

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K.M.ABRAHAM, WHOLE TIME MEMBER**

ORDERB

DIRECTIONS UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF DEALINGS IN THE SHARES OF SPECTACLE INFOTEK LIMITED (EARLIER KNOWN AS SPECTACLE INDUSTRIES LIMITED), GOLDSTONE TECHNOLOGIES LIMITED, GEMSTONE INVESTMENTS LIMITED, LGS GLOBAL LIMITED AND WELL PACK PAPERS & CONTAINERS LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI), vide an ad-interim ex-parte Order dated February 2, 2011 (hereinafter referred to as the Order), *inter alia* restrained certain persons/entities including Mr. Avinash Bothra, Mrs. Dipika Dinesh Kankaria, Mr. Vishal Pare, Mr. Narendra Prabodh Ganatra and Gemstone Investments Limited, in the matter of dealing in the shares of Spectacle Infotek Limited (earlier known as Spectacle Industries Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited, from accessing the securities market and further prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions. Thereafter, the aforesaid entities/persons requested for an opportunity of personal hearing and the same was granted to them on May 18, 2011. Mr. Avinash Bothra, Mrs. Dipika Dinesh Kankaria and Mr. Vishal Pare were represented by Mr. Raja Ratan Bhura, Advocate. Written submissions dated May 18, 2011 were also filed on their behalf. Mr. Avinash Bothra, Mrs. Dipika Dinesh Kankaria and Mr. Vishal Pare were also present during the time of the hearing. Mr. J. J. Bhatt, Advocate represented Gemstone Investments Limited and Mr. Narendra Ganatra. Mr. Anant

Palan (Director, Gemstone Investments Limited) was also present at the time of the hearing.

2. I have considered the submissions made on behalf of the parties mentioned above. The limited issue for consideration in this Order would be to decide whether the ad-interim ex-parte directions issued vide the Order in so far as the aforesaid persons/entities need to be continued, modified or revoked in the light of their submissions and the facts and circumstances of the matter. As stated in the Order, SEBI had initiated an investigation pursuant to the detection of a huge rise in the traded volumes and/or price of the shares of Spectacle Industries Limited (now known as Spectacle Infotek Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited (hereinafter the said companies would be collectively referred to as the Scrips and individually by their respective names) during the years 2008, 2009 and 2010, to *inter alia* find out whether there was any attempt to manipulate the scrips in terms of creating artificial volumes and causing artificial price rise thereof. Based on the preliminary findings of the aforesaid investigation, it appeared to SEBI that the pattern of trading and dealings in the select scrips (as brought out in great detail in the Order) indicates that the Pabari-Parikh group (as defined in the Order) was responsible for creating substantial volumes, which appear to be artificial in nature, executing synchronized and structured trades, executing wash trades involving substantial quantities of trades and receiving shares off-market for the purpose of meeting pay-in obligations etc. in the shares of Spectacle Industries Limited, Goldstone Technologies Limited, LGS Global Limited and Gemstone Investments Limited. The Pabari-Parikh group has also been active as a dominant partner while dealing in the shares of Gemstone Investments Limited and was found to be supporting the Walmiki-Shah group (as defined in the Order) in their dealing in the shares of Well Pack Papers & Containers Limited. The preliminary findings of the investigation were mentioned in detail in the order. The fact that there are several entities common to both the

Pabari-Parikh group and the Walmiki-Shah group indicated the nexus and the close interaction between the two groups and that they had made significant contributions to price rise and creation of volumes, as brought out in the Order.

3. Mr. Avinash Bothra, vide letter dated May 18, 2011 *inter alia* stated that he is holding a demat account and the same was rarely used as he did not have funds, knowledge and expertise. He stated that he was approached by one Kamlesh Nahar who had introduced him to Mr. Sunil Bhandari and that he was asked to lend his demat account for trading. He further stated that he was also asked as to whether he could provide more demat accounts. It was the submission that Mr. Sunil Bhandari offered ₹10,000/- per month to use the demat account of Mr. Avinash Bothra. He stated that in order to earn extra income, he had offered his demat account to Mr. Sunil Bhandari. It was the contention of Mr. Avinash Bothra that he was kept under the impression that only legitimate dealings were given effect. Mr. Avinash Bothra further submitted that that he had also given the demat account of his wife (Mrs. Dipika Kankaria Bothra) and his colleague, Mr. Vishal Pare. In the facts and circumstances, Mr. Avinash Bothra requested SEBI to allow him to participate in the securities market and trade in the Scrips. Mrs. Dipika Kankaria Bothra and Mr. Vishal Pare made similar submissions and stated that they had lent their demat accounts for getting extra income. Mrs. Dipika Kankaria Bothra further stated that she does not indulge in share trading.

4. It is mentioned in the order that Mr. Avinash Bothra had received 1,50,000 shares in Off-market from Mr. Samir Shah and that he was one of the top traders buying 11,51,000 shares and selling 14,88,200 shares (Well Pack Papers & Containers Limited). Further, he had also received 5,56,884 shares from the group. Similarly, Mrs. Dipika Dinesh Kankaria had entered into off market of 22000 shares with Mr. Samir Shah and that she was found to be one of top traders in Well Pack Papers & Containers Limited having bought 15,41,213 shares and

sold 18,05,834 shares during the examination period. Further, Mr. Vishal Pare had transferred 2,00,000 shares to Mr. Samir Shah and was found to be one of the top traders in Well Pack Papers & Containers Limited with a buy of 4661616 shares (1.53% of the total traded volume) and sell of 42,96,456 shares (1.41% of the total traded volume) during the examination period. The Order had, in detail, provided the pattern of trading and dealings in the select scrips, which indicated that the Pabari-Parikh group was allegedly responsible for creating substantial volumes, which appear to be artificial in nature, executing synchronized and structured trades, executing wash trades involving substantial quantities of trades and receiving shares off-market for the purpose of meeting pay-in obligations etc. in the shares of Spectacle Industries Limited (now known as Spectacle Infotek Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited. Further, the Pabari-Parikh group has also been active as a dominant partner while dealing in the shares of Gemstone Investments Limited and a support to the Walmiki-Shah group in the shares of Well Pack Papers & Containers Limited. The dealings of Mr. Avinash Bothra, Mrs. Dipika Dinesh Kankaria and Mr. Vishal Pare are mentioned in the order. It was observed that they had executed number of transactions with other persons in the group. It is now stated by them that they had given their demat accounts for the use of third parties for consideration. Even if, their submissions are found to be correct, the practice observed cannot be encouraged. Their demat accounts are found to be used for the alleged manipulation. In the present case, it is found that large number of transactions had been carried out in their respective accounts. Needless to say, they have to take responsibility and face the consequences arising out of such transactions in their demat accounts. Even in a case, where their submissions appear to be true, SEBI cannot allow them to continue to rent their names and demat accounts to other persons, which could be the likely fallout, if the instant interim directions against them are vacated. Therefore, I do not consider it necessary to revoke or modify the directions in the order in so far as Mr. Avinash Bothra, Ms. Dipika Dinesh Kankaria and Mr. Vishal Pare are

concerned. I am of the view that at this stage, more particularly in cases where multiple entities/persons are *prima facie* observed to have formed a web to execute a manipulative plan, it would not be prudent on the part of SEBI, as a regulator, to consider the role of each entity that form this cluster of entities, in isolation. The role of entities needs to be seen against the entire case in the background. In view of the aforesaid reasons, it would not be prudent on my part to revoke the interim ex-parte directions issued vide the Order against the aforesaid persons, more particularly when the investigation in the matter is in progress. The investigation would arrive at conclusions as to their involvement. Further, it is their submission that they do not have the expertise and funds to deal in the securities, even though they have demat accounts in their name which according to them were lent to third parties. Therefore, even if the Order is confirmed against them, no prejudice would be caused to them.

5. Gemstone Investments Limited (hereinafter referred to as GIL), vide letter dated April 1, 2011 *inter alia* stated that its transactions in the shares of Spectacle Infotek Limited were delivery based and that it is still holding the shares which were bought by it during the period of examination. It further stated that it has no connection with Mr. Bhavesh Pabari and contended that SEBI had not pointed a single transaction with him, in the Order. According to the said company, its inclusion in the alleged group was based on the acquaintance, its director (Mr. Narendra Ganatra) had with Mr. Bhavesh Pabari. It further stated that the grouping on the basis of such relation is farfetched. According to GIL, it had neither executed off-market transfer nor had any fund movements with any of the parties of the group. GIL also contended that the powers under Sections 11B and 11(4)(b) is not available for routine application and invoking penal action. Similar submissions were made by Mr. Narendra Ganatra, the Managing Director of Gemstone Investments Limited, vide letter dated March 28, 2011. He stated that he became a director of Gemstone Investments Limited on August 1, 2007 and became its Managing Director on August 27, 2008. He further stated that there

were no dealing between himself and Mr. Bhavesh Pabari and denied being a member of the Pabari-Parikh group. Mr. Narendra Ganatra had submitted that he had introduced Mr. Bhavesh Pabari in the year 2007 to the stock broker, Ford Brothers and that Mr. Bhavesh Pabari or his stock broker may have put his then office address in the form and that would not mean that they had shared the said office premises. He further contended that mere introduction to a stock broker cannot be the basis to allege wrong doing on his part. I have considered the said submissions of GIL and Mr. Narendra Ganatra. As stated in the Order, a total of 8,67,17,873 shares of Spectacle Infotek Limited constituting 51.40% of total market volume, were traded only among the Pabari-Parikh group. The said group, in terms of the Order, included GIL and its director, Mr. Narendra Ganatra. Further, out of the trades for 8,67,17,873 shares executed by the Pabari-Parikh group amongst themselves, orders which culminated in trades for 3,20,04,286 shares comprising 36.91% of those trades, were through orders which were placed within less than one minute. The primary charge against the Pabari-Parikh group in the scrip of Spectacle Infotek Limited is that they traded amongst themselves and created artificial volumes to the extent of 51.40% of total market volume. Further, it is noted that Mr. Bhavesh Pabari himself traded in the shares of Spectacle Infotek Limited (earlier known as Spectacle Industries Limited), Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited. The Order, in Table 4a at page 20, has also alleged that Mr. Narendra Ganatra had traded with Mr. Bhavesh Pabari in the shares of Spectacle Infotek Limited. Mr. Narendra Ganatra denied trading in the shares of the said company with Mr. Bhavesh Pabari. However, it is noted from the order-trade logs that on June 2, 2009, Mr. Narendra Ganatra traded with Mr. Bhavesh Pabari for 301 shares of Spectacle Industries Limited. Therefore, his submission is without any merit. The Order had sought to establish the relation/connection of Mr. Narendra Ganatra with Mr. Bhavesh Pabari on the basis of the following:

- a. Mr. Narendra Ganatra introduced Mr. Bhavesh Pabari to the stock broker as per KYC furnished by Ford Brothers
- b. Mr. Narendra Ganatra and Mr. Bhavesh Pabari had shared the same office address at S-13 Hazaribaug Basement, Vikhroli Station Road, Mumbai -400 079
- c. Mr. Narendra Ganatra is presently the Managing Director of Gemstone;
- d. He was also a director in Spectacle Infotek Limited and had resigned from the said company on June 1, 2010;

The alleged manipulation had happened in the shares of Spectacle Infotek Limited and Gemstone Investments Limited, amongst other scrips. Mr. Bhavesh Pabari is found to have allegedly executed manipulative trades along with the constituents of his group in the shares of the said companies, wherein Mr. Narendra Ganatra was/is a director. The said facts, therefore, do not convince me to reconsider the *prima facie* findings of their connection and the execution of the alleged market fraud. Mr. Narendra Ganatra is presently the managing director in GIL. As stated, the shares of GIL have also been manipulated during the relevant period. Further, GIL has submitted that it still holds on to the 3,25,000 shares of Spectacle Infotek Limited purchased by it during the period of investigation. However, the investigation would need to find out if the entity had indulged in any transactions in other scrips without having to change beneficial ownership. The Order has alleged that the Pabari-Parikh group has played a crucial and dominant role in all the scrips except in Well Pack Papers and Containers Limited, wherein they had supported the role allegedly played by the Walmiki-Shah group. Only the findings of the investigation initiated in the matter would throw light on such issues and the involvement of the parties in the alleged manipulation. However, the preponderance of probability, at this stage, of the involvement of GIL and Mr. Narendra Ganatra is too high, for me to review the interim directions issued against them. Having observed the same, in the interest of justice, it would be

proper and also reasonable for me to direct the investigation in the matter to be completed at the earliest.

6. 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 confirm the interim ex-parte directions issued vide the Order dated February 2, 2011 against Gemstone Investments Limited, Mr. Narendra Prabodh Ganatra, Mr. Avinash Bothra, Mrs. Dipika Dinesh Kankaria and Mr. Vishal Pare.

7. The investigation in the matter shall expeditiously be concluded not later than December 31, 2011. The said direction is issued after taking into consideration the large number of entities involved, the complex inter-relations noticed between different groups of entities, the extent of material to be collected and large volume of data to be examined in the present case.

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

PLACE: MUMBAI
DATE: JULY 8, 2011