



DIRECTORATE OF INCOME-TAX(INVESTMENT) KOLKATA  
P-13, CHOWRINGHEE SQUARE, KOLKATA-700013.

**investigation report**

IN THE CASE OF

**Project Bogus LTCG/STCL Through  
BSE Listed Penny Stocks.**

*Prepared by*

**Dhruva Purari Singh, IRS**

**DDIT (Inv.), Unit-2 (3)**

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F.No 75A /2015-16/257-273

Dated: 27-04-2015

To

The DGIT(Inv)

Mumbai, Delhi, Ahmedabad, Bangaluru, Bhopal, Chandigarh, Chennai, Delhi, Hyderabad, Jaipur, Kochhi, Kolkata, Lucknow, Patna, Pune & DG(Intl. tax), Mumbai.

**SUB: Entry of bogus LTCG -reg**

Sir,

The Directorate of Investigation, Kolkata this time, has undertaken the accommodation entry of Long Term Capital Gain (LTCG) investigation on a much larger scale than earlier and as a result, we have been able to identify a very large number of beneficiaries who have together taken a huge amount bogus entries of LTCG. The span of investigation can be gauged from the fact that as result of this investigation we have identified **64811** beneficiaries involving bogus LTCG of nearly **^ 38,000 crores**. In order to cast the net wide we adopted a different approach of investigation in this investigation which acquired the character of a project. As you are aware, the illegal business of bogus LTCG involves three different individuals. The promoter of 'Penny stock' companies (also known as syndicate member), the share brokers & the entry operator who purchases the shares through paper companies by taking cash. Many a times the three categories of individuals perform overlapping roles. A single individual may, at times, perform all the three functions. In LTCG investigations hitherto being done by Kolkata or other directorates, the approach was to target the individuals and through him identify the penny stocks and beneficiaries. This method yielded results on a limited scale emanating only

from individual / individuals targeted. Keeping in mind the rampant nature and exponential growth of this illegal business in recent times and to cast the net wide, we reversed the methodology of investigation. We first identified the 'Penny Stocks' and then started targeting the individuals who dealt in them. As a result we have been able to virtually cover almost all Kolkata based operators in one investigation itself. It was an on-going process which acquired the character of a project that continued for quite some time, unlike usual investigation which ends with the statement of the individual involved.

We identified the following BSE listed penny stocks which have been used for generating bogus LTCG

SL NO	SCRIPT CODE	SCRIPT NAME	FULL NAME of PENNY STOCK	Amount of Total trade Value
1	531517	ALANG IN GAS	ALANG INDUSTRIAL GASES LTD	331801921
2	531720	ALPHA GRAPHI	ALPHA GRAPHIC INDIA LTD	936748230
3	538423	ALPS MOTOR	Alps Motor Finance Ltd	1938129485
4	512355	ANUKARAN COM	ANUKARAN COMMERCIAL ENTERPRISES LTD	4232582703
5	590122	ASHIKACR	ASHIKA CREDIT CAPITAL LTD	2502413517
6	530479	ATLINFRA	Atlanta Infrastructure and Finance Ltd	839070437
7	531570	BLAZON MARBL	BLAZON MARBLES LIMITED	2669410119
8	508939	BLUE CIRCLE	BLUE CIRCLE SERVICES LTD	13876582309
9	531900	CCLINTER	CCL INTERNATIONAL LTD	16050220735
10	535142	CHANNEL NINE	CHANNEL NINE ENTERTAINMENT LTD	2732671350
11	535267	COM FINCAP	COMFORT FINCAP LTD	3416275945
12	526141	COMP DISC IN	COMPACT DISC INDIA LTD	3812590165
13	512361	CUPID TRADE	CUPID TRADES & FINANCE LTD	913119045
14	503637	DHANLEELA	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	2849315089

15	532903	DHANUSTECH	DHANUS TECHNOLOGIES LTD	4093178378
16	534839	ECO FRIENDLY	ECO FRIENDLY FOOD PROCESSING PARK LTD	2194295120
17	512207	EFFTXT	Effingo Textile & Trading Limited	1617519917
18	531502	ESAAR INDIA	ESAAR (INDIA) LTD	5413525764
19	534927	ESTEEM BIO	ESTEEM BIO ORGANIC FOOD PROCESSING LTD	3765065680
20	511369	FIRST FIN.	FIRST FINANCIAL SERVICES LTD	3080492684
21	535431	GCM SECU	GCM Securities Ltd	6042144220
22	531055	GFLFIN	GFL Financials India Limited	968152090
23	531463	GBLINFRA	Global Infratech & Finance limited	12462873580
24	538180	GOLD LINE	Gold Line International Finvest Ltd	1887110104
25	509024	GOLD.LEG.LEA	GOLDEN LEGAND LEASING & FINANCE LTD	623686683
26	531737	GREENCREST	Greencrest Financial Services Limited	2468386741
27	535217	HPC BIO	HPC BIOSCIENCES LTD	5011694340
28	534734	ICVL CHEM	ICVL CHEMICALS LTD	254935286
29	538422	JACKSON	Jackson Investments Ltd	3250070747
30	511092	JMD TELEFILM	JMD TELEFILMS INDUSTRIES LTD	12069286646
31	507968	JOLLY PLAST.	JOLLY PLASTIC INDUSTRIES LTD	1646881531
32	511357	KAILASH AUTO	KAILASH AUTO FINANCE LTD	18778385876

33	506938	KAPPAC PHARM	KAPPAC PHARMA LTD	11229853954
34	530255	KAY POW PAP	KAY POWER AND PAPER LTD	2709821817
35	530701	KDJHRL	KDJ Holidayscapes and Resorts Limited	1742412203
36	506113	LIFELINE DRU	LIFELINE DRUGS & PHARMA LTD	7361135725
37	526045	LUMINAI TECH	LUMINAIRE TECHNOLOGIES LTD	13176169651
38	511082	MAAJTL	Maa Jagdambe Tradelinks Limited	2570500032
39	531689	MAHAREM	MAHAVIR ADVANCED REMEDIES LTD	2301565920
40	512191	MISHKAFIN	MISHKA FINANCE AND TRADING LTD	3073341941
41	513305	MORYO IND	MORYO INDUSTRIES LTD	2074435790
42	530557	NCL RESEARCH	NCL RESEARCH & FINANCIAL SERVICES LTD	10473082439
43	505525	PARICHAY.INV	PARICHAY INVESTMENTS LTD	47825882
44	511421	PINEANIM	Pine Animation Limited	6081960691
45	535514	PRIMECAPM	PRIME CAPITAL MARKET LTD	7776927
46	505502	PARAG.SHILP.	PS IT Infrastructure & Services Limited	10521882343
47	530561	PSGLOBAL	Radford Global Limited	5069291489
48	512319	RAJLAXMI IND	RAJLAXMI INDUSTRIES LTD	3843851999
49	531228	RANDER CORPO	RANDER CORPORATION LTD	4386842551
50	504335	RUTRON INT.	RUTRON INTERNATIONAL LTD	3413402665
51	530657	GLOBALSECUR	GLOBAL SECURITIES LTD	820767494
52	531800	SHEETAL BIO	SHEETAL BIO-AGRO TECH LTD	84392997
53	512105	SHREENATH	SHREE NATH COMMERCIAL & FINANCE LTD	9099925673
54	505513	SHRSHA TEX	Shree Shaleen Textiles Limited	5021678429

55	512048	SPLASH MEDIA	SPLASH MEDIA & INFRA LTD	15053775100
56	531307	SRK INDUS	S R K INDUSTRIES LTD	10183466070
57	512075	SUCHAKTRAD	SUCHAK TRADING LTD	779157597
58	508969	SULABHA ENGG	SULABH ENGINEERS & SERVICES LTD	7263897942
59	506615	SUN ASIAN	Sunrise Asian Limited	23039310931
60	512311	SURAB.CHE.&I	SURABHI CHEMICALS & INVESTMENTS LTD	7826819506
61	531411	TUNI TEXTILE	TUNI TEXTILE MILLS LTD	15004762452
62	504358	TURBO TECH	TURBOTECH ENGINEERING LTD	8319513048
63	537582	UNISHIRE	Unishire Urban Infra Ltd	66941000
64	531831	UNISYS SOF H	UNISYS SOFTWARES & HOLDING INDUSTRIES LTD	6242882248
65	519273	UNNOIndustr	UNNO INDUSTRIES LTD	10069623779
66	512067	VISHJYOTI TR	VISHVJYOTI TRADING LTD	806226394
67	526671	MKEL	Matra Kaushal Enterprise Limited	3314059825
68	535204	PEARL AGRI	PEARL AGRICULTURE LTD	594169145
69	512379	CRESSAN	CRESSANDA SOLUTIONS LTD	12731895395
70	501945	HINGIR RAM C	DHENU BUILDCON INFRA LTD	1728918198
71	531465	NOUVEAU	NOUVEAU GLOBAL VENTURES LTD	2038723071
72	511016	PREMCAP	PREMIER CAPITAL SERVICES LTD	1931547811
73	512417	TRITRADE	TRINITY TRADELINK LIMITED	3964454359
74	538295	KAUSAMBI	GOLDEN BULL RESEARCH & GROWTH LIMITED	76334491
75	511064	EINSEDUTEC	Eins Edutech Limited	2053636409
76	504369	GRANDMA TRAD	GRANDMA TRADING & AGENCIES LTD	1931947735

77	535205	PEARLELEC	Pearl Electronics Ltd	873557789
78	532031	SARCHEM	SARANG CHEMICALS LTD	Data not available
79	531272	NIKKIGL	NIKKI GLOBAL FINANCE LTD	Data not available
80	531597	MIDPOLY	MIDLAND POLYMERS LTD	Data not available
81	511690	WARNER	WARNER MULTIMEDIA LTD	Data not available
82	512585	KARMA	KARMA INDUSTRIES LTD	Data not available
83	538684	ENCASH	Encash Entertainment Ltd	Data not available
84	511668	FACTENT	FACT ENTERPRISE LTD.	Data not available
			<b>Total</b>	<b>38373,61,55,346</b>

The above list also includes 18 scripts on which Virendra Singh, DIT(Inv)1, Delhi has also done very good work and the results of the investigation in hard copy has already been circulated.

We have covered the following brokers also in our investigation who were involved in purchase/ sale and price rigging of the penny stocks mentioned above. It is pertinent to note that the list includes some of the big names like Anand Rahthi, Religare & SMC.

NO	SHARE BROKER	PURCHASE/LOSS BOOKED VALUE	I. T. Action
1	THE CALCUTTA STOCK EXCHANGE LTD.	67883672746	Many sub Brokers cum operators Covered US 133A
2	GATEWAY FINANCIAL SERVICES LTD.	15631310914	Broker cum Operator covered u/s 133A
3	SMC GLOBAL SECURITIES LTD.	13621692916	Regional office and sub broker covered u/s 13 3A
4	ANAND RATHI SHARE & STOCK BROKERS LTD.	12094512349	Regional office and sub broker covered u/s 13 3A
5	COMFORT SECURITIES LTD.	9705146605	Registered office covered U/S 132 by Mumbai Wing
6	KORP SECURITIES LTD.	8189291860	Broker cum Operator covered u/s 133A



7	RELIGARE SECURITIES LTD.	6628979582	Regional office and sub broker covered u/s 13 3A
8	DESTINY SECURITIES LTD.	5247986735	Broker cum Operator covered u/s 132
9	EUREKA STOCK & SHARE BROKING SERVICES LTD.	3692874993	Registered office and Sub Brokers covered u/s 133A
10	MADHYA PRADESH STOCK EXCHANGE LTD.	2804620283	Sub Brokers covered u/s 133A
11	DYNAMIC EQUITIES PVT.LTD.	2143576378	Sub Brokers covered u/s 131
12	MANU STOCK BROKING PVT.LTD.	2000562872	Broker covered u/s 133A
13	NAKAMICHI SECURITIES LTD.	1814351977	Sub Broker covered u/s 131
14	BABA BHOOTHNATH TRADE & COMMERCE PVT. LTD.	1536516621	Broker cum Operator covered u/s 133A
15	INTELLECT STOCK BROKING LTD.	1745088266	Broker cum Operator covered u/s 133A
16	EAST INDIA SECURITIES LTD.	1303498586	Broker cum Operator covered u/s 133A
17	ABHINANDAN STOCK BROKING PVT. LTD.	1197078242	Broker cum Operator covered u/s 133A
18	FORT SHARE BROKING PVT.LTD.	1020106004	Broker covered u/s 133A
19	RNA CAPITAL MARKETS LTD.	584774994	Broker covered u/s 133A
20	SOSHA CREDIT PVT.LTD.	483067293	Broker covered u/s 133A
21	Millennium Stock Broking Private Limited	376229158	Sub Broker covered u/s 133A
22	KAYAN SECURITIES PVT. LTD.	26457363	Broker cum Operator covered u/s 133A
	TOTAL	159704939372	

The figure of total transaction of the brokers is only ^ 15,970 crores as against the total trade in the scripts which is more than ^ 38,000 crores. The reason for this is, there are other brokers from other cities including some leading names who have traded in these scripts but they could not be covered in our investigation.

We have also been able to establish full cash trail starting from cash deposit account to the account of the beneficiary for nearly ^ 1575 crores. The broker wise split-up is as under:

SL	NAME OF JAMAKHARCHI/BOGUS CLIENT COMPANY	AMOUNT OF CASH TRAIL (Rs.)	NAME OF CONCERNED SHARE BROKER
1	DEBDARU PROMOTERS PVT. LTD	28 Crores	RELIGARE SECURITIES LTD
2	DUARI MARKETING PVT LTD	162 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
3	HEADFIRST VINIMAY PVT LTD	8 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
4	CAMELLIA VINIMAY PVT LTD	24 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
5	KapeswarVintrade Pvt Ltd	157 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
6	LAVANDER EXIM PVT LTD	17 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
7	LADIOS TRADING PVT LTD	206 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
8	MAHAMANI TRADE LINK PVT LTD	103 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
9	AMIT SARAOGI	663 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
10	SankalpVincom Pvt Ltd	95 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
11	GALLANT COMMOSALES PVT LTD	46 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
12	Ashok Kumar Kayan Kayan Securities pvt ltd	51 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
13	PRAN JEEVAN DISTRIBUTORS PVT. LTD.	6.14 Crores	EUREKA STOCK AND SHARE BROKING SERVICES LTD

14	Dristi Suppliers Pvt Ltd	7.40 Crores	EUREKA STOCK AND SHARE BROKING SERVICES LTD
15	PRAN JEEVAN DISTRIBUTORS PVT. LTD.	1.16 Crores	Guiness Securities Ltd
16	PWAN KUMAR KAYAN	Cash Seizure 90 Lakhs	SMC GLOBAL SECURITIES LTD, & EUREKA STOCK .(Sub Broker)
	<b>TOTAL</b>	<b>1575 Crores</b>	

### **Modus operandi**

The whole business of providing entries of bogus LTCG over the years have become much more organised and with economy of scale in full operation the stake involved have become huge. Before the actual transaction start taking place there are brokers in different towns who contact prospective clients and take paper booking for entries. The commission to be paid to the operators is decided at this stage however, no money is paid. Once the booking is complete the operators have a reasonably good idea of how much LTCG is to be provided along with the break-up of individual beneficiaries. This data is essential to decide which penny stock or companies to use for the job and which beneficiary to buy how many shares.

### **Types of Penny stock companies**

Broadly speaking there are two types of companies.

- i) An old already listed company, the entire shareholding of which is bought by the syndicate to provide LTCG entries. These are generally dormant company with no business and with accumulated losses

- ii) A new company which is floated just for the purpose giving LTCG entries. Such new companies are often floated after the initial booking is complete and the capital base is decided keeping in mind the entries to be provided.

### **The entities involved in the transactions**

As mentioned earlier there are three categories of individuals who are involved in the transactions

#### **i) Syndicate Members.**

They are the promoters of the Penny Stock companies who own the initial shareholding mostly in the name of paper companies either in a fresh IPO or purchased from the shareholders of a dormant company. They are usually a group of 4-5 individuals who also referred to as Syndicate Members and are sometimes also referred to as Operators. Their nominees are directors of the Penny Stock companies which is indirectly controlled by them through such dummy directors. The whole operation is managed by them. They get the net commission income from the transactions. Their name however, seldom appears in the actual transactions.

#### **ii) The Brokers**

They are registered brokers through whom shares are traded both online and off-line. They are fully aware of the nature of transactions and get paid a commission over and above their normal brokerage. Some of the big broking houses are also indulging in such transactions mostly through sub-brokers. Even Calcutta Stock Exchange has registered itself as a broker with BSE and has given a large number of terminals to sub-brokers who are dealing into this type of transactions. In this investigation we have also covered some of the sub-brokers of big broking houses like Anand Rathi, Religare Securities, SMC etc. The brokers often compromise on KMC norms of the clients to help the Syndicate Members.

#### **iii) The Entry Operators.**

They are individuals who control a large number of paper/shell companies which are used for routing cash for the transactions as well as buying and selling shares during the process of price rigging. They work for commission to be paid by the Syndicate Members.

To cut cost sometimes in smaller operations, the same group perform more than one function.

## The Transaction

The transaction involves three legs.

- i) **Purchase of share by the beneficiary.** In this the beneficiary is sold a fixed number of shares at a nominal rate. The price and the number of shares to be purchased are decided on the basis of the booking taken and the value up to which price would be rigged. This leg of the transaction mostly is off-line. This is done to save on STT using the loophole in Section 10(38) of the IT Act which palaces restriction of trading by payment of STT on sale of shares and not on purchase.
- ii) **Price rigging.** After the shares have been purchased by the beneficiaries, the syndicate members starts rigging the price gradually through the brokers. In these transactions the volume is almost negligible. Two fixed brokers who are in league with the Syndicate buy shares at a fixed time and at a fixed price. These low volume transactions are managed through paper companies of entry operators.
- iii) **Final sale by the beneficiary.** This is done after the beneficiary has already held the share for one year. The period of holding may be a little more to match the amount of booking with the final rate. The beneficiary is contacted either by the Syndicate member or the Broker (Middle man) through whom the initial booking was done. The beneficiary provides the required amount of cash which is routed through some of the paper companies of the entry operator and is finally parked in one company which will buy the share from the beneficiary. The paper company issues cheque to the beneficiary.

The above mentioned methodology is referred to as **Conventional Method**. Another method which also used quite often is called **Merger Method**. The methodology adopted in Merger Method is as under:

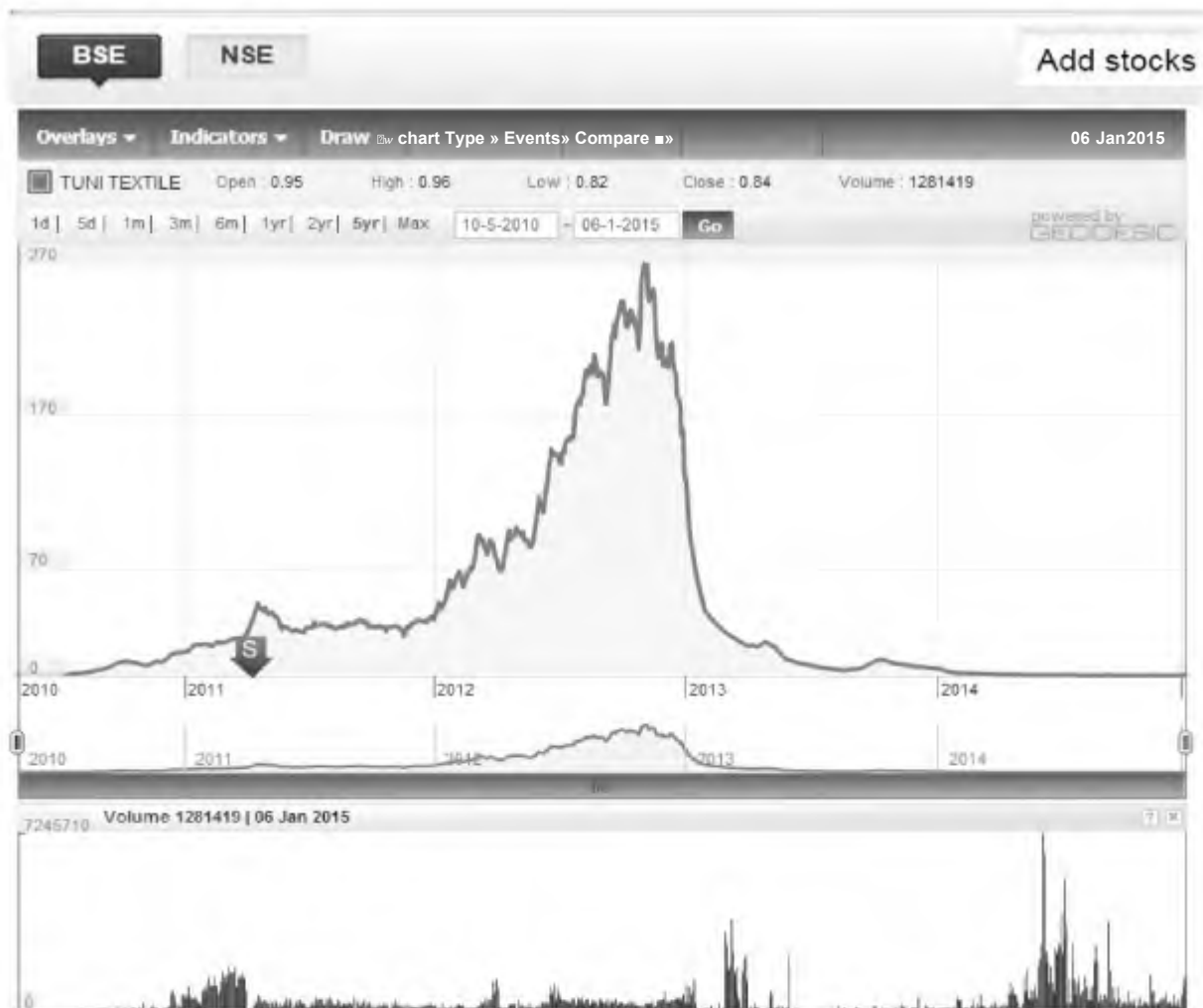
### Merger method :

In this method the operators first form a Private Limited Company and the shares at par are allotted to beneficiary individuals. This private limited company is then amalgamated / merged with a listed penny stock

company by a High court order. Depending on the capital of the amalgamating and amalgamated companies, the investors are allotted stock of the listed companies in the same proportion. The capital of the Penny stock listed company and the private limited company are so arranged that the beneficiaries post- merger, get shares of listed company in the ratio 1:1, thus the investor gets equal number stocks of the listed company. The promoters of the listed penny stock companies run the syndicate, the brokers and the entry-operators through whose paper/shell companies cash are routed are merely commission agents. The penny stock listed company is such that though its capital base is small its market capitalisation is many times its capital base. This is managed again through small volume predetermined transaction amongst members of the syndicate. The prices of shares are thus manipulated at 20 to 25 times the face value. For example the quoted price of such a company would be around ₹ 250 with minor fluctuations synchronised with rise and fall in the market to avoid regulatory glare. One such company is Quest Financial Services Ltd. quoted on CSE. The investors hold these shares the penny stock listed company which it got as a result of merger for one year (statutory lock-in period for exemption under IT Act) and then sell it to one of the shell private limited companies of the operator. The investor thus makes a LTCG of 25 times its original investment. The purchase consideration is again provided in cash by the investor which is laundered to the buyers account through a maze of shell companies as mentioned in the previous method.

The list of companies merged and the beneficiaries emanating therefrom is mentioned in the DDIT's report. The High Courts do sometimes refer the case to the jurisdictional CIT before passing amalgamation order. The CIT however, neither has the time nor the wherewithal / jurisdiction to investigate. The result, the blatant tax evasion is getting stamped by the Hon'ble High Courts.

A typical chart of share price verses date and the volume of a 'Penny stock' included in the above mentioned list is illustrated below. Mark the heavy volume in 2014 when the price is negligible. One year later this chart will again see the bell curve peak as one shown on the left.



In the curve above while LTCG is booked while the share price is going up, the downward journey is used by the operators for booking bogus losses. People who have huge profit take the Short Term Capital loss (STCL) to set-off their profit. The methodology used is the same. The beneficiary who wants loss buys the share at a high rate from the beneficiary who is taking LTCG. The loss taking beneficiary pays cheque to the LTCG taking beneficiary and the cash provided by the LTCG beneficiary is returned to the Loss taking beneficiary. The operator deducts his commission before payment by cash. As prices crash the loss taking beneficiary sells these shares bought at high value for small value resulting in artificial loss.

A DGIT(Inv) wise list of beneficiaries along with all statements is enclosed on a DVD. You are requested to kindly disseminate the same to the A.Os through the CCITs concerned. The list has been segregated on the basis of the address given by the beneficiaries to the broker. It is possible that some of the beneficiaries are assessed somewhere else. In such cases the information may kindly be passed on to the DGIT concerned. We were not able to cover some individuals

who are presently operating in other jurisdictions. The DGIT(Inv) concerned may supplement the effort by covering some more individual or individuals who despite our best efforts could not be covered. However, the entire list of beneficiaries given in the report is backed by some statement which is on the enclosed DVD . Some of the big beneficiaries may also be targeted for focussed further probe. Acceptance by them would be the final nail on the coffin. In one of the investigation in Kolkata Sri Deepak Kumar Agarwal in course of search accepted taking entries of LTCG amounting to ^ 25 crores. Some other beneficiaries have also accepted as mentioned in the report of Virendra Singh DIT(Inv) 1 Delhi.

The issue is not that on the basis of this investigation we may have built a water tight case of concealment where each and every beneficiary can be prosecuted. Even if our effort results in raising the cost of evasion, I will personally consider it successful.

If any other directorate has done some work on this and wishes to supplement the effort undertaken by us, kindly get in touch with us.

A copy of this letter is also being marked to Chairman SEBI as SEBI is the regulatory authority vested with the mandate to stop such illegal trade. What we have undertaken is actually a post-mortem of the trade, a better course would be to nip the trade in the bud, which can be done only by SEBI.

At end I would like to explain the arrangement of the data in the DVD which is enclosed. When you open the DVD there would be five folders as under;

- i) INVESTIGATION REPORT
- ii) LTCG DATABASE
- iii) LTCG summary
- iv) LTCG TRADE LEDGER
- v) STCL Summary
- vi) STCL TRADE LEDGER
- vii) SEBI ORDERS

**Investigation Report** contains in soft form what has been sent as hard copy which includes my report, the report of the DDIT(Inv) and some data.

**LTCG Database** contains all statements of brokers, promoters and entry operators.

**LTCG summary** gives the total amount of sale by individual beneficiaries along with their PAN and address as given to the broker under KYC.

**LTCG trade Ledger** gives the details of transaction script wise and date wise. In other words it is the details of LTCG summary.



**STCL** stands for Short Term Capital Loss. The STCL summary and ledger is exactly similar to LTCG except that it contains list of beneficiaries who have taken entries of bogus loss.

**SEBI Orders** contain some of the orders passed by SEBI wherein some such penny stock company's trading has been suspended. These orders are available in public domain, however, we thought to put it here also for ready reference.

The data of **DGIT(International tax)** needs a special mention here. To our surprise we found that a large number of NRIs and many well-known FIIs are buying or selling these stocks. This appears like a case of black money stashed abroad coming back to India(purchase) or money being sent out of the country (Sale). It is found that while only ^ 27.57 crores have gone out of the country; the amount coming in is ^ 114.97 crores. For details of this modus operandi please click on the link after pressing Ctrl on your computer to see the video. <https://www.youtube.com/watch?list=UUSrS7iCispbQYTG1-NSLNyw&t=25&v=CI2gIwBg35c>. Or copy this link and paste it in Google search for the video. The matter may be examined from this angle.

A detailed report prepared by the DDIT(Inv), Dhruv Purari Singh who painstakingly investigated this case is also enclosed along with the DVD.

Yours faithfully

(BISHWANATH JHA)  
Principal Director of Income tax (Inv)  
Kolkata

Memo F.No.75A/2015-16/274-75

Dated: 27-04-2015

- i) Chairman SEBI
- ii) Member(Inv), CBDT

(BISHWANATH JHA)  
Principal Director of Income tax (Inv)  
Kolkata

## **Chapter-1: Preface.**

For quite some time information about bogus Long Term Capital Gain and Short Term Capital Loss was coming from various sources. Even Directorate of Investigation Kolkata, conducted some inquiries in the past which unearthed some big syndicates involved in providing accommodation entry of Long Term Capital Gain. However, these were cases of individual brokers. In order to cast the net wide, it was decided that in this investigation, which acquired the character of a project, the focus would be on the penny stocks, instead of the operator.

In the whole project total 84 BSE listed penny stocks have been identified and worked upon. After that, number of search and surveys were conducted in the office premises of more than 32 Share broking entities, which accepted that they were actively involved in the bogus LTCS/STCL Scam. Surveys were also conducted in the office premises of many accommodation entry providers and their statements recorded. All have accepted their role in the scam.

Beneficiaries of more than Rs. 38 thousand Crore Have been identified and segregated DGIT(Inv.) wise. Total number of more than 60 thousand PAN numbers of the beneficiaries have been identified, which is being reported to assessment wings through the DGIT,s.

This report covers more than 5000 paper/shell companies, also known as Jamakharchi companies, which are involved in providing bogus accommodation of various kinds. Statements for most of the directors of companies have been recorded under oath and are given in the LTCG Database, which is in the DVD enclosed.

We have also prepared cash trail of Rs. 1570 Crores. This massive cash trail of Rs. 1570 Crores shows, how unaccounted/undisclosed cash of beneficiaries is being routed through this modus to convert black money into LTCG. We have followed the money trail from the point it is being deposited to the undisclosed proprietorship bank accounts, to the accounts of share brokers. Then we have recorded statements of share brokers where they have accepted that this cash has been used for providing accommodation entry of bogus LTCG.

This report contains a Database in soft form (in DVD), which comprised statements of 25 entry operators their dummy directors and list of their 5000 shell

companies. This database also contains statements of more than 34 Share broking entities recorded under oath. In short, this report can claim to be a database of bogus LTCG/STCL syndicate. This report is not full and final; we intend to update our database on regular basis with new actions against entry operators and assures that the same will be communicated to all stakeholders, at the earliest. It is also requested that other directorates, who have carried out similar investigation may like to share the data with us in soft form so that a comprehensive database of LTCG operators can be made.

### Capital Gain Side or Sale Side Beneficiaries

DGIT Wise	NO OF PAN	AMOUNT
MUMBAI	17344	^ 1223392,20,545
KOLKATA	12236	^ 671804,06,328
DELHI	6632	^ 609972,97,795
AHEMDABAD	6962	^ 241851,44,408
LUCKNOW	3996	^ 221427,35,005
CHANDIGARH	2519	^ 165985,63,664
BHOPAL	3118	^ 151807,09,899
JAIPUR	3471	^ 150909,93,477
BENGALURU	1619	^ 107038,20,659
HYDERABAD	2604	^ 105012,00,292
CHENNAI	1790	^ 90944,04,614
PATNA	1133	^ 42251,14,570
PUNE	399	? 514,21,00,307
INTERNATIONAL TAXATION	136	^ 2757,35,307
KOCHI	187	^ 2172,38,411
<b>TOTAL</b>	<b>64811</b>	<b>^ 3838746,85,281</b>

**Short Term Capital Loss or Purchase Side Beneficiaries/Jamakharchi Providers.**

<b>DGIT Wise</b>	<b>NO. OF PAN</b>	<b>AMOUNT</b>
KOLKATA	12240	R 2246797,65,038
MUMBAI	11854	R 797756,89,393
DELHI	2920	R 311585,30,784
AHEMDABAD	4742	R 117224,30,395
BHOPAL	1514	R 87343,71,717
CHANDIGARH	1241	R 59263,52,548
JAIPUR	2098	R 57041,28,394
LUCKNOW	2062	R 56115,31,092
BENGALURU	914	R 24008,04,555
CHENNAI	899	R 16965,42,285
HYDERABAD	1187	R 16060,99,482
INTERNATIONAL TAXATION	248	R 11497,68,948
PATNA	437	R 4635,75,503
PUNE	300	?7950,47,517
KOCHI	216	R 734,28,064
<b>TOTAL</b>	<b>43154</b>	<b>R 3814980,65,714</b>

## Chapter-2

### Detailed Comment on Modus Operandi of the syndicates providing Bogus Accommodation Entry of LTCG/STCL.

1. Accommodation entry is a financial transaction between the two parties where one party enters the financial transaction in its books to accommodate the other party. These transactions are accommodated mostly in lieu of cash of equal amount and commission charged over and above at certain fixed percentage for providing such accommodation entry. These accommodation entries are taken by various beneficiaries for introducing their unaccounted cash into their books of accounts without paying the due taxes.

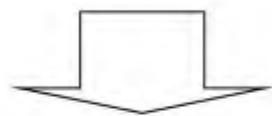
An entry operator is the person who is in the business of giving accommodation entries in lieu of cash/cheque of equal amount after charging certain percentage of commission in cash.

Long Term Capital Gain in shares, is defined by the value of such shares, which are shares of a stock exchange listed company, held by assessee for more than a year. Needless to add, it is exempt from tax under section 10(38), of the I. T. Act.

#### 2. BOGUS LONG TERM CAPITAL GAIN

Let us suppose that there is a person “B” (Beneficiary) who is in possession of unaccounted money and who wants to bring this unaccounted money into his books. At the same time this person also desires to avoid paying any tax whatsoever when this money is brought into the books.

Now this person “B” approaches the **Entry operators “O”**. Operator is a person who manages the overall scheme of the scam. An operator maintains a complex nexus of various paper/bogus entities and is also in control of some companies whose shares are listed on one or the other Stock Exchanges. He maintains a close nexus with share brokers.



When approached by “B”, operator asks the “B” to buy some specific number of shares of a **specific** listed company. These shares can be bought by the Beneficiary either on the exchange itself or the operator may arrange for the issue of these shares to the beneficiary through preferential allotment i.e. through private placement (this is an off-market transaction).

**These shares are allotted to the beneficiaries at very low price.**



Thereafter, the Operator starts rigging the price of the shares through circular trading and **increases** the price of the shares, with the help of share brokers and bogus clients. The prices are rigged to an optimum amount over a period of time.



Once a period of 1 year (for claim of exemption on LTCG u/s 10 (38)) is over, the operator asks the beneficiary to deliver the unaccounted cash. Once the unaccounted cash has been delivered by the beneficiary, the

same is then routed by the operator to the books of various Paper/Bogus Companies which ultimately buy the shares belonging to the beneficiary at high prices. The cash is routed to the books of bogus companies through a maze of various other paper companies so as to avoid the direct cash trail.



Once the cash has been routed to the books of paper/bogus companies, which are registered as clients to the brokers, the operator instructs the Beneficiary to place a sell option for the shares belonging to the beneficiary, in a particular lot size on a particular date and time.



At the same time the operator instructs the paper/bogus companies maintained by him to buy the shares of the beneficiary on the exchange at the predetermined particular date and time.



In this way the shares of the beneficiaries are bought by the paper/bogus companies and the unaccounted money of the beneficiary is routed to the books of the beneficiary as a bogus entry of LTCG.

### 3. BOGUS SHORT TERM CAPITAL LOSS

Sometimes, the operator also has request from some companies which foresee that they are going to have huge profits in their books of accounts. The Company wishes to reduce its taxable income by taking entry of bogus loss in its books of account so as to set-off the profit that it is going to earn. These companies are given entry of bogus Short term Capital Loss in the following manner:

Let us suppose that there is a **Company “B” (Beneficiary)** which foresees that it is going to have huge profits in its books of accounts. The Company wishes to reduce its taxable income by taking entry of bogus loss in its books of account so as to set-off the profit that it is going to earn.



Now this Company “B” then approaches the **Entry operator “O”**. Operator is a person who manages the overall scheme of the scam. An operator maintains a complex nexus of various paper/bogus entities and is also in control of some companies whose shares are listed on one or the other Stock Exchanges.



When approached by “B”, the operator asks the “B” to buy some specific number of shares of a **specific** listed company. **These shares are bought by the beneficiary company at very high price on the stock exchange.**



The shares which are bought by the beneficiary company are held by **either the paper/bogus entities** maintained by the operator **or by the beneficiaries** who wish to take an entry of bogus LTCG in their books.



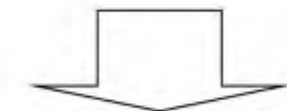
Thereafter, the Operator rigs the price of the shares through circular trading and **decreases** the price of the scrip. The prices are rigged to an optimum amount over a period of time.



Once the price of the shares has been decreased by circular trading, the operator asks the beneficiary company to place a sell option for the shares belonging to the beneficiary in a particular lot size on a particular date and time.

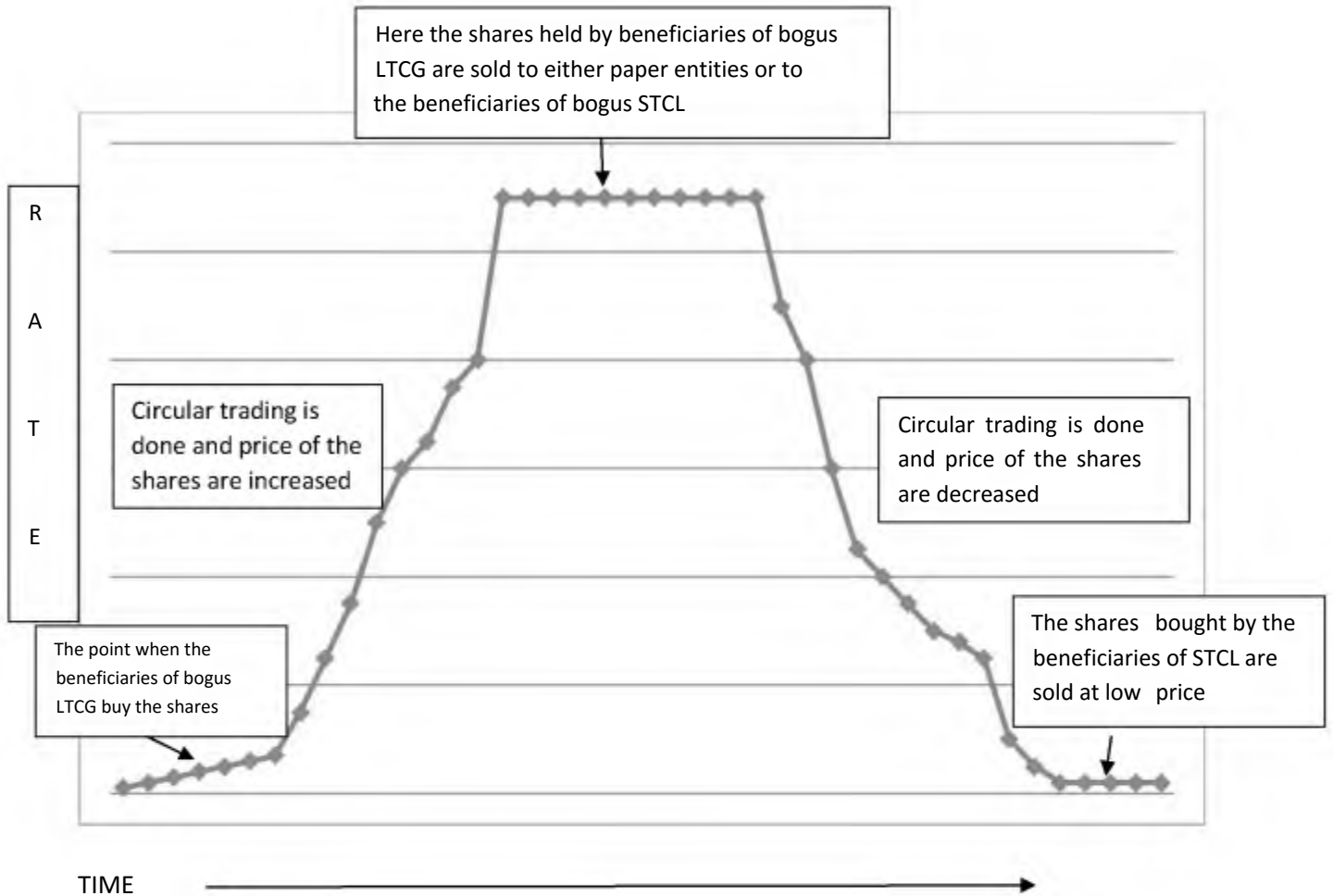


The loss that is incurred by the Beneficiary company is returned back to the company in cash.



In this way the beneficiary companies desirous of booking a loss in their books of account get an entry of bogus STCL which is set-off against the regular profit of the company.

A pictorial depiction of the whole scheme is as follows:



The entities involved in this scheme of price manipulation of shares and entry of bogus LTCG and bogus STCL are as follows:

- The operator of the Scrip
- Directors/promoters of the listed stock (**Penny Stock Companies**)  
whose price are manipulated
- The beneficiaries of LTCG

- The beneficiaries of STCL
- Bogus/paper entities maintained by the operator which are involved in price manipulation and in providing exit to the beneficiaries from the exchange.
- The share brokers who provide the access of stock market to these bogus/paper entities, in lieu of high brokerage and cash commissions.

### **Role of Operator**

The operator is a person who manages the overall scheme of the scam. He is in control of numerous paper/bogus companies which are utilized for routing of cash. The beneficiaries desiring bogus LTCG/STCL approach the operator. The operator is also in control of some **penny stock companies** whose shares are listed on a recognized stock exchange.

Penny Stock is a stock that trades at a relatively low price and market capitalization. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure.

Sometimes there are a number of intermediaries who work for the operator. These intermediaries introduce the beneficiaries to the operator or in many cases these intermediaries become sub agents of the operator and deal with the beneficiaries on their own.

### **Role of Promoters of Penny Stock Companies**

A penny stock is a stock which is usually traded at very low price and has very low market capitalization. The shares of the penny stock are closely held as the general public is not interested in these stocks due to the poor financials of the listed companies. The operator chooses one of such penny stocks for the implementation of the scheme. The promoters/directors of the penny stock

company are paid some cash commission and in return they allow the operator to manage the affairs of the company. The operator then issues shares of these penny stock companies to the beneficiaries through the route of preferential allotment (Private Placement).

As per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the shares that are allotted through private placement, have a lock-in period of 1 year. Therefore, these shares can be sold by the allottees only after a period of one year from the date of allotment. This qualifies them for the benefit of claim of exempt LTCG.

As already mentioned these penny stock companies have no actual business or establishment. They have no financial credentials also. Thus, the fact that beneficiaries subscribe for their shares through private placement is in itself a suspicious thing. No genuine person in the right state of mind would invest in these penny stock companies. The shares are subscribed only for the purpose of claiming LTCG at a later stage. The promoters/directors of the companies work hand in glove with the operator to implement this scheme of availing bogus LTCG.

### **Role of Share brokers**

As per the guidelines of SEBI and the stock exchanges, the brokers are supposed to comply with stringent KYC norms before registering any entity as their client. They are supposed to perform detailed background checks on their clients. However, it is seen that these share brokers have done trading for various paper/bogus companies. These paper/bogus entities have no business or establishment. This clearly implies that the share brokers are hands in glove with the paper/bogus companies in the whole scheme. The share brokers receive cash commission for allowing these paper entities to trade through their terminal. In fact it has been learnt that these brokers perform the trading themselves on behalf of the paper/bogus entities. Many brokers have accepted this fact in their statements recorded by the directorate.

#### **4. Project Basis Enquiry of the scam.**

Various enquiries have been conducted by the Directorate of Investigation, Kolkata, on a project basis, which has resulted into the unearthing of a huge syndicate of Entry Operators, share brokers and money launderers, involved in providing bogus accommodation of Long Term Capital Gain, Short term capital loss. It has come to light that large scale manipulation has been/is being done in market price of shares of certain companies listed on the Bombay Stock Exchange by certain persons working as a syndicate in order to provide entries of tax exempt bogus Long Term Capital Gains to large number of persons in lieu of unaccounted cash. The basic objective of this racket is to convert black money into white without payment of Income Tax. The unaccounted cash of such persons [beneficiaries] is utilized to purchase shares of such companies at a very high artificially inflated market price. This practice is generally called Accommodation Entry Scam, as the activities of such persons are carried out with prime objective of accommodating unaccounted cash of beneficiaries into their regular books of accounts without paying any tax on the same. Some of the listed companies, directly or indirectly owned by operators and whose share prices have been apparently manipulated by the syndicate of operators, which have come to adverse notice of the Income Tax Department, are as under:

SL NO	SCRIPCODE	SCRIPNAME	Full Name
1	531517	ALANG IN GAS	ALANG INDUSTRIAL GASES LTD
2	531720	ALPHA GRAPHI	ALPHA GRAPHIC INDIA LTD
3	538423	ALPS MOTOR	Alps Motor Finance Ltd
4	512355	ANUKARAN COM	ANUKARAN COMMERCIAL ENTERPRISES LTD
5	590122	ASHIKACR	ASHIKA CREDIT CAPITAL LTD

6	530479	ATLINFRA	Atlanta Infrastructure and Finance Ltd
7	531570	BLAZON MARBL	BLAZON MARBLES LIMITED
8	508939	BLUE CIRCLE	BLUE CIRCLE SERVICES LTD
9	531900	CCLINTER	CCL INTERNATIONAL LTD
10	535142	CHANNEL NINE	CHANNEL NINE ENTERTAINMENT LTD
11	535267	COM FINCAP	COMFORT FINCAP LTD
12	526141	COMP DISC IN	COMPACT DISC INDIA LTD
13	512361	CUPID TRADE	CUPID TRADES & FINANCE LTD
14	503637	DHANLEELA	DHANLEELA INVESTMENTS & TRADING COMPANY LTD
15	532903	DHANUSTECH	DHANUS TECHNOLOGIES LTD
16	534839	ECO FRIENDLY	ECO FRIENDLY FOOD PROCESSING PARK LTD
17	512207	EFFTXT	Effingo Textile & Trading Limited
18	531502	ESAAR INDIA	<u>ESAAR (INDIA) LTD</u>
19	534927	ESTEEM BIO	ESTEEM BIO ORGANIC FOOD PROCESSING LTD
20	511369	FIRST FIN.	FIRST FINANCIAL SERVICES LTD
21	535431	GCM SECU	GCM Securities Ltd
22	531055	GFLFIN	GFL Financials India Limited
23	531463	GBLINFRA	Global Infratech & Finance limited
24	538180	GOLD LINE	Gold Line International Finvest Ltd
25	509024	GOLD.LEG.LEA	GOLDEN LEGAND LEASING & FINANCE LTD
26	531737	GREENCREST	Greencrest Financial Services Limited
27	535217	HPC BIO	HPC BIOSCIENCES LTD
28	534734	ICVL CHEM	ICVL CHEMICALS LTD
29	538422	JACKSON	Jackson Investments Ltd
30	511092	JMD TELEFILM	JMD TELEFILMS INDUSTRIES LTD
31	507968	JOLLY PLAST.	JOLLY PLASTIC INDUSTRIES LTD
32	511357	KAILASH AUTO	KAILASH AUTO FINANCE LTD
33	506938	KAPPAC PHARM	KAPPAC PHARMA LTD
34	530255	KAY POW PAP	KAY POWER AND PAPER LTD

35	530701	KDJHRL	KDJ Holidayscapes and Resorts Limited
36	506113	LIFELINE DRU	LIFELINE DRUGS & PHARMA LTD
37	526045	LUMINAI TECH	LUMINAIRE TECHNOLOGIES LTD
38	511082	MAAJTL	Maa Jagdambe Tradelinks Limited
39	531689	MAHAREM	MAHAVIR ADVANCED REMEDIES LTD
40	512191	MISHKAFIN	MISHKA FINANCE AND TRADING LTD
41	513305	MORYO IND	MORYO INDUSTRIES LTD
42	530557	NCLRESEARCH	NCL RESEARCH & FINANCIAL SERVICES LTD
43	505525	PARICHAY.INV	PARICHAY INVESTMENTS LTD
44	511421	PINEANIM	Pine Animation Limited
45	535514	PRIMECAPM	PRIME CAPITAL MARKET LTD
46	505502	PARAG.SHILP.	PS IT Infrastructure & Services Limited
47	530561	PSGLOBAL	Radford Global Limited
48	512319	RAJLAXMI IND	RAJLAXMI INDUSTRIES LTD
49	531228	RANDERCORPO	RANDER CORPORATION LTD
50	504335	RUTRON INT.	RUTRON INTERNATIONAL LTD
51	530657	GLOBALSECUR	GLOBAL SECURITIES LTD
52	531800	SHEETAL BIO	SHEETAL BIO-AGRO TECH LTD
53	512105	SHREENATH	SHREE NATH COMMERCIAL & FINANCE LTD
54	505513	SHRSHA TEX	Shree Shaleen Textiles Limited
55	512048	SPLASH MEDIA	SPLASH MEDIA & INFRA LTD
56	531307	SRK INDUS	S R K INDUSTRIES LTD
57	512075	SUCHAKTRAD	SUCHAK TRADING LTD
58	508969	SULABHA ENGG	SULABH ENGINEERS & SERVICES LTD
59	506615	SUN ASIAN	Sunrise Asian Limited
60	512311	SURAB.CHE.&I	SURABHI CHEMICALS & INVESTMENTS LTD
61	531411	TUNI TEXTILE	TUNI TEXTILE MILLS LTD
62	504358	TURBO TECH	TURBOTECH ENGINEERING LTD
63	537582	UNISHIRE	Unishire Urban Infra Ltd

64	531831	UNISYS SOF H	UNISYS SOFTWARES & HOLDING INDUSTRIES LTD
65	519273	UNNO INDUSTR	UNNO INDUSTRIES LTD
66	512067	VISHJYOTI TR	VISHVJYOTI TRADING LTD
67	526671	MKEL	Matra Kaushal Enterprise Limited
68	535204	PEARL AGRI	PEARL AGRICULTURE LTD
69	512379	CRESSAN	CRESSANDA SOLUTIONS LTD
70	501945	HINGIR RAM C	DHENU BUILDCON INFRA LTD
71	531465	NOUVEAU	NOUVEAU GLOBAL VENTURES LTD
72	511016	PREMCAP	PREMIER CAPITAL SERVICES LTD
73	512417	TRITRADE	TRINITY TRADELINK LIMITED
74	538295	KAUSAMBI	GOLDEN BULL RESEARCH & GROWTH LIMITED
75	511064	EINSEDUTEC	Eins Edutech Limited
76	504369	GRANDMA TRAD	GRANDMA TRADING & AGENCIES LTD
77	535205	PEARLELEC	Pearl Electronics Ltd
78	532031	SARCHEM	SARANG CHEMICALS LTD
79	531272	NIKKIGL	NIKKI GLOBAL FINANCE LTD
80	531597	MIDPOLY	MIDLAND POLYMERS LTD
81	511690	WARNER	WARNER MULTIMEDIA LTD
82	512585	KARMA	KARMA INDUSTRIES LTD
83	538684	ENCASH	Encash Entertainment Ltd
84	511668	FACTENT	FACT ENTERPRISE LTD.

*(Detailed names, PAN, Entry operators and promoters of these scripts can be found in the LTCG Database, given in DVD separately.)*

The above list is not comprehensive as similar racket is being carried out in many other listed companies



## **5. Background:**

Kolkata has a very distinctive place among the cities of India, so far as accommodation entry is concerned. It is the hub of Jamakharchi/accommodation entry providers. This city runs a very organized and systematic money laundering syndicate. Directorate of Investigation Kolkata has successfully handled this syndicate and unearthed huge accommodation entry rackets, from time to time.

A Search & Seizure action was conducted by the Directorate of Income Tax [Investigation], Kolkata in 02/07/ 2013 on Anand Sharma and Janardan Chokhani Group, and subsequently on the Deepak Patwari,s Destiny Security Ltd Group. As a result of the said search & seizure action, it was gathered that certain persons had been involved in manipulation of the market price of shares of some companies listed on the BSE namely *M/s Pearl Electronics ltd, Shree Shaleen Textiles Limited, Cressanda Solutions Ltd, etc.*, in order to provide entries of bogus Long Term Capital Gains to the interested persons hereinafter referred to as ‘beneficiaries’. On the basis of statements recorded and findings of the investigations huge amount of beneficiaries were detected and reported to Assessment wings.

Another Survey U/S 133A of the Income Tax Act, was conducted on 08/05/2014, in the case of Sikaria Share & Stock Broking Services Pvt. Ltd. Where not only a money trail from cash deposit to Beneficiary, via Share Broker, was established but various entry operators were made to confesses their role in the Bogus LTCG Scam.

Another Survey U/S 133A of the Income Tax Act, was conducted on 07/08/2014, in the case of Quest Financial Services Ltd and Prakash Jajodia. Here also, not only a money trail from cash deposit to Beneficiary, via Share Broker, was established but key entry operator/ promoter of Listed Company was made to confess his role in the Bogus LTCG Scam.

Another invaluable investigation report about LTCG Scam was received from DIT (Inv.)Delhi, which provided deep inputs about the modus operandi and length and breadth of the LTCG Syndicate.

In the background of above information Directorate of Income Tax (Investigation) Kolkata, planned to unearth the huge racket of accommodation entry provides and share brokers involved in the racket. So, as per the direction Principal DIT (Inv.) Kolkata, I initiated various actions covering number of entry operators, share brokers, which ultimately resulted in unearthing of LTCG entry scam of a very large magnitude involving a syndicate of operators based in Delhi, Kolkata & Mumbai acting in tandem to manipulate the market price of shares of certain companies in an organized manner and then to provide entries of bogus Long Term Capital Gain to interested person through a complex web of prearranged transactions. This note provides insights into the accommodation entry scam involving the syndicate of operators and the complex web of prearranged or artificial web of transactions created by them in order to carry out their unethical and illegal objective of providing entries of Long Term Capital Gain or, at times, Short Term Capital Loss to the interested persons [beneficiaries].

#### **6. Further elaboration of Modus Operandi of the Syndicate:-**

In view of the background discussed in foregone paras, *we conducted action on more than 30 Share broking entities and more than 20 entry operators working in Kolkata.* Almost everyone has accepted its active participation in providing accommodation entry of Long Term Capital Gain.

The enquiries have revealed that the entire entry providing scam comprises of various levels of operators who either introduce the unaccounted cash of beneficiaries in their accounts through a layer of transactions and utilize the said cash for purchase of shares at manipulated high prices which ultimately results in payment of the amount back to the beneficiary in the guise of sale proceeds of shares ostensibly resulting in Long Term Capital Gain to the beneficiary. Reverse modus operandi is adopted in order to provide entry of bogus Short Term Capital Loss.

The associate operator on his own or with the financial support of intermediary agent purchases a company listed on BSE and having a small capital base. The basic criterion for purchase of a company is a small capital base with majority of shareholding with the promoters who are also mostly persons of dubious reputation. The shareholders are then replaced by the persons who wish to procure entry of Long Term Capital Gain (LTCG) to convert their unaccounted cash/income into tax exempt LTCG and, thus, introduce their unaccounted income in their accounts/ books without payment of income tax which is otherwise due on such income and, thereby, causing loss to the revenue. Such persons are promised tax exempt LTCG 10 to 20 times of the amount initially shown to have been invested. Though the purported initial investment of such persons [beneficiaries] is shown through payment by cheque, the entire amount shown to have been initially invested is either returned to them by the associate operator in cash or adjusted against the payment to be received at the time of harvesting of the bogus LTCG. The shares are initially shown to have been purchased by the beneficiaries and, after a year, shown to have been sold by them through purely accommodative transactions without an iota of genuineness. The initial transfer of shares in the name of beneficiary can be an 'off market transaction' or 'online transaction' and, thereafter, issue of 'preferential shares' at nominal rates or issue of bonus shares even though there is hardly any profit or business activity in these companies. Sometimes, the associate

operators even incorporate new companies exclusively for this purpose and get them listed on BSE. The basic aim of their exercise is to allot the shares of listed companies to beneficiaries at a minimum price. The modus operandi may even involve a process of amalgamation of an unlisted company with an already listed company. The associate operators also entertain request for Short Term Capital Loss from beneficiaries who wish to reduce their taxable profits by setting off their profits against fictitious short term losses.

After allotting shares to the beneficiaries, the associate operator starts manipulating the share prices. Here it is pertinent to note that most of the investors at this point are those businessmen who want their unaccounted cash to be converted to bogus tax exempt LTCG. It is observed that the share prices of such companies are manipulated to raise the market price of share to astronomical proportions within the stipulated period of one year. [It is here that the surveillance mechanism of the Stock Exchange has either failed or the persons responsible for surveillance have consciously allowed the manipulations to happen]. The business activities which may be shown by such companies are mere paper transactions which cannot be substantiated at ground level. The share price is slowly but consistently manipulated northwards till the purported market price of the share attains the desired level. Despite extremely thin trading volume of shares on the Stock Exchange, the share prices are made to rise consistently through circuitous and prearranged transactions by manipulating the operations.

The rise & fall in price of shares is sharp and is not at all correlated & commensurate with the fundamentals of the company. The financials of the companies do not justify such phenomenal rise or sharp fall in the market price of shares. Enquiries further reveal that the funds for the purchase of shares which are off-loaded to book fictitious LTCG, as already mentioned above, are in fact provided

by the beneficiaries in cash. The cash of beneficiaries is utilized to create dummy buyers by routing the same through various paper entities. When the time is ripe for the LTCG beneficiaries to reap LTCG, they are informed by the intermediary agent or his employees to provide cash for arranging the sale of the shares. This cash is then handed over to the contact persons of the operator/associate operator. These persons then receive RTGS in lieu of such cash from various small RTGS operators. This RTGS is then used to finance the dummy buyer of the shares to be sold by the beneficiary. Sometimes, this cash is even handed over to the persons interested to take entry of bogus Short Term Capital Loss in lieu of cheques of equal amount from them ostensibly for purchase of such shares at artificially inflated market price. In the process, their white money is converted into black and their taxable profit is reduced.

When the buyer [either dummy paper entity (after receipt of amount in its bank account) or Short Term Capital Loss aspirant] is ready, the associate operator or his employee gives a call to the intermediary agent or his employee to ask him to **sell specific quantity of shares (depending on the amount of RTGS) at a specified price at the specific time**. The intermediary agent or his employee, as the case may be, then either calls the broker of the beneficiary to sell the shares of the beneficiary or sends a message to the beneficiary to sell the shares as per the directions specified by the associate operator. The beneficiary then gives directions to his broker to sell the shares as per the quantity of shares and rate fixed & conveyed by the associate operator who had already arranged a dummy buyer for such shares. On such transactions, hefty commission is charged in cash by the intermediary for himself as well as for his associate operators.

Another fact that is to be noted in this scam is that the buyers of these manipulated shares are either paper companies which have no business/office/employees or they are good profit making entities who have profit in

their profit & loss account and want to set off this profit against the short term loss that would appear to have been incurred when shares of these companies are sold after their prices are made to crash on the floor/portal of the Stock Exchange.

Another fairly common phenomenon noticed in LTCG scam is that often the operators split the face value of shares after manipulating the market prices of the shares to a reasonably high level and repeat the operation to manipulate the prices again after splitting. The major reaping of bogus LTCG is generally done only after the split of face value of the shares.

### **In short Basic modus of providing bogus LTCG are hereunder:-**

#### **(a) Merger of Unlisted companies with Listed Entity:**

This is the most preferred option for the persons willing to operate for the purpose of doing Long Term capital Gains. In case of the mergers with listed companies, the merger petition has to be filed with concerned stock exchange under clause 24F of the Listing Agreement, which gives its permission to go ahead with the merger scheme in consultation with SEBI. Here the main catch is valuation of shares of the companies. Since the Act provides for the valuation of shares at book value and the same has been approved by the Supreme Court in various decisions which has been discussed below after this para. Since, the Stock Exchange and SEBI keep close watch on price movement of shares, these people adopted the route of merger of private limited companies having huge premium thereby increasing their book value whereas the book value of the shares of listed companies were still Rs. 10/- despite the fact that they were trading at considerably higher price. It can be understood by following example:

Listed company trading at 250/- per share (having book value of Rs. 10/- per share)

Unlisted companies allotted shares at a premium of 240/- per share thereby the increasing the book value of Rs. 250/- per share.

Now the swap ratio will be 1:25 i.e. holder of one share of unlisted company will get 25 shares of listed company according to scheme of amalgamation.

In case the transferee company is a listed company the valuation of shares to be done by an independent Chartered Accountants to decide the swap ratio of shares. Normally the court has nothing to say on valuation of shares of these companies and don't change the swap ratio of shares. The swap ratio were being decided as per many prevailing methods and acceptable to the court.

Principles laid down by the Supreme Court in Hindustan Lever Employees' Union v. Hindustan Lever Ltd., AIR 1995 SC 470

Valuation is an art, not an exact science

A combination of the yield method, asset value method and market value method was used was used. Courts not to generally question valuation done by independent professional expert and approved by the shareholders

Valuation of experts not to be set aside in the absence of fraud or malafides on the part of experts The Supreme Court in its decision in Miheer H. Mafatlal (supra) held that Once the exchange ratio has been worked out by a recognised firm of chartered accountants who are experts in the field of valuation and if no mistake can be pointed out in the said valuation, it is not for the court to substitute its exchange ratio especially when the same has been accepted without demur by the ratio, especially when the same has been accepted without demur by the overwhelming majority of the shareholders of the two companies.”

„ The above principles were uniformly followed by Court while sanctioning a scheme.

### **(b) Preferential Allotment of Equity Shares:-**

A preferential issue is an issue of shares or of convertible securities by listed companies to a select group of persons under Section 81 of the Companies Act, 1956 which is neither a rights issue nor a public issue. This is a faster way for a company to raise equity capital. The issuer company has to comply with the Companies Act and the requirements contained in Chapter pertaining to preferential allotment in SEBI guidelines which inter-alia include pricing, disclosures in notice etc. Since it does not require any prior approval of SEBI, the operators chose to adopt this route for raising the capital as an alternate to the merger and chose to provide gain to a close group of people. The shares are bound to be in lock-in-period for a tenure of one year from the date of allotment, the operators chose to allot the shares to ultimate beneficiary only. During the tenure of this gap of one year they rig the price to promised level and reroute the transactions through shell companies.

### **(c) Allotment of Bonus Shares:-**

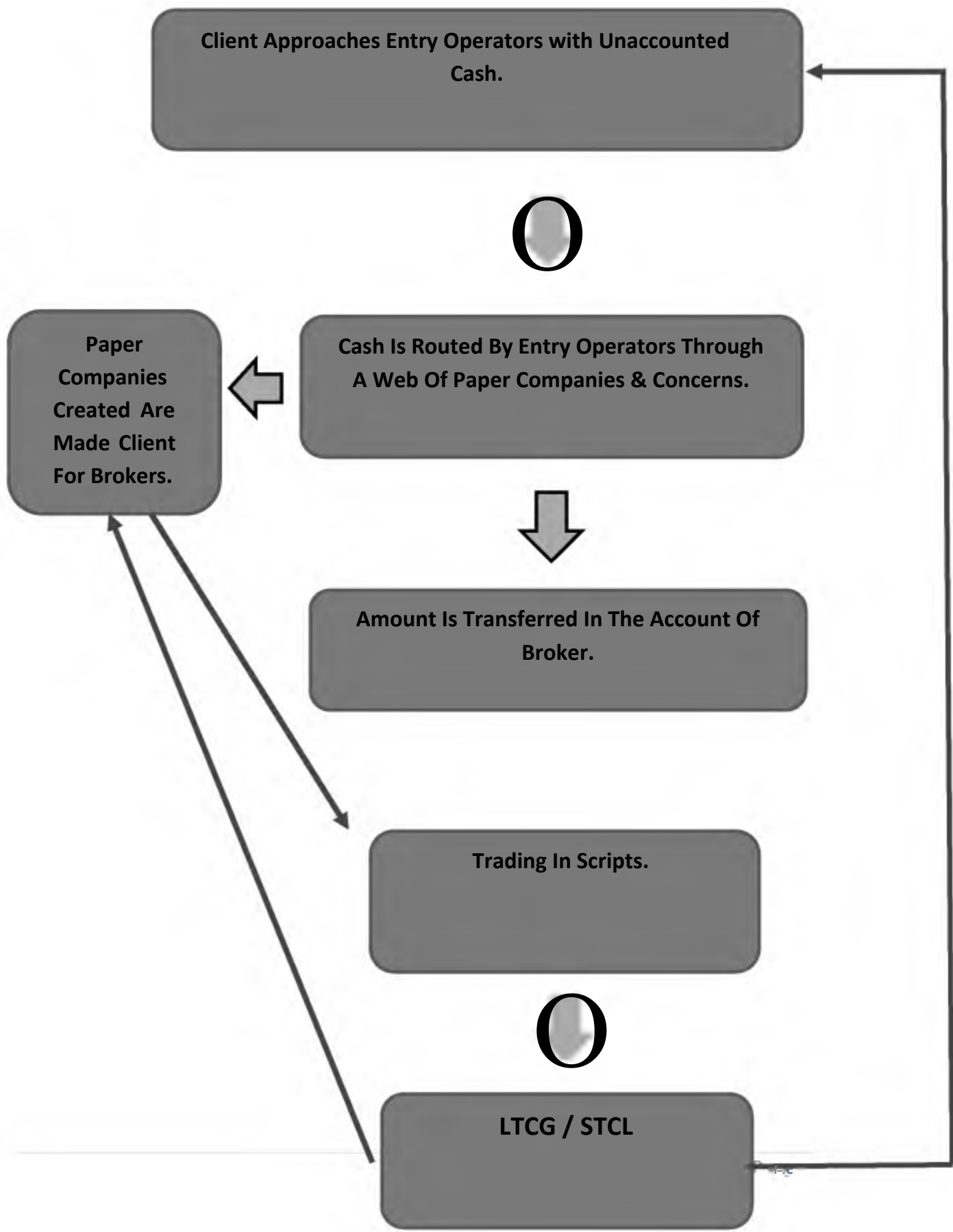
This method can only be adopted by the companies having free reserves in their books in form of accumulated profits or Share Premium Account. The purpose of a company in issuing bonus shares is to reward or acknowledge the shareholders for being investors in the company. By issuing bonus shares, the company tries to increase the morale of the shareholders. It is a financial reward that the company gives to its shareholders. However in the cases of above type, the main purpose of issuing the bonus shares to the shareholders is to reduce their cost of acquisition, thereby increasing the



quantum of Long Term Capital Gain. For Example, if a person buys the shares of a particular company at a price level of 100 and receives 9 shares as bonus, his cost of acquisition stands to Rs. 10/- per share.

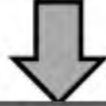
**(d)Splitting the shares :-**

It is the most effective way to camouflage the price of shares. The shareholder does not get affected by any of such proceeding adopted by the company except the effect of Corporate Action of NSDL/CDSL thereby releasing old shares and getting the splitted shares in Demat Account. After split of shares the price of shares on the exchange goes down automatically in proportion with the ratio of split and one doesn't see anything adverse happening in the scrip.



*Project Bogus LTCG/STCL*

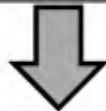
**Client Approaches Entry Operators with Unaccounted Cash.**



**Entry Operator Introduce Cash In The A/C Of Various Paper Companies & Concerns.**



**Fund Is Transferred In The Account Of Various Paper Companies by way of Cheque/RTGS/NEFT.**



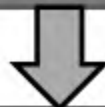
**Fund Is Transferred In The Account Of Broker.**



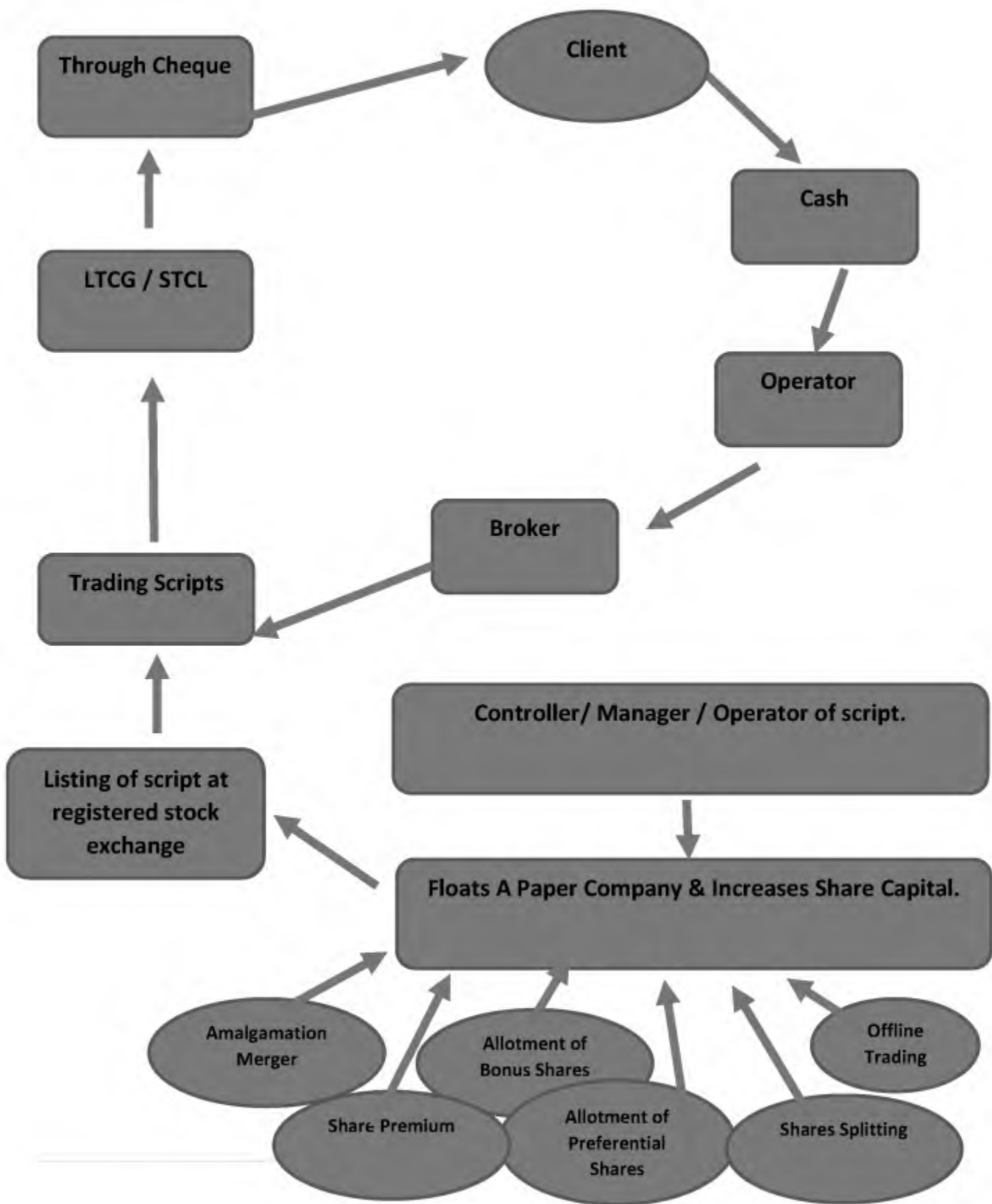
**Trading in Penny Stock is done.**



**LTCG / STCL**



**Cheque Is Issued To Client and Reflected Back Into the Books.**



I hope this write up may be enough for the assessing officers as well as investigating officers to understand and act upon the evidences gathered and being the unaccounted income brought as LTCG to Tax.

Dhruva Purari Singh, IRS  
DDIT (Inv.) Unit-2(3),  
Kolkata.

## Chapter-3

### Brief Discussion on All Listed Penny Stocks (Scripts) used in Bogus LTCG Scam.

As discussed in previous chapter we have searched/ surveyed some 32 Share Broking Entities and more than 20 Entry operators. Out of the investigations of such high magnitude, we have unearthed and identified some 84 odd companies which are listed on Bombay Stock Exchange and are being used for providing bogus accommodation entry of Long Term Capital Gain/ Short Term Capital Loss. List of such identified penny Stocks, whose share prices have been apparently manipulated by the syndicate of operators, are as under:

SL NO	SCRIPT CODE	SCRIPT NAME	FULL NAME of PENNY STOCK	Amount of Total trade Value	SEBI ACTION
1	531517	ALANG IN GAS	ALANG INDUSTRIAL GASES LTD	331801921	Suspended
2	531720	ALPHA GRAPHI	ALPHA GRAPHIC INDIA LTD	936748230	
3	538423	ALPS MOTOR	Alps Motor Finance Ltd	1938129485	
4	512355	ANUKARAN COM	ANUKARAN COMMERCIAL ENTERPRISES LTD	4232582703	Suspended
5	590122	ASHIKACR	ASHIKA CREDIT CAPITAL LTD	2502413517	
6	530479	ATLINFRA	Atlanta Infrastructure and Finance Ltd	839070437	Suspended
7	531570	BLAZON MARBL	BLAZON MARBLES LIMITED	2669410119	Suspended
8	508939	BLUE CIRCLE	BLUE CIRCLE SERVICES LTD	13876582309	
9	531900	CCLINTER	CCL INTERNATIONAL LTD	16050220735	

10	535142	CHANNEL NINE	CHANNEL NINE ENTERTAINMENT LTD	2732671350	
11	535267	COM FINCAP	COMFORT FINCAP LTD	3416275945	
12	526141	COMP DISC IN	COMPACT DISC INDIA LTD	3812590165	Suspended
13	512361	CUPID TRADE	CUPID TRADES & FINANCE LTD	913119045	Suspended
14	503637	DHANLEELA	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	2849315089	
15	532903	DHANUSTECH	DHANUS TECHNOLOGIES LTD	4093178378	Suspended
16	534839	ECO FRIENDLY	ECO FRIENDLY FOOD PROCESSING PARK LTD	2194295120	
17	512207	EFFTXT	Effingo Textile & Trading Limited	1617519917	Suspended
18	531502	ESAAR INDIA	ESAAR (INDIA) LTD	5413525764	
19	534927	ESTEEM BIO	ESTEEM BIO ORGANIC FOOD PROCESSING LTD	3765065680	
20	511369	FIRST FIN.	FIRST FINANCIAL SERVICES LTD	3080492684	Suspended
21	535431	GCM SECU	GCM Securities Ltd	6042144220	
22	531055	GFLFIN	GFL Financials India Limited	968152090	

23	531463	GBLINFRA	Global Infratech & Finance limited	12462873580	
24	538180	GOLD LINE	Gold Line International Finvest Ltd	1887110104	
25	509024	GOLD.LEG.LEA	GOLDEN LEGAND LEASING & FINANCE LTD	623686683	
26	531737	GREENCREST	Greencrest Financial Services Limited	2468386741	
27	535217	HPC BIO	HPC BIOSCIENCES LTD	5011694340	
28	534734	ICVL CHEM	ICVL CHEMICALS LTD	254935286	
29	538422	JACKSON	Jackson Investments Ltd	3250070747	
30	511092	JMD TELEFILM	JMD TELEFILMS INDUSTRIES LTD	12069286646	
31	507968	JOLLY PLAST.	JOLLY PLASTIC INDUSTRIES LTD	1646881531	Suspended
32	511357	KAILASH AUTO	KAILASH AUTO FINANCE LTD	18778385876	
33	506938	KAPPAC PHARM	KAPPAC PHARMA LTD	11229853954	Suspended
34	530255	KAY POW PAP	KAY POWER AND PAPER LTD	2709821817	
35	530701	KDJHRL	KDJ Holidayscapes and Resorts Limited	1742412203	
36	506113	LIFELINE DRU	LIFELINE DRUGS & PHARMA LTD	7361135725	
37	526045	LUMINAI TECH	LUMINAIRE TECHNOLOGIES LTD	13176169651	
38	511082	MAAJTL	Maa Jagdambe Tradelinks Limited	2570500032	



39	531689	MAHAREM	MAHAVIR ADVANCED REMEDIES LTD	2301565920	Suspended
40	512191	MISHKAFIN	MISHKA FINANCE AND TRADING LTD	3073341941	
<u>41</u>	513305	MORYO IND	MORYO INDUSTRIES LTD	2074435790	Suspended
42	530557	NCL RESEARCH	NCL RESEARCH & FINANCIAL SERVICES LTD	10473082439	Suspended
43	505525	PARICHAY.INV	PARICHAY INVESTMENTS LTD	47825882	Suspended
44	511421	PINEANIM	Pine Animation Limited	6081960691	
45	535514	PRIMECAPM	PRIME CAPITAL MARKET LTD	7776927	
<u>46</u>	505502	PARAG.SHILP.	PS IT Infrastructure & Services Limited	10521882343	
<u>47</u>	530561	PSGLOBAL	Radford Global Limited	5069291489	Suspended
<u>48</u>	512319	RAJLAXMI IND	RAJLAXMI INDUSTRIES LTD	3843851999	
<u>49</u>	531228	RANDER CORPO	RANDER CORPORATION LTD	4386842551	
<u>50</u>	504335	RUTRON INT.	RUTRON INTERNATIONAL LTD	3413402665	
<u>51</u>	530657	GLOBAL SECUR	GLOBAL SECURITIES LTD	820767494	Suspended
52	531800	SHEETAL BIO	SHEETAL BIO-AGRO TECH LTD	84392997	Suspended
53	512105	SHREENATH	SHREE NATH COMMERCIAL & FINANCE LTD	9099925673	
<u>54</u>	505513	SHRSHA TEX	Shree Shaleen Textiles Limited	5021678429	Suspended
<u>55</u>	512048	SPLASH MEDIA	SPLASH MEDIA & INFRA LTD	15053775100	
<u>56</u>	531307	SRK INDUS	S R K INDUSTRIES LTD	10183466070	
<u>57</u>	512075	SUCHAKTRAD	SUCHAK TRADING LTD	779157597	Suspended

58	508969	SULABHA ENGG	SULABH ENGINEERS & SERVICES LTD	7263897942	Suspended
59	506615	SUN ASIAN	Sunrise Asian Limited	23039310931	
60	512311	SURAB.CHE.&I	SURABHI CHEMICALS & INVESTMENTS LTD	7826819506	Suspended
61	531411	TUNI TEXTILE	TUNI TEXTILE MILLS LTD	15004762452	
62	504358	TURBO TECH	TURBOTECH ENGINEERING LTD	8319513048	Suspended
63	537582	UNISHIRE	Unishire Urban Infra Ltd	66941000	
64	531831	UNISYS SOF H	UNISYS SOFTWARES & HOLDING INDUSTRIES LTD	6242882248	
65	519273	UNNO INDUSTR	UNNO INDUSTRIES LTD	10069623779	
66	512067	VISHJYOTI TR	VISHVJYOTI TRADING LTD	806226394	Suspended
67	526671	MKEL	Matra Kaushal Enterprise Limited	3314059825	
68	535204	PEARL AGRI	PEARL AGRICULTURE LTD	594169145	
69	512379	CRESSAN	CRESSANDA SOLUTIONS LTD	12731895395	
70	501945	HINGIR RAM C	DHENU BUILDCON INFRA LTD	1728918198	
71	531465	NOUVEAU	NOUVEAU GLOBAL VENTURES LTD	2038723071	
72	511016	PREMCAP	PREMIER CAPITAL SERVICES LTD	1931547811	Suspended
73	512417	TRITRADE	TRINITY TRADELINK LIMITED	3964454359	
74	538295	KAUSAMBI	GOLDEN BULL RESEARCH & GROWTH LIMITED	76334491	
75	511064	EINSEDUTEC	Eins Edutech Limited	2053636409	

76	504369	GRANDMA TRAD	GRANDMA TRADING & AGENCIES LTD	1931947735	
77	535205	PEARLELEC	Pearl Electronics Ltd	873557789	
78	532031	SARCHEM	SARANG CHEMICALS LTD	Data not available	Suspended
79	531272	NIKKIGL	NIKKI GLOBAL FINANCE LTD	Data not available	
80	531597	MIDPOLY	MIDLAND POLYMERS LTD	Data not available	Suspended
81	511690	WARNER	WARNER MULTIMEDIA LTD	Data not available	
82	512585	KARMA	KARMA INDUSTRIES LTD	Data not available	
83	538684	ENCASH	Encash Entertainment Ltd	Data not available	
84	511668	FACTENT	FACT ENTERPRISE LTD.	Data not available	Suspended
			Total	38373,61,55,346	26 SCRIPTS SUSPENDED BY SEBI

*(Detailed names, PAN, Entry operators and promoters of these scripts can be found in the LTCG Database, given in DVD separately..)*

The above list is not comprehensive as similar racket is being carried out in many other listed companies.

As given above even SEBI has directed stock exchange to suspend trading in more than 26 Scripts listed in BSE. This is as per the inquiries conducted by SEBI . This step puts force to our conclusion that these penny stocks have been used in providing accommodation entry of Long Term Capital Gain.

We have called data from BSE. After analyzing the data we have identified beneficiaries of Rs. 38373.61.55.346/- which are being reported subsequently.

In some case promoters/key entry operators of the penny stocks have been identified and their statements have been recorded.

SL NO	SCRIPCODE	SCRIPNAME	Full Name	Promoter/Operator Statement
8	508939	BLUE CIRCLE	BLUE CIRCLE SERVICES LTD	JAGDISH PUROHIT
9	531900	CCLINTER	CCL INTERNATIONAL LTD	DEEPAK PATWARI
11	535267	COM FINCAP	COMFORT FINCAP LTD	ANIL AGARWAL
20	511369	FIRST FIN.	FIRST FINANCIAL SERVICES LTD	ANIL AGARWAL
23	531463	GBLINFRA	Global Infratech & Finance limited	SAJJAN KEDIA
29	538422	JACKSON	Jackson Investments Ltd	ARUN KHEMKA, AMIT KHEMKA
30	511092	JMD TELEFILM	JMD TELEFILMS INDUSTRIES LTD	JAGDISH PUROHIT
44	511421	PINEANIM	Pine Animation Limited	JAGDISH PUROHIT
45	535514	PRIMECAPM	PRIME CAPITAL MARKET LTD	JAGDISH PUROHIT
46	505502	PARAG.SHILP.	PS IT Infrastructure & Services Limited	SAJJAN KEDIA
49	531228	RANDERCORPO	RANDER CORPORATION LTD	AMARCHAND RANDER
54	505513	SHRSHA TEX	Shree Shaleen Textiles Limited	Akash Agarwal, SAWAN JAJOO
64	531831	UNISYS SOF H	UNISYS SOFTWARES & HOLDING INDUSTRIES LTD	JAGDISH PUROHIT
73	512417	TRITRADE	TRINITY TRADELINK LIMITED	VIKARANT KAYAN
74	538295	KAUSAMBI	GOLDEN BULL RESEARCH & GROWTH LIMITED	AMIT DALMIA
76	504369	GRANDMA TRAD	GRANDMA TRADING & AGENCIES LTD	Akash Agarwal, SAWAN JAJOO
81	511690	WARNER	WARNER MULTIMEDIA LTD	JAGDISH PUROHIT
83	538684	ENCASH	Encash Entertainment Ltd	SACHETSARAFF

All such scrips have been covered in the statements of entry operators and share brokers. These scrips are under monitoring of SEBI and orders against all such penny stocks by SEBI is expected soon. In some cases SEBI has already passed interim orders and barred the related parties from entering into market transactions.

Complete list of all the penny stocks along with their PAN number, amount of trade value, statements of the promoters of the scripts are given in soft format in DVD, marked as "LTCG Database".

## **2. Basis of claiming such Stocks as Penny Stocks and involved in LTCG**

### **Scam:-**

**A.** All such penny stock companies have been identified from the trading patterns of the share brokers, statements of entry operators and the post survey inquiries. They all have very common financial and trading patterns.

- (1).** Initial allotment of shares to beneficiaries is generally done through preferential allotment.
- (2).** The market price of shares of these companies rise to very high level within a span of one year.
- (3).** The trading volume of shares during the period, in which manipulations are done to raise the market price, is extremely thin.
- (4).** Most of the purported investors are returned their initial investment amount in cash. Only small amount is retained by the operator as security. Thus, an enquiry would reveal that most of the capital receipts through preferential allotment or other means would have found their way out of system as cash.
- (5).** Most of these companies have no business at all. Few of the companies which have some business do not have the credentials to justify the sharp rise in Market Price of their shares.
- (6).** The sharp rise in market price of the shares of these entities is not supported by fundamentals of the company or any other genuine factors.

- (7). An analysis in respect of persons involved in transactions apparently carried out in order to jack up the share prices has been done in respect of 84 companies. It has been noted that many common persons/entities were involved in trading in more than 1 LTCG companies during the period when the shares were made to rise which implies that they had contributed to such price rise.
- (8). Names of most of the LTCG companies are changed during the period of the scam.
- (9). Most of the companies split the face value of shares [this is probably done to avoid the eyes of market analysts].
- (10). The volume of trade jumps manifold immediately when the market prices of shares reach at optimum level so as to result in LTCG assured to the beneficiaries. This maximum is reached around the time when the initial allottees have held the shares for one year or little more and, thus, their gain on sale of such shares would be eligible for exemption from Income Tax.
- (11). An analysis of share buyers of some of LTCG companies was done to see if there were common persons/entities involved in buying the bogus inflated shares. It was noted that there were many common buyers [which were paper companies].
- (12). The prices of the shares fall very sharply after the shares of LTCG beneficiaries have been off loaded through the pre-arranged transactions on the Stock Exchange floor/portal to the Short Term Loss seekers or dummy paper entities.

(13). The shares of these companies are not available for buy/sell to any person outside the syndicate. This is generally ensured by way of synchronized trading by the operators amongst themselves and/or by utilizing the mechanism of upper/lower circuit of the Exchange.

**B. A reason to believe also comes through analyzing the trading pattern of these Penny Stocks and their sharp rise and fall. Some of the trading patterns are being discussed here:-**

#### **ASHIKA CREDIT CAPITAL LTD [Scrip ID: ASHIKACR, Scrip Code: 590122]**

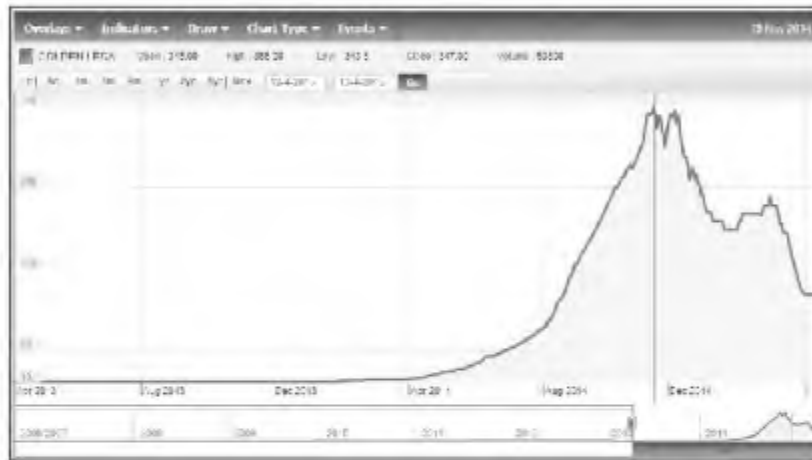
It has been gathered that price of shares of this company rose from ₹ 49 to ₹ 248.2 in just 338 trading days during the period from 2/4/2012 to 11/12/2013. Thus, the market price of share effectively rose from ₹ 49 to ₹ 248.2 i.e. nearly 5 times in a span of 2 year in 338 trading days only. The volume of trade increased 5 to 6 times during Dec,13. This gives a clear picture that this penny stock has been for providing accommodation entry of Bogus LTCG.





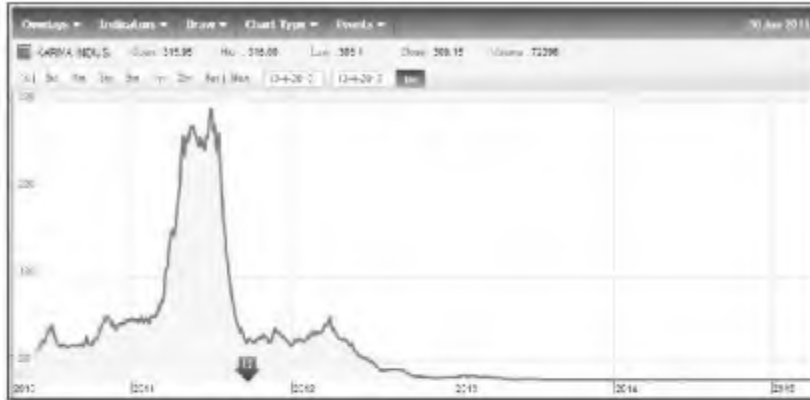
**GOLDEN LEGAND LEASING & FINANCE LTD [Scrip ID: GOLD.LEG.LEAE, Scrip Code: 509024]**

It has been gathered that price of shares was Rs. 11.39 on 29/01/2014 which rose to Rs. 356 on 18/11/2014 with very low volume i.e. price rigging further price of this script has fallen from ? 356 to ? 117.70 in just 85 trading days during the period from 18/11/2014 to 31/03/2015. Thus, the market price of share effectively fallen from ? 356 to ? 117.70 i.e. nearly 67% in a span of 4.5 Months, in 85 trading days only.



**KARMA INDUSTRIES LTD [Scrip ID: KARMA, Scrip Code: 512585]**

It has been gathered that price of shares of this company was Rs. 311 on 29/06/2011 which fallen to Rs. 48.5 on 26/09/2011 within the span of 3 months i.e.in just 50 trading days during the period. During the period between 26/09/2011 to 08/02/2012 price of script was moving around Rs. 50 only. Then again spurt in price was made at the fag end of financial year to Rs. 72 on 26/03/2012. Finally script started falling freely from Rs. 72 to Rs. 3.35 within the period of 26/03/2012 to 05/11/2012.



### TUNI TEXTILE MILLS LTD. (Scrip ID: TUNI TEXTILE, Scrip Code: 531411)

This company was having market price of share at around ? 32 on 26 September 2011. Thereafter, by rigging the price was jacked up to ? **268.75 from ^ 32.45 in 13 months** in November 2012. Thus within 13 months the price was jacked up nearly 8 times. After the bogus LTCG had been reaped the price was made to fall freely so that interested beneficiaries who had booked at high market price can avail bogus Short Term Capital Loss. On November 2012 script was trading at Rs. 268.75 which fallen to Rs. 23 in mid of March 2013 there by booking STCL.



**KAILASH AUTO FINANCE LTD. (Scrip ID: KAILASH AUTO, Scrip Code: 511357)**

**Flash Back:-** Kailash Auto Finance Ltd has informed BSE that in connection with Company Petition No. 11 of 2013, filed before the Hon'ble High Court of Judicature at Allahabad, the honourable Justice Pankaj Mithal on May 09, 2013 has approved the scheme of arrangement interalia, Merger of M/s. Panchshul Marketing Limited and M/s. Careful Projects Advisory Limited with Transferee Company M/s. Kailash Auto Finance Limited in the swap ratio of 1:1, having paid up value of Rs. 1.

Post merger of the companies price rigging was made upto the range of Rs. 40 to 45 in the month of May 2013 itself, the classical unlocking of value of transferee company which was valued at Rs. 1 before merger and get sold at price range of Rs. 40-45 thereby booking the LTCG to the tune of 40 times. Thereafter price of script was maintained at the range of Rs. 40-45 till May 2014 and during this period prospective booking of STCL was done during this period which resulted in final execution in the month of March 2015 at Rs. 4.5

Pre- merger Price of Script	: Rs.1	} Booking of LTCG in unquoted script valued @Rs. 1/- and profit booking in listed entity @ Rs. 40-45 range.
Post Merger Price of Script	:Rs. 40-45	



**NIKKI GLOBAL FINANCE LTD. (Scrip ID: NIKKIGL, Scrip Code: 531272)**

This company was having market price of share at around ₹ 134 on 09 April 2012. Thereafter, by rigging the price was jacked up to ₹ **938.75 from ₹ 134 in 20 months** in December 2013. Thus within 20 months the price was jacked up nearly 7 times. After the bogus LTCG had been reaped the price was made to fall freely so that interested beneficiaries who had booked at high market price can avail bogus Short Term Capital Loss. On December 2013 scrip was trading at Rs. 938.72 which fallen to Rs. 140 in mid of March 2014 there by booking STCL.



**EINS EDUTECH LTD. (Scrip ID: EINSEDUTEC, Scrip Code: 511064)**

Eins Edutech's board of directors at its meeting held on December 17, 2013, has approved the Scheme of Arrangement under section 391 to 394 of the Companies Act, 1956 relating to merger of Uniglory Developers with itself. On 17/04/2014 stock was trading at Rs. 18 and with price rigging having very low volume stock was trading at Rs. 287.90 on 3/11/2014. With soft volume in trade price spurt to Rs. 478.30 on 10/03/2015 and announcement of stock split was made on 11/03/2015 thereby bringing face value of stock to Rs. 1. As on 15/04/2015 stock is trading at Rs. 50.50

Effectively stock which was trading on 17/04/2014 at the rate of Rs. 1.80 is now trading at Rs. 50.50, that means 2700 times spurt in price within the span of 1 year.



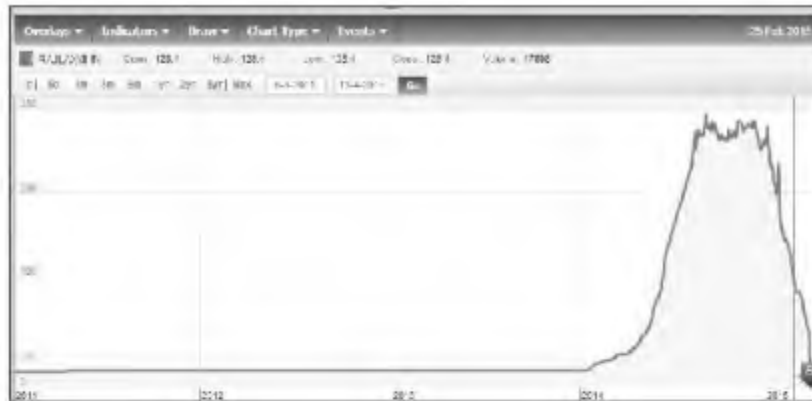
**RAJLAXMI INDUSTRIES LTD. (Scrip ID: RAJLAXMI IND, Scrip Code: 512319)**

During the period of March 2013 when script was trading @ Rs. 20, on 4/03/2013 company allotted 3 crores shares to non promoter group stating “*The Board has resolved that 3,00,00,000 fully paid up equity shares at a price of Rs. 10/- each be allotted to persons other than the promoters, on preferential basis. The same has been approved by the shareholders at Extra Ordinary General Meeting*”.

On 14/08/2013 Scheme of Arrangement u/s 391 to 393 of the Companies Act, 1956, for the Merger of two companies namely, M/s. Hirise Infracon Limited and M/s. Standings Fashion Trading Limited was announced, as on date stock was trading at Rs. 297.80.

From the above two event it is crystal clear that 3 crore shares allotted at par booked the LTCG on Aug 2013 after span of 17 months only, in between these period upward in price movement was 15 times.

On 02/09/2014 stock was trading at 323.80 and by the end of financial year i.e. 2014-15 stock was trading @ Rs. 66.40 on 26/03/2015, where this treasurer lost its shine by almost 80% within 7 months, when Indian stock market was in almost lifetime high. This clearly states market manipulation of shares.



**GFL FINANCIALS INDIA LTD. (Scrip ID: GFLFIN, Scrip Code: 531055)**

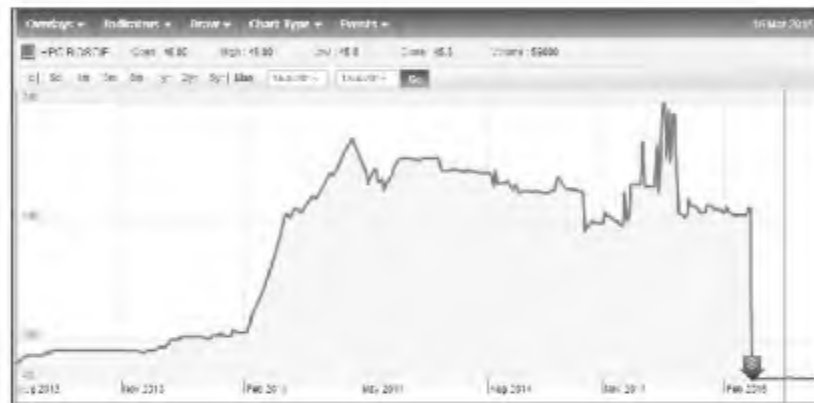
This company was listed on BSE in the month of April 2011 with price range of Rs. 40. Thereafter, by rigging the price was jacked up to ? **115, thereafter** price was made to fall freely so that interested beneficiaries who had booked at high market price can avail bogus Short Term Capital Loss in the month of November 2011 i.e. within the span of 2.5 months at the rate of ?15-16.

Again thereafter price rigging was repeated and stock was trading in the range of ? 110-115 during the month of January 2013. Thus within 14 months the price was jacked up nearly 7 times.



HPC BIOSCIENCES LTD. (Scrip ID: HPCBIO, Scrip Code: 535217)

This company got listed in BSE on 14/08/2013 with Price around Rs. 85, price range of Rs. 85-110 was maintained till November 2013, by rigging the price was jacked up to ? **736 from ? 85 in 16 months** in December 2014. Thus within 16 months the price was jacked up nearly 9 times. The bogus LTCC had been reaped and prelisting booking/ private placement of equity with the commitment of LTCC was done.



**C. Analysis on the basis of Trade Pattern called from BSE:-**

We wrote to BSE asking them to supply us trade data of above mentioned 84 scrips. Most of the trade data have been received and segregated for dissemination DGIT wise. While going through the data we found that, on purchase side (Loss booking side)of the trade, a certain number of share brokers present in the market have done most of the trading through a certain Jamakharchi companies. The same is being given here to prove our point:-

In the Script Radford Global Limited total trade of Rs. 506,92,91,489 /- have been done .

Now if you see the share Brokers details through whom most of the purchases have been done it appears that;

SL NO	Purchase Side Share Brokers	Amount	I.T. Action
1	THE CALCUTTA STOCK EXCHANGE LTD.	1495774057	Covered U/S 133A
2	ANAND RATHI SHARE & STOCK BROKERS LTD.	376285755	Covered U/S 133A
3	GATEWAY FINANCIAL SERVICES LTD.	333592945	Covered U/S 133A, 132
4	EXCLUSIVE SECURITIES LTD.	280920808	
5	VISHESH CAPITAL PVT.LTD.	269579802	
6	PROGRESSIVE SHARE BROKERS PVT.LTD.	224610429	
7	COMFORT SECURITIES LTD.	189646527	Covered U/S 132
8	MEHTA EQUITIES LTD.	178514066	
9	SUNTECK WEALTHMAX CAPITAL PRIVATE LIMITED	168317229	
10	ATS SHARE BROKERS PVT. LTD.	164320675	
11	KORP SECURITIES LTD.	139659564	Covered U/S 133A
	TOTAL		

It is clear from the data given above that most of the purchases have done by these top 11 brokers and out of that 5 major brokers have been already covered in our action and they have accepted their active involvement in the scam.

Now if we see the purchasing/ loss booking companies in these scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.



SL NO	JAMAKHARCHI /PAPER CLIENTS	AMOUNT	Entry Operator
1	SPICE MERCHANTS PRIVATE LIMITED	276700724	Anil Khemka
2	AMIT SINGH	261472611	Balkishan Sikaria
3	UDBAL MERCANTILE PRIVATE LIMITED	227142645	Navin Shah
4	DEVAKANTHA TRADING PRIVATE LIMITED	209970380	Navin Shah
5	WINALL VINIMAY PRIVATE LIMITED LTD	192453081	Anil Khemka
6	PINE ANIMATION LIMITED	156460611	Jagdish Purohit
7	AMRUSHA MERCANTILE PRIVATE LTD	155073242	Navin Shah
8	JAYANT SECURITY & FINANCELTD	154557145	
9	SHELTER SALES AGENCY PVT LTD	152149624	Navin Shah
10	RUNICHA MERCHANTS PRIVATE LIMITED	148420001	Anil Khemka
11	LIMESTONE PROPERTIES PRIVATE LIMITED	140565761	Praveen Agarwal
12	APEX COMMOTRADE PRIVATE LIMITED LTD	121728853	Anil Khemka
13	DHANLEELA INVESTMENTS & TRADING COMPANY LIMITED	113969815	
14	SIGNET VINIMAY PRIVATE LIMITED	88631075	Anil Khemka
15	JAYANT SECURITY AND FINANCE LIMITED	88570085	
16	AMRUSHA MERCANTILE PVT. LTD .	84719810	Navin Shah
17	SHELTER SALES AGENCY PVT. LTD .	80670075	Navin Shah
18	SANKLAP VINCOM P LTD	77383829	Anil Khemka
19	SHIVKHORI CONSTRUCTION PRIVATE LIMITED	74808830	Praveen Agarwal
	TOTAL	280 Crores	

Out of total trade of 500 crore Rs. More than half trades have been provided by above 19 companies. As you can see from the table that most of them have been identified and their statements have been recorded., where they have accepted the fact. Here it is pertinent to mention that Entry Operator Navin Shah have been covered by Mumbai Investigation wing.

Let us take another example. In the Script Blue Circle Services Limited total trade of Rs. 1387,65,82,309/- have been done . Now if you see the share Brokers details through whom most of the purchases have been done it appears that most of them are actively involved in the scam and they have accepted the same.

NO	MEMBER NAME	VALUE	I.T. Action
1	GATEWAY FINANCIAL SERVICES LTD.	3197117347	Covered U/S 133A
2	THE CALCUTTA STOCK EXCHANGE LTD.	1404753456	Covered U/S 133A
3	KORP SECURITIES LTD.	1031120434	Covered U/S 133A
4	ASHIKA STOCK BROKING LTD.	932269994	
5	COMFORT SECURITIES LTD.	528793899	Covered U/S 132
6	ASHTVINAYAK STOCK BROKING PVT.LTD.	406393514	
7	MASTER CAPITAL SERVICES LTD.	388527487	
8	RELIGARE SECURITIES LTD.	377252842	Covered U/S 133A
9	SMC GLOBAL SECURITIES LTD.	294096281	Covered U/S 133A
10	ANAND RATHI SHARE & STOCK BROKERS LTD.	277582778	Covered U/S 133A
11	R K Global Shares and Securities Limited	232836264	
12	NAKAMICHI SECURITIES LTD.	217242649	Covered U/S 131
13	SHREE BAHUBALI INTERNATIONAL LTD.	206205998	
14	EXCLUSIVE SECURITIES LTD.	150504686	
15	JM FINANCIAL SERVICES PVT.LTD.	146576934	
16	DESTINY SECURITIES LTD.	132051204	Covered U/S 132
17	INDIANIVESH SECURITIES PVT.LTD.	129974798	
18	MANU STOCK BROKING PVT.LTD.	126843039	Covered U/S 133A
	TOTAL	1018,01,43,775	

Now if we see the purchasing/ loss booking companies in these scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	JAMAKHARCHI/PAPER/LOSS BOOKING CLIENT	VALUE	ENTRY OERATOR
1	KINGFISHER PROPERTIES PRIVATE LIMITED	548602532	Praveen Agarwal
2	ESQUIRE ENCLAVE PRIVATE LIMITED	501610650	Praveen Agarwal
3	SKYLIGHT DISTRIBUTORS PRIVATE LIMITED	431704164	Praveen Agarwal
4	GOLDEN CHARIOT RECREATIONS PRIVATE LIMITED	311173743	
5	DECENT VINCOM PVT.LIMITED	286092722	Jagdish Purohit
6	MANGALMAYEE HIRISE PRIVATE LIMITED	278477601	Praveen Agarwal
7	KHUSBOO COMPLEX PRIVATE LIMITED	228996888	Praveen Agarwal
8	GATEWAY FINANCIAL SERVICES LIMITED	217672319	Praveen Agarwal
9	PUSHPANJALI COMMOTRADE PRIVATE LIMITED	213655990	Praveen Agarwal
10	RIDHI VINCOM PVT LTD	212191595	
11	DHANRAKSHA VINCOM PVT LTD.	206699168	Praveen Agarwal
12	D K S ENTERPRISES PRIVATE LIMITED	196935547	
13	INTERCITY BUILDERS PRIVATE LIMITED	177796417	Praveen Agarwal
14	GANNAYAK BARTER PRIVATE LIMITED	162801106	Praveen Agarwal
15	FAIRLINK HOUSING PVT LTD	162191721	Praveen Agarwal
16	BADRI PRASAD AND SONS	160096764	
17	TOPWELL PROPERTIES PRIVATE LIMITED	139507625	Praveen Agarwal
18	LINUS HOLDINGS LTD	127649473	Anuj Agarwal

As you can see that out of total trade of around one thousand crore 450 crores purchase have been done by these identified jamakharchi companies. Statement of the entry operator and the dummy directors can be found in the "LTCG Database", given in DVD.

On the pattern given above we have analyzed all the scripts and found that the same pattern is true for each and every script covered in our report.

## Chapter-4

### Details of Share Brokers involved in the syndicate and their modus operandi.

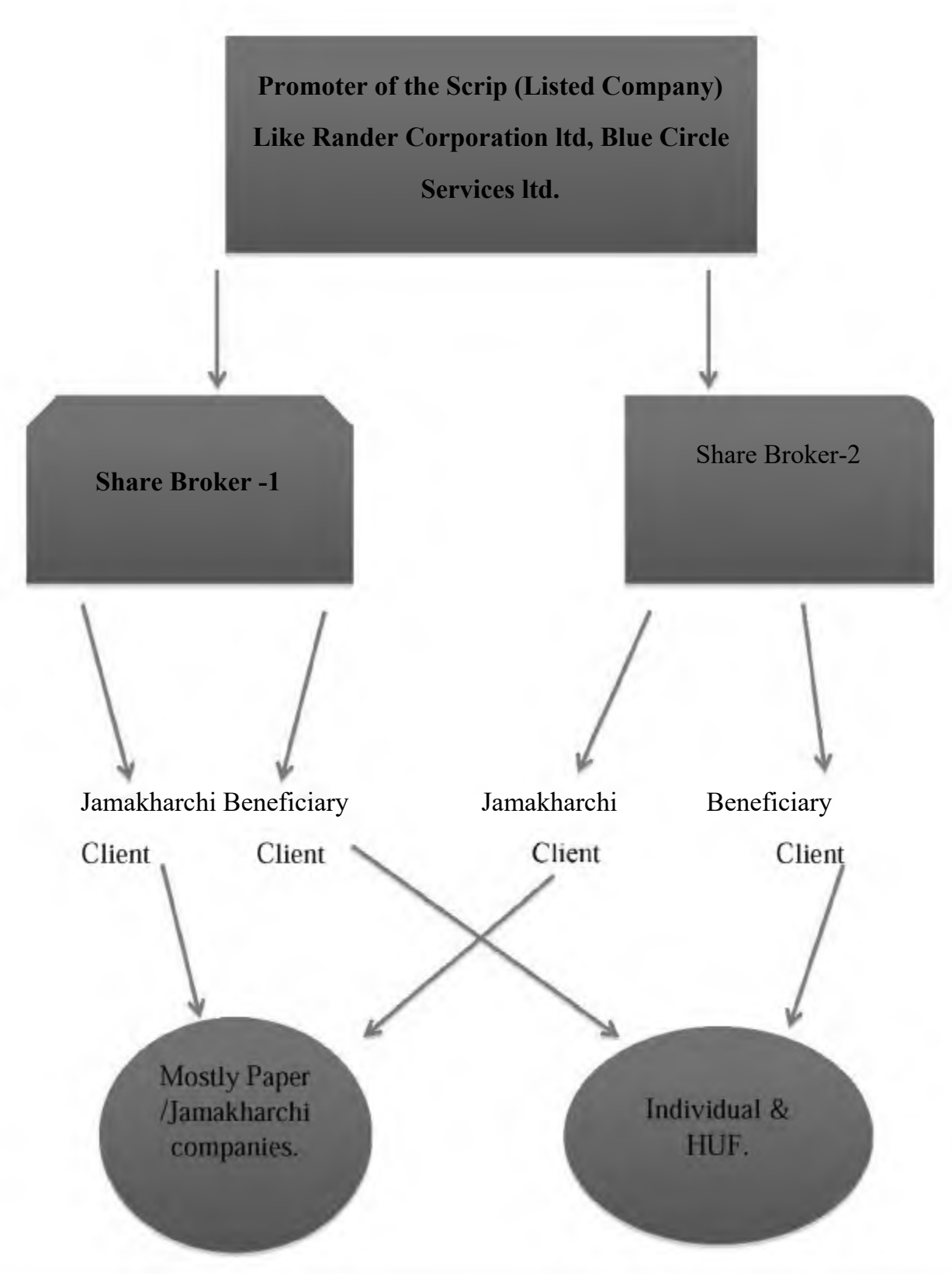
A share broker is An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor. Especially one employed by a member firm of a stock exchange, who buys and sells stocks and other securities for customers. They maintain detailed KYC norms for their clients. They are the bridges between stock market and investors.

As per the guidelines of SEBI and the stock exchanges, the brokers are supposed to comply with stringent KYC norms before registering any entity as their client. They are supposed to perform detailed background checks on their clients. However, it is seen that these share brokers have done trading for various paper/bogus companies. These paper/bogus entities have no business or establishment. This clearly implies that the share brokers are hands in glove with the paper/bogus companies in the whole scheme. The share brokers receive cash commission for allowing these paper entities to trade through their terminal. In fact it has been learnt that these brokers perform the trading themselves on behalf of the paper/bogus entities. Many brokers have accepted this fact in their statements recorded by the directorate.

They are some share brokers who are willfully allowing entry operators to register their bogus companies as client with them, in lieu of cash commissions. While there is another type of brokers who not only let the entry operators do their dirty game through their trading terminals, but they also maintains their own lot of paper Jamakharchi companies and do all the work of entry operators.

For instance, when we survey Anand Rathi Shares & Stock Brokers Ltd, they instantly accepted that they have let entry operators like Deepak Patwari and Prawesh Beria, open accounts with them in the name of their paper/Jamakharchi companies.

Then there is second kind share broker like Korp Securities Ltd. Shri Anuj Agarwal of Korp Securities is a share broker cum entry operator. He not only works like a share brokers but he has also his own set off Jamakharchi/paper companies registered with him as share broker. In view of the above role of share brokers is not much distinguishable than entry operators. **In fact, there are a lot of accommodation entry providers in the market, who not only manage penny stocks and bogus paper client companies, but they are share brokers also.**



A. During our project Bogus LTCG/STCL, we have covered following share broking entities in our investigation report.

No	Broker Entities	PAN	BSE/CSE/NSE Member No.	Key Person Statement	Operator Address
1	ABHINANDAN STOCK BROKING PVT LTD	AAICA8362N	BSE/6440	NARENDRA JAIN	11A, Ballygunge Circular Road, Kolkata-
2	AMIT SARAOGI AND COMPANY	AWBPS8098K	CSE/1056	AMIT SARAOGI	18 B, BRABOURNE ROAD , 2ND FLOOR, ROOM NO 207, Kol-01
3	ANAND RATHI SHARES & STOCK BROKERS LTD	AAACN3405F	BSE/949	SANJAY VORA	Regional Office: 2/6, SARAT BOSE ROAD, CENTRAL PLAZA, ROOM NO.501 & 502, 5TH FLOOR, KOL-20
4	ANUMATI STOCK BROKING PVT. LTD.	AAGCA0999K	CSE/1043	PRAKASH JAJODIA	Center Paint, 21,Hemant Basu Sarani, Room No.230, 2nd. Floor. Kolkata 700 001
5	BABA BHOOHNATH TRADE AND COMMERCE LIMITED	AADCB3010D	BSE/6305	RAJESH KUMAR KEDIA	8/1, HARADUTTA ROY CHAMARIA ROAD, HOWRAH, 711101, West Bengal, INDIA
6	BIKASH SUREKA	ALYPS0426P	CSE/995	BIKASH SUREKA	35, KASSIPURE ROAD, MIG HOUSING ESTATE, KOL-2
7	BSAS SECURITIES PVT LTD	AAFCEB2399P	CSE/1065	SUBRATA HALDAR	7 LYONS RANGE, 2ND FLOOR ROOM NO 4/E KOLKATA- 01
8	COMFORT SECURITIES LTD		BSE/3186	ANIL AGARWAL	301, 3RD FLOOR, A WING, HETAL ARCH, OPPOSITE NATRAJ MARKET, SV ROAD, MALAD (WEST), MUMBAI
9	D. B. & Co.	AAGFD0554	CSE/90	SOUMEN	7, Lyons Range, 1st

		J		SEN	Floor, Room # 17A, Kolkata-700 001
10	DESTINY SECURITIES LIMITED	AABCD9470 H	BSE/31 21	DEEPAK PATWARI	34A METCALFE STREET2ND FLOOR, ROOM NO 5 6 BOWBAZER-700013
11	DEVSHYAM STOCK BROKING PVT LTD	AADCD8900 A	CSE/ 1054	ANIL KHEMKA	56E HEMANTA BASU SARANI, STEPHEN HOUSE, 4TH FLOOR, ROOM NO.58C & 77, KOL-01
12	DYNAMIC EQUITIES PVT LTD	AABCD0928 N	BSE/98 9	ABHISEK H KAYAN	49A/1, TOLLYGUNGE CIRCULAR ROAD, NEW ALIPORE, KOL- 53
13	EAST INDIA SECURITIES LTD	AABCE2412 N	BSE/96 4	L K AGARWA L	DA-122, SALT LAKE, SECTOR-1, KOLKATA-700064
14	VALUE AND WORTH	AAFFV5756 K	BSE/96 4	L K AGARWA L	DA-122, SALT LAKE, SECTOR-1, KOLKATA-700064
15	EUREKA STOCK AND SHARE BROKING SERVICES LTD	AAACE5410 B	BSE/90 6 & NSE/00 684	RAKESH SOMANI	C-3/5, GILLANDER HOUSE, 8, N.S.ROAD, KOLKATA-700001
16	FORT SHARE BROKING PVT LTD	AAACF9358 F	BSE/31 46	SANJAY KUMAR PARAKH	236B, A.J.C BOSE ROAD, KOLKATA- 700020
17	GATEWAY FINANCIAL SERVICES LTD	AABCG1634 L	BSE/31 99	PARVEEN AGARWA L	31, SHAKESPEARE SARANI, ROOM No.209, KOLKATA- 700017
18	GIRIRAJ STOCK BROKING PRIVATE LIMITED	AACCG7581 R	CSE/10 42	PRAKASH JAJODIA	30/3, NISITH SEN SARANI, P.O. - BAIDYABATI HOOGHLY
19	INTELLECT STOCK BROKING LTD	AADCR1862 K	BSE/62 48	AMIT DALMIA	23A, GIRI BABU LANE, KOLKATA- 700012
20	ASHOK KUMAR KAYAN KAYAN SECURITIES PVT LTD	AABCK3359 A,ALKPK22 98K	CSE/20 8 & CSE/10 45	ASHOK KUMAR KAYAN	1, R N MUKHERJEE ROAD,MARTIN BURN BUILDING,ROOM NO.319,KOLKATA-1
21	KCGPSHARE BROKING SERVICES PRIVATE LIMITED	AABCK4951 C	CSE/17 7	SURAJ JHUNJHU NWALA	16 INDIA EXCHANGE PLACE, GROUND FLOOR, ROOM NO 42,



					KOLKATA- 01
22	KORP SECURITIES LTD	AABCK1353 N	BSE/62 13	ANUJ AGARWAL	1, R N MUKHERJEE ROAD,MARTIN BURN BUILDING,5TH FLOOR,ROOM NO.26,27 & 29,,KOLKATA-1
23	M.BHIWANIWALA & CO.	AADFB1404 C	CSE/56 7	Madhu Bhiwaniwala	16, India Exchange Place, Kolkata-700 001
24	MANU STOCK BROKING PVT LTD	AAECM371 3B	BSE/32 94	RITESH JAIN	ROOM NO.201,2ND FLOOR,21, HEMANT BASU SARANI, KOL-01
25	MILLENNIUM STOCK BROKING PVT LTD	AACCM285 3Q	BSE/61 51	ANUP KR MAHESH WARI	1, R N MUKHERJEE ROAD,MARTIN BURN BUILDING,5TH FLOOR,ROOM NO.26,27 & 29,,KOLKATA-1
26	NAKAMICHI SECURITIES LTD	AABCN0733 D	BSE/62 86 & NSE/08 565	PRADEEP JAIN	11/1, MADHAV GHOSH LANE, HOWRAH-711106
27	PKC COMMODITIES LTD & SUBH STOCK BROKING PVT LTD.	AABCR5112 J,AAHCS798 5C	CSE/68 1	PAWAN KR KAYAN	1, R N MUKHERJEE ROAD,MARTIN BURN BUILDING,3RD FLOOR, ROOM NO.316, KOLKATA-1
28	RELIGARE SECURITIES LTD	AAACF1952 D	BSE/30 04, IN6300 43 & NSE55 8537	BIDYOOT SARKAR	Regional Office: C-2, GARDEN GREEN APARTMENT, KOLKATA-70
29	RNA CAPITAL MARKETS LTD	AACCR9325 E	BSE/30 49	PARATIK AGARWAL	G-501, BLOCK-DC, CITY CENTRE, SALT LAKE, KOLKATA
30	S K KHEMKA	AFPPK2503 Q	03/577	SURESH KHEMKA	34, VIVEKANAND ROAD, KOLKATA-700007
31	SAJENDRA MOOKIM	ADMPPM020 4D	03/879	SAJENDR A MOOKIM	1, OLD COURT HOUSE CORNER, TOBACCO HOUSE, 3RD FLOOR,



					ROOM NO.308 (S), KOLKATA-01
32	SIKARIA SHARE & STOCK BROKING SERVICES PVT.LTD	AADCS7351 J	CSE/15 2	BAL KISHAN SIKARIA	14 N S ROAD 1ST FLOOR, KOLKATA-001
33	SINCERE COMMODITIES AND DERIVATIVES MARKET LTD	AAICS3108 G		BHAGWA N DAS AGARWA L	21, HEMANTA BASU SARANI, ROOM NO.307, KOLKATA-1
34	SMC GLOBAL SECURITIES LTD	ACCFS5604 G	BSE/47 0, INB011 343937 & NSE INB230 771431	NARENDR A BELASIA	Regional Office: 104, BIDHAN NAGAR ROAD, BLOCK NO.01, FLAT NO.8B, 8TH FLOOR, ULTADANGA, MERLIN LAKEVIEW, KOLKATA-67
35	SOSHA CREDIT PVT LTD	AAECS2108 L	BSE/30 76	HARENDR A AGARWA L	
36	SUNIL KUMAR KAYAN AND CO	AGDPK5151 F	CSE/74 9	SUNIL KR KAYAN	397,Block-G, New Alipore, Kolkata-53

In many cases share brokers are not independent brokers listed with BSE, but they are sub-brokers of other share brokers. In such cases we have taken the data for whole share broking entity.

**B.** While going through trade data of 84 BSE listed Scripts in which LTCG/STCG scam has been organized, total trade of these share brokers have been identified as below:-

N O	SHARE BROKER	VALUE	I. T. Action
1	THE CALCUTTA STOCK EXCHANGE LTD.	67883672746	Many sub Brokers cum operators Covered US 133A
2	GATEWAY FINANCIAL SERVICES LTD.	15631310914	Broker cum Operator covered u/s 133A
3	SMC GLOBAL SECURITIES LTD.	13621692916	Regional office and sub broker covered u/s 133A
4	ANAND RATHI SHARE & STOCK BROKERS LTD.	12094512349	Regional office and sub broker covered u/s 133A
5	COMFORT SECURITIES LTD.	9705146605	Registered office

			covered U/S 132 by Mumbai Wing
6	KORP SECURITIES LTD.	8189291860	Broker cum Operator covered u/s 133A
7	RELIGARE SECURITIES LTD.	6628979582	Regional office and sub broker covered u/s 133A
8	DESTINY SECURITIES LTD.	5247986735	Broker cum Operator covered u/s 132
9	EUREKA STOCK & SHARE BROKING SERVICES LTD.	3692874993	Registered office and Sub Brokers covered u/s 133A
10	MADHYA PRADESH STOCK EXCHANGE LTD.	2804620283	Sub Brokers covered u/s 133A
11	DYNAMIC EQUITIES PVT.LTD.	2143576378	Sub Brokers covered u/s 131
12	MANU STOCK BROKING PVT.LTD.	2000562872	Broker covered u/s 133A
13	NAKAMICHI SECURITIES LTD.	1814351977	Sub Broker covered u/s 131
14	BABA BHOOTHNATH TRADE & COMMERCE PVT. LTD.	1536516621	Broker cum Operator covered u/s 133A
15	INTELLECT STOCK BROKING LTD.	1745088266	Broker cum Operator covered u/s 133A
16	EAST INDIA SECURITIES LTD.	1303498586	Broker cum Operator covered u/s 133A
17	ABHINANDAN STOCK BROKING PVT. LTD.	1197078242	Broker cum Operator covered u/s 133A
18	FORT SHARE BROKING PVT.LTD.	1020106004	Broker covered u/s 133A
19	RNA CAPITAL MARKETS LTD.	584774994	Broker covered u/s 133A
20	SOSHA CREDIT PVT.LTD.	483067293	Broker covered u/s 133A
21	Millennium Stock Broking Private Limited	376229158	Sub Broker covered u/s 133A
22	KAYAN SECURITIES PVT. LTD.	26457363	Broker cum Operator covered u/s 133A
	TOTAL	159704939372	

Here, we can see that from total amount of trade of Rs. 38 thousand Crores in 84 scripts, these brokers have traded more than 15 thousand Crores on purchase side, i.e. loss booking side. A very noticeable point is that, these share brokers have not only accepted their active role in the scam but there have been many incriminating documents found and impounded from their premises, which suggest their active role. All the details of share broker along with their entry operators can be obtained from the “LTCG Database” given in DVD.

### **C. Broker wise Script wise analysis :-**

#### **1. THE CALCUTTA STOCK EXCHANGE LTD.**

This is the biggest share broker in our list. Here I want to clarify that Calcutta Stock Exchange as a broker is a set of many sub brokers. These sub brokers have taken BSE Terminal through Calcutta stock Exchange Ltd. Most of these sub brokers are involved in providing accommodation entry of LTCG, through floating Jamakharchi/bogus clients. Now, we have raided many such sub brokers, like Bikas Sureka, Anil Khemka, Amit Saraogi, Sauraj Jhunjhunwala, D. B. & Co, and Sajendra Mookim. All have accepted in their statements recorded that they are actively involved in providing accommodation entry of Long Term Capital Gain in lieu cash commission. Many such brokers were found to handling cash of beneficiaries, as impounded documents suggest.

Now if we see Calcutta stock exchange as a broker, then as a whole this broker have traded in such penny stocks as given below:-

<b>NO</b>	<b>NAME OF KEY PENNY STOCK</b>	<b>PURCHASE VALUE</b>
1	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	6964583000
2	GCM SECURITIES LTD	5348224900
3	SRK INDUSTRIES LTD	5095541920
4	GLOBAL INFRATECH&FINANCE	4593997399
5	NCL RESEARCH & FINANCIAL SERVICES LTD	4282186456
6	KAPPAC PHARMA LTD	3640631379
7	LIFELINE DRUGS AND PHARMA LTD	3351428918
8	KAILASH AUTO FINANCE LTD	2945648632
9	JACKSON INVESTMENS LTD	2832888570
10	SULABH ENGINEERS & SERVICES LTD	2528270087
11	PINE ANIMATION LTD	1967221463
12	GREENCREST FINANCIAL SERVICES LTD	1522979544
13	RADFORD GLOBAL LTD	1495774057
14	HPC BIOSCIENCES LTD	1431719820
15	BLUE CIRCLE SERVICES LTD	1404753456
16	TUNI TEXTILE MILLS LTD	1226882613
17	JMD TELEFIMS INDUSTRIES LTD	1221276141

18	RANDER CORPORATION LTD	1175455720
19	CHANNEL NINE ENTERTAINMENT LTD	913432175
20	ESSAR(INDIA) LTD	881880848
21	UNNO INDUSTRIES LTD	777671883
22	RUTRON INTERNATIONAL LTD	762900637
23	ESTEEM BIO ORGANIC FOOD PROCESSING LTD	761820390
24	MISHKA FINANCE AND TRADING LTD	694822177
25	GOLD LINE INTERNATIONAL FINVEST LTD	659022681
26	CCL INTERNATIONAL LTD	656097224
27	MAHAVIR ADVANCED REMEDIES LTD	648443212
28	SURABHI CHEMICALS & INVESTMENTS LTD	616481323
29	ALPS MOTOR FINANCE LTD	529596805
30	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	521056886
31	ECO FRIENDLY FOOD PROCESSING PARK LTD	500025220
32	MAA JAGDAMBE TRADELINKS LTD	486978756
33	KDJ HOLIDAYSCAPES AND RESORTS LTD	433328996
34	SUNRISE ASIAN LTD	386648338
35	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	376210411
36	GOLDEN LEGEND LEASING & FINANCE LTD	302706883
37	EFFINGO TEXTILE & TRADING LTD	289118138
38	RAJLAXMI INDUSTRIES LTD	230882159
39	ASHIKA CREDIT CAPITAL LTD	213680982
40	COMFORT FINCAP LTD	213460626
41	FIRST FINANCIAL SERVICES LTD	171302545
42	SPLASH MEDIA & INFRA LTD	127351768
43	LUMINAIRE TECHNOLOGIES LTD	126656363
44	MORYO INDUSTRIES LTD	117746830
45	SHREE NATH COMMERCIAL & FINANCE LTD	103681739
46	GRANDMA TRADING & Agencies Ltd	89597855
47	SHREE SHALEEN TEXTILES LTD	73294910
48	ALPHA GRAPHIC INDIA LTD	44770660
49	VISHVJYOTI TRADING LTD	29950230
50	GFL FINANCIALS INDIA LTD	26722059
51	ANUKARAN COMMERCIAL ENTERPRISES LTD	23951326
52	KAY POWER AND PAPER LTD	19709795
53	TURBOTECH ENGINEERING LTD	17938678
54	COMPACT DISC INDIA LTD	15178596
55	ICVL CHEMICALS LTD	11250684
56	UNISHIRE URBAN INFRA	11055300
	<b>Total</b>	<b>6500 Crores</b>

## 2. GATEWAY FINANCIAL SERVICES LTD.

Gateway Financial Services Ltd. Is a broking firm of notorious entry operator Pravin Agarwal. A search U/S 132 was conducted in his case in F.Y. 2012-13 in his case. Where he accepted to be an entry operator and he disclosed a sum Rs. 25 Crores on account of his commission Income so earned. At that time his broking firm was not investigated from the point of view of share trading and providing accommodation of LTCG. This time, as a part of Project LTCG, he was surveyed u/s 133A & his statement was recorded. This time he has accepted that he provides accommodation entry of LTCG/STCL in lieu of commission. His total work of LTCG is of Rs. **15631310914/-**. This figure is top most in all India basis. This means that he is the single largest accommodation entry providing share broker cum operator in India.

NO	KEY PENNY STOCK	BOGUS PURCHASE VALUE
1	BLUE CIRCLE SERVICES LTD	3197117347
2	TURBOTECH ENGINEERING LTD	2420037441
3	TUNI TEXTILE MILLS LTD	1088567167
4	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	1021934583
5	JMD TELEFIMS INDUSTRIES LTD	941620750
6	GLOBAL INFRATECH&FINANCE	901574779
7	SHREE SHALEEN TEXTILES LTD	829887493
8	GRANDMA TRADING & Agencies Ltd	773489995
9	ANUKARAN COMMERCIAL ENTERPRISES LTD	722681987
10	RUTRON INTERNATIONAL LTD	467506615
11	SPLASH MEDIA & INFRA LTD	465557451
12	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	373193662
13	RADFORD GLOBAL LTD	333592945
14	LIFELINE DRUGS AND PHARMA LTD	262199061
15	ESSAR(INDIA) LTD	199719863
16	JACKSON INVESTMENS LTD	182292148
17	GREENCREST FINANCIAL SERVICES LTD	112561786
18	RANDER CORPORATION LTD	108982631
19	KDJ HOLIDAYSCAPES AND RESORTS LTD	104368360
20	NCL RESEARCH & FINANCIAL SERVICES LTD	72393241
21	GCM SECURITIES LTD	67422080

22	COMFORT FINCAP LTD	61151169
23	PINE ANIMATION LTD	56271125
24	SRK INDUSTRIES LTD	32893859
25	MISHKA FINANCE AND TRADING LTD	32434602
26	MORYO INDUSTRIES LTD	28210555
27	RAJLAXMI INDUSTRIES LTD	25775747
28	JOLLY PLASTIC INDUSTRIES LTD	23934985
29	ASHIKA CREDIT CAPITAL LTD	18481466
30	EFFINGO TEXTILE & TRADING LTD	17224112
31	UNNO INDUSTRIES LTD	15529838
	<b>Total</b>	<b>1500 Crores</b>

### 3. SMC GLOBAL SECURITIES LTD.:-

This is a Delhi based big broking house. A well-established name, in the field of Share market. We have survey a sub broker of his named Pawan Kayan. Later on we also surveyed regional office of **SMC Global Securities Ltd.** Many sub brokers as well as regional office manager have accepted their role in accommodation entry providing syndicate. They have also accepted that they receive cash commission from beneficiaries/key operators for being part of the syndicate. We have also impounded such documents from the office of SMC Regional office, which suggest that they receive huge cash commission. Even Rs. 90 Lacks cash has been found and seized from the office of one of the sub broker, Mr. Pawan Kumar Kayan.

NO	KEY PENNY STOCKS	PURCHASE VALUE FOR LTCG
1	CCL INTERNATIONAL LTD	2341154116
2	TUNI TEXTILE MILLS LTD	1385838973
3	KAILASH AUTO FINANCE LTD	1161229433
4	NCL RESEARCH & FINANCIAL SERVICES LTD	1068352216
5	SURABHI CHEMICALS & INVESTMENTS LTD	675963677
6	UNNO INDUSTRIES LTD	649056668
7	SUNRISE ASIAN LTD	614123303
8	KAPPAC PHARMA LTD	454691620
9	JMD TELEFIMS INDUSTRIES LTD	444778860
10	LUMINAIRE TECHNOLOGIES LTD	373513727
11	BLUE CIRCLE SERVICES LTD	294096281
12	TURBOTECH ENGINEERING LTD	259724965



13	GLOBAL INFRATECH&FINANCE	253042786
14	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	224797822
15	EFFINGO TEXTILE & TRADING LTD	177716170
16	ANUKARAN COMMERCIAL ENTERPRISES LTD	162003427
17	SHREE SHALEEN TEXTILES LTD	160132166
18	RAJLAXMI INDUSTRIES LTD	150918229
19	RANDER CORPORATION LTD	147762107
20	SULABH ENGINEERS & SERVICES LTD	143478190
21	ESSAR(INDIA) LTD	126129725
22	SPLASH MEDIA & INFRA LTD	113680694
23	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	101803646
24	SHREE NATH COMMERCIAL & FINANCE LTD	96270755
25	PINE ANIMATION LTD	95176810
26	MORYO INDUSTRIES LTD	93572306
27	MAA JAGDAMBE TRADELINKS LTD	84536982
28	SRK INDUSTRIES LTD	61522495
29	RADFORD GLOBAL LTD	48928295
30	COMPACT DISC INDIA LTD	34472325
31	RUTRON INTERNATIONAL LTD	30962006
32	MISHKA FINANCE AND TRADING LTD	30910717
33	GRANDMA TRADING & Agencies Ltd	30326814
34	JOLLY PLASTIC INDUSTRIES LTD	20727160
35	ASHIKA CREDIT CAPITAL LTD	19372253
36	LIFELINE DRUGS AND PHARMA LTD	18805018
37	CUPID TRADES 7 FINANCE LTD	17381680
38	ESTEEM BIO ORGANIC FOOD PROCESSING LTD	16151340
39	DHANUS TECHNOLOGIES LTD	15487982
40	ECO FRIENDLY FOOD PROCESSING PARK LTD	13791640
41	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	13399411
42	GFL FINANCIALS INDIA LTD	12472399
43	GCM SECURITIES LTD	10632000

#### 4. ANAND RATHI SHARE & STOCK BROKERS LTD.:-

This is a Mumbai based big share broking entity. They are widely known in the share market. Its key person Mr. Anand Rathi was once head of BSE. Very

recently he has been arrested by C.B.I. in the case of National Spot Exchange Ltd Scam. We surveyed his regional Kolkata office U/S 133A. Statements of regional head and employees were recorded where they accepted that they willfully allowed known entry operators like Deepak Patwary and Prawesh Beria run their scam of LTCG. They never bothered to verify the KYC Norms as required. Very interestingly it was also found that Anand Rathi Group is receiving share capital in their smaller investment companies, from well-known entry operators of LTCG market, Like Jagdish Purohit and Akash Agarwal. This makes a clear nexus between broker and operator.

no	KEY PENNY STOCKS	PURCHASE AMOUNT
1	CCL INTERNATIONAL LTD	1449052470
2	KAPPAC PHARMA LTD	1232513483
3	LUMINAIRE TECHNOLOGIES LTD	1187009080
4	TURBOTECH ENGINEERING LTD	806051494
5	SUNRISE ASIAN LTD	698650399
6	MORYO INDUSTRIES LTD	654403806
7	MAA JAGDAMBE TRADELINKS LTD	445574992
8	RADFORD GLOBAL LTD	376285755
9	SURABHI CHEMICALS & INVESTMENTS LTD	334870768
10	BLUE CIRCLE SERVICES LTD	277582778
11	TUNI TEXTILE MILLS LTD	275704127
12	MAHAVIR ADVANCED REMEDIES LTD	248945625
13	UNNO INDUSTRIES LTD	237962168
14	SHREE SHALEEN TEXTILES LTD	227082845
15	MISHKA FINANCE AND TRADING LTD	148028709
16	RUTRON INTERNATIONAL LTD	140833846
17	ESSAR(INDIA) LTD	117901861
18	PINE ANIMATION LTD	114479248
19	KAILASH AUTO FINANCE LTD	102260399
20	RANDER CORPORATION LTD	98454521
21	SHREE NATH COMMERCIAL & FINANCE LTD	91530968
22	GRANDMA TRADING & Agencies Ltd	89418121
23	SPLASH MEDIA & INFRA LTD	70881806
24	EFFINGO TEXTILE & TRADING LTD	61160986
25	CUPID TRADES 7 FINANCE LTD	57767318
26	ANUKARAN COMMERCIAL ENTERPRISES LTD	55487423
27	ASHIKA CREDIT CAPITAL LTD	49131902
28	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	48588472



29	RAJLAXMI INDUSTRIES LTD	48402326
30	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	47691512
31	SULABH ENGINEERS & SERVICES LTD	40189457
32	BLAZON MARBLE SLTD	39890471
33	NCL RESEARCH & FINANCIAL SERVICES LTD	33667238
34	FIRST FINANCIAL SERVICES LTD	32244208

#### 5. COMFORT SECURITIES LTD. :-

This a typical example of share broker cum entry operator cum promoter of the scripts. Mr. Anil Agarwal is the key person of this Comfort group. A search operation has been conducted on his group by **Mumbai Investigation wing**, where he has accepted his key role in providing accommodation entry of LTCG/STCL.

NO	KEY PENNY STOCKS	VALUE
1	SPLASH MEDIA & INFRA LTD	1012049494
2	SUNRISE ASIAN LTD	704900154
3	TUNI TEXTILE MILLS LTD	669846344
4	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	569556826
5	RUTRON INTERNATIONAL LTD	561093824
6	BLUE CIRCLE SERVICES LTD	528793899
7	FIRST FINANCIAL SERVICES LTD	388714445
8	NCL RESEARCH & FINANCIAL SERVICES LTD	375961753
9	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	371916063
10	GLOBAL INFRATECH&FINANCE	349241535
11	KDJ HOLIDAYSCAPES AND RESORTS LTD	241485354
12	PINE ANIMATION LTD	232828860
13	RADFORD GLOBAL LTD	189646527
14	COMFORT FINCAP LTD	179504311
15	GREENCREST FINANCIAL SERVICES LTD	102293228
16	SHREE NATH COMMERCIAL & FINANCE LTD	63818290
17	ESSAR(INDIA) LTD	62707052
18	LUMINAIRE TECHNOLOGIES LTD	54375931
19	JMD TELEFIMS INDUSTRIES LTD	25969468
20	GCM SECURITIES LTD	19417200
21	RAJLAXMI INDUSTRIES LTD	18267068
22	BLAZON MARBLE SLTD	17989375
23	ESTEEM BIO ORGANIC FOOD PROCESSING LTD	10066000

He has also been clearly mentioned in the **SEBI,s order** in the case of First Financial Services ltd.

#### 6. KORP SECURITIES LTD. :-

This a Kolkata based share broker who has been clearly mentioned SEBI order in the case of Bhartiya Global Infomedia ltd. In SEBI order this broker has been heavily penalized for market manipulations. This is a broker which is an entry operator as well. He maintains his own set of Jamakharchi/paper companies, through whom he does dubious trading in share market.

NO	KEY PENNY STOCK	VALUE
1	GLOBAL INFRATECH&FINANCE	2145102714
2	LIFELINE DRUGS AND PHARMA LTD	1865681200
3	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	1755226123
4	BLUE CIRCLE SERVICES LTD	1031120434
5	PINE ANIMATION LTD	434533901
6	GREENCREST FINANCIAL SERVICES LTD	234966254
7	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	199506487
8	RADFORD GLOBAL LTD	139659564
9	RUTRON INTERNATIONAL LTD	91145765
10	TURBOTECH ENGINEERING LTD	55347856
11	JACKSON INVESTMENS LTD	39394975
12	ESSAR(INDIA) LTD	36440363
13	COMFORT FINCAP LTD	29832875
14	FIRST FINANCIAL SERVICES LTD	27789589
15	TUNI TEXTILE MILLS LTD	16680720
16	NCL RESEARCH & FINANCIAL SERVICES LTD	13064683
17	GRANDMA TRADING & Agencies Ltd	12889465
18	VISHVJYOTI TRADING LTD	10619000

#### 7. RELIGARE SECURITIES LTD-.,

This is also a Delhi base big share broker like SMC. This also is a very big name in the share market. We raided its regional office in Kolkata and found that this share broker is also involved in registering bogus clients who are not at all traceable into real world. During the course of survey we send broker's concerned person with our inspectors to identify the whereabouts of the identified Jamakharchi clients. But broker's concerned person failed to locate Jamakharchi companies, which proved our point. Interestingly, this concerned person named Raju Das was the introducer of such bogus clients, as given in KYC. Not only that, we have also prepared a **cash trail of 26 Crores Rs, in the case of a bogus client of Religare.**

NO	KEY PENNY STOCK	VALUE
1	SPLASH MEDIA & INFRA LTD	1207174384
2	CCL INTERNATIONAL LTD	930969138
3	TUNI TEXTILE MILLS LTD	666055048
4	NCL RESEARCH & FINANCIAL SERVICES LTD	665407833
5	JMD TELEFIMS INDUSTRIES LTD	483678113
6	BLUE CIRCLE SERVICES LTD	377252842
7	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	298998638
8	RANDER CORPORATION LTD	232135384
9	GLOBAL SECURITES LTD	209445911
10	ANUKARAN COMMERCIAL ENTERPRISES LTD	144773826
11	UNNO INDUSTRIES LTD	143312536
12	SUNRISE ASIAN LTD	121617661
13	COMPACT DISC INDIA LTD	95162784
14	SHREE NATH COMMERCIAL & FINANCE LTD	87303765
15	GLOBAL INFRATECH&FINANCE	81603797
16	TURBOTECH ENGINEERING LTD	65578585
17	MAA JAGDAMBE TRADELINKS LTD	58396660
18	KAY POWER AND PAPER LTD	53430796
19	LUMINAIRE TECHNOLOGIES LTD	47465474
20	KAPPAC PHARMA LTD	41844441
21	SRK INDUSTRIES LTD	37007980
22	SURABHI CHEMICALS & INVESTMENTS LTD	34772532
23	SULABH ENGINEERS & SERVICES LTD	31143745
24	SHREE SHALEEN TEXTILES LTD	24958999
25	RAJLAXMI INDUSTRIES LTD	24336215
26	RUTRON INTERNATIONAL LTD	22973142
27	DHANUS TECHNOLOGIES LTD	22010045

28	MAHAVIR ADVANCED REMEDIES LTD	21796692
29	COMFORT FINCAP LTD	20469062
30	GFL FINANCIALS INDIA LTD	15160617
31	ASHIKA CREDIT CAPITAL LTD	14059187
32	PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD	13268261
33	KAILASH AUTO FINANCE LTD	13079673
34	PINE ANIMATION LTD	12343683
35	CUPID TRADES 7 FINANCE LTD	10450218
36	FIRST FINANCIAL SERVICES LTD	9965924
37	GRANDMA TRADING & Agencies Ltd	9781729

#### 8. DESTINY SECURITIES LTD.:-

This share broking entity is controlled and managed by a well-known entry operator Mr. Deepak Patwari. He has been raided many times in past by Directorate of Inv. Kolkata. His statement was recorded many times where he has accepted that he is an entry operator and provides accommodation.

no	key penny stocks	value
1	KAILASH AUTO FINANCE LTD	1736216373
2	LUMINAIRE TECHNOLOGIES LTD	811967700
3	TUNI TEXTILE MILLS LTD	267686006
4	CCL INTERNATIONAL LTD	246338369
5	SURABHI CHEMICALS & INVESTMENTS LTD	231019993
6	JMD TELEFIMS INDUSTRIES LTD	187318095
7	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	185293607
8	NCL RESEARCH & FINANCIAL SERVICES LTD	143956593
9	BLUE CIRCLE SERVICES LTD	132051204
10	SPLASH MEDIA & INFRA LTD	65924932
11	RANDER CORPORATION LTD	56498050
12	KAPPAC PHARMA LTD	38256581
13	SULABH ENGINEERS & SERVICES LTD	37406522
14	TURBOTECH ENGINEERING LTD	31455597
15	SHREE SHALEEN TEXTILES LTD	29969445
16	GFL FINANCIALS INDIA LTD	29248100
17	SHREE NATH COMMERCIAL & FINANCE LTD	25207563
18	BLAZON MARBLE SLTD	24586770
19	SRK INDUSTRIES LTD	15872538
20	UNNO INDUSTRIES LTD	14108804

21	ASHIKA CREDIT CAPITAL LTD	12105883
22	GRANDMA TRADING & Agencies Ltd	9255800
23	FIRST FINANCIAL SERVICES LTD	9167500

#### 9. EUREKA STOCK & SHARE BROKING SERVICES LTD.:-

This is Kolkata based share broking entity. They have been surveyed u/s 133A and accepted their role. This broker has many sub brokers, three of which were covered in our action and all accepted their active role in Scam. Even managing director of the broking company has accepted in his statement that he have booked bogus losses in such penny stocks.

NO	KEY PENNY STOCK	VALUE
1	NCL RESEARCH & FINANCIAL SERVICES LTD	1013486522
2	TUNI TEXTILE MILLS LTD	925597505
3	JMD TELEFIMS INDUSTRIES LTD	206112302
4	SPLASH MEDIA & INFRA LTD	178818035
5	GCM SECURITIES LTD	177732560
6	RAJLAXMI INDUSTRIES LTD	172096123
7	SHREE NATH COMMERCIAL & FINANCE LTD	163355290
8	KAILASH AUTO FINANCE LTD	126853541
9	ESSAR(INDIA) LTD	91006137
10	SULABH ENGINEERS & SERVICES LTD	81213063
11	FIRST FINANCIAL SERVICES LTD	62921300
12	BLUE CIRCLE SERVICES LTD	61450935
13	PINE ANIMATION LTD	36480473
14	GRANDMA TRADING & Agencies Ltd	29218639
15	CCL INTERNATIONAL LTD	28230752
16	SHREE SHALEEN TEXTILES LTD	24684949
17	MAHAVIR ADVANCED REMEDIES LTD	24655970
18	MISHKA FINANCE AND TRADING LTD	22378450
19	ASHIKA CREDIT CAPITAL LTD	17516785
20	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	15573950
21	RADFORD GLOBAL LTD	13891557

#### 10. MADHYA PRADESH STOCK EXCHANGE LTD.:-

Two sub brokers have been identified and covered. One is Mr. Bhagwan Das Agarwal through his company Sincere Commodities and derivatives pvt ltd and another one is Pawan Kumar Purohit, son of well known entry operator Mr. Sushil Purohit.

NO	KEY PENNY STOCK	VALUE
1	SUNRISE ASIAN LTD	466034555
2	LUMINAIRE TECHNOLOGIES LTD	429503777
3	ANUKARAN COMMERCIAL ENTERPRISES LTD	169698290
4	VISHVJYOTI TRADING LTD	152998220
5	TURBOTECH ENGINEERING LTD	142034002
6	GLOBAL INFRATECH&FINANCE	139270533
7	SURABHI CHEMICALS & INVESTMENTS LTD	124228853
8	KAILASH AUTO FINANCE LTD	113480086
9	CCL INTERNATIONAL LTD	109081587
10	SHREE SHALEEN TEXTILES LTD	77231126
11	RADFORD GLOBAL LTD	72654961
12	FIRST FINANCIAL SERVICES LTD	71976766
13	GLOBAL SECURITES LTD	64822934
14	BLUE CIRCLE SERVICES LTD	61221902
15	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	49402802
16	KAPPAC PHARMA LTD	43520196
17	PINE ANIMATION LTD	42214744
18	UNNO INDUSTRIES LTD	39151717
19	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	37684985
20	ALPS MOTOR FINANCE LTD	36996972
21	SULABH ENGINEERS & SERVICES LTD	31439971
22	TUNI TEXTILE MILLS LTD	24884994
23	MISHKA FINANCE AND TRADING LTD	23407231

#### 11 DYNAMIC EQUITIES PVT.LTD.:-

A sub broker of Dynamic Equities named Abhishek Kayan was covered u/s 131. He accepted that he was actively involved in the accommodation syndicate of LTCG. While going through the data we also find that Main broker have also booked huge losses in these penny stocks.

no	key penny stocks	value
1	TUNI TEXTILE MILLS LTD	1133723976
2	NCL RESEARCH & FINANCIAL SERVICES LTD	424870063
3	SULABH ENGINEERS & SERVICES LTD	169970788
4	CCL INTERNATIONAL LTD	115213358
5	ESSAR(INDIA) LTD	54487939
6	JMD TELEFIMS INDUSTRIES LTD	49071813
7	SHREE NATH COMMERCIAL & FINANCE LTD	40970150
8	JACKSON INVESTMENS LTD	29167450
9	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	12982330

## 12. MANU STOCK BROKING PVT.LTD.:-

This broker was covered most recently. This broking entity is based in Kolkata. They have also accepted during the course of statement that they have played an active role in LTCG syndicate.

NO	KEY PENNY STOCKS TRADED	VALUE
1	TUNI TEXTILE MILLS LTD	222716370
2	UNNO INDUSTRIES LTD	204468447
3	PINE ANIMATION LTD	181573137
4	SULABH ENGINEERS & SERVICES LTD	163192076
5	BLUE CIRCLE SERVICES LTD	126843039
6	FIRST FINANCIAL SERVICES LTD	106371041
7	RUTRON INTERNATIONAL LTD	79715280
8	JMD TELEFIMS INDUSTRIES LTD	76144468
9	SHREE NATH COMMERCIAL & FINANCE LTD	74739588
10	SPLASH MEDIA & INFRA LTD	73773342
11	COMFORT FINCAP LTD	65841731
12	RAJLAXMI INDUSTRIES LTD	65521916
13	RANDER CORPORATION LTD	63865253
14	GLOBAL INFRATECH&FINANCE	63774266
15	SRK INDUSTRIES LTD	57417618
16	GFL FINANCIALS INDIA LTD	38147501
17	MISHKA FINANCE AND TRADING LTD	32787475
18	ASHIKA CREDIT CAPITAL LTD	28782685
19	ANUKARAN COMMERCIAL ENTERPRISES LTD	22736069
20	GREENCREST FINANCIAL SERVICES LTD	19346500
21	PS IT INFRASTRUCTURE & SERVICES	17376081



	LTD/PARAGSHILPA INVESTMENTS LTD	
22	KAILASH AUTO FINANCE LTD	15447830
23	RADFORD GLOBAL LTD	10060777
24	LUMINAIRE TECHNOLOGIES LTD	8374023

### 13. NAKAMICHI SECURITIES LTD.:-

This share broking entity is also involved in the syndicate. They have been covered in the project through one of their sub broker, who use to trade from their office only. He has accepted in his statement that he earns cash commission through this syndicate.

NO	KEY PENNY STOCKS	VALUE
1	KAILASH AUTO FINANCE LTD	776690256
2	UNNO INDUSTRIES LTD	418818229
3	BLUE CIRCLE SERVICES LTD	217242649
4	RAJLAXMI INDUSTRIES LTD	188598192
5	SURABHI CHEMICALS & INVESTMENTS LTD	61045725
6	GLOBAL INFRATECH&FINANCE	42617000
7	SHREE NATH COMMERCIAL & FINANCE LTD	40302838
8	TUNI TEXTILE MILLS LTD	33019854
9	RADFORD GLOBAL LTD	26720672

### 14. BABA BHOOTHNATH TRADE & COMMERCE PVT. LTD. :-

Mr. Rajesh Kedia is the key person of this share broking entity. He has accepted in his statement available with this directorate that he is an entry operator he earns commission income from that.

no	key penny stocks	value
1	ANUKARAN COMMERCIAL ENTERPRISES LTD	1380608898
2	VISHVJYOTI TRADING LTD	82019896
3	UNNO INDUSTRIES LTD	32232497
4	SUNRISE ASIAN LTD	27144222
5	NCL RESEARCH & FINANCIAL SERVICES LTD	10018560
6	BLUE CIRCLE SERVICES LTD	3806965

### 15. INTELLECT STOCK BROKING LTD-..



This is key concern controlled and managed by entry operators duo Sandeep Jindal and Amit Kedia. They provide all kind of accommodation entries. They were surveyed in the Project Bogus LTCG where Amit Kedia and his dummy directors accepted their active involvement in the racket.

NO	KEY PENNY STOCKS	VALUE
1	LUMINAIRE TECHNOLOGIES LTD	305875579
2	KAILASH AUTO FINANCE LTD	302620677
3	UNNO INDUSTRIES LTD	246710725
4	CCL INTERNATIONAL LTD	194046778
5	RAJLAXMI INDUSTRIES LTD	61140895
6	BLUE CIRCLE SERVICES LTD	46842216
7	SHREE NATH COMMERCIAL & FINANCE LTD	26434070
8	SURABHI CHEMICALS & INVESTMENTS LTD	22602482
9	TUNI TEXTILE MILLS LTD	21617637
10	KDJ HOLIDAYSCAPES AND RESORTS LTD	21535445
11	GRANDMA TRADING & Agencies Ltd	14809878
12	GLOBAL INFRATECH&FINANCE	10319750
13	SHREE SHALEEN TEXTILES LTD	8846350
14	VISHVJYOTI TRADING LTD	8747365
15	ASHIKA CREDIT CAPITAL LTD	8179711
16	RANDER CORPORATION LTD	7911155
17	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	6214985
18	SULABH ENGINEERS & SERVICES LTD	5452098

#### 16. EAST INDIA SECURITIES LTD. :-

This is a big share broking house of eastern India. They were also raided during the course of Project LTCG. During the course of survey statement of L.K. Agarwal was recorded where he has accepted that he has booked bogus losses in these scripts. His statement is attached in "LTCG Database" in DVD.

NO	PENNY STOCKS	VALUE
1	TUNI TEXTILE MILLS LTD	304082012
2	COMFORT FINCAP LTD	136553200
3	NCL RESEARCH & FINANCIAL SERVICES LTD	135420977
4	ASHIKA CREDIT CAPITAL LTD	128637082
5	SHREE NATH COMMERCIAL & FINANCE LTD	123849967
6	FIRST FINANCIAL SERVICES LTD	72013736
7	RAJLAXMI INDUSTRIES LTD	71724571

8	RUTRON INTERNATIONAL LTD	68051600
9	PINE ANIMATION LTD	50917852
10	MISHKA FINANCE AND TRADING LTD	44512660
11	UNNO INDUSTRIES LTD	31922179
12	MAHAVIR ADVANCED REMEDIES LTD	19717376
13	GLOBAL SECURITES LTD	19343898
14	JMD TELEFIMS INDUSTRIES LTD	17682524
15	GLOBAL INFRATECH&FINANCE	15797400
16	BLUE CIRCLE SERVICES LTD	15244483
17	DHANLEELA INVESTMENTS & TRADING COMPANY LTD	10677525

#### 17. ABHINANDAN STOCK BROKING PVT. LTD.:-

This broking entity is controlled and managed by well known entry operator Narendra Jain. His son Nikhil Jain and another friend Nirmal Kumar Kedia are the directors of this share broking company. Shareholding of this company is with the other paper companies of Narendra Jain. A survey was conducted in his office on 11/04/2014. Where statements of Narendra Jain and his dummy directors were recorded. All statements are attached in "LTCG Database" in DVD. In his statements Narendra Jain accepted that he is basically an entry operator and earns commission income from this business.

NO	KEY PENNY STOCKS	PURCHASE VALUE
1	LUMINAIRE TECHNOLOGIES LTD	370731346
2	SULABH ENGINEERS & SERVICES LTD	162582746
3	CCL INTERNATIONAL LTD	111464683
4	BLUE CIRCLE SERVICES LTD	73358048
5	ASHIKA CREDIT CAPITAL LTD	60537862
6	SHREE NATH COMMERCIAL & FINANCE LTD	44024800
7	RAJLAXMI INDUSTRIES LTD	28607871
8	TUNI TEXTILE MILLS LTD	19962038
9	GLOBAL INFRATECH&FINANCE	11111850

10	TURBOTECH ENGINEERING LTD	9944197
11	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	9552345
12	MISHKA FINANCE AND TRADING LTD	9436650
13	SHREE SHALEEN TEXTILES LTD	8511000
14	GRANDMA TRADING & Agencies Ltd	5288740
15	PINE ANIMATION LTD	3999263
16	RADFORD GLOBAL LTD	3943480

18. FORT SHARE BROKING PVT.LTD. :-

This is a share broking company based in Kolkata. A survey U/S 133A was conducted in the office of this company on 26/02/2015 . During the course of survey proceedings statements of key persons were recorded. Even the concerned KYC handling officer was sent to verify the address of Jamakharchi clients with our departmental inspectors. But such bogus clients were not at all traceable at the given registered address. When the director of broking company Sanjay Kumar Parakh was confronted with this fact, he surrendered and accepted that he is involved in providing accommodation entry of bogus LTCG.

NO	KEY PENNY STOCKS TRADED	PURCHASE VALUE
1	UNNO INDUSTRIES LTD	145147781
2	LUMINAIRE TECHNOLOGIES LTD	123324652
3	JMD TELEFIMS INDUSTRIES LTD	97810467
4	TUNI TEXTILE MILLS LTD	56067733
5	BLUE CIRCLE SERVICES LTD	55872424
6	SHREE NATH COMMERCIAL & FINANCE LTD	37909881
7	FIRST FINANCIAL SERVICES LTD	30667290
8	RADFORD GLOBAL LTD	30122589
9	PINE ANIMATION LTD	23911567
10	GRANDMA TRADING & Agencies Ltd	23328750
11	SHREE SHALEEN TEXTILES LTD	21894300
12	SRK INDUSTRIES LTD	21741289
13	CCL INTERNATIONAL LTD	20136000
14	ASHIKA CREDIT CAPITAL LTD	16640940
15	KAPPAC PHARMA LTD	14120546
16	RANDER CORPORATION LTD	12897710
17	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	12825392
18	MISHKA FINANCE AND TRADING LTD	10575447

19	RAJLAXMI INDUSTRIES LTD	10416956
20	COMFORT FINCAP LTD	9976850
21	BLAZON MARBLE SLTD	9822230
22	GLOBAL INFRATECH&FINANCE	9483800
23	ANUKARAN COMMERCIAL ENTERPRISES LTD	9036942
24	NCL RESEARCH & FINANCIAL SERVICES LTD	8586111

#### 19. RNA CAPITAL MARKETS LTD.:-

This share broking company is based in Kolkata. Controller of this company is Mr. N. K. Agarwal and his son Prateek Agarwal. Mr. N. K. Agarwal is currently a director of Indian Overseas Bank. But basically he is an entry operator. During the course of survey statement of Prateek Agarwal was recorded. Though they did not accepted to be involved in the scam, but facts and evidences depict otherwise. While going through the client list of the broker, it clearly came out that this broker has a lot of paper/Jamakharchi/bogus clients as like others. Even the promoters of the broking company have taken huge LTCG entry in the script of Dhenu Buildcon ltd.

NO	KEY PENNY STOCKS TRADED	PURCHASE VOLUME FOR LTCG
1	LUMINAIRE TECHNOLOGIES LTD	236533778
2	CCL INTERNATIONAL LTD	142526123
3	BLUE CIRCLE SERVICES LTD	21580037
4	SHREE SHALEEN TEXTILES LTD	20739700
5	TURBOTECH ENGINEERING LTD	17185474
6	UNISYS SOFTWARE AND HOLDING INDUSTRIES LTD	16652335
7	JMD TELEFIMS INDUSTRIES LTD	15979957
8	SPLASH MEDIA & INFRA LTD	12782140
9	KAPPAC PHARMA LTD	11650550
10	SHREE NATH COMMERCIAL & FINANCE LTD	7577950
11	GRANDMA TRADING & Agencies Ltd	4736916

#### 20. SOSHA CREDIT PVT.LTD. :-

A survey was conducted in the office premises Sosha Credit Pvt.Ltd. on 09/10/2014. During the course of survey statement of Mr. Harendra Kumar

Agarwal was recorded. He has accepted that he accepts unaccounted cash from beneficiaries and invest the same in penny stocks.

NO	KEY PENNY STOCKS TRADED	PURCHASE VOLUME
1	SHREE NATH COMMERCIAL & FINANCE LTD	56494605
2	BLUE CIRCLE SERVICES LTD	49479244
3	SPLASH MEDIA & INFRA LTD	47971239
4	ASHIKA CREDIT CAPITAL LTD	47718192
5	GLOBAL INFRATECH&FINANCE	43578767
6	JMD TELEFIMS INDUSTRIES LTD	42073766
7	RAJLAXMI INDUSTRIES LTD	30833256
8	TUNI TEXTILE MILLS LTD	30709492
9	MISHKA FINANCE AND TRADING LTD	22843956
10	UNNO INDUSTRIES LTD	20137287
11	RADFORD GLOBAL LTD	18318720
12	FIRST FINANCIAL SERVICES LTD	13462010
13	SHREE SHALEEN TEXTILES LTD	11512032
14	CCL INTERNATIONAL LTD	7809895
15	KDJ HOLIDAYSCAPES AND RESORTS LTD	7493837
16	KAPPAC PHARMA LTD	6998149

#### 21. Millennium Stock Broking Private Limited :-

A key sub broker of millennium stock Broking Pvt. Ltd was covered u/s 133A. During the course of survey statement of Anup Maheshwari was recorded where he accepted that he is involved in providing accommodation entry of LTCG.

NO	KEY PENNY STOCKS	VALUE
1	SURABHI CHEMICALS & INVESTMENTS LTD	141950445
2	GLOBAL INFRATECH&FINANCE	80404865
3	LIFELINE DRUGS AND PHARMA LTD	53088497
4	KAILASH AUTO FINANCE LTD	47515385
5	PINE ANIMATION LTD	16973005
6	RADFORD GLOBAL LTD	10329848
7	MISHKA FINANCE AND TRADING LTD	7248694

#### 22. KAYAN SECURITIES PVT. LTD. :-

Key persons of this share broking company are Ashok Kayan and Harshvardhan Kayan. Statement of Harshvardhan Kayan was recorded during the course of Survey where, he accepted that he is actively involved in this LTTCG Scam.

NO	KEY PENNY STOCKS	VALUE
1	GOLDEN LEGEND LEASING & FINANCE LTD	13328240
2	MAA JAGDAMBE TRADELINKS LTD	6066079
3	SULABH ENGINEERS & SERVICES LTD	4868980
4	KAPPAC PHARMA LTD	1153316
5	MAHAVIR ADVANCED REMEDIES LTD	530700
6	ICVL CHEMICALS LTD	510048

On a sample basis on of the statements of a share broker is given below as specimen:-

Statement of Sri Anuj Agarwal son of Sri Sushil Kumar Agarwal, aged about 27 years, residing at Flat No. 8A, 8<sup>th</sup> Floor, 227/1 A, A.J.C. Bose Road, Kolkata-700020, recorded u/s 131 of the Income-tax Act of 1961 during the course of survey operation u/s 133A of the I.T. Act 1961 at the office premise of Korp Securities Ltd, Divyadrishiti Traders Pvt. Ltd and Divyadrishiti Merchants Pvt. Ltd. at 1, R.N. Mukherjee Road, Martin Burn House, 5<sup>th</sup> floor. Room No. 26, 27 & 29, Kolkata-01 conducted on 30-03-2015.

I, Anuj Agarwal, do swear // > fa name rf jrd ^ ^  
zzcetc speak fa the truth, only truth and nothing  
but At truth

(Oath administered by)  
DDIT (Inv.), Kolkata



Anuj Agarwal  
31/03/15 01:00  
(Oath taken by)  
(Anuj Agarwal)

Q.1. Please identify yourself?\*

Ans. I, Anuj Agarwal son of Sri Sushil Kumar Agarwal, aged about 27 years residing at Flat No. SA^\* Floor, 227/1 A, A.J.C. Bose Road, Kolkata-20.

Q. 2 Please submit any proof in respect of your identify' and residential address? Your contact number mob/telephone?

Ans: Sir, My PAN is AHMPA6161B and my mobile No. is 9836450055 .

Q. 3. Are you aware about the implication of giving false statement/information under oath?

Ans. Yes. I am fully aware of it.

Q. 4 In which language do you well conversant?

Ans. Sir, I am well conversant in English, Hindi and Bengali.

Q. 5. What is your qualification?

Ans. I am B.Com(Hons).

Anuj Agarwal  
31/03/15



**Q.6. What is your source of income?**

Ans. I am engaged in share trading & share broking through Korp Securities Ltd. Apart from this my other source of income is commission for providing accommodation entry in form of Long Term Capital Gain through various companies controlled and managed by me.

**Q.7 Please state in how many companies/concerns you are acting as a Director/Partner/Proprietorship/Substantial share holder or otherwise?**

Ans; Yes sir, I am one of the Directors in the following companies:-

1. Korp Securities Ltd
2. Asteriods Infra LLP and
3. Silky Moon Infra LLP

**Q.8. Please furnish the addresses of companies in w hich you arc one of the Directors.**

Ans. Sir, the details are as under :-

SI No.	Name of the company	Address
1	Korp Securities Ltd	1. R.N.Mukherjee Road. Martin Bum House, 5 <sup>th</sup> floor. Room No. 27 &29, Kolkata-01
2	Asteriods Infra LLP	4/1. Hazra Road, Kolkata-700026
3	Silky Moon Infra LLP	1. R.N.Mukherjee Road. Martin Bum House, 5 <sup>th</sup> floor. Room No. 26, Kolkata-01

**Q.9. Please state details of companies run from this premise i.e 1, R.N.Mukherjee Road, Martin Burn House, 5<sup>th</sup> floor, Room No. 26, 27 &29, Kolkata-01.**

Ans. Sir only one companies i.e. Korp Securities Ltd. runs from this premise.

**Q.10. Please state the nature of business being carried out by Korp Securities Ltd?**

Ans. Sir, this is a share trading company. We have our client base and we work through BSE and NSE.

*Anuj Agarwal*  
31/03/15





**Q.11. Please state where the books of accounts of Korp Securities Ltd are maintained and kept and in what form? Also name the person responsible for preparing books of accounts.**

Ans. Sir, All the books of accounts of Korp Securities Ltd are maintained and kept in this office i.e at 1. R.N.Mukherjee Road. Martin Bum House, 5<sup>th</sup> floor. Room No. 27 &29, Kolkata-01. The books of accounts are being prepared by accountant Shri Vikash Gadia and finalized by Rakesh Sethia & Co,131 C.R.Avenue, First Floor, Kolkata-73.

**Q.12. As per the Company Act, 1956 statutory register of the companies are to be kept at its registered office. Please state specifically whether all the statutory register in respect of Korp Securities Ltd are maintained and kept in this office premises.**

Ans. Sir. no statutory registers of Korp Securities Ltd is being maintained by us.

**Q.13. Please state the nature of business activities being carried out the companies mentioned above.**

Ans. Sir, Korp Securities Ltd is a share trading company. Apart from this no actual business activities being carried out by the above mentioned companies. These companies were created for sole purpose of providing accommodation entry in form of Long Term Capital Gain to various beneficiaries.

**Q.14. Please furnish the names and address of other paper companies which are controlled and managed by you for providing accommodation entry .**

Ans. Sir, Apart from the above other companies being run from various addresses i.e 163B, M.G. Road, 3<sup>rd</sup> floor, Kolkata-700007 , 4/1 Hazra Road. Kolkata-700026 and controlled and managed by us are as under:-

1. Dhanraksha Vincom Pvt Ltd.
2. Triton Overseas Pvt Ltd
3. Wheelers Developers Pvt Ltd.
4. Ridhi Vincom Pvt Ltd.
5. Divyadrishhti traders Pvt Ltd,
6. Divyadrishhti Merchants Pvt Ltd,
7. Deewar Infra LLP.

*Anuj Agarwal*  
5/10/15



**Q.15. Please state who are the Directors in Divyadrishiti Traders Pvt. Ltd and Divyadrishiti Merchants Pvt. Ltd.**

Ans. Sir, we have created these companies to provide accommodation entry in the form of LTCG. Sir, Kinkar Bhattacharya and Sukanta Chatterjee are dummy directors in these companies. These are paper companies and having its office address at 163B, M.G. Road, 3<sup>rd</sup> floor, Kolkata-700007.

**Q.16. Please provide modus operandi of providing accommodation of Long Term Capital Gain.**

Ans. Various clients use to approach us to get long term capital gain for the securities holded by them for years. We use to charge brokerage for the arranging above transactions. After holding the equity share for more than 1 year clients used to sell such shares on very higher rates. Such shares are bought from beneficiary clients by our client and also some companies controlled and managed by me like Manner distributors Pvt Ltd, Spark Commedeal Pvt Ltd, Fairlink Housing Pvt Ltd, Esquire Enclave Pvt Ltd, Divyadrishiti traders Pvt Ltd. Divyadrishiti Merchants Pvt Ltd, Dhanraksha Vincom Pvt Ltd, Triton Overseas Pvt Ltd, Wheelers Developers Pvt Ltd and Ridhi Vincom Pvt Ltd. When party, 'beneficiary' approach to get accommodation entry we used to get cash from them get it deposited in various bank accounts and then finally we used to transfer it to party/beneficiarie's bank account. For arranging the accommodation entry in form of Long Term Capital Gain we use to get commission in cash from party @.50 paisa per 100 rupees of cheque amount.

**Q.17. Please provide the names of listed companies/Scripts in which you have provided accommodation of Long Term Capital Gain (LTCG).**

Ans. Sir as far as my memory goes we have provided accommodation in the following scrips:

S.No	Name of Listed Company	Scrip code	Name of our Client Company	Promoter of the Scrip
1	Blue Circle Services Limited	508939	Dhanraksha Vincom Pvt Ltd, Divya Drishiti Traders Pvt Ltd, Divya Drishiti Merchants Pvt Ltd, Fairlink Housing Pvt Ltd, Intercity Builders Pvt Ltd, Linus Holdings Ltd, Luminous Tie up Pvt Ltd, Manner Distributors Pvt Ltd, Ridhi Vincom Pvt Ltd, Spark Commedeal Pvt Ltd	Jagdish Purohit & Sushi I Purohit
2	Com Fincap	535267	Intercity Builders Pvt Ltd,	

*Muj Agarwal*  
31/03/15



*Das*  
31/03/2015

			Linus Holdings Ltd, Luminous Tie up Pvt Ltd, Stickwell India Pvt Ltd	I do not know
3	Essar India Ltd	531502	Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Fairlink Housing Pvt Ltd, Intercity Builders Pvt Ltd, Stickwell India Pvt Ltd	I do not know
4	First Financial Services Ltd	511369	Dhanraksha Vincom Pvt Ltd, Linus Holdings Ltd, Ridhi Vincom Pvt Ltd.	I do not know
5	GCM Securities Ltd	535431	Kartik Vincom Pvt Ltd, Luminous Tie up Pvt Ltd	I do not know
6	Greencrest Financial services Ltd	531737	Kartik Vincom Pvt Ltd, Luminous Tie up Pvt Ltd, Linus Holdings Ltd, Ridhi Vincom Pvt Ltd, Manner Distributors Pvt Ltd, Stickwell India Pvt Ltd, Suresham Vinimav Pvt Ltd.	I do not know
7	Jackson Investments Ltd	538422	Esquire Enclave Pvt Ltd, Kartik Vincom Pvt Ltd, Luminous Tie up Pvt Ltd, Suresham Vinimav Pvt Ltd	Arun Khemka
8	JMD Telefilm Industries Ltd	511092	Dhanraksha Vincom Pvt Ltd, Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Fairlink Housing Pvt Ltd, Linus Holdings Ltd, Ridhi Vincom Pvt Ltd, Spark Commodeal Pvt Ltd.	Jagdish Purohit & Sushil Purohit
9	Lifeline Drugs	506113	Dhanraksha Vincom Pvt Ltd, Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Linus Holdings Ltd, Luminous Tie up Pvt Ltd, Manner Distributors Pvt Ltd, Ridhi Vincom Pvt Ltd, Spark Commodeal Pvt Ltd, Stickwell India Pvt Ltd, Suresham Vinimav Pvt Ltd	I do not know
10	NCL Research Services Ltd	530557	Divya Drishti Traders Pvt Ltd, Fairlink Housing Pvt	I do not know

Anuj Agarwal  
31/03/15



31/03/2015

			Ltd,Ridhi Vincom Pvt Ltd. Self Trading	
11	Pine animation Ltd	511421	Dhanraksha Vincom Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Intercity Builders Pvt Ltd, Linus Holdings Ltd, Manner Distributors Pvt Ltd, Ridhi Vincom Pvt Ltd, Spark Commodeal Pvt Ltd, Stickwell India Pvt Ltd, Wheelers Developers Pvt Ltd.	I do not know
12	Parag Shilpa Investment Ltd	505502	Kartik Vincom Pvt Ltd, Manner Distributors Pvt Ltd, Spark Commodeal Pvt Ltd, Stickwell (India) Pvt Ltd, Suresham Vinimay Pvt Ltd	I do not know
13	Radford Global Ltd	530561	Dhanraksha Vincom Pvt Ltd,Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Ridhi Vincom Pvt Ltd, Wheelers Developers Pvt Ltd	I do not know
14	Rutron Intemation Ltd	504335	Dhanraksha Vincom Pvt Ltd,Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Intercity Builders Pvt Ltd, Manner Distributors Pvt Ltd, Ridhi Vincom Pvt Ltd, Spark Commodeal Pvt Ltd, Transcend Vinmay Private Ltd	I do not know
15	Splash Media Infra Ltd	512048	Fairlink Housing Pvt Ltd, Linus Holdings Ltd, Ridhi Vincom Pvt Ltd.	I do not know
16	Tuni Textile Ltd	531411	Dhanraksha Vincom Pvt Ltd, Fairlink Housing Pvt Ltd, Ridhi Vincom Pvt Ltd.	Manish Baid
17	Unisys Software and Holdings Industries Ltd	531831	Dhanraksha Vincom Pvt Ltd,Divya Drishti Traders Pvt Ltd, Divya Drishti Merchants Pvt Ltd, Fairlink Housing Pvt Ltd, Intercity Builders Pvt Ltd, Linus Holdings Ltd. Inner	Jagdish Purohit & Sushil Purohit

Anuj Agarwal  
21/03/15



Abu  
31/03/2015

			Distributors PM Ltd, Ridhi Vincom PM Ltd. Wheelers Developers PM Ltd.	
18	Grandma Trading Agencies Ltd	504369	Esquire Enclave PM Ltd	I do not know
19	Sun Asian	506615	Dhanraksha Vincom PM Ltd, Ridhi Vincom Pvt Ltd, Wheelers Developers PM Ltd.	I do not know
20	Global Infratech & Finance Ltd	531463	Dhanraksha Vincom Pvt Ltd, Divya Drishti Traders PM Ltd, Divya Drishti Merchants PM Ltd, Intercity Builders PM Ltd, Linus Holdings Ltd. Luminous Tie up PM Ltd, Manner Distributors Pvt Ltd, Ridhi Vincom Pvt Ltd, Spark Commodeal Pvt Ltd	I do not know

**Q.18. As per information available with the department Manner Distributors Pvt Ltd, Spark Commodeal Pvt Ltd, Fairlink Housing Pvt Ltd and Esquire Enclave are bogus clients. Please offer your comment.**

Ans. Yes Sir, as far as my knowledge goes Esquire Enclave Pvt Ltd, Fairlink Housing Pvt Ltd are managed and controlled by Mr. Praveen Agarwal and Manner Distributors Pvt Ltd and Spark Commodeal PM Ltd are managed and controlled by Mr. Jagdish Purohit, are paper companies and no actual business activities are being carried out by these companies. This companies are my client and has opened trading accounts with us ( Korp Securities Limited). These companies were used for accommodation of Long Term Capital Gain.

**Q.19. Kindly furnish the detail of person with whom you have contacted in respect of following companies ie. Intercity Builders Pvt Ltd, Linus Holdings Ltd, Luminous Tie up Pvt Ltd,**

Ans. The main person of Intercity Builders PM Ltd is Bimal Joshi (Mobile No. 9831150069), Linus Holdings Ltd is Bappa Saha (Mobile 9831203030), Luminous Tie up PM Ltd is Mr. Niranjana Kumar Choudhary (Mobile 9830061578). These companies are my client and have i opened trading account with us (Korp Securities Ltd). These companies were used for accommodation of Long Term Capital Gain.

*Anil Agarwal*  
J',,\*\$ C



**Q.20. Please provide list of beneficiaries for whom you have done accommodation of Lone Term Capital Gain.**

Ans. Sir, list of beneficiaries is huge and not readily available with me at present. It can be obtained from the trade data, as available with stock exchange.

**Q. 21. During the course of Survey operation a bunch of loose sheet inventorised vide ID Mark KSL/01 containing pages 1 to 21 pages. Please explain the content of the same.**

Ans. Sir, right now I am not in position to explain the same. I will explain it later on.

**Q. 22. During the course of Survey operation a bunch of loose sheet inventorised vide ID Mark KSL/02 containing pages 1 to 12 pages. Please explain the content of the same.**

Ans. Sir, I will explain it in due course.

**Q. 23. During the course of Survey operation a bunch of loose sheet inventorised vide ID Mark KSL/03 containing pages 1 to 36pages. Please explain the content of the same.**

Ans. Sir, I will explain it later on.

**Q. 24. During the course of Survey operation a bunch of loose sheet inventorised vide ID Mark KSL/04 containing pages 1 to 18 pages. Please explain the content of the same.**

Ans. Sir, right now I am not in position to explain the same. I will explain it later on.

**Q. 25. During the course of Survey operation u/s 133A of the Income Tax Act, 1961 data backup of computer is taken and inventorised vide ID Mark KSL/PD/1. Please explain the content of the same.**

Ans. Sir, I confirm that data backup of computers installed in this office is taken and inventorised vide ID Mark KSL/PD/1. However, content of the same will be explained later on.

**Q. 26. During the course of Survey operation u/s 133A of the Income Tax Act, 1961 statement of Kinkar Bhattacharva was recorded u/s 131 of Income Tax Act 1961. Please go through the statement of Kinkar Bhattacharva and offer your comments?**

Ans. Sir, I have gone through the statement. I have already stated that Kinkar Bhattacharya is my employee and have been appointed as dummy director

*Anj' dgarwal*  
31/05/15



Q. 27. During the course of Survey operation u/s 133A of the Income Tax Act, 1961 an enquiry was conducted at 163B., M.G. Road, 3<sup>rd</sup> floor, Kolkata which is the registered office of the following companies i.e Divyadrishiti Traders Pvt Ltd, Divyadrishiti Merchants Pvt Ltd, Dhanraksha Vincom Pvt Ltd, Triton Overseas Pvt Ltd, Wheelers Developers Pvt Ltd and Ridhi Vincom Pvt Ltd. However, during the course of inquiry statement of Mr. Anupam Bajoria, S/o Sri Vinod Kumar Bajoria was recorded u/s 131 of the Income Tax Act, 1961. Please go through the statement of Mr. Anupam Bajoria and offer your comments?

Ans. Sir, I have gone through the statement, as I have already stated that these companies are controlled and managed by me in which Mr. Kinkar Bhattacharya and Sukanta Chatterjee are Directors. Mr. Rajesh Jain is my part time accountant and looks after the accounts of aforesaid mentioned companies. Infact the companies are using the address as it registered office, however, no books of accounts are maintained there.

Q.28. Do you want to add, alter, modify, and edit any of your above statements?

Ans. No.

*I have gone through the above statement which has been recorded as per my own version without any fear, force or coercion etc So\* and in a sound state of mind.*

*Anupam Bajoria*  
21/05/15

DEPONENT



## CHAPTER-5

### Details of Entry Operators involved in the syndicate and their modus operandi.

An entry operator is the person who is in the business of giving accommodation entries in lieu of cash/cheque of equal amount after charging certain percentage of commission in cash.

The operator is a person who manages the overall scheme of the scam. He is in control of numerous paper/bogus companies which are utilized for routing of cash. The beneficiaries desiring bogus LTCG/STCL approach the operator. The operator is also in control of some **penny stock companies** whose shares are listed on a recognized stock exchange.

Penny Stock is a stock that trades at a relatively low price and market capitalization. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure.

Sometimes there are a number of intermediaries who work for the operator. These intermediaries introduce the beneficiaries to the operator or in many cases these intermediaries become sub agents of the operator and deal with the beneficiaries on their own.

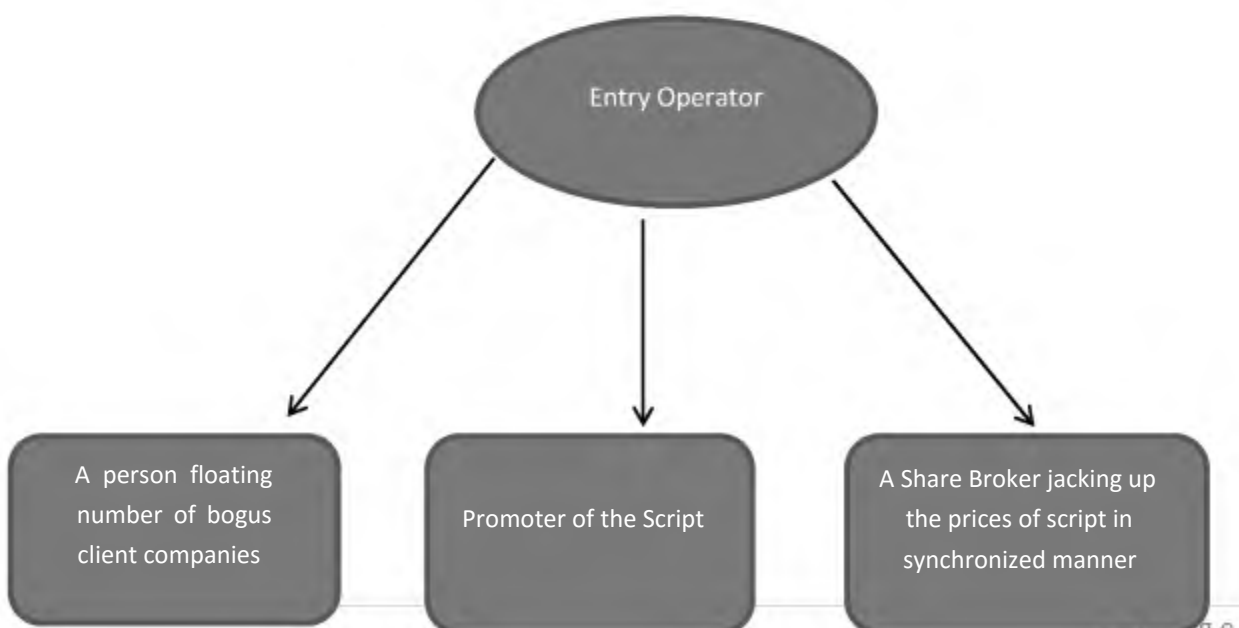
A penny stock is a stock which is usually traded at very low price and has very low market capitalization. The shares of the penny stock are closely held as the general public is not interested in these stocks due to the poor financials of the listed companies. The operator chooses one of such penny stocks for the implementation of the scheme. The promoters/directors of the penny stock company are paid some cash commission and in return they allow the operator to manage the affairs of the company. The operator then issues shares of these penny stock companies to the beneficiaries through the route of preferential allotment (Private Placement).



As per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, the shares that are allotted through private placement, have a lock-in period of 1 year. Therefore, these shares can be sold by the allottees only after a period of one year from the date of allotment. This qualifies them for the benefit of claim of exempt LTCG.

As already mentioned these penny stock companies have no actual business or establishment. They have no financial credentials also. Thus, the fact that beneficiaries subscribe for their shares through private placement is in itself a suspicious thing. No genuine person in the right state of mind would invest in these penny stock companies. The shares are subscribed only for the purpose of claiming LTCG at a later stage. The promoters/directors of the companies work hand in glove with the operator to implement this scheme of availing bogus LTCG.

An entry operator in the LTCG syndicate may be a person who has floated a penny stock and got it listed to Stock Exchange. An entry operator may be having formed a group of Jamakharchi companies, for facilitating bogus LTCG/STCG. He may also be a share broker jacking up the prices of the penny stock and trading in a synchronised manner so that LTCG system may run smoothly. So , theoretically we may distinguish between an entry operator, a share broker and a promoter but practically he may be a single person also. It has been found to be true in many cases.



During the course of investigation of LTCG Scam we have covered more than 25 Entry operators. Many entry operators have been covered U/S 133A and 132 of the Income Tax Act. However, in many cases we have not covered entry operators directly, but we are connecting them with the LTCG syndicate on the basis of their statements recorded by the Directorate earlier. So far in our “LTCG Database” we have 25 Entry operators covered with statements recorded under oath. These are:-

No.	Name Of The Entry Operator With Statement	PAN	Address	No of Bogus Companies Controlled
1	<b>AKASH AGARWAL</b>	ACJPA3594Q	SHREE TAMMA,FLAT 4D/4E,S.D.TOWERS,, PRAFULLA KANAN(WEST),KESTOPUR, KOLKATA-700101	63
2	<b>Amit Dalmia</b>	AFVDPD1436R	196/C, C.R.Avenue, Kolkata-700007	<b>253</b>
3	<b>ANIL KUMAR KHEMKA</b>		32, BARANASI GHOSH STREET, KOLKATA, 700007, West Bengal	628
4	<b>ANUJ AGARWAL</b>	AHMPA6161B	1, R N MUKHERJEE ROAD,MARTIN BURN BUILDING,5TH FLOOR,ROOM NO.26,27 & 29,,KOLKATA-1	19
5	<b>Arun Kumar Khemka</b>	AFQPK8449A	Flat No.3E, Block-1, 136, Jessore Road, Awani Oxford complex, Phase-1, Kolkata-700055	128
6	<b>ASHISH KUMAR AGARWAL</b>	AGIPA9723A	BL-4, 6TH FLOOR, FL-4/6G, 136, JESSORE ROAD, KOLKATA, 700055, West Bengal, INDIA	109
7	<b>Bhagwan Das Agarwal</b>	AFJPA9084Q	36/40, Neemchand Maitra Street, Kol kata-700035	170
	<b>BIKASH SUREKA</b>	ALYPS0426P	35, KASSIPURE ROAD, MIG HOUSING ESTATE, KOL-2	16
7	<b>Deepak Patwari</b>	AKHPP3737A	Space Town,Block-2,Flat-1E, VIP Road , Kolkata-52	168

8	Devesh Upadhyaya	AAHPU5069Q	91/136,Amlanshu Sen Road,A-Bolock,2nd Floor,Flat No.2B,Salasar Garden,Kolkata-700048	
9	Gaurav Maheshwri	ALMPM7492D	23/2, N.S. ROAD, LILUAH, HOWRAH, KOLKATA, 711204, West Bengal, INDIA	73
10	GOVIND PRASAD AGARWAL	ADAPA2646M	42/1A, Moti Lal Basak Lane, Kasturi Villa, 2nd Floor, Flat-2A, Kakurgachi,Kolkata-700054	26
11	Jagdish Prasad Purohit	AFSPP1444E	6/1, BIJOY MUKHERJEE LANE,, BHAWANIPUR, KOLKATA, 700025, West Bengal, INDIA	285
12	Narendra Kr Jain	ACOPJ3389F	11A, Ballygunge Circular Road, Kolkata-	282
13	Navneet Singhania	AIQPS7441B	D6/8 PURBASA HOUSING ESTATE, 160, MANICKTOLLA MAIN ROAD, KOLKATA, 700054, West Bengal, INDIA	87
14	NAWAL KISHORE JALAN	ACQPJ3396L	9, LAL BAZAR STREET,3rd FLOOR, KOLKATA, 700001, West Bengal, INDIA	122
15	Pankaj Agarwal	AFJPA2231D	188B, Manicktala Main Road,Kolkata-700072	631
16	Praveen Agarwal	ACSPA4725A	2C, Dover Road, Flat No.2C/D,Kolkata-19	847
17	Prakash Jadodia	ACOPJ3493L	106, Kiran Chand Singa Road, Howrah Shibpur	230
18	<b>PRAWESH BERIA</b>	ACBPB4728M	3D RAMESHWARA, 19A, SARAT BOSE ROAD, KOLKATA-700020	61
19	Rajesh Kumar Kedia	AFQPK7668M	8/1, HARADUTTA ROY CHAMARIA ROAD, HOWRAH, 711101, West Bengal, INDIA	28
20	<b>RAMESH KR KHAITAN</b>	AESPK2060C	15, Deb Newar Road,4th Floor,Kol-700074	44
21	<b>SACHET SARAF</b>	ALRPS7030C	181/38, Dakhindai Road, Lake Town, Kol-48 / 9 Lal Bazar Street, 3rd Floor, Block-A,R.N-3078A	47
22	Sachin Bhadani	AISPB2029E	68, BUROSHIBTALLA MAIN ROAD, KOLKATA-38	86
23	Santosh Kr Shah	ALGPS0859J	22, LAKE TOWN, BLOCK-B, FLAT NO.4B & 5A,KOLKATA, 700089	
24	<b>SHIV SHANKAR BANKA</b>	ADZPB7621C	Flat A-104, 13, K.B. Sarani,Kolkata-80	

25.	SUBHASH KUMAR BANKA	AEHPB2239M	71, Canning Street, Room no, A-523, KOL-1	214
			<b>TOTAL</b>	<b>5290</b>

(All the statements of the entry operators and their dummy directors are attached with hyperlink in "LTCC Database" given in DVD. )

Now, on a sample basis and for the greater understanding a statement of one of the entry operator is being given here:-

STATEMENT OF ANIL KR KHEMKA, S/O LATE LAKHI NARAYAN KHEMKA, AGED ABOUT 58 YEARS, RESIDING AT 32, BARANASI GHOSH STREET, KOLKATA 700007 RECORDED U/S 131/133A OF THE I.T. ACT, 1961 DURING THE COURSE OF SURVEY OPERATION U/S 133A OF THE I.T ACT, 1961 AT THE OFFICE PREMISE OF DEVSHYAM STOCK BROKING PVT LTD AT 56E, HEMANTA BASU SARANI, 4<sup>TH</sup> FLOOR, ROOM NO.S8C & 5<sup>TH</sup> FLOOR, ROOM NO.77, STEPHEN HOUSE, KOLKATA 700001 ON 30/03/2015.

'TZ- N >\\ \\ Komar Khemka s/o Late Lakhi Narayan Khemka \*Hr - Khemka  
 dLo merely solemnly resolve in the name of God that  
 I shall speak truth, the LQW-OVG truth and  
 nothing but the truth. AW »

*Pankaj Dwivedi*  
 30/3/15  
 Oath Administered by i, 3 «  
 (Pankaj Dwivedi)  
 DDIT (Inv), Kolkata



*Anil Kr Khemka*  
 30/3/15  
 bath taken by  
 (Anil Kr Khemka)  
 Director  
 Devshyam Stock Broking P Ltd

Q.1 Please identify yourself?

Ans: I am Anil Kr Khemka, S/o Late Lakhi Narayan Khemka, aged About 58 Years, residing at 32, Baranasi Ghosh Street, Kolkata 700007. My Mobile No. is 9331036644.

Q.2 Please state whether you are well aware of the implications of giving or furnishing false or wrong statements / misleading information that has just been explained to you?

Ans. Yes, I have fully understood. I may be prosecuted as per law for giving false statement under oath.

Q.3 Please state about your Educational Qualification.

Ans: I am a Commerce Graduate.

Q.4 Please state how you are associated with Devshyam Stock Broking Pvt Ltd and what works are being carried out by you?

Ans: I am one of the Director of Devshyam Stock Broking Pvt Ltd although there are other directors but I am the controlling director.

Deponent: /"  
*" Npf3*  
 30/3/15



Page 1  
*Pankaj Dwivedi*  
 30/3/15

Statement

Q.5 Please state who are the other directors of Devshyam Stock Broking Pvt Ltd?

Ans: The other directors of Devshyam Stock Broking Pvt Ltd are Pradip Garg and Sandip Garg.

Q.6 Please state in how many companies / concerns you are acting as a Director / Partner / Proprietorship / Substantial share holder or otherwise?

Ans: I am one of the directors in the following companies.

SN	CIN/LLPIN	Name of the Company/ LLP
1	L25209WB1987PLC111041	G R INDUSTRIES AND FINANCE LTD
2	U18101WB2007PLC116280	SAKSHI VYAPAR LIMITED
3	U51101WB2010PTC146582	GENTLE MERCANTILE PRIVATE LIMITED
4	U51909WB2011 PTC 160753	MAPLE DEALMARK PRIVATE LIMITED
5	U74999WB2011 PTC 164093	DEVSHYAM STOCK BROKING PRIVATE LIMITED
6	U70102WB2013PTC197103	GOLFVIEW PROJECTS PRIVATE LIMITED
7	U51101WB2010PTC146333	HISTORIC VINTRADE PRIVATE LIMITED
8	U70109WB2008PLC128070	PEWEE INFRASTRUCTURE LIMITED
9	U52190WB2012PTC185664	PIROGUE VINCOM PRIVATE LIMITED

Q.7 Please state what are the business activities carried out by the above mentioned companies in which you are one of the Director and also state where the books of accounts are maintained of the above mentioned companies?

Ans: Sir, some of these companies are being run on paper only they do not exist in reality. Some of them were formed to provide accommodation entries only in the form of share capital.

Q.8 Please state the business activities carried out by Devshyam Stock Broking Private Limited?

Ans: Sir, this is a share trading company. We have our client base and we work through CSE which works through BSE.

Q.9 Please provide the client's list of Devshyam Stock Broking Pvt Ltd.

Ans: I am providing the client's list of Devshyam Stock Broking Pvt Ltd as per Annexure-A.

Q.10 Please state where the books of accounts of Devshyam Stock Broking Pvt Ltd are maintained and kept and in what form? Also name the person responsible for preparing books of accounts.

Ans: All the books of accounts of Devshyam Stock Broking Pvt Ltd are maintained and kept in this office only. The books of accounts are prepared by me only with the help of my staff.

Deponent: /

*Puneet Singh*  
20/3/15

**Q.11** As per the Company Act, 1956 statutory registers of the companies are to be kept at its registered office. Please state specifically what registers have been maintained for the above companies and where these are kept?

**Ans:** Sir, except Devshyam Stock Broking Pvt Ltd, no statutory registers of the companies is being maintained at either this office or anywhere.

**Q.12** I am showing you the statement taken under oath of Shri Abhiset Basu, Pradip Dey, Rakesh Bajaj, Pradip Garg & Abhijit Dey who are directors in the following companies and others as stated in their statement and stated that these companies are controlled and managed by you and the main function of the companies are to provide the accommodation entries in the guise of long term capital gain, share capital and unsecured loans. Please offer your comments.

Sn	Name of the companies
1	RUNICHA MERCHANTS PRIVATE LIMITED
2	SIGNET VINIMAY PRIVATE LIMITED
3	SPICE MERCHANTS PRIVATE LIMITED
4	ASHIYANA MERCANTILE PRIVATE LIMITED
5	APEX COMMOTRADE PVT LTD
6	SANKLAP VINCOM PVT LTD

**Ans.** Yes sir, all the companies mentioned above are controlled and managed by me and the main function of the companies is to provide the accommodation entries in the guise of Long Term Capital Gain, share capital and unsecured loans.

**Q.13** I am showing you a list of various jamakharchi companies with no financial credentials which are clients of Devshyam Stock Broking Pvt Ltd and traded in scrips of various listed companies.

SN	Name of Jama-kharchi client	Address	PAN
1	RUNICHA MERCHANTS PRIVATE LIMITED	23/1, PRINCIPAL KHUDIRAM BOSE ROAD, KOLKATA 700006	AAECR0580M
2	SIGNET VINIMAY PRIVATE LIMITED	23/1, PRINCIPAL KHUDIRAM BOSE ROAD, KOLKATA 700006	AAMCS1712Q
3	SPICE MERCHANTS PRIVATE LIMITED	56E, HEMANTA BASU SARANI, 4 <sup>TH</sup> FLOOR, ROOM NO.S8C, KOLKATA 700001	AAPCS7492G
4	ASHIYANA MERCANTILE PRIVATE LIMITED	23/1, PRINCIPAL 5KHUDIRAM BOSE ROAD, KOLKATA 700006	AAHCA1517C
5	APEX COMMOTRADE PVT LTD	56E, HEMANTA BASU SARANI, 4 <sup>1*</sup> FLOOR, ROOM NO.S8C, KOLKATA 700001	AAJCA4459K
6	SANKLAP VINCOM PVT LTD	23/1, PRINCIPAL KHUDIRAM BOSE ROAD, KOLKAIA 70G006	NA

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30/3/15

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Kindly furnish the contract note of these companies with you.

Ans. Sir, we don't have any contract note with terms & conditions for these companies anywhere in this office. However, the trading has been done for these companies by me.

Q. 14 Kindly furnish as to where are the contract notes for such companies.

Ans. Sir, I don't know. We do not maintain proper contract notes.

Q. 15 Since the business activities for trading in the shares for these companies are taking place from this premises, the contract notes were to be present at this office only, however, the same are not found here. Kindly acknowledge this.

Ans. Sir, I acknowledge this that the contract notes are not present in this office.

Q.16 Please provide list of beneficiaries for whom you have done accommodation of Long Term Capital Gain.

Ans. Sir, list of beneficiaries is huge and not readily available with me at present. I will provide later on the list of beneficiaries.

Q.17 Please provide modus operandi of providing accommodation of Long Term Capital Gain.

Ans. Generally, there are few companies engaged in providing accommodation entries in the form of long term capital gains who used to allot preferential shares of these listed companies to beneficiaries, to whom entry of long term capital gain has to be provided. After holding these shares for one year, clients used to sell such shares on very higher rates. Such shares are bought from beneficiary clients by our companies mentioned at question no. 14. When party / beneficiary, come to us for having accommodation entry, we used to get cash from them, get it deposited in various bank accounts and then finally, we used to transfer it to party / beneficiary's bank account. For doing so, we used to get a commission income in cash from party @ 0.10 paisa per 100 rupees of cheque amount. Our companies buy the shares after the prices of a scrips are raised through artificial synchronized trading.

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Deponent:

*Chandani*  
28/3/2015

*Ranjit*  
30/3/15



A.O.

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**Q.18** Please provide the names of listed companies / scrips in which you have traded and also provide name of Promoters of scrips. Please also provide which jamakharchi company has purchased share in which scrip. Please mention at least one company in each scrip.

**Ans.** Sir as far as my memory goes we have provided accommodation through following scrips, the details of which I will provide later on:

Script Name	Client Name
ASHIKACR - 590122	RUNICHA MERCHANTS PRIVATE LIMITED
ASHIKACR - 590122	SIGNET VINIMAY PRIVATE LIMITED
ASHIKACR - 590122	SPICE MERCHANTS PRIVATE LIMITED
DHANLEELA - 503637	ASHIYANA MERCANTILE PRIVATE LIMITED
DHANLEELA - 503637	RUNICHA MERCHANTS PRIVATE LIMITED
DHANLEELA-503637	SIGNET VINIMAY PRIVATE LIMITED
DHANLEELA-503637	SPICE MERCHANTS PRIVATE LIMITED
EFFTXT - 512207	RUNICHA MERCHANTS PRIVATE LIMITED
EFFTXT-512207	SIGNET VINIMAY PRIVATE LIMITED
EFFTXT-512207	SPICE MERCHANTS PRIVATE LIMITED
KAILASH AUTO-511357	RUNICHA MERCHANTS PRIVATE LIMITED
KAILASH AUTO - 511357	SIGNET VINIMAY PRIVATE LIMITED
KAILASH AUTO-511357	SPICE MERCHANTS PRIVATE LIMITED
KAPPAC PHARM • 506938	RUNICHA MERCHANTS PRIVATE LIMITED
KAPPAC PHARM - 506938	SIGNET VINIMAY PRIVATE LIMITED
KAPPAC PHARM - 506938	SPICE MERCHANTS PRIVATE LIMITED
MISHKAFIN-512191	RUNICHA MERCHANTS PRIVATE LIMITED
MISHKAFIN-512191	SIGNET VINIMAY PRIVATE LIMITED
MISHKAFIN-512191	SPICE MERCHANTS PRIVATE LIMITED
PINEANIM-511421	RUNICHA MERCHANTS PRIVATE LIMITED
PINEANIM-511421	SIGNET VINIMAY PRIVATE LIMITED
PINEANIM-511421	SPICE MERCHANTS PRIVATE LIMITED
PARAG.SHILP. - 505502	SIGNET VINIMAY PRIVATE LIMITED
PARAG.SHILP. - 505502	SPICE MERCHANTS PRIVATE LIMITED
PARAG.SHILP. - 505502	ASHIYANA MERCANTILE PRIVATE LIMITED
PSGLOBAL- 530561	RUNICHA MERCHANTS PRIVATE LIMITED
PSGLOBAL- 530561	SIGNET VINIMAY PRIVATE LIMITED
PSGLOBAL- 530561	SPICE MERCHANTS PRIVATE LIMITED
RANDERCORPO- 531228	RUNICHA MERCHANTS PRIVATE LIMITED
RANDER CORPO - 531228	SIGNET VINIMAY PRIVATE LIMITED
RANDER CORPO-531228	SPICE MERCHANTS PRIVATE LIMITED
SHRSHA TEX-505513	SIGNET VINIMAY PRIVATE LIMITED /LJ

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SRK INDUS-531307	RUNICHA MERCHANTS PRIVATE LIMITED
SRK INDUS-531307	SIGNET VINIMAY PRIVATE LIMITED
SRK INDUS-531307	SPICE MERCHANTS PRIVATE LIMITED
SULABHA ENGG - 508969	DEVSHYAM STOCK BROKING PVT LTD
SULABHA ENGG - 508969	RUNICHA MERCHANTS PRIVATE LIMITED
SULABHA ENGG - 508969	SIGNET VINIMAY PRIVATE LIMITED
SULABHA ENGG - 508969	SPICE MERCHANTS PRIVATE LIMITED
SULABHA ENGG - 508969	ASHIYANA MERCANTILE PRIVATE LIMITED
TURBO TECH - S04358	RUNICHA MERCHANTS PRIVATE LIMITED
TURBO TECH - S04358	SPICE MERCHANTS PRIVATE LIMITED
UNNOINDUSTR-519273	RUNICHA MERCHANTS PRIVATE LIMITED
UNNOINDUSTR-519273	SIGNET VINIMAY PRIVATE LIMITED
UNNO INDUSTR - 519273	SPICE MERCHANTS PRIVATE LIMITED

Q.19 I am showing you some bunch of loose sheets and data back up taken from computers and inventorised as DSB/1, DSB/2, DSB/3 and DSB/PD/1 . Kindly confirm that the same has been found from this premise. Further, you go through loose sheets and data back up taken from computers and inventorised as DSB/1, DSB/2, DSB/3 and DSB/PD/1 and explain the contents thereof.

Ans. Yes, I confirm that the above loose sheets and data back up taken from computers and inventorised as DSB/1, DSB/2, DSB/3 and DSB/PD/1 have been found from this premise only. I also confirm that the said papers are related with the paper companies controlled by me except some of the companies who are controlled/managed by other accommodation entry operators whose papers were given to me by them for filing etc. Sir, the contents of said bunches largely relate to their balance sheet P&L account and other similar documents. As I have mentioned earlier few papers are related with companies of other operators. A detailed working in this regard shall be submitted to the Income Tax department in due course of proceedings.

Q.20 Please give a list of all the companies which are controlled by you or managed by you on request of other accommodation entry operators. Your attention is also drawn to the list of companies found during the course of survey action from your official computer in excel sheet having file name OBC whose back up has been taken in the form of DSB/PD/1. Please explain in detail what are the business activities carried out by these companies and where the books of accounts of these companies are maintained and kept.

Ans. Sir, I am submitting the list of such companies in the form of Annexure-B which include the companies referred by you as above whose list is found from my official computer in

Deponent:

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30/13/15

*[Handwritten signature]*  
30/13/15

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excel sheet having file name OBC and whose back up has been taken in the form of DSB/PD/1. I wish to mention here that all the companies mentioned in the Annexure-B being voluntarily submitted by me are paper/bogus companies having no financial transaction or business, whatsoever, and have been formulated and being run with the sole objective of providing accommodation entries in the form of long term capital gain, share capital, unsecured loans etc., inter- alia. As mentioned above very few companies of the said list are controlled by other entry operators whose complete detail shall be furnished by me before the Income tax Department latest within three working days.

Q.21 Do you want to add / alter or modify anything to your statement as recorded above?

Ans. No, I do not want to add / alter or modify anything to your statement as recorded above.

I have some things - the above statements which  
 V 1... ^ 'vf? C-o did exactly Co (VT\* my  
 ^ non ^ISrvW Ov\*/J- T.W TS' -U« ,\*J-----  
 without any threat, pressure or coercion.  
 v < ^\*-'4, statement s- ^ me  
 value is detected false. I shall like  
 to be proceeded in any court of law.  
 Panaji 30/3/15.  
 JT \r 30/3/15



Deponent: / S  
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 30/3/15

**Annexure-B**

Sri. No	Company	Address
1	Vitality Steel Pvt Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
2	Pattern Jewellery Pvt Ltd.	75 C Park Street, Ground Floor Kolkata-16
3	M/s Twine Steel Pvt Ltd	75 C Park Street, Ground Floor Kolkata-16
4	Paramount Goods Pvt. Ltd	75 C Park Street, Ground Floor Kolkata-16
5	Flowing Steels Pvt. Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
6	Mangalrashi Vincom P Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
7	Nirvaanam Suppliers p Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
8	Jatashiv Vincom P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
9	Indernil Tower P Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
10	Ashiyana software p Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
11	Lloline Webtech P Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
12	Kronje residency P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
13	Dhankamal Agencies P Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
14	Mangalvani Webtech p Ltd.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
15	Saphire Dealers P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
16	Historic Vintrade P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
17	SAHARA Tradecomm P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
18	SATI TRADE AGENCY P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
19	RADDISON TRADE P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
20	EVENT DEVELOPERS P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
21	KINGSTON JEWELLERY P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
22	WHITE MOON POWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1

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30/3/20  
ON

2*3	VALLEY TOWERS P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
24	CUPID POWER P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
25	BALANCE ESTATES P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
26	NIGHTANGLE TOWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
27	VIBHAVARI TRADING P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
28	REAL LIGHT ESTATE P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
29	MARBLE CONSTRUCTION P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
30	ALTER TOWERS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
31	LAUREL CONSTRUCTION P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
32	VITALITY STEEL P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
33	ashiyana mercantile p ltd	23/1 Principal Khudiram Bose Road Kolkata-6
34	DAYNIGHT STEELS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
35	NIGHTANGLE JEWELLERS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
36	REACH JEWELLERY P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
37	TIRUPATI FINVEST LTD	2 Hare Street, 5th floor, kolkata-1
38	PARKER CONSTRUCTION P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
39	EXPERT JEWELLERY P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
40	VALLEYTOWERSPLTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
41	GRWOTH AGENCIES P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
42	Dinabandhu construction p ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
43	NIGHTINGLE TOWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
44	MANMOHAN STEELS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1

3/13/2011



45	RED POWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
46	Vitality Steels P Ltd	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
47	HOPE VYAPAR P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
48	SARWAR STEEL P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
49	STABLE VYAPAR P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
50	ACTION ENCLAVES P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
51	CORRECT TOWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
52	SPECIALIST CONSTRUCTION P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
53	FREE TOWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
54	GROWTH AGENCIES P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
55	ANUSHREE TRADELINK P LTD	23/1 Principal Khudiram Bose Road Kolkata-6
56	ACTIVE TOWER P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
57	BLOOMING JEWELLERY P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
58	KINGSTON JEWELLERY P LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
59	SHYAMA INFOSYS LTD	137 2nd Floor Room No. 20, Dadi Seth Agarlane.kalbadevi, Mumbai, Maharashtra-400020
60	TWINE VYAPAR P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
61	SPECIALIST CONSTRUCTION P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
62	RADDISON TRADE P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
63	TWENTY FIRST CENTURY INDIA LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
64	WISE ENCLAVE P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
65	EVENT DEVELOPERS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
66	SATI DEVELOPERS P LTD	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1 /

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6*	PARKER CONSTRUCTION	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
68	COSMIC TRADELINKS P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
69	SATI TRADE AGENCY P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
70	FEMINA MERCHANTS P LTD	7 TARA CHAND DUTTA ST, 4 <sup>RT</sup> FLOOR , ROOM NO. 4E, KOL-700073
71	EXPERTJEWELLERYPLTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
72	GIFT CONSTRUCTION P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
73	MAN MOHAN STEEL P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
74	STABLE VYAPAR P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
75	SWAPNLOKE STEELS P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
76	VALLEY TOWER P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
77	SWARNGANGA TRADING P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
78	WHITE MOON POWER P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
79	ALPS VYAPAR P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
80	BABA TRADELINK P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
81	SHREE SHYAM ESTATE P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
82	ANUSHREE TRADELINK P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
83	ACTIVE TOWER P LTD	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
84	SUNBIRD SOFTWAY PVT. LTD.	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
85	HORNBEAM TRANSPORT PVT. LTD.	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
86	WHISTLERS VANIJYA PVT. LTD.	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
87	CATMINT VANIJYA PVT. LTD.	9/12 Lai Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1

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88	HOSTA HOSIERY PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
89	VERBENA ESTATES PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
90	UNCARINA REALCON PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
91	TIRTHARUPA GOODS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
92	CELOSIA VINIMAY PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
93	SWITCHGRASS INFOCOM PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
94	TEJOMAYA RETAILERS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
95	DUCK REALCON PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
96	COBRALILY INFRANET PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
97	TAILFLOWER INFRATECH PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
98	ALBATROSS CARRIER PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
99	FUCHSIA HEIGHTS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
100	DANDELION HEIGHTS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
101	BEGONIA TRADECOM PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
102	TOADFLAX AGENCIES PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
103	AMUR FINANCE ADVISORS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
104	TAILFLOWER GOODS PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
IPS	FEATHER CELOSIA PVT. LTD.	9/12 Lal Bazar Street, 3 <sup>rd</sup> floor, block B Mercantile Building Room No. 10 Kolkata-1
106	INTENT INFRAPROJECTS PVT. LTD.	DIAMOND PRESTIGE, 41A A.J.C. BOSE ROAD,, 8TH FLOOR, ROOM NO-801 KOLKATA West Bengal-700017

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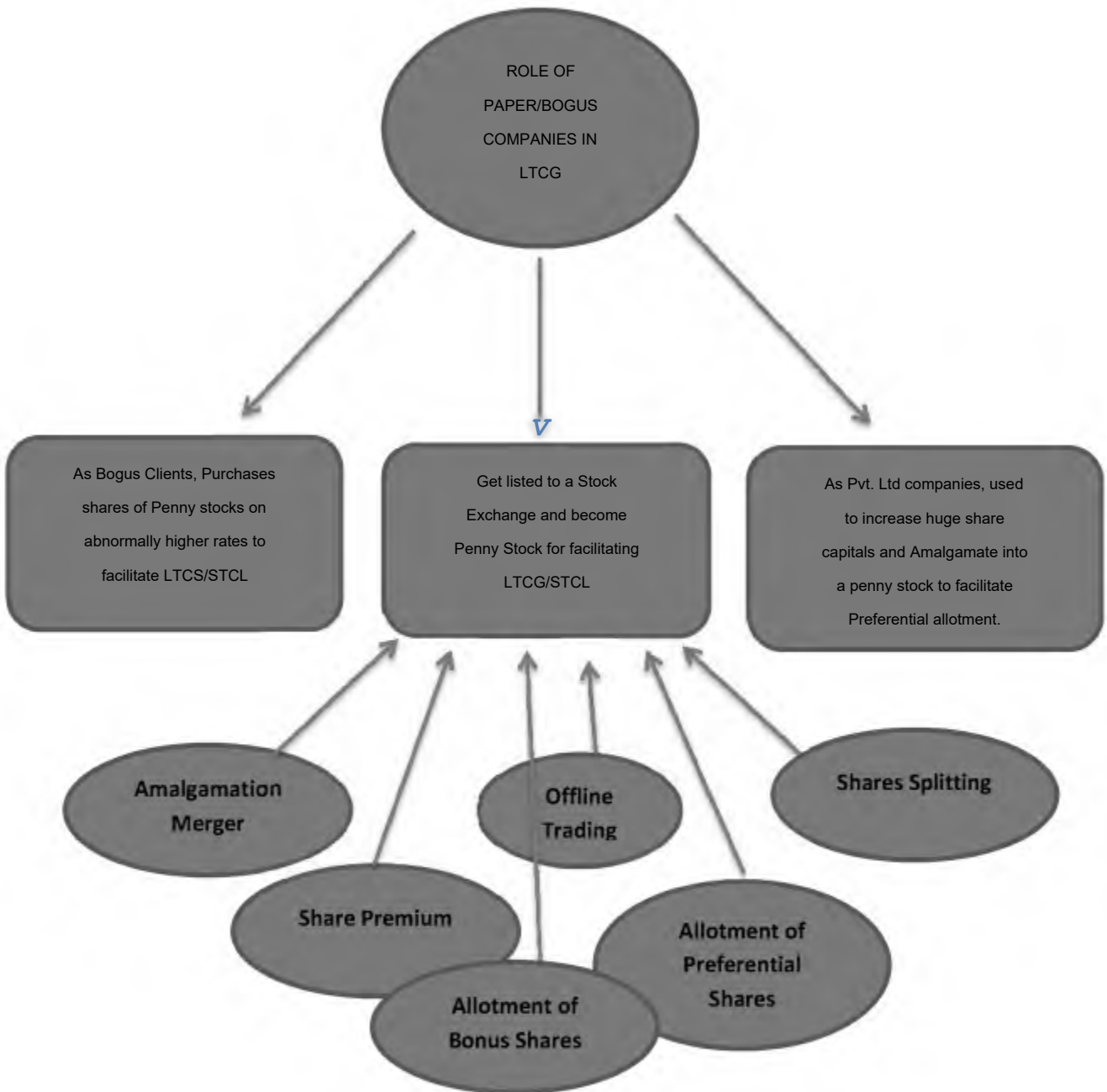
## CHAPTER-6

### Details of Jamakharchi companies/ Bogus Clients used for purchasing shares of listed penny stocks for providing Long Term Capital Gain to Beneficiaries.

A paper or Jamakharchi company is a company which have usually following characteristics:-

1. These companies have no actual assets. Their capital build up is bogus only and it carries no actual worth.
2. Normally, their balance sheet carries no actual worth.
3. They have not only bogus share capital but bogus investments also.
4. They do not maintain proper books of accounts as required by companies Act and Income Tax Act.
5. Many times they do not file Return of Income.
6. Normally, their actual controllers and directors are different persons. These companies are made in the name of dummy directors.
7. Dummy directors means people who appears to be directors of such companies but in actuality they do not control the affairs of the companies. They are mostly employees are relatives of entry operators.
8. These companies often use fake registered addresses. They can hardly be found at their given registered addresses.
9. Their sole purpose is to launder black money into white. They are used to change the colour of money. They are made for sham transactions.
10. They are used for various kind of accommodation entries like, share capital, unsecured loan, Long Term capital gain, short term capital loss, commodity profit/loss, bills of expenses etc.

In the field of accommodation entry of LTCG such companies play a very vital role.



As given in our “LTCG Database” we have identified 5000 paper/Jamakharchi companies controlled and managed by 25 entry operators. Most of these companies are registered with some share brokers and these are being used for facilitating LTCG/STCG. A very typical pattern of LTCG is that most of the beneficiaries do not purchase shares from online market. So the question is that how the beneficiaries are getting the shares of such penny stocks. And the answers is through the Jamakharchi companies. Either Jamakharchi client companies sale those shares to beneficiaries on a very low rate or they get it through preferential allotments.

Now, if we can analyse the trade data of the identified 84 penny stocks, it will appear that most of the purchases on abnormally higher rates are being done by these paper companies. Lets see some examples.

1. In the Script Radford Global Limited total trade of Rs. 506,92,91,489 /- have been done . Now if we see the purchasing/ loss booking companies in these scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

SL NO	JAMAKHARCHI /PAPER CLIENTS	AMOUNT	Entry Operator
1	SPICE MERCHANTS PRIVATE LIMITED	276700724	Anil Khemka
2	AMIT SINGH	261472611	Balkishan Sikaria
3	UDBAL MERCANTILE PRIVATE LIMITED	227142645	Navin Shah
4	DEVAKANTHA TRADING PRIVATE LIMITED	209970380	Navin Shah
5	WINALLVINIMAY PRIVATE LIMITED LTD	192453081	Anil Khemka
6	PINE ANIMATION LIMITED	156460611	Jagdish Purohit
7	AMRUSHA MERCANTILE PRIVATE LTD	155073242	Navin Shah
8	JAYANT SECURITY & FINANCELTD	154557145	
9	SHELTER SALES AGENCY PVT LTD	152149624	Navin Shah
10	RUNICHA MERCHANTS PRIVATE LIMITED	148420001	Anil Khemka
11	LIMESTONE PROPERTIES PRIVATE LIMITED	140565761	Praveen Agarwal

12	APEX COMMOTRADE PRIVATE LIMITED LTD	121728853	Anil Khemka
13	DHANLEELA INVESTMENTS & TRADING COMPANY LIMITED	113969815	
14	SIGNET VINIMAY PRIVATE LIMITED	88631075	Anil Khemka
15	JAYANT SECURITY AND FINANCE LIMITED	88570085	
16	AMRUSHA MERCANTILE PVT. LTD .	84719810	Navin Shah
17	SHELTER SALES AGENCY PVT. LTD .	80670075	Navin Shah
18	SANKLAP VINCOM P LTD	77383829	Anil Khemka
19	SHIVKHORI CONSTRUCTION PRIVATE LIMITED	74808830	Praveen Agarwal
	TOTAL	280 Crores	

Out of total trade of 500 crore Rs. More than half trades have been provided by above 19 companies. As you can see from the table that most of them have been identified and their statements have been recorded., where they have accepted the fact. Here it is pertinent to mention that Entry Operator Navin Shah have been covered by Mumbai Investigation wing.

2. Let us take another example. In the Script Blue Circle Services Limited total trade of Rs. 1387,65,82,309/- have been done. Now if we see the purchasing/ loss booking companies in these scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	JAMAKHARCHI/PAPER/LOSS BOOKING CLIENT	VALUE	ENTRY OPERATOR
1	KINGFISHER PROPERTIES PRIVATE LIMITED	548602532	Praveen Agarwal
2	ESQUIRE ENCLAVE PRIVATE LIMITED	501610650	Praveen Agarwal
3	SKYLIGHT DISTRIBUTORS PRIVATE LIMITED	431704164	Praveen Agarwal
4	GOLDEN CHARIOT RECREATIONS PRIVATE LIMITED	311173743	
5	DECENT VINCOM PVT.LIMITED	286092722	Jagdish Purohit
6	MANGALMAYEE HIRISE PRIVATE LIMITED	278477601	Praveen Agarwal
7	KHUSBOO COMPLEX PRIVATE	228996888	Praveen Agarwal

	LIMITED		
8	GATEWAY FINANCIAL SERVICES LIMITED	217672319	Praveen Agarwal
9	PUSHPANJALI COMMOTRADE PRIVATE LIMITED	213655990	Praveen Agarwal
10	RIDHI VINCOM PVT LTD	212191595	
11	DHANRAKSHA VINCOM PVT LTD.	206699168	Praveen Agarwal
12	D K S ENTERPRISES PRIVATE LIMITED	196935547	
13	INTERCITY BUILDERS PRIVATE LIMITED	177796417	Praveen Agarwal
14	GANNAYAK BARTER PRIVATE LIMITED	162801106	Praveen Agarwal
15	FAIRLINK HOUSING PVT LTD	162191721	Praveen Agarwal
16	BADRI PRASAD AND SONS	160096764	
17	TOPWELL PROPERTIES PRIVATE LIMITED	139507625	Praveen Agarwal
18	LINUS HOLDINGS LTD	127649473	Anuj Agarwal

As you can see that out of total trade of around one thousand crore 450 crores purchase have been done by these identified jamakharchi companies. Statement of the entry operator and the dummy directors can be found in the "LTCG Database", given in DVD.

3. In the script Unisys Software And Holding Industries Ltd total trade of Rs. 624,28,82,248/- have been done. Out of these most of purchase have been done by below mentioned Jamakharchi companies.

NO	LOSS BOOKING JAMAKHARCHI COMPANIES	VALUE	ENTRY OPERATOR
1	KINGFISHER PROPERTIES PRIVATE LIMITED	180251046	Praveen Agarwal
2	ESQUIRE ENCLAVE PRIVATE LIMITED	148509170	Praveen Agarwal
3	MANGALMAYEE HIRISE PRIVATE LIMITED	133977409	Praveen Agarwal
4	SKYLIGHT DISTRIBUTORS PRIVATE LIMITED	121533706	Praveen Agarwal
5	PUSHPANJALI COMMOTRADE PRIVATE LIMITED	107393286	Praveen Agarwal
6	SKM TRAVELS PRIVATE LIMITED	99183351	ANIL KHEMKA

7	VAISHALI INFOSYSTEM INDIA PRIVATE LIMITED	84205861	
8	SCOPE VYAPAR PRIVATE LIMITED	83464343	Anil Khemka
9	MOONSTAR SECURITIES TRADING & FINANCE CO P LTD	72782545	
10	DECENT VINCOM PVT.LIMITED	69934466	JAGDISH PUROHIT
11	MAYURPANKH VINCOM PRIVATE LIMITED	60716614	JAGDISH PUROHIT
12	D K S ENTERPRISES PRIVATE LIMITED	60216108	
13	SANKLAP VINCOM PRIVATE LIMITED	59443535	Anil Khemka
14	NAVDURGA INVESTMENT CONSULTANTS PRIVATE LIMITED	58786850	JAGDISH PUROHIT
15	KALYANI BARTER PVT LTD	58475895	JAGDISH PUROHIT
16	MILESTONE SHARES & STOCK BROKING PRIVATE LIMITED	58271475	
17	RANGAN VINCOM PRIVATE LIMITED	57833705	Anil Khemka
18	GANNAYAK BARTER PRIVATE LIMITED	57421390	STRIKE OFF
19	ESHA SECURITIES LTD	55904952	
20	TOPWELL PROPERTIES PRIVATE LIMITED	52407646	Praveen Agarwal
21	YUTHIKA COMMERCIAL PVT LTD	50875000	
22	SANKLAP VINCOM P LTD	50248396	Anil Khemka
23	DIVYA DRISHTI TRADERS PVT.LTD	47062708	Anuj Agarwal
24	AVENUE DEALERS PRIVATE LIMITED	47024389	
25	DIVYA DRISHTI MERCHANTS PVT.LTD	46328086	Anuj Agarwal
26	ATTRIBUTE SHARES & SECURITIES PVT LTD	45622632	
	Total	196 Crores	

4. In the script **Tuni Textile Mills Ltd**, total trade or Rs. 1500,47,62,452/- have been done. Out of these most of purchase have been done by below mentioned Jamakharchi companies.

NO	Loss Booking Jamakharchi Entity Name	Amount	Entry Operator
1	SAIKAT TRADELINK PRIVATE LIMITED	425923157	
2	TANAYA VINCOM PRIVATE LIMITED	419196618	
3	ROCKERS TRADELINK PRIVATE LIMITED	408789397	
4	JOYGURU COMMOTRADE PRIVATE LIMITED	359505939	Pawan Kayan
5	NECTAR DEALTRADE PRIVATE LIMITED	355007182	
6	MOONVIEW VINTRADE PRIVATE LIMITED	349191769	
7	VICTOR COMMODEAL PRIVATE LIMITED	334309544	
8	KHUSHI TRADELINK PRIVATE LIMITED	332506500	Praveen Agarwal

9	ESQUIRE ENCLAVE PRIVATE LIMITED	312404443	Praveen Agarwal
10	SPRINT VANIJYA PRIVATE LIMITED	306473654	
11	ELLISBRIDGE TRADING PRIVATE LIMITED	302695926	Praveen Agarwal
12	KINGFISHER PROPERTIES PRIVATE LIMITED	299964824	Praveen Agarwal
13	DESIRE COMMOALES PRIVATE LIMITED	277476127	Praveen Agarwal
14	LARICA TRADING PRIVATE LIMITED	228062159	
15	ETT LIMITED	225005457	
16	SHREEHARI VINIMAY PRIVATE LIMITED	182058011	Praveen Agarwal
17	KOHINOOR VINCOME PRIVATE LIMITED	157594781	Praveen Agarwal
18	SHOBHAGYA VINIMAY PRIVATE LIMITED	147935060	
19	MANGALMAYEE HIRISE PRIVATE LIMITED	146512691	Praveen Agarwal
20	GANNAYAK BARTER PRIVATE LIMITED	139963484	STRIKE OFF
21	ANUSKA VANIJYA PRIVATE LIMITED	136230595	
22	KATYANI COMMODITIES PRIVATE LIMITED	134542401	Sachin Bhadani
23	SARBARI VINCOM PRIVATE LIMITED	121990366	
24	DELIGHT DEALMARK PRIVATE LIMITED	114717074	
25	GOODSHINE DEALTRADE PVT LTD	113930997	
26	CRYSTAL BEVERAGES PRIVATE LIMITED	93752870	
27	HELOT PROPERTIES PVT LTD	90484969	
28	KHUSBOO COMPLEX PRIVATE LIMITED	81979761	Praveen Agarwal
	<b>TOTAL</b>	<b>660 CRORES</b>	

5. Let us take another example. In the Script JMD TELEFIMS INDUSTRIES LTD total trade of Rs. 12069286646/- have been done. Now if we see the purchasing/ loss booking companies in these scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	BOGUS CLIENT	VALUE	ENTRY OPERATOR
1	RANISATI DEALER PRIVATE LIMITED	251790303	
2	DB (INTL) OWN TRADING	207140149	STCG Benef
3	KHUSBOO COMPLEX PRIVATE LIMITED	204672820	Praveen Agarwal
4	MANGALMAYEE HIRISE PRIVATE LIMITED	191130425	Praveen Agarwal
5	MIRACLE TRADECOM PVT.LTD	173632655	Jagdish Purohit
6	NORTH EASTERN PUBLISHING AND ADVERTISING COMPANY LIMITED	170953694	SEBI identified Penny Stock
7	NARAYAN SUPPLIERS PVT.LTD	162061344	Jagdish Purohit



8	JOLLY TRADING & MERCHANDISE PRIVATE LIMITED	162009525	
9	CLARUS INFRASTRUCTURE REALTIES LIMITED	161465207	STCG Benef
10	WINSHER SALES PVT LIMITED	146159420	Jagdish Purohit
11	MAYURPANKH VINCOM PRIVATE LIMITED	144048334	Jagdish Purohit
12	FACT ENTERPRISE LIMITED	143581450	LTCG PENNY STOCK
13	NEELANCHAL MERCANTILE PRIVATE LIMITED	127916940	
14	GROWFAST REALTORS PRIVATE LIMITED	122382546	Praveen Agarwal
15	GATEWAY FINANCIAL SERVICES LIMITED	119988050	Praveen Agarwal
16	FLEX TRADE PRIVATE LIMITED	116123628	
17	NAVDURGA INVESTMENT CONSULTANTS PRIVATE LIMITED	114969535	
18	BLUE PEACOCK SECURITIES PVT LTD	114676865	
20	RASHIKA VINIMAY PVT.LTD	102722099	
21	MAYANK SECURITIES PRIVATE LIMITED	99303503	
23	KEMFIN SERVICES PVT LTD	91190726	
24	SUMANGALAM FINANCIAL ADVISORY PRIVATE LIMITED	86196014	Jagdish Purohit
26	SKYLIGHT DISTRIBUTORS PRIVATE LIMITED	81627711	Praveen Agarwal
31	RICHI CONSULTANTS PRIVATE LIMITED	72476073	
33	PUSHPANJALI COMMOTRADE PRIVATE LIMITED	67867072	Praveen Agarwal
34	RITA UPADHYAYA	65322241	Devesh Upadhyay

6. Let us take another example. In the Script GLOBAL INFRATECH&FINANCE ltd total trade of Rs. 12462873580/- have been done. Now if we see the purchasing/ loss booking companies in these scripts, we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	LOSS BOOKING BOGUS CLIENT	VALUE	ENTRY OPERATOR
1	RANGAN VINCOM PRIVATE LIMITED	779966604	Anil Khemka
2	LADIOS TRADING PRIVATE LIMITED	680302266	Anil Khemka
3	ORCHID SOLUTION PRIVATE LIMITED	634925374	Pawan Purohit
4	DREAMVALLEY TRADING PRIVATE LIMITED	502606177	Pawan Purohit
5	DIVYA DRISHTI MERCHANTS PVT.LTD	357328187	Anuj Agarwal
6	DIVYA DRISHTI TRADERS PVT.LTD	335413674	Anuj Agarwal
7	DHANRAKSHA VINCOM PVT LTD.	284764254	
8	RIDHI VINCOM PVT LTD	275885478	
9	MANNER DISTRIBUTORS PRIVATE LIMITED	243861211	Jagdish Purohit
10	VISHNUDHAM MARKETING PRIVATE LIMITED	238789650	
11	BLUE CIRCLE SERVICES LIMITED	233234986	Jagdish Purohit
12	LIMESTONE PROPERTIES PRIVATE LIMITED	191579050	Praveen Agarwal



13	GAJGAMINI MERCHANDISE PRIVATE LIMITED	183747003	
14	SPARK COMMODEAL PRIVATE LIMITED	180981860	Jagdish Purohit
15	LINUS HOLDINGS LTD	179376831	Anuj Agarwal
16	DEVATMA DISTRIBUTORS PRIVATE LIMITED	172540512	Jagdish Purohit
	<b>Total</b>	<b>547 Crores</b>	

7. Let us take another example. In the Script PS IT INFRASTRUCTURE & SERVICES LTD/PARAGSHILPA INVESTMENTS LTD total trade of Rs. 10521882343 /- have been done. Now if we see the purchasing/ loss booking companies in these scripts, we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	LOSS BOOKING BOGUS CLIENT	VALUE	OPERATOR
1	DREAMVALLEY TRADING PRIVATE LIMITED	938030704	PAWAN PUROHIT
2	TRIALA DEALERS PRIVATE LIMITED	686953721	
3	DUARI MARKETING PRIVATE LIMITED	572970281	BIKAS SUREKA
4	SPARK COMMODEAL PRIVATE LIMITED	489073998	JAGDISH PUROHIT
5	MANNER DISTRIBUTORS PRIVATE LIMITED	485353058	JAGDISH PUROHIT
6	CHEROOT VANIJYA PVT LTD	320602668	AMIT SARAOGI
7	SAMRIDHIPURN SERVICES PRIVATE LIMITED	317833845	NO RETURN
8	ROCHAK VINIMAY PRIVATE LIMITED	290496981	
9	SAMUDHITA DEALERS PRIVATE LIMITED	241450906	
10	DEVATMA DISTRIBUTORS PRIVATE LIMITED	224906190	JAGDISH PUROHIT
11	RANGOLI DISTRIBUTORS PRIVATE LTD	206006845	JAGDISH PUROHIT
	TOTAL	477 CRORES	

8. In the Script CRESSANDA SOLUTIONS LTD total trade of Rs. 12731895395/- have been done . Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	PRIME BOGUS COMPANIES	VALUE	ENTRY OPERATOR
1	ABHINNA VYAPAAR PRIVATE LIMITED	229754044	Devesh Upadhya
2	SANKLAP VINCOM P LTD	217722672	ANIL KHEMKA
3	MANNER MANAGEMENT CONSULTANCY PRIVATE LIMITED MMCPCL	213633738	JAGDISH PUROHIT
4	APEX COMMOTRADE PRIVATE LIMITED LTD	207932724	ANIL KHEMKA
5	WONDER PROCON PRIVATE LIMITED WPPL	193041153	Devesh Upadhya
6	ANAAM MERCHANTS PRIVATE LIMITED	192458681	DEEPAK PATWARI
7	GENUINE DEAL TRADE PRIVATE LIMITED	186081594	Devesh Upadhya
8	ORIGIN INFRAPROJECTS PVT LTD OIPL	184476324	Devesh Upadhya
9	DADHYAN VYAPAAR PRIVATE LIMITED	183662259	Devesh Upadhya
10	OVERTOP MERCANTILE PRIVATE LIMITED.	177041327	Devesh Upadhya
11	ASHIYANA MERCANTILE PRIVATE LIMITED	175719252	ANIL KHEMKA
12	SIGNET VINIMAY PRIVATE LIMITED	175047710	ANIL KHEMKA
13	VISIBLE REALESTATE VENTURES P LTD VRVPL	171529369	Devesh Upadhya
14	EDEN VYAPAAR PRIVATE LIMITED	169021044	Devesh Upadhya
15	EASH VYAPAAR PRIVATE LIMITED	164820641	Devesh Upadhya
16	ANAMIKA DEALTRADE PVT LTD	163094722	Devesh Upadhya
17	RUNICHA MERCHANTS PRIVATE LIMITED	161832192	ANIL KHEMKA
18	WINALL VINIMAY PRIVATE LIMITED LTD	161555171	ANIL KHEMKA
19	SPICE MERCHANTS PRIVATE LIMITED	158080933	ANIL KHEMKA
	<b>TOTAL</b>	<b>348 Crores</b>	

9. In the Script **PREMIER CAPITAL SERVICES LTD** total trade of Rs. 1931547811/- have been done. Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	JAMAKHARCHI CLIENT	VALUE	OPERATOR
1	PROGRESS INFRAESTATE PRIVATE LIMITED	119893841	DEVESH UPADHYAY
2	LAGAN DEALTRADE PRIVATE LIMITED	101620139	DEVESH UPADHYAY
3	SINJAN OVERSEAS PVT LTD	86254931	DEVESH UPADHYAY
4	LEISURE DEVCON PRIVATE LIMITED	51274484	DEVESH UPADHYAY
5	SAWARNMAHAL COMMERCIAL PRIVATE LIMITED	47284608	NOT FOUND
6	ORIGIN INFRAPROJECTS PVT LTD OIPL	43007113	DEVESH UPADHYAY
7	ELECT COAL PRIVATE LIMITED	42814998	
8	JAGKARTA AGENCIES PRIVATE LIMITED	41155630	
9	WONDER PROCON PRIVATE LIMITED WPPL	40918601	DEVESH UPADHYAY
10	OVERTOP MERCANTILE PRIVATE LIMITED.	40553661	DEVESH UPADHYAY

11	MANIFOLD VINIMAY PVT LTD	39914573	DEVESH UPADHYAY
12	VISIBLE REALESTATE VENTURES P LTD VRVPL	35994508	DEVESH UPADHYAY
13	PRERNA VYAPAAR PRIVATE LIMITED .	35081425	DEVESH UPADHYAY
14	TERMINAL VINCOM PRIVATE LIMITED	33789216	DEVESH UPADHYAY
15	PINKROSE DISTRIBUTORS PRIVATE LIMITED	32750095	DEVESH UPADHYAY
16	INCREDIBLE NIRMAN PRIVATE LIMITED	31342084	DEVESH UPADHYAY
17	ADOPT DEVELOPERS PRIVATE LIMITED	30032519	DEVESH UPADHYAY
18	SUPRITI DEALERS PRIVATE LIMITED	29303838	DEVESH UPADHYAY
19	COMFORT DEALCOM PRIVATE LIMITED	28491864	DEVESH UPADHYAY
	total	91 Crores	

All the relevant statements of Entry operators and Dummy directors can be found in “LTCG Database” in DVD.

**10.** In the Script **NOUVEAU GLOBAL VENTURES LTD** total trade of Rs. 203,87,23,071/- have been done. Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	TOP BOGUS/LOSS BOOKING CLIENTS	VALUE	ENTRY OPERATOR
1	SKYLIGHT DISTRIBUTORS PRIVATE LIMITED	146791731	PRAVEEN AGARWAL
2	SURYAMUKHI PROJECTS PRIVATE LIMITED	77794501	PRAVEEN AGARWAL
3	MANGALMAYEE HIRISE PRIVATE LIMITED	74925734	PRAVEEN AGARWAL
4	TECK CONSULTANCY AND SERVICES PRIVATE LIMITED	34532011	
5	PUSHPANJALI COMMOTRADE PRIVATE LIMITED	34445239	PRAVEEN AGARWAL
6	ESHA SECURITIES LTD	32915997	
7	SWASTIK SECURITIES & FINANCE LTD	32383131	
8	SUBHSHREE HIRISE PRIVATE LIMITED	26851236	PRAVEEN AGARWAL
9	KANSABATI TRADECOM PRIVATE LIMITED	26332231	DEVESH UPADHYAY
10	AMANAT SUPPLIERS PRIVATE LIMITED	25819172	DEVESH UPADHYAY
11	CHATURBHUJ MARKETING PRIVATE LIMITED	24655349	DEVESH UPADHYAY
12	GOLDLINE COMTRADE PRIVATE LIMITED	24532775	
13	SCOPE VYAPAR PVT LTD	23413726	SEBI PENALISED
14	TEJASWANI TRADECOM PRIVATE LIMITED	23295188	DEVESH UPADHYAY
15	KRISHAN KHADARIA	23240208	ENTRY OPERATOR
16	KHUSBOO COMPLEX PRIVATE LIMITED	22918893	PRAVEEN AGARWAL
17	DESTINY SECURITIES LIMITED	21756288	DEEPAK PATWARI
18	PRIME CAPITAL MARKET LIMITED	21064318	JAGDISH PUROHIT
	TOTAL	70 Crores	

11. In the Script **Pine Animation Limited** total trade of Rs. 6081960691/- have been done. Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	TOP BOGUS LOSS BOOKING CLIETNS	VALUE	Operator
1	DREAMVALLEY TRADING PRIVATE LIMITED	357560183	JAGDISH PUROHIT
2	LINUS HOLDINGS LTD	186332232	ANUJ AGARWAL
3	RANGOLI DISTRIBUTORS PRIVATE LTD	164375294	JAGDISH PUROHIT
4	ORCHID SOLUTION PRIVATE LIMITED	138526101	JAGDISH PUROHIT
5	SPICE MERCHANTS PRIVATE LIMITED	117775979	ANIL KHEMKA
6	GANGESHWARI TRADERS PRIVATE LIMITED	96461065	JAGDISH PUROHIT
7	APEX COMMOTRADE PRIVATE LIMITED LTD	84250665	ANIL KHEMKA
8	DHLRITI TRADERS PRIVATE LIMITED	83213320	
9	DUARI MARKETING PRIVATE LIMITED	82403482	BIKAS SUREKA
10	INDRAWATI NIRMAN PRIVATE LIMITED	77734720	
	total	138 Crores	

12. In the Script **Shree Shaleen Textiles Limited** total trade of Rs. 5021678429/- have been done. Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	LOSS BOOKING BOGUS CLIENTS	VALUE	OPERATOR
1	LIMESTONE PROPERTIES PRIVATE LIMITED	371034657	PRAVEEN AGARWAL
2	SHIVKHORI CONSTRUCTION PRIVATE LIMITED	167355629	PRAVEEN AGARWAL
3	SAMRAS ORGANISERS	105512283	
4	EXECUTE VINIMAY PRIVATE LIMITED	75932370	NO RETURN
5	SPEEDFAST BUSINESS PRIVATE LIMITED	65430650	NO RETURN
6	GANGOUR RESIDENCY PRIVATE LIMITED	64850161	NO RETURN
7	AAKRITI DEALERS PRIVATE LIMITED	60423117	NO RETURN
8	ROOTSTAR MERCHANDISE PRIVATE LIMITED	53423500	AKASH AGARWAL
9	LYME GRASS MERCANTILE PRIVATE LTD	50711919	

10	EAST WEST FINVEST INDIA LIMITED	50470414	STCLBENEF
11	SEGMENT AGENCIES PRIATELIMITED	48559864	NO RETURN
12	TRUTHFUL SUPPLIERS PRIVATE LIMITED	46751750	PRAVEEN AGARWAL
		116 CRORES	

13. In the Script **KAPPAC PHARMA LTD** total trade of Rs. 11229853954/- have been done. Now if we see the purchasing/ loss booking companies in this scripts we see that most of the purchases on abnormally higher rates are done by identified paper/Jamakharchi companies.

NO	TOP BOGUS CLIENTS	VALUE	OPERATOR
1	APEX COMMOTRADE PRIVATE LIMITED LTD	206567264	ANIL KHEMKA
2	DREAM INFRAPROPERTIES PVT LTD	203216267	
3	OVERARCHING DEALERS PVT LTD	191602767	BIKAS SUREKA
4	SPICE MERCHANTS PRIVATE LIMITED	162263766	ANIL KHEMKA
5	LITTLESTAR TRADECOM PVT LTD	159315928	
6	TANTRA PROMOTERS PRIVATE LIMITED	155933030	
7	RIDDHKA TRADCOM PRIVATE LIMITED	149378420	
8	WONDER PROCON PRIVATE LIMITED WPPL	118258735	DEVESH UPADHYAY
9	VISIBLE REALESTATE VENTURES P LTD VRVPL	115862205	DEVESH UPADHYAY
10	DIGAMBER ELECTRONICS MARKETING PRIVATE LIMITED	110373863	
11	GOLDENSIGHT MANAGEMENT PVT LTD	109074940	
12	LAGAN DEALTRADE PRIVATE LIMITED	106460182	DEVESH UPADHYAY
13	SWARAJ RETAILS PVT LTD	100121625	
14	ABHINNA VYAPAAR PRIVATE LIMITED	99474767	DEVESH UPADHYAY
	<b>TOTAL</b>	<b>200 CRORES</b>	

In the same fashion all the 84 Scripts have been identified to be trading in these scripts in pre-arranged manner to provide accommodation entry of Long Term Capital Gain. To avoid monotony, all the scripts are not being discussed here. However, trade data taken from exchange is being provided in DVD so that any body can analyse and see that how all such penny stocks are being traded by these Jamakharchi bogus companies.

## **CHAPTER-7**

### **Sample Cash Trail of 1500 Crore Rupees.**

We have prepared a sample cash trail for showing that how the mechanism works for the syndicate of providing long term capital gain/ short term capital loss. For preparing this cash trail we have followed the money movement from undisclosed proprietorship accounts, where cash is being deposited mostly, to the Jamakharchi companies who are registered as clients with the share brokers. Undisclosed and unaccounted cash get deposited to proprietorship accounts and then it get transferred to client companies, who exists in paper only . From the Jamakharchi client company account, money gets transferred to Beneficiaries of Long Term Capital Gain via Share Broker's Account. On a sample basis, just to illustrate the modus operandi we have prepared cash trail of more than 1500 Crore Rupees.

To elaborate it more, when a person needs entry of LTCG, he approaches a share broker or entry operator. Entry operator get him registered with some share broker as a client. Then shares of a listed penny stock is provided to beneficiaries. After a year, beneficiary provides cash to entry operator for having equalling amount of entry of LTCG. Then entry operator or share broker, get such cash deposited to the various accounts and routes it to bogus client. Bogus client purchases the penny stock shares from beneficiary on abnormally higher rate. Thus a beneficiary gets back his unaccounted cash as cheques/rtgs for receipt against sale of shares.

Almost all the proprietorship accounts, where cash is getting deposited never files Income Tax Returns. Moreover, they tend to close such accounts very often, so that they can evade any STR/FIU/Income Tax issues. If one goes through the KYC,s of such proprietorship accounts, it can seen that they are opened in the name of dummy persons, who are either employees or relatives of entry operators. We have gone to even the registered offices of many such cash depositing firms, but as we expected there was no existence found for any such persons/firms. Almost all such accounts were opened with fake addresses. Role of banking authorities is also highly questionable here.

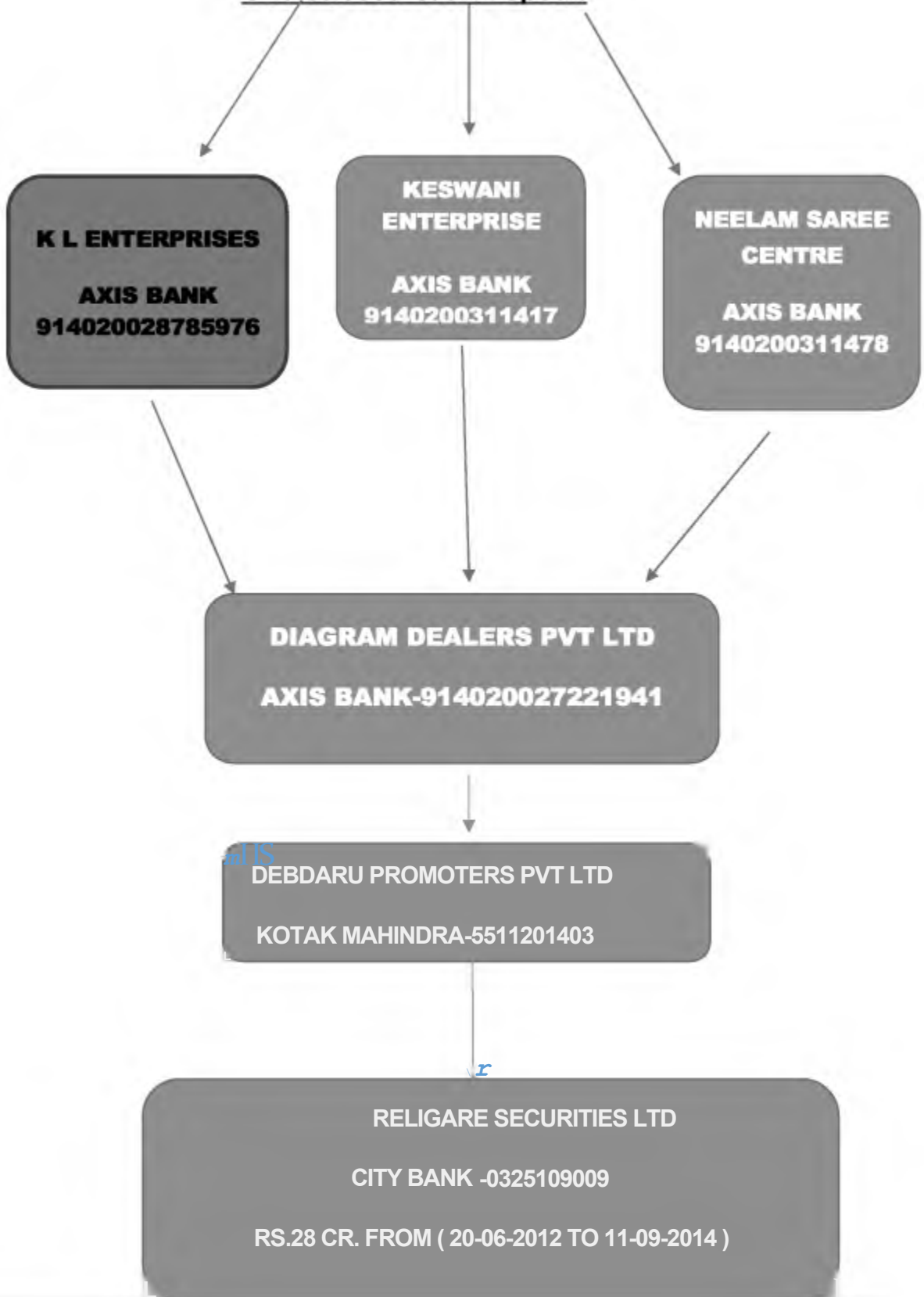
Same is true , in the case of Paper/Jamakharchi/bogus Clients also. Though they are registered as a client with share brokers, and Brokers maintainsa KYC for such bogus clients also, but these clients does not exists as their given registered address. In many cases we made inquiries and found that such client companies are missing, or existing nowhere. In many survey cases we even sent our team with the concerned KYC handling staff of share brokers for on spot verification of bogus clients, but in vain. Even the person of share broker could not find it,scinet. When share brokers were confronted with this , they either accepted that such clients are bogus are they failed to make any reasonable explanation.

