

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**CORAM: Dr. T.C. NAIR, WHOLE TIME MEMBER**

Date of hearings : March 07, 2006, August 29, 2006

*Appearance*

For Noticee : None Appeared

For SEBI : Shri P K Nagpal, Executive Director  
Shri Praveen Trivedi, Dy. Legal Adviser  
Shri Ansuman Dev Pradhan, Manager  
Ms. Kshama Chavan, Legal Officer

**IN THE MATTER OF SHRI KETAN PAREKH AND OTHER ENTITIES  
RELATED TO HIM AS LISTED HERE UNDER:**

- |  |   |
|--|---|
| 1. Shri Ketan V. Parekh (KP)   | 10. M/s. Goldfish Computers Pvt. Ltd. (Goldfish /GCPL)  |
| 2. Shri Kartik K. Parekh (KKP)   | 11. M/s. Nakshatra Software Pvt. Ltd. (Nakshatra /NSPL) |
| 3. M/s. Classic Credit Ltd. (Classic Credit/CCL)                         | 12. Shri Navinchandra N. Parekh (NNP)                   |
| 4. M/s. Panther Fincap & Management Services Ltd. (Panther Fincap/ PFMS) | 13. Shri Kirtikumar N. Parekh (KNP)                     |
| 5. M/s. Luminant Investments Pvt. Ltd. (Luminant /LIPL)                  | 14. Shri Jayant N. Parekh (JNP)                         |
| 6. M/s. Chitrakut Computers Pvt. Ltd. (Chitrakut /CCPL)                  | 15. Shri Vipul D. Parekh (VDP)                          |
| 7. M/s. Saimangal Investrade Ltd. (Saimangal /SIL)                       | 16. NH Securities Ltd.(NH)                              |
| 8. M/s. Classic Infin Ltd. (Classic Infin /CIL)                          | 17. Triumph Securities Ltd.(TSL)                        |
| 9. M/s. Panther Investrade Ltd. (Panther Investrade /PIL)                | 18. Triumph International Finance India Ltd. (TIFIL)    |

**ORDER**

**UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992, READ WITH SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS AND SEBI**

**(SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS, FOR THEIR TRANSACTIONS IN THE SCRIPS OF HIMACHAL FUTURISTIC COMMUNICATIONS LIMITED (HFCL), ZEE TELEFILMS LIMITED (ZEE), ADANI EXPORTS LIMITED (ADANI) GLOBAL TELE-SYSTEMS LIMITED (GTL), RANBAXY LABORATORIES LIMITED (RANBAXY), SHRI ADHIKARI BROTHERS TELEVISION NETWORK LIMITED (SAB TV), SHONKH TECHNOLOGIES INTERNATIONAL LIMITED (SHONKH), PADMINI TECHNOLOGIES LIMITED (PADMINI) {FORMERLY PADMINI POLYMERS LIMITED} AND AFTEK INFOSYS LIMITED (AFTEK)**

1. Noticing significant rise in prices and volumes, SEBI conducted various investigations into the buying, selling and dealings into the scrips of **HFCL, Zee, Adani, GTL, Ranbaxy, SAB TV, Shonkh, Padmini and Aftek** during October 1999-March 2001 (hereinafter referred to as “investigation period”).
2. The respective investigations revealed that all the entities mentioned in Page No. 1 of this order who were directly/indirectly related/connected to Shri Ketan V. Parekh (hereinafter referred to as ‘KP entities/ KP Group’) were involved in market manipulation in the aforesaid scrips in violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 {hereinafter referred to as “SEBI (PFUTP) Regulations”} and / or SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as “Takeover Regulations”).
3. Investigations inter alia, revealed that the entities mentioned above indulged inter alia in manipulative activities such as:
  - i. Synchronized trades;

- ii. Financing transactions giving the semblance of purchase and sale of shares at the Exchanges;
- iii. Circular trading and creation of artificial volume; and
- iv. Benchmarking of the prices of certain scrips by executing non-genuine transactions.

As it was alleged in the respective investigation reports that the modus operandi adopted by all the above mentioned entities in manipulating various scrips referred to hereinabove, was, by and large, the same and Shri Ketan V Parekh was alleged to be the master mind behind all the acts of omission or commissions by these entities, I have decided to pass a common order with respect to all these entities referred to as KP entities in various show cause notices.

#### **4.0 SHOW CAUSE NOTICES**

Various show cause notices (SCNs), on different dates were issued to the entities by SEBI.

##### **4.A Show Cause Notice dated January 31, 2005 (in the scrips of HFCL, Zee, Adani and GTL)**

4.A.1 On investigations into the buying, selling and dealings in the scrip of HFCL, Zee, Adani and GTL for the period from October 01, 1999 to March 31, 2001 (investigation period), it was inter alia found that -

- i. KP entities received funds from the promoter group companies of HFCL, Zee and Adani.
- ii. Also, KP entities conducted significant number of transactions in these scrips through various related brokers at the National Stock Exchange of India Limited (NSE), the Bombay Stock Exchange Limited (BSE) and the Calcutta Stock Exchange (CSE) with the

intention of artificially raising the prices or arresting the prices from declining and in that process, manipulated the market.

iii. Shri Ketan Parekh and Shri Kartik K. Parekh operated through various entities as under and facilitated hiding nexus between source of funds flow and its ultimate use. The KP entities found to be involved in these transactions are:

- a Shri Ketan V. Parekh
- b Shri Kartik K. Parekh
- c M/s. Panther Fincap & Management Services Ltd.
- d M/s. Classic Credit Ltd.
- e M/s. Panther Investrade Ltd.
- f M/s. Classic Infin Ltd.
- g M/s. Saimangal Investrade Ltd.
- h M/s. Chitrakut Computers Pvt. Ltd.
- i M/s. Luminant Investments Pvt. Ltd.
- j M/s. Goldfish Computers Pvt. Ltd.
- k M/s. Nakshatra Software Pvt. Ltd.

iv. Transactions were conducted in the names of large number of entities to facilitate avoidance of concentration of positions/transactions in particular scrip and to make detection difficult.

4.A.2 In view of the above findings, vide show cause notice dated January 31, 2005, Shri Ketan V Parekh, Shri Kartik Parekh and the remaining 9 connected KP entities, as mentioned above, were called upon to show cause as to why suitable directions under Section 11 and 11B of SEBI Act, 1992 (hereinafter referred to as “the Act”) read with PFUTP Regulations should not be passed against them.

**4B Show Cause Notice dated May 16, 2005 (Funds received from Vidyut Investments Ltd.)**

Investigations conducted by SEBI, revealed that during the period January 1999 to December 2000, certain KP entities received funds to the extent of Rs. 351 crore from Vidyut Investments Ltd., a group company of Ranbaxy Laboratories Limited (Ranbaxy) and used the said funds to manipulate the market. Accordingly, a supplementary show cause notice dated May 16, 2005 was issued to the following two KP entities:

- a. M/s. Classic Credit Ltd.
- b. M/s. Panther Fincap & Management Services Ltd.

**4C Show Cause Notice dated September 28, 2005 (in the scrip of SAB TV Ltd)**

Investigations into the scrip of SAB TV Ltd. during the period February 23, 2000 to October 13, 2000 revealed that KP entities executed several structured deals through various brokers. The sell orders of the KP entities entered through various brokers matched with the buy orders of Unit Trust of India (UTI). Investigations also revealed that Triumph International, a KP related broker, executed several cross deals, where its clients were buying and selling only among themselves. In view of the above, show cause notice dated September 28, 2005 were issued to the following four KP entities:

- a. M/s. Panther Fincap & Management Services Ltd.
- b. M/s. Classic Credit Ltd.
- c. M/s. Chitrakut Computers Pvt. Ltd.
- d. M/s. Triumph International Finance India Ltd.

**4D. Show cause notice dated January 30, 2002 [in the scrip of Shonkh Technologies International Ltd. (Shonkh)]**

Investigations pertaining to period August 09, 2000 to March 31, 2001 in Shonkh revealed that Shri Ketan Parekh related entities acquired more than 15% of the paid up equity capital of Shonkh and did not make public offer as required under Regulation 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (Takeover Regulations). Some KP entities were also found to have acquired more than 5% of the paid up equity capital of Shonkh on certain dates but failed to make necessary disclosures as required under Regulation 7(1) & (2) of Takeover Regulations. In view of the above, SCN was issued to the following KP entities:

- a. M/s. Classic Credit Ltd.
- b. M/s. Panther Fincap and Management Services Ltd.
- c. M/s. Panther Investrade Ltd.
- d. M/s. Luminant Investments Pvt. Ltd.
- e. M/s. Triumph International Finance India Ltd.
- f. M/s. Triumph Securities Ltd.
- g. M/s. Chitrakut Computers Pvt. Ltd.
- h. M/s. Goldfish Computers Pvt. Ltd.
- i. M/s. Nakshatra Software Pvt. Ltd.
- j. M/s. Saimangal Investrade Ltd. and
- k. M/s. NH Securities Ltd.

**4E Show Cause Notice dated March 28, 2002 (in the scrip of Shonkh)**

Investigations further revealed that entities related to Shri Ketan V. Parekh were involved in several irregularities such as circular trades, synchronization of trades, creation of artificial volumes, creation of false market and benchmarking of price in the scrip of Shonkh. In view of the above, show cause notices were also issued to following four KP entities:

- a. M/s. Panther Fincap & Management Services Ltd.
- b. M/s. Classic Credit Ltd.
- c. M/s. Panther Investrade Ltd.
- d. M/s. Luminant Investments Pvt. Ltd.

**4F Show Cause Notice dated July 24, 2002 and June 9/10, 2004 [in the scrip of Padmini Technologies Ltd., (Padmini)]**

Investigations conducted by SEBI into the buying, selling & otherwise dealing in the scrip of Padmini pursuant to its preferential issue in 1999 revealed that several KP entities acted in nexus with the promoters of Padmini to offload the shares issued on preferential basis which were allotted by Padmini in June 1999 on an irregular basis and without receipt of money. The share price of Padmini had gone up from Rs. 60.95 on December 13, 1999 to Rs. 266 on March 10, 2000.

Investigations also revealed that Panther Fincap and Classic Credit Ltd. held 25 lakh shares each of Padmini as on December 31, 1999, which amounted to 10.08% of total share capital of the company. SCN dated July 24, 2002 was issued to these entities for violation of Takeover Regulations.

Further, two SCNs, both dated June 9/10, 2004 were issued to the following KP entities and their directors for alleged market manipulation:

- i. M/s Panther Fincap & Management Services Ltd. and its six directors namely:
  - a. Shri Ketan V. Parekh
  - b. Shri Kartik K. Parekh
  - c. Shri Navinchandra N. Parekh
  - d. Shri Kirtikumar N. Parekh

- e. Shri Jayant N. Parekh and
  - f. Shri Vipul D. Parekh
- ii. M/s. Classic Credit Ltd. and its three directors, namely
- a. Shri Ketan V. Parekh,
  - b. Shri Kartik K. Parekh and
  - c. Shri Kirtikumar N. Parekh

Since the payment for shares acquired were made at the end of December 1999 i.e. more than 2 months after the date of their acquisition on October 12, 1999, Panther Fincap and Classic Credit were also charged for violation of Section 2 (i) of Securities Contract (Regulation) Act, 1956.

**4G Show Cause Notice dated September 30, 2002 [in the scrip of Aftek Infosys Ltd. (Aftek)]**

Investigation in the scrip of Aftek Infosys Ltd. (Aftek) during the period July 1999 to March 2000 revealed that entities related to Shri Ketan Parekh entered into structured financing cum option agreement with promoters of Aftek in November 1999. These entities were also found to have bought and sold huge quantities of shares of Aftek in synchronized deals. These trades were executed at prices higher than the last traded price and were fictitious and non genuine in nature. These transactions were also circular transactions which created artificial market and volume for the scrip. The share price of Aftek moved from Rs. 82 on July 15, 1999 to Rs. 1292.50 on December 8, 1999. In view of the violations committed, show cause notice dated September 30, 2002 was issued to the following KP entities:

- a. M/s. Classic Credit Ltd.
- b. M/s. Panther Investrade Ltd.
- c. M/s. Panther Fincap & Management Services Ltd.



## **5.0 REPLIES TO THE SHOW CAUSE NOTICES**

5.1 Various replies were received and correspondence was exchanged between SEBI and the noticees. The gist of various replies are brought out here to indicate the main and relevant objections/submissions made by the entities show caused.

### **5.2 Replies to the show cause notice dated January 31, 2005 (GTL, HFCL, Zee, Adani)**

#### **5.2.A In the scrip of GTL**

Shri Ketan V. Parekh and Shri Kartik K. Parekh, vide letters dated February 25, 2005, requested for additional time to file reply to the aforesaid show cause notice. On a reminder dated March 28, 2005 from SEBI, they sought further extension of time vide their letters dated April 04, 2005. However no reply whatsoever, was ever received by these two. Remaining 09 KP entities vide their letters dated February 25, 2005 replied to the above mentioned show cause notice. Though different entities submitted different replies, I note that by and large their submissions were common in nature wherein they inter alia stated as under:

- i. SEBI did not indicate the rationale for picking the particular period from October 1999 to March 31, 2001 for carrying out the investigations. There is reference to both price rise and price fall during the impugned period. This indicated that there was no reason, motive or intention attributable to KP entities for having traded in the scrip.*
- ii. SEBI appeared to have relied upon the data received from the brokers in concluding that the KP entities had done significant trading in the scrip of GTL. This conclusion was gross violation of the principles of natural justice.*
- iii. Carrying forward of the positions, upon payment of margins, as required by the exchange, was permitted during the period when these transactions*

*were carried out. Further, there was no particular importance to the number of share purchase transactions carried forward by the KP entities from settlement to settlement.*

- iv. *It was incorrect to take settlement wise positions as the only indicator of trading in the scrips instead the daily positions ought to have been considered.*
- v. *The order logs and trade logs for the synchronized deals relied upon by SEBI in the SCNs ought to have been provided to the show caused.*

Since the replies received by SEBI were incomplete and did not cover all charges, SEBI vide letter dated March 28, 2005, advised these 09 entities to submit their complete replies within 10 days. Vide letter dated April 04, 2005 they however sought copies of the documents relied upon by SEBI in support of the charges. Subsequently these entities submitted their replies vide letters dated April 29, 2005.

#### **5.2.B In the scrip of HFCL**

In regard to the scrip of HFCL, replies dated April 29, 2005 were received from the following KP entities:

- a. Panther Fincap & Management Services Ltd.
- b. Panther Investrade Ltd.
- c. Classic Credit Ltd.
- d. Classic Infin Ltd.
- e. Luminant Investments Pvt. Ltd.
- f. Chitrakut Computers Pvt. Ltd. and
- g. Saimangal Investrade Ltd.

These entities inter alia raised the following main contentions:

- i. *Borrowing money for the purpose of meeting their own settlement obligations towards the exchanges or to the brokers and to make payments on their own accounts to banks cannot be in contravention of any law or regulation.*

- ii. *Transfer of position, from one settlement to another, as alleged, was done through the exchange provided mechanisms of ALBM and BLESS and not done outside the market. The purchase in a settlement was carried forward to the next settlements due to paucity of funds or for such other valid and legally permissible reasons.*
- iii. *The allegation that Ketan Parekh entities had substantial trading in the scrip at the BSE during the period from October 2000 to March 2001 is completely unsupported by the data.*
- iv. *The alleged synchronised transactions through Credit Suisse First Boston (India) Securities Ltd. (CSFB) & Dresdner Kleinwort Benson Securities (India) Limited (DKB), have already been covered vide SEBI's order dated December 12, 2003. Seeking to visit further consequences in respect of the same acts as alleged to have been committed by them, after having punished them through an earlier order was not proper and shows mala fides.*

As requested by these entities, SEBI allowed all 11 noticees, the inspection of the relied upon documents on May 17 and 18, 2005. The inspection of relied upon/relevant documents was conducted by their solicitors M/s. Law Desk.

Pursuant to the inspection, their solicitors vide letter dated May 26, 2005, sought additional documents and further time for filling the replies with respect to Zee and Adani. These documents were given to these noticees vide letter dated July 11, 2005.

### **5.2.C In the scrip of Zee**

In regard to the scrip of Zee, vide letter dated August 11, 2005 replies were received from 9 KP entities. However no reply was received from Shri Ketan Parekh and Shri Kartik Parekh. The entities inter alia made following submissions:

- i. *Borrowing money for the purposes of meeting one's own financial obligation during the time of financial crisis is not against any law or custom. Inter-corporate borrowings are very much a commercial practice the world over and permitted by law. It is an entirely different scenario*

*where the borrower is incapable of returning the loan. It is a contract between the two parties, the lender and the borrower, and the borrower is under a contractual agreement to repay the loan failing which the lender may enforce his rights against the borrower in an appropriate court of law having jurisdiction over such matters.*

- ii. SEBI neither has the authority nor the jurisdiction to sit upon such matters which is entirely between two entities. Such contract is governed by the principle of privity of contract where the third party has no statutory right to enforce the contract.*
- iii. Findings of investigation have tried to co-relate the receiving of funds with dealings in the scrip of Zee. Besides being incomprehensible to construe any relationship between two entirely separate and different corporate actions, this finding once again presupposes 'a KP group', when there is none and is biased and prejudiced.*
- iv. Further there is absolutely no reference to the net position of the entire market and thus no basis for the investigating officer to allege the size of the transaction involved. The transactions through CSFB & DKB were already covered vide SEBI Order dated December 12, 2003.*

#### **5.2.D In the scrip of Adani**

Vide letter dated September 16, 2005, 9 KP entities submitted replies with respect to their trading in the scrip of Adani Exports Ltd. However, no reply was received from the Ketan Parekh and Kartik Parekh. These 9 entities inter alia made following submissions :

- i. There was no association between Adani Group / promoters and Ketan Parekh and his entities. Alleged influence of their trading on the price rise, was only surmise and conjectures of SEBI with no substance.*
- ii. With respect to the allegation of synchronised trades executed through CSFB, the alleged financing transactions were perfectly legal and permissible at the relevant time. Nakshatra also denied receipt of any finance from CSFB.*
- iii. Every transaction through the mechanism of the exchange system had resulted in delivery of shares / funds and in every trade, obligation to counter parties and the exchange was duly met. It was therefore incorrect to say that the transactions registered false volume in the scrip.*

**5.3 Replies to Show Cause Notice dated May 16, 2005 regarding dealings of KP entities with Vidyut Investments Ltd.**

Both Panther Fincap and Classic Credit replied to the show cause notice dated May 16, 2005 vide letters dated September 29, 2005 with regard to funds received from Vidyut Investments Ltd and while denying their alleged connection with Shri Ketan Parikh inter alia submitted that receiving of funds from different entities was completely legal and genuine and the funds were used to meet that short term financial obligations.

**5.4 Replies to Show Cause Notice dated September 28, 2005 for dealing in the scrip of SAB TV**

Classic Credit, Panther Fincap and Chitrakut submitted their replies vide letter dated October 21, 2005 whereas Triumph International forwarded its reply vide letter dated December 06, 2005. While reiterating their earlier stance with respect to previous show cause notices, they added that:

- i. *They were not barred by law from trading through various brokers of BSE and NSE. The reason for trading through different trading members was to avail the best opportunities available in the market without losing much time in getting the orders executed and the trades executed on the platform of stock exchange were legal and permissible trades for which pay-in and delivery requirements were met on time.*
- ii. *The allegation of SEBI that the trades executed through M/s. Hem Securities Ltd., M/s Chandravadan J. Dalal and M/s. Milan Mahendra Securities Pvt. Ltd. were structured trades merely on the basis that the same were bought by UTI within a few seconds of placing the sell orders is not sustainable. The scrips in the entertainment sector were quite liquid during the period under consideration and hence, whatever sell orders were placed were bought immediately at the exchange. It is common knowledge that in screen based trading, the identity of the counter party is not known. While placing the sell orders with the trading members, it was impossible for them to know the identity of the counter party placing buy orders to match with their sell orders. Structured deals or negotiated deals were common market practice during the period in question and*

were permissible under law as evidenced by Circular no. SMDRP/POLICY/CIR-32/99 dated September 14, 1999 governing negotiated deals.

- iii. *Triumph International, which was a broker, while referring to various correspondences with SEBI contested terming it as KP entity and stated that it has no connection or relationship with any of the clients which were termed as KP entities, save and except broker client relationship.*

#### **5.5 Replies to Show Cause Notice dated January 30, 2002 and March 28, 2002 for dealing in the scrip of Shonkh**

Vide letter dated July 10, 2002, replies were filed by all the KP entities except Triumph International Finance India Ltd. All these replies were signed by Shri Ketan Parekh as their authorised signatory. While denying all the allegations, they requested for the relied upon documents and evidences.

Triumph International vide its reply dated February 14, 2002 inter alia stated as under :

- i. *Triumph International is neither controlled nor managed by Shri Ketan Parekh. The shares referred to in the Show Cause Notice were not acquired by but were given to them as “margin” against the receivables from their clients as security. It was only for the purpose of ensuring that the securities remained with the company that the shares in question were transferred to the demat account held by the company with the depository.*
- ii. *Triumph International cannot be treated as “acquirer” in terms of Takeover Regulations and the provisions of Regulations 2(1)(e) of Takeover Regulations did not apply to them as they had not acted in concert with any other persons for acquiring the control and / or purchasing of any shares of Shonkh. .*
- iii. *The shares of Shonkh received by Triumph International from time to time from its clients were received as security against receivables. Save and except 2,80,000 shares, which were held till date as security against receivable, all the shares were returned to the clients and therefore it would not be just and proper to hold that they had acquired these shares in violation of Takeover Regulations.*

## 5.6 **Replies to the show cause notices in the matter of Padmini Technology**

Replies to SCNs were received from all the noticees vide their letters dated August 8, 2002 and June 19, 2004 respectively. These KP entities inter alia made the following submissions :

5.6A Vide their reply dated August 8, 2002 the noticees, without making any submission on the merit of the charges and without giving any reason for their non compliance of Regulation 7(1) of Takeover Regulations, referred to the order dated October 22, 2001 passed by the Hon'ble Securities Appellate Tribunal in the case of *Sterlite Industries India Ltd.*, while referring to the said order, they stated that Section 11B did not empower SEBI to impose penalties. It was submitted that the directions sought to be passed by SEBI were neither remedial nor preventive in nature. Further, it was stated that the prima-facie findings against them were technical in nature and interests of investors or capital market cannot be said to have been hindered by the alleged contraventions.

5.6B Vide their letter dated June 19, 2004, all the noticees submitted their replies to the show cause notice dated June 09/10, 2004. These KP entities inter alia submitted that:

- i. *Each of these companies and their directors were separate legal entities and did not form part of any group or association.*
- ii. *They had not participated in any kind of nexus with promoters of Padmini in offloading of the preferential allotment shares made in favour of certain entities. They were not aware of the mode of acquiring shares from Padmini and also whether the value of shares had been fully paid up or not.*
- iii. *With regard to the alleged nexus with Promoters of Padmini and the share deals, the shares were acquired by them in a genuine off-market transaction on December 22, 1999 without any knowledge of the alleged connivance between the promoters and the preferential allottees.*

- iv. *There was no contract dated October 12, 1999 as alleged between selling entities and them but had a proposal to sell which was accepted by them on December 21, 1999. The payment for shares purchased was made on December 22, 1999 by way of demand drafts, after receipt of delivery of the shares. Their contract was therefore, within the ambit of section 2(1)(a) of SCRA as payments were made on next day.*
- v. *The directors of Panther and Classic did not buy, sell or deal in shares in personal capacity. Further the transactions were not carried out in any fraudulent manner as they were very much within the ambit of SEBI Rules and Regulations and bye laws of the stock exchange. Further, they did not engage in any act or practice during the course of business which was a fraud upon any person either knowingly or unknowingly. Further, they did not have any knowledge of unfair trade practices, if any, indulged in by the promoters of Padmini in the allotment of preferential shares.*
- vi. *Transaction by SBI MF was on the basis of presentation made by the promoters of Padmini. SBIMF purchased 22 lakh shares out of 34.475 lakh shares held by them and they had no role in influencing SBI MF's decision to invest in the shares of Padmini.*
- vii. *Further, the assumption that their shares have been dematerialised out of turn by Padmini by withholding other floating stock was false.*
- viii. *Shri Vipul D Parekh and Shri Jayant N. Parekh were not shareholders of Panther. They were appointed as director of Panther because of their professional abilities.*

5.6C Vide the aforesaid letter, the entities also sought certain documents. Vide SEBI's letter dated October 4, 2004, the relevant documents were provided to Panther Fincap, Classic Credit and their directors.

Pursuant to the same, similar replies dated October 18, 2004 were received from Shri Navinchandra Parekh, Shri Vipul D. Parekh, Shri Kirtikumar N. Parekh and Shri Jayant Parekh, who inter alia submitted that the documents did not substantiate the allegation that they had done anything in violation of law. They further submitted that they were never related, associated with or responsible for the day to day affairs of any of the companies mentioned in the show cause notice. Vide letter



dated October 21, 2004, Classic Credit, Panther Fincap and Shi Ketan Parekh made further submissions on the relied upon documents provided to the above KP entities.

SEBI vide letter dated August 31, 2005, inter alia informed (Panther Fincap, Classic Credit and their directors) about the details of the documents which were relied upon by SEBI while issuing the show cause notice. SEBI had also provided the submissions made by various persons whose statements were taken by SEBI.

#### **5.7 Replies to the Show Cause Notice dated September 30, 2002 (Aftek)**

Though the noticees initially sought time to file their replies, no reply was ever received from them.

### **6.0 PERSONAL HEARING**

- 6.1 An opportunity of combined personal hearing was granted to all the Ketan Parekh group entities on March 07, 2006. However, the entities raised certain issues on various show cause notices issued to them over a period of time and asked for fresh date of hearing. Vide letters dated March 2, 2006, 9 KP group entities, viz., Panther Investrade, Panther Fincap, Goldfish, Classic Infin, Chitrakut, Luminant, Saimangal, Classic Credit and Nakshatra submitted that SEBI did not provide them the relied upon documents and materials in support of the charges alleged in the respective show cause notices. They further requested for some specific information /documents relied upon by SEBI pertaining to their dealings in the scrips of GTL, HFCL, ZEE, Adani, Shonkh, SAB TV and Ranbaxy to enable them to file a comprehensive reply to the show cause notices.

- 6.2 Vide letters dated March 3, 2006, Shri Ketan Parekh and Shri Kartik V Parekh while referring to the show cause notice dated January 31, 2005 pertaining to the scrips of HFCL, GTL, Adani and Zee, submitted that their association with some of those entities had been in their professional capacity as directors of these companies. It was further stated that the findings in the show cause notice did not allege any wrong doing by them per se. They requested SEBI to provide all the documents and evidences if any, relied upon to enable them to file a comprehensive reply to the show cause notice issued.
- 6.3 Other opportunities of hearings were granted to all the KP entities on August 29, 2006 and September 27, 2006. However, none appeared on behalf of any of the noticees.

## **7.0 CONSIDERATION OF ISSUES AND FINDINGS:**

- 7.1 I have taken into consideration the findings of investigation as communicated vide various show cause notices, replies received, oral and written submissions made by various entities who were termed as “KP entities/group” and other facts, as available on record. Before proceeding in the matter on the basis of the show cause notices and replies received from various noticees, I wish to deal with some of the common/preliminary issues raised by the noticees, as under:

### **7.2 Whether all these entities can be termed as KP entities / Group?**

- 7.2A One of the main objections raised by all the alleged “KP entities” were that they cannot be termed as “KP entities” since their shareholding pattern was different from each other and there was nothing to suggest that they were connected to each other. In this regard, I, on the basis of the available records find that there is a statement made by Shri Ketan

Parekh dated July 20, 2001 clearly stating that he is connected with one way or the other with all these entities. In this regard, I rely upon SEBI order dated December 12, 2003 and SAT Order dated July 14, 2006 in the matter of KP entities wherein after detailed examination, both the authorities have held that the entities mentioned from Sr. No. 1 to 9 at page 1 of this order can be termed as “KP entities”. These findings can be treated as confirmed by the Hon’ble Supreme Court in view of the dismissal of the appeal filed by Shri Ketan Parekh and others challenging the SAT order. In view of the aforesaid there is no dispute regarding close association of entities mentioned at Sr. No. 1 to 9 at page no. 1 of this order.

7.2B The close association of the KP entities is further confirmed by the fact that most of the natural persons/notices to whom show cause notices were issued, were close relatives of each other. So far as corporate entities are concerned, either the addresses or the directors were found to be common. The details of these entities are as under:

<b>Sr. No.</b>	<b>Name of the entity</b>	<b>Address</b>	<b>Director /relation</b>
1	<b>Shri Ketan V Parekh</b>	121 Radha Bhavan 1st Floor Nagindas Master Road Mumbai	Self
2	<b>Shri Kartik K Parekh</b>	121 Radha Bhavan 1st Floor Nagindas Master Road Mumbai	Cousin of Shri Ketan V Parekh
3	<b>Classic Credit Ltd.</b>	5th Floor Manek Mahal 90 Veer Nariman Road Mumbai	Kiritkumar N Parekh Kartik K Parekh Ketan V Parekh
4	<b>Panther Fincap &amp; Management Services Ltd.</b>	Ground Flr, Bhupen Chambers, 9 Dalal Street, Mumbai 23	Navinchandra Parekh, Kirti Kumar N Parekh, Ketan V Parekh  Kartik Parekh,  Jayant N Parekh

<b>Sr. No.</b>	<b>Name of the entity</b>	<b>Address</b>	<b>Director /relation</b>
			Vipul D Parekh
5	<b>Luminant Investments (P) Ltd</b>	1st Floor, Radha Bhavan Nagindas Master Road, Fort, Mumbai	Ketan V Parekh Arun J Shah
6	<b>Saimangal Investrade Ltd</b>	1st Floor, Radha Bhavan Nagindas Master Road, Fort, Mumbai	Ketan V Parekh Kartik K Parekh
7	<b>Chitrakut Computers Pvt. Ltd.</b>	Ground Flr, Bhupen Chambers, 9 Dalal Street, Mumbai 23	Kirti N Parekh Ketan V Parekh
8	<b>Classic Infin Ltd</b>	Radha Bhavan, 121 Nagindas Master Rd, Fort, Mumbai 23	Ketan V Parekh, Kirti N Parekh Kaushik C Shah
9	<b>Panther Investrade Ltd.</b>	121 Radha Bhavan 1st Floor Nagindas Master Road Mumbai	Kiritkumar N Parekh Kartik K Parekh
10	<b>M/s Goldfish Computers Pvt. Ltd.</b>	1st Floor, Radha Bhavan Nagindas Master Road, Fort, Mumbai	Ketan V Parekh and Kaushik C Shah
11	<b>Nakshatra Software Pvt. Ltd.</b>	1st Floor, Radha Bhavan Nagindas Master Road, Fort, Mumbai	Ketan V Parekh and Kaushik C Shah
12	<b>Shri Navinchandra N Parekh</b>	3 <sup>rd</sup> Floor, 568 Lady Jahangir Road, Five Gardens, Matunga, Mumbai – 19.	Uncle of Shri Ketan V Parikh
13	<b>Shri Kirtikumar N Parekh</b>	103/5 Blackie House, 3 <sup>rd</sup> Floor, Opposite GPO, Fort, Mumbai – 1.	Father of Shri Kartik Parekh and uncle of Shri Ketan Parekh
14	<b>Shri Jayant N Parekh (Padmini)</b>	Fortune, 3 <sup>rd</sup> Floor, 568 Lady Jahangir Road, Five Gardens, Matunga, Mumbai – 19.	As per information provided by Panther Fincap to SEBI vide its letter dated March 20, 2003, Shri Jayant N. Parekh (son of Shri Navinchandra N. Parekh) was the director

<b>Sr. No.</b>	<b>Name of the entity</b>	<b>Address</b>	<b>Director /relation</b>
			from November 22, 1983 to March 5, 2001.
15	<b>Shri Vipul D Parekh (Padmini)</b>	3/10 Damodar Smruti, 14 <sup>th</sup> Road, Khar (West), Mumbai –	As per information provided by Panther Fincap to SEBI vide its letter dated March 20, 2003, Shri Vipul D. Parekh (son of Shri Dineshchandra P. Parekh) was the director from April 1, 1996 to March 5, 2001.
16	<b>Triumph Securities Ltd.</b>	Oxford Centre, 10 Shroff Lane, Colaba Causeway, Mumbai 5	Ketan V Parekh, Kartik K Parekh, Dhiren Bhatia, Ami K Parekh
17	<b>Triumph International Finance India Ltd</b>	Oxford Centre, 10 Shroff Lane, Colaba Causeway, Mumbai 5	Ketan V Parekh Dharmesh Doshi, Jatin Sarvaiya A R Kapadia
18	<b>NH Securities Ltd.</b>	Ground Flr, Bhupen Chambers, 9 Dalal Street, Mumbai 23	V N Parekh, Kirti Kumar N Parekh, Navinchandra Parekh

7.2C The contention of Shri Vipul D. Parekh and Shri Jayant N. Parekh of being director of Panther Fincap because of their professional abilities and not being involved in day to day affairs of Panther Fincap is not acceptable. As can be seen from the above table, Shri Jayant N. Parekh is son of Shri Navinchandra N. Parekh, who happens to be real uncle of Shri Ketan Parekh. Also, Shri Navinchandra N. Parekh has been holding 17,56,980 (i.e. 46.27%) shares of Panther Fincap (out of total share capital of 37,96,750 shares as on September 29, 1999) in joint names with others namely Smt. Vinodini N. Parekh, Shri Vinaychandra N. Parekh. Moreover, Panther Fincap is a closely held company and as it had 14 shareholders as on September 29, 1999 and 15 as on September 30, 2000. Further, these persons were directors of Panther Fincap for long duration. Shri Vipul Parekh was the director of Panther Fincap from April 1996 to March 2001 and Shri Jayant Parekh was its director from

November 1983 to March 2001. Thus, it can safely be concluded that all these natural persons who were close family members are responsible for the misdeeds done in the name of the closely held companies established / run by the family over a period of time.

7.2D It is pertinent to mention that Goldfish Computers has the same address as that of Classic Credit and Shri Ketan Parekh along with Shri Kaushik C. Shah who was controlling and managing the company. The introduction to the Bank account of Chitrakut and Goldfish with Global Trust Bank was given by directors of N. H Securities. As regards Nakshatra, Luminant and Sai Mangal, all the three companies are operating from 121, Nagindas Master Road, Radha Bhawan, 1<sup>st</sup> Floor, Fort, Mumbai. This is the same address as that of Panther Investrade. The directors of Sai Mangal are Shri Ketan Parekh and Shri Kartik Parekh while that of Nakshatra are Shri Ketan Parekh and Shri Kaushik C. Shah and in Luminant, the directors are Shri Ketan Parekh and Shri Arun J. Shah. There is no dispute that these entities are also controlled and managed by Shri Ketan Parekh albeit with the help of others. NH Securities is being operated from 9, Bhupen Chambers, Dalal Street, Fort, Mumbai. This entity was established by the grand father of Shri Ketan V Parekh and all its directors namely Shri Vinaychandra N. Parekh (father of Shri Ketan Parekh), Kirti Kumar N Parekh and Navinchandra N Parekh are real brothers who allowed the names of these companies to be misused by Shri Ketan Parekh along with Shri Kartik Parekh. As regards, Triumph Securities and Triumph International, both are run from Oxford Centre, 10 Shroff Lane, Colaba, Mumbai. Shri Dharmesh Doshi and Shri Jatin Sarvaiya are the directors of the two companies. Shri Ketan Parekh and his group hold majority stake in Triumph Securities while Shri Dharmesh Doshi and Shri Sarvaiya hold majority stake in Triumph International. Though Shri Ketan Parekh has claimed that Triumph

International is a separate entity but there is sufficient evidence on record to show that even this entity is closely associated with Ketan Parekh. This fact has also been confirmed by Hon'ble SAT in its recent judgment in Appeal no. 35 of 2002 (in the matter of *Triumph International Finance India Ltd. vs SEBI*).

- 7.2E So far as Triumph Securities Ltd. is concerned, I rely upon the recent judgment of the Hon'ble SAT in the Appeal no. 96 of 2004 in the matter of *Triumph Securities Ltd. vs. SEBI* wherein the Hon'ble SAT rejected the plea of the Triumph Securities that it is not a Ketan Parekh entity and not being controlled by him. Thus there is no scope left for the noticees that all the noticees were KP entities / associates.

## **8.0 Investigation Period**

- 8.1 Regarding questioning the particular period as the investigation period by the noticees, I note that the period of investigation was selected in various scrips based on the unusually high trading activity in those scrips. In this regard, I wish to record that even Hon'ble SAT in its earlier order dated July 14, 2006 has accepted SEBI's contention in this regard and has observed that "*Board was justified in selecting a particular period to conduct investigation because it was during that time, it found that there was unusual spurt in the price and volumes in a particular scrip. It cannot therefore be said that the Board acted arbitrarily in selecting the period because as a regulator it was perfectly justified to look into any unusual movement in the scrip of any company.*"

## **9.0 Cross examination**

- 9.1 As regards the cross examination of the persons whose statements have been relied upon by SEBI, I am of the view that such request could have

been accepted if the statements of the persons were the only evidence that SEBI had relied upon in the show cause notice. In the cases before me, I however find that the statements are corroborative in nature supporting various incriminating documents such as trade log, order log, bank statements etc. which were either their own documents or were given access to the noticees by SEBI. I am conscious that it is well settled that where prejudice is caused to the party by way of the denial for cross-examination by the authority, the same will be in breach of principles of natural justice. In the present case however, as stated above, SEBI had relied upon and placed heavy reliance on the trade logs and order logs which were part of the show cause notices or / and details of the transactions admittedly entered into by these entities. These trades by their very nature reflect synchronization of trades for ulterior motives by these entities. I am therefore of the view that even though no reliance is placed on various statements, SEBI's case would be established on the basis of trades /order logs and bank statements, alone.

- 9.2 In this view of the matter, I hold that there is no breach of natural justice by not acceding to the demand of cross examination. In my view, the demand of cross examination was advanced to delay the proceedings and was one of the many dilatory tactics adopted by the noticees.

## **10.0 Relied upon Documents**

- 10.1 Regarding the contention of KP entities that SEBI did not provide them the relied upon documents, I find that on their request, inspection of documents were granted to them on May 17, 2005 and May 18, 2005. Further as requested by them, copies of additional documents relating to the scrips of HFCL, Zee, Adani and GTL were provided to them vide SEBI's letter dated July 11, 2005.



- 10.2 Subsequently, reply was received from KP group entities vide letter dated August 11, 2005 regarding their trading in the scrip of Zee. They also requested for additional documents. On examination, it was found by SEBI that they had again requested for same documents which were already provided to them. Accordingly, vide letter dated August 30, 2005, they were informed that all the documents relevant for replying to show cause notice had already been provided to them. Subsequently vide letters dated September 19, 2005, the entities submitted replies for their trading in the scrip of Adani.
- 10.3 Regarding documents relied upon in the matter of Shonkh, SAB TV and Padmini, I find that the documents in support of the charges levelled against the KP entities in the show cause notices had been provided to them with the show cause notices.
- 10.4 In view of the aforesaid, I am of the view that all the relied upon and relevant documents were furnished to noticees and the same are sufficient to prove their guilt and continuous demand to supply further documents etc. is nothing but a dilatory tactic to frustrate the proceedings.

## **11.0 FINDINGS**

Now, I shall proceed further in the matter and record my findings on various show cause notices issued to the noticees from time to time. This would address most of the common as well as specific issues raised by noticees. The remaining objections/issues, if any, shall be dealt with after recording my findings. Also, in order to avoid making this order bulky, I shall refer and rely upon tables/data already furnished to the entities in respective show cause notices and other communication without

reproducing the said table / order log / trade log / charge and to that extent, the respective contents of the said show cause notice/communication should be treated as part and parcel of this order.

**12.0 Show Cause Notice dated January 31, 2005 (in the scrip of HFCL, GTL, Adani and Zee)**

Investigations into the scrips of **HFCL, GTL, Adani and Zee** revealed that Shri Ketan Parekh and Shri Kartik Parekh were operating through following entities:

- i. Panther Fincap & Management Services Ltd.
- ii. Classic Credit Ltd.
- iii. Panther Investrade Ltd.
- iv. Classic Infin Ltd.
- v. Saimangal Investrade Ltd.
- vi. Chitrakut Computers Pvt. Ltd.
- vii. Luminant Investments Pvt. Ltd.
- viii. Goldfish Computers Pvt. Ltd.
- ix. Nakshatra Software Pvt. Ltd.

12.1 I find that these entities connected with Shri Ketan Parekh had received funds from HFCL group, Zee Group and Adani Group and used those funds for market manipulation with the help of their group/outside group broking entities. Summary of receipt of funds received by KP entities is given below:

<b>Summary of funds received by KP Group from Corporate Entities/promoters</b>			
	<b>Rs. in crore</b>		
<b>Name of Group</b>	<b>Amount Received</b>	<b>Amount Returned</b>	<b>Net Balance</b>
Adani Group	340	208	132
Zee Group	706.40	251.10	453.30
HFCL Group	736.28	288	448.28

12.2 I find that these entities associated with Shri Ketan Parekh had also received securities from the promoters of following group companies during the said period.

<b>Name of Group</b>	<b>No. of Securities received</b>
Adani Group	15,88,200
HFCL Group	82,00,000

12.3 From the cumulative analysis of the findings recorded in show cause notices and replies available on records, my findings with respect to HFCL, Zee, Adani and GTL are as under:

**12.3A HFCL:**

- i. I note that the share price of HFCL rose from Rs. 250.35 as on October 01, 1999 to a level of Rs. 2415/- on March 7, 2000. Thereafter, the price of the scrip started declining and touched a low of Rs. 646.05 on May 03, 2000. The price of scrip then again rose to Rs.1689 on June 20, 2000. The scrip thereafter traded in the range of 1000/- to 1600/- from July 2000 to Jan 2001. The price of scrip then registered a sharp decline and touched a low of Rs. 230.75 as on March 13, 2001.
- ii. Investigations revealed that HFCL and its promoters/subsidiary viz. Burlington Finance Ltd. and HFCL Infotel Ltd. had given an amount of Rs. 736.28 crore to KP entities viz., Classic Credit, Panther Fincap, Chitrakut, Goldfish, Triumph International and Nakshatra. Out of this amount of Rs. 736.28 crore, Shri KP entities returned Rs. 288 crore to HFCL group. KP entities thus were funded a net amount of Rs.448.28 crore by HFCL group.

iii. **Funds received by KP entities from HFCL group and its utilization**

I note that the details of transfer of funds between HFCL group and KP entities and fund flow analysis during the relevant period (March 2000 – March 2001) were already detailed in the relevant show cause notice. Analysis of utilization of funds received by KP entities from HFCL group showed that KP entities utilized the funds for the following purposes:

- a. to meet the settlement obligations of broking entities controlled and managed by Shri Ketan Parekh;
  - b. to make payments to various stock brokers with whom KP entities maintained client accounts; and
  - c. to make payments to banks.
- iv. I also find that KP entities cornered substantial quantity of stock of HFCL and created large concentrated position through number of brokers across the exchanges. Further, on the instructions of Shri Ketan Parekh, promoters of HFCL transferred an amount of Rs. 15 crore directly to broking entities connected to Shri Dinesh Kumar Singhania viz., Doe Jones Investments on March 07, 2001. Further, Rs. 9.99 crore were given to Arihant Exim, another Singhania group company on March 09, 2001. It was further observed that during this period, D K Singhania Group purchased large quantity of HFCL shares on behalf of KP entities at CSE and manipulated the prices of HFCL at CSE.
- v. As against the claim of KP entities that the funds were given for acquisition of shares of companies in the very active sector of Information Communication and Entertainment (ICE), I find that the valuation of ICE sector companies were falling rapidly after April 2000. I further note that almost entire funds outstanding of Rs. 448 crore were given by HFCL group during the period from February 8, 2001 to March 29, 2001 when the stock markets including ICE sector and share price of

HFCL were on decline. Thus, while agreeing with the charge, I hold that KP entities received funds from HFCL group to hold the share prices of HFCL from declining in violation of Regulation 4 of SEBI (PFUTP) Regulations 1995.

Not only funds, I find that Ketan Parekh entities also received shares of HFCL from its promoters. The details of transfer of shares between promoters of HFCL and entities connected/controlled by Ketan Parekh are given below:

<b>Date</b>	<b>Transferor Co. (Promoter entities)</b>	<b>Transferee Co. (KP entities)</b>	<b>No of shares (Qty)</b>	<b>Value of Securities in Rs. (crore)</b>	<b>Cum. Amt Rs. (in cr) received by KP entities</b>
27-Jan-2000	Baldev Commercial Pvt. Ltd	Classic Credit Ltd	10000	29.45	29.45
27-Jan-2000	Sungrace Merchandise Pvt. Ltd	Classic Credit Ltd	106000		
27-Jan-2000	Toplight Vinimay Pvt. Ltd	Classic Credit Ltd	103000		
27-Jan-2000	Vinsan Brothers Pvt. Ltd	Classic Credit Ltd	31000		
27-Jan-2000	Vinsan Trade & Commerce Pvt. Ltd	Classic Credit Ltd	50000		
25-Apr-2000	Vinsan Trade & Commerce Pvt. Ltd	Panther Fincap & Management Services	900000	69.93	179.37
04-May-2000	Amrit Sales Promotion Pvt. Ltd	Classic Credit Ltd	170000	114.92	294.29
04-May-2000	Baldev Commercial Pvt. Ltd	Classic Credit Ltd	10000		
04-May-2000	Classic Services	Classic Credit Ltd	90000		
04-May-2000	Sone Paper & Industries	Classic Credit Ltd	50000		
04-May-2000	Sungrace Merchandise Pvt. Ltd	Classic Credit Ltd	70000		
04-May-2000	Vinsan Brothers Pvt. Ltd	Classic Credit Ltd	10000		

<b>Date</b>	<b>Transferor Co. (Promoter entities)</b>	<b>Transferee Co. (KP entities)</b>	<b>No of shares (Qty)</b>	<b>Value of Securities in Rs. (crore)</b>	<b>Cum. Amt Rs. (in cr) received by KP entities</b>
04-May-2000	Vinsan Trade & Commerce Pvt. Ltd	Panther Fincap & Management Services	900000		
09-May-2000	Classic Services	Panther Fincap & Management Services	300000	32.27	326.56
10-May-2000	Vinsan Trade & Commerce Pvt. Ltd	Classic Credit Ltd	200000	20.15	346.71
14-Aug-2000	Sungrace Merchandise Pvt. Ltd	Classic Credit Ltd	1000000	145.94	576.81
22-Aug-2000	Sungrace Merchandise Pvt. Ltd	Classic Credit Ltd	300000	47.76	574.02
24-Aug-2000	Sun grace Merchandise Pvt. Ltd	Classic Credit Ltd	500000	78.62	592.64
28-Aug-2000	Vinson Trade & Commerce Pvt. Ltd	Panther Fincap & Management Ser	500000	70.35	662.99
11-Oct-2000	Sun grace Merchandise Pvt. Ltd	Panther Fincap & Management Ser	300000	101.80	701.21
11-Oct-2000	Vinson Brothers Pvt. Ltd	Panther Fincap & Management Ser	200000		
11-Oct-2000	Vinsan Trade & Commerce Pvt Ltd	Panther Fincap & Management Ser	500000		
18-Oct-2000	Classic Services	Classic Credit Ltd	450000	96.71	797.92
18-Oct-2000	Shankar Sales Promotion Pvt Ltd	Classic Credit Ltd	300000		
18-Oct-2000	Toplight Vinimay Pvt. Ltd	Classic Credit Ltd	200000		
19-Oct-2000	Classic Services	Classic Credit Ltd	50000	34.68	907.60
19-Oct-2000	Yashodham Merchants Pvt. Ltd	Classic Credit Ltd	250000		
20-Oct-2000	Baldev Commercial Pvt. Ltd	Classic Credit Ltd	50000	29.70	937.30

<b>Date</b>	<b>Transferor Co. (Promoter entities)</b>	<b>Transferee Co. (KP entities)</b>	<b>No of shares (Qty)</b>	<b>Value of Securities in Rs. (crore)</b>	<b>Cum. Amt Rs. (in cr) received by KP entities</b>
20-Oct-2000	Vinsan Brothers Pvt. Ltd	Classic Credit Ltd	200000		
15-Jan-2001	Kalyan Vyapar Pvt. Ltd	Classic Credit Ltd	200000	43.68	930.98
15-Jan-2001	Kalyan Vyapar Pvt. Ltd	Panther Fincap & Management Ser	200000		
		<b>Total</b>	<b>8200000</b>		

(\*): value of HFCL is calculated based on closing price of HFCL shares at the exchange on the day of transfer.

- vi. It is seen from the above that promoters of HFCL had transferred 82 lakh HFCL shares to 2 KP entities viz., Classic Credit and Panther Fincap without any collateral. This was stated to be done for placement of shares to strategic investors at price not less than Rs.1650/- per share.
- vii. I note that these shares were transferred over a period of one year from January 27, 2000 to January 15, 2001. The share prices of HFCL peaked at the price of around Rs. 2,500/- as on February 7, 2000. Thereafter, it started declining and reached around Rs. 1,090/- as on January 15, 2001. I find that large proportion of these shares were transferred when the share price of HFCL was ruling below Rs. 1650. Therefore, the argument that the shares were given for placement at Rs. 1650/- appears to be unsustainable. Analysis of the disposal of shares by KP entities shows that 23.42 lakh shares were sold by them in the stock market through brokers viz., Credit Suisse First Boston (I) Securities Pvt. Ltd (CSFB) and Dresdner Kleinwort Benson Securities (India) Ltd. (DKB).
- viii. These transactions were circular/synchronized/structured transactions for raising temporary finance by abusing stock exchange trading and

settlement mechanism. This finding has already been upheld by Hon'ble Securities Appellate Tribunal vide its order dated July 14 2006 in Appeal Nos. 02-10/2003 in the matter of **Ketan Parekh vs. SEBI**.

- ix. Further, around 23 lakh shares were sold through brokers associated with and controlled by Shri Ketan Parekh and 11.75 lakh shares were transferred to M/s Vidyut Investments, apparently as security for loans received. The remaining almost 23 lakh shares were sold through various other brokers. Thus, I am of the view that KP entities used these shares for meeting their settlement obligations in the stock market and utilized them for raising temporary finance by indulging in synchronized/structured transactions with various broking entities.
- x. **Details of Circular/Synchronized transactions of KP entities through Credit Suisse First Boston (India) Securities Ltd. (CSFB) & Dresdner Kleinwort Benson Securities (India) Limited (DKB) are as under:**
  - a. From the analysis of the trade and order log for the period April 1, 2000 to March 31, 2001, it was found that the transactions of HFCL conducted by Classic Credit, Luminant and Panther Fincap through CSFB and DKB matched almost every time with buy orders of only select group related brokers such as, Triumph Securities, Triumph International, Classic Shares & Stock Brokers Ltd. (CSSB), NH Securities Ltd, Chadравadan J. Dalal, Milan Mahendra Securities Pvt. Ltd. (Milan Mahendra), Hem Securities Ltd, Latin Manharlal Securities Ltd, Visaria Securities Ltd, Woodstock, Vyomit Shares, Keynote Capitals, Mukesh Babu etc., even when there are more than a few thousand brokers spread over more than 300 cities. It is also seen that buy and/or sell orders were put at the same time or almost at the same time i.e. within a gap of few seconds of putting in of buy/sell order.



- b. I note that the Hon'ble SAT has already examined these type of transactions in detail vide its order dated July 14, 2006 in the matter of Appeal No. 2-10/2003 and has held that these circular and fictitious trades conducted through CSFB and DKB created artificial volume and artificial markets in the scrips. These trades also facilitated KP group entities to receive finance against the delivery of shares without waiting for pay-out at the exchange and were so structured to give them a semblance of actual "sale and purchase" of shares at the recognized stock exchanges. Transactions conducted by Classic Credit, Luminant and Panther Fincap through CSFB and DKB were non-genuine and involved no change in the beneficial ownership of shares. Classic Credit and Panther Fincap indulged in similar circular trades even through proprietary account of CSFB, thereby creating artificial volumes and artificial markets in certain scrips.

I am aware that some of the trades conducted through CSFB and DKB covered in this order were part of earlier order dated December 12, 2003. Mentioning of those trades are necessary to give a complete picture. It is however made clear that no fresh enforcement action is proposed for the trades already covered vide earlier order dated December 12, 2003.

xi. **Trading of Ketan Parekh entities**

- a. Settlements/periods in which KP entities had done major trading in the scrip of HFCL and their carry forward position is described in detail in the show cause notice dated January 31, 2005. While relying upon the same, I am citing herein some of the settlements where KP entities had major trading and purchase carry forward position in the exchanges:

- b. Settlements in which Ketan Parekh entities had major trading and purchase carry forward position at BSE are mentioned below:

**Trading position at BSE**

Settlement No.	Name of the client	Gross purchase position	Gross sale position	Net purchase position	% contribution to total net position in the settlement	No. of shares carried forward to the next settlement	% contribution to the total carried forward position of the settlement
1999032	CCL	-	-	288300	15	208300	8
1999035	CCL	1318100	935700	382400	18	263600	7
1999051	CCL	608712	367645	241067	16	74407	6
1999052	CCL	306083	57570	248513	22	105700	8
2000010	CCL	516485	342960	173525	6	198975	14
2000011	CCL	877037	224907	652130	35	233974	20
2000013	CCL	332386	131937	200449	11	249979	20
2000014	CCL	1371181	811019	560162	22	142300	10
2000016	KP entities	441469	189554	251915	23	249534	17
2000017	KP entities	1226033	717965	508068	42	351597	28
2000019	KP entities	1091986	611779	480207	46	272324	25
2000020	KP entities	1725687	1089286	636401	26	267505	32
2000023	KP entities	1328833	1225334	103499	4	232676	16
2000027	KP entities	568235	385402	182833	21	172883	12
2000030	KP entities	1903881	1624292	27959	13	360863	16
2000032	KP entities	1692671	1503363	189308	11	421476	20
2000035	KP entities	1759883	1567224	192659	14	375441	19
2000043	KP entities	1475822	1395822	80000	8	235000	7
2000044	KP entities	1128603	1005603	123000	12	362670	19
2000046	KP entities	1777889	1252489	525400	33.85	550500	21
2000049	KP entities	1825742	1569819	255923	8	767766	27

- c. From the above cited few examples, it is clear that KP entities had substantial trading in the scrip of HFCL at BSE during the period from October 1999 to March 2001. The net purchase position of KP entities in certain settlements ranged from around 5% to 46%. Highest net purchase of 46% was in settlement no. 2000019 (31/7/00 to 4/8/00). In settlement Nos. 1999035(18%), 1999051(16%), 1999052 (22%), 2000011(35%), 2000014(22%),

2000016(23%), 2000017(42%), 2000019(46%), 2000027(21%) and 2000043(33%), the net purchase position of KP entities was more than 15% of total net purchase of the market.

- d. KP entities also had substantial purchase carry forward position at BSE during the period from October 1999 to March 2001, which ranged from around 5% to 32%. Settlements in which purchase carry forward position of KP entities was more than 15% of total carry forward position of the market were settlement Nos. 2000010(14%), 2000011 (11%), 2000013 (20%), 2000016(17%), 2000019 (25%), 2000020 (32%), 2000021 (21%), 2000023 (16%), 2000030 (16%), 2000032 (20%), 2000035 (19%), 2000044 (19%), 2000046 (21%), 2000046 (21%), 2000047 (20%) and 2000048 (20%).
- e. Settlements in which Ketan Parekh entities had major trading and purchase carry forward position at NSE are given below:

#### **Trading position of KP entities at NSE**

<b>Settlement No.</b>	<b>Name of the client</b>	<b>Gross purchase position</b>	<b>Gross sale position</b>	<b>Net purchase position</b>	<b>% contribution to total net position in the settlement</b>
1999039	CCL	717800	658400	59400	11%
1999043	KP Entities			106300	12%
2000002	KP Entities	817600	215500	602100	26%
2000012	CCL	228000	125000	103000	22%
2000013	CCL	283000	246459	36541	7%
2000014	KP Entities			230301	18%
2000015	KP Entities			271130	22%
2000018	KP Entities			160000	10%
2000028	CCL			486000	34%
2000031	KP Entities			458356	17%
2000038	KP Entities	1477820	1284929	192891	11%
2000041	KP Entities			157500	16%
2000044	KP Entities			164378	18%

**Purchase carry forward position of KP entities at NSE in different settlements**

<b>Settlement No.</b>	<b>No. of shares carried forward to the next settlement</b>	<b>% contribution to the total carried forward position of the settlement</b>
2000046	168700	24%
2000047	191700	20%
2000048	252400	30%
2000049	146000	26%
2000050	143621	15%
2000051	204163	15%
2000052	282030	21%
2001001	107764	6%
2001002	203594	10%
2001003	219384	10%
2001004	188855	10%
2001005	117556	4%
2001007	250250	8%

- f. As is apparent from the above, KP entities had substantial trading in the scrip of HFCL at NSE during the period from October 1999 to March 2001. The net purchase of KP entities in certain settlements ranged from around 7% to 34%. Highest net purchase of 34% of KP entities was in settlement No. 2000028 and was more than 15% in settlement No. 200002(26%), 2000012(22%), 2000014(18%), 2000015(22%), 2000028(34%), 2000031(17%), 2000041(16%), 2000044(18%) & 2001002 (17%).
- g. As mentioned above, KP entities also had substantial purchase carry forward position at NSE during the period from October 2000 to March 2001, which ranged from around 4% to 30%. Since the segregation of purchase carry forward position at NSE was available only from settlement No. 2000040 onwards, this position of KP entities has been reflected in the show cause notice as well. In Settlement nos. 2000041(26%), 2000042 (26%), 2000043 (35%),

2000044 (45%) (2000045 (23%), 20000046 (24%), 2000047 (20%), 2000048 (30%), 2000049 (26%), 2000050 (15%), 2000051 (15%), 2000052 (21%) and 2001002 (21%) the carry forward position of KP entities was more than 15% of total carry forward position of the market.

**h. Reversal of trades by Ketan Parekh entities**

I also find that Ketan Parekh entities created artificial volumes through buy and sale across large number of brokers. The details of transactions (trades and order logs) of KP entities wherein shares were sold by one KP entity through one broker were again purchased by same /another KP group entity through other broker by synchronised deals, thereby ensuring that the share remained within the group without change in beneficial ownership, are mentioned in the show cause notice dated January 31, 2005.

From the said details, it is seen that in all the aforesaid trades, order quantity and rate matched and the time difference between sell and buy order was negligible. SEBI has on its records the statements of the brokers who had executed these transactions suggesting that these orders were placed either by Shri Ketan Parekh or by his cousin Shri Kartik Parekh.

It was also revealed in the investigation that KP entities had transferred Rs.150 crore, 108 crore and Rs.121.25 crore respectively to three CSE broker groups' viz. Sanjay Khemani group, Dinesh Kumar Singhania group and Ashok Kumar Poddar group respectively, details of which are given in the show cause notice dated January 31, 2005. Following are details of brokers belonging to respective group:

<b>Dinesh Kumar Singhania group</b>	<b>Ashok Kumar Poddar group</b>	<b>Sanjay Khemani group</b>
D K Singhanai & Co.	Ashok Kumar Poddar	Sanjay Khemani,
Doe Jones Investments & Consultants Pvt. Ltd.	Prema Poddar	N. Khemani
Arihant Exim Scrip Pvt. Ltd.	Raj Kumar Poddar	
Tripoli Consultancy Services Pvt. Ltd	Ratan Lal Poddar	

- i. These three broking groups utilized the funds for the transaction on behalf of KP entities in the scrip of HFCL at CSE also. The details of major transactions of these brokers in the scrip of HFCL at CSE are shown as under:

#### **Trading position at CSE**

<b>Settlement No.</b>	<b>Name of the brokers</b>	<b>Net purchase position</b>	<b>% contribution to total net position in the settlement</b>
2001114	Sanjay Khemani, Dinesh Kumar Singhania and Ashok Kumar Poddar	445873	52%
2001115	Sanjay Khemani, Dinesh Kumar Singhania, Prema Poddar and Ashok Kumar Poddar	553204	53%
2001145	Sanjay Khemani, , Prema Poddar, Ashok Kumar Poddar, Doe Jones Investments and Arihant Exim.	2951459	94%
2001148	Dinesh Kumar Singhania, Ashok Kumar Poddar, Doe Jones Investments and Arihant Exim.	2954589	60%
2001149	Ashok Kumar Poddar, Doe Jones Investments and Prema Poddar.	7728701	29%

- j. As stated earlier, on the instructions of Shri Ketan Parekh, promoters of HFCL transferred an amount of Rs. 15 crore directly

to broking entities connected with Shri Dinesh Kumar Singhania viz. Doe Jones Investments on March 07, 2001. Further, Rs. 9.99 crore were given to Arihant Exim on March 09, 2001, another Singhania group company. It is seen that during the same time i.e. settlement no. 2001148 at CSE (Trading period: February 23, 2001 to March 1, 2001), Dinesh Kumar Singhania Group comprising 3 brokers viz., Dinesh Kumar Singhania & Co., Arihant Exim and Doe Jones Investment Consultants along with Ashok Kumar Poddar purchased a total of 29.55 lakh shares of HFCL which represented 58% of the total purchase position in settlement No. 2001148 at CSE. This purchase by Singhania and Poddar Group in settlement No. 2001148 were done on behalf of KP entities.

- k. Analysis of order log and trade log of trades at CSE (in settlement No. 2001148) shows that the broking entities of Dinesh Kumar Singhania group had entered purchase orders of large quantities at successively higher prices in the last one hour before the close of market on February 28, 2001 and March 1, 2001. During this period, price of HFCL was artificially raised to very high levels in a short period of time. The price at CSE closed at Rs. 673 on February 28, 2001 and Rs. 758 on March 1, 2001, which was substantially higher than the closing prices at NSE which was Rs. 642 on February 28, 2001 and Rs. 706 on March 1, 2001. The details of such periods in which purchase orders were placed by the broking entities of Dinesh Kumar Singhania group are mentioned in detail in the show cause notice dated January 31, 2005.
- l. Investigations also revealed that during the period when the HFCL and its promoters/subsidiary were giving funds and also transferring shares to KP entities, promoter entities had also sold a

net of 20.88 lakh shares of HFCL in the market. This shows that they were interested in holding the prices of HFCL from declining with a view to maximize their realization from the sale of their stake in HFCL. These funds and shares were used by KP entities to manipulate the price of the scrip of HFCL and to this extent promoters of HFCL aided and abetted KP entities in their game plan.

- m. During the period when the prices of HFCL were declining from its peak, net purchase position of KP entities in HFCL shares in various settlements were substantial. I therefore find that KP entities created false volume through purchase and sale of shares simultaneously across various counters along with large net purchase position which resulted in market manipulation in the scrip of HFCL. The funds received from the promoters of HFCL were utilized to meet their settlement obligations at the exchanges.
- n. From the entire sequence of events, when taken together, it is apparent that Shri Ketan Parekh, Shri Kartik Parekh and entities connected with them viz., Classic Credit, Panther Fincap, Luminant, Panther Investrade, Classic Infin, Chitrakut, Nakshatra, Saimangal and Goldfish (total 11 entities) were involved in market manipulation in the scrip of HFCL and therefore have violated provisions of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

#### **12.3B Zee Tele-Films Ltd (Zee):**

- i. SEBI investigation revealed that the price of the scrip of Zee moved from Rs.476 as on October 1, 1999 to Rs.1555 as on February 24, 2000 and then came down to Rs. 121 as on March 30, 2001.



- ii. Zee was promoted by Essel Group of companies including M/s. Churu Trading Co. Pvt. Ltd., Briggs Trading Co. Pvt. Ltd., Prajatra Trading Co. Pvt. Ltd., Ganjam Trading Co. Pvt. Ltd., Premier Finance and Trading Co. Pvt. Ltd. and Digital Super Highway Pvt. Ltd (hereinafter referred to as “promoters of Zee”). The KP entities who had received money from the aforesaid six promoter companies of Zee were CSSB, Chitrakut, Nakshatra, Goldfish, Classic Credit., Panther Fincap, Panther Investrade and Saimangal.

I note that the promoter companies of Zee had given an amount of Rs.706.40 crore to the entities related to Ketan Parekh during the period from May 2, 2000 to April 25, 2001. Out of this, an amount of Rs. 251.10 crore was found to have been returned back. Thus, the balance amount receivable worked out to Rs. 453.30 crore. The flow of funds between Essel Group of Companies and Ketan Parekh Group is mentioned in detail, in the show cause notice dated January 31, 2005 as Annexure-A to the said show cause notice.

- iii. Analysis of funds received from Zee promoter companies revealed that Shri Ketan Parekh had routed these funds to various entities connected with him and ultimately this fund was utilized by Classic Credit, Panther Fincap, NH Securities and CSSB for meeting stock market settlement obligations.
- iv. I also find that during the same period when KP entities received funds from promoter entities of Zee, they had substantial dealings in the scrip of Zee. The trading details in the scrip of Zee for the period from March 31, 1999 to March 31, 2001 received from various brokers of BSE and NSE revealed that clients belonging to the KP group constituted on

gross / net basis, as much as 5% or more of the quantities traded in the market in the following settlements at BSE:

1. S.No 1999029 (8.35% on gross basis)
2. S.No.1999041 (8.25% on gross basis)
3. S.No.1999049 (5.05% on gross basis)
4. S.No.1999052 (7.12% on gross basis)
5. S.No.2000002 (9.95% on gross basis)
6. S.No.2000003 (5.99% on gross basis)
7. S.No.2000004 (15.04% on gross basis)
8. S.No.2000005 (24.95% on gross basis)
9. S.No.2000006 (8.40% on gross basis)
10. S.No.2000015 (6.90% on gross basis)
11. S.No.2000018 (6.37% on gross basis)
12. S.No.2000020 (9.88% on gross basis)
13. S.No.2000021 (16.37% on gross basis)
14. S.No.2000022 (-8.28% on net basis; 20.89% on gross basis)
15. S.No.2000026 (10.05% on gross basis)
16. S.No.2000031 (6.85% on gross basis)
17. S.No.2000032 (8.71% on gross basis)
18. S.No.2000033 (8.33% on gross basis)
19. S.No.2000035 (5.88% on gross basis)
20. S.No.2000040 (16.86% on gross basis)
21. S.No.2000041 (21.74% on gross basis)
22. S.No.2000043 (16.03% on gross basis)
23. S.No.2000047 (9.53% on gross basis)
24. S.No.2000048 (11.90% on gross basis)

It is further seen that these tradings were conducted through large number of brokers of BSE, viz., Triumph Securities, Latin Manharlal, Hem Securities, C J Dalal, Milan Mahendra Securities, Vyomit, Woodstock Securities, Pravin V Shah, Consortium Securities, Millenium Equities, Visaria Securities, Dresdner Kleinwort Bensen (DKB), Credit Suisse First Boston (CSFB).

- v. Similarly, at NSE, the trading clients belonging to KP group constituted 5% or more of the market traded quantity on gross / net basis in the following 17 settlements during the period October 1999 to March 2001

1. S.No.2000001 (-13.26% on net basis; 13.26% on gross basis)
2. S.No.2000014 (19.89% on gross basis)
3. S.No.2000016 (6.16% on gross basis)
4. S.No.2000017 (10.70% on gross basis)
5. S.No.2000018 (6.75% on net basis; 18.90% on gross basis)
6. S.No.2000022 (-17.57% on net basis; 19.23% on gross basis)
7. S.No.2000024 (5.72% on gross basis)
8. S.No.2000025 (5.18% on net basis; 5.68% on gross basis)
9. S.No.2000026 (6.57% on gross basis)
10. S.No.2000040 (5.58% on gross basis)
11. S.No.2000052 (12.13% on gross basis)
12. S.No.2000053 (7.57% on net basis; 9.19% on gross basis)
13. S.No.2001005 (5.12% on gross basis)
14. S.No.2001006 (19.11% on gross basis)
15. S.No.2001007 (6.26% on gross basis)
16. S.No.2001008 (51.10% on gross basis)
17. S.No.2001009 (6.87% on gross basis)

It is further seen that these tradings were conducted through large number of brokers of NSE, viz., Triumph International Finance, NH Securities, CSSB, Visaria Securities, DKB, Keynote Capital, M K Damani, Sunidhi Consultancy, Handball Int., Mangal Keshav Securities, Suresh CS Jain, Milan Mahendra Securities, Mukesh Babu Securities, Woodstock Broking.

- vi. From the facts of the case, I find that the entities belonging to Ketan Parekh dealt through numerous brokers at BSE and NSE, as mentioned above with a view to building up large positions without appearing to do so i.e. to avoid detection and in order to shift their positions from one broker to another and from one exchange to another. Details of trading of Ketan Parekh entities at NSE and BSE are given in the show cause notice dated January 31, 2005.
- vii. I also find that Ketan Parekh entities namely, NH Securities, CSSB Triumph International, Classic Credit and Panther Fincap were involved

in various structured deals. The following clients/brokers have been found to have conducted structured deals as mentioned below :

<b>Day Date</b>	<b>Trade Time</b>	<b>Buy Member Name/Client</b>	<b>Sell Member Name/Client</b>	<b>Trade Price</b>	<b>Trade Qty.</b>	<b>Trade Value</b>
7-Apr-00	12:45:00	Visaria Securities / A.B.Corporation	NH Securities/ Own Account	907.1	11754	10662053
25-Apr-00	14:33:54	Milan Mahendra Securities /Own Account	NH Securities/ Own Account	661.25	10000	6612500
2-Jun-00	12:21:00	Milan Mahendra Securities Pvt. Ltd./ Trinity Investment	Classic Share & Stock Broking / Own Account	543.05	10000	5430500
19-Jun-00	13:12:27	Classic Share & Stock Broking / Own Account	Woodstock Broking / Classic Credit	539.95	20000	10799000
19-Jun-00	14:52:00	NH Securities / Own Account	Woodstock Broking / Classic Credit	545	45643	24875435
27-Jul-00	12:15:42	Classic Share & Stock Broking / Own Account	Visaria Securities /Own Account	405.9	23635	9593447
27-Jul-00	12:50:17	Mukesh Babu Securities / Panther Fincap	Classic Share & Stock Broking / Own Account	422.5	49734	21012615
27-Jul-00	12:53:05	Woodstock Broking / Panther Fincap	Classic Share & Stock Broking /Own Account	422.5	49210	20791225
27-Jul-00	12:53:20	Woodstock Broking / Panther Fincap	Classic Share & Stock Broking /Own Account	422.5	49800	21040500
27-Jul-00	12:48:51	Mangal Keshav Share & Stock / Panther Fincap	Classic Share & Stock Broking /Own Account	423.05	28805	12185955
27-Jul-00	12:49:33	Mangal Keshav Share & Stock / Panther Fincap	Classic Share & Stock Broking / Own Account	423.05	21043	8902241
27-Jul-00	12:51:29	Mangal Keshav Share & Stock / Isha Investments	Classic Share & Stock Broking /Own Account	422	11943	5039946
21-Aug-00	13:44:22	NH Securities /Own Account	Mukesh Babu /Panther Fincap	440	24565	10808600
19-Sep-00	12:11:46	NH Securities / Own Account	Milan Mahendra Securities Pvt. Ltd./ Panther Fincap	461.5	22576	10418824
19-Sep-00	13:36:24	Milan Mahendra Securities Pvt. Ltd./ Own Account	Triumph International Finance /Jamnadas Lokumal	396	10000	3960000

<b>Day Date</b>	<b>Trade Time</b>	<b>Buy Member Name/Client</b>	<b>Sell Member Name/Client</b>	<b>Trade Price</b>	<b>Trade Qty.</b>	<b>Trade Value</b>
19-Sep-00	13:38:18	Milan Mahendra Securities Pvt. Ltd./ Own Account	Triumph International Finance / Jamnadas Lokumal	396	10000	3960000
15-Jan-01	15:23:01	Milan Mahendra Securities Pvt. Ltd./ Panther Fincap	Classic Share & Stock Broking / Own Account	230.05	87536	20137657
15-Jan-01	15:23:21	Milan Mahendra Securities Pvt. Ltd./ Panther Fincap	Classic Share & Stock Broking / Own Account	230	94399	21711770
19-Jan-01	15:07:34	NH Securities / Own Account	Visaria Securities / Panther Fincap	254.4	39083	9942715
19-Jan-01	13:02:31	Mangal Keshav Share & Stock / Isha Investments	NH Securities / Own Account	247.25	21517	5320078
23-Feb-01	13:28:15	Classic Share & Stock Broking / Own Account	Mukesh Babu Securities / Panther Fincap	219.5	43624	9575468
23-Feb-01	13:12:35	Classic Share & Stock Broking / Own Account	Indsec Securities & Finance / Senator Securities (sub-broker)	220.25	90827	20004647
23-Feb-01	11:28:21	Classic Share & Stock Broking / Own Account	Woodstock Broking / Panther Fincap	226.7	124500	28224150
23-Feb-01	11:28:34	Classic Share & Stock Broking / Own Account	Woodstock Broking / Panther Fincap	226.7	64133	14538951
23-Feb-01	13:19:15	Classic Share & Stock Broking / Own Account	Mangal Keshav Share & Stock / Panther Fincap	220.25	91601	20175120
23-Feb-01	13:19:32	Classic Share & Stock Broking / Own Account	Mangal Keshav Share & Stock / Panther Fincap	220.35	99800	21990930
23-Feb-01	11:39:17	Classic Share & Stock Broking / Own Account	Milan Mahendra Securities Pvt. Ltd./ Panther Fincap	227.75	116457	26523082
23-Feb-01	11:39:37	Classic Share & Stock Broking / Own Account	Milan Mahendra Securities Pvt. Ltd./ Panther Fincap	227.75	112458	25612310
23-Feb-01	10:56:10	Classic Share & Stock Broking / Own Account	Visaria Securities / Panther Fincap	229.5	91537	21007742
23-Feb-01	10:56:21	Classic Share & Stock Broking / Own Account	Visaria Securities / Panther Fincap	229.5	95516	21920922
23-Feb-01	14:00:08	Classic Share & Stock Broking / Own Account	Visaria Securities / Panther Fincap	217.25	72082	15659815
23-Feb-01	14:11:55	Classic Share & Stock Broking / Own Account	Visaria Securities / Panther Fincap	216.25	54213	11723561

<b>Day Date</b>	<b>Trade Time</b>	<b>Buy Member Name/Client</b>	<b>Sell Member Name/Client</b>	<b>Trade Price</b>	<b>Trade Qty.</b>	<b>Trade Value</b>
23-Feb-01	10:04:47	Mangal Keshav Share & Stock / Sharad Shah	Classic Share & Stock Broking / Own Account	232.25	10000	2322500
23-Feb-01	12:10:43	Mangal Keshav Share & Stock / Sharad Shah	Classic Share & Stock Broking / Own Account	226.6	17036	3860358
2-Mar-01	13:56:18	Mukesh Babu Securities / Madhur Shares & Stocks	Classic Share & Stock Broking / Own Account	137.5	12491	1717513
2-Mar-01	14:01:59	Mukesh Babu Securities / Madhur Shares & Stocks	NH Securities /Own Account	136.5	14350	1958775
2-Mar-01	14:02:40	Mukesh Babu Securities / Madhur Shares & Stocks	NH Securities / Own Account	136.45	11191	1527012
5-Mar-01	10:49:45	Mangal Keshav Share & Stock /Sharad Shah	Triumph International Finance / Classic Credit Ltd.	116	18445	2139620
5-Mar-01	10:37:59	Milan Mahendra Securities Pvt. Ltd. /Own Account	Classic Share & Stock Broking /Own Account	115.5	14407	1664009

The details of order and trade log as mentioned in show cause notice dated January 31, 2005 show that buy and sell order were placed at same/almost same time, price and quantity. Further, the aforesaid related entities were found to be trading as both buying and selling clients.

- viii. I also observe that shares of Zee sold by KP entities viz., Classic Credit, Luminant and Panther Fincap through CSFB and DKB were bought either by the same KP entity or by other entities connected/controlled by Shri Ketan V. Parekh / Shri Kartik K. Parekh i.e. NH Securities (proprietary account), CSSB (proprietary account), Panther Investrade and Chitrakut through another set of related brokers.
- ix. From the trading pattern, I find that the transactions of KP entities through CSFB and DKB were in the nature of circular and fictitious

trades which created artificial volume and artificial markets in the scrips. These trades also facilitated KP group entities to receive finance against the delivery of shares without waiting for pay-out at the exchange and were so structured to give them a semblance of actual “sale and purchase” of shares at the stock exchanges.

- x. I further find that Shri Ketan V. Parekh who was the controlling mind of all the entities related to him including that of the related brokers, had admitted that companies belonging to his group had taken ICDs for meeting their working capital requirement from Essel Group Companies and also received funds for acquisition of shares in certain media / software companies as per specific agreements entered into between them. Shri Ketan Parekh also admitted that the funds were utilized to meet their settlement obligations in various scrips including Zee. Considering that KP entities had, in fact, manipulated the scrip of Zee, it appears that funds given by the promoter companies of Zee helped KP entities in manipulating the share price of Zee. As against the submission of Shri Ketan Parekh that money was given to KP entities by Essel group with specific purposes of purchase of media shares, there is nothing on record to show that such purchases were ever made or even attempted to be made by them.
- xi. From the entire sequence of events when taken together, I hold that Shri Ketan Parekh, Shri Kartik Parekh along with their entities viz., Classic Credit, Panther Fincap, Luminant, Panther Investrade, Chitrakut, Nakshatra, Saimangal and Goldfish (total 10 entities) indulged in the market manipulation in the scrip of Zee and therefore violated Regulation 4 (a), (b), (c) and (d) of the SEBI (PFUTP) Regulations, 1995.
- xii. I also note that KP group entity namely Triumph Securities, a member broker of BSE, during various settlements viz., February 21 to February

26, 2000, May 15 to May 19, 2000, June 5 to 9, 2000 and August 21 to 25, 2000 had substantial net purchase / sale concentration in Zee. On many trading days falling within the above identified settlements, the price of the scrip of Zee on BSE showed substantial upward movements. Many of the trades executed by Triumph Securities are seen to have specifically contributed to the substantial price rise. The above transactions of Triumph Securities were in violation of Regulation 4 (a), (b), (c) and (d) of the PFUTP Regulations, 1995 and were also in violation of Clause A (1), A (3), A (4) of Code of Conduct for Stock Brokers and Sub Brokers as specified in Regulation 7 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, for which separate order canceling the certificate of registration has already been passed by SEBI and upheld by the Hon'ble SAT.

- xiii. Similarly, Triumph International, NH Securities and CSSB, all being members of NSE, were found to have executed numerous synchronized and structured deals on behalf of various KP entities as well as in their proprietary account. In many of these transactions, entities belonging to KP group were seen to be acting as both buying as well as selling clients. Each of these transactions involved large quantity of shares of Zee (10,000 to 1,24,500 shares). These brokers belonging to KP group were found to have indulged in creation of artificial volume as also aided and abetted their associates in this regard. The above transactions of Triumph International, NH Securities and Classic Share were found to be in violation of Regulation 4 (a), (b), (c) and (d) of SEBI (PFUTP Regulations, 1995. Besides, these were also in violation of Clause A(1), A(3), A(4) of Code of Conduct for Stock Brokers and Sub Brokers as specified in Regulation 7 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 for which separate order cancelling the certificate of registration has already been passed by SEBI and upheld by Hon'ble SAT.



### 12.3(C) Adani Exports Ltd.

- i. Investigations revealed that the share price of Adani moved up sharply from Rs.621.05 on November 10, 1999 (start of settlement no. 1999045N) to reach a high of Rs.1,271/- on December 10, 1999 (Settlement No. 1999049N). I note that there was flow of funds as well as shares between Adani group and KP entities. Regarding flow of shares between the Adani group and the KP entities, I find that the promoters/ group companies of Adani entered into purchase and sale transactions in the shares of Adani with KP entities.
- ii. It is noted that all the sale transactions of promoters/ group companies of Adani in November/December 1999 to KP entities were by way of cross deals and the buying and selling broker was Triumph International, a broker closely associated with connected to and controlled by Shri Ketan Parekh. Shares were sold at NSE and the counter party buying clients were KP entities – Classic Credit and Panther Fincap. Promoter companies of Adani which were involved in share transaction/transfer were Adani Finance, Adani Investment, Intercontinental, Excel Finstock, Eko Finstock, Ezy Finstock, Esteem Finstock and Ellite Finstock. The details of such transactions during the settlements 42 to 50 (ended October 26-December 21, 1999) are given in the following table:

Entity	Settlement No			
	43	48	49	50
Adani Finance	-96600		-297500	
Adani Investment	0			-96800
Intercontinental	0	-325000		
Excel Finstock	-112500		-56900	-14500
Eko Finstock	-70000		-34200	-9200
Ezy Finstock	-64600		-109200	-7800
Esteem Finstock	-111000	-15800	-43400	-8100
Ellite Finstock	-45300	-59200		-10600
<b>Total Sale by promoters</b>	<b>-500000</b>	<b>-400000</b>	<b>-541200</b>	<b>-147000</b>
	<b>15,88,200 shares sold</b>			

Entity	Settlement No			
	43	48	49	50
<b>Shares bought by</b>				
Classic Credit Ltd.	250000*	200000*	541200*	147000*
Panther Fincap and Management Services Ltd.	250000*	200000*	0	0
<b>Total purchase by KP Entities</b>	<b>500000</b>	<b>400000</b>	<b>541200</b>	<b>147000</b>
	<b>15,88,200 shares purchased</b>			

\* - through NSE broker Triumph International Finance India Ltd.

- iii. From the above table, it can be seen that during settlement 43, the entities associated with the Adani sold a total of 5,00,000 shares which were bought by Ketan Parekh entities viz, Classic Credit and Panther Fincap who bought 2,50,000 shares each. Similar type of deals were executed in settlements number 48, 49 and 50. By analyzing the trade log, it is established that all 1588200 shares sold by Adani group in these settlements were bought by KP entities only.
- iv. The average market price of Adani at NSE during the settlement of aforesaid transactions are given below:

Sett. end date	Sett. No	No. of shares sold	Avg. Market Price
2/11/99	43	500000	895
7/12/99	48	400000	1253
14/12/99	49	541200	1167
21/12/99	50	147000	955
<b>Total</b>		<b>1588200</b>	

- v. The promoters of Adani sold these 15,88,200 shares through broker-Triumph International at NSE. The details of the said transactions by the promoters of Adani are as under :

### In settlement No 43

Date	Time	Trade ID	Rate	Qty	Buy order	Broker	Sell order	Broker
2-11	13:33:40	199911020318654	905	25000	199911020494324	TIFL	199911020494312	TIFL
2-11	13:33:55	199911020318830	905	25000	199911020494643	TIFL	199911020494654	TIFL
2-11	13:34:09	199911020319008	905	25000	199911020494948	TIFL	199911020494959	TIFL
2-11	13:34:24	199911020319217	905	25000	199911020495277	TIFL	199911020495296	TIFL
2-11	13:34:36	199911020319371	905	25000	199911020495537	TIFL	199911020495544	TIFL
2-11	13:34:47	199911020319496	905	25000	199911020495779	TIFL	199911020495775	TIFL
2-11	13:35:05	199911020319776	905	25000	199911020496191	TIFL	199911020496200	TIFL
2-11	13:35:24	199911020320099	905	25000	199911020496597	TIFL	199911020496630	TIFL
2-11	13:35:54	199911020320546	905	25000	199911020497309	TIFL	199911020497288	TIFL
2-11	13:36:06	199911020320771	905	25000	199911020497584	TIFL	199911020497592	TIFL
2-11	13:36:16	199911020320916	905	25000	199911020497815	TIFL	199911020497822	TIFL
2-11	13:36:28	199911020321102	905	25000	199911020498100	TIFL	199911020498119	TIFL
2-11	13:36:39	199911020321371	905	25000	199911020498399	TIFL	199911020498409	TIFL
2-11	13:36:56	199911020321679	905	25000	199911020498817	TIFL	199911020498836	TIFL
2-11	13:37:06	199911020321895	905	25000	199911020499105	TIFL	199911020499110	TIFL
2-11	13:37:21	199911020322195	905	25000	199911020499518	TIFL	199911020499526	TIFL
2-11	13:37:31	199911020322439	905	25000	199911020499814	TIFL	199911020499829	TIFL
2-11	13:37:42	199911020322639	905	25000	199911020500147	TIFL	199911020500160	TIFL
2-11	13:39:36	199911020324456	905	25000	199911020503130	TIFL	199911020503115	TIFL
2-11	13:39:47	199911020324669	905	25000	199911020503382	TIFL	199911020503390	TIFL
				<b>500000</b>				

- vi. It is also seen from the above table that all 5,00,000 shares sold by the promoters of Adani on November 2, 1999 in settlement no. 43, were purchased in cross deals by Triumph International on behalf of KP entities.

### In settlement No 48

Date	Time	Trade ID	Rate	Qty	Buy order	Broker	Sell order	Broker
6-12	15:27:46	199912060457117	934	40000	199912060690523	TIFL	199912060690518	TIFL
6-12	15:27:59	199912060457610	934	40000	199912060691011	TIFL	199912060690980	TIFL
6-12	15:28:10	199912060457952	934	40000	199912060691446	TIFL	199912060691403	TIFL
6-12	15:28:20	199912060458416	934.5	100	199912060637337	Chanakya Ltd	199912060691824	TIFL
6-12	15:28:21	199912060458438	934	39900	199912060691841	TIFL	199912060691824	TIFL
6-12	15:28:35	199912060459122	935	40000	199912060692409	TIFL	199912060692384	TIFL
6-12	15:28:49	199912060459701	935	40000	199912060692906	TIFL	199912060692816	TIFL
6-12	15:28:57	199912060460069	935	40000	199912060693272	TIFL	199912060693263	TIFL
6-12	15:29:06	199912060460499	935	40000	199912060693624	TIFL	199912060693625	TIFL
6-12	15:29:17	199912060460890	935	40000	199912060694031	TIFL	199912060694049	TIFL
6-12	15:29:26	199912060461328	935	40000	199912060694489	TIFL	199912060694435	TIFL
				<b>400000</b>				

- vii. It is seen from the above table that all 4,00,000 shares (except 100 shares) sold by the promoters of Adani on November 06, 1999 in settlement no. 48, were purchased in cross deals by Triumph International on behalf of KP entities.

**In Settlement No. 49**

Date	Time	Trade ID	Rate	Qty	Buy order	Broker	Sell order	Broker
9-12	10:20:49	199912090041218	1115	20000	199912090088255	TIFL	199912090088225	TIFL
9-12	10:21:04	199912090041791	1115	20000	199912090089087	TIFL	199912090089126	TIFL
9-12	10:21:22	199912090042424	1115	25000	199912090090185	TIFL	199912090090205	TIFL
9-12	10:21:53	199912090043745	1112	25000	199912090092190	TIFL	199912090092072	TIFL
9-12	10:22:13	199912090044604	1112	25000	199912090093444	TIFL	199912090093429	TIFL
9-12	10:22:27	199912090045174	1112	25000	199912090094331	TIFL	199912090094189	TIFL
9-12	10:22:45	199912090045858	1113	25000	199912090095501	TIFL	199912090095461	TIFL
9-12	10:22:58	199912090046320	1113	25000	199912090096335	TIFL	199912090096311	TIFL
9-12	10:30:48	199912090062465	1121	25000	199912090124468	TIFL	199912090124421	TIFL
9-12	10:31:00	199912090062817	1121	25000	199912090125047	TIFL	199912090125140	TIFL
9-12	10:32:22	199912090065194	1125	25000	199912090129657	TIFL	199912090129661	TIFL
9-12	10:33:04	199912090066319	1124	15000	199912090131805	TIFL	199912090131804	TIFL
9-12	10:33:17	199912090066621	1125	20000	199912090132481	TIFL	199912090132478	TIFL
10-12	10:46:29	199912100085367	1259.5	21100	199912100161513	TIFL	199912100161490	TIFL
10-12	10:48:30	199912100088232	1250	25000	199912100166839	TIFL	199912100166838	TIFL
10-12	10:48:44	199912100088515	1250	25000	199912100167448	TIFL	199912100167418	TIFL
10-12	10:49:03	199912100088925	1250	25000	199912100168226	TIFL	199912100168246	TIFL
10-12	10:52:10	199912100092892	1250	25000	199912100175773	TIFL	199912100175782	TIFL
10-12	10:52:22	199912100093160	1250	25000	199912100176271	TIFL	199912100176274	TIFL
10-12	10:52:35	199912100093493	1250	25000	199912100176782	TIFL	199912100176789	TIFL
10-12	10:52:47	199912100093781	1250	25000	199912100177263	TIFL	199912100177253	TIFL
10-12	10:53:13	199912100094394	1250	25000	199912100178329	TIFL	199912100178297	TIFL
10-12	10:53:45	199912100095113	1250	16200	199912100179661	TIFL	199912100179649	TIFL
10-12	13:30:06	199912100287757	1259	500	199912100478145	TIFL	199912100161490	TIFL
10-12	13:30:06	199912100287759	1259	100	199912100478145	TIFL	199912100161490	TIFL
10-12	13:36:46	199912100293977	1259	300	199912100487834	Master Cap	199912100161490	TIFL
14-12	11:12:15	199912140116927	1135	3000	199912140211815	TIFL	199912140211824	TIFL
				<b>541200</b>				

- viii. From the above table it is seen that out of 5,41,200 shares, except for 300 shares, all shares sold by the promoters of Adani in settlement no. 49, were purchased in cross deals by Triumph International on behalf of KP entities. Similar cross deals to the extent of 1,47,000 shares were observed in settlement no. 50.

ix. **Association of Shri Ketan Parekh with Adani group**

It is seen that Shri Ketan Parekh was a shareholder of 32 lakh shares in Adani Port Ltd., a closely held unlisted company of Adani. Further I note from the records that the promoters of Adani did not deny their association with Shri Ketan Parekh and accepted that they knew Shri Ketan Parekh since 1999 through Triumph International and had certain dealings with KP entities.

From the submissions of Adani, I note that they had a reciprocal arrangement for financial requirements under a Memorandum of Understanding (MoU) dated January 11, 2000 with the KP entities. As per the MoU, no interest was to be charged for the financial accommodation provided to each other. I further note that in terms of the said MoU, Adani group gave a total of around Rs. 345.65 crore to KP entities during February 2000 – August 2000 and received back Rs. 208.20 crore.

From the balance sheet of Adani Agro for the year ended on March 31, 2000, it was noticed that Adani Agro held 1.5 lakh shares (Rs. 2.25 crore) of Triumph International, a broking entity closely associated with Shri Ketan Parekh.

x. **Spot transactions between Shri Ketan Parekh and Adani**

- a. I note that Shri Rajesh Adani of Adani Group in his reply dated July 18, 2002 to SEBI had admitted the following spot transactions carried out between the Adani group and Ketan Parekh group:

<b>Date</b>	<b>Qty of shares sold/bought by Adani group</b>	<b>Buyer /Seller</b>	<b>Amount (Rs. crore)</b>	<b>Transaction Price in Rs.</b>
26/5/2000	12,00,000 (Sale)	KP entities	72.0	600
11/7/2000	8,00,000 (Buy )	KP entities	84.8	1060

- b. From the above table, it is seen that on May 26, 2000, Adani group sold 12,00,000 shares to Ketan Parekh for a total price of Rs.72 crore and bought back 8,00,000 shares on July 11, 2000 for Rs. 84.8 crore. KP entities made a profit of Rs. 36.80 crore taking into consideration the purchase and sale price of 8 lakh shares.

xi. **Fund Flow between the Adani group and KP entities:**

- a. From the records available, I note that shares sold by one set of KP entities through one set of brokers were bought back by same selling KP group entities or other KP group entity through another set of brokers, involving no change of beneficial ownership, which I find, resulted in circular trading.
- b. As already recorded during January 2000 to March 31, 2001, Adani group gave around Rs. 340.65 crore to KP entities and received back around Rs.208.20 crore from them. I note that Shri Rajesh Adani of Adani group in his letter dated July 18, 2002 to SEBI confirmed that Adani group had given these funds to Shri Ketan Parekh group. He further informed that Adani Agro gave additional Rs. 5 crore to KP group to purchase the shares of Adani. Details of fund flow (Rs. 340.65 cr.) are given below:

(Amount in Rs. crore)

<b>Date</b>	<b>Transferor Co. /Adani group</b>	<b>Amt</b>	<b>Transferee Co. / KP entities</b>
09.2.2000	Adani Agro Ltd.	9.25	Chitrakut Computers P. Ltd.
09.2.2000	Adani Properties	10.00	Goldfish Computers P. Ltd.
07.3.2000	Adani Agro Ltd.	30.00	Nakshatra Software P. Ltd.
07.3.2000	Adani Properties	20.00	Chitrakut Computers P. Ltd.
22.6.2000	Shahi Properties	12.00	Chitrakut Computers P. Ltd.
22.6.2000	Adani Impex	12.00	Chitrakut Computers P. Ltd.
22.6.2000	Adani Properties	24.00	Goldfish Computers P. Ltd.
22.6.2000	Adani Agro Ltd.	7.00	Nakshatra Software P. Ltd.
22.6.2000	Adani Agro Ltd.	8.00	Nakshatra Software P. Ltd.
22.6.2000	Adani Agro Ltd.	9.00	Nakshatra Software P. Ltd.

<b>Date</b>	<b>Transferor Co. /Adani group</b>	<b>Amt</b>	<b>Transferee Co. / KP entities</b>
02.8.2000	Intercontinental (I) Ltd.	4.40	Classic Credit Ltd
02.8.2000	Intercontinental (I) Ltd.	2.00	Classic Credit Ltd
02.8.2000	Intercontinental (I) Ltd.	6.00	Classic Credit Ltd
02.8.2000	Intercontinental (I) Ltd.	5.00	Classic Credit Ltd
02.8.2000	Intercontinental (I) Ltd.	10.00	Classic Credit Ltd
02.8.2000	Intercontinental (I) Ltd.	15.00	Classic Credit Ltd
02.8.2000	Advance Exports	5.40	Panther Investrade Ltd.
02.8.2000	Advance Exports	5.30	Panther Investrade Ltd.
02.8.2000	Advance Exports	11.60	Panther Investrade Ltd.
02.8.2000	Advance Exports	9.40	Panther Investrade Ltd.
02.8.2000	Advance Exports	7.60	Panther Investrade Ltd.
02.8.2000	Advance Exports	3.10	Panther Investrade Ltd.
02.8.2000	Crown International	10.20	Panther Fincap
02.8.2000	Crown International	7.60	Panther Fincap
02.8.2000	Crown International	5.90	Panther Fincap
02.8.2000	Crown International	12.80	Panther Fincap
02.8.2000	Crown International	5.90	Panther Fincap
11.4.2000	Adani Finance	4.50	Triumph Securities Ltd
11.4.2000	Adani Finance	27.00	Triumph Securities Ltd
17.4.2000	Adani Finance	20.70	Triumph Securities Ltd
04.2.2000	Adani Agro Ltd.	10.00	Goldfish Computers P. Ltd.
04.2.2000	Adani Properties	10.00	Goldfish Computers P. Ltd.
<b>Total : Rs.</b>		<b>340.65</b>	<b>Crore</b>

xii. **Flow of funds from KP Entities to Adani Group**

(Amount in Rs. Crore)

<b>Date</b>	<b>Transferor Co. / KP entities</b>	<b>Amount</b>	<b>Transferee Co. / Adani Group</b>
22.6.2000	Panther Investrade Ltd.	9.00	Adani Agro Ltd.
22.6.2000	Panther Investrade Ltd.	8.00	Adani Agro Ltd.
22.6.2000	Panther Investrade Ltd.	7.00	Adani Agro Ltd.
22.6.2000	Classic Credit Ltd	7.00	Adani Impex Ltd.
22.6.2000	Classic Credit Ltd	5.00	Adani Impex Ltd.
22.6.2000	Classic Credit Ltd	4.00	Shahi Property
22.6.2000	Classic Credit Ltd	8.00	Shahi Property
02.8.2000	Chitrakut Computers P. Ltd.	20.00	Adani Properties
02.8.2000	Chitrakut Computers P. Ltd.	10.40	Shahi Properties
02.8.2000	Chitrakut Computers P. Ltd.	12.00	Adani Impex
02.8.2000	Goldfish Computers P. Ltd.	42.40	Adani Properties
02.8.2000	Nakshatra Software P. Ltd.	10.00	Adani Agro Ltd.
02.8.2000	Nakshatra Software P. Ltd.	12.00	Adani Agro Ltd.

<b>Date</b>	<b>Transferor Co. / KP entities</b>	<b>Amount</b>	<b>Transferee Co. / Adani Group</b>
02.8.2000	Nakshatra Software P. Ltd.	15.00	Adani Agro Ltd.
02.8.2000	Nakshatra Software P. Ltd.	5.40	Adani Agro Ltd.
08.2.2000	Triumph International	9.00	Adani Finance
21.6.2000	Panther Fincap & Mgmt	12.00	Adani Properties
22.6.2000	Panther Fincap & Mgmt	12.00	Adani Properties
<b>Total : Rs.</b>		<b>208.20 crore</b>	

As is apparent from the above table, the fund transfer was done by Adani Agro Ltd., Shahi Properties, Adani Properties, Adani Finance Ltd., Adani Impex Ltd., Intercontinental I Ltd., Crown International and Advance Exports Ltd. I also note that there was amalgamation of various investment companies of the Adani group viz. Adani Finance, Excel Finstock, Eko Finstock, Ezy Finstock, Esteem Finstock and Ellite Finstock with Adani Agro Ltd with effect from October 1, 1999 pursuant to approval of the Hon'ble High Court of Gujarat vide its order dated October 10, 2000.

**xiii. Transactions of KP Entities in the scrip of Adani Exports Ltd.**

**Price Rigging in the scrip of Adani Exports Ltd.**

From the available records, I find that Shri Ketan Parekh related brokers consistently entered buy orders at prices much higher than the previous traded prices at NSE. Such orders were entered by Ketan Parekh brokers viz. Triumph International, NH Securities and CSSB either on self account or on behalf of other KP entities. A tabulation of orders put by KP entities/brokers which were placed at a price of at least 0.5% higher than the previous traded price is given below :



**a. Orders put through CSSB Securities (all in its proprietary account):**

Date	Time	Prev Traded Time	Prev Trade Price	Prev Traded Qty	Prev buy member name	Prev sell member name	Buy Order Time	Buy Member Name	Buy Order Number	Buy Original Volume	Buy Limit Price	Trd Pr	LTP % at order entry time	Trd Qty
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	645.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	646.25	1.87	200
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	647.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	648.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	648.00	1.87	300
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	648.50	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	650.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	650.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	650.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	652.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	653.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	654.80	1.87	300
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	655.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	655.00	1.87	100
17/11	10:51:30	10:50:10	643.000	200	Tracom	Anagram	10:51:30	CSSB	199911170170782	2500	655.00	655.00	1.87	500
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	655.00	0.76	500
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	656.00	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	657.00	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	658.00	0.76	200
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	658.95	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	659.00	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	659.00	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	659.00	0.76	300
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	660.00	0.76	100
17/11	10:52:02	10:51:30	655.000	500	Cssb	Alacrity	10:52:02	CSSB	199911170171847	2500	660.00	660.00	0.76	900

## b. Orders put through NH Securities

Date	Time	Prev Traded Time	Prev Traded Price	Prev Buy member Name	Prev Trade Qty	Buy Order Time	Buy Member Name	Buy Order Number	Buy Original Volume	Buy Limit Price	Trd Price	LTP % at order entry time	Trd Qty
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	894.85	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	895.00	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	895.45	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	895.95	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	896.00	3.92	400
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	900.00	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	900.00	3.92	100
25-10	10:31:59	12:00:03	866.050	PFIL	100	10:31:59	NH	199910250124305	2000	900.00	900.00	3.92	100
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	522.00	0.96	100
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	522.90	0.96	100
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	523.00	0.96	200
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	523.90	0.96	100
3-11	14:05:40	14:02:35	520.000	SONA	200	14:05:40	NH	199911030541035	5000	525.00	524.50	0.96	100
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	525.00	0.96	200
3-11	14:05:40	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	525.00	0.96	100
3-11	15:07:19	14:02:35	520.000	M. SONA	200	14:05:40	NH	199911030541035	5000	525.00	525.00	0.96	100
3-11	14:05:46	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
3-11	14:06:18	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
3-11	14:08:56	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	200
3-11	14:09:05	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	200
3-11	14:13:13	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
3-11	14:25:45	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
3-11	14:26:39	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	300
3-11	14:29:07	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
3-11	14:29:45	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	200
3-11	14:43:41	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	500
3-11	14:53:15	14:05:40	525.000	NH	100	14:05:46	NH	199911030541210	2000	530.00	530.00	0.95	100
7-11	19:55:03	19:54:53	504.900	MANOJ DOSHI	100	19:55:03	NH	199911070202905	5000	510.00	504.90	1.01	100
7-11	19:55:03	19:54:53	504.900	MANOJ DOSHI	100	19:55:03	NH	199911070202905	5000	510.00	508.00	1.01	100
7-11	19:55:03	19:54:53	504.900	MANOJ DOSHI	100	19:55:03	NH	199911070202905	5000	510.00	508.90	1.01	100
7-11	19:55:03	19:54:53	504.900	MANOJ DOSHI	100	19:55:03	NH	199911070202905	5000	510.00	509.90	1.01	100
7-11	19:55:03	19:54:53	504.900	MANOJ DOSHI	100	19:55:03	NH	199911070202905	5000	510.00	510.00	1.01	200
7-11	19:55:16	19:55:13	510.000	NH	200	19:55:16	NH	199911070203536	25000	515.00	511.90	0.98	100
7-11	19:55:16	19:55:13	510.000	NH	200	19:55:16	NH	199911070203536	25000	515.00	514.00	0.98	100

Date	Time	Prev Traded Time	Prev Traded Price	Prev Buy member Name	Prev Trade d Qty	Buy Order Time	Buy Memb er Name	Buy Order Number	Buy Origin al Volum e	Buy Limit Price	T r d P r	LTP % at orde r entr y time	Trd Qty
7-11	19:55:16	19:55:13	510.000	NH	200	19:55:16	NH	199911070203536	25000	515.00	514.00	0.98	100
7-11	19:55:16	19:55:13	510.000	NH	200	19:55:16	NH	199911070203536	25000	515.00	515.00	0.98	100
7-11	19:55:44	19:55:16	515.000	NH	100	19:55:44	NH	199911070204798	25000	525.00	517.50	1.94	100
7-11	19:55:44	19:55:16	515.000	NH	100	19:55:44	NH	199911070204798	25000	525.00	520.00	1.94	100
7-11	19:55:44	19:55:16	515.000	NH	100	19:55:44	NH	199911070204798	25000	525.00	525.00	1.94	100
7-11	19:55:44	19:55:16	515.000	NH	100	19:55:44	NH	199911070204798	25000	525.00	525.00	1.94	100
17-11	10:12:49	10:07:59	640.000	INDUS	200	10:12:49	NH	199911170068568	5000	645.00	644.85	0.78	100
17-11	10:12:49	10:07:59	640.000	INDUS	200	10:12:49	NH	199911170068568	5000	645.00	645.00	0.78	200
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	649.00	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	650.00	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	650.00	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	651.90	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	652.00	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	655.00	2.64	300
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	656.90	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	657.95	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	658.00	2.64	100
17-11	13:25:15	13:19:58	643.000	STD. SEC	100	13:25:15	NH	199911170401731	5000	660.00	660.00	2.64	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	661.90	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	662.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	662.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	664.90	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	665.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	667.75	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	667.80	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	667.95	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	668.00	1.52	200
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	668.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	668.80	1.52	200
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	669.95	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	670.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	670.00	1.52	100
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	670.00	1.52	200
17-11	13:25:25	13:25:15	660.000	NH	100	13:25:25	NH	199911170401914	5000	670.00	670.00	1.52	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	199911170564267	5000	660.00	652.75	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	199911170564267	5000	660.00	652.80	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	199911170564267	5000	660.00	653.00	2.48	200

Date	Time	Prev Traded Time	Prev Traded Price	Prev Buy member Name	Prev Trade d Qty	Buy Order Time	Buy Memb er Name	Buy Order Number	Buy Origin al Volum e	Buy Limit Price	T r d P r	LTP % at orde r entr y time	Trd Qty
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	655.00	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	658.95	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	659.00	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	660.00	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	660.00	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	660.00	2.48	100
17-11	15:20:29	15:15:05	644.000	EXCLSE C	100	15:20:29	NH	1999111705 64267	5000	660.00	660.00	2.48	400
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	662.50	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	662.90	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	663.90	1.06	500
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	664.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	665.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	665.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	667.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	668.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	669.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	670.00	1.06	200
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	670.00	1.06	100
22-11	13:04:31	12:48:08	662.950	PREM SOMANI	100	13:04:31	NH	1999112203 47791	5000	670.00	670.00	1.06	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	674.00	1.49	500
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	674.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	675.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	675.00	1.49	500
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	675.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	677.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	678.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	678.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	679.90	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	680.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	680.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	680.00	1.49	100
22-11	13:04:39	13:04:31	670.000	NH	100	13:04:39	NH	1999112203 47937	5000	680.00	680.00	1.49	100
22-11	13:04:49	13:04:39	680.000	NH	100	13:04:49	NH	1999112203 48122	5000	690.00	682.90	1.47	100
22-11	13:04:49	13:04:39	680.000	NH	100	13:04:49	NH	1999112203 48122	5000	690.00	684.90	1.47	100
22-11	13:04:49	13:04:39	680.000	NH	100	13:04:49	NH	1999112203 48122	5000	690.00	685.25	1.47	100
22-11	13:04:49	13:04:39	680.000	NH	100	13:04:49	NH	1999112203 48122	5000	690.00	689.50	1.47	100
22-11	13:05:00	13:04:49	689.500	NH	100	13:05:00	NH	1999112203 48298	5000	700.00	699.00	1.52	100

Date	Time	Prev Traded Time	Prev Traded Price	Prev Buy member Name	Prev Trade d Qty	Buy Order Time	Buy Memb er Name	Buy Order Number	Buy Origin al Volum e	Buy Limit Price	T r d P r	LTP % at orde r entr y time	Trd Qty
22-11	13:05:00	13:04:49	689.500	NH	100	13:05:00	NH	199911220348298	5000	700.00	700.00	1.52	100
22-11	13:05:00	13:04:49	689.500	NH	100	13:05:00	NH	199911220348298	5000	700.00	700.00	1.52	100
22-11	13:05:00	13:04:49	689.500	NH	100	13:05:00	NH	199911220348298	5000	700.00	700.00	1.52	300
22-11	13:05:00	13:04:49	689.500	NH	100	13:05:00	NH	199911220348298	5000	700.00	700.00	1.52	100
22-11	13:05:16	13:05:14	704.000	BRILLIA NT	100	13:05:16	NH	199911220348574	5000	717.00	705.00	1.85	300
22-11	13:05:16	13:05:14	704.000	BRILLIA NT	100	13:05:16	NH	199911220348574	5000	717.00	717.00	1.85	100
22-11	13:05:20	13:05:14	704.000	BRILLIA NT	100	13:05:16	NH	199911220348574	5000	717.00	717.00	1.85	100
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	760.95	1.84	100
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	761.00	1.84	100
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	762.00	1.84	100
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	769.75	1.84	100
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	770.00	1.84	500
1-12	12:55:08	12:36:12	761.000	NARAY AN SEC	100	12:55:08	NH	199912010473028	5000	775.00	771.00	1.84	100
1-12	14:21:38	13:29:12	792.750	CANON	100	13:36:55	NH	199912010548050	4200	800.00	800.00	0.91	100
1-12	14:43:40	13:29:12	792.750	CANON	100	13:36:55	NH	199912010548050	4200	800.00	800.00	0.91	100
1-12	15:12:07	13:29:12	792.750	CANON	100	13:36:55	NH	199912010548050	4200	800.00	800.00	0.91	200
8-12	15:21:45	14:58:58	1080.000	SUSHIL LTD.	100	15:21:45	NH	199912080882478	2000	1090.00	1090.00	0.93	200
8-12	15:21:45	14:58:58	1080.000	SUSHIL LTD.	100	15:21:45	NH	199912080882478	2000	1090.00	1090.00	0.93	500
8-12	15:21:45	14:58:58	1080.000	SUSHIL LTD.	100	15:21:45	NH	199912080882478	2000	1090.00	1090.00	0.93	100

From the above it is seen that majority of the above trades executed by NH Securities were on own/proprietary account and the remaining trades were executed for Classic Credit.

**c. Orders put through Triumph International Finance India Ltd.**

Date	Time	Prev Traded Time	Prev Traded Price	Prev Trade d Qty	Prev buy member name	Buy Order Time	Buy Mem ber Nam e	Buy Order Number	Buy Original Volume	Buy Limit Price	Trd Pr	LTP% at order entry time	Trd Qty
28-10	10:30:02	10:29:01	988.000	100	Vivek	10:30:02	TIFIL	199910280104833	300	1005.00	1004.00	1.72	100
28-10	10:30:02	10:29:01	988.000	100	Vivek	10:30:02	TIFIL	199910280104833	300	1005.00	1004.90	1.72	100
28-10	10:30:02	10:29:01	988.000	100	Vivek	10:30:02	TIFIL	199910280104833	300	1005.00	1005.00	1.72	100
3-11	10:32:25	10:31:57	535.100	100	Crown	10:32:25	TIFIL	199911030130617	200	545.00	538.00	1.85	100
3-11	10:32:25	10:31:57	535.100	100	Crown	10:32:25	TIFIL	199911030130617	200	545.00	545.00	1.85	100
5-11	11:33:38	10:56:47	495.000	100	SSKI	11:08:57	TIFIL	199911050197562	200	500.00	499.95	1.01	100

Date	Time	Prev Traded Time	Prev Traded Price	Prev Trade d Qty	Prev buy member name	Buy Order Time	Buy Mem ber Name	Buy Order Number	Buy Original Volume	Buy Limit Price	Trd Pr	LTP% at order entry time	Trd Qty
5-11	11:33:38	10:56:47	495.000	100	SSKI	11:08:57	TIFIL	199911050197562	200	500.00	500.00	1.01	100
24-11	10:11:07	10:09:26	740.000	100	SS	10:11:07	TIFIL	199911240050406	300	765.15	740.00	3.40	200
2-12	11:54:19	11:53:55	840.000	100	TIFL	11:54:19	TIFIL	199912020312198	100	845.00	840.00	0.60	100
2-12	11:54:30	11:54:19	840.000	100	TIFL	11:54:30	TIFIL	199912020312497	100	845.00	840.00	0.60	100
9-12	10:30:48	10:22:58	1113.000	25000	TIFL	10:30:48	TIFIL	199912090124468	25000	1121.00	1121.00	0.72	25000
10-12	13:28:34	13:27:43	1235.100	100	Trac	13:28:34	TIFIL	199912100475666	500	1255.00	1250.00	1.61	100
10-12	14:08:00	13:59:09	1236.050	100	Jiten	14:08:00	TIFIL	199912100534012	100	1248.95	1248.95	1.04	100
15-12	10:11:27	15:59:18	1086.000	100	Joindre	10:11:27	TIFIL	199912150055125	100	1166.65	1070.00	7.43	100
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1043.00	3.96	100
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1047.90	3.96	100
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1048.00	3.96	100
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1050.00	3.96	100
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1050.00	3.96	200
17-12	12:20:26	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1050.00	3.96	100
17-12	12:20:46	10:48:11	1010.000	100	Somayajulu	11:01:04	TIFIL	199912170230984	800	1050.00	1050.00	3.96	100
17-12	12:45:34	12:43:14	1048.000	100	TIFL	12:44:41	TIFIL	199912170469924	500	1060.00	1059.95	1.15	100
17-12	12:45:34	12:43:14	1048.000	100	TIFL	12:44:41	TIFIL	199912170469924	500	1060.00	1060.00	1.15	100
17-12	12:46:26	12:43:14	1048.000	100	TIFL	12:44:41	TIFIL	199912170469924	500	1060.00	1060.00	1.15	100
17-12	12:46:53	12:43:14	1048.000	100	TIFL	12:44:41	TIFIL	199912170469924	500	1060.00	1060.00	1.15	100
17-12	12:47:12	12:43:14	1048.000	100	TIFL	12:44:41	TIFIL	199912170469924	500	1060.00	1060.00	1.15	100
17-12	12:45:50	12:44:56	1051.000	100	Vivek	12:45:16	TIFIL	199912170471119	100	1065.00	1062.00	1.33	100
21-12	11:38:09	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	1000	1012.00	1012.00	0.90	100
21-12	11:41:44	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	1000	1012.00	1012.00	0.90	100
21-12	11:45:48	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	1000	1012.00	1012.00	0.90	100
21-12	12:25:32	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	200
21-12	12:36:42	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	100
21-12	12:50:23	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	100
21-12	13:02:39	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	100
21-12	13:10:10	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	100
21-12	13:10:34	11:07:46	1003.000	100	VFC	11:11:10	TIFIL	199912210267944	700	1014.00	1014.00	1.10	100

From the above table, it is observed that majority of the above trades were executed by Triumph International either for Classic Credit or in its

own account. From the above it is seen that throughout this period of price rise, there were several instances where Shri Ketan Parekh brokers/entities had placed orders at prices in the range of 0.6% to 7.43% higher than the last traded prices. It is also observed that in many such cases the previous orders were also entered into by Shri Ketan Parekh brokers themselves. Thus there was concentration of order inputting by these Shri Ketan Parekh entities/brokers at successively higher prices during this period with a motive to take the price to higher level in violation of SEBI (PFUTP) Regulations.

xiv. **Artificial Volume in the scrip of Adani Exports Ltd.**

It was observed that large synchronized trades were executed by the brokers on behalf of KP group. By analyzing these trades, it is evident that they were outcome of the financing transactions between KP groups with CSFB which were given colour of market transactions. By these transactions CSFB assisted KP group by executing the transactions and making payment to them on the same day on receipt of the delivery. These funds were used by KP group to fulfill their other financial obligations such as for making pay-in in other stock exchanges or to make off-market payment.

Details of above transactions at BSE and NSE where the counterparty sell broker was CSFB are given as under :

**Transactions at BSE**

Exc han ge	Trade Date	Scrip Name	Trade Time	Trade Qty	Trad e rate	Buy Member Name	Sell Client	Buy Clien t	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
BSE	1-Jan-01	Adani Exp	12:41:48	60000	609	Hem Sec	LIPL	PFMS	4970050010016772	2480030010002708	12:41:48	12:41:47	60000	60000	609.00	609.00
BSE	1-Jan-01	Adani Exp	12:42:03	50000	609	Milan M	LIPL	PFMS	4970050010016773	4600120010001732	12:42:02	12:42:02	50000	50000	609.00	609.00
BSE	1-Jan-01	Adani Exp	12:42:29	50000	609	Pravin V Sh	LIPL	PFMS	4970050010016774	5580010010004678	12:42:25	12:42:29	50000	50000	609.00	609.00
BSE	3-Jan-	Adani	14:46:31	99946	610	Latin M	LIPL	PFMS	4970050	4050460	14:46:31	14:46:30	100000	100100	610.00	610.

Exchange	Trade Date	Script Name	Trade Time	Trade Qty	Trade Rate	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
	01	Exp							0010016920	0000001615						00
BSE	3-Jan-01	Adani Exp	14:47:42	54	610	Omega Eq	LIPL	PFMS	49700500010016920	16300100010004868	14:46:31	14:47:42	100000	75055	610.00	610.00
BSE	3-Jan-01	Adani Exp	14:47:42	75001	610	Omega Eq	LIPL	PFMS	49700500010016921	16300100010004868	14:47:42	14:47:42	150000	75055	610.00	610.00
BSE	3-Jan-01	Adani Exp	14:48:01	70100	610	Woodstock	LIPL	PFMS	49700500010016921	753001000100003114	14:47:42	14:48:00	150000	75000	610.00	610.00
BSE	3-Jan-01	Adani Exp	14:49:14	3899	607	Omega Eq	LIPL	PFMS	49700500010016921	16300100010004869	14:49:11	14:49:13	4899	4899	607.00	607.00
BSE	3-Jan-01	Adani Exp	14:49:36	515	607	Omega Eq	LIPL	PFMS	49700500010016921	16300100010004870	14:49:11	14:49:36	4899	1000	607.00	607.00
BSE	3-Jan-01	Adani Exp	14:49:49	475	607	Latin M	LIPL	PFMS	49700500010016921	40504600000001616	14:49:11	14:49:48	4899	500	607.00	607.00
BSE	15-Jan-01	Adani Exp	10:54:09	200000	603	Triumph	LIPL	CCL	49700100010000595	372001000100015102	10:54:08	10:54:08	200000	200000	603.00	603.00
BSE	29-Jan-01	Adani Exp	13:47:42	99800	740	Hem Sec	LIPL	PFMS	497005000100019243	248003000100003050	13:47:41	13:47:40	200000	100030	740.00	740.00
BSE	29-Jan-01	Adani Exp	13:47:42	30	740	Hem Sec	LIPL	PFMS	497005000100019243	248003000100003050	13:47:41	13:47:40	200000	100030	740.00	740.00
BSE	29-Jan-01	Adani Exp	13:47:42	100000	740	Pravin V Sh	LIPL	PFMS	497005000100019243	558001000100005116	13:47:41	13:47:41	200000	100000	740.00	740.00
BSE	29-Jan-01	Adani Exp	13:47:52	170	740	Hem Sec	LIPL	PFMS	497005000100019243	248003000100003051	13:47:41	13:47:52	200000	170	740.00	740.00
BSE	5-Feb-01	Adani Exp	12:41:36	100000	820	CJ Dalal	LIPL	PFMS	497005000100020076	85004000100003916	12:41:21	12:41:27	100000	100000	820.00	820.00
BSE	5-Feb-01	Adani Exp	12:42:21	100000	822	Latin M	LIPL	PFMS	497005000100020077	405046000000001997	12:42:18	12:42:21	100000	100000	822.00	822.00
BSE	5-Feb-01	Adani Exp	12:42:54	100000	824	Hem Sec	LIPL	PFMS	497005000100020078	248003000100003346	12:42:49	12:42:48	100000	100000	824.00	824.00
BSE	5-Feb-01	Adani Exp	12:43:29	100000	820	Pravin V Sh	LIPL	PFMS	497005000100020079	558001000100005258	12:43:27	12:43:28	100000	100000	820.00	820.00
BSE	5-Feb-01	Adani Exp	12:43:55	100000	820	Milan M	LIPL	PFMS	497005000100020080	460012000100001933	12:43:54	12:43:53	100000	100000	820.00	820.00
BSE	12-Feb-01	Adani Exp	12:16:25	100000	854	Milan M	LIPL	PFMS	497005000100021005	460012000100001968	12:16:24	12:16:24	100000	100000	854.00	854.00
BSE	12-Feb-01	Adani Exp	12:16:42	120000	854	Hem Sec	LIPL	PFMS	497005000100021006	248003000100003435	12:16:42	12:16:42	120000	120000	854.00	854.00
BSE	27-Feb-01	Adani Exp	10:24:05	48646	842	Triumph	LIPL	CCL	497005000100022602	372001000100017874	10:24:05	10:24:04	50000	55000	842.00	842.00
BSE	27-Feb-01	Adani Exp	10:24:05	1354	842	Triumph	LIPL	CCL	497005000100022602	372001000100017874	10:24:05	10:24:04	50000	55000	842.00	842.00
BSE	27-Feb-01	Adani Exp	10:24:23	49402	847	Triumph	LIPL	CCL	497005000100022603	372001000100017875	10:24:23	10:24:20	50000	50000	847.00	847.00
BSE	27-Feb-01	Adani Exp	10:24:32	598	847	Triumph	LIPL	CCL	497005000100022603	372001000100017876	10:24:23	10:24:31	50000	100000	847.00	847.00
BSE	27-Feb-01	Adani Exp	10:24:35	94302	847	Triumph	LIPL	CCL	497005000100022604	372001000100017876	10:24:35	10:24:31	100000	100000	847.00	847.00
BSE	27-Feb-01	Adani Exp	10:24:57	600	844	Triumph	LIPL	CCL	497005000100022604	372001000100017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	700	844	Triumph	LIPL	CCL	497005000100022604	372001000100017880	10:24:35	10:26:17	100000	10000	844.00	844.00



Exchange	Trade Date	Script Name	Trade Time	Trade Qty	Trade rate	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
									604	880						
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	600	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	590	844	Triumph	LIPL	CCL	49700500010022604	37200100010017880	10:24:35	10:26:17	100000	10000	844.00	844.00
BSE	27-Feb-01	Adani Exp	10:26:17	99300	846	Triumph	LIPL	CCL	49700500010022605	37200100010017878	10:24:56	10:24:56	100000	100000	846.00	846.00
		<b>Total</b>		<b>1829082</b>												

From the above, It is therefore established that Ketan Parekh group manipulated the market with the help of Adani Group.

xv. To sum up, I find that there was an association between the Shri Ketan Parekh group of entities and Adani group. There was movement of shares as well as funds from Adani group to KP entities and vice versa which was used by Shri Ketan Parekh and his related entities to manipulate the price of Adani. Entities of Shri Ketan Parekh group involved in these transactions were Panther Fincap, Classic Credit, Panther Investrade, Chitrakut, Goldfish, Nakshatra, Classic Share, NH Securities, Triumph Securities, Luminant and closely associated entity Triumph International (total 11 entities).

xvi. The promoters of Adani were found to have sold their own shares of Adani only to KP entities through Triumph International as a selling broker. The shares sold by Adani group were purchased by KP entities as clients. KP entities conducted various transactions at successively higher

prices than the previous traded prices which induced others to trade in the scrip. These manipulative trades of KP entities led to artificial increase in price of Adani during the period in violation of Regulation 4 of the SEBI (PFUTP) Regulations, 1995.

#### **12.3D Global Tele-System Ltd (GTL)**

- i. I note that the price of GTL on BSE increased from Rs. 256/- in the first week of October, 1999 to Rs. 833/- at the end of December, 1999. The price further went up to Rs. 1368/- in January, 2000 and moved to Rs. 2631/- in the first week of March, 2000. By March 31, 2000, the price of the scrip moved down to Rs. 1630/-. The price further fell to Rs. 626/- in May 2000. The price then again started rising during June, 2000 from Rs. 785/- and reached a high of Rs. 1010/- in the first week of July, 2000. The price of the scrip was trading in the range of Rs. 600 to 700 during July, 2000 to September, 2000. The price started moving down during the middle of September, 2000 from Rs. 610 to Rs. 386 as on November 3, 2000. The price was in the range of Rs. 385 to Rs. 450/- for period upto end of January, 2001. It went down from Rs. 418 as on February 9, 2001 and touched a low of Rs. 149.90 by the end of March 31, 2001.
- ii. Investigation revealed that as compared to total market net position, net purchase quantity of KP entities was substantially high during the period when the price of GTL started declining from its peak price. It was found that concentrated position in the scrip was created through number of brokers across the exchanges. It was seen that various KP entities created false volume through simultaneous purchase and sale of shares across various counters along with large net position which resulted in market manipulation in the scrip of GTL.

- iii. As per the data received from the brokers, certain entities connected/controlled with/by Shri Ketan Parekh had done significant trading in the scrip of GTL at NSE, BSE and CSE. These entities were:
  - a. Classic Credit Ltd (Classic Credit)
  - b. Panther Fincap & Management Services Ltd (Panther Fincap)
  - c. Luminant Investment Pvt. Ltd (Luminant)
  - d. Saimangal Investrade Ltd (Saimangal)
  - e. NH Securities Ltd (NH Securities-proprietary account)
  - f. Classic Shares & Stock Brokers Ltd (Classic Shares/CSSB-proprietary account)
  - g. Chitrakut Computers Private Ltd.(Chitrakut)
  - h. Classic Infin Ltd (Classic Infin); and
  - i. Panther Investrade Ltd. (Panther Investrade)
- iv. At NSE, KP entities traded through various brokers such as :
  - a. NH Securities
  - b. Classic Shares & Stock Brokers
  - c. Triumph International Finance Ltd
  - d. Milan Mahendra Securities Pvt. Ltd (Milan Mahendra)
  - e. Visaria Securities
  - f. Keynote Capital
  - g. Sunidhi Consultancy
  - h. Woodstock Broking/ Indsec Securities
  - i. Mukesh Babu Securities/ CSFB Securities
  - j. DKB Securities
  - k. Consortium Securities, etc.
- v. At BSE, various KP entities traded through various brokers such as:
  - a. Triumph Securities Ltd. (TSL)/ Triumph Securities
  - b. Hem Securities,

- c. Milan Mahendra Securities
  - d. C.J. Dalal
  - e. Latin Manharlal Securities (Latin Manharlal)
  - f. Vyomit Shares
  - g. Pravin V. Shah
  - h. Visaria Securities
  - i. Woodstock Securities
  - j. Millenium Equities
  - k. Omega Equities
- vi. Settlements/period in which Ketan Parekh entities had conducted major trading in the scrip of GTL and their carry forward positions at BSE and NSE are given as under :

**Net purchase positions of KP entities at BSE**

<b>Settlement No.</b>	<b>Name of the client</b>	<b>Net purchase position</b>	<b>% the total net purchase</b>
1999030	Classic Credit	2.4 lakh	18%
1999031	Classic Credit	6.4 lakh	55%
1999032	Classic Credit	2.13 lakh	28%
2000013	Classic Credit	2.26 lakh	18%
2000017	Classic Credit	1.14 lakh	24%
2000030	KP entities	1.60 lakh	21%
2000031	KP entities	1.60 lakh	23%
2000040	KP entities	10.30 lakh	66%

### Carry forward position of KP entities at BSE

<b>Settlement No.</b>	<b>Name of the client</b>	<b>No. of shares purchased which are carried forward to the next settlement</b>	<b>% contribution to the total carry forward position</b>
1999030	Classic Credit Ltd.	2.17 lakh	13%
1999032	Classic Credit Ltd.	1.98 lakh	12%
2000007	Ketan Parekh Entities	1.89 lakh	17%
2000008	Ketan Parekh Entities	1.81 lakh	18%
2000009	Ketan Parekh Entities	2.37 lakh	20%
2000010	Ketan Parekh Entities	1.87 lakh	17%
2000011	Ketan Parekh Entities	1.57 lakh	17%
2000014	Ketan Parekh Entities	1.15 lakh	9%
2000015	Ketan Parekh Entities	1.18 lakh	8%
2000016	Ketan Parekh Entities	1.14 lakh	9%
2000017	Ketan Parekh Entities	2.43 lakh	16%
2000018	Ketan Parekh Entities	2.20 lakh	16%
2000019	Ketan Parekh Entities	2.33 lakh	14%
2000025	Ketan Parekh Entities	1.91 lakh	13%
2000030	Ketan Parekh Entities	1.61 lakh	10%
2000031	Ketan Parekh Entities	3.04 lakh	16%
2000032	Ketan Parekh Entities	3.62 lakh	18%
2000033	Ketan Parekh Entities	3.26 lakh	17%
2000034	Ketan Parekh Entities	3.21 lakh	15%
2000036	Ketan Parekh Entities	2.91 lakh	13%
2000040	Ketan Parekh Entities	4.21 lakh	17%
2000041	Ketan Parekh Entities	1.21 lakh	5%
2000042	Ketan Parekh Entities	4.14 lakh	14%

### Net purchase positions of KP entities at NSE

<b>Settlement No.</b>	<b>Name of the client</b>	<b>Net purchase position</b>	<b>% contribution to the total net purchase</b>
1999041	Ketan Parekh Entities	1.47 lakh	15%
1999043	Ketan Parekh Entities	1 lakh	15%
2000019	Ketan Parekh Entities	1.1 lakh	19%
2000026	Ketan Parekh Entities	3.65 lakh	33%

<b>Settlement No.</b>	<b>Name of the client</b>	<b>Net purchase position</b>	<b>% contribution to the total net purchase</b>
2000030	Ketan Parekh Entities	1.05 lakh	29%
2000031	Ketan Parekh Entities	1.4 lakh	15%

**Carry forward position of KP entities at NSE**

<b>Settlement No.</b>	<b>Name of the client</b>	<b>No. of shares purchased which are carried forward to the next settlement</b>	<b>% contribution to the total carry forward position</b>
2000040	Ketan Parekh Entities	0.88 lakh	15%
2000041	Ketan Parekh Entities	1.94 lakh	28%
2000042	Ketan Parekh Entities	1.09 lakh	18%
2000043	Ketan Parekh Entities	1.25 lakh	14%
2000044	Ketan Parekh Entities	2.19 lakh	23%
2000045	Ketan Parekh Entities	0.632 lakh	10%
2000046	Ketan Parekh Entities	1.35 lakh	16%
2000047	Ketan Parekh Entities	0.80 lakh	18%
2000048	Ketan Parekh Entities	1.09 lakh	12%
2000053	Ketan Parekh Entities	1.62 lakh	7%
2001001	Ketan Parekh Entities	1.30 lakh	5%

- vii. From the above, it can be seen that KP entities had substantial purchase carry forward position at BSE during the period from October 2000 to March 2001, which ranged from around 5% to 20% of the total carry forward position of the market. During majority of the settlements as shown in the table, the carry forward position of the KP entities was more than 10% of total carry forward position of the market.
- viii. At NSE, KP entities had substantial trading in the scrip of GTL during the period from October 1999 to March 2001. The net purchase of KP entities in certain settlements ranged from 5% to 33%. Settlements in which net purchase position of KP entities was more than 10% of total net purchase

of the market were settlement no. 1999041 (15%), 1999043(15%), 2000019 (19%), 2000026(33%), 2000030(29%) and 2000031(15%).

- ix. KP entities also had substantial purchase carry forward position at NSE during the period from October 2000 to March 2001, which ranged from around 5% to 28%. Since the segregation of purchase carry forward position at NSE was available only from the settlement No. 2000040 onwards, in the above table, the carry forward position of KP entities has been indicated from settlement No. 2000040 onwards. Settlements in which carry purchase position of KP entities was more than 10% of total carry forward position of the market were settlement no. 2000040 (15%), 2000041(28%), 2000042(18%), 2000043 (14%), 2000044 (23%), 2000045 (10%), 20000046 (16%), 2000047 (18%) and 2000048 (12%).

### **13.0 Show cause notice dated May 16, 2005 in the matter of Vidyut Investments Ltd.**

- 13.1 From the show cause notice dated May 16, 2005, I note that the details of the payments made/received to/from entities associated/connected with Shri Ketan Parekh by Vidyut Investments Ltd. during the period January 01, 1999 to October 31, 1999 and November 01, 1999 to December 31, 2000 respectively were provided in the following two tables:

**Table A**

<b>Sr. No.</b>	<b>Name of the KP entity/broker</b>	<b>Cheque No.</b>	<b>Date</b>	<b>Bank</b>	<b>Paid (Rs.)</b>	<b>Received (Rs.)</b>	<b>Nature of Payment</b>
1	<b>V N Parekh Securities Pvt. Ltd. (Broker related to KP)</b>  (Terms: Interest @ 18% p.a.)	633364	24-Mar-99	ABN Amro Bank	5,00,00,000		Loan Paid
		465085	30-Mar-99	ABN Amro Bank		5,00,00,000	Repayment
		<b>Sub Total</b>			<b>5,00,00,000</b>	<b>5,00,00,000</b>	

Sr. No.	Name of the KP entity/broker	Cheque No.	Date	Bank	Paid (Rs.)	Received (Rs.)	Nature of Payment
2	<b>Classic Credit Ltd.</b>  (Terms: Interest @ 18% p.a.)	497611	28-Oct-99	ABN Amro Bank	25,00,00,000		Under line of Credit
		497612	28-Oct-99	ABN Amro Bank	25,00,00,000		Under line of Credit
		371902	29-Oct-99	Global Trust Bank Ltd.		25,00,00,000	Repayment
		371903	29-Oct-99	Global Trust Bank Ltd.		25,00,00,000	Repayment
		<b>Sub Total</b>			<b>50,00,00,000</b>	<b>50,00,00,000</b>	
3	<b>Panther Fincap &amp; Mgmt. Serv. Ltd.</b>  (Terms: Interest @ 18% p.a.)	634678	29-Jan-99	ABN Amro Bank	11,00,00,000		Under line of Credit
		184287	04-Feb-99	ABN Amro Bank		11,00,00,000	Repayment
		634691	05-Feb-99	ABN Amro Bank	15,00,00,000		Under line of Credit
		231247	18-Feb-99	Global Trust Bank Ltd.		15,00,00,000	Repayment
		634707	23-Feb-99	ABN Amro Bank	4,00,00,000		Under line of Credit
		634706	23-Feb-99	ABN Amro Bank	21,00,00,000		Under line of Credit
		225806	11-Mar-99	Global Trust Bank Ltd.		3,00,00,000	Repayment
		184291	11-Mar-99	ABN Amro Bank		9,00,00,000	Repayment
		225869	12-Mar-99	Global Trust Bank Ltd.		12,00,00,000	Repayment
		155505	12-Mar-99	Global Trust Bank Ltd.		1,00,00,000	Repayment
		<b>Sub Total</b>			<b>51,00,00,000</b>	<b>51,00,00,000</b>	
<b>Grand Total</b>				<b>1,06,00,00,000</b>	<b>1,06,00,00,000</b>		



**Table B**

<b>Sr. No.</b>	<b>Name of the Broker/ Associate</b>	<b>Cheque No.</b>	<b>Date</b>	<b>Bank</b>	<b>Paid (Rs.)</b>	<b>Received (Rs.)</b>	<b>Nature of Payment</b>
1	<b>Panther Fincap &amp; Mgmt. Serv. Ltd.</b>  (Terms: Interest 18% p.a.) @	497631	22-Dec-99	ABN Amro Bank	20,00,00,000		Under line of Credit
		497632	22-Dec-99	ABN Amro Bank	20,00,00,000		Under line of Credit
		497633	22-Dec-99	ABN Amro Bank	15,00,00,000		Under line of Credit
		433272	27-Dec-99	Global Trust Bank Ltd		20,00,00,000	Repayment
		433282	29-Dec-99	Global Trust Bank Ltd		20,00,00,000	Repayment
		433283	29-Dec-99	Global Trust Bank Ltd		15,00,00,000	Repayment
		023001	6-Apr-00	Citibank	25,00,00,000		Line of Credit
		662285	25-Apr-00	Global Trust Bank Ltd		5,00,00,000	Repayment
		679327	9-Jun-00	Global Trust Bank Ltd		5,00,00,000	Repayment
		679347	21-Jun-00	Global Trust Bank Ltd		12,50,00,000	Repayment
		755979	19-Jul-00	Global Trust Bank Ltd		2,50,00,000	Repayment
		869669	29-Sep-00	ABN Amro Bank	15,00,00,000		Under line of Credit
		869670	29-Sep-00	ABN Amro Bank	15,00,00,000		Under line of Credit
		825773	23-Oct-00	Global Trust Bank Ltd		10,00,00,000	Repayment

Sr. No.	Name of the Broker/ Associate	Cheque No.	Date	Bank	Paid (Rs.)	Received (Rs.)	Nature of Payment
		825774	23-Oct-00	Global Trust Bank Ltd		10,00,00,000	Repayment
		825775	23-Oct-00	Global Trust Bank Ltd		10,00,00,000	Repayment
		869680	27-Oct-00	ABN Amro Bank	15,00,00,000		Under line of Credit
		869681	30-Oct-00	ABN Amro Bank	15,00,00,000		Under line of Credit
		417903	30-Nov-00	ABN Amro Bank		2,50,00,000	Repayment
		707874	8-Dec-00	Global Trust Bank Ltd		7,50,00,000	Repayment
		<b>Sub Total</b>			<b>1,40,00,00,000</b>	<b>1,20,00,000</b>	
2	<b>Classic Credit Ltd.</b>  (Terms: Interest @ 18% p.a.)	497620	30-Nov-99	ABN Amro Bank	20,00,00,000		Under line of Credit
		409702	1-Dec-99	Global Trust Bank Ltd.		20,00,00,000	Repayment
		315282	6-Apr-00	Std. Ghd. Grindlays	20,00,00,000		Under line of Credit
		076693	6-Apr-00	ABN Amro Bank	5,00,00,000		Under line of Credit
		676187	25-Apr-00	Global Trust Bank Ltd.		5,00,00,000	Repayment
		711833	9-Jun-00			5,00,00,000	Repayment
		667471	21-Jun-00	Global Trust Bank Ltd.		12,50,00,000	Repayment
		764652	19-Jul-00	Global Trust Bank Ltd.		2,50,00,000	Repayment
		869667	28-Sep-00	ABN Amro	15,00,00,000		Under line of Credit

Sr. No.	Name of the Broker/ Associate	Cheque No.	Date	Bank	Paid (Rs.)	Received (Rs.)	Nature of Payment
				Bank			
		869668	28-Sep-00	ABN Amro Bank	15,00,00,000		Under line of Credit
		825620	11-Oct-00	Global Trust Bank Ltd.		10,00,00,000	Repayment
		825621	11-Oct-00	Global Trust Bank Ltd.		10,00,00,000	Repayment
		825622	11-Oct-00	Global Trust Bank Ltd.		10,00,00,000	Repayment
		869673	13-Oct-00	ABN Amro Bank	10,00,00,000		Under line of Credit
		869674	13-Oct-00	ABN Amro Bank	10,00,00,000		Under line of Credit
		869675	13-Oct-00	ABN Amro Bank	10,00,00,000		Under line of Credit
		865494	29-Nov-00	Global Trust Bank Ltd		10,00,00,000	Repayment
		Sub Total				1,05,00,00,000	85,00,00,00,000
Grand Total				2,45,00,00,000	2,05,00,00,000		

13.2 From the above, I note that Vidyut Investments Ltd. financed KP group a sum of Rs.351 crore in two instalments i.e. Rs.106 crore during January to October 1999 and Rs.245 crore during November 1999 to December 2000. In this regard, I note that with regard to the charge in the show cause notice that the funds received from Vidyut were used for the purposes of artificially raising the prices or preventing the prices from declining of certain scrips, Panther Fincap and Classic Credit submitted that the funds were borrowed to meet their short term financial obligations and for no other purpose. They further submitted that the funds so borrowed were paid back in full and final settlement. They

further contended that there is no relationship between the show cause notices dated January 31, 2005 containing allegations of violations of SEBI (PFUTP) Regulations, 2003 and the show cause notice dated May, 16 2005, detailing the fund flow to /from Vidyut as nowhere it is mentioned or alleged that the funds received from or paid to Vidyut were for the purposes of dealing in the scrips of HFCL, Zee, Adani and GTL. However, I find that the show cause notice refers to the fund flow between KP entities and Vidyut Investmnet during the period January 1999 to December 2000. Further, during the aforesaid period, KP entities were found to have traded heavily in the aforesaid scrips. Details of these trades by KP entities have already been discussed in the earlier part of this order while dealing with the show cause notice dated January 31, 2005. On a cumulative analysis of all the facts and circumstances, I find that the KP entities used the fund provided by the promoters of HFCL, Zee, Adani and also by Vidyut to manipulate the market in the aforesaid scrips. In this regard, I note that for these very trades, having found that Vidyut had facilitated (aided and abated) KP entities in manipulating the market, SEBI vide its order dated January 24, 2007, has debarred Vidyut and its promoters/directors from accessing the capital market for a period of 2 years. It seems that the said violations have been admitted and the consequent order has been accepted by Vidyut group as no appeal has apparently been filed against the said order by them.

#### **14.0 Show Cause Notice dated September 28, 2005 in the scrip of SAB TV**

##### **14.1 Trades of Classic Credit Limited**

During the period from February 23, 2000 to October 13, 2000 Shri Ketan Parekh, Shri Kartik Parekh and Shri Kiritikumar Parekh were the directors of Classic Credit. Classic Credit traded in the scrip of SAB TV through the brokers of BSE and NSE viz. Milan Mahendra Securities Pvt.

Ltd. (Milan Mahendra), N.H. Securities Ltd., Chandravadan J Dalal (C J Dalal), Triumph International, Sunidhi Consultancy Services Pvt. Ltd. (Sunidhi Consultancy), Classic Shares and Hem Securities Ltd. The details of these trading of Classic Credit are as under :

<b>Sr. No.</b>	<b>Name of the Trading Member</b>	<b>Quantity Bought</b>	<b>Quantity Sold</b>	<b>Net Quantity</b>	<b>Gross Quantity</b>
1	Milan Mahendra Securities Private Ltd.	0	54894	-54894	54894
2.	NH Securities	10980	1180	9800	12160
3.	Chandravadan J Dalal	0	55882	-55882	55882
4.	Triumph International Finance India Ltd.	110000	500000	-390000	610000
5.	Classic Shares & Stock Broking	0	816	-816	816
6.	Sunidhi Consultancy Services Pvt. Ltd.	0	36450	-36450	36450
7	Hem Securities Ltd.	0	101528	-101528	101528
	<b>Total</b>	<b>120980</b>	<b>750750</b>	<b>-629770</b>	<b>871730</b>

14.2 From the above table, it is observed that Classic Credit traded in the scrip through 7 different brokers of NSE and BSE. It bought 1,20,980 shares and sold 7,50,750 shares i.e. on net basis it sold 6,29,770 shares and on gross basis it bought and sold 8,71,730 shares. It was also observed that trades executed by Hem Securities, CJ Dalal and Milan Mahendra on behalf of Classic Credit were structured trades and the shares sold by these entities through these structured trades were bought by Unit Trust of India (UTI).

14.3 I have also observed that other entities who had actively conducted synchronized and structured trades in SAB TV were Panther Fincap and Chitrakut. The trades of Panther Fincap and Chitrakut are mentioned below:

#### 14.4 Trades of M/s. Panther Fincap

Panther Fincap traded in the scrip of SAB TV through two different brokers of BSE viz. Milan Mahendra Securities Pvt. Ltd. and M/s Chandravadan J Dalal. The details of trading of Panther Fincap is as under:

<b>Sr. No.</b>	<b>Name of the Trading Member</b>	<b>Quantity Bought</b>	<b>Quantity Sold</b>	<b>Net Quantity</b>	<b>Gross Quantity</b>
1	M/s Milan Mahendra Securities Pvt. Ltd.	0	25000	-25000	25000
2	M/s Chandravadan J Dalal	1050	1768670	-175817	177917
	<b>Total</b>	<b>1050</b>	<b>201867</b>	<b>-200817</b>	<b>202917</b>

From the material referred to in show cause notice, I find that the trades executed by Panther Fincap through Chandravadan J Dalal and Milan Mahendra Securities Private Ltd were structured trades.

#### 14.5 Trades of Chitrakut Computers Pvt. Ltd.

- i. From the material available, I note that Chitrakut traded in the scrip of SAB TV through two different brokers BSE viz. Chandravadan J Dalal and Hem Securities Ltd. The detail of trading of CCPL is as below:

<b>Sr.No.</b>	<b>Name of the Trading Member</b>	<b>Quantity Bought</b>	<b>Quantity Sold</b>	<b>Net Quantity</b>	<b>Gross Quantity</b>
1	Hem Securities	0	25000	-25000	25000
2	Chandravadan J Dalal	226170	251300	-25130	477470
	<b>Total</b>	<b>226170</b>	<b>276300</b>	<b>-50130</b>	<b>502470</b>

- ii. From the available material as referred to in the show cause notice more elaborately, I observe that the trades executed by Chitrakut through Chandravadan J. Dalal and Hem Securities Ltd. were structured trades.

- iii. From the cumulative analysis of total trades executed by Classic Credit, Panther Fincap and Chitrakut, I find that they entered into 17 structured trades and thereby sold 4,23,872 shares of SAB TV. In all these structured trades, the counter party client was UTI. From the analysis of trade log and order log, I find that the sell orders placed by these entities got matched within few seconds with the buy orders of UTI. From the details of synchronized/matched trades given in the show cause notice dated September 28, 2005, I quote few of them as under:
- a. **On August 8, 2000 at 11 : 19:28 hours**, Chandravadan J Dalal (BSE Clearing no. 85) placed a sell order for 25000 shares @ Rs. 495 on behalf of Panther Fincap and after 5 seconds another member of BSE Porecha Global Services Pvt. Ltd. (BSE Clearing No. 567) placed a buy order of 25000 shares @ Rs. 495 for UTI. It is observed from the nature of these orders that it was a matched deal as the quantity, price and time of these buy and sell order was matching.
- b. On August 8, 2000 at 13:37:40 hours, Hem Securities Ltd (248) placed a sell order for 25,000 shares @ Rs. 490 for its client Classic Credit and at the same time the buyer member Porsche Global Securities Pvt. Ltd. (567) placed a buy order for the same quantity and at the same price for UTI. It is observed from the nature of the transaction and buy and sell orders placed by the members that it was a matched transaction.
- c. On August 9, 2000 at 12:18:26 p.m., Milan Mahendra Securities Private Ltd. (460) placed a sell order of 25,250 shares @ Rs. 500 for Classic Credit and after 2 seconds at 12:18:28 p.m. Porecha Global Securities Pvt. Ltd. (567) placed a buy order of 25000 shares @ Rs. 500 for UTI. As the price and time of this deal was matching and the quantity was almost the

same, the trade is structured in nature and this deal got executed at 12:18:29 p.m. for 24,940 shares @ Rs. 500.

- d. On August 16, 2000 at 12:46:17 hours, M/s Porecha Global Securities Pvt. Ltd. (Clg No. 567) placed a buy order for 25000 shares @ Rs. 490 on behalf of UTI and after 1 second at 12:46:18 hours M/s Hem Securities Ltd. (Clg. No. 248) placed a sell order for 25,250 shares. The sell order placed by M/s Hem Securities Ltd. (248) was on behalf of its client Classic Credit and the price, quantity and time of buy and sell orders were matching, therefore, it is concluded that it was a matched transaction between both clients viz., Classic Credit and UTI.
- e. On August 22, 2000 at 14:59:43 hours, M/s Chandravadan J Dalal (85) placed a sell order for 25,013 shares @ Rs. 495 on behalf of Panther Fincap and at the same time i.e. 14:59:43 hours the another member of BSE M/s Arun Porecha (4) placed a buy order of 25000 shares @ Rs. 495 for UTI. As the price, time and quantity of these orders were matching with each other, hence the nature of this transaction suggest that it was a matched deal.

#### **14.6 Trades of Triumph International Finance India Ltd. (TIFIL)**

- i. TIFIL had traded in the scrip of SAB TV during the period of February 23, 2000 to October 13, 2000 on behalf of clients viz. M/s Classic Credit Limited, M/s Classic Infin Limited, M/s Apex Enterprises (India) Limited, M/s Sungrace Merchandise Private Limited, M/s Vinsen Trade & Commerce Private Limited. While Classic Credit and Classic Infin were KP entities, the address of other clients, who are apparently group / associate entities of HFCL, is given below:



<b>Sr. No.</b>	<b>Name of the entity</b>	<b>Address</b>
1.	M/s Apex Enterprises (India) Limited	16, Netaji Shubhas Road 4 <sup>th</sup> Floor, Kolkata 700001
2.	M/s Sungrace Merchandise Private Limited	
3.	M/s Vinsen Trade & Commerce Private Limited	

ii. The details of trading of TIFIL for these clients are as under:

<b>Sr. No.</b>	<b>Sett. No.</b>	<b>Name of the selling client</b>	<b>Sale Qty.</b>	<b>Name of the Counter party buying client</b>	<b>Buy Qty.</b>
1	51	Classic Credit	4,00,000	Apex Enterprises	150000
				Sungrace Merchandise	200000
				Vinsen Trade & Commerce	50000
2	54	Apex Enterprises	150000	Classic Infin	400000
		Sungrace Merchandise	200000		
		Vinsen Trade & Commerce	50000		
<b>Total</b>			<b>800000</b>		<b>800000</b>

From the above, it is noted that TIFIL bought and sold 8,00,000 shares for these clients. While buying and selling these shares, TIFIL executed 16 cross deals. Details of these alleged cross deals were provided by SEBI as Annexure 1(a) to the show cause notice dated September 28, 2005.

I find that in Settlement no. 51, Classic Credit sold 4,00,000 shares and all these shares were bought by M/s Apex Enterprises (India) Limited (1,50,000), M/s Sungrace Merchandise Private Limited (2,00,000) and M/s Vinsen Trade & Commerce Private Limited (50,000) respectively. In settlement no. 54 these three entities sold the same quantity of share and the same were bought by Classic Infin through cross deals.

It is noted that all of these buying clients viz., M/s Apex Enterprises (India) Limited, M/s Sungrace Merchandise Private Limited and M/s Vinsen Trade & Commerce Private Limited were connected to each other as they are sharing same address and are apparently group entities of HFCL. These three group entities bought 4,00,000 shares at around Rs. 1240 per share in settlement no. 51 and sold the same quantity to Classic in settlement no. 54 at Rs.940 per share. By entering into these cross deals, which were manipulative in nature, KP entities earned huge wrongful gain to the tune of Rs. 12 crore.

- iii. By executing these cross deals, TIFIL and other KP entities created artificial volume in the scrip of SAB TV thereby violating regulation 4 (a) (b) (c) (d) of SEBI (PFUTP) Regulations, 1995.

14.7 There were series of such synchronized/matched trades leaving no room for doubt that these matched trades of Classic Credit, Panther Fincap, Chitrakut and Triumph International had distorted the equilibrium of the scrip of SAB TV and these entities misused the exchange mechanism to sell the shares. Hence, I hold that by entering into these structured/matched/cross deals, Classic Credit, Chitrakut Panther Fincap and Triumph International had violated Regulation 4 (a), (b) (c) and (d) of SEBI (PFUTP) Regulations, 1995.

## **15.0 Show cause notice dated 30, January 2002 in the matter of Shonkh Technologies Int. Ltd. (Shonkh)**

15.1 From the total trading conducted by Classic Credit, Panther Fincap, Luminant, Triumph Securities, Panther Investrade and Triumph International in Shonkh, I note that these entities, while acting in concert, held 23.05% and 41.69% of the shares of Shonkh on specific dates, which

was much in excess of 15% threshold limit for triggering requirement of making open offer under Takeover Regulations. The holding of these KP entities as on January 19, 2001 and March 9, 2001 is given below:

Name	Shareholding as on 19/1/2001		Shareholding as on 9/3/2001	
	Number	% of share capital	Number	% of share capital
Classic Credit Ltd.	1910400	10.91	3652700	20.86
Panther Fincap	677150	3.87	2182150	12.46
Luminant Investments	150000	0.86	6650	0.04
Triumph Securities Ltd.	1000000	5.71	70500	0.40
Panther Investrade Ltd.	300000	1.71	300000	1.71
Triumph International Finance India Ltd.	0	0.00	1090000	6.22
<b>Total</b>	<b>4037550</b>	<b>23.05</b>	<b>7302000</b>	<b>41.69</b>

15.2 I also note that Luminant, Classic Credit, Panther Investrade & Panther Fincap did not furnish any details with respect to their trading and their acquisition of shares of Shonkh, in spite of various summons issued by SEBI in this regard. I note that summons /letters were issued vide letters dated June 9, 2001, July 9, 2001, August 27, 2001, September 25, 2001, September 26, 2001 and December 6, 2001.

15.3 It is pertinent to reproduce Regulation 10 of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997 which reads as under :

*"10. No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen percent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the Regulations."*

15.4 The aforesaid KP entities acquired more than 15% shares (as much as 41.69 % share capital) of Shonkh without making any public offer and

thus this acquisition was in violation of Regulation 10 of Takeover Regulations.

15.5 Apart from this, I find that Classic Credit, Panther Fincap, Triumph International and Luminant individually held more than 5% shares of Shonkh on certain particular dates. Also Chitrakut, Goldfish, Nakshatra, NH Securities, Luminant and Triumph Securities along with the aforesaid 4 KP entities (persons acting in concert) acquired more than 5% of the paid up capital of Shonkh on certain dates. The shareholding of the aforesaid 10 KP entities in Shonkh on various dates (at the end of the month) is as under:

NAME	31-08-00	30-09-00	31-10-00	30-11-00	31-12-00	31-01-01	28-02-01	31-03-01	30-04-01
CHITRAKUT COMPUTERS PVT. LTD.	0	75000	75000	0	0	0	0	0	0
CLASSIC CREDIT LIMITED	500000	0	710000	1813850	1813850	1810400	810600	10000	10000
GOLDFISH COMPUTERS PRIVATE LIMITED	0	325000	325000	0	0	0	0	0	0
LUMINANT INVESTMENTS PRIVATE LIMITED	0	700000	700000	0	0	1000	6650	0	0
NAKSHATRA SOFTWARE PRIVATE LIMITED	0	275000	275000	0	0	0	0	0	0
NH SECURITIES PVT LTD	0	75000	75000	0	0	0	0	0	0
PANTHER FINCAP & MANAGEMENT SERVICES LTD.	700000	75000	60000	5000	21550	14900	0	0	0
PANTHER FINCAP AND MANAGEMENT SERVICES LTD	0	0	0	0	0	300000	300000	300000	300000
PANTHER INVESTRADE LIMITED	425000	100000	100000	0	0	0	0	0	0
PANTHER INVESTRADE LIMITED	0	0	0	0	0	300000	300000	300000	300000
TRIUMPH INTERNATIONAL FINANCE INDIA LTD.	0	0	0	0	0	0	280000	280000	280000
TRIUMPH SECURITIES LTD	0	0	0	0	0	0	70000	70000	70000
TRIUMPH SECURITIES LTD.	0	0	0	0	500000	0	0	0	0

NAME	31-08-00	30-09-00	31-10-00	30-11-00	31-12-00	31-01-01	28-02-01	31-03-01	30-04-01
<b>TOTAL NO. OF SHARES HELD BY KP ENTITIES</b>	<b>1625000</b>	<b>1625000</b>	<b>2320000</b>	<b>1818850</b>	<b>2335400</b>	<b>2426300</b>	<b>1767250</b>	<b>960000</b>	<b>960000</b>
<b>TOTAL PAID UP CAPITAL OF STIL - NO. OF SHARES</b>	1751309 3	17513093	17513093	1751309 3	17513093	17513093	17513093	17513093	17513093
<b>% OF PAID UP CAPITAL HELD BY KP ENTITIES</b>	<b>9.28</b>	<b>9.28</b>	<b>13.25</b>	<b>10.39</b>	<b>13.34</b>	<b>13.85</b>	<b>10.09</b>	<b>5.48</b>	<b>5.48</b>

From the above, it is clear that the combined holding of the aforesaid 10 entities crossed 5 % of the paid up capital of Shonkh on various dates. No disclosure to this effect was made by either of these entities as required under sub regulation 1 and 2 of Regulation 7 of the Takeover Regulations which reads as under:

*“7. (1) Any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than five percent shares or voting rights in a company, in any manner whatsoever, shall disclose the aggregate of his shareholding or voting rights in that company, to the company.*

*(2) The disclosures mentioned in sub-regulation (1) shall be made within four working days of -*

*(a) the receipt of intimation of allotment of shares; or*

*(b) the acquisition of shares or voting rights, as the case may be. ”*

The words "acquirer" and "persons acting in concert" are defined as under :

Regulation 2(1)(b) defines ‘acquirer’ under Takeover Regulation as:

*Reg. 2(1)(b) ‘acquirer’ means any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either by himself or with any person acting in concert with the acquirer”*

"Person acting in concert" has been defined as under :

Reg. 2(1)(e)(1) *"persons who, for a common objective or purpose of substantial acquisition of shares or voting rights or gaining control over the target company, pursuant to an agreement or understanding (formal or informal), directly or indirectly co-operate by acquiring or agreeing to acquire shares or voting rights in the target company or control over the target company. "*

In terms of the above regulations, these entities were required to disclose to Shonkh, of their acquisitions in excess of 5% of the paid up equity capital, within 4 days of such acquisition. However, no evidence was ever produced by any of them suggesting this compliance. The acquisition of shares in excess of 5% of the paid up equity capital of the company is evident from the table below:

15.6 Investigations further revealed that Luminant Investments sold a large number of shares of Shonkh through CSFB to KP entities. Details of which are given below:

Date	Sale by (LIPL)		Credit in LIPL Demat account on that date		Name of buying KP entity					
					CCL		PFMS		Total of CCL & PFMS	
	No	% *	No	%	No	%	No	%	No	%
05-02-01	2000000	11.42	2000000	11.42	897150	5.12	698900	3.99	1596050	9.11
16-02-01	850000	4.85	900000	5.14	299450	1.71	550550	3.14	850000	4.85
19-02-01	1000000	5.71	1000000	5.71	0	0.00	999900	5.71	999900	5.71
20-02-01	2000000	11.42	2060650	11.77	0	0.00	2000000	11.42	2000000	11.42
27-02-01	2660000	15.19	2666000	15.22	1806450	10.31	852050	4.87	2658500	15.18

15.7 It is also clear from the above table that holding of Luminant was more than 15% and that of Classic Credit and Panther Fincap was beyond 5% of the paid up equity capital of Shonkh even when taken separately.

15.8 I note that the adjudication proceedings were initiated by SEBI against the following entities for violation of Takeover Regulations:

- a. M/s Classic Credit Ltd.
- b. M/s Panther Fincap & Management Services Ltd.
- c. M/s Luminant Investments Pvt. Ltd
- d. M/s Triumph Securities Ltd.
- e. M/s Panther Investrade Ltd.
- f. M/s. Triumph International Finance India Ltd.
- g. M/s NH Securities Ltd.
- h. M/s Nakshatra Software Pvt. Ltd.
- i. M/s Goldfish Computers Pvt. Ltd
- j. M/s. Chitrakut Computers Pvt. Ltd.
- k. M/s. Saimangal Investrade Ltd.

The Adjudication Officer vide its order dated April 22 2003, imposed a penalty of Rs. 5 lakh each on the entities mentioned at Sr. no. a to f above for the violations of Regulation 10 of Takeover Regulations. In addition to this, Adjudicating Officer imposed a penalty of Rs. 1.50 lakh each on all the above entities (except Saimangal) for the violation of Reg. 7(1) & (2) of the Takeover Regulations.

Further, I note that the Hon'ble SAT having agreed with the findings of Adjudicating Officer, vide its order dated January 9, 2007 upheld the aforesaid Adjudication Order. As no appeal is filed against the said SAT order, the SAT judgment has taken finality and therefore it is established that these entities had violated the provisions of Takeover Regulations as alleged in the show cause notice dated January 30, 2002.

#### 15.9 **Show cause notice dated March 28, 2002 in the scrip of Shonkh**

- i. Apart from the aforesaid violations of Takeover Regulations, it was observed that four KP entities namely Classic Credit, Panther Fincap, Panther Investrade and Luminant had also conducted manipulative

transactions in Shonkh which were subject matter of the show cause notice dated March 28, 2002. Some of the illustrative instances of such manipulative trades conducted on November 23, 2000 and mentioned in the show cause notice are dealt as under :

- a. Panther Fincap sold 4,95,000 shares through CSFB and also bought the very same shares in lot of 2,00,000 shares, 2,00,000 shares and 95,000 shares each through different brokers namely, Hem Securities Ltd., Omega Equities P. Ltd. and Milan Mahendra Securities Pvt. Ltd respectively. Investigations brought out that this trade/order for 4,95,000 shares comprised a substantial percentage (98.3%) of the total trading volume on that day of 5,03,650 shares.
- b. The first sell order for 1, 00,000 shares entered by CSFB for its client Panther Fincap was at 13:48:49 hrs and this was followed (after one second i.e. at 13:48:50 hrs) by a buy order of Omega Equities Pvt. Ltd. for the same quantity and at the same rate for its client Panther Fincap.
- c. The next buy order for 1,00,000 shares was entered by Omega Equities Pvt. Ltd. after fourteen seconds of its previous buy order i.e. 13:49:04.
- d. The first matching took place at 13:48:50 hrs for 99,850 shares against the first buy order. Remaining 150 shares matched at 13:49:04 hrs. As regards the second order, the trade resulted for 99,850 shares at 13:49:04 hrs. The remaining 150 shares also got matched later. At 13:49:21 hrs there was matching for 50 shares and at 13:49:29 hrs there was matching for another 100 shares.



- e. Similarly, the buy order of 100,000 shares was entered by Milan Mahindra Securities at 13:49:28 hrs for its client Panther Fincap. This was followed by sell order of 100,000 shares of CSFB at 13:49:29 hrs after a gap of one second for its client Panther Fincap. This resulted into a trade for 1,00,000 shares in two tranches. The order matched for 99,900 shares at 13:49:29 hrs and for 100 shares at 13:50:00 hrs.
  - f. The next sell order of 1,00,000 shares entered by CSFB for its client Panther Fincap was at 13:50:00. Simultaneously, Hem Securities entered a buy order for the same quantity and at the same rate for its client Panther Fincap. The order matched to the extent of 99,900 shares at 13:50:00 hrs. The next buy order for 95,000 shares was entered by Hem Securities at 13:50:23. This matched with the sell order of CSFB for the same quantity and at the same rate for its client Panther Fincap. The sell and buy orders were put at same time i.e. 13:50:23 hrs.
- ii. Though there was some gap between the buy and sell orders, there were very low and insignificant volumes other than the trades put by KP entities. Also each order of KP entities was to the scale of around 1,00,000 shares whereas all other orders were in the range of 50 - 200 shares. There was a substantial price differential also in the buy order put by KP entities and other clients. KP entities were putting orders at higher prices by trading among themselves through synchronized deals and thus establishing higher prices and creating artificial volumes in otherwise illiquid scrip of Shonkh.
  - iii. I note that there are evidences on record including statements of the parties involved in these transactions that monies were given to the seller after deducting commissions from the sale consideration even prior to

pay out. The shares were first transferred by seller, PFMS to the demat account of CSFB. Later, these shares were sold by CSFB at the exchange. On completion of sale, money was given to the seller after deduction of appropriate commission depending upon risk involved. Investigations brought out that, this risk perception was based on number of days for which the finance was being given by CSFB to the selling client. There was always a time-lag between the pay out date (when the sale proceeds were received from the clearing house by the selling broker) and the day when the payment was made to the seller by CSFB. Thus, varying rate of brokerage was being charged from the same client for sale made through CSFB.

- iv. I therefore find that artificial volumes and false market was created by these KP entities through these trades. These transactions were in the nature of circular trading where the buyer and seller was the same i.e. Panther Fincap. It is pertinent to note that prior to this day, the daily traded volume in the scrip was in the range of upto 10000 shares except for November 21, 2000 and November 22, 2000 on which days there were volumes of 10,97,000 shares and 4,21,750 shares respectively. Further, from the analysis of trade and order log, I find that the buy orders put by KP entities constituted 99.4% and 97.3% of the total traded volume on November 21, 2000 and November 22, 2000 respectively, the earlier two days were the volume in the scrip was substantial.

v. **Trade details as on January 19, 2001**

I note that on January 19, 2001, Luminant sold a total of 705000 shares, of which 617550 shares were bought by Panther Fincap. There was matching of the trades as is evident from almost simultaneous time of placing the buy and sell order. It is observed from the above that there is synchronisation of logging in of buy and sell orders.

- vi. The sale order no. 49700500010018682 for 2,05,000 shares of CSFB for Luminant put at 10:52:51 hrs at Rs. 244 was matched with buy order no 24800300010002848 put at 10:52:51 (same time) for 105000 shares at Rs. 244/- of Hem Securities for Panther Fincap. Thereafter, the sale order no. 49700500010018683 for 1,00,000 shares of Luminant put at 10:53:04 hrs for Rs. 244/- was matched with buy order no. 8500400010003732 put at 10:53:03 (in a gap of 1 second) for 100000 shares at Rs. 244/- of C J Dalal for Panther Fincap.

The aforesaid transactions are tabulated as under:

Trade Date	Qty	Price	Sell member Name	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
19-Jan-01	105000	244	CSFB	Hem	LIPL	PFMS	49700500010018682	24800300010002848	10:52:51	10:52:51	205000	105000	244	244
19-Jan-01	100000	244	CSFB	MM	LIPL	PFMS	49700500010018682	46001200010001774	10:52:51	10:52:53	205000	100000	244	244
19-Jan-01	100000	244	CSFB	CJ Dalal	LIPL	PFMS	49700500010018683	8500400010003732	10:53:04	10:53:03	100000	100000	244	244
19-Jan-01	86650	242	CSFB	Indsec Securities & Finance Ltd	LIPL	RP & C Intl A/C Coral Reef Invst CO	49700500010018806	9600200010001273	14:15:45	14:15:45	87450	87450	242	242
19-Jan-01	311550	242	CSFB	Indsec	LIPL	PFMS	49700500010018807	9600200010001274	14:16:41	14:16:43	312550	312550	242	242
19-Jan-01	1000	242	CSFB	Indsec	LIPL	PFMS	49700500010018807	9600200010001274	14:16:41	14:16:43	312550	312550	242	242

- vii. I also find that there was churning of the same stock among various KP entities. Shares were credited in demat account of Luminant by Panther Fincap / M/s. Sweet Infosys Ltd. (Sweet Infosys) on the day of sale itself. These very shares which were made available to Luminant by transfer in its demat accounts were being sold back to Panther Fincap. Demat account of Luminant revealed that on January 19, 2001, a total of 8,50,000 shares were credited in its account. Out of this, 3,05,000 shares were credited from Panther Fincap and the remaining 5,50,000 shares were

credited from M/s. Sweet Infosys. It is pertinent to mention that shares credited by Sweet Infosys in account of Luminant actually belonged to KP entities and these were kept with Sweet Infosys as parking arrangements. The details of demat account of Luminant are given below:

**Depository account details of Luminant**

Date	Details		Credit	Debit
19-Jan-2001	By INDSEC SEC. FIN. LTD. / 10000391		305,000	
19-Jan-2001	To CM CREDIT SUISSE FIRST BOST, PHYSICAL / 0001043			305,000
19-Jan-2001	By GLOBAL TRUST BANK LTD. / 80014507		400,000	
19-Jan-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001043			400,000
19-Jan-2001	By GLOBAL TRUST BANK LTD. / 80014507		150,000	

viii. As is noticed from the depository statement of Luminant dated January 19, 2001, the shares were given by Luminant to CSFB on the same date of the transaction – January 19, 2001. I note that payment for sale of shares was given to Luminant by broker, CSFB on the same date itself i.e. January 19, 2001 i.e. 10 days earlier than the exchange payout date – January 29, 2001. In effect there was funding for 10 days and this money of Rs. 16,92,89,250 was made available to Ketan Parekh group on date of sale itself.

Trade Date	Client name	Total Qty traded	Mkt Rate Rs.	Net Rate Rs	Total Brokerage Rs.	Brokerage %	Settlement Amount Rs.	Exchange Funds Pay out Date	Date of Payment to LIPL /Client by CSFB	No of days for which funding given by CSFB	Date of receipt of Stock from Client
19-Jan-01	LIPL	400000	242	239.27	1,092,000	1.13	95,708,000	29-Jan-01	19-Jan-01	10	19-Jan-01
19-Jan-01	LIPL	305000	244	241.25	837950	1.13	73,581,250	29-Jan-01	19-Jan-01	10	19-Jan-01

I note that artificial volumes were created, these transactions were circular in nature and of the total volume of 837950 shares traded on this day at the exchange, sale by KP entity was 705000 shares which comprised 84.2%.

ix. **Trade details as on February 7, 2001**

It was observed that on February 7, 2001, there was circular trading involving high volume transactions among KP entities as well as other entities. Synchronisation of logging in of buy and sell orders by placing the buy and sell orders simultaneously was also noticed on the said date as is evident from the table given below:

Trade Qty	Trade Price	Buy Mem	Sell Mem	Buy client	Sell client	Buy Ord No.	Sell Ord No.	Sell Ord Time	Buy Ord Time	Buy Ord Qty	Sell Ord Qty	Buy Ord Rate	Sell Ord Rate
100000	292	248	125	PFMS	PIT	24800300010003367	1250010001001416	13:47:11	13:47:08	100000	100000	292	292
100000	292	558	125	PFMS	PIT	55800100010005322	1250010001001417	13:47:32	13:47:29	100000	100000	292	292

The sale order no. 1250010001001416 put at 13:47:11 hrs for 100000 shares by broker - Investmart Ltd. for client Panther Investrade was matched with buy order no.24800300010003367 put at 13:47:08 hrs (in a gap of 3 seconds) for 100000 shares at the same price by Hem Securities for client Panther Fincap. Thereafter, the sale order no. 1250010001001417 put at 13:47:32 hrs for 100000 shares, again put by Investmart Ltd., for client Panther Investrade was matched with buy order no.55800100010005322 put at 13:47:29 hrs (in a gap of 3 seconds) for 100000 shares at the same price, by P. V. Shah for client Panther Fincap. Of the total turnover volume of 901650 shares traded on this day, trades by KP entities was 200600 shares which comprised 22.2% of the trades on this day.

x. Similar trades were noticed on February 16, 19 and 27, 2001 which have been mentioned in the following tables:

**a. Trade Details- February 16, 2001**

Trade Date	Qty	Price	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell Order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
16-Feb-01	99550	306	TSL	LIPL	CCL	497005000 10021694	372002000 10009157	14:57:35	14:57:36	100000	100000	306	306
16-Feb-01	450	306	TSL	LIPL	CCL	497005000 10021694	372002000 10009158	14:57:35	14:57:51	100000	100000	306	308
16-Feb-01	99550	308	TSL	LIPL	CCL	497005000 10021695	372002000 10009158	14:57:51	14:57:51	100000	100000	308	308
16-Feb-01	450	308	TSL	LIPL	CCL	497005000 10021695	372002000 10009159	14:57:51	14:58:11	100000	100000	308	309
16-Feb-01	99450	309	TSL	LIPL	CCL	497005000 10021696	372002000 10009159	14:58:09	14:58:11	100000	100000	309	309
16-Feb-01	550	309	HEM	LIPL	PFMS	497005000 10021700	248003000 10003525	14:58:58	15:02:07	550	200000	309	309
16-Feb-01	199250	309	HEM	LIPL	PFMS	497005000 10021702	248003000 10003525	15:02:05	15:02:07	200000	200000	309	309
16-Feb-01	750	309	HEM	LIPL	PFMS	497005000 10021702	248003000 10003526	15:02:05	15:02:23	200000	750	309	309
16-Feb-01	350000	303	PVSHA H	LIPL	PFMS	497005000 10021703	558001000 10005476	15:04:16	15:04:18	350000	350000	303	303

There was also churning of the same stock among the KP entities since Luminant was selling the same shares to Classic Credit & Panther Fincap which were credited into the Depository account of Luminant by Classic Credit on the same day. Perusal of the Demat account of Luminant revealed that on February 16, 2001 a total of 9,00,000 shares were credited in its account from the account of Classic Credit.

**b. Depository details as on February 16, 2001 of Luminant**

Date	Details	Credit	Debit
16-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650 (CCL)	850,000	
16-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650 (CCL)	50,000	
16-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001047		200,000
16-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001047		200,000
16-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001047		50,000
16-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001047		200,000
16-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001047		200,000

As is noticed from the depository statement dated February 16, 2001 of Luminant, the shares sold by Luminant through its broker - CSFB were given by Luminant to CSFB on the same day of the transaction –

February 16, 2001. Investigation revealed that payment for sale of shares was given to Luminant by broker - CSFB on the same day i.e. February 16, 2001 i.e. 7 days earlier than the exchange payout date. I therefore find that in effect, there was funding for 7 days and this money of Rs. 257,652,000 for sale of 8,50,000 shares was made available to Ketan Parekh group on date of sale itself.

**c. Trade Details as on February 19, 2001**

Trade Date	Qty	Price	Buy Member Name	Sell Client	Buy Client	Sell Order No	Buy Order No	Sell Order Time	Buy Order Time	Sell order Qty	Buy Order Qty	Sell Order Rate	Buy Order Rate
19-Feb-01	491100	314	TSL	LIPL	PFMS	49700400010019635	37200200010009178	15:27:44	15:27:46	500000	500000	314	314
19-Feb-01	8900	314	TSL	LIPL	PFMS	49700400010019635	37200100010017364	15:27:44	15:28:39	500000	8900	314	314
19-Feb-01	499900	314	TSL	LIPL	PFMS	49700400010019636	37200100010017365	15:29:04	15:29:02	500000	500000	314	314

Here also there was churning of the same stock among the KP entities since Luminant was selling the same shares to Panther Fincap which were credited into its Depository account by Classic Credit and Panther Fincap on the same day. Perusal of the Demat account of Luminant revealed that on February 19, 2001 a total of 10,00,000 shares were credited in its account on that date. Out of this, 2,00,000 shares were credited from the account of Classic Credit Ltd. and 8,00,000 from the account of Panther Fincap Management Service.

**d. Depository details of Luminant as on February 19, 2001**

Date	Details	Credit	Debit
19-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000391 (PFMS)	800,000	
19-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650 (CCL)	200,000	
19-Feb-2001	To CM CREDIT SUISSE FIRST BOST PHYSICAL / 0001048		1,00,000

These transactions were also in the nature of financing transactions but were given the colour of purchase and sale of shares. As is noticed from the depository statement of Luminant of February 19, 2001, the shares sold by Luminant through its broker - CSFB were given by Luminant to CSFB on the same date of the transaction– February 19, 2001. It was revealed during the course of investigation that payment for sale of shares was given to Luminant by broker - CSFB on the next date i.e. February 20, 2001 i.e. 10 days earlier than the exchange payout date – March 2, 2001. I therefore find that in effect there was funding for 10 days and this money of Rs. 310,160,000 for sale of 10,00,000 shares was made available to Ketan Parekh group within one day after date of sale.

**e. Trade details as on February 27, 2001**

Here again there was churning of the same stock among the KP entities since Luminant was selling the same shares to Panther Fincap & Classic Credit which were credited into the Depository account of Luminant by Shubhkam Monetary Services, Classic Credit & Triumph International on the same day. Perusal of the demat account of Luminant revealed that on February 27, 2001 a total of 26,66,000 shares were credited in its account on that date. Further investigation in this regard brought out that 21,66,000 shares were credited from the account of Classic Credit, 3,40,000 shares from Shubhkam Monetary Services and 1,60,000 shares from Triumph International.



### Depository details of Luminant as on February 27, 2001

Date	Details	Credit		Debit
27-Feb-2001	By GLOBAL TRUST BANK LTD. / 80014531		340,000	
27-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650		316,000	
27-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650		200,000	
27-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650		200,000	
27-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001049			1,050,000
27-Feb-2001	By INDSEC SEC. FIN. LTD. / 10000650		1,450,000	
27-Feb-2001	By INDSEC SEC. FIN. LTD. / 10001090		160,000	
27-Feb-2001	To CM CREDIT SUISSE FIRST BOST ,PHYSICAL / 0001048			1,610,000

Undoubtedly, these transactions were also in the nature of financing transactions but were given the colour of purchase and sale of shares. As is noticed from the depository statement dated February 27, 2001 of Luminant, the shares sold by Luminant through its broker - CSFB were given by Luminant to CSFB on the same date of the transaction i.e. February 27, 2001. It was revealed during the course of investigation that payment for sale of shares was given to Luminant by broker - CSFB on the same date i.e. February 27, 2001 i.e. 10 days earlier than the exchange payout date – March 9, 2001. Here also there was funding for 10 days and this money of Rs. 730489900 for sale of 26,60,000 shares was made available to Ketan Parekh group on date of sale itself.

### Trade Details as on February 27, 2001

Trade Date	Client Name	Total Quantity	Mark et Rate Rs.	Net Rate Rs.	Total Brokerage Rs.	Brokera ge %	Settlement Amount Rs.	Exchange Funds Payout Date	Date of Payment to Client / LIPL by Credit Suisse First Boston	No of days for which funding given to LIPL	Date of receipt of Stock from Client
27-Feb-01	LIPL	1050000	285.20	281.95	3,412,500.00	1.14	96,047,500.00	9-Mar-01	27-Feb-01	10	27-Feb-01
27-Feb-01	LIPL	1610000	272.95	269.84	5,007,100.00	1.14	34,442,400.00	9-Mar-01	27-Feb-01	10	27-Feb-01

I note that these fictitious trades through circular trading also benchmarked the price artificially which induced others to purchase and/or sell shares. These synchronised trades of KP entities constituted large percentage of total volumes traded at the exchange.

- xi. The above instances are only illustrative in nature. The irregularities mentioned above were repeated by KP entities on many other occasions. A summarised statement of volume creation and churning of shares is given below :

DATE	VOLUME TRADED (V)	VOLUME MATCHED BY KP ENTITIES (VM)	VM AS % OF V	BUY ORDERS OF SHARES PUT BY KP ENTITIES (Buyers)	B AS % OF V.
21/11/00	1097000	1090000	99.4	1090000	99.4
22/11/00	421750	410000	97.3	410000	97.3
23/11/00	503650	495000	98.3	495000	98.3
19/1/01	837950	617550	73.7	705000	84.2
22/1/01	824850	625000	75.77	630000	76.38
29/1/01	753650	505000	67.01	505000	67.01
30/1/01	1561900	550000	35.21	550000	35.21
31/1/01	1836750	550000	29.94	550000	29.94
01/2/01	1167950	500000	42.81	500000	42.81
05/2/01	2104700	1591050	75.60	1610500	76.52
06/2/01	1321300	749650	56.74	750000	56.76
09/2/01	567650	500000	88.08	500000	88.08
12/2/01	656500	543000	82.71	543000	82.71
16/2/01	890450	850000	95.46	850750	95.54
19/2/01	1048750	999900	95.34	1008900	96.20
20/2/01	2026450	2000000	98.69	2012000	99.29
22/2/01	551600	500000	90.65	500300	90.70
26/2/01	723700	200000	27.64	200000	27.64
27/2/01	2798100	2658500	95.01	2688350	96.08
02/3/01	2155700	1000000	46.4	1000000	46.4

xii. **Churning of stock and circular trading among KP entities**

The following table gives at a glance the percentage of volumes of matched trades of KP entities and how much of it was on account of churning of same shares. The height of circular trading resorted can be seen from the fact that the 'buyer entity' of Ketan Parekh purchasing through other broker in many cases provided the shares to the 'selling entity' which also belonged to Ketan Parekh.

<b>Date</b>	<b>Volume traded - no of shares (V)</b>	<b>Volume matched by KP entities (VM)</b>	<b>Vm as % of v</b>	<b>Sale orders of shares put by KP entities (s)</b>	<b>Demat credit (recd. By seller on same date) from associated KP entities - (x)</b>	<b>X as % of s</b>
19/1/2001	837950	617550	73.70	705000	305000	43.30
22/1/2001	824850	625000	75.77	625000	476000	76.16
29/1/2001	753650	505000	67.01	505000	505000	100.00
30/1/2001	1561900	550000	35.21	550000	550000	100.00
31/1/2001	1836750	550000	29.94	550000	550000	100.00
01/02/01	1167950	500000	42.81	500000	500000	100.00
05/02/01	2104700	1591050	75.60	2010500	2000000	99.48
06/02/01	1321300	749650	56.74	750000	750000	100.00
09/02/01	567650	500000	88.08	500000	500000	100.00
12/02/01	656500	543000	82.71	543000	543000	100.00
16/2/2001	890450	850000	95.46	850550	900000	105.88
19/2/2001	1048750	999900	95.34	1000000	1000000	100.00
20/2/2001	2026450	2000000	98.69	2000000	2060650	103.03
22/2/2001	551600	500000	90.65	500000	389000	77.80
26/2/2001	723700	200000	27.64	200000	200000	100.00
27/2/2001	2798100	2658500	95.01	2660000	2666000	100.23

From the above tabulation, I find that for the 23 trading days between January 29, 2001 to February 27, 2001, on 10 trading days, around 100% of the shares sold by one KP entity to other KP entities were credited into the demat account of the selling KP entity on the same day.. On other 3 trading days, more than 100% shares were credited to the demat account of KP selling entity on that day itself. As brought out in detail earlier, shares were changing hands from one set of KP entities to another set of KP entities and there was churning of the same shares with a view to create false market.

- xiii. It is pertinent to note that there was uncanny matching of buy and sell orders which was recurrent over a period of time. The proximity of timing, almost perfect matching of quantity and rate showed the premeditated manner in which synchronisation was sought to be achieved.

The buying and selling in large quantities in otherwise illiquid scrip of Shonkh by KP entities also resulted in upsetting the equilibrium of the market and created false volumes and market.

- xiv. I also find that the trades of KP entities namely Luminant Investments, Classic Credit, Panther Investrade and Panther Fincap were not genuine but fictitious transactions giving misleading appearance of trading. I further find that these circular trades merely shifted positions from one set of entities belonging to Shri Ketan Parekh to other set of entities of Shri Ketan Parekh and did not involve change of beneficial ownership and thus were in violation of the SEBI (PFUTP) Regulations, 1995.
- xv. Further, from the record, I note that KP entities namely, Classic Credit, Luminant Investments, Panther Investrade and Panther Fincap have sought to delay /frustrate the process of investigation by failing to furnish the information sought from them despite repeated correspondences and summons served upon them.

**16.0 Show Cause Notice dated July 24, 2002 and June 9/10, 2004 - in the case of Padmini Technologies (Padmini)**

- 16.1 Investigations conducted by SEBI into the buying, selling and otherwise dealing into the scrip of Padmini pursuant to its preferential issue in 1999, revealed that Ketan Parekh group consisting of Panther Fincap, Classic Credit and Triumph International acted in nexus with the promoters of Padmini to enable them to offload shares irregularly allotted by them (without receipt of money) to dummy allottees in its preferential issue in June 1999. It was observed that initially the shares were allotted to the dummy allottees without receipt of monies and only

after KP group bought those shares from those dummy allottees, the money came into the accounts of Padmini by March 2000.

## 16.2 Role of KP entities

- i. Investigations of SEBI revealed that KP entities namely, Panther Fincap and Classic Credit had purchased the shares allotted in the preferential allotment @ Rs. 20/- per share from the following entities:

Name of buying entity	Name of the seller	Date of purchase	Date of receipt of payment	No. of shares	Amount (Rs. in crore)
Classic Credit	VB Impex	12.10.99	24.12.99	9,00,000	1.80
Classic Credit	JP Promoters	12.10.99	24.12.99	9,00,000	1.80
Classic Credit	Churuwala Exports	12.10.99	24.12.99	7,00,000	1.40
Panther Fincap	Cama Enterprises	12.10.99	24.12.99	9,00,000	1.80
Panther Fincap	Cherry Marketing	12.10.99	28.12.99	9,00,000	1.80
Panther Fincap	Hermonite Consultants	12.10.99	24.12.99	7,00,000	1.40
<b>Total</b>				<b>50,00,000</b>	<b>10.0</b>

**Note:** A perusal of the account statements with Global Trust bank, Fort branch of Classic Credit (A/c No. 1900101830) and Panther Fincap (A/c no. 19001014740), payment to all these entities were made by way of DDs prepared on 22.12.1999.

- ii. Since these buying and selling entities were not the members of a recognised stock exchange, the contracts for purchase/sale of shares between them were admittedly in the nature of spot delivery contract. In this regard, I note that even the noticees have conceded that these trades were “spot delivery transactions”. They have however sought to contest and dispute the charge regarding the date of transactions and submitted that the transactions had taken place on December 24, 1999 and not on October 12, 1999 as alleged by SEBI.

- iii. As per section 2 (i) (a) of Securities Contracts (Regulation) Act, 1956, (SCRA), in a spot delivery contract, payment of the price should be made either on the date of contract or on the next date. As is apparent from the above table [at Para 16.2 (i)], there was a gap of more than 2 months in the payment for purchase of shares by KP entities namely, Classic Credit and Panther Fincap to sellers. Thus, these transactions were in violation of Section 16 r/w Section 2 (i) (a) of SCRA.

The Central Government had earlier issued notification no. S.O. 2561 dated June 27, 1969 prohibiting all contracts in securities other than contracts for cash or hand delivery or special delivery as is permitted under the SCRA and Rules, bye-laws and regulations of a recognised stock exchange. I find that these transactions between the preferential allottees (and their associates) and KP entities namely Classic Credit and Panther Fincap did not meet the said requirements related to spot delivery contract as defined in SCRA.

- iv. From the investigation report, I note that 50 lakh shares purchased by two KP entities namely Classic Credit and Panther Fincap were part of the shares allotted by the promoters of Padmini to dummy allottees during the preferential allotment. All the entities (except Churuwala Exports) were Delhi based preferential allottees of Padmini. While, M/s. VB Impex P Ltd., M/s JP Promoters P Ltd. and M/s Churuwala Exports P Ltd. were part of one group ('VB Impex Group'), the other entities namely, M/s Cama Enterprises P Ltd., M/s Cherry Marketing P Ltd. and M/s Hermonite Consultants P Ltd. were part of 'Goenka Group'. As informed by some of the allottees to SEBI, the allotment was made on an informal understanding between Padmini and the allottees that the cheques given by the allottees would be presented to the banks only after obtaining the consent of the allottees. In terms of this understanding

only, the money due was received by Padmini after considerable delay when KP entities made payments to the original allottees after buying the shares allotted to them in preferential allotment.

- v. I find that Delhi based entities/allottees were used by Padmini and its promoters and directors as a temporary parking point and later, as a conduit for channelising preferential allotment shares to KP entities, who in turn, utilised these shares for offloading in the market at an artificially higher price.
- vi. The contention of Classic Credit and Panther Fincap that the shares were bought on December 24, 1999 and not on October 12, 1999 as alleged by SEBI, appears to be contrary to the evidence / finding as gathered below:
  - a. Shri Sanjay Kumar Gupta, representative of JP Promoters P. Ltd. and VB Impex P. Ltd., the original preferential allottees, had in his statement dated February 4, 2002 stated that these companies had sold 9 lakh shares each (of Padmini) @ Rs.20/- to Classic Credit in October 12, 1999. This has been duly supported by copy of debit notes produced by him. Copies of statement of Shri Gupta were provided to Classic Credit and Panther Fincap and their directors.
  - b. The copies of debit notes obtained by SEBI during investigation, all dated October 12, 1999 issued by Hermonite Consultants Ltd., to Cama Enterprises Ltd. as and Cherry Marketing Ltd. to Panther Fincap for sale of 9 lakh shares each (by Cama and Cherry) and 7 lakh shares (by Hermonite Consultants) of Padmini @Rs.20/- per share. I note that copies of these documents were also provided to Classic Credit / Panther Fincap and their directors.

- c. Shri Arun Goenka, director of Hermonite Consultants Ltd., Cama Enterprises Ltd. and Cherry Marketing Ltd. has submitted charts to SEBI, giving details of purchase and sale of shares of Padmini. It is observed from these charts that shares of Padmini were sold by his companies to Panther Fincap on October 12, 1999.
- d. Churuwala Exports P. Ltd. in its letter dated April 12, 2003 to SEBI informed that 7 lakh shares of Padmini were sold to Classic Credit on October 12, 1999 for Rs. 1.40 crore.
- e. As per the price data dated October 12, 1999 downloaded from BSE web-site, the share price of Padmini opened at Rs.20/-, rose to a high of Rs. 21.65/-, declined to a low of Rs.19/- and closed at Rs.21.65/-. This was around the price of the spot transaction observed from documents provided by various parties and therefore I hold that in fact, sale took place on October 12, 1999 @ Rs. 20/- each.
- f. Further, October 12, 1999 can further be established as date of transactions from the fact that on December 24, 1999, the share price of Padmini opened at Rs. 118.75 rose to a high of Rs.119/- declined to a low of Rs.107.10 and closed at Rs.110.05 at BSE. The share price of Padmini reflected similar trend at other exchanges on this date. Considering that these shares of Padmini were already listed at Delhi Stock Exchange on December 23, 1999, it would be illogical and imprudent to expect anyone to sell his shares at Rs.20/- on December 24, 1999 when ruling market price was at around Rs.110/-.
- g. I also note that Classic Credit and Panther Fincap have failed to produce any bill or evidence for said transaction to show that these shares were purchased on December 24, 1999.



- h. Further, it is unlikely that shares could be acquired on December 24, 1999, got transferred by December 27, 1999 and also delivered on the same date at BSE because:
  - ? Padmini is based in Delhi and Classic Credit/ Panther Fincap are based in Mumbai.
  - ? December 25, 1999 (Christmas) and December 26, 1999 (Sunday) were holidays.
  - ? As per BSE, these shares were held in the name of Classic Credit and Panther Fincap as on December 31, 1999.
- vii. From the above I hold that the claim of sellers that shares of Padmini were sold on October 12, 1999 is correct and stand of Classic Credit and Panther Fincap that shares were acquired on December 24, 1999 is without any substance.

This clearly establishes that transactions for acquisition of shares of Padmini by Classic Credit and Panther Fincap from various preferential allottees (as referred in table above) does not meet the requirements related to spot delivery contract as defined in SCRA. To that extent Classic Credit and Panther Fincap have violated the Section 16 of SCRA.

### **16.3 Nexus between Ketan Parekh Group and Padmini**

- i. As is clear from the above, KP entities acquired shares on October 12, 1999, much before their listing at DSE on December 23, 1999 and at BSE on December 30, 1999. At the time of sale, the names and addresses of the allottees or the holders of these securities were known to Padmini only and therefore I believe that KP approached these allottees/holders only at the instance of Padmini.

- ii. As a prudent investor, KP entities would not have acquired these shares in the normal course against which no consideration had been paid for months (since allotment and the shares were unlisted), unless they were convinced and assured by the promoters of Padmini for protecting their interest as share transferees and/or otherwise.

Thus, I hold that a large chunk of shares allotted in preferential allotment were sold to KP entities with the active connivance of the promoters of Padmini with obvious understanding between the two parties to achieve their common goal of market manipulation.

- iii. The nexus between KP and Padmini group in this regard is also evidenced from following:

- a. A close associate concern of Shri Ketan Parekh namely, Triumph International Finance India Ltd, had acquired 24 lakh shares of Padmini in an off market deal on February 18, 2000 from the following entities:

<b>Shares acquired from</b>	<b>Quantity</b>	<b>Rate * (Rs.)</b>	<b>Amount (Rs.)</b>
Cama Enterprises P Ltd. (a preferential allottee)	2,00,000	162.75	3,25,50,000
Cherry Marketing P Ltd. (a preferential allottee)	2,00,000	162.75	3,25,50,000
HT Ferro P Ltd. (a preferential allottee)	3,00,000	162.75	4,88,25,000
Zinga Chemical P Ltd. (a preferential allottee)	3,00,000	162.75	4,88,25,000
Iris Infrastructurals P Ltd. (an associate of preferential allottee)	7,00,000	162.75	11,39,25,000
Mikona Impex & Traders P Ltd. (an associate of preferential allottee)	7,00,000	162.65	11,38,55,000
<b>Total</b>	<b>24,00,000</b>		<b>39,05,30,000</b>

*\* The offer was at a price of Rs.164.35/- as against the market price of Rs.177/- on February 21, 2000. Further, SBI Mutual Fund paid @ Rs.165.01 per share to Triumph who in turn paid these entities @ Rs. 162.75/-. Relevant contract notes issued by Triumph to SBI Mutual Fund show that it charged brokerage from both the sellers and the buyer.*

**b. Out of turn Demat of shares lodged by KP entities**

Padmini had benefited the KP entities by way of out of turn transfer and demat of shares, as shown below:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>Date of lodgment</b>	<b>Date of demat</b>
Panther Fincap	10,00,000	4.9.2000	5.9.2000
Classic Credit Ltd.	2,88,000	6.9.2000	15.9.2000

I find that there were large numbers of investors whose shares were delayed in transfer and demat by Padmini. As on August 28, 2000 (i.e. from when Padmini shares were shifted to compulsory demat), merely 7,53,700 shares were dematerialized i.e. 1.52% of equity. This caused the share price of Padmini to flare-up from Rs.55.65 on August 8, 2000 to Rs.201.55 on August 31, 2000 at the DSE.

**16.4**

- i. In order to determine how KP entities benefited from the increase in share price of Padmini i.e. at what rate the shares which were out of turn dematerialised were purchased and sold by KP entities, was sought from KP entities. However, no details were furnished by them. Notwithstanding, a perusal of the information of the demat holding of KP group obtained from NSDL clearly shows that the shares of Padmini which were dematerialised by KP entities were eventually sold. This is been shown as below:

<b>Name of entity</b>	<b>As on 1.9.2000</b>	<b>As on 15.9.2000</b>	<b>As on 29.9.2000</b>
Panther Fincap	600	10,85,800	50,800
Classic Credit	1,25,800	3,14,000	16,500

- ii. As is recorded above, KP entities did not cooperate in these proceedings and did not furnish the details of shares which were eventually sold by them. In the absence of the said information which was deliberately withheld by noticees, I am forced to draw adverse inference and hold that KP entities, having purchased shares @ 20/share, manipulated its price. Considering the volume of shares sold by them, it can safely be concluded that they would have received huge unlawful profit due to these manipulative trades.

**16.5 Violation of Take-over Regulation (Show Cause Notice dated July 24, 2002)**

- i. The aforesaid acquisition by KP entities led to the triggering of Takeover Code. BSE vide its letter dated August 03, 2001 along with its report informed SEBI that Padmini had not informed the Exchange about the acquisition of 25 lakh shares each by Panther and Classic aggregating to 50 lakh shares constituting 10.07% of the total issued capital of 4,96,29,953 shares of Padmini by these entities as per Regulation 7(3) of Takeover Regulations, 1997.
- ii. It was gathered that Panther Fincap and Classic Credit also did not make any disclosure regarding their acquisition of shares of Padmini within 4 working days of acquisition as required under Regulation 7 (1) and 7 (2) of Takeover Regulations. I note that the copy of extracts of the report of BSE has been provided by SEBI to Panther Fincap/Classic Credit and their directors.
- iii. Regulation 7 (1) and (2) of Takeover Regulations, 1997 (applicable at relevant time) reads as under:
  - (1) *“Any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights if any held by him) would entitle him to more*

*than five percent shares or voting rights in a company in any manner whatsoever shall disclose the aggregate of his shareholding or voting rights in that company, to the company.”*

*(2) The disclosure mentioned in sub regulation (1) shall be made within four working days at –*

*(a) the receipt of intimation of allotment of shares; or*

*(b) the acquisition of shares or voting rights, as the case may be”.*

I therefore find that Classic Credit and Panther Fincap had failed to comply with Regulation 7 of Takeover Regulations.

#### **16.6 Offloading of shares by KP entities - to SBI Mutual Fund**

- i. Investigations had also shown that Padmini and a close associate of KP namely Triumph International (TIFIL), trading member of NSE had connived in placing 22 lakh of Padmini shares (preferential allotment shares) to SBI Mutual Fund (SBIMF) in February 2000. SBIMF had purchased 34.475 lac shares of Padmini during the period February 21, 2000 to March 30, 2000 which constituted 21% of the floating stock of Padmini. Thus, I note that these purchases were apparently instrumental in increasing the scrip price of Padmini from Rs.212 to Rs.270 during Settlement No. 51/1999-2000 and from Rs.166 to Rs.209 during Settlement No. 1/2000-01 at BSE.
- ii. Out of 24 lakh shares acquired, 22 lakh shares were sold in off market deal by TIFIL to SBIMF on February 21, 2000. This purchase by SBIMF was largely driven by a written presentation made by Padmini to the Fund.
- iii. Comparison of the distinctive numbers of the total shares acquired by the Fund i.e. 3447500 shares with that of the distinctive numbers of shares

allotted to preferential allottees reveals that 23,64,900 shares acquired by the SBIMF had same distinctive numbers as that originally allotted to preferential allottees. Out of the said 23,64,900 shares, the break-up of transferors for 22,11,100 shares is as under:

<b>Transferors of shares acquired by SBIMF</b>	<b>Number of shares transferred</b>
Cama Enterprises P Ltd.	1,99,500
Cherry Marketing P Ltd.	1,76,900
HT Ferro P Ltd.	3,00,000
Zinga Chemical P Ltd.	2,21,100
Iris Infrastructurals P Ltd.	6,07,100
Mikona Impex & Traders P Ltd.	7,06,500
<b>Total</b>	<b>22,11,100</b>

- iv. Apart from distinctive number analysis, Zinga Chemicals P Ltd. has separately confirmed to SEBI that 3 lakh shares sold by them to TIFIL were the same as allotted to them in preferential allotment. It is pertinent to mention here that the sellers/transferors, M/s Cama Enterprises P Ltd., M/s Cherry Marketing P Ltd., M/s HT Ferro P Ltd. and M/s Zinga Chemicals Ltd. are preferential allottee companies and part of Goenka Group. Further, M/s Iris Infrastructural P Ltd. and Mikona Impex & Traders P Ltd. are the associates of VB Impex Group (determined on the basis of common directors/addresses). It may be mentioned that record shows close nexus between VB Impex Group & Goenka Group with that of Padmini and its management.
- v. Thus, it emerges that –  
Once SBIMF decided to invest, KP associate entity brokered the deal in an off-market transaction. Thus a large chunk of the irregularly allotted shares was off-loaded to SBIMF, in a concerted operation by Padmini and Shri Ketan Parekh through his entities which not only created artificial

market and volume for general investors, but also caused wrongful loss to the investors of SBIMF.

- vi. I note that SEBI had debarred Padmini and its wholetime directors for their role observed in the case of Padmini (including nexus with KP entities) for a period of 5 years vide its order dated January 31, 2007. SEBI had also vide order dated March 31, 2007 inter-alia debarred 73 entities who were found to be part of irregular allotment in preferential issue. Out of these 73 entities, 20 entities were preferential allottees whereas the other entities were directors / proprietors of allottee companies / firms and their associate companies / their directors whose role was observed during the investigation. SEBI has also passed preventive directions against the statutory auditor of Padmini vide its order dated January 11, 2007.

I note that one preferential allottee namely Shri Alok Khetan and 13 entities have filed appeals before the Hon'ble SAT challenging the SEBI order dated March 31, 2007 [Appeal No. 55/2007- Alok Khetan; Appeal Nos. 125-137 namely, BFL Ltd., Contessa Comm. Co. P. Ltd., Jiwansagar Promoters P. Ltd., Bhagwandas Sagarmal, Prakash Kumar damani, Raj Kumar Kishorepuria, Sunil Kumar Kishorepuria, Pramod Kumar Kishorepuria, Bijay Kumar Kishorepuria, Sajjan Kumar Kishorepuria, Anil Kumar Kishorepuria, Sanjeev Beriwal and Prakash Kumar Damani (HUF)]. The Hon'ble SAT vide orders dated July 17, 2007 and October 17, 2007 upheld the findings of SEBI order dated March 31, 2007 in the aforesaid appeals against aforesaid entities regarding irregular allotment. However, SAT vide the said order, modified the period of debarment from 5 years to 3 months / 6 months in the aforesaid cases.

I further note that Padmini and its directors have filed appeals (Appeal No. 168 to 171 of 2007) before the Hon'ble SAT against the order of SEBI dated January 31, 2007 which is pending before SAT.

- vii. Without elaborating much on these orders, I wish to state that all these orders of SEBI and SAT may be treated as part and parcel of this order in so far as they are material to the present case.

16.7 The big picture which emerges from the entire sequence of events is as under:

- i. The promoter of Padmini and Shri Ketan Parekh colluded with each other in floating 1 crore 80 lakh shares in the market which otherwise they would not have been able to do. Padmini had been wooing SBI Mutual Fund (SBIMF) to seek their investment. Padmini therefore came out with preferential allotment of shares. The preferential allotment was made through a private arrangement. Otherwise Padmini would not have been able to sell the said equity in the market. Dummy allottees were identified who were asked to lend their names. These dummy allottees were assured that they would not be required to pay the allotment money but cheques were obtained from them towards the allotment money with the understanding that the cheques would not be encashed till the allotment was sold to raise funds. KP group lent their support to the Padmini's plan of offloading the equity in the market and to SBIMF by buying the bulk (72 lakh i.e. 25 lakh shares by Panther Fincap, 25 lakh shares by Classic Credit and 22 lakh shares by Triumph International) of the said preferential allotment from the dummy allottees and the funds from the said sale went back to the Padmini as allotment money. This way Padmini artificially launched equity in the market which had the effect of deceiving the investors. Without the support of Shri Ketan Parekh, Padmini would not have been able to launch equity in



the market. Out of these 72 lakh shares purchased by the Shri Ketan Parekh and his associates, as explained above, a good number of 22 lakh shares were off loaded to SBIMF on February 21, 2000 at a high price of Rs. 164.35.

- ii. This deal was brokered by TIFIL, a close KP associate in an off – market transaction which eventually caused loss to the investors of SBIMF. These trades of KP entities created artificial market for these shares and eventually KP entities offloaded their major chunk to general public at artificially higher prices.

16.8 I note that as per the provisions of Regulation 3 of the SEBI (PFUTP) Regulations, 1995, no person shall buy, sell and deal shares in a fraudulent manner. Further as per the provisions of Regulation 6(a) of the said Regulations "*no person shall in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities.*"

16.9 From the above, I find that KP entities violated these provisions. Further, these KP entities namely Classic Credit and Panther Fincap, in concert with Padmini and its promoters also aided and abetted the market manipulation in violation of Regulation 4 of SEBI (PFUTP) Regulations.

16.10 I note that the noticees have also questioned the powers of SEBI to pass orders under Section 11B of the Act. In this regard I note that Sec. 11 B is the enabling provision and has been interpreted by various courts suggesting that SEBI can pass any directions to achieve its three fold objective of protection of the interest of investors, regulation and development of the securities market. The doubt in this regard, if any,

was cleared by the Hon'ble SAT itself in its judgment in ***Appeal no. 92/2006- Karvy Stock Broking Ltd. Vs. SEBI*** wherein Hon'ble SAT has gone to the extent of saying that the power to take preventive or punitive measures was implicit.

16.11 In this case, I note that SEBI has also issued notices to the individuals who were the directors of the Classic Credit and Panther Fincap at the relevant time. They all have taken the standard plea of not being responsible for day to day management of the companies. I am however not fully convinced with those pleas as such plea may be pertinent only in normal cases. In the present case, I note that all these companies are closely held family run companies having all close relatives as their directors. The directors are the mind and soul of a company and in the given situation these directors who are close blood relatives, can not shrink their responsibilities towards the management of their family run companies. All of these directors were father, uncles and cousins of each other and therefore it is incomprehensible that they did not know what Shri Ketan Parekh and/or Shri Kartik Parekh were up to and are therefore responsible for the acts of omission and commission of KP and the companies to whom they were directors. Even assuming though not admitting that they were not responsible for these violations, there is no doubt that they were negligent and facilitated the violation by not bothering to check and ensure that their companies did not get involved in illegal/irregular trades. Therefore in light of the special facts and circumstances of this case, in my view, some token preventive action needs to be taken against them as well.

16.12 In view of the aforesaid, I find that all the noticees herein i.e. Panther Fincap and Classic Credit and their directors namely Shri Ketan Parekh, Shri Kirtikumar N. Parekh, Shri Navinchandra N. Parekh, Shri Jayant

N. Parekh, Shri Kartik N. Parekh and Shri Vipul D Parekh who were their directors at the relevant time, guilty of violating Section 19 r/w section 2(i) of SCRA and also SEBI (PFUTP) Regulations.

**17.0 Show Cause Notice dated September 30, 2002 in Aftek Infosys Ltd. (Aftek)**

Investigations into alleged price manipulation in the scrip of Aftek Infosys Ltd. (Aftek) revealed that the noticees here in had indulged in price manipulation in the scrip of Aftek as under:

- 17.1 On August 3 and 4, 1999, Classic Credit bought large quantities of shares through associated broker namely, Triumph Securities Ltd. (Triumph Securities) as per the following details :

Date	Order No.	Trade No.	Time	Qty
3/8/99	32	600009	13.28	100000
4/8/99	2	600010	11.14	100000
4/8/99	2	600010	11.14	50000

- 17.2 It is seen that the transactions were done in the odd lot segment which, on account of limited transactions, ensured that the seller gets the desired buyer and vice versa. When Classic Credit purchased these 1,00,000 shares on August 3, 1999, the sellers was Sungrace Merchandise. Thereafter on August 4, 1999, Classic Credit was the buyer for 1,50,000 shares and sellers were Vinsan Trade (for 50,000 shares) and Sungarce Merchandise for 1,00,000 shares. Both Vinsan Trade and Sungarce are HFCL group associated entities. These trades were in the nature of matched, structured, fictitious and non genuine trades which were circular in nature. These trades resulted in creation of artificial market and volumes and also misleading appearance of trading.

- 17.3 I also note that on November 25, 1999, Classic Credit placed a sell order for 10000 shares @ Rs. 832.50 at 10:11:37 hrs through broker Milan

Mahendra. This order was matched with buy order for 10000 shares @ Rs. 832.50/- placed at 10:11:36 hrs. by broker Triumph Securities. The transaction resulted in the trade of 10000 shares. From the time/rate of the buy and sell orders, it is clear that there was a prior understanding between the parties so that this sell order is matched with the buy order of Triumph Securities. I am of the view that by carrying out this transaction, Classic Credit misused the trading mechanism by ensuring that it buys the shares only from someone whom it knew would sell the large quantity of shares. The trade was matched, fictitious and non genuine. It created artificial market and volumes and gave misleading appearance of trading. It is also pertinent to note that the closing price on this date was Rs. 830/- as against the previous day's closing price of Rs. 789.75; i.e. a price increase of 5.1% had taken place apparently due to large structured/matched trades of Classic Credit.

17.4 On November 26, 1999, Classic Credit sold 2,00,000 shares in the morning at the rate of Rs. 837/- per share to Centurion Bank Ltd. and later purchased back same quantity of shares from Centurion Bank Ltd. through synchronised deals at higher price i.e. Rs. 880/890 per share in the afternoon. The transactions were also matched, fictitious and non genuine in nature apart from being circular which created artificial market and volumes for the scrip. It also resulted in price distortion and gave misleading appearance of trading. It is observed that on this day, out of total traded volume of 4,79,067 shares, volume of 4,00,000 shares was created due to the reversal of trades between Centurion Bank Ltd. and Classic Credit. The deal was structured as follows:

- i. Centurion Bank Ltd. bought 200000 shares @ Rs. 837 from Classic Credit Ltd. through 5 synchronised deals of 40,000 shares each which were put as cross deals through Triumph Securities. Analysis of trade log and order log revealed that the 3 buy and sell orders were put simultaneously

i.e. at 10:28:59, 10:30:32 and 10:30:50 hrs. The remaining 2 orders were put within a gap of 1 seconds (10:29:16 hrs -sell and 10:29:17 hrs -buy) and 2 seconds (10:29:50 hrs - sell and 10:29:52 hrs- buy). Through these synchronised deals, Classic Credit sold 2,00,000 shares to Centurion Bank Ltd. in the morning at the rate of Rs. 837/-.

- ii. In the afternoon, Centurion Bank sold back these shares to Classic Credit. 100,000 shares were sold through synchronised deal put through broker Milan Mahendra @ Rs. 880 per share as cross deal. The buy order was put at 14:8:06 hrs and after a gap of 1 second sell order was punched in i.e. at 14:08:07 hrs. The next lot of 1,00,000 shares was sold through synchronised deal put through broker Latin Manharlal @ Rs. 890 per share as cross deal. The buy order was put at 14:29:30 hrs and after a gap of 1 second sell order was punched in i.e. at 14:29:31hrs. Out of 1,00,000 shares put in the system, only 98,565 shares matched between the Centurion Bank Ltd. and Classic Credit.

The relevant extract of the order log and trade log is presented below:

**a. Order Log for sale of 2,00,000 shares by Classic Credit Ltd. to Centurion Bank Ltd. through Triumph Securities Ltd.**

Member code No	Trd ID	B/S	Rate	Qty	Date	Time	Order ID
372	2	S	837	40000	26-11-99	10:28:59	372020136
372	7	B	837	40000	26-11-99	10:28:59	372070363
372	2	S	837	40000	26-11-99	10:29:16	372020137
372	7	B	837	40000	26-11-99	10:29:17	372070364
372	2	S	837	40000	26-11-99	10:29:50	372020138
372	7	B	837	40000	26-11-99	10:29:52	372070365
372	2	S	837	40000	26-11-99	10:30:32	372020139
372	7	B	837	40000	26-11-99	10:30:32	372070366
372	2	S	837	40000	26-11-99	10:30:50	372020140
372	7	B	837	40000	26-11-99	10:30:50	372070367

- b. **Trade Log for sale of 2,00,000 shares by Classic Credit Ltd. to Centurion through Triumph Securities Ltd.**

Order No	Broker No.	Qty.	Rate	Buy / Sell	Date	Time	Counter Party Broker
372070363	D0372	40000	837	B	26-11-99	10:28:59	D0372
372020136	D0372	40000	837	S	26-11-99	10:28:59	D0372
372070364	D0372	40000	837	B	26-11-99	10:29:17	D0372
372020137	D0372	40000	837	S	26-11-99	10:29:17	D0372
372070365	D0372	40000	837	B	26-11-99	10:29:52	D0372
372020138	D0372	40000	837	S	26-11-99	10:29:52	D0372
372070366	D0372	40000	837	B	26-11-99	10:30:33	D0372
372020139	D0372	40000	837	S	26-11-99	10:30:33	D0372
372070367	D0372	40000	837	B	26-11-99	10:30:51	D0372
372020140	D0372	40000	837	S	26-11-99	10:30:51	D0372

- c. **Order Log for buy of 1,98,565 shares by Classic Credit Ltd. from Centurion Bank Ltd. through Milan Mahendra and Latin Manharlal.**

Member code No	Trd ID	B/S	Rate	Qty	Date	Time	Order ID
460	12	B	880	100000	26-11-99	14:08:06	460120117
460	1	S	880	100000	26-11-99	14:08:07	460010355
405	3	B	890	100000	26-11-99	14:29:30	405030729
405	1	S	890	100000	26-11-99	14:29:31	405010151

- d. **Trade Log for buy of 1,98,565 shares by Classic Credit Ltd. from Centurion Bank Ltd. through Milan Mahendra and Latin Manharlal.**

Order No	Broker No.	Qty.	Rate	Buy / Sell	Date	Time	Counter Party Broker
405030729	D0405	100000	890	B	26-11-99	14:29:31	D0405
405010151	D0405	100000	890	S	26-11-99	14:29:31	D0405
460120117	D0460	98565	880	B	26-11-99	14:08:07	D0460
460010355	D0460	98565	880	S	26-11-99	14:08:07	D0460

17.5 It is clear from the above that the entire deal was a structured deal. All the 3 brokers – Triumph Securities, Milan Mahendra and Latin Manharlal had entered into cross deals for their clients - Classic Credit and Centurion Bank Ltd. The shares sold by Classic Credit first went to Centurion Bank Ltd. through synchronised deals. Later, by synchronised deals which were put as cross deal, this transaction was reversed i.e. Centurion Bank Ltd. sold back the shares to Classic Credit. In fact there was no change in beneficial ownership of these shares.

It is also pertinent to note that Classic Credit sold shares in the morning at Rs. 837/- and bought back the same quantity of shares in the afternoon at a higher price of Rs. 880/890; thereby incurring a loss of Rs.  $\{1,00,000 \times (890-837)\} + \{98,565 \times (880-837)\}$  i.e Rs. 95,38,295 in one day alone on this transaction. I also observe that the buy and sale orders were put in almost at the same time / within a gap of 1 second. These transactions created artificial market and volumes for the scrip. These transactions of total 3,98,565 shares by Classic Credit constituted almost 83% of the total trading volume on that date. The transaction also established higher price for the day which formed benchmark for the price of the scrip on following days. It is also pertinent to note that the closing price on this date was Rs. 885.5/- as against the previous day's closing price of Rs. 830; i.e a price increase of 6.7% (Rs. 55.50) had taken place due to large structured / matched trades executed Classic Credit.

17.6 On November 30, 1999, Classic Credit placed major buy orders of 1,00,000 shares of Aftek through broking entity Triumph Securities during a very short period of time i.e. between 10:30:16 hrs. to 10:33:43 hrs. As can be seen from the order log, the orders were broken up into the lots of 20,000 /15,000 shares. These buy orders were very significant

since the other orders for the day were of magnitude of 100/500 shares. Each of these orders were matched with corresponding sell orders of the same quantity, same rate and were entered almost at the same time through the same broker- Triumph Securities. Also, these buy orders of 1,00,000 shares comprised 57.5% of the total traded volume on that day. It is also pertinent to note that the closing price on this date was Rs. 1032.75 as against the previous day's closing price of Rs. 956.3; i.e. a price increase of 8% (circuit filter limit) {Rs. 76.45) had taken place due to large structured / matched orders put by Classic Credit.

- 17.7 It is therefore clear that Classic Credit had placed buy orders with prior understanding with the sellers and broker - Triumph Securities. The transactions were matched, fictitious and non genuine in nature. These transactions were also circular transactions and created artificial market and volumes for the scrip of Aftek. It also resulted in price distortion and gave misleading appearance of trading in Aftek.
- 17.8 Similarly, on December 2, 1999, Classic Credit placed a buy order for 5000 shares at Rs. 975/- through broker- Triumph Securities at 10:22:06 hrs when the last traded price was Rs. 952 and the sellers were available at lower prices. A total trade of 4750 shares was executed against this buy order of 5000 shares. Classic Credit deleted the order for balance 250 shares at 10:29:31 hrs. I therefore conclude that Classic Credit had placed its orders to artificially increase the price of the share to Rs. 975/- after sweeping the market of all available sellers.
- 17.9 On the same day i.e. December 2, 1999, Panther Investrade also placed a buy order for 5000 shares at Rs. 1015 at 10:26:58 hrs through broker – C J Dalal, when the last traded price was Rs. 1000, though the sellers were available for Rs. 1005, Rs. 1007, Rs. 1010 i.e. at lower prices. A total trade of 751 shares was executed against this buy order of 5000 shares.



Subsequently, within less than one minute of entering the buy order, Panther Investrade deleted the order for balance 4249 shares at 10:27:55 hrs.

17.10 Again on December 02, 1999, Panther Investrade placed another buy order through broker – C J Dalal for 5000 shares at Rs. 1025 at 10:27:32 hrs when the last traded price was Rs. 1015. Also there were sellers available at lower prices at Rs. 1019, Rs. 1021 etc. A total trade of 1415 shares was done against this buy order of 5000 shares. Subsequently, within less than half a minute of entering the buy order, Panther Investrade deleted the order for balance 3585 shares at 10:27:56 hrs.

17.11 This trading pattern suggests that Panther Investrade placed the orders at higher levels to artificially increase the price after sweeping the market of all available sellers. As a result of the aforesaid transaction, there was benchmarking of the price of the shares.

17.12 It is pertinent to note that in connection with the transactions mentioned in paragraphs 17.8, 17.9 and 17.10 above the orders placed by Classic Credit and Panther Investrade were to the tune of 5000 shares each and were relatively large as compared to the other orders placed on that day. It is further pertinent to note that December 02, 1999, the closing price of Aftak was Rs. 1026.15 against the previous day's closing price of Rs. 950.15. Thus, there was a price increase of 8% (circuit filter limit price) over the previous day closing price. This price increase was largely due to large buy orders put at successively higher prices by Classic Credit and Panther Investrade which created artificial market and interest in the scrip to induce the gullible investors to buy the shares at artificially increased price.

17.13 With regard to 2<sup>nd</sup> phase of investigation i.e. in the year 2001, I note that there has been a spurt in prices of Aftek from January 15, 2001 to January 22, 2001. The price rose from Rs. 474.25 on January 15, 2001 (SN 2001011) to Rs. 807.05 on January 22, 2001 (SN 2001016) at NSE. During this period, Panther Fincap through another Ketan Parekh associated broker NH Securities bought 40,006 shares which constituted 72.92% of the total bought quantity in the market during the above period of price rise. NH Securities dealt only for Panther Fincap during this period. During the above-mentioned days of price rise, the time slots which witnessed high price movement were identified and are mentioned below. From the trade and order log analysis of the time slots, I note that :

- i. Panther Fincap dealt through NH Securities which contributed for 81.25% of the total trades executed during identified time slots.
- ii. 91.26% of the total trades executed by NH Securities (on behalf of client – Panther Fincap) on respective days were executed during the identified time slots.
- iii. Out of total number of trades during identified time slots, where traded price was more than last traded price, trades of Panther Fincap through broker NH Securities accounted for 83.57%.

17.14 A consolidated statement showing details of these time slots is given as under:

Days	Time Slot of spurt in traded prices	Open price (in Rs.)	Close Price (in Rs.)	Total No. of trades	No of trades by NH during the time slot	No of trades by NH during the day	No. of Trades where trade price is more than LTP for all TMs	Out of (iv) No. of Trades where NH Sec Ltd. is Buyers
		(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
15/1/01	14:47:55 to 14:55:09	422.05	511.00	77	60	78	31	25
16/1/01	11:35:22 to 11:40:57	551.25	585.25	64	63	98	36	36

Days	Time Slot of spurt in traded prices	Open price (in Rs.)	Close Price (in Rs.)	Total No. of trades	No of trades by NH during the time slot	No of trades by NH during the day	No. of Trades where trade price is more than LTP for all TMs	Out of (iv) No. of Trades where NH Sec Ltd. is Buyers
		(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
16/1/01	12:00:28 to 12:01:31	577.15	585.25	26	22	98	11	10
16/1/01	14:56:49 to 14:58:55	545.00	570.00	13	12	98	8	8
17/1/01	15:22:42 to 15:28:37	515.00	575.00	30	27	38	20	19
18/1/01	10:46:19 to 10:49:36	598.00	635.10	97	92	174	37	36
18/1/01	13:31:41 to 13:41:20	620.00	635.10	83	75	174	23	19
19/1/01	12:27:40 to 12:38:14	691.00	736.75	98	80	86	32	24
19/1/01	15:22:03 to 15:22:23	711.00	736.75	15	6	86	10	4
22/1/01	10:44:36 to 10:45:50	780.00	845.00	22	15	167	11	9
22/1/01	11:05:09 to 11:16:18	800.00	845.00	113	70	167	26	22
22/1/01	11:23:49 to 11:24:52	830.00	846.10	10	7	167	6	4
22/1/01	14:40:26 to 14:46:27	784.00	845.00	72	56	167	29	18
<b>Total</b>				<b>720</b>	<b>585</b>	<b>641</b>	<b>280</b>	<b>234</b>

A. Analysis of the trade and order log for the above period shows that NH Securities was placing buy orders at limit prices, which were considerably higher than the last traded price. Out of a total of 68 buy orders placed by NH Securities during the 'Period of Price Rise', 66 buy orders were placed with a limit price above the last traded price (LTP). Details of some of these buy orders placed by Panther Fincap through NH Securities in which the orders were placed with a limit price which was 2% above the last traded price is dealt in the following paragraphs. I note that by the time the above said orders were executed, the price had moved up to the level of the Buy Limit Price.

Now, I will deal with the above trades in detail as under :

**B. Datewise Transactions**

**i. January 15, 2001**

- a. Buy order no. 200101151003932 for 200 shares was placed at 2:50:52 p.m. with the limit price of Rs. 450.00 when the last traded price was Rs. 435.05. The order got executed fully at 2:51:13 p.m. when the traded price moved up to Rs. 450.
- b. Buy order no. 200101151007291 for 200 shares was placed at 2:52:21 p.m. with the limit price of Rs. 470.00 when the last traded price was Rs. 460.00. The order got executed fully at 2:52:56 p.m. when the traded price moved up to Rs. 470.
- c. Buy order no. 200101151011580 for 500 shares was placed at 2:54:05 p.m. with the limit price of Rs. 499.00 when the last traded price was Rs. 470.00. The order got executed fully instantly and the traded price moved up to Rs. 500.

**ii. January 16, 2001**

Buy order no. 200101160443346 for 500 shares was placed at 11:39:16 a.m. with the limit price of Rs. 575.00 when the last traded price was Rs. 560.00. The order got executed fully at 11:39:36 a.m. when the traded price moved up to Rs. 575.

**iii. January 17, 2001**

Buy order no. 200101171172947 for 5000 shares was placed at 3:28:24 p.m. with the limit price of Rs. 550 when the last traded price was Rs. 520.05. The order got executed for 195 shares instantly and the rest was cancelled at 3:28:37 p.m. when the traded price moved up to Rs. 550.

iv. **January 18, 2001**

- a. Buy order no. 200101180325657 for 500 shares was placed at 10:48:38 a.m. with the limit price of Rs. 635.00 when the last traded price was Rs. 620.00. The order got executed fully instantly and the traded price moved up to Rs. 635.
- b. Buy order no. 200101180849785 for 5000 shares was placed at 1:41:00 p.m. with the limit price of Rs. 635 when the last traded price was Rs. 621. The order got executed for 2463 shares at 1:41:23 p.m. and the rest was cancelled at 1:41:39 p.m. when the traded price moved up to Rs. 635.

v. **January 22, 2001**

- a. Buy order no. 200101220357274 for 500 shares was placed at 10:45:35 a.m. with the limit price of Rs. 840.00 when the last traded price was Rs. 820.00. The order got executed fully at 10:45:53 a.m. when the traded price moved up to Rs. 840.
- b. Buy order no. 200101220450525 for 5000 shares was placed at 11:05:09 a.m. with the limit price of Rs. 840 when the last traded price was Rs. 801. The order got executed for 1850 shares at 11:05:40 a.m. and the rest was cancelled at 11:06:26 a.m. when the traded price moved up to Rs. 840.
- c. Buy order no. 200101221148689 for 5000 shares was placed at 2:44:50 p.m. with the limit price of Rs. 820 when the last traded price was Rs. 801. The order got executed for 662 shares instantly and the rest was cancelled at 2:47:01 p.m. when the traded price moved up to Rs. 820.

17.15 As discussed above, during this period, Panther Fincap through broker, NH Securities had bought 40,006 shares which constituted 72.92% of the

total bought quantity in the market. This trading pattern establishes that KP entities dealt in the scrip of Aftek in a manner to manipulate price of scrip and consequently, during a short period of 6 trading days, price of the scrip was taken up from Rs. 474.25 in settlement number 2001011 to Rs. 807.05 in 2001016 - a rise of 70.17%.

From the show cause notice issued to the noticees, I also note that Classic Credit, Panther Investrade, Mividha Investment and JDP Shares and Finance Ltd (financiers) acted in concert and entered into structured financing cum option agreements with the promoters of Aftek in November 1999. As per the said agreement, they financed the purchase of 9,00,000 shares by the promoters of Aftek from IDBI. A summarised statement in this regard is as under :

Promoter	Financier	Entitlement of Promoters	Amount (Rs.) to IDBI	No of shares financed	option loan asst ( no of shares)	Type	option loan asst ( Rs)	Type
Sandip Save	Classic Credit Ltd.	151500	72800000	151500	135500	option	66000000	option
					16000	loan	6800000	loan
R Malekar	Classic Credit Ltd.	151500	72682500	151500	135500	option	65882500	option
					16000	loan	6800000	loan
A Humnabadkar	Panther Investrade Ltd.	151500	72632727	151500	135500	option	65832727	option
					16000	loan	6800000	loan
C Khopkar	Classic Credit Ltd.	47500	22925000	47500	42500	option	20800000	option
					5000	loan	2125000	loan
R Dhuru	Panther Investrade Ltd.	151500	19375000	41500	30500	option	14700000	option
					11000	loan	4675000	loan
R Dhuru	JDP Shares and Finance Pvt. Ltd.	—	52825000	110000	100000	option	48575000	option
					10000	loan	4250000	loan
N Shukla	Panther Investrade Ltd.	151500	72517500	151500	135500	option	65717500	option
					16000	loan	6800000	Loan
M Dalal	Mividha	47500	22925000	47500	42500	option	20800000	option
					5000	loan	2125000	Loan

Promoter	Financier	Entitlement of Promoters	Amount (Rs.) to IDBI	No of shares financed	option loan asst (no of shares)	Type	option loan asst (Rs)	Type
P Broota	Mividha Investments Ltd.	47500	22925000	47500	42500	option	20800000	option
					5000	loan	2125000	loan
<b>Total</b>		<b>900000</b>	<b>431607727</b>	<b>900000</b>	<b>900000</b>		<b>431607727</b>	

17.16 From the above, I find that a sum of Rs. 43.16 crore was given directly by the financiers i.e. KP and other related/associated entities to IDBI from the account in Global Trust Bank.

17.17 It is observed that the real purpose of the agreements was to ensure that the shares being offloaded by IDBI be transferred to KP entities. This is evident from the statement of promoters of Aftek, Shri Nitin Shukla and Shri Pramod Broota who have categorically stated that :

- i. *"In short I was clear in my mind that financier would be exercising the option at the time of entering into financing cum option agreement.*
- ii. *I was internally at peace because the person who was acquiring these shares was known to us and he would not have disturbed our existing management team. There was no possibility of hostile takeover with Mr. Ketan Parekh acquiring these shares.*
- iii. *We had never met anyone else other than Ketan Parekh in this regard.*
- iv. *The money was given by KP entities to IDBI directly.*

17.18 A major component of the finance (8,00,000 shares out of 9,00,000 shares financed) was in the form of option i.e. the financiers had the option to convert the financial assistance advanced by them to the promoters, into shares at any time, as per their choice. As per the agreement, the option could have been exercised at any time, without even waiting for the default by the promoters, if any.

- 17.19 In a rising market, as was the case in the shares of Aftek at that point of time, the promoters could have sold them in the market immediately and make profits after repaying amounts borrowed. However agreements were so worded that financier could acquire shares at a price at which these shares were offered to promoters by IDBI and not at the market price. The shares were acquired by financiers i.e. KP entities at Rs. 477.75 per share when the prevailing market price on the date of acquisition (date when the option was exercised) was Rs. 1292 per share.
- 17.20 The amount of 10% of the consideration payable to IDBI on November 15, 1999 was given by only one entity – JDP shares. It is seen that on November 15, 1999, JDP issued demand draft of Rs. 4,29,97,500. Thus JDP gave the token consideration payable on behalf of all the promoters to IDBI.
- 17.21 I note that all the agreements made specific reference to non applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 to their acquisitions from the promoters. All ostensibly different financiers entered into agreement in such a way that they had option to convert financial assistance equivalent to total 8,00,000 shares (14%) at a price of Rs. 477.75 which was much lower than the prevailing market price . It appears that financiers were aware of the obligations under the SEBI Takeover Regulations stipulating threshold limit of 15% and wanted to ensure that it was not crossed by them when shareholding was aggregated.
- 17.22 All the financing cum option agreements entered into by each of the ostensibly different financiers (KP and related entities) with the promoters of the company had stamp papers, all dated November 15, 1999. Further, all the Financing cum Option Agreements entered into by each of the financiers with the promoters of the company for financing 900000 shares were worded very similarly. I also note that all these agreements were drafted at the office of M/s Pravin V Shah- Chartered Accountants.



- 17.23 Second set of option agreements for financing 85,500 shares entered into by all the ostensible different financiers with the promoters of the company also had stamp papers, all dated November 16, 1999. All these agreements also worded very similarly and were drafted at the office of M/s Pravin V Shah- Chartered Accountants.
- 17.24 The letters dated December 07, 1999 and December 16, 1999, from ostensibly different financiers to the promoters of the company inter alia indicating exercise of the option reveal that the option was exercised apparently in pursuance to prior understanding between them. This is further evident from the fact that all the letters were similarly worded.
- 17.25 One of the letters mentioned above - of Mividha Investments Ltd. bears the address of Mividha Investments Ltd. as "Oxford Centre, 10, Shroff Lane, Colaba Causeway, Colaba, Mumbai 400 005 and phone, fax nos. & email Id as 2826710-13, 2846847 and triumph@bom2.vsnl.net.in respectively. This is also the address and phone, fax nos. & email Id of Triumph International. This was also the address and phone, fax nos. & email Id of Triumph Securities Ltd.
- 17.26 Shri Dharmesh Doshi – who is also major shareholder and director of Triumph International, has signed communication for Mividha Investments. Ketan Parekh /Kartik Parekh / Ami Parekh/ Mamta Parekh are also associated with Triumph International and Ketan Parekh / his family members were also directors in Triumph International at different points of time.
- 17.27 Examination of the bank accounts of Mividha Investments (GTB a/c No 2132) shows that Rs 4,58,50,000/- were paid to IDBI on November 30, 1999 as per financing cum option agreement arranged by Ketan Parekh

in the name of Mividha Investments, JDP Shares, Classic Credit Ltd. and Panther Investrade Ltd. It is also noted that Mividha received Rs. 4,58,50,000/-, on the same date, from Triumph Securities via Triumph International, close associate of Shri Ketan Parekh.

I note that in pursuance to the terms of the agreement, the aforesaid entities had actually acquired 8,00,000 shares out of 9,00,000 shares (of the 1<sup>st</sup> agreement). The shares were eventually acquired by the financiers in the following manner :

No	Name	Date of acquisition	Number of shares
1	Mividha Investments	8/12/99	85000
2	Classic Credit Ltd.	7/12/99 <u>16/12/99</u> <b>Sub total</b>	271000 <u>42500</u> <b>313500</b>
3	Panther Investrade Ltd.	7/12/99 <u>16/12/99</u> <b>Sub total</b>	166000 <u>135500</u> <b>301500</b>
4.	JDP Shares Ltd.	7/12/99	100000
<b>TOTAL</b>			<b>800000</b>

17.28 Investigation also brought out that Classic Credit and Panther Investrade had net sale position in the no delivery period (from 15/11/99 – 3/12/99) as under :

a. **Classic Credit Ltd.**

Sett No	Buy	Sell
35	-	8399 <u>6000</u> <b>Sub total- 14399</b>
36	100000	10000 200000 2750 <u>10000</u> <b>Sub total- 222750</b>

<b>Sett No</b>	<b>Buy</b>	<b>Sell</b>
37	104750	28000 31552 <u>10000</u> <b>Sub total- 69552</b>
<b>Total</b>	<b>204750</b>	<b>306701</b>
<b>Net : 1,01,951 (sale)</b>		

b. **Panther Investrade Ltd.**

<b>Sett . No</b>	<b>Buy</b>	<b>Sell</b>
35	6000	37146
36	-	56146
37	2166	85312
<b>Total</b>	<b>8166</b>	<b>178604</b>
<b>Net : 1,70,438 (sale)</b>		

17.29 From the above, it is observed that total Buy by Classic Credit and Panther Investrade in Non-Delivery period was 2,12,916 shares and total sell by Classic Credit and Panther Investrade in Non-Delivery period was 4,85,305 shares. Thereby the Net position by these 2 entities in Non Delivery was 2,72,389 shares (sale). These positions were for 3 no-delivery settlements viz., 35, 36 and 37. When the deliverable position for the 3 no delivery settlements is combined and taken into account for settlement no. 38, I find that the total delivery for settlement no. 38 was 3,90,087 shares, constituting 70% of the total delivery.

17.30 Further, KP entities – Kartik Parekh, NH Securities and Panther Investrade also sent shares for demat during this period. However, their shares were dematted on December 11, 1999 and December 14, 1999 i.e these shares could not be delivered for pay in obligation arising out of sales made during no delivery period which fell on December 8, 1999. This obligation was met out of the shares received from the promoters in exercise of option clause.

17.31 I also note that out of 985000 shares to be sold to the promoters by IDBI, IDBI gave 9,00,000 shares for demat on November 4, 1999 and these shares were dematted on November 17, 1999. IDBI gave the remaining 85000 shares for demat on November 22, 1999 which were dematted on December 16, 1999. From the demat details, it is seen that upto November 15, 1999, there were only 93500 demat shares. Trading in compulsory demat mode commenced from November 29, 1999 and non delivery period ended on December 3, 1999. It is seen that upto November 30, 1999, a total of 10,30,200 shares were dematted. Of these, the IDBI dematted shares were 9,00,000. Thus, a total of only  $(93,500 + 10,30,200 - 9,00,000)$  i.e. 2,23,700 shares were available for trading since only these were in demat. I find that this scarcity of floating stock created by KP entities facilitated price manipulation through large buying and selling during no delivery period.

When the 2 events - trading in compulsory demat with effect from November 29, 1999 and no delivery period from November 15, 1999 to December 3, 1999 are linked together along with the facts of the case I find that:

- i. Classic Credit and Panther Investrade had a net sale position in the no delivery period; and
- ii. none of their shares were dematted at the time of the sale (and also at the end of the no delivery period),

17.32 It therefore appears that Classic Credit and Panther Investrade were confident that they could deliver the shares for the payout at the end of the no delivery period despite the fact that they had not got dematted any shares by the time of the sale. Pay in for sales made in no delivery period was due i.e on December 8, 1999. This undoubtedly shows that

they were banking upon promoters and they were confident of getting the shares from promoters by exercise of option clause in the agreement.

17.33 As discussed in detail earlier, 9,00,000 shares were purchased by these entities in terms of a financing cum option agreement. Detailed examination of the agreement reveals that the agreement was structured in such a way that the financiers had complete control regarding exercising of option.

17.34 It is seen from the demat statement of Classic Credit that on December 8, 1999, Classic Credit got demat credit of 2,71,000 shares from the promoters. This was pursuant to letter dated December 7, 1999 of Classic Credit to the promoters informing them that it desired to exercise its option (in terms of the agreement) for 2,71,000 shares. The shares were accordingly credited to the demat account of Classic Credit on December 8 1999 and Classic Credit delivered these shares on the same date to broker Triumph Securities Ltd. as payout in settlement no 37. In essence, these KP entities indulged in market manipulation through sale and purchase in no delivery period which was facilitated by low floating stock due to shares sent for demat as the scrip was in compulsory demat mode of trading w.e.f. November 29, 1999. This manipulative trading led to artificial increase in price of Aftek.

17.35 From the aforesaid findings, I hold that notices created artificial market and volumes in the scrip of Aftek. There was an attempt on their part to disturb market equilibrium and distort the price discovery process by putting in negotiated /cross deals. Towards this end, they entered into structured deals also. The transactions were matched transactions and fictitious and non genuine in nature. These transactions were also circular transactions and created artificial market and volumes for the scrip. They also raised the price apart from entering into

matched/synchronized trades which resulted in price distortion and gave misleading appearance of trading. From the trading pattern, I find the following modus operandi adopted by KP entities:

i. **Misuse of circuit filter mechanism.**

Major buy orders were placed by KP entities on certain days within first few minute of opening of the trading session at a price which was 8% (maximum permissible for a day) higher than the closing price of the previous day. The sellers expected further rise on following days and did not sell. In the absence of sellers, these large buy orders were not exhausted fully which resulted in artificial increase in the price on low volumes. On other days, the price was artificially taken up at circuit filter level during the trading session by putting successive buy orders at prices higher than the last traded price.

ii. **By putting large buy orders at prices much higher than the last traded price.**

This resulted in all the pending sale orders being matched with the buy orders and thereby sweeping all pending sell orders from the market as any sale order entered into the system at this price or less than this price would have got matched with these large pending outstanding orders for purchase. These transactions resulted in higher price establishment for that day. The orders were being put at a price much higher than last traded price, in a time slot when the market was rising which resulted in taking up the price artificially to much higher levels with low volumes. This was particularly seen during January 15, 2001 to January 22, 2001 when the price was rigged from Rs. 474.25 to Rs. 807.05 in just 6 trading days. I note that out of the total number of trades put during the identified time slots, where traded price was more than the last traded price, the orders of KP entities accounted for more than 83%.

I therefore hold that these transactions were undoubtedly undertaken with an intention to artificially increase price, create volumes and induce other investors to trade in the scrip. Acquisition of shares in such a manner resulted in cornering of the floating stock of Aftek, which was generally illiquid and thinly traded. This also assisted their efforts in market manipulation. From the cumulative analysis of the facts and circumstances of the case, as discussed above, I hold the noticees herein guilty for the charges of violation of SEBI (PFUTP) Regulations, 1995.

**18.0** Having found the entities responsible for all the charges alleged in respective show cause notices, now I shall deal with some of the other common issues raised by these noticees in their submissions before SEBI.

**18.1 Proof of Intention and motive**

- i. So far as the argument with respect to 'intention' as contemplated under Regulation 4(a) of SEBI (PFUTP) Regulations, 1995, I find that Regulation 4 (a) prohibits entering into trades in any scrip, directly or indirectly, with the intention of inflating the price. In the instant case, manipulative intent is manifest in the very pattern of trades entered by the KP entities as elaborately dealt with hereinabove. Applying the well recognized principle of law of “ *res ipsa loquitur*” (the thing speaks for itself) and relying upon the aforesaid different findings, I hold the view that the noticees had intentionally violated the law by putting the securities market in general and stock exchange mechanism in particular, at great risk. Further, with regard to intention, I wish to refer and rely upon the observation of Hon'ble Securities Appellate Tribunal in the matter of **Nirmal Bang Securities & Others** (Appeal Nos: 54, 55, 56, 57 of 2002) wherein it was inter alia observed that the intention

required for proving violation of Regulation 4 of SEBI (PFUTP), 1995 is implicit in a synchronized trading and need not be proved separately.

- ii. I find that all these entities were acting under the instructions from Shri Ketan Parekh and /Shri Kartik Parekh in order to perpetrate the manipulative intent of Shri Ketan Parekh/Shri Kartik Parekh. The fact that the transactions had continued for a considerable period of time, that similar pattern of trades had been used and the proximity of placing sell / buy orders between the entities, all go to prove that the trades were synchronized with manipulative intent, and was the result of pre-meditated arrangement on the part of the KP entities.
- iii. This, I find, is reasonable and convincing evidence to indict the culpability of the delinquents in the instant case. Furthermore, it has been submitted by the authorized representatives of the brokers that the transactions had been entered into by the entities at the instance of Shri Ketan Parekh or his relative Shri Kartik Parekh. The very nature of these trades suggests that the transactions entered into by them were not genuine and had resulted in creation of the artificial volumes in the scrip. From the pattern of transactions entered into by the connected entities, I find that though shares were changing hands but there was no change in actual beneficial ownership as the same were getting circulated within the group. It may be correct that separate act of individuals when seen in isolation may not reflect any serious violations. But, if the total impact of the act of all the entities which were connected and acted in concert with each other, is taken together, I find that the impact was huge which resulted in what is now termed as “securities market scam-2001 by Shri Ketan Parekh and associate entities”. In view of this I do not feel that still some “intention” need to be proved as the intention was manifest from the very nature of large



number of irregular trades/transactions conducted by the noticees in various scrips.

- iv. As far as “**motive**” of these entities in manipulation, the same is evident from the trading pattern adopted by them as discussed in detail in preceding paras.

In the matter of **Carole L. Haynes**, decided by the Administrative Law Judge of U.S. Securities Exchange Commission, on November 24, 1995, it was held that the proof of ‘scienter’ in manipulation cases need not be direct, but rather may be inferred from circumstantial evidence, including evidence of price movement, trading activity and other factors. It further stated :

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

## **18.2 Obtaining finance/financing transactions- not illegal**

Another contention put forth is that their intentions were only to obtain finance by way of entering into the trades in question, and financing per se is not bad in law. I note this contention was raised earlier also and SEBI vide order dated December 12, 2003 which was upheld by SAT vide its judgment dated July 14, 2006, had held that all the KP entities had been acting in concert and misusing the exchange mechanism for the purpose of raising finance. The transactions entered into by them were not genuine and had resulted in creation of the artificial volumes in various scrips. The pattern of transactions entered into by the

connected entities shows that although shares were changing hands but there was no change in beneficial ownership as the same were getting circulated within the group. As stated earlier, it may be correct that separate act of individuals when seen in isolation may not reflect any serious violations. But I find that if the total impact of the act of all the entities which were connected and were acting in concert is taken together, the impact would be huge by any standard and by no stretch of imagination, this innovative way of generating finance can be allowed.

### **18.3 Applicability of SEBI Circular no. SMDRP/POLICY/CIR-32/99 dated Sep. 14, 1999**

I find that the reference to the above circular by the KP entities/noticees in their reply regarding negotiated deals is also misplaced in the sense that the violations committed by the entities covered hereunder are with respect to the provisions of SEBI (PFUTP) Regulations, 1995. In the guise of normal trade transactions, shares were churned out continuously, passing through a similar set of persons/entities, which affected the price discovery mechanism at the exchange. This action of theirs had created a false and misleading appearance in so far as ordinary investors were concerned. It is the duty of the regulator to see that the securities market is a safe place for all the investors and there is sufficient room for all and no one is misguided as a result of such non-genuine transactions. I further note that the similar allegation of SEBI made in its order dated December 12, 2003 has been upheld by SAT and therefore while relying upon the same, I hold that their argument to the contrary is misplaced and therefore unsustainable. In view of the aforesaid, even independent of SAT judgement dated July 14, 2006, I hold that the arguments of the noticee in this regard are unsustainable.

## 18.4 Circular Trading and Synchronisation

- i. As regards the submission by some of the noticees that synchronised trades executed by them were merely coincidental and were not meant for creating any artificial volume and nor any investors were affected by the same, I, from the above mentioned detailed findings, note that all the synchronized trades executed by KP entities were non-genuine trades and were meant for creating artificial volume in the market. I agree that all synchronized trades per se, are not illegal. But if there is sufficient evidence available on record, as in the present case, to suggest that the large trades for a considerable period in various scrips were executed with a view to manipulating the market and/ or if the said trades resulted in circular trading and/or were dubious in nature and/or were executed with a view to avoiding regulatory detection and/or did not involve change of beneficial ownership and/or were executed to create false volumes resulting in upsetting the market equilibrium, they would certainly be terms as illegal. In this regard I wish to rely upon the observations of the Hon'ble SAT in Appeal no. 02/2003 as under :

*“... .. ‘synchronisation’ or a negotiated deal ipso facto is not illegal. A synchronised transaction will, however, be illegal or violative of the Regulations if it is 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.”*

- ii. From the finding recorded hereinabove, I note that large numbers of fictitious trades were executed by the noticees in different scrips at the behest of Shir Ketan Parekh /Kartik Parekh. In this order have referred to quite a few of such transactions across the market executed by these entities suggesting that those were synchronised trades executed in a circular manner to create artificial volumes. Though, in order to avoid this order to become very bulky, I have not reproduced herein various order logs and trade logs and other detailed material relied upon by SEBI. I am, however, certain that the evidences referred to herein are sufficient to prove that KP entities used various brokers both, their associates as well as out of their group, to conduct circular and fictitious trades to create artificial volumes and market in the scrips. In light of this, I am of the considerate view that if Ketan Parekh and his entities are allowed to continue with their operations in the securities market in any manner, they would pose a serious threat to the integrity of the securities market and endanger the interests of the investors.

18.5 At this juncture I again wish rely upon and quote the observation of SAT in its order dated July 14, 2006 as under :

*“a stock exchange is a platform for genuine trading in the scrips of companies and that they are generally traded among the unknowns at a price which is determined by the market forces of supply and demand. In the very nature of things, a stock exchange is not meant for financing transactions. If one needs money, the shares could be sold in the market which provides liquidity but you can't raise short term finances through the circuitous methods as resorted to by*

*Ketan Parekh. In the case before us matching buy and sell orders were placed by the KP entities at a predetermined price which did not lead to the true price discovery of the scrip and thereby the entire market mechanism was polluted in a big way. One can only marvel at the ingenuity of the manipulators who resorted to this methodology and the Board appears to have realised after the event that market could be rigged in this manner as well”.*

- 18.6 I again wish to rely upon and quote the observation of the Hon’ble SAT in the order dated May 4, 2007 in the matter of TIFIL vs. SEBI

*“It is inconceivable that such large number of trades could have matched on the screen without the appellant at the buyer’s broker being a party to the game plan. Since the buy and sell orders were punched into the system simultaneously in such large numbers and they all matched, we cannot believe that it was a coincidence and the only inference that can be drawn is there was a prior meeting of the minds before the trades were executed and this disturbs the true price discovery mechanism of the exchange”.*

- 18.7 Proof for violation of Regulation 4(b) requires indulging in any act, to create a false and misleading appearance of trading on the Securities Market. In the instant case, Ketan Parekh, Kartik Parekh and all the KP entities, had indulged in activities which were carried out for no other reason but for creation of false and misleading appearance of trading in the Securities Market. Admittedly, the intention of Ketan Parekh and the entities through which he had employed, in conducting the transactions described above, was to carry out financing transactions. This is sufficient to conclude that the ulterior motive of Ketan Parekh and these entities were responsible for creation of artificial volumes by misusing the stock exchange mechanism, thereby misleading the investors in order to make undue gains.

18.8 Violation of Regulation 4(c) of the aforesaid regulation require indulging in any act which had resulted in the reflection of prices of securities based on transactions that were not genuine trade transactions. Here also, the non-genuine trade transactions carried out by Shri Ketan Parekh through his entities had resulted in the reflection of prices of securities based on transactions which were not genuine trade transactions. The shares had been continuously passing through entities who were connected to and controlled by Shri Ketan Parekh himself, which means that there has been no effective transfer of beneficial ownership and the transactions were intended to operate as a device to inflate the market price of the securities in violation of Regulation 4(d) of the aforesaid regulation.

18.9 I am of the considered view that the activities described above indulged in by various noticees/entities in the instant case were violative of Regulation 4 (a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. Further, so of them had also violated the requirements of SEBI (Takeover) Regulations and therefore are liable to appropriate enforcement actions.

According to me, the entities connected to and controlled by Shri Ketan Parekh, if allowed to continue with their operations in the securities market, would pose constant threat to the integrity of the securities market and endanger the investors' interests. While all the entities need to be dealt with heavy punishment, Shri Ketan Parekh being the mastermind of all the misdeeds needs to be imposed with heaviest possible penalty/punishment.

18.10 I note that for the manipulative transactions in the scrip of SAB TV, show cause notice was also issued to TIFIL, a broker, for executing those trades. Similarly, in the scrip of Shonkh, show cause notices were also issued to the brokers namely TIFIL, Triumph Securities and NH Securities for the alleged violations of Regulation 7 of SEBI (Takeover) Regulations. Having found the charges alleged as established, I note that SEBI has already cancelled their certificates as Brokers for the role played by them in manipulating other scrips. This cancellation has been confirmed by SAT also. Therefore, in my view no useful purpose would be served by initiating Enquiry Proceedings against them at this juncture. Further, initiation of Adjudicating Proceedings would also not be of much consequence. Considering the nature of gross violations and misuse of trading mechanism by them, I am of the view that they should also not be allowed to continue in the stock market in any capacity whatsoever for a considerable period.

## **19.0 Conclusion**

19.1 Having gone through the chronology of events and the facts and evidences available, I find that Shri Ketan Parekh alongwith his related/associated entities manipulated the stock market in a big way during the relevant period. In the process, he obtained large sums of money from the banks as well as from the corporate houses during the period when sensex was falling rapidly. It is well established that Shri Ketan Parekh was the key person involved in all dimensions of the stock market scam which surfaced in March 2001. The buying and selling pattern by the KP entities suggested that they were involved in large scale creation of artificial trading volumes and manipulating the price of the scrips of HFCL, Adani, Zee, GTL, SAB TV, Aftek, Padmini Technologies and Shonkh.

19.2 To sum up, Shri Ketan Parekh and his related and associated entities manipulated the price of the above scrips as under :

- i. In the scrip of HFCL, Ketan Parekh entities not only received the monies from its promoters but also cornered substantial quantity of shares including shares received from the promoters of HFCL which led to artificially raising of the prices. It was also seen that artificial volumes were created through purchase and sale across large number of brokers at various exchanges. Creation of artificial market through purchase and sale of shares simultaneously across various counters along with cornering of shares resulted in price manipulation in the scrip of HFCL by Ketan Parekh entities.
- ii. The promoters of Zee Telefilms were also found to have financed crores of rupees to KP group entities. The funds were utilised by KP entities in meeting their settlement obligations in Zee and other scrips. Further, they traded in Zee through many brokers. KP entities bought and sold shares of Zee without having net position at the end of the settlement establishing thereby that the trades executed were done to manipulate the price of Zee .
- iii. In the scrip of Adani, the promoters of Adani Exports gave funds to KP entities and also sold the shares of Adani through KP Group broking entities and all the shares were bought by other KP Group entities as investors. The promoter entities sold shares at lower prices in spot transactions to KP entities and bought back the same at higher prices. Though the reasoning for the same is given as the requirement of funds by the promoters, I find that the consideration for the sale of shares to KP entities were received after a period of more than one month. This



money and shares were used by KP entities to manipulate the price of Adani.

- iv. In the scrip of GTL, during the relevant period the concentrated positions built by Ketan Parekh entities facilitated the price being taken up artificially. Large funds were transferred by Ketan Parekh entities to the related brokers which were used to manipulate the prices. These financing, circular and fictitious trades were undertaken with a view to create artificial volume and artificial market in the scrip of GTL.
- v. Further, Vidyut Investments, a subsidiary of Ranbaxy had funded crores of rupees to the entities associated / connected with Ketan Parekh Group. As discussed in the earlier part of the order, these funds were used for manipulating the securities market and the prices of various scrips.
- vi. In the scrip of SAB TV, Ketan Parekh executed several structured deals as well as cross deals through various brokers where its clients were buying and selling amongst themselves.
- vii. In the scrip of Shonkh, the entities related to Shri Ketan Parekh acquired more than 15% paid up equity capital of the company and failed to make public offer as required under Takeover Regulations. Further, some of the KP entities were also found to have acquired more than 5% of the equity capital of Shonkh and failed to make necessary disclosures as required under the Takeover Regulations. I further note that Ketan Parekh entities were involved in several irregularities such as circular trades, synchronisation of trades thereby creating artificial and false market volumes in the scrip. Through synchronisation of logging in of trades, circular trading and churning of the same stock, artificial

volumes and false market were created in violation of SEBI (PFUTP) Regulations.

viii. In the scrip of Padmini Technologies, the company made preferential issue of shares to the allottees without receiving consideration from them. The preferential allottees in turn transferred the shares to KP entities and made payment to the company only after receiving the same from the KP entities. Ketan Parekh and his associate entities were found to have violated Sec. 16 r/w 2(i) of SCRA, Takeover Regulations and also played a role in influencing the price movement in the scrip in violation of SEBI (PFUTP) Regulations.

ix. In the scrip of Aftek Infosys, Ketan Parekh entities cornered substantial quantity of shares of Aftek by entering into structured financing cum option agreements with the promoters of Aftek who acquired shares from IDBI. The cornering of shares by KP entities facilitated price manipulation by entering large buy and sell orders at prices higher than last traded price especially in particular time slots and abusing the circuit filter mechanism of the exchange and entering into circular trades thereby creating artificial markets for the scrip.

19.4 I note that an order dated April 04, 2001 was passed against Shri Ketan Parekh, Shri Kartik Parekh and broking firms which were controlled by and connected with him for their prima-facie involvement in market manipulation debarring them from undertaking any fresh business as a stock broker or merchant banker till further orders. This order was subsequently confirmed by SEBI vide order dated June 21, 2001, after the post decisional hearing. I further note that vide Order dated December 12, 2003, SEBI prohibited Shri Ketan V. Parekh, Shri Kartik K. Parekh, Classic Credit Ltd., Panther Fincap and Management Services Ltd.

Luminant Services Ltd., Chitrakut, Saimangal Investrade, Classic Infin and Panther Investrade (9 entities) from buying and selling and dealing in securities in any manner directly or indirectly and also debarred them from associating with the securities market for a period of 14 years which was upheld by the Hon'ble SAT vide its order dated July 14, 2006. The appeal against the said SAT order was dismissed by the Hon'ble Supreme Court vide order dated May 18, 2007.

- 19.5 As far as entities mentioned at Sr. no. 10 and 11 at page 1 of this order namely, Goldfish Computers and Nakshatra Software are concerned, their role was established in price manipulation in the scrips of HFCL, Zee, Adani and GTL and violation of Takeover Regulations in the scrip of Shonkh. From the perusal of the explanation given in the earlier part of the order regarding the relationship of these two entities with Ketan Parekh, there is no doubt in my mind to hold these entities as KP entities.

I also find that SEBI had initiated adjudication proceedings and imposed monetary penalties for violation of Regulation 7 and Regulation 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 against the following entities in the scrip of Shonkh Technologies. SEBI order was upheld by SAT vide its judgment dated January 09, 2007. The entities are, however, yet to pay the penalty. In any case, the present proceedings are in addition to the already concluded Adjudicating proceedings against the following entities for their violaion of Takeover Regulations.

- i. Classic Credit Ltd.,
- ii. Panther Investrade Limited
- iii. Panther Fincap & Management Services Ltd.
- iv. Luminant Investments Pvt. Ltd.

- v. Chitrakut Computers Pvt.Ltd.
- vi. Goldfish Computers Pvt. Ltd.
- vii. Nakshatra Software Ltd.

## **20.0 ORDER**

20.1 In view of the foregoing, in exercise of the powers conferred upon me by Section 19 read with Section 11B and Sec 11(4)(b) of the SEBI Act, 1992, and Regulation 11 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, further read with Regulation 7, 10 and 44 of Takeover Regulations (wherever applicable), I hereby:

- i. Restrain Shri Ketan V. Parekh (PAN No. AADPP1505A) from accessing the securities market and also prohibit him from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, whether directly or indirectly, for a period of fourteen years.
- ii. Restrain Shri Kartik K. Parekh (PAN No. AADPP3613R) , Classic Credit Ltd., (PAN No. AABCC4018N) Panther Fincap and Management Services Ltd. (PAN No. AAACP3045P), Luminant Investment Pvt. Ltd. (PAN No. AAACL0834A), Chitrakut Computers Pvt. Ltd. (now CHAT), Saimangal Investrade Ltd. (PAN No. AABCS4255R), Classic Infin Ltd.(PAN No. AAACC9488P) Panther Investrade Ltd.(PAN No. AAACP3259R) Goldfish Computers Pvt. Ltd. (PAN No. AABCG0096L) and Nakashtra Pvt. Ltd (PAN No. AAACN9129J) from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any

manner whatsoever, whether directly or indirectly, for a period of fourteen years.

- iii. Restrain Shri Navinchandra N.Parekh (PAN No. AADPP0461F), Shri Kirtikumar N. Parekh (PAN No. AACPP9176A) Shri Jayant N. Parekh(PAN No.AADPP0435F) and Shri Vipul D. Parekh from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, whether directly or indirectly, for a period of one year.
- iv. Restrain Triumph International Finance India Ltd. (PAN No. AAACE0308A) Triumph Securities Ltd. (PAN No. AAAC2152P) and NH Securities Ltd. (PAN No. AAACS7140Q) from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, whether directly or indirectly, for a period of five years.

20.2 It is clarified that so far as the entities namely, Shri Ketan Parekh, Shri Kartik K. Parekh, Classic Credit Ltd., Panther Fincap and Management Services Ltd., Luminant Investment Pvt. Ltd. (PAN No. AAACL0834A), Chitrakut Computers Pvt. Ltd. (now CHAT), Saimangal Investrade Ltd., Classic Infin Ltd., Panther Investrade Ltd., which were covered under SEBI order dated December 12, 2003, this order shall run concurrently and shall be deemed to be effective from December 12, 2003.

20.3 As regards remaining entities the order shall come into effect from the date of the order.

20.4 It is also clarified that though reference has been made to the findings of SAT in its judgment dated July 14, 2007 and also SEBI order dated December 12, 2003 and this order has been directed to run concurrently with the said order of SEBI, the findings recorded herein are independent and complete in themselves and this order is independent of the earlier order of SEBI dated December 12, 2003, or for that matter SAT order dated July 14, 2006.

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

**DATED: 12/11/2007**

**MUMBAI**

**T.C.NAIR**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BORAD OF INDIA**