

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: S. RAMAN, WHOLE TIME MEMBER

ORDER

Under sections 11(4) and 11B 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, against M/s Grishma Securities Pvt. Ltd. (PAN:AABCG1300K), Shri Chandrika H. Gandhi (PAN: AAMPG4546M), Shri Ketan C. Shah (PAN: AIWPS3413R), Shri Chhabil C. Shah (PAN: AIXPS6956J), Shri Mihir Ghelani (PAN: AACPG7986K), Shri Vimal Patel (PAN:AKNPP8099H) and Shri Vanraj Kahor (PAN: AGDPK4812F) in the matter of IPO of Tijaria Polypipes Limited.

Appearances -

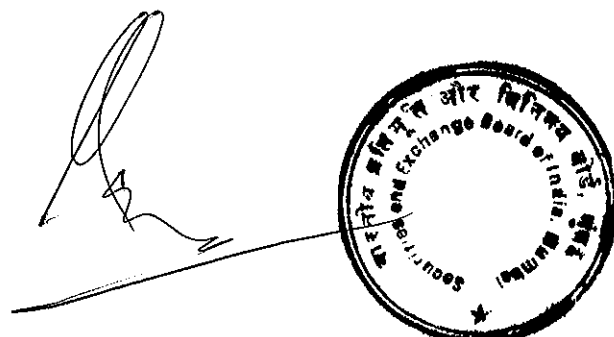
For Grishma Securities
Ltd & Others:

- (i) Adv. Somasekhar Sundaresan;
- (ii) Adv. Ravichandra S. Hegde;
- (iii) Adv. Abhishek Venkatraman;
- (iv) Mr. Pankaj V. Shah;
- (v) Mr. Ketan C. Shah;
- (vi) Mr. Mihir Ghelani;
- (vii) Mr. Anil Mistry.

For SEBI:

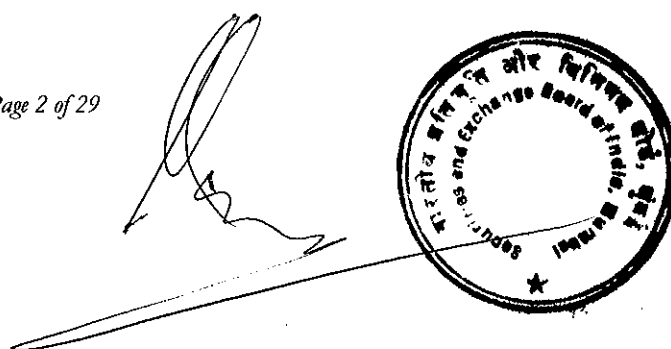
- (i) Mr. Biju S, Joint Legal Adviser;
- (ii) Ms. Jeny John, Deputy General Manager;
- (iii) Ms. Deena Sarangadharan, Assistant General Manager;
- (iv) Mr. Alvine Ethan Lyngwa, Assistant Legal Adviser.

1. Tijaria Polypipes Limited (hereinafter referred to as "TPL"), a company incorporated under the Companies Act, 1956, came out with an Initial Public Offering ("IPO") of 1,00,00,000 equity shares of a face value of ₹10 each, issued at a premium of ₹50 per equity share, wherein it raised ₹60 Crores to fund its proposed expansion and diversification plans. The aforesaid fixed price IPO which opened on September 27, 2011 and closed on September 29, 2011, was reportedly over-subscribed by 1.2 times. TPL allotted 71,64,406 shares in the retail individual investors category (constituting 71.64% of the total IPO shares) and 28,36,001 shares to the Qualified Institutional Buyers (hereinafter referred to as "QIBs") (constituting 28.36% of the total IPO shares). The shares of TPL were listed on the Bombay Stock Exchange



Limited (hereinafter referred to as "BSE") and the National Stock Exchange of India Limited (hereinafter referred to as "NSE").

2. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted a preliminary investigation in respect of trading in the scrip of TPL, upon observing a steep fall in the share price on the first day of listing i.e. October 14, 2011. The preliminary investigation *prima facie* revealed that on October 14, 2011, the share price of TPL in NSE, fell from the highest price of ₹67.75 per share to ₹16.50 per share while in BSE, it fell from the highest price of ₹67.80 per share to ₹16.05 per share. The preliminary investigation *prima facie* revealed that TPL, through layered transactions, diverted a substantial part of its IPO proceeds in order to offset losses sustained by certain entities/individuals, who allegedly purchased shares from retail allottees/QIBs in the IPO, at a premium to the issue price. The preliminary investigation *prima facie* also revealed that M/s Grishma Securities Pvt. Ltd. (hereinafter individually referred to as "Grishma") *inter alia* was the stock broker for Jivraj Zala (hereinafter referred to as "Zala") and had facilitated trading by such entity.
3. In view of the *prima facie* observations made in the preliminary investigation, SEBI vide an ad-interim *ex-parte* Order dated December 28, 2011 (hereinafter referred to as "Interim Order") *inter alia* prohibited Grishma and its Directors i.e. Shri Chandrika H. Gandhi, Shri Ketan C. Shah and Shri Chhabil C. Shah alongwith its CEO/Compliance Officer i.e. Shri Mihir Ghelani (hereinafter collectively referred to as "Grishma, its Directors and Compliance Officer"); Vimal Patel (hereinafter referred to as "Patel") and Vanraj Kahor (hereinafter referred to as "Kahor") from buying, selling or dealing in securities, in any manner whatsoever, till further orders for the *prima facie* violation of the provisions of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") read with the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003"). The aforesaid Interim Order was subsequently confirmed as against Grishma, its Directors and Compliance Officer on November 5, 2012 (hereinafter referred to as "Confirmatory Order").

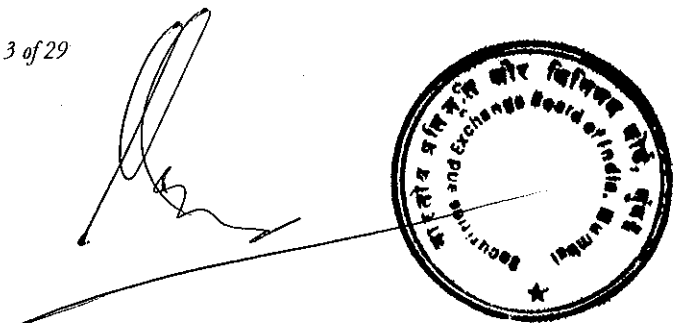


4. Pursuant to the abovementioned Interim Order, SEBI conducted a detailed investigation regarding trading in TPL's IPO in order to examine the role of certain entities/individuals who traded subsequent to the IPO. On the basis of findings made in the aforesaid investigation, a Show Cause Notice dated November 30, 2012 (hereinafter referred to as "SCN"), was issued to Grishma, its Directors and Compliance Officer, Patel and Kahor under sections 11(4) and 11B of the SEBI Act, calling upon them to show cause as to why appropriate action including restraining them from buying, selling or dealing in securities for a specified period should not be issued, for the violations alleged in the SCN. In addition, a supplementary SCN dated January 11, 2013 (hereinafter referred to as "Supplementary SCN"), was issued to Grishma, its Directors and Compliance Officer.

5.1 As per the SCN and Supplementary SCN, Grishma, its Directors and Compliance Officer were *inter alia* alleged to have -

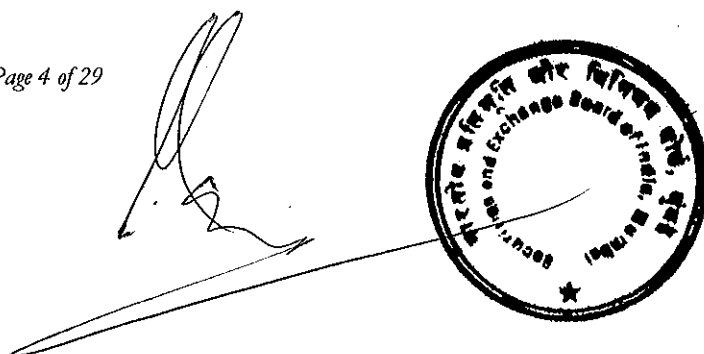
- i. Permitted Zala to trade on the first day of listing in the scrip of TPL incurring a loss of approx ₹9,95,07,582 without collecting any funds from him towards the margin amount payable to the stock exchanges. This was done in spite of the fact that the client was a walk-in client with a stated income of less than ₹5 Lakhs and whose account was opened just ten days prior to the date TPL's IPO opened for subscription i.e. September 27, 2011.
- ii. Manipulated the ledger of Zala to give an impression that some funds were available in his client account with Grishma on the day of his trading.
- iii. Used the funds and shares of other clients as well as the funds of its Compliance Officer/CEO, Ghelani for making the margin payments of Zala.
- iv. Provided misleading information to SEBI with regard to their dealer Chetan Dave.
- v. Provided misleading information to SEBI regarding the trades and settlement of Compliance Officer/CEO, Ghelani in MCX.

5.2 Grishma, its Directors and Compliance Officer filed their replies to the SCN and Supplementary SCN vide letters December 11, 2012 and January 30, 2013. Subsequent to issuance of SCN dated November 30, 2012, an opportunity for personal hearing was granted to Grishma, its Directors and Compliance Officer on March 19, 2013. Pursuant to the



personal hearing, Grishma, its Directors and Compliance Officer submitted an additional reply to the SCN and Supplementary SCN vide letter dated April 1, 2013. In its replies and during the aforesaid hearing, Grishma, its Directors and Compliance Officer *inter alia* made the following submissions -

- i. Adequate margins were collected from Zala for the purpose of meeting the margin requirement. Cheques towards margin were received, deposited, realized and accounted prior to the settlement of Zala's trades in compliance with the norms applicable to collection and accounting of margins.
- ii. Grishma collected 7 cheques for a value of ₹3.65 Crores from Zala on October 13, 2011 i.e. one day prior to his trades and the aforesaid margin money was sufficient to protect against the risk of default by Zala. The date on which the cheques were received from Zala was recorded in its ledger. The cheques were deposited on October 15, 2011 and duly honoured as reflected in its bank statement. Therefore, the charge that Grishma falsified its client ledger by recording therein the date of physical receipt of the cheques and not the date on which the underlying funds were credited in the account is baseless. Further, the allegation that use of funds belonging to third parties for meeting Zala's margin requirements does not arise.
- iii. The transactions referred to by SEBI as evidence of use of funds of third parties by Grishma has no nexus to the trades of Zala.
- iv. The mode of collection of margin and the quantum of margin that a stock broker may collect has been left to the discretion of stock brokers vide SEBI Circular dated February 23, 2005. Grishma's risk management policy *inter alia* envisaged collection of margins by way of cheques. Therefore, it cannot be held liable for collection of margin amounts from Zala by way of cheques.
- v. Recording of date of receipt of cheques is in accordance with the mercantile system of accounting. There is no obligation in law which requires a stock broker receiving margin payments by cheque to record only the actual date of credit of funds in the client ledger as the date of receipt of margins and such a requirement is not even envisaged by SEBI. Stock brokers are required to record the date of receipt of the cheques in the ledger



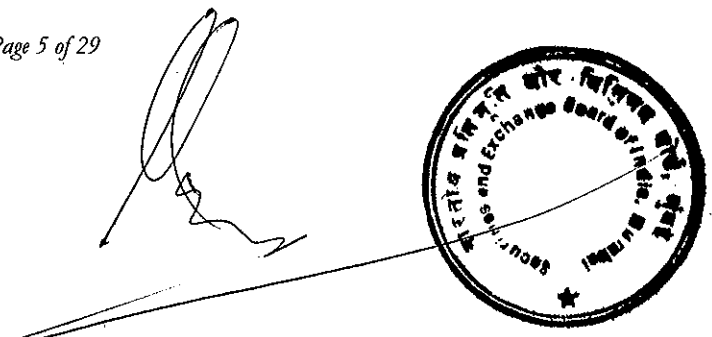
either on the date of the trade i.e. T or on a T+1 basis, notwithstanding the fact that the cheques may get cleared only subsequently.

- vi. Patel's (a client of Grishma) ledger maintained by Grishma in relation to the trades in the cash segment (at BSE and NSE) and Futures & Options (F & O) Segment at NSE, as on October 14, 2011 i.e. date of trades, shows that his account had a debit balance of ₹16 Lakhs and therefore, the question of utilizing any funds as a result of Patel's trades in the F&O Segment is baseless and inconceivable.
- vii. The allegation that a sum of ₹2.2 Crores transferred to the account of Grishma from Mihir Ghelani (hereinafter individually referred to as "Ghelani") is baseless. The aforesaid sum was transferred to the account of Ghelani for meeting his margin obligation arising out of his trades in gold and silver futures in MCX. The sum was paid in order to meet margin requirements arising out of the said trades.
- viii. No adverse inference can be drawn if Zala was a walk-in client.
- ix. Chetan Dave (hereinafter referred to as "Dave") at the relevant time was Grishma's client. Dave has a terminal in his own name and this does not imply that he acted as a dealer for Grishma.

6.1 As per the SCN, Patel and Kahor were *inter alia* alleged to have -

- i. Received funds from TPL and passed it on to Zala to cover the losses incurred by him while trading in the scrip of TPL on the day of listing;
- ii. Acted as front entities to Grishma;
- iii. Funded Zala to the extent of covering the losses incurred by him while trading in the scrip of TPL on the first day of listing.

6.2 The SCN was issued to Patel and Kahor on November 30, 2012 and the same was received by them. A reminder to reply to the SCN was issued to Patel and Kahor on February 8, 2013. However, Patel and Kahor did not reply to the SCN. An opportunity for personal hearing was granted to Patel and Kahor on March 21, 2013. Kahor did not appear for the aforesaid personal hearing. However, Patel replied to the hearing notice vide an undated letter (received at SEBI on March 25, 2013) stating that as he was based in Ahmedabad and had



some other work, another 2 to 3 weeks may be granted to him to do the needful. Subsequently, another opportunity for personal hearing was granted to Patel and Kahor on May 2, 2013. Kahor failed to appear for the aforesaid personal hearing. In reply to the second hearing notice, Patel vide letter dated May 20, 2013, informed SEBI that he received that notice only on May 1, 2013 and that he was travelling and had been out of Ahmedabad since May 1, 2013 and returned only on May 12, 2013. I find that although Patel had himself acknowledged receipt of hearing notice on April 27, 2013, he however informed SEBI that he received such notice only on May 1, 2013 and had to travel during the period from May 1 - 12, 2013. The aforesaid fact clearly indicates Patel's unwillingness to attend the personal hearing afforded to him. In this context, I would like to rely upon the findings of the Hon'ble Securities Appellate Tribunal in the matter of *Classic Credit Limited vs. SEBI (Appeal No. 68 of 2003 Order dated December 8, 2006 reported on January 8, 2007)* regarding the significance of filing reply to the SCN, in which the Hon'ble Tribunal stated that "*the appellant did not file any reply to the second show cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". In light of the same, I find it necessary to proceed in the matter on the basis of facts and material available on record.

7. I have considered the SCN and the Supplementary SCN; replies made by Grishma, its Directors and Compliance Officer to the same alongwith their submissions during the personal hearing before me and all other relevant material available on record. In light of the aforesaid, I shall now proceed to deal with the charges levelled in the SCN against Grishma, its Directors and Compliance Officer alongwith its clients, Patel and Kahor.

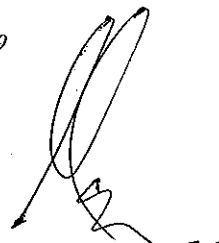
Consideration of Issues and Findings against Grishma, its Directors and Compliance Officer -

- 8.1 Grishma, its Directors and Compliance Officer have *inter alia* submitted that cheques for ₹3.65 Crores towards margin amount were received from Zala on October 13, 2011 and the date of receipt of cheques from Zala was recorded in the client ledger. The cheques were deposited on October 15, 2011 and duly honoured as reflected in Grishma's bank statement. Therefore, the charge that Grishma falsified its client ledger by recording therein the date of



physical receipt of the cheques and not the date on which the underlying funds were credited in the account is baseless. In this regard, I note that -

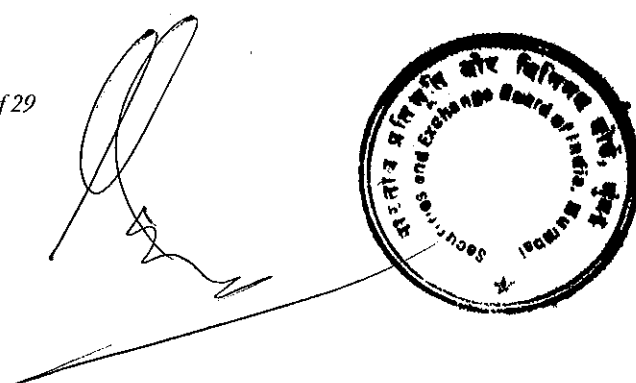
- i. Zala was a walk-in client with an income in the bracket of below ₹5 Lakhs (as per the KYC documents provided by Grishma to SEBI). Zala's trading account with Grishma was opened on September 17, 2011 i.e. only 10 days prior to the IPO of TPL. Prior to October 14, 2011, Zala had not traded in any other scrip through Grishma. Zala started trading with Grishma only from October 14, 2011, in the IPO of TPL and on that day, he had traded in no other scrip except TPL.
- ii. Zala, trading through Grishma, in the scrip of TPL on the first day of its listing i.e. October 14, 2011, incurred a loss of ₹9,95,07,852 (comprising of ₹3.20 Crores on BSE and ₹6.74 Crores on NSE).
- iii. As per the NSE client ledger of Zala (maintained by Grishma), ₹1,78,55,000 was received by Grishma on October 13, 2011. However, as per Grishma's bank statement (NSE Client Account, YES Bank Ltd, Cadel Road Branch), the amount was actually received on subsequent dates i.e. ₹8,55,000 was received on October 15, 2011 and the balance amount of ₹1,70,00,000 was received on October 17, 2011.
- iv. As per the BSE client ledger of Zala (maintained by Grishma), ₹1,87,00,000 was received by Grishma on October 13, 2011. However, as per Grishma's bank statement (BSE Client Account, YES Bank, Cadel Road Branch), the amount of ₹1,87,00,000 was actually received on October 17, 2011.
- v. Vide letter dated August 21, 2012, Grishma submitted copies of cheques to SEBI in support of its contention that the margin amount collected from Zala was for his trades in the scrip of TPL on October 14, 2011. However, it is observed that such cheques were post-dated cheques (dated October 15, 2011; October 17, 2011; October 19, 2011, etc.) as on the date they were claimed to have been handed over to Grishma i.e. October 13, 2011. Grishma, admittedly, entered the date of the receipt of such post-dated cheques i.e.



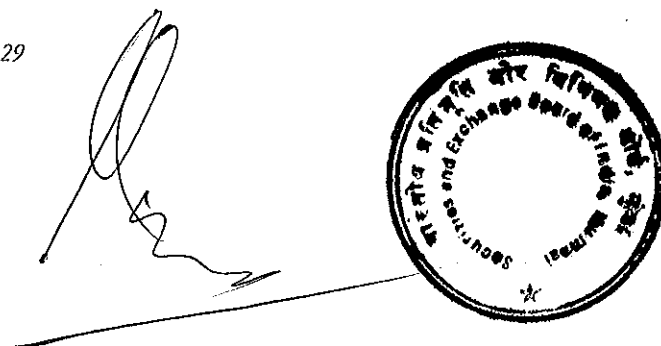
October 13, 2011, in the client ledger of Zala and not the date of actual receipt of funds for the said client. Details of the cheques submitted by Grishma to SEBI are provided as under:

Sr. No.	No. of cheques	Date of cheque	Total value
1	3	15/10/2011	₹1,17,55,000/-
2	9	17/10/2011	₹6,07,00,000/-
3	6	19/10/2011 and after	₹4,12,10,000
Total	18	-	₹1,36,65,000

- vi. I note that the collection of margin especially upfront margin is a risk containment measure undertaken by a stock broker. In case of default by its client in making the payments, the same (default) is met with the security deposit, collected in the form of margins. In this context, I note that Grishma was required to pay margin amount viz. VAR & Extreme Loss Margin and Mark to Market (MTM) Margin towards the loss incurred by Zala in the scrip of TPL, on the first day of its listing. During the course of the personal hearing, Grishma, its Directors and Compliance Officer referred to the SEBI Circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005, which stated: *"Members should have a prudent system of risk management to protect themselves from client default. Margins are likely to be an important element of such a system. The same shall be well documented and be made accessible to clients and the Stock Exchange"*. In its replies to the SCN and supplementary SCN, Grishma, its Directors and Compliance Officer submitted that the mode of collection of margin and the quantum of margin that a stock broker may collect has been left to the discretion of stock brokers vide SEBI Circular dated February 23, 2005. Further, it was submitted that Grishma's risk management policy *inter alia* envisaged collection of margins by way of cheques and therefore, Grishma, its Directors and Compliance Officer cannot be held liable for collection of margin amounts from Zala by way of cheques. In this context, I directed Grishma to provide the Risk Management Policy in respect of Trading facility extended to its clients and also to submit information on whether or not the concerned Stock Exchanges i.e. BSE and NSE, were intimated of such Policy. However, till date, I am yet to receive information from Grishma.



- vii. As noted from the preceding paragraphs, Grishma had not collected any upfront margin amount from Zala (only post-dated cheques were taken) and therefore, in the event of default by Zala in honoring his trade obligations, Grishma would not have been able to mitigate the consequences of such default. It is indeed surprising that a walk-in client with an income of below ₹5 Lakhs, trading through Grishma only from October 14, 2011, was allowed to take such a huge gross exposure in the securities market to the tune of ₹ 32,72,57,123.70 on BSE and ₹ 34,72,73,566.10 on NSE. Such exposure was allowed by Grishma through acceptance of post-dated cheques from Zala and incorrectly reflecting receipt of funds in his client ledger on October 13, 2011 i.e. before *the actual date of receipt of funds in Grishma's bank account*, thereby creating an impression that funds were readily available on the day Zala traded. The callous manner in which Zala was allowed to take such a huge gross exposure by Grishma in the scrip of TPL is against the very object of requiring stock brokers to collect margin money upfront from clients.
- viii. The huge gross exposure to a walk-in client, who as per KYC documents did not have the financial means, indicates that there was indeed a larger design behind permitting such exposure to a walk-in client i.e. Zala, to trade in the scrip of TPL without collecting any margins. In reality there were no funds available in the account of Zala for his trades. The funds for the same were arranged by Grishma through its Compliance Officer/CEO, Ghelani and using other clients' funds/securities. It indicates that Grishma was keen on executing substantial trades in the scrip of TPL on the day of listing and used the trading account of Zala for the same. Therefore, despite the fact that there was no credit balance in the account of Zala, Grishma executed large volume trades amounting to several tens of Crores of rupees on his behalf, which resulted in a loss of ₹9,95,07,852 for Zala, in respect of trades executed on that single day i.e. October 14, 2011.
- ix. Upon a consideration of the abovementioned discussion, I find that only a book entry was made in the ledger account by Grishma without the actual receipt of necessary funds from its client, Zala. In this context, I find it difficult to accept that Zala, who was a walk-in client with an income of below ₹5 Lakhs, was able to take such huge gross



exposure in the scrip of TPL. The aforesaid facts indicate that Grishma made such book entry in the ledger account for the purpose of facilitating trading by Zala in the scrip of TPL. In view of the aforesaid, I find that the charge of manipulation of client ledger and non-collection of adequate margins from a walk-in client stands established against Grishma, its Directors and Compliance Officer.

8.2.1 Grishma, its Directors and Compliance Officer have *inter alia* submitted that the transactions referred to by SEBI as evidence of use of funds of third parties by Grishma has no nexus to the trades of Zala. In this regard, I note that -

- i. Zala was required to make substantial pay-outs for his trades in the shares of TPL on October 14, 2011. Since the trades happened on October 14, 2011, the settlement had to be done on T+2 i.e. October 18, 2011 (excluding Saturday and Sunday which fell in between such days). The source of funds used by Grishma for depositing the margin amount with NSE and BSE towards trading done on behalf of its clients on October 14, 2011, was investigated. For the same, information was sought from NSE, BSE and the respective Clearing Corporations, viz. National Securities Clearing Corporation Ltd. (hereinafter referred to as "NSCCL") and Indian Clearing Corporation Ltd. (hereinafter referred to as "ICCL").

NSE: As per the information provided by NSE, it is noted that -

- a. On October 14, 2011, the client level margin requirement of Grishma for the trading done on behalf of its clients in the cash segment of NSE was as follows:

Client name	VAR & Extreme Loss Margin (₹)	Mark to Market Margin (₹)	Total Margin requirement (₹)
Shri Chetan Dave	0.00	40,05,681.70	40,05,681.70
Shri Jivraj Zala	2,87,44,575.20	6,07,00,091.50	8,94,44,666.50
Total			9,34,50,348.20

- b. The total margin requirement of Grishma for trades on behalf of its clients on NSE on October 14, 2011, was ₹9,34,50,348.20. As on October 13, 2011, in addition to the base minimum capital of ₹1 Crore in cash and ₹25 Lakhs as Bank Guarantee, ₹7,63,000 was available with NSE towards margin deposit in the form of cash given



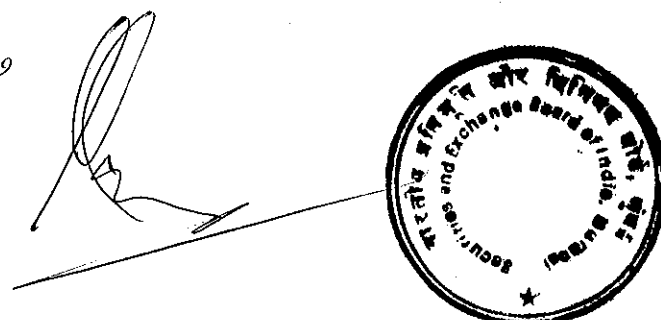
by Grishma. The additional margin deposits brought in by Grishma as on October 14, 2011, during market hours was as follows:

Sr. No.	Particulars	Amount in (₹)
1	Cash Deposits	2,77,63,000.00
2	Bank Guarantee	75,00,000.00
3	Securities	2,53,97,639.59
	Total	6,06,60,639.59

- c. Till the end of trading day of October 14, 2011, total margin provided by Grishma (excluding the base minimum capital of ₹10 Lakhs, which is required to be maintained at all times) was ₹7,21,60,639.59. The break-up of the same is given below:

Sr. No.	Particulars	Amount in (₹)
1	Cash Deposits	2,77,63,000
2	Bank Guarantee	1,00,00,000 (25,00,000 + 75,00,000)
3	Base Minimum Capital	90,00,000 (1,00,00,000 - 10,00,000)
4	Securities	2,53,97,639.59
	Total	7,21,60,639.59

- d. At the end of the trading day on October 14, 2011, Grishma had a margin shortfall of ₹2,12,89,708.81. NSE received ₹1.2 Crores at 06:01 p.m. and ₹7.24 Lakhs at 6:31 p.m. from Grishma, after market hours on October 14, 2011. There was a shortfall of margin by ₹85,64,757.17, due to the trading done by Grishma on October 14, 2011 (Settlement No. N 2011196), which was required to be brought in prior to the start of trading on October 17, 2011 (Settlement No. N 2011197), to prevent deactivation of the trading terminals of Grishma.
- e. NSE informed that ₹2 Crores was received by NSCCL from Grishma before the start of the market hours on October 17, 2011. Also, another ₹4.5 Crores was received by NSCCL from Grishma at 04:05 p.m. i.e. after the start of trading on October 17, 2011, but before the close of trading on October 17, 2011. The funds of ₹2 Crores received by NSCCL before the start of the market hours on October 17, 2011, were taken by NSCCL towards clearing the outstanding margin of Grishma with respect to the

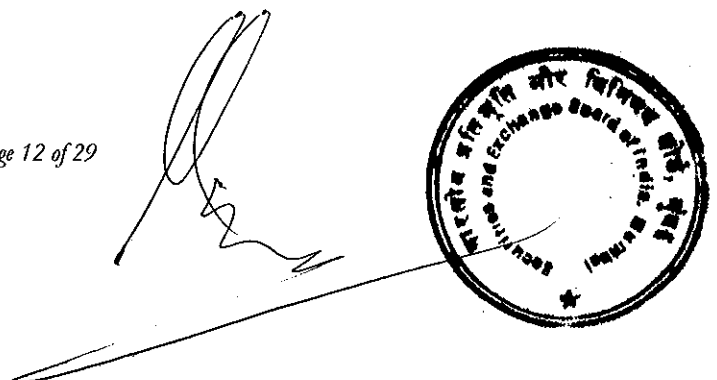


trading done by him in Settlement No. N 2011196. Thereafter, Grishma was allowed to continue trading.

- f. The following table shows the funds transferred to NSCCL by Grishma - Current Account (Axis Bank) and the ultimate source of these funds that were earmarked by NSCCL as margin towards Settlement No. N2011196 were from:

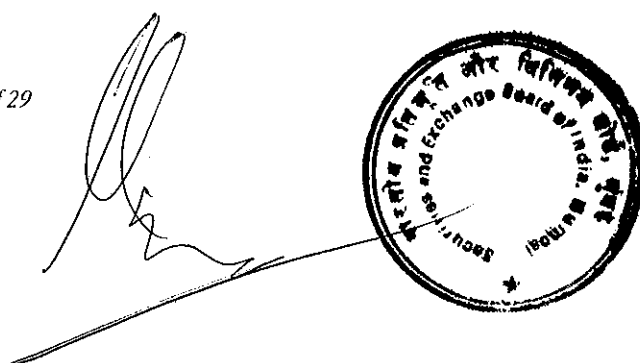
Date	Amount transferred to the Clearing corporation by the broker towards margin (₹)	Ultimate source of funds for amount transferred to Clearing Corporation	
		Amount (₹)	Name of the Client Account from where funds were transferred
14/10/2011	2,70,00,000	85,00,000	Vimal P Patel
		25,00,000	Vimal P Patel
		1,41,00,000	Grishma F&O A/c and around ₹ 1.14 Crore was from the trades of Shri Vimal Patel in F&O segment
		1,00,00,000	Grishma Securities Pvt. Ltd.
14/10/2011	7,24,951.64	20,00,000	Mihir Ghelani
14/10/2011	1,20,00,000	2,00,00,000	Mihir Ghelani
17/10/2011	2,00,00,000	50,00,000	Vimal P Patel
		76,00,000	Vimal P Patel
		74,00,000	Vimal P Patel
	5,97,24,951.64		

- g. The funds amounting to ₹5,97,24,951.64 (provided by Grishma towards margin requirement of Zala for his trading in the scrip of TPL on the first day of listing i.e. October 14, 2011), were majorly transferred from the client account of Patel (client of Grishma) and also partly from Ghelani, the CEO/Compliance Officer of Grishma. Further, the primary source for the ₹4.5 Crores transferred from Grishma's NSE Settlement Account to NSCCL's account on October 17, 2011, were as follows:



Date	Amount transferred to the Clearing corporation by the broker towards margin (₹)	Ultimate source of funds	
		Amount (₹)	Name of the Client Account from where funds were transferred
17/10/2011	4,50,00,000	8,60,000	Jivraj Zala
		44,00,000	Jivraj Zala
		70,00,000	Jivraj Zala
		50,00,000	Jivraj Zala
		50,00,000	Jivraj Zala
		1,00,00,000	Jivraj Zala
		1,00,00,000	Jivraj Zala

- h. The amount of ₹4.5 Crores that was transferred on October 17, 2011 to NSCCL by Grishma after the start of market hours, were the funds largely transferred from the bank account of Zala to the Client Account of Grishma on October 17, 2011. A perusal of the bank account of Zala with Yes Bank revealed that as on October 14, 2011, the balance in his bank account throughout the day was ₹30000, and it was only on October 15, 2011 that funds of ₹1,17,55,000 was received in his Yes Bank account.
- i. The bank account of Zala was with Yes Bank whereas the NSE clearing account of Grishma was in Axis Bank. Besides, the bank account of Grishma's other clients viz. Patel and Kahor, were with Axis Bank itself. It is pertinent to note that Kahor transferred ₹77.50 Lakhs, ₹75 Lakhs and ₹47.50 Lakhs from his bank account to the bank account of Patel on October 15, 2011 and Patel, in turn, transferred ₹76 Lakhs, ₹74 Lakhs and ₹50 Lakhs to the NSE Client Account of Patel on the same date. These funds, in turn, *inter alia* formed part of the ₹2 Crores that were transferred on October 17, 2011 by Grishma to the Clearing Corporation, to tide over the shortfall in margin before the opening of trading hours on October 17, 2011.



- j. Further, ₹2,53,97,640 was brought by Grishma towards margin deposit on October 14, 2011, in NSE, in the form of securities pledged in favour of NSCCL. The break-up of the margin brought by Grishma in the form of securities is as follows:

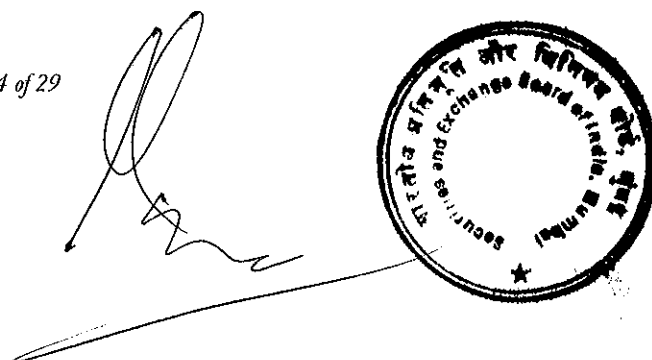
SYMBOL	Quantity	Net Value* (₹)
BHARTIARTL	500	1,71,078.8
GTOFFSHORE	500	52,604.2
KWALITY	150000	2,46,84,543
PRESTIGE	2500	2,33,690.2
RELIANCE	190	1,45,946.3
TVSMOTOR	2000	1,09,777.2
TOTAL		2,53,97,640

- k. From the above, out of ₹2.53 Crores margin deposited by Grishma with NSCCL in the form of securities, ₹2.46 Crores was in the form of 1.5 Lakhs shares of Kwality Dairy Ltd. It was observed that the said shares had come from the demat account of Grishma (A/c no. IN30133020879906 held with NSDL). A perusal of the said demat account of Grishma revealed that on October 13, 2011, 1.5 Lakhs shares of Kwality Dairy Ltd. were pledged towards margin requirement. On the same day, the said account of Grishma had received the same 1.5 Lakhs shares of Kwality Dairy Ltd. from demat A/c no. 1202910000002459 with CDSL, which was also found to be in the name of Grishma. A perusal of the said demat account of Grishma with CDSL revealed that Grishma had received the said 1.5 Lakhs shares of Kwality Dairy Ltd. from Patel in the form of off-market credit.

- l. In view of the above, I find that funds of Patel were used by Grishma to tide over the margin shortfall for trading done by Zala on October 14, 2011. I find that Grishma also used shares worth ₹2.46 Crores of Patel for meeting the margin shortfall of Zala in the scrip of TPL on October 14, 2011 i.e. the first day of listing.

BSE: As per the information provided by BSE, it is noted that -

- a. The client level margin requirement of Grishma for the trading done by it on October 14, 2011, in cash segment of BSE, is given below:



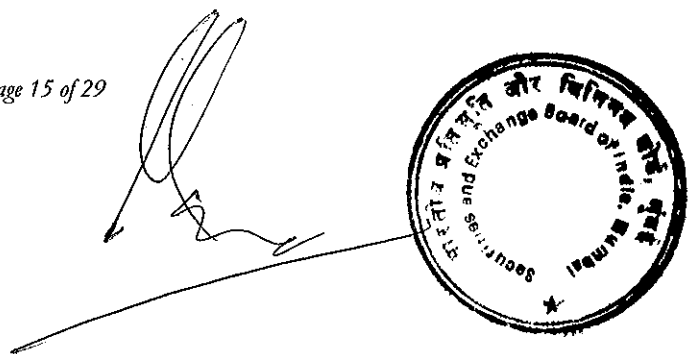
Client name	VAR & Extreme Loss Margin (₹)	Mark to Market Margin (₹)	Total Margin requirement (₹)
Shri Chetan Dave	8,93,670	36,64,242	4557912
Shri Jivraj Zala	0	3,20,38,992	3,20,38,992
G001	12816	0	12816
Vimal Patel	30,20,464	8,580	3029044

- b. Therefore, the total margin requirement of Grishma for its trades on October 14, 2011 was ₹3.96 Crores, out of which the MTM margin was ₹3.57 Crores. The margin requirement for the trades of Zala was ₹3.2 Crores, which was for the trades in the scrip of TPL. The margin deposits brought in by Grishma as on October 13, 2011, during market hours as given by BSE is provided below:

Sr. No.	Particulars	Amount in (₹)
1	Cash Deposits	1,25,000
2	Bank Guarantee	2,15,00,000
3	Securities	1,27,48,297
	Total	3,43,73,297

- c. There was a margin requirement of ₹1,40,86,814 for MTM losses on October 14, 2011. Grishma had deposited an amount of ₹1,10,00,000 on October 14, 2011 towards margin. A perusal of the amounts paid by Grishma to ICCL on October 14, 2011 reveals the following:

Date	Amount transferred to the Clearing corporation by the broker towards margin (₹)	Ultimate source of funds for amounts transferred to the Clearing Corporation	
		Amount (₹)	Name of the Client Account from where funds were transferred
14/10/2011	50,00,000	1,41,00,000	Grishma Securities Pvt. Ltd. - NSE F&O Settlement A/c No. 004010200405027 Axis Bank Ltd.
14/10/2011	50,00,000	1,00,00,000	Grishma Securities Pvt. Ltd A/c no. 2321600000064 with DCB
14/10/2011	10,00,000	4,52,956 and 5,34,307	Pay out received
14/10/2011	35,86,814	2,00,00,000	Mihir Ghelani
	1,45,86,814		



- d. For the margin of ₹1,45,86,814 brought in on October 14, 2011, Grishma provided the funds from its own F&O A/c, current account and also the funds received from Ghelani. From the above table, it is seen that for the ₹50 Lakhs transferred to ICCL, the credit was received from the Grishma - NSE F&O Settlement A/c. A perusal of the NSE F&O Settlement A/c of Grishma (A/c no. 004010200405027 with Axis Bank Ltd.) revealed that prior to the transfer of ₹1,41,00,000 from the said account which was used for meeting the settlement obligation on BSE and NSE, the said account received the following credits:

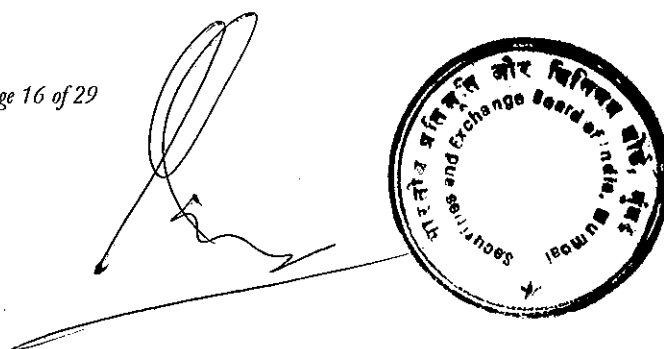
Sr. No.	Particulars	Amount in (₹)	Description
1	11/10/2011	81,14,149.70	IL&FS Securities Services Ltd.-NSE Derivatives CL
2	12/10/2011	1,61,662.00	IL&FS Securities Services Ltd.-NSE Derivatives CL
3	13/10/2011	58,41,037.35	IL&FS Securities Services Ltd.-NSE Derivatives CL
		1,40,16,849.05	

- e. During the course of the investigation, NSE was advised to provide the trading details of Grishma in the F&O segment for the said trades. As per the details provided by NSE, the trades by Grishma in the NSE F&O segment was in its own account as well for Patel. The break-up of the client wise pay out was obtained from IL&FS Securities Services Ltd. and the same revealed that the pay outs were primarily for the trades of Patel in the F&O segment as detailed below:

Sr. No.	Particulars	Amount of pay out (₹)	MTM pay out of Shri Vimal Patel (₹)	Date of trade
1	11/10/2011	81,14,149.70	69,81,015.00	10/10/2011
2	12/10/2011	1,61,662.00	6,31,776.25	11/10/2011
3	13/10/2011	58,41,037.35	51,25,147.50	12/10/2011
		1,41,16,849.05	127,37,938.75	

In this context, I find that the reply of Grishma that Patel had a debit balance in the F&O segment to be inconceivable as I observe that he was receiving pay-outs from Grishma for his trades in the segment.

- f. From the above, it is observed that out of ₹1.41 Crores used for the meeting the margin requirement of Zala, around ₹1.14 Crores was for the trades of Patel in the F&O segment on NSE.



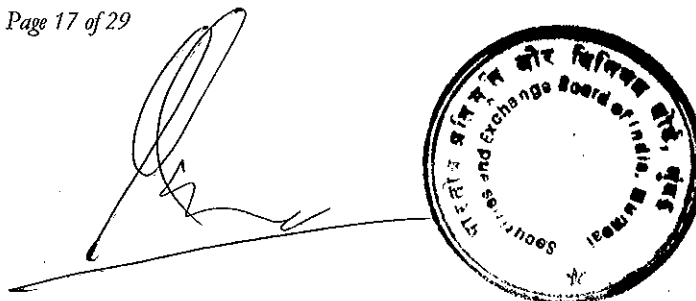
- g. With regard to the securities worth ₹1,27,48,297 provided as margin (with hair cut), as per the details provided by BSE, the following shares were pledged for the margin on October 13, 2011:

Sr. No.	Name of the securities	No. of shares pledged
1	DB Realty Ltd.	1,37,459
2	Elgi Equipments Ltd.	40,000
3	Shasun Pharmaceuticals Ltd.	50,000

- h. As per the details provided by BSE, the shares were pledged from the demat A/c no. 1202910000002459 of Grishma. The following table shows the receipt of the said shares in the aforesaid account of Grishma:

Sr. No.	Particulars	Name of the scrip	No. of shares	Name of the entity from whom received
1	07/10/2011	DB REALTY LIMITED-EQ	66,697	Pramod K. Goenka
2	13/10/2011	DB REALTY LIMITED-EQ	70,462	IL&FS Securities Services Ltd
3	13/10/2011	SHASUN PHARMA	50,000	IL&FS Securities Services Ltd
4	13/10/2011	ELGI EQUIPMENTS	40,000	IL&FS Securities Services Ltd

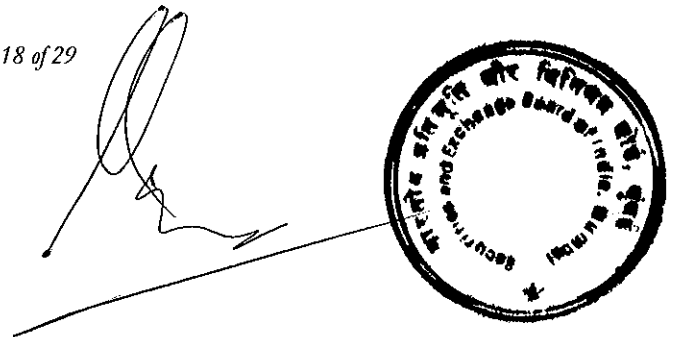
- i. IL&FS Securities Services Ltd., the clearing member of Grishma in the F&O segment, informed SEBI that the abovementioned shares were returned to Grishma as it had made a request vide letter dated October 12, 2011, for IL&FS Securities Services Ltd. to withdraw the abovementioned shares placed by it, as collateral on the Derivatives segment of NSE. The shares so withdrawn were pledged with the clearing corporation of BSE on October 13, 2011. The timing of withdrawal of shares pledged with IL&FS is very important as it shows pre-planning on the part of Grishma in respect of trading by Zala in the scrip of TPL on the listing day. Knowing very well that the trading will result in losses, which will require additional margins to be provided to the clearing corporations, Grishma withdrew the shares pledged by it with its Clearing member in the F&O segment and pledged the said shares with BSE for additional margins.
- j. It was noted that the 50,000 shares of Shasun Pharmaceuticals returned by IL&FS Securities Services Ltd. to Grishma on October 13, 2011, were earlier given by Grishma to IL&FS Securities Services Ltd. on September 08, 2011 as margin for its



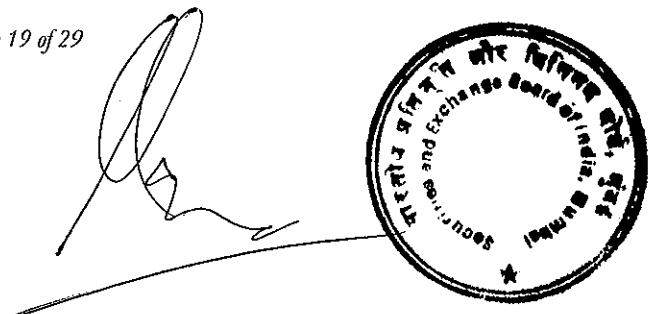
trades in the F&O segment. Out of the said 50,000 shares, 28,000 shares had come from the demat account of Patel and 22,000 shares had come from the demat account of one Shri Priyesh Arvind Bhatt (hereinafter referred to as "**Bhatt**"). The closing price of Shasun Pharmaceuticals on October 12, 2011 was ₹61.50 per share. Thus, Grishma had used the shares of Shasun Pharmaceuticals worth around ₹ 17.22 Lakhs and ₹13.53 Lakhs of its clients Patel and Bhatt respectively as margin (totaling to ₹ 30.75 Lakhs). Also, Grishma used 66,697 shares of DB Realty Ltd. received from one Shri Pramod K. Goenka (hereinafter referred to as "**Goenka**") whose value was ₹35,91,633.45 taking into consideration closing price of the scrip on October 12, 2011 was ₹53.85 per share.

- k. In view of the above, I find that Grishma *inter alia* used the funds and securities of its 3 clients viz. Patel, Bhatt and Goenka, for meeting the margin requirement of Zala.
1. I find that Grishma used the funds and the securities lying in credit of its client i.e. Patel, to tide over the shortfall in margin due to the huge loss incurred by Zala on the first day of trading in the scrip of TPL. From the bank account opening form of Patel, I note that his mobile number was 9769472452 and the address mentioned therein was "4 Rd Fla BLK B 29 A Balaram Street, Grant Road East, Mumbai 400007". Patel, in his statement recorded on May 23, 2012, stated that the address provided in the KYC of Axis Bank alongwith the mobile number mentioned therein did not belong to him. He also stated that he has no residence/office space in Mumbai. He mentioned that he had signed the blank KYC form and given the same to Shri Ketan Shah, Director of Grishma. He also stated that he had no idea about the address and mobile number provided in his KYC with Grishma. In view of the same, Patel's statement would indicate that Grishma had opened the account of Patel on fictitious information and used the said account as its front.

8.2.2 I note that Ghelani had made payments of ₹2 Crores and ₹20 Lakhs to Grishma Intermediaries Pvt. Ltd. (hereinafter referred to as "**Grishma Intermediaries**"). The



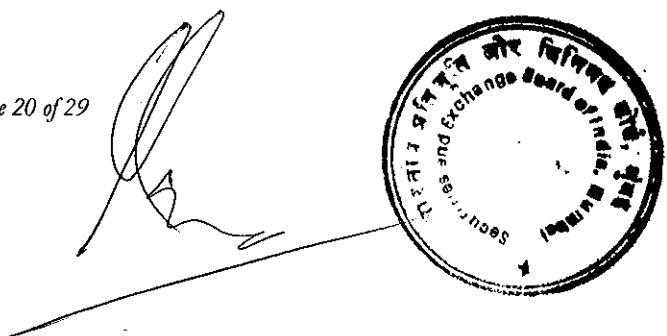
aforesaid amount was transferred from the account of Grishma Intermediaries to the account of Grishma which was ultimately used for meeting the margin requirements for the losses incurred by Zala in the scrip of TPL on October 14, 2011. In the statement dated May 21, 2012 recorded before SEBI and letter to SEBI dated August 21, 2012, Ghelani had mentioned that he made the payments to Grishma Intermediaries towards the ledger debit and margin call for his trading in commodities. Ghelani was advised to provide documents in support of his contention. Ghelani, vide email dated May 24, 2012, forwarded his ledger statement with Grishma Intermediaries in MCX, to SEBI. As per the aforesaid ledger statement, Grishma Intermediaries received ₹2.2 Crores from Ghelani on October 14, 2011. I note that as on October 13, 2011, there was a debit balance of ₹64,55,007.18 in the account of Ghelani. After the payments of ₹2.2 Crores received from Ghelani, the account had a credit balance of ₹1.55 Crores as on October 14, 2011. Therefore, I find that the payments totalling ₹2.2 Crores made by Ghelani was not for clearing the debit balance as after the said payments, his account had a credit balance of over ₹1.55 Crores. In order to ascertain whether Ghelani had any margin call requirement as claimed by him on October 14, 2011, the trading details of Ghelani in MCX was sought for. The Forwards Market Commission (hereinafter referred to as "FMC"), in reply to SEBI's request to MCX regarding the trade details of Ghelani, vide letter dated June 1, 2012, had forwarded the trade details of Ghelani for the period from October 1, 2011 to November 15, 2011. It was observed that during the aforesaid period, Ghelani started trading only from October 17, 2011 and did not execute any trade before that. Ghelani had traded in gold on October 17 and 18, 2011. From the aforesaid, it is clearly evident that Ghelani did not have a margin call requirement on October 14, 2011, as claimed by him in his statement recorded before SEBI. Also, a perusal of the bank account of Ghelani shows that he had transferred ₹2 Crores to the bank account of Grishma Intermediaries, Client Account on October 14, 2011 and the same was transferred to the account of Grishma Intermediaries. It may be noted that money was not transferred from the account of Grishma Intermediaries to MCX on the said date but was instead transferred to the account of Grishma Intermediaries and was then further routed to the account of Grishma - Current Account and the same was subsequently transferred for meeting the margin requirement of Zala. This contradicts the very fact that Ghelani had a ledger debit and margin call from MCX and the amount was transferred for the



same. Therefore, it can be inferred that the payments of ₹2.2 Crores made by Ghelani was primarily for meeting the margin requirement of Zala for his trading in the scrip of TPL on October 14, 2011.

8.2.3 In reply to SCN, Grishma vide letter dated December 11, 2012, submitted that the allegation against Ghelani for transferring a sum of ₹2.2 Crores to Grishma's account was baseless. It further submitted that the aforesaid sum was paid by Ghelani to Grishma Intermediaries towards his margin dues for his trades in commodities. As regards the allegation that details obtained by SEBI from FMC that Ghelani had traded only on October 17, 2011 and therefore no margin requirement was payable on October 14, 2011, Grishma submitted that that the details sought by SEBI from the FMC covered only the period October 1, 2011 to November 15, 2011 and no effort was made by SEBI to ascertain the trades of Ghelani prior to that period. In order to ascertain whether Ghelani had any margin call requirement as claimed by him on October 14, 2011, the details with regard to his day wise margin obligations pay in and pay out receivable from Ghelani and Grishma Intermediaries were sought from MCX. MCX vide letter dated January 7, 2013, informed that there was no margin obligation of ₹2.2 Crores as claimed by Ghelani. Also, the total pay in received by Grishma Intermediaries (for trades of all clients) on October 14, 2011 was ₹71,375. In view of the aforesaid, I note that the payments of ₹2.2 Crores made by Ghelani was primarily for meeting the margin requirement of Zala for his trading in the scrip of TPL on October 14, 2011 and not for the payment of margin obligation in MCX. I also observe that Ghelani tried to mislead SEBI by stating that he had a margin call for his trades in the commodities market.

8.2.4 I find that Grishma utilized the funds from its Compliance Officer/CEO, Ghelani to make margin payments to the exchange on account of the shortfall in margin towards the trades done by Zala in the scrip of TPL on the first day of its listing. I note that the failure by Grishma to segregate its own funds from that of its client's and the subsequent usage of such funds to facilitate Zala's trades constitutes a serious irregularity.



- 8.2.5 In view of the aforesaid discussion, I find that if the funds and securities of Grishma's clients i.e. Patel, Bhatt and Goenka alongwith that of Ghelani had not been used, there would have definitely been a margin shortfall due to the huge loss-making trades executed by Zala. In view of the same, I find that the charge of utilization of its own money and also other clients' money and shares for meeting margin requirements of Zala, stands established against Grishma and its Directors.
- 8.3 In support of its submission that it cannot be responsible for the trades executed by the clients, Grishma relied upon the orders of the Hon'ble Tribunal in *Kasat Securities Private Limited vs. SEBI, Prashant Patel vs. SEBI and Networth Stock Broking vs. SEBI*. In this context, it is pertinent to mention that contrary to its submissions, in the instant case there is enough material on record to show that Grishma was facilitating execution of large number of trades amounting to several crores of rupees by Zala in the scrip of TPL on the day of listing of such scrip. Further, as stated above, Grishma arranged its own funds to meet the margin requirements of its client, Zala. This was also done by taking securities and funds from its other clients. Hence, it is apparent from the facts of the case that Grishma was facilitating execution of large number of trades by Zala in the scrip of TPL.
- 8.4 Grishma, its Directors and Compliance Officer have *inter alia* submitted that Chetan Dave (hereinafter referred to as "Dave") at the relevant time was Grishma's client. Further, it is submitted that Dave had a terminal in his own name and this does not imply that he acted as a dealer for Grishma. In this regard, I note that Grishma vide its letter dated August 21, 2012, stated that Dave was not their dealer but a client and was not associated with them in any other capacity. Dave had also traded in the scrip of TPL on October 14, 2012. Shri Ketan Shah, in his email dated October 31, 2011, stated that Dave is a dealer of Grishma. In view of the aforementioned, I find that Shri Ketan Shah, director of Grishma had deliberately provided incorrect information to SEBI.

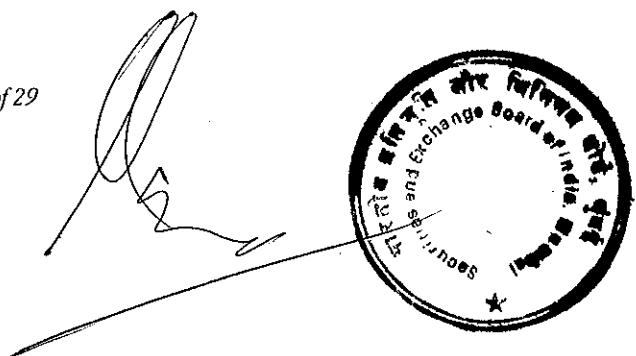


Consideration of Issues and Findings against Patel and Kahor -

8.5 I note that as per the SCN, Zala is also alleged to have been funded by TPL by layering the funds (routing it) through *inter alia* Patel and Kahor, who were Grishma's clients. I note that Kahor and Patel have not replied to the SCN. In this regard, I note that -

- i. TPL transferred approximately ₹10.36 Crores from the IPO funds to Bellisima Impex on October 13, 2011. From the bank statements, it is observed that Zala received ₹3.8 Crores from Bellisima Impex directly and through layered transactions from Patel, Kahor and Jiya Traders from October 15, 2011 to October 18, 2011. Bellisima Impex also transferred funds to two other clients who had traded on the first day of listing, viz. Ms Lopa Bhavanagari and M/s Pinac Stock Brokers P Ltd, by routing it through layered transactions.
- ii. The funds used by Zala (as per YES Bank Cadel Road bank statement) for trading in the scrip of TPL on first day of its listing, were received from the following entities -

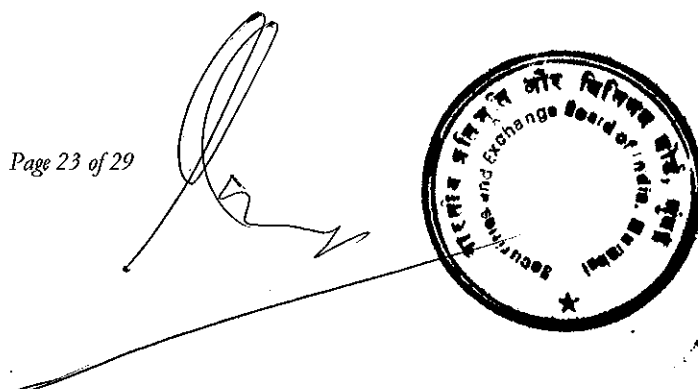
Entity/individual Name	Date of transaction	Amount ₹
Bellisima Impex	15-Oct-11	27,00,000
Jay Corporation	15-Oct-11	82,00,000
Nisha Enterprise	15-Oct-11	8,55,000
Vimal Punjiram Patel	17-Oct-11	53,00,000
Vimal Punjiram Patel	17-Oct-11	90,00,000
Arpan Enterprise	17-Oct-11	44,00,000
Vimal Punjiram Patel	17-Oct-11	1,00,00,000
Jay Corporation	17-Oct-11	1,00,00,000
Vimal Punjiram Patel	17-Oct-11	1,00,00,000
Vimal Punjiram Patel	17-Oct-11	70,00,000
Vimal Punjiram Patel	17-Oct-11	50,00,000
Vanraj Dadbhai Kahor	19-Oct-11	50,00,000
Vanraj Dadbhai Kahor	20-Oct-11	43,60,000
Vanraj Dadbhai Kahor	20-Oct-11	1,00,00,000
Jay Corporation	21-Oct-11	1,00,00,000
Bellisima Impex	22-Oct-11	1,18,50,000



- iii. The bank account of Patel (as per Axis Bank, Lamington Road Branch) before transferring the funds to Zala on October 17, 2011, is reproduced below:

Opening Balance 2011	Entity/Individual Name	Date of transaction	Debit Amount ₹	Credit Amount ₹	Closing Balance 2011
14,866.92		15-Oct-11			
	Bellissima Impex	15-Oct-11		31,33,492	
	Vanraj Dadbhai Kahor	15-Oct-11		47,50,000	
	Vanraj Dadbhai Kahor	15-Oct-11		75,00,000	
	Vanraj Dadbhai Kahor	15-Oct-11		77,50,000	
	Shamukh Trading Co.	15-Oct-11		3,06,731	
	Vidhata Enterprises	15-Oct-11		22,60,777	
	Shamuk Trading Co.	15-Oct-11		2,99,250	
	Grishma Securities NSE Client A/c.	15-Oct-11	50,00,000		
	Grishma Securities NSE Client A/c.	15-Oct-11	76,00,000		
	Grishma Securities NSE Client A/c.	15-Oct-11	74,00,000		
		15-Oct-11			1,43,15,116.92
1,43,15,116.92		17-Oct-11			
	Jivraj Zala	17-Oct-11	53,00,000		
	Jivraj Zala	17-Oct-11	90,00,000		
	Grishma Securities NSE Client A/c.	17-Oct-11		2,00,00,000	
	Royal Traders	17-Oct-11		9,00,000	
	Kameshwar Trading Co.	17-Oct-11		40,00,000	
	Bellissima Impex	17-Oct-11		18,50,000	
	United Trading Co.	17-Oct-11		5,65,000	
	Jivraj Zala	17-Oct-11	1,00,00,000		
	Jivraj Zala	17-Oct-11	1,00,00,000		
	Jay Corporation	17-Oct-11		57,00,000	
	Jivraj Zala	17-Oct-11	70,00,000		
	Jivraj Zala	17-Oct-11	50,00,000		
					10,29,786.02
	Vanraj Dadbhai Kahor	17-Oct-11		3,25,000	
	Grishma Securities NSE Client A/c.		13,40,000		
	Closing Balance				14,786.02

- iv. The bank account of Kahor before transferring the funds to Zala on October 19 and 20, 2011, is reproduced below -



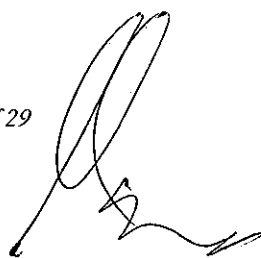
Opening Balance 2011	Entity/Individual Name	Date of transaction	Debit Amount ₹	Credit Amount ₹	Closing Balance 2011
7827.57					
	Arpan Enterprise	15-Oct-11		2725000	
	Excel Corporation	15-Oct-11		3000000	
	Excel Corporation	15-Oct-11		4000000	
	Arpan Enterprise	15-Oct-11		2525000	
	Jiya Traders	15-Oct-11		7750000	
	Vimal Patel	15-Oct-11	7750000		
	Vimal Patel	15-Oct-11	7500000		
	Vimal Patel	15-Oct-11	4750000		7827.57
7827.57	Power Tech Trading Co	17-Oct-11		325000	
	Vimal Patel	17-Oct-11	325000		7827.57
7,827.57		18-Oct-11			
	Bellissima Impex	18-Oct-11		50,00,000	
	Jivraj Zala	19-Oct-2011	50,00,000		
	Bellissima Impex	19-Oct-2011		43,65,000	
	Jivraj Zala	20-Oct-2011	43,60,000		
	Bellissima Impex	20-Oct-2011		1,00,00,000	
	Jivraj Zala	20-Oct-2011	1,00,00,000		
		20-Oct-2011			12,662.12

- v. From the bank account of Kahor (Axis Bank, Lamington Road branch) it is observed that the opening balance as on October 15, 2011, was ₹7827.57. Kahor received ₹2,00,00,000 from Arpan Enterprise, Excel Corporation and Jiya Traders which was transferred to Patel on the same day. On October 17, 2011, Kahor received ₹3,25,000 from Power Tech Trading Co which was transferred to Patel. On October 18, 2011, Kahor received ₹1,93,65,000 and ₹1,93,60,000 from Bellissima Impex, which was transferred to Zala.
- vi. From the bank account of Patel (Axis Bank, Lamington Road Branch), it is observed that the opening balance as on October 15, 2011 was ₹14,866.92. Patel has received ₹2,00,00,000 from Kahor (which was in turn passed by Arpan Enterprise, Excel Corporation and Jiya Traders) and the same was transferred to the account of Grishma-NSE Client Account (Axis Bank, Fort Branch) which was transferred to Grishma-Current Account (Axis Bank Fort Branch) and further transferred to Grishma-NSE Settlement Account. Also, on October 15, 2011, Patel had received ₹60,00,250 from Bellissima Impex, Shamuk Trading Co. and Vidhata Enterprises on October 17, 2011. From the bank account of Zala (Yes Bank, Cadel Road Branch), it is seen that the

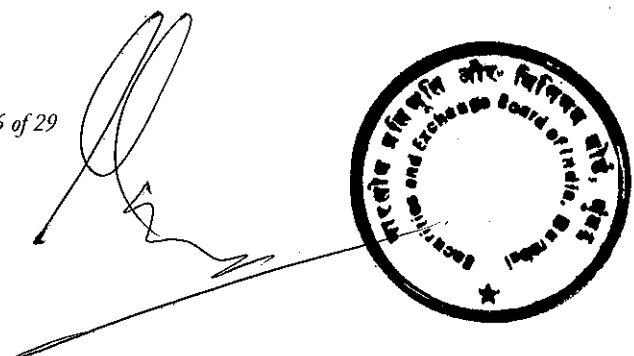
opening balance as on September 29, 2011 was ₹30000. On October 15, 2011, ₹1,17,55,000 was transferred to the account of Zala from Bellisima Impex, Nisha Enterprises and Jay Corporation. On October 17, 2011, Patel had transferred ₹4, 63,00,000 to the account of Zala. On October 17, 2011, ₹1,93,60,000 was transferred to the account of Zala from Kahor and ₹2,18,50,000 was transferred to the account of Jivraj Zala from Bellisima Impex and Jay Corporation. Jiya Traders had received ₹8950168 from Bellisima Impex (₹2600056 on October 12, 2012, ₹4900056 on October 13, 2012 and ₹1450056 on October 14, 2011) and in turn ₹7750000 on October 15, 2012 to Kahor which was in turn transferred to the account of Grishma-NSE Settlement Account.

- vii. TPL had transferred approximately ₹10.36 Crores from the IPO funds to Bellisima Impex. From the above, it is noted that Zala, who had taken a loss of ₹9,95,07,581 by trading in the scrip of TPL on the first day of its listing was indirectly being funded by TPL itself, by routing the funds through the bank account of Bellisima Impex to the extent of approximately ₹3.8 Crores. This consisted of approximately ₹1,45,50,000 directly received in the account of Zala from Bellisima Impex and ₹2,43,48,492 received from Bellisima Impex in the accounts of Patel and Kahor. I cannot consider this a mere coincidence that funds were transferred from the accounts of Patel and Kahor to Zala for his trades.
- viii. In view of the aforementioned paragraphs, I find that Patel and Kahor received funds from TPL through layered transactions, which were subsequently transferred to Zala to cover the losses incurred by him while trading in the scrip of TPL on the day of listing. The whole purpose of such transactions appears to have been for facilitating the purchase of shares of TPL by Zala from retail allottees/QIBS at a premium to the Issue (which amounted to around 33% of the Public Issue Size), who were allotted such shares, on the first day of listing.

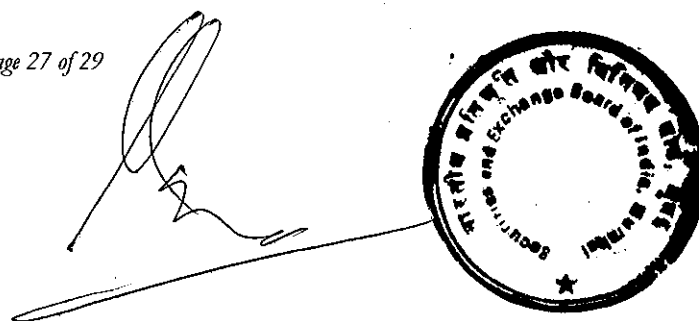
9. In view of the abovementioned paragraphs 8.1-8.4, I find that:



- i. Zala was allowed to trade on the first day of listing in the scrip of TPL by Grishma, without collecting any funds from him towards the margin amount payable to stock exchanges in spite of the fact that the client was a walk-in client with Grishma, whose account was opened just ten days prior to the date the IPO of TPL. This resulted in Zala incurring a loss of ₹ 9,95,07,852.
- ii. Grishma, its Directors and Compliance Officer, tried to send the investigation on a wrong trail by manipulating the client ledger of Zala to give an impression that some funds were available in the client account of Zala with Grishma on the day of trading by him in the scrip of TPL.
- iii. Grishma used the funds and securities of its other clients, viz. Patel, Bhatt and Goenka to meet the margin obligation arising out of the huge loss incurred by Zala on the first day of trading in the scrip of TPL on both BSE and NSE.
- iv. Grishma also used the funds of its CEO/Compliance Officer, Ghelani to meet the margin obligation arising out of the abovementioned loss incurred by Zala. The failure by Grishma to segregate its own funds from that of its client's and its subsequent usage to facilitate trades by Zala in the scrip of TPL was a serious irregularity. Further, as a Compliance Officer, it was Ghelani's duty to ensure compliance with the SEBI Act, Rules and Regulations made thereunder. However, in the present case, Ghelani who, apart from being the Compliance Officer was also holding the position of CEO of Grishma at the relevant time, was found to have played an active role in facilitating large number of trades by putting his own funds to meet the margin requirements of Zala.
- v. IPO proceeds were transferred by TPL to Zala routing it through the accounts of Patel and Kahor, clients of Grishma. Therefore, Patel and Kahor were the front entities of Grishma.
- vi. Grishma permitted such a huge exposure to Zala who did not have any track record of trading with them as they were aware that funds would subsequently be received in Zala's account through layered transactions. The above acts of Grishma, its Directors and Compliance Officer, brings out the scheme designed by them using front entities, viz. Patel and Kahor, for assisting TPL to divert its IPO proceeds towards trading by Zala in its scrip.



- vii. Grishma, its Directors and Compliance Officer alongwith its clients Patel and Kahor circumvented the policies laid down by way of the SEBI Act and Regulations, to play a fraud on genuine investors, who entered in the scrip on the first day of trading.
10. I note that the provisions of section 12A(a)-(c) of the SEBI Act read with regulations 3(a)-(d) of the PFUTP Regulations, 2003, *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)-(b) and 4(2)(e) of the PFUTP Regulations, 2003, *inter alia* prohibit indulgence in fraudulent and unfair trade practices in securities either through an act which creates false or misleading appearance of trading in securities; dealing in a security 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; or any act or omission amounting to manipulation of the price of a security. 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 contained under section 12A(a)-(c) of the SEBI Act read with regulations 3(a)-(d), 4(1) and 4(2)(a)-(b) and 4(2)(e) of the PFUTP Regulations, 2003.
11. Upon a consideration of the discussions at paras 8.1 - 9, I find that Grishma, its Directors and Compliance Officer have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a)-(d), Regulations 4(1) and 4(2)(a)-(b) and 4(2)(e) of the PFUTP Regulations, 2003. In addition, I find that Patel and Kahor have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a)-(d), Regulations 4(1) and 4(2)(a) of the PFUTP Regulations, 2003.
12. I find that the fraudulent, manipulative and illegal activities committed by Grishma, its Directors and Compliance Officer alongwith its clients, Patel and Kahor were part of a larger scheme which affected the integrity of the securities market and resulted in the execution of

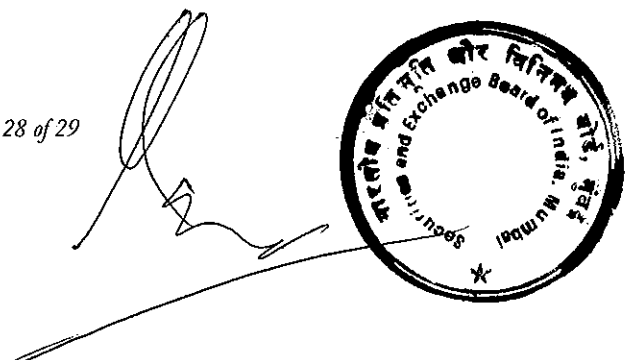


trades in the scrip of TPL to the detriment of genuine investors. In view of the same, I find that such entities, if allowed to continue further, will pose a serious threat to the safety and integrity of the securities market. Therefore, stringent measures have to be taken to deal with such illegal activities committed by Grishma, its Directors and Compliance Officer alongwith its clients, Patel and Kahor.

Order -

13. In view of the foregoing, I, therefore, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11(4) and 11B of the SEBI Act and regulation 11(1) of the PFUTP Regulations, 2003, hereby direct as follows:

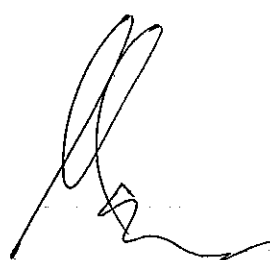
- i. Grishma is restrained from buying, selling or otherwise dealing in securities, in its proprietary account, directly or indirectly, for a period of **five years**. I note that vide the Interim Order dated December 28, 2011, Grishma was restrained from accessing the securities market and prohibited from buying, selling or dealing in the securities market till further orders. In this context, I note that enquiry proceedings have been initiated against Grishma under the SEBI (Intermediaries) Regulations, 2008. The restraint imposed on Grishma vide the aforesaid Interim Order in respect of its stock broking business shall continue till the completion of the enquiry proceedings. The enquiry officer shall endeavour to submit the enquiry report to the Competent Authority as expeditiously as possible, without being influenced by the observations and findings in this order, in order to facilitate completion of the enquiry proceedings by passing of a final order by that Authority.
- ii. Shri Chandrika H. Gandhi, Shri Ketan C. Shah, Shri Chhabil C. Shah and Shri Mihir Ghelani are restrained from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of **five years**.
- iii. Patel and Kahor are restrained from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of **five years**.



14. I note that vide the Interim Order dated December 28, 2011 (later confirmed through the Confirmatory Order on November 5, 2012, as against Grishma and its Directors), Grishma, its Directors and Compliance Officer alongwith its clients, Patel and Kahor, were restrained from accessing the securities market and prohibited from buying, selling or dealing in the securities market till further orders. In this context, I note that Grishma, its Directors and Compliance Officer, Patel and Kahor, have already undergone the restraint for a period of approximately one year and seven months. In view of this factual situation, it is clarified that the restraint already undergone by Grishma, its Directors and Compliance Officer, Patel and Kahor, pursuant to the aforementioned SEBI Orders, shall be reduced while computing the period of restraint being imposed vide this order.

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

Place: Mumbai
Date: July 31, 2013


S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

