

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI TUSHAR JHAVERI

1. Enrich Industries Ltd. (hereinafter referred to as EIL) was incorporated as Jolly Fiscal Ltd. on 24.06.1992. Its name was changed to Enrich Finance Ltd. on 02.09.1994 and subsequently on 23.04.1998 the name of the company was changed to Enrich Industries Ltd. The shares of the company are listed at the Stock Exchange, Mumbai (hereinafter to be referred as BSE). It had come to the notice of Securities and Exchange Board of India (hereinafter to be referred as SEBI) that the price of the EIL scrip was manipulated in connivance with various stock brokers.
2. Therefore, SEBI conducted investigations into dealings of the scrip of EIL for the period i.e. 26.06.2000 to 10.10.2000. During this period the price of the scrip moved on BSE from a low of Rs.2.70 on 26.06.2000 to a high of Rs.19.95 on 05.09.2000. Sudden spurt was also noted in the volumes of the scrip traded.
3. M/s Jhaveri Securities is a sub-broker registered with SEBI. Shri. Tushar Jhaveri is the proprietor of M/s. Jhaveri Securities. He is also a director of Nokia Finance International Ltd., which is a member of Ahmedabad Stock Exchange.

4. Show cause Notice:

5. It was alleged that Shri Tushar Jhaveri failed to furnish the required information and did not respond to SEBI's summons dated November 24, 2003. Again, he did not provide information and failed to appear in person before the investigating officer for which summons were issued on 08.12.2003. He only sent a fax indicating that he was unwell. However no medical certificate was produced. He also failed to respond to further summons dated December 16, 2003 and January 05, 2004.
6. A show cause notice dated 21.04.2004 under Section 11B of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair trade Practices relating to Securities Market) Regulations, 2003 (hereinafter to be referred to FUTP Regulations, 2003) was issued to Shri Tushar Jhaveri. He did not reply to the show cause notice in spite of receiving the same. A reminder was sent to him vide letter dated 10.6.2004. Vide his letter dated 19.6.04, he informed SEBI that due to personal reasons he could not reply to the show cause notice and stated that he would reply within 15 days time. However, SEBI has not received any reply from Shri Tushar Jhaveri to the above said show cause notice.

7. Allegations:

8. Shri Tushar Jhaveri was alleged to have traded in the scrip of EIL in large volume by purchasing 31,98,511 shares and selling 6,95,814 on BSE. It was further alleged that Shri Tushar Jhaveri mostly executed the trades through Galaxy Broking Ltd. (hereinafter to be referred to as Broker). The Broker purchased approximately 23,60,455 shares for Shri Tushar Javeri during the BSE settlement nos. 78 to 134 (i.e. during the period 17.07.2000 to 06.10.2000). Almost 99 per cent of the trades of the broker in EIL are on

behalf of Shri Tushar Javeri. During this period, the price of the scrip had moved from Rs.4.35 to Rs.19.05.

9. Shri Tushar Jhaveri was alleged to have placed orders above the previous day's closing price or above the prevailing market price of the scrip. Such transaction of Shri Tushar Jhaveri combined with high volume of trading in the scrip had allegedly influenced the share price of EIL which went on increasing, during the said period.
10. The broker was alleged to have executed 124 synchronized trades in the scrip of EIL with the intention to influence the price of the scrip, out of which in case of 100 transactions, the buy and sale orders had been placed by the broker simultaneously at the same time for the same quantity, same price and for the same client i.e. Shri Tushar Jhaveri. For the remaining 24 transactions, which had been placed around the same time although the quantity is same, there is small difference in the price of buy and sale orders. Such trades had been executed with different client codes, with intention to indicate that the purchase and sale orders had been placed for different clients. However, almost 99% of the broker's trades in the scrip during the investigation period had been executed on behalf of the client Shri. Tushar Jhaveri indicating that for such transaction there was no change in beneficial ownership of shares and these were fictitious in nature.
11. It was further alleged that shares purchased on behalf of Shri Tushar Jhaveri were transferred at least on 16 occasions between 09.08.2000 to 17.11.2000 to various entities on his instructions. Those shares sold in the market were subsequently purchased mostly by Shri Tushar Jhaveri. Hence it was alleged that by rotation of shares by the above process, huge volumes in the scrip were created by Shri Tushar Jhaveri in association with the Broker.

12. It was further alleged that Shri Tushar Jhaveri had not adhered to the requirements prescribed under Regulation (7) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as SAST Regulations) by failing to disclose to EIL about the shareholding exceeding 5% of the share capital of the EIL at any point of time.
13. It was alleged that Shri Tushar Jhaveri violated the provisions of Regulation 4(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as FUTP Regulations,1995).
14. It was further alleged that Shri Tushar Jhaveri also violated clauses A(1), A(2) D(2) D(4) and D(5) of the code of conduct as specified in SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter to be referred to as Stock Brokers Regulations).
- 15. Personal Hearing:**
16. An opportunity of personal hearing was granted to Shri Tushar Jhaveri before me on 29.12.2005. However, Shri Tushar Jhaveri did not avail the same. I am, therefore, convinced that ample opportunity has been given to Shri. Tushar Jhaveri to make his submissions and he has failed to avail the same.

17. Consideration of Issues and Findings:

- a. Whether Shri Tushar Javeri indulged in synchronized trades with the help of Galaxy Broking Ltd.?
- b. Whether the scrip of EIL had been manipulated by Shri Tushar Javeri?
- c. Whether Shri Tushar Jhaveri had indulged in any fraudulent or unfair trade practices?
- d. Whether Shri Tushar Jhaveri had not adhered to the requirements prescribed under Regulation (7) of SAST Regulations by failing to disclose to EIL about the shareholding exceeding 5% of the share capital of the EIL at any point of time?
- e. Whether M/s. Jhaveri Securities as sub broker observed the code of conduct prescribed for the sub brokers under the Stock Brokers Regulations.

18. Whether Shri Tushar Jhaveri indulged in synchronized trades with the help of Galaxy Broking Ltd.?

- 19. A specific allegation that Shri Tushar Jhaveri indulged in synchronised trades was made as mentioned in para 8 of allegations. Shri Tushar Jhaveri did not deny the allegations either by way of written submissions or oral submissions.
- 20. I observe from the Investigation Report that the broker had executed 124 synchronized trades out of which in case of 100 transactions, the buy and sale orders had been placed by the broker simultaneously at the same time for the same quantity, same price and for the same client i.e. Shri. Tushar Jhaveri. The instances of synchronized trading are indicated in the Annexure to the show cause notice.
- 21. I observe that almost 99% of the broker's trades in the scrip during the investigation period had been executed on behalf of the client Shri. Tushar

Jhaveri. This goes to show that for such transaction there was no change in beneficial ownership of shares and these are irregular in nature.

22. I observe that it is not possible for transactions of buy and sell orders of the same scrip to coincidentally match on 124 occasions. I also note that the Hon'ble Securities Appellate Tribunal in its order dated 31/10/2003 in Nirmal Bang Securities Pvt. Ltd. & Ors. Vs SEBI has, inter alia, observed as follows;

"I find the scrip, quantity and price for these orders had been synchronized by the counter party brokers. Such transactions undoubtedly create an artificial market to mislead the genuine investors. Synchronized trading is violative of all prudential and transparent norms of trading in securities. Synchronized trading on a large scale, can create false volumes. The argument that the parties had no means of knowing whether any entity controlled by the client is simultaneously entering any contra order elsewhere for the reason that in the online trading system, confidentiality of counter parties is ensured, is untenable. It was submitted by the Appellants that it was not possible for the broker to know who the counter party broker is and that trades were not synchronized but it was only a coincidence in some cases. Theoretically this is OK. But when parties decide to synchronize the transaction the story is different. There are many transactions giving an impression that these were all synchronized, otherwise there was no possibility of such perfect matching of quantity price etc. As the Respondent rightly stated it is too much of a coincidence over too long a period in too many transactions when both parties to the transaction had entered buy and sell orders for the same quantity of shares almost simultaneously. The data furnished in the show cause notice certainly goes to prove the synchronized nature of the transaction which is in violation of regulation 4 of the FUTP Regulations. The facts on record

categorically establish that BEB had indulged in synchronized trading in violation of regulation 4 of the FUTP Regulations. In a synchronized trading intention is implicit”.

It is clear that both the buy and sell orders had been placed by the broker simultaneously for its client Shri. Tushar Jhaveri with a view to influence the price of the scrip, thereby disturbing market equilibrium.

23. Whether the scrip of EIL had been manipulated by Shri Tushar Jhaveri?

24. A specific allegation that Shri Tushar Jhaveri indulged in manipulation of price and volume was made as mentioned in para 10 and 11 of the allegations. Shri Tushar Jhaveri did not deny the allegations either by way of written submissions or oral submission.

25. It is observed that the price of the scrip of EIL moved on BSE from a low of Rs.2.70 on 26.06.2000 to high of Rs.19.95 on 05.09.2000. Sudden spurt was also noted in the volumes of the scrip traded. The following table indicates as to how the price and the volume continuously started increasing.

Table 1

Date	Volume	Closing Price (in Rs.)
06.26.00	1100	2.7
06.27.00	2000	2.7
06.28.00	590	2.7
07.05.00	100	3.35
07.06.00	100	3.5
07.11.00	800	3.5
07.17.00	100	4.35
07.18.00	911	5.2
07.19.00	12200	6.45
07.20.00	57600	8

Date	Volume	Closing Price (in Rs.)
07.21.00	128400	9.75
07.24.00	78500	11.8
07.25.00	11700	12.65
07.26.00	99000	13
07.27.00	46100	12.55
07.28.00	98400	13
07.31.00	228200	13
08.01.00	104500	13.5
08.02.00	11830	14
08.03.00	65700	14.4
08.04.00	84902	14.95
08.07.00	129050	15
08.08.00	57692	15.2
08.09.00	107900	15.75
08.10.00	62100	16
08.11.00	24800	16.6
08.14.00	91692	16.15
08.16.00	120500	16.5
08.17.00	89000	16.5
08.18.00	185400	16.95
08.21.00	144600	16.95
08.22.00	70700	17
08.23.00	35000	17.5
08.24.00	159100	17.7
08.25.00	138400	17
08.28.00	265205	17.4
08.29.00	269800	17.95
08.30.00	176285	17.85
08.31.00	96200	18.55
09.04.00	157200	19.1
09.05.00	73100	18.85

26. I observe from the above table the price kept on increasing by every trading day during the relevant period. The price of the scrip rose from Rs.3.52 to Rs.18.00. There were no corporate events reported from the company during that period. There was no market event which would influence the price of the scrip even at industry level. The presence of same brokers on

both the sides and day-by-day increase in the price of the scrip and the volumes in the scrip definitely indicate that the rise in the price is artificial and manipulated.

27. Whether Shri Tushar Jhaveri has indulged in any fraudulent or unfair trade practices?

28. A specific allegation that Shri Tushar Jhaveri indulged in fraudulent and unfair trade practices was made as mentioned in para 13 of the allegations. Shri Tushar Jhaveri did not deny the allegations either by way of written submission or oral submissions.

29. I observe from the investigation report for the relevant period, the difference in closing price and opening price of the scrip is very clear. I observe from the Table 1 that the price continuously moved up from Rs.3.5 on 11.07.2000 to Rs.19.85 on 05.09.2000 and thereafter fell continuously. I have observed from the order / trade log details for the relevant period that the orders were placed by the broker above the previous day's closing price or above the prevailing market price.

Table 2

Order No	Member Code	Counter Party Code	TradeDateTime	Price (Rs.)	Buy Or Sell	**
40100800000002825	D0401	D0438	11/7/2000 15:24	3.5	S	C
51300100000003819	D0513	D0771	17/07/2000 12:09:16 PM	4.35	B	O
77101300000002974	D0771	D0513	17/07/2000 12:09:16 PM	4.35	S	C
51300100000003879	D0513	D0438	18/07/2000 11:19:06 AM	5	B	O
40100700000004422	D0401	D0185	18/07/2000 03:47:35 PM	5.2	S	C

Order No	Member Code	Counter Party Code	TradeDateTime	Price (Rs.)	Buy Or Sell	**
51300100000003935	D0513	D0401	19/07/2000 10:24:31 AM	6.25	B	O
43801400000011541	D0438	D0766	20/07/2000 10:12:04 AM	6.5	S	C
51300100000004056	D0513	D0438	20/07/2000 10:37:36 AM	7.45	B	O
51300100000004057	D0513	D0401	20/07/2000 10:37:52 AM	7.5	B	O
51300100000004058	D0513	D0030	20/07/2000 10:38:08 AM	7.9	B	O
51300100000004060	D0513	D0564	20/07/2000 12:35:40 PM	8.05	S	O
1400500000007437	D0014	D0513	20/07/2000 01:40:51 PM	8	S	C
51300100000004175	D0513	D0030	21/07/2000 10:38:06 AM	9.9	B	O
51300100000004175	D0513	D0438	21/07/2000 10:38:06 AM	9.95	B	O/C
51300100000004243	D0513	D0027	24/07/2000 10:02:00 AM	12.15	B	O
51300100000004243	D0513	D0027	24/07/2000 10:09:12 AM	12.15	S	O
61500200000005632	D0615	D0014	24/07/2000 02:59:27 PM	11.8	S	C
51300100000004369	D0513	D0014	25/07/2000 10:23:10 AM	12.7	B	O
49103200000005106	D0491	D0062	25/07/2000 03:00:09 PM	12.65	S	C
74702900000000890	D0747	D0513	2/8/2000 15:25	14	S	
51300100000005216	D0513	D0513	3/8/2000 10:18	14.5	B	O
51300100000005216	D0513	D0601	3/8/2000 10:18	14.5	B	O
51300100000005216	D0513	D0601	3/8/2000 10:18	14.5	B	O
51300700000000070	D0513	D0513	3/8/2000 10:18	14.5	S	

Order No	Member Code	Counter Party Code	TradeDateTime	Price (Rs.)	Buy Or Sell	**
51300100000005217	D0513	D0601	3/8/2000 10:18	14.5	B	O
51300100000005217	D0513	D0601	3/8/2000 10:18	14.5	B	O
51300100000005217	D0513	D0601	3/8/2000 10:18	14.5	B	O
51300100000005217	D0513	D0601	3/8/2000 10:18	14.5	B	O
56402100000007010	D0564	D0513	3/8/2000 15:02	14.4	S	C
51300100000005287	D0513	D0321	4/8/2000 10:29	14.95	B	O
55203100000003694	D0552	D0688	8/8/2000 15:28	15.5	S	C
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
51300100000005520	D0513	D0380	9/8/2000 10:41	15.6	B	O
60100400000005343	D0601	D0653	10/8/2000 15:10	16	S	C
51300100000005726	D0513	D0688	11/8/2000 10:03	16.6	B	O
68800400000002818	D0688	D0513	11/8/2000 10:03	16.6	S	C
51300100010005817	D0513	D0258	14/08/2000 10:20:01 AM	16.85	B	O
51300100010005817	D0513	D0258	14/08/2000 10:20:01 AM	16.85	B	O
60100400010005479	D0601	D0513	14/08/2000 03:22:53 PM	16.15	S	C
51300100010005943	D0513	D0401	16/08/2000 10:43:55 AM	16.4	B	O
51300100010005943	D0513	D0401	16/08/2000 10:43:55 AM	16.4	B	O
12202300010008471	D0122	D0185	18/08/2000 03:25:39 PM	17	S	C

Order No	Member Code	Counter Party Code	TradeDateTime	Price (Rs.)	Buy Or Sell	**
51300100010006295	D0513	D0438	21/08/2000 10:22:27 AM	17.4	B	O
32201400010011973	D0322	D0443	21/08/2000 03:19:54 PM	16.5	S	C
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
51300100010006399	D0513	D0380	21/08/2000 03:24:01 PM	17.4	B	O
38000100010007833	D0380	D0513	21/08/2000 03:24:01 PM	17.4	S	C
51300100010006741	D0513	D0771	24/08/2000 12:19:04 PM	18	B	O

30. From the Table 2, I observe that the trades placed by the broker on the instruction of Shri Tushar Jhaveri influenced the share prices. From the above table, it is observed that the broker entered into several transactions

including both buy and sell on the instruction of Shri Tushar Jhaveri. I further observe that the broker was always placing orders at prices higher than previous closing price or last traded price in connivance with Shri Tushar Jhaveri. I further observe when the last traded price / previous closing price on 11.07.2000 was Rs.3.50 the broker had bought 100 shares at Rs.4.35. Likewise, on the next traded day i.e. 18.07.2000, the broker purchased 11 shares at Rs.5.00 when the last closing price was Rs.4.35. Similarly, on 19.07.2000 broker purchased shares at Rs. 6.25 when the previous closing price was Rs.5.20. On 20.07.2000 at 10.37 am when the price was Rs.7.45 broker purchased shares as mentioned below, thereby taking the price from Rs. 7.45 to Rs.8.05. These transactions were done at the instructions of Shri Tushar Javeri in order to manipulate the price of EIL .

Table 3

Date and Time	Price(Rs)	Quantity	Buy or Sell
20.07.2000 10:37:36 AM	7.45	400	B
20.07.2000 10:37:52 AM	7.5	500	B
20.07.2000 10:38:08 AM	7.9	300	B
20.07.2000 12:35:40 PM	8.05	300	S

31. I further observe that when the closing price was Rs.8.00 on 20.07.2000 broker purchased shares at Rs.9.90 thereby contributing to the rise of almost Rs.2.00. Next order was also placed by broker on 24.07.2000 at Rs.12.15 whereas the closing price was Rs.11.80 on that day. On 03.08.2000 broker purchased shares at Rs.14.50 whereas the closing price on the previous day was only Rs.14.00. Broker purchased 27000 shares in three trades. There were two cross deals also. Similarly, on 04.08.2000 it purchased 500 shares at Rs.14.95 in contrast to previous closing price of

Rs.14.40. On 09.08.2000 the broker purchased 5000 shares at Rs.15.60 in contrast to previous closing price of Rs.15.50. It is observed that in the same manner the broker has placed orders at higher prices and taken the price of the scrip to Rs.18.00. It is obvious from the above table that these orders were placed on behalf of Shri. Tushar Jhaveri with an intention to influence the price since very order placed by the broker in connivance of Shri Tushar Jhaveri had resulted in increase in price.

32. The broker executed several trades against various client codes viz. T007, K002, 559, 5070, 4001, T004, V 009, 7, P015, H003, T002, A018, P016, D 007, 5525, A 004 etc. the broker executed saudas against client code K 002 and subsequently transferred the saudas to client code T 004 i.e. Tushar Jhaveri. Similarly, for saudas executed for client code T 007 the broker stated at the time of investigation that sauda was wrongly punched as T007 instead of T004 i.e. Shri. Tushar Jhaveri. This was done by the broker in connivance with Shri Tushar Javeri to show that trades of Shri Tushar Jhaveri as trades executed on behalf of other clients.

At this juncture, I note that Reg. 4 of FUTP Regulation, 1995 reads as under:

“4 No person shall

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of the securities and thereby inducing the sale or purchase of securities by any person;
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities markets;

- (c) indulge in any act, which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
- (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuation in the market price of securities.”

33. The acts of Shri Tushar Jhaveri assisted by the broker had defeated the natural price discovery mechanism of the exchange since the price of the scrip rose to Rs.19 from Rs.3.50 as observed above. Hence I find that Shri Tushar Jhaveri has violated the provisions of Regulation 4(a), (b), (c) and (d) of the FUTP Regulations, 1995. I am, therefore, convinced that it is a fit case to issue directions under Section 11B of SEBI Act read with Regulation 11 and 13 of FUTP Regulations, 2003.

34. Whether Shri. Tushar Jhaveri had not adhered to the requirements prescribed under Regulation (7) of SAST Regulations by failing to disclose to EIL about the shareholding exceeding 5% of the share capital of the EIL at any point of time?

35. I note that an Adjudicating Officer has already been appointed by SEBI vide order dated March 16, 2004 to adjudge the alleged failure in complying with Reg. 7 of SAST Regulations read with Section 15 A of SEBI Act, 1992. In view of this, the Adjudicating Officer may enquire and adjudge this violation and impose penalty as per law.

36. Whether M/s. Jhaveri Securities as sub broker observed the code of conduct prescribed for the sub brokers under the Stock Brokers Regulations?

37. M/s. Jhaveri Securities is a sub-broker registered with SEBI and associated with M/s Rajesh Jhaveri, member of Ahmedabad Stock Exchange. Proceedings under SEBI (Procedure for Holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) have already been initiated against M/s Jhaveri Securities, and the same are pending. SEBI may pass appropriate order against the sub broker M/s. Jhaveri Securities in accordance with law.

38. Order:

39. Therefore, in exercise of powers conferred upon me in terms of Sections 19 and 11B of the SEBI Act, 1992 read with Regulation 11 and 13 of the FUTP Regulations, 2003, I hereby restrain Shri. Tushar Jhaveri from buying, selling or dealing in securities in any manner and also restrain him from associating with any corporate body in accessing the securities market for a period of one year.

40. This order shall come into force with immediate effect.

DATE : 25-1-06

PLACE: MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA