

WTM/AB/IVD/ID5/17039/2022-23

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

Under Sections 11(1), 11(4) and 11B(1) of the Securities and Exchange Board of India Act, 1992.

Noticee No.	Name of Noticees	PAN
1.	Mr. Bharat Jayantilal Patel	AAAPP6652R
2.	Mr. Minal Bharat Patel	AACPP5126G
3.	Mr. Hardik Bharat Patel	AHIPP1407H
4.	Mr. Ruchit Bharat Patel	ANDPP9202F
5.	M/s. Pat Financial Consultant Private Limited	AAACP3115E
6.	Fidelity Multitrade Pvt. Ltd.	AABCF0017A
7.	M/s. Pasha Finance Private Limited	AAACP8316P
8.	M/s. Gandiv Investment Pvt. Ltd.	AACCG3017C
9.	M/s. Acira Consultancy Pvt. Ltd.	AAICA9489N
10.	M/s. Hridaynath Consultancy Pvt. Ltd.	AACCH5285R

(Aforesaid entities are hereinafter individually referred to by their respective name or noticee number and collectively as “the Noticees”.)

In the matter of Garware Polyster Ltd.

1. SEBI issued a show cause notice dated December 12, 2019 (hereinafter referred to as ‘**SCN**’), calling upon the Noticees to show cause as to why appropriate directions under Sections 11(4) and 11B(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter called as the ‘**SEBI Act, 1992**’) should not be issued and appropriate penalty under Section 15HA readwith Section 11B(2) of SEBI Act, 1992, be not imposed upon them, for alleged violation of Section 12A (a), (b) & (c) of the SEBI Act, 1992 and Regulation 3(a), 3(b), 3(c), 3(d) and 4(1), 4(2)(a), 4(2)(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to

Securities Market) Regulations, 2003 (hereinafter called as the '**PFUTP Regulations, 2003**').

2. The key findings of the investigation, as stated in the SCN and the allegations levelled based on them are summarized below:

2.1. SEBI conducted an investigation in to the trading in the scrip of Garware Polyster Ltd. (hereinafter also referred to as "**Garware**" / "**the Company**") for the period December 15, 2011 to October 09, 2014 (hereinafter referred to as "**IP**").

2.2. The price movement of the scrip at BSE, before, during the four patches and after, the investigation is summarized below:

Table 1

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	158.05	164.95 (15/09/2011)	130 (02/11/2011)	136.85	497555 (8293)
		Vol	20213	59017 (16/11/2011)	637 (20/10/2011)	15728	
Patch 1 (Fall)	15/12/2011-05/04/2013	Price	135.05	137.8 (15/12/2011)	58.65 (03/04/2013)	59.6	9433483 (28673)
		Vol	16934	845218 (06/12/2012)	34 (13/11/2012)	28618	
Patch 2(Rise)	08/04/2013-08/07/2013	Price	59.45	94 (02/07/2013)	58.4 (08/04/2013)	90.4	469376 (7450)
		Vol	3872	103622 (21/06/2013)	215 (31/05/2013)	8171	
Patch 3 (Fall)	09/07/2013-20/02/2014	Price	90.4	95.5 (09/07/2013)	55.2 (20/02/2014)	56.7	518430 (3323)
		Vol	15196	129494 (31/07/2013)	66 (29/08/2013)	746	
Patch 4(Rise)	21/02/2014-09/10/2014	Price	59.9	193.5 (23/09/2014)	56.6 (21/02/2014)	155.65	2528961 (16529)
		Vol	3965	347543 (22/09/2014)	87 (22/03/2014)	7243	
Post Investigation period	10/10/2014-08/01/2015	Price	151.15	165.7 (12/11/2014)	121.05 (17/12/2014)	131.4	391777 (6530)
		Vol	7581	44548 (13/11/2014)	1279 (10/12/2014)	5158	

2.3. On the basis of MCA fillings, KYC documents, bank account statement and off-market transactions, a group of the 16 connected entities (hereinafter referred to as '**Bharat Patel Group**') had been identified during the investigation. The details of Bharat Patel Group and the basis of connection, which was provided as Annexure 2 to the SCN, provided as under:

2.4. Summary of trading by the Bharat Patel Group in the scrip of Garware during the investigation period is tabulated as under:

Table 2

Name of Entity	Gross Buy	% of Gross Buy to Mkt. Vol	Gross Sell	% of Gross Sell to Mkt. Vol	Net Qty.
Bharat Jayantilal Patel	1,631,213	12.6	814,602	6.29	816,611
Hardik Bharat Patel	1,014,734	7.84	342,527	2.65	672,207
Prashant Patel	836,950	6.46	835,000	6.45	1,950
Pat Financial Consultants Pvt. Ltd	793,000	6.12	566,705	4.38	226,295
Minal Bharat Patel	479,205	3.7	475,000	3.67	4,205
Pankaj Patel	402,387	3.11	400,437	3.09	1,950
Pasha Finance Pvt. Ltd.	401,196	3.1	401,196	3.1	0
Ruchit Bharat Patel	299,745	2.32	352,378	2.72	-52,633
Acira Consultancy Pvt Ltd	221,200	1.71	221,200	1.71	0
Hridaynath Consultancy Pvt Ltd	105,153	0.81	730,153	5.64	-625,000
Vanraj Shah	3,800	0.03	1,900	0.02	1,900
Moneybee Realty Pvt Ltd	1,900	0.02	1,900	0.02	0
Gandiv Investment Pvt. Ltd.	1,900	0.02	1,900	0.02	0
Fidelity Multitrade Pvt. Ltd.	1,900	0.02	1,900	0.02	0
Pranav Holding Pvt Ltd	300	0	2,050	0.02	-1,750
Total	6,194,583	47.83	5,148,848	39.76	,1045,735

2.5. From the above table, it was observed that during IP, Bharat Patel Group purchased 6,194,583 shares (47.83% of total market volume) and sold 5,148,848 (39.76 % of total market volume) at BSE. The Group was net buyer of 1,045,735 shares.

2.6. Trading among Bharat Patel Group was for 2,588,995 shares which accounted for 19.99 % of total market volume at BSE.

2.7. Synchronised trades are said to be executed when the difference between placement of order by buyer and seller are within one minute and order rate as well as order quantity of buy side and sale side are the same. Bharat Patel Group's contribution to synchronised trades by trading amongst themselves during the investigation period is as under:

Table 3

Gross Buy Qty of Bharat Patel Group	Gross Sell Qty of Bharat Patel Group	Gross Total	Total traded qty among Bharat Patel Group	Sync traded qty by Bharat Patel Group	Sync Trades as % of total traded qty among Bharat Patel Group	Sync Trades as % of Total market volume
6,194,583	5,148,848	11,343,431	2,588,995	1,316,653	50.86	10.17

2.8. The entity-wise details of synchronized trades by Bharat Patel Group are as follows:

Table 4

Buyer	Seller	Synchro nized Qty.	% of Synchron ized Vol. to Mkt. Vol.	No. of Trade s	No of day s
Vanraj Shah	Bharat J Patel	1900	0.02	1	1
Ruchit Bharat Patel	Pat Financial Consultants Pvt. Ltd	15000	0.12	1	1
Pat Financial Consultants Pvt. Ltd	Bharat J Patel	120000	0.93	3	2
Pat Financial Consultants Pvt. Ltd	Moneybee Realty Pvt. Ltd	1900	0.02	1	1
Minal Bharat Patel	Pat Financial Consultants Pvt. Ltd	15000	0.12	1	1
Hridaynath Consultancy Pvt. Ltd	Gandiv Investment Pvt. Ltd.	1900	0.02	1	1
Hridaynath Consultancy Pvt. Ltd	Hardik Bharat Patel	1900	0.02	1	1
Hardik Bharat Patel	Hridaynath Consultancy Pvt. Ltd	50000	0.39	1	1
Hardik Bharat Patel	Acira Consultancy Pvt. Ltd	219100	1.69	2	2
Bharat J Patel	Pasha Finance Pvt. Ltd.	1100	0.01	1	1
Bharat J Patel	Fidelity Multitrade Pvt. Ltd.	1900	0.02	1	1
Bharat J Patel	Hridaynath Consultancy Pvt. Ltd	680153	5.25	9	7
Acira Consultancy Pvt. Ltd	Pat Financial Consultants Pvt. Ltd	31000	0.24	1	1
Acira Consultancy Pvt. Ltd	Bharat J Patel	175800	1.36	55	3
		1316653	10.17	79	24

2.9. Investigation observed that these Bharat Patel Group entities repetitively executed synchronised trades within the group for 1,316,653 shares (10.17% of the market volume) in 79 trades over 24 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security.

2.10. In view of the above, it is alleged that the Noticee No. 1 to 10 of Bharat Patel Group entities viz, (i) Bharat Jayantilal Patel, (ii) Minal Bharat Patel, (iii) Hardik Bharat Patel, (iv) Ruchit Bharat Patel, (v) Pat Financial Consultants (vi) Fidelity Multitrade Pvt Ltd. (vii) Pasha Finance (viii) Gandiv Investments Pvt Ltd., (ix) Acira Consultancy Pvt Ltd., (x) Hriday Consultancy Pvt Ltd repetitively executed synchronised trades within the group for 13,16,653 shares (10.17% of the

market volume) in 79 trades over 24 trading days at BSE and thus, created misleading appearance of trading in the scrip without any intention of change in ownership of the security, thus, these entities have violated the provisions of Regulations 3, 4(1) and 4(2)(a) and (g) of PFUTP Regulations, 2003.

3. I note that Noticees No. 1 to 10 were therefore, called upon to show cause as to why suitable directions under Sections 11(4) and 11B(1) read with Section 11(1) of the SEBI Act, 1992 should not be issued against them.
4. I note that an opportunity of personal hearing was granted to all the Noticees on December 2, 2021, on which day, none appeared for Noticee no. 1, 2, 3, 4, 5, 6, 7, 8 and 10. No request for adjournment was received from any of them. Thus, hearing for Noticee no. 1, 2, 3, 4, 5, 6, 7, 8 and 10, was closed. Noticee no. 9 had sought adjournment of hearing scheduled on December 2, 2021, on the ground that, its directors were unavailable due to personal difficulties. Accordingly, the hearing for Noticee no. 9 was adjourned to January 3, 2022. Noticee no. 9 did not appear for the personal hearing on January 3, 2022 nor made any request for adjournment. Thus, the opportunity of personal hearing for Noticee no. 9 was also closed.
5. The key contentions raised by Noticee no. 1 to 7 in their combined reply dated August 25, 2020 and October 8, 2020 and by Noticee no. 8, 9 and 10 in their separate replies dated October 9, 2020, are as under:
 - 5.1. At the outset, we submit that there has been inordinate delay in issuance of SCN. Even though the details of the alleged trades are furnished by SEBI but it is humanely impossible and untenable for us or for any investor to remember and recollect and explain rationale or reasons now in 2020 as to how and why such trades of 2011-12, 2012-13, 2013-14 & 2014-15 were executed. It is also submitted that the reasons for such could be liquidity requirements, booking of profit or loss, tax planning, availability of better alternative investment or business opportunities. It is also relevant to note that

in view of large volume in market and limited human memory it is not possible to exactly give rationale for alleged transaction.

5.2. It is mentioned in the SCN that price movement of Garware Polyester Ltd. during investigation period was analyzed. The investigation has not disclosed any reasons for splitting investigation period into two patches and for attributing purported wrongdoing by linking everyday movement and fluctuation in prices of shares. The investigation has clearly picked few transactions and conveniently split investigation period in two patches to suit its pre-determined objectives.

5.3. In fact, the investigation has failed or ignored to recognize principle that price is a result of demand and supply of scrips. It is further stated that reasons for doing transactions could be many things including some news about the Company, about industry in which a company operates, specific Government steps which may affect sector or market in short or longer run, price parity of other scripts such as some other scripts have fallen or risen sharply. Further, a particular price parity favors switch in scripts, liquidity requirement, good profit as intended. The investigation has completely failed to even recognize fluctuation in prices of scrip due to change in earning of the Company. It is also repeated that it is not humanly possible to remember reasons for doing transaction done 7 years back. The transaction was done for any of reasons either mentioned or not known now what was prevalent at that point of time.

5.4. Therefore, spilt of investigation period as done exhibits whims, fancy and wishes of the author of the SCN and to paint distorted picture of fluctuation in prices which is caused by real demand and supply of scrip. SCN is completely erroneous and misleading.

5.5. It is stated that we are independent in respect of our transactions and financially independent. We all are income tax assesses and have large portfolio. It is also pointed out that the alleged trade is minuscule compared to our volume.

5.6. Notwithstanding, what is stated herein above and without prejudice to our rights and contentions, we submit that as regard to your reference to the percentage of volume by Bharat Patel Group, we are unable to comment. We cannot be expected to explain transaction done by others. It would not be out of context to state that if we know Mr. Narendra Modi or had some dealing with them would not mean that he is Bharat Patel Group. It is submitted that our dealing if any with alleged connected entities is in our regular course of business. It is also stated that volume does not mean or indicate any breach and/or violation of any Rules and Regulations of Securities Market or would mean any wrongdoing. Volume depends on many factors like Networth of investor, no of shares held by investor. Therefore, the volume of transactions should not lead to any negative inference of any nature of whatsoever as the total gross buy and sell to the market volume is normal, considering our volumes in other scripts and total volume. Without prejudice to what is stated herein above we state that Noticee no. 2 & 4 (Minai B. Patel & Ruchit B. Patel) is my wife and son, respectively, and Noticee no. 3 (Pasha Finance Pvt. Ltd.), 5 (Pat Financial Consultants Pvt. Ltd.) are Companies where I am a Director. They are financially independent. They have their own investment portfolio built over more than 12 years and are independently large taxpayer. There is not bar to "Connected" parties trading. In fact, even negotiated trades between connected parties is not prohibited and are very common.

5.7. Irrespective of the above, it is submitted that it is completely wrong to relate any wrongdoing with volume and to portray prejudice and biased picture as volume depends upon many factors like net worth of trader, traders' conviction about its trade, traders holding in the scripts, free float of shares (non-promoter), volume of particular shares, free float after elimination of large institutions and HNI holder. However, it is totally wrong to attribute any wrong doing to volume of each investor which is subjective and should be compared with his overall volume. We would expect Regulator to be fair, reasonable and objective in its approach. At least, some creditable evidence is expected rather than such bald statements without any reason or justification.

- 5.8. It is denied that we have repetitively executed synchronized trades within group and the allegation is contrary to facts and as mentioned in SCN. On the one hand it is alleged that we have executed trades repetitively and on other hand, the SCN itself confirms that we have entered into ONLY 22 days of synchronized trades only during 1029 days of investigation period i.e. 15/12/2011 to 09/10/2014.
- 5.9. It is also denied that the said trades had created misleading appearance of trading in the scrip without any intention of change in ownership of the security. The allegation is devoid of truth and evidenced and exhibits prejudiced view against us. The allegation that we have repetitively executed synchronized trade and the said trade had created misleading appearance of trading without any intention of change in ownership of the security is mechanically pasted from other SCN and without giving any evidence and contrary to the fact that we have executed trades only for 22 days out of investigation period of 1029 days. Full payment was made and all transactions are resulted into delivery and transferred from/or to Demat Statement and become registered holder and owner of the shares and transaction were done on platform of stock exchange and for consideration in normal course of purchase/ sale of stock and effect of transaction is reflected in audited accounts in respective years.
- 5.10. It is wrong to allege and assume that the transaction is done without any intention to change ownership while our Demat statements clearly show delivery of the same. (Demat Statement enclosed as Annexure- B). The allegation that it created misleading appearance is without any evidence and is misleading. In fact, transaction has been displayed on Bulk deal of stock exchange window when the quantity traded exceeds .5% of share capital of the Company.
- 5.11. It is also stated that there is no prohibition on synchronized trading in securities, so long as the transactions are effected in accordance with the Stock Exchange Mechanism, securities are delivered, and that the transaction has

not been effected with manipulative intent to artificially move the price of the stock. It is submitted that all trades and transactions carried on the Stock Exchanges are in fact synchronized. Unless the price and the volume match, the trade or transaction cannot be effected. It is also to be noted that there is no allegation that these trades have manipulated the price of the scrip and/or were done with the intention to manipulate. It is nowhere stated in SCN that alleged synchronized trades has manipulated prices of shares. The SCN does not even alleged that any loss has been caused to any investors in the market. Also is does not even alleged that there was any malafide object, purpose or motive to execute the alleged trades. It is also not even alleged that we were in any manner connected to or acting at behest of the promoter or director of the Company whose shares are being traded. Therefore, no ulterior motive could be attributed to our transactions.

Consideration of issues and findings thereon:

6. I note that the principal allegation against Noticees 1 to 10 is that they executed synchronized trades within the Bharat Patel Group, while trading in the scrip of Garware Polyster Ltd on BSE for 13,16,653 shares (10.17% of the market volume) in 79 trades over 24 trading days and thus, created misleading appearance of trading in the scrip without any intention of change in ownership of the security. In view of the above, and on account of these trades, it is alleged in the SCN that Noticees 1 to 10 had violated the provision of section 12A (a), (b) and (c) of SEBI Act, 1992 and Regulations 3(a),(b),(c) and (d), 4(1) and 4(2)(a) and (g) of the PFUTP Regulations, 2003.
7. I note that Noticee no. 1 has passed away on May 29, 2021. A death certificate of Noticee no. 1, dated June 7, 2021, is available on record.
8. From analysis of the alleged synchronized trades, the details of which have been reproduced at Table 4 above, I find that Noticee no. 1 to 10 have executed 79 trades wherein the price and quantity were exactly matching between the buy and sell orders and time difference was in the range of 0 seconds to 4 seconds. Thus, I find that Noticee no. 1 to 10 have executed 79 synchronized trades on 24 trading

days out of an Investigation Period stretching over almost three years. However, I note that the frequency of the impugned trades was not high. Reference may be made to the decision of the Hon'ble SAT in Appeal no. 2 of 2004 in the matter of **Ketan Parekh v/s. SEBI**, decided on July 14, 2006, relevant extract of which is reproduced hereunder:

"20. There are yet another type of transactions which are commonly called synchronised deals. The word 'synchronise' according to the Oxford dictionary means "cause to occur at the same time; be simultaneous". A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronised deal depending on the time when the buy and sell orders are placed. There are deals which match off market i.e., the buyer and the seller agree on the price and quantity and execute the transaction outside the market and then report the same to the exchange. These are also called negotiated transactions. Block deals (when shares of a company are traded in bulk) are an instance of trades that match off market. Such trades have always been recognised by the market and also by the Board as a regulator. It has recently issued a circular requiring all bulk deals to be transacted through the exchange even if the price and quantity are settled outside the market. When such deals go through the exchange, they are bound to synchronise. It would, therefore, follow that a synchronised trade or a trade that matches off market is per se not illegal. Merely because a trade was crossed on the floor of the stock exchange with the buyer and seller entering the price at which they intended to buy and sell respectively, the transaction does not become illegal. A synchronised transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the 35 cumulative effect of these that an inference will have to be drawn."

9. Thus, as held in the aforesaid judgement of Hon'ble SAT, synchronized trades are not ipso facto illegal. All such synchronized trades done with the intention to

manipulate the price of the scrip are illegal. Whether a trade is manipulative or not is dependent on the facts of the case. I note that the impugned 79 trades were executed in 24 trading days spread over a period of three years. I find that the frequency of the impugned trades was sparse. SCN does not allege any impact on price of the scrip of Garware due to the impugned trades. I also note that the SCN does not allege any connection between Garware Polyester Ltd./ its promoters/ its directors and any of the Noticees or any *modus operandi* through which the Noticees gained any advantage due to the allegedly artificially increased volume of trading in the scrip of Garware Polyester Ltd. during the Investigation Period.

10. I note that in an Investigation Period spreading over almost three years, the impugned 79 trades of the Noticees were only on 24 unique trading days (with 1 to 4 trades on each of these days, except 21.6.2013 which had 49 trades). I find that such low frequency of the trades of the Noticees, does not lead to any inference of manipulation by the Noticees through the impugned synchronized trades in the scrip of Garware. I note that even the findings of investigation, as contained in the SCN, do not show any impact of the impugned trades on the price of the scrip of Garware. Further, I note that Noticees no. 2 to 8 have also contended that they have done non-synchronised trades which are in excess of the alleged synchronized trades which shows that they had several other huge trades in the same scrip for which no allegations have been made against them. I also note that Noticees have contended that impugned trades took place during 2011-14 and considerable time has elapsed since then, because of which they are unable to put forward any explanation for the impugned trades which could have been various reasons like liquidity requirement, booking profit or loss, tax planning, availability of better alternative investment of business opportunities. Thus, trading pattern of Noticee no. 1 to 10 in the scrip of Garware, wherein frequency of the synchronized trades was low and were dispersed over a period of three years, does not indicate a concerted and manipulative intent on the part of Noticee no. 1 to 10, to generate a false appearance of trading in the scrip. Therefore, in the facts and circumstances of the present case, I find that the impugned trades executed by the Noticees cannot be held to attract violations of Section 12A (a), (b) and (c) of SEBI Act, 1992, and Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2)(a) and (g) of PFUTP Regulations, 2003.

Directions

11. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 11(1), 11(4), and 11B(1) of SEBI Act, 1992 read with Section 19 of SEBI Act, 1992, direct that:

- i. Proceedings against Noticee no. 2 to 10 are disposed of without any adverse directions;
- ii. Proceedings against Noticee no. 1 stand abated, for the reasons stated in para 7 above.

12. This Order comes into force with immediate effect.

13. This Order shall be served on all the Noticees.

Date: June 13, 2022
Place: Mumbai

Sd/-
ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA