

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

ORDER

Under section 12(3) of the SEBI Act, 1992 and regulation 28(2) of the SEBI (Intermediaries) Regulations, 2008 against Deepak C. Dalal (Trade Name: Chandravadan J. Dalal) - A stock broker, BSE (SEBI Registration No. INB011238715)

In the matter of Temptation Foods Limited, Bang Overseas Limited, Confidence Petroleum India Limited, Cals Refineries Limited and Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited)

Appearances:

For Noticee Mr. Deepak C. Dalal

For SEBI:

Mr. Santosh Kumar Shukla, Joint Legal Adviser
Mr. Sharad Krishna Sharma, General Manager
Mr. Siddhesh Lotlikar, Assistant General Manager, and

1. Securities and Exchange Board of India (SEBI) during routine market surveillance observed synchronized deals in the scrips of Temptation Foods Limited (*'Temptation'*), Bang Overseas Limited (*'Bang'*), Confidence Petroleum India Limited (*'Confidence'*), Cals Refineries Limited (*'Cals'*) and Shree Precoated Steels Limited (*'SPSL'*) (presently known as Ajmera Realty & Infra India Limited). These scrips, hereinafter, have been collectively referred to as *'five scrips'*. It was observed that a group of related/connected clients were having unusual large trading concentration in said *five scrips*. SEBI, therefore, conducted investigation into the trading in the aforesaid *five scrips* for the following periods-

- (a) *'Temptation'*- for the period August 01, 2007 to February 28, 2009,
- (b) *'Bang'* - for the period March 01, 2008 to February 28, 2009,
- (c) *'Confidence'*- for the period January 01, 2008 to February 28, 2009,
- (d) *'Cals'* - for the period June 01, 2008 to February 28, 2009; and
- (e) *'SPSL'* -for the period October 01, 2007 to February 29, 2008.

2. The investigation revealed that a group of related/connected clients including Chandra Financial Services P. Ltd. (*'Chandra'*), Kundan Leasing & Finvest P. Ltd. (*'Kundan'*), Jay Investrade P. Ltd. (*'Jay'*), HSM Financial Services P. Ltd. (*'HSM'*), Shanti Financial Services P. Ltd. (*'Shanti'*) and Mr. Harsh Shirish Maniar and Mr. Jay Shirish Maniar who are directors in these companies (hereinafter collectively referred to as *'Maniar group'*), Maruti Securities Ltd. (*'Maruti'*) and Acme Craft P. Ltd. (*'Acme'*) (hereinafter referred to as *'connected clients'*) had

dealt in the said *five scrips* during the relevant investigation periods and they had traded amongst themselves and contributed significantly to the market volumes of the said *five scrips*. A number of trades executed by them were synchronised/fictitious/manipulative in nature. Mr. Deepak C. Dalal Proprietor of M/s Chandravadan J. Dalal ('CJ Dalal'), a stock broker and member of the Bombay Stock Exchange Ltd. ('BSE') having SEBI registration No. INB011238715, had traded on behalf of some of those *connected clients* in the said *five scrips* during the relevant investigation periods. The clients of CJ Dalal ('the Noticee') were also clients of other stock brokers namely; Krishvi Securities Pvt. Ltd. ('Krishvi') and Lalkar Securities Pvt. Ltd. ('Lalkar').

3. Based on the findings of the investigation, SEBI initiated proceedings under SEBI (Intermediaries) Regulations, 2008 ('*Intermediaries Regulations*') against the Noticee and appointed the Designated Authority ('DA') to enquire into the alleged violation of the provisions of section 12A (a), (b) and (c) of the SEBI Act ('the Act') read with regulations 3 (a) to (d), 4 (1), (2) (a), (b), (e), (g) & (n) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 ('*PFUTP Regulations*'), clauses A(1) to (5) of the Code of Conduct for stock brokers specified under Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 ('*Stock Brokers Regulations*') and rule 8(1) (f) of the Securities Contracts (Regulation) Rules, 1992 ('*SCRR*').
4. The DA conducted proceedings to enquire into the allegations that the Noticee, alongwith/in collusion with *Krishvi* and *Lalkar* and its '*connected clients*', had indulged into or aided/abetted its clients in executing synchronized/circular/fictitious/manipulative trades in order to artificially create volumes/price in the said *five scrips*. The names of those '*connected clients*' and relevant factors/details on the basis of which the relation/connection amongst them was alleged was also provided by the DA to the Noticee alongwith the notice dated November 11, 2011. After completion of the proceedings, the DA submitted the Report dated August 28, 2012 ('the Report') in terms of regulation 27 of the Intermediaries Regulations.
5. In the Report, the DA *inter alia* found that the Noticee is related/connected to the counter party stock broker, *Krishvi*. Further, he failed to exercise due care, skill, diligence, etc. and assisted/abetted some of the '*connected clients*' while trading/dealing in the scrips of *Temptation*, *Bang*, *Confidence* and *Cals* with an intent to artificially raise the volume of the scrips by way of manipulative trade practices and thereby violated section 12A (a), (b) and (c) of the SEBI Act ('the Act') read with regulations 3 (a), (b), (c) & (d), 4 (1), (2) (a), (b), (e), (g) & (n) of the PFUTP Regulations, clauses A(1), (2), (3), (4) & (5) of the Code of Conduct for stock brokers specified under Schedule II read with regulation 7 of the Stock Brokers Regulations. The DA recommended that the certificate of registration of the Noticee be suspended for a period of 15 days.

6. After considering the Report, a show cause notice (SCN) dated October 4, 2012 under regulation 28 of the Intermediaries Regulations was issued to the Noticee calling upon him to show cause as to why a penalty as recommended by the DA or as deemed fit by the Board should not be imposed on him. A copy of the Report was also forwarded to the Noticee alongwith the SCN. The Noticee replied to the SCN vide its letter dated October 29, 2012 and requested for an opportunity of personal hearing which was granted to it on December 13, 2012. The noticee appeared on the scheduled date and made submissions. The Noticee, vide letter dated December 18, 2012, also filed his written submissions. The submissions of the Noticee *inter alia* are as under:-

- a. It is denied that Krishvi and the Noticee are sister concern on the basis that Ms. Anita Deepak Dalal, erstwhile director of *Krishvi* is his wife.
- b. The Noticee has never carried out any proprietary trades. All the trades carried out through him were for his clients backed up with appropriate deliveries and payment obligations.
- c. There was nothing to substantiate the allegation of price manipulation against him.
- d. The DA has confirmed that the trades of the Noticee executed in the respective scrips under post closing session were not synchronized/manipulated.
- e. The Noticee was just following client's instruction and it would be impossible for him as a broker to know the counter party broker or client.
- f. Since *Lalkar*, being counter party for majority of the transactions of the Noticee, had been exonerated vide order dated October 9, 2012, the Noticee should also be exonerated.
- g. The Noticee has not violated the Code of Conduct and, therefore, no suspension of Certificate of Registration be levied against him. At the most he may be let off with a warning.
- h. With regard to findings of the DA on its transactions in the respective scrips, the Noticee has *inter alia* made following submissions:-

A. With regard to the scrip of *Temptation*:

- i. The Noticee has contended that the trades executed for the connected client *Chandra* on November 7, 2008 which are alleged to have been synchronized / manipulative by DA were executed in the post closing session. With regard to such trades in the scrip of Bang, the DA in para 32 of the Report, has also observed that the trades executed in the post closing session cannot lead to the conclusion that the same are synchronized / manipulative.
- ii. As observed in the Report, the Noticee has not indulged in circular trading in this scrip.
- iii. The Noticee has submitted that on July 2, 2008 he bought 1,00,000 shares for *Maruti* which was matched by the sell orders of 3 brokers, namely *Lalkar* for 99,350 shares,

MTL Share Broker for 500 shares and *B. D. Shroff* for 150 shares. On July 4, 2008 he had two distinct clients i.e. *Maruti* and *Chandra*. *Maruti* wanted to sell and *Chandra* wanted to buy. As *Maruti* had bought these shares couple of days before the Noticee had no reason to doubt its intention.

- iv. The Noticee never indulged in synchronised, circular or reversal trades in the scrip as alleged in para 47 of the Report.

B. With regard to the scrip of *Bang*:

- i. According to the Noticee it is very evident that *Lalkar* was involved in 50% of the trades and trading days but the DA has failed to observe the presence of other brokers. The DA has failed to note that, the Noticee was only the buying broker in all the trades except on one day.
- ii. Para 32 of the Report states that the trades executed by him in the post closing session are neither manipulative nor synchronized.
- iii. Para 33 of the Report which deals with circular trades, the Noticee was only the buying broker and that it would be impossible to know the counter party broker or its respective client. The Noticee was just following the client's instructions.
- iv. Para. 34 of the Report refers to 36 days of trades, out of which on 13 days counter party broker is not *Krishvi*. On 8 days the counter party broker is *Lalkar*. Thus, other brokers were also appearing as counter-party brokers.

C. With regard to the scrip of Confidence:

- i. In respect of the allegation of circular trading, it is submitted that the Noticee was merely following the instructions of the clients and was mostly the buying broker in all the trades. He requests to be treated on same parance of *Lalkar* and be exonerated from the said allegations accordingly.
- ii. The DA has observed that the Noticee has not indulged in synchronized trading and the trades that were executed in the post closing session are not synchronized / manipulative.

D. With regard to the scrip of Cals:

- i. The Report alleges that huge quantities of shares of *Cals* were traded among the *connected clients* through him, *Krishvi* and *Lalkar*. However, *Lalkar* was let off. It is reiterated that if one party accused of synchronized trading is let off then the other party may not be incriminated on the same transactions and ground since the allegation itself may not hold any ground.
- ii. As regards the trade executed on September 10, 2008 that were alleged to be synchronized, he had two distinct clients of which one wanted to sell (*Kundan*) and one wanted to buy (*Maruti*). As *Kundan* had bought these shares on September 01, 2008 he had no reason to doubt their intention.

- iii. As regards the allegation that the Noticee and *Krishvi* were the only stock brokers involved in the trades, the Noticee submits that the trades were executed with other stock brokers as well. Therefore, the allegations that the Noticee abetted the clients and was deemed to be aware of the intentions of the clients in dealing in the scrip does not hold good.

E. With regard to the scrip of SPSL: In respect of the allegations that he had indulged in manipulative trades i.e. reversal transactions with the intent to create artificial volumes in the scrip, he has been given benefit of doubt in the Report and the charges are not proved against him.

7. In respect of allegation of violation of Rule (8) (1)(f) of SCRR, the DA in its Report has observed that the Noticee is not liable for the said violation.
8. The Noticee has also submitted that the Report even for sake of assumptions appears to be more of an advisory nature wherein they have been advised to be more diligent in future. Therefore, suspension of Certificate of Registration for 15 days as enunciated in the Report would be too harsh on a broker like him.
9. I have carefully considered the Report, SCN, the replies and submissions of the Noticee and relevant material available on record. I note that during the preliminary investigation, certain '*connected clients*' including the entities of *Maniar group*, *Maruti* and *Acme* were found to be having large trading concentration in the above said *five scrips* and a substantial portion of their trading amongst themselves in synchronized nature was found to have contributed to the increase in the market volume in the respective scrips during the relevant investigation period. In view of the same, SEBI vide an *ad interim ex-parte* order dated June 04, 2009 restrained those '*connected clients*' from accessing the securities market and further prohibited them from buying, selling or dealing in the securities market, directly or indirectly, till further directions. The *ad-interim* order dated June 04, 2009 was confirmed vide orders dated September 18, 2009, September 30, 2009 and September 30, 2009 in respect of *Maniar group*, *Maruti* and *Acme*, respectively. While the proceedings commenced against *Maniar group* and *Maruti* pursuant to the said interim order have culminated in the final order dated September 25, 2012, the proceedings against *Acme* are pending.
10. On completion of the investigations, it was also revealed that Ms. Anita Deepak Dalal, director of *Krishvi* and wife of the Noticee was involved in creating artificial volumes in the scrips of '*Bang*', '*Confidence*' and '*Cals*' during the relevant investigation period. The separate proceedings initiated against Ms. Anita Dalal have also being concluded by an order dated September 25, 2012. I note that in the appeal no. 211/2012 filed by Ms. Anita Dalal, Hon'ble SAT, vide order dated December 03, 2012 upheld the findings of the impugned order dated September 25, 2012 but reduced the period of restraint to 3 months as against 18 months.

11. There is no dispute that *Chandra, Jay* and *Kundan* (i.e. the entities belonging to *Maniar group*), *Maruti* and *Acme* had traded in the *five scrips* during the relevant investigation period through the Noticee. I note that Mr. Harsh Shirish Maniar and Mr. Jay Shirish Maniar are the only directors in *Chandra, Kundan* and *Jay* and these companies have common address at Achal Bhuvan, 3rd floor, 21 Modi Street, Fort, Mumbai. Thus, they are connected to each other. Further, *Maniar group, Maruti* and *Acme* had financial dealings and 'off-market' transfer of shares with each other leading to the credence that they were connected to each other. I note that for the trades executed by the Noticee for these entities the counter parties were from amongst the '*connected clients*' who placed orders through *Krishvi* and *Lalkar*. The Noticee and *Krishvi* both are members of BSE. Ms. Anita Deepak Dalal, a director of *Krishvi* is wife of Mr. Deepak C. Dalal, proprietor of the Noticee during the relevant period. Further, the Noticee has trading terminals at two places i.e. at 18-B, Raja Bahadur Mansion, 8 Hamam Street, Fort Mumbai – 400001 and 408, Maker Chamber V, 221, Nariman Point, Mumbai – 400020. While *Krishvi* has its trading terminal at 407, Maker Chamber V, 221, Nariman Point, Mumbai – 400021, as evident from the contract note issued by *Krishvi* to its client i.e., Rakhi Trading P. Ltd., *Krishvi* was doing its business at the addresses where the trading terminals of the Noticee were located. In view of these facts, it can be safely inferred that the Noticee and *Krishvi* are connected to each other. I, therefore, agree with the findings of the DA that the Noticee and *Krishvi* are connected to each other.
12. I note that there is no material on record to suggest connection/relation of *Lalkar* with the '*connected clients*' and the counter party stock brokers. The facts and circumstances and pattern of transactions as examined in the order dated October 09, 2012 in respect of *Lalkar* do not suggest such connection/relation. In the present matter the transactions under examination are those transactions where the counterparty brokers are only the Noticee and *Krishvi* who, as noted above, are connected with each other. Moreover, the trades done by *Lalkar* which were examined in the order dated October 09, 2012 were only sell orders and are miniscule as compared to the number of transactions done by the Noticee alongwith *Krishvi* in the current matter. In view of these facts, I do not agree with the contention of the Noticee that since *Lalkar*, being a counter party broker to Noticee's trades, has been exonerated, the Noticee should also be treated on the same parlance and be exonerated and hold that the present case has to be examined from its own facts and circumstances which are substantially different from the facts and circumstances examined in the order dated October 09, 2012 in respect of *Lalkar*.
13. I, now, proceed to examine those trades of the Noticee (executed by it during the investigation period of the respective scrip) which are the basis of the findings of the DA that the Noticee has failed to exercise due care, skill, diligence, etc. and also assisted/abetted some of the '*connected clients*' while trading/dealing in the above mentioned *five scrips* with intent to artificially raise the volume of those scrips. I note that there is no dispute as to the

details of the trades of the Noticee as described in the SCN. However, the Noticee has made certain specific submissions with regard to its trades in the said *five scrips* which are *inter alia* mentioned hereinabove. I proceed to deal with contentions of the Noticee in the following paragraphs.

Trading in the scrip of Temptation

14. I note that on November 07, 2008 in the post closing session *Acme* (through *Krishvi*) placed a sell order for 8,500 shares of '*Temptation*' which matched with 182 buy orders of *Chandra* wherein *Chandra* trading through the Noticee continuously placed the substantial number (182) of buy orders for one share and more, repeatedly. These trades were executed by the Noticee at the same price with the same counter party '*connected clients*' in synchronized manner within a span of 18 minutes during 15:40:16 to 15:59:38.
15. The pattern of trading in this case, wherein the trades happened at the same price with the same counter party '*connected clients*' through the connected stock brokers within a span of 18 minutes at the same price though after the closing hours was synchronized, abnormal and non-genuine. I note that in para. 32 of the Report, the DA has considered certain facts specific to the trades of the Noticee in the scrip of *Bang*. The DA has further relied upon the submissions of the Noticee that during the post closing session of 20 minutes the trading takes place at one price only i.e. the closing price and therefore, the chance of synchronization is more during this period. I find that the observation of DA in para. 32 of his report is quoted by the Noticee out of context. The observations of the DA in that para. 32, in my view, are not conclusive findings that there cannot be synchronization / manipulation through trades in the post closing session. I find that the findings of the DA in said para. 32 are based on other relevant facts and not on the basis that the trades had happened in the post closing session.
16. I note that with regard to the Noticees trades in the scrip of *Temptation*, in para. 44 of the Report the DA has observed that the above trades of the connected clients *Chandra* and *Acme* through the Noticee and *Krishvi* were motivated to artificially raise the volume in the scrip and to create the interest in the scrip. The DA has further found that- "*The fact cannot be ignored that had the broker applied due diligence or had not assisted such kind of multiple trades on a single day, then such kind of synchronized / manipulated trading would not have resulted. I have observed that nature of placing of order by the clients and assistance by the brokers is itself not appears to be fair. Therefore I am of the view that the said trading on November 7, 2008 was fraudulent in nature and meant to artificially raise the volumes in the scrip.*"
17. In view of my above findings and observations, I am unable to accept the argument that there cannot be synchronization and consequent manipulation in volume through trades

after the closing hours as sought to be argued by the Noticee and I agree with the findings of the DA.

18. I, further, note from the Report that the Noticee was also involved in reversal of trades in this scrip as described in the following Table:

Table I - Reversed Trades

Trade Date	Trade No	Trade Rate	Trade Time	Order Time	Order Qty	Order Rate	Buy Client Name	Member Code	Counter Party Member Code	CP Non Client Name	Traded Qty	CP Order Time	CP Order Qty	CP Order Rate	Time Diff	Qty Diff	Rate Diff
2-Jul-08	72	307.80	13:47:32	13:47:31	25000	308.00	Maruti	CJ Dalal	Lalkar	Chandra	25000	13:47:24	25000	307.80	0:00:07	0	0.20
2-Jul-08	104	324.75	14:23:36	14:23:35	25000	324.95	Maruti	CJ Dalal	Lalkar	Chandra	24500	14:23:23	25000	324.75	0:00:12	0	0.20
2-Jul-08	124	323.00	14:58:21	14:58:20	25000	325.00	Maruti	CJ Dalal	Lalkar	Chandra	24850	14:58:07	25000	323.00	0:00:13	0	2.00
2-Jul-08	127	323.75	15:03:40	15:03:38	25000	325.00	Maruti	CJ Dalal	Lalkar	Chandra	25000	15:03:30	25000	323.75	0:00:08	0	1.25
4-Jul-08	44	323.00	12:57:54	12:57:53	100000	323.40	Chandra	CJ Dalal	CJ Dalal	Maruti	100000	12:57:43	100000	323.00	0:00:10	0	0.40

19. I find that on July 2, 2008 the Noticee bought 1 lac shares for *Maruti* out of which 99,350 shares were bought from *Chandra* trading through *Lalkar* in 4 trades. Subsequently, on July 4, 2008 *Maruti* and *Chandra* entered into reversed trades for 1 lac shares where the Noticee was the common broker for them. I also note that these trades appear to be synchronized as there was zero quantity difference and the time difference between placements of buy and sell orders was negligible. Here, I agree with the observation of the DA that the active role of the Noticee in such reversal cannot be ruled out as the Noticee was the common broker for both the clients on July 4, 2008. In view of the above, I agree with the findings of DA that these shares were reversed between two '*connected clients*' with the active assistance of the Noticee and thereby caused artificial volumes in the scrip.

Trading in the scrip of Bang

20. I note that the total market volume, during the investigation period (March 01, 2008 to February 28, 2009) in the scrip of Bang, was 2,65,28,074 shares wherein the top 10 stock brokers contributed 52.22% and 48.41% of the gross purchases and gross sales respectively. The Noticee had the highest concentration of 29.54% and 17.75% of the gross purchases and gross sales respectively. The major counterparty brokers for the buy trades of the Noticee were *Krishvi* (31.40%), *Lalkar* (12.36%) and the Noticee himself (6.33%). Further the major counterparty brokers for his sell trades were *Krishvi* (17.64%), the Noticee himself (10.53%) and SPS Share Brokers P. Ltd. (8.63%) ('SPS'). The Noticee, *Krishvi* and *Lalkar* had mostly traded on behalf of the '*connected clients*'.
21. During the period March 17, 2008 to June 17, 2008 the Noticee had executed a series of synchronized trades as under:

Table II - Synchronised Trades

Trade Date	Trade No	Trade Rate	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Ord Time	Sell Ord Qty	Sell Ord Rate	Time Diff	Qty Diff	Rate Diff
28-Mar-08	876	126.50	11:57:51	11:57:51	5000	126.50	Maruti	CJ Dalal	SPS	Chandra	4552	11:57:43	5000	126.5	0:00:08	0	0.00
28-Mar-08	882	126.50	11:58:46	11:58:45	4000	126.50	Maruti	CJ Dalal	SPS	Chandra	3501	11:58:10	4000	126.5	0:00:35	0	0.00
28-Mar-08	983	126.50	12:44:03	12:43:18	2000	126.50	Maruti	CJ Dalal	SPS	Chandra	1970	12:44:02	2000	126.5	0:00:44	0	0.00
30-Apr-08	1463	217.50	14:59:15	14:59:15	3000	217.50	Maruti	CJ Dalal	Krishvi	Chandra	2806	14:59:09	3000	217.5	0:00:06	0	0.00
9-May-08	1215	224.00	14:42:16	14:41:46	2000	224.00	Maruti	CJ Dalal	SPS	Chandra	53	14:42:16	2000	224	0:00:30	0	0.00
21-May-08	460	245.50	10:39:11	10:39:11	62000	245.50	Maruti	CJ Dalal	CJ Dalal	Kundan	62000	10:39:09	62000	245.5	0:00:01	0	0.00
3-Jun-08	213	241.50	11:01:54	11:01:53	42000	241.50	HSM	CJ Dalal	CJ Dalal	Jay	42000	11:01:52	42000	241.5	0:00:01	0	0.00
6-Jun-08	399	242.75	14:35:39	14:35:36	25000	242.75	Jay	MR Share	CJ Dalal	Maruti	25000	14:35:39	25000	242.75	0:00:03	0	0.00
6-Jun-08	418	243.00	14:53:24	14:53:02	5000	243.00	Kundan	Krishvi	CJ Dalal	Maruti	4896	14:53:24	5000	243	0:00:22	0	0.00
6-Jun-08	419	243.00	14:53:24	14:53:09	5000	243.00	Kundan	Krishvi	CJ Dalal	Maruti	104	14:53:24	5000	243	0:00:15	0	0.00
6-Jun-08	426	243.00	14:53:49	14:53:26	5000	243.00	Kundan	Krishvi	CJ Dalal	Maruti	4850	14:53:49	5000	243	0:00:23	0	0.00
9-Jun-08	844	244.00	15:17:02	15:16:54	1000	244.00	Chandra	CJ Dalal	Krishvi	Kundan	1000	15:17:02	1000	244	0:00:07	0	0.00
9-Jun-08	847	244.50	15:17:17	15:17:09	2000	244.50	Chandra	CJ Dalal	Krishvi	Kundan	2000	15:17:17	2000	244.5	0:00:08	0	0.00
9-Jun-08	849	244.50	15:17:39	15:17:33	2000	244.50	Chandra	CJ Dalal	Krishvi	Kundan	2000	15:17:38	2000	244.5	0:00:05	0	0.00
9-Jun-08	851	244.50	15:17:53	15:17:51	2000	244.50	Chandra	CJ Dalal	Krishvi	Kundan	1000	15:17:43	2000	244.5	0:00:08	0	0.00
9-Jun-08	853	244.25	15:17:55	15:17:42	2000	244.25	Chandra	CJ Dalal	Krishvi	Kundan	1000	15:17:55	2000	244.25	0:00:12	0	0.00
9-Jun-08	854	244.50	15:18:01	15:17:56	2000	244.50	Chandra	CJ Dalal	Krishvi	Kundan	2000	15:18:00	2000	244.5	0:00:05	0	0.00
9-Jun-08	855	244.25	15:18:11	15:17:42	2000	244.25	Chandra	CJ Dalal	Krishvi	Kundan	1000	15:18:10	2000	244.25	0:00:28	0	0.00
9-Jun-08	876	244.25	15:19:23	15:19:22	5000	244.25	Chandra	CJ Dalal	Krishvi	Kundan	1000	15:19:05	5000	244.25	0:00:17	0	0.00
9-Jun-08	887	244.00	15:20:49	15:20:49	7500	244.00	Chandra	CJ Dalal	Krishvi	Kundan	7500	15:20:39	7500	244	0:00:10	0	0.00
11-Jun-08	595	262.50	11:34:35	11:34:33	39919	262.50	Maruti	CJ Dalal	CJ Dalal	Jay	39919	11:34:34	39919	262.5	0:00:01	0	0.00

22. Further, during the period January 1, 2009 and February 28, 2009 the Noticee had executed a series of synchronized trades as under:-

Table III - Synchronised Trades

Trade Date	Trade No	Trade Price	Trade Time	Order Time	Order Qty	Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	CP Order Time	CP Order Qty	CP Order Rate	Time Diff	Qty Diff	Rate Diff
13-01-09	42	124.45	13:55:20	13:55:20	5000	124.45	Acme	CJ Dalal	Lalkar	Chandra	5000	13:55:16	5000	124.45	0:00:04	0	0.00
14-01-09	16	123.25	10:33:51	10:33:50	1	123.25	Jay	CJ Dalal	CJ Dalal	Maruti	1	10:33:43	1	123.25	0:00:08	0	0.00
23-01-09	399	140.50	12:48:05	12:48:05	4000	140.50	Chandra	CJ Dalal	Krishvi	Acme	4000	12:47:58	4000	140.5	0:00:07	0	0.00
23-01-09	1686	150.00	15:03:21	15:03:21	15000	150.00	Kundan	CJ Dalal	Krishvi	Acme	12907	15:03:10	15000	150	0:00:11	0	0.00
23-01-09	1692	150.00	15:03:29	15:03:29	15000	150.00	Kundan	CJ Dalal	Krishvi	Acme	2089	15:03:10	15000	150	0:00:18	0	0.00
23-01-09	1693	150.00	15:03:29	15:03:29	15000	150.00	Kundan	CJ Dalal	Krishvi	Acme	12411	15:03:22	15000	150	0:00:06	0	0.00
02-02-09	249	135.50	13:04:40	13:04:39	6635	135.50	Kundan	CJ Dalal	Krishvi	Jay	6635	13:04:30	6635	135.5	0:00:09	0	0.00
06-02-09	640	143.50	15:15:12	15:15:06	19524	143.50	Kundan	CJ Dalal	Krishvi	Jay	19517	15:15:11	19524	143.5	0:00:05	0	0.00
10-02-09	360	136.25	15:22:59	15:22:59	17324	136.25	Jay	CJ Dalal	Krishvi	Kundan	17324	15:22:59	17324	136.25	0:00:00	0	0.00

23. From the above Table, it is observed that the aforesaid trades were synchronized in terms of price, quantity and time wherein the time difference between buy and sell orders was negligible. For instance, on February 10, 2009 *Krishvi* placed a sell order for 17,324 shares at 15:22:29 hrs; which matched with the buy order of the Noticee in a time difference of 00:00:00 second. It is further noted from the above Table that in almost all the trades the counter-party brokers are the Noticee and its connected entity *Krishvi* except that in 3 trades

SPS was selling broker and Noticee was buying broker and one trade for 5,000 shares where *Lalkar* was selling broker and Noticee was buying broker. Further, there are many instances where the Noticee was selling broker on more than one trading day viz., May 21, 2008, June 03, 2008, June 06, 2008 and June 11, 2008, etc. I, therefore, do not agree with the contentions of the Noticee that in 50% of the trades *Lalkar* was involved and he was appearing only as a buying broker except on one day.

24. In my view, it is not correct to say that the trades in post closing session cannot be synchronized. In this case, the trades described in the above Table which are the basis of charge against the Noticee were not in the post closing session. I, therefore, find contention of the Noticee misplaced.
25. In my view, the frequent and perfect matching of trades among same set of '*connected clients*' especially through two connected stock brokers on either side of the trades cannot be merely a coincidence but were possible due to a pre planned device involving the Noticee so as to create artificial volumes. Such repeated matching of trades on several dates between the connected clients through the connected stock brokers cannot be brushed aside as casual or coincidental. I, therefore, do not find merits in the contention of the Noticee.
26. I also note that the Noticee along with *Krishvi* had indulged in reversed trades in this scrip as under:-

Table IV - Reversed Trades

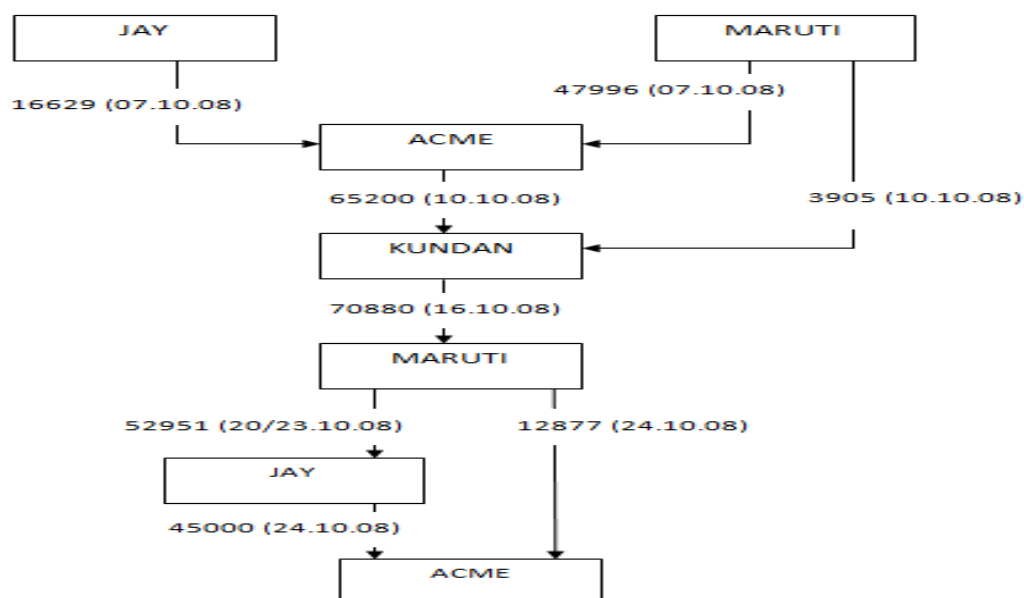
Trade Date	Trade No	Trade Price	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Order Time	Sell Order Qty	Sell Order Rate	Time Diff	Qty Diff	Rate Diff
26-11-2008	9	202.95	15:04:53	15:04:52	53000	203.00	Maruti	CJ Dalal	Krishvi	Kundan	29473	15:04:35	29473	203	0:00:17	23527	0.05
26-11-2008	10	202.95	15:04:53	15:04:52	53000	203.00	Maruti	CJ Dalal	Krishvi	Jay	21000	15:04:46	21000	203	0:00:06	32000	0.05
26-11-2008	12	203.95	15:05:48	15:05:48	2000	204.00	Maruti	CJ Dalal	Krishvi	Chandra	1962	15:05:28	1962	203	0:00:20	38	1.05
28-11-2008	9	208.95	15:04:06	15:04:05	2000	208.95	Jay	CJ Dalal	Krishvi	Maruti	365	15:02:57	365	209	0:01:08	1635	0.00
01-12-2008	4	217.95	15:02:32	15:02:31	52550	218.00	Chandra	CJ Dalal	Krishvi	Maruti	52538	15:02:25	52545	218	0:00:06	5	0.05
01-12-2008	5	217.95	15:02:42	15:02:42	7	217.95	Chandra	CJ Dalal	Krishvi	Maruti	7	15:02:25	52545	218	0:00:16	-52538	0.00

27. From the above Table, it is observed that the *Maniar group* entities sold shares to *Maruti* which was then bought back by the *Maniar group* entities from *Maruti* thereby those trades were reversed. For instance, on November 26, 2008 *Kundan* (29,473 shares), *Jay* (21,000 shares) and *Chandra* (1,962) sold a total of 52,435 shares to *Maruti*. Thereafter, on November 28, 2008 and December 01, 2008 *Maruti* sold 365 and 52545 shares to *Jay* and *Chandra* respectively amounting to 52, 910 shares.
28. I, further, note that the noticee along with *Krishvi* had indulged in circular trades in this scrip as described in the following Tables:-

Table V- Circular Trades during October, 2008

Trade Date	Trade No	Trade Price	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Order Time	Sell Order Qty	Sell Order Rate	Time Diff	Qty Diff	Rate Diff
07-10-2008	39	269.00	16:30:34	16:30:33	10000	269.00	Acme	CJ Dalal	Krishvi	Jay	9625	16:27:58	16629	269	0:02:35	-6629	0.00
07-10-2008	40	269.00	16:30:42	16:30:42	25000	269.00	Acme	CJ Dalal	Krishvi	Jay	7004	16:27:58	16629	269	0:02:43	8371	0.00
07-10-2008	41	269.00	16:30:42	16:30:42	25000	269.00	Acme	CJ Dalal	Krishvi	Maruti	17996	16:28:13	51899	269	0:02:29	-26899	0.00
07-10-2008	42	269.00	16:30:54	16:30:54	10000	269.00	Acme	CJ Dalal	Krishvi	Maruti	10000	16:28:13	51899	269	0:02:41	-41899	0.00
07-10-2008	43	269.00	16:32:00	16:31:59	5000	269.00	Acme	CJ Dalal	Krishvi	Maruti	5000	16:28:13	51899	269	0:03:46	-46899	0.00
07-10-2008	44	269.00	16:33:14	16:33:14	10000	269.00	Acme	CJ Dalal	Krishvi	Maruti	10000	16:28:13	51899	269	0:05:01	-41899	0.00
07-10-2008	45	269.00	16:33:32	16:33:32	5000	269.00	Acme	CJ Dalal	Krishvi	Maruti	5000	16:28:13	51899	269	0:05:19	-46899	0.00
10-10-2008	23	275.00	15:08:28	15:08:28	70000	276.00	Kundan	CJ Dalal	Krishvi	Acme	65200	15:07:57	65200	275	0:00:30	4800	1.00
10-10-2008	24	275.00	15:08:28	15:08:28	70000	276.00	Kundan	CJ Dalal	Krishvi	Maruti	3125	15:08:11	3907	275	0:00:17	66093	1.00
10-10-2008	26	275.00	15:08:56	15:08:56	400	275.00	Kundan	CJ Dalal	Krishvi	Maruti	385	15:08:11	3907	275	0:00:45	-3507	0.00
10-10-2008	29	273.00	15:10:20	15:10:20	500	273.00	Kundan	CJ Dalal	Krishvi	Maruti	395	15:08:11	3907	275	0:02:09	-3407	-2.00
16-10-2008	14	264.95	15:12:48	15:12:48	71000	265.00	Maruti	CJ Dalal	Krishvi	Kundan	68555	15:12:25	70880	264.95	0:00:23	120	0.05
16-10-2008	15	264.95	15:13:06	15:13:05	2000	264.95	Maruti	CJ Dalal	Krishvi	Kundan	2000	15:12:25	70880	264.95	0:00:41	-68880	0.00
16-10-2008	16	264.95	15:13:30	15:13:29	325	264.95	Maruti	CJ Dalal	Krishvi	Kundan	325	15:12:25	70880	264.95	0:01:04	-70555	0.00
20-10-2008	5	239.00	15:54:24	15:54:24	10000	239.00	Jay	CJ Dalal	Krishvi	Maruti	9951	15:40:10	73328	239	0:14:14	-63328	0.00
20-10-2008	6	239.00	15:55:15	15:55:15	10000	239.00	Jay	CJ Dalal	Krishvi	Maruti	10000	15:40:10	73328	239	0:15:05	-63328	0.00
20-10-2008	7	239.00	15:55:34	15:55:34	10000	239.00	Jay	CJ Dalal	Krishvi	Maruti	10000	15:40:10	73328	239	0:15:24	-63328	0.00
20-10-2008	8	239.00	15:56:12	15:56:12	10000	239.00	Jay	CJ Dalal	Krishvi	Maruti	10000	15:40:10	73328	239	0:16:02	-63328	0.00
20-10-2008	9	239.00	15:59:56	15:59:56	5000	239.00	Jay	CJ Dalal	Krishvi	Maruti	5000	15:40:10	73328	239	0:19:46	-68328	0.00
24-10-2008	3	229.95	15:43:42	15:43:42	10000	229.95	Acme	CJ Dalal	Krishvi	Jay	9985	15:42:15	45000	229.95	0:01:26	-35000	0.00
24-10-2008	4	229.95	15:44:01	15:44:00	10000	229.95	Acme	CJ Dalal	Krishvi	Jay	10000	15:42:15	45000	229.95	0:01:45	-35000	0.00
24-10-2008	5	229.95	15:44:15	15:44:15	10000	229.95	Acme	CJ Dalal	Krishvi	Jay	10000	15:42:15	45000	229.95	0:02:00	-35000	0.00
24-10-2008	6	229.95	15:44:30	15:44:30	10000	229.95	Acme	CJ Dalal	Krishvi	Jay	10000	15:42:15	45000	229.95	0:02:14	-35000	0.00
24-10-2008	7	229.95	15:44:59	15:44:59	5000	229.95	Acme	CJ Dalal	Krishvi	Jay	5000	15:42:15	45000	229.95	0:02:43	-40000	0.00
24-10-2008	8	229.95	15:46:16	15:46:16	5000	229.95	Acme	CJ Dalal	Krishvi	Jay	15	15:42:15	45000	229.95	0:04:00	-40000	0.00
24-10-2008	9	229.95	15:46:16	15:46:16	5000	229.95	Acme	CJ Dalal	Krishvi	Maruti	4985	15:42:29	20377	229.95	0:03:46	-15377	0.00
24-10-2008	10	229.95	15:46:33	15:46:33	2500	229.95	Acme	CJ Dalal	Krishvi	Maruti	2500	15:42:29	20377	229.95	0:04:04	-17877	0.00
24-10-2008	11	229.95	15:46:54	15:46:53	2500	229.95	Acme	CJ Dalal	Krishvi	Maruti	2500	15:42:29	20377	229.95	0:04:24	-17877	0.00
24-10-2008	12	229.95	15:47:22	15:47:22	2500	229.95	Acme	CJ Dalal	Krishvi	Maruti	2500	15:42:29	20377	229.95	0:04:53	-17877	0.00
24-10-2008	14	229.95	15:48:55	15:48:54	400	229.95	Acme	CJ Dalal	Krishvi	Maruti	392	15:42:29	20377	229.95	0:06:25	-19977	0.00
24-10-2008	10	229.95	15:46:33	15:46:33	2500	229.95	Acme	CJ Dalal	Krishvi	Maruti	2500	15:42:29	20377	229.95	0:04:04	-17877	0.00

29. The circular trades are pictorially presented as following:-



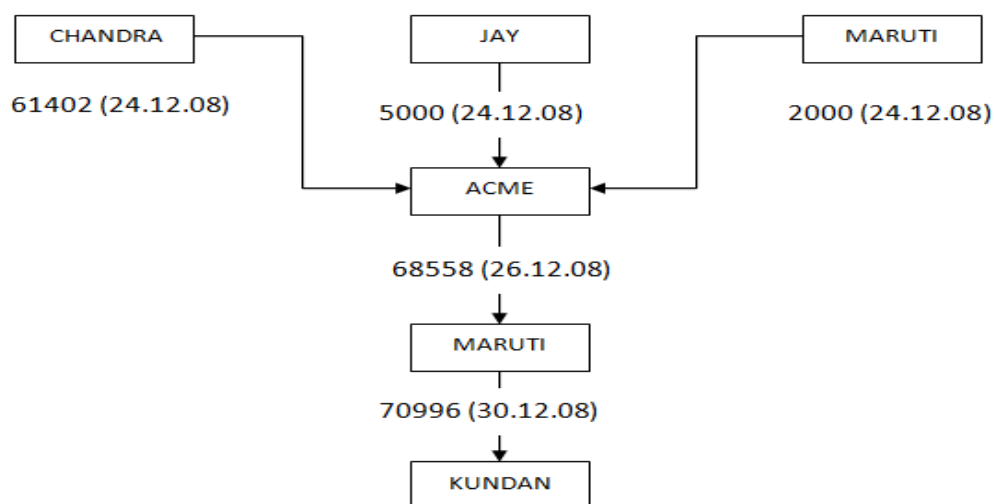
30. From the above, it is noted that in the above circular trades of the 'connected clients', the shares received from *Acme* were transferred back to *Acme* through *Kundan*, *Maruti* and *Jay* in circular

manner. In all these trades the buying broker is the Noticee and the selling broker is its connected entity *Krishvi*.

Table VI - Circular Trades during December, 2008

Trade Date	Trade No	Trade Price	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Order Time	Sell Order Qty	Sell Order Rate	Time Diff	Qty Diff	Rate Diff
24-Dec-08	5	151.95	12:35:52	12:35:52	61500	152.00	Acme	CJ Dalal	Krishvi	Chandra	61399	12:35:28	61402	152.00	0:00:23	98	0.05
24-Dec-08	6	151.95	12:36:04	12:36:04	3	151.95	Acme	CJ Dalal	Krishvi	Chandra	3	12:35:28	61402	152.00	0:00:36	-61399	0.00
24-Dec-08	36	155.50	15:17:23	15:17:23	7000	155.50	Acme	CJ Dalal	Krishvi	Jay	5000	15:17:12	5000	155.50	0:00:10	2000	0.00
24-Dec-08	37	155.50	15:17:23	15:17:23	7000	155.50	Acme	CJ Dalal	Krishvi	Maruti	1945	15:17:20	2000	155.50	0:00:03	5000	0.00
24-Dec-08	38	155.50	15:17:33	15:17:32	55	155.50	Acme	CJ Dalal	Krishvi	Maruti	55	15:17:20	2000	155.50	0:00:12	-1945	0.00
26-Dec-08	45	160.80	15:00:33	15:00:33	25000	161.00	Maruti	CJ Dalal	Krishvi	Acme	23021	14:59:33	68558	160.80	0:01:01	-43558	0.20
26-Dec-08	47	160.80	15:00:43	15:00:43	35000	161.00	Maruti	CJ Dalal	Krishvi	Acme	34500	14:59:33	68558	160.80	0:01:10	-33558	0.20
26-Dec-08	53	160.80	15:01:25	15:01:24	11500	161.00	Maruti	CJ Dalal	Krishvi	Acme	11037	14:59:33	68558	160.80	0:01:52	-57058	0.20
30-Dec-08	62	162.00	15:10:10	15:10:09	75000	162.00	Kundan	CJ Dalal	Krishvi	Maruti	67754	15:03:44	70996	162.00	0:06:26	4004	0.00
30-Dec-08	68	162.00	15:10:22	15:10:22	5000	162.00	Kundan	CJ Dalal	Krishvi	Maruti	3242	15:03:44	70996	162.00	0:06:38	-65996	0.00

31. The above circular trades are pictorially presented as under:-



32. From the above Table and chart, it is noted that in the said circular trades of '*connected clients*' the shares received from *Chandra* (i.e. *Maniar group* entity) were transferred to *Kundan* (another *Maniar group* entity) through *Acme* and *Maruti*.

33. In the facts and circumstances as discussed above, I do not agree with the contention of the Noticee that since it was only the buying counterparty broker to all trades the allegation of circular trades does not hold true against it. I find regular and repeated instances of synchronised reversed and circular trading by '*connected clients*' through the Noticee acting as buying broker and its connected entity *Krishvi* acting as selling broker. Such frequent and repeated synchronised circular and reverse trades of '*connected clients*' through the connected stock brokers as found in this case cannot be a mere coincidence and genuine trading based on the instructions of the clients as sought to be argued by the Noticee. I, therefore, agree

with the findings of the DA that the Noticee had abetted / assisted his clients and thereby indulged in such types of fraudulent trade practices.

Trading in the scrip of Confidence

34. I note that the total quantity traded during the investigation period (January 01, 2008 to February 28, 2009), was 15,27,32,567 shares and the top 10 stock brokers contributed 47.73% and 43.31% of the gross purchases and gross sales respectively. The Noticee had the highest concentration of 20.86% and 11.86% in gross purchases and gross sales respectively. The major counterparty broker for his gross purchases were *Lalkar* (21.55%), *Krishvi* (17.89%) and the Noticee himself (8.30%) and for his gross sales the counterparty broker were the Noticee himself (14.60%), *Krishvi* (6.58%) and BP Equities (5.44%).
35. During the investigation period, the Noticee along with *Krishvi* had indulged in circular trades as discussed in the following Tables and charts:-

Table VII - Circular Trades during October 2008

Trade Date	Trade No	Trade Price	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Order Time	Sell Order Qty	Sell Order Rate	Time Diff
01-10-08	465	12.73	16:04:16	16:04:16	100000	12.73	Kundan	Krishvi	CJ Dalal	Maruti	90649	16:04:01	119700	12.73	00:00:15
07-10-08	216	12.50	15:51:44	15:51:43	500000	12.50	Acme	CJ Dalal	Krishvi	Maruti	178128	15:50:27	178128	12.50	00:01:16
07-10-08	217	12.50	15:51:44	15:51:43	500000	12.50	Acme	CJ Dalal	Krishvi	Kundan	100000	15:50:35	100000	12.50	00:01:08
07-10-08	218	12.50	15:51:44	15:51:43	500000	12.50	Acme	CJ Dalal	Krishvi	Chandra	159321	15:50:45	159321	12.50	00:00:58
14-10-08	281	10.90	15:29:49	15:29:49	550000	11.00	Maruti	CJ Dalal	Krishvi	Acme	533662	15:29:39	542436	10.90	00:00:10
17-10-08	63	9.31	10:42:46	10:42:46	200000	9.31	Kundan	CJ Dalal	Krishvi	Maruti	200000	09:56:03	817062	9.31	00:46:43
17-10-08	388	10.15	15:20:37	15:20:37	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	100000	10:46:33	100000	10.15	04:34:04
17-10-08	389	10.15	15:20:37	15:20:37	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	50000	10:47:43	50000	10.15	04:32:54
17-10-08	404	10.20	15:20:37	15:20:37	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	11823	10:46:51	100000	10.20	04:33:46
17-10-08	430	10.20	15:21:56	15:21:56	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	88175	10:46:51	100000	10.20	04:35:05
17-10-08	431	10.20	15:21:56	15:21:56	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	50000	10:48:04	50000	10.20	04:33:52
17-10-08	443	10.25	15:21:56	15:21:56	500000	10.25	Kundan	CJ Dalal	Krishvi	Maruti	27101	10:47:32	100000	10.25	04:34:24

36. These circular trades are pictorially presented as under:-

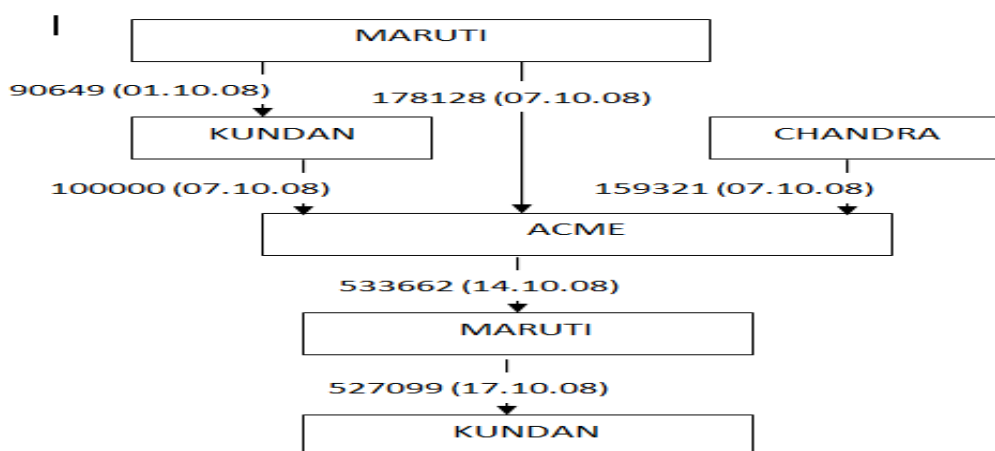
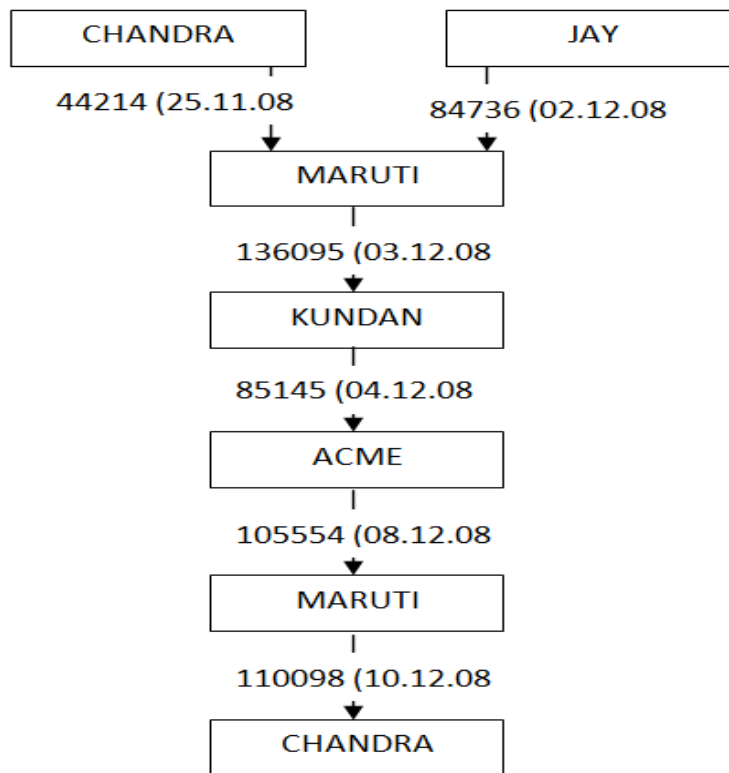


Table VIII- Circular Trades during November / December 2008

Trade Date	Trade No	Trade Price	Trade Time	Buy Order Time	Buy Order Qty	Buy Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Trade Qty	Sell Order Time	Sell Order Qty	Sell Order Rate	Time Diff
25-11-08	463	7.29	15:19:44	15:19:44	50000	7.30	Maruti	CJ Dalal	Krishvi	Chandra	44214	15:16:38	295308	7.45	00:03:06
02-12-08	274	8.39	15:19:58	15:19:57	110000	8.40	Maruti	CJ Dalal	Krishvi	Jay	79446	15:19:51	100000	8.39	00:00:06
02-12-08	320	8.00	15:29:48	15:29:48	5500	8.00	Maruti	CJ Dalal	Krishvi	Jay	5290	15:29:35	100000	8.39	00:00:13
03-12-08	153	7.99	14:53:28	14:53:28	138000	8.00	Kundan	CJ Dalal	Krishvi	Maruti	133695	14:53:14	136000	7.99	00:00:14
03-12-08	154	7.99	14:53:36	14:53:36	2400	7.99	Kundan	CJ Dalal	Krishvi	Maruti	2305	14:53:14	136000	7.99	00:00:22
03-12-08	155	7.99	14:53:40	14:53:36	2400	7.99	Kundan	CJ Dalal	Krishvi	Maruti	95	14:53:39	500	7.99	00:00:03
04-12-08	187	7.80	15:19:43	15:19:42	100000	7.80	Acme	Krishvi	CJ Dalal	Kundan	75453	15:19:38	115000	7.80	00:00:04
04-12-08	227	7.68	15:52:05	15:52:05	9000	7.68	Acme	Krishvi	CJ Dalal	Kundan	8416	15:40:50	9692	7.68	00:11:15
04-12-08	228	7.68	15:52:27	15:52:27	1300	7.68	Acme	Krishvi	CJ Dalal	Kundan	1276	15:40:50	9692	7.68	00:11:37
08-12-08	166	7.49	15:07:05	15:07:05	100000	7.50	Maruti	Krishvi	CJ Dalal	Acme	98054	15:06:28	110000	7.49	00:00:37
08-12-08	168	7.49	15:07:22	15:07:22	10000	7.50	Maruti	Krishvi	CJ Dalal	Acme	7500	15:06:28	110000	7.49	00:00:54
10-12-08	320	7.00	15:50:56	15:50:56	5000	7.00	Chandra	CJ Dalal	Krishvi	Maruti	98	15:40:12	114000	7.00	00:10:44
10-12-08	322	7.00	15:51:37	15:51:37	100000	7.00	Chandra	CJ Dalal	Krishvi	Maruti	100000	15:40:12	114000	7.00	00:11:25

37. The circular trades are pictorially presented as under:-



38. From the above Tables and charts, I observe that the shares received from one of the 'connected clients' is transferred to the said client or another 'connected clients' through circular trades. Thus, a clear pattern of circular trading is observed in these trades as follows $A > B > C > D > A$. I further note that all these circular trades are done by the 'connected clients' through the Noticee and *Krishvi*.

39. From the above circular trades, I find that the Noticee was also selling broker on at least two days viz., December 04, 2008 and December 08, 2008. Therefore, the contention of the Noticee that he was only the buying broker in these trades is incorrect. Even otherwise, such argument cannot be of any help when repeated circular trades are executed by 'connected clients'

through connected stock brokers acting in a league as found in this case. I find that the repeated circular trades as discussed in the Report happened with active role and connivance of the Noticee alongwith *Krishvi* and, therefore, reject the contention of the Noticee that it was merely following the instructions of the clients. I, therefore, agree with the findings of DA with regard to circular trades in this scrip.

Trading in the scrip of Cals

40. I note that the total traded quantity in this scrip during the investigation period (June 01, 2008 to February 28, 2009) was 85,78,47,441 shares and the Noticee and *Krishvi* were amongst the top trading stock brokers in the scrip. The Noticee had highest concentration of 28% in gross purchases and *Krishvi* had highest concentration of 20.13% in gross sales. The major counterparty seller for the purchases of *Krishvi* was the Noticee constituting 64.13% of gross purchases of *Krishvi*. Also, the Noticee was the major counterparty buyer for the sales of *Krishvi* constituting 76.45% of its gross purchases. Further, the Noticee and *Krishvi* had traded amongst themselves for 16,69,78,343 shares in 434 trades in 79 trading days constituting 19.47% of the total traded volumes during the investigation period. I find that these trading members i.e. the Noticee and *Krishvi* had traded for the common clients namely *Maruti*, *Kundan*, *Chandra*, *Jay*, *Acme* and Ms. Anita Deepak Dalal.
41. During the investigation period, the Noticee had indulged in synchronized trades in this scrip in the following manner:-

Table IX- Synchronized trades

Trade Date	Trade No	Trade Rate	Trade Time	Order Time	Order Qty	Order Rate	Buyer Name	Buy Member Name	Sell Member Name	Seller Name	Traded Qty	CP Order Time	CP Order Qty	CP Order Rate	Time Diff	Qty Diff	Rate Diff
9-Jul-08	136	4.19	15:29:59	15:29:52	800000	4.19	Chandra	Krishvi	CJ Dalal	Maruti	796501	15:29:58	800000	4.19	0:00:06	0	0.00
11-Jul-08	254	4.17	15:51:38	15:51:34	300000	4.17	Acme	Krishvi	CJ Dalal	Maruti	299500	15:51:38	300000	4.17	0:00:03	0	0.00
30-Jul-08	248	4.04	15:47:30	15:47:29	600000	4.04	Chandra	Krishvi	CJ Dalal	Maruti	589800	15:47:23	600000	4.04	0:00:06	0	0.00
14-Aug-08	287	3.90	14:21:56	14:21:56	500000	3.90	Kundan	Krishvi	CJ Dalal	Chandra	300251	14:21:35	500000	3.9	0:00:21	0	0.00
14-Aug-08	291	3.90	14:22:01	14:21:56	500000	3.90	Kundan	Krishvi	CJ Dalal	Chandra	199746	14:22:00	500000	3.9	0:00:05	0	0.00
14-Aug-08	315	3.90	14:28:12	14:28:11	100000	3.90	Kundan	Krishvi	CJ Dalal	Chandra	87743	14:28:05	100000	3.9	0:00:06	0	0.00
26-Aug-08	89	3.84	13:32:44	13:32:44	100000	3.84	Jay	CJ Dalal	Krishvi	Maruti	100000	13:32:44	100000	3.84	0:00:00	0	0.00
26-Aug-08	90	3.84	13:32:58	13:32:57	50000	3.84	Jay	CJ Dalal	Krishvi	Maruti	50000	13:32:57	50000	3.84	0:00:00	0	0.00
26-Aug-08	91	3.84	13:33:08	13:33:08	75000	3.84	Jay	CJ Dalal	Krishvi	Maruti	75000	13:33:08	75000	3.84	0:00:00	0	0.00
26-Aug-08	92	3.84	13:33:19	13:33:19	80000	3.84	Jay	CJ Dalal	Krishvi	Maruti	80000	13:33:19	80000	3.84	0:00:00	0	0.00
26-Aug-08	93	3.84	13:33:31	13:33:31	60000	3.84	Jay	CJ Dalal	Krishvi	Maruti	60000	13:33:30	60000	3.84	0:00:01	0	0.00
26-Aug-08	94	3.84	13:33:44	13:33:44	100000	3.84	Jay	CJ Dalal	Krishvi	Maruti	100000	13:33:43	100000	3.84	0:00:01	0	0.00
26-Aug-08	95	3.84	13:33:52	13:33:52	35000	3.84	Jay	CJ Dalal	Krishvi	Maruti	35000	13:33:52	35000	3.84	0:00:00	0	0.00
28-Aug-08	287	3.49	15:17:59	15:17:59	1000000	3.49	Chandra	CJ Dalal	Krishvi	Maruti	1000000	15:17:53	1000000	3.49	0:00:06	0	0.00
10-Sep-08	108	4.16	13:04:29	13:04:28	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	100000	13:04:19	100000	4.16	0:00:09	0	0.00
10-Sep-08	109	4.16	13:04:42	13:04:42	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	100000	13:04:35	100000	4.16	0:00:06	0	0.00

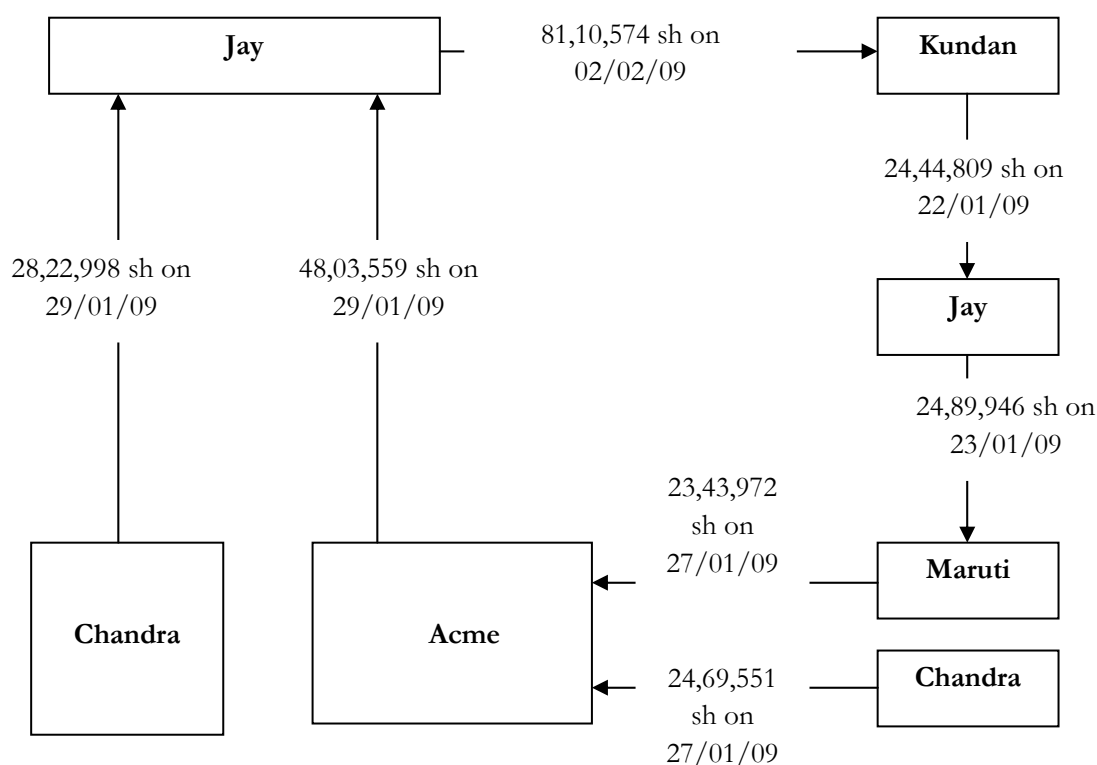
10-Sep-08	110	4.16	13:04:55	13:04:55	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	100000	13:04:48	100000	4.16	0:00:06	0	0.00
10-Sep-08	112	4.16	13:05:08	13:05:08	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	90000	13:05:01	100000	4.16	0:00:07	0	0.00
10-Sep-08	113	4.16	13:05:22	13:05:08	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	10000	13:05:21	100000	4.16	0:00:13	0	0.00
10-Sep-08	114	4.16	13:05:26	13:05:25	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	90000	13:05:21	100000	4.16	0:00:05	0	0.00
10-Sep-08	115	4.16	13:05:38	13:05:25	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	10000	13:05:38	100000	4.16	0:00:13	0	0.00
10-Sep-08	116	4.16	13:05:43	13:05:42	100000	4.16	Maruti	CJ Dalal	CJ Dalal	Kundan	90000	13:05:38	100000	4.16	0:00:04	0	0.00
10-Sep-08	128	4.15	13:08:55	13:08:54	20000	4.15	Maruti	CJ Dalal	CJ Dalal	Kundan	19000	13:08:49	20000	4.15	0:00:05	0	0.00
10-Sep-08	129	4.14	13:09:22	13:09:21	10000	4.14	Maruti	CJ Dalal	CJ Dalal	Kundan	10000	13:09:16	10000	4.14	0:00:06	0	0.00
06-Oct-08	232	5.00	16:11:49	16:11:48	2000000	5.00	Maruti	CJ Dalal	Krishvi	Chandra	1923211	16:11:08	2000000	5.00	0:00:41	0	0.00
22-Jan-09	402	0.67	13:10:11	13:10:11	2500000	0.67	Jay	CJ Dalal	Krishvi	Kundan	2444809	13:09:53	2500000	0.67	0:00:17	0	0.00
16-Feb-09	579	0.52	10:42:45	10:42:45	800000	0.52	Kundan	CJ Dalal	CJ Dalal	Chandra	592083	10:42:33	800000	0.52	0:00:11	0	0.00
19-Feb-09	578	0.44	13:43:39	13:43:39	1100000	0.44	Kundan	CJ Dalal	Krishvi	Chandra	1066850	13:43:27	1100000	0.44	0:00:12	0	0.00
24-Feb-09	569	0.45	12:56:01	12:55:54	500000	0.45	Chandra	CJ Dalal	Krishvi	Acme	240500	12:56:00	500000	0.45	0:00:06	0	0.00
26-Feb-09	18	0.42	10:00:45	10:00:44	2496450	0.42	Jay	CJ Dalal	Krishvi	Chandra	2485940	10:00:45	2496450	0.42	0:00:01	0	0.00
27-Feb-09	102	0.43	10:13:35	10:13:16	1000000	0.43	Chandra	CJ Dalal	Krishvi	Jay	801900	10:13:34	1000000	0.43	0:00:18	0	0.00

42. From the above Table, I note that the difference in the order quantity and order price was zero and difference in time between buy and sell orders was almost negligible, maximum being 41 seconds. These trades are, thus, synchronized with respect to quantity, price and time of trade. I further find that on September 10, 2008, the Noticee was the trading member in both the leg of the transactions placing buy orders for *Maruti* and sell orders for *Kundan* in total 10 trades. These orders were executed from 13:04:29 to 13:09:22 for 6,19,000 shares in ten trades. I find that these 10 trades were clearly cross deals synchronised with respect to quantity, price and time. In this regard, I note that *in the case of GIR Marketing & Trading Co. Pvt. Ltd. vs. SEBI* (Appeal no. 113 of 2011 decided on August 5, 2011)- Hon'ble Securities Appellate Tribunal (SAT) has held that “*cross deals per se are not illegal but the common broker executing the buy and sell orders is not expected to match those orders by putting in orders for the same quantity, at the same price and at the same time*”.
43. I find that the above pattern of synchronised trading by these clients within a period of few seconds only, for huge number of shares, having zero price/quantity difference, through the common and connected stock brokers (i.e., the Noticee and *Krishvi*) establish that the above trades were intentionally placed in the system by the '*connected clients*' with the active involvement of the Noticee and *Krishvi* to artificially raise the volumes in the scrip. The fact that *Kundan* had bought shares on September 1, 2008 and transferred the same later on September 10, 2008 is of no help to the Noticee as these cross trades were synchronized in terms of quantity, price and time with active involvement of the Noticee.
44. During the investigation period, the noticee along with *Krishvi* had indulged in circular trades in this scrip as under:-

Table X - Circular Trades

Trade Date	Buy Client Name	Buy Member Name	Sell Member Name	Sell Client Name	Traded Quantity
22-Jan-09	Jay	CJ Dalal	Krishvi	Kundan	24,44,809
23-Jan-09	Maruti	CJ Dalal	Krishvi	Jay	24,89,946
27-Jan-09	Acme	CJ Dalal	Krishvi	Chandra	24,69,551
27-Jan-09	Acme	CJ Dalal	Krishvi	Maruti	23,43,973
29-Jan-09	Jay	CJ Dalal	Krishvi	Acme	48,03,559
29-Jan-09	Jay	CJ Dalal	Krishvi	Chandra	28,22,998
02-Feb-09	Kundan	CJ Dalal	Krishvi	Jay	81,10,574

45. The above trades can be pictorially presented as under:-



46. From the above Table and chart, I find a clear pattern of circular trading amongst the 'connected clients' and the connected stock brokers i.e. the Noticee and *Krishvi* executing these transactions for them. Such continuous and consistent matching of trades cannot be merely a coincidence.

47. I also note from the table below that *Chandra* and *Kundan* have executed reversed trades where the trading member for these transactions are again the Noticee and *Krishvi*:

Table XI- Reversed Trades

Trade Date	Buy Client Name	Buy Member Name	Sell Member Name	Sell Client Name	Quantity
4-Feb-09	Chandra	CJ Dalal	Krishvi	Kundan	74,14,942
6-Feb-09	Kundan	CJ Dalal	Krishvi	Chandra	65,00,000
10-Feb-09	Chandra	CJ Dalal	Krishvi	Kundan	52,96,814
12-Feb-09	Kundan	CJ Dalal	Krishvi	Chandra	60,00,000

48. I do not agree with the contentions of the Noticee with regard to these trades for the same reason as given with respect to his contentions regarding circular trading in other scrips.
49. With respect to reversal of trades in the scrip of *SPSL*, I note that the DA has observed that the Noticee is not liable for the alleged manipulative trades. I do not find any material to differ with this finding of the DA with regard to trades of the Noticee in the scrip of *SPSL*.
50. I also note that the charge of price manipulation has been alleged against the Noticee only with regard to his trades in the scrip of *Bang*. The DA has exonerated the Noticee from this charge and has found that the Noticee has not violated regulation 4 (2) (b) and (e) of PFUTP Regulations. I do not find any material to differ with this finding of the DA with regard to trades of the Noticee in the scrip of *Bang*.
51. Further, the DA has not found Noticee indulging in fund based activities and violating rule 8(1)(f) of SCRR. There is no evidence on record that suggests otherwise. I, therefore, agree with the findings of the DA in this regard.
52. From the facts and circumstances and trading pattern of the Noticee as described above, I find that the Noticee indulged in several synchronized, reversed and circular trades in the scrips of *Temptation*, *Bang*, *Confidence* and *Cals* for the *connected clients* and Krishvi, its connected entity was counter party in all its trades except its few trades where counter party broker was either *Lalkar* or SPS as discussed hereinabove.
53. I note that in the case of *M/s. Galaxy Broking Ltd. vs. SEBI* (Appeal no. 3 of 2010 dated January 29, 2010) Hon'ble Securities Appellate Tribunal (SAT) held that "*reverse trades happen on the trading system when the client and broker are in league with each other.*" I also agree with the findings of DA that the main motive of circular trades is to create an artificial interest in the scrip with the intent to artificially inflate the volumes thereof. In this regard, I note that in the matter of *Mr. Adolf Pinto v. Adjudicating Officer, SEBI* (Appeal No. 202/2010) decided on 19.01.2011, Hon'ble SAT has held that:-
- "A circular trade is a fictitious trade in which persons forming the circle keep on trading the scrip among themselves without the beneficial ownership being transferred in the traded scrip. Such trades are only meant to create volumes on the trading screen which tend to lure the lay investors who then jump into the fray."*
54. In my view, in such circular trades whether on same day or subsequent days, there is no change of beneficial ownership of shares. Further, since in this case, the shares in question remained with the '*connected clients*' who were acting in concerted manner to create artificial volumes in the respective scrips, the trades cannot be held to be genuine merely because trades were delivery based.

55. Synchronization in market parlance refers to synchronization with regard to price, quantity and time of trades between the two parties. In the screen based order matching system the synchronised trades may occur. However, any attempt to manipulate the price or volume through pre-meditated and coordinated trading between connected parties through synchronized trades would be illegal being covered under the prohibitions of section 12A of the SEBI Act and provisions of regulations 3 and 4 of the PFUTP Regulations. I note that in the matter of *Ketan Parekh vs. Securities and Exchange Board of India* decided on July 14, 2006, Hon'ble SAT held as under-

"A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties....."

56. Further, in *M/s Grishma Securities Pvt. Ltd. Appeal No. 117 of 2006 Date of Decision: 4.08.2010*, Hon'ble SAT held as under-

"Synchronized trades per se are not illegal and they have been sanctified by the respondent Board as per its circular dated September 14, 1999 provided the trades are executed in the manner specified therein. Synchronized trades, however, can be executed with a view to manipulate the price or the volumes of the traded scrip or both or with some other ulterior purpose and whether a synchronized trade has been executed with a manipulative intent or not will have to be gathered from the intention of the parties for which there would seldom be any direct evidence. Their intention will have to be gathered from the surrounding circumstances including the pattern of trading, the frequency of the trades and their volumes, the explanations furnished by the parties and brokers etc."

57. Showing foolproof evidence in such cases would not be possible as the intention of the parties concerned would be within their special knowledge. In the screen based trading the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc. Such intention may be demonstrated from the attending circumstances as observed by Hon'ble SAT in the above mentioned Ketan Parekh case as following :-

"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, ..., the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

58. Thus, when the transactions are undertaken between the connected clients through connected stock brokers repeatedly and continuously involving considerable amount of shares, the intention can be inferred from such pattern of trades. In such transactions the intention is implicit. This view is also supported by the following findings of Hon'ble SAT in *Nirmal Bang Securities (P) Ltd. v. SEBI Appeal No. 54-57/2002* decided on September 12, 2002:

" As the Respondent rightly stated it is too much of a coincidence over too long a period in too many transactions when both parties to the transaction had entered buy and sell orders for the same quantity of shares almost simultaneously. In a synchronized trading intention is implicit."

59. The pattern of the synchronized trading in this case as discussed above and also in the Report, clearly suggests the design of the Noticee and its active involvement in the plan/device and artifice of the '*connected clients*' to create artificial volume and suggest false appearance of trading in the respective scrips. I am unable to accept the argument that there cannot be synchronization and consequent manipulation in volume through trades after the closing hours as sought to be argued by the Noticee. In my view, synchronization of trade with regard to quantity, price and time is possible in the post closing session also though the trades may happen at the same price during the post closing session. In fact, as trading takes place at one price only i.e. the closing price, in the post closing session the chance of synchronization could be more during this period. I note that the DA has not given any conclusive findings in this regard. Therefore, I do not agree with the contentions of the Noticee in this regard.
60. In my view, repeated synchronised, circular and reversal trading among the same set of clients through the connected stock broker in several scrips as found in this case, cannot be a coincidence. Further, such trades cannot happen without the assistance of the stock broker, who places the orders of their clients in such manner and at such time, that the orders are most likely to match in the system. Even if as argued by the Noticee, the trades were delivery based, such pattern of trading cannot be accepted as genuine and legal trading.
61. Considering the aforesaid facts and circumstances and trading pattern of the Noticee in the scrips as described above, I find that the allegations against the Noticee as found in the Report and charged in the SCN are established. In this case, the heavily synchronised, circular/reversed trades among the '*connected clients*' through the Noticee and its connected entity *Krishvi* were with a view to artificially raise the volume of the respective scrips with the active involvement, aid and abetment of the Noticee. In this regard, the following observations of Hon'ble Securities Appellate Tribunal (SAT) in its order dated December 13, 2010 in Appeal no. 190/2010-*Ajmera Associates Ltd. Vs. SEBI* is worth mentioning:

"... It is not in dispute that the trading system that we have on the stock exchanges is a blind trading system which maintains complete anonymity of the persons trading. The broker while executing an order (buy or sell) cannot possibly know at the time of placing the order through the system as to who the counter party is or even the counter party broker. In other words, the trading system does not permit the buyers and the sellers to have any interaction between them except through the trading system. A buy order placed on the system matches with a sell order and a trade comes to be executed and this matching is done by the system on a price time priority basis. Despite the anonymity of the system, we have seen market players and the intermediaries like the brokers executing manipulative trades by defeating the system and this is usually done by placing the buy and sell orders simultaneously for the same amount and at the same price. Such

matching orders usually result in trades in comparatively less liquid scrips. This being the system, it sometimes becomes difficult to find out whether the brokers who execute the trades of their clients and who are expected to carry out their directions are also a party to the mischief. If the broker knew at the time of executing the trade what the client was upto, then obviously he is a party to the mischief. Since the trading system maintains complete anonymity, brokers always plead that they were ignorant about the counter party or his broker. In such a situation one has to look to the trading pattern and if the trades match too often or if the matching of the trades is noticed day after day and trade after trade, one can infer that the matching was done not by the system but by manipulating the same....."

62. With regard to the contentions of the Noticee that its trades were insignificant compared to the market volume and it traded on instructions of the client, I find that Noticee's trades were not on few occasions but were repeatedly and continuously. It was possible because trades were put through the Noticee and its connected stock broker *Krishvi* being counter party stock broker. I note that in the case of appeal filed by Ms. Anita Dalal in respect of Order dated September 25, 2012 passed against her, Hon'ble SAT in its order dated December 03, 2012 held as under:-

"..... The appellant's consistent participation in the synchronized trades along with the group entities has surely contributed to the creation of artificial volumes. The argument of the learned counsel that the appellant's role in the scheme of manipulation has to be viewed in the background of her overall trades does not merit consideration. The relationship of the parties, the continuous and consistent matching of trades and the transactions in the same scrips by all the group entities through a central broker would amply illustrate the game plan of the entities involved."

63. In this case as found in the Report, it was not a case of few shares getting matched but was a process of continuous, periodical and conscious matching in several trades in selective scrips over a period of time. The artificial volumes, in the respective scrips, created through the manipulative and fraudulent trades of the '*connected clients*' with active involvement and aiding / abetting of the Noticee alongwith his connected entity *Krishvi* being the counter party broker is substantial.
64. In view of the forgoing, I find that the Noticee has violated section 12A(a), (b) and (c) of the SEBI Act read with regulations 3 (a), (b), (c) & (d), 4(1), 4(2) (a), (g) & (n) of the PFUTP Regulations, Clause A(1), (2), (3), (4) and (5) of the Code of Conduct for stock brokers as specified in Schedule II read with Regulation 7 of the Stock Brokers Regulations.
65. I am of the considered view that such acts of serious irregularities as found in this matter definitely have potential to disturb the market integrity and disturb the fair, equitable and efficient functioning of securities market. These types of transactions pose prudential threat to the market integrity and orderly development of securities market. I am satisfied that it is necessary to secure the proper management of the activity of the stock broker. In my view, in the facts and circumstances of this case, the action as recommended by the Designated Authority in his Report is commensurate with the violations committed by the Noticee.

66. I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certification of registration of Mr. Deepak C. Dalal (Proprietor of M/s Chandravadan J. Dalal, member of BSE (SEBI Registration No. INB011238715) for a period of 15 days.
67. This order shall come into force immediately on expiry of twenty one days from the date of this order.
68. A copy of this Order shall also be forwarded to BSE to ensure compliance with the Order in Para 66 above.

DATE : July 5th, 2013
PLACE: MUMBAI

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