

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: DR. T. C. NAIR, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11(4) AND SECTION 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI ABHISHEK KHARE, (PAN: AGVPK5838R) AND SHRI V. K. JAIN IN THE SCRIP OF PRIYANS SAREE INDUSTRIES LTD.

1. The Securities and Exchange Board of India ('SEBI' for short) while inspecting the Ahmedabad Stock Exchange ('ASE' for short) on 7-01-2003, found that the price of the scrip of M/s. Priyans Saree Industries Ltd. (PSIL) had risen from Rs.112 on 27-03-2002 to Rs.350 on 18-07-2002. It was found that the scrip was infrequently traded on the ASE earlier. Later, on 06-09-2002 the price of PSIL went up to Rs.107.75 due to split in stock price from Rs.10 to Rs.2. The Price of the scrip had gone up during the 25 trading sessions from 27-03-2002 to 6-09-2002 as against thin volumes. It is noted that Priyans Saree Industries Ltd. (hereinafter referred to as "PSIL") was listed on ASE and the Madhya Pradesh Stock Exchange ('MPSE' for short) and the scrip was traded only on the ASE during the period of investigation.
2. As per the information received from ASE, nine members had traded in this scrip through 179 trades for a total volume of 44600 shares during the period of investigation, i.e. from 01.03.2002 to 30.09.2002. However, only three brokers, viz. Ratnakar Finstock Pvt Ltd. (Ratnakar), Neptune Securities Pvt Ltd. (Neptune) and Aagam Securities Pvt Ltd. (Aagam) were the major traders in the scrip of PSIL contributing to more than 80% of the volumes during the period of

investigation. The member wise data of the top three members were also submitted by ASE as follows:

Member	Total Value of the Member	%
Ratnakar Finstock Pvt Ltd	3704102	53.56
Neptune Securities Pvt Ltd	1638640	23.69
Aagam Securities Pvt Ltd	375129	5.42
Total	5717871	82.67

4. The abnormal trading pattern in the scrip was collated as under, in accordance with the trade log submitted by ASE and the subsequent information received from the brokers/clients:

Closing price /	Date	Seller		Buyer		Quantity	Nature of trade
		Broker	Client	Broker	Client		
122	27-Mar	Ratnakar	Neeta Soni	Neptune	Dilipbhai Soni	150	Cross deals
124		Neptune	Dilipbhai Soni	Ratnakar	Neeta Soni	150	
124		Ratnakar	Jignesh	Ratnakar	K K Fintrade	5000	Self trades
140	28-Mar	Ratnakar	V K Jain	Ratnakar	K K Fintrade	6950	Self trades
150	9-Apr	Aagam	Jignesh	Aagam	Himgiri	2500	Self trades
170	8-May	Neptune	Abhishek Khare	Ratnakar	V K Jain	800	Crossdeals
170		Ratnakar	V K Jain	Neptune	Abhishek Khare	800	
167		Aagam	Jignesh	Aagam	Himgiri	3000	Self trades
182	28-May	Ratnakar	V K Jain	Neptune	Abhishek Khare	2850	Crossdeals
180		Neptune	Abhishek Khare	Ratnakar	V K Jain	2850	
193	29-May	Neptune	Abhishek Khare	Ratnakar	V K Jain	1450	Cross deals
190		Ratnakar	V K Jain	Neptune	Abhishek Khare	1450	
210	3-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	1500	Cross deals
207		Ratnakar	V K Jain	Neptune	Abhishek Khare	1500	
219	4-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	800	Cross deals
217		Ratnakar	V K Jain	Neptune	Abhishek Khare	800	
223	6-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	400	Cross deals

220		Ratnakar	V K Jain	Neptune	Abhishek Khare	400	
222		Aagam	Jignesh	Aagam	K K Fintrade	2300	Self trades
235	11-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	600	Cross deals
231		Ratnakar	V K Jain	Neptune	Abhishek Khare	600	
264	28-Jun	Neptune	Abhishek Khare	Ratnakar	V K Jain	25	Cross deals
263		Ratnakar	V K Jain	Neptune	Abhishek Khare	25	
250		Ratnakar	Jignesh	Ratnakar	K K Fintrade	2000	Self trades
282	1-Jul	Ratnakar	V K Jain	Ratnakar	Dipak Patangia	25	Self trades
300	3-Jul	Ratnakar	Dipak Patangia	Ratnakar	V K Jain	25	Self trades

The investigations had found that the three brokers (Ratnakar, Neptune and Aagam) were involved in huge and continuous structured deals in the form of crossed deals and self trades. From the information obtained from these brokers it was found that the trades were not diversified as to the clients and were restricted to only four clients – the noticee, Shri V K Jain, Shri Abhishek Khare and K K Fintrade Ltd. Information was sought from the three members who were the major traders in this regard. The said members had submitted their trading details which are as under:

Client	Buy	Sale	Gross	Net	%Volume	Broker
V K Jain	8450	15400	23850	-6950	26.74	Ratnakar
Abhishek Khare	8425	8425	16850	0	18.89	Neptune
K K Fintrade Ltd	13950	0	13950	13950	15.64	Ratnakar
Jignesh Kantilal Shah	0	7800	7800	-7800	8.74	Aagam
Jignesh Kantilal Shah	0	7000	7000	-7000	7.85	Ratnakar
Himgiri Dynamics Ltd	5500	0	5500	5500	6.17	Aagam
K K Fintrade Ltd	2300	0	2300	2300	2.58	Aagam
Soni Nita Dilip	150	150	300	0	0.34	Ratnakar
Dilipbhai Soni-HUF	150	150	300	0	0.34	Neptune
Dipak Patangiya	25	25	50	0	0.06	Ratnakar

Total	38950	38950	77900	0	87.33	
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From the above details, the investigating authority had shortlisted Sri Jignesh Kantilal Shah, Shri V K Jain, K K Fintrade Ltd. and Shri Abhishek Khare who traded more than 10% of the volumes in the scrip to issue summons under Section 11C (3) and (5) of the SEBI Act requiring them to furnish additional information. Based on the information so obtained, the investigations had observed that the trading does not appear to be genuine as it was not supported by company's fundamentals. The trades undertaken by them were also not diversified as they concentrated among three brokers and four of their clients. The investigations had also observed that nearly 100% of the trades were structured either as self trades or as crossed trades and were executed to jack up the price of the scrip.

5. The investigations had also recorded statements of Shri Ajay Jayantilal Shah, Director in Ratnakar , Shri Jignesh Rameshchandra Shah, Director in Neptune and Shri Jignesh Kantilal Shah. Based on those submissions, it was found that Shri Shailesh Parekh appeared to be a common entity who had recommended the other entities to trade in the said scrip. The investigations had further alleged that Aagam formed a cartel of brokers and clients in order to manipulate the market and artificially jack up the prices.
6. The investigations had revealed that Shri V K Jain and Shri Abhishek Khare (hereinafter collectively referred to as "noticees") were traders in the scrip of PSIL and that by way of their dealing / trading in the said scrip were alleged to have violated the relevant provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995. In view of the above, it was decided to issue a show cause notice to them intimating the allegations against them and requiring them to show cause to the same.
7. A show cause notice dated April 5, 2007 was issued to the noticees under Sections 11(4) and 11B of SEBI Act, 1992 for alleged violations of Regulations 3, 4(a), (b), (c) & (d) and 6(a) of Securities and Exchange Board of India

(Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995. I note that the show cause notice had enclosed the price volume data, trade log submitted by ASE, statement made by Shri Ajay Jayantilal Shah, statement of Shri Jignesh Rameshchandra Shah and statement of Jignesh Kantilal Shah. I find that the Show Cause Notice *inter-alia* alleged that:

- a. Aagam along with Ratnakar and Neptune formed a cartel of brokers and clients in order to manipulate the market and artificially jack up the prices of PSIL Scrip. Shri Jignesh Kantilal Shah and M/s. K K Fintrade Ltd. were clients of Aagam. M/s. K K Fintrade Ltd. and Shri. V K Jain was introduced by Aagam to Ratnakar through its related entity Shri Shailesh Parekh. Thus Shri Jignesh Kantilal Shah and M/s. K K Fintrade Ltd. were the common clients of Aagam and Ratnakar. Shri Shailesh Parekh introduced Shri Abhishek khare to Neptune and that Aagam used their association with Shri Shailesh Parekh to build a cartel of Brokers and clients.
- b. After formation of such a cartel, the above three brokers through their clients Shri. V K Jain, Shri. Abhishekh Khare, Shri. Jignesh Kantilal Shah and M/s. K K Fintrade Ltd. had traded in PSIL scrip in a non- diversified and concentrated manner among themselves. Nearly, cent percent trades were structured either as self trades or as crossed deals and hence were made only to jack up the price of the scrip. The brokers and their clients had put the orders at increasing rates and in the process had artificially jacked up the price of the scrip. Thus all of the brokers and their clients named above have contributed to artificial price discovery which is in opposition to sound market principles and practice.
- c. The fundamentals of the PSIL was not strong and the trades made by the three brokers namely, Ratnakar, Neptune and Aagam through their clients Shri. V K Jain, Shri. Abhishekh Khare, Shri. Jignesh Kantilal Shah and M/s. K K Fintrade Ltd. during the investigation period 1-3-2002 to 30-9-2002 were not genuine.

- d. The noticee had indulged in structured deals and put such orders with the brokers as to enter into structured deals which were made only to jack up the price of the scrip. The orders were successively put at increasing rates and in the process have artificially jacked up the price of the scrip of PSIL.
 - e. The noticee was alleged to have dealt in securities in a fraudulent manner. The noticee brokers had aided and abetted in making artificial price discovery which was very much against the sound market principles and practices and that the noticee had engaged in acts which had operated as fraud in dealing in securities.
 - f. That in view of the above said acts, it was alleged that the noticee had violated Regulations 3, 4(a) and (b) and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
 - g. The noticees had not replied or cooperated in the investigation proceedings.
8. The notices had returned back to SEBI with courier endorsements mentioning that Shri V.K.Jain had 'shifted' and 'no such person' with respect to Shri Abhishek Khare. In view of the above, in accordance with the provisions of SEBI (Manner of Service of Notice and Summons issued by Board) (amendment) Regulations, 2007, the said show cause notices were posted on the SEBI website.
9. Since the parties have not come before the SEBI even after posting the show cause notices in the website, this order would be ex-parte with respect to the noticees. I have perused the show-cause notice and other material on record and find that the following issues arise for consideration:
- a. Whether the noticees, i.e. Shri V K Jain and Shri Abhishek Khare through their brokers had structured the deals in the scrip of PSIL resulting in market manipulation?

- b. Whether the transactions indulged in by the noticees were illegitimate and violative of the provisions of Regulations 3, 4(a), (b), (c) and (d) and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995?
10. I note that in order to have first hand information of all the dealing made during the period of investigation, statements of persons who were related to the case were recorded on oath by the Investigating Authority. I note that during his submissions on January 25, 2006, Shri Ajay Jayantilal Shah, Director in Ratnakar had deposed that the one of the noticee (M/s. V K Jain) and others were introduced to them by Shri Shailesh Parekh. He further stated that all the above said clients were new to them had not traded in any scrip other than PSIL. It is to be noted that Shri Shailesh Parekh is a relative of Shri Jignesh V Shah, Director of Aagam, a member of the ASE. Similarly, Shri Jignesh Rameshchandra Shah, Director of Neptune had during his statement made before the Investigating Authority on January 25, 2006 had deposed that Shri Dilip Soni was introduced to them by Shri Shailesh Parekh and Shri. Abhishek Khare was introduced to them by Shri Dhirenbbhai Shah and all the said clients who were new had not traded in any scrip other than PSIL. Quite similar revelation with respect to their clients was made by Shri Jignesh Rameshchandra Shah, Director of Neptune Securities Pvt. Ltd. during his submissions before the Investigating Authority on January 25, 2006. He had deposed that Dilip Soni was introduced to them by Shri Shailesh Parekh and that Shri Abhishek Khare was introduced to them by Dhirenbbhai Shah and all those clients were new to them had not traded in any scrip other than PSIL. I find that on perusal of the above documents, it becomes clear that Shri Shailesh Parekh had introduced/recommended/instigated other entities to trade in the scrip of PSIL.
11. From the trade log at para 8 of the show cause notice I find that
- On 28-03-2000, V K Jain sells 6950 shares through Ratnakar to K K Fintrade, which is a self trade as far as the broker is concerned.

- On 08-05-2000, there was a cross deal where Abhishek Khare sells 88 shares through Neptune and V K Jain purchases the same through Ratnakar. Again, 800 shares are sold by V K Jain through Ratnakar and purchases by Abhishek Khare through Neptune
- On 28-05-2000, V K Jain sells 2850 shares through Ratnakar and the same were purchased by Abhishek Khare through Neptune. The said 2850 shares were then sold by Abhishek Khare through Neptune and purchased by V K Jain through Ratnakar, which is again a cross deal.
- Immediately on 29-05-2000, 1450 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is again a cross deal
- On 03-06-2000, 1500 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is again a cross deal
- On 04-06-2000, 800 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is again a cross deal
- On 06-06-2000, 400 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is again a cross deal
- On 11-06-2000, 600 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is a cross deal
- On 28-06-2000, 25 shares were sold by Abhishek Khare through Neptune and the same were purchased by V K Jain through Ratnakar, which is again a cross deal

- On 01-07-2000, V K Jain sells 25 shares through Ratnakar to Dipak Patangia (purchased through Ratnakar), a self deal. Again on 03-07-2000, the said 25 shares were sold by Dipak Patangia to V K Jain through Ratnakar, which again is a self deal.

On analyzing the trade log and the trading pattern of the noticees, it is clear that they had indulged in structured deals in collusion with their respective brokers / members. Such frequent buy-sell transactions in the market have the potential to attract investor interest in the scrip and such trades had rigged the price of the scrip during the relevant period. I further note that the trading of V K Jain had accounted for 26.74% of the total traded volume in the scrip at the relevant period. I also note that the trades of Abhishek Khare had accounted for 18.89% of the total traded volume in the scrip. Based on the data at para 10 of the SCN issued to the noticees (same reproduced at para 4 herein above), I find that such artificial trades entered into by the noticees had accounted for more than 45.63% of the total traded volume in the scrip, which is substantial.

12. I also find that Aagam, Ratnakar and Neptune had formed a cartel of brokers along with their clients in order to manipulate the market and artificially jack up the price of the scrip. I also find that the noticees have transacted heavily in the scrip. I note that V K Jain had been introduced to Ratnakar by Shri Shailesh Parekh. The said Shri Shailesh Parekh is a relative (brother-in-law) of Shri Jignesh Shah, Director of Aagam. I note that Abhishek Khare was introduced to Neptune by Shri Dhirenchai Shah. I further note that the authorized representative ((Shri Jignesh Rameshchandra Shah, director of Neptune) of Neptune had stated that it had traded from Rs.112/- to Rs.123.95/- on 27-03-2002 and from Rs.153.90/- to Rs.263/- from 08-05-2002 to 28-06-2002 for its clients.
13. I note that the analysis of the trading in the scrip of PSIL reveals that the trades entered into by the brokers for their clients illegitimate as the trading was not supported by company's fundamentals. This can be seen from the letter dated June 07, 2005 of the PSIL, wherein it has stated that there was no business

operation in the company and the company had been facing paucity of funds to pay back creditors including preferential creditor and had stated that on account of lack of business and acute financial crunch at its end, there were no personnel to handle the legal compliance on behalf of the company. Further, it is also pertinent to note that the company was non-compliant of the listing agreement with the exchanges.

14. I also note from the trade log that the trades in the said scrip was not diversified and were concentrated only around three brokers and their well knit clients. Moreover, as elaborated earlier in para 4, nearly 80% of the trades were structured either as self trades or as crossed deals and hence were made only to jack up the price of the scrip. The brokers/clients including the noticees had successively put the orders at increasing rates and in the process have artificially jacked up the price of the scrip. At large, the three brokers and the clients including the noticees had aided and abetted artificial price discovery which is very much against the sound market principles and practices. Further, para 4 above makes it clear that the top three members were involved in huge and continuous structured deals in the form of crossed deals and self trades. It was observed that client-wise also these trades were not very much diversified and were restricted to overall only four clients i.e. Shri. Jignesh Kantilal Shah, Shri V K Jain, Shri Abhishek Khare and M/s. K K Fintrade Ltd. who had acted in concert with their brokers.
15. Thus, based on the above reasoning, I find that the noticees have entered into transactions which are fraudulent and unfair with the intention of artificially raising the price of the scrip and inducing the sale or purchase of securities. The said acts of the noticees had created false or misleading appearance of trading in the market for the said scrip. The said transactions also did not transfer effective ownership but was intended to cause unnecessary fluctuations in the market. In view of the above said acts, I conclude that the noticees (Abhishek Khare and V K Jain) had violated the provisions of Regulations 3, 4(a), (b) (c) and (d) and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 13 of SEBI

(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. In view of the facts, circumstances and the above reason, I find that it would be just in the interest of the capital markets and in the general interest of the investors, the noticee must be debarred for a reasonable period from accessing the market.

16. I, therefore, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 and Sections 11 (4) and 11B of the SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, hereby, restrain Shri Abhishek Khare and V K Jain from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market for a period of six months.
17. This order shall come into force with immediate effect.

DATE: 14.10.2008
PLACE: MUMBAI

T. C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA