

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under Sections 11(1), 11(4) and 11B of the Securities And Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003.

In the matter of Pipavav Defence and Offshore Eng. Limited, Parsvnath Developers Limited, Tulip Telecom Limited and Glodyne Technoserve Limited

In respect of Mr. Umang Nemani (PAN ABOPN7213K) and M/s Cheminare Trade Comm Pvt. Ltd. (PAN: AACCC1546Q)

1. Securities and Exchange Board of India ('SEBI'), being alerted by its surveillance systems, on July 26, 2012, noticed a downward movement in the prices of four scrips namely Pipavav Defence and Offshore Eng. Limited ('Pipavav'), Parsvnath Developers Limited ('Parsvnath'), Tulip Telecom Limited ('Tulip') and Glodyne Technoserve Limited ('Glodyne') as compared to their closing prices on July 25, 2012 at the National Stock Exchange of India ('NSE') and Bombay Stock Exchange Limited ('BSE'). It was also observed that the prices of the said four scrips had seen a sharp downward movement within the time from 09:15 to 09:49 on July 26, 2012. During 15 days prior to July 26, 2012, no corporate announcements/price sensitive information was disclosed to the stock exchanges by the aforesaid companies which could have impacted prices of their shares negatively.
2. In the above background, SEBI, vide an *ad interim ex-parte* order dated August 03, 2012, amongst others, restrained Mr. Umang Nemani (hereinafter referred to as 'Mr. Nemani') and M/s Cheminare Trade Comm Private Limited (hereinafter referred to as 'Cheminare') from accessing the securities market and further prohibited it from buying, selling or dealing in securities in any manner whatsoever, till further directions.
3. Pursuant to the aforesaid *interim* order, Mr. Nemani and Cheminare made submissions/ objections vide their letters dated September 07, 2012 and September 08, 2012, respectively. Opportunity of personal hearing was granted to them on November 01, 2012. Vide their separate letters dated October 29, 2012, both of them

submitted that they are unable to appear before SEBI on the aforementioned date and submissions in their letter should be taken on record for deciding on the allegations against them. In view of the same, I proceed to deal with the matters with respect to Mr. Nemani and Cheminare on the basis of material available on record and their written replies.

4. The submissions made by Mr. Nemani in his written reply are as under:
 - (a) He denies all the charges and allegations in the *interim* order.
 - (b) He is an investor/trader, engaged in the business of securities trading and trade in scrips after his own appraisal, analysis and research on the basis of fundamentals of the company.
 - (c) He has been trading through various brokers and also has availed margin funding facilities from various NBFC's associated with the brokers.
 - (d) With regards to the trading in the scrip *Glodyne* on July 26, 2012, wherein Mr. Nemani had sold 25,000 shares on NSE and has sold 2,081 shares on BSE, he has submitted that the said trades were not executed by him but were executed by his broker Citigroup Global Markets India Pvt. Ltd ('Citigroup') *suo-motto* and were, therefore, unauthorised trades. Further, Mr. Nemani has submitted a copy of the email dated August 10, 2012 from broker *Citigroup*, wherein it has been stated that "*During the course of trading hours on July 26, 2012, the Glodyne scrip marked a low of Rs 274.2 on NSE and Rs 273.60 on BSE and there was substantial erosion in the margin placed on these shares. Accordingly, some of the shares in your account were sold off in accordance with our credit risk policy and agreement signed by you. However, we could manage to sell only 27,081 shares of Glodyne and recover a sum of Rs. 74,58,740.19/- before the stock hit the lower circuit on both the exchanges.*"
5. With respect to the trading in the scrip *Pipavav* on July 26, 2012, wherein Mr. Nemani had sold 5,00,000 shares on NSE and 5,50,000 shares on BSE through broker Kotak Securities Ltd. ('Kotak'), it is submitted that the trades alleged in his name were not executed by him and were executed *suo-moto* by *Kotak* and, therefore, were unauthorised trades. He has also filed a copy of a letter dated July 31, 2012 written by him to *Kotak* stating that he was fully aware of his trades except the trades in the equity shares of *Pipavav* on July 26, 2012. According to Mr. Nemani, the said letter was obtained from him pursuant to direction from BSE and NSE and the contents of the undertaking have not been brought to the knowledge of BSE & NSE. Mr. Nemani has submitted that he believes that the said shares of *Pipavav* were sold by *Kotak* on the

behest of Kotak Mahindra Investments Ltd (KMIL) (from whom he has availed margin funding) due to margin shortfall.

6. With regards to the trading in the scrip *Pipavav*, wherein Mr. Nemani has been alleged to be counter party seller of 88,416 shares to the buy trades of M/s Neelanchal Mercantile Pvt. Ltd. ('Neelanchal'), he has submitted that the said sell order was placed by his broker *Kotak* and he was not aware of the trades. Additionally, the said sell order matched with Neelanchal after substantial lapse of time and nothing ulterior should be read into it. Mr. Nemani has further submitted that he is not related to Neelanchal for the purpose of his share trading activity.
7. With regard to its relation with other entities as mentioned in Para 17 & 18 of *interim* order, Mr. Nemani has submitted that :
 - His office address is 12, Shivnath Shastri Sarani, Block-E, New Alipore, Kolkotta – 700 053 and his phone no is 09831550000. He has never been a resident of Mumbai.
 - He has a trading account with Sharekhan Ltd. and M/s Finflow Investments Pvt. Ltd ('Finflow'). *Finflow* was a NBFC belonging to Sharekhan Group. He had in the past obtained margin funding from the *Finflow* in respect of his trades with Sharekhan Ltd. and a Power of Attorney operated demat account and bank account were opened with the address as Umang Nemani, c/o Finflow Investments Pvt. Ltd, A-206, Phoenix House, 2nd Floor, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400 013. The abovementioned address has never been his office or residential address.
 - Sharekhan Ltd. and M/s Finflow are one of the largest brokerage houses of the country and they may be having thousands of clients. Further, as per MCA database, M/s Step Two Corporation is a listed company and is having its registered office at 21, Hemanta Basu Sarani, 5th floor, room No. 507, PS Hare Street, Kolkotta, West Bengal, 700 013. Hence, it cannot be inferred from above that he is related to M/s Step Two Corporation Ltd.
 - He is not aware of any relationship between Step Two Corporation Ltd. and M/s Neelanchal Mercantile Pvt. Ltd and Milestone Shares & Stock Broking Ltd.
 - He has submitted that he's not associated with M/s Step Two Corp Ltd and any inference based on common address will be erroneous.
 - He is a director in Cheminare (a NBFC) and he had taken over the management and ownership of Cheminare from the erstwhile management from 08/11/11, after making necessary public announcement.

- Presently, the registered office address of Cheminare is 12, Shivnath Shastri Sarani, Block-E, New Alipore, Kolkotta – 700 053 and not 9, Abhoy Guha Road, Liluah, Howrah – 711 024 as stated in the *ad-interim* order. The registered office address of Cheminare was shifted to the present address since 02/01/2012 i.e. almost 6 months prior to the impugned trades. Further, he submitted a copy of the Form 18 (deals with notice of situation or change of situation of registered office) filed with Ministry of Corporate Affairs (MCA) to substantiate his claim.
 - M/s Vikash Financial Services Pvt. Ltd. had been a shareholder of Cheminare in the past and on the date of his taking over Cheminare, M/s Vikash was not a shareholder in Cheminare.
 - He is not related to M/s Vikash and M/s Flex Trade Pvt. Ltd. for the purpose of his share trading activity.
 - Therefore, entire basis of clubbing Mr. Nemani with other entities mentioned in the *interim* order is fallacious.
8. With regard to its financial details mentioned in Para 19 of the *interim* order, Mr. Nemani has submitted that he has been a regular trader in the market for the past 15 years and has traded in more than 150 scrips. The turnover figures indicated in the *ad-interim* order are normal; keeping in view his past trading history and nothing ulterior is to be read into it.
 9. Mr Nemani has further submitted that as a result of *ad-interim* order, his accounts has been frozen and have received notices from Citigroup and Kotak Mahendra Investments Ltd for recalling of loan facilities and is facing a lot of hardships. Therefore, he has requested to revoke directions against him mentioned in *ad-interim* order.
 10. Cheminare has denied all the charges and allegation in the *interim* order. It has submitted that it is an NBFC, registered with Reserve Bank of India. Besides providing Loan & Advances, it is also engaged in the business of securities trading and trade in scrips after its own appraisal, analysis and research on the basis of fundamentals of the company.
 11. With regards to the trading in the scrip *Pipavav* on July 26, 2012, wherein Cheminare had sold 3, 72,262 shares through broker M/s Religare Securities Ltd ('Religare') and on NSE, Cheminare has submitted that it had not placed any order in respect of the

said trades and the same were executed by their broker *Religare suo moto* and the same are unauthorised trades. Further, Cheminare has submitted that as on 18/07/2012 it had a surplus margin with *Religare* of Rs. 95, 37,825. However, there was a slight margin shortfall of Rs 27, 64,552/- on the beginning of July 26, 2012. Additionally, due to sharp fall in the prices of its portfolio, it appears to Cheminare that *Religare* might have resorted to indiscriminate selling to recover its dues. Cheminare has submitted the margin statement of its account with *Religare* for the day beginning on July 18, 2012 and July 26, 2012.

12. In respect of trades of 50,000 shares of *Pipavav* sold through broker HSBC Invest Direct Securities Ltd ('HSBC Invest'), Cheminare has submitted that it had not placed any order with *HSBC Invest* and the same were executed *suo moto* by *HSBC Invest* and are unauthorised trades.
13. With regard to its relation with other entities as mentioned in Para 17 & 18 of interim order, Cheminare has submitted that :
 - The management and control of Cheminare was taken over by Mr. Nemani from the erstwhile management from 08/11/11, after making necessary public announcement.
 - Mr Nemani is one of its Directors, and to that extent they are related to Mr. Nemani. All the decisions are taken by their Board of Directors after proper appraisal of the investment proposal.
 - The phone no 09831550000 and email id umang_nemani@yahoo.co.in belongs to their Director, Mr. Nemani and is used by him for Cheminare's business activity as well.
 - Presently, the registered office address of Cheminare is 12, Shivnath Shastri Sarani, Block-E, New Alipore, Kolkotta – 700 053 and not 9, Abhoy Guha Road, Liluah, Howrah – 711 024 as stated in the *ad-interim* order. The registered office address of Cheminare was shifted to the present address since 02/01/2012 i.e. almost 6 months prior to the impugned trades. Further, they submitted a copy of the Form 18 filed with MCA to substantiate their claim. Cheminare submitted that any inference based on the address of 9, Abhoy Guha Road, Liluah, Howrah-711 204 is wrong and not tenable.
 - M/s Vikash Financial Services Pvt. Ltd. has been a shareholder of Cheminare in the past and has ceased to be its shareholder since 31/05/2010.
 - Cheminare is unaware of other shareholder of M/s Vikash Financial Services and as such are unable to comment on the same.

- Therefore, entire basis of clubbing the Cheminare with other entities mentioned in the interim order is fallacious.
14. I have carefully considered the allegations in the *interim* order against Mr. Nemani and Cheminare and their written submissions and documents submitted by them. As the subject matter in the *interim* order issued to the entities is identical and their submissions are also similar, I proceed to deal with issues involved in the matter by way of this common order. The limited issue to be considered in this order is to decide whether, based on the available material on record and after considering the submissions made by them, the directions issued by vide *ad interim ex-parte* order need to be continued, revoked or modified in any manner, in so far as it relates to the Mr. Nemani and M/s Cheminare.
15. I note that Mr. Nemani and Cheminare are related to each other as Mr. Nemani is a Director in Cheminare.
16. I note that, the allegation against Mr. Nemani in the *interim* order is that he had sold 27,081 shares of *Glodyne* (25,000 shares on NSE and 2,081 shares on BSE) through *Citigroup* and had sold 10,50,000 shares of *Pipavav* (5,00,000 shares on NSE and 5,50,000 shares on BSE) trading through broker *Kotak* during the price fall patch on July 26, 2012. Mr. Nemani has not disputed the said transactions and has claimed orders for selling of shares on July 26, 2012 were executed by the broker *Citigroup* and *Kotak*. I have perused the copy of the email dated August 10, 2012 relied upon by Mr. Nemani and note that this e-mail was sent from service desk of *Citigroup* on August 10, 2012 wherein it has been stated that the trades in *Glodyne* were executed by *Citigroup* on account of erosion in margin placed on these shares. However, this statement of fact has not been corroborated by any evidence / documents such as statement of account of Mr. Nemani with *Citigroup*, Contract notes, bank account statement, etc., which in all probability should be in his possession. I note that since this statement is not supported by any documentary evidence, Mr. Nemani has failed to suggest any preponderance of probability in his favour.
17. I note that, Mr. Nemani has failed to produce any evidence to substantiate his claim with respect to the alleged trades executed in the scrip *Pipavav*. Further, as found in *ad interim* order, Mr. Nemani was placing the sell orders below the best sell prices as well as best buy prices available on various occasions in the scrip of *Pipavav* and was found contributing in the price fall of the scrip *Pipavav* during the identified patch. I note that the letter dated July 31, 2012 written by Mr. Nemani 5 days after the trades *ex facie*

contains the statement of Mr. Nemani to the broker declaring that he has not traded in the concerned scrip on July 26, 2012. This letter contains the same statement of Mr. Nemani as he is contending in these proceedings and as such does not add any strength to his contention.

18. I note that the allegation against Cheminare in the *interim* order is that it had sold 3,72,262 shares through *Religare* and 50,000 shares through *HSBC invest* of scrip *Pipavav* during the price fall patch on July 26, 2012. Cheminare has not disputed the said transactions and has claimed that orders for selling of those shares on July 26, 2012 were executed by the brokers *Religare* and *HSBC Invest*. I have perused the copy of the 'client margin information' dated July 18, 2012 and July 26, 2012. I note that these statements contain margin positions of Cheminare on those dates. However, they are not specific as to the time about those positions i.e. whether at the start or at the end of the respective dates. Further, they do not prove that the alleged transaction was carried out by *Religare* on its own as contended by Cheminare. I also note that Cheminare has not provided any evidence for its submissions with respect to its trades executed through *HSBC Invest*. I, therefore, do not find any substance in the contentions of Cheminare.
19. The *interim* order has alleged link between Mr. Nemani, M/s Step Two Corporation and several other entities on the basis of information /documents described in Para 17 of the *interim* order. Neither Mr. Nemani nor Cheminare has been able to establish otherwise and they have not substantiated their submissions by way of any evidence except with respect to connection of Mr. Nemani, Cheminare and M/s Vikash Financial Services Ltd. (Vikash) on the basis of the address relied upon in the *interim* order.
20. I note that relying upon a copy of Form 18 filed with MCA, Mr. Nemani and Cheminare both have submitted that the address of Cheminare, i.e. " 9, *Abhay Guha Road, Liluah, Howrah – 711 024*" as alleged in the *interim* order, had been shifted to " 12, *Shivnath Shastri Sarani, Block-E, New Alipore, Kolkotta – 700 053*" on January 02, 2012. From the copy of Form 18, it *prima facie* appears that address of Cheminare had been changed as contended. However, it is noted from the abovementioned margin statements from *Religare* that as on July 26, 2012, the address of Cheminare was that as mentioned in the *interim* order.
21. Both Cheminare & Mr. Nemani have submitted that Vikash had ceased to be a shareholder in Cheminare with effect from May 31, 2010 but they have not provided

any documentary evidence in support of their submission. I also note that Cheminare has not disputed the fact that it is a shareholder in Vikash and has claimed that it is not aware of other shareholders in Vikash. In view of the above, I note that though *prima facie* it could be accepted that the address of Cheminare might have been changed as contended, the connection/link between Mr. Nemani, Cheminare and Vikash on the basis of other factors as alleged in the *interim* order has not been disproved by them.

22. I find that the submissions of Mr. Nemani and Cheminare do not give any plausible reason/explanation, at this stage, for their trades in the respective scrips as alleged in the *interim* order. Thus, they have not been able to make out a *prima facie* case for revocation or modification of the *interim* order as against them and the material available on record justifies the continuation of the directions passed against them under the *ad interim ex-parte* order dated August 03, 2012. I also note that investigation in the matter is going on and appropriate decision, in accordance with law, would be taken after completion thereof. In the light of above facts and circumstances, I , therefore, am of the considered view that no intervention is called for, at this stage, in either vacating the *interim* directions or modifying it, with respect to Mr. Umang Nemani and M/s Cheminare Trade Comm Pvt. Ltd.
23. I, therefore, 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 directions issued vide the *ad interim ex-parte* order dated August 03, 2012 against Mr. Umang Nemani (PAN ABOPN7213K) and M/s Cheminare Trade Comm Pvt. Ltd. (PAN: AACCC1546Q).
24. This order shall remain in force till further directions.

DATE: December 31st, 2012
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA