

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

**ORDER**

**Under Section 12(3) of Securities and Exchange Board of India Act, 1992 read with Regulations 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008**

**In respect of:**

| <b>S. No.</b> | <b>Name of the intermediary</b> | <b>Registration No.</b>      |
|---------------|---------------------------------|------------------------------|
| 1.            | Finquest Securities Pvt. Ltd.   | INB231236531<br>INB011236537 |

**In the matter of Seshasayee Paper and Boards Limited**

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1. The present matter emanates from a show cause notice dated October 16, 2020 (hereinafter referred to as “**SCN**”) issued to Finquest Securities Pvt. Ltd. (hereinafter referred to as “**Noticee**”) under Regulation 28(1) of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations, 2008**”) calling upon it to show cause as to why action as recommended by the Designated Authority or any other direction/ penalty as deemed fit should not be issued/imposed on it in terms of Regulation 28 (1) of the Intermediaries Regulations, 2008. The SCN enclosed with it the Report of the Designated Authority (hereinafter referred to as “**Enquiry Report**” or “**ER**”). The ER had made the following recommendation:

“In view of the facts and circumstances of the case and material placed before the Designated Authority, I am of the view that the Noticee has violated the provisions of Sections 12A (a),(b),(c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations. Therefore, in terms of Regulation 27 of the Intermediaries Regulations, I recommend that the registration of the Noticee, i.e.

Finquest Securities Private Limited as a stock broker be cancelled in the interest of the securities market. ”

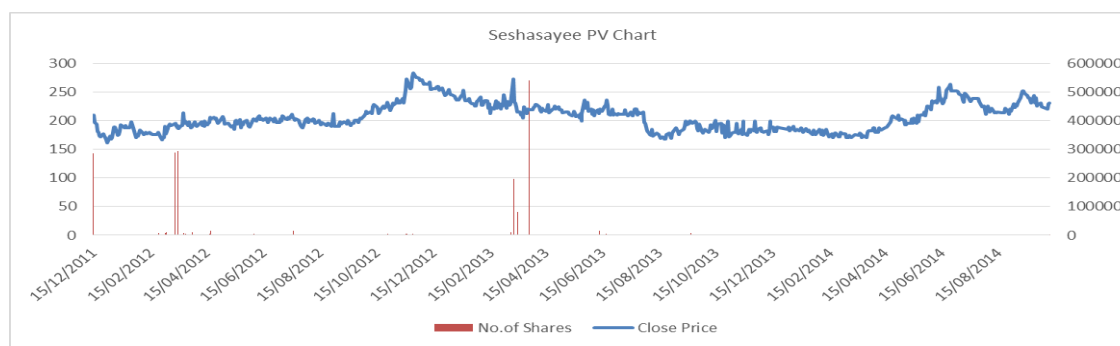
2. The ER observed that the Noticee has violated the provisions of Sections 12A (a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as “**PFUTP Regulations, 2003**”) and Clause A(2) of the Code of Conduct specified under Schedule II read with Regulation 9 of the SEBI (Stock Brokers) Regulations, 1992 (hereinafter referred to as “**Stock Brokers Regulations, 1992**”).
3. The ER stated that Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation into the trading activity in the scrip of Seshasayee Paper and Boards Limited (hereinafter referred to as ‘**Seshasayee/ the Company**’) during the period December 15, 2011 to October 09, 2014. (hereinafter referred to as ‘**investigation period**’) and during investigation, a group of 16 connected entities were identified based on the KYC documents, MCA details, bank account statements and off-market transactions to be investigated (herein after referred to as “**Bharat Patel Group**”). The ER further stated that investigation revealed that 4 entities viz. Fidelity Multitrade Pvt. Ltd., Pasha Finance Pvt. Ltd, Bharat Jayantilal Patel, and Acira Consultancy Pvt. Ltd. who are connected to each other and part of the said larger Bharat Patel Group, executed circular trades in the scrip of Seshasayee at NSE and BSE during the investigation period. The said circular trades of the aforementioned entities constituted 21.10% and 25.27% of total market traded volume at NSE and BSE and created misleading appearance of trading in the said scrip without any intention of change in ownership of the security.

4. It was further observed in the ER that that the stock broker of the aforesaid 4 entities during the said circular trades was Finquest Securities Pvt. Ltd (hereinafter referred to as “**Noticee**”). It was also observed that Noticee is connected to the group comprising aforesaid entities which indulged in circular trades and thereby facilitated their fraudulent trades and aided in creation of misleading appearance of trading in the scrip of Seshasayee.

5. The ER further makes the following allegations/observations:

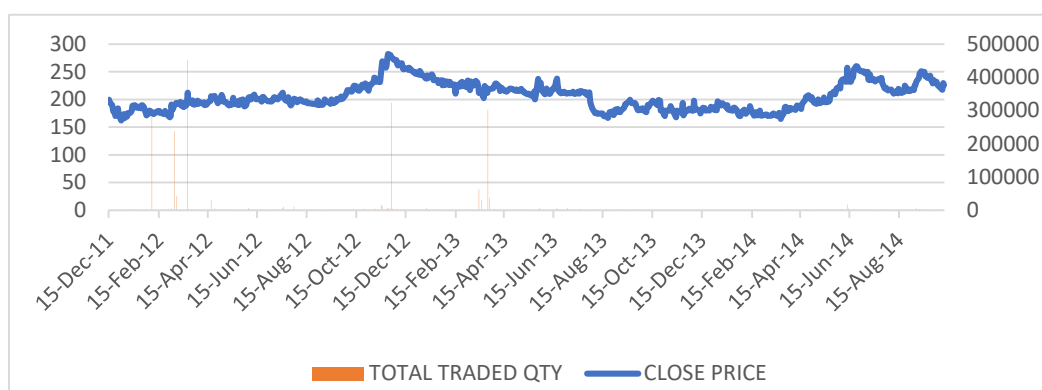
5.1. The price movement of the scrip at BSE, before, during and after the investigation is summarized as under in the table and chart below :

| Period                      | Dates                   | Price & Vol. | Opening Price & Vol. on first day of the period (Rs) | High price & vol. (date) during the period (Rs.) | Low price & vol. (date) during the period (Rs.) | Closing price & vol. on last day of the period (Rs.) | Avg. no. of (shares) traded daily during the period. |
|-----------------------------|-------------------------|--------------|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Before Investigation Period | 15/09/2011 – 14/12/2011 | Price        | 197                                                  | 232.95 (04/11/2011)                              | 181 (14/12/2011)                                | 181                                                  | 757                                                  |
|                             |                         | Vol          | 4                                                    | 7820 (15/11/2011)                                | 1 (20/10/2011)                                  | 45                                                   |                                                      |
| During Investigation period | 15/12/2011- 09/10/2014  | Price        | 189.9                                                | 291 (23/11/2012)                                 | 157 (30/12/2011)                                | 231                                                  | 3142                                                 |
|                             |                         | Vol          | 54                                                   | 541268 (28/03/2013)                              | 1 (on 30 trading days)                          | 71                                                   |                                                      |
| After Investigation Period  | 10/10/2014 – 10/01/2015 | Price        | 232                                                  | 288 (24/11/2014)                                 | 202 (16/10/2014)                                | 246.5                                                | 5044                                                 |
|                             |                         | Vol          | 116                                                  | 109086 (24/11/2014)                              | 1 (21/10/2014)                                  | 20881                                                |                                                      |



5.2. The price movement of the scrip at NSE, before, during and after the investigation is summarized as under in the table and chart below:

| Period                      | Dates                   | Price & Vol. | Opening Price & Vol. on first day of the period (Rs) | High price & vol. (date) during the period (Rs.) | Low price & vol. (date) during the period (Rs.) | Closing price & vol. on last day of the period (Rs.) | Avg. no. of (shares) traded daily during the period. |
|-----------------------------|-------------------------|--------------|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Before Investigation Period | 15/09/2011 – 14/12/2011 | Price        | 198.45                                               | 250 (03/11/2011)                                 | 178.5 (09/12/2011)                              | 189.05                                               | 1400                                                 |
|                             |                         | Vol          | 7                                                    | 20322 (20/09/2011)                               | 7 (15/09/2011)                                  | 56                                                   |                                                      |
| During Investigation period | 15/12/2011- 09/10/2014  | Price        | 181                                                  | 292 (23/11/2012)                                 | 155.5 (05/03/2012)                              | 225.8                                                | 3696                                                 |
|                             |                         | Vol          | 1704                                                 | 452978 (21/03/2012)                              | 1 (on 8 trading days)                           | 525                                                  |                                                      |
| After Investigation Period  | 10/10/2014 – 10/01/2015 | Price        | 222                                                  | 288 (24/11/2014)                                 | 201.2 (17/10/2014)                              | 247.1                                                | 11607                                                |
|                             |                         | Vol          | 96                                                   | 196544 (24/11/2014)                              | 31 (30/10/2014)                                 | 60223                                                |                                                      |



5.3. The ER identified 16 clients who were trading in the scrip of Seshashayee during the investigation period as **“Bharat Patel Group”** based on the KYC documents, MCA details, Bank account statements and off-market transactions. The ER further observed that 11 entities at NSE and 12 entities at BSE out of total 16 entities of “Bharat Patel Group” traded in the scrip of Seshashayee during the investigation period. They purchased 15,55,990 shares (63.12% of total market volume) and sold 11,27,198 (45.72% of total market volume) at NSE and 8,57,380 shares (40.79% of total market volume) and sold 11,22,687 (53.41% of total market volume) at BSE during the investigation period. There was significant amount of trading amongst the Bharat Patel Group. Trading among “Bharat Patel Group” accounted for 39.60% and 35.33% of the total market traded volume at NSE and BSE respectively.

- 5.4. It was also noted that the Noticee had the highest contribution of 57.06% in gross buy and 51.82% in gross sell at NSE and 43.17% in gross buy and 54.46% in gross sell at BSE respectively during the investigation period. It was further observed that 4 entities who are connected to each other and part of the said larger Bharat Patel Group executed trades in a circular manner. It was observed that the 4 entities viz. Fidelity Multitrade Pvt. Ltd., Pasha Finance Pvt. Ltd, Bharat Jayantilal Patel, and Acira Consultancy Pvt. Ltd. executed circular trades at NSE and BSE during the investigation period. The said circular trades constituted 21.10% (9.53%+11.57%) and 25.27% (11.65%+13.62%) of total market traded volume at NSE and BSE and created misleading appearance of trading in the scrip without any intention of change in ownership of the security. Further, it was also observed that the Noticee is connected to the entities who indulged in circular trades
- 5.5. Considering the above and the facts and circumstances of the case, the ER concluded that that 4 entities who were connected to each other and bought and sold shares of Seshasayee through a common connected broker, acted as a group under a premeditated scheme / plan to indulge into circular trades at BSE (contributing to 25.27% of total market volume) and NSE (contributing to 21.10% of total market volume) during the investigation period and created misleading appearance of trading in the scrip without any intention of change in beneficial ownership. The ER also concluded that the Noticee acted as broker and counterparty broker for the aforementioned 4 entities in executing circular trades at NSE and BSE and created artificial volumes in the scrip and the Noticee had played an active role in this case in the execution of the circular trades, and since Noticee and the aforementioned 4 entities are all connected, Noticee acted as a party to the fraudulent trades.

6. On the basis of the aforesaid ER, the matter was placed before me for approval of issuance of the SCN on September 11, 2020. Thereafter, the SCN was issued on October 16, 2020. Due to the prevailing pandemic situation, the SCN was issued to the Noticee by email. However, no reply was received from the Noticee. The file was placed before me for obtaining a hearing date on September 09, 2021. An opportunity of hearing was granted on February 04, 2022. Vide email dated February 02, 2022 the Noticee sought an adjournment of 4 weeks. In view of the same, another opportunity of hearing was granted to the Noticee on March 11, 2022. Meanwhile the Noticee submitted detailed reply dated March 16, 2022. On March 11, 2022 the Noticee appeared for the hearing and made submissions.
7. Vide its letter dated March 16, 2022 the Noticee has made the following submissions:
  - i) The Noticee is a registered stock broker of the BSE and NSE for the last 16 years. It has over 5000 registered clients. The Noticee's turnover was about Rs. 10,888 crores in FY 2020- 21. The Noticee has very large operations.
  - ii) All these 4 trades took place in March 2012 i.e. 10 years ago. In the facts of the present matter, it is seen that the very first time that proceedings commenced against the Noticees was by an SCN dated 3.10.2019, i.e. even after the SCN were issued to the Noticees clients for the very same trades. It is noted that the proceedings against the clients of the Noticees have been quashed by the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") on the issue of inordinate delay in initiation of proceedings and subsequent appeal against the said SAT order by SEBI has been dismissed by the Hon'ble Supreme Court of India. Therefore, it is undeniable that there is a further delay in the present matter compared to the proceedings against the clients of the Noticee. The severe prejudice caused to the Noticee is that it was impossible for them to have any recollection of the reasons, if any the clients may have provided at the relevant time to carry out the trades.

- iii) The 4 clients of the Noticee are huge traders, doing lakhs of trades in hundreds of scrips. Consequently, in the year 2019, it was impossible for the Noticee to answer for 4 trades, executed in the year 2012.
- iv) Even on merits, it is seen that the trades took place on 4 different dates, for 4 different clients, for 4 different quantities of shares, on 2 different exchanges. Therefore, it was impossible for the Noticee to analyse at the time of execution of the trades that these were at all allegedly circular, or that there was anything wrong about the trades.
- v) Undoubtedly, Circular Trades means that the very same quantity of shares is circulated between "A" to "B" to "C" and back to "A" on the very same trading day with no delivery taken or payment made for the shares. However, in the present case, each client made payment for its trade, each of our clients took delivery of the shares, and each client took the shares into their demat accounts. Therefore, the same can never be said to be circular, or any fault found with the same.
- vi) The 4 impugned trades were bulk deals, which were reported on the stock exchanges website. If there was any intention to do mischief, the client would obviously not carry out the trades as bulk deals, or report them to the world at large. Undoubtedly, mischief makers always attempt to hide their mischief, which is far from the present case.
- vii) Further, the SCN in Enquiry Report, alleges that 16 entities of the alleged "Bharat Patel Group" were connected to each other, and had traded extensively, for about 46.63 lakh shares (both buy & sell) during the investigation period. No allegations are made about the same. The only allegation is that out of this approximately 46.63 lakh shares, about 2.5 lakh shares got traded in March 2012 in 4 trades in an allegedly circular manner. It is therefore clear that the impugned trades were a very small fraction of the total trading.
- viii) It would be most harsh, disproportionate and excessive to cancel the Noticees registration for 4 disclosed bulk trades which took place 10 years ago.

8. I have gone through the SCN, ER, reply of the Noticee and its submissions before me during the personal hearing. I note that the allegation against the Noticee is that Noticee, along with aforementioned 4 'suspected entities' of Bharat Patel Group who have repetitively executed circular trades in the scrip of Seshashayee on BSE and NSE are responsible for creating misleading appearance of trading in scrip in the securities market and thereby violated of Sections 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of the PFUTP Regulations, 2003. It is also alleged that the Noticee failed to carry out its business with due diligence, skill, care etc. while dealing with its clients in violation of Clause A (2) of Schedule II under Regulation 9 of the Stock Brokers Regulations, 1992.
9. The relevant extracts of the provisions of law allegedly violated by the Noticee are mentioned as under:-

**SEBI Act**

**Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.**

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

**PFUTP Regulations**

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

No person shall directly or indirectly—

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

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

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

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

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

**Brokers Regulations, 1992**

**SCHEDULE II**

**Securities and Exchange Board of India (Stock Brokers) Regulations, 1992**

**CODE OF CONDUCT FOR STOCK BROKERS**

**[Regulation 9]**

**A. General.**

(1) ...

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

10. From the findings of the investigation, I note that 11 entities at NSE and 12 entities at BSE out of total 16 entities of the “Bharat Patel Group” traded in the scrip during the investigation period. They purchased 15,55,990 shares (63.12% of total market volume) and sold 11,27,198 (45.72% of total market volume) at NSE and 8,57,380 shares (40.79% of total market volume) and sold 11,22,687 (53.41% of total market volume) at BSE during the investigation period. However, I further note that out of the trades of the Bharat Patel Group mentioned above, the ER in its findings has only has impugned four trades by 4 clients of the Noticee (who are part of the said larger Bharat Patel Group) which have been said to have been executed in a circular manner and for the said trades the Noticee acted as a stock broker. The details of the same, as given in the findings of investigation is as follows:

| Date       | Sell Client Name              | Buy Client Name               | Buy and Sell Member           | Exchange | Qty.   | % of total Mkt. Vol. |
|------------|-------------------------------|-------------------------------|-------------------------------|----------|--------|----------------------|
| 05/03/2012 | Bharat Jayantilal Patel       | Fidelity Multitrade Pvt. Ltd. | Finquest Securities Pvt. Ltd. | NSE      | 235000 | 9.53                 |
| 12/03/2012 | Fidelity Multitrade Pvt. Ltd. | Pasha Finance Pvt. Ltd.       |                               | BSE      | 244998 | 11.65                |
| 15/03/2012 | Pasha Finance Pvt. Ltd.       | Acira Consultancy Pvt. Ltd.   |                               | BSE      | 286224 | 13.62                |
| 21/03/2012 | Acira Consultancy Pvt. Ltd.   | Bharat Jayantilal Patel       |                               | NSE      | 285224 | 11.57                |

11. From the above, I note that the Noticee is a stock broker who executed 4 trade transactions on behalf of clients which is circular in nature and these clients are connected to it which constituted 21.10% (9.53%+11.57%) and 25.27% (11.65%+13.62%) of total market traded volume across NSE and BSE respectively in the scrip of Seshashayee during the investigation period.
  
12. I note that the recommendation of the DA dated April 27, 2020 for cancellation of certificate of registration of the Noticee has come prior to an order of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") related to the four clients of the Noticee dated September 08, 2020. In this context it may be observed that vide an order dated March 04, 2020 (hereinafter referred to as "**impugned order**") the four clients of the Noticee, i.e. Bharat Jayantilal Patel, Fidelity Multitrade Pvt. Ltd., Pasha Finance Pvt. Ltd. and Acira Consultancy Pvt. Ltd. were restrained from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner for a period of two years from the date of the said order for violation of Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(a), (b), (c) and (d) and Regulations 4(1), 4(2)(a), (b), (e) and (g) of the PFUTP Regulations, 2003 for carrying out aforesaid four circular trades in the scrip of Seshashayee during the investigation period. On a perusal of the impugned order I note that the said order, has found the four clients liable for violation the aforesaid provisions for carrying out 4 circular trades for the same 2,35,000 shares (approx.) as mentioned in the present ER. I also note that the said four clients had preferred an appeal under Section 15T of the SEBI Act, 1992 against the order dated March 04, 2020 before the Hon'ble SAT and vide an order dated September 08, 2020 the Hon'ble SAT set aside the impugned order dated March 04, 2020 with the following observations:

"In the circumstances, the appeal is allowed without any order as to costs. The impugned order passed against the present Appellants is thereby quashed and set aside."

Thereafter, SEBI preferred an appeal (CA No. 3782 of 2020) under Section 15Z of the SEBI Act, 1992 before the Hon'ble Supreme Court of India against the order of the Hon'ble SAT dated September 08, 2020 and vide an order dated December 16, 2020 the Hon'ble Supreme Court of India dismissed the appeal filed by SEBI.

13. Therefore, I find that the debarment imposed on the four clients of the Noticee vide the impugned order dated March 04, 2020 in the proceedings with respect to the same transactions of the clients of the Noticee which are the subject matter of the present ER has been quashed in appeal by the Hon'ble SAT and the order of the Hon'ble SAT has thereafter attained finality after dismissal of appeal of SEBI by the Hon'ble Supreme Court of India. I further note that since the order of the Hon'ble SAT and the Hon'ble Supreme Court have been passed after submission of ER by the DA, they have not been considered by the DA while making the recommendation. The Noticee herein has been charged with respect to execution of transactions with respect to 4 clients which were stated to be circular in nature which has been quashed by Hon'ble SAT vide order dated September 08, 2020 and attained finality after dismissal of appeal of SEBI by Hon'ble Supreme Court on December 16, 2020 and therefore the Noticee (stockbroker) cannot be held guilty for the execution of underlying transactions of clients for which the clients have been already exonerated. Therefore, in view of the above facts and circumstance of the case, it would be proper to dispose of the present proceeding against the Noticee (stockbroker) without any directions.

**Direction:**

14. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 (5) of the Intermediaries Regulations, hereby dispose of the show cause notice dated October 16, 2020 issued to the Noticee, without any direction.

15. The order comes into force with immediate effect.
16. A copy of this order shall be served on the Noticee and all recognized Stock Exchanges.

**Place: Mumbai**  
**Date : October 25, 2022**

**ANANTA BARUA**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**