

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF SYNCHRONISED TRADING BY CONNECTED PERSONS

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI), vide an *ex-parte ad interim* Order dated February 20, 2010 (hereinafter referred to as the Order), in the matter of synchronized trading by connected clients, restrained various persons/entities namely, Ms. Hemlata Ramesh Hankare, Ms. Rashmi R. Gandhi, Anil Rajmal Shah (HUF), Alpesh R. Shah (HUF), Mr. Jitendra Mannalal Jain, Ms. Renu Madhusudhan Paliwal, Hasmukh Valchand Jain (HUF), Naresh V. Rajawat (HUF), Ms. Pawanben Valchand Jain, Ms. Reeta Naresh Rajawat, Mr. Kunal Dilip Kothari, Ms. Shweta Bharat Kothari, Ms. Neela Khicha, Ms. Shobha Dilip Kothari, Mr. Hitesh Mahendra Jain and Kamlesh P. Jain (HUF) from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, with immediate effect, till further directions. It was alleged that the said persons had indulged in synchronized trading and that 99% of trades amongst the persons of the group were synchronized and also that they had contributed more than 30% of the market volumes in the shares of All Cargo Global Logistics Limited, Asian Star Co. Limited, KSL & Industries Limited, Mavens Biotech Limited, Panoramic Universal Limited, Rasi Electrodes Limited, Sat Industries Limited and Ushdev International Limited, during the period-March 1, 2009 to June 30, 2009 (Period I) and July 1, 2009 to September 20, 2009 (Period II). The said Order had *prima facie* found that the said



persons/entities had acted as a group and indulged in unfair and fraudulent trade practices while trading in the shares of such companies, in contravention of Regulations 3 & 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. After affording opportunities to the aforesaid parties (except Ms. Hemlata Hankare, Mr. Jitendra Jain and Ms. Renu Paliwal, who had not filed their objections), SEBI had confirmed the directions issued against them, vide Order dated October 6, 2010. Though, the parties have filed appeals before the Hon'ble Securities Appellate Tribunal (Hon'ble SAT), which were dismissed vide order dated January 18, 2011 with the following observation

"We have heard the learned counsel for the parties. The grievance of the appellants is that they are not involved in any synchronized/circular trading and that the Board was not justified in keeping them out of the market pending investigations. The learned counsel for the Board has placed before us some trade and order logs which prima facie go to show that the appellants and others had executed some trades in a circular manner. Since the investigations are still pending, we would not like to express any opinion in regard to the trading pattern of the appellants and others. In the circumstances, we are not inclined to interfere in the matter at this stage.

In the result, the appeals fail and they stand dismissed. We, however, make it clear that nothing stated hereinabove should be taken as an expression of our view on any of the issues raised in the appeal and we have no doubt that on the conclusion of the investigations, the Board shall consider the matter on the basis of the material collected and proceed in accordance with law. The Board is directed to complete the investigations expeditiously but not later than May 31, 2011. No costs.

2. The modus operandi of the above entities to create artificial volumes in the mentioned scrips is described in detail in the Order dated February 20, 2010. It was also observed in the Order " BSE, in a separate report for a later period of July 1, 2009 to December 15, 2009 has submitted that the persons of Group viz. Ms. Hemlata Ramesh Hankare, Ms. Rashmi R. Gandhi, Mr. Jitendra Mannalal Jain, Ms. Renu Paliwal along with two other related entities Ms. Usha Mehta (has a

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common mobile number with Mr. Jitendra Jain and Ms. Renu Paliwal viz. 9322123256) and Ms. Soalli Shaikh (has a common mobile number with Ms. Hemlata Hankare viz. 9773694131) have created significant volumes in the scrips of Ushdev International Limited, Asian Star Co Limited, Jaybharat Textiles and Real Estate Limited, Sat Industries Limited, Mavens Biotech Limited, KSL and Industries Limited, Allcargo Global Logistics Limited and four other scrips namely, Lotus Eye Care Hospital Limited, MVL Limited, Anil Products Limited and KBS Capital Management Limited". The Order had further observed that the trading of persons of the group along with Ms. Usha Mehta and Ms. Soalli Shaikh in other scrips needs to be investigated. From the evidence collected in the course of investigation so far and other material on record, it was observed that the trading done in the accounts of most of the above mentioned entities as well as in the accounts of certain others (who were dealing in the aforesaid scrips and not covered under the Order), were allegedly executed by one Sunil Mehta and/or his associates. The investigation has further revealed that Mr. Sunil Mehta and his associates were operating/controlling/using the trading accounts of the entities/persons who had traded in the identified scrips for manipulative purpose. The investigation has also observed that Mr. Sunil Mehta and his associates had solicited the persons/entities for opening and operating their accounts by promising cash benefits. It was found that they would open trading accounts for the said persons with one stock broker, operate the accounts for some time and thereafter open trading accounts for the very same entities with other stock brokers. In this manner, it is alleged that, Mr. Sunil Mehta and his associates were able to open accounts and use them for the alleged manipulative activities in the identified scrips and that the same was *prima facie* done to avoid detection of manipulative trading. Further it was observed that in most of the cases, the initial funds to start the trading were deposited in the account of the entities in cash (allegedly to be provided by Mr. Sunil Mehta and or his associates). It has been found that such huge cash flow just before transfer to



the respective stock broker by such persons is beyond their financial capacity. The investigation has also noted that in certain other instances, Mr. Sunil Mehta with the help of his associates operates/operated the trading account of the entities/persons of a particular stock broker without even the knowledge of the entities. The investigation conducted by SEBI observed that many entities whose accounts were operated by Mr. Sunil Mehta and his associates through internet trading live in slum areas, having meagre income, not well educated and hardly knew how to operate a computer. The findings of the investigation in respect of such *prima facie* benami accounts being operated by Mr. Sunil Mehta and his associates are given in the following paragraphs:

3. One of the persons covered under the Order, Mrs. Rashmi Gandhi was observed to be trading through the stock broker, Finquest Securities Limited. During the course of investigation, Mr. Ramesh Gandhi, the husband of Mrs. Rashmi Gandhi appeared on behalf of her and made statements. Mr. Ramesh Gandhi stated that he was introduced to Mr. Sunil Mehta by Mr. Praveen Kulkarni and Mr. Janak Shah. He further stated that, he was in need of money for the treatment of his wife who was suffering from serious illness. Mr. Ramesh Gandhi further stated that his account was operated by Mr. Sunil Mehta and that the login id/password was given to him through Mr. Praveen Kulkarni. The investigation conducted by SEBI also observed that there were cash deposits which appear to be from Mr. Sunil Mehta/his associates, in the accounts of Mrs. Rashmi Gandhi/Mr. Ramesh Gandhi/or their family members which were subsequently transferred to the account of Mrs. Rashmi Gandhi and ultimately paid to the concerned stock broker. Mr. Ramesh Gandhi is a retired person and he in his own statement has informed that he required money for his wife's medical treatment and as such *prima facie*, from his own statement, do not have the financial means to enter into such transactions in securities. Mr. Ramesh Gandhi had stated that his account was operated by Mr. Sunil Mehta. The



investigation also observed that Ms. Rashmi Gandhi had also opened another trading account with the stock broker, PUG Stock Brokers Private Limited and that the similar kind of operation was noticed in the said account also. The said trading account was introduced by Mr. Praveen Gate who is found to have opened and operated/operates trading accounts for Mr. Sunil Mehta/his associates. The aforesaid facts indicate that Mr. Ramesh Gandhi has allowed Mr. Sunil Mehta to operate the trading accounts of Ms. Rashmi Gandhi and the same was used for the alleged manipulative purposes.

4. The entities, namely, Hasmukh Valchand Jain (HUF), Naresh V Rajawat (HUF), Ms. Pawanben Valchand Jain, Ms. Reeta Naresh Rajawat, Mr. Kunal Dileep Kothari, Ms. Sweta Bharat Kothari, Ms. Neela Khicha, Ms. Shobha Dilip Kothari, Mr. Hitesh Mahendra Jain and Kamlesh P Jain HUF, have been debarred from dealing in the securities Market, vide the Order as they had been *prima facie* observed to have entered into manipulative trades in the scrips under investigation. The investigation in the matter had found that one Bhavesh Kothari (or persons related to Mr. Bhavesh Kothari) is the introducer for most of the aforesaid persons. Further, the said persons were found to be related with each other and the basis for such relation had been mentioned in the Order. It was further observed that all the above entities were dealing through the trading terminal of the sub-broker, M/s. Money Magnet Securities (where Mr. Bhavesh Kothari is a partner and was solely operating the trading terminals of the said sub-broker), affiliated with the stock broker, India Capital Markets Limited. Most of the persons mentioned above are found to be the relatives of Mr. Bhavesh Kothari hence, while giving statements; they did not reveal the role of Mr. Bhavesh Kothari in the manipulations in their account. However, Mr. Piyush Khicha, son of Ms. Neela Khicha, who was operating the account of his mother and his sister Ms. Namita Khicha, had stated that it was Mr. Bhavesh Kothari who used to call and recommend them to trade in the said scrips and that they



agreed to his recommendations. Further, Mr. Naresh Rajawat, Ms. Reeta Rajawat and Ms. Pawanben Valchand Jain had stated that they had some funds for investments and since they wanted to earn some profit, had allowed Mr. Bhavesh Kothari to trade in their accounts in pursuance of a profit sharing arrangement. They had also stated that actual orders in their accounts were placed by Mr. Bhavesh Kothari.

5. Mr. Jitendra Mannalal Jain, one of the persons covered under the Order, failed to appear before the investigating authority, so far, inspite of service of summons on him. In the investigation in the matter of dealing in the shares of Asian Star Company Limited for the investigation period-October 10, 2008 to November 20, 2008, it was observed that Mr. Jitendra Mannalal Jain was the counter party to the trades of a group of clients who were linked to Mr. Sunil Mehta. It was noted that there was extensive fund flow between Mr. Jitendra Mannalal Jain and Mr. Sunil Mehta and also between Mr. Jitendra Mannalal Jain and Triveni Management Consultancy Services Limited, without any pay-in or pay-out obligations between the said parties. It was also found that Mr. Manish Mathur, a friend of Mr. Sunil Mehta was the Chief Operating Officer in Triveni Management Consultancy Services Limited. It was noted that Mr. Jitendra Mannalal Jain had fund flows mainly with Mr. Sunil Mehta and that whenever any funds came into his account, the same were immediately transferred to Mr. Sunil Mehta and the related entities. It was also observed that there were large cash transactions in the bank account of Mr. Jitendra Mannalal Jain. During investigation, Mr. Sunil Mehta had stated that he was jointly operating the trading account of Mr. Jitendra Mannalal Jain. Further, the statement of one Pradesh Nimawat was also taken during investigation, who had stated that Mr. Jitendra Mannalal Jain was a peon in a firm where he also used to work. From the Know Your Client (KYC) forms of Mr. Jitendra Mannalal Jain maintained by the stock broker, Emkay,, his annual income was found to



be less than Rs.1,00,000/-, whereas he was having huge fund flow in his bank accounts including huge cash deposits. The quantum of funds seen circulating in his account and the extent of exposure/trading done by him is therefore not commensurate with his disclosed financial standing and employment. Thus, it leads to a *prima facie* view that the account of Mr. Jitendra Mannalal Jain was used as a conduit for transfer of funds by Mr. Sunil Mehta and for utilising the same towards manipulative securities transactions. The investigation also observed from the KYC forms of Mr. Jitendra Mannalal Jain that his contact numbers (9322123256, 9320223257), the correspondence address (EMP-47, Flat No-1804, Thakur Complex, Kandivali) and the electronic mail addresses (sunil.mehta@indiacapitalmarkets.com; Mehta_sunil@yahoo.co.in) belonged to that of Mr. Sunil Mehta. It is also pertinent to note that Mr. Sunil Mehta and Mr. Jitendra Mannalal Jain even hold a joint account (Account No. 1821000064427 with HDFC Bank, Kandivali Branch). Further, Mr. Rajeev Menon (on behalf of the stock broker, BP Equities Private Limited) in his statements during the course of the aforesaid investigation had informed that the confirmation of the trades done during the day was provided by calling the client on mobile number mentioned on KYC forms and that physical contract notes were being issued at the above mentioned address. Mr. Rajesh Sharma (on behalf of Emkay Global Financial Services Limited) has stated that the Mr. Jitendra Mannalal Jain was an e-broking client and digital contract notes were being issued at the electronic mail address mentioned above. From the above facts, it is evident that the trade confirmations of Mr. Jitendra Mannalal Jain were sent to Mr. Sunil Mehta. Mr. Sunil Mehta had also stated that Mr. Jitendra Mannalal Jain is his friend and that his trading account was operated by him. He further stated that at times, he would place the orders and that Mr. Jitendra Mannalal Jain also used to place orders. Thus, all the aforesaid facts reveal that the account of Mr. Jitendra Mannalal Jain was being operated by Mr. Sunil Mehta.



6. As regards, Ms. Hemlata Ramesh Hankare (one of the persons covered under the Order), it is noted that she did not appear before the investigating authority in the matter, so far, in spite of service of summons. From the KYC forms of the said person, opened with different stock brokers, at different points of time, it was observed that Ms. Hemlata Ramesh Hankare is also linked to Mr. Sunil Mehta. As per her KYC form maintained by Networth Direct, it was observed that Mr. Manish Mathur is mentioned as a compulsory reference, while Ms. Anjana Mehta (wife of Mr. Sunil Mehta) appears as the introducer as well as the authorized representative/business associate of Ms. Hemlata Ramesh Hankare. Ms. Anjana Mehta in her statement to SEBI had stated that she hardly knew anything about the stock market and that her accounts were managed by her husband, Mr. Sunil Mehta. She further stated that she does not know Ms. Hemlata Ramesh Hankare. On being questioned as to why she signed the KYC form of Ms. Hemlata Ramesh Hankare, she informed that she would have signed the same on the advice of her husband. The investigation has revealed that Ms. Hemlata Ramesh Hankare was trading through stock broker Inventure Growth & Securities Ltd where the introducer was Mr. Hrishikesh Redij. Mr. Hrishikesh Redij in his statement to SEBI stated that Ms. Hemlata Ramesh Hankare was the client of his immediate junior, Mr. Praveen Gate and that since Mr. Praveen Gate had not been allotted any employee identity, he had signed the KYC form as the team leader for internal management purpose. Further, in the KYC form of Ms. Hemlata Ramesh Hankare with the stock broker, PUG Stock Brokers Pvt Ltd, Mr. Praveen Gate has been mentioned as a reference. Further, Mr. Praveen Gate had signed in the place "employee who interviewed the client". It is pertinent to note that whenever Mr. Praveen Gate changes his job, the trading accounts of the clients (Ms. Hemlata Ramesh Hankare and other entities associate with Mr. Sunil Mehta) were also opened in the new stock broker's office. Thus the facts stated



above reveal that Ms. Hemlata Ramesh Hankare was acquainted with Mr. Sunil Mehta and Mr. Praveen Gate.

7. Similarly, Ms. Renu Madhusudhan Paliwal (restrained vide the Order) too did not appear before investigating authority, so far, in spite of service of summons on her. The investigation had observed that Mr. Bhanwarlal Paliwal (father-in-law of Ms. Renu Madhusudhan Paliwal) had entered into huge synchronized/structured trades in shares of Asian Star Company Limited for the investigation period-October 10, 2008 to November 20, 2008. Mr. Bhanwarlal Paliwal in his statement to SEBI had stated that he does not know anything about the share market and he had never traded. He also stated that Mr. Sunil Mehta had come with KYC forms (from Triveni) for his signature for the purposes of opening a trading account and that Mr. Bhanwarlal Paliwal had signed the documents. However, later on Mr. Sunil Mehta had called him and asked him to close the account. Mr. Sunil Mehta in his first statement in the said matter informed that he did not know Mr. Bhawarlal Paliwal. However, in his second statement, when he was shown the statement of Mr. Bhawarlal Paliwal, had admitted that he knew him as the father of his close friend Madhusudan Paliwal (the husband of Ms. Renu Paliwal) for the last ten to fifteen years. Mr. Sunil Mehta further stated that he had introduced Mr. Madhusudan Paliwal to Triveni as his friend Mr. Manish Mathur was working in Triveni as its Chief Operating Officer. The investigation further observed that the demat account of Renu Madhusudhan Paliwal with ISJ Securities Private Limited was introduced by Mr. Sunil Mehta and witnessed by Mr. Jitendra Mannalal Jain and Mr. Suresh Hanswal (a friend and a long time associate of Mr. Sunil Mehta who was found in an earlier investigation to have manipulated the scrip of Asian Star Company Limited along with Mr. Sunil Mehta). The aforesaid facts, at this stage, raise a suspicion that the account of Ms. Renu Paliwal is also a front of



Mr. Sunil Mehta and that he was actually operating it in association with his friend Mr. Madhusudan Paliwal.

8. The investigation had also found that the accounts of certain other persons (not covered under the Order) were also operated by Mr. Sunil Mehta/his associates. The investigation conducted by SEBI revealed the following in this regard. It was observed that the accounts of Mr. Shaikh Soalli Jainuddin and Ms. Usha Mehta (whose names were mentioned in the Order) were opened with the same stock broker viz. Gupta Equities Private Limited on the same date (October 15, 2009) and immediately thereon, they had started trading in similar scrips (which include scrips which were identified in the Order). The introducer for both the said accounts was Mr. Praveen Gate and that the accounts are provided with internet trading facility. In respect of Mr. Shaikh Soalli Jainuddin, the KYC forms shows that his residential address is that of a chawl in a slum area in Vikroli, Mumbai. Mr. Shaikh Soalli Jainuddin had stated he is a labourer in the Brihanmumbai Electricity Supply and Transport Undertaking (BEST) and does not know how to operate computer or internet and that his account was opened by his friend Mr. Rakesh H Jain. The investigation had observed that funds were deposited in his account in cash by Mr. Rakesh Jain and the same were transferred subsequently to the stock broker, Gupta Equities Private Limited, towards margin payment. In respect of Ms. Usha Mehta, the investigation found that she is an elderly woman who does not stay in Mumbai and whose accounts with various stock brokers are being operated by her son Mr. Sunil Mehta. Thus, the aforesaid facts and observations indicates that the accounts of Mr. Shaikh Soalli Jainuddin and Ms. Usha Mehta were operated by Mr. Sunil Mehta/his associates and that the said accounts were benami accounts.



9. The investigation had also found that Mr. Rakesh H Jain (client of Emkay Global Financial Services Limited) had dealt in huge volumes in scrips which are part of the present investigation. It was observed that funds were either deposited into his bank account in cash or transferred by his brother, Mr. Bhavesh Jain, before transferring the same to the concerned stock broker. It was also seen that cash was deposited into the account of Mr. Bhavesh Jain also. During the investigation, Mr. Rakesh Jain and Mr. Bhavesh Jain were summoned for recording of statement. According to Mr. Rakesh Jain, he was a tailor by profession and not well educated and also does not know how to operate a computer. Mr. Bhavesh Jain runs a medical shop and is not well educated. Both had stated that it was Mr. Bhavesh Kothari, their friend, who opened the accounts by sending his associate, Mr. Praveen Gate and that it was Mr. Bhavesh Kothari who was giving them monetary incentives for opening the account. They had also revealed that their accounts were being used by Mr. Bhavesh Kothari. The investigation had observed that ₹1,25,000/- was transferred from the bank account of Mr. Bhavesh Jain to the stock broker Sytematrix Shares & Stock Limited on July 11, 2009 and that prior to such transfer, it was found that on June 27, 2009 & June 29, 2009, cash to the tune of ₹1,00,000/- was deposited in his account. It was also found that, besides transferring ₹1,50,000/- to his brother, Mr. Rakesh Jain he had also paid ₹1,00,000/- to open the account of Mr. Soalli Shaikh Jainuddin, which was also being operated by Mr. Bhavesh Kothari. Mr. Bhavesh Jain could not explain the source of such huge deposits in his account which is clearly disproportionate to his income. The findings of the investigation indicate that Mr. Bhavesh Jain and Mr. Rakesh Jain have not only lent their trading account to Mr. Bhavesh Kothari but were also soliciting clients by promising cash income for opening trading account. It is to be noted that the trading accounts of Mr. Soalli Shaikh Jainuddin, Mr. Rakesh Jain and Mr. Bhavesh Jain were opened by Mr. Bhavesh



Kothari with three different stock brokers, though he himself is a partner in a sub-broking firm and solely operating the firm's trading terminals.

10. The investigation, while perusing the KYC forms of Ms. Anjana Mehta (wife of Mr. Sunil Mehta) and Mr. Jitendra Mannalal Jain with the stock broker, BP Equities Private Limited, found that both of them have been introduced by one Ravi Kudal. The said introducer had informed SEBI that he was working as a consultant with the said stock broker and introduced both the aforesaid persons to the said stock broker on the request of Mr. Sunil Mehta and did so as Mr. Sunil Mehta is known to him.

11. The investigation has also observed one Devendra Kumar Rai to be trading through internet trading platform extended by Networth Direct., in huge quantities in many of the scrips which are under investigation. From his KYC, it was observed that the name of Mr. Dinanath Dube appears as compulsory reference, while the name of Ms. Anjana Mehta appears as business associate/authorised representative (who gets certain commission on the trades of the client). From the statement of Mr. Devendra Kumar Rai to SEBI, it is noted that that he is engaged in fixing aluminum sliding windows and lives in a chawl in a village in Bhayander. He hardly knows the operation of computer or internet and revealed that he knows one Dinanath Dube who works in Triveni Management Consultancy Limited. Mr Devendra Kumar Rai stated that he used to visit the Bandra office of Triveni Management Consultancy Limited to meet Mr Dinanath Dube and happened to meet Mr. Manish Mathur (Chief Operating Officer of Triveni Management Consultancy Limited), who explained a scheme whereby his associate Mr. Sunil Mehta opens account for people and gives them cash benefit. Mr Devendra Kumar Rai had agreed to open the account on his promise of cash returns. It is revealed that Mr. Manish Mathur got the trading account opened with Networth Direct and paid Mr Devendra Kumar Rai Rs.1,00,000/- in cash which was deposited by him in his account at the Bandra



Branch of Axis Bank. Thereafter, Mr. Devendra Kumar Rai had issued a cheque of similar amount in the name of Networth and gave it to Mr. Manish Mathur. Subsequently Manish Mathur and/or Sunil Mehta started trading in his account but he never received any money as promised hence he got his account closed after few months.

12. Another person, Ms. Meena Rajawat was observed to be having similar trading activities as outlined in the Order in the shares of such companies, the trading and dealing of which is the subject matter of the present ongoing investigation. Her husband, Mr. Himmat Rajawat had appeared before the investigating authority and stated that a person from Triveni Management Consultancy Limited had explained that no money was needed to open an account and that profit would be shared with them. It was also stated that the said person informed them that Mr. Manish Mathur, Chief Operating Officer of Triveni Management Consultancy Limited had floated such a scheme. In view of the same, they had signed the account opening form. The investigation had observed from the ledger statement of Ms. Meena Rajawat that trading in her account was done without any margin payment/initial deposit and that she had never paid any money to Triveni Management Consultancy Limited. It was also noted that she had received profits that accrued in her account. The investigation had also found that Mr. Manish Mathur is a close friend and a long time associate of Mr. Sunil Mehta. In the investigation in the matter of Asian Star Company Limited, it was observed that he had helped Mr. Sunil Mehta in operating trading accounts of many clients for the alleged manipulative purpose. The investigation also found that many wide spread clients have made similar allegations on Triveni Management Consultancy Limited for operating their trading accounts. The same needs to be seen in the light of the fact that Mr. Manish Mathur, who is a friend of Mr. Sunil Mehta, was working as the



Chief Operating Officer with Triveni Management Consultancy Limited during that period.

13. One Sitanshu Nanawati was also observed to be trading in the scrips which are presently under investigation through the internet trading platform extended by the stock broker, Network Direct. From the KYC of this client, it was observed that he is a student. It was also observed that the name of Mr. Bhavesh Kothari was written in the compulsory reference column. From the statement given by Mr. Sitanshu Nanawati, it was observed that he went to learn "BOLT operation" in the office of Mr. Bhavesh Kothari through the reference of one of his neighbours. He stated that he used to go to the office of Mr. Bhavesh Kothari who opened his trading account with Network Direct (and other stock brokers) and promised to give him pocket money out of income generated by small trading in his account. He further stated that he had agreed to the proposal as he was a student. It was found that Mr. Bhavesh Kothari who gave him cash to deposit in his bank account and that Mr. Bhavesh Kothari had also at times, deposited cash directly into the account of Mr. Sitanshu Nanawati, which was afterwards transferred through the issuance of cheques to the concerned stock broker. It was also informed that Mr. Bhavesh Kothari had asked Mr. Sitanshu Nanawati to open another trading account with Monarch Projects and Finmarkets Limited which he did. He stated that all the trading in his account was done by Mr. Bhavesh Kothari. When one of the contract notes reached Mr. Sitanshu Nanawati's residence through courier, his parents came to know about the activities and closed the account. Subsequently, Mr. Sitanshu Nanawati and his parents also visited the office of Mr. Bhavesh Kothari who talked to Mr. Sunil Mehta in their presence and assured them that nothing will happen and all the trading in his account is legal trading. Contract notes and ledger statements of Monarch Projects and Finmarkets Limited were perused which indicated that the activities in the said scrips were being



conducted even beyond the investigation period. It was also observed that the contact number (9773694131) written on the contract note issued by the said stock broker belongs to Mr. Praveen Gate who was observed earlier opening and allegedly operating benami trading accounts for Mr. Sunil Mehta.

14. Mr. Bhavesh Kothari in statement first denied that he knew Mr. Sunil Mehta. However, in his second statement, when confronted with various contradictions in his own statements had finally admitted that he knew Mr. Sunil Mehta. He also admitted that it was he who was actually placing orders in the accounts of his clients (as mentioned at paragraph 4 above) as per the advice of Mr. Sunil Mehta to earn profit for them. According to him, on the advice of Mr. Sunil Mehta, he made many persons, namely, Mr. Rakesh Jain, Mr. Bhavesh Jain, Mr. Soalli Shaikh and Mr. Sitanshu Nanavati open trading account for which he used to get Rs 3000/- per month per person from Mr. Sunil Mehta and which was shared with those clients. The trading in those accounts was done by Mr. Sunil Mehta, the particulars of which, according to him, were not known to him. Mr. Bhavesh Kothari further stated that the accounts were opened with the operational help of Mr. Praveen Gate who visited the clients for and obtained their KYC forms, giving cash, taking cheques in the name of the concerned stock brokers etc.

15. In addition to the aforesaid entities, the investigation has also found that persons allegedly related to Mr. Sunil Mehta/and or his associates, namely Mr. Bharat Jain, Mr. Pradeep Kothari, Mr. Vinay Kothari, Mr. Ajay Roongta, Ms. Seema Mathur, Mr. Manish Mathur and Mr. Suresh Hanswal were also found trading in the identified twelve scrips in a synchronised manner in order to create artificial volumes in those scrips. Mr. Bharat Jain was observed to be trading with the entities/persons related to Mr. Sunil Mehta in a synchronised manner over a long period of time through the stock broker,



Triveni Management Consultancy Limited (of which Mr. Manish Mathur is the Chief Operating Officer) in the shares of Asian Star Company Limited for the period-October 10, 2008 to November 20, 2008. Mr. Pradeep Kothari and Mr. Vinay Kothari are found to be the brothers of Mr. Bhavesh Kothari and that orders for their trades in the identified scrips were placed from the terminals of Mr. Bhavesh Kothari. It is pertinent to note that Mr. Bhavesh Kothari was himself placing orders through his sub-broking firm. From the facts and circumstances of the case, it appears that the trades were placed at the behest of Mr. Bhavesh Kothari. It is also seen that in the investigation in the matter of Asian Star Company Limited, it is observed that Mr. Ajay Roongta was observed to have allegedly orchestrated manipulation in association with Mr. Sunil Mehta by providing finance for trades as well as by giving advice to the entities to trade in the said scrip. Further, Mr. Ajay Roongta was also found to have traded in the shares All Cargo Global Logistics Limited, Asian Star Co. Limited, KSL & Industries Limited, Mavens Biotech Limited, Panoramic Universal Limited and Ushdev International Limited, allegedly in a fraudulent manner. Ms. Seema Mathur is found to be the wife of Mr. Manish Mathur (friend of Mr. Sunil Mehta) and was also found to have traded in certain of the identified scrips. Mr. Suresh Hanswal was observed not only to be trading in synchronised manner in his own account but also in the account other entities as per the advice and financial help rendered by Mr. Sunil Mehta in the matter of Asian Star Company Limited for the period-October 10, 2008 to November 20, 2008.

16. From the findings of the investigation done so far and the brief of such findings outlined in the preceeding paragraphs, it is *prima facie* observed that Mr. Sunil Mehta and his associates including Mr. Rakesh Jain, Mr. Bhavesh Kothari and Mr. Praveen Gate, were operating the accounts of various persons including few persons who had been restrained vide the Order. Further, diverse



and unrelated clients who reside in different geographical locations have informed that their accounts were operated by Mr. Sunil Mehta or his associates. As regards the trading by such persons, the following tables present their contribution to the market volumes and also their quantum of synchronised trades for defined periods.



Investigation Period From March 01, 2009 to September 20, 2009

Sr No.	Scrip Name	Market Volume		Market Gross Volume	Group's Gross Trading Volume (Group's Buy and Sell)	% of Group's Gross Trading Volume to Market Gross Volume	Group's Trading among themselves	% of Group's Trading Volume among themselves to Total Market Volume	Synchronised Trading Volume of the Group	% of Synchronised Trading Volume of the Group to Total Market Volume	% of Synchronised Trading Volume of the Group to Group's Trading Volume among themselves
A	B	C		D	E	F=E/D	G	H=G/C	I	J=I/C	K=I/G
1	Allcargo	1351918		2703836	1250988	46.3%	495322	36.64%	494999	36.61%	99.93%
2	Asian	3286387		6572774	4501708	68.5%	1660020	50.51%	1651686	50.26%	99.50%
3	KSL	3833571		7667142	3276292	42.7%	1316396	34.34%	1313122	34.25%	99.75%
4	Mavens	8430943		16861886	8340736	49.5%	3333327	39.54%	3329397	39.49%	99.88%
5	Panoramic	2699494		5398988	1606630	29.8%	708482	26.24%	707633	26.21%	99.88%
6	Rasi	398173		796346	189316	23.8%	94652	23.77%	94652	23.77%	100.00%
7	SAT	3409253		6818506	3446670	50.5%	1165132	34.18%	1012878	29.71%	86.93%
8	Ushdev	7156466		14312932	9799067	68.5%	3317618	46.36%	3315492	46.33%	99.94%

[Handwritten Signature]



Investigation Period From July 01, 2009 to December 15, 2009

Sr No.	Scrip Name	Market Volume	Market Gross Volume	Group's Gross Trading Volume (Group's Buy and Sell)	% of Group's Gross Trading Volume to Market Gross Volume	Group's Trading among themselves	% of Group's Trading Volume among themselves to Total Market Volume	Synchronised Trading Volume of the Group	% of Synchronised Trading Volume of the Group to Total Market Volume	% of Synchronised Trading Volume of the Group to Group's Trading Volume among themselves
A	B	C	D	E	F=E/D	G	H=G/C	I	J=I/C	K=I/G
1	Anil	2103729	4207458	1068560	25.4%	294913	14.02%	294908	14.02%	100.00%
2	KBS	2675955	5351910	3630030	67.8%	1518492	56.75%	1514992	56.62%	99.77%
3	Lotus	8157759	16315518	6390850	39.2%	2835825	34.76%	2832294	34.72%	99.88%
4	MVL	39918054	79836108	33233180	41.6%	11208213	28.08%	11016639	27.60%	98.29%



The traded quantities by the various persons/entities forming part of the alleged group in various scrips are given in an **Annexure** to this Order.

17. From the above tables, it is observed that the percentage of group's (including the persons/entities covered under the Order and others mentioned in this Order) gross trading volume to market gross volume ranges from 23.8 % to 67%. Similarly the percentage of group's trading volume among themselves to total market volume ranges from 14.02% to 56.75% while the percentage of synchronized trading volume of the group to total market volume ranges from 14.02 % to 56.62 %. It is pertinent to note that the percentage of synchronized trading volume of the group to group's trading volume among themselves ranges from 86.93 % to 100 %. All the facts show that there has been significant market impact by the trading activity of the said group. Given the nature of the relationship noticed between the parties, as outlined above, and the manner and nature of their trades in the select scrips, *prima facie* leads to a conclusion that the accounts of the persons/entities were utilised by Mr. Sunil Mehta to allegedly manipulate the scrips. The preliminary findings discussed above indicates that the trades of the entities of the group, jointly and severally, allegedly executed by Mr. Sunil Mehta aided by his associates, namely, Mr. Bhavesh Kothari, Mr. Praveen Gate, Mr. Manish Mathur, Ms. Anjana Mehta, Mr. Rakesh Jain and Mr. Bhavesh Jain, have *prima facie* violated Regulation 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Since the accounts of the aforesaid persons were opened and operated, in almost all the cases on their volition, for the alleged manipulative purpose, it becomes imperative, in the interest of investors and the securities market, to prohibit the dealing of such persons in the securities market so as stop such misuse. The same is further forged by the fact that almost all the persons were trading in majority of the select scrips during the relevant period. Further, the findings of



the investigation and the material at hand at this stage, points out that Mr. Sunil Mehta had opened accounts of the said persons and operated them through his associates for the purpose of manipulating the identified scrips. He had also used the services of his associates for the purpose of opening trading accounts in return of monetary incentives to those persons whose accounts were opened. SEBI has already initiated formal investigations into the matter which is in progress. However, to ensure that these entities/persons (who were not covered under the Order and who were *prima facie* involved in the manipulative activities as stated above) do not cause any further damage or loss to investors and do not breach the integrity of the securities market by continuing their nefarious activities, I find it imperative to issue the following directions.

18. In view of the foregoing, in order to protect the interest of investors and the securities market from the further acts of the persons/entities as discussed above, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11B and 11(4)(b) thereof, hereby by way of this ad interim ex-parte Order restrain Mr. Sunil Mehta (Permanent Account Number AAQHS1190F and ACEPM8838L), Ms. Anjana Mehta (Permanent Account Number ACOPM6377N), Mr. Bhavesh Kothari (Permanent Account Number AABPK7614H), Mr. Manish Mathur (Permanent Account Number AIVPM4384J), Mr. Praveen Gate (Permanent Account Number AJOPG3159M), Mr. Rakesh Jain (Permanent Account Number AEMPJ7329B), Mr. Bhavesh Jain (Permanent Account Number AGCPJ7776Q), Mr. Ramesh Gandhi (Permanent Account Number AADPG7990C), Mr. Sitanshu Nanawati (Permanent Account Number AGDPN4597Q), Mr. Devendra Kumar Rai (Permanent Account Number AINPR6798Q), Mr. Meena Rajawat (Permanent Account Number AFEPP9056J), Ms. Usha Mehta (Permanent Account Number ABQPM3248M), Mr. Shaikh Soalli Jainuddin (Permanent Account Number



BJCPS6572H), Mr. Bharat Jain (Permanent Account Number AACPJ0602M), Mr. Vinay Kothari (Permanent Account Number AAFHV6824A), Mr. Pradeep Kothari (Permanent Account Number AAJHP7271F), Mr. Ajay Roongta (Permanent Account Number AAVPR5584R), Mr. Seema Mathur (Permanent Account Number APRPM5075M) and Mr. Suresh Hanswal (Permanent Account Number ABPPH6308A) from accessing the securities market and further prohibit them from buying, selling or dealing in securities in any manner whatsoever, with immediate effect, till further directions.

19. The National Securities Depository Limited and Central Depository Services (India) Limited are directed to freeze the beneficial owner accounts of the aforesaid persons. Further, the stock exchanges, National Stock Exchange of India Limited and Bombay Stock Exchange Limited are directed to square off any existing open positions in the Futures & Options segment, if any, for the persons mentioned above. The concerned stock exchanges should also ensure that no further positions are created for the said persons and that the said persons are not be allowed to take fresh positions or increase their open positions or execute trades.

20. The ongoing investigation in the matter shall be completed in compliance with the directions of the Hon'ble Securities Appellate Tribunal.

21. The entities/persons against whom this order is passed may file their objections, if any, within twenty one days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai -400051, on a date and time to be fixed on a specific request, to be received in this behalf from the entities/persons.



22. The entities/persons may also avail of an opportunity of inspection of the relevant documents in the matter, which would be afforded on receipt of a specific request received in this regard.



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

PLACE: MUMBAI
DATE: MAY 27, 2011



WTM/KMA/IVD/386/06/2011

SECURITIES AND EXCHANGE BOARD OF INDIA

CORRIGENDUM

**TO THE EX-PARTE ORDER BEARING NO. WTM/KMA/IVD/385/05/2011
DATED MAY 27, 2011**

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI), vide an Order bearing no. WTM/KMA/IVD/385/05/2011 dated May 27, 2011 (hereinafter referred to as the Order) *inter alia* restrained Mr. Devendra Kumar Rai from accessing the securities market and further prohibited him from buying, selling or dealing in securities in any manner whatsoever, with immediate effect, till further directions. In paragraph 18 of the Order, the Permanent Account Number of Mr. Devendra Kumar Rai was mentioned as 'AINPR6798Q'. Subsequently, it was informed by the National Stock Exchange of India Limited that the correct Permanent Account Number of the said person, as per the Unique Client Information database is 'ALNPR6798Q'.

2. In view of the above, the Permanent Account Number of Mr. Devendra Kumar Rai shall stand corrected as 'ALNPR6798Q' in paragraph 18 of the Order.

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

**PLACE: MUMBAI
DATE: JUNE 1, 2011**