BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: SHRI RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER

ORDER

Under Section 12(3) of the SEBI Act read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

In respect of M/s Shri Parshwa Finance in the matter of M/s Shalibhadra Infosec Ltd and M/s Aditya Infosoft Limited.

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1. M/s Shri Parshwa Finance having SEBI Registration number (INS020909615) is a sub -broker affiliated to a stock broker, Jyotish Bhogilal Stock Brokers Pvt. Ltd. (SEBI Registration number INB 020916813), a member of the Ahmedabad Stock Exchange Limited (ASE). SEBI conducted investigations in respect of the trading in the shares of M/s Shalibhadra Infosec Ltd. (SIL) for the period April 2002 to July 2002 and in the shares of M/s Aditya Infosoft Ltd. (AIL) for the period December 04, 2003 to January 23, 2004. These time periods are hereinafter referred to as the 'investigation period' with regard to respective scrip. During these periods M/s Shri Parshwa Finance was a sub- broker affiliated to a stock broker P. Suryakant Shares and Stock Brokers Ltd.

2. Pursuant to the investigations, SEBI initiated proceedings against M/s Shri Parshwa Finance (hereinafter referred to as 'the noticee') under section 12(3) of SEBI Act, 1992 read with regulation 5(1) of SEBI (Procedure for Holding Enquiry and Imposing Penalty) Regulations, 2002 (*since repealed*) read with the SEBI (Intermediaries) Regulations, 2008 (Intermediaries Regulations). After completion of the proceedings, the Designated Authorities submitted their Reports dated January 27, 2011 and January 28, 2011 in the matter of SIL and AIL, respectively in accordance with the Intermediaries Regulations.

3. The Designated Authority appointed in the matter of SIL, *inter alia* found that, the noticee has aided and abetted Shri Raju B Shah, Shri Atul B Shah and Shri Tushar Jhaveri in off-loading their unlisted shares of SIL in the market thereby it violated SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (PFUTP Regulations 1995) and the clauses A(2) and D(1) of Code of Conduct for sub brokers as specified in Schedule II read with regulation 15 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as 'the Stock Brokers Regulations'). The Designated Authority further found that the noticee had also entered into negotiated deals in violation of SEBI Circular dated September 14, 1999. Based on the findings recorded in the Report, the DA recommended that the certificate of registration granted to the noticee as a sub-broker be suspended for a period of one month.

4. The Designated Authority appointed in the matter of AIL found that one Mr. Atul Shah (the proprietor of Charmi Investments, a client of the noticee) was mastermind who was working behind the veil to carry out his game plan and the noticee assisted him and created artificial volume in the scrip of the AIL so that general interest would be created in the scrip. After completing the fact finding during the proceedings, the DA found that the noticee contravened the provisions of regulations 3(a), (b), (c), (d) and 4(1), 4(2) (a), (b) & (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations, 2003) and clause D(4) & (5) of Code of Conduct for sub brokers as specified in Schedule II read with regulation 15 of the Stock Brokers Regulations.Based on his findings recorded in the Report, the Designated Authority recommended that the certificate of registration granted to the noticee as a sub-broker be suspended for a period of two months.

5. After considering the Reports of the respective Designated Authorities appointed in the matter of SIL and AIL, the show cause notices (SCNs) dated February 08, 2011 and April 01, 2011, respectively were issued to the noticee under regulation 28(1) of the Intermediaries Regulations calling upon it to show cause as to why action as recommended by the respective Designated Authorities should not be taken against it or a higher penalty as deemed fit by the Designated Member should not be imposed upon it. The noticee did not file any reply to the SCNs despite the service thereof upon it. An opportunity of personal hearing was also granted to the noticee on May 19, 2011 and August 25, 2011 by the then Designated Member in the proceedings in the matter of SIL and AIL, respectively. However, the noticee did not appear on the scheduled dates. Another opportunity of personal hearing was granted to the noticee on May 31, 2012 and July 19, 2012 in the matter of SIL and on June 12, 2012 in the matter of AIL, before me. The noticee again did not appear for the personal hearing.

6. On considering the facts and circumstances, violations observed by the Designated Authorities (DAs), conduct of the noticee, etc., it was *prima facie* observed that penalties recommended by the DAs in both the matters were not commensurate with the violations alleged to have been committed by the noticee. It was also noted that the noticee had, in the past, violated the securities laws on several occasions and in that regard SEBI had taken enforcement actions against the noticee by way of restraint orders, suspension of its certificate of registration, warnings and monetary penalties. It was also noted that despite service of notices in the respective proceedings the noticee had not been cooperating with inquiry and had been avoiding the proceedings initiated by SEBI. Thus, it was *prima facie* observed that such conduct of the noticee was unbecoming and not expected from any person associated with securities market much less from an intermediary registered with SEBI.

7. In view of the above observations, supplementary show cause noticees (SSCNs) dated October 04, 2012 and November 01, 2012 in the matters of AIL and SIL, respectively were issued to the

noticee calling upon it to show cause as to why the penalties recommended by the DAs should not be enhanced and its certificate of registration should not be cancelled. A list of enforcement actions taken by SEBI against the noticee in the past was also attached with the SSCNs. After service of the SSCNs upon the noticee, another opportunity of personal hearing was provided to the noticee on November 21, 2012. However, despite service of SCNs/SSCNs and notices of hearings upon it, the noticee neither filed any reply to the SCNs/SSCNs nor did it appear for personal hearing on the scheduled dates. It is also pertinent to note that even during the proceedings before the Designated Authority in the matter of AIL, the noticee had neither filed any reply to the show cause notices issued by the Designated Authority nor it availed the opportunities of personal hearing before him despite services of relevant notices upon it.

8. In the above facts and circumstances, I am of the view that enough opportunity to file reply to SCNs/SSCNs and opportunities of personal hearing have been provided to the noticee and it does not want to avail the opportunities to submit its defence to the SCNs/SSCN despite service of notices upon it. The facts and circumstances as discussed above clearly indicate that the noticee is deliberately keeping away from the proceedings initiated by SEBI against it. I, therefore, find it a fit case to proceed in the matter, in absence of the noticee, on the basis of material available on record.

9. I have carefully considered the Reports, the SCNs/SSCNs issued pursuant thereto and other relevant materials available on record. I note that the proceedings initiated the charges / allegations and recommendations in both the matters are similar. Considering the facts and circumstances found in the Reports, recommendations of the Designated Authorities and past and present conduct of the noticee, I find it a fit to conclude both the proceedings by way of this common order in terms of regulation 29 of the Intermediaries Regulations.

10. Before dealing with the charges against the noticee, it is necessary to refer to the provisions of the regulations alleged to have been contravened by the noticee in the above matters. These provisions are reproduced hereunder:

SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995:

Prohibition of certain dealings in securities

3. No person shall buy, sell or otherwise deal in securities in a fraudulent manner.

Prohibition on unfair trade practice relating to securities

6. No person shall -

(a) in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities;

SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003:

Regulation 3. Prohibition of certain dealings in securities

"3. No person shall directly or indirectly-

a) *buy, sell or otherwise deal in securities in a fraudulent manner;*
b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

a) *indulging in an act which creates false or misleading appearance of trading in the securities market;*
b) *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
c) *.....*
d) *.....*
e) *any act or omission amounting to manipulation of the price of a security;"*

Regulation 13- Repeal and savings.

13.(1) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 is hereby repealed.

(2) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.

(3) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations.

SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992

Code of Conduct for Sub-Brokers.

Schedule II

A. General.

(2) Exercise of due Skill and Care: A sub-broker shall act with due skill, care and diligence in the conduct of all investment business.

"D. Sub-Brokers vis-a-vis Regulatory Authorities

(1) General Conduct: A sub-broker shall not indulge in dishonourable, disgraceful or disorderly or improper conduct on the stock exchange nor shall he wilfully obstruct the business of the stock exchange. He shall comply with the rules, bye-laws and regulations of the stock exchange.

(4) Manipulation: A sub-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(5) Malpractices: A sub-broker shall not create a false market either singly or in concert with others or indulge in any act detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. A sub-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness."

SEBI Circular dated 14/9/1999

" All negotiated deals (including cross deals) shall not be permitted in the manner prescribed in circulars mentioned above and all such deals shall be executed only on the screens of the exchanges in the price and order matching mechanism of the exchanges just like any other normal trade.

Provided, however, that Foreign Institutional Investors (FIIs) can avail of the provisions of the special bargains on the exchanges in accordance with their bye-laws or obtain suitable exemptions from exchanges for purchases or sales between FIIs in such companies where the ceiling of FII investment of 24% or 30 % as the case may be, has been reached…"

The matter of SIL.

11. I have perused the Report of the DA and relevant material available on record. I note that SIL, a company based in Ahmedabad had issued total 3,50,00,500 shares out of which 50,00,500 were listed at Ahmedabad Stock Exchange Ltd. (ASE), Bombay Stock Exchange Ltd. (BSE) and Vadodara Stock Exchange (VSE). On January 16, 2002, the SIL acquired 10,00,000 shares of M/s. Jaisha Holdings Ltd. (Jaisha) and in return issued its 3,00,00,000 equity shares of ₹ 10 each at par on preferential basis to the shareholders of Jaisha (swap ration 30:1). The SIL had issued and dematerialised these 3,00,00,000 shares despite the concerned stock exchange/s had refused 'in-principle' approval for their listing. The trading in the scrip was later suspended with effect from January 13, 2003 since SIL had dematerialised those unlisted shares without obtaining in-principle approval from the stock exchange/s. According to SEBI investigation, this preferential allotment was a sham to enable Shah Family (that comprised one Mr. Atul B. Shah and his family) to indirectly acquire large chunk of shares free of costs. During the investigation period, Shri Raju B. Shah was Promoter and Chairman and Managing

Director(CMD) of SIL, Shri Atul B. Shah, brother of Shri Raju B Shah was Manager of SIL and Shri Mukesh Bachubhai Vadecha was Promoter and director of SIL.

12. SIL and its directors had issued advertisements in Business Standard (on June 19, 2002), Financial Express (on June 19, 2002), Business Line (on June 20, 2002), The Economic Times (on June 19, 2002 and June 24, 2002) and Bombay Samachar (on June 20, 2002) announcing that a meeting of its Board of Directors was to be held on July 1, 2002 to consider the possibility of buy back of its 35,00,000 shares (10%) of the share capital at ₹ 10 per share. This information was disseminated on the concerned stock exchanges also. On June 12, 2002, i.e. prior to these advertisements, in the meeting of board of directors of SIL it was decided to inform the shareholders regarding the board meeting to consider buy- back of shares by SIL. It is pertinent to note that during June – July 2002 the average market price of the scrip was around ₹1.15 per share however, it was announced that proposed buy back would be at a price of ₹10 per share. Thus, these favorable advertisements were likely to induce purchase of shares of SIL by any other person. Later on, vide letter dated July 02, 2002 (received by the BSE on July 08, 2002) SIL informed that its board of directors had decided to not to go ahead with the buy- back of shares. However, SIL had not issued any advertisement about not proceeding with the buy- back of its shares. In June 2002, prior to the issuance of the advertisements on June 19, 2002, the average trading volume in the scrip was around 4.77 lakh shares per day whereas after the date of the advertisement to July 05, 2002 the average trading volume increased to around 11.6 lakh shares per day.

13. It was observed during investigations that the SIL and its directors had fraudulently disseminated misleading and false information with a view to induce the purchase of shares of SIL and had to sustain the demand in the scrip such that they could create an avenue to off-load their shares to unsuspecting investors. The noticee had assisted the SIL and Shah Family in perpetrating fraud on shareholders and in offloading unlisted shares of the SIL by acting as a conduit/front entity through its clients.

14. One Shri Tushar Jhaveri and his associated entities had received more than one crore shares from the Promoters and Directors of SIL. On June 12, 2002 and June 13, 2002, Shri Tushar Jhaveri had transferred 1.608 crore shares of SIL to the demat accounts of the CMD/promoter/director/manager of SIL and persons related to them. Later, the promoter/CMD/Director / Manager of SIL and their related persons had offloaded more than one crore unlisted shares of SIL through entities viz; Shri Tushar Jhaveri, Ms. Harsha Jhaveri, Shri Pankaj Patel, Shri Vinod Desai, Shri Mahesh Shah, Shri Ashit Vora, Shri Maulik Patwa Shri Mukesh Vadecha and the noticee. Out of these more than one crore shares of SIL, 55,37,708 shares were sold between the date of issuance of the first advertisement on June 19, 2002 to the date of informing the BSE on July 08, 2002 of not proceeding with buy back of shares. All these 55,37,708 shares were sold through Harsha Jhaveri (19,98,001 shares), Pankaj Patel (18,77,290 shares) and Vinod Desai (16,62,417 shares).

15. I note that SEBI had initiated different proceedings with regard to alleged contraventions of provisions of securities laws by the SIL, its promoter/CMD/director/manager and other persons involved in the alleged fraudulent preferential allotment and offloading of unlisted shares of SIL in the stock market and some of these proceedings have been concluded and rest are pending. The limited question to be determined in this order is with regard to the involvement of the noticee in offloading of unlisted shares of SIL in the stock market as found in the Report dated January 27, 2011.

16. There is no dispute as to fact that during June and July 2002, out of aforesaid one crore shares sold by the promoters/ Chairman/director/manager of SIL and the persons related to them entities, 3701293 shares were sold through Harsha Jhaveri in the market. Harsha Javeri is sister-in-law of Shri Piyush Jhaveri - proprietor of the noticee and she had sold the shares of the SIL through her stock broker, FMS Securities Ltd. (FMS). I note that all delivery obligations pertaining to her sales have been met through the proprietor of the noticee Shri Piyush Jhaveri (demat account no. 15943616) by Shah Family. Harsha Jhaveri has received ₹ 72.63 lakhs from FMS, out of which she has paid ₹ 71.98 lakhs to the noticee. Further, from the bank account of FMS (viz., A/c 231593012, HDFC Bank, Connaught Place Branch), a sum of ₹2, 69,488.97 has been paid directly to the noticee (A/c. 0060269737018) on account of sales made by Harsha Jhaveri.

17. I further note that apart from aforesaid 37 lakh shares, the noticee had delivered in aggregate 27.74 lakh shares to the stock exchange as delivery obligation towards the sale made in the name of its two clients, namely Shri Pankaj C. Patel and Shri Mukesh N Gajjar. The noticee had received these 27.74 lakh shares during the period between June 19, 2002 to July 02, 2002 from Shri Raju B Shah (8.25 lakh shares), Shri Shah Maheshbhai M (3.70 lakh shares), Shri Maulik Prafulchandra Patva (4.59 lakh shares), Shri Mukesh Bachubhai Vadecha (7.06 lakh shares) and Shri Atul B. Shah (4.13 lakh shares). Admittedly, both these clients were introduced to the noticee by Shri Raju B. Shah and Shri Atul B. Shah and they used to place orders on behalf of those clients.

18. I note that in his report dated January 27, 2011 the DA has considered all the submissions made by the noticee and has come to his findings after due consideration to all facts and circumstances. In absence of any material in support of the defence of the noticee, I do not find any reason to differ from the findings of the DA. In the facts and circumstances as found in the Report, it is established that Harsha Jhaveri was only a front entity to offload the unlisted shares of SIL belonging to its promoter/CMD/Directors/ manager and persons related to them. It is also established that the noticee had connived with Harsha Jhaveri to camouflage the identity of the real sellers- viz., Shri Tushar Jhaveri, Shri Raju B Shah and Shri Atul B Shah and other promoters / directors of SIL and persons related to them and that the noticee was acting in concert with the management of SIL in off-loading the unlisted shares of SIL. I find

that the noticee had aided and abetted promoter/CMD/director/manager of SIL and persons related to them to offload the unlisted shares of SIL in the stock market. The transfer of unlisted shares to the noticee and then off-loading those unlisted shares in market/on the stock exchange by the noticee as discussed hereinabove was clearly a practice or device to operate a fraud in the securities market. I, therefore, agree with the findings of the DA as found in his Report that the noticee had violated the provisions of rregulations 3 and 6(a) of PFUTP Regulations, 1995 read with provisions of regulation 13 of PFUTP Regulations, 2003.

19. I further note that the noticee has not been diligent in filling the client registration forms, the vital details of clients such as the date of introduction, bank details, DP details, name and address of introducer, proof of identity, etc. was missing from the forms received by the noticee. I , therefore , agree that the noticee has not exercised due care, skill and diligence in the conduct of its business. Further, the noticee has not exercised due care and diligence while executing huge sell orders by not verifying the fact whether shares were actually available with the clients before executing the instructions. I also agree with the findings of the DA that noticee failed to ensure adequate surveillance/ risk mechanism to monitor the activities of its clients and deliberately aided, assisted and facilitated the clients to off-load the shares. I, therefore, agree that the noticee contravened clauses A(2) and D(1) of the Code of Conduct specified for sub- brokers in Schedule II read with regulation 15 of the Stock Broker Regulations. I also agree with the findings of DA that the noticee entered into negotiated deals that were not executed on the screen of the stock exchange when it received 27.74 lakh shares from promoter/CMD/director/manager and persons related to them in its demat account. Thus, the noticee contravened the provisions of SEBI Circular dated September 14, 1999.

The matter of AIL

20. The brief background of the case and facts found in the Report are as following:-
    a) The equity shares of the company were listed on BSE with effect from July 05, 1995. The scrip of the company was illiquid. Before the investigation period, it was last traded on October 21, 2003 and closing price of the scrip on that day was ₹4.54. The trading in the scrip resumed on December 04, 2003 after more than a month when the noticee, its clients and Smt. Bela H. Kayashtha (wife of Shri Piyush Jhaveri, Proprietor of the noticee) started trading at the opening price of ₹4.32. This was the lowest price of the scrip during the investigation period.
    b) During the investigation period, the price of the scrip opened at ₹4.32 on December 04, 2003 and touched a high of ₹11 on January 5, 2004. During December 10, 2003 to January 02, 2004, the price of the scrip was continuously hitting upper circuit filter of 5%. Thereafter, the price of the scrip started falling from ₹10.27 (on January 5, 2004) to ₹6.85 (on January 16, 2004) almost hitting lower circuit filter every day. When the company declared un-audited results for the quarter ended December 2003 on Saturday, 17th January, 2004, again the price of the scrip touched upper circuit filter of 5% on January 19 and January 20, 2004. From January 19, 2004 till January 23, 2004 the scrip price moved in the range of ₹ 7.0 - ₹ 7.55.

The scrip price closed at ₹ 7.04 on January 23, 2004.

c) Out of total 34 trading days during the investigation period, on 18 days the scrip was thinly traded when less than or equal to 5,000 shares were traded per day. The highest quantity of 1,10,501 shares i.e., around 21.2% of the total traded quantity of 5,22,071 shares during the period was traded on January 20, 2003.

d) The noticee was operating in concert in a group (Parshwa Group) including Smt. Bela, Mr. Ramesh Chandra Jain, Mr. Hari Ballabh Aggarwal and noticee's clients namely, Mr. Viral V Mewada, Mr. Dinesh K Patel, Charmi Investments, Mr. Jayantilal A Patel, Mr. Ashit R Shah, Mr. Nirav M Shah, and Mr. Ketan S Shah. The noticee and its clients were related/ connected/ associated to each other and were acting in concert.

e) During the investigation period, total 1,39,146 shares were purchased by the noticee and its clients, constituting 26.65% of the total traded volume (5,22,071 shares). Out of these 1,39,146 shares, the noticee had bought 1,30,146 shares on behalf of its clients and 9000 shares for itself. The noticee had sold 1,47,125 shares of the company constituting 28.18% of total traded volume during the investigation period. Thus, there was net selling of 7,979 shares by the noticee and its clients.

f) The major chunk of the trading in the scrip during the investigation period was done by the Parshwa Group. Shares bought and sold by the Parshwa Group in the scrip of the company during the investigation period on BSE has been observed by DA as under:

Table 5: Shares bought and sold by Parshwa Group in the market.

S. No.	Name	Qty. Bought	Qty. Sold
Shares bought and sold by the notice for its clients and for itself			
1.	Ashit R Shah	Nil	4500
2.	Dinesh K Patel	77,586	25,275
3.	Nirav M Shah	Nil	5000
4.	Jayantilal A Patel	15,400	500
5.	Harshil Traders	5000	5000
6.	Viral V Mewada	30,160	1,05,850
7.	Ketan S Shah	1000	Nil
8.	Charmi Investment	1000	1000
9.	M/s Shri Parshwa Finance	9000	Nil
	Total	1,39,146	1,47,125
Shares bought and sold by Bela and Ramesh C Jain			
10.	Bela H. Kayastha	30,500	72,999
11.	*Ramesh Chandra Jain	9000	1,55,446
	Total	39,500	2,28,445
	Grand Total	**1,78,646**	**3,75,570**

** shares were transferred by Hari Ballabh Aggarwal in an off- market transaction to Ramesh Chandra Jain*

g) The noticee has also carried out following off-market transactions for its clients and for Bela during the investigation period:

Table 6 : Off- market transactions carried out by notice

Date	Sett. No.	Seller Client Name	Sale Qty.	Sale Rate		Buy Qty.	Buy Rate
4/12/2003	176	Dinesh K Patel	32000	4.48	Bela H Kayshtha	32000	4.49
		Bela H Kayashtha	5000	4.52	Dinesh K Patel	5000	4.53
11/12/2003	181	Bela H Kayashtha	1700	5.44	Dinesh K Patel	1700	5.46
30/12/2003	193	Viral Vinodchandra	12699	9.04	Bela H Kayashtha	12699	9.07
31/12/2003	194	Bela H Kayashtha	9000	9.57	Viral Vinodchandra	9000	9.59
1/1/2004	195	Viral Vinodchandra	9000	9.91	Bela H Kayashtha	9000	9.94
2/1/2004	196	Bela H Kayashtha	9800	10.54	Viral Vinodchandra	9800	10.56
5/1/2004	197	Viral Vinodchandra	9800	10.67	Bela H Kayashtha	9800	10.7
19/01/2004		Viral Vinodchandra	9500	7.15	Bela H Kayashtha	9500	7.16
Total			**98,499**			**98,499**	

h) Day -wise trades by the Parshwa Group during investigation period are as under :-

Table 7 : Day -wise trades by the Parshwa Group

Date	Volumes traded (a) (single side)	Volumes traded (buy and sell) by Parshwa Group (b)	% of (b) to (a)
04.12.03	40500	60500	149.38
05.12.2003	9500	9500	100
08.12.2003	8700	13700	157.47
09.12.2003	1500	2500	166.67
10.12.2003	15635	15635	100
11.12.2003	19205	10700	55.71
15.12.2003	4100	1001	24.41
16.12.2003	100	100	100
18.12.2003	500	500	100
19.12.2003	3500	3100	88.57
22.12.2003	710	710	100
23.12.2003	200	200	100

Date	Volumes traded (a) (single side)	Volumes traded (buy and sell) by Parshwa Group (b)	% of (b) to (a)
24.12.2003	6249	200	3.20
26.12.2003	3500	3500	100
29.12.2003	2800	3800	135.71
30.12.2003	18199	28099	154.40
31.12.2003	37800	45700	120.90
01.01.2004	16700	18500	110.78
02.01.2004	91100	107299	117.78
05.01.2004	17500	25000	142.86
06.01.2004	1800	1700	94.44
09.01.2004	10100	Nil	nil
19.01.2004	20500	25200	122.93
20.01.2004	110501	93351	84.48
21.01.2004	68396	68696	100.44
22.01.2004	8326	7225	86.78
23.01.2004	2700	800	29.62

i) During investigation period, Smt. Bela through the stock broker, FMS Securities Ltd. had bought 25,500 shares of the company constituting 4.88% of the total traded volume and sold 72,999 shares constituting 13.98% of the total traded volume thus net selling 47,499 shares of the company.

j) There were many trades done between the clients of the noticee on various dates from the terminals allotted to the noticee at its office, implying that the trading in the scrip was done through the same office. The trading was done by and between the persons related or connected with each other. In almost all the trades done from December 04, 2003 to January 01, 2004, either the aforesaid clients of the noticee or Smt. Bela were parties to the trades. On many days the related clients of the noticee were trading with each other or with Smt. Bela establishing and maintaining the price of the scrip.

k) The noticee's clients and Bela had executed circular/synchronized trades in the scrip during the investigation period and the noticee was instrumental in creating artificial volumes in the scrip which distorted the market equilibrium. For instance, on 2nd January 2004, the noticee, for its client Mr. Viral V Mewada, had placed a sell order of 300 shares of the company at 10:17:57 AM at a price of ₹10.51. This sell order got matched with a buy order placed by counter party broker FMS for its client Smt. Bela with the same rate and within a time difference of 15 seconds only. Further on the same date, sell order for 9500 shares of the noticee for its client Mr. Viral V Mewada were matched with the buy order of FMS for its client Smt. Bela within a time difference of 22 seconds only. Similarly on 19th January, 2004

noticee placed a buy order of 5000 shares of the company for its client Dinesh K Patel at 14:16:38 PM at a price of ₹ 7.19 and the same got matched with a sell order placed by counter party broker FMS for its client Bela with the same rate and within a time difference of 10 seconds only.

l) In its unaudited quarterly financial results dated January 17, 2004 for the quarter ending December 2003, the company had declared many fold improvement in its performance. The results were disseminated on BSE website on January 19, 2004 and were published in the financial daily, Business Line on January 20, 2004. In its notes to the accounts of the said quarterly financial results the company had stated that Share Incorporation Limited, a multinational company will purchase 10 lakh shares of the company at ₹16 to ₹ 18 per share.

m) The company had published false quarterly financial results. The company was not in function for last 8 years from the investigation period. It had no staff and its registered office and corporate office were seized by banks and financial institutions. The company had incurred heavy losses and its entire capital was eroded. Further, there was no company in the name of Share Incorporation Limited in existence.

n) Mr. Atul Shah, proprietor of Charmi, was the master mind and he had orchestrated the plan to manipulate the share price of the company. He had asked Mr. Anil Patel, promoter and director of the company to transfer shares to Mr. Viral V Mewada (employee of Mr. Atul Shah), Mr. Kulwinder Singh Walia, Mr. Ramesh Chandra Jain and Mr. Hari Ballabh Aggarwal. He had also planned and advised the dissemination of false quarterly financial results.

o) The clients of the noticee and Bela were transacting with each other to establish and maintain the price of the scrip and to create artificial liquidity in the highly illiquid scrip of a non-performing company. The shares were coming from Mr. Viral V Mewada who had received the shares from the promoters of the company. The entries in the account showing the off-market transactions were the adjustment entries to settle their trades among themselves.

p) After creating the trading interest in the scrip by artificial buying and selling, the Parshwa Group did not trade in the scrip at all from January 06, 2004 to January 16, 2004 when scrip price fell from ₹ 9.76 to ₹ 6.85. Trading volumes during this period also declined sharply to the lowest of 100 shares on 4 days out of 8 trading days. Thus, the higher scrip price during investigation period was not sustainable without trading of Parshwa Group. When the false results were disseminated on January 19, 2004 on BSE website, buying support in the scrip was given by Parshwa Group as client Mr. Dinesh K Patel purchased 15,700 shares giving impression of buying activity in the scrip. The scrip price was maintained by the purchase of 9500 shares by Mr. Dinesh K Patel and sale of 9500 shares of the company by Bela. Scrip price closed at price ₹ 7.19 up (nearly 5% increase) from the previous day close (₹6.85).

q) Parshwa Group became overtly active in selling the shares with effect from January 20, 2004, when the false results of the company were published. On January 20, 2004 it sold 97,500 shares in gross and 91,649 in net. Total traded volumes on the day were 1,10,501. Further on January 21, 2004 also, Mr. Ramesh Chandra Jain and Mr. Viral V Mewada had sold 36,746 and 6,350 shares, respectively. Mr. Ramesh Chandra Jain, who sold 1,180,00 shares of the

company through the stock broker, Ramaben Samani Finance (P) Ltd. and 37,446 shares through the stock broker, Pilot Credit Capital Ltd was the major net seller in the scrip. This client had received 2,08,000 shares in an off-market transaction from Mr. Hari Ballabh Aggarwal on January 1, 2004. These shares were transferred by Mr. Anil Patel to Mr. Hari Ballabh Aggarwal on behalf of Mr. Atul Shah as per his plan. Shares were also given to Mr. Viral V Mewada on behalf of Atul Shah as per his plan.

21. The DA has found that the trading in the scrip was not supported by the fundamentals of the company at all. The company came out with the false positive results along with the false disclosures to defraud and to the detriment of the interest of the innocent investors. Before the declaration of the results and false disclosures, the noticee, its clients and Smt. Bela created artificial market in the scrip transferring or circulating the shares amongst themselves. Price of the scrip was increased by establishing and maintaining the price by the noticee, its clients and Smt. Bela. And at last, Parshwa Group (including Mr. Ramesh Chandra Jain, who received 2,10,000 shares from Mr. Hari Ballabh Aggarwal through off market transaction) were able to off-load the shares at the time when the company declared its false results and disclosures.

22. The DA has also found that Parshwa Group was aware of the fact that the company would be coming out with the false disclosures to off-load the shares of the company to the innocent investors. That is why members of Parshwa Group were not selling their holdings till January 19, 2004 and were only trying to provide artificial liquidity and increasing the price of the scrip in the process. The DA has also found that in order to facilitate this off-loading of shares of the company, Parshwa Group had already created environment wherein the investors could be misled into believing that the company is really on the growth path and there was investors' interest in the scrip.

23. I do not find any material to differ from the findings of the Designated Authority with regard to relation/connection between the noticee, Smt. Bela, Mr. Ramesh Chandra Jain, Mr. Hari Ballabh Aggarwal, Mr. Viral V. Mewada, Mr. Dinesh K. Patel, Charmi Investments, Mr. Jayantilal A Patel, Mr. Ashit R Shah, Mr. Nirav M Shah, and Mr. Ketan S Shah. I further note that these entities were operating in concert in a group while dealing in the scrip of the company during the investigation period.

24. I note from the Report that during the investigation period the persons related or connected with each other i.e. clients of the noticee and Smt. Bela, were trading among themselves in the scrip on BSE. It has been established that the scrip in question is highly illiquid and is that of a non performing company. It has also been established that the quarterly financial results of the company for the period ending December, 2003 that were filed with BSE on January 19, 2004, contained false disclosures about improvement in performance of the company. The disclosures also falsely projected that Share Incorporation Limited (claimed to be a multinational company which never existed) would buy its 10 lakh shares at ₹ 16 to ₹18 per share though the market price of the scrip at that time was far less than the projected price. It

is also established that the company was not in operation and not functional for last 8 years from the investigation period. Its registered as well as corporate office was seized by banks and financial institutions. It had incurred heavy losses and its entire capital was eroded.

25. From the findings of the DA, it is noted that under a pre- mediated plan/ device, the shares of the company were transferred from its promoter / director through connected entities viz; Mr.Viral V. Mewada, Mr. Ramesh Chandra Jain and Mr. Hari Ballabh Aggarwal to noticee, its clients and Smt. Bela with intent to manipulate the scrip by increasing / maintaining the price of the scrip and thereafter offloading those shares in the market. In order to assist the execution of the plan/device, the Parshwa Group started dealing in the scrip. From December 04, 2003, the noticee traded on BSE and actively assisted other connected entities in their market and off-market deals in the scrip. Many trades during the investigation period between the noticee's clients were executed from the terminals of the noticee and all the trading were amongst the connected entities in a concerted manner.

26. It is noted that the Parshwa Group consisting of noticee and above mentioned connected entities started trading in the scrip on December 04, 2003 at a price of ₹4.32 per share. Prior to the trade of the Parshwa Group on December 04, 2003, the scrip was last traded on October 21, 2003 at a price of ₹4.54 per share. The price of the scrip had sharply increased from ₹4.32 on December 04, 2003 to ₹11 on January 05, 2004. The trades of the connected entities, viz; noticee, its client and Smt. Bela during this period, created trading interest in the scrip and increased its price.

27. On many trading days the connected clients of the noticee were trading with each other or Smt. Bela in order to maintain the scrip price and to create artificial liquidity in the scrip. During this period, the noticee, its clients and Smt. Bela executed circular and synchronized trades to create artificial volume and thereby created interest of common investors in the scrip of the company.

28. The trading in the scrip was not supported by the fundamentals and the performance of the company instead the noticee, its client and Smt. Bela created artificial market in the scrip by transferring the shares amongst themselves. When the scrip price started falling from January 06, 2004 to January 16, 2004, the noticee, its client and Smt. Bela were not trading in the scrip. This indicates that the price of the scrip was not sustainable without the trading support of the noticee, its client and Smt. Bela.

29. The interest of common investors was further sought to be evinced by false and misleading disclosures by the company on January 19, 2004 when it filed its un-audited quarterly financial result with BSE. Pursuant to this, the price of the scrip again started increasing. On January 19, 2004 also, the noticee's client Mr. Dinesh K. Patel and Smt. Bela indulged in synchronized transactions in order to give impression of trading in the scrip and to maintain its price. Thereafter, the Parshwa Group (the noticee, its clients and connected entities) off-loaded their shares in the market on and after January 20, 2004.

30. I note that during the investigation period, total traded volume in the scrip on BSE was 5,22,071. During the investigation period, the noticee and its clients had bought 1,39,146 shares (26.65% of the total traded volume) and sold 1,47,125 shares (28.18% of the total traded volume) of the company, on the stock exchange. In addition, Smt. Bela had bought 30, 500 shares and sold 72,999 shares, on the stock exchange. Further Mr. Ramesh C Jain bought 9000 shares and sold 1,55,446 shares of the company through off-market transitions. Thus, the Parshwa Group bought total 1,78,646 shares and sold total 3,75,570 shares. Consequently, Parshwa Group was able to net sell/ offload 1,96,924 shares of the company through market and off -market transactions during the investigation period.

31. I find that the trades of the noticee as found in the Report are established. It is very clear that the large number of trades of noticee's clients and Smt. Bela as described in the Report were done to create artificial volume and to artificially raise the price of the scrip. I also find that dealing of the noticee and its connected entities created false and misleading appearance of trading in the securities market thereby inducing the sale or purchase of the shares of the company. Under the entire plan/device ultimately, the Parshwa Group (the noticee, its clients and connected entities) off-loaded their shares of highly illiquid scrip to the gullible investors. From the facts and circumstances of the matter I, find that the noticee, its clients and connected entities have acted in concert and dealt in the scrip of the company in manipulative manner.

32. It is established that without active involvement of the noticee this fraudulent design could not have been successful. I, therefore, agree with the findings and observations of the Designated Authority as found in his Report that the noticee has violated the provisions of regulation 3(a), (b), (c), (d) and 4(1), 4(2) (a), (b) & (e) of PFUTP Regulations, 2003 and Clause D(4) and (5) of the Code of Conduct for sub brokers specified in Schedule II read with regulation 15 of the Stock Brokers Regulations.

33. I am of the view that the trades/conduct of business by the noticee as found in the Reports of the Designated Authorities pose threat to the market integrity and orderly development of the securities market. The devices/artifices and practises adopted and employed by the noticee as found hereinabove are definitely not conducive to the market discipline. In my view, the practices that interfere with price and order matching mechanism and upset the price discovery by tilting the balance in favour of a group of persons as found in the above cases by the DAs are abhorrent market practices and need to be curbed and the persons involved in such practices need to be dealt with strictly as they pose threat to the integrity of the market. In my view, the penalties recommended by the Designated Authorities in the respective case, are not commensurate with the contraventions of the noticee as found by them in their respective Reports. I note that in the scheme of the market regulations, significant responsibilities are entrusted upon the registered intermediaries to maintain market integrity thereby enhancing their role and obligation with regard to protection of investors' interests. The regulations

mandate that all market intermediaries to maintain high standards of integrity, promptitude and fairness in the conduct of their business besides exercising due skill and care. The Stock Brokers Regulations also obligate the sub-brokers to not to indulge in dishonourable, disgraceful or disorderly or improper conduct on the stock exchange and not to wilfully obstruct the business of the stock exchange. Further, they should comply with the rules, bye-laws and regulations of the stock exchange and should not indulge in manipulative, fraudulent or deceptive transactions or schemes and in creation of false market or in any act that is detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. Having such duties and obligations imposed upon the noticee by the law, the noticee being a registered intermediary was expected to exercise more diligence and care and maintain higher standards of integrity than any common investor or trader and should not have indulged in the activities that are prohibited under the PFUTP Regulations, 1995 and PFUTP Regulations, 2003. However, the noticee had deliberately indulged in those prohibited activities as found hereinabove in both the cases and has also failed to observe compliance with obligations entrusted upon it under the Stock Brokers regulations.

34. I note that such indulgence and contravention by the noticee is not a solitary instance and the noticee has been found guilty contravening the provisions of the PFUTP Regulations and other regulations in the past. I note from Annexure to the SSCNs that SEBI had taken enforcement actions against the noticee 15 times in the past as described in the following Table:-

Table- Actions taken against the noticee in the past

Sr. no.	**Name of the Case**	**Action Taken against the noticee**	**Date of order**
1.	MOH Granites Limited.	Monetary Penalty of ₹500000	23-Dec-04
2.	Design Auto Systems Ltd.	Restrained from accessing the securities market and also prohibited from buying, selling or dealing in securities either directly or indirectly for a period of six months.	8-Nov-07
3.	Shalibhadra Infosec Ltd.	Restrained from buying, selling or otherwise dealing in securities for a period of one year in the proprietary account	14-Feb-08
4.	Ojas Technochem Products Ltd.	Warned to be careful and cautious in future while dealing with the clients.	16-May-08
5.	Manna Glass Industries Ltd.	Prohibited from associating with any corporate body from buying, selling or dealing in securities, directly or indirectly for a period of one year.	23-Oct-08

6.	Accurate Exports Ltd.	Censure	9-Jan-09
7.	SAWAACA Communications LTd.	Prohibited from associating with any corporate body from buying, selling or dealing in securities, directly or indirectly for a period of one year.	13-Jan-09
8.	Havell India Limited	Monetary Penalty of ₹100000	20-May-09
9.	Oasis Media Matrix Ltd.	Restrained from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of six months.	16-Nov-09
10.	Stocknet International	Restrained from accessing the securities market and further prohibit from buying, selling or otherwise dealing in securities, either directly or indirectly for a period of three months.	28-Jan-10
11.	TASC Pharmaceuticals Ltd.	Monetary Penalty of ₹300000	31-Mar-10
12.	Ind Swift Ltd	Monetary Penalty of ₹125000	30-Sep-10
13.	KRBL Ltd	Monetary Penalty of ₹800000	28-Oct-10
14.	Softrack Technology Exports	Certificate of registration suspended for 3 months	26-Apr-12
15.	SAARC Net Ltd.	Certificate of registration suspended for 3 months	11-May-12

35. I, therefore, find that the noticee is a repeated defaulter. Taking into account the facts and circumstances of the cases dealt with hereinabove and the above factors, in my view, the cancellation of certificate of registration of the noticee would be commensurate with the contraventions found in the respective Reports of the Designated Authorities.

36. Considering the past and present conduct of the noticee, it also needs to be examined whether the noticee is a fit and proper person to continue as a sub-broker as alleged in the SSCNs. I note that for determining whether the noticee is a *'fit and proper'* person or not, the criteria specified in Schedule II of the Intermediaries Regulations has to be taken into account. Schedule II provides an inclusive criteria in the following words:-

"Criteria for determining a 'fit and proper person'

For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer and the key management persons by whatever name called –

(a) integrity, reputation and character;
(b) absence of convictions and restraint orders;
(c) competence including financial solvency and networth."

37. In my view, the requirement with regard to compliance of *'fit and proper'* criteria provided in

Schedule II of the Intermediaries Regulations is '*sine qua non*' for the continuance of registration of any intermediary including a sub-broker. I note that Schedule II prescribes the principle based criteria and lists factors like integrity, reputation and character, absence of conviction, restraint orders, competence including financial solvency and networth. It clearly includes past enforcement actions and conduct of the noticee.

38. The fact that the allegation in respect of the noticee in both the matters has been established and that in the past also the noticee has been found to have violated SEBI Regulations several times, in my view, show badly on integrity, reputation and character of the noticee. I also note that being SEBI registered intermediary, the noticee had not cared to respond to the notices issued in this proceedings and has chosen to keep itself away from these proceedings. I am of the view that the noticee cannot be treated as *'fit and proper person'* within the benchmark prescribed in Schedule II of the Intermediaries Regulations, 2008. I, therefore, find that the Noticee is not a '*fit and proper person*' for continuance of certificate of registration as a sub-broker and its certificate of registration should be cancelled for this reason also.

39. In view of the above facts and circumstances, the Noticee is liable for action under section 12(3) of the SEBI Act, regulations 23 and 27 of the Stock Brokers Regulations, regulation 13 of the PFUTP Regulations 1995 and regulation 12 and regulation 13 of the PFUTP Regulations, 2003 read with regulations 23, 27, 28 and 38 of the Intermediaries Regulations.

40. I, therefore, in exercise of powers conferred upon me under section 19 read with section 12(3) of the Securities and Exchange Board of India Act, 1992, read with regulation 13 of the PFUTP Regulations , 1995 , regulation 12 of the PFUTP Regulations, 2003 and regulation 28(2) of the SEBI (Intermediaries) Regulations, 2008, hereby cancel the certificate of registration of the noticee i.e., M/s Shri Parshwa Finance, Proprietor, Shri Piyush Jhaveri having SEBI Registration number (INS020909615) a sub-broker affiliated to the stock broker, Jyotish Bhogilal Stock Brokers Pvt. Ltd. (SEBI Registration number. INB 020916813), a member of the Ahmedabad Exchange Limited.

41. A copy of this Order shall also be served upon Jyotish Bhogilal Stock Brokers Pvt. Ltd. of which M/s Shri Parshwa Finance is a sub broker and to the Ahmedabad Stock Exchange Limited for necessary action.

42. This Order shall come into force immediately on the expiry of 21 days from the date of this Order.

Date: March 25th, 2013
Place: Mumbai

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA