

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. EAD-2/AO/125/2013]

**UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995**

In respect of

Triveni Management Consultancy Services Ltd.

SEBI Registration No. INB 010652833

PAN : AABCT4249C

In the matter of

Synchronized Trading by Connected Persons.

Background

1. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation into the alleged irregularity in the trading in the shares of (i) Allcargo Global Logistics Ltd. (Allacargo), (ii) Asian Star Company Ltd. (Asian), (iii) KSL & Industries Ltd. (KSL), (iv) Mavens Biotech Ltd. (Mavens), (v) Panoramic Universal Ltd. (Panaromic), (vi) Rasi Electrodes Ltd. (Rasi), (vii) Sat Industries Ltd. (Sat), (viii) Ushdev International Ltd.(Ushdev), (ix) KBS Capital Management Ltd. (KBS), (x) Lotus Eye care Hospitals Ltd. (Lotus), (xi) MVL Limited (MVL) and (xii) Anil Products Ltd. (Anil) on the Bombay Stock Exchange Ltd. (BSE) during the period from March 1, 2009 to December 15, 2009.

2. During the period for which the scrips were investigated, there was huge change in price of the scrip. The volume of trade and the change in price of each of the aforesaid companies on BSE are mentioned below.

Scrip	Price			Volume	
	Open	Close	% Change	Avg Daily	Total
Allcargo	705.00	827.75	17.41	9868	1351918
Asian	822.00	1,529.05	86.02	24165	3286387
KSL	131.80	68.30	-48.18	28188	3833571
Mavens	62.90	105.75	68.12	61992	8430943
Panaromic	210.00	219.10	4.33	19849	2699494
Rasi	16.10	19.65	22.05	3160	398173
SAT	14.50	33.90	133.79	25068	3409253
Ushdev	44.00	145.15	229.89	52621	7156466
Anil	112.00	131.50	17.41	18293	2103729
KBS	23.00	24.40	6.09	25980	2675955
Lotus	33.45	34.60	3.44	72837	8157759
MVL#	111.25	60.00 (300)	-46.07 (209.98)	347114	39918054

Stock split in the ratio of 1:5 on September 22, 2009

3. The investigations, *prima facie*, revealed that a group of persons viz. Jitendra Jain, Usha Mehta, Sunil Kumar Mehta, Anjana Mehta, Renu Madhusudhan Paliwal, Rashmi R Gandhi, Ramesh Gandhi, Hemlata Ramesh Hankare, Manish Mathur, Seema Mathur, Ajay Roongta, **Bharat Jain, Suresh Hanswal**, Hasmukh Valchand Jain, Naresh V Rajawat, Pawanben Valchand Jain, Reeta Naresh Rajawat, Kunal Dileep Kothari, Sweta Bharat Kothari, Neela Khicha, Shobha Dilip Kothari, Kamlesh P Jain, Hitesh Mahendra Jain, Bhavesh Kothari, Namita Khicha, Vinay Kothari, Pradeep Kothari, Sitanshu Nanawati, Devendra Kumar Rai, Rakesh H Jain, Bhavesh Jain, **Meena Rajawat**, Shaikh Soalli Jainuddin, Alpesh R Shah, Anil Rajmal Shah and Praveen Gate are

related/connected/linked to each other and they together form a group (hereinafter collectively referred to as “**Mehta Group**”).

4. Triveni Management Consultancy Services Ltd. (hereinafter referred to as the ‘Noticee’) is alleged to have traded/dealt in the shares of Allacargo, Asian, KSL, Lotus, MVL, Panaromic, Ushdev, Sat and KBS on behalf of its clients namely; Bharat Jain, Suresh Hanswal and Meena Rajawat (Mehta Group entities who were clients of the Noticee) and executed several transactions, which were in the nature of synchronized/structured/circular trades etc. and allegedly created artificial volumes in the said scrips. The said clients had allegedly executed such manipulative trades through and with the assistance of the Noticee.
5. SEBI has therefore, initiated adjudication proceedings under the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the ‘SEBI Act’), inter alia, against the Noticee to inquire into and adjudge the alleged violations of the provisions of regulations 4 (1), 4 (2) (a), (b), (e) & (n) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as ‘**PFUTP Regulations**’) and clauses A (1), (2), (3), (4) & (5) of the code of conduct specified under Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as ‘**Brokers Regulations**’).

Appointment of Adjudicating Officer

6. In view of the above, Shri Satya Ranjan Prasad was appointed as the Adjudicating Officer under section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “Rules”) to inquire into and adjudge under section 15HA and 15HB of the SEBI Act, the violation of the

aforesaid provisions of the PFUTP Regulations and Broker Regulations, alleged to have been committed by the Noticee. Consequent upon transfer of Shri Satya Ranjan Prasad the undersigned has been appointed as the Adjudicating Officer vide order dated May 22, 2012.

Show Cause Notice, Reply and Personal Hearing

7. A show cause notice dated February 14, 2012 (hereinafter referred to as "SCN") was issued to the Noticee under rule 4(1) of the Rules to show cause as to why an inquiry be not held and penalty be not imposed on them under section 15HA and 15 HB of the SEBI Act for the alleged violation of the provisions of regulations 4 (1), 4 (2) (a), (b), (e) & (n) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and clauses A (1), (2), (3), (4) & (5) of the code of conduct specified under Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
8. It is alleged that the Noticee, on behalf of its clients namely; Bharat Jain, Suresh Hanswal and Meena Rajawat had traded/dealt in the shares of Allacargo, Asian, KSL, Lotus, MVL, Panaromic, Ushdev, Sat and KBS and executed several transactions, which were in the nature of synchronized/structured/circular trades etc. and allegedly created artificial volumes in the said scrips. The said clients had allegedly executed such manipulative trades through and with the assistance of the Noticee. It is alleged that the Noticee, in collusion with others, have indulged into fraudulent, manipulative and unfair trading and dealings in the scrip of the aforesaid 5 companies in violation /contravention the provisions of Regulations 4 (1), 4 (2) (a), (b), (e) & (n) of the PFUTP Regulations and clauses A (1), (2), (3), (4) & (5) of the code of conduct specified under Schedule II read with regulation 7 of the Brokers Regulations.

9. The Noticee submitted its reply to the SCN vide letter dated September 11, 2012. In order to conduct inquiry an opportunity of hearing was granted to the Noticee on September 17, 2012. The authorized representative of the Noticee appeared on the said date and submitted that they are not party to the trades in any manner, not connected with clients, counterparty brokers or the companies. The Noticee then submitted a reply dated October 25, 2012. The Noticee inter alia submitted that there was no mechanism at the brokers end to trace out and prevent synchronized trades and that merely because a broker trades or executed transactions it cannot be assumed that the broker was aware of the malafide intentions of the client.

Consideration of Issues, Evidence and Findings

10. I have carefully perused the charges made against the Noticee mentioned in the SCN, written and oral submissions and the documents available on record. In the instant matter the following issues arise for consideration and determination:

a) Whether the Noticee has violated the provisions of Regulations 4 (1), 4 (2) (a), (b), (e) & (n) of the PFUTP Regulations and clauses A (1), (2), (3), (4) & (5) of the code of conduct specified under Schedule II read with regulation 7 of the Brokers Regulations?

b) Do the violations, if any, on the part of the Noticee attract any penalty under Section 15HA and 15HB of the SEBI Act?

c) If yes, what should be the quantum of monetary penalty?

11. Before proceeding, I would like to refer to the relevant provision of the PFUTP Regulations and Broker Regulations which reads as under:

PFUTP Regulations:

4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*
- (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*
 - (b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
 - (e) any act or omission amounting to manipulation of the price of a security;*
 - (n) circular transactions in respect of a security entered into between intermediaries in order to increase commission to provide a false appearance of trading in such security or to inflate, depress or cause fluctuations in the price of such security;*

Brokers Regulations

7. Stock-Brokers to abide by Code of Conduct.

The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II.

SCHEDULE II CODE OF CONDUCT FOR BROKERS

A. GENERAL

- (1) *Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
- (2) *Exercise of due skill and care: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.*
- (3) *Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.*
- (4) *Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*
- (5) *Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.*

12. I find from **Enclosure II** to the SCN that the Mehta group entities mentioned in para 3 above are connected to each other one way or the other by way of family relationships, common address/telephone number, common introducer, trading accounts opened and operated on their behalf by Mr Sunil Mehta, money transfers and cash deposits between them etc. The Noticee executed trades on behalf of its clients namely; Bharat Jain, Suresh Hanswal and Meena Rajawat belonging to the Mehta group entities. These entities had traded/dealt in the shares of Allacargo, Asian, KSL, Lotus, MVL, Panaromic, Ushdev, Sat and KBS through the Noticee. The relevant details of the transactions done by the Noticee on behalf of its said clients in various scrips are as mentioned below:

Scrip	Client	No. of Str Trades (buy & sell)	No. of Str Buy Orders	No. of Str Sell Orders	Gross Structured Trade Quantity (buy & sell)	Gr Str Trd qty as % of Gross Mkt Vol
Allcargo	Bharat Jain	6	3	3	20	0.0007
	Suresh Hanswal	31	20	9	5346	0.1977
	Total	37	23	12	5366	0.1985
Asian	Bharat Jain	277	125	144	65137	0.9910
	Suresh Hanswal	41	14	24	5462	0.0831
	Total	318	139	168	70599	1.0741
KBS	Meena Rajawat	140	60	29	103765	1.9388
KSL	Bharat Jain	97	47	49	66660	0.8694
	Suresh Hanswal	31	18	10	16820	0.2194
	Total	128	65	59	83480	1.0888
Lotus	Meena Rajawat	60	33	14	100346	0.6150
MVL	Meena Rajawat	950	607	123	2417231	3.0277
Panaromic	Suresh Hanswal	21	9	12	9336	0.1729
SAT	Bharat Jain	62	35	26	25332	0.3715
	Suresh Hanswal	53	25	26	17332	0.2542
	Total	115	60	52	42664	0.6257
Ushdev	Bharat Jain	61	0	58	77339	0.5403
	Suresh Hanswal	13	0	11	13500	0.0943
	Total	74	0	69	90839	0.6347

13. I find from **Enclosure III** to the SCN that the Noticee on behalf of its said clients executed several transactions, which were in the nature of synchronized/structured/circular trades etc. consistently which were possible

only with the assistance of the Noticee. Such trades created artificial volumes in the said scrips. The Mehta group entities have placed synchronized/structured orders at extremely small intervals of time so as not to give chance to other market players to match or review their orders. While in the process of creating artificial volume the Mehta group entities were instrumental in maintaining or artificially increasing the price of the scrips. The Noticee has only submitted that it was not aware of the malafide intentions of its clients and has not refuted or denied any of the said transactions in its reply dated October 25, 2012 to the SCN.

14. I find from **Enclosure V** to the SCN that Himmat Rajawat, husband of one of the clients of the Noticee namely, Meena Rajawat, in his statements made on behalf of Meena Rajawat, had stated that they received a telemarketing call from the Noticee regarding opening of trading account. The person was called at his shop for opening of account, who promised that no money shall be required for trading. He also promised that trading will be done by the Noticee and profit, if any, will be given to them. Thereafter, they signed the forms and provided their photographs and were also informed them that Mr. Manish Mathur, COO of the Noticee, has floated such kind of scheme. I also find from the ledger statement of Meena Rajawat that the trading in her account was started without any margin payment/initial deposit and she had never paid any money to the Noticee, but she has received Rs. 1.6 lakh in her account. The Noticee has failed to deny or reply to the said statements in its reply dated October 25, 2012 to the SCN other than submit that the admitted relation between Mr. Manish Mathur, who is now no longer an employee of the company, with Mr Sunil Mehta cannot bind the Noticee.

15. I find that the client Suresh Hanswal was an Udaipur based client of the Noticee and also an associate of Sunil Mehta. Suresh Hanswal was himself a remisier/branch operator of the stock broker Arcadia at Udaipur and also a

terminal operator of the stock broker Ramniklal at Udaipur. It is alleged that since he was a terminal operator of one stock broker and remisier/branch operator of another broker at Udaipur, there was no need for him, while being at Udaipur, to trade through a third stock broker of Mumbai (i.e. the Noticee) and *prima facie* suggest his manipulative intent and collusion with the Noticee.

16. Further, I find from **Enclosure VI** to the SCN that no details except name and address of the client (Suresh Hanswal) were appearing in the client registration form/ agreement papers, which were essential for KYC. Although, signature of the client was taken on various pages of the agreement/client enrollment form, such forms were left blank at many places and the required details were missing. The Noticee neither denied nor replied to the allegations with regard to Mr. Suresh Hanswal.
17. The Noticee has submitted that there is no finding in the SCN to establish that there was some understanding between the parties to the trade to synchronize their orders in a malafide manner. The Hon'ble Securities Appellate Tribunal in ***Ketan Parekh Vs. Securities & Exchange Board of India (Appeal No. 2 of 2004 dated 14.07.2006)*** held that "*Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available*". Further, the Hon'ble Supreme Court of India in the matter of ***SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC)*** held that "*once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow*". In view of the above, I find that such manipulative trades executed on behalf of few selected clients cannot take place

in so many scrips, continuously for such a long period without the active assistance or indulgence of the stock broker (i.e. the Noticee).

18. Therefore, it is established beyond doubt that the Noticee had aided/abetted its clients in executing fraudulent and manipulative trades which created artificial volumes and influenced price of the aforesaid scrips. The Noticee also failed to carry out its business with due care, diligence and skill while trading for its said clients. The Noticee has therefore, violated /contravened the provisions of regulations 4 (1), 4 (2) (a), (b), (e) & (n) of the PFUTP Regulations and code of conduct specified under clauses A (1), (2), (3), (4) & (5) under Schedule II of regulation 7 of the Brokers Regulations. Thus, as the violation of the statutory regulations by the Noticee has been established, I hold that the Noticee is liable for monetary penalty under Section 15HA and 15HB of the Act.

19. While imposing penalty it is obligatory to consider the factors stipulated in Section 15J of the SEBI Act which reads as under:

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

20. It is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the default. However, I note that the Noticee had traded on behalf of 3 clients out of the 36 clients in the Mehta Group in over 9 of the 12 companies over a period of time and the percentage of the alleged trades is less than 1% of the total market

volume. The amount of loss caused to an investor or group of investors also cannot be quantified on the basis of the available facts and data.

Order

21. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs. 1,00,000/- (Rupees One lakh Only) under Section 15HA and Rs. 50,000/- (Rupees Fifty Thousand only) under Section 15HB of the SEBI Act and thus a total penalty of Rs. 1, 50, 000/- (Rupees One Lakh Fifty Thousand only) on the Noticee. In my view, the penalty imposed on the Noticee is commensurate with the defaults committed by him.
22. The above penalty amount shall be paid by the Noticee through a duly crossed demand draft drawn in favour of "SEBI - Penalties Remittable to Government of India" and payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to The Division Chief, IVD - ID-III, Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
23. In terms of the Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to Securities and Exchange Board of India.

Date: January 09, 2013

Place: Mumbai

P K KURIACHEN

ADJUDICATING OFFICER