

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST MR. DINESH K. PATEL, MR. JAYANTILAL PATEL, MRS. BELA H. KAYASHTHA, MR. RAMESH CHANDRA K. JAIN AND MR. HARI BALLABH AGARWAL IN RESPECT OF THEIR DEALINGS IN THE SHARES OF ADITYA INFOSFT LIMITED

1. This Order would dispose off the show cause notice dated May 10, 2007 (hereinafter referred to as the notice) issued to Mr. Dinesh K. Patel, Mr. Jayantilal Patel, Mrs. Bela H. Kayashtha, Mr. Ramesh Chandra K. Jain and Mr. Hari Ballabh Agarwal (henceforth collectively referred to as the persons and individually by their respective names). The notice was issued on the basis of the findings of an investigation conducted by the Securities and Exchange Board of India (hereinafter referred to as SEBI) into the dealings in the shares of Aditya Infsoft Limited (hereinafter referred to as the Company) for the period between December 3, 2003 and January 23, 2004 (hereinafter referred to as the investigation period), during which the share price had increased from ₹4.32/- to ₹10.51/-. It was observed that the scrip was illiquid and was not traded for more than a month before resumption of trading on December 4, 2003. It was also observed that the share price was continuously hitting the upper circuit filter levels during the period between December 10, 2003 and January 2, 2004 and the lower circuit filter levels from January 5, 2004 to January 23, 2004. The investigation *prima facie* found that there was an arrangement between Mr. Anil Patel, Chairman and Managing Director of the

Company and one Atul Shah to manipulate the shares of the Company. The notice had alleged, on the basis of the findings detailed therein, that Mr. Viral V. Mewada (said to be an employee of Mr. Atul Shah), Mr. Dinesh K. Patel, Mr. Jayantilal Patel, Mrs. Bela H. Kayashtha, Mr. Ramesh Chandra K. Jain and Mr. Hari Ballabh Agarwal had acted hand in glove with Mr. Atul Shah and Mr. Anil Patel and aided them to materialize their game plan to manipulate the share price of the Company and then dumped the shares to unsuspecting investors. It was also alleged that there were circular and synchronized/fictitious trades in the scrip which created artificial market. It was further alleged that the orders were successively placed at increasing rates and in the process, the share price of the Company was raised. The persons were also charged for not having complied with the summons issued to them under Section 11C (3) & (5) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act). The alleged acts of the persons have been mentioned in detail in the notice. The notice had charged the persons of contravening Regulations 3, 4(1) and 4(2)(a),(b),(e)&(g) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the PFUTP Regulations). The notice called upon the persons to show cause as to why suitable directions including directions restraining them from buying, selling or dealing in securities for a suitable period should not be issued. Though, the said notices were delivered on Mr. Ramesh Chandra K Jain, Mr. Hari Ballabh Agarwal, Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha, only Mr. Ramesh Chandra K Jain and Mr. Hari Ballabh Agarwal have filed their respective replies. SEBI had also afforded an opportunity of hearing to the persons on January 27, 2009. On the said date, Mr. Ramesh Chandra K. Jain and Mr. Hari Ballabh Agarwal appeared before me and made submissions. As the hearing notices were not delivered on Mrs. Bela H. Kayashtha and Mr. Jayantilal Patel, another opportunity of hearing was afforded to them on August 25, 2009. There was no representation from

Mrs. Bela H. Kayashtha. As the notices could not be delivered on Mr. Jayantilal Patel, a public notice was published in the newspapers on March 5, 2010 informing that if he failed to reply to the notice, the matter would be decided ex-parte. Despite the same, Mr. Jayantilal Patel failed to respond. In view of the above, I am constrained to decide the case on merits on the basis of the submissions made by Mr. Ramesh Chandra K. Jain and Mr. Hari Ballabh Agarwal and other material available on record. Before proceeding further, I note that the notice was also issued to Mr. Viral V. Mewada and the proceedings in respect of him was disposed off by SEBI, vide a Consent Order dated November 19, 2009.

2. In the facts and circumstances of the case, I would proceed to consider the case against the persons to find whether they have received shares in off market and their dealings in the shares of the Company had resulted in manipulation of the share price of the Company in contravention of the provisions of the PFUTP Regulations so charged against them. According to the notice, Mr. Atul Shah had made a proposal to Mr. Anil Patel (Chairman and Managing Director of the Company) for manipulating the share price of the Company and laid down a plan that “handsome” financial results of the Company and the purchase of the Company's shares at ₹16/- to ₹18/- per share by Share Incorporation Limited, would be published in the newspaper. In return, the Company was required to pay 60 paise per share transferred, if the shares were sold later. The said allegation was levelled on the basis of the statement of Mr. Anil Patel, Chairman and Managing Director of the Company. A copy of the same had also been annexed to the notice. As per the notice, Mr. Atul Shah was to be given 5 to 7 lakh shares of the Company. When Mr. Anil Patel was asked (during the investigation in the matter) about the persons to whom such transfer of shares was made, it was stated that Mr. Atul Shah had not taken shares in his name and that the shares were transferred to various other

persons. Mr. Anil Patel had stated that the shares so transferred were that of himself and his family members. As SEBI has initiated separate proceedings against Mr. Anil Patel and Mr. Atul Shah in the matter, I would refrain from considering their role, in this Order.

3. As per the notice, the shares were transferred to Mr. Viral Mewda, Mr. Hari Ballabh Agarwal, Mr. Ramesh K. Patel and Mr. Kulwinder Singh Walia. The notice also *inter alia* observed from the information received from the Company, that:

- a. the request for transfer of 2,10,000 shares to Mr. Viral V. Mewada was approved by the Company. The said shares were dematerialized by Mr. Viral V. Mewada on September 13, 2003.
- b. the request for transfer of 2,08,000 shares to Mr. Hari Ballabh Aggarwal was also approved. The said shares were dematerialized on September 2, 2003 and transferred to the account of Mr. Ramesh Chandra K. Jain on January 1, 2004 through off market transfer.

4. The table at paragraph 19 of the notice indicates that Mr. Viral Mewda transferred 40,999 shares in off market to Mrs. Bela H. Kayashtha on various dates (December 31, 2003, January 1, 5 and 19, 2004). As stated earlier, Mr. Hari Ballabh Aggarwal had transferred 2,08,000 shares in off market to Mr. Ramesh Chandra K. Jain on January 1, 2004. As per the notice, the allegation against the persons is that they had manipulated the shares of the Company by virtue of their trades/dealings. The notice had given the details of the traded quantities in the shares of the Company during the investigation period. Out of which, the quantities purchased and sold by the persons have only been considered for the purposes of this Order and the same are given below:

Sr. No.	Name	Quantity bought	Quantity sold
1.	Mr. Dinesh K. Patel	77,586	25,275
2.	Mr. Jayantilal Patel	15,400	500
3.	Mrs. Bela H. Kayashtha	30,500	72,999
4.	Mr. Ramesh Chandra K. Jain	9,000	1,55,446
Total		1,32,486	2,54,220

5. It is pertinent to note that the trading in the shares of the Company resumed on December 4, 2003, after it was last traded on October 21, 2003. On December 4, 2003, a total of 40,500 shares of the Company were traded on BSE. Some of the trades on the said day are the following:

- i. first ten trades for 10,000 shares between Mr. Dinesh K. Patel (buyer) and Mrs. Bela H. Kayashtha (seller) executed at a price of ₹4.32/- per share.
- ii. the next ten trades for 10,000 shares were executed by Mrs. Bela H. Kayashtha, wherein she was both selling as well as buying.

6. The nature of the trades (in respect of 10,000 shares mentioned at 4(ii) above) of Mrs. Bela H. Kayashtha is surprising as she was found to be both the seller and buyer. No actual transfer of shares had happened. The said trades were executed through the same stock broker at ₹4.50/- which was higher by 4.16% compared to the previously traded price of ₹4.32/-. The details of such trades wherein Mrs. Bela H. Kayashtha was found to be both buyer and seller in the same set of transactions are given below:

Date	Trade No.	Qty	Price (₹)
12/4/2003	11	1000	4.5
12/4/2003	12	1000	4.5
12/4/2003	13	1000	4.5
12/4/2003	14	1000	4.5

12/4/2003	15	1000	4.5
12/4/2003	16	1000	4.5
12/4/2003	17	1000	4.5
12/4/2003	18	1000	4.5
12/4/2003	19	1000	4.5
12/4/2003	20	1000	4.5

7. As per the notice, the above trades of Mrs. Bela H. Kayashtha were synchronized. The trades were definitely not genuine as there was no transfer of beneficial ownership of shares. Whatever shares sold by Mrs. Bela H. Kayashtha were sold only to herself. Moreover, she had executed such fictitious trades at a price higher than the previous traded price. This has also to be seen in the background of the fact that the shares of the Company started trading only on December 4, 2003 after more than a month, as stated above. In such circumstances, the only inference which can be drawn from the nature of trades is that Mrs. Bela H. Kayashtha intended to manipulate the share price of the Company. Therefore, it can be concluded that she was dealing in the shares of the Company not intending to transfer beneficial ownership of the shares involved in the trades but were only intended to artificially inflate the share price of the Company. The said conduct is in contravention of Regulations 4(1), 4(2)(b) and 4(2)(g) of the PFUTP Regulations.

8. Mr. Dinesh K. Patel or Mrs. Bela H. Kayashtha was found to be one of the parties in all the trades carried out in the shares of the Company on December 4, 2003. Almost 50% of the trades on December 4, 2003 were contributed by Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha. On the said date, Mr. Dinesh K. Patel had purchased 10,000 shares and sold 8,500 shares and Mrs. Bela H. Kayashtha had purchased 10,000 shares and sold 32,000 shares. It was also noticed that Mr. Dinesh K. Patel had sold 32,000 shares in

off market to Mrs. Bela H. Kayashtha. It was noted that the delivery of the said shares were not given by Mr. Dinesh K. Patel but was made from the 40,500 shares received by Shree Parshwa Finance (sub broker) from Mr. Viral Mewada in off-market. The shares in respect of the sale of 8,500 shares by Mr. Dinesh K. Patel were also made out of the aforesaid 40,500 shares received by Shree Parshwa Finance. In this context, it is pertinent to note that the notice had mentioned that Mrs. Bela H. Kayashtha was not holding the shares of the Company as on December 4, 2003. It was also observed in several instances that there were buying and selling between Mrs. Bela H. Kayashtha, Mr. Dinesh K. Patel and Mr. Viral V. Mewada. It was observed that the delivery of shares in respect of the trades executed by Mrs. Bela H. Kayashtha and Mr. Dinesh K. Patel were not made by them. It is pertinent to note that the scrip resumed trading after October 21, 2003 only on December 4, 2003. On the said date, the share price opened at ₹4.32/- (established by the aforesaid trades of Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha) and went up to ₹4.70/- and closed at the high price. The trades of Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha had established the opening price and the trades of Mrs. Bela H. Kayashtha had artificially increased the share price to ₹4.5/-. It was observed that the said persons were not holding shares of the Company as on the said date. The nature of the transactions and the delivery of shares from a different account indicate the non genuineness of the trades executed between Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha on December 4, 2003. The allegations levelled against Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha in the notice remained undisputed as they have not filed their submissions though the notice was served on them. In view of the same, it is concluded that the charges are proved.

9. On December 5, 2003, a total of 9,500 shares were traded on BSE. Trades for all the 9,500 shares were executed by Mr. Jayantilal Patel as a

buyer. The notice had mentioned that all the trades were executed at ₹4.92/-, approximately at 5% upper circuit filter level, as the share price closed at ₹4.70/- on the previous trading day. On December 9, 2003, a total of 1,500 shares were traded on BSE in 11 trades. It was noticed that for the first ten trades (out of the total 11 trades), Mr. Dinesh K. Patel had sold 1,000 shares to Mr. Ketan Shah at ₹4.75/-. The notice had stated that on December 10, 2003, the first trade for 10,000 shares were executed between Mr. Dinesh K. Patel (as a buyer) and one Ashok Kumar Sharma. All such trades with Mr. Ashok Kumar Sharma were buyer initiated and executed at the upper circuit filter level. Since, Mr. Ketan Shah and Mr. Ashok Kumar Sharma are not parties to the present notice, I do not find it appropriate to consider the said trades for the purpose of this proceedings. According to the notice, the scrip opened at ₹5.42/- on December 11, 2003. The said price was also at the upper circuit filter level (5%). It is pertinent to note here that Mrs. Bela H. Kayashtha had sold 1,700 shares in off market to Mr. Dinesh K. Patel. The orders were executed at ₹5.42/- which was higher than the previous day's close price of ₹5.17/-. The scrip had closed at ₹5.42/-. It was observed that Mrs. Bela H. Kayashtha had transferred 1,700 shares to Mr. Dinesh Patel off market and subsequently bought back the shares on market at higher price. I have not considered the trades executed on December 15, December 18, December 19, December 22, December 23, December 29, 2003 and January 6, 2004, as mentioned in the notice, as the parties therein are not covered in the notice for consideration. On December 16, 2003, a total of 100 shares were traded in the market in 5 trades. In all the 5 trades, Mr. Dinesh K. Patel was the buyer. The trades were executed at ₹6.25/-, which was around 4.62% more than the previous days closing price of ₹5.99/-. Since, the counter party client is not arrayed as a party in the notice, it is not appropriate to consider the said trades for the purpose of this proceedings.

10. The notice has also stated that on December 24, 2003, the first trade was executed by Mr. Jayantilal Patel when he purchased 200 shares at ₹7.90 per share. The said trades were buyer initiated trades and were executed at a price which was almost 5% more than the previous day's closing price (₹7.55%). The share price for the day was thus established by the trades of Mr. Jayantilal Patel. It is surprising to note that when any rational buyer would always want to purchase stock at the least possible price available in the market, Mr. Jayantilal Patel had placed orders at a price higher than the previous day's closing price. Further, the notice had also mentioned that on December 26, 2003, the scrip opened at ₹8.25/- which was around 4.5% higher than the previous day's closing price. It was alleged that the opening price was established by the trades of Mr. Jayantilal Patel. He has not refuted such allegations. Therefore, in such a case and also in the light of the facts and circumstances of the case, I am persuaded to take an adverse inference that he was party to the manipulation in the scrip during the relevant period.

11. The notice had mentioned that on December 30, 2003, the scrip opened at ₹9.05/- which was nearly 5% higher than the previous day's closing price. The share price closed at Rs.8.66/- on December 29, 2003. The notice in paragraph 46, had provided a table containing the details of the trades between Mr. Dinesh K. Patel (buyer) and Mr. Bela H. Kayashtha (seller) for 10,000 shares. All the trades, according to the notice, were executed at ₹9.09/-, which was the highest price for the day. It is surprising to note that when the initial trades for the day had established the price at ₹9.05/-, the trades of the aforesaid persons have taken the price up to ₹9.09/- from the previous day's closing price of ₹8.66/-. A total of 18,199 shares were traded on the day in 147 trades. Mr. Dinesh K. Patel and Mrs. Bela H. Kayashtha had executed the aforesaid trades for 10,000 shares in 115 trades. It is pertinent to note that on

the said date, Mrs. Bela H. Kayashtha had received 12,699 shares in off market from Mr. Viral Mewada.

12. The notice had mentioned that on December 31, 2003, the first 27 trades including the opening trade was executed between Mrs. Bela H. Kayashtha (buyer) and Mr. Viral V. Mewada (seller). The said persons have placed orders for 9,000 shares which were executed at ₹9.54/- which was 5% higher than the previous day's closing price. On the said day, a total of 37,800 shares of the company were traded in 132 trades. The scrip opened and closed at ₹9.54/-. Thus, it is clear that Mrs. Bela H. Kayashtha was also instrumental in raising the share price of the Company from the previous day's closing price. The notice also mentioned that on the said day, Mr. Ramesh Chandra K. Jain had sold 15,000 shares of the Company. Again on January 1, 2004, the price of the scrip was influenced by the first 22 trades executed between Mrs. Bela H. Kayashtha and Shree Parshwa Finance. The said trades involved 9,000 shares and executed at ₹9.96 which was 4.42% higher than the previous day's closing price of ₹9.54/-. The notice had stated that Mrs. Bela H. Kayashtha is the wife of Mr. Piyush Jhaveri, the proprietor of Shree Parshwa Finance. On the said day, 16,700 shares were traded in 68 trades. Thus, the trades involving Mrs. Bela H. Kayashtha had influenced the share price. Mrs. Bela H. Kayashtha transferred 9,000 shares in off market to Mr. Viral Mewada. The same was the case on January 2, 2004 also, when the first 20 trades of Mrs. Bela H. Kayashtha had influenced the share price when the trades were executed at ₹10.51/- (5% above the previous day's closing price). Therefore, it can be concluded that the aforesaid trades of Mrs. Bela H. Kayashtha had influenced the share price on the said days.

13. I also note that Mrs. Bela H. Kayashtha had also traded in the shares of the Company on January 5, 2004. On the said day, the scrip opened at ₹10.51/- and reached a high price of ₹11/- and closed at ₹10.27/-. A total of 17,500

shares were traded in 128 trades. The notice in Paragraph 54 contained the details of the trades executed between Mrs. Bela H. Kayashtha and Mr. Viral Mewada. The said persons had executed their trades at ₹10.50/-, ₹10.60/-, ₹10.70/- ₹10.80/-, ₹10.90/- and ₹11/-. From the same, it is seen that Mrs. Bela H. Kayashtha had not only influenced the price but also traded till the price reached the highest price of ₹11/- for the day. It was noticed that during the period between January 8, 2004 and January 16, 2004, the share price decreased from ₹9.76/- to ₹6.85/-.

14. The unaudited financial results for the quarter ending December 2003 were put up on the website of BSE on January 19, 2004. It was noticed that Mr. Dinesh K. Patel (buyer) and Mrs. Bela H. Kayashtha (seller) had indulged in transactions for 9,500 shares at ₹7.19/- (which was 5% higher than the previous day's closing price). I note from the notice that on January 20, 2004, persons including Mr. Dinesh K. Patel and Mr. Ramesh Chandra K. Jain had traded in the shares of the Company. Mr. Dinesh K. Patel had bought 100 shares and sold 8,500 shares, a net sale of 8,400 shares. Mr. Ramesh Chandra K. Jain had sold substantial quantity of 73,000 shares in the market as against the total 1,10,501 shares traded in the market. Mr. Dinesh K. Patel and Mr. Ramesh Chandra K. Jain have sold a total of 81,500 shares out of the total of 1,10,501 shares (traded on the day) which was substantially high at 73.75%. Further, it is significant to note that trade price was 4.6% higher than the previous day's close price.

15. During the investigation period, Mr. Ramesh Chandra K. Jain was found to have traded through two stock brokers, namely, Ramaben Samani Finance Private Limited and Pilot Credit Capital Limited. The details of his trades in comparison with the total traded volumes for the respective trade day is given in the following table:

Date	Stock Broker	Settlement No.	Quantity Bought	Quantity Sold	Total Traded Volumes for the day	% of Qty. Bought as against the Total Traded Volumes	% of the Qty. Sold as against the Total Traded Volumes
31.12.03	Ramaben Samani	304194	0	15000	37800	-	39.68
02.01.04	Ramaben Samani	304196	0	30000	91100	-	32.93
20.01.04	Ramaben Samani	304208	0	73000	110501	-	66.06
21.01.04	Pilot Credit	304209	9000	36746	68396	13.16	53.72
22.01.04	Pilot Credit	304210	0	700	8326	-	8.41
Total			9000	155446			

Ramaben Samani - Ramaben Samani Finance Private Limited
Pilot Credit - Pilot Credit Capital Limited

As mentioned above, Mr. Ramesh Chandra K. Jain had bought 9,000 shares and sold 1,55,446 shares of the Company during the investigation period. He had a net sell position of 1,46,446 shares. Further, on January 20, 2004, he was found to be the highest seller in the market. In this regard, I note that Mr. Ramesh Chandra K. Jain, vide letter dated May 24, 2007 submitted that he had executed all the trades on behalf of Mr. Atul Shah and denied having relation with any person except with Mr. Atul Shah. According to Mr. Ramesh K. Jain, Mr. Atul Shah had contacted him for selling some shares of the Company held by him and never realised that Mr. Atul Shah was “*operating the scrip with the company director*”. He submitted that he had earned a brokerage of ₹7,250/- only from selling those shares. He denied creating any volumes or synchronised trades in the scrip and submitted that his “*broker never allowed him to do those types of trades*”. According to Mr. Ramesh K. Jain, he had sold 1,46,446 shares of the Company on the instructions of Mr. Atul Shah, as follows:

