

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: Dr. T. C. Nair, WHOLE TIME MEMBER

ORDER

UNDER SECTION 11(4) READ WITH THE SECTION 11B OF THE SEBI ACT, 1992 AND REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST M/S. K. K. FINTRADE LTD. (PAN; AAFFK1354E) IN THE SCRIPS OF M/s. PRIYANS SAREE INDUSTRIES LTD. AND HINDUSTAN CONTINENTAL LTD.

1. The Securities and Exchange Board of India ('SEBI' for short) while inspecting the Ahmedabad Stock Exchange ('ASE' for short) on 7-01-2003, found that the price of the scrip of Priyans Saree Industries Ltd. (hereinafter referred to as "PSIL") had risen from Rs.112 on 27-03-2002 to Rs.350 on 18-07-2002. It was found that the scrip was infrequently traded on the ASE earlier. Later, on 06-09-2002 the price of PSIL further went up to Rs.107.75 after split in stock price from Rs.10 to Rs.2. The Price of the scrip had gone up during the 25 trading sessions from 27-03-2002 to 6-09-2002 as against thin volumes. It is noted that PSIL was listed on ASE and the Madhya Pradesh Stock Exchange ('MPSE' for short) and the scrip was traded only on the ASE during the period of investigation.
2. Meanwhile, the inspection on Jai Sharefin Ltd., member of ASE conducted by M/s. Lahoti and Lahoti, Chartered Accountants had reported abnormal trades in the scrips like Hindustan Continental Ltd. (hereinafter referred to as "HCL") and PSIL during 16.10.2002-05.08.200. The outcome of inspection of Jaisharefin Ltd is given in brief below:

- a) It was observed that all the buy/sell orders were placed by M/s Jaisharefin Ltd for different clients. Generally, the orders of purchases and sales between Sunil Shares & Stock Pvt. Ltd. and K. K. Fintrade Ltd were punched from the same terminal of M/s Jaisharefin Ltd.
- b) The Inspection Report of Jaisharefin Ltd had stated that:
 - a. Almost similar Modus Operandi has been adopted for trading in HCL and PSIL
 - b. Abnormal trades in scrips like HCL and PSIL were observed between the period 16.10.2002-05.08.2003.
 - c. During the entire period, all the buy/sell orders were placed by the broker, M/s Jaisharefin Ltd for different clients.
 - d. Generally, the orders of purchases and sales were punched from the same terminal of M/s Jaisharefin Ltd between Sunil Shares & Stock Pvt. Ltd. and K. K. Fintrade Ltd.
 - e. The broker has been issuing contract notes for a large number of unreported internal trades in scrips like Reliance, Satyam, Tisco, Zee TV, SBI and L & T.
 - f. Such abnormal trades may be to accommodate clients for fake capital gains bills and to allow badla trading among clients.
 - g. The broker did not collect upfront margin and did not make payments to clients within prescribed time limit.
 - h. Deficiencies were found in maintenance of client agreement and client registration forms.
 - i. Contract notes did not bear preprinted serial numbers and were not acknowledged by the clients. Even brokerage was not charged on all internal trades.
 - j. The broker did not mention unique client code during client registration and client trades.

- k. The broker opened several fictitious client accounts for accommodating fake capital gain bills.
 - l. The broker entered into proprietor trading under different client codes.
 - m. The broker was also non-supportive in providing the information. When the broker came to know that his irregularities has been noticed he turned out non co-operative and snatched away some of the working papers and ledger provided to the inspection team for inspection.
 - n. On several reminders and telephonic calls, the broker had informed that he is in the process of removing all internal trade transactions and such fake transactions and as soon as he finishes the same, he shall provide them with fresh information.
3. The investigation period for the investigations by SEBI in the above said scrips were as below:
- a. For PSIL: 01-03-2002 to 24-7-2003
 - b. For HCL: 16-10-2002 to 05-08-2003.

In the matter of PSIL, the investigation period was further divided into two sub periods owing to the fact that two different patterns were observed during such period. The said sub-periods are:

- c. Period I: From 01-03-2002 to 30-09-2002
- d. Period II: From 16-10-2002 to 24-07-2003

The ASE reported total volume in the scrip of PSIL as 44600 during 01.03.2002 to 30.09.2002 and 1173310 during 01.01.2003 to 24.07.2003. As per the information received from ASE, nine members had done trading in this scrip through 179 trades for a total volume of 44600 shares during the period of investigation, i.e. from 01.03.2002 to 30.09.2002. However, only three brokers, viz. Ratnakar Finstock Pvt Ltd. (Ratnakar),

Neptune Securities Pvt Ltd. (Neptune) and Aagam Securities Pvt Ltd. (Aagam) were the major traders in the scrip contributing more than 80% of the volumes during the period of investigation. The member wise data of the top three brokers submitted by ASE were also as follows:

Member	Total Value of the Member	%
Ratnakar Finstock Pvt Ltd	3704102	53.56
Neptune Securities Pvt Ltd	1638640	23.69
Aagam Securities Pvt Ltd	375129	5.42
Total	5717871	82.67

The abnormal trading pattern in the scrip was collated as under, in accordance with the trade log submitted by ASE and the subsequent information received from the brokers/clients:

Clo sin g pric e /		Date	Seller		Buyer		Quantity	Nature of trade
			Broker	Client	Broker	Client		
122		27-Mar	Ratnakar	Neeta Soni	Neptune	Dilipbhai Soni	150	Crossed deals
124			Neptune	Dilipbhai Soni	Ratnakar	Neeta Soni	150	
124			Ratnakar	Jignesh	Ratnakar	K K Fintrade	5000	Self trades
140		28-Mar	Ratnakar	V K Jain	Ratnakar	K K Fintrade	6950	Self trades
150		9-Apr	Aagam	Jignesh	Aagam	Himgiri	2500	Self trades
170		8-May	Neptune	Abhishek Khare	Ratnakar	V K Jain	800	Crossed deals
170			Ratnakar	V K Jain	Neptune	Abhishek Khare	800	
167			Aagam	Jignesh	Aagam	Himgiri	3000	Self trades
182		28-May	Ratnakar	V K Jain	Neptune	Abhishek Khare	2850	Crossed deals
180			Neptune	Abhishek Khare	Ratnakar	V K Jain	2850	
193		29-May	Neptune	Abhishek Khare	Ratnakar	V K Jain	1450	Crossed deals
190			Ratnakar	V K Jain	Neptune	Abhishek Khare	1450	
210		3-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	1500	Crossed deals

207			Ratnakar	V K Jain	Neptune	Abhishek Khare	1500	
219		4-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	800	Crossed deals
217			Ratnakar	V K Jain	Neptune	Abhishek Khare	800	
223		6-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	400	Crossed deals
220			Ratnakar	V K Jain	Neptune	Abhishek Khare	400	
222			Aagam	Jignesh	Aagam	K K Fintrade	2300	Self trades
235		11-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	600	Crossed deals
231			Ratnakar	V K Jain	Neptune	Abhishek Khare	600	
264		28-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	25	Crossed deals
263			Ratnakar	V K Jain	Neptune	Abhishek Khare	25	
250			Ratnakar	Jignesh	Ratnakar	K K Fintrade	2000	Self trades
282		1-Jul	Ratnakar	V K Jain	Ratnakar	Dipak Patangia	25	Self trades
300		3-Jul	Ratnakar	Dipak Patangia	Ratnakar	V K Jain	25	Self trades

The investigations had found that the three brokers (Ratnakar, Neptune and Aagam) were involved in huge and continuous structured deals in the form of crossed deals and self trades. From the information obtained from these brokers it was found that the trades were not diversified as to the clients and were restricted to only four clients – Shri Jignesh Kantilal Shah, Shri V K Jain, Shri Abhishek Khare and K K Fintrade Ltd. (the noticee) Information was sought from the three members with regard to their trading and the said members had submitted their trading details which are as under:

Client	Buy	Sale	Gross	Net	%Volume	Broker
V K Jain	8450	15400	23850	-6950	26.74	Ratnakar
Abhishek Khare	8425	8425	16850	0	18.89	Neptune
K K Fintrade Ltd	13950	0	13950	13950	15.64	Ratnakar
Jignesh Kantilal Shah	0	7800	7800	-7800	8.74	Aagam
Jignesh Kantilal Shah	0	7000	7000	-7000	7.85	Ratnakar
Himgiri Dynamics Ltd	5500	0	5500	5500	6.17	Aagam
K K Fintrade Ltd	2300	0	2300	2300	2.58	Aagam

Soni Nita Dilip	150	150	300	0	0.34	Ratnakar
Dilipbhai Soni-HUF	150	150	300	0	0.34	Neptune
Dipak Patangiya	25	25	50	0	0.06	Ratnakar
Total	38950	38950	77900	0	87.33	

4. Further, in order to have first hand information of all the dealing made during the period of investigation, statements of persons who were related to the case were recorded on oath by the Investigating Authority. It is noted that during his submissions on January 25, 2006, Shri Ajay Jayantilal Shah, Director in Ratnakar had deposed that all those clients who were new to them had not traded in any scrip other than PSIL and they were introduced to them by Shri Shailesh Parekh who was a relative of Shri Jignesh V Shah, Director of Aagam, a member of the ASE. Similarly, Shri Jignesh Rameshchandra Shah, Director of Neptune had during his statement made before the Investigating Authority on January 25, 2006 had deposed that Shri Dilip Soni was introduced to them by Shri Shailesh Parekh and Shri. Abhishek Khare was introduced to them by Shri Dhirenbhai Shah and all those clients who were new had not traded in any scrip other than PSIL. It was noted that the Shri Jignesh Kantilal Shah had deposed on January 24, 2006 that he was recommended to buy PSIL shares by Shri Shailesh Parekh, who was known to him. Further, he deposed that Shri Parekh introduced him to the three brokers M/s. Maheshwari Finvest P Ltd., Ratnakar and Aagam and he only sold 14800 shares in 2002 through two brokers Ratnakar and Aagam. However, he agreed that he was again recommended by Shri Shailesh Parekh to sell those shares. It would thus be clear that Shri Shailesh Parekh is a common entity, who is alleged to have introduced / recommended / instigated the other entities to trade in the scrip of PSIL. It was also noted that Shri Shailesh Parekh is a relative of Shri Jignesh V Shah, Director of Aagam.
5. The investigations had alleged that Aagam, Ratnakar and Neptune had formed a cartel of brokers and clients in order to manipulate the market

and artificially jack up the prices of the scrip of PSIL. The investigations had revealed that Shri Jignesh Kantilal Shah and the noticee were already clients of Aagam. The noticee, Shri Jignesh Kantilal Shah and Shri V K Jain were introduced to Ratnakar by Shri Shailesh Parekh. Thus, it can be seen that Shri Jignesh Kantilal Shah and the noticee were clients of Aagam and Ratnakar, having been introduced by Shri Shailesh Parekh. It was also noted that Shri Dhirenbbhai Shah had introduced Shri Abhishek khare to Neptune. During investigations, Shri Ajay Jayantilal Shah, director of Ratnakar had stated (vide his statement on 25-01-2006 before the Investigating Authority) that his clients, M/s. V K Jain, the noticee, Deepak Patangia, Nita Dilip Soni and Dilip Soni HUF were introduced to his broking concern by Shri Shailesh Parekh and that the said clients were new to them and did not trade in any scrip other than PSIL.

6. The investigations alleged that after forming the cartel, Aagam, Neptune, and Ratnakar and their clients had traded during the investigation period running from 01-03-2002 to 30-09-2002 in the scrip of PSIL and had started creating artificial volumes in the scrip through structured deals in the form of circular trades between the 3 brokers or in the form of self trades between the clients of one of the 3 brokers themselves. It was alleged that the cartel had continuously put the orders at constantly increasing rates and thus not only created artificial volumes but also jacked up the price of the scrip of PSIL.
7. M/s. Lahoti & Lahoti, the Chartered Accountants who had conducted inspection on M/s. Jai Sharefin Ltd. (JSL) found that JSL was responsible for several discrepancies. The chartered accountants, in their report unearthed amongst other things, that the demat statement as submitted by JSL did not buttress the sauda register/contract note details as submitted by JSL to SEBI. Secondly, the JSL avoided the market mechanisms to trade as they made 70% of the trades by off market transaction and did not report the same to the ASE. Thirdly, the settlement of trades had taken place after several days of trades. Fourthly, the JSL

charged a flat rate of brokerage irrespective of whether the trades were market trades or off market trades and irrespective of the price of the scrip.

The investigations revealed that during the investigation period (from 16-10-2002 to 05-08-2003 JSL could not provide details regarding their settlement mechanism) in the scrips of PSIL and HCL and choose not to comment on the query of the investigating officer. The JSL turned out to be totally non co-operative and they even snatched away some of the working papers and ledger provided to the inspection team for inspection.

8. The investigations had alleged that the noticee while trading in the above said scrips during the relevant period had violated the provisions of Regulations 3, 4(a), (b), (c) & (d) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations 1995'). Based on the allegations against the noticee, a show cause notice was found necessary to be issued against the noticee.
9. Accordingly, a show cause notice dated 05-04-2007 was issued to the noticee under Sections 11(4) and 11B of the SEBI Act, 1992 for the alleged violations of the provisions of Regulations 3, 4(a), (b), (c) (d) and 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995. The show cause notice so issued to the noticee interalia mentioned that:
 - a. The M/s. K.K.Fintrade Ltd. had manipulated the price of PSIL during the investigation period 01-03-2002 to 30-09-2002 by trading done through cartel of brokers Ratnakar Finstock Pvt. Ltd., Neptune Securities Pvt. Ltd. and Aagam Securities Pvt. Ltd. through their clients V K Jain, Abhishekh Khare, Jignesh Kantilal Shah and K K Flntrade Ltd.

- b. The report submitted by Chartered Accountants revealed that JSL was also responsible for several discrepancies committed both in the scrips of PSIL and HCL during the investigation periods. The chartered accountants, in their report unearthed amongst other things, firstly, that the demat statement as submitted by JSL did not buttress the sauda register/contract note details as submitted by JSL to SEBI. Secondly, the JSL avoided the market mechanisms to trade as they made 70% of the trades by off market transaction and did not report the same to the ASE. Thirdly, the settlement of trades had taken place after several days of trades. Fourthly, the JSL charged a flat rate of brokerage irrespective of whether the trades were market trades or off market trades and irrespective of the price of the scrip. The investigations revealed that during the investigation period from 16-10-2002 to 05-08-2003 in the scrips of PSIL and HCL the JSL could not provide details regarding their settlement mechanism and choose not to comment on the query of the investigating officer. The JSL turned out to be totally non co-operative and they even snatched away some of the working papers and ledger provided to the inspection team for inspection.
- c. JSL was the sole broker who dealt in HCL shares and was placing orders both on the buy as well as on the sell side for their clients and major clients were the noticees herein. It was alleged that 80% i.e. 4580377 shares of HCL out of the total volume of 5637678 of the total volumes were generated by the noticees along with M/s. Sunil Shares while they put orders continuously at increasing price. Further, it was alleged that M/s. K K Fintrade were a major net seller in the scrip while M/s. Sunil Shares & Stock Pvt. Ltd. only squared off their trades.
- d. The JSL was also alleged to be the sole broker even in the scrip of PSIL during the second period of investigation in the scrip i.e. from 16-10-2002 to 24-07-2003 and was alleged to be placing orders

both on the buy as well as on the sell side for their clients. It was alleged that M/s. K K Fintrade and M/s. Sunil Shares and Stock Pvt. Ltd. had created volume of 3142320 shares of PSIL out of the total volume of 5877120 sharers amounting to 50% of the total volumes. Further, it was alleged that M/s. K K Fintrade Ltd. was a major net seller in the scrip and M/s. Sunil Shares and Stock Pvt. Ltd. was a major buyer in the scrip.

- e. The noticee was hand in glove with the broker and traded extensively creating interest in scrips. The trades were done by either M/s. Sunil Shares or the noticees on one side and one among the 250 other clients of JSL on the other side of the transaction. Thus, it was alleged that the noticee had manipulated the market in collusion with JSL to jack up the prices of the two scrips.
- f. The noticee did not co-operate in the investigation proceedings inspite of several letters, reminders and summons being issued to them and that they had not complied with the summons issued under S. 11C (3) and 11C(5) of the SEBI Act, 1992.
- g. The noticee was not registered with JSL until August 11, 2003, whereas, they were trading well before the said date. Further, it was alleged that JSL had supported this fact by its statement agreeing that the noticee was registered with them on August 11, 2003 and confirming that the noticee was self introduced, who traded only in the scrips of HCL and PSIL and not in any other scrip.
- h. The noticee had dealt in the securities in a fraudulent manner which created false and misleading appearance of trading on the securities market. Further, the transactions were not bonafide as they were entered without the intention of transferring of the beneficial ownership, but intended to inflate and bring fluctuations

in the price of the securities. As a result, the noticee was alleged to have violated the provisions of Regulations 3, 4(a), (b), (c), (d) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

10. The show cause notice issued to the noticee had returned undelivered. Efforts taken by SEBI to find the present address of the noticee went futile. Therefore, in terms of Regulation 11A of the PFUTP Regulations 2003, the said show cause notice issued to the noticee was posted on the website of SEBI in accordance with Regulation 22 of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. I find that no reply was received from the noticee inspite of posting the show cause notice in the website. A notice for hearing dated 16-07-2007 addressed to the noticee was also posted on the website, which intimated that, the hearing before me was scheduled on 23-08-2007. I note that on the appointed day, the noticee did not appear before me nor did it file any reply to the show cause notice in the matter. Thus, in the absence of his appearance and submissions, I proceed to consider the case setting the noticee ex-parte.
11. I have perused the show cause notice and other material on record. On perusal of the above, I find that the following issues arise for my consideration:
 - a. Whether the noticee had acted fraudulently and in an unfair manner while dealing in the scrips of PSIL and HCL during investigation period?
 - b. Whether the noticee had violated the provisions of Regulations 3, 4(a), (b), (c), (d) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995?
12. I find from the available data that the noticee has traded in the scrip of PSIL during the first period of investigation thereby contributing to around

15.64% of the total traded volume in the scrip and the said trades were through the broker, Ratnakar. I also find that 53.56% of the trades in the said scrip were through Ratnakar for its various clients including the noticee. I find that the trades were concentrated only around Aagam, Ratnakar and Neptune and their clients Shri V K Jain, Abhishek Khare, Jignesh Kantilal Shah and the noticee. With respect to the trades of the noticee, I find that on 27-03-2002, the noticee has purchased 5000 shares through Ratnakar from Jignesh Kantilal Shah. The said trade was a self trade with respect to the broker. Again, on 28-03-2002, the noticee purchased 6950 shares through Ratnakar from V K Jain. This deal was also a self trade for the broker. On 06-06-2002, the noticee purchases 2300 shares through Aagam from Jignesh Kantilal Shah and again on 28-06-2002, the noticee purchased 2000 shares from Ratnakar from Jignesh Kantilal Shah. From such analysis, it can be easily inferred that the noticee is purchasing shares from Jignesh Kantilal Shah and V K Jain. I note that Shri Ajay Jayantilal Shah, director of Ratnakar in his deposition on 25-01-2006 had stated that the noticee and others were introduced to it by Shri Shailesh Parekh. The said Shri Shailesh Parekh was a relative of Shri Jignesh V Shah, director of Aagam. Further, it is revealed that the others and the noticee had not traded in any other scrip other than PSIL. The said V K Jain and Jignesh Kantilal Shah were also introduced by Shri Shailesh Parekh along with the noticee to Ratnakar. The finding that the noticee and his counterparts (Vk Jain and Jignesh) had traded only in PSIL during the relevant period coupled with their trading pattern would go to prove that their intentions were not bonafide and all had an ulterior motive. Also, the trading in the scrip of PSIL was not based on strong fundamentals of the company as the company had no business operations and faced severe financial crisis. I also note that the trades as mentioned in Para 3 of this order seem to be structured among the brokers and their clients without bonafides. All the said brokers and clients were hand in glove and indulged in such unfair and fraudulent trade practices in

securities. Thus, for the period 01-03-2002 to 30-09-2002, I find that the noticee along with the others had acted fraudulently while dealing in the scrip of PSIL.

13. I note that the ASE had reported that during the period 01-01-2003 to 24-07-2003, only one broker, M/s. Jaisharefin Ltd. (JSL) was dealing in the scrip of PSIL. I also note that the inspection of JSL by Lahoti & Lahoti, Chartered Accountants, had observed that there were abnormal trades in the scrips of PSIL and HCL during the period 16-10-2002 to 05-08-2003. It was found that the buy / sell orders were punched in from the same terminal of JSL for its clients Sunil Shares & Stock Pvt. Ltd. and the noticee. Certain other discrepancies were also observed with respect to the demat statement not supporting the trading details provided in the sauda register/contract note. The broker (JSL) had not reported 70% of the trades made off market by them to the exchange (ASE). Further, JSL had charged a flat rate of brokerage irrespective of whether the trades were market trades or off market trades and irrespective of the price of the scrip and had not provided details regarding their settlement mechanism.
14. I note that the share price of PSIL was Rs.104/- on 03-01-2003 and fell to Rs.3/- on 24-07-2003. During the said period the price of the scrip fell by around 100%. The scrip was suspended from trading for an indefinite period on 24-07-2003. I further note that the exchange had reported nil trading for the period 16-10-2002 to 05-02-2003 in the scrip of HCL. During the period 05-02-2003 to 19-03-2003, the scrip was trading in the price range of Rs.1.35/- to 4.75/-. During the period till 05-08-2003, the scrip had moved from Rs.1.35/- to Rs.34.60/-. The ASE had reported a total volume of 1764300 shares traded during the period 16-10-2002 to 05-08-2003. It is further noted that JSL was the only broker trading in the scrips of HCL and PSIL during the relevant period. In the scrip of HCL, I note that JSL was placing orders both on the buy and sell side for its clients, Sunil Shares and the noticee being the major traders in the scrip. Both had together created a volume of 4580377 shares of HCL out of the

- total volume of 5637678 shares as submitted by JSL. Therefore, both the clients had traded in around 80% of the traded volume in the scrip of HCL. It is also noted that the noticee was a net seller. I also find that the orders were placed at continuously higher prices.
15. With respect to the scrip of PSIL, I note that Sunil Shares and the noticee were the major traders during the relevant period trading through JSL. The orders for both the said clients were placed by JSL and the broker was well aware of the decreasing prices at which the orders were placed. I note that Sunil Shares and the noticee had together created a volume of 3142320 shares in the scrip of PSIL out of the total volume of 5877120 traded in the said scrip, where the noticee was a major seller and Sunil Shares was a major buyer. Thus, the noticee and Sunil Shares had created about 50% of the total volume in the scrip of PSIL. This would prove that the noticee along with Sunil Shares were interested in the said scrip.
 16. I also note that Shri Mayukh Pandya, authorized representative of JSL had stated that Sunil Shares and the noticee were registered with it on 11-08-2003 and that the said clients had traded only in the scrips of PSIL and HCL and not in any scrip during the relevant period. He further stated that the said clients had approached them directly and expressed their interest in trading through it. But it is also to be noted that though the clients were registered as the clients of JSL during August 2003, they had traded through JSL much prior to the said date. The broker (JSL) had only 2 trading terminals at their office premises and all orders for the above said clients were punched through them only. Thus, JSL aware about the prices being punched in on behalf of the noticee and Sunil Shares. This would prove that it was aiding and abetting the clients in their fraudulent acts.
 17. I further note that the noticee did not co-operate with the investigating authority during investigations. I also note that the member client

agreement form as submitted by JSL shows that the noticees were registered as clients on August 11, 2008 based on their self introduction and they were allowed to trade through the two terminals of JSL even before they got registered. The fact that orders in the above scrips were placed through the two terminals of JSL makes it clear that JSL punched the orders with the knowledge of the prices quoted by the noticees, especially, because the noticees were major clients who had traded to the extent of about 80% of the total volume in the scrip of HCL and to the extent of 50% of the total volume in the scrip of PSIL. Therefore, it is evident that the noticees had known JSL and have acted in concert.

18. After considering the above facts and circumstances of the case and the material available, I observe that

- During the first investigation period (01-03-2002 – 30-09-2002), the noticee had traded only in the scrip of PSIL and had contributed to nearly 15.64% of the total traded volumes. The said trades were through Ratnakar and Ratnakar was responsible for 53.56% of the total traded volumes including the volume contributed by the noticee.
- During the second investigation period viz. from 16-10-2002 to 24-07-2003, the noticee had traded in the scrip of PSIL through the JSL and had contributed to nearly 50% of the total volumes. During the same period, the noticee had also traded in the shares of HCL through the same broker and had contributed to around 80% of the traded volumes.
- The noticee had traded only in the scrips of PSIL and HCL during the relevant period and not in any other scrip.
- Such trades were structured among connected entities which were fraudulent and unfair in violation of the relevant

provisions of the PFUTP Regulations. Such trades were not intended to be genuine share transactions

- Noticee did not co-operate with the investigations and also did not reply to the show cause notice issued to it by the Board.

19. I find that the noticee had indulged in fraudulent and unfair trade practices relating to the securities market with respect to the scrips of HCL and PSIL during the relevant period. It is evident that the noticee had not co-operated with investigations. The noticee in collusion with its brokers have dealt in securities in fraudulent manner which were calculated to create false and misleading appearance of trading on the securities market. Further, the activities of the noticee do not legitimately reflect the prices of securities as they were based on transactions which were done without the intention of transferring the beneficial ownership. Further it is found that the transactions were intended to operate only as a device to inflate and cause fluctuations in the price of the securities thereby affecting the price discovery mechanism in the stock exchange. Therefore, I find that the noticee has violated the provisions of Regulations 3, 4(a), (b), (c) and (d) and 6(a) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 read with Regulation 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003. In view of the facts, circumstances and the above reason, I find that it would be just in the interest of the capital markets and in the general interest of the investors, the noticee must be debarred for a reasonable period from accessing the market.
20. I, therefore, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 and Sections 11 (4) and 11B of the SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent

and Unfair Trade Practices relating to Securities Market) Regulations, 2003, hereby, restrain M/s. K K Fintrade Ltd. from accessing the securities market and also prohibit him from buying, selling or otherwise dealing or associating with the securities market for a period of one year.

21. This order shall come into force with immediate effect.

DATE: 14.10.2008

PLACE: MUMBAI

T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA