

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

**DIRECTIONS UNDER SECTIONS 11B AND 11(4) OF SECURITIES AND
EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF
RTS POWER CORPORATION LIMITED**

WTM/KMA/81/ISD/06/2009

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) received complaints from certain stock brokers viz. Network Stock Broking Limited (hereinafter referred to as Network), Geojit Financial Securities Limited (hereinafter referred to as Geojit), Dawnay Day AV Securities Private Limited ((hereinafter referred to as Dawnay Day) and Tata Securities Limited (hereinafter referred to as Tata), all members of Bombay Stock Exchange Limited (hereinafter referred to as BSE). The aforesaid stock brokers complained that a set of clients viz. Mr. Mukesh G Konde (hereinafter referred to as Mr. Konde), Mr. Ashok Narayan Waje (hereinafter referred to as Mr. Waje) and Mr. Nitesh Ashok Jadhav (hereinafter referred to as Mr. Jadhav) had bought shares of RTS Power Corporation Limited (hereinafter referred to as RTS) on February 11, 2009 and failed to fulfill their respective pay-in obligations. As per the said complaints, the dealings of the aforesaid clients in the shares of RTS through their respective stock brokers on February 11, 2009 and their respective pay in obligations are as under:

Name of the client Stock broker	Obligation of Mr. Konde	Obligation of Mr. Waje	Obligation of Mr. Jadhav
Networth	Bought 90000 shares @ Rs. 297.04 and sold 9424 shares @ Rs. 302.15, therefore net obligation of Rs.2,38,86,138/-	----	---
Dawnay Day	Bought 6000 shares @ Rs 299.96 i.e. Rs. 17,99,760/-	---	15000 @ Rs 299.50 i.e. Rs.44,92,500/-
Geojit	Bought 52000 shares @ Rs.299.50 i.e. Rs.1,55,74,000/-	Bought 52000 shares @ Rs.299.73 Rs.1,55,85,960/-	Bought 65000 shares @ Rs.299.50 Rs.1,94,67,500/-
Tata	Bought 35500 @ Rs.299.81 i.e. Rs.1,06,43,255/-	---	----
Total	Rs. 5,19,03,153	Rs.1,55,85,960/-	Rs. 2,39,60000/-
Grand Total	Rs.9,14,49,113/-		

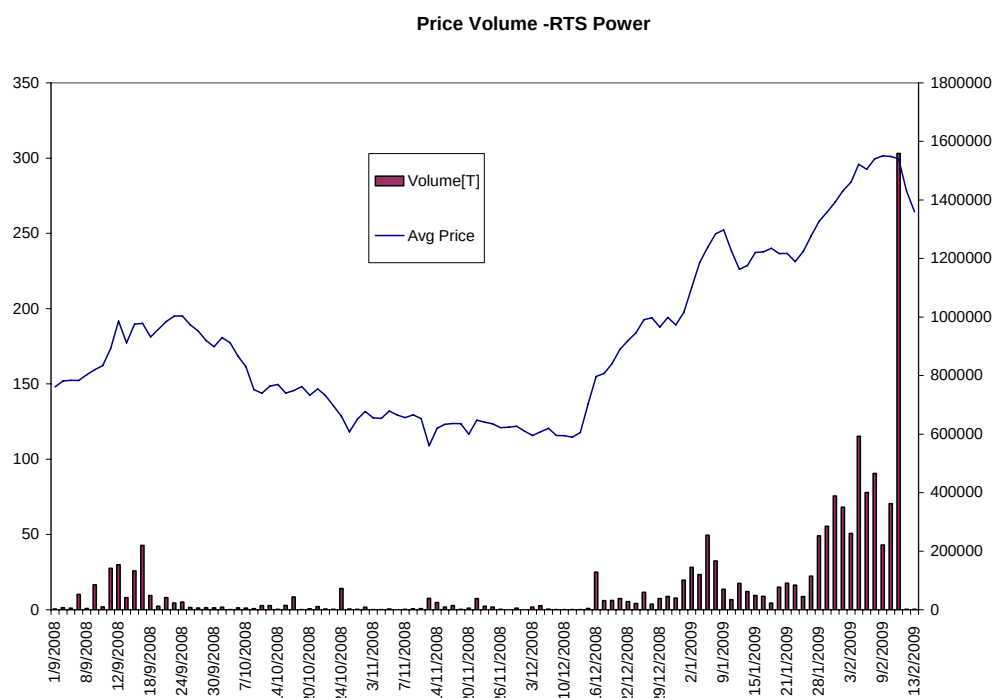
2. After consultation with SEBI, as a precautionary measure BSE, on the basis of the complaints, directed the members having major net sales obligation in settlement No. 214/2008-2009 in the scrip of RTS to withhold the pay-out of the funds to their ultimate clients, pending completion of its investigation. The details of the total pay-out withheld by BSE are as follows:

Delivering Member/stock broker	Net Quantity	Total Amt. withheld (Rs.)
Indiabulls Securities Limited.	115067	34462569
Standard Chartered-Custodian	164474	49160731
Anand Rathi Financial Services Limited	28597	8656561
Active Finstock Private Limited	20979	6274717
Total ,	,329117	98554578

The decision of the BSE was challenged by Ms. Hetal Patel by way of an appeal in Appeal No. 34 of 2009 before the Hon'ble Securities Appellate Tribunal. The Hon'ble Securities Appellate Tribunal, vide an order dated April 06, 2009 was not inclined to pass any interim directions in view of the undertaking made by the Counsel for BSE that a sum of Rs.3,44,62,569/- shall be deposited in a fixed deposit with a nationalized bank carrying the maximum rate of interest and this amount could be utilized for making payment to Ms. Hetal Patel in case, she is found entitled to the same. It was further submitted that the amounts shall remain in deposit till such time the appeal is finally disposed of by the Hon'ble Securities Appellate Tribunal.

3. On receipt of the complaints as stated in Para 1 of this order, SEBI ordered an investigation in respect of the buying, selling or dealing in the shares of RTS to examine any possible violations of the provisions of the Securities and Exchange Board of India Act, 1992 and the Regulations framed thereunder. The preliminary findings of the investigations carried out by SEBI are as follows:

4. During the period between January and February 2009, fluctuations in the share price and traded volume in the shares of RTS were observed. The price-volume details of the shares of RTS for the period from September 01, 2008 to February 11, 2009 are captured in the graph below.



The high and low prices of the shares of RTS during the above period (September 01, 2008 to February 11, 2009) are as below:

Particulars	Price (Rs.)	Date
Open	146.00	01/9/2008
High	307.75	06/02/2009
Low	110.50	03/12/2008
Close	292.75	11/02/2009

5. During September 01, 2008 to February 10, 2009 (over a period of 106 trading days), the total volume in RTS was 71,15,571 shares and the average daily volume was 67,128 shares. The volumes were moderate in early September 2008, then it became fairly low till December 16 and subsequently, the trading in the said scrip increased substantially. Clear patches of low and high trading in the scrip of RTS are discernible during the said period. On February 11, 2009, the traded volume in the shares of RTS was 15,58,641. The monthly high low in price and number of shares of RTS traded is given below:

Month	Open (in Rs.)	High (in Rs.)	Low (in Rs.)	Close (in Rs.)	No of Shares traded	No of Trades
Sept 2008	146.00	205.00	144.50	178.75	1038381	8079
Oct 2008	180.90	192.00	112.05	128.55	244021	1150
Nov 2008	129.00	139.40	102.25	120.60	165523	1611
Dec 2008	122.05	203.00	110.50	184.65	517458	3377
Jan 2009	181.55	281.25	181.55	281.15	2497322	10521
Feb 2009	288.00	307.75	167.00	168.80	4247137	10802
Feb 11, 2009	295.00	305.50	285.50	292.75	1558641	1520

6. The investigation observed that, there were no corporate announcements by RTS during the period January 2009–February 2009 to cause sudden fluctuations in the price and volume of its shares. The following clients were found to be the major buyers and sellers on a net volume basis on February 11, 2009, in the shares of RTS:

S. No	Name of the client	No of Shares bought	No of shares sold	Net Delivery % to Net Volume	Status
1	Mr.Waje	52000 shares	---	15.16%	Defaulted
2	Mr. Konde	197062 shares	18138 shares	52.15%	Defaulted
3	Mr. Jadhav	80000 shares	---	18.95%	Defaulted
4	M/s. Sophia Growth	---	164474 shares	(47.94%)	Pay-out with held
5	Ms. Hetal Patel	---	115067 shares	(33.54%)	Pay-out with held
6	Mr. Chetan Shah	13594 shares	42191 shares	(8.34%)	Pay-out with held
7	Mr. Sanjay C Soni	9534 shares	30513 shares	(6.11%)	Pay-out with held
8	Mr. Yogesh Pattani	9000 shares	9000 shares	---	--

7. The details of trading of six of the aforesaid clients among themselves are given below:

	Sell client			
Buy client	Mr.Chetan Shah	Ms. Hetal Patel	Mr. Konde	M/s. Sophia Growth
Mr.Waje	25000			26258
Mr. Konde	1984	52000		96998
Mr. Jadhav	15000	59985	4975	

8. The trading by Mr. Konde, Mr. Waje and Mr. Jadhav on February 11, 2009 in the shares of RTS who have later defaulted their payment obligation are analysed below:

For the sake of convenience, the trading by Mr. Konde, Mr. Waje and Mr. Jadhav is divided into three patches.

8.1 In the first patch (09:55 am to 12:51 pm), Mr. Konde had bought 65,437 shares and sold 18,138 shares of RTS, while trading through the stock brokers Jash Securities Private Limited (for both buying and selling), Geojit (only for buying) and Networth (only for selling). Jash Securities Private Limited is hereinafter referred to as Jash. In this patch, Mr. Konde bought 52,000 shares (through Geojit) out of his total purchase of 65,437 shares from Ms. Hetal Patel. The analysis of the above trades revealed that Mr. Konde trading through Geojit had put 4 buy orders for 52,000 shares at Rs.299.50 per share from 12:44:21 pm to 12:45:39 pm, while Ms. Hetal Patel had put 6 sell orders for 1,15,067 shares at Rs 299.50 per share between 12:44:21 pm and 12:50:21 pm. These trades appear to be structured deals wherein the buyer and seller were placing orders in a pre-determined manner. While trading through Jash, Mr. Konde had a net buy position of 13,437 shares of RTS by 12:42:27 pm. The final trade by Mr. Konde in this patch was a sale of 5,000 shares at 12:51 pm with Mr. Jadhav being the counter party for 4,975 shares. Mr. Konde sold 8,714 shares (including 4975 shares sold to Mr. Jadhav) through Jash till 12:51 pm and his net obligation towards Jash thereby reduced to 4,723 shares at the end of the first patch. The distinction in trading pattern of Mr. Konde with Jash and Geojit is clearly visible since with the former there were attempts to reduce the net delivery position, which was absent in the trades placed through Geojit.

8.2 Similarly, in the first patch Mr. Jadhav bought 59,985 shares through Geojit from Ms. Hetal Patel. He had put 3 buy orders for 60,000 shares at Rs

299.50 per share between 12:48:14 pm and 12:50:06 pm. As stated earlier, Ms. Hetal Patel had put 6 sell orders for 1,15,067 shares at Rs 299.50 per share from 12:44:21 pm to 12:50:21 pm. The buy orders of Mr. Konde and Mr. Jadhav matched with the sell orders of Ms. Hetal Patel to the tune of 97.32% of shares sold by her in the first patch.

8.3 In the second patch (12:54 pm to 02:55 pm), Mr. Konde mainly traded through Tata and Dawnay Day and bought 41,625 shares between 01:07:30 pm and 02:01:22 pm. Out of 41,625 shares purchased by Mr. Konde, 1,984 shares were purchased from Mr. Chetan Shah at 01:07:30 pm, 28,576 shares were purchased from Sophia Growth between 01:08 pm to 01:18 pm and another 690 shares were purchased from Sophia Growth at 02:01 pm. The order book analysis shows that one Mr. Chetan Shah had placed a sell order for 42,191 shares at 12:25:01 pm at Rs.315.50. The order rate was later updated to Rs. 299.50 at 12:54:40 pm. Even after the said modification, the above sell order remained unexecuted. Subsequently, Mr. Jadhav had placed buy order for 15,000 shares at Rs 299.50 at 12:58:04 pm through Dawnay Day. Similarly, Mr. Waje through Geojit, had entered 12 buy orders for 52,000 shares at Rs. 299.50 and Rs.300 per share between 01:02:13 pm to 01:12:07 pm. In addition, Mr. Konde had placed 8 buy orders for 36,000 shares at Rs. 300 from 01:07:30 pm to 01:16:23 pm through Tata and Dawnay Day. Thus, Mr. Konde, Mr. Jadhav and Mr. Waje had picked up 1,984 shares, 15,000 shares and 25,000 shares respectively from Mr. Chetan Shah.

8.4 Meanwhile, Sophia Growth had put sell orders for 1,85,000 shares at Rs. 300 per share between 01:01:08 pm to 01:08:34 pm. Sophia Growth managed to sell 54,834 shares and those were bought by Mr. Konde (28,576 shares) and Mr. Waje (26,258 shares). It was also observed that Sophia Growth put sell orders of 1,60,000 shares out of which an order for 38,179 shares were executed with other clients and 690 shares were bought by Mr. Konde at 02:01 pm and order for sale of rest of the shares was deleted.

8.5 In the third and last patch (02:59 pm till close of market hours), it was observed that Mr. Konde through Networth had placed a buy order for 50,000 shares at Rs 299.00 at 02:59:41 pm. After 4 seconds, Sophia Growth had placed a large sell order for 2,00,000 shares at Rs.295.00 at 02:59:45. Mr. Konde's buy order matched with Sophia Growth's sell order for 46,282 shares. Sophia Growth had put another sell order for 1,00,000 shares at 03:01:13 pm. Mr. Konde entered 3 buy orders for 40,000 shares (35,000 shares at Rs. 300.00 and 5,000 shares at Rs. 294.00) at 03:01:17 pm, 03:01:45 pm and 03:02:36 pm and ended up purchasing another 21,450 shares from Sophia Growth. The remaining buy orders of Sophia Growth matched with sell orders of other clients.

8.6 In order to square-off his position, Mr. Jadhav had placed 3 sell orders for the entire 80,000 shares that he had bought during the day, at Rs. 285.50 between 03:19:53 pm to 03:22:23 pm. However, the said orders remained unexecuted. It was also observed that Mr. Waje had entered 7 sell orders for 5,000 shares each (total of 35,000 shares) at Rs. 285.50 per share between 03:27:51 pm to 03:29:25 pm while his open position was 52,000 shares. The said order also was not executed. Mr. Konde had an open position of 1,78,924 shares but did not take any steps to close the position even though he was not financially sound to take the delivery of such large quantity of shares. This is inferred from the information furnished in the Know Your Client (KYC) documents and bank account statements.

8.7 Before post close trading between 03:32:00 pm to 03:40:00 pm, when the closing price of the scrip is calculated, Mr. Konde placed a sell order of 6,333 shares while trading through Jash. He went on entering the same order 117 times and all of them were rejected. Finally, the said order was accepted by the system at 03:40:09 pm at the start of the post closing session. The sell

order was placed apparently with the intention to reduce the exposure of Mr. Konde with Jash.

9. The analysis carried above *prima facie* indicates the pre-determined plan of Mr. Konde, Mr. Jadhav, Mr. Waje and Ms. Hetal Patel in choosing the stock brokers for the trades carried out by them on February 11, 2009. The trading pattern of Mr. Konde suggests that very assiduously he had picked Jash to do intra day trades while the other stock brokers like Networth, Geojit, Dawnay Day and Tata were used to buy heavily from the market. Mr. Waje and Mr. Jadhav had not traded in RTS before February 11, 2009, and had got registered with Geojit and Dawnay Day during January- February, 2009. On that single day they made heavy purchases which were in contrast to their normal trading behaviour with those stock brokers. Ms. Hetal Patel on her part used India Bulls Securities Limited to sell shares whereas she had earlier traded either through Way2wealth Brokers Private Limited (hereinafter referred to as Way2wealth) or Jash.

10. The behaviour of Mr. Konde, Mr. Jadhav and Mr. Waje indicates that they had little or no intention of not closing their sizeable open position, even though their financial capacity as seen from their KYC documents and bank accounts did not support such purchasing activity and taking delivery of the shares. Even more compelling evidence arises from the comparison with their past trading behavior. Mr. Konde for instance had never taken (prior to February 11, 2009) such financially large delivery. Mr. Waje and Mr. Jadhav were recent participants in the securities market. Moreover previous trading behaviour of Mr. Konde, Mr. Jadhav and Mr. Waje does not indicate that they had any capacity to take delivery of shares worth Rs. 1.5 crore and above at any time in the past.

11. The preliminary investigation revealed the following details about the antecedents and linkages of major buyers and sellers on February 11, 2009:

12. Mr. Konde

12.1 Mr. Konde was registered as a client with different stock brokers namely Jash (introduced by one Shankar Lad), Networth (introduced by Jadhav), Tata, Dawnay Day and Geojit. Mr. Konde registered as a client with Jash in April, 2008 and with the other stock brokers (Geojit, Networth, Dawnay Day and Tata) only in the month of January 2009. The address provided by Mr. Konde in his KYC forms filed with Networth, Tata, Dawnay Day and Geojit was, F Wing Suraj Complex, Sector 36, Kamote, Navi Mumbai-410209. However, the address mentioned in his KYC form filed with Jash was different i.e Ganesh Maidan, Sainath Nagar, Golibar, Barve Chowk, Sanghani, Ghatkopar, Mumbai-400086.

12.2 The telephone number 97691-**77028**, provided by Mr. Konde as his number to all the above mentioned stock brokers was found to be subscribed in the name of Mr. Shankar Lad. As per the information provided by the service provider, Mr. Shankar Lad's address is Room No. 383, A -8, Bachuben Chawl, Altaf Nagar, Ganesh Chowk, Golibar Road, Ghatkopar West, Mumbai- 400086. As mentioned earlier Mr. Shankar Lad is the person who had introduced Mr. Konde to Jash. Though a summons was issued by SEBI to Mr. Shankar Lad to appear before the Investigating Authority, he failed to do so. In addition, as per details uploaded in Uniform Client Code (UCC) database of BSE, it was observed that a similar phone number 99675-**77028** was provided by Ms. Hetal Patel, Mr. Chetan Shah and Mr. Tanaji Ramchandra Sawant (the first two being counterparties of Mr. Konde during trade on February 11, 2009) in the KYC forms filed by them with their respective stock brokers. The service provider confirmed that the number was subscribed by India Infoline and the phone was active between April 19, 2007 and April 28, 2008. India Infoline on its part confirmed to SEBI that the said number (99675-**77028**) was issued to Mr. Konde, who was their employee from August 16, 2006 to March 31, 2008 and that Mr. Konde was expelled from the job on grounds of indiscipline. In addition to the phone

numbers 97691-77028 and 99675-77028, there is another phone number 98202-09180 which has been disclosed by Mr. Waje in his KYC details. However, the records of the service provider show that the said number (98202-09180) is also subscribed by Mr. Konde. The manner of sharing the telephone numbers raises suspicion about the linkages between the buyers and sellers of February 11, 2009.

12.3 Mr. Konde maintained a bank account with HDFC Bank, Fort branch. Incidentally, Mr. Waje too had an account with the same branch. In the KYC forms filed with different stock brokers, Mr. Konde disclosed different levels/ranges of income. Mr. Konde has disclosed his annual income as Rs.10-25 lakh to Jash and Dawany Day, while to Tata, Networth and Geojit, he had declared his annual income as above Rs.5 lakh. The variance exhibited in the annual income details provided by Mr. Konde, *prima facie* indicates his intention to mislead the stock brokers.

13. Mr. Jadhav

13.1 Mr. Jadhav was registered as a client with the stock brokers Dawany Day and Geojit on January 22, 2009 and January 27, 2009 respectively. In addition, it was discovered that Mr. Jadhav was employed at Networth and during that period, he had introduced Konde as a client with Networth. Mr. Jadhav had earlier worked with NNM Securities Private Limited (from August 2004 to November 2006), Anagram Securities Limited (December 2006 to August 2007), India Infoline Limited (from September 2007 to October 2008) and Almondz Global Securities Limited (from October 2008 to November 2008). India Infoline Limited has informed that Mr. Jadhav was asked to leave due to non-performance. Further Almondz Global Securities Limited informed that, Mr. Jadhav left the organization after it had come to light that he had submitted fabricated joining documents as well as incorrect address.

13.2 The address of Mr.Jadhav as per KYC form filed by him with stock brokers is Sai Krupa Complex, B Wing Room No 103, Goddev Gaon, Bhayander (East), Thane-401104. In the KYC with different stock brokers, he had provided one among the phone numbers 92247-49858, 92213-86108, 93222-33471 and 65800633. He maintains a bank account with HDFC Bank, Backbay Branch, Mumbai.

14. Mr. Waje

14.1 Mr. Waje was registered as a client with the stock brokers Geojit and Networth January 21, 2009 and February 11, 2009 respectively. The address mentioned by Mr. Waje in the KYC forms is Vikhroli Parksite, Anand Gadh, Shastri Nagar, Siddharth Chawl, Samadhan Society, Vikhroli, Mumbai-400079. Waje's KYC form also contained an address of a dairy named Waje Milk Dairy located at LBS Marg, Ghatkopar, Mumbai.

14.2 Mr.Waje has provided 98202-09180 and 97691-77028 as his phone numbers in KYC forms. The number 98202-09180 as per the service provider is subscribed in the name of Mr. Konde. The number 97691-77028 which Mr. Konde too has declared in his KYC forms is (as per the service provider) subscribed in the name of Mr. Shankar Lad of Ghatkopar. Mr. Waje, like Mr. Konde, maintained bank account with HDFC bank, Fort branch. In the KYC filed with stock brokers, Mr. Waje disclosed his annual income as above 1 lakh and between 1 to 2 lakh

15. Ms. Hetal Patel

15.1 Ms. Hetal Patel is registered as a client with different stock brokers Way2wealth, Nirmal Bang Securities Limited, Jash and India Bulls Securities Limited. Ms. Hetal Patel's address as per the KYC forms is 201 A , Ratan

Tarang Co-op-Housing, Nagardas Road, Above Amardip Nursing Home, Mumbai-69.

15.2 Ms. Hetal Patel and her husband Mr. Rajesh Patel appeared before the Investigating Authority of SEBI on April 20, 2009, in response to a summons issued to Ms. Hetal Patel. Ms. Manik Joshi, Advocate also accompanied them on the said date. In his statement to the Investigating Authority, Mr. Rajesh Patel stated that he had executed transactions in the shares of RTS on behalf of his wife. During his deposition, he strongly denied any acquaintance with Mr. Konde, Mr.Jadhav or Mr.Waje. According to Mr.Rajesh Patel, the phone numbers 93237-11671 and 93207-11672 belong to him and his wife respectively. However, on a perusal of the KYC forms of Ms. Hetal Patel filed with different stock brokers and the UCC uploads done by the stock brokers, it was observed that Ms. Hetal Patel had furnished the phone numbers 99675-77028 (to Way2Wealth) and 93237-90775 (to Jash). However, Mr Rajesh Patel denied giving these particular numbers to the stock brokers. It is already observed that the phone number 99675-77028 was provided to Mr. Konde by India Infoline Limited during his employment. The service provider confirmed that the other number 93237-90775 is subscribed by a person named Anand Eleagety, with address stated as Bldg 4 R 204, Vishnu Vihar Comp, Manvellpada Road, Virar (East), Virar.

15.3 During deposition, when these facts were placed before Mr. Rajesh Patel, he denied providing these numbers to the stock brokers during filing of the KYC forms. He further stated that he would revert with information after checking with the respective stock brokers. Ms. Hetal Patel, vide letter dated May 05, 2009 submitted an affidavit signed by one Yashodeep Bhosale, in which it is averred that he (Yashodeep) is an employee of Way2wealth and he is posted at its Chembur Branch. He further affirmed that he helped Ms. Hetal Patel in filling the KYC form and inadvertently mentioned Ms. Hetal

Patel's phone number as 99675-77028 in the KYC form. As found earlier, the number 99675-77028 was provided to Mr.Konde by his employer (India Infoline Limited). It is suspicious that Mr. Rajesh Patel denied any acquaintance with Mr. Konde. Apparently the purport of the affidavit was to establish that Ms. Hetal Patel and Mr. Rajesh Patel were unrelated to Mr. Konde. Thus, in order to verify the authenticity of the affidavit, SEBI summoned the Compliance Officer of Way2wealth and Mr. Yashodeep Bhosale.

15.4 The Compliance Officer of Way2wealth, Mr. Archibald Serrao, submitted that Way2wealth was totally unaware about the affidavit signed by Mr. Yashodeep Bhosale and that Way2wealth does not endorse the contents of the affidavit. Mr.Archibald Serrao also submitted that as per the policy, the client Ms. Hetal Patel's client code was shifted from Chembur Branch to its Private Client Group's desk at Nariman Point office on February 21, 2008. Further, Mr. Archibald Serrao also confirmed that there was no request from Ms. Hetal Patel to make a change in her KYC details. Further, Way2wealth has also confirmed that Mr.Konde, Mr.Waje and Mr.Jadhav were not registered as their clients.

15.5 It is pertinent, to note that Ms Manik Joshi, Advocate, who had accompanied Mr.Rajesh Patel and Ms. Hetal Patel in their appearance before the investigation authority on April 20, 2009 also accompanied Mr. Yashodeep Bhosale to SEBI office on May 12, 2009. I find that this had aroused suspicion of the investigating team since no intimation had gone out from SEBI to either Ms. Hetal Patel or Ms Joshi regarding summons to Way2wealth. Initially, during the hearing Mr. Yashodeep Bhosale maintained that Ms. Manik Joshi was his sister. Upon being questioned further about her particulars he failed to answer and admitted to the Investigating Officer that he did not know the antecedents of Ms. Manik Joshi and that he had met her for the first time in an office in the Fort area when he was called by Ms. Hetal

Patel. He submitted that he did not take permission from any of his seniors before signing the affidavit and he had agreed to sign the affidavit prepared by Ms. Manik Joshi and Mr. Hetal Patel as they had confronted him and told him that he had committed a mistake while recording the phone number in Ms. Hetal's KYC form. Mr. Yashodeep Bhosale also submitted that he did not verify the records or any other details before signing the affidavit.

15.6 The above string of events *prima facie* establishes the intent of Ms.Hetal Patel and Mr. Rajesh Patel to distort or suppress any evidence which may connect them to Mr.Konde. This motive becomes clear since Ms. Hetal Patel and Mr.Konde have entered into structured deals in RTS on February 11, 2009. The matter appears to be of concern to Ms. Hetal Patel and Mr.Rajesh Patel since it led to the creation of false documents by them that could result in a fraud.

16. Mr. Chetan Shah

16.1 Mr. Chetan Shah is registered as a client with Anand Rathi Financial Services Limited and his address as mentioned in KYC forms is C 615 Shripal Nagar Satya Nagar Behind Saibaba Nagar Borivali,Mumbai-400092. Mr. Chetan Shah is a resident of Mumbai but like Ms. Hetal Patel he too maintains a bank account in Axis Bank Nashik Branch. In addition, as per the UCC database of BSE, Mr. Chetan Shah too had provided the phone number 99675-77028 to the stock brokers. The number 99675-77028 was also provided by Ms.Hetal Patel, who along with Mr. Chetan Shah were counterparties of Mr.Konde during trade on February 11, 2009.

17. *Prima facie*, it is observed that some buyers and sellers had given a common telephone number to their stock brokers. They were also in touch with each other during the relevant period. The following was observed from the analysis of their telephone records:

Telephone No.	Belonged To	Given/Used By
97691-77028	Shankar Lad	Mr.Konde and Mr. Ashok Jadhav in their KYC with Network Stock Broking Ltd., Geojit Financial Services Ltd., Dawnay Day AV Securities Ltd., Tata and Jash.
99675-77028	India Infoline and issued to Mukesh Mr. Konde	Ms. Hetal Patel in her KYC with Way2wealth, Mr. Konde had given this number to Jash. and it was uploaded in BSE UCC database, Mr. Chetan Shah gave the number to Anand Rath Securities Ltd. and Mr. Tanaji R Sawant
92247-49858, 92213-86108, 93222-33471, 65800633	Mr. Jadhav	Mr. Jadhav in KYC files with the brokers Geojit & Dawnay Day and personal bio-data given to Network
93237-11671 93207-11672	Mr. Rajesh Patel Ms. Hetal Patel	Mr. Rajesh Patel & Ms. Hetal Patel in KYC
93237-90775	As per service provider the number belongs to one Mr. Anand Eleagety	Ms. Hetal Patel gave this number to Jash Securities P Ltd. and was uploaded in UCC database of BSE.
98202-09180	Mr. Konde	Mr. Waje in KYC filed with Network Stock Broking Ltd.

18. It was observed that the Mr.Konde, Mr.Jadhav, Mr.Waje and Ms. Hetal Patel were in contact with each other before and after February 11, 2009. The analysis revealed the following call patterns:

- a. Ms. Hetal Patel (9323711671) received 20 calls from 9323790775 (Mr. Anand Eleagety) between January 12, 2009 to February 17, 2009 lasting about 894 seconds. While 6 calls were received before February 11, 2009, one call was received at 11:18 am on February 11, 2009 and the rest received after February 11, 2009. Ms. Hetal Patel (9323711671) also placed 11 calls to 9323790775 from January 19, 2009 to February 18, 2009 (total talk time of 385 seconds) once on January 19, 2009, 2 calls on February 11, 2009 at 9:50 am and 11:08 am and the remaining 8 calls after February 11, 2009.
- b. The phone call details of the numbers 9769177028 (given by Mr.Konde & Mr.Waje) and 9323790775 (owned by Mr.Anand) reveal that 99 calls were exchanged between these two

numbers during January 1, 2009 to February 20, 2009. Further, it was found that 4 calls were exchanged on February 11, 2009. Phone call records also reveal that calls were exchanged between 9820209180 (owned by Mr. Konde and given by Mr. Waje) and 9224749858 (Mr. Jadhav). Calls exchanged between 9820209180 (owned by Mr. Konde and given by Mr. Waje) and the number 97691-77028 (given by Mr. Konde & Mr. Waje) was also noticed. There were also calls between 92247-49858 (Mr. Jadhav) and 97691-77028 (given by Mr. Konde & Mr. Waje).

19. It is therefore, *prima facie* observed that Ms. Hetal Patel and Mr. Konde, Mr. Jadhav and Mr. Waje, have all called the common number 93237-90775 which was given as Ms. Hetal Patel's number in the KYC form filed with Jash and also in the UCC of BSE. The said entities have also called 93237-90775 (Mr. Anand Eleagety) on February 11, 2009.

20. An analysis of the Bank account statements of Mr.Konde (HDFC-Fort Branch), Mr.Waje (HDFC-Fort Branch), Ms.Hetal Patel (Axis Bank -Fort Branch and Nashik Branch), Mr. Jadhav (HDFC- Backbay Branch), and apparently related entities such as Sunspark Securities Private Limited (HDFC-Fort Branch), Om Associates (Axis Bank-Borivali Branch), Bhavani Trading (Axis Bank) and Darshan Trading (Axis Bank) revealed the following:

Account Holder	Funds Received from/Transferred to
Mr.Konde	Om Associates Bhavani Trading Company
Mr. Jadhav	Bhavani Trading Company
Mr. Waje	Bhavani Trading Company
Ms. Hetal Patel	Om Associates Bhavani Trading Company

It was observed that cheques which were given to stock brokers by Mr. Konde, Mr.Jadhav and Mr.Waje as initial margin money were dishonored due to insufficiency of funds in their respective accounts. Mr.Konde, Mr.Jadhav

and Mr.Waje were able to fulfill their obligations towards the initial margin money only after receiving funds from Om Associates or Bhavani Trading. After February 11, 2009, Mr.Konde, Mr.Waje and Mr. Jadhav returned Rs. 19 lakh, Rs. 9.90 lakh and Rs. 19.22 lakh respectively to Bhavani Trading Company which they had received earlier to fulfill their obligations to the stock brokers.

21. It was further observed that Ms. Hetal Patel transferred Rs.1.12 crore to Om Associates on September 25, 2008 and Om Associates in turn paid Rs. 10 lakh to Mr. Konde on October 06, 2008 after Mr. Konde's cheque to the stock broker had got dishonored. It was observed that Ms. Hetal Patel received Rs. 11 lakh from Bhavani Trading Company on January 15, 2009 in order to make the payment to her stock broker viz. Nirmal Bang Securities Limited.

22. It is observed that Mr.Jadhav and Mr.Waje had never traded in the scrip of RTS before February 11, 2009. They have registered themselves with the stock brokers only in the month of January 2009–February 2009. It is also observed that the trading between the major buyers and sellers was not restricted to February 11, 2009 but can be seen on several dates from September 01, 2008 to February 10, 2009. Further, preliminary analysis of trading pattern in September and October shows instances that as major buyers and sellers they have traded between each other in fairly significant quantities and with buying and selling roles being reversed.

23. Summons were issued to Mr. Konde, Mr. Jadhav, Mr. Waje, Om Associates and Bhavani Trading Company to appear before the Investigating Authority with information relevant to the case. However, the summons issued to Mr. Konde, Mr. Jadhav, Om Associates and Bhavani Trading Company were returned undelivered. In case of Mr.Waje, the summons was accepted by his relative, Ms. Pramila Waje. However, Mr. Waje failed to appear before the Investigating Authority, as summoned. None of them responded on the

telephone numbers which they had given in the KYC to the stock brokers. Thereafter, the summons issued to Mr.Konde, Mr.Jadhav and Mr.Waje were also posted on the SEBI website. It appears that they are deliberately evading the summons issued to them. However, the analysis of phone records reveals that during the period that SEBI was trying with little success to communicate with Mr.Konde, Mr.Jadhav and Mr.Waje, they were in touch with the common number 9323790775 (Mr. Anand), given by Ms. Hetal Patel to the stock broker, Jash. The actions of Mr.Konde, Mr.Jadhav and Mr.Waje, confirm that their intentions was to subvert the settlement system of the market. This inference gains credence also from the fact that they had returned funds to Bhavani Trading Co. after defaulting in their payment obligations to the brokers.

24. In view of the narration of facts as presented in the preceding paragraphs, I find that Mr.Konde, Mr. Jadhav , Mr.Waje and Ms.Hetal Patel and Rajesh Patel *prima facie* colluded to misuse the Stock Exchange Mechanism to profitably exit from their positions in the scrip RTS on February 11, 2009. They had orchestrated a plan to default in the pay-in obligation of the buy clients who provided an exit to the seller, thereby defrauding the stock brokers. The linkages among the buyers and between the buyers and the sellers have been established through the analysis of KYC documents wherein phone numbers were shared at the time of registering details with different stock brokers. Analysis of phone records revealed communication among buyers and of all entities with a common number that was linked to the seller. Buyers and sellers have dealings with common financiers such as OM Associates and Bhavani Trading Co, for routing funds between them. It is also pertinent to note that Mr.Konde and Ms. Hetal Patel traded through a different set of stock brokers on February 11, 2009, as against their regular stock brokers. In order to execute their artifice on February 11, 2009, Mr. Konde, Mr. Waje, Mr.Jadhav and Ms. Hetal selected well capitalized stock brokers who could absorb the impact of their default.

25. SEBI, in its order dated April 23, 2009, in the matter of Pyramid Saimira Theatres Limited, directed Ms. Hetal Patel, Om Associates and Bhavani Trading Company not to buy, sell or deal in the securities market including in Initial Public Offerings, in any manner, either directly or indirectly, till further directions. During the course of the investigation in the present case, it was also informed by some stock broking entities that they had employed Mr.Konde and Mr.Jadhav, and they were removed subsequently from employment on disciplinary grounds. I find from the investigation that since Ms. Hetal Patel apparently is not conversant with the activities of stock market, her husband Mr. Rajesh Patel trades in the share market on her behalf. Further, Mr. Rajesh Patel had placed orders on behalf of Ms. Hetal Patel and also appeared before the Investigating Authority on her behalf. Therefore, Mr. Rajesh Patel is considered as a connected entity of Ms. Hetal Patel.

26. Thus, the conduct of Mr. Konde, Mr. Jadhav, Mr.Waje, Ms. Hetal Patel, Mr. Rajesh Patel and Mr. Chetan Shah are *prima facie* in violation of Regulation 4(2) (a) and 4(2) (g) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, which reads as follows:

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely :—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

.....

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

.....”

27. In view of the conduct of the related entities in dealing in the securities market which is prima facie fraudulent, manipulative, detrimental to the genuine investors and would adversely affect the integrity of the securities market, I find it necessary that SEBI as a Regulator should immediately intervene in the interest of the investors in the market. It is noted that BSE had undertaken before Hon'ble Securities Appellate Tribunal to deposit the withheld amounts pertaining to Ms. Hetal Patel in a nationalized bank yielding maximum interest. SEBI would therefore make its submission before the Hon'ble Securities Appellate Tribunal to the effect that the amounts directed to be withheld in this order are retained in a separate account till SEBI completes its investigation in the matter.

28. Therefore, to protect the interest of investors and securities market from further such acts, I, in exercise of the powers delegated to me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11B and 11(4) (b) of the said Act further read with Regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, pending investigation and passing of further orders, hereby issue the following directions, by way of an ad interim ex-parte order -

- I. Mr. Mukesh G Konde (Permanent Account Number: AOHPK0210P), Mr. Ashok Narayan Waje (Permanent Account Number: AARPW8396C), Mr. Nitesh Ashok Jadhav (Permanent Account Number: AHIPJ8358D), Ms. Hetal Patel (Permanent Account Number: AQUUPP6130E), Mr. Rajesh Patel (Permanent Account Number: AQUUPP6874F), Mr. Chetan Shah (Permanent Account Number: AAFPS7527M), Om Associates and Bhavani Trading Company are restrained from accessing the securities market and further prohibited from buying, selling or dealing in securities market, directly or indirectly, till further orders.

II. Bombay Stock Exchange Limited should withhold the payout of February 11, 2009 of Ms. Hetal Patel (Permanent Account Number: AQUPP6130E) and Mr. Chetan Shah (Permanent Account Number AAFPS7527M) in a separate escrow account, till further orders.

29. The aggrieved parties may file their objections, if any, to this order within fifteen days from the date of this order.

30. 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 05, 2009