

ORDER UNDER SECTION 11B OF THE SEBI ACT, 1992, READ WITH REGULATIONS 11 & 12 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKETS) REGULATIONS, 1995 AGAINST SHRI BHAVESH PAREKH IN THE CASE OF M/S. SANGAM EXPORTS LTD.

WHEREAS there were allegations of price manipulation and circular trading in the scrip of Sangam Exports Ltd. (herein after referred to as 'SEL/the scrip'), investigations were initiated in the scrip by the Securities and Exchange Board of India (hereinafter referred as SEBI) pursuant to the Chairman's order dated February 12, 1999.

The investigations revealed that sudden interest developed in the scrip during the period March 1996 to September 1996 and the price of the scrip which was at Rs.5/- in March 1996 had risen up to Rs.75/- by August 1996. Investigations further revealed that on Bombay Stock Exchange, trading was mainly concentrated during the period from 24th June, 1996 to 14th September, 1996 i.e. settlements 8 to 14 of 1996. Client details received from shortlisted brokers/ sub-brokers who had dealt in the shares of SEL during the said settlements showed that Shri Bhavesh Parekh was the single largest client to have dealt in the shares through a number of sub-brokers who had dealt through many brokers. As per information available on record, he had traded through as many as 15-16 sub-brokers during settlements 8 to 14 of 1996 and had bought over 7,00,000 shares and sold nearly 10,00,000 shares of SEL with a net sale of 2,38,000 shares. His gross trading of around 17,00,000 shares is almost two times the number of paid up shares of the company viz. 9,96,000 shares. A summary of all trades done by Shri Bhavesh Parekh is given in the [Annexure](#) to this order.

Investigations further revealed that Shri Bhavesh Parekh (hereinafter referred to as 'Shri Parekh' / 'he') had apparently bought and sold the shares of SEL through many sub-brokers with a view to manipulating the price of the scrip. By selling the shares through one broker and buying them through another broker, he had created an illusion of trading in the scrip and had managed to move the price of the scrip upwards. He gained the confidence of sub-brokers by executing orders and meeting his commitments in the earlier settlements. Thereafter, he had placed orders for purchase of large quantity of shares of SEL and paid the margin amount for the purchases. He made the sales against these purchases through other sub brokers. In respect of such large orders, while he had collected the sale proceeds from the selling brokers, he had defaulted on his payment obligations to the buying brokers, thereby gaining in the process.

The trading pattern of Shri Parekh suggests that he had undertaken the whole operation with intent to defraud. As per information provided by some of the sub-brokers who had been thus defrauded, he had not fulfilled his payment obligations to them arising out of his transactions from the instant scrip, of amounts ranging from Rs.4 lacs to Rs.15 lacs which is in violation of **Regulation 6 (a) of SEBI (Prohibition Of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 1995**. The wrongful gain made by him in the process which resulted into loss to various persons is reportedly to the tune of Rs.2.11 crores. The sub-brokers thus defrauded by him have in fact lodged a FIR in the matter which has been registered on 24th April, 1997 (CR No.31/97).

In order to verify the allegations made against Shri Parekh and to get the true picture, he was called upon vide summons no. IES/ID3/UN/AJS/17753/99 dated 14th September, 1999 to appear before SEBI with the following details :

1. Quantitative detail of shares purchased and sold, settlement-wise by Universal Investment of which Shri Bhavesh Parekh is the Proprietor.
2. Settlement-wise detail of payment received and made specifying the cheque no., name of the bank, branch, etc.
3. Copies of all the bank account statements held by Universal Investment along with details of payment received or made over and above Rs. 1 lakh.

In reply vide letter dated September 27, 1999, Shri Parekh sought waiver from summons issued by SEBI in view of the pending investigation by CID Crime Branch and pending litigation in the Court. Vide letter dated October 4, 1999 SEBI informed him that the pending investigation by CID or legal proceedings do not debar him from appearing before SEBI for the purpose of investigations in securities market related offences and advised him to appear before SEBI on October 8, 1999 along with all the relevant documents and records as called for vide our Summons dated September 14, 1999.

Shri Parekh replied vide his letter dated October 8, 1999 seeking SEBI to serve him certified true copies of complaints, reports, etc. In response SEBI wrote back on December 9, 1999 advising him once again to appear before them in person on December 15, 1999 drawing his attention that failing his appearance, SEBI would be constrained to draw inference and proceed. Vide his letter dated December 14, 1999 he stated that drawing inference without giving him an opportunity for his defense is prejudicial to his interest and hence he should be allowed the copy of complaint, allegation, etc. against him in the matter.

In reply vide letter dated May 24, 2000 SEBI explained to Shri Parekh in detail that his presence was required in connection with the ongoing investigation in the dealings in the scrip of SEL and upon completion of investigations and based on findings, if it was proposed to take any action against him, he would be given full details of allegations including documents, if any, which were relied upon and full opportunity would be given to him to defend himself. His attention was also drawn to the fact that failure to appear in person and to furnish the particulars sought by the investigating authority would amount to contravention of the provisions of the SEBI Act inviting proceedings under the Act. He was once again advised to appear before SEBI on May 30, 2000. He did not appear on the appointed date but instead sent a letter again seeking copies of the alleged complaint.

Vide letter dated August 1, 2000 SEBI drew his attention to the contents of their earlier letter dated May 30, 2000 and stressed that his presence was required and his reluctance to appear before them seemed to be a deliberate attempt on his part to delay and/or hamper the process of investigations. SEBI reiterated that non responding to the summons would invite penalty proceedings including prosecution under the SEBI Act, 1992. As stated in the said letter by SEBI, in order to give him a fair opportunity to respond, SEBI deputed its officials, to his residence twice on August 2, 2000 and August 10, 2000, but they were informed by his mother that he was not present at the residence.

Thus Shri Parekh was given a number of opportunities to present himself and to clarify. He failed to do so. It was, therefore, inferred that he was guilty of creating a false market by making sales and purchases through the counters of various brokers with the sole purpose of manipulating the price of the shares of SEL with intent benefit by defrauding the sub-brokers/ brokers who had executed the trades on his behalf, thereby **violating regulation 4(c), 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market), Regulations, 1995**. Further, he had failed to respond to the summons issued under proper authority, thereby violating the provisions of SEBI Act, 1992.

A show cause notice no. IES/ID3/UN/AJS/1075/2002 dated January 18, 2002 was sent by SEBI to Shri Parekh to show cause why appropriate directions should not be issued under section 11B of SEBI Act, 1992 read with Regulation 11 & 12 of Securities and Exchange Board of India (Fraudulent and Unfair Trade Practices relating to the Securities Markets) Regulations, 1995

Shri Parekh was advised to reply to this show cause notice, along with all the evidence that he sought to adduce in his defence, if any, within fifteen days of its receipt, failing which SEBI would be constrained to initiate action against him under Section 11B of the SEBI Act, 1992 read with Regulation 11 & 12 of Securities and Exchange Board of India (Fraudulent and Unfair Trade Practices relating to the Securities Markets) Regulations, 1995.

Since SEBI did not receive any reply from his side, a reminder dated February 9, 2002 was sent to him by SEBI. Subsequently, SEBI received on February 18, 2002, his reply dated February 3, 2002. In his reply, Shri Parekh had claimed that he did not know the brokers and sub-brokers named in the summary of dealings done by him and he had dealt with them at any point of time. He had gone on allude that the purchases/ sales as per the settlements were fabricated and prepared on the basis of assumption. He had further claimed that it was possible that to escape themselves, his name was used by the brokers/ sub-brokers for creating an illusion of trading in the scrip. He has further stated that he has made very heavy losses due to unfair practice of brokers and has pleaded that no action be taken against him.

Pursuant to his reply and according to the principles of natural justice, an opportunity to appear in person before me for personal hearing was granted to him on May 31, 2002. He did not appear before me, but sent a letter dated 25.05.02 stating that he was only the purchaser / investor in the scrip of SEL who was deceived by the company and brokers.

I have carefully considered the facts on record, the investigation report, Shri Parekh's reply. I note that Shri Parekh was given a number of opportunities to appear before the investigating authority and to explain his position. He had not done so. His non-appearance and his unwillingness to co-operate during the investigation process have necessitated inference to be drawn on the basis of available facts on record. Since he has failed to avail the many opportunities given to him to explain and clarify his position, he is now estopped from claiming that the details furnished by the brokers/ sub-brokers were fabricated or that he had not dealt through them.

In the light of foregoing discussions, I hold Shri Parekh guilty of the charges leveled against him in the show cause notice and I conclude that such activities are detrimental to the safety, integrity and orderly development of the capital market and against the interest of genuine investors and if left unchecked, could undermine the faith of investors and intermediaries in the securities market.

Therefore, in exercise of the powers conferred under Section 11B of Securities and Exchange Board of India Act, 1992, read with regulations 11 and 12 of SEBI (Fraudulent and Unfair Trade Practices relating to the Securities Markets) Regulations, 1995, I, G. N. Bajpai, direct that Shri Bhavesh Parekh, residing at Block No.9, 2nd floor, Uma Niwas, Deodhar Road, Matunga (C.R), Mumbai, be hereby prohibited from dealing in securities market for a period of two years with immediate effect.

Dated this 25th day of June, 2002

G. N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

MUMBAI

Annexure : Summary of dealings done by Shri Bhavesh Parekh.

Annexure

Summary of dealings done by Bhavesh Parekh during 24.6.96 to 13.9.96

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Settl. No. (Period)	Broker	Sub broker	Pur	Sale	Gross	Net
8(24.6.96-5.7.96)	Joindre Shares & Stocks Ltd	Shanti Securities	27600	27600	55200	0
		Sunil Investment		12000	12000	(12000)
		Akshar Investment	12000		12000	12000
		Ki Investment	10400	8100	18500	2300
	Bhogilal T Shah	Labdhi Investment	50		50	50
	Anagram	Apple (Vipra)	62400	22500	84900	39900
	Sanjay C Baxi	NSS Enterprise	38150	8150	46300	30000
	Gazi Financial	Kevalya Investment	4500		4500	4500
			155100	78350	233450	76750

9(8.7.96-21.7.96)	R R Mohta	Sukhanand	5000		5000	5000
	N N Mandsurwala	Ketan Mehta	10000	10000	20000	0
	Joindre Shares & Stocks Ltd	Ki Investment	2150	2050	4200	100
	Bhogilal T Shah	Labdhi Investment	10400	400	10800	10000
	Anagram	Apple	43750	63450	107200	(19700)
	Sanjay C Baxi	NSS Enterprise	15500	15300	30800	200
			86800	91200	178000	(4400)
10(22.7.96-2.8.96)	R R Mohta	Sukhanand	30250		30250	30250
	N N Mandsurwala	Ketan Mehta	30000	27500	57500	2500
	Joindre Shares & Stocks Ltd	Ki Investment	250	100	350	150
	Bhogilal T Shah	Labdhi Investment	7850		7850	7850
	B D Shah	N M Investment	4300		4300	4300
	Anagram	Apple	58850	61100	119950	(2250)
	Sanjay C Baxi	NSS Enterprise	2100	400050	402150	(397950)
			133600	488750	622350	(355150)
11(5.8.96-16.8.96)	R R Mohta	Sukhanand	10000		10000	10000
	N N Mandsurwala	Ketan Mehta	34150	10500	44650	23650
	Joindre Shares & Stocks Ltd	Shanti Investment	50	50	100	0
		Ki Investment	3100	250	3350	2850
	Harjivandas Nemanidas	Daanish Enterprises	19000		19000	19000
	B D Shah	N M Investment	10800		10800	10800
	Apple	Vipra		52750	52750	(52750)
		Shareplus	13550		13550	13550
	Sanjay C Baxi	NSS Enterprise		29200	29200	(29200)
	Gazi Financial	Kevalya Investment	5000		5000	5000
			95650	92750	188400	2900
12(19.8.-30.8.96)	R R Mohta	Sukhanand	10000		10000	10000
	Joindre Shares & Stocks Ltd	Shanti Investment	200	200	400	0
		Sunil Investment		8500	8500	(8500)
		Ki Investment	13750	200	13950	13550
	Bhogilal T Shah	Labdhi Investment	400	400	800	0
	Harjivandas Nemanidas	Daanish Enterprises	30350		30350	30350
	B D Shah	N M Investment	200		200	200
	Apple	Vipra	7300	20150	27450	(12850)
		Shareplus	7000	850	7850	6150
	Sanjay C Baxi	NSS Enterprise	2550	40050	42600	(37500)
	Gazi Financial	Kevalya Investment	5000		5000	5000
	Libord Securities	Anil Nolkha	5000		5000	5000
			81750	70350	152100	11400
13(2.9.96-6.9.96)	N N Mandsurwala	Ketan Mehta	5000		5000	5000
	Joindre Shares & Stocks Ltd	Akshar Investment	5000		5000	5000
		Ki Investment	2200	6000	8200	(3800)
	Apple	Vipra		65000	65000	(65000)
		Shareplus	50000		50000	50000
	Sanjay C Baxi	NSS Enterprise	5150		5150	5150
	Libord Securities	Anil Nolkha	13950	10000	23950	3950

			81300	81000	162300	300
14(9.9.96-13.9.96)	Joindre Shares & Stocks Ltd	Shanti Investment	14500		14500	14500
		Ki Investment	6000	50	6050	5950
	Libord Securities	Manoj Daiya	28000	18900	46900	9100
	Apple	Vipra		24100	24100	(24100)
		Shareplus	24650		24650	24650
			73150	43050	116200	30100