

WTM/KMA/78/ISD/06/2009
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

DIRECTIONS UNDER SECTIONS 11, 11B AND 11(4) READ WITH SECTION 19 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF ALLEGED MANIPULATIVE TRADING BY CERTAIN CONNECTED ENTITIES, IN PARTICULAR, IN THE SCRIPS OF CALS REFINERIES LIMITED, CONFIDENCE PETROLEUM INDIA LIMITED, BANG OVERSEAS LIMITED, SHREE PRECOATED STEELS LIMITED (NOW KNOWN AS AJMERA REALTY & INFRA INDIA LIMITED) AND TEMPTATION FOODS LIMITED

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) in the course of its routine market surveillance, received information regarding the execution of synchronized deals in certain scrips by entities namely, Maruti Securities Limited (hereinafter referred to as MSL), Kundan Leasing and Finance Private Limited (hereinafter referred to as KLFPL), Chandra Financial Services Private Limited (hereinafter referred to as CFSPL), Jay Investrade Private Limited (hereinafter referred to as JIPL) and HSM Financial Services Private Limited (hereinafter referred to as HSM). The information received by SEBI indicated that the said entities had executed synchronized deals in five scrips namely Cals Refineries Limited (hereinafter referred to as Cals), Confidence Petroleum India Limited (hereinafter referred to as Confidence), Bang Overseas Limited (hereinafter referred to as Bang), Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited) (hereinafter referred to as SPSL) and Temptation Foods Limited (hereinafter referred to as TFL).
2. The preliminary findings of the examination by SEBI are reproduced below:

3. SEBI found that out of the five entities mentioned above, one entity namely MSL is a company listed at Bombay Stock Exchange Limited (hereinafter referred to as BSE). The data available on BSE website regarding MSL showed that its promoters held 74.33% of its share capital as on March 31, 2009. It is seen from the details of promoters and their holdings (as available on the BSE website), that MSL has 129 entities as promoters, out of which the two entities namely MSL Construction Limited and Alpha Software Services Limited held 14% stake each. The other promoter entities held stakes of 5% or less. The list of promoters include Mr. K Varadarajan, Managing Director and Compliance Officer and Ms. K Chitra, Director who held 51,300 shares (1.03%) and 20,100 shares (0.40%) respectively.

4. Perusal of corporate announcements made by MSL to BSE revealed that its shareholders in its Extra Ordinary General Meeting (EGM) held on February 18, 2008, inter alia, had accorded permission to its board to offer, issue and allot to the promoters and the others, as detailed below, 1,50,00,000 convertible warrants at an issue price of Rs 30/- per warrant, convertible into equal number of equity shares within a period not exceeding 18 months from the date of allotment of warrants at a price of Rs 10/- per Equity Share with a premium of Rs 20/- determined in accordance with the Preferential issue guidelines given in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000:

Sr. No.	Name of allottee	No. of warrants	Category	Permanent Account No.
1.	Orbit Global Softsol Private Limited	1875000	Promoter Group	AAACO4521H
2.	Orange Infotek Private Limited	1875000	Promoter Group	AAACO4520G
3.	Surabhi Jain	1125000	Non-Promoter Group	AINPJ9654Q
4.	Samta Jain	1125000	Non-Promoter Group	ACOPJ3258P
5.	Sudhir Jain	1125000	Non-Promoter Group	AEUPJ6167K

Sr. No.	Name of allottee	No. of warrants	Category	Permanent Account No.
6.	Beejay Investment & Financial Consultants Private Limited	1125000	Non-Promoter Group	AABCB0832B
7.	Vicky Kothari	750000	Non-Promoter Group	AKQPK4594D
8.	Prativa Jain	750000	Non-Promoter Group	AWCPK5030E
9.	Stupendors Traders Private Limited	750000	Non-Promoter Group	AADCS7524F
10.	Eversight Tradecomm Private Limited	1125000	Non-Promoter Group	AAACE7667E
11.	Adish Jain	1125000	Non-Promoter Group	AGZPJ0317Q
12.	Alosha Vanijya Private Limited	1125000	Non-Promoter Group	AACCA5623N
13.	Swaraj Shares & Securities Private Limited	1125000	Non-Promoter Group	AAGCS8286D
	Total	15000000		

5. In view of the above, SEBI wrote to MSL seeking details of the preferential allottees. SEBI had observed that certain allottees had traded in/ facilitated the alleged manipulation. The details regarding the commonalities noticed in respect of preferential allottees and their inter se linkages are given at Annexure 1 to this order.

6. In respect of the other four entities viz. KLFPL HSM, JIPL and CFSPL, which were noticed to have executed synchronized deals, SEBI examined their Know Your Client (KYC) documents to ascertain commonalities, if any. From the said documents, it was observed that they were located at Achal Bhuvan, 3rd Floor, 21, Modi Street, Fort, Mumbai. It was also noticed that one Harsh Shirish Maniar and Jay Shirish Maniar were directors of HSM, KLFPL and JIPL. Mr. Harsh Shirish Maniar and Mr. Shirish Shantilal Maniar are the directors of CFSPL. Based on material on record, SEBI noticed that another company namely Shanti Financial Services Private Limited (SFSPL) also shared the same address. The directors of SFSPL were Mr. Harsh Shirish Maniar and Mr. Jay Shirish Maniar. The relationship amongst the said entities/persons is explained in detail in Annexure 2 to this order. Considering the common address and common

directors, as narrated in the said Annexure, it appears that Mr. Harsh Shirish Maniar, Mr. Jay Shirish Maniar, HSM, CFSPL, JIPL, KLFPL and SFSPL (collectively referred to as Maniar Group) are related to each other. From the copies of the Permanent Account Number card of Mr. Harsh Shirish Maniar and Mr. Jay Shirish Maniar, it is seen that their father's name is Mr. Shirish Shantilal Maniar. It is noted that one Shirish Maniar had been chargesheeted by Central Bureau of Investigation (CBI) along with Mr. Ketan Parekh and others, in the matter of Madhavpura Mercantile Co-operative Bank (hereinafter referred to as MMCB). Mr. Jay Shirish Maniar and Mr. Harsh Shirish Maniar, who are the directors of HSM, JIPL, CFSPL, KLFPL and SFSPL, are apparently the sons of Mr. Shirish Maniar. It is understood that the said CBI case (no.132/2004) is pending trial before the Additional Chief Judicial Magistrate for CBI Cases, Ahmedabad.

7. During the course of the instant examinations, SEBI noticed certain inter-linkages between MSL and Maniar Group in the form of off-market transactions as well as synchronized deals on market. It was also noticed that MSL and Maniar Group had executed off-market transactions with third parties in the aforesaid five scrips taken up by SEBI for examination. The following criteria have been adopted for identifying clients connected to MSL and/or Maniar group:

- (i) The preferential allottees of MSL – focusing on those allottees which have dealt in identified scrips during the relevant period
- (ii) Entities which have executed off-market transactions with MSL/or Maniar group (demat transactions of JIPL, HSM, CFSPL and KLFPL have been reckoned for off-market transactions)
- (iii) Directors of four or more of the entities identified using criteria (i) and (ii) above.
- (iv) A common link who had allegedly introduced all the preferential allottees to MSL.

8. For ease of reference, MSL, Maniar group and the entities identified by applying the above criteria are collectively referred to as connected clients in this Order. The names of connected clients and the criteria for selecting them are given in the following table (Table 1):

Sr. No.	Name of Entity	PAN	Criteria for selection
1.	Maruti Securities Limited ("MSL")	AABCM3651M	surveillance alerts
2.	Chandra Financial Services Private Limited ("CFSPL")	AABCC5331Q*	Maniar group; surveillance Alerts; Off Market Transactions with HSM, JIPL, CFSPL, Ashok Kumar Jain and Sudhir Jain
3.	HSM Financial Services Private Limited ("HSM")	AAACH9218G	Maniar group; surveillance Alerts; off-market transactions with JIPL, Kundan, Acme and MSL
4.	Kundan Leasing and Finance Private Limited ("KLFPL")	AAACK7448R	Maniar group; surveillance Alerts; off-market transactions with HSM, Chimming, Ashok Kumar Jain, VSB, Rakhi, Peanence and MSL
5.	Jay Investrade Private Limited ("JIPL")	AAACJ5150H	Maniar group; surveillance Alerts; off-market transactions with HSM, MSL, Ashok Kumar Jain, Ravikant Chowdhary and Shyam Sundar Shah
6.	Shanti Financial Services Private Limited ("SFSPL")	AAFCS2399G	Maniar group; off-market transactions with CFSPL and JIPL
7.	Acme Craft Private Limited ("Acme")	AAECA8833C	surveillance Alerts; off-market transactions with HSM, MSL and Sudhir Jain
8.	Eversight Tradecom Private Limited ("Eversight")	AAACE7667E	MSL Preferential allottee
9.	Beejay Investment & Financial Consultants Private Limited ("Beejay")	AABCB0832B	MSL Preferential allottee
10.	Alosha Vanijya Private Limited ("Alosha")	AACCA5623N	MSL Preferential allottee
11.	Stupendors Traders Private Limited ("Stupendors")	AADCS7524F	MSL Preferential allottee
12.	Ms. Samata Jain	ACOPJ3258P	MSL Preferential allottee
13.	Ms. Surabhi Jain	AINPJ9654Q	MSL Preferential allottee
14.	Mr. Sudhir Jain	AEUPJ6167K	MSL Preferential allottee, Director of one connected client and had off-market transactions with 3 connected clients namely MSL, Acme and CFSPL
15.	Venture Business Advisors Private Limited ("Venture")	AAACV7487P	off-market transactions with CFSPL
16.	Mr. Ravikant Chowdhary	AAEPR7102C	off-market transactions with JIPL
17.	Mr. Shyam Sundar Shah	BGCP54475G	off-market transactions with JIPL
18.	Peanence Commercial Private Limited ("Peanence")	AAACP3605P	off-market transactions with KLFPL
19.	VSB Investment Private Limited ("VSB")	AABCV7492B	off-market transactions with KLFPL
20.	Rakhi Trading Private	AACCR6372B	off-market transactions with KLFPL

Sr. No.	Name of Entity	PAN	Criteria for selection
	Limited ("Rakhi")		
21.	Chimming Trading Company Limited ("Chimming")	AADCC1382M	off-market transactions with KLFPL
22.	Mr. Ashok Kumar Jain	AAUPJ7016M	off-market transactions with KLFPL, JIPL and MSL
23.	Amar Packagings Private Limited (Amar)	AAACA5760G	off-market transactions with MSL
24.	Mr. Jay Shirish Maniar	AMKPM0946R	Director of 4 connected clients namely KLFPL, JIPL, HSM and SF SPL
25.	Mr. Harsh Shirish Maniar	AABPM3940R**	Director of 5 connected client namely KLFPL, JIPL, HSM, CF SPL and SF SPL
26.	Mr. Rajendra Kumar Agarwal	ACKPA8794M	Common link who allegedly introduced all the preferential allottees to MSL; director of Alosha

* Krishvi Securities Ltd., one of the stock brokers through which CF SPL had dealt has apparently erroneously mentioned the PAN of CF SPL as AABCL5331Q (both these PANs has been taken into account for instant examination).

** M/s. Chandravadan J. Dalal has erroneously mentioned the PAN of Mr. Harsh Shirish Maniar as AAMP M3940R. Only the correct PAN (AABPM3940R) of Mr. Harsh Shirish Maniar has been reckoned for instant examination.

9. In respect of Peanance Commercial Private Limited (hereinafter referred to as Peanance), one of the entities listed in the above table, SEBI observed from the records of Registrar of Company Affairs that Mr. Sourabh H. Bora, a director of the said company is also a director in Rakhi Properties and Leasing Private Limited, Rakhi Homes and Construction Private Limited, Rakhi Estate and Developer Private Limited and Rakhi Realities Private Limited. It is also seen that one Parag H Bora, is a director of Rakhi Trading Private Limited. Both these entities had also received off market transfer of the shares of Confidence from KLFPL, which is a Maniar group entity. Off-market transactions (as mentioned in the later part of this order) were noticed between Peanance and Rakhi Trading Private Limited in the scrip of TFL. As narrated later in this order, there were also telephonic contacts between the said entities. Therefore, *prima facie*, Peanance and Rakhi Trading Private Limited are connected to each other as well as to the Maniar group.

10. SEBI had in another context, obtained the bank account statement of Venture (one of the connected clients mentioned in Sr. No. 15 in Table I above) from HDFC Bank (Account No: 05012000006810) for the month of

January 2008. Perusal of the bank account statement available on record showed that Venture had paid Rs. 1 crore to HSM on January 21, 2008. As indicated later in this order, on July 4, 2008, Venture had received 100,000 shares of TFL from CFSPL through off-market transfer. Thus, *prima facie*, Venture is related to Maniar group.

11. The interse linkages amongst the connected clients are pictorially represented in Chart 1 annexed to this Order.

Identification of scrips dealt by connected clients:

12. SEBI obtained the trade details of connected clients from BSE and National Stock Exchange of India Limited (NSE). From the data furnished by BSE, it appeared that the connected clients had substantial trading concentration in various scrips such as Cals, Confidence, Bang, TFL, Pioneer Investcorp Limited, Kohinoor Foods Limited (formerly Satnam Overseas Limited), JJ Exporters Limited, Mascon Global Limited and Indus Fila Limited.

13. In order to maintain the focus of the examinations and keeping in view, the surveillance information received regarding execution of synchronized deals, SEBI decided to examine the dealings of connected clients in five scrips namely, Cals, Confidence, Bang, SPSL and TFL. A period of 26 months from January 2007 to February 2009 was reckoned for the instant examinations. The shares of Cals, Confidence and TFL are listed on BSE and not listed on NSE. The shares of Bang and SPSL are listed on BSE and NSE. Based on data furnished by NSE, it is seen that in the scrip of Bang, the connected clients had dealt in 4,436,734 shares on NSE during the period from February 20, 2008 (listing date of the scrip) till February 28, 2009. This constituted 6.01% of NSE gross traded quantity of 73,804,742 shares during the relevant period. The data obtained from NSE showed that in the scrip of SPSL, the month-wise gross traded quantity of connected clients on NSE was in the range of 0.11% to 11.64% of the market gross during the period from January 2007 to February 2009. Thus, connected

clients did not appear to have significant trading concentration on NSE in the scrips of Bang and SPSL. Therefore, the dealings by connected clients on NSE in the scrips of Bang and SPSL were not taken up for examination.

14. Trading data of connected clients on BSE in the shares of Cals, Confidence, Bang, SPSL and TFL for the period from January 2007 to February 2009 were obtained by SEBI from BSE. Transactions in dematerialized accounts of certain connected clients were obtained from National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Publicly available data such as that from Capitaline, BSE and NSE websites were also considered. A brief narration on background, financials and shareholding/promoters of the five companies namely Cals, Confidence, Bang, SPSL and TFL are respectively given in Annexures 3 to 7 to this order.

Trading Concentration:

15. The market transactions on BSE done by connected clients in the identified five scrips were taken up for examination. The period in which these connected clients appeared to have traded in a substantial manner in each of the scrips was identified and the said period is referred to as relevant period. The data revealed a significant concentration of connected clients in total market volume. A summary of data relating to trading by connected clients during the relevant period is given below:

Scrip (Period)	Volume Concentration	Total Volume (BSE)	connected clients Total Traded Volume	connected clients buy quantity	connected clients sell quantity
Cals (June 2008 to February 2009)	Number of shares	857,847,441	437,140,849	330,091,382	306,541,597
	as a % of market volume	100%	50.96%	38.48%	35.73%
Confidence (January)	Number of	152,732,567	63,276,188	35,449,213	49,932,506

Scrip (Period)	Volume Concentration	Total Volume (BSE)	connected clients Total Traded Volume	connected clients buy quantity	connected clients sell quantity
2008 to February 2009)	shares				
	as a % of total volume	100%	41.43%	23.21%	32.69%
Bang (March 2008 to February 2009)	Number of shares	26,570,064	15,237,202	11,448,495	10,832,221
	as a % of total volume	100%	57.34 %	43.11 %	40.78 %
SPSL (October 2007 to February 2008)	Number of shares	35,303,335	16,577,718	10,644,245	9,202,788
	as a % of total volume	100%	46.96%	30.15%	26.07%
TFL (August 2007 to February 2009)	Number of shares	23,068,520	9,654,996	5,388,533	6,323,928
	as a % of total volume	100%	41.85%	23.36%	27.41%

16. From the above data, it may be seen that connected clients had substantial trading concentration ranging from 41.85% (in TFL) to 57.35 % (in Bang). They had done substantial buying as well as selling. As discussed in the later part of this order, a substantial portion of the above trades done by connected clients were amongst themselves i.e. they were buying and selling shares amongst themselves thereby contributing to the increase in market traded volume. Many of the trades amongst connected clients were synchronized in nature. As can be seen from narrations in the later part of this order, connected clients were executing off-market transactions to assist each other in meeting their market delivery obligations. The apparent absence of an economic rationale for such trades between these connected clients is another aspect that raises doubts about their activities and possible

motives.

Increase in Market Traded Volume consequent to dealings of connected clients:

17. It has also been observed that there has been a rise in number of shares traded on BSE in the identified five scrips after connected clients started trading. The monthly data of market volume on BSE and concentration of trading by connected clients in the scrips of Cals, Confidence, Bang, SPSL and TFL is given in Tables 2 to 6 respectively annexed to this order. Also a comparison of market volume before connected clients started trading in the concerned scrip and after connected clients started trading in the scrip is given for the scrips of Cals, Confidence, SPSL and TFL as before–after comparison. In the case of Bang, the trades of connected clients are noticed over the entire trading period commencing from immediately after listing till February 2009. Therefore, it was not possible to do a similar before-after comparison in respect of trading in the shares of Bang. From the month-wise trading concentration of connected clients as given in Table 4 annexed to this order, it is seen that during the months of October 2008 and November 2008, the trades by connected clients constituted as much as 95.89% and 99.91% of the trades on BSE in the scrip of Bang. In other words, other than the trading by connected clients in Bang shares during the above two months, there was no significant trading interest in the scrip.

18. From Table 2, it can be seen that connected clients started trading in shares of Cals from May 27, 2008, before which there was no trade by them in this scrip from January 1, 2007. From the monthly data of volume of Cals shares traded on BSE, as given at Table 2, it can be observed that the market traded volume increased from 560,300 shares (January 2008 – April 2008) to 95,316,382 shares (June 2008 – February 2009) i.e. a multiple of about 170 times. Since the stock of Cals got split into 10:1 on May 30, 2008 (the exchange trading post split was effective from trade date of May 28,

2008) the number of shares traded post-split could logically be about 10 times more than the traded volume during pre-split period. But in the case of Cals, the traded volume went up by 170 times. As seen from the data, during the period of increase in market volume, the trading concentration of connected clients in the scrip was more than 50%. The data on average monthly market turnover and number of trades before the connected clients started trading and while they were trading in the scrip of Cals is given in Table 2. Normally 10:1 stock split may result in increase in traded volume on the exchange; however, post-split, one may not expect significant increase in number of trades as well as the turnover, since the price of the scrip declines roughly in proportion to the stock split. In the case of Cals, the price of the scrip declined from Rs. 58.60 (closing price on –May 27, 2008 – pre split) to Rs. 6.10 (closing price on May 28, 2008 – post split). Some small increase in number of trades can be attributed to the greater number of shares available for trading. However, on comparison of the exchange trade data for the period when the connected clients were dealing with the trade data for the period prior to their dealings, it is seen that there is an increase of about eight times in the number of trades and a five fold increase in the turnover (i.e. traded value). This leads to the inference that the connected clients did contribute to the significant increase in trading in the scrip.

19. Similar observations of increased traded volume during the period of dealings by connected clients were made in the scrips of Confidence, SPSL and TFL. In the scrip of Confidence, it is seen that during January–December 2007 (period I) the average monthly traded volume on BSE was 5,252,464 shares out of which connected clients contributed 320,204 shares. During January 2008–February 2009 (period II), the average monthly traded volume on BSE increased to 10,909,469 shares out of which connected clients contributed 4,525,728 shares. On comparing period I trade data with period II trade data, it is seen that the average traded volume on BSE increased by 5,657,005 shares (i.e. 10,909,469 minus 5,252,464). From period I to period II, the average traded volume of connected clients

increased by 4,205,524 shares (i.e. 4,525,728 minus 320,204). Thus, it can be seen that 75% of the increase in BSE traded volume came about because of increase in traded volumes by connected clients during the same period. It is also seen that the trades of the connected clients constituted as much as 41.48% of the total traded quantity on BSE during the period January 2008 – February 2009 (period II). Thus, it can be inferred that the trades of connected clients trades contributed to the significant increase in BSE traded quantity in the scrip of Confidence.

20. In the scrip of SPSL, it is seen that during January 2007 to August 2007, when connected clients contributed an average monthly volume of 750 shares, the BSE average monthly traded volume was 3,129,088 shares. Thereafter, during September 2007 to February 2008, the average monthly volume contributed by the connected clients increased to 3,023,651 shares while the BSE traded volume increased to 7,544,070 shares i.e. when average volume of the connected clients increased by 3,022,901 shares (3,023,651 minus 750), the average volume of BSE increased by 4,414,982 shares (7,544,070 minus 3,129,088). In other words, as much as 68% (3,022,901 divided by 4,414,982) of the increase in market volume was contributed by connected clients. Thus, it can be seen that the trading by connected clients had contributed to the increase in market traded volume. This view is supported by the fact that during the subsequent period from March 2008 to February 2009, when average traded volume of connected clients decreased by 2,853,055 shares (3,023,651 minus 170,596), BSE's average traded volume in the scrip decreased by 5,595,397 shares (7,544,070 minus 1,948,673). This shows that following the reduction in the trading of connected clients in the scrip of SPSL, there was decrease in trading interest in the scrip. In other words, it was the trades of connected clients which were shoring up the market traded volume in the scrip of SPSL.

21. In the scrip of TFL, it is seen that during the period from March 2007 to July 2007 (when connected clients did not have significant trading

volume), the average monthly traded quantity of shares of TFL on BSE was 71,580 shares whereas, during August 2007 to February 2009, the average monthly market traded quantity increased to 1,214,133 shares. Thus, there was a 17 times increase in average monthly market traded quantity when connected clients were trading in the scrip. Out of the average monthly market traded quantity of 1,214,133 shares during August 2007–February 2009, as much as 508,158 shares (constituting 41.85% of market quantity) were contributed by connected clients. In the months of October 2007 and February 2008, connected clients had contributed to more than 90% of the market traded quantity. Thus, it is *prima facie* seen that during the said two months i.e. October 2007 and February 2008, there was negligible trading interest in the scrip of TFL other than the trades executed by connected clients.

Concentration of Trading among few connected clients:

22. Entity-wise buy and sell by connected clients during the relevant period is given at Tables 7-11 (annexed to this order) in the scrips of Cals, Confidence, Bang, SPSL and TFL respectively. In the scrips of Cals, Confidence and Bang, it is seen that the top three buy clients out of the connected clients were MSL, CFSPL and KLFPL. Their total buy constituted as much as 69.34%, 68.42% and 73.69% of the buy of connected clients in the three scrips respectively. In the scrips of Cals, Confidence and Bang, the top three sell clients out of the connected clients were also the same i.e., MSL, CFSPL and KLFPL. Their total sell constituted as much as 71.80%, 58.11% and 71.38% of the sell of connected clients in the three scrips respectively.

23. In the scrip of SPSL, the top three buyers as well as top three sellers, among the connected clients were MSL, Beejay and CFSPL. Their total buy constituted as much as 76.30% and their total sell constituted as much as 83.54% in the scrip of SPSL.

24. In the scrips of TFL, the top three buyers as well as top three sellers,

among the connected clients were Beejay (as given in Sl. No. 9 of Table I of this order), Mr. Sudhir Jain and Eversight (as given in Sl. No. 8 of Table I of this order). Their total buy constituted as much as 64.40% and their total sell constituted as much as 57.20%, in the scrip of TFL.

25. From the above, it is seen that while the connected clients were acting together as a group, MSL, CFSPL, KLFPL, Beejay, Mr. Sudhir Jain and Eversight were involved in bulk of market trading and volume creation while other connected clients also played their role albeit to a lesser extent. For instance, Stupendors bought and sold 1,000,000 shares each of Confidence, as mentioned in Table 8. Similarly, it had bought and sold 153485 and 412230 shares of Bang and it had bought and sold 3211 and 8056 shares of SPSL as given in Tables 9 and 10 respectively.

26. Alosha bought and sold 1,250,000 shares each of Confidence, bought and sold 25000 shares each of Bang, bought 590,252 shares and sold 326,110 shares of SPSL, bought 68,850 and sold 568,850 shares of TFL as indicated in Tables 8, 9, 10 and 11 respectively. Ms. Surabhi Jain bought 83,650 shares and sold 50,000 shares of Bang, bought 33,049 shares and sold 233,049 shares of TFL as mentioned in Tables 9 and 11 respectively. Ms Samata Jain bought 20,000 shares and sold 35,000 shares of SPSL, bought 165,381 shares and sold 360,457 shares of TFL as given in Tables 10 and 11 respectively.

Observations regarding undertaking of market sales without corresponding market purchase:

27. It is seen from the entity-wise buy and sell data given in Tables 7 to 11 that in many instances, certain connected clients had only sold shares on BSE without there being corresponding market purchases. HSM (in the scrip of Cals, Confidence and TFL), VSB, as given in sr. no. 19 in Table I (in the scrip of Confidence), Mr. Sudhir Jain (in the scrip of Confidence), Rakhi Trading Private Limited (in the scrip of TFL) and SFSPL (in the scrip of TFL) are those entities who had sold the shares without making any market

purchases. It is seen that the connected clients that had done market sales without any market purchases were able to meet their market delivery obligations through off-market receipt of shares from other connected clients. i.e. one connected client transferred shares off-market to another connected client which in turn sold these shares on BSE. This enabled certain connected clients to make market sales without making corresponding market purchases. This shows that the connected clients were accommodating each other in their common objective of creating artificial trading volume in the scrips. It also appears that some of the connected clients (say client "a"), which made such off-market transfers, did not want to alert the market/stock exchange/regulator by directly dealing in the market. Towards this end, the market trades were executed in the names of other connected clients (say client "b"), which did not even have adequate shares in their demat accounts for meeting their market sale delivery obligations; client "a" then made shares available to client "b" through off-market transfer and client "b" delivered the shares to the stock broker/clearing house to meet the delivery obligations.

28. For instance, HSM has sold 2,232,058 shares of Cals in the market during the given period and has not made any purchases. From the demat a/c statements of KLFPL (client ID: 10020194) and CFSPL (client ID: 10009584) held with the Depository Participant viz. Indsec Sec. Fin. Limited [IN300062], it is seen that HSM received shares of Cals through off market transfer from KLFPL (1,000,000 shares) and CFSPL (1,475,000 shares). These dematerialized accounts transactions have been narrated in detail later in this order. Therefore, it appears that the Cals shares that HSM sold on BSE were from the shares it received through off-market transactions from CFSPL and KLFPL.

29. In the scrip of Confidence, it is seen that HSM, VSB and Mr. Sudhir Jain had not made any market purchase of Confidence shares during the relevant period whereas they made net sales of 10,501,025 shares of

Confidence on BSE during the relevant period. Off-market transfers from other connected clients enabled HSM, VSB and Mr. Sudhir Jain to meet the delivery obligations arising from their market sales.

30. Likewise, in the scrip of TFL, HSM sold 32,000 shares on BSE while it did not make any purchase on BSE. It managed to meet its delivery obligations through off-market receipt of shares from CFSPL (12,000 shares on January 09, 2008), Acme, as given in Sl. No. 7 in Table I, (10,000 shares on November 08, 2008) and JIPL (10,000 shares on November 06, 2008).

31. Thus, it is seen that certain connected clients were transferring shares off-market to other connected clients in order to assist them in meeting their market delivery obligations. This would show the nexus amongst the connected clients and further indicates that they were acting together for a common purpose. It is also possible that they were all acting on behalf of one or more market operators playing their role in their scheme of creating artificial trading volume in different scrips.

Counterparty Concentration:

32. The counterparties of the top three connected clients in terms of buy quantity and sell quantity were examined and the data is given at Tables 12 to 16 (annexed to this order). From the data, it is seen that connected clients had largely dealt with other connected clients in the market i.e. the top three connected clients in terms of buy as well as sell quantities on BSE had largely bought/sold the shares from/to other connected clients.

33. For instance, in the scrip of Cals, MSL had bought 25,298,517 shares representing more than 30% of MSL's purchases from CFSPL and Acme. CFSPL had bought 29,768,045 shares representing more than 38% of purchases from KLFPL and MSL. KLFPL had purchased 47,624,868 shares from CFSPL, MSL and JIPL. This represented as much as 68.75% of KLFPL's total buy (69,274,296 shares) during the relevant period. It may also be mentioned that as much as 56.32% of KLFPL's purchases from

other connected clients were purchased through synchronized deals i.e. the time gap between the placement of buy order by KLFPL and sell order by other connected clients was less than 60 seconds. Similar observations are made in respect of Cals shares sold by connected clients i.e. the sales made by connected clients largely matched with the purchases made by other connected clients. For instance, out of 82,858,622 shares sold by MSL, 45,371,763 shares representing about 55% of MSL's sales were purchased by other connected clients namely KLFPL, CFSPL and Acme. For as much as 44.25% of these trades, the time gap between the placement of sell order by MSL and buy order by other connected clients was less than 60 seconds. Similarly out of 71,047,350 shares sold by CFSPL as much as 43,027,195 shares (60.56%) were bought by KLFPL, MSL and JIPL. For as much as 38.83% of these trades, the time gap between the placement of sell order by CFSPL and buy order by other connected clients was less than 60 seconds.

34. Similarly in the scrip of Confidence, MSL had bought 13,294,131 shares during the relevant period. Out of this as much as 5,667,121 shares representing about 43% of MSL's buy were bought from CFSPL, JIPL and Acme. In as much as 56.13% of these trades, the time gap between the placement of buy orders by MSL and sell orders by other connected clients was less than 60 seconds. CFSPL, which bought 5,275,588 shares of Confidence during the relevant period, had purchased as many as 3,819,313 shares representing over 72% of its purchases from MSL, Acme and KLFPL. In as much as 63.13% of CFSPL's purchases from other connected clients, the time gap between the placement of buy order by CFSPL and sell order by other connected clients was less than 60 seconds. Similar observations are made in respect of Confidence shares sold by connected clients i.e. the sales made by connected clients largely matched with the purchases made by other connected clients. For instance, out of 13,715,400 shares of Confidence sold by MSL, 6,379,565 shares representing about 47% of MSL's sales were purchased by other connected clients namely KLFPL, CFSPL and JIPL. In as much as 29.66% of these trades, the time gap

between the placement of sell order by MSL and buy order by other connected clients was less than 60 seconds. A similar pattern of trades was also observed in the scrip of Bang where the time gap between the placing buy and corresponding sell orders was negligible (within 60 seconds).

35. Thus, from the examination of counterparty concentration of dealings of connected clients, it is *prima facie* seen that connected clients had largely dealt amongst themselves. In other words, they not only had contributed to substantial trading in the market but had managed to execute market deals amongst themselves by placing buy and sell orders within a time gap of 60 seconds. The stock exchanges have put in place an anonymous order matching system based on price time priority to ensure that all investors have equal chance of getting their trades executed at the best possible price. The kind of trading pattern of the connected clients, as narrated above, defeats the very purpose for which the anonymous order matching system has been put in place by the stock exchanges.

Synchronized Trading by the connected clients:

36. The synchronized trades in the five scrips executed by connected clients for the relevant period are given in the Tables 17-21, annexed to this order. In all these trades, buy and sell order quantities and buy and sell order rates were the same. The orders had perfectly matched and time difference between the placement of buy and sell orders was less than 60 seconds. In all the synchronized trades, connected clients were appearing simultaneously on both sides of the trade i.e. in every trade one connected client was acting as buyer while another connected client was acting as seller.

37. In the scrip of Cals, during the period from June 2008–February 2009, there were 50 synchronised trades amongst connected clients involving 1,77,59,435 shares. In the scrip of Confidence, during the period from January 01, 2008 to February 28, 2009, there were 44 trades amongst connected clients involving 3,121,258 shares. In the scrip of Bang, during

the period from February 20, 2008 (listing date) to February 28, 2009, there were 62 trades amongst connected clients involving 869136 shares. In the scrip of SPSL, during the period from October 2007 to February 2008, there were 19 trades amongst connected clients involving 297059 shares. In the scrip of TFL, during the period from August 2007 to February 2009, there were 80 trades amongst connected clients involving 6,05,914 shares.

38. From the data available on record, it is seen that connected clients had executed 255 synchronised deals amongst themselves in the shares of Cals, Confidence, Bang, SPSL and TFL. It would be a ground for suspecting the motives, when a set of connected entities attempt to trade among themselves in single scrip. In the present case, a set of connected entities had executed hundreds of synchronized deals in five different scrips, also trading substantially. The motives for their said act could be that the connected clients attempted to create artificial trading volumes in the shares of the said companies.

Preferential allotment made by Confidence to KLFPL:

39. From the data furnished by Choksh Infotech Limited, the Registrar and Share Transfer Agent of Confidence, it is seen that KLFPL was issued 21,950,000 warrants (convertible to shares) of Confidence on December 28, 2006. The warrants were converted to equity shares on June 13, 2007. The Lock-in Release date of the shares was on December 29, 2007. It is observed that KLFPL had dematerialized those shares and transferred the same through off-market transactions to various connected clients. The said transactions have been described later in this order.

Observations on dematerialized accounts transactions/off-market transactions:

40. Keeping in view that some of the connected clients had dealt in substantial quantities in different scrips, SEBI obtained from depositories, the dematerialized account transaction statement of some of the connected

clients. The said dematerialized account transaction statements of some of the connected clients revealed that there were numerous off-market transactions amongst the connected clients. The off-market transactions involving the connected clients have been pictorially represented at Charts 2 to 8 annexed to this order. Some of the salient observations emerging from the demat account data are narrated below.

A. Off Market Transactions in Cals and Confidence shares:

41. From a perusal of the NSDL demat account transaction statement of MSL (client ID: 10007855) held with the depository participant, Indsec Sec. Fin Ltd. [IN300062] for the period from January 01, 2007 to November 15, 2008 the following observations are made:

- a) On October 23, 2008, MSL received 5,000,000 shares of Cals from JIPL (Indsec Sec. Fin. Ltd./ 10012619) through off-market transfer. MSL used these shares to meet its delivery obligation. (Clearing Member- Lalkar Securities Private Limited Rolling Market Lot / 0809142).
- b) Immediately thereafter, MSL bought Cals shares from the market to the tune of 5,000,000 shares across four trading days. It is seen from the demat account that there was receipt of 1,626,993 shares, 993,605 shares, 761,060 shares and 1,779,511 shares on October 24, November 04, November 06 and November 7, 2008 respectively. MSL returned the same number of shares to JIPL on the respective dates of receipt from the market, by using off-market mode, as pictorially represented in the Chart-2.
- c) On April 03, 2008, MSL transferred 350,000 shares of Confidence to Mr. Ashok Kumar Jain (CDSL Client Id: 1203840000455490) through off-market transaction, as represented in Chart-3.
- d) On July 04, 2008, MSL transferred 280,000 shares of Confidence to Mr. Sudhir Jain (Client id Shree Bahubali Int. Limited/

10115352) through off-market transaction. On July 28, 2008 MSL received all 280,000 shares back from Mr. Sudhir Jain through off-market transaction.

- e) On October 23, 2008, MSL received 274,716 shares of Confidence from KLFPL (Indsec Sec. Fin. Limited/10020194) through off-market transaction. Pursuant to the receipt of the said shares, the demat account balance in MSL's account became 442,928 shares. It is seen that on the same day i.e. October 23, 2008, MSL had used the 442,928 shares to meet its market sale obligations (as seen from demat account narration: To Clearing Member- Lalkar Securities Pvt. Limited, Rolling Market Lot/ 0809142). Thus, it is seen that off-market transfer from KLFPL to MSL, enabled MSL to meet its market sale obligations. In other words, MSL had received Confidence shares through off-market transaction from KLFPL and sold the same in the market.
- f) On November 04, 2008 MSL received through off-market transaction, 143,481 shares and 68,374 shares of Confidence from KLFPL (Indsec Sec. Fin. Limited/10020194) and Acme (DP/Client ID: Indsec Sec. Fin. Ltd/10018038) respectively. Pursuant to the above off-market receipt of Confidence shares from KLFPL and Acme, the demat account balance of MSL became 212,000 shares (prior to the above receipt, the balance in MSL's account was only 145 shares). It is seen that MSL had used these 212,000 shares to meet its market sale obligations (as seen from demat account narration: To Clearing Member - Lalkar Securities Pvt. Limited, Rolling Market Lot / 0809148).

42. From the perusal of the NSDL demat account transaction statement of KLFPL (Client ID: 10020194) held with DP Indsec Sec. Fin. Limited [IN300062] for the period from January 01, 2007 to November 15, 2008 following observations are made:

- a) On October 24, 2008, KLFPL transferred 1,000,000 shares of Cals to HSM (1202990005216628). It is seen from HSM demat account (CDSL/1202990005216628) transaction statement that HSM used these shares for delivery in the market.
- b) On December 13, 2007, KLFPL dematerialized 9,450,000 shares of Confidence. On January 17, 2008, KLFPL made off-market transfer of 4,000,000 shares of Confidence to HSM (CDSL id 1202990005570138). On January 23, 2008 KLFPL dematerialized 7,500,000 shares of Confidence. On January 24, 2008 KLFPL made off-market transfer of 5,00,000 shares of Confidence to Peanence (CDSL ID 1202990003661752) and again on the same day made off-market transfer of 2,000,000 shares to Rakhi Trading Private Limited (CDSL ID 1202990001935582). On January 28, 2008, KLFPL made off-market transfer of 2,500,000 shares of Confidence to Mr. Sudhir Jain (Shree Bahubali Int. Limited / 10115352). Between January 29, 2008 and February 13, 2008, KLFPL made off-market transfer of 300,000 shares of Confidence to VSB (having its address at, B-400, III Floor, Nehru Ground, N I T Faridabad–121001). VSB's demat account having client ID: 10001330 was held with DP Religare Securities Limited.
- c) On January 30, 2008 and February 13, 2008 KLFPL again transferred 100,000 shares on each day to VSB (Religare Securities Ltd. / 10001330). On May 12, 2008 KLFPL again dematerialized 2,500,000 shares of Confidence. On July 02, 2008 KLFPL transferred 300,000 shares to Mr. Ashok Kumar Jain (1203840000455490). On July 04, 2008 KLFPL transferred 330,000 shares to Mr. Sudhir Jain which were received back from him on July 28, 2008. On October 23, 2008 and November 04, 2008 KLFPL transferred 274,716 shares

and 143,481 shares respectively to MSL.

- d) On November 28, 2008, KLFPL made off market transfers of 2,000,000 shares of Cals to Chimming (Indsec/10020137).

43. From a perusal of the CDSL demat account transaction statement of KLFPL (client ID : 1202990005482592 DP: Indiabulls Securities Limited) for the period from January 01, 2007 to November 15, 2008 following observations are made:

It is observed that on January 4, 2008, KLFPL had transferred 2,500,000 shares of Confidence from its NSDL account (DP ID: IN300062 Client ID: 10020194) to its subject CDSL account (ID: 1202990005482592). Further, it had dematted 2,500,000 physical shares of Confidence on January 8, 2008. In this context, it may be recalled that KLFPL had been issued warrants by the company which were converted to shares on June 13, 2007 and the lock-in of these shares was released on December 29, 2007. It is seen that KLFPL had made off-market transfer of these 5,000,000 shares (2,500,000 + 2,500,000) to various entities. SEBI requested CDSL to report on the movement of those shares from the account of KLFPL. Based on the reply furnished by CDSL, the transactions amongst the concerned entities are pictorially represented as Chart 4.

44. From the perusal of the NSDL demat account transaction statement of CFSPL (client ID : 10009584) held with DP Indsec Sec. Fin. Limited [IN300062] for the period from January 01, 2007 to November 15, 2008 following observations are made:

On July 15, 2008 and Oct 07, 2008 CFSPL transferred respectively 800,000 and 675,000 shares of Cals to HSM (CDSL / 1202990005216628), as given in Chart 5. It is seen

from HSM demat account (CDSL/1202990005216628) transaction statement that HSM used these shares for delivery in the market.

B. Off Market Transactions in Bang, SPSL and TFL shares:

45. On March 17, 2008, 50,000 shares of Bang were transferred by MSL (DP Indsec Sec. & Fin. Limited/10007855) to Mr. Sudhir Jain (DP Shree Bahubali Int. Limited/10115352) through off-market transaction, as given in Chart 6. On the same day, MSL (CDSL Client ID: 12022000 00014837) transferred another 250,000 shares of Bang from its CDSL demat account to the said NSDL demat account of Mr. Sudhir Jain through off-market transaction. Thus, on March 17, 2008, MSL had transferred 300,000 shares to Mr. Sudhir Jain. On March 19, 2008, Mr. Sudhir Jain transferred all these 3,00,000 shares to Religare Securities Ltd (DP Religare Securities Ltd / 10000167), probably to meet his delivery obligations to the stock broker. Thus, it appears that MSL had enabled Mr. Sudhir Jain to meet his market delivery obligations by giving its shares to Mr. Sudhir Jain through off-market transactions.

46. On March 28, 2008, CFSPL (DP Indsec Sec. & Fin. Limited/10009584) transferred 90,000 shares of Bang to HSM (Client ID 12029900 05216628). Prior to the said receipt, there were no Bang shares in the demat account of HSM. It is seen that HSM sold these shares in the market as seen from the dematerialized account transaction dated June 12, 2008.

47. On June 24, 2008, 1,045 shares of Bang were transferred by MSL (DP Indsec Sec. & Fin. Limited /10007855) to JIPL (DP Indsec Sec. & Fin. Limited/10012619). Prior to the receipt there were no Bang shares in the demat account of JIPL. It is seen that JIPL had transferred these shares to 'M R Share Broking Pvt Limited MRSBPL-PRINCIPAL A/C' [AACCM8677J] (Client ID 1202690000000315) to meet its delivery obligations to the stock broker. Thus, it appears that off-market transfer was made by MSL to enable

JIPL to meet its market delivery obligations.

48. On July 2, 2008, JIPL (DP Indsec Sec. & Fin. Limited/10012619) made off-market transfer of 990 shares of Bang to MSL (DP Indsec Sec. & Fin. Limited /10007855). Further, on July 7, 2008, JIPL (DP Indsec Sec. & Fin. Limited/10012619) made further off-market transfer of 55 shares to MSL (DP Indsec Sec. & Fin. Limited /10007855). Thus, JIPL transferred 1045 shares of Bang to MSL which apparently is the return of shares earlier lent by MSL to JIPL on June 24, 2008.

49. On July 3, 2008, CFSPL (DP Indsec Sec. & Fin. Limited/10009584) made off-market transfer of 20,000 shares of Bang to HSM (DP Indsec Sec. & Fin. Limited/10012601). On the same day, 25,000 shares were transferred by KLFPL (DP Indsec Sec. & Fin. Limited/10020194) to HSM (DP Indsec Sec. & Fin. Limited/10012601).

50. On August 19, 2008, MSL (DP Indsec Sec. & Fin. Limited/10007855) made off-market transfer of 15,000 shares of Bang to HSM (client id: 12029900 05216628). On the same date, Acme (DP/Client ID: Indsec Sec. Fin. Ltd/10018038) made off-market transfer of 10,000 shares of Bang to HSM. Pursuant to the receipt of above 25,000 shares (15000+10000), there were 75,000 shares of Bang in HSM's demat account (Client ID: 12029900 05216628). HSM used these shares to make market deliveries on various dates from August 19, 2008 to January 23, 2009.

51. On November 14, 2008, JIPL (DP Indsec Sec. & Fin. Limited/10012619) made off-market transfer of 21,000 shares of Bang to CFSPL (DP Indsec Sec. & Fin. Limited/10009584). It is seen that prior to the above receipt, the balance of Bang shares in CFSPL's demat account was Nil. It is seen that CFSPL had used these shares to make market delivery (CM Lalkar Securities Pvt. Ltd., Rolling Mkt Lot / 0809156). Thus, it appears that off-market transfer from JIPL enabled CFSPL to meet its market sale delivery obligations.

52. It is seen that on October 7, 2008 and November 5, 2008, JIPL made off-market transfer of 10,000 shares and 6000 shares of Bang respectively to Mr. Ravikant Choudhary (IL&FS/10135335) and Mr. Shyam Sundar Shah (Shree Bahubali/10163392).

53. On April 25, 2008, MSL (Indsec/10007855) made off market transfers of 30000 shares of Bang to Amar (Religare/10001235) as given in Chart 6.

54. On November 8, 2007, MSL made off-market transfer of 24000 shares of SPSL to HSM and on February 5, 2008, HSM returned the shares to MSL, as given in Chart 7. Similarly on January 30, 2008, CFSPL made off-market transfer of 70000 shares of SPSL to Mr. Sudhir Jain and on February 6, 2008, Mr. Sudhir Jain returned the shares to CFSPL.

55. On January 01, 2008, CFSPL made off-market transfer of 41,000 shares of SPSL to HSM and on February 05, 2008, CFSPL received back the shares from HSM through off-market transfer.

56. On January 9, 2008, CFSPL (NSDL Client ID: 10009584 DP: IndSec Securities & Fin. Limited) made off-market transfer of 12,000 shares of TFL to HSM (CDSL Client ID: 12029900 05216628), as given in Chart 8. It is seen from HSM's demat account statement that prior to the receipt, there were no TFL shares in the demat account. On March 13, 2008, HSM used these shares to make delivery on BSE.

57. On July 2, 2008, CFSPL (NSDL Client ID: 10009584 DP: IndSec Securities & Fin. Limited) received 100,000 shares of TFL from Venture (12012200 00010886). On July 4, 2008, CFSPL returned 100,000 shares of TFL to Venture (12012200 00010886). It may be mentioned that Venture is the promoter of TFL and was holding 37.76% (9,492,662 shares) as on September 30, 2008.

58. From a perusal of Venture's demat account statement (ID: 12012200 00010886), it is seen that on December 8, 2008, Venture made off-market transfer of 310,000 shares of TFL to SFSPL (DP: Indsec Sec. & Fin. Limited/

10018368). On December 18, 2008 and December 30, 2008, Venture received back 10,000 shares and 40,000 shares respectively from SFSPL. Further on April 25, 2009, Venture received back a further 60,000 shares from SFSPL.

59. On November 6, 2008, JIPL made off-market transfer of 10,000 shares of TFL to HSM (CDSL Client ID: 12029900 05216628). On November 8, 2008 Acme (DP/Client ID: Indsec Sec. Fin. Ltd/10018038) made off-market transfer of 10,000 shares of TFL to HSML. Prior to the receipt of 20,000 shares as above, there were no TFL shares in HSM's demat account. From HSM's demat account it is seen that HSM used these 20,000 shares to make market deliveries on various dates from November 21, 2008 to December 12, 2008.

60. From the CDSL demat account ID: 12020000 00175983 of Rakhi Trading Private Limited, it is seen that, on October 23, 2007, the said entity had received 100,000 shares of TFL from Peanance (1202000000174688). It is seen that on the same day Rakhi had transferred these 100,000 shares to its CDSL demat account (ID: 12029900 01935582). Thereafter, during the period from February 13 – 29, 2008, Rakhi had sold 76815 shares on BSE. It is seen from the demat account statement that on March 3, 2008, Rakhi had returned the balance 23,185 shares to Peanance (ID: 1202990003661752).

61. From the above narration, it is seen that based on data furnished by NSDL and CDSL, various off-market transactions were observed involving connected clients. There were many instances where one connected client made off-market transfer to another connected client to enable the recipient to meet its market sale delivery obligations. For the purpose of this exercise, off-market transactions of connected clients with stock brokers have not been reckoned here, as such transactions could be towards meeting their market obligations or for availing margin funding purposes.

Calculation of Profit/Loss by connected clients:

62. The calculation of Profit/Loss made by connected clients on account of their dealings in the identified five scrips is given at Table 22-26 annexed to this order. From the data, it is seen that connected clients made loss of Rs. 36,840,348.63, Rs. 76,470,761.48 and Rs. 46,849,241.44 on account of their dealings in the scrips of Cals, SPSL and TFL, respectively. The connected clients had made a profit of Rs. 4,201,774.34 and Rs. 47,245,144.84 respectively on account of their dealings in the scrips of Confidence and Bang. Only market transactions have been reckoned for profit calculations as in the case of off-market transactions, the price of purchase / sale is not known. The profits (or losses) made by connected clients on account of their market dealings have not been reckoned in cases where they have only either bought or sold shares.

63. It may be seen from the calculations that the connected clients made substantial losses on account of their dealings in the scrips of Cals, SPSL and TFL. Despite having made such losses, the connected clients continued to deal in substantial quantities in the scrips. In fact, as noted earlier, a large part of their trades were inter-se in nature. Hence, their transactions in securities appear to be devoid of economic rationale. That they continued to execute such uneconomic transactions indicates that they possibly had alternative pay-offs outside the securities market. In addition, they would have also paid reduced income tax on account of the set off of the losses incurred in their dealings in the scrips of Cals, SPSL and TFL.

Dealings of Chimanlal Maneklal Securities Pvt. Ltd. with connected clients in the shares of Cals:

64. While examining the trade log of connected clients in Cals, as furnished by BSE, SEBI noticed that Chimanlal Maneklal Securities Pvt. Ltd. (CMSPL), which is a member of BSE (clearing no: 112) had dealt as a client through the stock brokers Krishvi Securities Pvt. Ltd. M/s. Chandravadan J. Dalal and Religare Securities Ltd. It was observed that CMSPL had

executed numerous deals with the connected clients and the details of trades are given as Table 27, annexed to this order. From the trade data, it is seen that there were a total of 69 trades in which CMSPL dealt as a client itself with connected clients. Through these trades, CMSPL bought 433,116 shares valuing Rs.7,64,292/- from various connected clients including Acme, Amar, CFSPL, KLFPL and MSL. It may be mentioned that all the above connected clients sold Cals shares through CMSPL and on the counterparty side, CMSPL was dealing as buying client through the aforesaid three brokers.

65. CMSPL sold 107,561 shares valuing Rs. 4,55,954 to the CFSPL, JIPL, KLFPL, MSL and Rakhi. In all the above trades, CMSPL was selling to connected clients through its proprietary account.

66. Vide circular SEBI/MIRSD//Cir-06/2004 dated January 13, 2004, SEBI, *inter alia*, stipulated that

“3.1 A stock broker/ sub broker of an exchange cannot deal with brokers/sub brokers of the same exchange either for proprietary trading or for trading on behalf of clients, except with the prior permission of the exchange. The stock exchanges while giving such permission, shall consider the reasons stated by the brokers/sub brokers for dealing with brokers/sub brokers of the same exchange and after carrying out due diligence allow such brokers/sub brokers to deal with only one stock broker/sub broker of the same exchange.

3.2 A stock broker/sub broker of an exchange can deal with only one broker/sub broker of another exchange for proprietary trading after intimating the names of such stock broker/sub broker to his parent stock exchange.”

67. It is understood from BSE that no permission was granted to CMSPL for it to deal through the aforesaid stock brokers. Therefore, the dealing of CMSPL appears to be in violation of the above SEBI circular.

Dealings in its own shares by TFL:

68. From SFSPL's demat account (Indsec Sec. Fin Ltd. / 10018368), it is

seen that on December 10, 2008, SFSPL had made off-market transfer of 200,000 shares of TFL to a Beneficial Owner account (DP Centurion Bank of Punjab Ltd./10863588). The data furnished by NSDL shows that the beneficial owner of the Demat account is TFL. Thus, it appears that TFL has acquired 200,000 shares of its own company through off-market transfer from SFSPL. The demat account statement of TFL (DP Centurion Bank of Punjab Ltd. / 10863588) was examined. It was observed that TFL had sold 200,000 shares of TFL received through off-market transfer from SFSPL on BSE through the stock broker Shriram Insight Share Brokers Ltd. (Settlement no: 0809172). The demat delivery date for the sale is same as the date of off-market receipt i.e. December 10, 2008. Further it appears that during the period from December 16, 2008 to January 20, 2009, TFL received 350,000 shares through off-market transfer from Venture (Client ID: 12012200 00010886) and TFL sold these shares in the market through the stock broker Shriram Insight Share Brokers Ltd. Thereafter, it appears that TFL purchased 450,000 shares of TFL on BSE through the same stock broker and transferred these shares off-market to Venture. Whether the above transactions by TFL are in compliance with the provisions of the Companies Act, 1956, needs to be taken up during the course of formal investigations that has already been initiated by SEBI.

Examination of Telephone Records:

69. The telephone records of the connected clients were examined to identify linkages, if any. The call records of the mobile numbers of connected clients {as available on Uniform Client Code (UCC) records of BSE} were sought and obtained from the concerned telecom service providers. Based on the data furnished by the service providers, it is seen that there were numerous telephone calls made between connected clients during the period from May 2008 till May 11, 2009. A summary of the telephone calls is given at Table 28 annexed to this order.

70. From the telephone records, it is seen that some of the connected

clients had multiple mobile numbers. For instance, Ms. Surabhi Jain had two numbers viz. 9930290001 and 9930756444. While as per BSE UCC records, the mobile number 9930290001 was shown to be the number of Ms. Surabhi Jain, the data furnished by the telecom service provider showed that the mobile number was registered in the name of Dayabhai Lad. The address of Dayabhai Lad as per mobile records is 4, Unity House, Mama Parmanand Marg, Opera House, Mumbai – 400004 which is the same as that of TFL and Venture (the promoter of TFL). Further, from the disclosures of acquisition of TFL shares made by Venture to BSE, it is seen that Mr. Dayabhai Lad is the director of Venture. Thus, Ms. Surabhi Jain, a connected client had indicated to her stock broker, the mobile number registered in Dayabhai Lad's name as her mobile number. This would show the nexus between the two connected clients viz. Ms. Surabhi Jain and Venture who are residents of Kolkata and Mumbai respectively. Most of the connected clients are residing either in Kolkata or Mumbai. Ms. Surabhi Jain and Venture seem to have provided a link between the two groups.

71. It may also be mentioned that as per BSE UCC records, Ms. Surabhi Jain has another mobile number 9830855811. As per telecom service provider, this number is registered in the name of one Bluechip Capital Market Private Limited

72. As per the BSE UCC records, the telephone number of Alosha (represented by Rajendra Kumar Agarwal) is 9246206200, The address of Alosha as per UCC records is 21, Hemantbasu Sarani, Kolkata 700001. As per the data provided by the telecom service provider, it is seen that the subscriber of the telephone number 9246206200 is Sandeep Kumar Bajaj having his address as Shop No. 28, Basement Floor, Near Hardy Complex, Opp. Chermas, M.G. Road, Secunderabad– 500003. It may be mentioned that the address of MSL as per UCC records is Plot No 66, Parkview Enclave, Manovikasnagar, Secunderabad – 500009. In this context, it may be recalled that, as informed by MSL, Alosha represented by its director Mr.

Rajendra Kumar Agarwal had introduced all the preferential allottees to MSL. The fact that Alosha which is based in Kolkatta has indicated a mobile number registered in Secunderabad as its mobile number leads to the inference that possibly at least some of the trading in Alosha's account may have been ordered from Secunderabad.

73. Further, it is observed that HSM, CFSPL, KLFPL, SFSPL and Mr. Harsh Shirish Maniar have a common mobile number viz. 9820026141. HSM, CFSPL, KLFPL and SFSPL have their directors as Mr. Harsh Shrish Maniar and Mr. Jay Shrish Maniar. As per telecom records, the mobile number is registered in the name of Mr. Harsh Shrish Maniar. It is seen that calls have been made from this mobile number to Mr. Harsh Shrish Maniar (to his other number), Mr. Jay Shrish Maniar and Mr. Shirish Shantilal Maniar. If the mobile number registered in the name of Mr. Harsh Maniar was being used by him, then it is not possible that he was making calls from this mobile number (9820026141) to another mobile number registered in his name (9819520938). Therefore, it appears that either one or both the above mobile numbers (9820026141 and 9819520938) are not being used by Mr. Harsh Shirish Maniar but by some unknown person who is dealing in securities market on behalf of HSM, CFSPL, KLFPL and SFSPL. In this context, it may be appropriate to recall the association of Mr. Shirish Shantilal Maniar with Mr. Ketan Parekh, as mentioned in the earlier part of this order. It may be mentioned that SEBI vide order dated December 12, 2003 debarred Mr. Ketan Parekh and 10 of his associates from dealing in securities market for a period of 14 years and the SEBI order is in force as on date.

74. It is observed that, besides the instance of Ms. Surabhi Jain discussed above, various mobile numbers of connected clients as recorded in UCC database of BSE are in fact registered with the telecom service providers in some other name. For instance, the number 9819465402 belongs to Acme as per UCC records whereas the mobile is registered in the

name of one Akash Ganachari. Similarly, the number 9820519872 belongs to Peanance as per UCC records whereas the mobile number is registered in the name of one Sebastian Pallathusery.

75. *Prima facie*, the above discussions show that connected clients were keeping in touch with each other through telephone calls / SMS during the period (May 2008– May 2009) when they were dealing with each other in securities market in a synchronized manner and were also executing off-market transfers amongst each other to assist each other in meeting their pay-in obligations on account of their market sales.

Observations of Income Tax Department:

76. During the course of investigation by Income Tax Department into the source of funds for repayment of loan to MMCB by Mr. Ketan Parekh, it was observed that in the month of August 2008, a sum of Rs.26.43 crores was paid by Mr. Ketan Parekh group of companies to MMCB. Income Tax Department observed that there were multiple layers through which the money was transferred. The payment originated from a Ketan Parekh group company viz. KNP Securities Limited and was routed through various entities. Upon perusal of the funds flow chart prepared by Income Tax Department, it is observed that many of the connected clients named in this order appear as conduits for the funds originating from Ketan Parekh group company. The connected clients which appear in the funds flow chart include Acme, SFSPL, JIPL, CSFL, HSM, KLFPL MSL, Beejay, VSB and Chimning Trading Company Limited. The data also shows circular transactions. For instance, money which flowed from HSM were routed through multiple layers back to HSM.

77. Based on their investigations, Income Tax department made the following observations:

- a. Most of the parties claimed to have received interest free loan and immediately 'on lent' it as interest free loan to

the other party. This is highly strange and inexplicable.

- b. The parties do not have any return loan agreement.
- c. There has been multi-layering of payments to hoodwink the investigating authorities.
- d. The major entities of the group appear to be Acme, SFSP, JIPL, CFSP, HSM, Milan Mahendra Securities Pvt. Ltd., KLFPL, Investrick Securities India Pvt Limited and MSL, based on the investigation conducted regarding the payments in August 2008. Of these, JIPL and KLFPL have been found to be having running accounts with M/s Chandravadan J Dalal, stock broker.

78. Thus, it may be seen that the observations of independent and unrelated investigations by Income Tax Department appear to support the findings of SEBI that the connected clients appear to be a group acting together. It is possible that some of the funds originating from Mr. Ketan Parekh and routed to the connected clients, may have been used by connected clients to deal in securities market. The trading concentration of the connected clients in the five identified scrips during the month of August 2008 is summarized below:

Name of Scrip	connected clients Traded Volume	% concentration of connected clients volume to BSE traded Volume
Cals	49,074,718	77.68%
Confidence	298,665	7.29%
Bang	50,264	51.85%
SPSL	146,705	4.76%
Temptation	263,871	13.95%

79. It is seen from the data that in the scrips of Cals and Bang, connected clients had substantial trading concentrations in the month of August 2008, when the funds originating from a Ketan Parekh company was flowing to the connected clients.

80. There is a possibility that connected clients were acting as conduits for layering and integration of money. This view is supported by the observation of the Income Tax Department that during the month of August 2008, M/s. M R Share Brokers (at the 6th layer of payment) denied having made payments of Rs.50.00 lakhs as claimed by JIPL. Further investigation is under progress. From the above observation of Income Tax Department, it appears that JIPL had claimed that it had received Rs.50 lakhs from its stock broker whereas, in fact, the money was received by JIPL from an unknown source. Thus, it appears that connected clients were using securities market transactions as a foil to cover up their other illegal activities including layering and integration of unaccounted money.

Prima Facie Findings:

81. The above narration of dealings by connected clients, *prima facie* shows that:

- a) The connected clients had large trading concentration in terms of trading volume on BSE in the scrips of Cals, Confidence, Bang, SPSL and TFL during the relevant period.
- b) The connected clients had dealt amongst themselves on market i.e. they were buying and selling shares amongst each other thereby creating market trading volume.
- c) Some of the inter se trades of connected clients were synchronized in nature.
- d) Further, connected clients were found to be transferring shares amongst themselves through off-market transactions. Thus, it appears that they were executing synchronized deals and off market deals amongst themselves simultaneously.
- e) In certain instances, it is seen that the delivery obligations of one connected client was fulfilled by off-market borrowing of shares from

another connected client and subsequently the borrower bought back the shares from the market and returned the same to the lender through off-market transfer.

82. The above acts of connected clients are *prima facie* of such nature that it had caused increased market traded volume and such increased traded volume would have induced other genuine investors to deal in securities. Thus, *prima facie*, the acts of connected clients, irrespective of whether or not there was any wrongful gain or avoidance of any loss, would amount to 'fraud' as defined in Regulation 2(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the PFUTP Regulations). The above acts of the connected clients created false or misleading appearance of trading in the securities market, which is *prima facie* in violation of Regulation 4(2)(a) of PFUTP Regulations. Further, the dealings of connected clients appear to be fraudulent and unfair and hence *prima facie* in violation of Section 12A(c) of the Securities and Exchange Board of India Act, 1992 read with Regulations 3(a) and 4(1) of PFUTP Regulations.

83. As the trading pattern of the connected clients *prima facie* appears to create a false appearance of large liquidity (trading interest) in the scrips, it is apprehended that lay investors could be misled into transacting in the shares since the trading volumes and other data are reported daily in the media, which would greatly influence the public at large to take investment decisions. Such decisions which are not based on facts would be prejudicial to the interest of the investing public.

84. The connected clients appear to be a well planned group as seen from their trading activities (both market as well as off-market). There are several scrips in which this scrip is found active over a period of time. Five such scrips were chosen for examination (on the basis of surveillance alerts for synchronized deals). The dealings of connected clients in the five scrips

have been narrated above, from which it is seen that this group was indulging in circular trades, synchronized trades in market and off-market transactions in each of the identified scrip. The off-market transfers which were made from one connected client to another enabled the recipient connected client to meet its market sale obligations. The major counterparties of the recipient connected clients on market were also the same / related connected clients from which it had received the off-market transfer in the first place. It is reasonable to suspect that this group has spread its tentacles wide and has the ability to bargain with or possibly connive with promoters or company management in order to induce investor interest in their company scrip for a purported consideration. The connected clients *prima facie*, appear to be targeting various scrips for their manipulative activities and thereby serving the interests of those desirous of engineering high trading volumes in the scrips. *Prima facie*, there is an element of hiring out 'services' of manipulating trading volumes in identified scrips, for considerations that are not immediately evident. It is apprehended that the unsuspecting investors may get inveigled and enter the scrip from which the group may suddenly exit once their goals are achieved and in the process the genuine investors who were lured into purchasing the scrips would get trapped.

85. Further, as may be seen from the profit calculations, the connected clients, on cumulative basis made substantial losses on account of their dealings in the scrips of Cals, SPSL and TFL. Despite having made such losses, the connected clients continued to deal in substantial quantities in the scrip. Hence their securities transactions appear devoid of economic rationale. That they continued to execute such uneconomic transactions indicates that they possibly had alternative pay-offs outside the securities market. In addition, they may have also paid reduced income tax on account of the set off of the losses incurred due to their dealings in the scrips of Cals, SPSL and TFL. This may warrant further examination by an appropriate government agency. Therefore, SEBI is referring the matter to Income Tax

Department.

86. The observations emerging from Income Tax Department investigations into the funds flow of Mr. Ketan Parekh reveal that many of the connected clients were acting as conduits for routing of Mr. Ketan Parekh's funds. In this context, it may be mentioned that atleast five of the connected clients appear to be related to Mr. Shirish Maniar, who was arrested by CBI along with Mr. Ketan Parekh in the MNCB case. It is also noted that Mr. Ketan Parekh along with the companies belonging to him are already debarred by SEBI from dealing in securities market. Therefore, it appears that he has conveniently used the connected clients at will as his front entities for executing trades desired by him in the securities market. This is possible because the connected clients, so far, can trade without any restraint as there is no debarment whatsoever by SEBI in their dealing in the securities market, as is being faced by Mr. Ketan Parekh and his group of companies. Further, this flow of funds originating from Mr. Ketan Parekh which were routed through the connected clients, when juxtaposed with securities market transactions of connected clients, as brought out by the instant SEBI examinations, leads to the possibility that the securities market transactions of the connected clients were executed as a part of a larger device for creating additional layers to obfuscate the funds trail and also to integrate the money originating from Mr. Ketan Parekh into the banking system. This needs to be examined by an appropriate agency and therefore, SEBI is referring the matter to Enforcement Directorate.

87. Examination of funds flow, recording of statements of connected clients under oath, etc. needs to be undertaken. In respect of the off-market transactions between connected clients and also, the lending and borrowing transactions amongst the connected clients, the nature of arrangement between the connected clients and the considerations that were interchanged needs examination. For this purpose, SEBI has initiated investigations in the case.

88. SEBI is mandated to regulate activities in the securities market thereby encouraging transparent and fair practices by the market participants. The behaviour of the connected clients as described above is *prima facie* inimical to the interests of participants in the securities market. SEBI would be failing in its duty if it were not to promptly intervene to protect the genuine investors and market intermediaries alerting them about the *prima facie* violations of a group in their dealings in the securities market over a period of time. Protection of the market mechanisms is not only the primary duty of SEBI but is also imperative for long term stability and growth in the capital markets of the country. Further the entities stated in this order are *prima facie* found to be instrumental in manipulating trading in scrips by the intricate modus operandi uncovered through the findings of this order. If they are allowed to continue to operate in the market, the same is fraught with danger of immense mischief and incalculable damage to the securities market besides undermining the confidence of the investors in the fairness and integrity of the market. The data available in the SEBI surveillance system shows that during March–April 2009, on BSE, connected clients were involved in trades of 128,693,775 shares of Cals and 2,405,628 shares of Bang. Thus, it is seen that connected clients continue to deal in some of the scrips identified in this order.

89. The narration of the preliminary findings of SEBI examinations conducted so far, leads to the conclusion that there is a *prima facie* case for SEBI to intervene immediately to prevent the continuing market abuse by the activities of connected clients. It is, therefore, necessary and essential to urgently pass orders to protect the interests of investors and to preserve the safety and integrity of the market. Accordingly, the following ad interim order is passed.

90. In view of the foregoing, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11, 11B and 11(4) of the said Act, I hereby, by way of an

ad interim ex-parte order, restrain the following persons/entities from accessing the securities market and further prohibit them from buying, selling or dealing in securities market, directly or indirectly, till further orders:

Sr. No.	Name of Entity/person	Permanent Account Number
1.	Maruti Securities Limited	AABCM3651M
2.	Chandra Financial Services Private Limited	AABCC5331Q or AABCL5331Q
3.	HSM Financial Services Private Limited	AAACH9218G
4.	Kundan Leasing and Finance Private Limited	AAACK7448R
5.	Jay Investrade Private Limited	AAACJ5150H
6.	Shanti Financial Services Private Limited	AAFCS2399G
7.	Acme Craft Private Limited	AAECA8833C
8.	Eversight Tradecom Private Limited	AAACE7667E
9.	Beejay Investment & Financial Consultants Private Limited	AABCB0832B
10	Alosha Vanijya Private Limited	AACCA5623N
11	Stupendors Traders Private Limited	AADCS7524F
12	Ms. Samata Jain	ACOPJ3258P
13	Ms. Surabhi Jain	AINPJ9654Q
14	Mr. Sudhir Jain	AEUPJ6167K
15	Venture Business Advisors Private Limited	AAACV7487P
16	Mr. Ravikant Chowdhary	AAEPR7102C
17	Mr. Shyam Sundar Shah	BGCPS4475G
18	Peanence Commercial Private Limited	AAACP3605P
19	VSB Investment Private Limited	AABCV7492B
20	Rakhi Trading Private Limited	AACCR6372B
21	Chimming Trading Company Limited	AADCC1382M
22	Mr. Ashok Kumar Jain	AAUPJ7016M
23	Amar Packagings Private Limited	AAACA5760G
24	Mr. Jay Shirish Maniar	AMKPM0946R
25	Mr. Harsh Shirish Maniar	AABPM3940R or AAMPM3940R
26	Mr. Rajendra Kumar Agarwal	ACKPA8794M

91. The Bombay Stock Exchange Limited is directed to examine the dealings of Chimanlal Maneklal Securities Private Limited in the shares of Cals Refineries Limited which *prima facie* is in violation of Securities and Exchange Board of India Circular Ref. No. SEBI/MIRSD//Cir-06/2004 dated January 13, 2004.

92. The major stock exchanges viz. The Bombay Stock Exchange Limited and the National Stock Exchange of India Limited and the depositories viz. National Securities Depository Limited and Central Depository Services Limited are directed to ensure that all the above directions are strictly enforced.

93. The persons/entities mentioned at Paragraph 90 above, may file their objections to this Order, if any, within fifteen days from the date of this order.

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

DR. K.M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: June 04, 2009

Annexures