

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4) AND SECTION 11B OF THE SEBI ACT READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AND SECTION 12A OF SECURITIES CONTRACT (REGULATIONS) ACT, 1956.

IN THE MATTER OF JAYBHARAT TEXTILES AND REAL ESTATE LIMITED AND KSL AND INDUSTRIES LIMITED –

	NOTICEES	PAN
1.	SAURABH KUMAR TAYAL	AABPT2950R
2.	JYOTIKA TAYAL	AABPT2949Q
3.	NINA TAYAL	AACPT3436B
4.	RAM PRATAP TAYAL	AACPT9349R
5.	VANDANA TAYAL	AAEPT9212D
6.	BHAWANA TAYAL	AABPT2948R
7.	JAYBHARAT TEXTILES AND REAL ESTATE LIMITED	AAACJ5959L
8.	KSL AND INDUSTRIES LIMITED	AAACK4722E
9.	JAYSHREE PETROCHEMICALS PVT. LIMITED	AAACJ0934B
10.	EDC SECURITIES LIMITED	AAACE9165D
11.	BETA TRADING PRIVATE LIMITED	AADCB2320G
12.	ANSHUL MERCANTILE PVT. LIMITED	AAGCA5310E
13.	INORBIT TRADING CO. PVT. LIMITED	AABCI4237M
14.	AVERA PROPERTIES PVT. LIMITED	AAGCA2390G
15.	MEGNA DEVELOPERS PVT. LIMITED	AAECM7768A
16.	AXON REALPRO PVT. LIMITED	AAGCA2391H
17.	ANIL KUMAR DUBEY	AIBPD9829P
18.	JAYESH V. MERCHANT	AALPM9050F
19.	DINESH DONGRE	AGMPD8768J
20.	MAHENDRA KUMAR PANCHAL	AQNPP1369G
21.	NITISH NAYAK	ABAPN5330P
22.	HITESH DODIYA	ANWPD9977E
23.	KISHORE PATIL	ATMPP6578P
24.	GIRISH PUKALE	AIHPP0593L
25.	MILIND MHATRE	AGVPM1660K
26.	NANDKISHOR PANCHAL	NOT AVAILABLE
27.	GOPAL AGGARWAL	AFLPA6520K
28.	PRAMOD PATIL	NOT AVAILABLE
29.	RAJESH SHARMA	NOT AVAILABLE
30.	RUPESH NARVEKAR	ACQPN0985R
31.	SANDIP MURKAR	AYLPM7098P
32.	SANJAY GADADE	AIQPG9261R

33.	SANJAY SAWANT	NOT AVAILABLE
34.	SATISH PUSALKAR	NOT AVAILABLE
35.	VIJAY SAWANT	AMHPS5372A
36.	DHANANJAY KANDHARE	NOT AVAILABLE
37.	AMIT SHIVALKAR	NOT AVAILABLE
38.	VIJAY UPADHYAY	AARPU3795M
39.	ANIL KUMARAN	NOT AVAILABLE
40.	KANTI C. PATEL	AIGPC1538H
41.	GAURI S. RAUT	NOT AVAILABLE
42.	SUDHIR GARGODIA	NOT AVAILABLE
43.	SANJAY JAMBHALE	AGAPJ4974C
44.	SATISH MHATRE	NOT AVAILABLE
45.	VIPIN KUMAR BHATNAGAR	AJCPK4281A
46.	CYBERINFO ZEEBOOMBA.COM	AABCC7400L
47.	AHMEDNAGAR INVESTMENTS PVT. LIMITED	AADCA9872E
48.	21 ST CENTURY ENTERTAINMENT	AAACZ1383L
49.	GIRIGANGA INVESTMENTS PVT. LIMITED	AABCG8591L
50.	GLOBAL SOFTECH LIMITED	AABCG1089R
51.	CYBER INFOSYSTEMS AND TECHNOLOGIES LIMITED	AABCC2176K
52.	DELUX POLYMERS PVT. LIMITED	AAACD4132B
53.	SHREE GANESH HOSIERY MILLS PVT. LIMITED	AAACS5510L
54.	SHREE KRISHNA SILK INDUSTRIES PVT. LIMITED	AAAC55165K
55.	ENVAIR REALTY PVT. LIMITED	AABCF7461R
56.	CHARMS HOLDING PVT. LIMITED	AACCC9761F
57.	AVERY PROCON PVT. LIMITED	AAGCA2559M

BACKGROUND –

1. Jaybharat Textiles and Real Estate Limited (“**Jaybharat Textiles**”) was incorporated under the Companies Act, 1956 on February 21, 1985. The shares of Jaybharat Textiles are listed on BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”). The Company is engaged in the textile business and also forayed into realty business subsequent to being taken over by Saurabh Kumar Tayal.
2. KSL and Industries Limited (“**KSL**”), which was earlier registered as a partnership firm in 1975, was converted into a private limited Company on January 11, 1983 and thereafter, into a public limited Company on April 1, 1992. The shares of KSL are listed on BSE. The Company is engaged in manufacturing and exporting specialty knitted fabrics. The Company is also promoted by Saurabh Kumar Tayal.

3. Jaybharat Textiles and KSL are companies belonging to the Tayal Group.

AD INTERIM EX PARTE ORDER DATED SEPTEMBER 7, 2007 AGAINST SIX ENTITIES –

4. A preliminary inquiry by the Securities and Exchange Board of India (“**SEBI**”) revealed that certain entities connected to the Promoters of Jaybharat Textiles and KSL, had dealt in substantial quantity in the aforesaid scrips thereby *prima facie* contributing to the resultant artificial volume creation and price manipulation in the said scrips. Further, the aforementioned entities subsequently sold the shares of KSL, thus benefiting to the tune of ₹18.65 Crores. The aforesaid was *prima facie* held to be in violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations, 2003**”). Consequently, SEBI issued an *Ad Interim Ex Parte Order* dated September 7, 2007, directing the following entities *prima facie* connected to the Promoters of Jaybharat Textiles not to buy, sell or deal in shares of Jaybharat Textiles and KSL directly or indirectly, in any manner, till further directions –

TABLE I	
	ENTITY
1.	EDC SECURITIES LIMITED
2.	JAYSHREE PETROCHEMICALS PVT. LIMITED
3.	NITISH NAYAK
4.	AVERY PROCON PVT. LIMITED
5.	AXON REALPRO PVT. LIMITED
6.	MEGNA DEVELOPERS PVT. LIMITED

5. Subsequently, the aforementioned six entities had, vide letter dated May 21, 2008, applied for settlement of the matter under the consent proceedings as specified vide the SEBI Circular dated April 20, 2007. After following due process, SEBI rejected the aforementioned settlement applications. SEBI informed the aforementioned six entities of the same on February 19, 2009.

AD INTERIM EX PARTE ORDER DATED MARCH 12, 2010 AGAINST THIRTY ONE ENTITIES –

6. In continuation of the proceedings in the matter of Jaybharat Textiles and KSL, SEBI, vide an Order dated March 12, 2010, observed that the acts of Jaybharat Textiles and entities under the control of its Promoters were *prima facie* in violation of –
- A. Conditions of Listing Agreement under Section 21 of the Securities Contracts (Regulation) Act, 1956 (“**SCRA**”) including conditions for continuous listing.
 - B. Regulations 3 and 4 of the PFUTP Regulations, 2003.

C. Regulations 7, 8, 10 and 11 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (“**Takeover Regulations, 1997**”).

7. Accordingly, pending investigation, SEBI restrained Jaybharat Textiles from accessing the securities market and further prohibited the Company from buying, selling or dealing in shares directly or indirectly, in any manner whatsoever, till further orders. SEBI also prohibited the following entities which included the Promoters of Jaybharat Textiles along with entities *prima facie* connected to them from buying, selling or dealing in shares directly or indirectly, in any manner whatsoever, till further orders, –

TABLE II	
	ENTITY
1.	SAURABH KUMAR TAYAL
2.	JYOTIKA TAYAL
3.	NINA TAYAL
4.	RAM PRATAP TAYAL
5.	VANDANA TAYAL
6.	BHAWANA TAYAL
7.	BETA TRADING PVT. LIMITED
8.	ANSHUL MERCANTILE PVT. LIMITED
9.	INORBIT TRADING CO. PVT. LIMITED
10.	AVERA PROPERTIES PVT. LIMITED
11.	ANIL KUMAR DUBEY
12.	JAYESH V. MERCHANT
13.	DINESH DONGRE
14.	MAHENDRA KUMAR PANCHAL
15.	NITISH NAYAK
16.	HITESH DODIYA
17.	KISHORE PATIL
18.	GIRISH PUKALE
19.	MILIND MHATRE
20.	NANDKISHOR PANCHAL
21.	GOPAL AGGARWAL
22.	PRAMOD PATIL
23.	RAJESH SHARMA
24.	RUPESH NARVEKAR
25.	SANDIP MURKAR
26.	SANJAY GADADE
27.	SANJAY SAWANT
28.	SATISH PUSALKAR
29.	VIJAY SAWANT
30.	DHANANJAY KANDHARE

INVESTIGATION CONDUCTED BY SEBI –

8. SEBI conducted an investigation into the dealings in the scrip of Jaybharat Textiles and KSL. The period of investigation was from October 23, 2006 to December 31, 2009 (“**Investigation period**”). The Investigation Report *inter alia* states –
- A. The Promoters of Jaybharat Textiles and KSL along with certain connected entities were *prima facie* found to have acquired and held shares in the aforementioned two Companies beyond what was publicly declared by them through disclosures to the relevant Stock Exchanges. Further, the Promoters of the aforementioned Companies were able to mask the extent of their shareholding in such Companies through their connected entities who were *inter alia* their employees and also employees of other Group Companies of the Tayal Group. The Promoters along with the connected entities were also found to have continuously dealt in the shares of Jaybharat Textiles and KSL resulting in artificial volume creation and price manipulation in the said scrips. Further, the Promoters employed the connected entities to create various layers of fund transfers amongst themselves to avoid any scrutiny. The details of separate findings in respect of the two Companies are elaborated hereunder.

DETAILS OF FINDINGS IN RESPECT OF JAYBHARAT TEXTILES –

- B. The Board of Directors of Jaybharat Textiles during the Financial Years 2006–2009 was –

TABLE III		
	NAME OF DIRECTOR	TYPE/ DESIGNATION
1.	SAURABH KUMAR TAYAL	NON-EXECUTIVE CHAIRMAN PROMOTER
2.	MAHENDRA KUMAR AGGARWAL	MANAGING DIRECTOR
3.	KAILASH NATH BHANDARI	DIRECTOR
4.	RAJSHEKHAR SHANKAR GANIGER	NON-EXECUTIVE DIRECTOR
5.	FARINDRA BIHARI RAI	NON-EXECUTIVE DIRECTOR
FOLLOWING PERSONS WERE DIRECTORS OF JAYBHARAT TEXTILES DURING THE INVESTIGATION PERIOD BUT HAVE SINCE CEASED TO BE DIRECTORS.		
6.	GAURAV MOHINDERLAL AGARWAL	DIRECTOR
7.	ROMIL J. AGGARWAL	NON-EXECUTIVE DIRECTOR
8.	VIJAY KRISHAN KUMAR CHOPRA	NON-EXECUTIVE DIRECTOR
9.	SURENDRA AMBALAL DAVE	NON-EXECUTIVE DIRECTOR
10.	ANIL KUMAR DUBEY	NON-EXECUTIVE DIRECTOR
11.	T. M. V. M. NAGARAJAN	NON-EXECUTIVE DIRECTOR
12.	SUBHASH CHANDRA CHAMPARAM NIGAM	NON-EXECUTIVE DIRECTOR
13.	CHANDRASHEKHAR R. PANDEY	NON-EXECUTIVE DIRECTOR
14.	PRAVEEN BASANT SHARMA	NON-EXECUTIVE DIRECTOR
15.	HARINDRA KUMAR SINGH	NON-EXECUTIVE DIRECTOR

C. The shareholding pattern of Jaybharat Textiles is provided below –

TABLE IV													
QUARTERLY SHAREHOLDINGS → / CATEGORIES ↓	% SHAREHOLDINGS FOR QUARTER ENDINGS												
	MAR 2003	JUNE 2003	JUNE 2004	SEP 2004	DEC 2004	SEP 2005	MAR 2006	SEP 2006	MAR 2007	SEP 2007	JUNE 2009	SEP 2009	DEC 2009
SHAREHOLDING OF PROMOTER AND PROMOTER GROUP	57.02	68.55	73.37	68.55	68.55	68.55	68.55	68.55	68.55	68.55	67.05	67.05	67.05
INSTITUTIONS	–	–	–	–	–	–	–	–	0.61	0.61	0.61	0.61	0.61
BODIES CORPORATE	–	–	0.02	1.20	1.20	0.72	0.79	0.78	0.16	0.18	0.70	0.71	0.71
INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL UP TO ₹1 LAKH	42.98	31.45	26.61	30.24	30.24	30.72	30.66	12.33	2.45	2.41	3.88	3.88	3.88
INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF ₹1 LAKH								18.44	28.23	28.25	27.75	27.75	27.75
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

FOR THE PERIOD FROM MARCH 2003 TO MARCH 2006, 'INDIVIDUALS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF ₹1 LAKH' AND 'INDIVIDUALS HOLDING NOMINAL SHARE CAPITAL UP TO ₹1 LAKH' DID NOT EXIST AS SEPARATE CATEGORIES.

D. The Promoters of Jaybharat Textiles and their shareholding were as under –

TABLE V													
QUARTER → PROMOTERS ↓	% SHAREHOLDING FOR QUARTERS ENDING												
	MAR 2003	JUN 2003	JUN 2004	SEP 2004	DEC 2004	SEP 2005	MAR 2006	SEP 2006	MAR 2007	SEP 2007	JUN 2009	SEP 2009	DEC 2009
BHAWANA TAYAL	11.73	11.73	11.73	9.32	9.32	9.32	9.32	9.32	9.32	9.32	9.32	9.32	9.32
JYOTIKA TAYAL	10.82	10.82	10.82	8.41	8.41	8.41	8.41	8.41	8.41	8.41	8.41	8.41	8.41
NINA TAYAL	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33	12.33
RAM PRATAP TAYAL	–	–	–	–	–	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82
RAJAN AGGARWAL	–	–	4.82	4.82	4.82	–	–	–	–	–	–	–	–
SAURABH KUMAR TAYAL	10.64	22.17	22.17	22.17	22.17	22.17	22.17	22.17	22.17	22.17	20.67	20.67	20.67
VANDANA TAYAL	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49	11.49
TOTAL	57.02	68.55	73.37	68.55	68.55	68.55	68.54	68.55	68.55	68.55	67.05	67.05	67.05

➤ SAURABH TAYAL, PROMOTER, PURCHASED SHARES THROUGH AN OPEN OFFER TO THE PUBLIC CONSEQUENT TO THE ACQUISITION BY THE CURRENT PROMOTERS IN 2003 DUE TO WHICH THERE WAS A FALL IN PUBLIC HOLDING FROM 42.98% TO 31.45% FROM MARCH 2003 TO JUNE 2003.

➤ THE TOTAL PROMOTER HOLDING IS 68.55% SINCE JUNE 2003 AND FROM JUNE 2009, IT WAS REDUCED TO 67.05%. THE LEVEL OF PROMOTER HOLDING REDUCED BY 1.5% TO 67.05% AS ON JUNE 30, 2009 OWING TO REDUCTION OF SHARE HOLDINGS BY SAURABH KUMAR TAYAL, ONE OF THE PROMOTERS FROM 22.17% TO 20.67%.

- E. As noted from the above, the shareholding of one of the Promoters, viz. Saurabh Kumar Tayal as on June 30, 2009, dropped from 22.17% to 20.67%. In this context, it was however *prima facie* observed that Saurabh Kumar Tayal had failed to make correct and accurate disclosures in respect of 57,42,562 (1.5%) shares held by him in Jaybharat Textiles.
- F. In addition to the above, an examination of the public shareholding of Jaybharat Textiles revealed that under the category of *Individuals holding nominal share capital in excess of ₹1 Lakh*, 20 entities *prima facie* observed to be connected to the Promoters of Jaybharat Textiles held shares constituting 27.75% of the total equity share capital of the Company, which were held in physical form since the year 2002 i.e. Noticees no. 17–36 as mentioned at pages 1 and 2 of this Order.
- G. It was also observed that as on December 31, 2009, the category *Bodies Corporate* had 73 entities of which Envair Realty Pvt. Limited (“**Envair**”) (Noticee no. 55), Jayshree Petrochemicals Pvt. Limited (“**Jayshree Petrochemicals**”) (Noticee no. 9) and Avera Properties Pvt. Limited (“**Avera Properties**”) (Noticee no. 14) were directly or indirectly related to Promoters of Jaybharat Textiles. These entities held 0.69% of the total equity share capital of Jaybharat Textiles.
- H. As on December 31, 2009, it was observed that the Promoters effectively held 96.99% shareholding in Jaybharat Textiles, which included direct ownership of 67.05% shareholding under the category of *Promoters and Promoter Group*, direct ownership of 1.5% shareholding under the category of *Individual shareholders holding nominal share capital up to ₹1 Lakh*, indirect ownership of 27.75% shareholding held through connected entities under the category of *Individual shareholders holding nominal share capital up to ₹1 Lakh* and indirect ownership of 0.69% shareholding held through three connected entities under the category of *Bodies Corporate*. However, the Promoters had publicly disclosed only 67.05% shareholding in Jaybharat Textiles. As a result, investors were led to believe that the Promoters held and controlled only 67.05% of the share capital of Jaybharat Textiles, which was well within the maximum permissible non–public shareholding limit of 75%, whereas the public shareholding was effectively only 3.01%.
- I. It was also observed that during the period from October 23, 2006 to August 28, 2007, the price of the scrip of Jaybharat Textiles increased from ₹93.10 to ₹397.70 resulting in a price rise of 327%. The aforementioned was largely on account of trading by entities connected to the Promoters of Jaybharat Textiles, viz. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16

(Axon Realpro Pvt. Limited), Noticee no. 17 (Anil Kumar Dubey), Noticee no. 18 (Jayesh V. Merchant), Noticee no. 19 (Dinesh Dongre), Noticee no. 20 (Mahendra Kumar Panchal), Noticee no. 21 (Nitish Nayak), Noticee no. 22 (Hitesh Dodiya) and also Noticee no. 57 (Avery Procon Pvt. Limited). It was observed that the aforementioned entities had extensively traded in the scrip of Jaybharat Textiles *inter alia* in order to create false volume and to manipulate the price of such scrip, which was detrimental to the interests of investors.

- J. An analysis of the bank statements of the entities connected to the Promoters of Jaybharat Textiles also revealed that their bank accounts were utilized by the Promoters to channelize funds from one connected entity to another.

DETAILS OF FINDINGS IN RESPECT OF KSL –

- K. The Board of Directors of KSL during the Financial Years 2006–2009 was as under –

TABLE VI		
	NAME OF DIRECTOR	TYPE/ DESIGNATION
1.	SAURABH KUMAR TAYAL	NON-EXECUTIVE CHAIRMAN PROMOTER-DIRECTOR
2.	AJAY RAMESH GUPTA	MANAGING DIRECTOR
3.	RAJSHEKHAR SHANKAR GANIGER	NON-EXECUTIVE DIRECTOR
4.	PRITAM SINGH PRITAM	NON-EXECUTIVE DIRECTOR
5.	FARINDRA BIHARI RAI	NON-EXECUTIVE DIRECTOR
FOLLOWING PERSONS WERE DIRECTORS OF KSL DURING THE INVESTIGATION PERIOD BUT HAVE SINCE CEASED TO BE DIRECTORS.		
6.	GOPAL AGGARWAL	NON-EXECUTIVE DIRECTOR
7.	ROMIL J. AGGARWAL	NON-EXECUTIVE DIRECTOR
8.	RAJ NARAIN MURARI LAL BHARDWAJ	NON-EXECUTIVE DIRECTOR
9.	SURENDRA AMBALAL DAVE	DIRECTOR
10.	ANIL KUMAR DUBEY	NON-EXECUTIVE DIRECTOR
11.	S.N. DUBEY	NON-EXECUTIVE DIRECTOR
12.	CHANDRASHEKHAR R. PANDEY	NON-EXECUTIVE DIRECTOR
13.	MAHENDRA SOHANBHAI PATEL	NON-EXECUTIVE DIRECTOR
14.	PRAVEEN BASANT SHARMA	NON-EXECUTIVE DIRECTOR
15.	HARINDRA KUMAR SINGH	NON-EXECUTIVE DIRECTOR
16.	PRADEEP SONI	NON-EXECUTIVE DIRECTOR

L. The shareholding pattern of KSL is provided below –

QUARTERLY SHAREHOLDINGS→ / CATEGORIES ↓	TABLE VII % SHAREHOLDINGS FOR QUARTER ENDINGS												
	MAR 2003	JUNE 2003	JUNE 2004	SEP 2004	DEC 2004	SEP 2005	MAR 2006	SEP 2006	MAR 2007	SEP 2007	JUNE 2009	SEP 2009	DEC 2009
SHAREHOLDING OF PROMOTER AND PROMOTER GROUP	71.21	71.21	71.21	66.62	66.62	39.58	39.73	39.73	39.16	38.79	39.22	39.22	39.22
INSTITUTIONS	0.43	0.43	0.50	0.50	0.49	–	–	–	4.14	4.75	5.02	4.85	4.72
BODIES CORPORATE	–	–	17.10	9.94	9.94	27.53	27.13	30.61	27.67	27.70	27.92	27.99	28.03
INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL UP TO ₹1 LAKH	28.36	28.36	11.19	22.95	22.95	32.89	33.14	7.80	7.43	7.32	7.05	7.15	7.24
INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF ₹1 LAKH								21.86	21.60	21.43	20.77	20.77	20.77
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

M. As observed from the above Table, the Promoters and Promoter Group's shareholding decreased from 71.21% to 39.22%, a reduction of 31.99% for the period from March 2003 to December 2009. During the investigation period, the shareholding of 'Body Corporate' and 'Individual shareholders holding nominal share capital in excess of Rs.1 Lakh' increased and as on December 2009, was 48.80%.

N. An examination of the public shareholding of KSL revealed that under the category of 'Individuals holding nominal share capital in excess of ₹1 Lakh', fifteen entities viz. Noticee no. 17 (Anil Kumar Dubey), Noticee no. 19 (Dinesh Dongre), Noticee no. 20 (Mahendra Kumar Panchal), Noticee no. 21 (Nitish Nayak), Noticee no. 22 (Hitesh Dodiya), Noticee no. 23 (Kishore Patil), Noticee no. 37 (Amit Shivalkar), Noticee no. 38 (Vijay Upadhyay), Noticee no. 39 (Anil Kumaran), Noticee no. 40 (Kanti C. Patel), Noticee no. 41 (Gauri S. Raut), Noticee no. 42 (Sudhir Gargodia), Noticee no. 43 (Sanjay Jambhale), Noticee no. 44 (Satish Mhatre) and Noticee no. 45 (Vipin Kumar), held shares constituting 13.01% of the total equity share capital of the Company. As per information obtained by SEBI from the RTA of KSL, the aforementioned fifteen entities were *prima facie* observed to be connected to the Promoters of KSL.

O. It was also observed that as on December 31, 2009, the category 'Bodies Corporate' had seventeen entities viz. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt.

Limited), Noticee no. 14 (Avera Properties), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 46 (Cyberinfo Zeeboomba.Com), Noticee no. 47 (Ahmednagar Investments Pvt. Limited), Noticee no. 48 (21st Century Entertainment), Noticee no. 49 (Giriganga Investments Pvt. Limited), Noticee no. 50 (Global Softech Limited), Noticee no. 51 (Cyber Infosystems and Technologies), Noticee no. 52 (Delux Polymers Pvt. Limited), Noticee no. 53 (Shree Ganesh Hosiery Mills Pvt. Limited), Noticee no. 54 (Shree Krishna Silk Industries Pvt. Limited), Noticee no. 55 (Envair Realty), Noticee no. 56 (Charms Holding Pvt. Limited) and Noticee no. 57 (Avery Procon Pvt. Limited), who were directly or indirectly related to Promoters of KSL. These entities held 26.16% (out of 28.03% disclosed as being held by Bodies Corporate) of the total equity share capital of KSL.

- P. As on December 31, 2009, it was observed that the Promoters effectively held 78.39% shareholding in KSL, which included direct ownership of 39.22% shareholding under the category of *Promoters and Promoter Group*, indirect ownership of 13.01% shareholding held through connected entities under the category of *Individual shareholders holding nominal share capital in excess of ₹1 Lakh* and indirect ownership of 26.16% shareholding held through connected entities under the category of *Bodies Corporate*. However, the Promoters had publicly disclosed only 39.22% shareholding in KSL. As a result, investors were led to believe that the Promoters held and controlled only 39.22% of the share capital of KSL, which was well within the maximum permissible non-public shareholding limit of 75%, whereas the public shareholding was effectively only 21.61%.
- Q. It was also observed that during the period from October 26, 2006 to August 28, 2007, the price of the scrip of KSL increased from ₹39.22 to ₹173.40 resulting in a price rise of 73.40%. The aforementioned was largely on account of trading by entities connected to the Promoters of KSL, viz. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 21 (Nitish Nayak) and Noticee no. 57 (Avery Procon Pvt. Limited). It was observed that the aforementioned had extensively traded in the scrip of KSL *inter alia* in order to create artificial volume and to manipulate the price of such scrip, which was detrimental to the interests of investors.

9. In addition to the above, the Investigation Report states –

- A. Summons dated April 21, 2010 and March 4, 2011, were issued to Jaybharat Textiles and also various letters were sent to Jaybharat Textiles as well as KSL to appear before the Investigating Authority, SEBI (“**IA**”) and furnish certain documents including copies of physical share certificates of entities mentioned above. However, Jaybharat Textiles and KSL failed to furnish any information and also did not co-operate with the IA.
- B. During the investigation, as per the consolidated financial statement of Jaybharat Textiles for the Financial Year ended March 31, 2008, the total revenue of the Company was ₹429.04 Crores and its net profit was ₹32.65 Crores. On comparing the aforementioned data with bank transaction statements of Jaybharat Textiles for April 1, 2007 to March 31, 2008, it was observed that on several occasions, funds were transferred to Krishna Knitwear Technologies Limited (“**Krishna Knitwear**”), a Promoter Group Company of the Tayal Group. It is also noted that an amount of ₹41.05 Crores was credited to Jaybharat Textiles during the said Financial Year through fund transfers from Krishna Knitwear, which was more than the net profit recorded by the aforementioned Company.

SHOW CAUSE NOTICE DATED JANUARY 5, 2016 –

10. Pursuant to completion of the investigation, SEBI issued a Show Cause Notice (“**SCN**”) dated January 5, 2016, to Noticees no. 1–57 of this Order [Refer to Table at pages 1 and 2] on the basis of the findings contained in the Investigation Report (as reproduced in the preceding paragraphs) *inter alia* alleging violation of the following provisions of law and asking them to show cause as to why actions including disgorgement of illegal profits made should not be taken against them –

	NOTICEES	PROVISIONS OF LAW
1.	SAURABH KUMAR TAYAL	i. Regulation 3(b),(c),(d) and (f) and Regulation 4(1), (2)(d), (e) and (r) of PFUTP Regulations, 2003; ii. Regulation 7(1), (2), Regulation 8(1), (2), Regulations 10 and 11(1) and (2) of Takeover Regulations, 1997 read with Section 21 of SCRA including conditions for continuous listing.
2.	JYOTIKA TAYAL	
3.	NINA TAYAL	
4.	RAM PRATAP TAYAL	
5.	VANDANA TAYAL	
6.	BHAWANA TAYAL	
7.	JAYBHARAT TEXTILES AND REAL ESTATE LIMITED	i. Regulation 4(2)(f),(k) and (r) of PFUTP Regulations, 2003;
8.	KSL AND INDUSTRIES LIMITED	

		ii. Regulation 7(3), Regulation 8(3), (4), of Takeover Regulations, 1997 read with Section 21 of SCRA including conditions for continuous listing.
9.	JAYSHREE PETROCHEMICALS	i. Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(e) and (g) of PFUTP Regulations, 2003; ii. Regulation 7(1), (2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997.
10.	EDC SECURITIES LIMITED	
11.	BETA TRADING PRIVATE LIMITED	
12.	ANSHUL MERCANTILE PVT. LIMITED	
13.	INORBIT TRADING CO. PVT. LIMITED	
14.	AVERA PROPERTIES	
15.	MEGNA DEVELOPERS PVT. LIMITED	
16.	AXON REALPRO PVT. LIMITED	
17.	ANIL KUMAR DUBEY	i. Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(e) of PFUTP Regulations, 2003; ii. Regulation 7(2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997.
18.	JAYESH V. MERCHANT	
19.	DINESH DONGRE	i. Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(e) and (g) of PFUTP Regulations, 2003; ii. Regulation 7(1), (2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997.
20.	MAHENDRA KUMAR PANCHAL	
21.	NIITISH NAYAK	
22.	HITESH DODIYA	
23.	KISHORE PATIL	i. Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(e) of PFUTP Regulations, 2003; ii. Regulation 7(2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997.
24.	GIRISH PUKALE	
25.	MILIND MHATRE	
26.	NANDKISHOR PANCHAL	
27.	GOPAL AGGARWAL	
28.	PRAMOD PATIL	
29.	RAJESH SHARMA	
30.	RUPESH NARVEKAR	
31.	SANDIP MURKAR	
32.	SANJAY GADADE	
33.	SANJAY SAWANT	
34.	SATISH PUSALKAR	
35.	VIJAY SAWANT	
36.	DHANANJAY KANDHARE	
37.	AMIT SHIVALKAR	
38.	VIJAY UPADHYAY	
39.	ANIL KUMARAN	
40.	KANTI C. PATEL	
41.	GAURI S. RAUT	
42.	SUDHIR GARGODIA	
43.	SANJAY JAMBHALE	
44.	SATISH MHATRE	
45.	VIPIN KUMAR BHATNAGAR	
46.	CYBERINFO ZEEBOOMBA.COM	
47.	AHMEDNAGAR INVESTMENTS PVT. LIMITED	
48.	21 ST CENTURY ENTERTAINMENT	
49.	GIRIGANGA INVESTMENTS PVT. LIMITED	
50.	GLOBAL SOFTECH LIMITED	
51.	CYBER INFOSYSTEMS AND TECHNOLOGIES	
52.	DELUX POLYMERS PVT. LIMITED	
53.	SHREE GANESH HOSIERY MILLS PVT. LIMITED	
54.	SHREE KRISHNA SILK INDUSTRIES PVT. LIMITED	

55.	ENVAIR REALTY	i. Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(c) and (g) of PFUTP Regulations, 2003; ii. Regulation 7(1), (2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997.
56.	CHARMS HOLDING PVT. LIMITED	
57.	AVERY PROCON PVT. LIMITED	

11. Subsequent to the issuance of SCN, out of fifty seven (57) Noticees therein –

- A. Thirty one (31) Noticees requested for extension of time to file replies to the SCN and also sought copies of the Investigation Report, etc. which was subsequently forwarded to them by SEBI, on June 6, 2017.
- B. Twenty two (22) Noticees sought inspection of documents relied upon by SEBI in the SCN. An inspection of documents as requested by them was granted by SEBI on June 14, 2017.
- C. Four (4) Noticees however, failed to file a reply to the SCN.

PERSONAL HEARING BEFORE SEBI –

12. An opportunity of personal hearing in the instant proceedings was scheduled before SEBI on the following dates –

- A. July 4, 2017.
- B. July 28, 2017.
- C. February 20, 2018 [Twenty seven (27) Noticees] and February 21, 2018 [Thirty (30) Noticees].

13. Details regarding the abovementioned hearings are provided in the Table below –

TABLE VIII				
	NOTICEES	4.07.2017	28.07.2017	20.02.2018 21.02.2018
1.	SAURABH KUMAR TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	REQUESTED ADJOURNMENT. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.

2.	JYOTIKA TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	REQUESTED ADJOURNMENT. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
3.	NINA TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	REQUESTED ADJOURNMENT. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
4.	RAM PRATAP TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
5.	VANDANA TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	REQUESTED ADJOURNMENT. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
6.	BHAWANA TAYAL	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	REQUESTED ADJOURNMENT. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
7.	JAYBHARAT TEXTILES AND REAL ESTATE LIMITED	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
8.	KSL AND INDUSTRIES LIMITED	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
9.	JAYSHREE PETROCHEMICALS	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
10.	EDC SECURITIES LIMITED	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	REQUESTED ADJOURNMENT. SEBI VIDE E-MAIL DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 01.03.2018 BUT DID NOT ATTEND THE SAME. NO REPLY FILED.
11.	BETA TRADING PRIVATE LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.
12.	ANSHUL MERCANTILE PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.
13.	INORBIT TRADING CO. PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018.

				NO REPLY FILED.
14.	AVERA PROPERTIES	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
15.	MEGNA DEVELOPERS PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	REQUESTED ADJOURNMENT. SEBI VIDE E-MAIL DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 1.03.2018 BUT DID NOT ATTEND THE SAME. NO REPLY FILED.
16.	AXON REALPRO PVT. LIMITED	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
17.	ANIL KUMAR DUBEY	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018. ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
18.	JAYESH V. MERCHANT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
19.	DINESH DONGRE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	REQUESTED ADJOURNMENT. SEBI VIDE E-MAIL DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 1.03.2018 BUT DID NOT ATTEND THE SAME. NO REPLY FILED.
20.	MAHENDRA KUMAR PANCHAL	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.
21.	NITISH NAYAK	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
22.	HITESH DODIYA	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
23.	KISHORE PATIL	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
24.	GIRISH PUKALE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
25.	MILIND MHATRE	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.

		INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	/ SEPTEMBER 2017 AND ATTENDED THE SAME.	
26.	NANDKISHOR PANCHAL	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018. ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
27.	GOPAL AGGARWAL	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
28.	PRAMOD PATIL	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
29.	RAJESH SHARMA	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
30.	RUPESH NARVEKAR	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.
31.	SANDIP MURKAR	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018. ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
32.	SANJAY GADADE	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
33.	SANJAY SAWANT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
34.	SATISH PUSALKAR	NO RESPONSE RECEIVED TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018. ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
35.	VIJAY SAWANT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
36.	DHANANJAY KANDHARE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018. ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
37.	AMIT SHIVALKAR	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST	DID NOT ATTEND HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.

		INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	/ SEPTEMBER 2017 AND ATTENDED THE SAME.	
38.	VIJAY UPADHYAY	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. NO REPLY FILED.
39.	ANIL KUMARAN	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
40.	KANTI C. PATEL	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
41.	GAURI S. RAUT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
42.	SUDHIR GARGODIA	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
43.	SANJAY JAMBHALE	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
44.	SATISH MHATRE	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
45.	VIPIN KUMAR BHATNAGAR	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
46.	CYBERINFO ZEEBOOMBA.COM	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
47.	AHMEDNAGAR INVESTMENTS PVT. LIMITED	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
48.	21 ST CENTURY ENTERTAINMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME.	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
49.	GIRIGANGA INVESTMENTS PVT. LIMITED	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.

