

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:

S. No.	Name of the intermediary	Registration No.
1.	Finquest Securities Pvt. Ltd.	INB231236531 INB011236537

In the matter of Crest Ventures Ltd.

1. The present matter emanates from a show cause notice dated August 25, 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 terms of the provisions of regulation 27 of the Intermediaries Regulations read with section 12(3) of the SEBI Act and regulation 27 (xiv) of the Brokers Regulations, I hereby recommend suspension of the certificate of registration granted to the Noticee

i.e. Finquest Securities Limited (PAN No.: AABCB7028F) as stock broker for a period of six months.”

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 states that Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation into the alleged irregularities in the trading in the shares of Crest Ventures Ltd. (hereinafter referred to as “**Crest**”) during the period December 15, 2011 to October 09, 2014 (hereinafter referred to as “**Investigation Period**”) for possible violation of the provisions of the SEBI Act, 1992 and various rules and regulations framed thereunder.
4. The ER further makes the following allegations/observations:
 - 4.1. The price volume data of the scrip of Crest at BSE and NSE for the period before, during and after the Investigation Period was noted as mentioned in following graphs and tables:

Chart-1: Price Volume movement of scrip of Crest at BSE

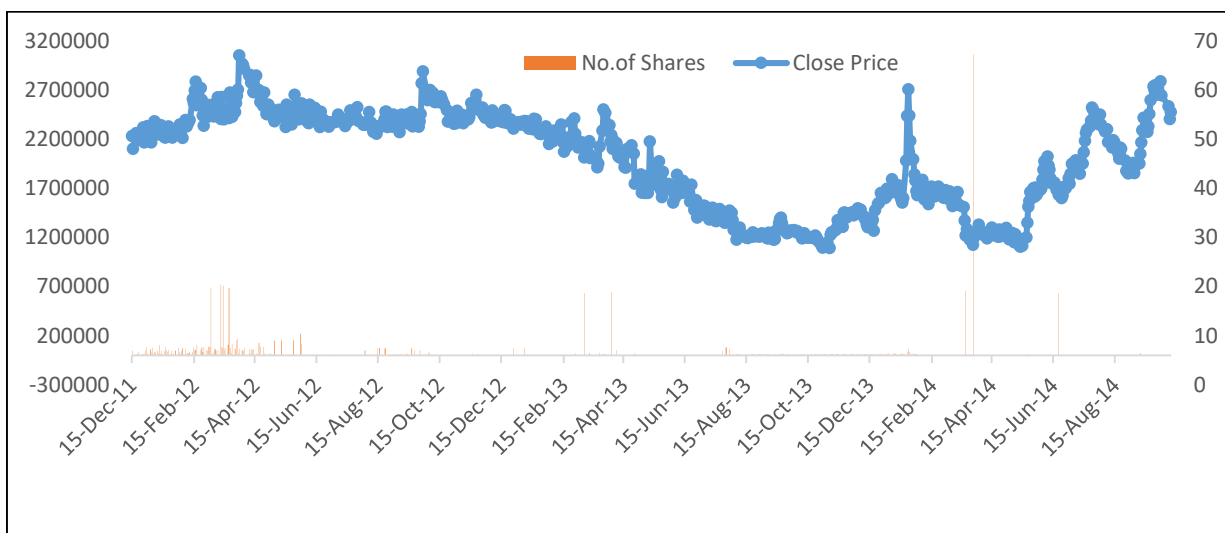


Table-1: Price movement of scrip of Crest at BSE

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	55.55	74.8 (26/10/2011)	45.4 (21/11/2011)	52.55	3289483/ 54824
		Vol	404	169973 (25/10/2011)	404 (15/09/2011)	12129	
Patch 1 (Rise)	15/12/2011-30/03/2012	Price	54.95	66.70 (30/03/2012)	46.45 (30/12/2011)	67.05	6487707/ 85365
		Vol	49290	718750 (12/03/2012)	1626 (16/12/2011)	70078	
Patch 2(Fall) (No trading on Mar 31 & Apr 1, 2012)	02/04/2012-29/10/2013	Price	65	67.85 (04/04/2012)	25.30 (28/10/2013)	27.9	5322464/ 14043
		Vol	52238	642241 (03/04/2013)	1 (8 instances)	11409	
Patch 3 (Rise)	30/10/2013-22/01/2014	Price	28.4	60.15 (22/01/2014)	27 (05/11/2013)	60.15	799675/ 13554
		Vol	10797	71962 (22/01/2014)	6683 (03/11/2013)	71962	
Patch 4(Fall)	23/01/2014-14/05/2014	Price	61.9	61.9 (23/01/2014)	26.05 (14/05/2014)	29.5	3901573/ 54952
		Vol	36323	3061574 (28/03/2014)	1 (05/02/2014)	532	
Patch 5(Rise)	15/05/2014-09/10/2014	Price	28.15	64.5 (30/09/2014)	26.4 (16/05/2014)	55.5	787282/ 8652
		Vol	1934	630817 (20/05/2014)	16 (24/09/2014)	1575	
Post Investigation period	10/10/2014-08/01/2015	Price	53	55 (05/01/2015)	41.65 (28/10/2014)	49.5	226062/ 4614
		Vol	1575	87187 (01/12/2014)	20 (14/11/2014)	710	

Chart-2: Price Volume movement of scrip of Crest at NSE

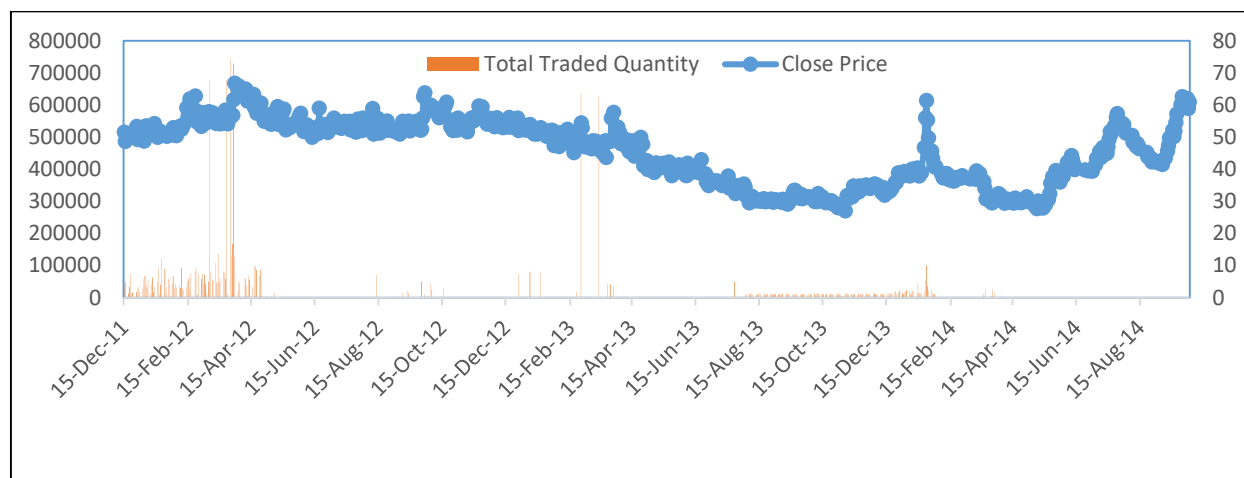


Table-2: Price movement of scrip of Crest at NSE

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	58.00	70.95 (17/10/2011)	45.55 (18&24/11/2011)	55	3123530/52059
		Vol	5	137630 (30/09/2011)	5 (15/09/2014)	8608	
Patch 1 (Rise) (No trading on Mar 31 & Apr 1, 2012)	15/12/2011-30/03/2012	Price	55	67.50 (30/03/2012)	48.05 (23/12/2011)	66.85	6610997/86987
		Vol	39200	743121 (26/03/2012)	157 (26/12/2011)	126040	
Patch 2(Fall)	02/04/2012-29/10/2013	Price	66.85	69.70	27.35	28.50	3557740/10814
		Vol	20010	636451 (25/02/2013)	1 (6 times)	10218	
Patch 3 (Rise)	30/10/2013-22/01/2014	Price	28.30	61.7 (22/01/2014)	26.4 (05/11/2013)	61.45	936092/15866
		Vol	10465	100426 (22/01/2014)	5321 (03/11/2013)	100426	
Patch 4(Fall)	23/01/2014-14/05/2014	Price	61	63 (23/01/2014)	25 (09/05/2014)	28.05	259947/3880

		Vol	35287	35287 (23/01/2014)	1 (04/03/2014)	268	
Patch 5(Rise)	15/05/2014- 01/10/2014*	Pric e	27	63.45 (30/09/2014)	26 (15/05/2014)	60.95	35656/502
		Vol	497	2299 (21/05/2014)	1 (6 times)	1	
Post Investigatio n period	13/10/2014*- 08/01/2015	Pric e	57.95	59.95 (05/0/2015)	41 (05/0/2015)	49	16078/595
		Vol	1	3452 (05/0/2015)	1 (13/10/2014)	105	

*no trading till 12/10/2014

- 4.2. It was noted that during the Investigation Period, no major corporate announcements were made by Crest other than declaration of financial results and outcome of Board Meetings. The financial results of Crest as disseminated on bseindia.com were as follows:

Table 3: Annual financial results of Crest during the investigation period

₹ in Million				
Particulars	31-Mar-2015	31-Mar-2014	31-Mar-2013	31-Mar-2012
Revenue	1013.3	342.24	117.34	124.67
Other Income	5.06	1.92	0.14	0
Total Income	1018.36	344.16	117.48	124.67
Expenditure	-808.11	-253.49	-35.85	-31.9
Interest	-68.64	-80.98	-60.85	-50.21
PBDT	141.61	9.69	20.78	42.56
Depreciation	-1.52	-0.41	-0.45	-0.51
PBT	140.08	9.28	20.33	42.05
Tax	-30.1	2.34	0.1	2.53
Net Profit	109.98	11.62	20.43	44.58

From the above table, it is observed that Crest had reported net positive profit during the financial Years 2012-2015. After declining in the Financial Year 2012-13, the net profit had again increased in Financial Year 2014-15.

- 4.3. It was observed that following were the top 10 buy-broker and sell-broker who had traded in the scrip of the Crest during the Investigation Period at BSE and NSE:

Table 4: Broker Concentration in the scrip of Crest

Buy Broker Name	Total	% of Trd Vol	Selling Broker Name	Total	% of Trd Vol
BSE					

Finquest Securities Pvt.Ltd.	40,23,069	23.26	ITI Financial Services Ltd.	32,14,181	18.58
Iti Financial Services Ltd.	37,16,609	21.49	Finquest Securities Pvt.Ltd.	30,84,924	17.83
Anand Rathi Share & Stock Brokers Ltd.	19,24,210	11.12	Anand Rathi Share & Stock Brokers Ltd.	19,35,520	11.19
Nirman Share Brokers Pvt.Ltd.	12,38,838	7.16	Bharat J.Patel	15,43,702	8.92
Iti Securities Ltd.	7,30,251	4.22	Nirman Share Brokers Pvt.Ltd.	12,38,838	7.16
Bharat J.Patel	5,52,691	3.20	Vedika Securities Pvt.Ltd.	6,02,500	3.48
Oracle Securities Pvt.Ltd.	3,85,400	2.23	Ashlar Securities Private Limited	3,49,033	2.02
Ashlar Securities Pvt.Ltd.	3,50,507	2.03	Fortune Equity Brokers (India) Ltd.	3,35,000	1.93
Mpse Securities Ltd.	3,08,775	1.79	Mpse Securities Ltd.	3,08,775	1.79
Focus Shares & Securities Pvt.Ltd.	2,61,925	1.51	Focus Shares & Securities Pvt.Ltd.	2,63,509	1.52
Top 10 Buy Brokers	1,34,92,275	78.01	Top 10 Selling Brokers	1,28,75,982	74.42
Remaining Brokers	38,06,426	21.99	Remaining Brokers	44,22,719	25.58
Total Traded Volume	1,72,98,701	100.00	Total Traded Volume	1,72,98,701	100.00
NSE					
Finquest Securities Pvt.Ltd.	28,95,110	25.40	Finquest Securities Pvt. Ltd.	28,71,000	25.18
Anand Rathi Share & Stock Brokers Ltd.	19,82,339	17.39	Anand Rathi Share & Stock Brokers Limited	20,49,956	17.98
Nirman Share Brokers Pvt.Ltd.	19,27,774	16.91	Nirman Share Brokers Pvt.Ltd	19,27,774	16.91
ITI Securities Limited	6,93,674	6.09	Prashant Jayantilal Patel	6,10,000	5.35
Prashant Jayantilal Patel	6,10,000	5.35	JHP Securities Pvt.Ltd	6,10,000	5.35
JHP Securities Pvt Ltd	6,10,000	5.35	ITI Securities Limited	1,91,894	1.68
Bhansali Value Creations Pvt Ltd	1,52,935	1.34	Bhansali Value Creations Pvt Ltd	1,52,935	1.34
South Asian Stocks Ltd.	1,42,273	1.25	Religare Securities Ltd.	1,50,162	1.32
Swastika Investmart Ltd	1,25,404	1.10	Ikab Securities & Investment Ltd	1,44,729	1.27
Affluence Shares And Stocks Pvt.Ltd	1,23,456	1.08	South Asian Stocks Ltd.	1,42,273	1.25
Top 10 Buy Brokers	92,62,965	81.25	Top 10 Selling Brokers	88,50,723	77.64
Remaining Brokers	21,37,467	18.75	Remaining Brokers	25,49,709	22.36
Total Traded Volume	1,14,00,432	100.00	Total Traded Volume	1,14,00,432	100.00

4.4. From the above table it was observed that Finquest Securities Pvt. Ltd. (hereinafter referred to as “**Noticee**”) had the highest contribution of 23.26% in gross buy and

ITI Financial Services Ltd had highest contribution of 18.58 in gross sell on BSE in the scrip of Crest during the Investigation Period. The total buy volume by top ten trading members was 1,34,92,275 shares and total sell volume was 1,28,75,982 shares which accounted for 78.01% and 74.42%, respectively, of the total traded market volume of 1,72,98,701 shares of Crest on BSE during the investigation period.

4.5. The Noticee had the highest contribution of 25.40% in gross buy and 25.18% in gross sell on NSE in the scrip of Crest during the Investigation Period. The total buy volume by top ten trading members was 92,62,965 shares and total sell volume was 88,50,723 shares which accounted for 81.25% and 77.64%, respectively, of the total traded market volume of 1,14,00,432 shares of Crest on NSE during the Investigation Period.

4.6. The details of top 10 buy clients and sell clients concentration on BSE and NSE in the scrip of Crest during the Investigation Period is tabulated below:

Table 5: Client Concentration in the scrip of Crest at BSE and NSE

Buy Client Name	Total	% of Trd	Selling Client Name	Total	% of Trd Vol
BSE					
Fine Estates Private Limited	34,81,957	20.1	Kempro Traders Private Limited	30,60,404	17.69
Fidelity Multitrade Pvt. Ltd.	19,82,195	11.4	Bharat Jayantilal Patel	15,43,702	8.92
Gajmukh Suppliers Private Limited	120,9,507	6.99	Pasha Finance Pvt. Ltd.	12,66,236	7.32
Pasha Finance Pvt. Ltd.	9,27,691	5.36	Gajmukh Suppliers Private Limited	12,09,507	6.99
Orange Mauritius Investments Ltd	6,30,000	3.64	Acira Consultancy Private Limited	11,82,605	6.84
Acira Consultancy Private Limited	6,27,853	3.63	Fidelity Multitrade Pvt. Ltd.	6,28,253	3.63
Bharat Jayantilal Patel	5,52,691	3.20	Matangi Traders Investors Pvt. Ltd.	6,02,500	3.48
Shirdi Dealers Private Limited	5,01,145	2.90	Shirdi Dealers Private Limited	5,01,145	2.90
Yogini Hemang Muchhala	4,77,500	2.76	Somerset India Fund Ac Rhodes Diversified Fund	3,88,880	2.25
Pratibha Syntex Ltd.	4,25,245	2.46	Kaushalendra Phul Jha	2,71,692	1.57

Top 10 Buy Clients	1,08,15,7 8 4	62.5	Top 10 Selling Clients	1,06,54,92 4	61.60
Remaining Clients	64,82,91 7	37.4	Remaining Clients	66,43,777	38.40
Total Traded Volume	1,72,98,7 0 1	100.	Total Traded Volume	1,72,98,70 1	100.00
NSE					
Gajmukh Suppliers Pvt Ltd	18,80,68 4	16.5	Gajmukh Suppliers Pvt Ltd	18,80,684	16.50
Bharat Patel	13,23,70 3	11.6	Fidelity Multitrade Pvt. Ltd.	13,65,544	11.98
Pasha Finance Pvt Ltd	9,43,554	8.28	Pasha Finance Pvt Ltd	6,22,163	5.46
Acira Consultancy Pvt.Ltd	6,27,853	5.51	Prashant Patel	6,10,000	5.35
Aatash Shares & Commodities Broking Pvt.Ltd.	6,10,000	5.35	Aatash Shares & Commodities Broking Pvt.Ltd.	6,10,000	5.35
Prashant Patel	6,10,000	5.35	Yogini Hemang Muchhala	4,77,500	4.19
Fine Estates Pvt.Ltd	3,32,171	2.91	Pratibha Syntex Ltd.	4,59,277	4.03
Pratibha Syntex Ltd.	2,57,195	2.26	Bharat Patel	3,32,692	2.92
Kempro Traders Pvt.Ltd	2,18,781	1.92	Sunita Patidar	2,06,927	1.82
Ashok Kumar Vasudeva	1,99,324	1.75	Ashok Kumar Vasudeva	1,60,303	1.41
Top 10 Buy Clients	70,03,26 5	61.4	Top 10 Buy Clients	67,25,090	58.99
Remaining Clients	43,97,16 7	39.5	Remaining Clients	46,75,342	61.01
Total Traded Volume	1,14,00,4 3 2	100	Total Traded Volume	1,14,00,43 2	100

- 4.7. Based on Know Your Client (KYC)/Unique client code (UCC) details, MCA website (for common directors), Bank statements and Off market transfers, 16 entities were identified as ‘suspected entities’ (hereinafter referred to as “**Bharat Patel Group**”). The details of the 16 ‘suspected entities’ are as follows:

Table No. 6: Suspected entities of Bharat Patel Group

Sr. no.	PAN No.	Entity Name	Sr. no.	PAN No.	Entity Name
1	AAAPP6652R	Bharat Jayantilal Patel	9	AAACP3115E	Pat Financial Consultants Pvt. Ltd.
2	ANDPP9202F	Ruchit Bharat Patel	10	AAICA9489N	Acira Consultancy Pvt. Ltd.
3	AACPP5126G	Minal Bharat Patel	11	AACCG3017C	Gandiv Investment Pvt. Ltd.

4	AHIPP1407H	Hardik Bharat Patel	12	AACCH5285R	Hridaynath Consultancy Pvt. Ltd.
5	AABPP2156M	Prashant Jayantilal Patel	13	AABCP1438P	Pranav Holdings Pvt. Ltd.
6	AABPP2157L	Pankaj Jayantilal Patel	14	AABCF0017A	Fidelity Multitrade Pvt. Ltd.
7	ABAPS7558L	Vanraj Vinod Shah	15	AAFCM3690Q	Moneybee Realty Pvt. Ltd.
8	AAGPK6090A	Ajaykumar Banwarilal Kejriwal	16	AAACP8316P	Pasha Finance Pvt. Ltd.

4.8. Out of the 16 ‘suspected entities’ in the Bharat Patel Group, following 5 ‘suspected entities’ have traded in the scrip of Crest during the investigation period:

Table 7: Summary of trading by Bharat Patel Group in the scrip pf Crest during the investigation period

Name of Entity	Gross Buy	% of Gross Buy to Mkt. Vol	Gross Sell	% of Gross Sell to Mkt. Vol	Net Qty.
BSE					
Bharat Jayantilal Patel	5,52,691	3.20	15,43,702	8.92	-991011
Pasha Finance Pvt. Ltd.	9,27,691	5.36	12,66,236	7.32	-338545
Acira Consultancy Pvt Ltd	6,27,853	3.63	11,82,605	6.84	-554752
Fidelity Multitrade Pvt. Ltd.	19,82,195	11.46	6,28,253	3.63	1353942
Pat Financial Consultants Pvt. Ltd	7,830	0.05	7,830	0.05	0
Total	40,98,260	23.69	46,28,626	26.76	
NSE					
Bharat Jayantilal Patel	13,23,703	11.61	3,32,692	2.92	991011
Pasha Finance Pvt. Ltd.	9,43,554	8.28	6,22,163	5.46	321391
Acira Consultancy Pvt Ltd	6,27,853	5.51	73,101	0.64	554752
Prashant Patel	6,10,000	5.35	6,10,000	5.35	0
Fidelity Multitrade Pvt. Ltd.	0	0.00	13,65,544	11.98	-1365544
Total	35,05,110	30.75	30,03,500	26.35	501610

4.9. It was observed that Bharat Patel Group was net seller of 5,30,366 shares of Crest wherein it purchased 40,98,260 shares (23.69% of total market volume) and sold 46,28,626 (26.76 % of total market volume) at BSE. At NSE, Bharat Patel Group was net buyer of 5,01,610 shares of Crest wherein it purchased 35,05,110 shares

(30.75% of total market volume) and sold 30,03,500 (26.35 % of total market volume).

- 4.10. It was also noted that aforementioned 5 suspected entities of the Bharat Patel Group had executed synchronised trades on BSE within the group for 30,35,839 shares of Crest (17.55% of the market volume) in 16 trades over 8 trading days. Details of Bharat Patel Group's contribution is as follows:

Table 8: Details of Contribution of Bharat Patel Group to synchronised trades in the scrip of Crest

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
BSE						
40,98,260	46,28,626	87,26,886	34,77,474	30,35,839	87.30	17.54
NSE						
35,05,110	30,03,500	65,08,610	23,92,545	5,63,732	23.56	4.94

Table 9: Details of the entity-wise synchronized trades by Bharat Patel Group in the scrip of Crest

Buyer	Seller	Synchronised Qty.	% of Sync. Vol. to Mkt. Vol.	No. of Trades	No of days
BSE					
Pasha Finance Pvt. Ltd	Acira Consultancy Pvt Ltd	6,31,893	3.65	2	2
Fidelity Multitrade Pvt. Ltd	Pasha Finance Pvt. Ltd	6,18,912	3.58	9	1
Fidelity Multitrade Pvt. Ltd	Bharat Jayantilal Patel	6,10,597	3.53	1	1
Fidelity Multitrade Pvt. Ltd	Acira Consultancy Pvt Ltd	1,802	0.01	1	1
Bharat Jayantilal Patel	Acira Consultancy Pvt Ltd	5,48,101	3.17	1	1
Acira Consultancy Pvt Ltd	Pat Financial Consultants Pvt. Ltd	3,330	0.02	1	1
Acira Consultancy Pvt Ltd	Pasha Finance Pvt. Ltd	6,21,204	3.59	1	1
		30,35,839	17.55	16	8
NSE					
Pasha Finance Pvt. Ltd	Bharat Jayantilal Patel	3,32,500	2.92	5	5
Pasha Finance Pvt. Ltd.	Fidelity Multitrade Pvt. Ltd	7,641	0.07	1	1
Bharat Jayantilal Patel	Pasha Finance Pvt. Ltd	1,80,402	1.58	1	1
Acira Consultancy Pvt Ltd	Bharat Jayantilal Patel	192	0.00	1	1
Acira Consultancy Pvt Ltd	Fidelity Multitrade Pvt. Ltd	42,997	0.38	1	1
		5,63,732	4.95	9	9

- 4.11. In view of the above, it was noted that the trades of aforementioned 5 'suspected entities' of the Bharat Patel Group at BSE have violated the provision of Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2) (a) and (g) of the PFUTP Regulations, 2003. No adverse inference was drawn from the trades of aforementioned 5 'suspected entities' of the Bharat Patel Group at NSE.
- 4.12. The Noticee, as a Stock Broker had undertaken trades for aforementioned 5 'suspected entities' at BSE, and they were closely associated with each other by way of the aforesaid undisputed connection. Two of the 'suspected entities' namely, Hardik Bharat Patel and Minal Bharat Patel are directors of Noticee. Given the above facts and scenarios of the case, it is noted that while dealing in the scrip of Crest, activities of aforementioned 5 'suspected entities' and the Noticee were aligned and it is clear that they acted in concert.
- 4.13. The Noticee was the broker and counterparty broker for 14 out of 16 synchronized trades in the scrip of Crest at BSE for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) during the investigation period. All the buy and sell synchronised trades were executed from terminal ID 4 and 6 of the Noticee. Hence, the Noticee, along with aforementioned 5 'suspected entities' of Bharat Patel Group who have repetitively executed synchronized trades on BSE and NSE within the group and are responsible for creating misleading appearance of trading in scrip of Crest in the securities market.
5. On the basis of the aforesaid ER, the matter was placed before me for approval of issuance of the SCN on August 10, 2020. Thereafter, the SCN was issued on August 25, 2020. Due to the prevailing pandemic situation, the SCN was issued to the Noticee by email. However, no reply was received from the Noticee. Thereafter, after resumption

of postal services the SCN was again forwarded by Speed Post Acknowledgment Due (SPAD) to the Noticee along with letter dated March 08, 2021 which was served on the Noticee. The file was placed before me for obtaining a hearing date on March 19, 2021. An opportunity of hearing was granted on June 17, 2021. Vide email dated June 14, 2021 the Noticee sought an adjournment of 4 weeks. In view of the same, another opportunity of hearing was granted to the Noticee on November 17, 2021. Meanwhile the Noticee submitted detailed reply dated September 30, 2021 stating as follows:

- i) *The Noticee disputed and denied everything that has been stated in the said SCN and the DA Report and the allegations raised therein are based on false and erroneous presumptions and without any cogent evidence. It is settled law that the burden of proof is on the person making allegations and not vice – versa. No provisions of law have been violated as has been alleged in the said SCN and/or DA Report and no adverse recommendations shall be warranted as sought in the said SCN and DA Report. Primarily, on this ground alone, the present proceedings ought to be dropped.*
- ii) *At the further outset, the said SCN and the DA Report are liable to be struck down on account of inordinate delay in issuing the same.*
- iii) *The Noticee has been brokers of the two Stock Exchanges (BSE/NSE) for the last 16 years. Presently, it has over 5000 registered clients, and its annual turnover is approximately Rs.10,888/- Crores in the F.Y. 2020-21 across all Segments and Exchanges. It is respectfully submitted that the allegations in the SCN and DA Report and the recommendation therein needs to be considered in the conspectus of the said demonstrable facts of the total turnover and total client base, in which case it would be obvious that the trades of the clients which are impugned in the DA Report are miniscule and obviously did not merit any special consideration or scrutiny.*
- iv) *Most of the impugned trades that were executed were in excess of 0.5% of the equity capital of the scrip of Crest and such trades ought to have been displayed on bulk deal window of the Stock Exchange [the individual orders on last day were less than 0.5% threshold limit]. Each of the impugned trades were*

expressly and separately reported to the Stock Exchange and were even disclosed on their websites.

- v) Such trades were executed at the market price of the scrip and full payment by the buyer and delivery thereof was made to the buyer immediately, as no grievances were raised or are available of the Stock Exchanges website. In fact, since the said shares were delivered and transferred from each seller to each buyer, each of the aforesaid 5 entities had at the relevant time become the duly registered owner and holder of the respective shares, and therefore as per sections 2(a) and 10 (3) of the Depositories Act, the beneficial ownership had in fact been duly and legally transferred. In other words, the ownership of all these shares were duly transferred to and in favour of the buyer.*
- vi) The shares were openly sold in accordance with Stock Exchange Mechanism. They were admittedly transferred, and beneficial ownership did get transferred. The 16 Impugned Trades were all on different days spanning between 12th March 2012 to 20th March 2014, and all for different quantities and the variation in quantity was from 192 shares to more than 6,00,000 shares. It is therefore reiterated that the same cannot be alleged to be synchronised trades.*
- vii) The Company is a separate legal entity having its own identity distinct from its members and clients. As regards the "connections" alleged in the DA Report, it is submitted that the same are not relevant, since there is no bar to "connected" parties trading or for an intermediary to cater to their clients who may be connected. In fact, even negotiated trades between connected parties are expressly permitted and are very common. Therefore, per se there can be no violation ascribed to the clients or to the Noticee. In any event, the said connections of the Company with the said 5 entities were merely of a broker-client, and any other incidental connection is of no relevance. Further, the Company exercises high standards of integrity, fairness, due skill, care and diligence in execution of all trades.*

On November 17, 2021 the Noticee appeared for the hearing and made submissions.

Consideration of issues and findings:

6. 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 5 'suspected entities' of Bharat Patel Group who have repetitively executed synchronized trades in the scrip of Crest on BSE and NSE within the group are responsible for creating misleading appearance of trading in scrip of Crest in the securities market and thereby violated 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 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.
7. 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.

8. I note that the SCN alleges that 5 entities of the Bharat Patel Group purchased 40,98,260 shares of Crest (which consisted of 23.69% of total market volume on the buy side in the scrip of Crest during the Investigation Period) and sold 46,28,626 shares of Crest (which consisted of 26.76 % of total market volume of the sell side in the scrip of Crest during the Investigation Period) at BSE. The Group was net seller of 5,30,366 shares of Crest at BSE. At NSE, these 5 clients bought 35,05,110 shares of Crest (30.75% of total market volume on the buy side during the Investigation Period) and sold 30,03,500 shares of Crest (26.35 % of total market volume on the sell side during the Investigation Period). The Group was net buyer of 5,01,610 shares of Crest at NSE. The SCN further observes that these five clients belonging to “Bharat Patel Group” executed 16 trades in a synchronized manner during the Investigation Period stretching from December 15, 2011 to October 09, 2014 and the Noticee was the broker and counterparty broker for 14 out of 16 synchronized trades at BSE in the scrip of Crest executed by the “Bharat Patel Group” for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) during

the Investigation Period. The SCN also observes that these 5 clients were related to each other and the Noticee.

9. From the ER it is observed that these 5 clients executed such synchronized trades on BSE in the scrip of Crest amongst themselves for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days out of which in 14 trades the Noticee was the stock broker on both sides during the Investigation Period from December 15, 2011 to October 09, 2014. In this regard, the order log and trade log for the impugned 16 trades reveals the following details:

Date	Buyer Name	Seller Name	Trade Quantity	Time Difference	Price Difference	Quantity Difference
12.03.2012	Acira Consultancy Private Limited	Pasha Finance Pvt. Ltd.	621204.00	00:00:03	0.00	
14.03.2012	Bharat Jayantilal Patel	Acira Consultancy Private Limited	548101.00	00:00:03	0.00	0.00
20.03.2012	Fidelity Multitrade Pvt. Ltd.	Bharat Jayantilal Patel	610597.00	00:00:08	0.00	0.00
28.03.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	4393.00	00:00:10	0.00	0.00
03.04.2013	Fidelity Multitrade Pvt. Ltd.	Acira Consultancy Private Limited	1802.00	00:00:11	0.00	0.00
03.04.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	627500.00	00:00:00	0.00	0.00
08.05.2013	Acira Consultancy Private Limited	Pat Financial Consultant Pvt Ltd	3330.00	00:00:01	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	58912.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00

20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00

10. I note that the 5 clients have executed 16 synchronized trades (out of which Noticee was the stock broker for 14 trades which have been hereafter referred to as impugned trades) in the scrip of Crest wherein the price and quantity were matching between the buy and sell orders and time difference was almost 0, on 8 trading days out of an Investigation Period stretching over almost three years from December 15, 2011 to October 09, 2014. The SCN does not allege any connection between Crest and the clients/ Noticee or any *modus operandi* through which the Noticee or clients gained any advantage due to the increased volume of trading in the scrip of Crest during the Investigation Period spanning from December 15, 2011 to October 09, 2014. The Noticee has also submitted that all the 5 clients of the Noticee have taken delivery of the shares of Crest therefore it cannot be said that these clients carried out the impugned trades without any intention of change in beneficial ownership of the securities.

11. In regard to synchronized trades, in the matter of *SPJ Stock Brokers Pvt. Ltd. vs. SEBI* (Appeal No. 52 of 2013 decided on September 04, 2013) the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") has taken the following view:

"12. Penalty under impugned order is imposed upon appellant solely on ground that almost all trades in shares of Adani Exports Ltd. effected by appellant during investigation were found to be synchronized and those trades were with only one group. It is well established by various decisions by this Tribunal that synchronized trade is per se not illegal. Synchronized transaction would be illegal if it is executed with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial

ownership or is executed to create false volumes resulting in upsetting market equilibrium etc.”

12. From the above observations by the Hon’ble SAT, I note that synchronized trades *per se* are not illegal, they are only treated to be illegal if it is executed with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting market equilibrium etc. In the present matter, firstly, there is no material on record to show that there was price manipulation or that the clients of the Noticees indulged in creation of false volume and this false volume led to manipulation or that there was any connection between the Noticee and Crest to create volume in the scrip of Crest. Secondly, it is observed that the clients have taken delivery and there was change in beneficial ownership of the shares. Thirdly, I also note that the less frequency of the trades (14 trades in the scrip of Crest spread over almost three years) compared to the Noticee’s gross trading volume for all clients (turnover of more than 10,000 crores in 20-21) also show that it would be a reasonable explanation on the part of the Noticee that these synchronized trades could not be detected by the Noticee or the Noticee failed to exercise due diligence. Moreover, I note that vide order dated March 30, 2022 the proceedings with respect to the five clients of the Noticee with respect to the same synchronized trades alleging violation of PFUTP Regulations, 2003 has been disposed of without any adverse directions. In this regard, the following observation of the Hon’ble Supreme Court of India in its decision dated February 23, 2016, with regard to liability of stock broker with respect to wrongful trades of clients, in *SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368* is relevant:

“24. Insofar as first case (C.A. No.2818 of 2008 SEBI Vs.Kishore R. Ajmera) is concerned the proved facts are as follows:

- (i) Both the clients are known to each other and were related entities.
- (ii) This fact was also known to the sub-broker and the respondent – broker.
- (iii) The clients through the sub-broker had engaged in mutual buy and sell trades in the scrip in question, volume of which trade was significant, keeping in mind that the scrip was an illiquid scrip.

Apart from the above there is no other material to hold either lack of vigilance or bona fides on the part of the sub-broker so as to make respondent-broker liable.

An irresistible or irreversible inference of negligence/lack of due care etc., in our considered view, is not established even on proof of the primary facts alleged so as to make respondent-broker liable under the Conduct Regulations, 1992”

13. Therefore, in view of the above and in the facts and circumstances of the present case, I find that the 14 impugned trades in the scrip of Crest executed by the clients of Noticee over a period spanning three years from December 15, 2011 to October 09, 2014 cannot be attributed to the connivance or negligence of the Noticee so as to attract the violations as alleged in the SCN. In addition, it is observed that the clients of the Noticee have also been exonerated vide order dated March 30, 2022 and therefore proceedings against the Noticee for its alleged connivance with its clients or negligence also does not survive in the facts and circumstances of the present case.

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 August 25, 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

ANANTA BARUA

Date : April 29, 2022

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA