

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

AGAINST M/S KOSHA INVESTMENTS LIMITED UNDER REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 READ WITH SECTION 11 AND 11B OF THE SEBI ACT, 1992

1. M/s. Kosha Investments Ltd. (hereinafter referred to as 'KIL') was originally promoted in the state of Maharashtra as a private limited company on January 17, 1986. Shri Pinakin Kantilal Shah and Smt. Kokila Atul Contractor were its original promoters. On January 21, 1997, it became a deemed public company by virtue of the provisions of section 43A(1B) of the Companies Act, 1956.

2. A substantial spurt in the volumes and the price of the scrip of M/s. Snowcem India Ltd. (hereinafter referred to as the 'company') was noticed at both BSE & NSE during the period from June 1999 to August 1999. The shares of the company are listed for trading on the Stock Exchange, Mumbai, the Madras Stock Exchange, the Delhi Stock Exchange and the Ahmedabad Stock Exchange (for brevity's sake hereinafter referred to as 'BSE', 'MSE', 'DSE' and 'ASE' respectively) apart from trading under the permitted category at the National Stock Exchange (hereinafter referred to as the 'NSE'). During the aforesaid period, a spurt in the volumes was also noted as compared to the period prior to June 1999 when it was observed that the scrip of the company was not very liquid. The price of the scrip of the company at NSE, during the period June 3, 1999 to August 10, 1999 ranged between Rs.55/- to Rs.127/-. Further, the trading in the scrip was found to be very infrequent during the period abovementioned as evidenced from the trading statistics shown below:

Period	Avg. trades per day	Avg. Quantity Per day
March to May 99	3	12,521
June to August 99	173	68,370

3. From an average daily volume of 12,521 shares during the period from March to May 1999, the volumes started rising and were in the range of 60,000 - 65,000 shares per day till August 1999. The movement of the scrip (in terms of the price) was more or less in tandem with NSE.

4. Hence, NSE conducted an internal investigation in the scrip of the company for the period June 3, 1999 to August 10, 1999 and submitted its report to the Securities and Exchange Board of India (hereinafter referred to as the SEBI).

5. From an analysis of the trading details of the various members as well as their clients who had traded in the scrip of the company, it was further observed that some entities associated/close to the Snowcem Group had been actively involved in trading of its shares during the relevant period resulting in an unusual spurt in prices and traded volumes. It was also observed that in some settlements, their contribution was as high as over 90% of the total market activity.

6. On the basis of the findings of the investigations of NSE and the data collected by SEBI in the meantime, from the company, brokers of BSE etc., SEBI, vide order dated June 18, 2001 ordered an investigation into the alleged price manipulation in the scrip of the company. Summons were issued under section 11(3) of the SEBI Act, 1992 (hereinafter referred to as 'the Act') to the clients and brokers and the personnel of the company to appear before the investigating authority. Upon a perusal and analysis of the records submitted by the brokers, it was noted that a common set of clients had formed a cartel and traded through the members of both BSE and NSE during the investigation period at the same point of time, and also executed several transactions for KIL. It was further noted that some of these entities, who were also brokers of BSE/NSE, had traded substantially in the scrip either through their own card and/or through some other broker of BSE/ NSE (by enrolling as clients to them) Their trading in the scrip accounted for approximately 40% of the combined trading volume of NSE and BSE and this by and large contributed to the price rise in the scrip. Based on these reports, it was surmised that there was a possibility that these trades were fictitious and meant to create artificial volumes and increase the price of the scrip of the company.

7. Upon a further analysis of the trading details, it was observed that KIL, one of the promoter group companies of the company being the Indian Promoters, was the predominant trader in the scrip during the period of investigations and was appearing as the major buyer in the scrip during the period by enrolling as a client to various brokers/sub brokers at the same point of time and that it was their trading which was responsible for the abnormal price movement. From the trading details submitted by the exchanges, it further appeared that KIL had employed manipulative tactics, either to maintain the scrip price and/or to increase the price drastically, and also create artificial volumes by continuously funding the same. It was found that there were major fund transfers from the account of the company to the account of KIL and from the books of KIL to the accounts of the brokers/sub brokers, which was found to be not mere loan transactions/ICD's, but a process whereby KIL received the funds from the company, which were then utilised by it to meet its settlement obligations with various brokers/sub brokers (towards the shares of the company that were purchased by it). It thus appeared that KIL was apparently used as a "front entity" by the management circles of the company which was interested in jacking up the price of the scrip.

8. In view of the findings of the investigation, a notice dated September 16, 2002 was issued by SEBI to KIL asking it to show cause as to why suitable directions prohibiting it from dealing in securities for a suitable period should not be issued to it under section 11B of the SEBI Act, 1992 read with Regulation 11 and 12 of SEBI (Prohibition of fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (for brevity's sake hereinafter referred to as 'the Regulations'). KIL was directed to reply to the said notice within 21 days of the receipt thereof with an indication that if it fails to furnish reply within the said time, it would be presumed that it had nothing to say in the matter and that SEBI would be free to take such action as deemed fit.

9. Pursuant to the same, KIL, while denying all the allegations contained in the said notice, vide letter dated November 22, 2002 inter alia submitted that the show cause notice was arbitrary and issued without application of mind since its transaction in a particular scrip had been taken out of context and motives were attached to the same, when none existed. It was stated that the transactions entered into by KIL in all the scrips including in the scrip of the company, during the period of the investigation, were in the regular course of business and that although it was the promoter of the company, it would be incorrect to state that it had traded in the scrip of the company during the period of the investigation, with the intention to artificially raise the price of the company either by itself or in collusion with other entities, related or connected with it. Hence, while denying that it had acted in concert with a common set of clients through a selected cartel of brokers of the BSE and NSE, or that it was involved in circular trading in the scrip of the company and that the same pushed up the volume and price of the scrip to artificial levels at both the exchanges, KIL submitted that as a registered non banking financial institution, it was empowered in terms of its memorandum and articles of association to, inter alia invest and to hold, sell and deal with shares, stocks and bonds etc., carry on the business of the investment company and buy underwrite, sub-underwrite, invest in and acquire and hold shares, stocks, etc. By virtue of its authority to carry on financial investment related business and acquire shares of the companies, it had, since its incorporation, various financial dealings with and/or acquired shares, in the capital of a host of listed and unlisted companies. Furthermore, on an average, more than 60% of its income comprised of dividend earnings from shares held by it. KIL submitted that in or about 1988, it had acquired shares held by one of the original promoters of the company i.e. Killick Industries Ltd. and had become promoter of the company and over a period of time, bought and sold shares in the capital of various companies including in that of the company, during the normal course of its business. KIL further stated that at times when the company and/or the group companies associated with the group were in need of funds, upon request, it arranged for the said funds, either by way of a term loan, bridge loan / ICD etc. or in the alternative, furnished a collateral security in respect of such borrowings. It has stated that at times, KIL arranged for funds from a third party including banks, financial institutions or furnished a collateral security to the lender and sometimes, various persons made funds available to KIL and/or the company against the collateral security furnished by it, in the form of shares held by KIL in the capital of the company. In some cases where the loan became due, the borrowing company requested the lender to liquidate either the whole or the part of the loan, by selling the shares pledged as collateral security after obtaining the consent of KIL. At other times, KIL negotiated a fresh financial arrangement between a new lender and the borrowing company, to replace the then existing loans so that the original lenders dues were replaced by that of a new lender, by requesting the original lender to realize the money lent by him /it, by enforcing the security. In turn, KIL would either acquire such shares and thereafter transfer the same to the new lender, or in the alternative, KIL would on its own accord, acquire such shares and obtain transfer thereof in its own name, so as to consolidate its shareholding in the company. In places, where KIL acquired the shares or repaid the money to the original lender, the borrowing company, which invariably had a running account with KIL would repay the money to KIL or they would be squared off. These were in the nature of normal financial transactions. KIL submitted that in such circumstances, it had entered into transactions in the scrip of the company during the investigation period, which were purely financial transactions and its sole intention then was to achieve the objectives specified above and not to jack up the price of the company and create an artificial market for the shares. KIL referred to certain documents said to have been submitted to SEBI in this regard.

10. KIL further submitted that it had, over a period of time divested its shareholding in the company such that as on March 31, 2002, it held only 23,40,000 shares in the capital of the company. Hence, due to its decreased shareholding in the company, it could not have gained much from the alleged manipulation of the shares of the company. It was stated that consequently KIL had not acted in concert with the management of the company and although, it was one of the promoters in the company, which had its own separate and distinct legal entity, KIL did not have any control over the administration and /or management of the company. KIL submitted that none of its directors are directors on the Board of the company and hence, it was not in any position to exercise any control over the company. KIL denied that it had traded in the scrip of the company and that it had aided and / or abetted other brokers or the management of the company in the price manipulation of the scrip of the company or in any unethical market practices which distorted the market equilibrium.

11. With regard to the loan transactions found to have been entered into between KIL and Sourabh Bora, it was submitted by KIL that it had a running account with Bora, who as a financial intermediary, was engaged in arranging finance/ securities. It was submitted that all financial transactions with Bora were in the normal course of business and that it was not responsible for approximately 20% of the total trading volume during the investigation period, and that even assuming that the same was true, it could not be held that the said transactions were carried out with the sole intention of creating a false market in the scrip, in as much as the investigation team had pointed out only four instances wherein trading by KIL was found to be substantial. It was submitted that the said transactions were pure financial transactions for the repayment of loan and advances and not meant to create artificial volumes. With regard to the allegation of KIL receiving money from the company to pay the brokers for their purchases and the conclusion arrived at by the investigating team that the fund transfer had not taken place on one or two occasions but on a regular basis, it was stated that the said transactions were in the normal course of business and not financing transactions.

12. On the basis of these submissions, KIL requested that the proceedings initiated against it be dropped and further requested that a personal hearing be granted to him. Accordingly, KIL was advised to appear before me for a personal hearing held on September 2, 2003. However, on the request of KIL, the matter was adjourned and rescheduled for hearing on September 17, 2003. On the said date, Shri Godbole, introducing himself as being deputed on behalf of the company but not an office bearer of KIL, appeared on behalf of the company and submitted that KIL, in the normal course of its business activities used to lend money to the company as well as many other persons, who had possibly encashed the shares pledged with them through KIL, and hence there was no market manipulation and as such, no violation of the FUTP Regulations.

13. I have taken into consideration the facts and circumstances of the case and the material available on record which includes the facts leading to the investigation, submissions made on behalf of KIL during the investigation proceedings and before me, the findings of the investigation as communicated in the show cause notice dated September 16, 2002 and the reply dated November 22, 2002.

14. On a cumulative analysis of the facts of the case, I find that there is no dispute as regards KIL (who is incidentally one of the Indian promoters of the company) carrying out several transactions in the scrip of the said company, especially during the period under investigation. The same is apparent from the table shown below, which contains the details of the dealings of KIL in the scrip of the company with various brokers of BSE and NSE during the period under investigation:

Name of Broker	Sett. #	Purchases	Sales	Gross	Net
Bishwanath M Jhunhunwala (BSE)	11	2,900	-	2,900	2,900

	12	5,000	-	5,000	5,000
	13	3,600	-	3,600	3,600
	14	34,200	-	34,200	34,200
	15	1,400	500	1,900	900
	16	56,600	3,300	59,900	53,300
	17	100	5,100	5,200	- 5,000
	18	98,700	50,700	149,400	48,000
	19	-	1,100	1,100	- 1,100
	20	50,000	-	50,000	50,000
	Total	2,52,500	60,700	3,13,200	1,91,800
M J Patel Share & Stock Brokers Ltd. (BSE)	14	1,00,000	-	1,00,000	1,00,000
	15	1,00,000	-	1,00,000	1,00,000
	16	50,000	-	50,000	50,000
	18	52,300	5,300	57,600	47,000
	19	-	400	400	-400
	Total	3,02,300	5,700	3,08,000	2,96,600
Triveni Management Consultancy Services Ltd. (NSE)	26	40,000	1,000	41,000	39,000
	27	42,500	-	42,500	42,500
	28	45,300	300	45,600	45,000
	29	50,000	-	50,000	50,000
	Total	1,77,800	1,300	1,89,100	1,76,500
Kasat Securities Pvt. Ltd. (NSE)	23	-	1,02,000	1,02,000	-1,02,000
	25	-	95,000	95,000	-95,000
	26	-	50,000	50,000	-50,000
	27	-	1,00,000	1,00,000	-1,00,000
	28	-	1,25,000	1,25,000	-1,25,000
	29	-	1,00,000	1,00,000	-1,00,000
	Total	-	5,72,000	5,72,000	-5,72,000
Indraprastha Holdings Ltd. (NSE)	26	65,000	65,000	1,30,000	-
	27	60,000	-	60,000	60,000
	28	76,900	-	76,900	76,900
	29	50,000	-	50,000	50,000
	Total	2,51,900	65,000	3,16,900	1,86,900
Grand Total		984,500	704,700	16,89,200	279,800

I have noted from the records submitted by KIL vide its letters dated May 23, 2001 and 17th April 2002, that it has transacted in the scrip of the company prior to and after the investigation period also and the details of their trading, in the scrip of the company during the period between April 1999 to March 2000 (which also covers the investigation period) is as under:

**NAME OF THE BROKER – M/S BISHWANATH MURLIDHAR-BSE
PERIOD 01.04.1999 TO 31.03.2000**

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance
1	1-Apr-99	GA/01	1,800		1,800
2	3-Apr-99	GA/02	3,800		5,600
3	10-Apr-99	GA/03	51,700		57,300
4	17-Apr-99	GA/04	800		58,100
5	24-Apr-99	GA/05	3400		61,500
		April-1999 Total	61,500		
6	1-May-99	GA/06	1,300		62,800
7	8-May-99	GA/07		200	62,600
8	15-May-99	GA/08	500		63,100
9	22-May-99	GA/09	4,600		67,700
10	29-May-99	GA/10	54,600		122,300
		May-1999 Total	61,000	200	
11	5-Jun-99	GA/11	2,900		125,200
12	12-Jun-99	GA/12	5,000		130,200
13	19-Jun-99	GA/13	3,600		133,800
14	26-Jun-99	GA/14	34,200		168,000
		June-1999 Total	45,700		
15	3-Jul-99	GA/15	900		168,900
16	10-Jul-99	GA/16	53,300		222,200
17	17-Jul-99	GA/17		5,000	217,200
18	24-Jul-99	GA/18	48,000		265,200
19	31-Jul-99	GA/19		1,100	264,100
		July – 1999 Total	102,200	6,100	
20	23-Sep-99	GFC/6	200		264,300
21	25-Sep-99	GA/27	1,500		265,800
		Sept.1999 Total	1,700		
22	23-Oct-99	GA/31	500		266,300
23	29-Oct-99	GC/09	800		267,100
		Oct. 1999 Total	1,300		
24	13-Nov-99	GA/34	500		267,600

25	24-Nov-99GC/10	20,000		287,600
26	30-Nov-99GC/10		3,100	284,500
	Nov. 1999 Total	20,500	3,100	
27	4-Dec-99GA/37	6,600		291,100
28	14-Dec-99GE/49	1,300		292,400
29	18-Dec-99GA/39	300		292,700
30	24-Dec-99GF/19	800		293,500
31	25-Dec-99GA/40	4,300		297,800
	Dec. 1999 Total	13,300		
32	25-Jan-00GE/56	24,000		321,800
	Jan.2000 Total	24,000		
33	22-Feb-00GE/60	2,300		324,100
34	26-Feb-00GA/49		2,600	321,500
35	29-Feb-00GE/61	600		322,100
	Feb.2000 Total	2,900	2,600	
36	4-Mar-00GA/50	7,000		329,100
37	7-Mar-00GE/62		15,800	313,300
38	11-Mar-00GA/51	7,900		321,200
39	14-Mar-00GE/63	200		321,400
40	18-Mar-00GA/52	3,700		325,100
41	22-Mar-00GE/64	600		325,700
42	25-Mar-00GA/53	19,900		345,600
	Mar. 2000 Total	39,300	15,800	
	Grand Total 1999-00	373,400	27,800	345,600
	KIL TRADES THROUGH D.J. LAWYER			
	PERIOD FROM 01-04-1999 TO 31-03-2000			

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	24-May-99K/001				10,700	-10,700
2	24-May-99K/002				39,300	-50,000
	May-1999 Total				50,000	
	Grand Total 1999-00				50,000	-50,000
	KIL TRADES THROUGH FORTUNE					
	PERIOD FROM 01-04-1999 TO 31-03-2000					

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	24-May-99K/003				21,000	-21,000
	May-1999 Total				21,000	
	Grand Total 1999-00				21,000	-21,000
	NAME OF THE BROKER – INDRAPRASTHA HOLDINGS LTD-NSE.					
	PERIOD FROM 01-04-1999 TO 31-03-2000					

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	15-Jun-99N/23		102,200			102,200
2	28-Jun-99N/24		200			102,400
	June 1999 Total		102,400			
3	5-Jul-99N/25		100,100			202,500
4	13-Jul-99N/27		60,000			262,500
5	20-Jul-99N/28		76,900			339,400
6	27-Jul-99N/29		50,000			389,400
	July-1999 Total		287,000			
	Grand Total 1999-00		389,400			389,400
	NAME OF THE BROKER – KASAT SECURITIES PVT. LTD. – NSE					
	PERIOD FROM 01-04-99 TO 31-03-2000					

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	15-Jun-99NSE 23				102,200	-102,200
2	25-Jun-99A/14				110,000	-212,000
3	29-Jun-99NSE 25				95,000	-307,000
	June – 1999 Total				307,000	
4	6-Jul-99NSE26				50,000	-357,000
5	9-Jul-99A/16				100,000	-457,000
6	13-Jul-99NSE/27				100,000	-557,000
7	19-Jul-99SPOT/99/03				100,000	-657,000
8	20-Jul-99NSE/28				125,000	-782,000
	July-99 Total				475,000	
9	2-Aug-99NSE/29				100,000	-882,000
	Aug 99 Total				100,000	
	Grand Total 1999-00				882,000	-882,000

**KIL TRADING THROUGH
MAHARASHTRA APEX - PERIOD 01-**

04-99 TO 31-03-2000

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	24-May-99K/004				26,700	-26,700
		May-1999 Total			26,700	
		Grand Total 1999-00			26,700	-26,700
		NAME OF THE BROKER - M.J. PATEL – BSE				
		PERIOD ROM 01.04.99 TO 31.03.2000				

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	1-Apr-99F/001			20,000		20,000
2	29-Apr-99F/005			800		20,800
		April 1999 Total	20,800			
3	13-May-99F/007			30,000		50,800
4	20-May-99F/008			1,600		52,400
		May-1999 Total	31,600			
5	1-Jul-99F/014			100,000		152,400
6	8-Jul-99F/015			100,000		252,400
7	15-Jul-99F/016			50,000		302,400
8	22-Jul-99F/017				125,000	177,400
9	29-Jul-99F/018			47,900		225,300
		July-1999 Total	297,900		125,000	
10	5-Aug-99F/019				400	224,900
		Aug.1999 Total			400	
11	23-Sep-99F/026			100		225,000
		Sep.1999 Total	100			
12	18-Nov-99F/034			500		225,500
		Nov.1999 Total	500			
13	30-Dec-99F/040			200		225,700
		Dec.1999 Total	200			
14	9-Mar-00F/050			1,000		226,700
		Mar.2000 Total	1,000			
		Grand Total 1999-00	352,100		125,000	227,100

**KIL TRADING THROUGH SOURABH BORA - PERIOD FROM
01-04-99 TO 31-03-2000**

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	7-Jul-99K/005				200,000	-200,000
2	7-Jul-99K/006				45,000	445,000
3	10-Jul-99K/007				50,000	-340,000
4	24-Jul-99K/008				50,000	-395,000
5	28-Jul-99K/009				100,000	-495,000
6	28-Jul-99K/025				50,000	-595,000
7	30-Jul-99K/010				40,000	-585,000
8	31-Jul-99K/011				10,000	-585,000
		Jul.1999 Total			545,000	
9	3-Aug-99K/012				100,000	-685,000
10	4-Aug-99K/013				25,000	-710,000
11	6-Aug-99K/014				50,000	-760,000
12	11-Aug-99K/015				25,000	-785,000
13	11-Aug-99K/016				25,000	-810,000
14	17-Aug-99K./017				25,000	-835,000
15	25-Aug-99K/019				120,000	-955,000
16	28-Aug-99K/018				48,000	-1,003,000
		Aug 1999 Total			418,000	
17	7-Sep-99K/020				47,000	-1,050,000
18	15-Sep-99K/021				47,000	-1,097,000
19	23-Sep-99K/022				60,000	1,157,000
		Sep.1999 total			154,000	
20	11-Oct-99K/023				110,000	-1,267,000
21	26-Oct-99K/024				150,000	-1,417,000
		Oct. 1999 Total			260,000	
		Grand total 1999-00			1,377,000	-1,377,000
		NAME OF THE BROKER – TRIVENI MANAGEMENT CONS.				
		SERS. LTD. – NSE				
		PERIOD FROM 01-04-99 TO 31-03-2000				

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance	
1	7-Apr-99Cc/99/13N			1,200		1,200
2	14-Apr-99CC/99/14N			400		1,600
3	21-Apr-99CC/99/15N			15,400		17,000
4	28-Apr-99CC/99/16N			50,200		67,200
		April-1999 Total	67,200			
5	5-May-99CC/99/17/N			20,900		88,100

6	19-May-99CC/99/19N	200	88,300
	May 1999 Total	21,100	
7	7-Jul-99CC/99/26/N	39,000	127,300
8	14-Jul-99CC/99/27/N	42,500	169,800
9	21-Jul-99CC/99/28/N	45,000	214,800
10	23-Jul-99GA/18	125,000	339,800
11	28-Jul-99CC/99/29/N	50,000	389,800
	Jul.1999 Total	301,500	
12	22-Nov-99N/045	300	390,100
13	29-Nov-99N/046	400	390,500
	Nov.99 Total	700	
14	24-Jan-00N/003	2000	388,500
15	31-Jan-00N/004	1,000	387,500
	Jan.2000 Total	3,000	
	Grand Total 1999-00	390,500	3,000
	KIL TRADING THROUGH- ZEAL		
	PERIOD FROM 01.04.99 TO 31.03.2000		

Sl.No.	Date	Bill No.	Quantity Purchase	Sale	Balance
1	3-Sep-99GA/24		1,000		1,000
2	18-Sep-99GA/26		200		1,200
	Sep.1999 Total		1,200		
3	23-Oct-99GA/31		600		1,800
4	30-Oct-99GA/32		3,600		5,400
	Oct.1999 Total		4,200		
5	11-Dec-99GA/38		100		5,500
	Dec.1999 Total		100		
	Grand Total 1999-00		5,500		

Thus apart from the fact that KIL had traded substantially in the scrip of the company, prior to the investigation period and also after this period, it had also entered into private arrangements, presumably loan transactions, with various parties, not necessarily brokers. However, I have noted the fact that on the days when KIL had traded in the scrip, the total volume traded at the exchange was undeniably very high when compared to the days when they did not participate in the trading of the scrip. The same is substantiated from the following instances, wherein the first day is the day on which KIL has not traded and the day which has been marked in bold is the day on which KIL has traded in the scrip on the respective exchange.

Exchange	Date	Volume	Whether KIL participated
NSE	8.6.1999	100	No
	9.6.1999	50,400	Yes
NSE	10.6.1999	1,300	No
	11.6.1999	50,200	Yes
NSE	23.6.1999	1,000	No
	24.6.1999	1,00,100	Yes
BSE	30.6.1999	2,400	No
	1.7.1999	1,17,600	Yes
BSE	2.7.1999	11,400	No
	5.7.1999	1,60,600	Yes
BSE	16.7.1999	17,000	No
	17.7.199	1,58,700	Yes

15. From the statistics given above, it is apparent that the trading activity of KIL was bound to boost the volumes in the scrip of the company. From the records, it is seen that KIL accounted for 99% share of the total market activity on Gross Basis in Settlement No.26 of NSE, 82% in Settlement No.27 of NSE and 97% in Settlement No.28 of NSE and 30% in Settlement No.29 of NSE. Their net positions in the scrip were also high. At NSE, KIL was also found to be a "common client" dealing in the scrip through brokers such as Indraprasta Holdings Ltd., Kasat Securities Pvt Ltd. and Triveni Management Consultancy Services Ltd.

16. I find that KIL also executed both buy and sell orders through different trading members in the same settlement, such that opposite orders were placed by different trading members for the same client, i.e. KIL. In fact I have observed that Indraprasta Holdings Ltd., Kasat Securities Pvt Ltd. and Triveni Management Consultancy had put in buy/sell orders and executed trades for their client viz. KIL; at the same time at the NSE and that KIL was a common client at Kasat Securities Pvt Ltd. and Indraprasta Holdings Ltd. through whom the trades in the scrip were executed. The same is evidenced from the following table which shows their trading details :-

Name of the Client	Trading member	Sett. No.	Buy	Sell
Kosha Investments Ltd.	Indraprastha Holdings Ltd.	1999026	65000	65000
Kosha Investments Ltd.	Kasat Securities Ltd.	1999026	0	50000
Kosha Investments Ltd.	Indraprastha Holdings Ltd.	1999027	60000	0
Kosha Investments Ltd.	Kasat Securities Ltd.	1999027	0	100000
Kosha Investments Ltd.	Indraprastha Holdings Ltd.	1999028	76900	0

Kosha Investments Ltd.	Kasat Securities Ltd.	1999028	0	125000
Kosha Investments Ltd.	Indraprastha Holdings Ltd./	1999029	50000	0
Kosha Investments Ltd.	Kasat Securities Ltd.	1999029	0	100000

Opposite orders placed by the different trading members for the same client are as under:-

Date	Time	Trd No.	Price	Qty	Buy TM	Buy Client	Sell TM	Sell Client
1/7/99	10:06:45	199907010005588	52	25000	Indra prastha Holdings Ltd.	Kosha Investments Ltd.	Kasat Secs. Ltd.	Kosha
1/7/99	10:10:19	199907010009480	52	25000	Indra prastha Holdings Ltd.	Kosha Investments Ltd.	Kasat Secs. Ltd.	Kosha
14/7/99	11:55:57	199907140170526	59	25000	Indra prastha Holdings Ltd.	Kosha Investments Ltd.	Kasat Secs. Ltd.	Kosha
14/7/99	11:57:06	199907140172001	59.25	25000	Indra prastha Holdings Ltd.	Kosha Investments Ltd.	Kasat Secs. Ltd.	Kosha

I have also noted the peculiar timings of the orders as seen below :-

Order Date	Order Time	Order No.	B/S	TM Name	Client Code	Disclosed Qty	Total Vol	Price	Trade No.
1999-07-01	10:02:40	199907010007920	S	Kasat	Kosha	2500	25000	52	5538
1999-07-01	10:06:45	199907010020801	B	Indra prastha	Kosha	0	25000	52	5538
1999-07-01	10:08:58	199907010027353	S	Kasat	Kosha	2500	25000	52	9430
1999-07-01	10:10:19	199907010031406	B	Indra prastha	Kosha	0	25000	52	9430
1999-07-14	11:54:28	1999070140292012	S	Kasat	Kosha	2500	25000	59	170526
1999-07-14	11:55:57	199907140294821	B	Indra prastha	Kosha	2500	25000	59	170526
1999-07-14	11:56:43	199907140296410	S	Kasat	Kosha	0	25000	59.3	172001
1999-07-14	11:57:06	199907140297184	B	Indra prastha	Kosha	0	25000	59.3	172001

Similarly I have noted the dealings of KIL as common clients of Triveni Management Consultancy Services Ltd and Indraprastha Holdings Ltd and the timings of the orders which are as follows :-

Date	Time	Trd. No.	Price	Qty	BuyMemb Name	Buy Client	Sell Mem Name	Sell Client
1/7/99	11:05:45	199907010054497	52.25	4000	Triveni	Kosha	Indra prastha	Kosha
1/7/99	11:06:29	199907010054899	52.25	35000	Triveni	Kosha	Indra prastha	Kosha
1/7/99	11:06:38	199907010054980	52.25	1000	Triveni	Kosha	Indra prastha	Kosha

Order Date	Order Time	Order No.	B/S	TM Name	Client Code	Disclosed Qty.	Total Vol	Price	Trade No.
19990701	11:03:58	199907010136047	S	Indra prastha	Kosha	4000	40000	52.3	54497
19990701	11:05:45	199907010138212	B	Triveni	Kosha	0	4000	52.3	54497
19990701	11:03:58	199907010136047	S	Indra prastha	Kosha	4000	40000	52.3	54899
19990701	11:06:29	199907010139115	B	Triveni	Kosha	0	35000	52.3	54899
19990701	11:03:58	199907010136047	S	Indra prastha	Kosha	1000	40000	52.3	54980
19990701	11:06:38	199907010139328	B	Triveni	Kosha	0	1000	52.3	54980

The manner in which the orders were placed as well as their timings leads to the inevitable conclusion that these transactions were nothing but structured transactions, with synchronized buy and sell orders.

17. I have examined the transactions of KIL through Triveni Management Consultancy and Kasat Securities Pvt Ltd, wherein KIL was a common client, and several buy and sell transactions through the two Trading members were executed simultaneously. Details of such trades are as under:

Date	Time	Trd.No.	Price	Qty.	Buy Name	Buy Client	Sell Name	Sell Client
7/7/99	14:11:06	199907070270605	64.75	25000	Triveni	Kosha	kasat	Kosha
7/7/99	14:11:46	199907070270996	64.9	9700	Triveni	Kosha	Kasat	Kosha
7/7/99	14:13:08	199907070271872	64.9	300	Triveni	Kosha	Kasat	Kosha
7/7/99	14:13:08	199907070271879	65.25	2700	Triveni	Kosha	Kasat	Kosha
7/7/99	14:14:13	199907070272749	65.25	2300	Triveni	Kosha	Kasat	Kosha

These opposite orders, placed by different trading members for the same client, coupled with the fact of their timing confirms that the transactions were structured. Details can be seen as under:

Order Date	Order Time	Order No.	B/S	TM Name	Client Code	Disclosed Qty.	Total Vol	Price	Trade No.
19990707	14:10:43	199907070445477	S	Kasat	Kosha	2500	25000	64.8	270605
19990707	14:11:06	199907070445850	B	Triveni	Kosha	2500	25000	64.8	270605
19990707	14:11:33	199907070446281	S	Kasat	Kosha	300	10000	64.9	271872
19990707	14:13:08	199907070447775	B	Triveni	Kosha	1000	5000	65.3	271872
19990707	14:13:07	199907070447755	S	Kasat	Kosha	1000	5000	65.3	271879
19990707	14:13:07	199907070447755	S	Kasat	Kosha	1000	5000	65.3	272749
19990707	14:14:13	199907070448823	B	Triveni	Kosha	500	2500	65.3	272749

I have noted other instances of KIL transacting with different trading members where the buy orders of KIL matched with their sell orders.

Settl. No.	Buying Broker	Client	Quantity	Selling Broker
BSE 16	M J Patel	KIL	23,500	Kaynet Capital
BSE 18	Bishwanath	KIL	1,00,000	M J Patel
NSE 28	Triveni Mgt	KIL	32,800	Kasat Securities
NSE 29	Triveni Mgt	KIL	50,000	Kasat Securities

Settl. No.	Buying Broker	Client	Qty	Selling Broker
28	Kasat	KIL	50,000	Nariman Finvest
29	Kasat	KIL	50,000	Nariman Finvest
29	Nariman Finvest	KIL	50,000	Triveni Management

Settl. No.	Buying Broker	Client	Qty	Selling Broker
BSE 14	M J Patel	KIL	1,00,000	Sovereign Securities
BSE 16	M J Patel	KIL	1,00,000	Kaynet Capital Ltd.
BSE 18	Bishwanath	KIL	50,000	Sovereign Securities

From all the aforesaid transactions, it is discernible that KIL had a tacit understanding with the other parties such as Shri Sourabh Bora, Bishwanath Murlidhar, Rajesh Kasat, Kasat Securities etc who were acting in concert with it, in as much as all the buy/sell transactions placed by KIL in their scrip of the company were getting ostensibly matched with the sell/buy transactions placed by other parties named above. In addition to this, I find several instances where KIL has also resorted to large number of transactions in which it was the ultimate client on both the sides i.e. on one side, the brokers were buying the shares on behalf of KIL and on the other side, the counter party brokers were selling the shares on behalf of KIL. In most of these transactions it is seen that the buy rate and sell rate placed by KIL was the same as seen below :

Date '99	Time	Buying Broker	Qty	Rate	Selling Broker
Jun 9	13.39.48	Indraprastha	50,000	50.00	Kasat Sec
Jun 11	10.29.54	Indraprastha	49,800	50.00	Kasat Sec
Jun 24	15.14.01	Indraprastha	50,000	51.00	Kasat Sec
Jun 24	15.14.01	Indraprastha	45,000	51.00	Kasat Sec
Jul 1	10.06.45	Indraprastha	25,000	52.00	Kasat Sec
Jul 1	10.10.19	Indraprastha	25,000	52.00	Kasat Sec
Jul 1	11.05.45	Triveni	4,000	52.25	Indraprastha
Jul 1	11.06.29	Triveni	35,000	52.25	Indraprastha
Jul 1	11.06.38	Triveni	1,000	52.25	Indraprastha
Jul 7	14.11.06	Triveni	25,000	64-65*	Kasat Sec
Jul 7	14.11.46	Triveni	9,700	64-65*	Kasat Sec
Jul 7	14.13.08	Triveni	300	64-65*	Kasat Sec
Jul 7	14.14.13	Triveni	5,000	64-65	Kasat Sec
Jul 14	11.55.57	Indraprastha	25,000	59.00	Kasat Sec
Jul 14	11.57.06	Indraprastha	25,000	59.25	Kasat Sec
Jul 21	11.26.15	Triveni	19,300	57.50	Kasat Sec
Jul 21	12.59.56	Triveni	24,300	57.70	Kasat Sec

* The rate was ranging between Rs.64/- and Rs.65/-.

18. I have also examined the bank accounts of different persons and the flow of funds between the said persons. I have noted that KIL, Sourabh Bora and the company maintained bank accounts with the same banks/ branches viz, Oman International Bank, Nariman Point Branch, (CA91 – 122598 – 01), Global Trust Bank, Nariman Point Branch, (2000101699) and the United Western Bank Ltd., Fort Branch, (CA 0002 – 0000 – 004879). I find frequent flow of funds between the said entities, as given below :

Name of Bank	Instrument No.	Date	Amount recd. From KIL into the account of SIL	Amount Paid to KIL from the account of SIL
Oman International Bank	578372	3.4.1999	3,,65,000	
- do -	578373	5.4.1999	15,000	
- do -	578376	6.4.1999	60,000	
- do -	569998	7.4.1999		6,00,000
- do -	578382	9.4.1999	50,000	
- do -	578387	10.4.1999	50,000	
- do -	570012	13.4.1999		3,00,000
- do -	570011	13.4.1999		1,00,000
- do -	570020	16.4.1999		4,00,000
- do -	570021	16.4.1999		2,00,000
- do -	595560	20.4.1999	65,000	
- do -	592565	21.4.1999	35,000	
- do -	570022	21.4.1999		10,00,000
- do -	570023	22.4.1999		9,00,000
- do -	570042	27.4.1999		1,00,000
- do -	592577	29.4.1999	50,000	
- do -	592578	29.4.1999	50,000	
- do -	592580	4.5.1999	2,00,000	
- do -	584667	4.5.1999		2,00,000
- do -	584668	4.5.1999		1,00,000
- do -	592596	6.5.1999	2,00,000	
- do -	592597	7.5.1999	35,000	
- do -	584680	7.5.1999		10,00,000
- do -	592599	11.5.1999	20,00,000	
- do -	592603	13.5.1999	25,000	
- do -	592638	15.5.1999	15,000	
- do -	592640	18.5.1999	8,000	
- do -	592642	21.5.1999	50,000	
- do -	592648	26.5.1999	29,25,000	
Allahabad Bank	337868	27.5.1999		10,00,000
Oman International Bank	597515	28.5.1999	20,00,000	
- do -	597522	29.5.1999	30,000	
- do -	597530	31.5.1999	5,25,000	
- do -	584773	31.5.1999		20,00,000
- do -	By letter	1.6.1999		12,00,000
- do -	584782	4.6.1999		8,00,000
- do -	584781	4.6.1999		2,00,000
- do -	597559	5.6.1999	5,000	
- do -	584831	17.6.1999		10,00,000
- do -	584832	17.6.1999		3,00,000
- do -	584833	21.6.1999		4,00,000
Global Trust Bank	303014	1.7.1999		22,00,000
- do -	303013	1.7.1999		20,00,000
- do -	303015	1.7.1999		5,00,000
Oman International Bank	600997	1.7.1999	12,000	
- do -	600999	2.7.1999	1,47,000	
- do -	600998	5.7.1999	40,000	
Global Trust Bank	341632	5.7.1999	1,05,000	
Oman International Bank	601002	7.7.1999	7,000	
- do -	601006	7.7.1999	55,000	
- do -	602574	12.7.1999		3,00,000
- do -	601017	23.7.1999	1,00,000	

Allahabad Bank	340450	26.7.1999		20,00,000
Oman International Bank	602579	26.7.1999		14,50,000
- do -	601024	28.7.1999	1,15,000	
- do -	602589	29.7.1999		30,00,000
- do -	602590	29.7.1999		2,00,000
- do -	601029	30.7.1999	5,45,000	
Allahabad Bank	340452	30.7.1999		20,00,000
Oman International Bank	601031	31.7.1999	1,000	
- do -	601036	4.8.1999	2,000	
- do -	602599	5.8.1999		2,50,000
- do -	602600	6.8.1999		5,00,000
Allahabad Bank	340712	9.8.1999		9,38,264
Oman International Bank	601074	11.8.1999	2,90,000	
- do -	602604	12.8.1999		15,00,000
- do -	601093	14.8.1999	2,15,000	
- do -	602640	17.8.1999		12,00,000
- do -	601095	21.8.1999	2,00,000	
- do -	601097	23.8.1999	14,000	
- do -	602657	24.8.1999		5,00,000
- do -	602657	25.8.1999		2,00,000
- do -	602661	28.8.1999		3,00,000
- do -	By letter	1.9.1999		2,00,000
- do -	601114	1.9.1999	1,00,000	
- do -	602664	2.9.1999		25,00,000
Allahabad Bank	341245	6.9.1999		5,00,000
Oman International Bank	602670	7.9.1999		6,00,000
- do -	602679	10.9.1999		21,00,000
- do -	607208	16.9.1999	50,000	
- do -	601129	16.9.1999	8,00,000	
- do -	602684	24.9.1999		45,00,000
- do -	607338	28.9.1999	3,00,000	
- do -	607339	28.9.1999	4,00,000	
- do -	607340	28.9.1999	9,20,000	
- do -	602705	29.9.1999		3,00,000
- do -	602711	1.10.1999		75,00,000
- do -	602712	1.10.1999		75,00,000
- do -	602713	1.10.1999		75,00,000
- do -	602709	1.10.1999		74,32,500
- do -	602708	1.10.1999		73,35,000
- do -	602715	1.10.1999		45,00,000
- do -	602710	1.10.1999		32,33,000
- do -	607409	1.10.1999	60,000	
Excess amount credited to D J Enterprises		1.10.1999	15,357	
- do -		1.10.1999	44,250	
- do -	602731	5.10.1999		5,00,000
Oman International Bank	607421	4.10.1999	4,10,000	
- do -	607428	5.10.1999	30,000	
- do -	607429	5.10.1999	26,20,000	
Allahabad Bank	432853	7.10.1999		6,00,000
- do -	432854	7.10.1999		10,00,000
Oman International Bank	602733	8.10.1999		14,00,000
- do -	607438	12.10.1999	1,85,000	
- do -	602737	13.10.1999		4,00,000
- do -	607476	16.10.1999	3,00,000	
Allahabad Bank	344366	20.10.1999		13,00,000
Oman International Bank	Cash	22.10.1999	10,000	
- do -	602742	27.10.1999		4,00,000

- do -	602716	28.10.1999		90,000
- do -	602746	28.10.1999		50,00,000
- do -	602745	28.10.1999		25,00,000
- do -	602747	2.11.1999		1,00,000
- do -	624993	2.11.1999	2,00,000	
- do -	624997	3.11.1999	9,000	
- do -	625000	3.11.1999	10,000	
- do -	624999	4.11.1999	15,000	
- do -	625751	4.11.1999	70,000	
- do -	625763	5.11.1999	2,65,000	
- do -	625765	6.11.1999	80,000	
- do -	620456	13.11.1999		11,00,000
- do -	620457	13.11.1999		7,00,000
- do -	625786	16.11.1999	10,00,000	
- do -	625787	17.11.1999	6,00,000	
- do -	620462	17.11.1999		15,00,000
- do -	625703	22.11.1999	17,000	
- do -	625702	22.11.1999	2,50,000	
- do -	620467	22.11.1999		50,00,000
- do -	625717	25.11.1999	1,00,000	
- do -	625718	26.11.1999	1,00,000	
- do -	625719	26.11.1999	5,00,000	
- do -	625721	26.11.1999	10,00,000	
- do -	625738	30.11.1999	2,00,000	
- do -	628901	6.12.1999	1,00,000	
- do -	628908	7.12.1999	50,000	
Allahabad Bank	432867	16.12.1999		15,50,000
Oman International Bank	628933	20.12.1999	15,00,000	
Allahabad Bank	432870	21.12.1999		50,00,000
- do -	432871	22.12.1999		14,00,000
Oman International Bank	628934	22.12.1999	3,50,000	
- do -	628947	23.12.1999	1,65,000	
Allahabad Bank	432875	28.12.1999		15,00,000
- do -	432877	30.12.1999		24,00,000
Oman International Bank	628951	3.1.2000	1,70,000	
- do -	628968	3.1.2000	29,00,000	
- do -	628976	4.1.2000	12,00,000	
- do -	628995	7.1.2000	22,00,000	
Allahabad Bank	432879	10.1.2000		3,00,000
- do -	432882	11.1.2000		85,00,000
Oman International Bank	618818	15.1.2000	10,00,000	
- do -	618821	18.1.2000	40,000	
- do -	618823	21.1.2000	5,000	
- do -	618827	21.1.2000	20,50,000	
Allahabad Bank	432890	24.1.2000		60,75,000
Oman International Bank	618835	25.1.2000	24,37,500	
- do -	618839	29.1.2000	50,000	
- do -	618848	2.2.2000	14,50,000	
- do -	618881	3.2.2000	23,00,000	
- do -	618886	4.2.2000	1,00,000	
- do -	618944	4.2.2000	4,50,000	
- do -	618900	10.2.2000	15,00,000	
- do -	618914	16.2.2000	5,00,000	
- do -	628921	16.2.2000	1,00,000	
- do -	618930	22.2.2000	4,20,000	
Allahabad Bank	432895	24.2.2000		85,00,000
Oman International Bank	618942	28.2.2000	1,00,000	
- do -	618934	28.2.2000	2,10,000	
- do -	618938	28.2.2000	13,10,000	
- do -	618948	29.2.2000	3,50,000	

- do -	618955	2.3.2000	60,000	
- do -	618967	3.3.2000	3,50,000	
- do -	618980	8.3.2000	9,40,000	
- do -	618986	9.3.2000	3,00,000	
- do -	618987	11.3.2000	1,10,000	
- do -	642208	14.3.2000	1,00,000	
- do -	642211	15.3.2000	10,000	
Allahabad Bank	327870	15.3.2000		7,00,000
- do -	327871	16.3.2000		4,00,000
Oman International Bank	642212	18.3.2000	7,45,000	
Allahabad Bank	327872	22.3.2000		10,50,000
Oman International Bank	642216	22.3.2000	7,50,000	
Global Trust Bank	330741	24.3.2000	4,50,00,000	
- do -	330742	24.3.2000	4,50,00,000	
- do -	330784	30.3.2000	4,60,00,000	
- do -	330789	30.3.2000	4,60,00,000	
- do -	330786	30.3.2000	1,80,00,000	
Oman International Bank	642239	30.3.2000	10,00,000	
- do -	642243	31.3.2000	20,00,000	
Total			25,06,39,107	14,55,03,764

19. The transfer of funds from the respective bank accounts of the entities reveals that the money received by KIL from the company was subsequently paid to the brokers. The following table lists all the transactions in chronological order:

Date	Cheque No.	Amount	Particulars
'99			
Jun 1	-	12,00,000	Paid to KIL
Jun 1		12,00,000	Paid by KIL to Bishwanath (net pur pos)
Jun 3		20,00,000	Paid to KIL
Jun 3	P/O	28,00,000	Paid by KIL to Bishwanath
Jun 9		5,00,000	Paid to KIL
Jun 9	597575	3,98,000	Paid by KIL to Bishwanath
	597536		
Jun 18		3,00,000	Paid to KIL
Jun 18	597589	2,53,000	Paid by KIL to Bishwanath
Jun 22		4,00,000	Paid to KIL
Jun 22	597596	2,36,000	Paid by KIL to Indraprastha
Jun 23	600972	1,82,000	Paid by KIL to Bishwanath
Jul 1		47,00,000	Paid to KIL (GTB NP)
Jul 1	341625	20,00,000	Paid by KIL to M J Patel
Jul 1	341622	15,00,000	Paid by KIL to M J Patel
Jul 1	341624	15,00,000	Paid by KIL to Bishwanath
Jul 5		25,00,000	Paid to KIL (GTB NP)
Jul 5	341629	20,00,000	Paid by KIL to Indraprastha
Jul 5	341627	5,00,000	Paid by KIL to M J Patel
Oct 1		25,00,000	Paid to KIL
Oct 1		20,00,000	Paid by KIL to Indraprastha
Oct 1		5,00,000	Paid by KIL to M J Patel

Thus the fund transfers between the accounts of the entities during the period under investigation coupled with the nature of their activities clearly suggests frequent transactions being effected between the company, KIL and the other brokers. The fact that these funds were utilized to acquire the shares of the company from the open market is substantiated from the trading details of KIL and the other entities, as brought out above.

20. These trading details of KIL (during the period under investigation and also prior to and after the investigation period) involving the matching of transactions with persons who were obviously acting in concert with it and putting buy and sell orders and matching the same though different brokers as illustrated above coupled with the flow of funds between the bank accounts of KIL & other entities and the fact that KIL was the major contributor to the sudden spurt in volume and price of the scrip, when viewed cumulatively, clearly leads to the inference that these transactions were not entered in the ordinary course of business by KIL but executed with the intention to either raise the price of the scrip and/or to maintain the price.

21. KIL has submitted that it had, over a period of time divested its shareholding in the company such that as on March 31, 2002, it held only 23,40,000 shares in the capital of the company and due to its decreased shareholding in the company, it could not have gained much from the alleged manipulation of the shares of the company or acted in concert with the management of the company.

I find that KIL had acquired from the market 11,36,700 shares of the company constituting 10.81% of its paid up capital during the investigation period i.e. June 1999 to August 1999 and was incidentally already holding 21,32,900 shares of the company constituting 20.29% of the total voting capital of the company as on 31st March 1999. As such its holdings during the period, subsequent to the investigation period, may not have much relevance.

22. I have noted from the records that during the period July 1999 to October 1999, KIL sold 13,77,000 shares to SB, who incidentally was found to be one of the top 5 ultimate clients in the scrip during the period under investigation and also one of the top shareholders of the company as per the distribution schedule dated September 28, 1999. It is pertinent to note that coincidentally too, there were large number of fund transfers between KIL and SB too.

Date '99	Cheque No.	Amount	Particulars
Apr 13		25,00,000	Received by SH Bora from Rajesh Kasat
Apr 15	229751	25,00,000	Received by KIL from SH Bora
Jun 21		5,00,000	Paid by KIL to SH Bora (GTB Fort)
Jun 21		5,00,000	SH Bora paid to Master Capital
Jul 12		16,69,000	Received by SH Bora from Rajesh Kasat
Jul 13	229754	17,50,000	Paid by SH Bora to KIL
Sep 27		15,00,000	Paid to SH Bora (Oman international bank)
Sep 27	175583	7,50,000	SH Bora paid to SIL
Sep 27	118293	7,50,000	SH Bora paid to SIL

23. Although Shri Jasoobhai Bhaichand Shah, Director of KIL, has stated that the shares given by KIL as collateral security to various parties were purchased by them, through the market, which was the reason for them to appear as the major buyer in the scrip of the company during the investigation period, the fact that these purchases were effected only during the investigation period, adds a different dimension to the whole proceedings. Moreover, I have also noted that KIL has not paid anything towards initial margin to any of the brokers through whom it traded in the scrip of the company, allegedly on the ground that they were known to each other for a considerable period of time. This seems strange especially taking into consideration the number of transactions and the substantial volumes effected therein. It is also seen that KIL used to trade in the scrip of the company with different brokers/ sub-brokers of BSE and NSE and more than 33% of KIL's gross volume in this scrip were square-off in nature and that KIL had given/ taken delivery of significant number of shares of the company. The reason for the same is stated to be the fact that as KIL possessed a substantial quantity of the shares of the company, the said scrip was therefore a natural choice for them to place as security for borrowing and/ or repayment of existing borrowings. I have noted that the same explanation seems to have been offered for the difference in the trading statistics noticed during the pre-investigation period and the figures seen in the period of investigation i.e. 3 against 68. However, as noted earlier, I find that it has to be a matter of sheer coincidence that these transactions were effected only during the relevant period. Moreover, the statement of KIL possessing a substantial quantity of the scrip, seems contrary to the earlier submission made by them during the investigations proceedings to the effect that they had considerably reduced their shareholdings in the scrip of the company.

KIL's holding of SIL as on April 1, 1999	31,84,228
Purchases during the year	15,10,900
TOTAL	46,95,128
Sold during the year	25,12,900
Shares held as on March 31, 2000	21,82,228

24. Furthermore, there are no two opinions as regards the fact that the scrip of the company, was not particularly liquid. Yet the same was being constantly traded by KIL along with other specific entities and the shares purchased or sold, were getting absorbed easily by KIL or other entities, as the case maybe. As noted earlier the brokers who were trading members on the BSE, were the counter-party client for the same trades in NSE. There was also constant matching of the orders by these entities, by placing the buy and sell orders at the same price almost at the same time and matching the same, thereby creating volumes. One may accept it as coincidence in case of a solitary incident or two. However the same happened regularly. The phenomenal regularity with which the brokers, through whom KIL has traded in the scrip, were counter-parties to different trades executed by KIL itself, on BSE and NSE, leads one to conclude, especially after taking into consideration the facts noted earlier as well as the inadequate explanation offered for these transactions, that all these entities were solely responsible for creating the artificial market and price rise in the scrip and that KIL played a major role. These transactions were nothing but structured transactions entered by the said entities due to the nexus between them. The fact that the nexus was established for the purpose of market manipulation in the scrip of the company, gains further strength from the fact that these persons acting in concert, executed trades in the scrip of the company such that a big quantity of shares purchased by one of these entities got absorbed through another of these entities almost immediately even though the scrip of the company was not liquid. The same resulted in the projection of the price of the shares of the company in a way that was not the market determined price, possibly inducing other people to buy.

25. The facts of the trades executed by and for KIL accounting for approximately 20% of the total trading volume on both the exchanges taken together during the period June – August, 1999 and the trading data records which suggest that KIL accounted for 99% of the total gross quantity in Settl. No. 26; 82% in Settl. No. 27; 97% in Settl. No. 28 and 30% in Settl. No. 29 of NSE as well as the fact that they also resorted to large scale matching of transactions with Shri Sourabh H Bora, as well as other clients, who were also brokers of BSE/ NSE, and that KIL also matched its own buy and sell orders through different brokers, clearly lead to the finding that KIL along with these entities created artificial/ false market in the scrip and jacked up the price by putting orders at higher prices, possibly inducing other people in the market to buy. They were also responsible for creating artificial volumes in the scrip by putting large orders and matching the same either with their own orders or orders of entities connected with it. KIL has time and again, on its own admission, lent its own shares whenever the company required funds. But from the manner in which the shares were absorbed, it is clear that both KIL and the company were aware that the funds transferred on various occasions were used for the purpose of paying to the brokers for the purchase of shares actually made by the company. Thus the contention of KIL that it had entered into financial transactions for repayment of loan / advances and never intended to create artificial volumes is not tenable.

26. It is to be noted that persons who operate in the market, are required to maintain high standards of integrity, promptitude and fairness in the conduct of their business dealings. People, who indulge in manipulative, fraudulent and deceptive transactions, or abet the carrying out of such transactions which are fraudulent and deceptive are not fit or proper persons to operate in the market.

27. In this context it is relevant to note the provisions of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, which read as under :

"No person shall—

a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person.

b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market.

c]

d] enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

28. The conduct of KIL was not in accordance with sound market principles. KIL acting in concert with other entities, carried out substantial transactions in the scrip of the company and violated the provisions of Regulations 4(a), (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

29. In view of the facts and circumstances of the case and the blatant violations by KIL of the provisions formulated by SEBI for the protection of the investors, I find that a direction restraining KIL from dealing in securities for a period of two years would be required. Passing of such an order would be necessary for the protection of investors and the regulation of the persons operating in the capital market as well as the development thereof.

30. In view of the above and in exercise of the powers conferred on me under Section 19 of the Securities and Exchange Board of India Act, 1992, read with Sections 11 and 11B of the SEBI Act, 1992, and Regulation 11 of SEBI (Prohibition of fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby restrain Kosha Investments Limited from buying, selling, or dealing in securities in any manner, directly or indirectly for a period of two years.

This order shall come into force with immediate effect.

A.K.BATRA

PLACE: MUMBAI

WHOLE TIME MEMBER

DATE : DECEMBER 03, 2003

SECURITIES AND EXCHANGE BOARD OF INDIA