50.	GLOBAL SOFTECH LIMITED	REQUESTED ADJOURNMENT	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
51.	CYBER INFOSYSTEMS AND TECHNOLOGIES	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	REQUESTED ADJOURNMENT. SEBI VIDE E-MAIL DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 1.03.2018 BUT DID NOT ATTEND THE SAME. NO REPLY FILED.
52.	DELUX POLYMERS PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
53.	SHREE GANESH HOSIERY MILLS PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
54.	SHREE KRISHNA SILK INDUSTRIES PVT. LIMITED	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 AND ATTENDED THE SAME. REPLY FILED ON 15.03.2018.
55.	ENVAIR REALTY	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.
56.	CHARMS HOLDING PVT. LIMITED	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN JULY 2017 AND ATTENDED THE SAME	ATTENDED HEARING AND SOUGHT INSPECTION OF DOCUMENTS. GRANTED INSPECTION IN AUGUST / SEPTEMBER 2017 AND ATTENDED THE SAME.	DID NOT ATTEND HEARING. SEBI VIDE LETTER DATED 28.02.2018, DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. REPLY FILED ON 15.03.2018.
57.	AVERY PROCON PVT. LIMITED	REQUESTED ADJOURNMENT	NO RESPONSE RECEIVED BY SEBI TO THE HEARING NOTICE	ATTENDED HEARING. SEBI DIRECTED ENTITY TO FILE REPLY BY 15.03.2018. GRANTED INSPECTION ON 28.02.2018 BUT DID NOT ATTEND THE SAME. REPLY FILED ON 15.03.2018.

REPLIES TO THE SCN AND SUBMISSIONS DURING THE PERSONAL HEARING BEFORE SEBI –

14. In their replies dated March 15, 2018, forty six (46) Noticees i.e. Saurabh Kumar Tayal, Jyotika Tayal, Nina Tayal, Ram Pratap Tayal, Vandana Tayal, Bhawana Tayal, Jaybharat Textiles, KSL, Jayshree Petrochemicals, Avera Properties, Axon Realpro Pvt. Limited, Anil Kumar Dubey, Jayesh V. Merchant, Nitish Nayak, Hitesh Dodiya, Kishore Patil, Girish Pukale, Milind Mhatre, Nandkishor Panchal, Gopal Aggarwal, Pramod Patil, Rajesh Sharma, Sandip Murkar, Sanjay Gadade, Sanjay Sawant, Satish Pusalkar, Vijay Sawant, Dhananjay Kandhare, Anil Kumaran, Kanti C. Patel, Gauri S. Raut, Sudhir Gargodia, Sanjay Jambhale, Satish Mhatre, Vipin Kumar Bhatnagar, Cyberinfo Zeeboomba.Com, Ahmednagar Investments Pvt. Limited, 21st Century Entertainment, Giriganga

Investments Pvt. Limited, Global Softech Limited, Delux Polymers Pvt. Limited, Shree Ganesh Hosiery Mills Pvt. Limited, Shree Krishna Silk Industries Pvt. Limited, Envair Realty, Charms Holding Pvt. Limited and Avery Procon Pvt. Limited *inter alia* made the following common submissions –

- A. *The alleged basis of allegations levied in the SCN is that the Promoters along with their connected entities have with a common understanding, acquired and actually held shares in the scrip of Jaybharat Textiles and KSL, which is far in excess of what has been declared by them publicly. The SCN further states that the Promoters of Jaybharat Textiles and KSL have been able to disguise the extent of their shareholding in both Companies in a devious manner through the artifice of holding shares through their benami holdings, in most cases their employees or workers. Also some of the aforementioned entities continuously dealt in shares of KSL and Jaybharat Textiles and created artificial volumes in the said scrips. It has also been observed in the SCN that Promoters utilized their connected entities for creating various layers of fund transfer among their connected entities to avoid any scrutiny.*
- B. *At the outset, it is submitted that the allegations alleged in the SCN are totally denied. There have been no benami transactions entered into or enabled by the Promoters in respect of the shares of Jaybharat Textiles and KSL. The Promoters along with their connected entities had in no manner traded or dealt in shares, for generating artificial volumes in the said scrips, as alleged. Further, the Promoters have not utilized any person(s)/entities for creating layers of fund transfer. It is evident from the SCN itself that there are no allegations or materials brought on record to establish any violation by us in respect of any of the provisions of SEBI Act, SCRA, PFUTP and/or Takeover Regulations, 1997. It is further submitted that the SCN is bad in law and must be struck down on the ground of being vague and uncertain. The law as regards the requirement of issuance of Show Cause Notice and the contents that are mandatorily required to be included in such show cause notice was recently considered and elaborated by the Hon'ble Supreme Court in **Gorkha Security Services v. Govt. (NCT of Delhi), (2014) 9 SCC 105**.*
- C. *The allegations levelled against us in the SCN are based on mere surmises and conjectures, completely ignoring and overlooking the factual position on ground. The SCN proceeds on the assumption that the shareholding of Jaybharat Textiles to the extent of 27.75% as held by various entities/persons (as stated in the Order) belongs to the Promoters and that those various persons are holding shares in their name as benamis. Further, the inference of benamis has been drawn on the assumption that the said persons are connected to the Promoters or their companies as employees or workers. It is submitted that the entire basis of the SCN is flawed and erroneous. There is no justification for saddling on the Promoters the shares belonging to other persons or for branding other persons as the Promoters' benamis. In this context it is submitted that –*

- i. *The Promoters have not paid any consideration on behalf of various persons (alleged to be our benamis) for acquiring shares of Jaybharat Textiles and KSL held by them. There is nothing on record to even remotely suggest the aforesaid.*
 - ii. *Mereby because some of the persons were employees or workers in the companies connected to the Promoters cannot lead to a finding that the shares held by them are the Promoters' shares or that they are only holding shares as benamis.*
 - iii. *The Promoters have no right, title or interest in the shares held by various persons (alleged to be their benamis) as alleged in the SCN nor do they have any common understanding with the said persons. Assuming without admitting that the Promoters are connected with the other Noticees, by no stretch of imagination would mean that other Noticees have acted as benami entities for the Promoters of Jaybharat Textiles and KSL and Promoters/ Companies could camouflage shareholdings through the Promoters. The concept of benami transactions has been explained in **Thakur Bhim Singh (Dead) by Heirs vs. Thakur Kan Singh, (1980) 3 SCC 72** in which it has been observed by the Hon'ble Supreme Court that: "Two kinds benami transactions are generally recognised in India. Where a person buys a property with his own money but in the name of another person without any intention to benefit such other person, the transaction is called benami. In that case, the transferee holds the property for the benefit of the person who has contributed the purchase money, and he is the real owner. The second case which is loosely termed as a benami transaction is a case where a person who is the owner of the property executes a conveyance in favour of another without the intention of transferring the title to the property thereunder. In this case, the transferor continues to be the real owner. ... One common feature, however, in both these cases is that the real title is divorced from the ostensible title and they are vested in different persona."*
 - iv. *In the present case, it has nowhere been shown that the consideration for the transaction of purchase of shares of Jaybharat Textiles and KSL by certain Noticees was paid by the Promoters.*
- D. *It is humbly submitted that SEBI lacks the jurisdiction to decide the present case. This is because SEBI does not have the jurisdiction to decide the violation of Benami Transactions (Prohibition) Act, 1988. There is altogether a new law to deal with the benami transactions and hence, the same cannot be covered into the ambit of SEBI Act and consequently cannot be adjudicated by SEBI. Therefore, it is imperative that the proceedings must not be continued against us and must be dropped as SEBI does not have jurisdiction to try the present case.*
- E. *As regards alleged violations of the provisions of Takeover Regulations, 1997, it is submitted that there is not even a single allegation in the SCN and no material, document or evidence has been brought on record by SEBI in the SCN to establish that. The Promoters and most of the Noticees have in fact not traded in any shares of Jaybharat Textiles and/or KSL. In fact the SCN itself states that the Promoters and most of the Noticees have not traded in shares of KSL since March 2001. Therefore, in the absence of any acquisition of shares of*

either Jaybharat Textiles and/ or KSL during the Investigation Period, there is no violation of the provisions of the Takeover Regulations, 1997 as alleged or at all including specifically of Regulation 7(1),(2), 8(1),(2), 10 and 11(1) & (2) of Takeover Regulations, 1997.

- F. As regards alleged violations of the provisions of SCRA, it is submitted that the Promoters have complied with all the conditions of the Listing Agreement of the concerned Stock Exchange(s) and so it cannot be said that we have violated Section 21 of SCRA.
- G. With regard to the observation about the disgorgement of illegal gains, assuming without admitting that the Promoters and most of the Noticees held shares in the name of certain other Noticees, it is submitted that an order for disgorgement cannot be made against the Promoters and most of the Noticees as we have not made any illegal gains. It is not even the case of SEBI that the Promoters and most of the Noticees have made any illegal gains in the present case as the same has not been stated in the SCN. It is clear that for disgorgement, profits are needed to be made and the act by which profits are made has to be illegal or unethical. It is imperative that the amount of the ill-gotten gain has to be stated in the SCN, as the same is **sine qua non** for passing of the directions of disgorgement. However, in the present case, the same has not been done and therefore, the order of disgorgement cannot be passed against us as otherwise the same would be capricious, whimsical and arbitrary.
- H. It is a pre-settled principle that serious charges like fraud cannot be established on the basis of surmise and conjectures. Attention is invited to the decision of the Supreme Court in **Union of India vs. Chaturbhai M. Patel (AIR 1976 SC 713)** which holds that fraud, even in civil proceedings, must be established beyond reasonable doubt. Thus, the allegations does not meet the well settled standards of law and evidence in such a case and needs to be withdrawn. According to the decision of the Securities Appellate Tribunal in **Parsoli Corporation vs. SEBI (Appeal No 146/8011 order dated August 13, 2011)**: "... a serious charge like fraud has to be established on preponderance of probabilities and since this charge is serious; higher has to be the degree of probability to establish the same." The SAT also held in **Sterlite Industries vs. SEBI (Appeal No. 30/3001 dated October 22, 2001)** that "... in the absence of reasonably strong evidence, even in a civil proceeding, a person cannot be held guilty and awarded punishment. Mere surmise, conjuncture or suspicion cannot sustain the finding of fault." It is seen that in the present case, the SCN is admittedly based on no evidence leaving aside high or convincing preponderance of probabilities.
- I. The SAT in its order in case of **KSL & Industries Ltd vs. SEBI (SAT Appeal no. 9/2003 decided on September 30, 2009)** has held that "I do not find any material on record in support of the said charge. A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence are **not** sustained. Fraud cannot survive on mere conjecture and surmises."

15. In addition to the above, vide their replies dated March 15, 2018, Saurabh Kumar Tayal, Jyotika Tayal, Nina Tayal, Ram Pratap Tayal, Vandana Tayal and Bhawana Tayal have made certain specific submissions, which are reproduced as under –
- A. *It is denied that the twenty (20) Noticees detailed in SCN are linked to the Promoters.*
 - B. *It is denied that the said entities hold shares as benamis of the companies in which the Promoters & their relatives were promoters/Directors at the relevant time.*
 - C. *As admitted by SEBI in the SCN, the said entities are shareholders under the category “holding by public”.*
 - D. *The Promoters’ shareholding have been regularly disclosed by them to Jaybharat Textiles.*
 - E. *It is denied that the Promoters have gained anything out of the increase in the price of shares of Jaybharat Textiles and the same is evident from the fact that they have never traded in the shares of Jaybharat Textiles and their shareholding has more or less remained unchanged for many years. It is denied that there was any circular trading related to the Promoters. Any trading done by alleged entities cannot be attributed to the Promoters. It is denied that there was a very high degree of Promoter control as alleged in the SCN.*
 - F. *It is denied that the Promoters attempted to show additional floating stock than what is actually available in the market as alleged. There was no reason for the Promoters to do so. It is denied that the shareholding of Promoters as disclosed to the public at large gives a false and misleading impression or there was any deception on the Promoters’ part as alleged. It is denied that Promoters were attempting to build up public interest by creating artificial volume resulting in price rise as alleged. Admittedly, the Promoters have not traded in the scrip of Jaybharat Textiles during the relevant period.*
 - G. *It is submitted that the Promoters’ shareholding in Jaybharat Textiles has always remained within the maximum permissible limit, and the same can be verified from the relevant documents. It is denied that there was any deception at all. It is denied that there was any indirect control by the Promoters over the shares of Jaybharat Textiles. It is further denied that there were any front entities as alleged in the SCN. It is submitted that the allegations levelled in the SCN are based on conjectures and surmises.*
 - H. *Holding shares in physical form is lawful and no negative inference can be drawn against us for the said entities holding the shares of Jaybharat Textiles in physical form.*
 - I. *We request that in addition to the opportunity to place the replies on record, the Promoters should also be given an opportunity of personal hearing before any decision is taken by your good self in the matter.*
16. No replies to the SCN have been filed by eleven (11) Noticees i.e. EDC Securities Limited, Beta Trading Private Limited, Anshul Mercantile Pvt. Limited, Inorbit Trading Co. Pvt. Limited, Megna Developers Pvt. Limited, Dinesh Dongre, Mahendra Kumar Panchal, Rupesh Narvekar, Amit Shivalkar, Vijay Upadhyay and Cyber Infosystems and Technologies.

CONSIDERATION OF ISSUES AND FINDINGS –

17. I have considered the Interim Orders dated September 7, 2007 and March 12, 2010; the SCN dated January 5, 2016 along with all the material available on record.
18. I note that several Noticees viz. EDC Securities Limited, Beta Trading Private Limited, Anshul Mercantile Pvt. Limited, Inorbit Trading Co. Pvt. Limited, Megna Developers Pvt. Limited, Dinesh Dongre, Mahendra Kumar Panchal, Rupesh Narvekar, Amit Shivalkar, Vijay Upadhyay and Cyber Infosystems and Technologies, have not filed any reply to the SCN or made any submission for consideration during the course of these proceedings. Even though they remained *ex parte*, I find it relevant that I should be guided by the documents available on record as laid down by the Hon'ble SAT in its Order dated May 12, 2017 in the matter of *Sbri B. Ramalinga Raju vs. SEBI (Appeal No. 286 of 2014)*.
19. **Preliminary Objection** – In their submissions, I note that forty six (46) Noticees have raised a preliminary objection regarding the jurisdiction of SEBI in respect of the instant proceedings *inter alia* on the ground that such jurisdiction cannot be extended to decide the violation of Benami Transactions (Prohibition) Act, 1988.
20. From the SCN, I note that the allegations against the Noticees named therein are of a very serious nature *inter alia* including engaging in fraudulent activities thereby adversely affecting investors in the securities market. I note that in the SCN, SEBI while employing the phrase '*benami*' to describe the front entities/entities connected with the Promoters, never alleged the violation of the Benami Transactions (Prohibition) Act, 1988. I find that any act of omission/commission by any individual/entity which is likely to have an impact on the interests and welfare of investors in the securities market will be subject to SEBI's jurisdiction. I am, therefore, of the considered view that SEBI has full jurisdiction to proceed against the Noticees for determination of the allegations contained in the SCN and further, for issuing directions against them as contemplated therein.
21. **Repeated request for inspection of documents** – In the instant proceedings, I note that the Noticees have made repeated requests for inspection of documents collected during the Investigation by SEBI. For example, inspection of documents was earlier provided to all the Noticees who had sought inspection in July 2017 and also during the period from August 28–September 15, 2017. However, some of the authorised representatives of the concerned Noticees did not complete the inspection but rather sought further opportunity for inspection. Thereafter,

even when another opportunity was provided (during the period from January 15–25, 2018), only ten Noticees (out of the thirty five who had requested inspection) availed of such opportunity but even in the said cases, their authorised representatives refused to sign the minutes of inspection undertaken by them. A further six Noticees (vide letters dated January 23, 2018) sought extension of time for conducting the inspection of documents. I note that all relevant and available documents relied upon in the SCN dated January 5, 2016 or referred to during the Investigation, were either provided to the Noticees along with the said SCN or thereafter, during the course of inspection of documents. I note that despite the aforesaid, in most cases where an opportunity of personal hearing was granted, the Noticees consistently sought adjournment on the grounds that they require inspection of documents (refer to Table VIII of pages 13–18) and thereby failed to participate in the proceedings. Having regard to the aforementioned, I am of the considered view that the requests for inspection of documents were repeatedly made by the Noticees only with a view to protract and stall the instant proceedings and if entertained further, will consequently result in the proceedings remaining pending without SEBI reaching any conclusion for a prolonged period. It is on account of the aforementioned facts that the Noticees were directed to file their replies by March 15, 2018 and were informed that no further opportunities of personal hearing would be granted before SEBI.

22. Incidentally, I note that Jaybharat Textiles and KSL had failed to furnish any information including copies of physical share certificates of entities connected to them and also did not co-operate with the IA in respect of Summons dated April 21, 2010 and March 4, 2011 (issued only to Jaybharat Textiles). Further, during the Investigation, several Noticees had failed to respond to Summons issued by the IA (also refer to Table XI of page 29). In this context, it is noted that SEBI officials had visited a few of the entities, viz. Anil Kumar Dubey, Dinesh Dongre, Mahendra Panchal, Hitesh Dodiya and Kishore Patil, at their residential addresses (as noted from KYC documents obtained by SEBI) to hand deliver the Summons and record their statements during July 21, 2010 to July 23, 2010 (three days). However, the aforementioned entities had either shifted their residential addresses and where entities were found to still reside at their residential addresses, SEBI officials were denied entry by the relatives of such entities.

23. Accordingly, for the purpose of the instant proceedings, the issues for consideration are as under –

A. *Alleged violation of PFUTP Regulations, 2003 –*

Jaybharat Textiles –

- I. Whether the Noticees at Sr. nos. 17–36 of Table at pages 1–2, were connected to the Promoters of Jaybharat Textiles?***
- II. Whether the Noticees at Sr. nos. 9, 14 and 55 of Table at pages 1–2 were connected to the Promoters of Jaybharat Textiles?***
- III. Whether as a result of the aforementioned, the Promoters of Jaybharat Textiles along with entities connected to them had misrepresented their shareholding in Jaybharat Textiles?***
- IV. Whether some of the aforementioned Noticees i.e. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 17 (Anil Kumar Dubey), Noticee no. 18 (Jayesh V. Merchant), Noticee no. 19 (Dinesh Dongre), Noticee no. 20 (Mahendra Kumar Panchal), Noticee no. 21 (Nitish Nayak), Noticee no. 22 (Hitesh Dodiya) and also Noticee no. 57 (Avery Procon Pvt. Limited), had indulged in artificial volume creation, order book manipulation and price manipulation in the scrip of Jaybharat Textiles?***

KSL –

- V. Whether the Noticees at Sr. nos. 17, 19–23, 37–45 of Table at pages 1–2, were connected to the Promoters of KSL?***
- VI. Whether the Noticees at Sr. nos. 9–10, 14–16, 46–57 of Table at pages 1–2 were connected to the Promoters of KSL?***
- VII. Whether as a result of the aforementioned, the Promoters of KSL along with entities connected to them had misrepresented their shareholding in KSL?***
- VIII. Whether some of the aforementioned Noticees i.e. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 21 (Nitish Nayak) and Noticee no. 57 (Avery Procon Pvt. Limited), had indulged in artificial volume creation, order book manipulation and price manipulation in the scrip of KSL?***

As a result of the aforementioned, –

- IX. Whether the Promoters of Jaybharat Textiles and KSL violated Regulation 3(b),(c),(d) and (f) and Regulation 4(1), (2)(d), (e) and (r) of PFUTP Regulations, 2003?*
 - X. Whether Jaybharat Textiles and KSL violated Regulation 4(2)(f),(k) and (r) of PFUTP Regulations, 2003?*
 - XI. Whether Noticees no. 9–17, Noticees no. 19–22 and Noticee no. 57 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(e) and (g) of PFUTP Regulations, 2003?*
 - XII. Whether Noticees no. 18 and Noticees no. 23–56 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(e) of PFUTP Regulations, 2003?*
- B. Alleged violation of Takeover Regulations, 1997 read with SCRA, etc. –*
- XIII. Whether the Promoters of Jaybharat Textiles and KSL violated Regulation 7(1), (2), Regulation 8(1), (2), Regulations 10 and 11(1) and (2) of Takeover Regulations, 1997 read with Section 21 of SCRA including conditions for continuous listing?*
 - XIV. Whether Jaybharat Textiles and KSL violated Regulation 7(3), Regulation 8(3), (4), of Takeover Regulations, 1997 read with Section 21 of SCRA including conditions for continuous listing?*
 - XV. Whether Noticees no. 9–17, Noticees no. 19–22 and Noticee no. 57 of the SCN violated Regulation 7(1), (2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997?*
 - XVI. Whether Noticees no. 18 and Noticees no. 23–56 of the SCN violated Regulation 7(2), Regulation 8(2), Regulations 10 and 11(1) of Takeover Regulations, 1997?*

A. Alleged violation of PFUTP Regulations, 2003 –

Issues – Jaybharat Textiles

- I. Whether the Noticees at Sr. nos. 17–36 of Table at pages 1–2, were connected to the Promoters of Jaybharat Textiles?***
- II. Whether the Noticees at Sr. nos. 9, 14 and 55 of Table at pages 1–2 were connected to the Promoters of Jaybharat Textiles?***
- III. Whether as a result of the aforementioned, the Promoters of Jaybharat Textiles along with entities connected to them had misrepresented their shareholding in Jaybharat Textiles?***

As regards Jaybharat Textiles, the Investigation Report along with the SCN states –

24. The total Promoter holding in Jaybharat Textiles since June 2003 was 68.55% (except for the Quarter ending June 30, 2004) and was reduced to 67.05% as on June 2009. The level of Promoter holding reduced by 1.5% to 67.05% as at June 30, 2009 owing to reduction of share holdings by Saurabh Kumar Tayal, one of the Promoters from 22.17% to 20.67%. In this context, it is observed that Saurabh Kumar Tayal had failed to make correct and accurate disclosures in respect of the 57,42,562 (1.5%) shares held by him in Jaybharat Textiles, which is as under –

TABLE IX				
	NAME OF DIRECTOR	FOLIO No. / BOID	NO. OF SHARES AS PER RTA	NO. OF SHARES AS DISCLOSED TO THE PUBLIC
1.	SAURABH PRAVIN TAYAL	1202430000001125	1,53,750	–
2.	SAURABH TAYAL	1301760000002270	5,35,97,458	–
3.	SAURABH KUMAR TAYAL	00010031	3,11,34,374	7,91,43,093
4.	SAURABH KUMAR P. TAYAL	00012705	73	–
TOTAL			8,48,85,655	7,91,43,093
The shareholding of Saurabh Kumar Tayal at Sr. no. 1, 2 and 4 were not available in the public domain. The difference on account of such non-disclosure was 57,42,562 (1.5%) shares.				

25. An examination of the public shareholding of Jaybharat Textiles revealed that under the category of *‘Individuals holding nominal share capital in excess of ₹1 Lakh’*, 19 entities held shares constituting 27.75% of the total equity share capital of the Company, which were held in physical form since the year 2002. However, from the information obtained by SEBI from the RTA of Jaybharat Textiles, it is noted that there were actually 20 entities appearing in the shareholding of the Company under the category of *‘Individuals holding nominal share capital in excess of ₹1 Lakh’* i.e. Noticees no. 17–36 as mentioned at pages 1 and 2 of this Order, as against the 19 entities displayed by the Company on

the BSE website. Their shareholding stood at 28.24% of the total equity share capital of the Company. It is also noted that as on September 30, 2006, Jaybharat Textiles had disclosed only 18.44% as share capital under the category of '*Individuals holding nominal share capital in excess of ₹1 Lakh*' while the remaining 12.33% was disclosed under the category of '*Individuals holding nominal share capital up to ₹1 Lakh*'. Jaybharat Textiles desired to project (falsely) that retail category shareholders had acquired shares in the Company for the first time, thereby misleadingly indicating emergence of investor interest.

26. The individual shareholding of the aforementioned 20 Noticees as on December 31, 2009 is provided below –

TABLE X		
	NOTICEE	% SHAREHOLDING
17.	ANIL KUMAR DUBEY	1.14
18.	JAYESH V. MERCHANT*	0.49
19.	DINESH DONGRE	0.16
20.	MAHENDRA KUMAR PANCHAL	0.03
21.	NITISH NAYAK	0.17
22.	HITESH DODIYA	0.24
23.	KISHORE PATIL	1.42
24.	GIRISH PUKALE	0.80
25.	MILIND MHATRE	2.38
26.	NANDKISHOR PANCHAL	2.02
27.	GOPAL AGGARWAL	4.46
28.	PRAMOD PATIL	0.80
29.	RAJESH SHARMA	1.61
30.	RUPESH NARVEKAR	4.57
31.	SANDIP MURKAR	2.77
32.	SANJAY GADADE	0.80
33.	SANJAY SAWANT	0.80
34.	SATISH PUSALKAR	0.80
35.	VIJAY SAWANT	1.97
36.	DHANANJAY KANDHARE	0.80
*SHAREHOLDING IS AS ON DECEMBER 31, 2008 SINCE HE TRANSFERRED HIS ENTIRE HOLDING TO ANOTHER CONNECTED ENTITY I.E. ENVAIR REALTY, ON JANUARY 2009.		

27. The following is also noted from the SCN and Investigation Report in respect of the aforementioned 20 entities –

- a. **Noticees no. 17–23 as mentioned at pages 1 and 2 of this Order** – The aforementioned Noticees, viz. Anil Kumar Dubey, Jayesh V. Merchant, Dinesh Dongre, Mahendra Kumar Panchal, Nitish Nayak, Hitesh Dodiya and Satish Pusalkar, held 3.17% of the total equity share

capital of the Company in dematerialized form. The aforementioned 7 Noticees had all opened their demat account on September 17, 2002, with Keynote Capital Limited (Depository Participant).

b. Noticees no. 24–36 as mentioned at pages 1 and 2 of this Order –

- i.* The aforementioned Noticees held 24.58% of the total equity share capital of the Company in physical form, which were acquired by the said Noticees through off-market transactions in the year 2001–02. The said shares were purchased from the erstwhile Promoters of Jaybharat Textiles i.e. Phool Chand Arya HUF and Satya Priya Arya HUF (Noticee no. 29 i.e. Rajesh Sharma, vide letter dated March 31, 2010, confirmed that he had purchased shares from Satya Priya Arya HUF).
- c.* The aforementioned Noticees however, did not cooperate with the IA and failed to respond to the Summons issued to them. Details of Summons issued by the IA to the aforementioned entities are provided below –

TABLE XI				
	NOTICEE	1ST SUMMONS ISSUED ON	2ND SUMMONS ISSUED ON	3RD SUMMONS ISSUED ON
17.	ANIL KUMAR DUBEY	27.11.2009	21.04.2010	–
18.	JAYESH V. MERCHANT	21.04.2010	21.04.2010	–
19.	DINESH DONGRE	27.01.2010	21.04.2010	11.06.2010
20.	MAHENDRA KUMAR PANCHAL	27.01.2010	21.04.2010	–
21.	NTTISH NAYAK	27.11.2009	21.04.2010	–
22.	HITESH DODIYA	27.01.2010	21.04.2010	–
23.	KISHORE PATIL	27.01.2010	21.04.2010	–
24.	GIRISH PUKALE	27.01.2010	21.04.2010	–
25.	MILIND MHATRE	27.01.2010	21.04.2010	–
26.	NANDKISHOR PANCHAL	27.01.2010	21.04.2010	–
27.	GOPAL AGGARWAL	27.01.2010	21.04.2010	–
28.	PRAMOD PATIL	27.01.2010	21.04.2010	–
29.	RAJESH SHARMA	27.01.2010	21.04.2010	–
30.	RUPESH NARVEKAR	27.01.2010	21.04.2010	–
31.	SANDIP MURKAR	27.01.2010	21.04.2010	–
32.	SANJAY GADADE	27.01.2010	21.04.2010	–
33.	SANJAY SAWANT	27.01.2010	21.04.2010	–
34.	SATISH PUSALKAR	27.01.2010	21.04.2010	–
35.	VIJAY SAWANT	27.01.2010	21.04.2010	–
36.	DHANANJAY KANDHARE	27.01.2010	21.04.2010	–
Subsequent to the issue of the 2 nd Summons, several reminder letters dated 10.05.2010 (1 st reminder letter), 3.06.2010 (2 nd reminder letter), 5.09.2010/15.09.2010/21.10.2010 (3 rd reminder letter) and 11.01.2011–12.01.2011 (4 th reminder letter) were issued to the abovementioned Noticees. However, the abovementioned Noticees failed to furnish information and they did not co-operate with IA.				

- d. Most of the aforementioned Noticees had not traded in the scrip of Jaybharat Textiles since the year 2001–02.
- e. All the aforementioned Noticees were employed with Tayal Group Companies. Incidentally, Jaybharat Textiles refused to divulge information regarding the physical share Certificates of these Noticees or their status as employees of Tayal Group Companies despite repeated requests from the IA through Summons dated April 21, 2010 and March 4, 2011.
- f. Till the period December 31, 2009, none of the aforementioned Noticees had actually received any dividend from Jaybharat Textiles in respect of the shares held by them.
- g. 7 Noticees had their addresses located in chawls of Mumbai (predominantly hut or kutcha tenements where the residents are largely those with poor economic means) while of the remaining 13 Noticees, several of them had the same address as the registered offices of Tayal Group Companies.
- h. As per data obtained from the BSE website, 11 Noticees have held shares in the Company since 2002.
- i. Milind Mhatre, Nandkishor Panchal, Gopal Aggarwal, Rupesh Narvekar and Sandip Murkar (Noticees no. 25, 26, 27, 30 and 31), who held more than 1% share capital of Jaybharat Textiles, were not publicly disclosed under the category of *Individuals holding nominal share capital in excess of ₹1 Lakh* on the BSE website (Refer to paragraph 22 at page 24) as on September 30, 2006. It is to be noted that between March 2003 to March 2006, *Individuals holding nominal share capital in excess of ₹1 Lakh* and *Individuals holding nominal share capital upto ₹1 Lakh* did not exist as separate categories. However, thereafter, disclosures were to be made under the aforementioned separate categories.
- j. Nandkishor Panchal, Rajesh Sharma and Sandip Murkar (Noticees no. 26, 29 and 31), were *persons acting in concert* (“**PAC**”) with the Tayal Group during their acquisition of Bank of Rajasthan.
- k. The Letter of Offer dated January 6, 2003, to acquire additional shares of Jaybharat Textiles (then known as Jayshree Sarees Limited) mentioned that Pramod Patil and Dhananjay Kandhare were its Directors (Noticees no. 28 and 36).
- l. **Specific observations in respect of nine of the aforementioned Noticees –**
 - i. Anil Kumar Dubey (Noticee no. 17) was a Director of Jaybharat Textiles till June 2007. He is also Director of Avery Procon Pvt. Limited, an entity connected to the Promoters of Jaybharat Textiles, which was debarred vide SEBI’s Order dated September 7, 2007.

- ii. Jayesh V. Merchant (Noticee no. 18), is an employee of Eskay Knit India Limited, a Tayal Group Company, as mentioned above. Jayesh V. Merchant had transferred his entire shareholding (0.49%) through off-market transactions in January 2009 to Envair Realty (Noticee no. 55), a company connected to the Promoters of Jaybharat Textiles. The Directors of Envair Realty i.e. Subashchandra Nigam and Chandrashekhar R Pandey, were earlier Directors of Jaybharat Textiles. The shareholding of 0.49% therefore shifted from one connected entity to another but the total number of shares under the camouflaged control of the Tayal Group did not change and remained at 28.24% since September 2006.
- iii. As per the bank KYC documents received from Andhra Bank, Dinesh Dongre (Noticee no. 19) had on October 3, 2002, opened a bank account bearing account no. 00000012. As per the bank account opening form, this account was introduced/witnessed by Saurabh Kumar Tayal, Promoter of Jaybharat Textiles and KSL. Further, during the personal verification conducted by SEBI at Silvassa, it was ascertained from the neighbours of Dinesh Dongre that he was employed with Shree Krishna Group Companies for approximately 10 years, which is managed by the Tayal Group.
- iv. Mahendra Panchal (Noticee no. 20) had opened a bank account with Bank of Rajasthan and the communication address given was Krishna Life Style Technologies Limited, which is a company promoted by the Tayal Group. Further, during the personal verification conducted by SEBI at Silvassa, it was ascertained from the neighbours of Mahendra Panchal that he was employed with Shree Krishna Group Companies, which is managed by the Tayal Group.
- v. The residential address of Nitish Nayak (Noticee no. 21) was G/1, Staff Colony, Krishna Nagar, Silvassa, UT-396230, which is the staff quarters for Krishna Knitwear Technology Limited (Tayal Group Company). As per the bank KYC documents received from Andhra Bank, Nitish Nayak had on October 3, 2002, opened a bank account. As per the bank account opening form, this account was introduced by Saurabh Kumar Tayal, Promoter of Jaybharat Textiles and KSL. Nitish Nayak also shared the same telephone number as that of EDC Securities Pvt. Limited, which is a Promoter of Bank of Rajasthan, a company of the Tayal Group.
- vi. Hitesh Dodiya (Noticee no. 22) had opened a bank account with Bank of Rajasthan (Fort Branch, Mumbai) on October 3, 2002 (since merged with ICICI Bank) having

account no. 411202. From the account opening form, it is observed that the communication address given was Krishna Life Style Technologies Limited, which is a company promoted by the Tayal Group.

- vii. As per the KYC documents received from Andhra Bank (Nariman Point Branch, Mumbai), it was observed that Kishore Patil (Noticee no. 23) had on October 3, 2002, opened a bank account bearing account number 112810011000011. As per the account opening form, this account was introduced/witnessed by Saurabh Kumar Tayal, Promoter of Jaybharat Textiles and KSL.
- viii. Milind Mhatre (Noticee no. 25), is an employee of Eskay Knit India Limited, a Tayal Group Company, as mentioned above. He held 9,102,000 (2.38%) shares of Jaybharat Textiles in physical mode. His residential address as per the RTA database was 15/372 Tata Colony, Bandra (E), Mumbai. However, during the visit of the inspection team, it was gathered that the entity has shifted to Thane and was not therefore available at that address. He did not co-operate with IA. Therefore, copies of his physical shares certificates, transfer deeds, records of his bank accounts and other details including details of entities from whom he acquired shares, etc. could not be ascertained. It is noted from the Income Tax Returns of Milind Mhatre for the Assessment Year 2009–10 that his gross total income was ₹3 Lakhs; however, as per the records of RTA he received dividend of ₹9.10 Lakhs for the Year 2009–10, which leads to an inference that he may not have actually received any dividend from Jaybharat Textiles as he was only benami/front entity of its Promoters. Incidentally, during the course of the investigation, Milind Mhatre and Dinesh Dongre (connected entity–Noticee no. 19) filed a Writ Petition dated March 30, 2010 in the Hon’ble High Court of Bombay, Nagpur Bench which was subsequently withdrawn. Further, he along with Dinesh Dongre also filed an Appeal dated November 16, 2010 before the Hon’ble SAT which vide an Order dated December 14, 2010 directed the appellants therein to co-operate with the IA. However, despite the aforesaid direction of the Hon’ble SAT, Milind Mhatre failed to co-operate with the IA.
- ix. Vijay Sawant (Noticee no. 35) had opened a joint bank account with Subhash Jamble, who was a Director of Single Point Security, an entity which had made an application with SEBI for Certificate of registration as RTA. The aforesaid application was rejected by SEBI since Subhash Jamble and other Directors of Single Point Security were employees of Eskay Knit India Limited, a Tayal Group Company and the said entity

was indirectly controlled by Tayal entities, which had been debarred vide SEBI's Order dated June 18, 2003. Further, Vijay Sawant was found to have proposed the appointment of a Director related to the Tayal Group in the Annual General Meeting of Bank of Rajasthan, which was held on August 2, 2008.

28. The Promoters of Jaybharat Textiles had employed some of the aforementioned Noticees and created various layers of fund transfers through their employees (the aforesaid Noticees) to obfuscate any scrutiny. From the bank account statement of the aforementioned Noticees, the following fund transfers are noted –

TABLE XII		
NAME OF ENTITY	FUNDS RECEIVED IN THE FORM OF (IN ₹)	FUNDS TRANSFERRED TO (IN ₹)
NOTICEE NO. 23 – KISHORE PATIL	DIVIDEND OF ₹1,40,750 RECEIVED ON SHARES OF BANK OF RAJASTHAN	JYOTSNA DEVELOPERS PVT. LIMITED
	DIVIDEND OF ₹11,26,000 AND ₹11,04,000 RECEIVED TO PURCHASE SHARES OF BANK OF RAJASTHAN	MONTREAL TRADING CO. PVT. LIMITED.
	₹25,000 RECEIVED FROM KRISHNA LIFESTYLE TECHNOLOGY LIMITED	KEY NOTE CAPITAL LIMITED. TOWARDS DP CHARGES.
NOTICEE NO. 35 – VIJAY SAWANT	DIVIDEND OF ₹19,72,686 AND ₹11,16,216 RECEIVED ON SHARES OF BANK OF RAJASTHAN.	KSL
	₹1,73,000 RECEIVED.	JYOTSNA DEVELOPERS PVT. LIMITED.
	DIVIDEND OF ₹13,83,900 RECEIVED ON SHARES OF BANK OF RAJASTHAN	SUPER HOUSE TRADING CO. PVT. LIMITED
	₹30,000 RECEIVED FROM KRISHNA LIFESTYLE TECHNOLOGY LIMITED.	KEY NOTE CAPITAL LIMITED TOWARDS DP CHARGES.
NOTICEE NO. 19 – DINESH DONGRE	₹88,15,015.50 RECEIVED FROM CYBER ZOOMBA.COM PVT. LIMITED, PROMOTER ENTITY OF BANK OF RAJASTHAN.	SINGLE POINT SECURITY, WHO MADE AN APPLICATION WITH SEBI FOR REGISTRAR AND TRANSFER AGENT.
	DIVIDEND OF ₹12,00,000 RECEIVED ON SHARES OF BANK OF RAJASTHAN	SOLID VISION PVT. LIMITED.
	DIVIDEND OF ₹12,00,000 RECEIVED AS ON SHARES OF BANK OF RAJASTHAN	KSL
	₹1,15,28,653.89 AND ₹2,08,51,390.45 RECEIVED TOWARDS SALE PROCEEDS OF SALE OF BANK OF RAJASTHAN SHARES.	AN AMOUNT OF ₹3.23 CRORES WAS IMMEDIATELY TRANSFERRED TO ALMAL TEXTILE PVT. LIMITED
NOTICEE NO. 17 – ANIL KUMAR DUBEY	₹21,00,059.71 RECEIVED FROM CYBER ZOOMBA.COM PVT. LIMITED.	SINGLE POINT SECURITY, WHO MADE AN APPLICATION WITH SEBI FOR REGISTRAR AND TRANSFER AGENT.
	DIVIDEND WARRANTS OF ₹1,97,232 AND ₹57,972 ON SHARES OF BANK OF RAJASTHAN.	SOLID VISION PVT. LIMITED.
	₹1,42,000 RECEIVED FROM UNPAID DIVIDEND ACCOUNT OF BANK OF RAJASTHAN.	JYOTSNA DEVELOPERS PVT. LIMITED.
	DIVIDEND WARRANTS OF ₹11,36,000 RECEIVED ON SHARES OF BANK OF RAJASTHAN	WATERGATE MERCANTILE PVT. LIMITED.
	₹29,000 RECEIVED FROM KRISHNA LIFE STYLE TECHNOLOGY LIMITED.	KEY NOTE CAPITAL LIMITED. TOWARDS DP CHARGES.

NOTICEE NO. 22 – HITESH DODIYA	₹33,35,989.84 RECEIVED FROM CYBER ZOOMBA.COM PVT. LIMITED.	SINGLE POINT SECURITY, WHO MADE AN APPLICATION WITH SEBI FOR REGISTRAR AND TRANSFER AGENT.
	DIVIDEND OF ₹44,872 RECEIVED FOR BANK OF RAJASTHAN.	SOLID VISION PVT. LIMITED.
	DIVIDEND OF ₹44,872 RECEIVED ON SHARES OF BANK OF RAJASTHAN.	KSL
NOTICEE NO. 20 – MAHENDRA KUMAR PANCHAL	₹85,15,083 RECEIVED FROM CYBER ZOOMBA.COM PVT. LIMITED.	SINGLE POINT SECURITY WHO MADE AN APPLICATION WITH SEBI FOR REGISTRAR AND TRANSFER AGENT.
	DIVIDEND ₹46,936 AND 12,00,000 RECEIVED ON SHARES OF BANK OF RAJASTHAN.	SOLID VISION PVT. LIMITED.
	DIVIDEND WARRANTS OF ₹12,46,936 RECEIVED FROM UNPAID DIVIDEND ACCOUNT OF BANK OF RAJASTHAN.	KSL
	₹1,41,000 RECEIVED FROM UNPAID DIVIDEND ACCOUNT OF BANK OF RAJASTHAN.	JYOTSNA DEVELOPERS PVT. LIMITED.
	₹11,28,000 RECEIVED FROM UNPAID DIVIDEND ACCOUNT OF BANK OF RAJASTHAN.	AN AMOUNT OF R. 11,27,000/- WAS TRANSFERRED TO STARVIEW MERCANTILE PVT. LIMITED.
NOTICEE NO. 21 – NITISH NAYAK	₹2,88,000 AND ₹10,55,000 RECEIVED FROM JAYSHREE PETROCHEMICALS	SENATOR SECURITIES PVT. LIMITED, STOCK BROKER OF NITISH NAYAK.
	₹1,43,29,823 AND 1,52,31,500 RECEIVED TOWARDS SALE PROCEEDS OF SHARES OF JAYBHARAT TEXTILES.	₹25,00,000/- WAS TRANSFERRED TO KSL, COMPANY OF TAYAL GROUP
	₹11,00,000 RECEIVED FROM SOLID VISION PVT. LIMITED.	EDC SECURITIES PVT. LIMITED, PROMOTER ENTITY OF BANK OF RAJASTHAN.

Findings –

29. Upon a consideration of the above, it is clear that the aforementioned entities i.e. Noticees no. 17–36, were connected to the Promoters of Jaybharat Textiles either through common addresses, or by their occupation in one of the Promoters' company or their Associate companies or through a web of common Directorship in many unlisted companies, which were also connected to Promoters of Jaybharat Textiles and KSL. Therefore, as on December 31, 2009, the Promoters of Jaybharat Textiles effectively had control over an additional 27.75% (excluding the 0.49% held by Jayesh V. Merchant and transferred to Envair Realty) of the total equity share capital of the Company, which was incorrectly disclosed on the BSE website as public shareholding under the category '*Individuals holding nominal share capital in excess of ₹1 Lakh*' and '*Individuals holding nominal share capital upto ₹1 Lakh*' instead of shares held under the Promoter category.
30. It was also observed that as on December 31, 2009, the category '*Bodies Corporate*' had 73 entities of which Jayshree Petrochemicals (Noticee no. 9), Avera Properties (Noticee no. 14) and Envair Realty (Noticee no. 55) were directly or indirectly related to Promoters of Jaybharat Textiles (also refer to

Table XX at page 49). It is reiterated that Envair Realty had acquired 0.49% share capital from Jayesh V. Merchant during January 2009. These entities held 0.69% of the total equity share capital of Jaybharat Textiles.

31. As on December 31, 2009, it was observed that the Promoters effectively held 96.99% shareholding in Jaybharat Textiles, which included direct ownership of 67.05% shareholding under the category of *Promoters and Promoter Group*, direct ownership of 1.5% shareholding under the category of *Individual shareholders holding nominal share capital up to ₹1 Lakh*, indirect ownership of 27.75% shareholding held through connected entities under the category of *Individual shareholders holding nominal share capital up to ₹1 Lakh* and indirect ownership of 0.69% shareholding held through three connected entities under the category of *Bodies Corporate*.
32. The total public shareholding disclosed on the BSE website was 31.44% as on December 31, 2004 and increased to 32.95% as on December 31, 2009. The aforementioned public shareholding represents the free-float shareholding in a company which is a critical factor that influences the price of the shares of the company. Since the acquisition of shares and control by the Promoters of Jaybharat Textiles in 2003, the actual level of public shareholding was, at best, never greater than 6.85% but the disclosures on the BSE website under the category public shareholding or free-float holding in the Company never fell below 31.44% (except in the Quarter ended June 2004). However, the Promoters had publicly disclosed only 67.05% shareholding in Jaybharat Textiles. As a result, investors were led to believe that the Promoters held and controlled only 67.05% of the share capital of Jaybharat Textiles, which was well within the maximum permissible non-public shareholding limit of 75%, whereas the public shareholding was effectively only 3.01%. The aforementioned clearly reveals that the floating stock of the Company was substantially reduced and that the entities connected to the Promoters attempted to build up public interest in the Company through artificial volume creation and a manipulated price rise in the scrip (which is discussed in the subsequent paragraphs).

IV. Issue – Whether some of the aforementioned Noticees i.e. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 17 (Anil Kumar Dubey), Noticee no. 18 (Jayesh V. Merchant), Noticee no. 19 (Dinesh Dongre), Noticee no. 20 (Mahendra Kumar Panchal), Noticee no. 21 (Nitish Nayak), Noticee no. 22 (Hitesh Dodiya) and also Noticee no. 57 (Avery Procon Pvt. Limited), had indulged in

artificial volume creation, order book manipulation and price manipulation in the scrip of Jaybharat Textiles?

33. From the SCN and the Investigation Report, it is observed that artificial volume creation and order book manipulation occurred during the period from December 24, 2003 to August 28, 2007. Further, during the period from February 14, 2007 to August 28, 2007, the price of the scrip of Jaybharat Textiles increased from ₹93.10 (opening price on February 14, 2007) to ₹397.70 (closing price on August 28, 2007) i.e. an increase of 327%.

Findings –

34. An analysis of the trade log of trades executed in the scrip of Jaybharat Textiles for the period from December 24, 2003 to August 31, 2017, is reproduced below –

A. From December 24, 2003 to December 27, 2004 –

- The total quantity traded during the period was 14800 shares. Entities connected to the Promoters of Jaybharat Textiles accounted for as many as 12,550 shares thereby accounting for 84.79% of concentration in trading.
- During this period, there were a total of 50 trading days in which the scrip of Jaybharat Textiles was traded. Trades on 42 trading days were 100% contributed by entities connected to the Promoters of Jaybharat Textiles. Additionally, on as many as 28 trading days, trades were executed first by the said entities and for the remaining trading days, their trades were either second or third.
- The aforementioned trades by the entities connected to the Promoters of Jaybharat Textiles indicates that trading interest was generated in an otherwise illiquid scrip with a purpose to attract and induce investors to trade in such scrip.

B. From January 1, 2005 to December 31, 2005 –

- During this period, entities connected to the Promoters of Jaybharat Textiles bought 6500 shares and sold 3995 shares accounting for 34.31% of gross buy and 21% of gross sale.
- The entities connected to the Promoters of Jaybharat Textiles accounted for approximately 100% of market concentration on as many as 64 trading days when the trading volume was in the range of 1 to 7 shares.

- The following entities connected to the Promoters of Jaybharat Textiles had a trade concentration of approximately 40.63% of first trades executed during this period –

TABLE XIII – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
ANIL K. DUBEY	–	–	1500	115.43
DINESH DONGRE	50	203	350	231.30
JAYESH MERCHANT	500	91.80	–	–
NITISH NAYAK	50	207.05	1145	314.98
JAYSHREE PETROCHEMICALS LTD	5850	100.65	950	55.48
TOTAL	6450	–	3945	–

C. From January 1, 2006 to December 31, 2006 –

- During this period, entities connected to the Promoters of Jaybharat Textiles bought 7,49,351 shares and sold 7,62,707 shares accounting for 53.86% of gross buy and 54.82% of gross sale.
- On a majority of trading days when the trading volume was in the range of 1 to 15 shares, the entities connected to the Promoters of Jaybharat Textiles were observed to have executed most trades.
- The following entities connected to the Promoters of Jaybharat Textiles had traded in substantial quantity during this period. Nitish Nayak alone contributed 42.54% of gross purchases and accounted for 42.21% of gross sale. Further, counterparty concentration is also observed between the trades of Nitish Nayak and Mahendra Panchal. These counterparty trades accounted for 15% of total trades executed by Nitish Nayak and that of 90% in case of Mahendra Panchal. –

TABLE XIV – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
NITISH NAYAK	5,91,919	197.52	5,87,235	211.56
DINESH DONGRE	1,613	328.87	1,483	308.50
MAHENDRA PANCHAL	1,00,182	291.39	1,06,396	301.16
EDC SECURITIES LTD	45,232	159.13	45,140	160.80
JAYSHREE PETROCHEMICALS LTD	10,405	211.52	22,453	211.57
TOTAL	7,49,351		7,62,707	

D. From January 1, 2007 to August 31, 2007 –

During this period, entities connected to the Promoters of Jaybharat Textiles bought 7,49,351 shares and sold 7,62,707 shares accounting for 53.86% of gross buy and 54.82%

of gross sale. Based on the pattern in price movement the entire period was segmented into three patches/sub-periods which are detailed below –

- I. **Patch–I February 14, 2007 to April 25, 2007:** The price of the scrip increased from ₹93.10 (opening price on February 14, 2007) to ₹169.10 (closing price on April 25, 2007), a rise of 81.66% in just 48 trading days. The scrip was traded with daily average volume of 5600 shares during this patch.

TABLE XV – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
EDC SECURITIES LTD	4,000	150.18	4,000	150.35
	1,572	135.6	1,572	135.28
JAYSHREE PETROCHEMICALS LTD	89,864	131.57	65,316	137.84
NITISH NAYAK	82,677	128.99	84,425	130.46
	17,610	154.03	17,610	154.40
TOTAL	1,95,723		1,72,923	
% OF TOTAL MARKET VOLUME	72.81%		64.33%	

- II. **Patch–II April 26, 2007 to May 28, 2007:** The price of the scrip increased from ₹172.45 (Opening Price on April 26, 2007) to ₹192, an increase of 11% in 21 trading days. The scrip was traded with daily average volume of 11882 shares during this patch. The average daily volume has gone up substantially in this patch.

TABLE XVI – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
EDC SECURITIES LTD	3,303	191.97	3,294	191.87
JAYSHREE PETROCHEMICALS LTD	69,527	187.48	63,099	186.87
NITISH NAYAK	72,971	187.44	81,773	186.82
	2,300	171.16	2,300	171.40
TOTAL	1,48,101		1,50,466	
% OF TOTAL MARKET VOLUME	59.30%		60.30%	

- III. **Patch–III May 29, 2007 to August 28, 2007:** The price of the scrip increased from ₹190 (Opening price on May 29, 2007) to ₹397.70 (intra-day high of 404.95 on August 28, 2007) a rise of 109% in 63 trading days). The scrip was traded with daily average volume of 49451 shares during this patch. The scrip was traded with daily average volume of around 27529 shares during the entire period, however maximum traded volume i.e. 1,45,518 shares was observed on July 12, 2007. It is found that the share capital base of the company has increased from 127,612,500 shares as on quarter ended June 2007 to 255,225,000 shares as on quarter ended September 2007.

TABLE XVII – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
AXON REALPRO PVT. LIMITED	16,343	341.62	18,839	262.11
JAYSHREE PETROCHEMICALS LIMITED	3,231	194.43	4,311	192.60
AVERY PROCON PVT. LIMITED	80,999	249.51	65,341	210.74
NITESH NAYAK	28,865	190.78	32,051	207.42
MEGNA DEVELOPERS PVT. LIMITED	2,004	397.00	2,000	398.00
TOTAL	1,31,442		1,22,542	
% OF TOTAL MARKET VOLUME	4.20%		3.90%	

- IV. During Patch–I, entities mentioned in Table XV appeared as buyers in 73 instances out of total 94 instances of price rise over the last traded price and contributed a rise of ₹54.45 to the total price rise of ₹76.40. Out of these 73 instances, on 31 instances these entities were counter parties to each other and these instances contributed price rise of ₹22.75. It was further found during the Patch–I that these entities traded among themselves to the tune of 1,06,777 shares (39.72% of the market volume). Out of these, orders for trades executed for 55,372 shares were synchronized which accounted for 20.6% of the market volume. During this period, the price of the scrip had gone up from ₹93.10 (opening price on February 14, 2007) to ₹169.10 (closing price on April 25, 2007). It is observed that on twenty two out of forty–eight trading days, the connected entities successfully executed first trade at a price substantially higher than the last traded price. Further, it is also observed that on six such trading days these connected entities were counterparty to each other's trades.

- V. During Patch–II, entities mentioned in Table XVI appeared as buyers in 17 instances out of total 35 instances and contributed ₹8.65 to the total price rise of ₹20.05. Out of these trades, on 9 instances these entities were counter parties to each other. Similarly connected entities traded among themselves to the tune of 59,888 shares all of which were synchronized in nature.
- VI. During Patch–III, the scrip witnessed significant rise in its price and volume. The trading volumes pertaining to the above listed connected entities were not as significant when compared to the total market volume as was observed in their dealing in shares of Jaybharat Textiles in the earlier periods. This suggests that significant concentration in trading attributable to the connected entities over the earlier periods between February and May 2007 resulted in rising price and volumes thereby attracting larger investor participation. It was found that the investors' interest moved significantly up to 95% of the traded quantity as against around 40% noticed in May 2007, *prima facie* evidencing the impact of concentrated levels of activity earlier driving up the investors' interest and momentum in the trading of the scrip.
- VII. During this period i.e. January 1, 2007 to August 31, 2007, it is observed that Nitish Nayak, Jayshree Petrochemicals, Avery Procon Pvt. Limited and Axon Realpro Pvt. Limited placed the orders away from the market price, which were deleted from the Order Book. For example,
- a. On March 20, 2007, Nitish Nayak placed three orders for 1000 shares each. These orders were placed with price difference of ₹1.25 to ₹1.75 from last traded price and subsequently, these orders for 3000 shares were deleted from the Order Book. On that specific date, the trading volume was just 2938 shares. Since the scrip was thinly traded and the entity placed and deleted orders for 3000 shares, it clearly implies that the intentions of such trading behavior was to inflate the order book and portray a rosy picture of healthy order book of Jaybharat Textiles.
 - b. Similarly, on April 16, 2007 & April 19, 2007, Nitish Nayak placed orders for 5000 shares and 6000 shares respectively which were thereafter deleted from the Order Book. These orders were placed with the price difference of ₹1.80 to ₹6.10 to last traded price. The trading volume on the said trading days was

6871 & 8288 shares respectively. Therefore, it implies that Nitish Nayak was placing and deleting order for inflating the Order Book of Jaybharat Textiles.

- c. On February 15, 2007, Jayshree Petrochemicals placed order for 200 shares and another two orders for 300 shares each, which were subsequently deleted from the Order Book. These orders were placed with a price difference of ₹0.45 to ₹3.8 to last traded price. It is noted that the traded volume on February 15, 2007 was 2724 shares. Since the scrip was thinly traded and the fact that the entity placed & deleted orders for 800 shares (200+300+300) implies that these orders were placed with the intention to inflate the order book of Jaybharat Textiles and thereby created false appearance of healthy order book of Jaybharat Textiles. A similar trading pattern was also observed on many other trading days in respect of trades by the aforementioned entity.

VIII. On many occasions when connected entities had executed the first trades, the quantity traded was very thin (in the range of 1 to 100 shares). Such kind of trading is generally adopted either for increasing the price or for maintaining the price at particular level. Further, out of the total of one hundred and thirty-two trading days, on forty-three such trading days, the buy side clients were entities connected to the Promoters of Jaybharat Textiles and out of which on eight instances, these entities were counterparty to each other in establishing the price. Similarly, on forty-four trading days, the sale clients were connected entities. No other clients were having such a high concentration on first trades than the entities connected to the Promoters of Jaybharat Textiles.

35. Certain entities who were connected to the Promoters of Jaybharat Textiles were found to have contributed substantially to trades executed in the said scrip. Their individual roles are discussed below –

- A. **Nitish Nayak** – He initially purchased 400 shares of Jaybharat Textiles from the market in the year 2004 for which the counterparties were Anil Kumar Dubey and Hitesh Dodiya, entities who are also connected to the Promoters of Jaybharat Textiles. As on the date of the SCN, he held 6,67,071 shares of Jaybharat Textiles and the value of these shares were ₹15.40 Crores as on June 14, 2011. It is noted from the trading data of Jaybharat Textiles that Nitish Nayak has traded in substantial quantity during the year 2006 and 2007. Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. In 2006, he alone had purchased 5,91,919 shares and contributed to 42.54% of the gross purchases in the scrip of Jaybharat Textiles. He also sold 5,87,235 shares and accounted for 42.21% of gross sale in the said scrip. Further, the counterparty concentration revealed that 15% of total trades executed by Nitish Nayak were with counterparties who are also connected to the Promoters of Jaybharat Textiles.
- II. During the period February 14, 2007 to April 25, 2007, he had a concentration of 37.29% and 30% on buy and sale side of the trades, respectively. Similarly, during the period April 26, 2007 to May 28, 2007, he had a concentration of 38% and 33.69% on buy and sale side of the trades, respectively.
- III. During February 14, 2007 to May 28, 2007, he had executed first trade on incremental price on twenty-eight trading days. He also appeared as a buyer in twenty-eight instances out of the total ninety-four instances of price rise over the last traded price and he contributed a rise of ₹21.90 out of the total price rise of ₹76.40 during the Patch-I period. During the Patch-II period, he appeared as a buyer in thirteen instances out of the total seventeen instances of price rise over the last traded price and he contributed a rise of ₹6 out of the total price rise of ₹8.65.
- IV. The counterparty analysis during February 14, 2007 to April 25, 2007, revealed that Nitish Nayak had appeared as buy side counterparty to other connected entities to the tune of 37,447 shares accounting for 14 % of total volume. Similarly, on the sale side, Nitish Nayak had concentration of 67,382 shares and accounted for 25% of total volume. During the Patch-II period, he had counterparty concentration in the range of 10% to 12% of total trading volume.
- V. It was also observed that during February 14, 2007 to April 25, 2007, the entities connected to the Promoters' group had executed trades for 55,372 shares which were in synchronized in nature. Out of these synchronized trades, Nitish Nayak had appeared for 23,916 shares on buy side as well as 30,698 shares on sale side of aforesaid synchronized trades. Similarly, during period of April 26, 2007 to May 28, 2007, the entities connected to the Promoters executed synchronized trades for 59,888 shares. Out of these synchronized trades, Nitish Nayak had appeared as a buyer and seller for 29505 shares and 26806 shares respectively.

- B. **Dinesh Dongre** – He initially purchased 400 shares of Jaybharat Textiles from the market during December 2003 to April 2004. He had opened a demat account on September 19, 2002 with Key Note Capital i.e. the same date on which accounts were opened by other entities connected to the Promoters of Jaybharat Textiles. He started trading in the scrip of Jaybharat Textiles from December 2003 onwards. He executed all his trades at the incremental rates thereby influencing the price. Dinesh Dongre held 6,09,375 shares of Jaybharat Textiles since 2002 and the market value of these shares is ₹14.07 Crores as on June 14, 2011.

TABLE XVIII – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
DEC 2003 – DEC 2004	400	43.75	NIL	NIL
JAN 2005 – DEC 2005	50	203.00	350	231.30
JAN 2006 – DEC 2006	1,613	328.87	1,483	308.50

- C. **Anil Kumar Dubey** – He had opened a demat account on September 19, 2002 with Key Note Capital i.e. the same date on which accounts were opened by other entities connected to the Promoters of Jaybharat Textiles. On December 17, 2003 and August 31, 2004, Hitesh Dodiya made an application for demat of 1000 and 1070 shares of Jaybharat Textiles, respectively. The purchase of these physical shares (2070 shares) was through an off-market transaction as BSE had confirmed not having any trade either in demat mode or physical mode in the scrip of Jaybharat Textiles in the year 2003 (till December 2003). He started trading in the scrip of Jaybharat Textiles from December 2003 onwards. He executed all his trades at the incremental rates thereby influencing the price. Dinesh Dongre held 43,56,375 shares of Jaybharat Textiles since 2002 and the market value of these shares is ₹100.63 Crores as on June 14, 2011. Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. He sold 450 shares through nine trading days during the period 2003–04. On as many as seven trading days there was only a single trade in that trading session. The counterparty for the 450 shares were Nitish Nayak (200 shares), Dinesh Dongre (150 shares) and Mahendra Panchal (100 shares) who are also entities connected to the Promoters of Jaybharat Textiles. Since the scrip was very illiquid, the above trades appear to be deliberately executed by connected entities to create the artificial trading interest in the scrip.
- II. During 2005, he sold 1500 shares. The client traded on twenty-seven trading days wherein selling price ranged from ₹57.55 to ₹158.55 and on as many as nineteen

trading days the client executed the first trade at incremental price in given trading day and did not trade thereafter.

D. **Mahendra Panchal** – He had opened a demat account on September 19, 2002 with Key Note Capital i.e. the same date on which accounts were opened by other entities connected to the Promoters of Jaybharat Textiles. He initially purchased 400 shares of Jaybharat Textiles in the year 2004 from the market. He currently holds 1,05,951 shares and value of these shares is ₹2.44 Crores as on June 14, 2011. Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. Mahendra Panchal bought 400 shares of Jaybharat Textiles through eight trading sessions during the period 2003–04. Out of these trades, on six instances he was observed to execute the first trade. On many occasions, these first trade was executed at around 11.19am to 14.12pm. It would appear that Mahendra Panchal placed the buy orders whenever there were no other buy orders present in the scrip of Jaybharat Textiles and thereby created artificial volume in the scrip. As stated earlier, the counterparties were other connected entities. Since the scrip was very illiquid, the above trades appear to be deliberately executed by connected entities to create the artificial trading interest in the scrip.
- II. During year 2006, Panchal traded in substantial quantity in the scrip of Jaybharat Textiles. He bought 1,00,182 shares and sold 1,06,396 shares of Jaybharat Textiles. For a majority of these trades (more than 90%), the counterparty was an entity connected to the Promoters of Jaybharat Textiles, viz. Nitish Nayak. As a result of trading by connected entities among themselves the volume in the scrip went up considerably and falsely.

E. **Hitesh Dodiya** – He had opened a demat account on September 19, 2002 with Key Note Capital i.e. the same date on which accounts were opened by other entities connected to the Promoters of Jaybharat Textiles. On December 17, 2003 and August 31, 2004, Hitesh Dodiya made an application for demat of 1400 and 2500 shares of Jaybharat Textiles, respectively. The purchase of these physical shares (3900–1.57% of total share capital) was through an off–market transaction as BSE had confirmed not having any trade either in demat mode or physical mode in the scrip of Jaybharat Textiles in the year 2003 (till December 2003). Hitesh Dodiya held 9,22,500 shares of Jaybharat Textiles since 2002 and the market value of these shares is ₹21.30 Crores as on June 14, 2011. Certain observations

in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. He sold 3350 shares through twenty trading days during the period 2003–04. On as many as nine trading days there was only a single trade in that trading session. The counterparty for the 350 shares were also entities connected to the Promoters of Jaybharat Textiles. Even in the year 2005, he sold 350 shares and bought another 50 shares, all these trades were the first trades of the day.
- II. During 2006 period he traded frequently in the scrip of Jaybharat Textiles where he bought 1613 shares and sold 1483 shares. The counterparty for 1020 shares and 408 shares of the aforesaid buy and sell trades, respectively was Mahendra Panchal, an entity connected to the Promoters of Jaybharat Textiles. Their trading pattern indicates creation of artificial volume in the scrip. As a result, daily trading volume in the scrip has also gone up in the year 2006. Since the scrip was very illiquid, the above trades appear to be deliberately executed by connected entities to create the artificial trading interest in the scrip.

F. **Jayshree Petrochemicals** – Jayshree Petrochemicals appeared in the Promoter's category of Krishna Lifestyle Technologies Limited, Eskay Knit India Limited and erstwhile Bank of Rajasthan (now ICICI Bank Limited), which were all group companies of the Tayal Group. Jayshree Petrochemicals purchased 3800 shares of Jaybharat Textiles in December 2004 from the market. Jayshree Petrochemicals traded extensively in the scrip of Jaybharat Textiles. Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. During the period February 14, 2007 to April 25, 2007, Jayshree Petrochemicals had concentration of trades in the range of 24.29% to 33.42% on buy side and sale side, respectively. Jayshree Petrochemicals executed first trade on incremental price on thirty–six trading days out of one hundred and thirty–two trading days during investigation period. Jayshree Petrochemicals appeared as buyer in forty–five instances out of total ninety–four instances of price rise over last traded price and contributed a rise of ₹32.55 out of total rise of ₹76.40.
- II. The counterparty analysis during February 14, 2007 to April 25, 2007 revealed that Jayshree Petrochemicals appeared as sale side counterparty for other connected entities to the tune of 33,867 shares and accounted for 12.59% of the total traded

volume. Similarly, on the buy side Jayshree Petrochemicals had concentration of 63,784 shares and accounted for 23.72% of the total traded volume during the period. While during the period of April 26, 2007 to May 28, 2007, Jayshree Petrochemicals had counterparty concentration in the range of 11.6 % to 12% of the total traded volume.

III. From the analysis of synchronized transactions, it was observed that during February 14, 2007 to April 25, 2007, the entities connected to the Promoters' Group executed trades for 55,372 shares, which were synchronized in nature. Out of these synchronized trades, Jayshree Petrochemicals appeared as a buyer and seller for 25,910 shares and 21,645 shares, respectively of the aforesaid synchronized trades. Similarly, during the period of April 26, 2007 to May 28, 2007, the entities connected to the Promoters' Group executed synchronized trades for 59,888 shares. Out of these trades Jayshree Petrochemicals appeared as a buyer and seller for 29139 shares and 30532 shares, respectively.

36. Therefore, upon a consideration of the aforementioned, I find that the abovementioned Noticees had traded in the scrip of Jaybharat Textiles extensively in order to create false volume and also to inflate the price of the said scrip. In certain cases, a few of the Noticees were also observed to have indulged in synchronized trading, which were detrimental to the interests of investors in the securities market.

Issues – KSL

- V. Whether the Noticees at Sr. nos. 17, 19–23, 37–45 of Table at pages 1–2, were connected to the Promoters of KSL?***
- VI. Whether the Noticees at Sr. nos. 9–10, 14–16, 46–57 of Table at pages 1–2 were connected to the Promoters of KSL?***
- VII. Whether as a result of the aforementioned, the Promoters of KSL along with entities connected to them had misrepresented their shareholding in KSL?***

Findings –

As regards KSL, the Investigation Report along with the SCN states –

- 37. The total Promoter and Promoter Group holding in KSL on June 2003 was 71.21% and it had reduced to 39.22% as on June 2009.
- 38. An examination of the public shareholding of KSL revealed that as on December 31, 2009, the Promoters effectively held 78.39% shareholding in KSL, which included direct ownership of 39.22% shareholding under the category of *Promoters and Promoter Group*, indirect ownership of 13.01% shareholding held through connected entities under the category of *Individual shareholders holding nominal share capital in excess of ₹1 Lakh* and indirect ownership of 26.16% shareholding held through connected entities under the category of *Bodies Corporate*. However, the Promoters had publicly disclosed only 39.22% shareholding in KSL. As a result, investors were led to believe that the Promoters and Promoter Group held and controlled only 39.22% of the share capital of KSL, which was well within the maximum permissible non-public shareholding limit of 75%, whereas the public shareholding was effectively only 21.61%.

39. The following Table demonstrates the common findings with respect to the entities appearing under the category of *Individual shareholders holding nominal share capital in excess of ₹1 Lakh* and also their connections with the Promoters of KSL –

TABLE XIX		
Sr. No.	NAMES OF ENTITIES	COMMON OBSERVATIONS
1.	DINESH DONGRE (NOTICEE NO. 19)	<p><u>NOTICEES AT SR. NO. 1 TO 6 –</u></p> <p>➤ SOME OF THESE NOTICEES ARE CONNECTED TO PROMOTERS OF JAYBHARAT TEXTILES AS ALREADY DISCUSSED.</p> <p>➤ IT IS OBSERVED FROM THE DATA RECEIVED FROM RTA THAT PROMOTERS/COMPANY CAMOUFLAGED THE SHAREHOLDINGS OF DINESH DONGRE, KISHORE PATIL & NITISH NAYAK. THEIR ACTUAL SHAREHOLDING IS 1.72%, 1.81% AND 1.71% RESPECTIVELY; INSTEAD THEIR HOLDINGS SPLIT BETWEEN DEMAT MODE AND PHYSICAL MODE AND SHOWN AS A LESS THAN 1%. THEIR NAMES ARE NOT SHOWN UNDER THE SHAREHOLDERS WHO HELD MORE THAN 1% OF SHARE CAPITAL OF THE COMPANY. IT CAN BE INFERRED THAT SINCE AFORESAID NOTICEES ALSO HELD SHARES OF JAYBHARAT TEXTILES IN SUBSTANTIAL QUANTITY, THEIR NAMES WERE DELIBERATELY WITHHELD FROM THE PUBLIC DISCLOSURE TO AVOID ANY SCRUTINY.</p> <p>➤ THESE NOTICEES HELD SHARES IN PHYSICAL MODE AS WELL AS IN DEMAT MODE AND THEIR PHYSICAL SHARE CERTIFICATES ARE NEARLY IN CONTINUOUS SERIAL NUMBERS.</p> <p>➤ THESE NOTICEES HAVE BEEN HOLDING SHARES OF KSL SINCE 2002. NONE OF THEM HAVE TRADED IN SCRIP OF KSL EXCEPT NITISH NAYAK.</p>
2.	KISHORE PATIL (NOTICEE NO. 23)	
3.	NITISH NAYAK (NOTICEE NO. 21)	
4.	MAHENDRA KUMAR PANCHAL (NOTICEE NO. 20)	
5.	HITESH DODIYA (NOTICEE NO. 22)	
6.	ANIL KUMAR DUBEY (NOTICEE NO. 17)	
7.	AMIT SHIVALKAR (NOTICEE NO. 37)	<p><u>NOTICEES AT SR. NO. 7 TO 15 –</u></p> <p>➤ ADDRESS OF NOTICEES AT SR. NO 7 TO 11 IS COMMON WHICH IS SKPYL, BHILAD, VAPI. IT IS NOTED THAT SKPL STANDS FOR SHRI KRISHNA POLYESTER LIMITED AN OLD NAME OF KRISHNA LIFESTYLE TECHNOLOGIES LIMITED, A GROUP COMPANY OF TAYAL GROUP. SIMILARLY, ADDRESS OF ENTITIES AT SR. NOS. 12 TO 14 IS COMMON AND SAME AS THAT OF EDC SECURITIES LIMITED WHICH IS PROMOTER ENTITY OF ERSTWHILE BANK OF RAJASTHAN.</p> <p>➤ THESE NOTICEES HAVE BEEN HOLDING SHARES OF KSL IN PHYSICAL MODE SINCE 2001 AND DID NOT TRADE IN THE SHARES OF KSL. THEIR PHYSICAL SHARE CERTIFICATES NUMBERS ARE NEARLY IN CONTINUOUS SERIAL NUMBERS.</p> <p>➤ THEIR HOLDING REMAINS CONSTANT SINCE YEAR 2001. IT IS ALSO OBSERVED THAT AMIT SHIVALKAR, VIJAY UPADHYAY, ANIL KUMARAN AND VIPIN BHATNAGAR ARE HOLDINGS EXACT NUMBER OF SHARES (90,000).</p> <p>➤ FEW ENTITIES VIZ., VIJAY UPADHYAY, KANTI C. PATEL, VIPIN BHATNAGAR FOUND HOLDING SHARES OF ERSTWHILE BANK OF RAJASTHAN. IT IS NOTED IN THE INVESTIGATION IN THE MATTER OF ERSTWHILE BANK OF RAJASTHAN THAT THESE ENTITIES OBSERVED AS FRONT ENTITIES OF TAYAL GROUP WHO BOUGHT SHARES OF ERSTWHILE BANK OF RAJASTHAN ON BEHALF OF PROMOTERS OF ERSTWHILE BANK OF RAJASTHAN.</p>
8.	VIJAY UPADHYAY (NOTICEE NO. 38)	
9.	ANIL KUMARAN (NOTICEE NO. 39)	
10.	KANTI C. PATEL (NOTICEE NO. 40)	
11.	GAURI S. RAUT (NOTICEE NO. 41)	
12.	SUDHIR GARGODIA (NOTICEE NO. 42)	
13.	SANJAY JAMBHALE (NOTICEE NO. 43)	
14.	SATISH MHATRE (NOTICEE NO. 44)	
15.	VIPIN KUMAR BHATNAGAR (NOTICEE NO. 45)	

40. The following Table demonstrates the common findings with respect to the entities appearing under the category of 'Body Corporate' and also their connections with the Promoters of KSL –

TABLE XX		
Sr. No.	NAMES OF ENTITIES	COMMON OBSERVATIONS
1.	CYBERINFO ZEEBOOMBA.COM (NOTICEE No. 46)	<p>➤ THE NOTICEES MENTIONED AT SR. NO. 1 TO 11 ARE PROMOTER ENTITIES AS DISCLOSED IN THE SHAREHOLDING OF KSL. MOREOVER, THEY ARE ALSO PROMOTERS OF OTHER TAYAL GROUP COMPANIES, VIZ. JAYBHARAT TEXTILES, ERSTWHILE BANK OF RAJASTHAN, ETC.</p> <p>➤ THE NOTICEES MENTIONED AT SR. NO. 12 TO 17 ARE CONNECTED TO PROMOTERS OF KSL THROUGH COMMON WEB OF DIRECTORS AND SIMILAR ADDRESSES. FOR EXAMPLE, CHARMS HOLDING PVT. LIMITED HAS SAME ADDRESS AS THAT OF AVERY PROCON PVT. LIMITED AND AXON REAL PRO PVT. LIMITED WHICH IS CONNECTED TO PROMOTERS OF KSL AS ANIL KUMAR DUBEY IS COMMON DIRECTOR OF JAYBHARAT TEXTILES AND AVERY PROCON PVT. LIMITED</p> <p>➤ THESE ENTITIES HAVE BEEN HOLDING SHARES OF KSL SINCE MARCH 2001 AND THEIR HOLDINGS REMAIN CONSTANT SINCE 2001.</p> <p>➤ THE PHYSICAL CERTIFICATES NUMBERS FOR SHARES HELD ACROSS SOME OF THESE ENTITIES ARE NEARLY IN CONTINUOUS SERIAL NUMBERS.</p> <p>➤ MAJORITY OF THE ENTITIES ALSO HOLD SHARES OF JAYBHARAT TEXTILES IN SUBSTANTIAL QUANTITY SINCE YEAR 2002.</p> <p>➤ THE NOTICEES STATED AT SR. NO. 12 TO 15 HAVE TRADED EXTENSIVELY IN THE SCRIP OF JAYBHARAT TEXTILES AND KSL.</p>
2.	AHMEDNAGAR INVESTMENTS PVT. LIMITED (NOTICEE No. 47)	
3.	21ST CENTURY ENTERTAINMENT (NOTICEE No.48)	
4.	GIRIGANGA INVESTMENTS PRIVATE LIMITED (NOTICEE No.49)	
5.	GLOBAL SOFTECH LIMITED (NOTICEE No.50)	
6.	CYBER INFOSYSTEMS AND TECHNOLOGIES (NOTICEE No.51)	
7.	EDC SECURITIES PVT. LIMITED (NOTICEE No.10)	
8.	DELUX POLYMERS PVT. LIMITED (NOTICEE No.52)	
9.	SHREE GANESH HOSIERY MILLS PVT. LIMITED (NOTICEE No.53)	
10.	SHREE KRISHNA SILK INDUSTRIES PVT. LIMITED (NOTICEE No.54)	
11.	JAYSHREE PETROCHEMICALS (NOTICEE No.9)	
12.	AVERY PROCON PVT. LIMITED (NOTICEE No.57)	
13.	AVERA PROPERTIES (NOTICEE No.14)	
14.	AXON REALPRO PVT. LIMITED (NOTICEE No.16)	
15.	MEGNA DEVELOPERS PVT. LIMITED (NOTICEE No.15)	
16.	ENVAIR REALTY (NOTICEE No.55)	
17.	CHARMS HOLDING PVT. LIMITED (NOTICEE No.56)	

41. Upon a consideration of the above, it is clear that the aforementioned entities were connected to the Promoters of KSL either through common addresses, or by their occupation in one of the Promoters' company or their Associate companies or through a web of common Directorship in many unlisted companies, which were also connected to Promoters of KSL. Therefore, as on December 31, 2009, the Promoters of KSL effectively had control over an additional 39.17% of the total equity share capital of the Company, which was incorrectly disclosed on the BSE website as public shareholding under the category '*Individuals holding nominal share capital in excess of ₹1 Lakh*' and '*Bodies Corporate*' instead of shares held under the Promoter category. Upon a consideration of the aforementioned, I find that Promoters of KSL were able to camouflage their shareholding through the aforesaid entities and effectively controlled as much as 78.39% of shareholding of KSL. The aforementioned clearly reveals that the floating stock of the Company was substantially reduced and that the entities connected to the Promoters attempted to build up public interest in the Company through artificial volume creation resulting in a manipulated price rise in the scrip (which is discussed in the subsequent paragraphs).

VIII. *Issue – Whether some of the aforementioned Noticees i.e. Noticee no. 9 (Jayshree Petrochemicals), Noticee no. 10 (EDC Securities Pvt. Limited), Noticee no. 15 (Megna Developers Pvt. Limited), Noticee no. 16 (Axon Realpro Pvt. Limited), Noticee no. 21 (Nitish Nayak) and Noticee no. 57 (Avery Procon Pvt. Limited), had indulged in artificial volume creation, order book manipulation and price manipulation in the scrip of KSL?*

42. Artificial volume creation and order book manipulation also occurred during the period from October 26, 2006 to August 28, 2007, when the price of the scrip of KSL increased from ₹97.05 (opening price on October 26, 2006) to ₹173.40 (closing price on August 28, 2007) i.e. an increase of 73.40%. Entities connected to the Promoters had created volume in the scrip by continuously buying and selling shares of KSL. Further, during this period, all the aforementioned entities together accounted for approximately 50% of daily average trading volume in the scrip.

Findings –

43. An analysis of the trade log of trades executed in the scrip of KSL for the period from October 26, 2006 to August 28, 2007 (Based on the pattern in price movement the entire period was segmented into three patches/sub-periods), is reproduced below –

A. **Patch–I October 23, 2006 to December 18, 2006:** On ninety–four instances, trades executed by entities connected to the Promoters contributed to price rise of ₹38.60 out of a total rise of ₹195.40 during the period under examination.

TABLE XXI – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
EDC SECURITIES LTD	3,08,986	154.21	1295008	128.44
	0	0	595000	125.00
JAYSHREE PETROCHEMICALS LTD	447	244.19	6117	250.73
	0	0	500000	125.13
NITISH NAYAK	0	0	3566	246.99
	334717	111.82	284745	110.32
TOTAL	644150	170.07	2684436	164.43
% OF TOTAL MARKET VOLUME	16.12%		67.18%	

B. **Patch–II December 19, 2006 to May 29, 2007:**

TABLE XXII – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
EDC SECURITIES LTD	13641	223.78	43612	225.77
	6021	236.85	5801	237.96
JAYSHREE PETROCHEMICALS LTD	414823	234.04	379433	231.90
	0		0	
NITISH NAYAK	385310	232.87	341570	232.27
	26514	236.89	26514	237.04
TOTAL	846309	233.15	766930	235.32
% OF TOTAL MARKET VOLUME	55.98%		50.73%	

C. **Patch–III May 30, 2007 to August 28, 2007:**

TABLE XXIII – TRADING BY CONNECTED ENTITIES				
ENTITY	BUY QTY.	AVG. PRICE (₹)	SALE QTY.	AVG. PRICE (₹)
AXON REALPRO PVT. LIMITED	284904	14.26	263183	13.17
JAYSHREE PETROCHEMICALS LIMITED	187884	9.40	187547	9.39
AVERY PROCON PVT. LIMITED	475121	23.78	423473	21.20
NITESH NAYAK	72908	3.65	68971	3.45
MEGNA DEVELOPERS PVT. LIMITED	1905	0.10	0	0.00
TOTAL	1022722	51.18	943174	47.20

44. Certain entities who were connected to the Promoters of KSL were found to have contributed substantially to trades executed in the said scrip. Their individual roles are discussed below –

A. **Nitish Nayak** – Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. Nitish Nayak had traded in substantial quantities in the shares of KSL during investigation period. Nitish Nayak alone contributed in the range of 3.6 % to 27% of gross purchase and in the range of 3.6% to 24% of gross sold during three patches of Investigation stated above.
- II. Nitish Nayak had executed first trade on incremental price on thirty–five trading days out of two hundred and ten trading days during the entire investigation period. Analysis of intra–day trades revealed that he had appeared as buyer and executed 2392 trades which resulted into rise in the price of the scrip.
- III. During December 19, 2006 to May 28, 2007, Nitish Nayak appeared as buyer for buy order of 3,85,560 shares, which was 18.45% of total buy orders during the period. Further out of these buy orders, for the orders of as many as 1,95,739 shares (50.71% of total bid orders of the client), the counterparty was another company related entity. Similarly, during May 28, 2007 to August 28, 2007, the number was 1,98,352 shares out of which for 28,323 shares, the counterparty was company related entities. Nitish Nayak had a concentration of more than 30% of trades throughout the Investigation period.
- IV. Nitish Nayak in collusion with another entity connected to the Promoter Group, viz. Jayshree Petrochemicals, placed buy orders at price significantly higher than the last traded price whenever price declined significantly due to trading by other market participants. On many occasions, they placed buy orders and simultaneous sell orders at higher prices just to establish a price at particular level. It was observed that connected entities including Nitish Nayak were giving consistent support to the price.

B. **Jayshree Petrochemicals** – Certain observations in respect of his trading as noted from the Investigation Report and SCN, are reproduced below –

- I. Jayshree Petrochemicals mainly traded during Patch-II and Patch-III and contributed 27% of gross purchase and 25% of gross sale during Patch-II and 9.4% of gross purchase and 9.39% of gross sale during Patch-III. Jayshree Petrochemicals executed first trade on incremental price on fifty-six trading days out of two hundred and ten trading days during the Investigation Period.
- II. During December 19, 2006 to May 28, 2007, Jayshree Petrochemicals appeared as buyer for buy order of 9,10,289 shares out of which for the buy orders of 2,35,383 shares, the counterparty was another company related entity. Similarly, during May 28, 2007 to August 28, 2007, Jayshree Petrochemicals appeared as buyer for buy order of 1,87,884 shares out of which for the buy orders 1,22,898 shares, the counterparty was company related entities.
- III. Jayshree Petrochemicals in collusion with other entities connected to the Promoter Group, viz. Nitish Nayak and EDC Securities Pvt. Limited, had placed buy orders at price significantly higher than the last traded price whenever price declined significantly due to trading by other market participants. On many occasions, they placed buy orders and simultaneous sell orders at higher prices just to establish a price at particular level. It was observed that they were giving consistent support to the price by placing the buy or sell orders at higher price and by indulging the synchronized trades. Further, by having counterparty concentration, it had contributed to price rise and also to increase in the trading volume in the scrip.

C. **EDC Securities Pvt. Limited** – EDC Securities Pvt. Limited mainly traded during Patch-I and contributed 7.7% of gross purchase and 32% of gross sale.

45. Therefore, upon a consideration of the aforementioned, I find that the abovementioned Noticees had traded in the scrip of KSL extensively in order to create false volume and also inflate the price of the said scrip.

As a result of the aforementioned, –

- IX. Whether the Promoters of Jaybharat Textiles and KSL violated Regulation 3(b),(c),(d) and (f) and Regulation 4(1), (2)(d), (e) and (r) of PFUTP Regulations, 2003?*
- X. Whether Jaybharat Textiles and KSL violated Regulation 4(2)(f),(k) and (r) of PFUTP Regulations, 2003?*
- XI. Whether Noticees no. 9–17, Noticees no. 19–22 and Noticee no. 57 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(e) and (g) of PFUTP Regulations, 2003?*
- XII. Whether Noticees no. 18 and Noticees no. 23–56 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(e) of PFUTP Regulations, 2003?*

46. From the preceding paragraphs, it is noted that –

- A. Jaybharat Textiles and KSL were both companies promoted by Shri Saurabh Kumar Tayal and as of June 2007, shared common Promoters, viz. Nina Tayal, Vandana Tayal, Bhawana Tayal, Jyotika Tayal and Ram Pratap Tayal.
- B. As stated earlier, the Promoters of Jaybharat Textiles and KSL have been able to disguise the extent of their shareholding in the aforesaid Companies in a deceitful manner through the artifice of holding shares through entities connected to them, who in several cases happened to be their employees or employees of other Group Companies or shared common Directorship in several unlisted companies connected to the aforesaid Promoters. The Promoters along with their related/connected entities failed to provide a true and accurate disclosure of their shareholding in the aforementioned Companies and as a result, have disseminated false information to the investors in the securities market.
- C. The *modus operandi* adopted by the Promoters of Jaybharat Textiles and KSL was to hold control over substantial shareholdings through entities connected to them and thereafter, indulge in artificial volume creation and manipulation of the price of the said scrips through such entities at different point in time. For example,
 - In the year 2003–04, Dinesh Dongre, Hitesh Dodiya, Anil Kumar Dubey and Nitish Nayak were found to be creating artificial volume in the scrips of Jaybharat Textiles and KSL.
 - Subsequently, in the year 2005, Jayshree Petrochemicals along with other entities connected to the Promoters of Jaybharat Textiles and KSL traded extensively to create artificial volume along with resultant price manipulation in the said scrips.

- In the year 2006–07, EDC Securities Pvt. Limited, Avera Properties and Axon Realpro Pvt. Limited and other entities connected to the Promoters of Jaybharat Textiles and KSL, were found to have traded extensively to create artificial volume along with resultant price manipulation in the said scrips.
- As noted from the preceding paragraphs, investors' interest moved significantly up to 95% of the traded quantity as against around 40% noticed in May 2007, *prima facie* evidencing the impact of concentrated levels of activity earlier driving up the investors' interest and momentum in the trading of the scrip.
- Further, in the scrip of Jaybharat Textiles, which was thinly traded, the Noticees were found to have placed and deleted orders for shares with the intention of inflating and portraying a rosy picture of the Order Book of the said Company.
- On many occasions, when the Noticees connected to the Promoters of Jaybharat Textiles and KSL had executed the first trades, the quantity traded was very thin (in the range of 1 to 100 shares). Such pattern of trading is generally adopted either for increasing the price or for maintaining the price at particular level.
- Similarly, some of the aforementioned Noticees were also utilized by the Promoters of Jaybharat Textiles and KSL for transferring funds among themselves as discussed earlier in this Order.

D. Having regard to the aforementioned, it is pertinent to recognize that through the aforementioned fraudulent and unfair trade practices adopted by the Promoters along with the entities connected to them, Jaybharat Textiles and KSL stood to benefit in terms of capital raising/borrowing, etc. In such cases, valuation of a Company is *inter alia* considered on the basis of its share price. Further, the shares belonging to the Promoters were used as collateral/security to the lenders, banks and other financial institutions from whom finance is availed. Consequently such lenders, banks, etc. stand exposed and imperil a risk of loss in return on investment/lending since their decisions will be based on false and incorrect information publicly disclosed by an erring Company. Incidentally, in this context, it is also noted from the Interim Order dated March 12, 2010 that SEBI had obtained confirmation from a financial institution that shares of Jaybharat Textiles were taken as collateral security from a Company of the Tayal Group.

47. Section 12A(a)–(c) of the SEBI Act read with Regulation 3 of the PFUTP Regulations, 2003 *inter alia* prohibit employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in

securities. Regulation 4(1) of the PFUTP Regulations, 2003, provides for prohibition on indulging in fraudulent or unfair trade practices in securities while Regulations 4(2)(a), (b), (d), (e), (f), (g), (k) and (r) *inter alia* states that dealings in securities by a person shall be deemed as fraudulent if it involves '*fraud*' including (a) indulging in an act which creates false or misleading appearance of trading in the securities market; (b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate the price of such security for wrongful gain; (d) paying, directly or indirectly, to any person any money for inducing such person for dealing in any security with the object of inflating the price of such security; (e) any act or omission amounting to manipulation of the price of a security; (f) publishing any information which is not true prior to or in the course of dealing in securities; (g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security; (k) and (r) misleading and false news/advertisements, which may influence the decision of investors or induce sale or purchase of securities. The aforementioned actions of Jaybharat Textiles and KSL and its Promoters and entities connected to them clearly resulted in '*fraud*' as defined under the PFUTP Regulations, 2003, being committed by the aforementioned entities, which in turn affected the interests of investors in the securities market. The investors were wrongly misled through the false and misleading appearance of trading volumes created in the scrip of Jaybharat Textiles and KSL and therefore, may also have been induced into investing in the securities of the said Companies. In addition, on account of such actions, Jaybharat Textiles and KSL had sought to gain benefit in respect of capital raising activity from banks, financial institutions, etc.

48. Accordingly, upon a consideration of the aforementioned, I find that the Promoters of Jaybharat Textiles and KSL violated Regulation 3(b),(c),(d) and (f) and Regulation 4(1), (2)(d), (e) and (r) of PFUTP Regulations, 2003. I also find that Jaybharat Textiles and KSL violated Regulation 4(2)(f),(k) and (r) of PFUTP Regulations, 2003. In addition, I find that Noticees no. 9–17, Noticees no. 19–22 and Noticee no. 57 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(a),(b),(e) and (g) of PFUTP Regulations, 2003. I also find that Noticees no. 18 and Noticees no. 23–56 of the SCN violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), (2)(e) of PFUTP Regulations, 2003.

Alleged violations of the Takeover Regulations, 1997 –

49. From the Investigation Report, it is noted that the Promoters of Jaybharat Textiles i.e. Saurabh Tayal and others (“**hereinafter referred to as Acquirers for this and the subsequent paragraph**”), had acquired shares of the Company in the year 2003 by buying 57.02% of the shareholding from the erstwhile Promoter of the Company. Thereafter, the Acquirers had made an open offer to the public for acquiring an additional 20% shares of the Company in accordance with the Takeover Regulations, 1997. A comparison of the shareholding pattern ending December 31, 2001 and March 31, 2002, revealed that Pramod Patil, Vijay Sawant, Girish Pukale, Rupesh Narvekar, Milind Mhatre, Rajesh Sharma, Sanjay Sawant and Nandkishor Panchal appeared as shareholders for the first time in holding 20.98% share capital of the Company. This coincided with the discontinuation of Phool Chand Arya–HUF, Phool Chand Arya, Satya Priya Arya–HUF and Satya Priya (related to erstwhile Promoters of Jaybharat Textiles) (Collectively referred to as “**Arya Family**”) who had together held 18.57% shares as on December 2001 as Promoters. The 20.98% share capital were held in physical form and the records of physical share certificates, which were available with the aforementioned entities and Jaybharat Textiles, were not shared with SEBI during its Investigation since the said entities failed to cooperate with SEBI despite Summons being issued to them (refer to Table XI at page 29). However, one entity i.e. Rajesh Sharma, had informed SEBI vide letter dated March 31, 2010, that he purchased shares from Satya Priya. Accordingly, it was inferred in the Investigation Report that the shareholding of the Arya Family was transferred to the aforementioned entities, who were connected to the Promoters of Jaybharat Textiles and as a result, the Promoters of Jaybharat Textiles had control over 96% of share capital of the company right from the year 2002-03 when Tayal took over this company. Further, as on December 31, 2009, it was observed that the Promoters effectively held 96.99% shareholding in Jaybharat Textiles, which included direct ownership of 67.05% shareholding under the category of ‘Promoters and Promoter Group’, direct ownership of 1.5% shareholding under the category of ‘Individual shareholders holding nominal share capital up to ₹1 Lakh’, indirect ownership of 27.75% shareholding held through connected entities under the category of ‘Individual shareholders holding nominal share capital up to ₹1 Lakh’ and indirect ownership of 0.69% shareholding held through three connected entities under the category of ‘Bodies Corporate’. In the instant proceedings, apart from the allegations of violation of PFUTP Regulations, 2003, which stand established, SEBI has also alleged that the Promoters of Jaybharat Textiles and the entities connected to them held such substantial extent of shares, which was far in excess of what had been declared by them publicly, in violation of the Takeover Regulations, 1997.

50. A similar allegation of violation of the Takeover Regulations, 1997, was also made in respect of the shareholding in KSL held by the Promoters along with the entities connected to them since they were found to have held such substantial extent of shares, which was far in excess of what had been declared by them publicly, in violation of the Takeover Regulations, 1997. The Promoters' shareholding in KSL had decreased from 71.21% to 39.22%, a reduction of 31.99% for the period from March 2003 to December 2009. However, as on December 31, 2009, it was observed that the Promoters effectively held 78.39% shareholding in KSL, which included direct ownership of 39.22% shareholding under the category of *Promoters and Promoter Group*, indirect ownership of 13.01% shareholding held through connected entities under the category of *Individual shareholders holding nominal share capital in excess of ₹1 Lakh* and indirect ownership of 26.16% shareholding held through connected entities under the category of *Bodies Corporate*. However, the Promoters had publicly disclosed only 39.22% shareholding in KSL.
51. Regulation 10 of the Takeover Regulations, 1997, states that no acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the Regulation. Under Regulation 11(1) of the Takeover Regulations, 1997, any person, who together with persons acting in concert, already owns 15% or more shareholding in a company but less than 55%, must make a public announcement if he intends to acquire additional shareholding of more than 5% in a company with post acquisition shareholding or voting rights not exceeding 55% in any financial year ending on March 31 unless such acquirer makes a public announcement to acquire shares in accordance with the Regulations. Regulation 11(2) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, which lays down that any person, who together with persons acting in concert, already owns 55% or more shareholding in a company but less than 75%, must make a public announcement if he intends to acquire additional shareholding in a company.
52. Regulations 7 and 8 of the Takeover Regulations, 1997, provide for provisions regulating disclosures of shareholding and control in a listed company. Regulation 7(1) of the Takeover Regulations, 1997, states that any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than 5% or 10% or 14% or 54% or 74% shares or voting rights in a company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the Target Company are listed. Such disclosures as per Regulation 7(2) of the Takeover Regulations, 1997, shall be made within 2 days

of the receipt of intimation of allotment of shares or the acquisition of shares or voting rights, as the case may be. Regulation 8(1) of the Takeover Regulations, 1997, states that every person who holds more than 15% shares or voting rights in any company, shall, within 21 days from the financial year ending March 31, make yearly disclosures to the company, in respect of his holdings as on 31st March. Further, under Regulation 8(2) of the Takeover Regulations, 1997, a Promoter or every person having control over a company shall, within 21 days from the financial year ending March 31, as well as the record date of the company for the purposes of declaration of dividend, disclose the number and percentage of shares or voting rights held by him and by *persons acting in concert* with him, in that Company to the Company.

53. The violation of the Takeover Regulations, 1997 as alleged in the SCN, relates to the violation of Regulations 10 and 11 as well as the provisions relating to disclosure requirements under the said Regulations i.e. Regulations 7 and 8. The allegation levelled in the SCN appears to have stemmed from the substantial shareholding held by the Promoters and entities connected with them, which was far in excess of what had been declared by them publicly. It is noted that while the Investigation Report and the SCN contained observations in respect of entities connected to the Promoters of Jaybharat Textiles and KSL and their shareholding, which are confirmed in the preceding paragraphs of this Order, the aforementioned documents do not include relevant details such as date(s) of acquisition of such shares of Jaybharat Textiles and KSL made by the concerned Notices; specific Noticee-wise acquisition, etc. Further, while the Investigation Report and the SCN make a reference to fund transfers between entities connected to the Promoters of Jaybharat Textiles and KSL, such transfers were mostly made during the years 2004, 2006 and 2007 and cannot be specifically attributed to any acquisition of shares in the aforesaid Companies.
54. Having regard to the facts in the instant proceedings, another requirement for proving violation of Regulations 10 and 11 of the Takeover Regulations is that the entities connected to the Promoters of the aforesaid Companies had to also be *persons acting in concert* with the aforesaid Promoters in terms of Regulation 2(e) of the Takeover Regulations. The Takeover Regulations do not recognize *connected entities* for the purposes of Regulations 10 and 11 thereof. In this context, the observations of the Hon'ble Supreme Court of India in the matter of ***Daiichi Sankyo Company Limited vs. Jayaram Chigurupati and others (2010) 157 Comp Cas 380(SC)*** may be noted – “To begin with, the concept of ‘person acting in concert’ under Regulation 2(1)(e)(1) is based on a target company on the one side, and on the other side two or more persons coming together with the shared common objective or purpose of substantial acquisition of shares, etc., of the Target Company. ... Two or

more persons may join hands together with the shared common objective or purpose of any kind but so long as the common object and purpose is not of substantial acquisition of shares of a Target Company they would not comprise 'person acting in concert'. The other limb of the concept requires two or more persons joining together with the shared common objective and purpose of substantial acquisition of shares, etc. of a certain Target Company. There can be no 'person acting in concert' unless there is a shared common objective or purpose between two or more persons of substantial acquisition of shares, etc. of the Target Company." In the facts of the present proceedings, no sufficient evidence has been adduced in the Investigation Report or SCN to demonstrate that the entities connected to the Promoters of Jaybharat Textiles and KSL shared a common objective to acquire substantial shares in such Companies.

55. It is reiterated that the allegation regarding violation of the Takeover Regulations has arisen on account of the observations contained in the SCN against the Promoters of Jaybharat Textiles and KSL and the entities connected to them that they were together holding more than 96% and 78% respectively, in the said Companies during the period beginning from 2002–03. In this context, it appears unclear from the SCN and the Investigation Report as to the exact date or percentage of consolidation of shareholding by the Promoters along with entities connected to them so as to satisfy the requirements of Regulations 11(1) and 11(2) of the Takeover Regulations.
56. Upon a consideration of the aforementioned in light of the specific submissions made by the Noticees, I am inclined to drop the allegation as contained in the SCN that they had violated the provisions of the Takeover Regulations, 1997, without any adverse inference.

Alleged violations of Section 21 of the SCRA and conditions for continuous listing –

57. The SCN also alleges violation by the Promoters of Jaybharat Textiles and KSL along with the said Companies, of Section 21 of the SCRA and conditions for continuous listing. In this context, it is noted that Section 21 of the SCRA states: *"Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange."* Further, the conditions for continuous listing *inter alia* provide that a listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading. Jaybharat Textiles and KSL along with their Promoters misrepresented the information disclosed to the public through the Stock Exchange and thereby, misled investors to believe that the Promoters held and controlled only 67.05% and 39.22% of the share capital of Jaybharat Textiles and KSL, respectively, which were well within the maximum permissible non–public shareholding limit of 75%. However, as stated in the

preceding paragraphs, the public shareholding in Jaybharat Textiles and KSL were effectively only 3.01% and 21.61%, respectively. The aforesaid action of the Noticees is in contravention of Section 21 of the SCRA and conditions for continuous listing.

ORDER –

58. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Section 11(4) and Section 11B of the SEBI Act, Regulation 11 of PFUTP Regulations, 2003 and Section 12A of the SCRA, hereby issue the following directions –

- (i) The following set of entities that were restrained from buying, selling or dealing in the shares of Jaybharat Textiles and KSL directly or indirectly, in any manner (vide the *Ad-Interim Ex-Parte Order* dated September 7, 2007), are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of **2 years** from the date of this Order.

TABLE XXIV – NOTICEES	
1.	EDC SECURITIES LIMITED
2.	JAYSHREE PETROCHEMICALS PVT. LIMITED
3.	AVERY PROCON PVT. LIMITED
4.	AXON REALPRO PVT. LIMITED
5.	MEGNA DEVELOPERS PVT. LIMITED

- (ii) The following set of entities are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, for a period of **2 years** from the date of this Order.

TABLE XXV – NOTICEES	
1.	KSL AND INDUSTRIES LIMITED
2.	AMIT SHIVALKAR
3.	VIJAY UPADHYAY
4.	ANIL KUMARAN
5.	KANTI C. PATEL
6.	GAURI S. RAUT
7.	SUDHIR GARGODIA
8.	SANJAY JAMBHALE
9.	SATISH MHATRE
10.	VIPIN KUMAR BHATNAGAR
11.	CYBERINFO ZEEBOOMBA.COM
12.	AHMEDNAGAR INVESTMENTS PVT. LIMITED
13.	21 ST CENTURY ENTERTAINMENT

14.	GIRIGANGA INVESTMENTS PVT. LIMITED
15.	GLOBAL SOFTECH LIMITED
16.	CYBER INFOSYSTEMS AND TECHNOLOGIES
17.	DELUX POLYMERS PVT. LIMITED
18.	SHREE GANESH HOSIERY MILLS PVT. LIMITED
19.	SHREE KRISHNA SILK INDUSTRIES PVT. LIMITED
20.	ENVAIR REALTY PVT. LIMITED
21.	CHARMS HOLDING PVT. LIMITED

(iii) I note that Jaybharat Textiles was restrained from accessing the securities market vide the *Ad-Interim Ex-Parte Order* dated March 12, 2010. I also note that vide the aforementioned *Ad-Interim Ex-Parte Order*, the following set of entities were prohibited from buying, selling or dealing in securities, directly or indirectly, in any manner whatsoever vide the aforementioned *Ad-Interim Ex-Parte Order* (Incidentally, Noticee at sr. no. 16 i.e. Nitish Nayak, was earlier restrained from buying, selling or dealing in the shares of Jaybharat Textiles and KSL directly or indirectly, in any manner vide the *Ad-Interim Ex-Parte Order* dated September 7, 2007). I note that the aforementioned directions have continued against the entities for a period of more than 8 years. In view of the aforesaid, I do not find it fit to pass any further direction against the following set of entities.

TABLE XXVI – NOTICEES	
1.	SAURABH KUMAR TAYAL
2.	JYOTIKA TAYAL
3.	NINA TAYAL
4.	RAM PRATAP TAYAL
5.	VANDANA TAYAL
6.	BHAWANA TAYAL
7.	JAYBHARAT TEXTILES AND REAL ESTATE LIMITED
8.	BETA TRADING PRIVATE LIMITED
9.	ANSHUL MERCANTILE PVT. LIMITED
10.	INORBIT TRADING CO. PVT. LIMITED
11.	AVERA PROPERTIES PVT. LIMITED
12.	ANIL KUMAR DUBEY
13.	JAYESH V. MERCHANT
14.	DINESH DONGRE
15.	MAHENDRA KUMAR PANCHAL
16.	NITISH NAYAK
17.	HITESH DODIYA
18.	KISHORE PATIL
19.	GIRISH PUKALE
20.	MILIND MHATRE
21.	NANDKISHOR PANCHAL
22.	GOPAL AGGARWAL
23.	PRAMOD PATIL
24.	RAJESH SHARMA
25.	RUPESH NARVEKAR
26.	SANDIP MURKAR

27.	SANJAY GADADE
28.	SANJAY SAWANT
29.	SATISH PUSALKAR
30.	VIJAY SAWANT
31.	DHANANJAY KANDHARE

59. The *Ad-Interim Ex-Parte Order* dated September 7, 2007 read with the *Ad-Interim Ex-Parte Order* dated March 12, 2010 along with the SCN dated January 5, 2016 is accordingly disposed of.
60. This Order shall come into force with immediate effect.
61. A copy of this Order shall be forwarded to the Stock Exchanges, Depositories and Registrar and Share Transfer Agents of all Mutual Funds for their information and necessary compliance.

Place: Mumbai
Date: January 10, 2019

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA