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National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/54249	**Date: October 31, 2022**
Circular Ref. No: 159/2022	

To All NSE Members,

Sub: **SEBI Order in the matter of Gitanjali Gems Ltd. – Mehul C. Choksi**

SEBI vide its Order No. WTM/ASB/IVD/ID16/20890/2022–23 dated October 31, 2022, has hereby restrained the below mentioned entity from buying, selling or otherwise dealing in securities, directly or indirectly, in any manner whatsoever and is further prohibited from accessing the securities market, for a period of ten years from the date of the SEBI Order.

Sr. no.	Entity Name	PAN
1.	Mehul C. Choksi	AABPC1451E

The order comes into force with immediate effect.

The detailed order is available on SEBI website (http://www.sebi.gov.in).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page under "Home-Regulation-Members-Action against Members-Regulatory Actions".

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Souradeep Ghosh (Extension: 23345), Mr. Anand Jangir (Extension: 22385)
Direct No: 022-26598417/18 Fax: 022-26598195

National Stock Exchange of India

For and on behalf of
National Stock Exchange of India Limited

Anand Jangir
Manager

ANNEXURE: SEBI Order in the matter of Gitanjali Gems Ltd. – Mehul C. Choksi

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11, 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992.

In respect of:

S. No.	Name of the Noticee	PAN
1.	Mehul C. Choksi	AABPC1451E

In the matter of Gitanjali Gems Ltd.

Background:

1. The present proceedings emanate from a common show cause notice dated May 24, 2022 (hereinafter referred to as "**SCN**") issued by the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") against Shri Mehul C. Choksi (hereinafter referred to as "**the Noticee**"), pursuant to an investigation by SEBI into the alleged manipulative trading in the scrip of Gitanjali Gems Ltd. (hereinafter referred to as '**the Company**" or "**GGL**").

2. SEBI, vide an order dated March 10, 2017 (hereinafter referred to as "**SEBI Order**"), *inter alia* directed investigation in the matter of alleged manipulative trading in the scrip of GGL to ascertain whether there was any violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**"), the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, (hereinafter referred to as "**PFUTP Regulations**"); the SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997 and 2011 respectively and any breach of the limit of 5% in derivatives position in the underlying of the Company as stipulated in the SEBI Circular SMDRP/DC/CIR-10/01 dated November 02, 2001, by certain entities while trading in the scrip of GGL. Accordingly, SEBI conducted an investigation into trading activities of certain entities in the scrip of GGL for the period July 18, 2011 to January 25, 2012 (hereinafter referred to as "**the Investigation Period**" or "**IP**"). The findings of the investigation are provided below.

Findings of investigation:

3. Shares of GGL were listed on both BSE and NSE. The scrip has been under suspension on both the exchanges and the scrip was last traded on BSE on April 01, 2019 (Closing Price was ₹1.06) and on NSE on April 26, 2018 (Closing Price was ₹3.50). Further, GGL has been under Corporate Insolvency Resolution Process since October 2018.

4. During the Investigation Period, BSE Sensex moved from level of 18592.19 to 17077.18 registering a decrease of 1515.01 points (8.15%). Similarly, NSE Nifty moved from 5581.75 to 5158.30 registering a decrease of 423.45 points (7.59%). During the same period, the price of the shares of GGL at BSE and NSE moved from ₹307.80 to ₹300.20 and from ₹307.60 to ₹300.15 respectively, registering a decrease of ₹7.60 (2.47 %) and ₹7.45 (2.42%), respectively. The Price Volume analysis of the shares of GGL at BSE and NSE was as under:

BSE:

Period	Dates		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (₹)	Low price (volume) during the period (₹)	High Price (volume) during the period (₹)	Avg. no. of (shares) traded daily during the period
Before IP	(15/04/2011 – 15/07/2011)	Price	272.20	304.80	256.25 (17.05.2011)	317.90 (15.07.2011)	721334
		Vol.	780773	604577	232664 (24.05.2011)	2174121 (20.04.2011)	
During IP	(18/07/2011 – 25/01/2012)	Price	307.80	300.20	282.00 (08.08.2011)	387.40 (12.10.2011)	347862
		Vol.	1465648	546615	16306 (27.12.2011)	1927018 (29.07.2011)	
After IP	(27/01/2012- 26/04/2012)	Price	302.00	320.05	302.00 (27.01.2012)	443.40 (13.03.2012)	621308
		Vol.	632643	452378	72333 (06.02.2012)	1619294 (04.04.2012)	

NSE:

Period	Dates		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (₹)	Low price (volume) during the period (₹)	High Price (volume) during the period (₹)	Avg. no. of (shares) traded daily during the period
Before IP	(15/04/2011 – 15/07/2011)	Price	271.60	304.50	255.80 (17.05.2011)	318.00 (15.07.2011)	1399706
		Vol.	1592142	1861979	512384 (03.05.2011)	4679652 (20.04.2011)	
During IP	(18/07/2011 – 25/01/2012)	Price	307.60	300.15	250.95 (25.01.2012)	386.90 (12.10.2011)	1489244
		Vol.	1930187	2790792	86011 (16.01.2012)	6515378 (28.07.2011)	
After IP	(27/01/2012-26/04/2012)	Price	301.60	320.30	301.60 (27.01.2012)	420.55 (24.02.2012)	1035768
		Vol.	1897522	539944	166592 (12.04.2012)	2323777 (14.02.2012)	

5. The Investigation revealed that 21 entities (hereinafter referred to as "**Suspected Entities**"), mentioned in the Table below, were connected / known / related to each other through common telephone numbers, common addresses, common e-mail IDs and through transfer of funds etc.

S. No.	Name of entity	PAN
1.	Shri Mehul C. Choksi ('**Mehul Choksi**')	AABPC1451E
2.	Partha Gems LLP ('**Partha**')	AAACP3048A
3.	Priyanka Gems Pvt. Ltd. ('**Priyanka**')	AAACP3049B
4.	Rohan Diamond Pvt. Ltd. ('**Rohan**')	AAACR2580H
5.	Mozarat Investments Pvt. Ltd. ('**Mozarat**')	AADCM7054Q
6.	Digico Holdings Ltd. ('**Digico**')	AAECD0363N
7.	Pinky Agro Foods Pvt. Ltd. ('**Pinky Agro**')	AAGCP0004N
8.	Ashlesha Trading Pvt. Ltd. ('**Ashlesha**')	AAJCA4594M
9.	Sneaking Infrastructure Pvt. Ltd. ('**Sneaking**')	AAPCS7733L
10.	Vankars Gems and Jewelleries Pvt. Ltd. ('**Vankars**')	AADCV6467A
11.	Shraddha Garments Pvt. Ltd. ('**Shraddha**')	AAPCS2367C

S. No.	Name of entity	PAN
12.	Rhoda Infrastructure Pvt. Ltd. (“**Rhoda’**)	AAFCR1087C
13.	Jaiwanti Mercantiles Pvt. Ltd. (‘**Jaiwanti’**)	AACCJ5103C
14.	Sadhiv Mercantile Pvt. Ltd. (‘**Sadhiv’**)	AAPCS0583G
15.	Shri Manoj Madhav Vankar (‘**Manoj’**)	ABWPV6447M
16.	Albers Diamonds Pvt. Ltd.(‘ **Albers’**)	AAICA4525F
17.	Magnifique Gems Pvt. Ltd. (‘**Magnifique**’)	AAGCM5160N
18.	Avtar Gems Pvt. Ltd. (‘**Avtar’**)	AAICA4526G
19.	Rishabh Technomarine Pvt. Ltd.(‘**Rishabh**)	AAECR1364D
20.	Sancheti Properties Pvt. Ltd. (‘**Sancheti’**)	AAKCS4345R
21.	Sanskar Gems Pvt. Ltd. (‘**Sanskar’**)	AAKCS6683E

6. Out of the above mentioned 21 entities, the entities at serial nos. 1 to 6, which included the Noticee, Shri Mehul C. Choksi, belonged to the Promoter Group of the Company. Investigation further revealed that the entities at serial nos. 7 to 21 (hereinafter referred to as “**Front Entities**”) in the above Table, who were taking position in the scrip of GGL in both the cash and derivatives segments during the Investigation Period, were acting as fronts on behalf of the Noticee, Shri Mehul C. Choksi, who was the Chairman and Managing Director (MD) of GGL during the Investigation Period. The details of the same are as provided below.

7. Manoj (Sr. no. 15), who was a part of the Front Entities (Serial Nos. 7 to 14), was a former employee of GGL. Investigation revealed that though Manoj was an employee of GGL only till February 2011, the relationship between Mehul Choksi and Manoj continued even after his resignation, as there were fund transfers between Mehul Choksi and Reva Superstructures Pvt. Ltd. (hereinafter referred to as “**Reva**”), an entity connected with Manoj. It was found that Manoj was an authorized signatory for the current account of Reva, maintained with ICICI Bank (a/c opened in May 2013). From the account statement of the said account of Reva, it was observed that there were frequent fund transfers between Mehul Choksi (from his personal account) and Reva. Further, transactions pertaining to opening of a Fixed Deposit for GGL were also observed in the bank statement of Reva. The aforesaid showed that Mehul Choksi was in touch with Manoj even after Manoj’s resignation from GGL. Further, it was found that certain Front Entities, namely Pinky (Serial No.7), Ashlesha (Serial No.8), Sneaking (Serial No.9), Vankars (Serial No.10), Shraddha (Serial No.11), Rhoda (Serial No.12), Jaiwanti (Serial No.13) and

Sadhiv (Serial No.14) had connection with Manoj and acted as front for him who in turn managed these entities and acted on behalf of Mehul Choksi.

8. Investigation further revealed that certain entities, namely Vimal Jain, Gyanchand Jain (also known as Gyanchand Sancheti), Nihalchand Jain (also known as Nihalchand Sancheti), Manju Jain, Kanwarlal M. Jain (now deceased), Rajeev Jain and Deepak Jain, were family members (hereinafter referred to as "**Jain Family**") who directly controlled Front Entities, namely Rishabh (Serial No.20) and Sancheti (Serial No.21), by way of shareholdings and directorships. The members of the Jain Family were also found to be exercising significant influence or indirect control over Front Entities, namely Albers (Serial No.16), Magnifique (Serial No.17), Avtar (Serial No.18) and Sanskar (Serial No.19). Thus, Front Entities at serial nos. 16 to 21 were under the control / influence of the Jain Family.

9. In sum, the Front Entities at serial nos. 7 to 14 were managed by Manoj and the Front Entities at serial nos. 16 to 21 were under the influence / control of Jain Family.

10. The investigation revealed that the above mentioned 15 Front Entities (i.e. entities at serial nos. 7 to 21) along with certain other entities, namely Peace Impex Pvt. Ltd. (hereinafter referred to as "**Peace**"), Amrita Gems Pvt. Ltd. (hereinafter referred to as "**Amrita**"), Adil Exports Pvt. Ltd. (hereinafter referred to as "**Adil**"), Sona Corporation(hereinafter referred to as "**Sona**") etc., who were found to be under significant influence / indirect control of the members of the Jain Family, were used for fund transfers with GGL through layering of funds, as detailed below.

11. On analysis of Bank statements of GGL and Suspected Entities, it was noted that GGL was transferring and receiving funds from the Suspected Entities (including the Front Entities) through layering and these amounts were either utilized for meeting pay-in obligations / margin obligations towards brokers or they pertained to pay-outs received from exchanges which were transferred back to GGL. Some instances of transfer of funds for meeting pay-in obligation and receipt of funds on pay-out pre, post and during IP are given below.

a) Payment made by Sadhiv to broker, Nirmal Bang Securities Pvt. Ltd. ("Nirmal") on February 28, 2011 –

(i) The fund flow for the aforesaid transaction is depicted as under:

Figure 1: Layering of Funds from GGL to Nirmal

Entity 1	Transaction date and amount	Entity 2	Transaction date and amount	Entity 3	Transaction date and amount	Entity 4	Transaction date and amount	Entity 5	Transaction date and amount	Entity 6
	28-Feb-11		01-Mar-11		01-Mar-11		01-Mar-11		01-Mar-11	
Gitanjali Gems Ltd	→	Amrita Gem Private Limited	→	Anmol traders	→	Avtar Gems Pvt. Ltd.	→	Sadhiv Mercantile Pvt. Ltd.	→	Nirmal Bang Securities P Ltd
	78,00,000.00		79,00,000.00		75,00,000.00		70,00,000.00		70,00,000.00	
Total	**78,00,000.00**		**79,00,000.00**		**75,00,000.00**		**70,00,000.00**		**70,00,000.00**	
		United bank		United bank		United bank		Axis Bank		

(ii) From the above flow chart, it can be seen that GGL transferred funds to the tune of ₹ 78,00,000/- to Amrita, out of which Rs.70,00,000 was transferred by Sadhiv Mercantile Pvt. Ltd. to the broker, Nirmal Bang Securities Pvt. Ltd. by routing the funds through Anmol Traders and Avtar.

(iii) Amrita shares common director, Ramavatar Pareek, with Suspected Entities, namely Avtar and Albers.

(iv) It was observed that the balance in the accounts of entities used for layering was very less as compared to the amount prior to the transaction. The balance in the account of Amrita prior to transfer of funds from GGL was ₹ 3,51,964/- only and balance in the account of Anmol Traders prior to transfer of funds from Amrita was ₹ 17,918/- only. It was thus clear that but for the receipt of funds from GGL, Amrita and Anmol could not have transferred funds to Avtar and ultimately to Sadhiv.

b) Payment made by Magnifique to broker J M Financial Service Pvt. Ltd. ("JM") and ARJ Securities Ltd. ("ARJ") on September 29, 2011 –

(i) The fund flow for the aforesaid transaction is depicted as under:

Figure 2: Layering of Funds from GGL to JM and ARJ

Entity 1	Transaction date and amount	Entity 2	Transaction date and amount	Entity 3	Transaction date and amount	Entity 4	Transaction date and amount	Entity 5
	27-Sep-11		29-Sep-11		29-Sep-11		29-Sep-11	
Gitanjali Gems Ltd	2,24,69,551.00	Peace Impex private limited	2,23,00,000.00	Sona Corporation	1,00,00,000.00	Magnifique Gems Pvt.Ltd.	1,00,00,055.00	J M Financial Services Pvt ltd
					57,00,000.00			ARJ Securiteis Limited
							1,03,50,055.00	
Total	**2,24,69,551.00**		**2,23,00,000.00**		**1,57,00,000.00**		**2,03,50,110.00**	
		United bank		United bank		United bank		

(ii) From the above flow chart, it can be seen that Magnifique made a payment of ₹ 1,00,00,055 to broker JM and ₹ 1,03,50,055 to broker ARJ on September 29, 2011. The said amount was part of the fund provided by GGL by routing the funds through entities namely Peace and Sona, entities controlled by the Jain family.

(iii) As observed in para 11(a), the balance in the accounts of entities used for layering in this transaction was very low as compared to the amount prior to the transaction. Balance in the account of Peace prior to transfer from GGL was Rs.10,00,000 and balance in the account of Sona prior to transfer from Peace was Rs.40,04,330. It was thus clear that but for the receipt of funds from GGL, Peace and Sona could not have transferred funds to Magnifique.

c) ***Payment made by Ashlesha and Sneaking to broker LKP Securities Ltd. on November 14, 2011 and November 22, 2011 –***

(i) The fund flow for the aforesaid transaction is depicted as under:

Figure 3: Layering of Funds from GGL to LKP Securities Ltd.

entity	date and amount	entity	date and amount	entity	date and amount	entity	date and amount	entity	date and amount	entity	date and amount	entity
	11-Nov-11		12-Nov-11		12-Nov-11		12-Nov-11		14-Nov-11		22-Nov-11	
	5,62,30,436.00								3,50,00,000.00	Sneaking Infrastructure Pvt	3,50,00,000.00	
Gitanjali Gems Ltd	3,11,62,924.00	Peace Impex Private Limited		Sona Corporation		Sanskar gems PVT Ltd		Pinky Agro Foods Pvt Ltd				LKP securities Ltd
	60,00,000.00								14-Nov-11	Ashlesha	14-Nov-11	
	25,00,000.00											
			6,85,00,000.00		6,98,00,000.00		7,00,00,055.00		3,50,00,000.00		1,20,00,000.00	
											22-Nov-11	
											2,30,00,000.00	
Total	9,58,93,360.00		6,85,00,000.00		6,98,00,000.00		7,00,00,055.00		7,00,00,000.00		7,00,00,000.00	
		United Bank of India		United Bank of India		United Bank of India		Axis bank Limited		Axis bank		

From the above figure, it can be seen that:

(ii) Sneaking and Ashlesha made a payment totaling ₹35,000,000 each to broker LKP Securities Ltd. on November 14, 2011 and November 22, 2011.

(iii) The said amount was part of the fund provided by GGL by routing the funds through entities namely Peace, Sanskar, both of which are controlled by the Jain family, Pinky Agro, entity controlled by Manoj and Sona was controlled by the Jain family.

(iv) Here also, the balance in the accounts of entities used for layering was very less as compared to the amount prior to the transaction. The balance in the account of Peace prior to transfer from Gitanjali was ₹10,00,000/- and the balance in the account of Pinky Agro prior to transfer from Sona was ₹6,37,389/-. It was thus clear that but for the receipt of funds from GGL, Peace and Pinky could not have transferred funds to Sneaking and Ashlesha.

d) ***Payment made by Avtar to broker ARJ Securities Limited ('ARJ') on January 16, 2012 –***

(i) The fund flow for the aforesaid transaction is depicted as under:

Figure 4: Layering of Funds from GGL to ARJ

entity	date and amount	entity	date and amount	entity	date and amount	entity	date and amount	entity
	13-Jan-12		16-Jan-12		16-Jan-12		16-Jan-12	
Gitanjali Gems Ltd	1,50,00,000.00	Adil exports Pvt ltd	1,50,00,000.00	Sona Corporation	2,50,00,000.00	Avtar Gems Pvt. Ltd.	1,25,13,976.38	ARJ Securities Pvt. Ltd.
							1,24,76,319.80	
							2,49,90,296.18	
		United bank		United bank		United bank		

(ii) From the above flow chart, it can be seen that Avtar made a payment of ₹12476319.80 and 12513976.38 to broker ARJ on January 16, 2012.

(iii) The said amount was part of the fund provided by GGL by routing the funds through entities namely Adil and Sona, both controlled by the Jain family.

(iv) Avtar utilized the said funds to make pay-in for the purchase of GGL shares.

(v) As in the three instances discussed above, the balance in the accounts of entities used for layering was much lower as compared to the amount prior to the transaction. The balance in the account of Adil prior to transfer from Gitanjali was ₹2,48,118/- whereas the balance in the account of Sona prior to transfer from Adil was ₹2,64,120/-. It was thus clear that but for the receipt of funds from GGL, Adil and Sona could not have transferred funds to Avtar.

12. On the basis of the transfer of funds, it was observed that GGL was facilitating and funding the purchase and sale of its shares through Front Entities. The investigation revealed that Mehul Choksi was the sole authorized signatory to sign cheques of GGL. It was also observed from the bank account of Mehul Choksi, maintained with ICICI Bank, that there were regular credits and debits of large amounts to / from the bank account of GGL. In view of the above, it was found that Mehul Choksi was authorizing the transactions made from the account of GGL, wherein funds were moved through layering for meeting pay-in obligations/margin obligations of the Front Entities towards the brokers.

13. Trading in the derivatives on the shares of GGL was introduced for the first time during the Investigation Period. For the derivatives to trade continuously, there is a minimum requirement of trading volume in the cash segment in a particular scrip during the period of six months preceding the introduction of derivatives. It was found that the Front Entities had taken long position, both in the cash segment and the derivatives segment. While trading in such fashion, they had incurred significant losses in the derivatives segment. Considering the Front Entities' connection with Noticee and the fund transfers with GGL, it was clear that the trades of the Front Entities in the derivatives segment were not for hedging purposes and the said trades were not executed in the normal course of dealing in securities, but for maintaining the price and volume of the scrip of GGL so as to benefit the Noticee.

14. Investigation also revealed that a large number of shares held by Mehul Choksi in GGL, during the IP, were pledged. It was further revealed that some of the Front Entities were incorporated during the year 2011. Examination of the trading pattern of the Front Entities showed that they had transacted in derivatives of only GGL, during the IP. This indicates that the Front Entities were employed to act on behalf of the Noticee, through the above mentioned modus operandi, to help him in maintaining the price of the scrip of GGL, so that his pledged shares were not invoked and that he did not have to pay additional margin money to the lenders.

15. In terms of Clause 4.2 of the Model Code of Conduct for Prevention of Insider Trading, as specified in Part A of Schedule I under regulation 12(1) of SEBI (Prohibition of Insider trading) Regulations, 1992, which was in force at the relevant time, all directors/ officers/ designated employees were prohibited from entering into contra trades. They were also not allowed to undertake derivatives transactions in the shares of a company in terms of the said clause. Since Mehul Choksi could not take positions in the derivatives segment or indulge in contra trades in his own account, he had employed the Front Entities to take such positions.

16. Investigation revealed that during the IP, the number of shares of GGL, excluding promoter holding and holdings of Banks / Financial Institutions / FIIs, available to the general investors was 28.96% (2,45,80,411 shares) for the quarter ending June 2011, which got reduced to 19.71% (1,70,13,670 shares) in the quarter ending September 2011. Subsequently, the shares available to general investors increased to 25.36% (2,31,08,563 shares), post the IP. The same indicates that the Mehul Choksi, through the Front Entities, tried to capture / corner the shares available in the market during the IP to reduce the shares available for general investors.

17. Further, the Front Entities built up substantially large position in the derivatives segment ranging from 15.70% to 56.65% of the Market Wide Position Limit. This cornering of the position limits by the connected/related entities deprived other bona fide investors from taking position in the derivatives of GGL.

18. The above observations and findings showed that the Front Entities were not bonafide investors and had acted as fronts for Mehul Choksi and indulged in manipulating the scrip to maintain the price of GGL during the IP. Further, it was clear that Mehul Choksi, by funding the Front Entities, used them as a front for taking positions in cash and derivative segments through motivated trades and engaged in creation of false and misleading appearance of trading in the scrip of GGL during the IP.

19. In view of the above, it was alleged that the Noticee (Mehul Choksi), by using the Suspected Entities, including the Front Entities as a front, and by advancing money to the Front Entities during the IP through layering of funds and taking positions in cash and derivative segments, had indulged in an act to create false and misleading appearance of trading in the scrip of GGL. It was therefore alleged that the Noticee had violated the provisions of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act, 1992 read with Regulations 3(a), 3(b), 3(c), 3(d) and 4(1), 4(2)(a) and 4(2)(d) of PFUTP Regulations. Accordingly, the SCN, as mentioned in paragraph 1 above, was issued to the Noticee calling upon to show cause as to why suitable direction(s) under section 11(1), 11(4) read with section 11B(1) should not be issued against him and also why appropriate monetary penalty under Section 11 (4A) r/w 11B (2) and 15HA of the SEBI Act, 1992 should not be imposed on him.

Replies of the Noticees and personal hearing:

20. The SCN sent to the Noticee through Speed Post at his Mumbai address was returned undelivered. Thereafter, a digitally signed copy of the SCN was served on the Noticee through email on May 25, 2022 to email IDs mehulchoksi55@gmail.com; promoterentities@gmail.com; mehul@gitanjaligroup.com and gitanjalipromoter@gmail.com. The email was delivered to all the email IDs, except mehul@gitanjaligroup.com. Further, another attempt to physically deliver SCN was made on June 28, 2022 which was again returned undelivered with a remark – "consignee shifted". The Noticee was granted an opportunity of personal hearing by

scheduling the same on July 25, 2022, for which a digitally signed copy of the hearing notice along with SCN was served on the Noticee through email sent to the above mentioned email IDs. The email was delivered to all the email IDs, except Mehul@gitanjaligroup.com and the email did not bounce back. However, the Noticee failed to appear on the said date of hearing, nor did he submit any response. I therefore note that sufficient opportunities have been provided to the Noticee to provide his response to the SCN. Considering the same, I now proceed to decide the matter *ex-parte* on the basis of material available on record.

Consideration of issues and findings:

21. I have examined the allegations made against the Noticee in the SCN and other material available on record.

22. Before proceeding any further, it would be appropriate to refer to the relevant provisions of the SEBI Act, 1992 and PFUTP Regulations, 2003 which are alleged to have been violated by the Noticee. Relevant extract of these provisions is as under:

SEBI Act, 1992

"Section 12 (A) (a) (b) (c)

No person shall directly or indirectly

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following: —

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

… …

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;"

23. I note that the SCN has alleged that the Noticee, who was the Chairman and MD and a part of the Promoter Group of GGL, had funded a set of 15 entities (defined as 'Front Entities' above), who were directly / indirectly connected with the Noticee and with each other and who had taken position in the scrip of GGL both in the cash and derivative segments during the Investigation Period, and had used them as front entities for manipulation in the scrip of GGL. On the basis of bank statements available with SEBI, it was observed that the fund transfers by GGL to front entities were to the extent of ₹77,44,32,972, out of which funds to the extent of ₹13,33,62,911 were used by front entities to trade in the scrip of GGL. A few examples of these transactions have been mentioned above.

24. I note that in respect of the allegation that the Noticee was connected to the said 15 Front Entities, the investigation has observed that the Front Entities at serial nos. 7 to 14 of Table at paragraph 5 were connected to the Noticee through one Shri Manoj, who himself was a Front Entity (mentioned at serial no. 15). According to findings of investigation, though Manoj had ceased to be an employee of GGL after February 2011, he remained connected to the Noticee through Reva. In this regard, I note that Annexure A to the SCN, which contains certain documents pertaining to Reva, which were obtained from ICICI Bank Ltd. (hereinafter referred to as "**ICICI**") to SEBI, shows a clear connection between Manoj and Reva. I note from the information and documents submitted by ICICI to SEBI, as contained in Annexure A to the SCN, that Manoj was the authorized signatory for two bank accounts of Reva opened with ICICI Bank (Current Account No. 104505001965 opened on May 29, 2013 and Fixed Deposit Account No. 102113010961 opened on July 05, 2021). As regards connection between Noticee and Reva, Annexure A contains bank account statement of Reva which shows frequent fund transfers between Noticee and Reva, even after February 2011 (when Manoj had resigned from GGL). For example, the said bank statement shows two fund transfers of ₹5 Crore each from Reva to the Noticee on June 3, 2013. Similarly, there was a fund transfer of ₹5 Crore in 7 transactions from bank account of the Noticee to Reva on June 13, 2013. The frequent transfer of funds between Noticee and Reva clearly indicates Noticee's close connection with Manoj. I note that the investigation, in Annexure B to the SCN, has clearly brought out the connection between Manoj and Front Entities at serial no. 7 to 14 as well as the inter-se connection between the said Front Entities through subsidiary-holding company relationships, common directorship of Manoj's wife (Sonia Manoj Vankar was a common director in Sneaking, Vankar, Ashlesha, Pinky Agro and Jaiwanti during FY 11–12) and other persons in certain Front Entities, inter-se fund transfers, common telephone numbers etc. Further, Annexure B also shows connection between Noticee and some of the Front Entities connected to / controlled by Manoj, through common telephone number. I thus find that the Noticee, Manoj and the Front Entities at serial nos. 7 to 14 were inter-connected.

25. Similar to the above, I note from the details provided in Annexure B to the SCN that the Front Entities at serial nos. 16 to 21 were inter-se connected and were under the control / influence of Jain Family.

26. I note that as per the findings of investigation, the above mentioned 15 Front Entities, along with certain other entities who were under significant control / influence of Jain Family, were

used for fund transfers with GGL through layering of funds. The SCN has alleged that GGL was both transferring and receiving funds from the Suspected Entities (including the Front Entities) through layering and those amounts were either utilized for meeting pay-in obligations / margin obligations towards brokers or they pertained to pay-outs received from exchanges which were ultimately transferred back to GGL. In this regard, I note that the SCN has provided sample of such instances, as mentioned under paragraph 11 above. Further, I note that Annexure C to the SCN provides 3 instances wherein GGL had facilitated the purchase of securities in the scrip of GGL by moving funds through layers of Suspected Entities (i.e. routing of funds through Suspected Entities) which ultimately reached stock brokers for meeting pay-in / margin obligations of the Front Entities in the scrip of GGL. In one such instance, the broker, JM Financial Services Pvt. Ltd., had received a sum of ₹1,00,00,055 and the broker ARJ Securities Ltd. had received a sum of ₹1,03,50,055 on September 29, 2011 from Magnifique Gems Pvt. Ltd. (a Suspected Entity) and the said amounts were part of funds routed by GGL to Magnifique through Peace and Sona (both of them were related to Suspected Entities). From the above, it is apparent that GGL was facilitating the purchase and sale of shares of GGL by Front Entities. I note that the investigation has revealed that the bank accounts of GGL were singly being operated by the Noticee, as detailed in paragraph 12 above. Considering the same, it is evident that the Noticee was using the Front Entities for executing trades in the scrip of GGL.

27. I note that the SCN has alleged that the Front Entities were not bonafide investors and the Noticee used them as front, for taking positions in cash and derivative segments through motivated trades and engaged in creation of false and misleading appearance of trading in the scrip of GGL during the IP. In this regard, the SCN has referred to the following findings of investigation:

a. Front Entities had taken long position, both in the cash segment and the derivatives segment, wherein they had incurred significant losses while trading as such in the derivatives segment. It was apparent that the trades of the Front Entities in the derivatives segment were not for hedging purposes and were not executed in the normal course of dealing in securities, but for maintaining the price and volume of the scrip of GGL so as to benefit the Noticee.

b. A large number of shares held by the Noticee in GGL, during the IP, were pledged. Examination of the trading pattern of the Front Entities, some of which were incorporated during the year 2011 (details of which were provided in Annexure D to the SCN), showed that these entities had not transacted in derivatives of any other stock, except GGL, during the IP. The same indicated that the Front Entities were used by the Noticee to help him in maintaining the price of the scrip of GGL, so that his pledged shares were not invoked or that he did not have to pay additional margin money to the lenders.

c. In terms of Clause 4.2 of the Model Code of Conduct for Prevention of Insider Trading, as specified in Part A of Schedule I under regulation 12(1) of SEBI (Prohibition of Insider trading) Regulations, 1992, the Noticee being a director of GGL, was prohibited from entering into contra trades and was not allowed to undertake derivatives transactions in the shares of GGL. It thus appeared that in view of the said prohibitions, the Noticee had employed the Front Entities to take such positions.

28. I note that immediately prior to the IP, the shares of GGL, excluding promoter holding and holdings of Banks / Financial Institutions / FIIs, available to the general investors was 28.96% (2,45,80,411 shares) for the quarter ending June 2011, which got reduced to 19.71% (1,70,13,670 shares) in the quarter ending September 2011 during the IP. Subsequently, the shares available to general investors increased to 25.36% (2,31,08,563 shares), post the IP. This indicates that Mehul Choksi, through Front Entities, tried to capture / corner the shares available in the market during the IP to reduce the shares available for general investors which subsequently increased after the Front Entities sold the shares in the market. Further, the Front Entities cornered the position limits in the scrip of GGL by building up substantially large position in the derivatives segment ranging from 15.70% to 56.65% of the Market Wide Position Limit. The daily net positions of all front entities acting on behalf of Mehul across different contracts of GGL are as follows:

Dates	**Long Open Interest (No. of shares)**	**Market Wide Position Limit (MWPL)**	**% of Long Open Interest to MWPL**
18/07/2011	1200000	7684627	15.62
19/07/2011	1454000	7684627	18.92
20/07/2011	2104000	7684627	27.38
21/07/2011	2304000	7684627	29.98
22/07/2011to 25/07/2011	2529000	7684627	32.91

Dates	Long Open Interest (No. of shares)	Market Wide Position Limit (MWPL)	% of Long Open Interest to MWPL
26/07/2011	2679000	7684627	34.86
27/07/2011	2854000	7684627	37.14
28/07/2011	3548000	7684627	46.17
After expiry of contracts dated 28/07/2011	2354000	7684627	30.63
29/07/2011	3104000	7684627	40.39
01/08/2011 to 25/08/2011	3104000	7644627	40.60
After expiry of contracts dated 25/08/2011	3104000	7644627	40.60
30/08/2011 to 29/09/2011	3904000	7644627	51.07
After expiry of contracts dated 29/09/2011	3904000	7644627	51.07
03/10/2011 to 25/10/2011	3854000	7644627	50.41
After expiry of contracts dated 25/10/2011	3684000	7644627	48.19
25/10/2011 to 31/10/2011	3684000	7644627	48.19
01/11/2011 to 08/11/2011	3684000	8024210	45.91
09/11/2011	3771000	8024210	47.00
11/11/2011 to 24/11/2011	4501000	8024210	56.09
After expiry of contracts dated 24/11/2011	4151000	8024210	51.73
25/11/2011 to 05/12/2011	4151000	8024210	51.73
07/12/2011 to 29/12/2011	4451000	8024210	55.47
After expiry of contracts dated 29/12/2011	4027000	8024210	50.19
30/12/2011 to 02/01/2012	4451000	8024210	55.47
03/01/2012 to 13/01/2012	4546000	8024210	56.65
16/01/2012	4292000	8024210	53.49
17/01/2012 to 19/01/2012	4246000	8024210	52.91
20/01/2012	3948000	8024210	49.20
23/01/2012	2677000	8024210	33.36

29. I note that the Noticee has failed to file any reply to the SCN and has failed to rebut the findings of investigation, as alleged in the SCN. I find that the above mentioned findings coupled with the Noticee's failure to rebut the said findings, clearly establishes the Noticee's role in creation of false and misleading appearance of trading in the scrip of GGL by using and funding the Front Entities in executing manipulated trades. I thus find that the Noticee has violated the provisions of Section 12A(a), 12A(b) and 12A(c) of the SEBI Act, 1992 read with Regulations 3(a), 3(b), 3(c), 3(d) and 4(1), 4(2)(a) and 4(2)(d) of PFUTP Regulations. Consequently, I find that it is a fit case for issuing appropriate directions against the Noticee under Sections 11 and11B of the SEBI Act.

30. Further, I find that by indulging in the above mentioned violations involving fraudulent and unfair trade practices, the Noticee is also liable to be imposed with monetary penalty under Sections 11(4A) and 11B(2) read with Section 15HA of the SEBI Act. Accordingly, I deem it fit to issue direction imposing monetary penalty on the Noticee for the above mentioned violations. I note that due regard has to be given to the factors mentioned under Section 15J of the SEBI Act. However, I note that the amount of disproportionate gain or unfair advantage, made as a result of the default, and the amount of loss caused to an investor or group of investors as a result of default cannot be quantified. Further, there is nothing on record to show that the default was repetitive in nature. In these circumstances, I deem it fit to impose the maximum penalty of ₹5 Crore on the Noticee for the above mentioned violations under Section 15HA of the SEBI Act, 1992.

31. Vide an Order having no. WTM/AB/IVD/ID3/14893/2021–22 and dated January 31, 2022, the Noticee was restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing, directly or indirectly, or being associated with the securities market in any manner whatsoever, for a period of **one year** from the date of said Order, for violating the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015. I also note that as per publicly available information Mehul Choksi has fled the country on January 4, 2018 and is stated to be residing in Antigua and Barbuda. Cases were filed against him in India in the wake of the Punjab National Bank ("**PNB**") scam. On a criminal complaint dated filed by PNB, an FIR bearing number RC 02(E)/2018/CBI/BS&FC/Mumbai was registered by CBI. Further, the Directorate of Enforcement has also registered case number ECIR/MBZO-I/04/2018/3486 against Mehul Choksi, again acting on a complaint filed by PNB. I note that a charge sheet has now been filed in both the matters. The ED, in 2019, had also moved an application before the

PMLA Court seeking that Choksi be declared a Fugitive Economic Offender under the Fugitive Economic Offenders Act, 2018. (The matter is presently pending before the Bombay High Court). Apart from this, it is noted that the Income Tax Department has also initiated proceedings against Mehul Choksi.

Directions:

32. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Sections 11, 11(4), 11(4A), 11B(1) and 11B(2) read with of Sections 15HA and 19 of the SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby issue the following directions:

a. The Noticee (Shri Mehul C. Choksi) is hereby restrained from buying, selling or otherwise dealing in securities, directly or indirectly, in any manner whatsoever and is further prohibited from accessing the securities market, for a period of **ten years** from the date of this Order.

b. The Noticee shall pay a monetary penalty of **₹5 Crore**.

c. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAYNOW. In case of any difficulties in payment of penalties, said Noticee may contact the support at portalhelp@sebi.gov.in.

d. The Noticee shall forward said Demand Draft or the said confirmation of e-payment made in the format, as given in the table below, which should be sent to *"The Division Chief, IVD-ID16, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra-Kurla Complex, Bandra (E), and Mumbai 400 051"* and also to e-mail id: tad@sebi.gov.in.

a. Case Name	
b. Name of payee:	
c. Date of payment:	
d. Amount paid:	
e. Transaction no.:	
f. Bank details in which payment is made:	
g. Payment is made for : (like penalties/ disgorgement/ recovery/settlement amount and legal charges along with order details)	

33. This Order comes into force with immediate effect.

34. A copy of this Order shall be sent to the Noticee, recognized Stock Exchanges, Depositories and Registrar and Transfer Agents to ensure that the directions given above are strictly complied with.

Place: Mumbai
Date: October 31, 2022

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA