

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 11(4) (b) Read With Section 11B Of The SEBI Act, 1992, Against :

- 1. M/s. MCI Securities Pvt. Ltd., Sub-Broker NSE - INS 231095337, Sub-Broker BSE - INS 011222531**
- 2. M/s. Maneklal Chunilal Investments Pvt. Ltd., Member ISE-INB 241129130, Sub-Broker NSE - INS 230782638, Sub-Broker BSE - INS 01013513,**
- 3. Shri Ashit V. Shah & Shri Manish V. Shah – Directors of M/s. MCI Securities Pvt. Ltd.**
- 4. Shri Ashit V. Shah, Shri Manish V. Shah, Shri Vipin M. Shah, Ms. Daksha V. Shah & H. V. Shah – Directors of M/s. Maneklal Chunilal Investments Pvt. Ltd.**

- 1.0 SEBI received investor complaints dated 29.04.05 against M/s. MCI Securities Pvt. Ltd., a SEBI registered sub-broker as per the above mentioned details alleging therein that the sub-broker has cheated them by claiming itself to be an Approved Intermediary under SEBI , Securities Lending Scheme, 1997. The investor also enclosed therewith the copy of the complaint lodged with the police authorities. Subsequent complaints received by SEBI also made the similar allegations.
- 2.0 In the meanwhile a news article titled "Broker held for duping investors of Rs. 50 crore" was published in The Times of India, Mumbai edition dated 21.05.05 from which it was noted that :
 - a) The economic offences wing of the City (Mumbai) Crime Branch recently arrested sub-broker Shri Ashit Vinod Shah for duping investors of Rs. 50 crores and currently he is in police custody.
 - b) Shri Ashit V. Shah is the director of M/s. MCI Securities Pvt. Ltd., a sub-broker as per the above details.
 - c) Shri Ashit V. Shah acting for M/s. MCI Securities Pvt. Ltd., after accepting money from the clients, for the purchase of shares, either did not buy the shares or bought only a part of the shares asked for.
 - d) He provided bogus bills to all his clients.
 - e) He did not transfer the shares to the investors' demat accounts and again sold those shares without their knowledge.
 - f) He stopped paying the investors interest on shares lent by them under Securities Lending Scheme.
 - g) It was also reported that Shri Ashit V. Shah told the newspaper that his company was enmeshed in a financial crisis and that he has used the investors' money to pay interest on the huge sum he had borrowed to pay off the liabilities of his earlier company, M/s. Maneklal Chunilal Investment Pvt. Ltd.
 - h) M/s. MCI Securities Pvt. Ltd. was in heavy debt since its inception due to the liabilities of M/s. Maneklal Chunilal Investment Pvt. Ltd. that were taken over by the directors of M/s. MCI Securities Pvt. Ltd.
 - i) The brother of Shri Ashit V Shah, Shri Manish V Shah who is also a director of M/s. MCI Securities Pvt. Ltd. is absconding and the Police is on the lookout for him who is a co-accused in the case.
- 3.0 SEBI on 26.05.05 received a copy of the letter dated 23.05.05 from Inter-Connected Stock Exchange of India Ltd. (ISE) addressed to its member, M/s. Maneklal Chunilal Investment Pvt. Ltd., vide which ISE has immediately suspended the trading rights of the said member on ISE and its subsidiary trading on BSE, pending detailed investigations and enquiry in the matter by the economic offences wing of the City Crime Branch, Mumbai or any other competent authority.
- 4.0 As per the record, SEBI is in receipt of 9 investors complaints against M/s. MCI Securities Pvt. Ltd. which mainly pertain to non receipts of shares / money.
- 5.0 Out of these complaints, as per the two complaints M/s. MCI Securities Pvt. Ltd. is acting as an Approved Intermediary under Securities Lending Scheme, 1997 without being registered with SEBI as such and has cheated them and other innocent investors. These two investors claim that they had lent shares and securities of various listed companies worth Rs. 4.17 crores (as per market value as on March 31, 2005) to M/s. MCI Securities Pvt. Ltd. and the sub-broker, which has acted in breach and violation of SEBI rules and regulations and contrary to the lending agreement and has siphoned off, misappropriated and mismanaged the fund.
- 6.0 From the examination of the copy of the agreements entered into by M/s. MCI Securities Pvt. Ltd. with investors it is noted that the said entity claims itself to be an approved intermediary under Securities Lending Scheme 1997, whereas in fact the entity is not registered with SEBI in that capacity.

- 7.0 The market intermediaries are required to maintain high standards of integrity, promptitude and fairness in the conduct of all business as per the Code of Conduct for Stock brokers/Sub-brokers as mentioned in SEBI (Stock Brokers and sub-brokers) Regulations, 1992. The safety and integrity of the securities market depends on the credibility of the market participants such as the stock brokers/sub-brokers. In view of the aforesaid violations by M/s. MCI Securities Pvt. Ltd., a SEBI registered sub-broker, it is necessary for SEBI to take immediate steps to prevent the intermediary and its directors from causing further loss to the investors and market and to restore investors confidence in the system.
- 8.0 The preliminary inquiry conducted by SEBI revealed that Shri Ashit V. Shah & Shri Manish V. Shah are the directors of M/s. MCI Securities Pvt. Ltd. They are also the directors of M/s. Maneklal Chunilal Investments Pvt. Ltd., a member of ISE and a sub-broker, as per the details given overleaf. Shri Vipin M Shah, Ms. Daksha V. Shah and H. V. Shah are also the directors of M/s. Maneklal Chunilal Investments Pvt. Ltd.
- 9.0 In light of the aforesaid facts and circumstances I am of the view that the offence and violations committed by M/s. MCI Securities Pvt. Ltd. and its directors namely Shri Ashit V. Shah and Shri Manish V. Shah who are also directors of M/s. Maneklal Chunilal Investments Pvt. Ltd. are very serious in nature wherein they have duped number of investors of their hard earned money to the tune of Rs. 50 Crores by misrepresentation and fictitious means in utter disregard and disrespect to the regulatory framework. As a company is liable for the acts of omission or commission of its directors who are the mind of corporate entity, appropriate action needs to be taken against the companies i.e. M/s. MCI Securities Pvt. Ltd. and M/s. Maneklal Chunilal Investments Pvt. Ltd. Therefore separate Enquiry Proceedings have also been instituted in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing penalty) Regulations, 2002 against these intermediaries. As the enquiry proceedings are likely to take some time, it is felt that in order to prevent further harm to the investors and securities market, appropriate preventive action is required to be taken immediately against these intermediaries and their directors whose conduct has been highly objectionable and unbecoming of an intermediary.
- 10.0 Thus, on a conspectus of the facts of the case and the material circumstances attendant thereto including the material development that the Inter-Connected Stock Exchange (ISE) has already suspended the trading rights of M/s Maneklal Chunilal Investments Pvt. Ltd. and also in view of the urgency in the matter as mentioned above, in exercise of the powers conferred upon me under Section 19 read with Sections 11, 11(4)(b) and 11B of the SEBI Act, 1992, as interim measure, I hereby direct M/s. MCI Securities Pvt. Ltd., M/s Maneklal Chunilal Investments Pvt. Ltd. and their directors namely Shri Ashit V. Shah, Shri Manish V. Shah, Shri Vipin M. Shah, Ms. Daksha V. Shah & H. V. Shah not to buy, sell or deal in securities in any manner whatsoever either for themselves or for their clients till further orders are passed by SEBI in this regard.
- 11.0 It is made clear that the above mentioned entities are entitled to a post decisional hearing before me and the same would be granted upon receipt of request from them in this regard.
- 12.0 This order shall come into force with immediate effect.

Date :15.09.05

Place : Mumbai

G. ANANTHARAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA