

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: S. RAMAN, WHOLE TIME MEMBER

ORDER

Under sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, in the matter of alleged market manipulation using GDR Issues.

1. Securities and Exchange Board of India ("SEBI") had received alerts about large scale off-market transactions in its Integrated Market Surveillance System (IMSS) regarding trading in scrips of certain companies. A preliminary examination revealed that certain Foreign Institutional Investors ("FIIs")/Sub-accounts were converting the Global Depository Receipts ("GDRs") held by them in those companies into equity shares to sell in the Indian market. It was also observed that such conversions had occurred within a short period after the issue of GDRs by those companies.
2. As *prima facie* manipulative practices were suspected, SEBI vide an ad-interim *ex-parte* Order dated September 21, 2011 ("Interim Order") had *inter alia* issued the following directions –

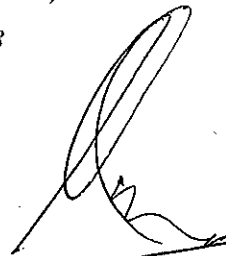
"Order that following person/entities shall not deal in securities or instrument with Indian securities as underlying, in any manner whatsoever, until further orders;

...

- 6) *Basmati Securities Private Limited* (PAN: AAACB4324K) ("**Basmati/Noticee 3**");
- 7) *Oudh Finance and Investment Private Limited* (PAN: AAAC03597K) ("**Oudh/Noticee 4**");
- 8) *Alka India Limited* (PAN: AABCA6702F) ("**Alka/Noticee 2**");
- 9) *SV Enterprise/Sarfaraz Khan Pathan* (PAN: ACRPP5552H) ("**SV Enterprise/Sarfaraz Khan/Noticee 5**")."

- 3.1 The abovementioned Interim Order was confirmed as against Basmati, Oudh and Alka on April 25, 2012, wherein the Competent Authority directed as under –

"In view of the foregoing, I, 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(1), 11(4) and 11B thereof, hereby modify the directions issued vide the ad Interim ex-parte Order dated September 21, 2011 in the matter of market manipulation using



GDR issues against Basmati Securities Private Limited, Oudh Finance and Investment Private Limited and Alka India Limited to limited extent of allowing them to sell their shares held in their dematerialized accounts...

3.1.1 Subsequent to the abovementioned Confirmatory Order, Alka filed an appeal (Appeal No. 209 of 2013), before the Hon'ble Securities Appellate Tribunal ("SAT"). The Hon'ble SAT disposed of the appeal vide its Order dated January 21, 2014, "...direct SEBI to initiate 11B proceedings and pass appropriate order thereon within a period of 4 months from today qua the appellant."

3.1.2 Oudh also filed an appeal (Appeal No. 56 of 2014), before the Hon'ble SAT, and the Tribunal disposed of the same vide its Order dated April 8, 2014, directing –

"A) Respondent (SEBI) shall issue a show cause notice to appellant within a period of four weeks from today.

B) Appellant (Alka) shall file their reply to the show cause notice within a period of four weeks of receiving the show cause notice.

C) Final order on the show cause notice shall be passed by the respondent within a period of three months from the date of receiving reply to the show cause notice."

3.1.3 Thereafter, SEBI filed a miscellaneous application (Misc. Application No. 54 of 2014 in Misc. Application No. 135 of 2013 and Appeal No. 209 of 2013), before the Hon'ble SAT seeking extension of time for passing of final order in the matter of Alka. The Hon'ble SAT disposed of the miscellaneous application vide its Order dated May 9, 2014, directing –

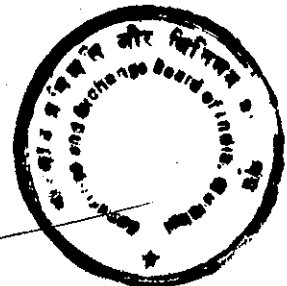
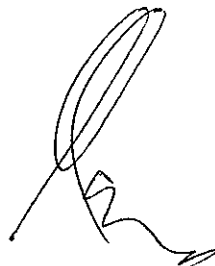
"A) Respondent (SEBI) shall issue a show cause notice to appellant within a period of four weeks from today.

B) Appellant (Alka) shall file their reply to the show cause notice within a period of four weeks of receiving the show cause notice.

C) Final order on the show cause notice shall be passed by the respondent within a period of three months from the date of receiving reply to the show cause notice."

3.1.4 Basmati filed an appeal (Appeal No. 80 of 2014), before the Hon'ble SAT, and the Tribunal disposed of the same vide its Order dated May 9, 2014, directing –

"The appellant to file reply on or before June 25, 2014 and further direct SEBI to pass final order in the matter on or before September 20, 2014."



4.1 In compliance with the abovementioned Orders dated April 8, 2014 and May 9, 2014, of the Hon'ble SAT, a Show Cause Notice ("SCN") dated April 22, 2014, was issued to Alka and Oudh alongwith the following entities, viz. –

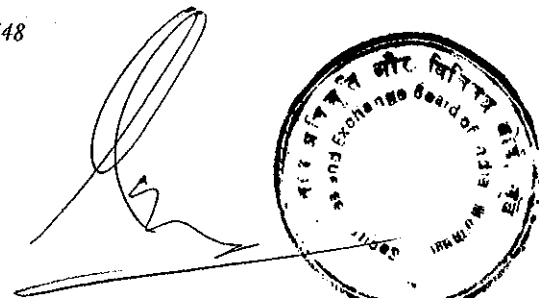
- i. *Basmati;*
- ii. *SV Enterprise/Sarfaraz Khan;*
- iii. *Ashok Panchariya/Noticee 1;*
- iv. *Madanlal Giridharilal Bugaliya ("Madanlal/Noticee 6");*
- v. *Indra Varun Trade Impex Pvt. Ltd. ("Indra Varun/Noticee 7");*
- vi. *Delight Financial Advisors Ltd. ("Delight/Noticee 8");*
- vii. *Vinod Amrutlaal Naai ("Vinod Naai/Noticee 9");*
- viii. *Newgen International Pvt. Ltd. ("Newgen/Noticee 10");*
- ix. *Excel Paints Pvt. Ltd. ("Excel/Noticee 11");*
- x. *Cherry Cosmetics Pvt. Ltd. ("Cherry Cosmetics/Noticee 12");*
- xi. *Edelweiss Estates Pvt. Ltd. ("Edelweiss/Noticee 13");*
- xii. *Anilkumar Mukeshkumar Kedia, proprietor of Gujarat Enterprise/Noticee 14.*

4.2 Vide the abovementioend SCN dated April 22, 2014, the entities named therein were asked to show cause as to why suitable directions should not be issued by SEBI, against them, under Sections 11, 11(4) and 11B of the SEBI Act, 1992 ("SEBI Act"), for the violations alleged therein –

- i. *As against Noticee 1 – 14 i.e. Alka, Basmati, Oudh, SV Enterprise/Sarfaraz Khan, Ashok Panchariya, Madanlal, Indra Varun, Delight, Vinod Naai, Newgen, Excel, Cherry Cosmetics, Edelweiss, Gujarat Enterprise – Section 12A (a)–(c) of SEBI Act read with Regulation 3(a)–(d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations").*
- ii. *As regards Sarfaraz Khan – Section 11(C)(3) of the SEBI Act.*

4.3 As per the abovementioned SCN dated April 22, 2014, –

- i. The investigations revealed that the GDR issues was devised and structured by Arun Panchariya ("**Panchariya**") and Pan Asia Advisors Limited ("**Pan Asia**") (which was 100% owned by Panchariya) in connivance with the Issuer Companies - Asahi Infrastructure & Projects Ltd. ("**Asahi**"), Avon Corporation Ltd. ("**Avon**"), Cat Technologies Ltd. ("**Cat Technologies**"), IKF Technologies Ltd. ("**IKF**"), K Sera Sera Ltd. ("**K Sera Sera**") and

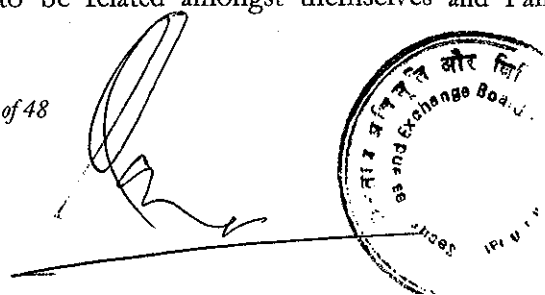


Maars Software International Ltd. ("**Maars**") (hereinafter collectively referred to as "**Issuer Companies**"), through a fraudulent arrangement. The securities were subsequently off-loaded on Indian investors through various entities connected to Panchariya. In may be mentioned that SEBI passed an Order dated June 20, 2013, against Panchariya and Pan Asia in the matter of alleged market manipulation using GDR Issues, whereby it was directed that –

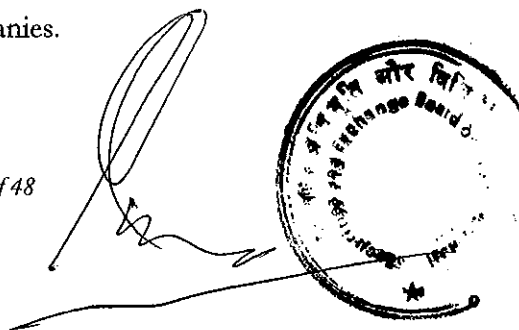
- a. *"Pan Asia and Panchariya as persons connected to the Indian Securities market are barred from rendering services in connection with instruments that are defined as securities (as in section 2(b) of SCRA, 1956) in the Indian market or in any way dealing with them, directly or indirectly, for a period of 10 years, from the date of this order.*
- b. *Pan Asia and Panchariya are prohibited from accessing the capital market directly or indirectly, for a period of 10 years, from the date of this order."*

The order of SEBI was challenged before the Hon'ble SAT and the Hon'ble Tribunal vide order dated September 30, 2013 held that SEBI does not have any jurisdiction in relation to Issue of GDRs. In this regard and with due respect to the Order passed by the Hon'ble Tribunal, it is pertinent to mention that as the matter has raised important questions of law which has a bearing on many matters, SEBI has filed an appeal against the decision in the Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India vide Order dated December 13, 2013 stayed the operation of the aforesaid Order of the Hon'ble SAT and the matter is pending before the Hon'ble Supreme Court.

- ii. It is observed that the Sub-Accounts, namely, India Focus Cardinal Fund ("**IFCF**") and KII Limited ("**KII**") who were allegedly connected to Panchariya converted the GDRs held by them into shares and sold the same in the Indian market.
- iii. The counter parties to a major portion of such sales were again entities connected to Panchariya, viz. Ashok Panchariya, Alka, Basmati, Oudh, SV Enterprise, Madanlal, Indra Varun, Delight, Vinod Naai, Newgen, Excel, Cherry Cosmetics and Edelweiss (hereinafter collectively referred to as "**CP Group**").
- iv. The CP Group assisted in selling of the shares by IFCF and KII in the Indian securities market. The CP Group was observed to be related amongst themselves and Panchariya through KYC documents, etc.



- v. The objective of the trading done by the CP group was –
- To create liquidity in the market in order to attract gullible investors to trade in the scrip so that Sub-Accounts can off load shares in India
 - To purchase shares from Sub-Accounts and sell it to other investors in India.
- vi. There was significant increase of turnover in the Issuer Companies due to the activities of the CP Group and the Sub-Accounts. It is observed that during the Investigation Period (January 01, 2009 to September 21, 2011; in the case of Maars , Investigation Period is from January 01, 2007 to September 21, 2011) the Sub-Accounts and CP Group have contributed 23.09% to 59.93% towards the total turnover in the shares of Issuer Companies. The same was done with the objective of facilitating the sale of shares by Sub-Accounts in the Indian market, thereby monetizing the GDRs and make Indian investors pay for the structured GDRs.
- vii. Gujarat Enterprise, proprietorship firm of Anilkumar Kedia is alleged to have acted as a layer for transfer of funds between of funds between entities of the CP group. On 14/10/2009 SV Enterprise Ltd transferred Rs. 69 lakh to Gujarat Enterprise. Subsequently, on same day i.e. 14/10/2009, Gujarat Enterprise transferred Rs. 54 lakh to Equisearch Broking Pvt. Ltd. ("Equisearch"), which was then credited to the ledger account of Vinod maintained with the stock broker Equisearch and later on utilised by Vinod Naai for trading in the shares of Issuer Companies. Brahmani (Proprietor: Madanlal Bugaliya) transferred Rs. 50 lakh to Gujarat Enterprise on 20/10/2009. Subsequently, on same day i.e. 20/10/2009 Gujarat Enterprise transferred Rs. 50 lakh to Equisearch, which was then credited in the ledger account of Vinod Naai maintained with Equisearch and was utilised by Vinod Naai for trading primarily in the shares of Issuer Companies.
- viii. Sarfaraz Khan, Proprietor of SV Enterprise, did not provide information to SEBI sought vide summons dated January 12, 2012 and August 12, 2013. Thus, Sarfaraz Khan appears to have deliberately not cooperated with SEBI in the investigation. SV Enterprise is observed to be connected with Panchariya and his brother, Ashok Panchariya. It is observed that Sarfaraz Khan/SV Enterprise has acted in connivance with Panchariya related entities for carrying out manipulation in the shares of Issuer Companies.



4.4.1 Replies to the SCN were received from the following entities, viz. –

- i. Ashok Panchariya vide letter dated May 14, 2014;
- ii. Newgen vide letter dated June 17, 2014;
- iii. Oudh vide letter dated June 15, 2014;
- iv. Alka vide letters dated June 20, 2014 and April 28, 2014;
- v. Excel vide letter dated June 23, 2014;
- vi. Edelweiss vide letter dated June 23, 2014;
- vii. Cherry Cosmetics vide letter dated June 24, 2014;
- viii. Basmati vide letters dated June 25, 2014 and July 25, 2014;
- ix. Vinod Naai vide letter dated July 09, 2014;
- x. Madanlal vide letter dated July 10, 2014.

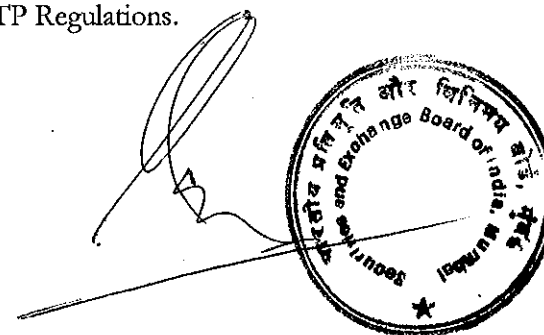
4.4.2 SV Enterprise and Indra Varun Trade did not provide any reply to the SCN despite the same being served upon them.

4.4.3 The SCN could initially not be served upon 2 entities, viz. Delight and Gujarat Enterprise. Therefore, details of the same alongwith notice granting an opportunity of hearing in respect of the aforesaid entities, was published in widely circulated national and regional newspapers i.e. The Times of India (Ahmedabad and Mumbai Edition), Young Herald, Divya Bhaskar and Maharashtra Times. While Delight did not provide any reply to the SCN, Gujarat Enterprise was subsequently served with the SCN and replied to the same vide letters dated July 19, 2014 and August 21, 2014.

4.5 An opportunity of personal hearing was granted to the abovementioned entities on July 23, 2014. During the hearing on that date, only four of the aforementioned entities appeared before the Competent Authority, viz. – Ashok Panchariya, Alka, Basmati and Oudh. In their aforementioned replies and during the aforesaid hearing, the authorised representative of Ashok Panchariya, Alka, Basmati and Oudh, *inter alia* made the following submissions –

4.5.1 **Submissions made by Ashok Panchariya –**

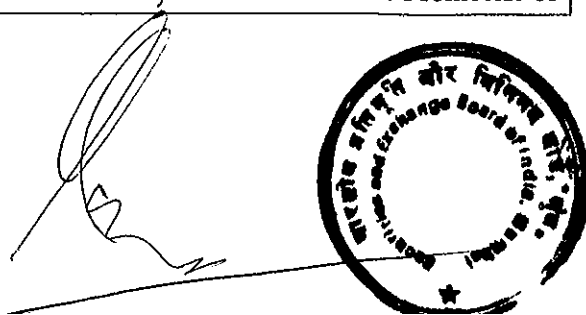
- a. Neither bought/sold/dealt in securities in any manner much less in a fraudulent manner. The securities of the Issuer Companies for which the SCN was issued are not '*marketable securities*' under Section 2(h) of the Securities Contract Regulation Act, 1956 ("**SCRA Act**"). Therefore, SEBI cannot invoke Regulations 3 or 4 of the PFUTP Regulations.



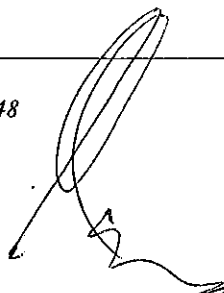

4.5.2 Submissions made by Alka –

- a. Not concerned with the GDR Issue and did not subscribe to GDRs.
- b. Not connected to Pan Asia Advisors, the Lead Manager to the GDR Issue (“Pan Asia”), except to the extent of Pan Asia’s legal relationship with Panchariya.
- c. Purchased shares from the market where there was anonymous order matching and hence, could not have been aware of the identity of the counterparty to their trades.
- d. Copies of documents relied upon by SEBI are illegible and Alka should be permitted to examine the entities with whom Alka is alleged to be connected.
- e. Alka is alleged to have purchased 1094788 shares of IKF Technologies from the Sub-Account, IFCF. However, the purchase was from market and not from the Sub-Accounts; the quantity was only 5% of the shares sold by that Sub-Account, which would have been a miniscule portion of the shares sold on the BSE and the NSE.
- f. Not purchased any shares of Asahi during the Investigation Period.
- g. Not connected with the sale by FII or Sub-Accounts. In case of IKF, only 25% of Alka’s purchase was linked to FII/Sub-Accounts. SEBI has not shown that their trades were synchronized or matched with those of FII/Sub Accounts or any other entity.
- h. Their purchase and sale of shares of Avon, CAT, Maars and K Sera Sera on the BSE and NSE is not connected with the sale by FII or Sub Accounts. In case o IKF only 25% of its purchase is linked to FII/Sub Accounts. SEBI has not shown that their trades were synchronized or matched with those of FII/Sub Account or any other entity.
- i. As per the SCN or the annexures thereto, Alka was not alleged to be connected with SV Enterprise except for a loan transaction wherein they lent a sum of ₹83 lakhs to SV Enterprise and received back the same amount with interest of ₹2 Lakhs.
- j. No particulars of funding amongst CP Group are shown in SCN or the Annexures thereto.
- k. As regards relationship with the other entities, –

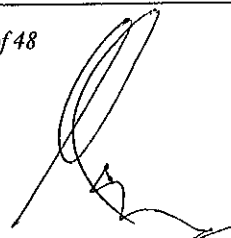
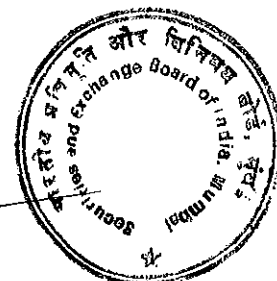
Sr. No.	Name of Entity	Basis of Connection and Alka’s submission regarding the same
1.	Panchariya	<p>Connection: Panchariya alongwith his family members are Promoters of Alka.</p> <p>Submission –</p> <p>i. Merely because Panchariya was related to the Promoters of</p>



		Alka (15% shareholding), Alka cannot be considered to have acted with him. ii. Panchariya resigned as Director of Alka in 2001.
2.	Pan Asia	Connection: Panchariya was the 100% beneficial owner of Pan Asia. Submission – i. Was not connected to Pan Asia except to the extent of its legal relationship with Panchariya.
3.	Ashok Panchariya	Connection: Ashok Panchariya was Executive Director of Alka in March 2011. Ashok Panchariya is brother of Panchariya. Ashok Panchariya is also brother of Satish Panchariya who is mentioned as the promoter, Executive Director, Chairman and Managing Director of Alka during the Investigation Period in the Annual Reports of Alka. Submission – i. Although Ashok Panchariya was a Promoter and Director of Alka, however he was not a Whole Time Director and was not involved in the day-to-day business.
4.	Basmati	Connection: As per Annual Return of Basmati filed with MCA on September 30, 2005, Alka and Oudh are among the shareholders of Basmati. Together, they hold 37.68% of the shares of Basmati. Submission – i. Purchased/subscribed shares of Basmati in 2005 but divested the same in 2008 to M/s Shree Mahaganga Sugar Mills Ltd. Hence, the connection between Alka and Basmati was erroneous and based on archaic data. ii. Basmati does not hold any shares in Alka.
5.	Oudh	Connection: Alleged to be connected to Oudh by virtue of shareholding of Basmati since Basmati holds 27.8 % of Oudh. Alka, Newgen and Oudh have another common phone number (9702001974) in their KYC documents. Submission –

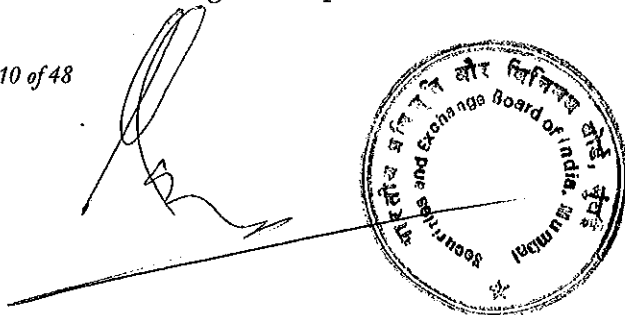
		<p>i. Alka divested its entire shareholding in Basmati in 2008 and therefore, it cannot be considered as being connected to Oudh.</p>
6.	Edelweiss	<p>Connection: Edelweiss and Alka have common phone number (26736438) in the KYC documents available with their respective brokers/depository participants.</p> <p>Submission –</p> <p>i. KYC documents of Edelweiss Estates (Broker – Shriram Insight Share broker) are dated May 7, 2010.</p> <p>ii. KYC documents from Broker – Multiplex Capital was dated August 10, 2007.</p> <p>iii. Alka’s registered office was in Office No. E–211 at Crystal Plaza, Andheri (W); Edelweiss has office in Office No. E–212 in the same building.</p> <p>iv. Don’t know why Edelweiss provided Alka’s landline number to the Broker – Shriram Insights. Contact telephone number and the number for sending SMS etc. in Edelweiss's KYC form was a mobile number and not the Landline Number.</p>
7.	Madanlal	<p>Connection: Related by a common address. Madanlal is Director of Panchariya Gin Pvt. Ltd. during Investigation Period. The registered address of Panchariya Gin Pvt. Ltd. is same as that of Alka. Further, Panchariya was previously Director of Panchariya Gin Pvt. Ltd. Further from the KYC documents of Brahmani Trading Co. (Proprietorship firm of Madanlal), furnished by ING Vysya Bank, it is observed that Brahmani Trading Co. was referred to the said bank by Alka.</p> <p>Submission –</p> <p>i. Shifted Registered office from Ahmedabad to Mumbai in 2007 (w.e.f. Feb 2007). However, KYC document relied upon by SEBI was prior to February 2007.</p> <p>ii. KYC documents with Broker – India Infoline, which was used to allege connection with Madanlal was dated Jan 31,</p>

		<p>2007.</p> <p>iii. KYC documents with Edelweiss Securities were dated November 23, 2006.</p> <p>iv. KYC documents of Madanlal (broker – SSJ Finance) were dated Dec 12, 2012 i.e. after the Investigation Period. On that date, Alka's office was in Mumbai.</p> <p>v. Madanlal is not connected with Alka in any manner whatsoever as a Director, employee, shareholder or otherwise.</p>
8.	Newgen	<p>Connection: Related by common telephone number.</p> <p>Submission –</p> <p>i. Telephone number provided by Newgen was not registered in Alka's name. Further, SEBI has not produced any record to show otherwise.</p>

4.5.3 Submissions made by Basmati –

- a. Purchased shares from the market through anonymous order matching system.
- b. Even after the Investigation Period, Basmati continued to hold significant shareholding of the Companies.
- c. Not concerned with issue or subscription of GDRs. All trading done by Basmati is independent of the trades done by other entities.
- d. Purchased shares from the market and not from the Sub-Accounts.
- e. Traded in scrips like CAT, IKF and K Sera even before Investigation Period and/or GDR Issue.
- f. It is not alleged or shown by SEBI that Basmati's trades were matched or synchronized with those of the FIIs/Sub Accounts.
- g. **Trading in Asahi –**
 - Trades of the CP Group and the Sub-Accounts on gross basis in the scrip of Asahi during the Investigation Period were 40.02% of the total market volume. The figures clearly showed that apart from members of the alleged Group, there were several other



entities which had the same outlook in respect of Asahi and hence, bought shares sold by the Sub-Accounts.

- Even in the above case of Asahi shares, only 45.45% of Asahi shares sold by IFCF matched with trades of the alleged group. Further, only 78.59% of Asahi shares sold by KII matched with trades of the alleged group. If the parties were engaged in synchronized trading, then there should have been a 100% match (or nearly thereabouts) between IFCF and the CP Group.
- SEBI has stated that the Sub-Accounts started selling shares of Asahi from August 21, 2009 and the CP Group started trading in Asahi from September 03, 2009. IFCF sold 845793 shares between the period August 21, 2009 till September 02, 2009, but none of the CP Group members traded during this period. If SEBI's hypothesis were to be accepted, then even during this period there should have been transactions between the CP Group and the Sub-Accounts. The very fact that the CP group did not trade during this period shows that allegation of SEBI/hypothesis that the entities have engaged in synchronized trading is false.

h. Trading in Avon –

- Gross trades of the CP Group were 50.12% of the total market volume in Avon. This statement itself disproves the allegation, of SEBI that the CP Group traded so as to facilitate the off-loading of shares by Sub-Accounts. If SEBI's allegation were true, then the entire stock of Avon shares sold by the Sub-Accounts would have been bought by the CP Group. If the parties were engaged in synchronized trading, then there would have been a nearly 100% match between the Subaccounts and the CP group.
- The alleged purchase of 3146551 shares of Avon from IFCF, which amounted to 7.30% of the total shares sold by IFCF, was a very miniscule portion of trades.
- Purchased 12313632 shares and sold 12309027 shares in the scrip of Avon. Basmati's purchase and sale in Avon amounted to 4.26% of the market volume on gross basis.

i. Trading in CAT –

- Purchased 94990 shares from IFCF which was 38.74% of shares of CAT, sold by IFCF. Shares were purchased from the market i.e. NSE and BSE, and trades were not matched with IFCF or any other entity.
- During the Investigation Period they sold merely 9.71% and purchased merely 11.28% of the total market volume in CAT.

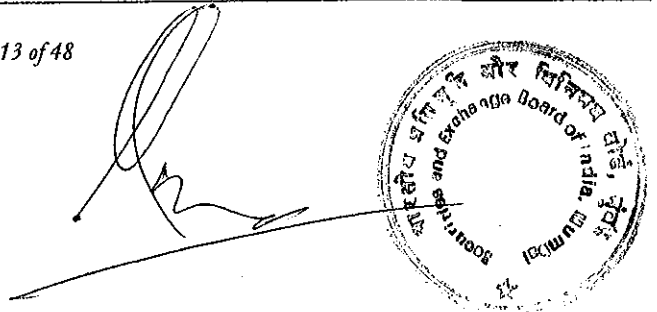
j. Trading in IKF –



- Traded in the shares of IKF even before the Investigation Period. Therefore, the allegation that Basmati's trades were meant to provide an exit to the Sub-Accounts is baseless.
 - Purchased 36.28% of the total shares sold by IFCF. Shares were purchased from the market i.e. NSE and BSE, through screen based anonymous order matching system.
 - Purchased 59691361 shares and sold 40819166 shares of IKF amounting to 9.80% and 6.70% respectively, of the total market volume. In view of the same, Basmati cannot be accused of market manipulation.
- k. **Trading in K Sera Ltd –**
- Traded in the shares of K Sera even before the Investigation Period. Therefore, the allegation that Basmati's trades were meant to provide an exit to the Sub-Accounts is baseless.
 - Purchased 28.32% and 14.32% of the total shares sold by IKF and KII respectively. Shares were purchased from the market i.e. NSE and BSE, through screen based anonymous order matching system.
 - Purchased 75843553 shares and sold 77871414 shares of K Sera amounting to 10.34% and 10.62% respectively, of the total market volume. In view of the same, Basmati cannot be accused of market manipulation.
- l. **Trading in Maars –**
- Traded in the shares of Maars even before the Investigation Period. Therefore, the allegation that Basmati's trades were meant to provide an exit to the Sub-Accounts is baseless.
 - Purchased 24.26% of the total shares sold by IFCF. Shares were purchased from the market i.e. NSE and BSE, through screen based anonymous order matching system.
 - Purchased 19495826 shares and sold 20437315 shares of Maars amounting to 7.31% and 7.66% respectively, of the total market volume. In view of the same, Basmati cannot be accused of market manipulation.
- m. No particulars of funding amongst CP Group are shown in SCN or the Annexures thereto.
- n. As regards relationship with the other entities, –



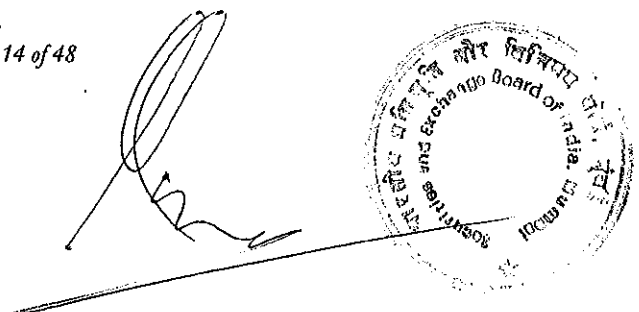
Sr. No.	Name of Entity	Basis of Connection and Basmati's submission regarding the same
1.	Panchariya	<p>Connection: Connected through Alka.</p> <p>Submission –</p> <p>i. Panchariya was not a shareholder or Director in Basmati. No entity or person that was either owned and/or controlled by Panchariya was a shareholder and/or Director of Basmati.</p>
2.	Alka	<p>Connection: As per Annual Return of Basmati filed with MCA on September 30, 2005, Alka and Oudh are among the shareholders of Basmati. Together, they held 37.68% of the shares of Basmati.</p> <p>Submission –</p> <p>i. Alka had bought shares of Basmati in 2005 but sold off its entire shareholding in 2008 to Shree Mahaganga Sugar Mills Ltd. Thereafter, Alka was not connected to Basmati in any manner whatsoever.</p>
3.	Oudh	<p>Connection: Alleged to be connected to Oudh by virtue of shareholding since Basmati holds 27.8 % of Oudh. Oudh is also a shareholder of Basmati. Oudh and Basmati have common addresses and phone numbers. Both of them also have a common authorized signatory – Rahul C Shah, as per the KYC documents from their respective brokers and depository participants.</p> <p>Submission –</p> <p>i. Basmati and Oudh have cross-holdings. There are no common Directors and the management of Basmati and Oudh are independent management.</p> <p>ii. Share office space with Oudh and accordingly common address and telephone numbers may have been mentioned by both companies in the KYCs.</p> <p>iii. The fact that Basmati and Oudh deal and conduct business through a common address or telephone number or authorised signatory does not establish that Basmati has</p>



		dealt in alleged synchronized trades.
4.	Excel	<p>Connection: Related by a common telephone number.</p> <p>Submission –</p> <p>i. Not aware of the reasons for Excel having provided telephone number 22642039 in their KYC documents to their broker CPR Capital Services Pvt. Ltd.</p>

4.5.4 Submissions made by Oudh –

- a. Purchased shares from the market through anonymous order matching system.
- b. Even after the Investigation Period, Oudh continued to hold significant shareholding of the Companies.
- c. Not concerned with issue or subscription of GDRs. All trading done by Oudh is independent of the trades done by other entities. Purchased shares from the market and not from the Sub-Accounts.
- d. Traded in scrips like CAT, IKF and K Sera even before Investigation Period and/or GDR Issue.
- e. It is not alleged or shown by SEBI that Oudh's trades were matched or synchronized with those of the FIIs/Sub Accounts.
- f. **Trading in Asahi –**
 - Trades of the CP Group and the Sub-Accounts on gross basis in the scrip of Asahi during the investigation period were 40.02% of the total market volume. The figures clearly showed that apart from members of the alleged Group, there were several other entities which had the same outlook in respect of Asahi and hence, bought shares sold by the Sub-Accounts.
 - Likewise even in the case of Asahi shares, only 45.45% of Asahi shares sold by IFCF matched with trades of the alleged group. Further only 78.59% of Asahi shares sold by KII matched with trades of the alleged group. If the parties were engaged in synchronized trading, then there should have been a 100% match (or nearly thereabouts) between IFCF and the CP Group.

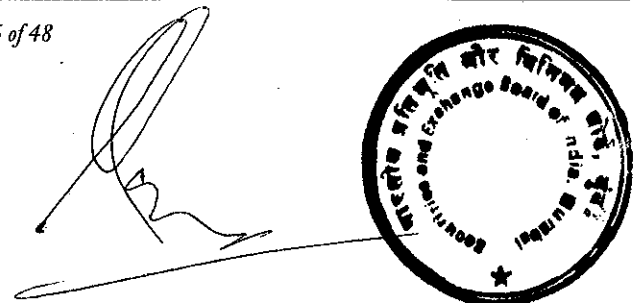


- The Sub-Account, IFCF, started selling shares from August 21, 2009 even before the CP Group started selling from September 3, 2009, which indicated that the allegation by SEBI regarding synchronized trading by CP Group with the Sub-Account was false.
- g. **Trading in Avon –**
- Gross trades of the CP Group were 50.12% of the total market volume in Avon. This statement itself disproves the allegation of SEBI that the CP Group traded so as to give exit to Sub-Accounts. If SEBI's allegation were true, then the entire stock of Avon shares sold by the Sub-Accounts would have been bought by the CP Group. If the parties were engaged in synchronized trading, then there would have been a nearly 100% match between the Subaccounts and the CP Group.
 - The alleged purchase of 1796694 shares and 600 shares of Avon from IFCF and KII respectively, which amounted to 4.17% and 0.01% respectively of the total shares sold by IFCF, was a very miniscule portion of trades.
 - Purchased 3967249 shares and sold 3967249 shares in the scrip of Avon. Basmati's purchase and sale in Avon amounted to 1.37% of the market volume on gross basis.
- h. **Trading in CAT –**
- Purchased 149999 shares from IFCF which was 61.17% of shares of CAT, sold by IFCF. Shares were purchased from the market i.e. NSE and BSE, and trades were not matched with IFCF or any other entity.
 - During the investigation period they sold merely 1.28% and purchased merely 2.97% of the total market volume in CAT.
- i. **Trading in IKF –**
- Traded in the shares of IKF even before the investigation period. Therefore, the allegation that Basmati's trades were meant to provide an exit to the Sub-Accounts is baseless.
 - Purchased 19.79% of the total shares sold by IFCF. Shares were purchased from the market i.e. NSE and BSE, through screen based anonymous order matching system.
 - Purchased 12139184 shares and sold 7158858 shares of IKF amounting to 1.99% and 1.18% respectively, of the total market volume. In view of the same, Basmati cannot be accused of market manipulation.
- j. **Trading in K Sera Ltd –**
- Traded in the shares of K Sera even before the investigation period. Therefore, the allegation that Basmati's trades were meant to provide an exit to the Sub-Accounts is baseless.




- Purchased 28.24% and 10.83% of the total shares sold by IKF and KII respectively. Shares were purchased from the market i.e. NSE and BSE, through screen based anonymous order matching system.
 - Purchased 22662210 shares and sold 23382571 shares of K Sera amounting to 3.09% and 3.19% respectively, of the total market volume. In view of the same, Basmati cannot be accused of market manipulation.
- k. **Trading in Maars –**
- Oudh has not purchased any shares of Maars from IFCF.
 - Purchased 2080260 shares and sold 2080260 shares of Maars amounting to 0.78% and 0.78% respectively, of the total market volume. In view of the same, Oudh cannot be accused of market manipulation.
- l. No particulars of funding amongst CP Group are shown in SCN or the Annexures thereto.
- m. As regards relationship with the other entities, –

Sr. No.	Name of Entity	Basis of Connection and Oudh's submission regarding the same
1.	Panchariya	<p>Connection: Connected through Alka.</p> <p>Submission –</p> <p>i. Panchariya was not a shareholder or Director in Oudh. No entity or person that was either owned and/or controlled by Panchariya was a shareholder and/or Director of Oudh.</p>
2.	Alka	<p>Connection: Basmati holds 27.8% of the shares of Oudh. As per Annual Return of Basmati filed with MCA on September 30, 2005, Alka and Oudh are among the shareholders of Basmati. Together, they hold 37.68% of the shares of Basmati.</p> <p>Submission –</p> <p>i. Alka had bought shares of Basmati. However, Alka was not a shareholder in Oudh.</p>
3.	Basmati	<p>Connection: Alleged to be connected to Basmati by virtue of shareholding since Basmati holds 27.8 % of Oudh. Oudh is also a shareholder of Basmati. Oudh and Basmati have common addresses and phone numbers. Both of them also have a common authorized signatory – Rahul C Shah, as per the KYC documents from their</p>

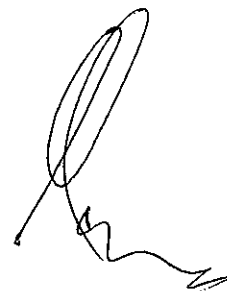


		<p>respective brokers and depository participants.</p> <p>Submission –</p> <p>i. Basmati and Oudh have cross-holdings. There are no common Directors and the management of Basmati and Oudh are independent management.</p> <p>ii. Share office space with Basmati and accordingly common address and telephone numbers may have been mentioned by both companies in the KYCs.</p> <p>iii. The fact that Basmati and Oudh deal and conduct business through a common address or telephone number or authorised signatory does not establish that Oudh has dealt in alleged synchronized trades.</p>
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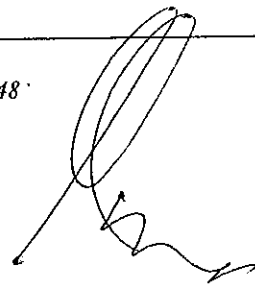
4.6 In their replies, Newgen, Excel, Edelweiss, Cherry Cosmetics, Madanlal and Vinod Naai *inter alia* made the following submissions –

4.6.1 Submissions made by Newgen –

- a. Purchased shares from the market through anonymous order matching system.
- b. Trading was not done with intention to create liquidity and sell them to Indian investors.
- c. Not concerned with issue or subscription of GDRs.
- d. Their trading is miniscule and mostly less than 2%. They have not traded in the scrip of Maars.
- e. They are not connected with Pan Asia Advisors Ltd. or Panchariya, except to the extent that Panchariya was director in one of their minority shareholders Vintage FZE (India) Pvt. Ltd.
- f. As regards relationship with the other entities, –



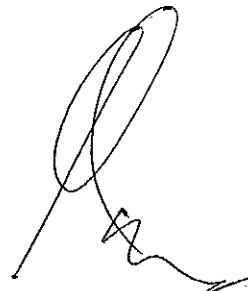

Sr. No.	Name of Entity	Basis of Connection and Newgen's submission regarding the same
1.	Panchariya	<p>Connection: One of the shareholders of Newgen is Vintage FZE (UAE) Pvt. Ltd. which was holding around 33% of its shares as on dates September 28, 2007, March 31, 2008, and September 30, 2010. As on May 27, 2011 Vintage FZE (India) Pvt. Ltd. (previously known as Vedant Finvest and Consultant Pvt. Ltd. and having same address as Vintage FZE (UAE) Pvt. Ltd.) ("Vintage FZE (India)") was holding around 16.49% of Newgen's shares. Panchariya was appointed as director of Vintage FZE (India) on February 20, 2007. Further, Ashok (brother of Panchariya) is the majority shareholder (97.54% of total shares) and director of Vintage FZE (India).</p> <p>Submission –</p> <p>i. Panchariya was a director in Vintage FZE (India), which itself was a minority shareholder in Newgen. Panchariya was no longer a Director in that company or associated with Vintage FZE (India) or Newgen.</p>
2.	Alka, Oudh and Cherry Cosmetics	<p>Connection: Alka, Cherry Cosmetics and Newgen have common telephone number i.e. 9820113530, in the KYC documents. Alka, Newgen and Oudh have another common phone number (9702001974) in their KYC documents</p> <p>Submission –</p> <p>i. The telephone number provided by Newgen does not belong to Alka nor was the same registered in the name of Alka.</p> <p>ii. Not aware why and for what reason, Alka provided the common telephone number in its KYC documents to Arch Finance Ltd.</p> <p>iii. Not aware why and for what reason, Cherry Cosmetics and Oudh provided the common number in their KYC documents.</p>



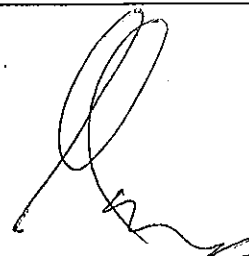

3.	Maars	<p>Connection: As per shareholding pattern of Newgen on September 28, 2007, Maars and Vintage FZE (UAE) Pvt. Ltd. were collectively holding 95.98% of Newgen's shares till September 2010. After September 2010, Vintage FZE (India) became holder of 164920 shares of Newgen replacing Vintage FZE (UAE) Pvt. Ltd.</p> <p>Submission –</p> <p>i. Maars was a shareholder in Newgen till October 2007; thereafter, Maars transferred/sold its shareholding to Excel. Hence, the connection between Newgen and Maars is based on archaic and outdated data.</p>
4.	Excel	<p>Connection: Shareholding Pattern of Newgen shows that as on March 31, 2011, Excel is a shareholder in Newgen. It was holding 312000 shares as on March 31, 2011. These 312000 shares were previously held by Maars.</p> <p>Submission –</p> <p>i. Excel is one of the shareholders in Newgen. However, Newgen is not connected with any of the activities of Excel.</p>

4.6.2 Submissions made by Excel –

- a. Purchased shares from the market through anonymous order matching system.
- b. Trading was not done with intention to create liquidity and sell them to Indian investors.
- c. Trading done by it constituted only a miniscule percentage of market volume and sale by Sub-Accounts.
- d. Not concerned with issue or subscription of GDRs.
- e. As regards relationship with the other entities, –




Sr. No.	Name of Entity	Basis of Connection and Excel's submission regarding the same
1.	Arun Panchariya and Ashok Panchariya	<p>Connection: Excel is a shareholder in Vintage FZE (India) where Panchariya was appointed as Director in 2007. Ashok Panchariya is the majority shareholder (97.54% of total shares) and director of Vintage FZE (India). As on 31/03/2011 Excel alongwith Vintage FZE (India). is a shareholder in Newgen. It was holding 312000 shares. These 312000 shares were previously held by Maars.</p> <p>Submission –</p> <ul style="list-style-type: none"> i. Panchariya was earlier a director in Vintage. Ashok is a shareholder in the same. Excel invested in Vintage as a minority shareholder holding less than 2%. ii. Excel does not have any business or trading relationship with Arun Panchariya and Ashok Panchariya.
2.	Newgen	<p>Connection: Alleged to be connected to Newgen by virtue of its shareholding in Newgen.</p> <p>Submission –</p> <ul style="list-style-type: none"> i. Although Excel has invested in Newgen, however, they are not connected with any of the activities of Newgen.
3.	Basmati	<p>Connection: Excel and Basmati have a common telephone number.</p> <p>Submission –</p> <ul style="list-style-type: none"> i. The telephone number provided by Basmati does not belong to Excel nor was the same registered in their name.




4.	Edelweiss	<p>Connection: Excel and Edelweiss have a common telephone number.</p> <p>Submission –</p> <p>i. The telephone number provided by Edelweiss does not belong to Excel nor was the same registered in their name.</p>
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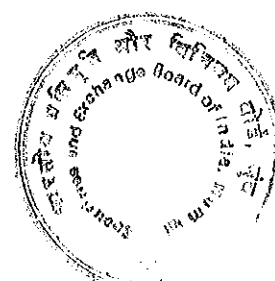
4.6.3 Submissions made by Edelweiss –

- a. As per the SCN, proportion of Edelweiss's trades was miniscule and mostly less than 2%.
- b. Purchased shares from the market through anonymous order matching system.
- c. Not concerned with issue nor have they subscribed to the GDRs. They are not aware of the conversion of the GDRs by the FIIs/Sub Accounts or the sale by them.
- d. Trading was not done with intention to create liquidity and sell them to Indian investors.
- e. Trading done by it constituted only a miniscule percentage of market volume and sale by Sub-Accounts.
- f. As regards relationship with the other entities, –

Sr. No.	Name of Entity	Basis of Connection and Edelweiss's submission regarding the same
1.	Alka	<p>Connection: Edelweiss and Alka have a common telephone number.</p> <p>Submission –</p> <p>i. While Edelweiss's KYC documents from broker, Shriram Insight Share Brokers Ltd was as on May 7, 2010, Alka's KYC documents from Multiplex Capital Ltd was as on August 10, 2007.</p>
2.	Excel	<p>Connection: Excel and Edelweiss have a common telephone number.</p> <p>Submission –</p> <p>i. Was not aware that Excel gave Edelweiss's telephone number in its KYC document.</p>

4.6.4 Submissions made by Cherry Cosmetics –

- a. As per the SCN, proportion of Cherry's trades was miniscule and mostly less than 2%.

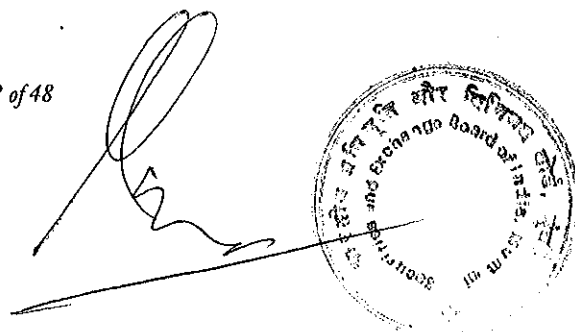



- b. Trading was not done with intention to create liquidity and sell them to Indian investors.
- c. Not concerned with issue nor have they subscribed to the GDRs. They are not aware of the conversion of the GDRs by the FIIs/Sub Accounts or the sale by them.
- d. Trading done by it constituted only a miniscule percentage of market volume and sale by Sub-Accounts.
- e. As regards relationship with the other entities, –

Sr. No.	Name of Entity	Basis of Connection and Cherry Cosmetics' submission regarding the same
1.	Alka and Newgen	<p>Connection: Alka, Cherry Cosmetics and Newgen have common telephone number i.e. 9820113530, in the KYC documents.</p> <p>Submission –</p> <ul style="list-style-type: none"> i. The telephone number does not belong to Cherry Cosmetics nor was the same registered in the name of Cherry Cosmetics. ii. Not been provided the KYC documents obtained by India Bulls Securities Limited (“India Bulls”).

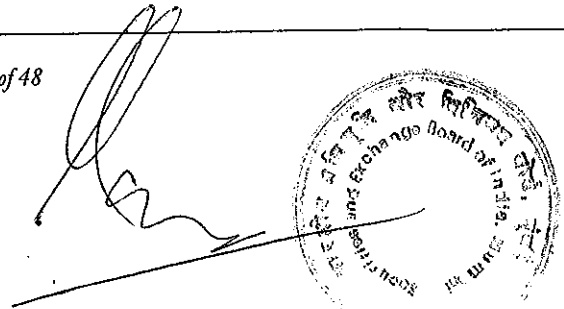
4.6.5 Submissions made by Madanlal –

- a. Not part of any group and not acted with any entity or person while purchasing or selling shares.
- b. However, borrowed money from various persons and repaid the same. One such entity was Gujarat Enterprise. SEBI has not brought out any evidence on record to show that Madanlal had a common intention and objective with Gujarat Enterprises or its partner while borrowing funds or trading in securities.
- c. Not traded during the Investigation Period. Even as per SCN, Madanlal had not traded in the shares of all the companies that issued GDRs and in the case of most companies, the proportion of his trades in the shares was not substantial.
- d. Purchased shares on the BSE and NSE through his stock broker and was not aware of the identity of counterparties to his trades.
- e. Trading done by it constituted only a miniscule percentage of market volume and sale by Sub-Accounts.



f. As regards relationship with the other entities, –

Sr. No.	Name of Entity	Basis of Connection and Madanlal's submission regarding the same
1.	Arun Panchariya	<p>Connection: Through common Directorship in Panchariya Gin Pvt. Ltd.</p> <p>Submission –</p> <p>i. Merely because Panchariya was a Director in Panchariya Gin Pvt. Ltd., it did not mean that he was connected with Madanlal.</p>
2.	Alka	<p>Connection: Same addresses for both Alka and Panchariya Gin Pvt. Ltd. Same addresses for both Alka and Madanlal in the KYC documents provided by SSJ Finance and Securities Pvt. Ltd. (“SSJ”), Madhya Pradesh Stock Exchange (“MPSE”), and Indiabulls.</p> <p>Submission –</p> <p>i. Registered Office of Alka was in Mumbai and not his address in Ahmedabad.</p> <p>ii. Opened demat account with SSJ only on December 12, 2012, while the KYC documents from Multiplex Capital Ltd. and the Annual Report of Alka for 2011-12 show the address of Alka to be at Mumbai, which is different from his address at Ahmedabad.</p> <p>iii. Documents from MPSE and Indiabulls have not been provided to him.</p>
3.	S V Enterprise	<p>Connection: Alleged that during the month of October 2009, Brahmani Trading Co. received ₹9.90 Lakhs from SV and transferred ₹48.13 Lakhs to SV and that Madanlal was witness in the KYC of Sarfaraz Khan Pathan, Proprietor of SV Enterprise with Shah Investors Home Ltd.</p> <p>Submission –</p>



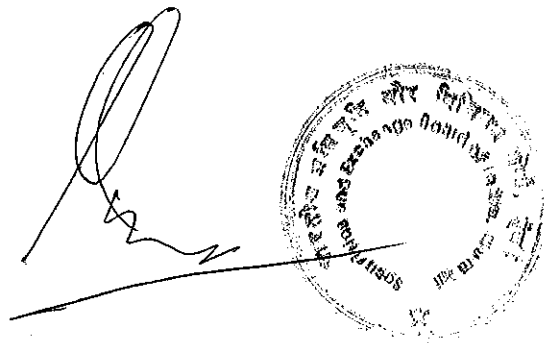
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		<p>ii. Commercial transactions and introductions cannot be basis of connection.</p>
4.	Vinod Naai	<p>Connection: Madanlal is alleged to have transferred ₹50 Lakhs to Gujarat Enterprise on October 20, 2009 and on the same day, Gujarat Enterprise gave it to Vinod Naai's broker – Equisearch Broking Pvt. Ltd. (“Equisearch”).</p> <p>Vinod Naai and Madanlal were alleged to have a common mobile number in their respective KYC documents with Bonanza Portfolio Ltd. and Equisearch.</p> <p>Submission –</p> <p>i. Lent money to Gujarat Enterprise in the normal course of business. Was not aware of the manner in which Gujarat Enterprise used the said funds.</p> <p>ii. Opened broking account with Bonanza in good faith of Mr. Sunny Patel, an employee of Equisearch and was not aware why Vinod Naai gave the mobile telephone number of Mr. Sunny Patel in his KYC with Equisearch.</p>

4.6.6 Submissions made by Vinod Naai –

- In 2009, Mr. Sunny Patel, an employee of Equisearch, offered him the use of his account for business purpose in return for specific monthly pay.
- As his financial condition was not strong, he agreed.
- In the KYC, Sunny Patel was introducer and the contact number alongwith e-mail ID belonged to him as he was only going to use the account.
- He has no knowledge of transactions mentioned in SCN, as Sunny Patel never informed him.
- The right person who can answer the allegations is Sunny Patel and SEBI should do enquiry with Equisearch.
- He gave demat account for use by Sunny Patel in an innocent manner.

4.6.7 Submissions made by Gujarat Enterprise (Proprietorship Firm of Shri Anilkumar Mukeshkumar Kedia) –



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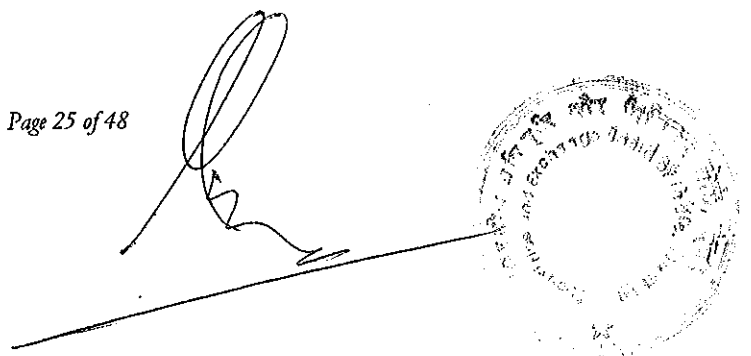
An opportunity of personal hearing was granted to Gujarat Enterprise on September 19, 2014. During the hearing, the authorised representative of Gujarat Enterprise *inter alia* made the following submissions –

- a. They are doing cheque discounting business and the cheques of ₹54 Lakhs and ₹50 Lakhs were issued in the normal course of business.
- b. Not associated directly or indirectly with GDRs and FIIs.
- c. The cheques received from SV Enterprise and Madanlal were accepted in good faith as per the instructions of Ashok Panchariya . He knows Ashok Panchariya for last fifteen years and cheques were discounted on his recommendation.

4.7 Common submissions made by Alka, Basmati, Oudh, Madanlal, Newgen, Edelweiss, Excel and Cherry Cosmetics –

4.7.1 In addition to the above, Alka, Basmati, Oudh, Madanlal, Newgen, Edelweiss, Excel, and Cherry Cosmetics made the following common submissions –

- a. Annexure 6 to the SCN merely records the total number of shares bought and sold by Basmati in the scrip of each Issuer Company, which does not establish that they assisted the Sub-Accounts in offloading the shares or in creating artificial liquidity.
- b. Annexure 7 to the SCN does not give any particular of the dates on which the trades happened between CP Group entities, IFCF and KII or details such as the quantity that was matched, the time at which orders were placed.
- c. Annexure 8 to the SCN does not set out how and in what manner each of the Noticees therein including Basmati contributed to the alleged rise in liquidity in the scrip.
- d. Table in paragraph 51 purports to show the concentration of trades in the shares of the companies amongst the alleged CP Group entities; however, the table fails to set out the concentration that can be attributed to each of the members of the said alleged CP Group entities.
- e. Paragraph 55 purports to show the concentration of trades in the shares of the above mentioned companies among the said alleged CP Group entities; however, the table fails to set out the concentration that can be attributed to each of the members of the said alleged CP Group entities. SEBI has not provided even the percentages of the trades of each noticee to the market.

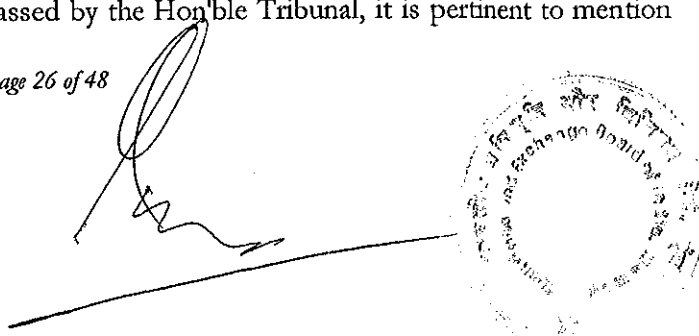
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Consideration of Issues and Findings –

5. Securities of the Issuer Companies are not '*marketable securities*' under Section 2(h) of the SCRA Act.

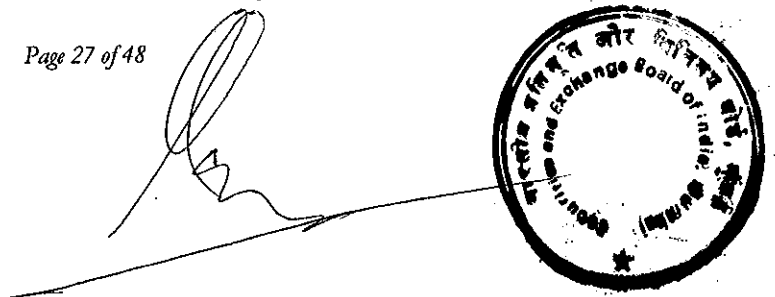
5.1 I note that in his reply to the SCN, Ashok Panchariya/Noticee 1 contended that the securities of the Issuer Companies for which the SCN was issued, are not '*marketable securities*' under Section 2(h) of the SCRA Act and therefore, SEBI cannot invoke the provisions of Regulations 3 or 4 of the PFUTP Regulations. In this regard, I note that –

- i. The issuance of GDRs is from the authorised share capital of a company listed in Indian stock exchanges. Any structuring or manipulation related to GDRs has a direct impact on securities of companies trading in Indian market. Further, the underlying security of GDRs are shares of Indian companies with two-way fungibility, which allows for conversion of GDRs in Indian market and vice versa. Hence, the impact of such issuance, cancellation/conversion and sale/transfer of shares so converted has direct bearing on the securities market in India. Such issuance, etc. of GDRs by Indian companies also greatly influences decision-making by investors in the securities market. In view of the same, it is seen that the issuance of GDRs, which are '*marketable securities*' under Section 2(h) of the SCRA Act, cannot be regarded as an exclusive activity totally insulated from and not impacting the securities market in India.
- ii. Under the SEBI Act, SEBI has been mandated with the task of investor protection alongwith the development and regulation of the securities market. In furtherance of the aforesaid mandate, powers have been conferred upon SEBI *inter alia* under the SEBI Act to prevent any fraudulent or manipulative activity being carried out which is detrimental to interests of investors in India. If any such activity is observed by SEBI, then it would be justified in invoking various powers conferred under such Act, Rules and Regulations made thereunder and take appropriate measures as it deems fit. Considering the same, any manipulation through issuance of GDR by a listed Indian Company with underlying shares will impact the Indian securities market. In such cases, SEBI indeed has full jurisdiction to look into the matter.
- iii. I note that the Hon'ble SAT in *Pan Asia Advisors and Arun Panchariya v. SEBI (SAT order dated September 30, 2013)* ("**Arun Panchariya decision**") held that SEBI does not have any jurisdiction to investigate or impose any penalty in relation to Issue of GDRs. In this regard and with due respect to the Order passed by the Hon'ble Tribunal, it is pertinent to mention



that as the matter has raised important questions of law which has a bearing on many matters before SEBI including the instant matter, SEBI has filed an appeal against the Arun Panchariya decision in the Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India vide its Order dated December 13, 2013 stayed the operation of the aforesaid Order of the Hon'ble SAT.

- iv. Reliance is also placed on the observations of the Hon'ble Supreme Court in the case of *Sahara India Real Estate Corporation Ltd. & Ors. vs. SEBI reported in (2013) 1 SCC 1*, wherein it *inter alia* held: *"303.1 Subsection (1) of Section 11 of the SEBI Act casts an obligation on SEBI to protect the interest of investors in securities, to promote the development of the securities market, and to regulate the securities market, "by such measures as it thinks fit". It is therefore apparent that the measures to be adopted by SEBI in carrying out its obligations are couched in open ended terms having no prearranged limits. In other words, the extent of the nature and the manner of measures which can be adopted by SEBI for giving effect to the functions assigned to SEBI have been left to the discretion and wisdom of SEBI. It is necessary to record here that the aforesaid power to adopt "such measures as it thinks fit" to promote investors' interest, to promote the development of the securities market and to regulate the securities market, has not been curtailed or whittled down in any manner by any other provisions under the SEBI Act, as no provision has been given overriding effect over subsection (1) of Section 11 of the SEBI Act."*
- v. Further, in the matter of *GVK Industries Limited & Anr. vs. the Income Tax Officer & Anr. [(2011) 197 Taxman 337 (SC)]*, while deciding as to whether the laws enacted by the Parliament can have extra-territorial effect, the Hon'ble Supreme Court had observed: *"...the Parliament may exercise its legislative powers with respect to extra-territorial aspects or causes, - events, things, phenomena (howsoever commonplace they may be), resources, actions or transactions, and the like, that occur, arise or exist or may be expected to do so, naturally or on account of some human agency, in the social, political, economic, cultural, biological, environmental or physical spheres outside the territory of India, and seek to control, modulate, mitigate or transform the effects of such extra-territorial aspects or causes, or in appropriate cases, eliminate or engender such extra-territorial aspects or causes, only when such extra-territorial aspects or causes have, or are expected to have, some impact on, or effect in, or consequences for: (a) the territory of India, or any part of India; or (b) the interests of, welfare of, wellbeing of, or security of inhabitants of India, and Indians."* In accordance with these observations, where the impact of actions/omissions, etc. of an



entity are felt in the securities market in India, such entity would be amenable to regulatory jurisdiction of SEBI.

- vi. In view of the aforementioned paragraphs, I am of the considered view that SEBI has full jurisdiction to issue directions in the instant matter if it has reason to believe that Noticees 1–14 acted fraudulently to the detriment of investors in the Indian securities market.

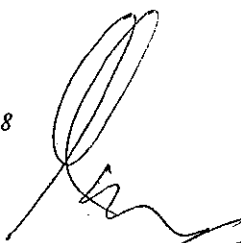
6. Annexures forming part of the SCN were deficient and Increase in turnover due to trading by Sub-Accounts and CP Group was not supported by data regarding individual trading by each Noticee.

6.1 I note that in most of the replies to the SCN, a contention has been raised that the following Annexures forming part of such SCN were deficient in respect of the details contained therein, viz.

- Annexure 6 (Details of trading by IFCF, KII and CP Group in Issuer Companies);
- Annexure 7 (Details of trading by the CP Group among themselves, which contributed to the liquidity in the scrip of Issuer Companies);
- Annexure 8 (Individual contribution of each of the Sub-Accounts and the CP Group to in the total trading done by all of CP group and Sub-Accounts);
- Table at Paragraph 51 (Summary of concentration of trades by CP Group and Sub-Accounts to total turnover of the scrips of Issuer Companies during the period when CP Group and Sub-Accounts were active in those particular scrips), and
- Table at Paragraph 55 (Information regarding increase in turnover of Issuer Companies due to the trading by the CP Group and the Sub-Accounts),

6.2 In this regard, I note that –

- i. Details of trades i.e. *Trade and Order Log*, was provided to all Noticees alongwith the SCN. Therefore, Noticees 1–13 would have been well aware of their individual trades while referring to the same.
- ii. Paragraph 6 of the SCN clearly brought out how much each individual Noticee had purchased from certain Sub-Accounts i.e. IFCF and KII.



- iii. While the Table at Paragraph 51 provided details of trading by the CP Group and Sub-Accounts on an aggregate level, the individual concentration of each Noticee was provided in Annexure 6 of the SCN.
- iv. Regarding the allegation that Annexure 8 of the SCN did not indicate in what manner each of the Noticees had contributed to the liquidity in the scrip of the Issuer Companies – It is observed that the contribution of the CP Group to the rise in liquidity has clearly been mentioned in Paragraph 55 of the SCN.
- v. It is also observed that the documents required by Alka, Madanlal, Newgen and Cherry Cosmetics have been provided to those entities vide letters each dated July 22, 2014.

6.3 In view of the above, I find no merit in the contention raised by the Noticees that the Annexures forming part of the SCN were deficient in respect of the details contained therein.

7. Request made by Alka for cross-examination of certain Noticees.

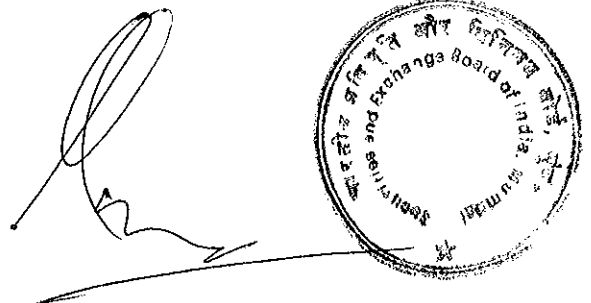
7.1 I note that in its reply to the SCN dated June 20, 2014, Alka sought cross-examination of the Noticees to whom it was alleged to have been connected with and also stated that copies of documents forming part of Annexure 4 of the SCN were not clear and legible.

7.2 While I note that SEBI had not relied on statements of any of the Noticees for establishing their connection with Alka, nevertheless vide letter dated July 31, 2014, SEBI sought the names of Noticees whom Alka wished to cross-examine in the matter alongwith the reasons for such cross-examination. However, no response was received from Alka.

7.3 It may be mentioned that during the hearing held on July 23, 2014, Alka was asked to specify the page numbers of Annexure 4 of the SCN, which it found to be illegible. However, Alka did not specify the desired page numbers of the aforesaid Annexure. Nonetheless, vide the abovementioned letter dated July 31, 2014, a copy of Annexure 4 of the SCN was once again provided to Alka.

7.4 Upon a consideration of the above in light of the fact that all relevant documents were provided to Alka as Annexures to the SCN, I find it reasonable to proceed ahead in the matter.

8. Basis of connection amongst the Noticees and their connection with Panchariya.



8.1 I note that in all the replies to the SCN, wherever received by SEBI, a contention has been raised regarding the basis of connection made out by SEBI in respect of all the Noticees amongst themselves and with Panchariya.

8.2 In this regard, the connection between different noticees is stated below:

i. Connection between Alka and Panchariya --

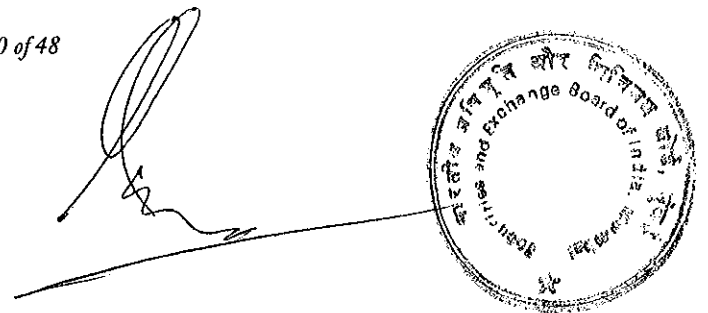
Alka admitted that Panchariya was one of its Promoters. I find it relevant to note that the other Promoters in Alka, were also family members of Panchariya. Further, I note that Shri Ashok Panchariya and Shri Satish Panchariya who are brothers of Panchariya, were the Directors of Alka during the Investigation Period. In view of the aforesaid facts, I find that connection of Alka with Panchariya is well established.

ii. Connection between Basmati, Oudh and Alka --

Basmati, Oudh and Alka have all contended that Alka divested its entire shareholding in Basmati in 2008 and as such allegation of any connection between Basmati, Oudh and Alka is not tenable. Basmati and Oudh have further contended that though they have a common address, telephone number and authorized signatory and have cross holding, there are no common Directors between Basmati and Oudh and the management of Basmati and Oudh are independent of each other. In this connection, it is observed that apart from substantial cross holding as stated aforesaid, Alka and Oudh have not refuted the finding of SEBI that they have common telephone number (9702001974), thus implying that Alka was connected to Oudh. Further, the fact that admittedly Basmati and Oudh are related to each other through common address, telephone number and authorized signatory and cross holdings implies that Alka was connected to Basmati as well.

iii. Connection between Alka and Madanlal --

Both Alka and Madanlal have contended that SEBI relied on archaic data to draw conclusion that Alka and Madanlal were connected with each other since Alka had shifted its registered office in February 2007 itself. It is contended that the data relied upon by SEBI is pertaining to the Ahmedabad Office prior to February 2007. In this connection, it is observed that the driving licence of Madanlal (annexed with the KYC documents provided by SSJ Finance) was issued on November 18, 2006 and bore the same address as that of Alka. It is also observed that Alka had introduced Brahmani Trading Co., (a proprietary concern of Madanlal) to ING



Vysya Bank. Further, it is an admitted fact that Panchariya was Director of Panchariya Gin Pvt. Ltd. in 2001. The aforesaid facts clearly establish the connection between Alka and Madanlal.

iv. Connection between Alka and Edelweiss –

It was alleged that Edelweiss and Alka had a common telephone number (26736438) in their KYC documents. In this connection it is observed that Alka admitted that the said telephone number belonged to it. Edelweiss on the other hand has denied providing any such number to its broker. I find that the KYC documents provided by the broker of Edelweiss viz. Shriram Insight Share Brokers Ltd. bore the signature of the authorized signatory of Edelweiss and contained the aforesaid telephone number. In view of the same, I am unable to accept Edelweiss's aforesaid contention and hold that it was not connected to Alka.

v. Connection between Alka, Newgen and Cherry Cosmetics –

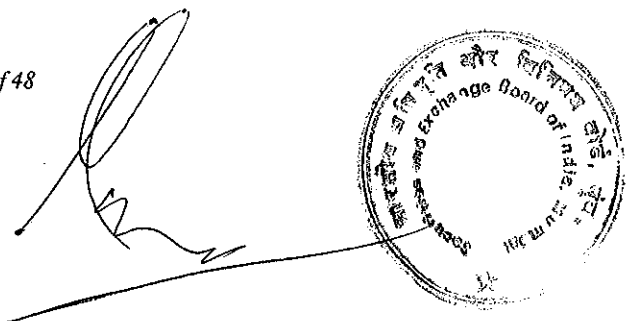
In response to the finding that Alka, Newgen and Cherry Cosmetics have a common telephone number (9820113530), all the three aforesaid Noticees contended that the number did not belong to either Alka or Cherry Cosmetics. Alka and Cherry Cosmetics further sought documentary evidence from SEBI in this regard. In this connection, SEBI vide letter dated July 22, 2014, forwarded the documentary evidence obtained from the stock broker, India Bulls. However, no subsequent response in this regard was received from either Alka or Cherry Cosmetics. Hence, the connection between Alka, Newgen and Cherry Cosmetics is established.

vi. Connection between Alka, Newgen and Oudh –

It was alleged that Alka, Newgen and Oudh have a common telephone number (9702001974) as per KYC documents. In response to the SCN, Newgen contended that it was not aware as to why and for what reason Oudh had provided the number in its KYC documents. I do not find this response satisfactory. The fact that Alka, Newgen and Oudh had a common telephone number as per KYC documents establishes that they were connected with each another.

vii. Connection between Basmati and Excel –

Basmati and Excel were observed to have had a common telephone number (22642039). Excel contended that the aforesaid number did not belong to it. I find that Excel has not



been able to explain satisfactorily why it had provided that number to its broker. I therefore, find that Basmati and Excel were connected to each other.

viii. Connection between Newgen and Panchariya –

Newgen contended that since Vintage FZE (India) held only around 33% shares in it and as such it was a minority share holder. I note that for the purpose of connection with each other, it is not necessary to prove that Newgen was held mostly by Vintage FZE (India). It is an undisputed fact that Ashok Panchariya, brother of Panchariya is a majority shareholder in Vintage FZE (India) and that Panchariya was Director of Vintage FZE (India) at some point of time. I am, therefore, of the view that the connection between Newgen and Panchariya is established.

ix. Connection between Newgen and Excel –

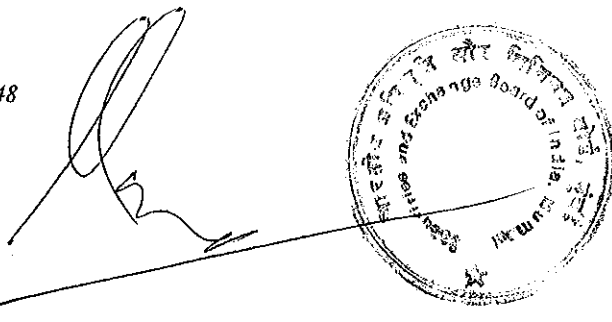
Regarding the finding that Excel is one of the shareholders of Newgen, both Newgen and Excel have contended that their companies independently take decisions and no conclusion can be drawn based only on shareholdings. Excel has also contended that it is minority shareholder in Vintage FZE (India). In this context, I observe that the SCN has adequately brought out the connection of both Newgen and Excel with Panchariya.

x. Connection between Excel and Edelweiss –

It is observed that Excel and Edelweiss had a common telephone number (55814154). In this regard, Excel contended that the telephone number did not belong to them while Edelweiss contended that they were not aware as to why Excel provided their number. I find this reply unsatisfactory since it is very much obvious from the common telephone number provided by both Excel and Edelweiss that they were connected with each other.

xi. Connection between Madanlal and Vinod Naai –

Madanlal is alleged to have transferred ₹50 Lakhs to Gujarat Enterprise on October 20, 2009 and on the same day Gujarat Enterprise gave it to Vinod Naai's broker – Equisearch. Madanlal submitted that he had lent money to Gujarat Enterprise in the normal course of business. Considering that the fund transfer took place the same day, I find it difficult to accept the above reply of Madanlal. In any case, Madanlal and Vinod Naai have been observed to have a common telephone number in their KYC documents and thus, are connected with each other.



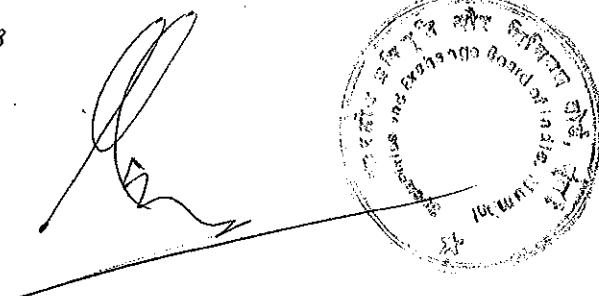
xii. Connection between Alka and SV Enterprise; SV Enterprise and Panchariya, Ashok Panchariya alongwith Madanlal –

It is observed that there were fund transactions between Alka and SV Enterprise. In this connection, Alka contended that it loaned ₹83 Lakhs to SV Enterprise and had received back the amount with interest and thus there was no other connection. However, as per the SCN, it is observed that apart from Madanlal, SV Enterprise was also connected to Ashok Panchariya and Satish Panchariya, Directors of Alka and brothers of Panchariya. I find that SV Enterprise was connected with Alka, Panchariya and Ashok Panchariya alongwith Madanlal.

xiii. Connection between Delight, Indra Varun and SV Enterprise –

Indra Varun and SV Enterprise have not provided any replies to SEBI. However, the SCN has brought out the connection of Delight, Indra Varun and SV Enterprise with other entities including Panchariya. In this regard, it is noted that in the demat account of Sarfaraz Khan Pathan, the nominee is Ashok Panchariya and the witnesses in the account opening form are Satish Panchariya and Madanlal. I also find that there has been fund transactions SV Enterprise, Alka and Madanlal's proprietorship firm (Brahmani trading Co.). Further, SV Enterprise transferred funds to Gujarat Enterprise who in turn transferred funds on the same day to the broker Equisearch who credited the same Vinod Naai's ledger. As regards Indra Varun, I note that the director of Indra Varun, viz., Kaushal Rajaram Patel through his proprietary firm K P Enterprises is involved in frequent financial transactions with Alka. I also note that Delight and Indra Varun are connected to each other. One of the directors of Delight, viz. Manish R Sharma has the same address as Indra Varun and K P Enterprises. Further, the witness, Supriya Gopal in the Memorandum of Association of Indra Varun has the same address as Delight.

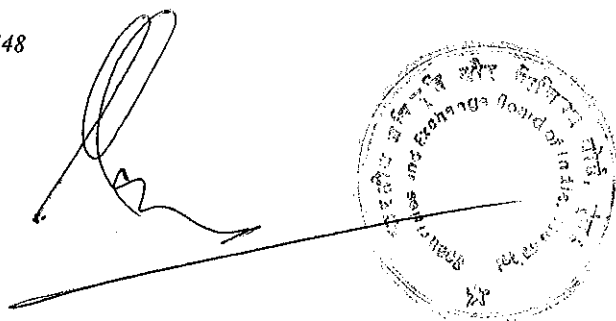
8.3 In the factual context of the instant proceedings, it is important to view the connection between the Noticees amongst themselves and with Panchariya not in isolation but rather as a factor in the totality of the circumstances. This is so because while each fact standing alone may be insufficient, the combination of all the facts can be a substantial basis for determining '*manipulation*' or '*fraud*' on the part of each Noticee. The investigations in the instant proceedings reveal that the GDR Issues were devised and structured by Panchariya and Pan Asia in connivance with the Issuer Companies through a fraudulent arrangement. The existing shareholders and prospective investors were aware of the '*positive*' news that the Issuer Companies had raised foreign capital through GDRs but were completely unaware of the



activities of Panchariya alongwith the connected entities, in such GDR Issues. The Sub-Accounts, viz. IFCF and KII who were allegedly connected to Panchariya, converted the GDRs held by them into shares and sold the same in the Indian securities market where the counter parties to a major portion of such sales were entities connected to Panchariya i.e. Noticees 1–13. The objective of such trading between the Sub-Accounts and Noticees 1–13 *inter alia* was to create an impression of there being liquidity in the market. As a result, the investors in India were lulled into thinking that stocks of the Issuing Companies had been highly valued by foreign investors, which in turn acted as an inducement for other persons to buy the shares of the Issuer Companies in the Indian securities market. The Indian investors were therefore adversely affected by misleading signals of Panchariya alongwith the connected entities i.e. Noticees 1–13, through trading done amongst Noticees 1–13 and Sub-Accounts, creating liquidity in the market and their subsequent offloading of shares. In these circumstances, I am of the considered view that the role played by each Noticee should not be seen in isolation and that the case needs to be seen in its entirety in the light of the large scale market abuse explained earlier.

8.4 As has been noted in the preceding paragraphs, the basis of connection between the Noticees was apparent from factors such as common telephone numbers and addresses in KYC documents; common Directorship; cross holdings, etc. For example, Panchariya alongwith his family members were Promoters/Directors in Alka; Panchariya's brother, Ashok Panchariya was a Director/Secretary in Vintage FZE (Subscriber to the GDR Issues of the Issuer Companies) during the Investigation Period. Panchariya and his brother, Ashok Panchariya were Directors in Vintage FZE (India). Vintage FZE (India) alongwith another Noticee i.e. Excel, is a shareholder in Newgen. Excel itself is a shareholder in Vintage FZE (India); Maars, one of the Issuer Companies, was a shareholder of Newgen; Excel and Edelweiss had a common telephone number in their KYC documents. This, therefore, reveals that each Noticee had a definite role to play in the fraudulent activity. It is therefore, an entirely logical inference to draw from the aforementioned facts that the Noticees were connected to each other and Panchariya, and traded in the scrip of the Issuer Companies for creating liquidity to attract gullible investors and for assisting Sub-Accounts to offload shares of such Companies upon investors in the Indian stock market.

8.5 In this context, it is also pertinent to mention that the Hon'ble SAT has, in many cases such as *Classic Credit Ltd. vs. SEBI (SAT Appeal no. 68/2003, Order dated December 8, 2006)*, *Classic Credit Ltd. vs. SEBI (SAT Appeal no. 76/ 2003, Order dated January 9, 2007)* and *Veronica Financial*



Services Ltd. vs. SEBI (SAT Order dated August 24, 2012), held that connection/reasons can indeed be established on the basis of factors such as common addresses, common Directors/shareholders, etc.

8.6 In light of the above, I am of the considered view that the Noticees were related to one another and also to Panchariya.

9. Common submissions made by Noticees in their individual reply to the SCN.

The following common submissions which were made by the Noticees in reply to the SCN, wherever such reply was received by SEBI, are being dealt with as under --

9.1 Noticees were not concerned with GDRs or Loan taken by Vintage FZE.

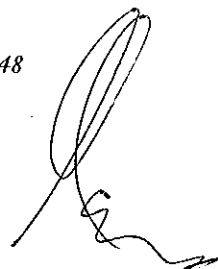
9.1.1 I note that in all the replies to the SCN, wherever received by SEBI, a contention has been raised by the Noticees that they were not concerned with GDRs by IFCF/KII (Sub-Accounts) and were not aware of the connection between IFCF/KII and Panchariya.

9.1.2 As has been detailed in paragraphs 8.2-8.4, it is observed that all the Noticees as well as the Sub-Accounts were connected with Panchariya and as such, it is reasonable to infer that the Noticees had knowledge of the activities of the Sub-Accounts.

9.2 Trading by Noticees constituted a miniscule percentage of market volume and sale by Sub-Accounts.

9.2.1 I note that in all the replies to the SCN, wherever received by SEBI, a contention has been raised by the Noticees that their trades in the scrip of the Issuer Companies constituted only a miniscule percentage of the market volume and sale by Sub-Accounts.

9.2.2 Having established the connection of the Noticees with each other and with Panchariya, I find that their trades when considered as a group in conjunction with the Sub-Accounts, significantly contributed to market volume in the scrip of the Issuer Companies. In this context, I observe that the CP Group along with the Sub-Accounts contributed 23.09% to 59.92% of the total turnover of the shares of Issuer Companies during the Investigation Period. Scrip-wise details are given below --

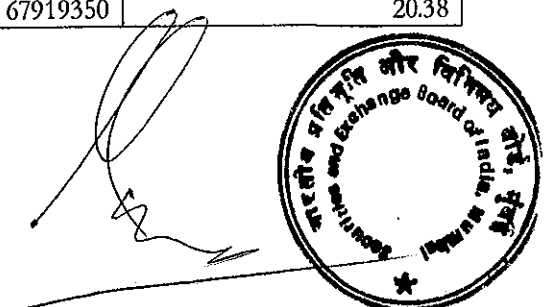


Scrip Name	Period of examination of trading	Gross Buy Volume	Gross Sell Volume	Gross Trade Volume	% Concentration gross basis of CP Group & Sub-Accounts to Market Volume
Asahi	1.01.2009 - 21.09.2011	141998218	208809850	350808068	40.02
Avon	1.01.2009 - 4.11.2010	120947787	168669427	289617214	50.12
Cat	1.01.2009 - 21.09.2011	82896495	75699670	158596165	59.93
IKF	1.01.2009 - 21.09.2011	151485265	141095056	292580321	24.03
K Sera BSE	1.01.2009 - 21.09.2011	196646786	221496402	418143188	28.52
K Sera NSE	1.01.2009 - 21.09.2011	159845233	173469466	333314699	25.66
Maars BSE	11.12.2007 - 7.07.2011	57427453	65709530	123136983	23.09

9.2.3 From the above, it is observed that substantial volume in the trading in the scrips of Issuer Companies was provided by the Sub-Accounts and the CP Group. Further, the CP Group and Sub-Accounts acted as net-sellers in five out of seven cases further indicating that their intention was to sell/off-load the shares arising out of conversion of the GDRs to the Indian investors.

9.2.4 I further observe that the large amount of trading by the Sub-Accounts and the CP Group was among themselves which is brought out in the following table –

Scrip Name	Period of examination of trading	CP Group & Sub-Accounts Gross Trade Volume	No. of shares traded by IFCF, KII and the CP Group members among themselves	% of CP Group and Sub-Accounts trading among themselves to total trading by them
Asahi	1.01.2009 - 21.09.2011	350808068	84692044	24.14
Avon	1.01.2009 - 4.11.2010	289617214	139846772	48.29
CAT	1.01.2009 - 21.09.2011	158596165	92164408	58.11
IKF	1.01.2009 - 21.09.2011	292580321	89718030	30.66
K Sera BSE	1.01.2009 - 21.09.2011	418143188	92109310	22.03
K Sera NSE	1.01.2009 - 21.09.2011	333314699	67919350	20.38



Scrip Name	Period of examination of trading	CP Group & Sub-Accounts Gross Trade Volume	No. of shares traded by IFCF, KII and the CP Group members among themselves	% of CP Group and Sub-Accounts trading among themselves to total trading by them
Maars BSE	11.12.2007 - 7.07.2011	123136983	21060268	17.10

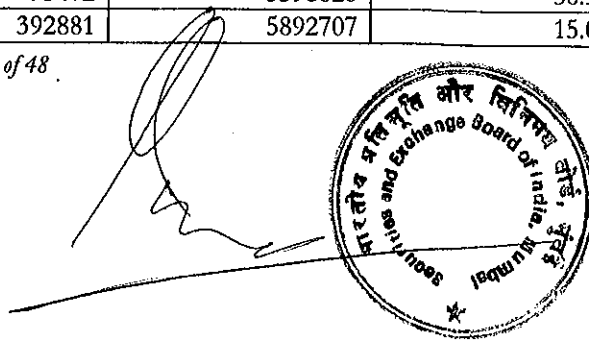
9.2.5 In view of the above, I therefore, find no merit in the contention raised by the Noticees that their trades in the scrip of the Issuer Companies constituted only a miniscule percentage of the market volume and sale by Sub-Accounts. Such trades cannot be viewed as individual trades but rather should be seen as collective trades, which contributed to the overall fraudulent activity perpetrated by Noticees in combination with Sub-Accounts in respect of the GDR Issues. It is also pertinent to mention that the said entities were trading amongst themselves on many occasions. The number of shares traded amongst such entities constituted a substantial part of their gross trading in the scrip of the Issuer Companies.

9.3 Trades by Noticees were not carried out with the intention to create liquidity in the scrip of the Issuer Companies and for subsequently selling such shares to investors in the Indian stock market.

9.3.1 I note that in all the replies to the SCN, wherever received by SEBI, a contention has been raised by the Noticees that their trades in the scrip of the Issuer Companies, were not carried out with the intention to create liquidity and for subsequently selling such shares to investors in the Indian stock market.

9.3.2 It is that liquidity increased significantly due to the activities of the CP Group and the Sub-Accounts. The SCN has brought out scrip-wise data in this regard which is reproduced below

Name of the Scrip	Period Examined	Average daily turnover in ₹ on days when CP Group or Sub-Accounts have not traded in the scrips	Average daily turnover in ₹ on days when CP Group and Sub-Accounts have traded in the scrips	No. of times turnover increased due to trading by Sub-Accounts and CP Group
Asahi	1.01.2009 - 21.09.2011	93472	3398620	36.36
Avon	1.01.2009 - 4.11.2010	392881	5892707	15.00



Name of the Scrip	Period Examined	Average daily turnover in ₹ on days when CP Group or Sub-Accounts have not traded in the scrips	Average daily turnover in ₹ on days when CP Group and Sub-Accounts have traded in the scrips	No. of times turnover increased due to trading by Sub-Accounts and CP Group
CAT	1.01.2009 - 21.09.2011	150480	2518404	16.74
IKF	1.01.2009 - 21.09.2011	1704879	5909749	3.47
K Sera BSE	1.01.2009 - 21.09.2011	1105544	14806870	13.39
K Sera NSE	1.01.2009 - 21.09.2011	1239966	13244345	10.68
Maars BSE	11.12.2007 - 7.07.2011	291676	3138751	10.76

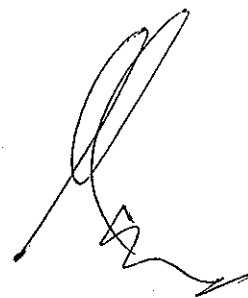
9.3.3 As can be seen from the abovementioned Table, a significant increase in the average daily turnover in the scrip of the Issuer Companies is observed on the days in which Sub-Accounts and CP Group have traded as against days when trades were not carried out by them.

9.3.4 In view of the above, I find no merit in the contention raised by the Noticees that their trades in the scrip of the Issuer Companies, were not carried out with the intention to create liquidity and for subsequently selling such shares to investors in the Indian stock market.

9.4 Trades in the scrip of the Issuer Companies were carried out by Basmati and Oudh even before the Investigation Period.

9.4.1 I note that in their replies to the SCN, Basmati and Oudh have contended that they had traded in the scrip of the Issuer Companies even before the Investigation Period.

9.4.2 In this regard, the following are noted –




Trading by Oudh -

Scrip	Dates of GDR Issues	Trading prior to the investigation period as per submission of Oudh	Trading in the investigation Period	Remarks
CAT	July 27, 2007 and November 06, 2009	Traded in 17,68,436 shares prior to the Investigation period.	56,28,436 shares	Its trading during the investigation period has increased 3.18 times
IKF	March 30, 2007 and May 15, 2009	It has traded in 4,20,41,512 shares prior to the Investigation Period.	1,92,98,042 shares	Its trading during the investigation period has decreased 0.46 times
K Sera	October 26, 2007 and October 16, 2009	It has traded in 50,97,544 shares prior to the Investigation Period.	9,96,51,844 shares	Its trading during the investigation period has increased 19.55 times

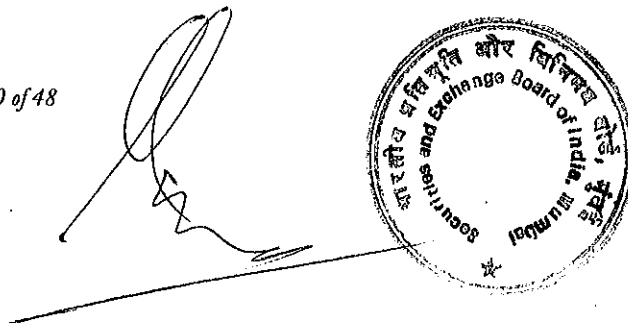


Trading by Basmati –

Scrip	Dates of GDR issues	As per submission of Basmati	Trading in the investigation Period (Source: BSE and NSE)	Remarks
CAT	July 27, 2007 and November 06, 2009	It has traded in 22,94,290 shares prior to the Investigation Period.	2,77,77,178 shares	Its trading during the Investigation Period has increased 12.10 times
IKF	March 30, 2007 and May 15, 2009	It has traded in 6,51,39,258 shares prior to the Investigation Period.	10,05,10,527 shares	Its trading during the Investigation Period has increased 1.54 times
K Sera	October 26, 2007 and October 16, 2009	It has traded in 21,56,550 shares prior to the Investigation Period.	31,70,25,887 shares	Its trading during the Investigation Period has increased 147 times
Maars	September 29, 2007	It has traded in 83,91,394 shares prior to the Investigation Period	3,99,33,141 shares	Its trading during the Investigation Period has increased 4.76 times

9.4.3 From the above, it is observed that the trading activities of Basmati and Oudh in the scrip of CAT, IKF, K Sera Sera and Maars have generally increased manifold during the Investigation Period.

9.4.4 Considering the connection between the entities (as narrated before), the sudden spurt in the scrip volume after the Issue of GDRs appears to be a concerted action. In view of the above, I am of the opinion that merely because Basmati and Oudh had dealt in the scrip of some of the Issuer Companies does not invalidate the allegations contained in the SCN against them as it can be seen that due to their trading, the volume of trades increased substantially.

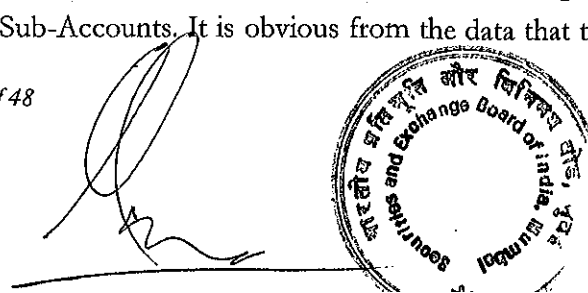


9.5 Shares of the Issuer Companies were purchased from the market through anonymous order matching system.

9.5.1 I note that in all the replies to the SCN, wherever received by SEBI, a contention has been raised by the Noticees that Shares of the Issuer Companies were purchased from the market through anonymous order matching system. Further, the Noticees contended that there was no allegation regarding trades being synchronized. In addition, Basmati and Oudh contended that the fact that the entire stock of shares sold by the Sub-Accounts were not bought by the CP Group indicated that the allegation of CP Group providing exit to Sub-Accounts was not true.

9.5.2 In this regard, I note that –

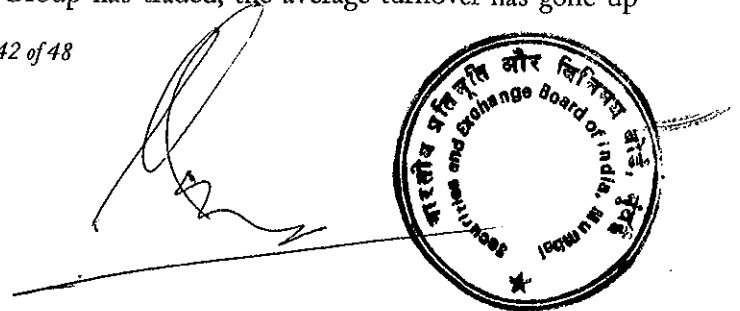
- i. Liquidity in the shares of the Issuer Companies was much less on days when the CP Group had not traded. It is also pertinent to note that for all the Issuer Companies, the post GDR capital was much larger than the pre GDR capital and hence, it would have been difficult for the Sub-Accounts to sell such a large quantity of shares to investors in the Indian stock market over a short period of time. It is in this context that the noticees entered into all these dealings with a view to create an impression of liquidity and interest in the scrip. The aforesaid acts have to be seen in totality such as their connection with each other, the sudden spurt in liquidity of the scrip of the Issuer Companies, etc.
- ii. The argument of Basmati and Oudh that only 100% matching between the CP Group and the Sub-Accounts could be considered manipulative is without any merit because it would be in the interest of entities under the influence of Panchariya i.e. Sub-Accounts to sell the shares arising out of their ill-gotten GDRs directly to other Indian investors.
- iii. I cannot also ignore the fact that the Noticees as well as the Sub-Accounts were all substantially influenced by the same person viz. Panchariya. When the same person is both on the buy side and the sell side and in a situation where the Sub-Accounts hold the major portion of shares of the company, it is not necessary to instantaneously synchronize the buy and sell trades. Given the facts of the case, Panchariya's objective of off-loading shares to Indian investors is met if the Sub-Accounts succeed in selling the large amount of shares to the Indian investors at the maximum possible price. The fact remains that the CP Group traded in quantities much larger than the normal traded quantity and their trades matched to a great extent with the sell orders executed by the Sub-Accounts. It is obvious from the data that the



CP Group assisted the Sub-Accounts in selling their shares to Indian investors. The SCN has observed in some of the scrips, the activity of the CP Group began at around the time of the GDR issue. As an example of this kind the following table illustrates the activities in the case of Avon, where the CP Group practically stopped trading once all the GDRs were cancelled and sold by IFCF and KII –

Scrip	Date	Activity	Remarks
Avon	16-06-2009	CP Group starts trading in the scrip and volume of the scrips starts increasing.	CP Group starts its activity 3 days prior to the issue of GDRs
	19-06-2009	GDRs issued.	
	03-08-2009	Sub-Accounts start selling GDRs.	Sub-Accounts start selling of GDRs within a period of 2 months.
	04-11-2010	Sub-Accounts complete selling all of the GDRs issued by Avon.	All the GDRs of Avon were converted and sold within one year and five months of issuance.
		On same day CP Group also stops trading in the scrip of Avon.	Once the Sub-Account stop selling GDRs, CP Group also stops trading in the scrip and creating false market. This is followed by gradual fall in liquidity of the scrip.
21-09-2011	SEBI debars Sub-accounts and certain CP Group entities from dealing in securities market.		

9.5.3 Basmati and Oudh contended that in the scrip of Asahi, the Sub-Accounts started selling shares from August 21, 2009, while the CP Group started selling from September 3, 2009. Basmati and Oudh contended that since IFCF sold shares even before the CP Group started trading, the same indicated that the allegation in the SCN regarding synchronized trading by CP Group with the Sub-Accounts was false. As contended by the Noticees it might be the case that two of the CP Group entities viz. Basmati and Oudh might have started trading in the scrips before the Investigation Period, however, it is pertinent to mention that during the Investigation Period, when the sub-accounts started selling in the market, the CP group's interest in the trading has gone up substantially. This is also evident from the fact that the days in which the CP Group was not trading, the average turnover in the scrip was very low. Incidentally, the days in which the CP Group has traded, the average turnover has gone up



hugely. It was nothing but a concerted action by the CP Group to create volume and generate artificial liquidity in the scrip. It is also pertinent to note that out of the total shares sold by the Sub-accounts, a major portion was bought by the CP Group. In fact, in the scrip of Asahi, 45.46% and 78.59% of the total shares sold by IFCF and KII respectively, were purchased by the CP Group. Further, Basmati itself has purchased 29.55% and 21.45% of the total shares sold by IFCF and KII respectively. Considering that IFCF and KII needed to sell huge number of shares, the CP Group facilitated selling of the shares by Sub-Accounts and also created liquidity in order to finally sell the shares to other investors in the Indian stock markets. This concerted action by CP Group is substantiated by the fact that on the days when the CP Group did not trade in the Issuer Companies, the turnover was a small fraction of the turnover on the days the CP Group traded. It is observed from the data that without the trading of the CP Group, it would not have been possible for IFCF and KII to sell such huge quantity of shares.

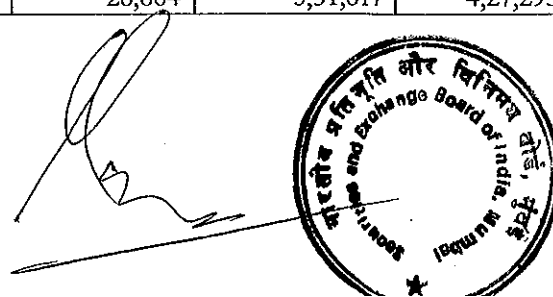
9.5.4 In light of the above, I am of the considered view that trades in the scrip of the Issuer Companies were carried out by the CP Group alongwith the Sub-Accounts in an irregular and manipulative nature.

10.No trades were carried out in the scrip of the Issuer Companies.

10.1 I note that in their replies to the SCN, Ashok Panchariya and Madanlal contended that they had not traded in any of the scrip of the Issuer Companies mentioned in the SCN during the Investigation Period.

10.2 As per Annexures 6 & 8 of the SCN, it is observed that Ashok Panchariya and Madanlal traded in the scrip of the following Issuer Companies during the Investigation Period, viz. –

Client Name	Scrip Name	No. of shares purchased	No. of shares sold	Value of shares purchased (₹)	Value of shares sold (₹)
Ashok Panchariya	K Sera Sera	2,64,925	65,151	42,28,858	14,30,167
Madanlal	Avon	13,96,261	13,96,261	1,12,67,976	1,10,07,888
	CAT	24,10,132	24,11,061	3,00,58,372	3,03,18,097
	IKF	15,000	18,000	60,311	72,930
	K Sera Sera	35,663	28,864	5,31,817	4,27,293



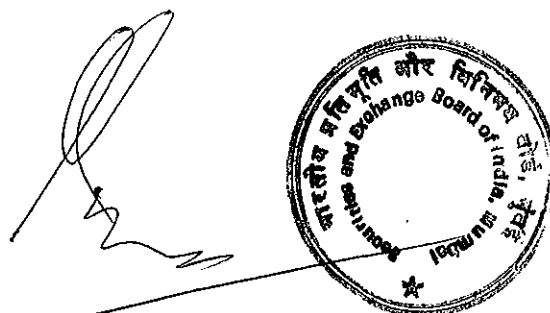
In view of the above, I find no merit in the contention raised by Ashok Panchariya and Madanlal as the records obtained from the Stock Exchange clearly revealed that they had traded in the scrip of the Issuer Companies during the Investigation Period.

11. Non-compliance with Section 11(C)(3) of the SEBI Act, by Sarfaraz Khan.

11.1 As per the SCN, Sarfaraz Khan is alleged to have failed to furnish necessary and relevant information to SEBI. I note that SV Enterprise alongwith its Proprietor, Sarfaraz Khan, have not provided a reply to the SCN.

11.2 In this regard, I note that Sarfaraz Khan was called for personal hearing before Whole Time Member – SEBI vide letter dated November 16, 2011. The personal hearing was scheduled on November 29, 2011. However, Sarfaraz/SV Enterprise did not reply to aforesaid letter of SEBI and failed to appear for personal hearing before Whole Time Member, SEBI on November 29, 2011. Summons was issued to Mr. Sarfaraz Khan/SV Enterprise vide letter dated January 12, 2012, for submission of information regarding dealings in shares of Issuer Companies. Sarfaraz Khan/SV Enterprise Ltd did not reply to aforesaid summons of SEBI. Subsequently, on May 28, 2012, Sarfaraz Khan appeared before the Investigating Authority of SEBI and requested for some more time to submit required information. However, Sarfaraz Khan/SV Enterprise did not provide any information to SEBI. Another summons was issued to Sarfaraz Khan/SV Enterprise vide letter dated August 12, 2013, for submission of information. Sarfaraz Khan vide letter dated August 18, 2013, replied to aforesaid summons of SEBI and requested for additional 30 days time for submission of information sought in the said summons.

11.3 From the above, I note that material information, which was necessary to carry out investigations in the instant proceedings, were not furnished by Sarfaraz Khan. If such information had indeed been furnished, it may have been possible that certain other irregularities may have been revealed. Since information was withheld by Sarfaraz Khan, I am satisfied that he did not co-operate with the Investigating Officer and hampered the investigations in the instant proceedings thereby violating the provisions of Section 11(C)(3) of the SEBI Act.



12. Role of Gujarat Enterprise.

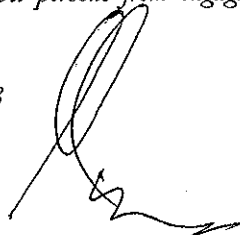
12.1 As per the SCN, Gujarat Enterprise is alleged to have acted as a layer for transfer of funds between the entities of the CP Group. The same is explained below –

- a. On October 14, 2009, SV Enterprise transferred ₹69 Lakh to Gujarat Enterprise. Subsequently, on that same day i.e. October 14, 2009, Gujarat Enterprise transferred ₹54 Lakh to Equisearch, which was then credited to the ledger account of Vinod Naai maintained with Equisearch. The aforesaid amount was then utilised by Vinod Naai for *inter alia* trading in the shares of Issuer Companies.
- b. Brahmani Trading Co. (Proprietor: Madanlal) transferred ₹50 Lakh to Gujarat Enterprise on October 20, 2009. Subsequently, on that same day i.e. October 20, 2009, Gujarat Enterprise transferred ₹50 Lakh to Equisearch, which was then credited to the ledger account of Vinod Naai maintained with Equisearch. The aforesaid amount was then utilised by Vinod Naai for *inter alia* trading in the shares of Issuer Companies.

12.2 Although Gujarat Enterprise is alleged to have acted as a layer between CP Group for transfer of funds, it did not trade in the shares of Issuer Companies. Gujarat Enterprise contended that it was doing only finance business and cheques of ₹54 Lakh and ₹50 Lakh were issued for cheque discounting purpose. It is pertinent to mention that the funds transferred in the manner mentioned above, were utilised by Vinod Naai for *inter alia* trading in the shares of Issuer Companies.

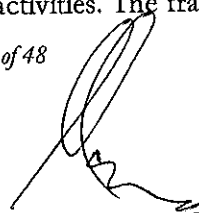
12.3 However, considering the above facts and circumstances of the case especially that no trades were executed by Gujarat Enterprise, I am inclined to take a lenient view.

13.1 While dealing with a matter of this nature, it would be worthwhile to refer to the following observations made by the Hon'ble SAT in matter of *V. Natarajan vs. SEBI (Order dated June 29, 2011 in Appeal No.104 of 2011)* wherein it was held: "... we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on an exchange. They also prohibit persons from engaging in any act, practice, course of



business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities that are listed on stock exchanges..."

- 13.2 It may also be worthwhile to refer to the following observations made by the Hon'ble Supreme Court in its judgment dated April 26, 2013, in *N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013)* held that "Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."
14. I note that the provisions of section 12A(a)–(c) of the SEBI Act read with regulations 3(a)–(d) of the PFUTP Regulations, *inter alia* prohibit buying, selling or dealing in securities in a fraudulent manner; employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Further, regulations 4(1) and 4(2)(a) of the PFUTP Regulations, *inter alia* prohibit indulgence in fraudulent and unfair trade practices in securities through an act which creates false or misleading appearance of trading in securities. In my view, any fraudulent or deceptive device, scheme, act, omission, etc. which has the potential to *inter alia* induce sale/purchase of securities of any company; influence investment decisions of investors in such company; or result in wrongful gain, etc. would be covered within the prohibition under the aforementioned provisions of law. In the context of the present case, the CP group actively traded in the shares of the Issuer Companies and thereby facilitated the Sub Accounts in selling the shares in the Indian securities market.
15. Given the vital functions of protecting investors and safeguarding the integrity of the securities market vested in SEBI and the commensurate powers given to it under the securities laws, it is necessary that SEBI exercise these powers firmly and effectively to insulate the market and its investors from the fraudulent actions of the participants in the securities market, thereby fulfilling its legal mandate. The development of a strong, transparent and credible securities market is an important pre-requisite for the economic development of our country. A basic premise that underlies the integrity of securities market is that persons connected with securities market conform to standards of transparency, good governance and ethical behaviour prescribed in securities laws and do not resort to fraudulent activities. The fraudulent activities such as what have



been observed in the instant case pose a real threat to the integrity of our securities market. If such activities are allowed to continue, they will jeopardize and tarnish the image of the securities market as a transparent and efficient way of raising capital, shaking the very foundations of capital market in India.

16.1 In this case, I find that Noticees 1–14 have violated the provisions of Section 12A(a)–(c) of the SEBI Act read with Regulation 3(a)–(d), 4(1) and 4(2)(a) of the PFUTP Regulations, and have acted in a manner which is fraudulent and deceptive and to the detriment of the interest of investors in the Indian securities market.

16.2 In addition, I find that Sarfaraz Khan, Proprietor of SV Enterprise/Noticee 5, has violated Section 11(C)(3) of the SEBI Act.

Order –

17.1 In view of the foregoing, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11, 11(4) and 11B of the SEBI Act and Regulation 11(1) of the PFUTP Regulations, hereby direct as follows –

- i. The following entities are prohibited from accessing the capital market directly or indirectly, and dealing in securities or instruments with Indian securities as underlying, in any manner whatsoever, for a period of **five years** from the date of this Order, –
 - a. Basmati Securities Private Limited (PAN: AAACB4324K);
 - b. Oudh Finance and Investment Private Limited (PAN: AAACO3597K);
 - c. Alka India Limited (PAN: AABCA6702F);
 - d. SV Enterprise/Sarfaraz Khan Pathan (PAN: ACRPP5552H);
 - e. Ashok Panchariya (PAN: AEVPP6124P);
 - f. Madanlal Girdharilal Bugaliya (PAN: ALMPB5163A);
 - g. Indra Varun Trade Impex Pvt. Ltd. (PAN: AACCI3088H);
 - h. Delight Financial Advisors Ltd. (PAN: AACCD7366D);
 - i. Vinod Amrutlal Naai (PAN: AEUPN9210P);
 - j. Newgen International Pvt. Ltd. (PAN: AACCN3776H);
 - k. Excel Paints Pvt. Ltd. (PAN: AAACE2875N);
 - l. Cherry Cosmetics Pvt. Ltd. (PAN: AAACC4789R);
 - m. Edelweiss Estates Pvt. Ltd. (PAN: AABCE1275F);



ii. Gujarat Enterprise (PAN: AVZPK0475F) is hereby warned to ensure that all its future dealings in the securities market be done strictly in accordance with law.

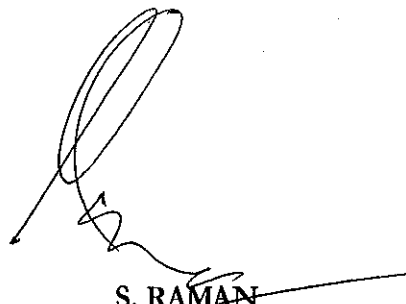
17.2 I note that vide the Interim Order dated September 21, 2011, SV Enterprise, Basmati, Oudh and Alka were prohibited from dealing in securities or instruments with Indian securities as underlying, in any manner whatsoever, until further orders.

17.3 I note that SV Enterprise, Basmati, Oudh and Alka have already undergone the debarment for a period of approximately three years. The debarment already undergone by Basmati, Oudh and Alka pursuant to the aforementioned SEBI Order shall be reduced while computing the period of debarment being imposed vide this order.

18. This Order shall come into force with immediate effect.

Place: Mumbai

Date: September 19, 2014



S. RAMAN

WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