- a. 15,000 shares on December 31, 2003
- b. 30,000 shares on January 2, 2004
- c. 73,000 shares on January 20, 2004
- d. 27,946 shares on January 21, 2004

e. 700 shares on January 22, 2004

16. As regards the purchase of 9,000 shares on January 21, 2004, Mr. Ramesh Chandra K. Jain submitted that the same was the mistake of the “BOLT operator”. According to him, he had placed an order to sell 9,000 shares. However, the operator had, mistakenly placed a buy order for 9,000 shares. Mr. Ramesh Chandra K. Jain was found to have received 2,08,000 shares of the Company in off-market transfers from Mr. Hari Ballabh Agarwal. As regards the same, he submitted that he was under the belief that he was receiving shares in off-market from Mr. Atul Shah and was not aware that Mr. Hari Ballabh Agarwal was transferring shares on the instructions of Mr. Atul Shah. He denied having received or transferred shares from the Company or its directors. However, the fact that Mr. Ramesh Chandra K. Jain had received shares in off market and that subsequently most of such shares were offloaded remain undisputed. The submission that he earned a brokerage reinforces the inference that shares were transferred to his account for the purposes of off-loading the same in the market. It is also pertinent to note that almost all the transactions of Mr. Ramesh Chandra K. Jain were sell transactions. His solitary buy transaction involving 9,000 shares according to him, was the fault of the operator. Therefore, the facts and circumstances of the case suggest that Mr. Ramesh Chandra K. Jain had off-loaded the shares of the Company, at inflated prices. Out of the 2,08,000 shares so received, Mr. Ramesh Chandra K. Jain had sold 1,46,446 shares (more than 70% of what he received from Mr. Hari Ballabh Agarwal). The notice had also alleged that Mr. Ramesh Chandra K. Jain was executing fictitious trades on January 21, 2004, as he was buying shares from himself, i.e. Mr. Ramesh Chandra K. Jain was buying and selling shares simultaneously to himself. The details of the said fictitious trades are given in the table below:

Trade Date	Time	Trade quantity	Qty.	Price	Buy-Stock Broker	Buy-Client	Sell-Stock Broker	Sell-Client	Buy-Machine No.	Sell-Machine
1/21/2004	10:36:02	75	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	76	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	77	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	78	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	79	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	80	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	81	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	82	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	83	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	65	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	66	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	67	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	68	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	69	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	70	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	71	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	72	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	73	470	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:02	74	430	7.88	909	10524	909	10524	8	8
1/21/2004	10:36:25	84	430	7.88	909	10524	909	10524	8	8

10524: Client Code of Mr. Ramesh Chandra K. Jain
909: Code of the stock broker, Pilot Credit Capital Limited

A total of 9000 shares were traded by Mr. Ramesh Chandra K. Jain, buying from himself and selling to himself. Such trades were definitely non-genuine

trades as there was no change in the beneficial ownership of such shares. Mr. Ramesh Chandra K. Jain remained the owner of the same. Though, Mr. Ramesh Chandra K. Jain has submitted that he never knew about the Company or its financial position and the strategic stock picking by Share Incorporation Limited, the facts and circumstances of the case indicates his complicity in the matter, for the reasons stated supra.

17. As regards the role played by Mr. Hari Ballabh Agarwal, it is noted from the notice (from paragraph 6) that the request for transfer of 2,08,000 shares to him was approved by the Company. It was further mentioned that those shares were dematerialized on September 2, 2003 and were transferred to the account of Mr. Ramesh Chandra K. Jain. The trades of Mr. Ramesh Chandra K. Jain and his off-loading of the shares so received in his demat account has been explained in detail in the preceding paragraphs. It has been brought out by the investigation that the shares of Company were transferred by Mr. Hari Ballabh Agarwal to Mr. Ramesh Chandra K. Jain. Though, in paragraph 74 of the notice, Mr. Hari Ballabh Agarwal was alleged to have indulged in circular and synchronised/fictitious trades in the shares of the Company, the notice does not contain any detail of his trades. As regards the averment in the notice that *“Parshwa acting in concert with its various client, Smt. Bela, Shri Ramesh Chandra K. Jain and Hari Ballabh Agarwal were very much active trading of the scrip”*, Mr. Hari Ballabh Agarwal has contended that the same was a factual error as he had not traded for a single share. I find that other than receiving shares in his demat account and subsequently transferring the same to Mr. Ramesh Chandra K. Jain, Mr. Hari Ballabh Agarwal had no transaction, either off-market or on the stock exchange, as per the notice. Therefore, it is to be seen whether the said act could make him liable in any manner. Mr. Hari Ballabh Agarwal, vide letter dated February 3, 2009 denied knowing anyone from Shree Parshwa Finance and denied being its client. He also denied knowing the directors/promoters of the Company. According to Mr. Hari Ballabh Agarwal, his transactions in the

scrip was a credit of 2,08,000 shares in his demat account in September 2003 through off-market and the debit of the same on January 1, 2004, when the shares were transferred in off-market to Mr. Ramesh Chandra K. Jain. Though, Mr. Hari Ballabh Agarwal, contended that he was similarly placed as that of Mr. Kulwindersingh Walia, the investigation conducted by SEBI found that the shares transferred to Mr. Hari Ballabh Agarwal were offloaded in the market and used for market manipulation. Mr. Hari Ballabh Agarwal has contended that no connection was shown between the off-market transfer of shares on January 1, 2004 to Mr. Ramesh Chandra K. Jain and subsequent sale on January 20, 2004. However, I note that Mr. Hari Ballabh Agarwal did not provide any cogent reason for the receipt of shares and the subsequent transfer of the same to Mr. Ramesh Chandra K. Jain. It is already established that Mr. Ramesh Chandra K. Jain had manipulated the shares of the Company and had used the shares so received from Mr. Hari Ballabh Agarwal for indulging in such activities. In the absence of satisfactory explanation from Mr. Hari Ballabh Agarwal as to why he had transferred shares to Mr. Ramesh Chandra K. Jain, it can only be inferred that Mr. Hari Ballabh Agarwal was a necessary party in the scheme of manipulation. The contention that he was not connected to the others and that he did not know the promoters/directors of the Company would not come to his defence, considering the facts and circumstances of the case as discussed above. I note that the Company, vide letter dated December 20, 2005 (annexed to the notice) had forwarded to SEBI, copies of the 'Option Letter' issued *inter alia* to Mr. Hari Ballabh Agarwal. I find that the Company, vide letter dated August 20, 2003 to Mr. Hari Ballabh Agarwal had informed him that his request for transfer of 2,08,000 shares had been approved. He was further informed that, if he wished to hold the said shares in the dematerialised form, he may send the letter along with the dematerialisation request form through his depository participant. In his submissions, Mr. Hari Ballabh Agarwal has not explained the rationale of requesting the Company to transfer the said shares.

He has also failed to explain satisfactorily as to why the shares dematerialised by him during September 2003 had been transferred to Mr. Ramesh Chandra K. Jain on January 1, 2004. Mr. Hari Ballabh Agarwal has not explained the credit of the shares nor its transfer to Mr. Ramesh Chandra K. Jain, who had traded in the shares in an unfair and fraudulent manner as brought out above. Therefore, Mr. Hari Ballabh Agarwal becomes a conduit for the passage of shares from the promoters/directors of the Company to a person who ultimately traded in the securities market in a malafide manner, as brought out above.

18. The persons have also been charged for having not complied with the summons issued to them. As mentioned in this Order, no replies/submissions were received in respect of the notice except from Mr. Ramesh Chandra K. Jain and Mr. Hari Ballabh Agarwal. Mr. Hari Ballabh Agarwal made no efforts to controvert such allegations in his reply. Mr. Ramesh Chandra K. Jain while admitting the said charge, submitted *“I am fully agreeing with you that I have failed to comply the letter and summons issued to me.....I am ready for the punishment due to non compliance of Letter and summons...”*. Information required during investigation is very vital and important. I also note that the Adjudicating Officer of SEBI imposed monetary penalty under Section 15A(a) of the SEBI Act against Mr. Ramesh Chandra K. Jain. Further, monetary penalty was also imposed against Mr. Hari Ballabh Agarwal under Section 15A(a) of the SEBI Act.

19. Therefore, from the foregoing, I note the following:

- a) Mrs. Bela H. Kayashtha had executed non-genuine trades and was instrumental and part of the trades which had artificially inflated the share price during the relevant period, as found above.
- b) Mr. Ramesh Chandra K. Jain had off-loaded majority of shares received in off-market from Mr. Hari Ballabh Agarwal. Some of the trades of Mr.

Ramesh Chandra K. Jain were fictitious and that he had indulged in manipulative trades. He was also responsible for artificially taking the price up. He, even according to his own admission had not complied with the summons issued in the matter.

- c) Mr. Hari Ballabh Agarwal had received 2,08,000 shares of the Company, pursuant to his request for the same. The said shares were subsequently dematerialised and credited to his demat account in September 2003. Later, the shares were transferred to Mr. Ramesh Chandra K. Jain on January 1, 2004 and a portion of the same was off loaded in the market at artificially inflated prices.
- d) As observed above, Mr. Dinesh K. Patel was found to have indulged in non-genuine transactions and had contributed to the price rise of the shares of the Company.
- e) Mr. Jayantilal Patel was also found to have placed buy orders at the upper circuit filter levels, thereby responsible for the price rise in the scrip.

20. From the above findings and observations, it is therefore concluded that Mrs. Bela H. Kayashtha, Mr. Ramesh Chandra K. Jain, Mr. Dinesh K. Patel and Mr. Jayantilal Patel had dealt in the securities in a fraudulent and unfair manner. Their conduct, as brought out above in this Order, clearly amounts to manipulative practice in dealing in the shares of the Company. As observed above, the aforesaid persons have indulged in acts which created false and misleading appearance of trading in the shares of the Company in the securities market. For the aforesaid reasons, I find Mrs. Bela H. Kayashtha, Mr. Dinesh K. Patel, Mr. Jayantilal Patel and Mr. Ramesh Chandra K. Jain guilty of contravening Regulations 3 and 4(1) & (2)(a) and (e) of the PFUTP Regulations. Mrs. Bela H. Kayashtha and Mr. Ramesh Chandra K. Jain have indulged in transactions not intending to effect transfer of beneficial ownership

of the shares traded by them and had operated only as a means to inflate the share price of the Company for wrongful gain. Further, the said persons have executed trades (buying and selling by themselves) which did not require them to fulfil any trade obligations. Therefore, they have executed trades without the intention of performing them and without any intention of change in ownership of such security. Thus, Mrs. Bela H. Kayashtha and Mr. Ramesh Chandra K. Jain are also held guilty of contravening Regulation 4(2)(b) & (g) of the PFUTP Regulations.

21. As regards Mr. Hari Ballabh Agarwal, his only act as per the notice is to take credit of 2,08,000 shares during September 2003 and transferred the same to Mr. Ramesh Chandra K. Jain on January 1, 2004. Further, it is established that Mr. Ramesh Chandra K. Jain had entered into fictitious trades on January 21, 2004, subsequent to the receipt of shares from Mr. Hari Ballabh Agarwal. Thus, Mr. Hari Ballabh Agarwal has been a conduit through whom shares had found their way to Mr. Ramesh Chandra K. Jain. Mr. Hari Ballabh Agarwal has not explained as to why he received credit of shares from the Company and also of his subsequent transfer to Mr. Ramesh Chandra K. Jain. He has only stated that such transactions were off-market and that the same could not impact the market price. The said submissions are not convincing. Therefore, I hold Mr. Hari Ballabh Agarwal guilty of having indirectly dealt in the shares of the company in a fraudulent and unfair manner, thereby contravening Regulation 3(a) and 4(1) of the PFUTP Regulations.

22. In view of the foregoing and on considering the totality of the facts and circumstances of the present case, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(4) and 11B thereof, hereby issue the following directions:

- i. Mr. Ramesh Chandra K. Jain (Permanent Account Number ADIPJ1942R), Mrs. Bela H. Kayashtha (Permanent Account Number ABJPJ7168G), Mr. Dinesh K. Patel (Permanent Account Number AKGPP0643J) and Mr. Jayantilal Patel (having his address at Pramanik Society, Radha Swami Road, 35, Rani Park, Ahmedabad-382480) are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of six months.
 - ii. Mr. Hari Ballabh Agarwal is warned for his conduct observed above and is directed to adhere to the rules/regulations that govern his activities in the securities market.
23. This Order shall come into force with immediate effect.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: MAY 11, 2011