

WTM/ AB /EFD - I/DRA-4/ 12 /2018-19

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**CORAM: ANANTA BARUA, WHOLE TIME MEMBER**  
**ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Confidence Finance and Trading Limited**

In respect of: -

Noticee No.	Name of the Noticees	CIN/ DIN/ PAN
1	Confidence Finance and Trading Ltd.	L51909MH1980PLC231713
2	Mr. Manoj Kumar Naginlal Jain	00165280
3	Mr. Amruth Jaochim Coutinho	00477933
4	Mr. Lalitkumar Roshanlal Maroo	02056931
5	Ms. Swati Panchal	05281377
6	Mr. Ghanshyam Kamlesh Kacchawa	ARYPK8621Q
7	Mr. Daulat Laxmilal Chandraliya	AAAPC7685H

*The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as “the Noticees”.*

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**Background:**

1. Securities and Exchange Board of India (hereinafter referred to as ‘SEBI’) conducted an investigation into trading and dealings in the scrip of Confidence Finance & Trading Ltd. (hereinafter referred to as ‘CFTL/the company’) for suspected manipulation of price of the shares of CFTL. SEBI had also received references from Directorate of Investigation, Income Tax Department, Kolkata and Principal Director of Investigation, Income Tax Department, Delhi through letters dated September 10, 2014 and February 02, 2015

alleging that certain entities had used the stock exchange mechanism to generate Long Term Capital Gain Tax (LTCG) and CFTL was one such scrip mentioned in the aforesaid letters. Further, while the investigation was underway, SEBI received letter dated April 01, 2016 from the Office of the Joint Commissioner of Income Tax, Range 19(2), Mumbai forwarding a report of the Assistant Commissioner of Income Tax, Mumbai which stated that there was a sharp rise in the price of the scrip of CFTL, not supported by corporate actions.

**Show Cause Notice, Reply to Show Cause Notice and Personal Hearing:**

2. A Show Cause Notice (hereinafter referred to as, 'SCN') dated August 09, 2017 providing the findings of SEBI's investigation was issued to all the Noticees wherein the following documents were enclosed as annexures to the SCN.

<b>Annexure no.</b>	<b>Particulars</b>
1	CFTL's email dated October 1, 2015 stating that the shares pursuant to the stock split on December 28, 2013 were credited into the demat accounts of the shareholders only on January 5, 2014.
2	Price volume data of CFTL for period September 04, 2012 to March 28, 2014
3	Buy Order details of Mr. Daulat Laxmilal Chandraliya
4	Bank account statements of VRP Financial Services Pvt. Ltd.
5	Transaction statement of Mr. Ghanshyam Kachhawa as provided by CDSL

3. The SCN deals with the following findings of the investigation:
  - a) CFTL was incorporated on September 16, 1980. It is listed only on the Bombay Stock Exchange (hereinafter referred to as, 'BSE') with effect from January 1, 1981. The

company is trading in all type of goods and financial services. The name of the company has been changed from Confidence Trading Company Ltd. to Confidence Finance and Trading Limited. The company was suspended from trading by BSE from January 14, 2003 to June 30, 2011 due to non-compliance with listing agreement. The suspension was revoked by BSE w.e.f. July 1, 2011. For the purpose of investigation, the relevant period based on price manipulation was fixed from September 04, 2012 to March 28, 2014. Prior to the investigation period, CFTL had allotted 1 crore shares of Rs. 10/- per share on preferential basis to 49 non promoter entities on September 27, 2011 at a price of Rs. 15/- per share. The shares allotted in the preferential allotment were under lock-in up to one year till September 26, 2012. There was no trading in the scrip subsequent to revocation of suspension by BSE on July 1, 2011.

- b) On the basis of movement of price of the scrip as well as trading pattern of the entities, the investigation period had been divided into the following patches to look into the role of suspected entities in influencing the price of the scrip.

<b>Patch</b>	<b>Type</b>	<b>Period and Price</b>
1	Price Rise	September 04, 2012 (Rs.78.8) to January 08, 2013 (Rs.319.6)
2	Price Rise	January 09, 2013 (Rs. 318) to May 22, 2013 (Rs. 330.5)
3	Price Fall (Pre -Split)	May 23, 2013 (Rs. 315) to December 27, 2013 (Rs.238.95)
4	Price Fall (Post -Split)	December 28, 2013 (Rs.24) to March 28, 2014 (Rs.5.04)

c) No manipulative trading could be established in Patch 2, 3 and 4.

d) In Patch 1, a price rise patch, the buy trades of top 10 LTP contributors is given below:

Buyer Name	% of Positive LTP to Total Market	all trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP = 0	
		LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades
Daulat Laxmilal Chandraliya	16.52	57.25	395	26	57.25	395	26	0	0	0	0	0
Rajesh P Jasani & Sarojaben P Jasani	11.16	38.7	610	18	38.7	255	9	0	0	0	355	9
Prem Lata Nahar	8.01	27.75	290	14	27.75	135	8	0	0	0	155	6
*VRP Financial Services Pvt L	7.20	15.75	14035	137	24.95	1515	9	-9.2	200	3	12320	125
*Insight Multitrading Pvt Ltd	6.43	22.3	19905	87	22.3	1553	7	0	0	0	18352	80
Sneha Goenka	5.68	19.7	295	10	19.7	120	5	0	0	0	175	5
Bharat Bagri (Huf)	4.30	14.9	75	5	14.9	75	5	0	0	0	0	0
Nirmala Sandesh Kamath	3.98	13.8	190	6	13.8	95	3	0	0	0	95	3
Sarika	3.75	10.9	1006	20	13	221	4	-2.1	179	3	606	13
Babubhai D Patel	3.02	10.45	7050	28	10.45	2250	4	0	0	0	4800	24
<b>Total of Top 10</b>	<b>70.04</b>	<b>231.5</b>	<b>43851</b>	<b>351</b>	<b>242.8</b>	<b>6614</b>	<b>80</b>	<b>-11.3</b>	<b>379</b>	<b>6</b>	<b>36858</b>	<b>265</b>
Others	29.96	9.30	146695	430	102	20159	53	-93	6716	41	119820	336
<b>Market Total</b>	<b>100.00</b>	<b>240.80</b>	<b>190546</b>	<b>781</b>	<b>344.75</b>	<b>26773</b>	<b>133</b>	<b>-104</b>	<b>7095</b>	<b>47</b>	<b>156678</b>	<b>601</b>

e) From the table above it is observed that the trades of top 10 Last Traded Price (LTP) contributors has contributed a positive LTP of Rs. 242.80 (70.41%) of total market positive LTP in 80. Out of the top 10 LTP contributors, Noticee no. 7, Mr. Daulat Laxmilal Chandraliya was observed to have contributed more than 5% of LTP.

f) Mr. Daulat Laxmilal Chandraliya traded during Patch 1, where the price of the scrip rose from Rs.78.8/- to Rs.319.6/-. It was observed that Mr. Daulat Laxmilal Chandraliya purchased 395 shares and sold 495 shares in the scrip of CFTL. All 26 buy trades by him contributed positive LTP of Rs. 57.25 (16.59 %) of total market positive LTP. All the trades were first trades and all buy orders were placed before the sell orders at near upper circuit filter rate at the opening of the market. For all of Mr.

Daulat's buy trades, there was only one counterparty namely Mr. Ghanshyam Kamlesh Kachhawa, Noticee no.6, an entity connected indirectly to CFTL, Noticee No.1 by way of fund transfer. It was observed that such high contribution to LTP is unusual, when the financials and other fundamentals of the company is not commensurate with the price rise in the scrip.

- g) An analysis of the order log of trades of Mr. Daulat Laxmilal Chandraliya revealed that for almost every trade, he had been placing numerous buy orders for 100/200 shares at price significantly above the LTP (i.e. around the upper circuit limit). The trades got executed after the placement of sell order by Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa. It was observed that subsequent to the trade, in few minutes of time span, all the unexecuted buy orders for remaining quantity had been deleted. Such pattern of placement of buy orders and deletion of unexecuted orders was observed repeatedly almost for all trades undertaken by Mr. Daulat Laxmilal Chandraliya. For example, order log analyses for trade done on Sept 07, 2012 revealed that Mr. Daulat Laxmilal Chandraliya, has placed 30 buy orders for 3900 shares altogether. All buy orders were placed at Rs. 81.95/- which is 1.99% higher than previous close of Rs.80.35/- during 9:15 -9:19am. The trade for 20 shares at Rs.81.95/- has been executed with the placement of sell order by Mr. Ghanshyam Kamlesh Kachhawa at 12:09:10. Subsequently, between 12:15pm -12:16pm, all other 29 unexecuted buy orders have been deleted by Mr. Daulat Laxmilal Chandraliya.
- h) It was further observed that Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa was the only counterparty client for all the buy trades of the major LTP contributors during

initial phase of Patch 1 till November 19, 2012. Mr. Ghanshyam Kamlesh Kachhawa had received funds from an entity VRP Financial Services Pvt. Ltd. (hereinafter referred to as “VRP”) just before the preferential allotment by CFTL prior to the investigation period.

- i) Mr. Ghanshyam Kamlesh Kachhawa sold during the first 50 days of the investigation period (till November 27, 2012) in small lots of 15-20 shares in the scrip. The price of the scrip almost touched the circuit filter (1.9%) on all 50 days. The price of scrip increased to Rs. 205.95/- on November 19, 2012. LTP analysis has indicated that the sell trades by Mr. Kachhawa has contributed to 72.73% of total LTP with sell of 900 shares (0.47% of market volume). From the order/trade log, it was observed that Mr. Kachhawa was selling the shares in small quantities every day, even though there were pending buy orders at the prevailing price. It was also observed that he did not sell all the shares held by him at the beginning of patch 1 and continued to hold 550 shares out of the 1450 shares he held at the beginning of patch 1. It was observed from the transaction statements as provided by CDSL, that he was holding 1450 shares at the beginning of patch 1 i.e. a substantial quantity of shares during the period of sale transactions. Despite holding abundant quantity of shares, he released limited number of shares and matched the above LTP buy orders with trade quantity, mostly offering shares in the range of 15-20 shares. Thus, it was observed from his trading pattern that he was not acting as genuine seller and had no bona fide intention to sell because in spite of sufficient buy orders with abundant quantity being available in the market, he released very small quantity of shares in each transaction and performed not more than one transaction a day. By these trades, Mr. Kachhawa was instrumental in establishing

a price higher than the last traded price and thus contributed to increased scrip price with each of his trades.

- j) It is therefore alleged that the above act indicates malafide intent of Mr. Daulat Laxmilal Chandraliya and Mr. Ghanshyam Kamlesh Kacchawa to manipulate the price of the scrip upwards and it is alleged that Mr. Daulat Laxmilal Chandraliya, and Mr. Ghanshyam Kamlesh Kacchawa manipulated the price of scrip through his trades and violated Regulation 3 (a), (b), (c) (d) and Regulation 4(1) 4(2) (a) and (e) of SEBI (PFUTP) Regulations 2003.
- k) As regards the role of Noticee nos. 1 to 5 i.e. company and its directors in price manipulation, it was observed that prior to the investigation period, CFTL, Noticee no. 1, had allotted 1 crore shares of Rs. 10/- per share on preferential basis to 49 non-promoter entities on September 27, 2011 at a price of Rs. 15/- per share. At that time there was no trading in the scrip subsequent to revocation of suspension by BSE on July 1, 2011. The company was suspended from trading by BSE for the period January 14, 2003 to June 30, 2011 due to non-compliance with Listing Agreement. The shares allotted in the preferential allotment were under lock-in up to one year till September 26, 2012. Subsequently during Patch 1 of the investigation period i.e. from September 04, 2012 to January 08, 2013, the price was manipulated by Mr. Ghanshyam Kamlesh Kachhawa, (an entity connected to CFTL through indirect fund transfer), and Mr. Daulat Laxmilal Chandraliya. Thereafter, some of the preferential allottees sold their shares at a manipulated high price.

- 1) In the light of the facts revealed during investigation, it was alleged in the SCN dated August 09, 2017 that the Noticees had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2), (a) and (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “SEBI(PFUTP) Regulations”).
4. The SCN was delivered by Hand Delivery to all Noticees except Noticee nos. 5, 6 and 7, namely, Ms. Swati Panchal, Mr. Ghanshyam Kamlesh Kacchawa and Mr. Daulat Laxmilal Chandraliya. The SCN was affixed at the last known address of Noticee no. 7, Mr. Daulat Laxmikant Chandraliya.
5. After receipt of the SCN, vide letter dated September 07, 2017 CFTL on behalf of itself and its directors sought time period till October 31, 2017 to furnish their reply. Vide letter dated November 08, 2017 CFTL on behalf of the company and its directors sought copies of materials/ documents relied upon by SEBI and inspection of documents which was provided by SEBI to Noticee nos. 1 to 5 on December 04, 2018 and the documents sought were provided on December 11, 2017.
6. Noticee no. 1 to 5 in their common reply dated October 22, 2018 has stated the following:
  - a) The company and its directors were neither given any chance to defend themselves during the course of investigation nor were given any personal hearing to give a plausible explanation for the alleged violation, if any which is in violation of section 11C of SEBI Act, 1992 and Article 21 of the Constitution of India.



- b) Along with the extant proceedings, adjudication proceedings have been initiated against the company and its directors which amounts to double jeopardy.
- c) No basis has been provided in the SCN for dividing the investigation period into patches.
- d) At para 5 of the SCN it has been mentioned, “Since no manipulative trading could be established on Patch 1, 2 and 3, the SCN deals with price rise and the findings at Patch 1.” The SCN has concluded that no manipulation has taken place at either of three patches when the price rose and fell, hence, the issuance of SCN is illegal, arbitrary and void ab initio.
- e) As regards transfer of funds to VRP, it is submitted that the same was in the form of unsecured loan which was received back prior to the start of the investigation period. Copy of the ledger of VRP in our books and copy of the bank account from where the funds were paid to VRP and received back is also enclosed with the aforesaid reply.
- f) As regards trading carried out by other entities, Noticee Nos. 1 to 5 submitted that:
  - i) Noticees are not concerned how VRP routed the funds to Mr. Ghanshyam Kamlesh Kacchwa.
  - ii) The Noticees had no role to play in the trading done by Mr. Ghanshyam Kamlesh Kacchwa and Mr. Daulat Chandraliya.
- g) No SCN has been issued to VRP for being a conduit and no adverse inference has been drawn against them.

- h) No proceedings have been initiated against other LTP contributors who have been instrumental in price manipulation.
- i) Based on the copy of bank account statement of VRP received during inspection for the period July 04, 2011 to July 29, 2011 the following is submitted:
  - i) On July 13, 2011, VRP has received an amount of Rs. 47 lakhs from one Esaar India Ltd. (hereinafter referred to as “Esaar”). Prior to that period, the bank account of VRP was having a balance of Rs. 1, 68, 733.89/-. Out of the funds received from Esaar, VRP has transferred a sum of Rs. 20 Lakhs to Mr. Ghanshyam Kacchwa on July 14, 2011.
  - ii) On July 21, 2011, VRP received a sum of Rs. 8 lakhs only again from Esaar. Prior to that, the bank account of VRP was having a balance of only Rs. 1, 46, 491/-. Out of the funds received from Esaar, VRP transferred a sum of Rs. 8 lakh to Mr. Ghanshyam Kacchwa on July 21, 2011.
  - iii) The statement of account reveals that the funds received from Esaar have been utilized by VRP to fund Mr. Ghanshyam Kacchwa.
- j) As regards the allegation that the company and its directors were part of a scheme to manipulate the price of scrip to benefit the preferential allottees, it is stated that the allegations are sweeping and based on surmises and the Noticees are not aware about the trading done by other alleged entities including the alleged counterparty buyers to the sale of shares during the post lock in period.

7. Noticee no. 2, Mr. Manoj Kumar Naginlal Jain and Noticee no. 3, Mr. Amruth Jaochim Coutinho in their separate replies dated October 22, 2018 have stated the following:

- a) With regard to specific allegations in the SCN against the company, CFTL has filed a detailed reply dated October 22, 2018. The Noticees adopt the submissions made by CFTL in support of their contention that they acted in bona fide manner.
- b) The Noticees have denied that they were part of any scheme to manipulate the price of the scrip to benefit the preferential allottees.
- c) The Noticees stated that they have not made any gains or derived unfair advantage as a result of alleged violations.

8. Noticee no. 4, Mr. Lalitkumar Maroo and Ms. Swati Panchal in their separate replies dated October 22, 2018 has stated the following:

- a) Mr. Lalitkumar Maroo was an Independent Director of CFTL and has resigned since February 14, 2014. Letter enclosed relevant forms filed with ROC showing that he was an Independent Director.
- b) Ms. Swati Panchal was appointed as an Additional Director in the company with effect from February 14, 2014. She was appointed as an Independent Director with effect from September 30, 2014.
- c) His role as an Independent Director was very limited. He was not involved in the day to day management of CFTL. He does not have any material/ pecuniary relationship as director with CFTL, its promoters, directors etc. which may affect his independence.

- d) The allegations in the SCN arise from day to day activities performed by the Whole Time Directors/ Executives/ officials of the company with regard to transfer of funds to an entity through circuitous route. There is nothing in the SCN that alleges that the alleged activities carried out by CFTL through Board Meetings. The activities carried out by CFTL were in the nature of day to day activities and did not require any board approval. Therefore, an independent director he was not involved with respect to transfer of funds to VRP Financial Services Pvt. Ltd. and Mr. Ghanshyam Kacchwa.
  - e) With regard to specific allegations in the SCN against the company, CFTL has filed a detailed reply dated October 22, 2018. The Noticee adopts the submissions made by CFTL in support of his contention that he has acted in a bonafide manner.
  - f) The Noticee has denied that he was a part of any scheme to manipulate the price of the scrip to benefit the preferential allottees.
  - g) The Noticee has stated that he has not made any gains or derived unfair advantage as a result of alleged violations.
9. Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa, has submitted two letters dated October 18, 2017 and December 28, 2017 wherein the following are contended:
- a) He is not aware of the company nor has he traded in shares at all. He has also stated that he has no knowledge of share market.
  - a) He was working with one Mr. Giriraj Kishore Agrawal who had taken the signature of Noticee no. 6 on various piece of papers and he may have misused his signature and

traded in shares as alleged. He further requested to withdraw the allegations against him.

- b) However, in his reply dated December 28, 2017, he denied knowing the counterparty buyer to his trades in the shares of CFTL. He added that he was holding only 0.014% (1450 shares) of the total share capital and being a cautious investor he was selling the shares in small quantities.
- c) He also denied knowing Mr. Daulat Laxmilal Chandraliya either personally or through his business relations.
- d) He denied any connection between him CFTL and himself.

10. Noticee no. 7, Mr. Daulat Laxmi Chandraliya in his reply dated October 24, 2018 has stated the following:

- a) He has executed transactions for sale and purchase of shares in number of companies during the investigation period in addition to trades in the scrip of CFTL.
- b) All the transactions have been executed in the normal course of business with no intention to manipulate price of any scrip including CFTL.
- c) As a trader, Noticee no. 7 observed that the price of shares of CFTL were moving upward and therefore he decided to acquire the said shares for short and medium term without knowing that there was price manipulation.
- d) In case of shares moving upwards, it is a usual practice to punch number of orders into the trading terminal prior to opening of the market at the rate above the last closing

rate, so as to ensure their order comes in the queue. Said placement of order and its withdrawal cannot be construed as his involvement in manipulating the price.

- e) Patch 1 is from September 4, 2012 to January 08, 2013 wherein the price of the scrip of CFTL had increased from Rs. 78.8 per share to Rs. 319.6 per share. During the said period, admittedly he had executed transactions from September 07, 2012 to October 23, 2012 when the price moved from Rs. 81.95 per share to Rs. 150.39 per share. Therefore, he cannot be held liable for price rise upto Rs. 81.95 per share and from Rs. 150.39 per share to Rs. 319.60 per share.
- f) In a screen based trading it was not possible for the noticee to find out who is the counterparty and therefore, Mr. Ghanshyam Kachhawa being a counter party to all the trades cannot be construed as a violation.
- g) All the trades executed by Noticee no. 7 have resulted into delivery with beneficial ownership.

11. All the Noticees were granted an opportunity of hearing on October 05, 2018 which was communicated vide letter dated August 30, 2018. The said notice of hearing was served on all the Noticees through Speed Post. Affixture of the hearing notice was also attempted for all the Noticees except Noticee no. 6. As the Noticees were present at the respective address, they received the letters, gave acknowledgment and did not allow Affixture. Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa vide letter dated September 05, 2018, sought adjournment due non availability of his advocates on the said date and time. Noticee no. 7, Mr. Daulat Laxmilal Chandraliya vide letter dated September 22, 2018, informed

SEBI that he had not received the SCN and requested SEBI to send copy of the SCN. The Noticee also requested one month's time to file reply and sought adjournment of the personal hearing. Vide letter dated September 27, 2018 copy of SCN dated August 09, 2017 was provided to the Noticee.

12. Noticee no. 1, CFTL vide letter dated October 01, 2018 informed that they are in the process of filing their reply and therefore sought adjournment of the hearing scheduled on October 05, 2018. Further vide email dated October 03, 2018 and October 04, 2018, the company sought adjournment on behalf of its directors, namely, Mr. Manoj Kumar Naginlal Jain, Mr. Amruth Jaochim Coutinho, Mr. Lalitkumar Roshanlal Maroo and Ms. Swati Panchal.
13. Pursuant to Noticees' request seeking adjournment, SEBI vide letter dated October 05, 2018 informed the Noticees that hearing will be held on October 25, 2018. The said letter was served on all the Noticees. The company and its directors, i.e. Noticee nos. 1, 2, 3 and 4 were represented by their Advocates. Mr. Ghanshyam Kacchwa, Noticee no. 6 vide letter dated November 01, 2018 through his Advocate informed that he will not be able to attend the personal hearing due to unavoidable circumstances. Mr. Daulat Laxmilal Chandraliya, Noticee no. 7 appeared in person and reiterated the submissions made in his reply dated October 24, 2018.
14. During the hearing, the following submissions were made by CFTL, Noticee no. 1 which adopted the submissions made in their reply & written submission and also requested to drop the proceedings against Noticee nos. 1 to 5 and further stated as under:

- i) Ms. Swati Panchal was appointed as an Additional Director in the company with effect from February 14, 2014. She was appointed as an Independent Director with effect from September 30, 2014. The company has enclosed copy of Form 32 for appointment of Ms. Swati Panchal as an Additional Director and further as an Independent Director.
- ii) Mr. Lalitkumar Maroo was appointed as an Independent Director in the company with effect from November 24, 2010. He resigned from the post of Independent Director with effect from February 14, 2014. The company has enclosed copy of Form 32 for appointment of Mr. Mr. Lalitkumar Maroo as an Independent Director.
- iii) The current shareholding of Mr. Lalitkumar Maroo and Ms. Swati Panchal in CFTL is 50 and 47 shares respectively. The date of buying the shares is after April 2013. As they are independent directors, they have no role to play in the day to day functioning of the company.

**Consideration of SCN, reply and submissions:**

15. I have perused the SCN, replies filed by the Noticee, submissions made before me and other materials available on the record. I note that the SCN has alleged that Company, its executive director at time of preferential allotment, Mr. Manojkumar Naginlal Jain along with other directors namely, Mr. Amruth Joachim Coutinho, Mr. Lalitkumar Roshanlal Maroo and Mr. Swati P. Panchal were all part of scheme to manipulate the price of the scrip to benefit the preferential allottees. The question now arises whether the Noticees i.e.



the company and its directors along with Mr. Ghanshyam Kacchawa and Mr. Daulat Laxmi Chandraliya have violated Regulation 3 (a), (b), (c) (d) and Regulation 4(1) 4(2) (a) and (e) of SEBI (PFUTP) Regulations 2003 which read as under:

***PFUTP Regulations, 2003***

***Regulation 3. Prohibition of certain dealings in securities***

*“No person shall directly or indirectly*

*(a) buy, sell or otherwise deal in the 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***

*(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) including in an act which creates false or misleading appearance of trading in the securities market*

*.....*

*(e) any act or omission amounting to manipulation of the price of a security;*

16. As against the company and its directors it has been alleged that prior to the investigation period, CFTL had allotted 1 crore shares of Rs. 10/- per share on preferential basis to 49 non-promoter entities on September 27, 2011 at a price of Rs. 15/- per share. At that time there was no trading in the scrip subsequent to revocation of suspension by BSE on July 1, 2011. The company was suspended from trading by BSE for the period January 14, 2003 to June 30, 2011 due to non-compliance with Listing Agreement. The shares allotted in the preferential allotment were under lock-in up to one year till September 26, 2012. Subsequently during the Patch 1 of the investigation period i.e. from September 04, 2012 to January 08, 2013, the price was manipulated by Mr. Ghanshyam Kamlesh Kachhawa, an entity connected to the company through indirect fund transfer via VRP Financial Service Pvt. Ltd., and Mr. Daulat Laxmilal Chandraliya. Thereafter, some of the preferential allottees sold their shares at a manipulated high price.
17. The company and its directors in their replies and submissions denied the allegations and have submitted that transfer of funds to VRP was in the form of unsecured inter- corporate loan under section 372A of the Companies Act, 1956 which was received back prior to the start of the investigation period. As regards the allegation that the company and its directors were part of a scheme to manipulate the price of scrip to benefit the preferential allottees, it is stated that the allegations are sweeping and based on surmises. The Noticees have stated that they are not aware about the trading done by other alleged entities including the alleged counterparty buyers to the sale of shares during the post lock in period. In support of its contention, the company has enclosed copy of the ledger of VRP in its books and copy of the bank account statement from where the funds were paid to VRP and received back with its reply. From the reply dated October 22, 2018 of the company and its directors

and the annexures enclosed therewith, it is observed that the following fund transfers have taken place between CFTL and VRP.

<b>Amount transferred from CFTL's Axis Bank account no. 911020017645987</b>			
<b>Date</b>	<b>Cheque no.</b>	<b>Transferee's Name</b>	<b>Amt. transferred (in Rs.)</b>
31/10/2011	27745	VRP	8,75,000
24/01/2012	27771	VRP	15,00,000
02/05/2012	30664	VRP	53,00,000
<b>Total</b>			<b>76,75,000</b>

<b>Amount transferred by VRP</b>		
<b>Date</b>	<b>Transferee's Name</b>	<b>Amt. transferred (in Rs.)</b>
25/02/2012	CFTL	2,75,000
24/01/2012	CFTL	15,00,000
04/05/2012	CFTL	52,00,000
13/06/2012	CFTL	15,00,000
30/07/2012	CFTL	7,00,000
<b>Total</b>		<b>76,75,000</b>

18. From the aforesaid tables, I note that a total amount of Rs. 76,75,000/- was transferred by CFTL to VRP on various dates. Further, a total amount of Rs. 76,75,000/- was transferred back by VRP to CFTL on various dates. In this regard, the company in the course of the proceedings before me through letters and submissions has stated that it had extended an

inter-corporate loan to VRP which was also repaid by VRP. As per CFTL's Annual Report for Financial Year 2011-12, an amount of Rs. 92,00,000/- is shown under 'Short Term Loan and Advances'. However in the next Financial year i.e 2012-13, there is no money shown under 'Short Term Loan and Advances'. Further, the company and directors have not traded in the scrip during Patch 1. In view of the said new facts that have come to light during the course of this proceedings which were not available at the stage of investigation, in the facts and circumstances of this case, I note that it is difficult to conclude that Noticee nos. 1 to 5 i.e. the company and its directors were involved in the manipulation of the price of the scrip as alleged in the SCN.

19. Mr. Lalitkumar Roshanlal Maroo in his reply dated October 22, 2018 has stated that he was an independent director of the company and not involved in the day to day affairs of the company. The company vide its additional submissions dated November 02, 2018 has also informed SEBI that Mr. Lalitkumar Maroo was appointed as an Independent Director with effect from November 10, 2010. Further, he resigned from the said post with effect from February 14, 2014. In support of this, the Noticee and company have produced records from the MCA showing that Mr. Lalitkumar Maroo was an independent director and was not part of day to day affairs of Noticee no. 1.
20. Ms. Swati Panchal in her reply dated October 22, 2018 and the company in its reply has stated Ms. Swati Panchal was appointed as an Additional Director in the company with effect from February 14, 2014. She was appointed as an Independent Director with effect from September 30, 2014. In support of this, the company has enclosed copy of Form 32 for appointment of Ms. Swati Panchal as an Additional Director and further as an

Independent Director. I note that the present SCN pertains to trading and dealings in the scrip of CFTL in Patch 1 i.e. from September 04, 2012 to January 08, 2013. As such, I note that Ms. Swati Panchal was not a director of the company during the relevant period when the violations occurred. There is nothing to show the direct involvement of Mr. Lalitkumar Maroo and Ms. Swati Panchal in the manipulation of the price of the scrip.

21. Therefore, in the facts and circumstances of this case, it would be difficult to conclude that the said notice No. 1 to 5 have violated any provisions of SEBI (PFUTP) Regulations as alleged in the SCN and no direction is called for at this stage.
22. I note that Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa, has submitted two letters dated October 18, 2017 and December 28, 2017. In his reply letter dated October 18, 2017, Noticee no. 6 has submitted that he is not aware of the company nor has he traded in shares at all and that he was working with one Mr. Giriraj Kishore Agrawal who had taken the signature of Noticee no. 6 on various piece of papers and that he may have misused his signature and traded in shares as alleged. However, in his reply dated December 28, 2017 he has stated he was holding only 1450 shares of the company and being a cautious investor he was selling shares in small quantities. I note that two replies submitted by Noticee no. 6 are contradictory and leaves doubt regarding the bona fide of the Noticee. Further, except making bald allegations the Noticee has not produced any proof to show that after receipt of the SCN he took steps against the said Mr. Giriraj Kishore Agrawal for misusing his signature and trading on his behalf.
23. From the order log of trades of Mr. Daulat Laxmilal Chandraliya it was revealed that his trades got executed only after the placement of sell order by Noticee no. 6, Mr. Ghanshyam

Kamlesh Kachhawa. It was further observed that Noticee no. 6 was the only counterparty client for all the buy trades of the major LTP contributors during initial phase of Patch 1 till November 19, 2012. I note that Mr. Ghanshyam Kamlesh Kachhawa sold during the first 50 days of the investigation period (till November 27, 2012) in small lots of 15-20 shares in the scrip. I note that despite holding 1450 shares of CFTL at the beginning of patch 1, he released limited number of shares and matched the above LTP buy orders, mostly offering shares in the range of 15-20 shares even when buy orders were available for higher quantities and the Noticee was also holding higher quantities of shares in the scrip. As noted earlier, trading in the scrip had been suspended from January 14, 2003 to June 30, 2011. Further, the financials and other fundamentals of the company were not commensurate with the price rise. In such a situation, any genuine investor would try to make the most out of such an opportunity and trade in all the shares at once particularly when such scrip which was were under suspension for 8 years and was infrequently traded even after the suspension was revoked.

24. The price of the scrip almost touched the circuit filter (1.9%) on all 50 days when Mr. Ghanshyam Kachhawa traded in the scrip. The price of scrip increased to Rs. 205.95/- on November 19, 2012. LTP analysis has indicated that the sell trades by Mr. Kachhawa has contributed to 72.73% of total LTP with sell of 900 shares (0.47% of market volume). I also note that by these trades, Mr. Kachhawa was instrumental in establishing a price higher than the last traded price and thus contributed to increased scrip price with each of his trades. Had Mr. Ghanshyam Kachhawa not intervened by placing sell orders by putting shares in smaller lots of 15-20 shares to match the price punched in by the buyer, the buy orders would have got deleted automatically and the price would not have increased. I note

that Mr. Ghanshyam Kamlesh Kachhawa was not acting as genuine seller and had no bona fide intention to sell. Therefore, Mr. Ghanshyam Kachhawa's pattern of trading was manipulative and were executed for manipulating the price or volume of the scrip.

25. Mr. Daulat Laxmi Chandraliya in his reply and personal hearing has stated that he has executed transactions for sale and purchase of shares in number of companies during the investigation period in addition to trades in the scrip of CFTL. The said transactions have been executed in the normal course of business with no intention to manipulate price of any scrip including CFTL. As a trader, Noticee no. 7 observed that the price of shares of CFTL were moving upward and therefore he decided to acquire the said shares for short and medium term without knowing that there was price manipulation. In case of shares moving upwards, it is a usual practice to punch number of orders into the trading terminal prior to opening of the market at the rate above the last closing rate, so as to ensure their order comes in the queue. Said placement of order and its withdrawal cannot be construed as his involvement in manipulating the price.

26. I note that although it is a practice to punch number of orders into the trading terminal prior to opening of the market at the rate above the last closing rate, investigation has observed that for almost every trade, he had been placing numerous buy orders for 100/200 shares at price significantly above the LTP (i.e. around the upper circuit limit). The trades got executed only after the placement of sell order by Noticee no. 6, Mr. Ghanshyam Kamlesh Kachhawa. It is observed that subsequent to the trade, in a span of few minutes, all the unexecuted buy orders for remaining quantity had been deleted by Mr. Daulat Laxmi Chandraliya. Such pattern of placement of buy orders and deletion of unexecuted orders

was observed repeatedly almost for all trades undertaken by him. I note from the order log for trade done on Sept 07, 201 that Mr. Daulat Laxmilal Chandraliya, had placed 30 buy orders for 3900 shares altogether. All buy orders were placed at Rs. 81.95/- which is 1.99% higher than previous close of Rs.80.35/- during 9:15 -9:19am. The trade for 20 shares at Rs.81.95/- has been executed with the placement of sell order by Mr. Ghanshyam Kamlesh Kachhawa at 12:09:10. Subsequently, between 12:15pm -12:16pm, all other 29 unexecuted buy orders have been deleted by Mr. Daulat Laxmilal Chandraliya.

27. I note the practice of placing and cancelling orders on an exchange for the purpose of manipulating the market is commonly known as spoofing. The High Court of Justice in *Navinder Singh Sarao v. The Government of United States of America* (decided on November 03, 2016) while drawing the distinction between genuine cancellation and non-genuine cancellation of orders observed that there is a clear distinction “between the conduct involved: (1) in placing an offer which at the time it is placed is intended by the offeror to be open for acceptance, though it might subsequently be cancelled prior to acceptance; and (2) in placing an offer which, at the time it is placed, the offeror does not genuinely intend should be accepted”. It is observed from the trading pattern of Mr. Daulat Laxmi Chandraliya his orders at price significantly above the LTP and such orders were matched only when Mr. Ghanshyam Kachhawa placed his sell orders. The market, or, genuine investors were led to attribute significance to the fact that offers were being made at particular prices. Therefore, I note that deletion of unexecuted buy orders does not indicate bona fide intention to trade on part of Mr. Daulat Laxmilal Chandraliya and on other hand indicate trading to manipulate the price of the scrip.



28. He has further stated that SCN defines Patch 1 from September 4, 2012 to January 08, 2013 wherein the price of the scrip of CFTL had increased from Rs. 78.8 per share to Rs. 319.6 per share. During the said period, he had executed transactions from September 07, 2012 to October 23, 2012 when the price moved from Rs. 81.95 per share to Rs. 150.39 per share. Therefore, it has been contended that he cannot be held liable for price rise upto Rs. 81.95 per share and from Rs. 150.39 per share to Rs. 319.60 per share. For this purpose, I refer to the table analyzing the LTP contribution of the top 10 LTP Buyers which is reproduced as under:

Buyer Name	% of Positive LTP to Total Market	all trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP = 0	
		LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades
Daulat Laxmilal Chandraliya	16.52	57.25	395	26	57.25	395	26	0	0	0	0	0
Rajesh P Jasani & Sarojaben P Jasani	11.16	38.7	610	18	38.7	255	9	0	0	0	355	9
Prem Lata Nahar	8.01	27.75	290	14	27.75	135	8	0	0	0	155	6
*VRP Financial Services Pvt L	7.20	15.75	14035	137	24.95	1515	9	-9.2	200	3	12320	125
*Insight Multitrading Pvt Ltd	6.43	22.3	19905	87	22.3	1553	7	0	0	0	18352	80
Sneha Goenka	5.68	19.7	295	10	19.7	120	5	0	0	0	175	5
Bharat Bagri (Huf)	4.30	14.9	75	5	14.9	75	5	0	0	0	0	0
Nirmala Sandesh Kamath	3.98	13.8	190	6	13.8	95	3	0	0	0	95	3
Sarika	3.75	10.9	1006	20	13	221	4	-2.1	179	3	606	13
Babubhai D Patel	3.02	10.45	7050	28	10.45	2250	4	0	0	0	4800	24
<b>Total of Top 10</b>	<b>70.04</b>	<b>231.5</b>	<b>43851</b>	<b>351</b>	<b>242.8</b>	<b>6614</b>	<b>80</b>	<b>-11.3</b>	<b>379</b>	<b>6</b>	<b>36858</b>	<b>265</b>
Others	29.96	9.30	146695	430	102	20159	53	-93	6716	41	119820	336
<b>Market Total</b>	<b>100.00</b>	<b>240.80</b>	<b>190546</b>	<b>781</b>	<b>344.75</b>	<b>26773</b>	<b>133</b>	<b>-104</b>	<b>7095</b>	<b>47</b>	<b>156678</b>	<b>601</b>

I note that the table shows that for the 26 trades executed by Mr. Daulat Laxmi Chandraliya, there was positive LTP impact of Rs. 57.25/-. Therefore, his contention that he cannot be held liable to price rise before September 07, 2012 and after October 23, 2012 is baseless.

29. Mr. Daulat Laxmi Chandraliya has further contended that in a screen based trading it was not possible for the noticee to find out who is the counterparty and therefore, Mr. Ghanshyam Kachhawa being a counter party to all the trades cannot be construed as a violation. In this regard, I note the observations of the Hon'ble Supreme Court in *Securities and Exchange Board of India v. Kishore R. Ajmera* (2016) 6 SCC 368:

*“While the screen-based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned.*

...

*The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors.”*

This position was further reiterated in *Securities and Exchange Board of India v. Rakhi Trading Pvt. Ltd.* [2018] 207 Comp Cas443(SC) wherein the Hon'ble Supreme Court based on the facts of the case held that

*“Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous.”*

30. Therefore, the contention of Mr. Daulat Laxmi Chandraliya that due to screen based trading it was not possible for him to find out who is the counterparty and the Noticee No.6, Mr.

Ghanshyam Kachhawa being a counter party to all the trades cannot be construed as a violation is not acceptable. Accordingly, the Noticee no. 6 & 7, namely, Mr. Ghanshyam Kachhawa and Mr. Daulat Laxmi Chandraliya, have violated the provisions of regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2), (a) and (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

### **ORDER & DIRECTIONS**

31. In view of the facts and circumstances of the present case, the show cause notice dated August 09, 2017 issued to the following Noticee Nos. 1 to 5 is disposed of without any direction.

<b>Noticee No.</b>	<b>Name of the Noticees</b>
1	Confidence Finance and Trading Ltd.
2	Mr. Manoj Kumar Naginlal Jain
3	Mr. Amruth Jaochim Coutinho
4	Mr. Lalitkumar Roshanlal Maroo
5	Ms. Swati Panchal

32. Further, I, in exercise of the powers conferred upon me under section 19 read with sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain the following Noticee no. 6 and 7 from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 2 (Two) years, from the date of this order.

<b>Noticee No.</b>	<b>Name of the Noticees</b>
6	Mr. Ghanshyam Kachhawa
7	Mr. Daulat Laxmi Chandraliya

33. During the period of restraint, the aforesaid Noticees' existing holding, including units of mutual funds, of the Noticees shall remain frozen.

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

35. A copy of this order shall be sent to the Director General of Income Tax (Inv.), Delhi and the Principal Directors of Income Tax (Inv.) Kolkata.

36. A copy of this order shall be served on all recognized stock exchanges, depositories and RTAs of mutual funds to ensure compliance with above directions.

**Sd/-**

**Date: December 31 , 2018**

**ANANTA BARUA**

**Place: Mumbai**

**WHOLE TIME MEMBER**