the five buy orders placed by Hardik, four buy orders were placed above LTP for 45,000 shares. These orders put above LTP were partly executed and these trades caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008. Further, I note that Hardik had placed 11 buy orders in PSTL shares on December 19, 2008 on NSE and out of these 11 buy orders, six buy orders were placed for quantities of 5,000 shares or more. I observe that out of the six buy orders placed by Hardik, five buy orders were placed above or at LTP for 46,114 shares. Out of the same, 32,400 shares got executed and he deleted the unexecuted portion of 13,714 shares. Further it is seen that he had placed one buy order below LTP for 10,000 shares out of which 4,391 shares got traded and he deleted the unexecuted portion of 5,609 shares. Hence, I find that the four orders put above LTP caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008.

52. I note that Milan, who has claimed to have traded on behalf of his son Hardik, has submitted that he had traded in large volumes on BSE and NSE, therefore, some transactions were bound to match with traders with whom purchase or sale transactions had been executed. Further, that he had made net loss in the transactions of PSTL and he has not benefitted financially nor offloaded any shares of PSTL in the market. He contended that he has not indulged in any synchronized trades and has not executed any fraudulent/fictitious trades with entities associated with Nirmal Kotecha.

53. In this regard, I observe that the Hardik has done multiple trades on multiple occasions with SPJ Stock Broker Pvt. Ltd. in the scrip of PSTL. Hence, I find the submissions of the Noticee untenable as just from the transactions entered into between Hardik and SPJ Stock Broker Pvt. Ltd., as brought out above, it is

evident that Hardik had connection with the counter party as he has executed large number of synchronized trades. Further, I find that the execution of trades by Hardik was not an isolated instance but multiple numbers of such transactions were carried out with multiple entities associated with Nirmal Kotecha, which clearly establishes the malafide intent of Hardik and his association with Nirmal Kotecha group. Further, I find that Hardik had had also placed buy orders above the LTP which caused a positive impact on the traded price of PSTL shares on BSE on December 19, 2008. Accordingly, since Milan has submitted that he had traded on behalf of his son Hardik, I find that the malafide intent of Milan is also established. Hence, I find that the trading pattern created artificial volume and artificial price rise in the scrip of PSTL which leads to the malafide intention of Hardik and Milan. I note that the Hon'ble SAT in Ketan Parekh vs. SEBI (Order dated July 14, 2006 in Appeal No. 2 of 2004) had held that:

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

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

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

55. Therefore, from the aforesaid transactions of Hardik that were done by his father Milan, I find that Hardik had entered into reversal synchronized trades with entities associated with Nirmal Kotecha. In view of the above, I find that Hardik Milanbhai Mithani and Milan Jayantilal Mithani have violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations, 2003.

Priyanka Darshan Desai:

56. Priyanka Darshan Desai is the wife of Darshan Desai, in whose name the Borivali (West) branch of ICMPL was registered. In her statement recorded on March 18, 2010 she had stated that her husband Darshan Desai did all the trading in her name and that wherever her husband told her to sign, she signed. Further, she had stated that Nitin Goradia, a conduit and close associate of Nirmal Kotecha, was her Chartered Accountant. Accordingly, given that her husband and Chartered Accountant are both close associates of Nirmal Kotecha, I find that Priyanka is indirectly connected to Nirmal Kotecha.

57. I observe that more than 50% of the trades of Priyanka were matched within the group associated with Nirmal Kotecha. In this regard, I observed that during the period from June 1,2008 to December 19, 2008, Priyanka had purchased 1,94,910 shares and sold 1,94,910 shares on BSE. Examination of the major counterparties of Priyanka revealed that she had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Falguni Jayesh Shah	45,847	Amol Kokane	65,089
2	Amol Kokane	42,475	Falguni Jayesh Shah	44,696
3	Kotak Mahindra Mutual Fund A/C K-30	9,260	Hari Shankar	8,378
4	Inventure Growth & Securities Ltd	6,249	Bijal Madhani HUF	5,000
5	-	-	M. P. Vora Shares & Sec Pvt. Ltd.	4,975

58. I further note that, during the period from June 1, 2008 to December 19, 2008, Priyanka had purchased 35,255 shares and sold 35,255 shares on NSE. Examination of the major counterparties of Priyanka Darshan Desai revealed that she had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	B. K. Shah & Co	8,170	Standard Securities & Investment Intermediates Ltd.	9,378
2	BP Fintrade Pvt. Ltd.	5,029	MBL & Co. Ltd.	5,636
3	Chola Mutual Fund	5,000	Axis Capital Markets (India) Ltd.	3,258
4	Raj Kumar HUF	2,202	Capital Wizard Stock Broking Pvt. Ltd.	2,195
5	Dindayal Biyani Stock Brokers Ltd.	2,000	Inventure Growth & Securities Ltd	1,696

59. I note from above that Priyanka had bought and sold majorly from/to the same counterparties namely Amol Kokane, Falguni Jayesh Shah and Inventure Growth & Securities Ltd. Examination of the trades of Priyanka with Amol Kokane and Falguni Jayesh Shah revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

Reversal and Synchronized trades:

(i) From the trade logs it is observed that there were 11 trades through which Amol Kokane purchased 27,902 shares from Priyanka, out of which as many as 19,674 shares were purchased through five trades. Accordingly, the manner in which the orders which resulted in the five trades were placed, were examined on a sample basis. The observations in one such instance is as given below:

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

a) At 2:40:19 P.M., Priyanka placed a sell order, through the

broker Venture Broking Pvt. Ltd. for 6,000 shares at Rs. 49.75 per share.

b) At 2:40:24 P.M., (after 5 seconds) Amol Kokane placed a buy order through the broker India Capital Markets Pvt. Ltd. for 7,000 shares at Rs. 50.00 per share.

c) At 2:40:24 P.M., the aforesaid buy and sell orders got matched at the passive order rate (i.e. 49.75 per share) for traded quantity of 6,000 shares.

(ii) From the trade log it is seen that on November 3, 2008, Priyanka purchased 20,000 shares vide trade no. 3650 from Falguni Jayesh Shah at Rs. 51.50 per share at 3:20:12 P.M. Examination of the orders relating to the aforesaid trade revealed that:

a) At 3:20:08 P.M., Falguni Jayesh Shah placed a sell order, through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 51.50 per share.

b) At 3:20:12 P.M., (after 4 second) Priyanka placed a buy order through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.60 per share.

c) At 3:20:12 P.M., the aforesaid buy and sell order matched at the passive order rate (i.e. 51.50 per share) for trade quantity of 20,000 shares.

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

a) At 3:20:47 P.M., Priyanka placed a sell order, through the broker Venture Broking Pvt. Ltd., for 20,000 shares at Rs. 51.55 per share.

b) At 3:20:52 P.M., (after 5 seconds) Falguni Jayesh Shah placed a buy order through the broker B.N. Rathi Securities Ltd., for 20,000 shares at Rs. 52 per share.

c) At 3:20:52 P.M., out of the buy order of Falguni Jayesh Shah, 599 shares got matched with third parties and the balance 19,401 shares of Falguni Jayesh Shah buy order got matched with the sell order of Priyanka at 3:20:52 P.M., at the passive order rate (i.e. 51.55 per share) vide trade no. 3655.

(iv) On November 3, 2008 Priyanka sold 27,902 shares of PSTL through 11 trades to Amol Kokane on BSE. On the same day, Priyanka bought back 36,753 shares through 4 trades from Amol Kokane on BSE. Further, on November 4, 2008 Priyanka sold 37,087 shares of PSTL through 12 trades to Amol Kokane on BSE. On the same day, Priyanka bought back 5,722 shares through 2 trades from Amol Kokane on BSE.

60. With regard to the allegations of trades in the SCN, Priyanka in her submissions has stated that she has been a jobber/day- trader/arbitrageur in various scrips including PSTL during the relevant period. Since her transactions have been through opaque computerized stock market mechanism, it is not possible to know the counterparties to her trades. Further, several orders and prices have been displayed on the computer screen and her trades would have been matched by the computerized screen and her trades would have been matched by the computerized mechanism against the most favorable/valid orders on the other side. She has submitted that the counter parties are several and many are not connected with her and that at the same time, it is quite likely that some of the counter parties may be persons that she knows. She has also stated that it is not possible for her to control the order making mechanism, more so in cases where there is huge turnover.

61. In this regard, I observe that her trades were mainly with entities that were associated with Nirmal Kotecha. Further, I observe that she has traded with Amol Kokane and Falguni Jayesh Shah. As brought out in the aforesaid paras while

discussing Amol Kokane, it has been established that it was Darshan Desai who was operating the trading account of Amol Kokane for Nirmal Kotecha. Given that Darshan Desai is the husband of Priyanka, and had also traded on behalf of her, I find that it was Darshan Desai who was placing trades for both Amol Kokane and Priyanka. Hence, there is no requirement to examine whether there was meeting of minds between Priyanka and Amol Kokane as both their trades were being placed by the same person Darshan Desai. Therefore, it is clear that it was Darshan Desai himself who was taking both the buy and sell decisions for the trades between Amol Kokane and Priyanka. Further, with regard to her trades with Falguni Jayesh Shah, it has already been established in the aforesaid paras that the trades of Falguni Jayesh Shah were placed by her husband Jayesh Shah who is closely associated with Darshan Desai. Hence, as noted above in the findings with regard to Falguni Jayesh Shah, I find that Jayesh Shah and Darshan Desai were indirectly trading with each other through their respective wives' accounts and given that they are known to each other and were in telephonic communication with each other during the relevant period, it is clear that there was meeting of minds between the two and they entered into synchronized trades with each other. Therefore, I find the submissions of the Priyanka Darshan Desai are not acceptable as it is clear that she has entered into multiple transactions of reversal and synchronized trades in the shares of PSTL with multiple entities associated with Nirmal Kotecha.

62. In view of the above, I find that Priyanka Darshan Desai has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations, 2003.

Inventure Growth & Securities Limited:

63. I note from SCN that Nirmal Kotecha had given a loan of Rs. 25 lacs to one Shanti Kanji Rita, who is the wife of Kanji B. Rita, one of the directors of Inventure Growth & Securities Limited (hereinafter referred to as "Inventure"). I note that Kanji B. Rita in his statement dated July 30, 2010 to SEBI has stated that his wife

Shanti K. Rita had taken a temporary loan of Rs. 25 lacs in March 2007 from Nirmal Kotecha and repaid the same in July 2007. He also stated that his wife had not entered into any loan agreement with Nirmal Kotecha and no interest was paid on this loan. Further, that he has no relation/association/connection with Nirmal Kotecha and that it was his friend Hiren Mohanlal Shah who had arranged the same from Nirmal Kotecha. I note that Inventure in their submissions have stated that the loan taken by Kanji Rita was purely personal in nature and was taken in March 2007 and repaid in July 2007. Further, that the company did not have any role in this transaction and was not aware of such loan until SEBI bought it to its notice and hence there was no manipulative intention.

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

65. I note that Inventure was one of the top ten trading clients in the scrip on BSE and on NSE during June 01, 2008 to December 19, 2008. I observe that during the period from June 1, 2008 to December 19, 2008, Inventure had purchased 9,07,634 shares and sold 9,15,719 shares on BSE. Examination of the major counterparties of Inventure revealed that it had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	Quantity	Name	Quantity
1	SPJ Stock Broker Pvt. Ltd.	61,550	SPJ Stock Broker Pvt. Ltd.	59,143
2	Hardik Mithani	40,243	Amol Anand Kokane	29,841
3	Amol Anand Kokane	31,898	Panchapikesa Saminathan	27,696
4	Ankit Girishkumar Vasani	23,200	Sophia Growth	25,763
5	Sykes & Ray Equities (I) Ltd.	16,891	Hardik Mithani	23,143

66. I further note that, during the period from June 1, 2008 to December 19, 2008, Inventure had purchased 8,02,953 shares and sold 7,93,998 shares on NSE. Examination of the major counterparties of Inventure revealed that it had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	Quantity	Name	Quantity
1	Hardik Mithani	41,452	Bhomiya Suppliers Pvt. Ltd.	22,332
2	DKG Securities Pvt. Ltd.	12,160	Meet Shares and Stocks Services Pvt. Ltd.	21,150
3	B.K. Shah & Co	11,854	Prudential Management Advisors Pvt. Ltd.	19,518
4	Prudential Management Advisors Pvt. Ltd.	11,041	Hardik Mithani	15,586
5	Meet Shares and Stocks Services Pvt. Ltd.	8,709	DKG Securities Pvt. Ltd.	12,652

67. I note from above that Inventure had bought and sold majorly from / to the same counterparties namely Amol Kokane, Hardik Mithani, SPJ Stock Broker Pvt. Ltd. and DKG Securities Pvt. Ltd. I further note that Inventure also traded with other entities that are associated with Nirmal Kotecha namely, Sharda Pujara and Meet Shares and Stock Services Pvt. Ltd, against whom separate Adjudication proceedings have been initiated vide show cause notice dated January 20, 2012.

68. Examination of the trades of Inventure with these Noticees and entities on a sample basis revealed that these trades were in the nature of synchronized and reversal transactions. There are several instances brought out in the SCN of such transactions. Some of them are as under:

Reversal Trades:

(i) I observe that Inventure had entered into reversal transactions with Amol Kokane and SPJ Stock Broker Pvt. Ltd. A few instances are as under:

a) On July 7, 2008 SPJ Stock Broker Pvt. Ltd. sold 22,081 shares of PSTL through 101 trades to Inventure on BSE. On the same day, SPJ Stock Broker Pvt. Ltd. bought back 18,468 shares through 62 trades from Inventure on BSE.

b) On November 3, 2008 Amol Kokane sold 10,021 shares of PSTL through 44 trades to Inventure on BSE. On the same day, Amol Kokane bought back 7,041 shares through 68 trades from Inventure on BSE.

c) On November 4, 2008 Amol Kokane sold 5,014 shares of PSTL through 17 trades to Inventure on BSE On the same day, Amol Kokane bought back 6,519 shares through 66 trades from Inventure on BSE.

Synchronized Trades:

(i) Examination of the orders relating to certain trades between Sharda Pujara, Hardik, Inventure and SPJ Stock Broker Pvt. Ltd revealed as follows;

a) On December 08, 2008, Sharda Pujara purchased 7,900 shares vide trade no. 4422 from Hardik Mithani on BSE. Examination of the orders relating to the aforesaid trade revealed that;

1) At 1:27:35 P.M., Sharda Pujara placed a buy order through the broker SPS Share Brokers Pvt. Ltd. for 10,000 shares at Rs.51.35 per share.

2) At 1:33:22 P.M., Hardik Mithani placed a sell order through the broker Arcadia Shares and Stock for 8,000 shares at Rs.51.80 per share.

3) At 1:33:55 P.M., (i.e. 33 seconds later) Sharda Pujara revised her buy order rate at Rs.52.00 per share.

4) At 1:33:56 P.M., the aforesaid buy and sell orders got

matched at the passive order rate (i.e. 51.80 per share) for 7,900 shares vide trade no. 4422.

5) The balance portion of Sharda Purjara's sell order (i.e. 2,100 shares) got traded as under:

I. At 1:34:07 P.M., Inventure placed a sell order of 500 shares at a price of Rs. 52.00 per share. This order was got matched with sell order of Sharda Pujara for 500 shares at a price Rs. 52.00 per share vide trade no. 4436

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

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

(ii) Examination of the orders relating to certain trades between Meet shares and Stock Services Pvt. Ltd., Hardik Mithani and Inventure revealed as follows:

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

1) At 11:15:51 A.M., Hardik Mithani placed a sell order for 5,000 shares at Rs. 50.60 per share.

2) At 11:16:25 A.M., Meet Shares and Stock Services Pvt. Ltd. placed a buy order for 10,000 shares at Rs.50.70 per share.

3) At 11:16:25 A.M., the aforesaid buy and sell order matched vide

trade no. 2008120833804285 at the passive order rate (i.e. Rs.50.60 per share) for trade quantity of 5,000 shares.

4) Out of the balance portion of Meet Shares and Stock Services Pvt. Ltd.'s buy order, 1,270 shares got matched with following sell orders of Inventure:

I. At 11:15:09 A.M., Inventure placed a sell order for 100 shares at Rs. 50.70 per share.

II. At 11:16:29 A.M., Inventure placed another sell order for 500 shares at Rs.50.50 per share.

III. At 11:16:29 A.M., Inventure placed another sell order for 500 shares at Rs.50.70 per share.

IV. At 11:16:29 A.M., Inventure placed another sell order for 170 shares at Rs.50.70 per share.

V. The balance portion of Meet Shares and Stock Services Pvt. Ltd.'s buy order (i.e. 3,730 shares) got matched with various third parties through 28 trades.

(iii) Examination of the orders relating to certain trades between SPJ Stock Broker Pvt. Ltd, Hardik Mithani and Inventure revealed as follows:

a) On December 8, 2008, SPJ Stock Broker Pvt. Ltd sold to Hardik Mithani 400 shares vide trade no. 2850 and for 10,000 shares vide trade no. 2852. Examination of the orders relating to the aforesaid trade revealed that;

1) At 11:57:01 A.M., SPJ Stock Broker Pvt. Ltd placed a sell order in its proprietary A/c for 10,000 shares at Rs.52.30 per share vide trade no. 2852.

2) At 11:57:03 A.M., SPJ Stock Broker Pvt. Ltd placed another sell order in its proprietary A/c, for 400 shares at Rs.52.25 per share vide trade no. 2850.

3) At 11:57:28 A.M, (25 seconds) Hardik Mithani placed a buy order

through the broker Arcadia Share & Stock Broker, for 15,000 shares at Rs.52.50 per share.

4) At 11:57:28 A.M., the aforesaid buy and sell orders got matched at a passive rate Rs. 52.25 per share for 400 shares vide trade no. 2850 and for 10,000 shares vide trade no. 2852.

5) The balance portion of the Hardik Mithani's buy order got executed as under:

   I. At 11:57:34 A.M., Inventure updated a sell order for 2,000 shares at Rs.52.50 per share vide trade no. 2872. At 11:57:34 A.M., this order was got matched with buy order of Hardik Mithani for 1,040 shares at the common order rate of Rs. 52.50 per shares vide trade no. 2872 and one share got traded with a third party. At 11:57:36 A.M., Inventure then deleted the unexecuted portion of its sell order for 959 shares at Rs. 52.50 per share vide trade no. 2872.

   II. The balance portion of Hardik Mithani 's buy order (i.e. 15,000 - 10,400 - 1040 shares) was got matched with various third parties through 31 trades.

69. In addition to the above trades, I observe that in many synchronized trades between the group entities, a part of the unmatched portions of the buy orders were transacted up by Inventure. Further, I observe that Inventure had also executed several self-trades. As alleged in the SCN, I find that Inventure had executed 1,413 self-trades involving 23,299 shares of PSTL.

70. With regard to the alleged reversal and synchronized trading, Inventure has submitted that their trades were executed with the sole intention of carrying out arbitrage in PSTL and they were not aware of the opposite party while entering orders on the Exchange platform and hence, matching of trades with the alleged associates of Nirmal Kotecha is mere coincidence. That they were major clients

in many other securities during the identified period as they have more than 25 pairs of Arbitrage and Jobbers who carry out trading in multiple securities in their proprietary account. It was contended that in arbitrage/jobbing one will square off position at the end of the day so net payin obligation will be nil, however, this doesn't mean that those trades are non- genuine. Inventure has stated that merely because a few trades were matched with Amol Kokane and Nirmal Kotecha does not make them related entities. Further, they submitted that they have no connection with APL Infrastructure Ltd., Ankit Girishkumar Vasani, SPJ Stock Broker Pvt. Ltd, Hardik Mithani, Amol Kokane or Priyanka Darshan Desai and any trades matched with them is just a small portion that was coincidentally matched with them.

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

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

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

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

73. I am of the view that even though the trades of Inventure with some of the entities may have been in small portions as contended by it, however, collectively Inventure's overall trades had put it in the top ten trading clients in the scrip on BSE and on NSE during June 01, 2008 to December 19, 2008. Hence, in the given facts and circumstances of the case, I find that the malafide intention of Inventure to manipulate the market by creating artificial volume and artificial price rise in the scrip of PSTL is established.

74. In view of the above, I find that Inventure Growth & Securities Limited has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

SPJ Stock Broker Pvt. Ltd.:

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

76. I note that the statement of Shatrugan Singh, who was a jobber at the company, was recorded on May 28, 2010. He stated that he was working with SPJ from 1990 as a peon, however, for the last five years he was working as a bolt operator. He claimed that he did not know Hardik Mithani, with whom synchronized transactions were carried out by SPJ on July 07, 2008 from the ID registered in his name. He also claimed that he did not know Yatin B. Shah and had not called him. However, he claimed that the mobile number 9322278508, registered in the name of Shri Pal Jain, was used by him. The statement of

Chandrasekhar Jaykishan Thanvi, another jobber with the company, was also recorded on June 08, 2010. He stated that he was working with SPJ for the last 18-20 years and doing back office and bolt operations work for which he is paid Rs. 7,500/- and that he was using the mobile number 9820310442 for the last 3-4 years. He stated that he knew Yatin B. Shah and had met him for the first time in the trading hall. Further, that he had been to Yatin B. Shah's house after the death of his mother 3-4 years back as Yatin B. Shah had sent him an SMS about his mother's death. He also stated that he sometimes used to talk 2-3 times in a day with Yatin Shah about the market situation. In this regard, I note that the call data records of Yatin Shah's mobile number 9890355693 revealed that Chandrasekhar Thanvi was in touch with Yatin Shah from his mobile number 9820310442. Hence, I find that SPJ is indirectly connected with Nirmal Kotecha through Yatin B. Shah who is known to its director Shri Pal Jain and jobber Chandrasekhar Jaykishan Thanvi.

77. I note that SPJ was the top trading client in the shares of PSTL on BSE during the identified period of June 01, 2008 to December 19, 2008. I observe that during this, SPJ had purchased 27,46,250 shares and sold 27,46,275 shares on BSE. Examination of the major counterparties of SPJ revealed that it had traded with the following major clients at BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Hardik Mithani	3,40,103	Hardik Mithani	4,48,856
2	DKG Securities Pvt. Ltd.	1,86,657	BK Shah	1,71,627
3	Matterhorn India Fund	1,39,318	MBL & Co. Ltd.	1,15,862
4	BK Shah	1,25,635	Standard Securities & Investment Intermediates Ltd.	1,02,958
5	MBL & Co. Ltd.	96,337	Bihar Tubes Ltd.	65,315

78. I find that SPJ had bought and sold majorly from/to the same counterparties namely Hardik Mithani. I observe that many of the orders placed by SPJ and Hardik Mithani resulted in large quantities of shares being traded amongst them

were in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares. There are several instances brought out in the SCN of such transactions. Some of the instances are as below:

Reversal Trades:

(i) It is observed that SPJ had entered into several reversal transactions with group entities of Nirmal Kotecha as below:

a) On July 7, 2008 SPJ sold 22,081 shares of PSTL through 101 trades to Inventure on BSE. On the same day, SPJ Stock Broker Pvt. Ltd bought back 18,468 shares through 62 trades from Inventure on BSE.

b) On July 22, 2008, APL Infrastructure Ltd. sold 7,060 shares of PSTL through 10 trades to SPJ on BSE. On the same day, APL Infrastructure Ltd. bought back 20,982 shares through 7 trades from SPJ on BSE.

c) On July 7, 2008 SPJ sold 1,35,484 shares of PSTL through 48 trades to Hardik Mithani on BSE. On the same day, SPJ bought back 1,03,753 shares through 47 trades from Hardik Mithani on BSE. Examination of the trades between SPJ and Hardik Mithani revealed that there were a total of 95 trades between them on July 7, 2008 on BSE. The trades between SPJ and Hardik Mithani were examined and I observe that the orders were placed by SPJ and Hardik Mithani in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares.

Synchronized Trades:

(i) Several instances of synchronized trading with Hardik Mithani have been brought out in the aforesaid paras while discussing the trades of Hardik Mithani. Some of the trades are as under:

a) From the trade logs on July 04, 2008, it is seen that there were 25 trades through which SPJ purchased 64,482 shares from Hardik Mithani. I note that on a sample analysis of the order log and trade

log, it was found that SPJ had purchased as many as 44,333 shares from Hardik Mithani through two trades on July 04, 2008.

b) From the trade logs on July 07, 2008, it is seen that there were 48 trades through which Hardik Mithani had purchased 1,35,484 shares from SPJ. I note that on a sample analysis of the order log and trade log, it was found that Hardik Mithani had purchased as many as 68,931 shares from SPJ through five trades on July 07, 2008. The details of the trades have been brought out earlier.

c) Further, from the trade logs on July 09, 2008, it is seen that there were three trades through which Hardik Mithani purchased 67,174 shares from SPJ out of which 67,173 shares were purchased by Hardik Mithani from SPJ through two trades.

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

80. In this regard, I observe that SPJ had entered into multiple reversal and synchronized trades will multiple entities associated with Nirmal Kotecha. SPJ has contended that it was a major market player and hence matching of trades was in the normal course of trading. However, I find that the execution of trades by SPJ was not an isolated instance but multiple numbers of such transactions were carried out with multiple entities associated with Nirmal Kotecha, which

clearly establishes the malafide intent of SPJ. It was the highest trader during the identified period and I note that on July 07, 2008, it sold 1,35,484 shares to Hardik Mithani alone which was then reversed. I find that such multiple trades of such an amount could not have taken place without meeting of minds of the counter parties. Further, it has already been established that Hardik Mithani was indirectly associated with Nirmal Kotecha. Furthermore, with regard to the contention of SPJ that it incurred a loss Rs. 9,56,845.45/- in the scrip of PSTL, I find that the same is irrelevant to the findings that SPJ had indulged in manipulative trades as a loss per se is not a factor to prove that it was not involved in the fraudulent activity. In view of the above, I find SPJ's submissions are not tenable.

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

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

82. In view of the above, I find that SPJ Stock Broker Pvt. Ltd. has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

DKG Securities Pvt. Ltd.:

83. I observe that Radha Krishna Garg, who is an employee and former director of DKG Securities Pvt. Ltd. (hereinafter referred to as “DKG”) had vide his statements recorded on October 09, 2009 stated that he used to take the trading decisions for DKG. He stated that he was earlier a broker on U.P. Stock Exchange and subsequently formed DKG. His wife Manju Garg and his son Vishal Garg are the directors of DKG. Further, he stated that his mobile number is 9839084979 and that he had met Nirmal Kotecha on 2 or 3 occasions. He also stated that he knew Nikhil Securities Ltd and its directors since they were brokers of UP Stock Exchange and had done financial dealings with them. In this regard, I observe from the Call Data Records of Nirmal Kotecha's Amol Kokane number that Nirmal Kotecha was in close touch with Radha Krishna Garg on an almost daily basis from Amol Kokane's number. Radha Krishna Garg has stated that they used to talk about the stock market and exchanged views. Hence, I find that DKG is indirectly associated with Nirmal Kotecha through their employee and former director Radha Krishna Garg.

84. I observe that DKG was the third highest trading client in the scrip of PSTL on BSE and the second highest trading client in the scrip of PSTL on NSE during the identified period, i.e., June 01, 2008 to December 19, 2008. I note that during the identified period, DKG had purchased 15,76,663 shares and sold 14,88,252

shares on BSE. Examination of the major counterparties of DKG Securities Pvt. Ltd. revealed that it had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Hardik Mithani	84,159	Matterhorn India Fund	2,05,622
2	KMUK A/C	70,140	SPJ Stock Broker Pvt. Ltd	1,86,657
3	Dimensions	67,794	Sophia Growth	1,44,263
4	Mithali Mukesh Gudekar	61,100	Mavi Investment Fund Ltd.	1,39,526
5	BK Shah	50,845	Hardik Mithani	1,18,515

85. I also note that during the period from June 1, 2008 to December 19, 2008, DKG had purchased 13,81,895 shares and sold 15,43,197 shares on NSE. Examination of the major counterparties of DKG Securities Pvt. Ltd. revealed that that it had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Nikhil Securities Ltd.	87,295	Hardik Mithani	5,79,838
2	TAIB Bank A/C TSML	74,116	Matterhorn Advisory Singapore PTE Ltd.	2,44,981
3	HDFC Mutual Fund	49,805	Mavi Investment Fund Ltd.	1,39,597
4	B.K. Shah & Co.	44,489	Sophia Growth - A Share Class of Somerset India Fund	1,19,621
5	KMUK A/C Sanstone Capital India Master Fund Ltd.	43,393	Nikhil Securities Ltd	49,900

86. I note from above that DKG had bought and sold majorly from / to the same counterparty, i.e., Hardik Mithani. Further, I also note that DKG has largely traded with Nikhil Securities Limited, who is associated with Nirmal Kotecha and separate Adjudication proceedings against it have been initiated. Examination of the trades of DKG with Hardik Mithani on a sample basis revealed that these trades were in the nature of synchronized, circular and reversal transactions. I note that several instances have been brought out in the SCN of such transactions. Some of them are as under:

Reversal Trades:

(i) On July 4, 2008 Hardik Mithani sold 64,482 shares through 25 trades to

DKG. On the same day, Hardik Mithani bought back 92,090 shares through 6 trades from DKG.

(ii) Further, on July 7, 2008 DKG sold 4,19,211 shares of PSTL to Hardik Mithani on NSE. On the same day, DKG bought back 11,537 shares from Hardik Mithani on NSE.

Circular Trading:

(i) On November 04, 2008, Amol Kokane sold 40,363 shares of PSTL to DKG. On the same day, Ankit Girishkumar Vasani sold 41,019 shares to DKG who in turn sold 31,538 shares to Amol Kokane. I observe that this circular transaction involved 29 trades between the three connected entities and that many of these trades between Amol Kokane, DKG and Ankit Girishkumar Vasani which resulted in the aforesaid circular movement of shares resulted from synchronized orders placed by them.

Synchronized Trades:

(i) From the trade log it is found that on July 04, 2008, Hardik Mithani purchased 92,090 shares from DKG through six trades:

a) On July 04, 2008, Hardik Mithani purchased 68,599 shares from DKG through five trades having trade numbers 11081, 11088, 11089, 11098, and 11099. The details of the orders placed by Hardik Mithani and DKG and the details of the five trades are narrated below:

1) At 12:25:29 P.M., DKG placed a sell order for 25,000 shares at Rs. 178 per share.
2) At 12:25:36 P.M., DKG placed another sell order for 25,000 shares at Rs. 178 per share.
3) At 12:25:45 P.M., DKG placed another sell order for 25, 000 shares at Rs. 178 per share. Thus, DKG placed sell order for 75,000 shares at Rs. 178 per share.
4) At 12:26:05 P.M., Hardik Mithani placed buy order for 25,000

shares at Rs. 178 per share.

5) At 12:26:11 P.M., Hardik Mithani placed another buy order for 25,000 shares at Rs. 178 per share.

6) At 12:26:17 P.M., Hardik Mithani placed another buy order for 25,000 shares at Rs. 178 per share. Thus, Hardik Mithani placed buy order for 75,000 shares at Rs. 178 per share.

b) The aforesaid buy and sell orders of Hardik Mithani and DKG got matched as follows:

1) 24,026 shares got matched at Rs. 178 per share at 12:26:06 P.M. vide trade no.11081.

2) 974 shares got matched at Rs. 178 per share at 12:26:11 P.M. vide trade no.11088.

3) 23,897 shares got matched at Rs. 178 per share at 12:26:11 P.M. vide trade no.11089.

4) 1,098 shares got matched at Rs. 178 per share at 12:26:17 P.M. vide trade no.11098.

5) 18,604 shares got matched at Rs. 178 per share at 12:26:17 P.M. vide trade no.11099.

c) Thus, 68,599 shares got traded between DKG and Hardik Mithani in respect of the aforesaid orders. Out of the balance portion of sell order of DKG being 6401 shares (i.e., 75,000 minus 68,599 shares), 60 shares got traded with third parties through five trades who placed the buy orders between 12:26:11 P.M. to 12:26:21 P.M. at a price range from Rs 178.00 to Rs 179.73 per share. DKG deleted the unexecuted portion of 6,341 shares at 12:26:50 P.M., i.e., 33 seconds after the last trade between Hardik Mithani and DKG which was executed at 12:26:17 P.M.

87. From the above, I find that Hardik Mithani had purchased shares of PSTL from DKG by executing synchronized trades. A part of the unmatched portions of the

buy order and sell order of Hardik Mithani and DKG respectively, were mopped up by four others. I also note that a part of the order of DKG got matched with third parties who had placed their orders for very small quantities around the same time and at nearly the same rate. Therefore, in respect of the trades between Hardik Mithani and DKG on July 04, 2008, I find that DKG and Hardik Mithani had executed synchronized reversal transactions on July 04, 2008.

88. I also note that DKG had entered into synchronized circular trading with Amol Kokane and Ankit Girishkumar Vasani on November 04, 2008. I observe that Amol Kokane sold 40,363 shares of PSTL Ankit Girishkumar Vasani. On the same day, Ankit Girishkumar Vasani sold 41,019 shares to DKG and DKG in turn sold 31,538 shares to Amol Kokane. The aforesaid circular transaction involved 29 trades between the said three entities.

89. I observe that some of the orders placed by Ankit Girishkumar Vasani, Amol Kokane and DKG which resulted in large quantities of shares being traded amongst them were examined on a random and test check basis and it was revealed that the orders were placed by the three Noticees in a synchronized manner so as to result in their orders getting matched in trades of large quantities of shares. In this regard, I observe that:

(i) From the trade logs, I note that there were 11 trades through which Amol Kokane purchased 31,538 shares from DKG. During the time period from 2:26:30 P.M. to 03:00:47 P.M. Amol Kokane placed six buy orders for a cumulative order quantity of 77,032 shares at a price range of Rs. 51.15 to Rs. 59.25 per share and DKG had placed the following sell orders:

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

7. At 02:53:21. P.M., sell order for 5,000 shares at Rs. 58.00 per share.

(ii) I note that DKG Securities Pvt. Ltd. had cumulatively placed sell order for 34,000 shares. The aforesaid buy and sell orders of Amol Kokane and DKG Securities Pvt. Ltd. got matched and resulted in the following trades.

1. At 02:50:21 P.M., 3900 shares got traded at Rs. 58.50 per share vide trade no. 3101.
2. At 02:51:10 P.M., 4966 shares got traded at Rs. 59.00 per share vide trade no. 3185.
3. At 02:51:32 P.M., 3672 shares got traded at Rs. 59.25 per share vide trade no. 3206.
4. At 02:51:54 P.M., 4000 shares got traded at Rs. 59.25 per share vide trade no. 3213.
5. At 02:52:13 P.M., 1407 shares got traded at Rs. 59.25 per share vide trade no. 3233.
6. At 02:52:13 P.M., 3593 shares got traded at Rs. 59.25 per share vide trade no. 3234.
7. At 02:52:23 P.M., 1854 shares got traded at Rs. 59.25 per share vide trade no. 3240.
8. At 02:52:23 PM., 1,100 shares got traded at Rs. 59.20 per share vide trade no. 3241.
9. At 02:52:23 P.M., 1050 shares got traded at Rs. 59.15 per share vide trade no. 3242.
10. At 02:52:23 PM., 996 shares got traded at Rs. 59.10 per share vide trade no. 3243.
11. At 02:53:21 P.M., 5,000 shares got traded at Rs. 58.00 per share vide trade no. 3330.

90. From the aforesaid trades, I find that Amol Kokane purchased 31,538 shares from DKG Securities Pvt. Ltd. in a synchronized manner. In turn, DKG had purchased 41,019 shares from Ankit Girishkumar Vasani who had purchased

40,363 shares from Amol Kokane on the same trading day, i.e., November 04, 2008. I find that there was a circular movement of PSTL shares among Amol Kokane, DKG and Ankit Girishkumar Vasani and many of the trades between the said three entities which resulted in the aforesaid circular movement of shares resulted from synchronized orders placed by the said three entities. Thus, I find that DKG had entered into synchronized circular transactions in the scrip of PSTL on BSE on November 04, 2008 with Amol Kokane and Ankit Girishkumar Vasani.

91. With regard to the alleged transactions, DKG in its letters has submitted that execution of the transaction without any intention to manipulate and in the absence of any knowledge about the counter party broker/counter party client, cannot be deemed to be a manipulative transaction. That there is not even a suggestion to that effect in the SCN that they had the knowledge about the acts of the others who allegedly traded in the securities to manipulate the same. In the absence of such knowledge on their part, there is no question of manipulation on their part as alleged. Further, that inference of any synchronized trading cannot be drawn simply on the basis of time gap between the trades. With regard to trades with Amol Kokane, it was submitted that the reference is based on the record, and they are completely unaware about Amol Kokane. Further, they contended that they have traded in ordinary course of business and the alleged counterparties of some of their trades were merely incidental as entire trades were done on online trading system of BSE and NSE through stock brokers who have the control on part of the input of trades.

92. In this regard, I note that it is already an established fact that the account of Amol Kokane was being operated by Darshan Desai for Nirmal Kotecha. Further, as noted in the foregoing paras, I note that Radha Krishna Garg, who was trading on behalf of DKG was in constant touch with Nirmal Kotecha over the phone. In this regard, I note from the Call Data Records that on November 04, 2008, Nirmal Kotecha had called Radha Krishna Garg at 02:49:58 pm. DKG had cumulatively

placed sell order for 34,000 shares from time period 02:50:20 pm to 02:53:21 pm., i.e., immediately after Nirmal Kotecha had called Radha Krishna Garg. I find that this clearly brings out that the transactions between Amol Kokane and DKG were synchronized. Hence, the fact that DKG was entering into circular trades with Amol Kokane meant that DKG was entering into trades with Nirmal Kotecha who he was in constant touch with over the phone. Further, I note that the said counterparties of DKG's trades were associated to Nirmal Kotecha. Therefore, I find that DKG has entered into multiple reversal and synchronized circular trades with multiple entities associated with Nirmal Kotecha, including trades with Nirmal Kotecha himself (through Amol Kokane). As held in the Order of Hon'ble SAT in Ketan Parekh vs. SEBI (supra), direct evidence may not always be available and one has to depend on the attending circumstances of the case. Therefore, I find the DKG's submission that he was not aware of the counter parties to be untenable. Hence, in the given facts and circumstances of the case, I find that DKG has traded in the shares of PSTL with malafide intent during this identified period, as alleged in the SCN.

93. With regard to DKG's submission that they are not connected to Amol Kokane and they cannot be responsible if their director Radhakrishna Garg is acquainted with Nirmal Kotecha, I find that the same is untenable and erroneous. I note that Radhakrishna Garg had stated that he was an employee who traded on behalf of DKG. Further, Radhakrishna Garg's wife and son are the directors of DKG, which was founded by Radhakrishna Garg. Therefore, I find that Radhakrishna Garg is an integral part of the company and was making the trading decisions of the company and hence, the company cannot simply disassociate itself from the actions of Radhakrishna Garg as the manipulative trades were carried out through the company. In this regard, I note from available records that DKG had cross examined Amol Kokane on September 23, 2019 before Hon'ble WTM of SEBI. Amol Kokane was asked whether he was ever connected to PSTL or has any share of PSTL, whether he knew DKG or Radha Krishna Garg or any other

entity related to DKG and whether he has ever been counter party to the transactions executed by DKG Securities in the shares of PSTL. I note that the Amol Kokane had answered in the negative to all the queries. I find that this further corroborates the fact that it was Darshan Desai who was operating the account of Amol Kokane for Nirmal Kotecha and it is established that Radha Krishna Garg was a close friend of Nirmal Kotecha and was in touch with him when the trades were executed by DKG with Amol Kokane. Further, I note that the Hon'ble SAT, vide Order dated March 02, 2020 against Nirmal Kotecha, had held that:

"21 Similarly, the appellant was in touch with Radha Krishna Garg, almost on a day to day basis, as revealed from call data record of their mobile numbers. This Mr. Garg was an employee of one DKG Securities Pvt. Ltd. - an entity involved in circular and reversal trades of PSTL shares."

94. In view of the above, I find that DKG Securities Pvt. Ltd violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of the PFUTP Regulations.

APL Infrastructure Ltd.:

95. I note that APL Infrastructure Ltd. (hereinafter referred to as "APL") is a promoter group of Bihar Tubes Limited. Sanjay Gupta, vide his statement dated April 30, 2010, had stated that he is the Managing Director of the company of Bihar Tubes Limited and a director in APL. I note, from the call data records of Nirmal Kotecha's Amol Kokane mobile number for the period November-December 2008, that Sanjay Gupta was in close touch with Nirmal Kotecha from December 12, 2008 onwards. Sanjay Gupta has also stated that Mukesh Jain was the new director in the company. In this regard, I note that separate Adjudication proceedings have been initiated against Sanjay Gupta and Mukesh Jain vide show cause notice dated January 20, 2012. I further note that the said show cause notice was issued to one Mukesh Jain who had actually traded in the scrip of PSTL, but who was not the director of Bihar Tubes Limited or APL. Therefore,

I note that Mukesh Jain against whom the show cause notice dated January 20, 2012 was issued to was wrongly assumed to be the director of Bihar Tubes Limited or APL. Hence, the role of Mukesh Jain in respect of APL, will not be taken into consideration while examining the allegations in the SCN against APL. Nonetheless, I find that APL is indirectly connected to Nirmal Kotecha through its director Sanjay Gupta.

96. I observe that during the period from June 1, 2008 to December 19, 2008, APL Infrastructure Pvt. Ltd. had purchased 4,34,248 shares and sold 1,51,960 shares on BSE. Examination of the major counterparties of APL revealed that it had traded with the following major clients on BSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Nirmal Kotecha	1,28,262	Meet Shares and Stocks Services Pvt. Ltd.	12,614
2	Satya Tulsian	50,000	Inventure Growth & Securities Ltd.	10,658
3	SPJ Stock Broker Pvt. Ltd	20,982	Standard Securities & Investment Intermediates Ltd.	8,141
4	Inventure Growth & Securities Ltd.	10,380	SPJ Stock Broker Pvt. Ltd	7,081
5	Ram Bhargava	10,000	Pritiraj Pvt. Ltd.	6,927

97. I further note that during the period from June 1, 2008 to December 19, 2008, APL had purchased 2,80,000 shares and sold 2,288 shares on NSE. Examination of the major counterparties of APL revealed that it had traded with the following major clients on NSE:

S. No.	BUY		SELL	
	Name	**Quantity**	**Name**	**Quantity**
1	Nirmal Kotecha	1,31,972	Gupta Vineet	500
2	DKG Securities Pvt. Ltd.	31,800	MBL & Co. Ltd	234
3	Rajesh Jayantilal Shah	27,712	Samim Vasaya	200
4	Shilpa Vishal Vasa	12,500	Harit Dhirajlal Suru	198
5	PCS Traders	9,600	Spire Associates	102

98. I note from above that APL had traded with Nirmal Kotecha and with various entities associated with Nirmal Kotecha. He had traded with Nirmal Kotecha, SPJ Stock Broker Pvt. Ltd., Inventure, Meet Shares and Stocks Services Pvt. Ltd., DKG and Rajesh Jayantilal Shah. Thus, APL had traded mainly within the group of Nirmal Kotecha entities. Trades with these entities were examined and it was alleged that APL entered into manipulative trades with these group entities of Nirmal Kotecha. There are several instances brought out in the SCN of such transactions. Some of them are as follows:

Reversal Trades:

a) I observe that on July 22, 2008 APL sold 7,060 shares of PSTL through 10 trades to SPJ Stock Broker Pvt. Ltd. on BSE. On the same day, APL bought back 20,982 shares through 7 trades from SPJ Stock Broker Pvt. Ltd. on BSE.

b) Further, on December 18, 2008 Inventure sold 6,955 shares of PSTL through 49 trades to APL on BSE. On the same day, Inventure bought back 9,909 shares through 23 trades from APL on BSE.

Synchronized Trades:

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

1) At 10:25:41 A.M., Nirmal Kotecha placed a sell order, through the broker Kotak Securities Ltd. for 1,00,000 shares at Rs.60.00 per share with a disclosed quantity of 14,000 shares.

2) At 10:27:04 A.M. Nirmal Kotecha placed second sell order, through the broker Kotak Securities Ltd. for 40,000 shares at Rs.60.00 per share.

3) At 10:38:49 A.M., APL placed a buy order through the broker

Religare Securities Ltd., for 99,000 shares at Rs.60.00 per share.

4) At 10:38:50 A.M., the first sell order of Nirmal Kotecha and the buy order of APL got matched at the common order rate (i.e., Rs.60.00 per share) for trade quantity of 93,102 shares.

5) The balance portion of buy order of APL (i.e., 5,898 shares) got traded with various third parties through 25 trades.

6) Thereafter at 10:40:21 A.M., APL placed its second buy order through the broker Religare Securities Ltd. for 40,000 shares at Rs.60.00 per share.

7) At 10:40:21 A.M., the second buy order of APL got matched with the balance quantity of Nirmal Kotecha's first sell order (i.e., 6,898 shares) at a price of Rs.60.00 per share

8) At 10:40:21 A.M., out of the balance portion of the second buy order of APL, 28,262 shares got matched with second sell order of Nirmal Kotecha at a price of Rs. 60.00 per share.

9) The balance portion of the second buy order of APL, (i.e., 4,840 shares) got traded with various third parties through eight trades.

10) At 10:49:26 A.M. Deepak Thakkar placed a buy order of 5,000 shares at a price of Rs. 60.00 per share.

11) Out of the balance portion of second sell order of Nirmal Kotecha, 5,000 shares were got matched with Deepak Thakkar's aforesaid buy order at a price of Rs.60.00 per share vide trade no. 785 at 10:49:26 A.M.

12) The balance portion of the second sell order of Nirmal Kotecha (i.e., 67,387 shares) got traded with various third parties through 13 trades.

13) It is found that there was a time difference of 13:08 minutes between the placing of APL's buy order and the placing of Nirmal Kotecha's sell order (10:38:49 A.M minus 10:25:41 A.M). Examination of trade logs of PSTL shares on December 17, 2008 revealed as follows:

(i) At 10:25:41 A.M., when Nirmal Kotecha placed his sell order at Rs.60.00 per share, the last traded price was Rs. 58.15. Thus, Nirmal Kotecha had placed a sell order at a price which was higher than the last traded price by Rs. 1.85 per share.

(ii) During the time period between 10:25:41 A.M and 10:38:49 A.M (i.e., between the placing of Nirmal Kotecha's sell order and the placing of APL‘s buy order), PSTL shares were being traded on BSE at price range of Rs. 58.40 per share to 59.20 per share.

(iii) Therefore, the sell order of Nirmal Kotecha remained unexecuted in the order book of the stock exchange.

(iv) Thereafter at 10:38:49 A.M, APL placed a buy order at Rs.60.00 per share which got matched with the unexecuted order of Nirmal Kotecha which was pending in the order book of the stock exchange and the trade got executed between their order at the common order rate of Rs.60.00 per share.

(v) Thus, the trade between Nirmal Kotecha and APL resulted in an increase in the traded price of PSTL on BSE on December 17, 2008 and the market traded price of PSTL became Rs.60.00 per share.

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

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

1) At 10:27:25 A.M., Nirmal Kotecha placed a sell order for 1,40,000 shares at Rs.60.00 per share with a revealed quantity of 14,000 shares.
2) At 10:44:04 A.M., APL placed a buy order for 99,000 shares at Rs.60.00 per share.
3) Thereafter, at 10:44:30 A.M., APL placed another buy order for 1,000 shares at Rs.60.00 per share.
4) The aforesaid buy and sell orders of APL and Nirmal Kotecha got matched as follows:
    a. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689162.
    b. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689179.
    c. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689185.
    d. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 AM. vide trade no. 2008121733689190.
    e. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689195.
    f. 14,000 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689200.
    g. 11,928 shares got matched at Rs.60.00 per share at 10:44:04 A.M. vide trade no. 2008121733689205.
    h. 121 shares got matched at Rs.60.00 per share at 10:44:30 A.M. vide trade no. 2008121733692260.

5) Thus 96,049 shares got traded between APL and Nirmal Kotecha in respect of the aforesaid orders.

6) The balance portion of buy order of APL (i.e., 3,951 shares) got matched with various third parties through 50 trades.

7) The balance portion of sell order of Nirmal Kotecha (i.e., 808 shares) got matched with various third parties through seven trades.

8) At 10:48:35 A.M. Nirmal Kotecha deleted the unexecuted portion of his sell order (i.e., 43,143 shares).

9) It is found that there was a time difference of 16:39 minutes between the APL's buy order placement time and Nirmal Kotecha's sell order placement time (10:44:04 A.M minus 10:27:25 A.M). Examination of traded logs for the aforesaid period revealed as follows:

   a. At 10:27:25 A.M., when Nirmal Kotecha placed his sell order at Rs.60.00 per share, the last traded price was Rs. 58.75. Thus, Nirmal Kotecha had placed a sell order at a price which was higher than the last traded price by Rs. 1.25 per share.

   b. During the time period between 10:27:25 A.M and 10:44:04 A.M (i.e. between the placing of Nirmal Kotecha's sell order and the placing of APL‘s buy order), PSTL shares were being traded on NSE at price range of Rs. 58.00 per share to 59.50 per share.

   c. Therefore, the sell order of Nirmal Kotecha remained unexecuted in the order book of the stock exchange.

   d. Thereafter at 10:44:04 A.M APL placed a buy order at Rs.60.00 per share which got matched with the unexecuted order of Nirmal Kotecha which was pending in the order book of the stock exchange and the trade got executed between their order at the common order rate of Rs.60.00 per share.

10) Thus, the trade between Nirmal Kotecha and APL resulted in an increase in the traded price of PSTL on BSE on December 17, 2008 and the market traded price of PSTL became Rs.60.00 per

share.

99. I also observe that during the period December 15-19, 2008 price of PSTL shares increased from Rs.45.80 to Rs.75.40. It was found that during the period December 15-19, 2008, there was significant rise in the price of the scrip of PSTL on three trading dates namely December 19, 2008 (Price rise of Rs.9.40), December 16, 2008 (Rs.7.70) and December 15, 2008 (Rs.6.30). Therefore, the LTP analysis of the orders and trades in PSTL shares on December 19, 16 and 15 of 2008 were carried out. In this regard, I observe that APL had placed only one buy order in PSTL shares on December 16, 2008 on BSE for 5,000 shares or more each. I find that APL placed a buy order for 140,000 shares at a price of Rs.0.80 more than the last traded price and this order got fully executed. This order caused a positive impact on the traded price of PSTL shares on BSE on December 16, 2008.

100. With regard to the alleged transactions, APL has submitted that without prejudice to the contention that the alleged trades were not “reversal” even presuming them to be so, the quantum of alleged “reversal trades” is so miniscule/negligible that they cannot be said to have any impact on the market. Further, that in all orders placed by them, there was difference of at least 13 minutes between the orders of Nirmal Kotecha and APL. That in the scrip which had been liquid and the order already pending at a certain price for 13 minutes, and subsequent buy order placed by APL, the transaction by no stretch can be said to be synchronized. Further, that there is substantial difference between the quantity ordered and quantity traded with Nirmal Kotecha, and as against the quantity ordered by Nirmal Kotecha there is again the difference in quantity transacted with APL. Also, that for a trade to be synchronized, the quantity ordered and traded by both the parties has to be the same which is not the case presently.

101. In this regard, as contended by APL, I note that there was a 13 minutes gap between the sell and the buy orders with Nirmal Kotecha. However, I am of the view that, though there was a time gap of 13 minutes between the sell order placed by Nirmal Kotecha and buy order placed by APL, Nirmal Kotecha had intentionally placed a sell order higher than the price at which the scrip of PSTL was being traded at BSE, which was in the range of Rs. 58.40 per share to 59.20 per share. Therefore, the sell order of Nirmal Kotecha did not match anyone until APL placed a buy order at a higher price matching that of the sell order of Nirmal Kotecha. Therefore, I find that the Noticee's submissions are not acceptable.

102. I further note, from the call data records, that Sanjay Gupta, the director of APL, was in close touch with Nirmal Kotecha during this period, which further strengthens the argument that there was meeting of minds between the parties. I observe that Nirmal Kotecha was in touch with Sanjay Gupta on his mobile number 9810096439 through calls and SMSs just prior to the execution of the aforesaid trades on BSE (starting 10:25) and NSE (starting 10:27) and again at 10:50 i.e. immediately after Nirmal Kotecha deleted the unexecuted portion of his sell order (i.e. 43,143 shares) at 10:48:35. In this regard, I place reference to the Order of the Hon'ble Supreme Court in the matter of SEBI Vs. Kishore R. Ajmera (*Supra*), wherein, it was held that the test to establish the meeting of minds is on the preponderance of probabilities, which in my opinion, has been established from the trading pattern of APL and the call data records. Hence, I also find the contentions of APL that for a trade to be synchronized, the quantity ordered and traded by both the parties have to be the same, as untenable. This is further corroborated by the fact that it was not a single transaction but multiple transactions in the scrip of PSTL by APL. Further, APL has also contended that the company had incurred a loss of Rs. 1.20 crores. That if the trades were executed in connivance, the company would have also known when to exit and would not had incurred losses. However, I find that the same is irrelevant to the findings that APL had indulged in manipulative trades as a loss per se is not a factor to prove that he was not involved in the fraudulent activity. Therefore, in

the present facts and circumstances of the case, I find that APL had entered into synchronized trades with Nirmal Kotecha in the scrip of PSTL on December 17, 2008.

103. APL has also contended that the alleged trades were not reversal and even presuming them to be so, the quantum of alleged reversal trades is so miniscule/negligible that they cannot be said to have any impact on the market. In this regard, as noted in the aforesaid paras, I find that on December 18, 2008, Inventure had sold 6,955 shares of PSTL through 49 trades to APL on BSE. On the same day, Inventure bought back 9,909 shares through 23 trades from APL on BSE. Hence, it is evident that APL along with Inventure, who are both associates of Nirmal Kotecha, entered into multiple transactions with each other to manipulate the market into showing higher trading activity in the scrip of PSTL. Hence, I find APL's contention that it did not have any impact on the market as untenable.

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

"It is amply clear that although the scrip was available at a lower price, the Noticees bought them at a higher price only with a view to give false representation to the general public about the rise in price of the scrip. This was repeatedly done by the Noticees. Such trades undoubtedly have a potential of raising the price of the scrip by sending a wrong signal to the gullible investors about the activity of price hike in the scrip.

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

105. In view of the above, I find that APL Infrastructure Ltd. has violated Section 12A of SEBI Act and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b), and 4(2)(e) of the PFUTP Regulations.

106. In view of the foregoing, I am of the considered view that this scheme, plan, device and artifice exhibited in the said pattern of trading tantamount to fraud in the securities market in as much as it involves manipulative transactions in securities and misuse of the securities market. The manipulative / deceptive transactions of the Noticees are, *prima-facie*, covered under the definition of 'fraud' and the dealings of the Noticees as discussed herein above were "fraudulent", as defined under regulation 2(1)(c) of the PFUTP Regulations, 2003 and prohibited under the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), 4(2)(b), 4(2)(e) and 4(2)(g) of PFUTP Regulations, 2003 read with Section 12A of the SEBI Act.

107. In this regard, I would also like to refer to the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated July 14, 2006 in Ketan Parekh Vs. SEBI, wherein it was held that: "*When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy /sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in*

this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4(a) of the Regulations."

108. Hon'ble SAT further observed that, - *"…. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

109. In view of the foregoing, I conclude that the Noticees viz. Amol Kokane, Falguni Jayesh Shah, Hardik Mithani, Priyanka Darshan Desai, Inventure Growth & Securities Ltd, SPJ Stock Broker Pvt Ltd, DKG Securities Pvt Ltd, APL Infrastructure Ltd and Milanbhai Mithani violated the provisions of Section 12A(a), 12A(b) and 12A(c) of SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(b) and 4(2)(e) of PFUTP Regulations, 2003. I also find that Amol Kokane has further violated the provisions of regulation 4(2)(g) of PFUTP Regulations, 2003,

110. Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that - *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the*

Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…". In view of the same, I am convinced that it is a fit case for imposition of monetary penalty on the Noticees under the provisions of Section 15HA of the SEBI Act, which reads as under:

SEBI Act

Penalty for fraudulent and unfair trade practices.

15HA.If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.

111. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in Section 15J of the SEBI Act which reads as under:

SEBI Act

Factors to be taken into account by the adjudicating officer.

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

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer 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.

112. I note that the Whole Time Member of SEBI in Order dated June 23, 2020 had restrained Falguni Jayesh Shah, Hardik Mithani, Priyanka Darshan Desai, Inventure Growth & Securities Ltd, SPJ Stock Broker Pvt Ltd, DKG Securities Pvt Ltd, APL Infrastructure Ltd and Milanbhai Mithani from dealing in securities market for a period of 2 years. I also note that Amol Kokane was restrained from

dealing in securities market for a period of 12 years vide order dated Order dated June 23, 2020. In view of the same, I find it appropriate to consider the direction in the nature of debarment that has already been passed against the Noticees herein as a relevant factor while deciding the quantum of penalty. I also note that the impugned transactions pertain to the year 2008 and that a considerable amount of time has lapsed since the act of the Noticees took place. Nonetheless, any manipulation in the volume or price of the stocks caused by vested interest always erodes investor confidence in the market so that investors find themselves at the receiving end of market manipulators. The PFUTP Regulations aim to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticees in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. I have also taken into account the fact that the Noticees had traded in a specific pattern and their contribution in manipulation in the scrip. In view of the same, I am inclined to consider that the Noticees are responsible for the aforesaid violations and therefore, I impose an appropriate penalty on the Noticees.

ORDER

113. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty on the Noticees under the provisions of Section 15HA of the SEBI Act:

S. No.	Name	Penalty
1	Amol Kokane	Rs. 4,00,000 (Rupees Four Lakh Only)
2	Falguni Jayesh Shah	Rs. 2,00,000 (Rupees Two Lakh Only)
3	Hardik Mithani	Rs. 2,00,000 (Rupees Two Lakh Only)
4	Priyanka Darshan Desai	Rs. 2,00,000 (Rupees Two Lakh Only)

5	Inventure Growth & Securities Ltd	Rs. 3,00,000 (Rupees Three Lakh Only)
6	SPJ Stock Broker Pvt Ltd	Rs. 2,00,000 (Rupees Two Lakh Only)
7	DKG Securities Pvt Ltd	Rs. 2,00,000 (Rupees Two Lakh Only)
8	APL Infrastructure Ltd	Rs. 2,00,000 (Rupees Two Lakh Only)
9	Milanbhai Mithani	Rs. 2,00,000 (Rupees Two Lakh Only)

114. I am of the view that the above penalty is commensurate with the lapse/omission on the part of the Noticees. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

115. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the "The Division Chief, EFD-1, DRA-II, SEBI, SEBI Bhavan 2, Plot No. C –7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051". The Noticee shall provide the following details while forwarding DD/ payment information:

a) Name and PAN of the entity

b) Name of the case / matter

c) Purpose of Payment – Payment of penalty under AO proceedings

d) Bank Name and Account Number

e) Transaction Number

116. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A

of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

117. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Date: May 31, 2021 **VIJAYANT KUMAR VERMA**

Place: Mumbai **ADJUDICATING OFFICER**