**Master Table of the Cash Trail**

SL	NAME OF JAMAKHARCHI/BOGUS CLIENT COMPANY	AMOUNT OF CASH TRAIL (Rs.)	NAME OF CONCERNED SHARE BROKER
1	DEBDARU PROMOTERS PVT. LTD	28 Crores	RELIGARE SECURITIES LTD
2	DUARI MARKETING PVT LTD	162 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
3	HEADFIRST VINIMAY PVT LTD	8 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
4	CAMELLIA VINIMAY PVT LTD	24 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
5	KapeswarVintrade Pvt Ltd	157 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
6	LAVANDER EXIM PVT LTD	17 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
7	LADIOS TRADING PVT LTD	206 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
8	MAHAMANI TRADE LINK PVT LTD	103 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
9	AMIT SARAOGI	663 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
10	SankalpVincom Pvt Ltd	95 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
11	GALLANT COMMOSALES PVT LTD	46 CRORES	THE CALCUTTA STOCK EXCHANGE LTD.
12	Ashok Kumar Kayan Kayan Securities pvt ltd	51 Crores	THE CALCUTTA STOCK EXCHANGE LTD.
13	PRAN JEEVAN DISTRIBUTORS PVT. LTD.	6.14 Crores	EUREKA STOCK AND SHARE BROKING SERVICES LTD
14	Dristi Suppliers Pvt Ltd	7.40 Crores	EUREKA STOCK AND SHARE BROKING SERVICES LTD
15	PRAN JEEVAN DISTRIBUTORS PVT. LTD.	1.16 Crores	Guiness Securities Ltd
16	PWAN KUMAR KAYAN	Cash Seizure 90 Lakhs	SMC GLOBAL SECURITIES LTD, & EUREKA STOCK .(Sub Broker)
	<b>TOTAL</b>	<b>1575 Crores</b>	

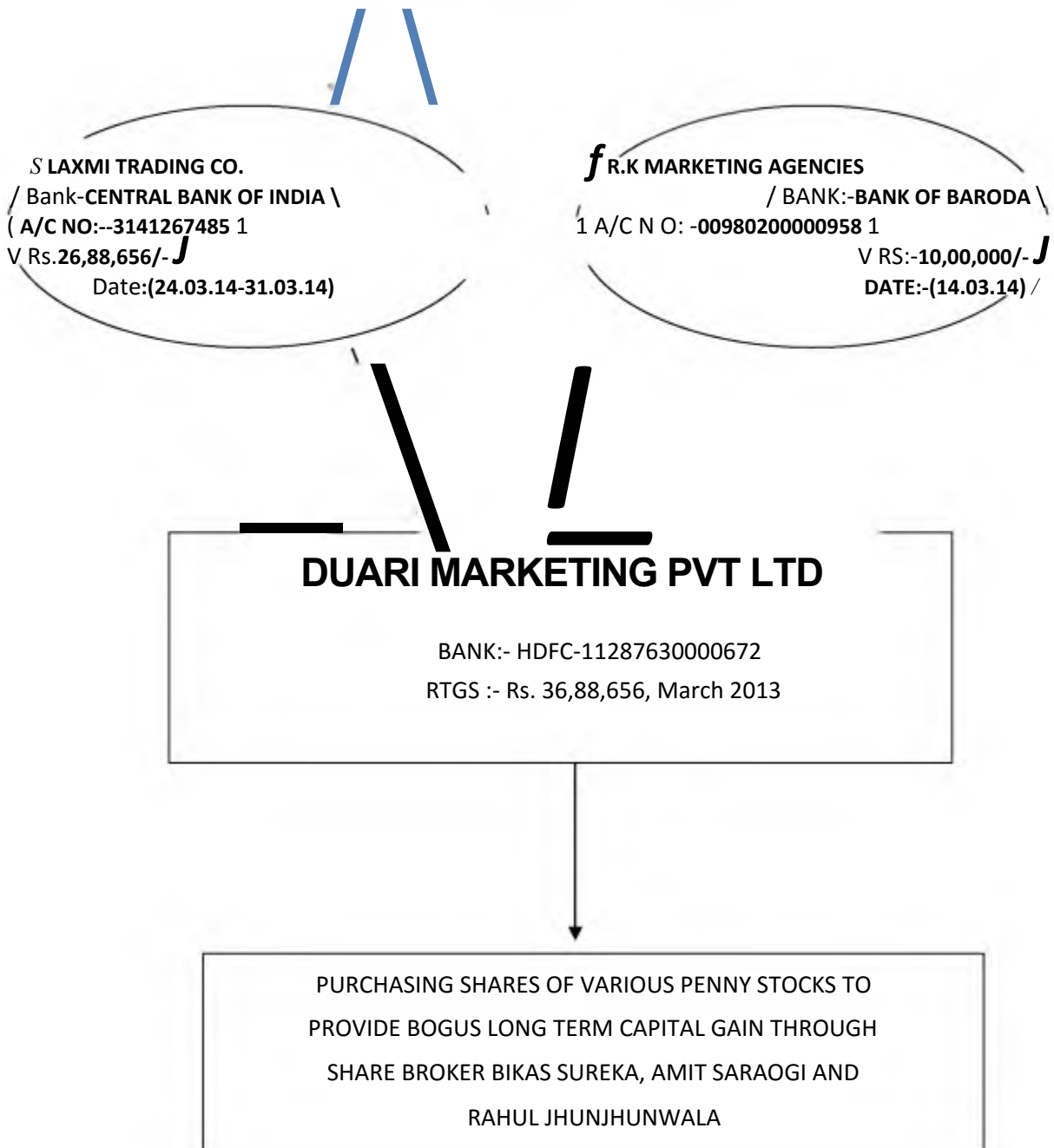


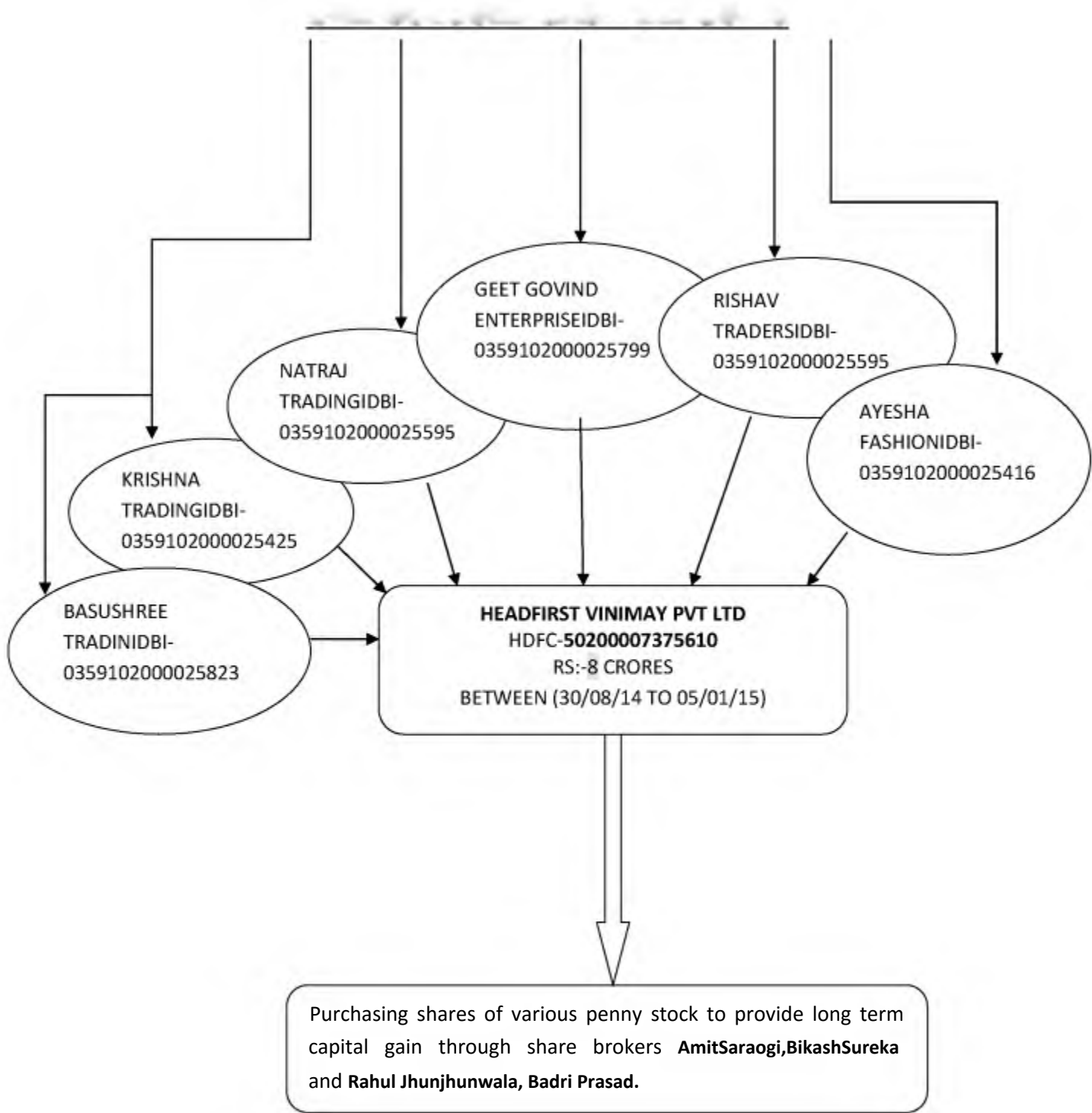
**Undisclosed Cash Deposit**

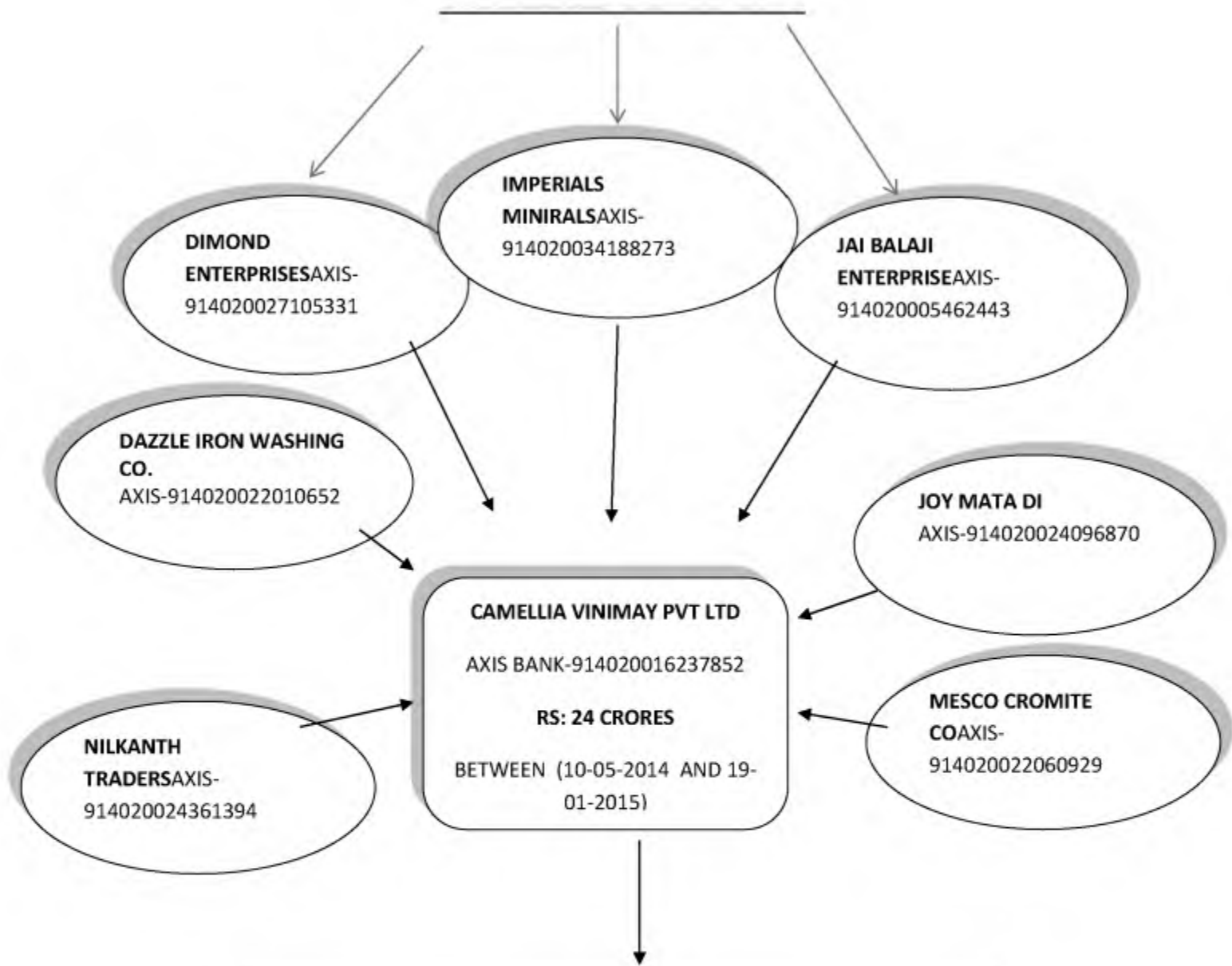




Undisclosed Cash Deposits

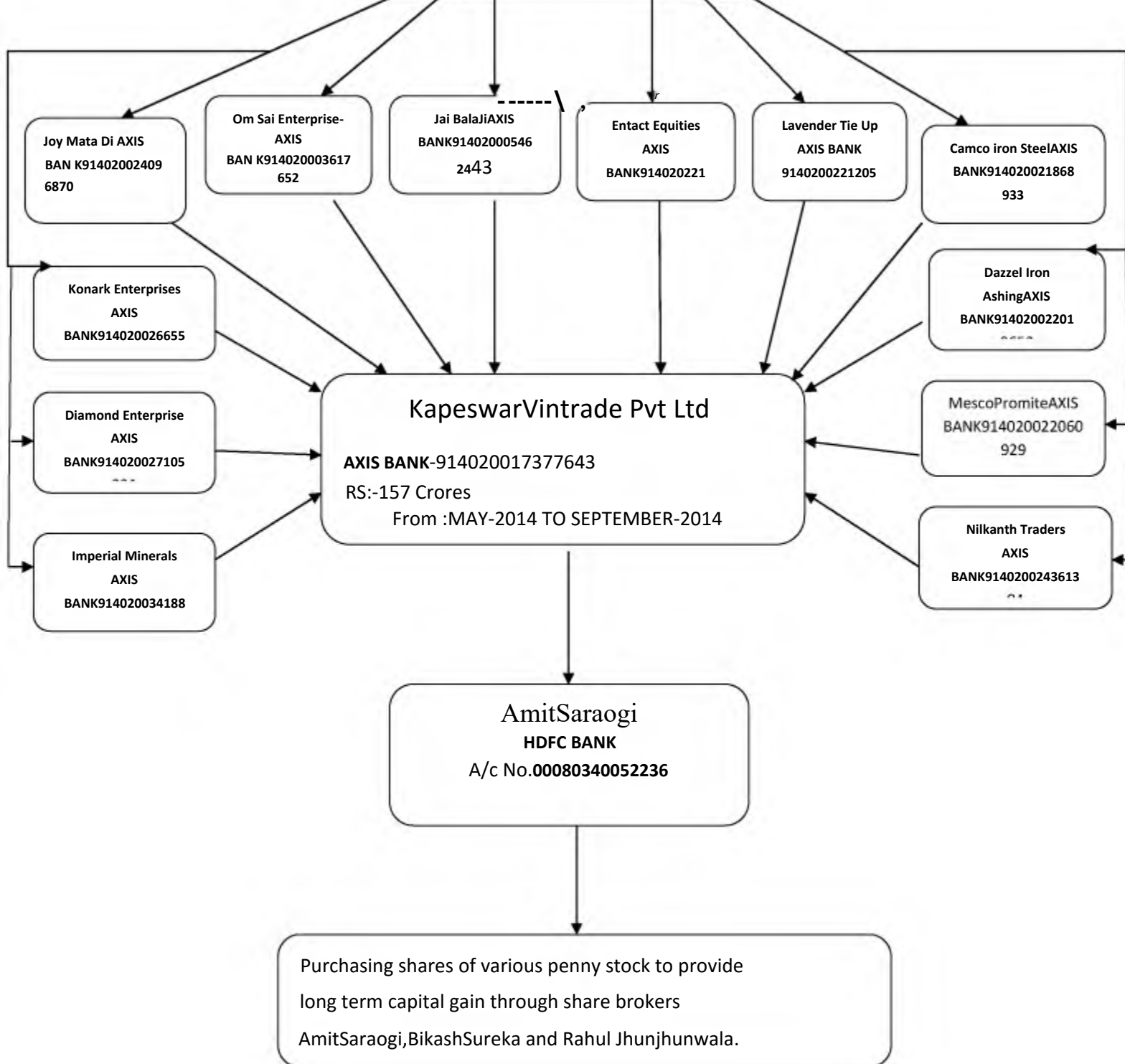


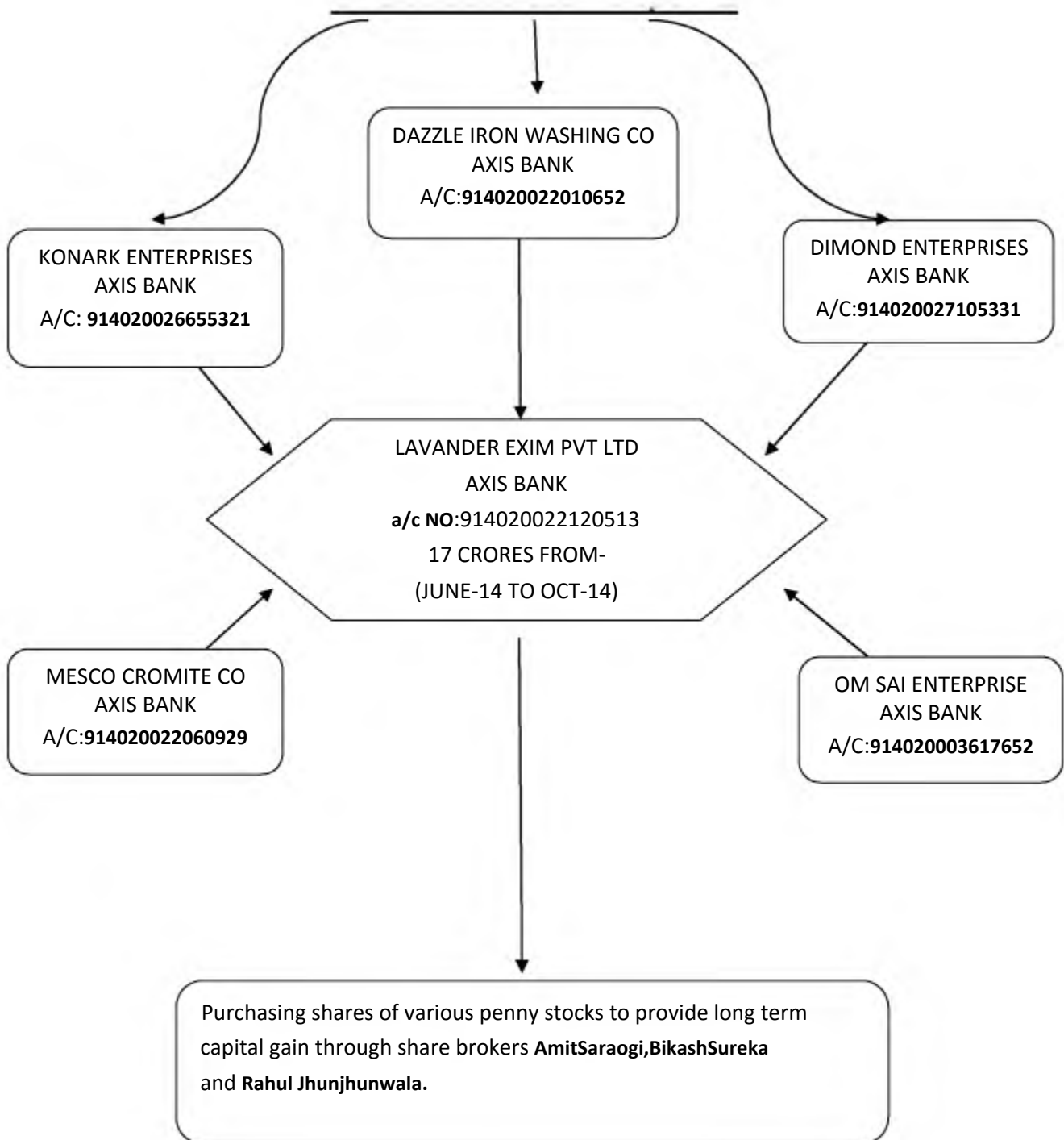


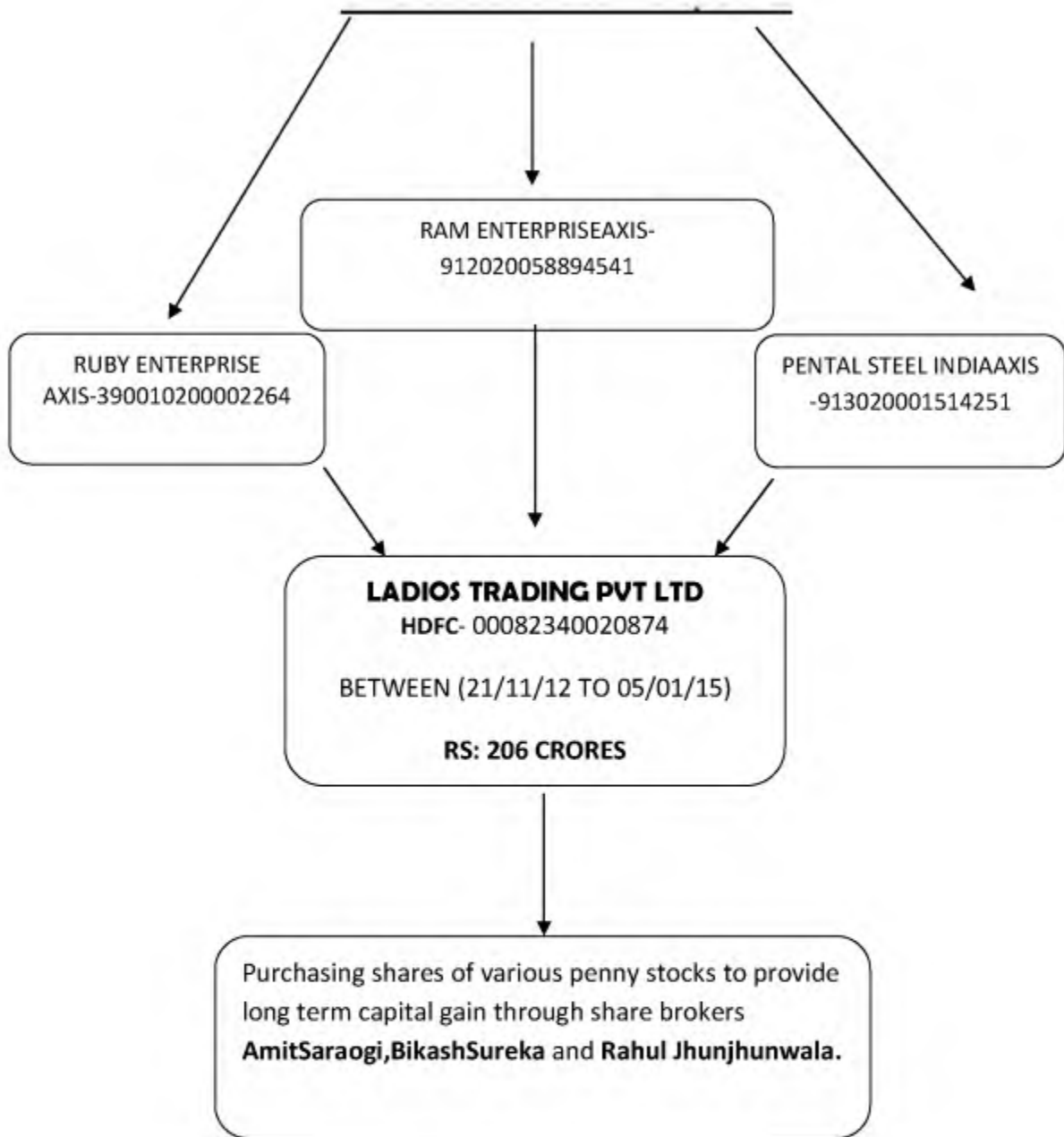


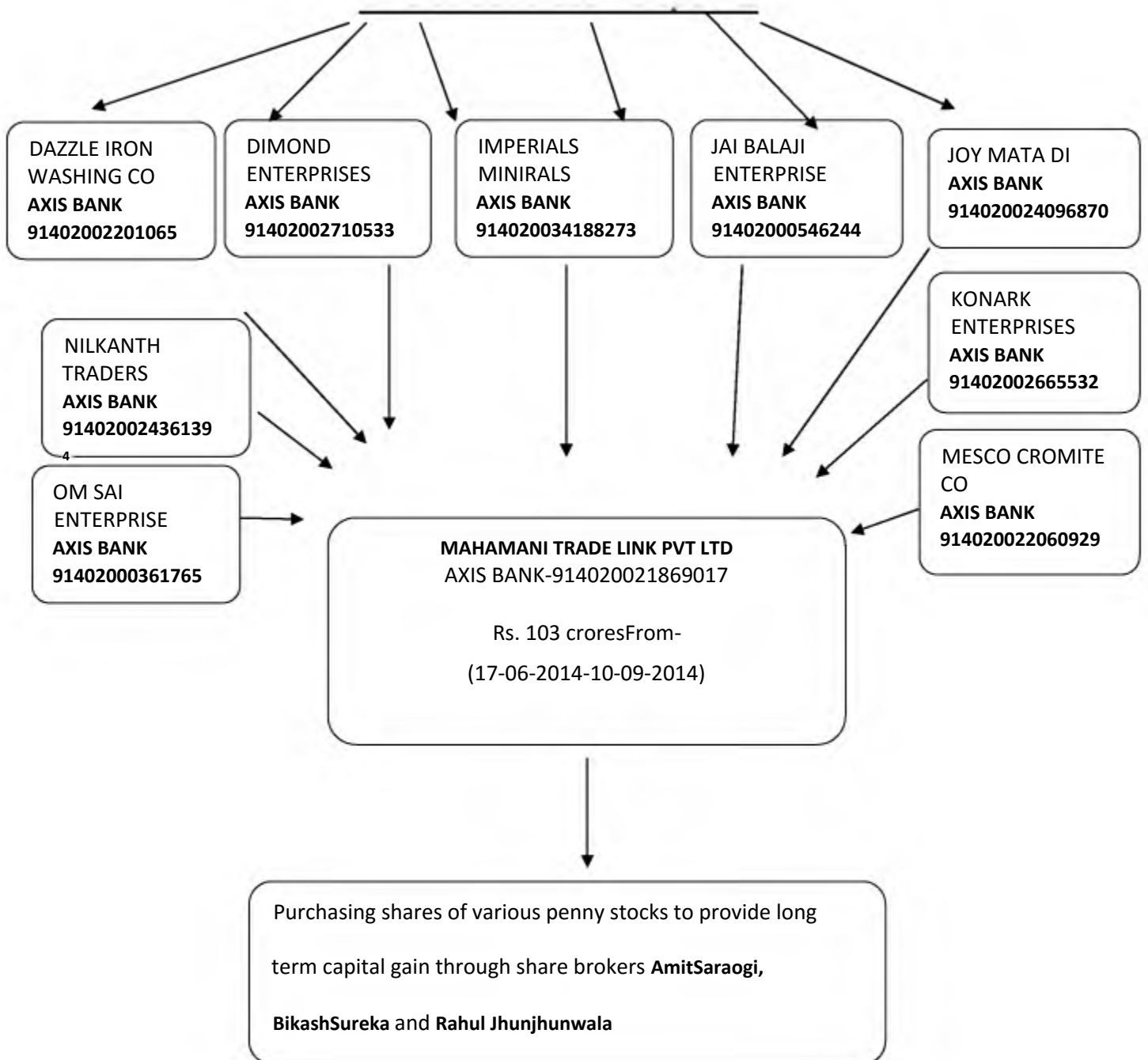
Purchasing shares of various penny stock to provide long term capital gain through share brokers **AmitSaraogi, BikashSureka** and **Rahul Jhunjunwala**. All sub brokers of Share Broker Calcutta Stock Exchange Ltd

## Unexplained Cash Deposits

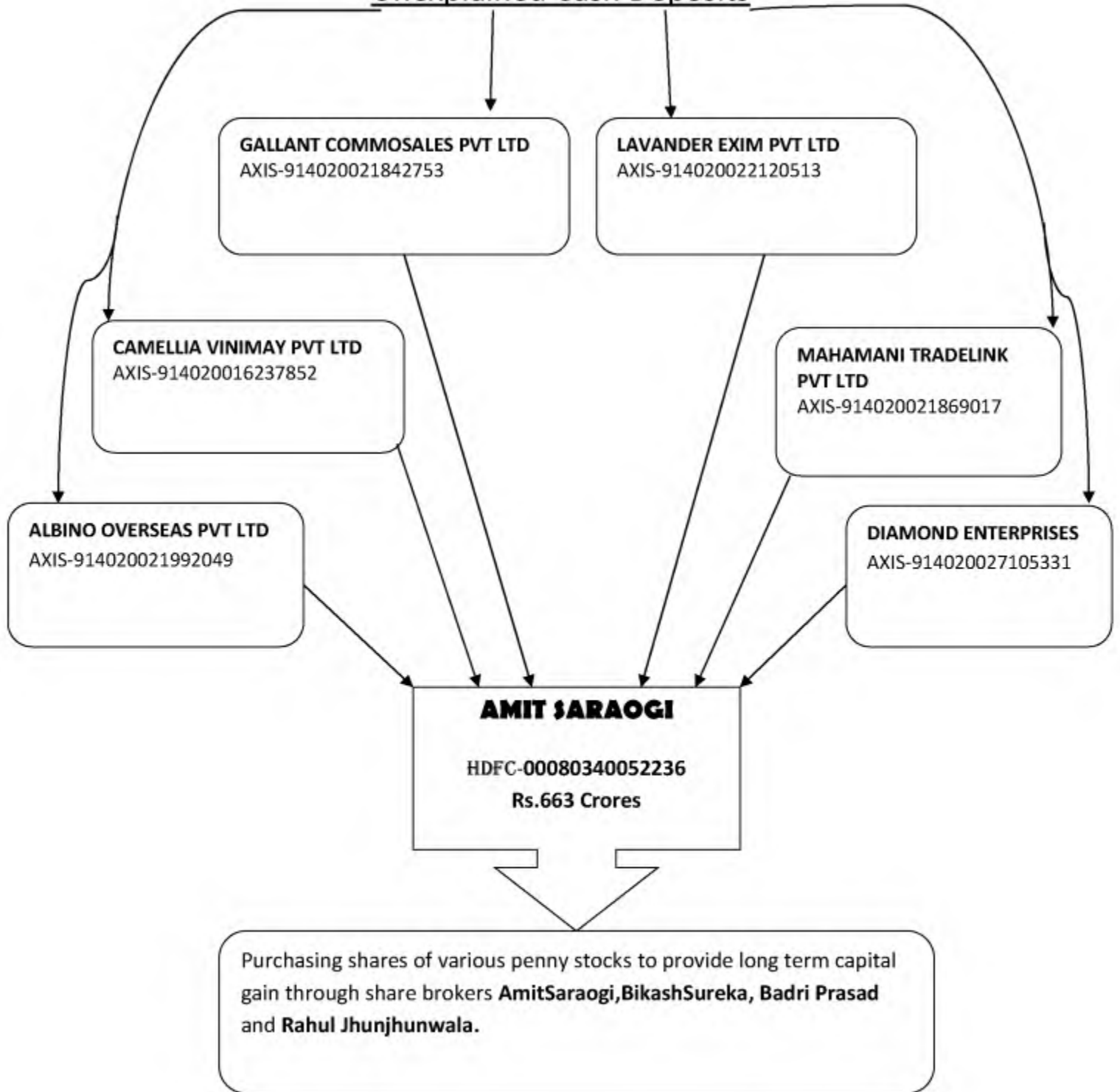




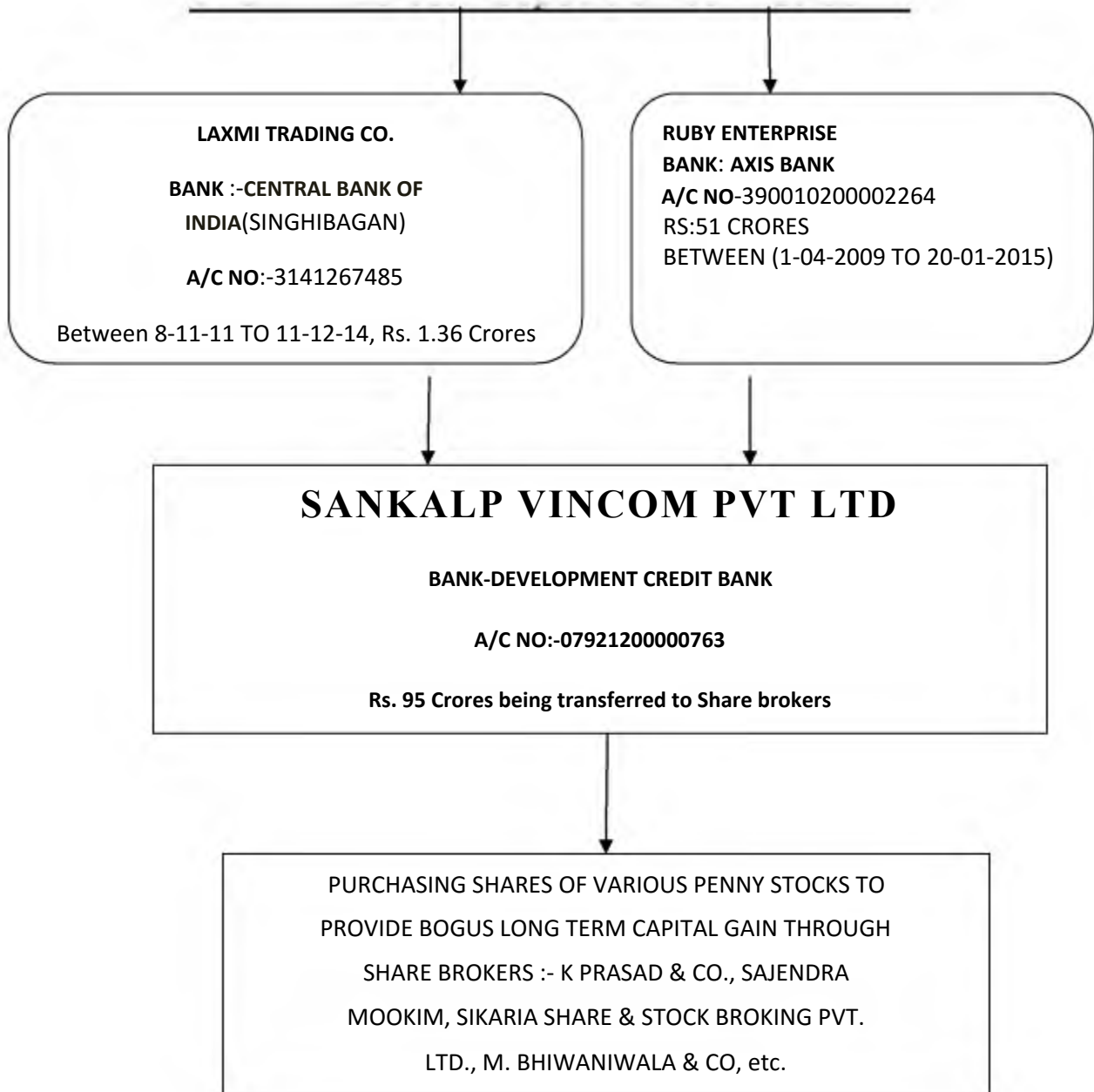


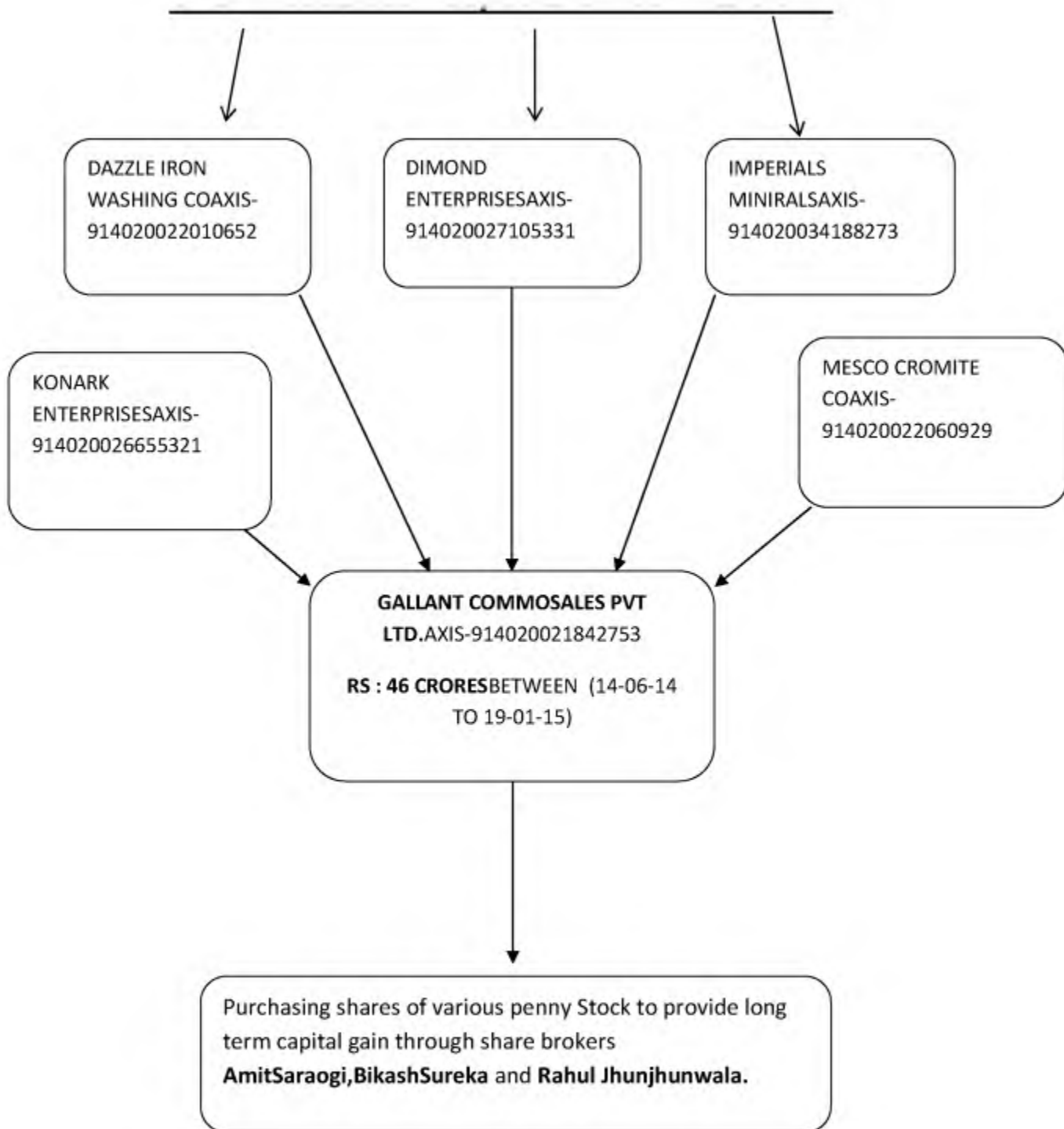


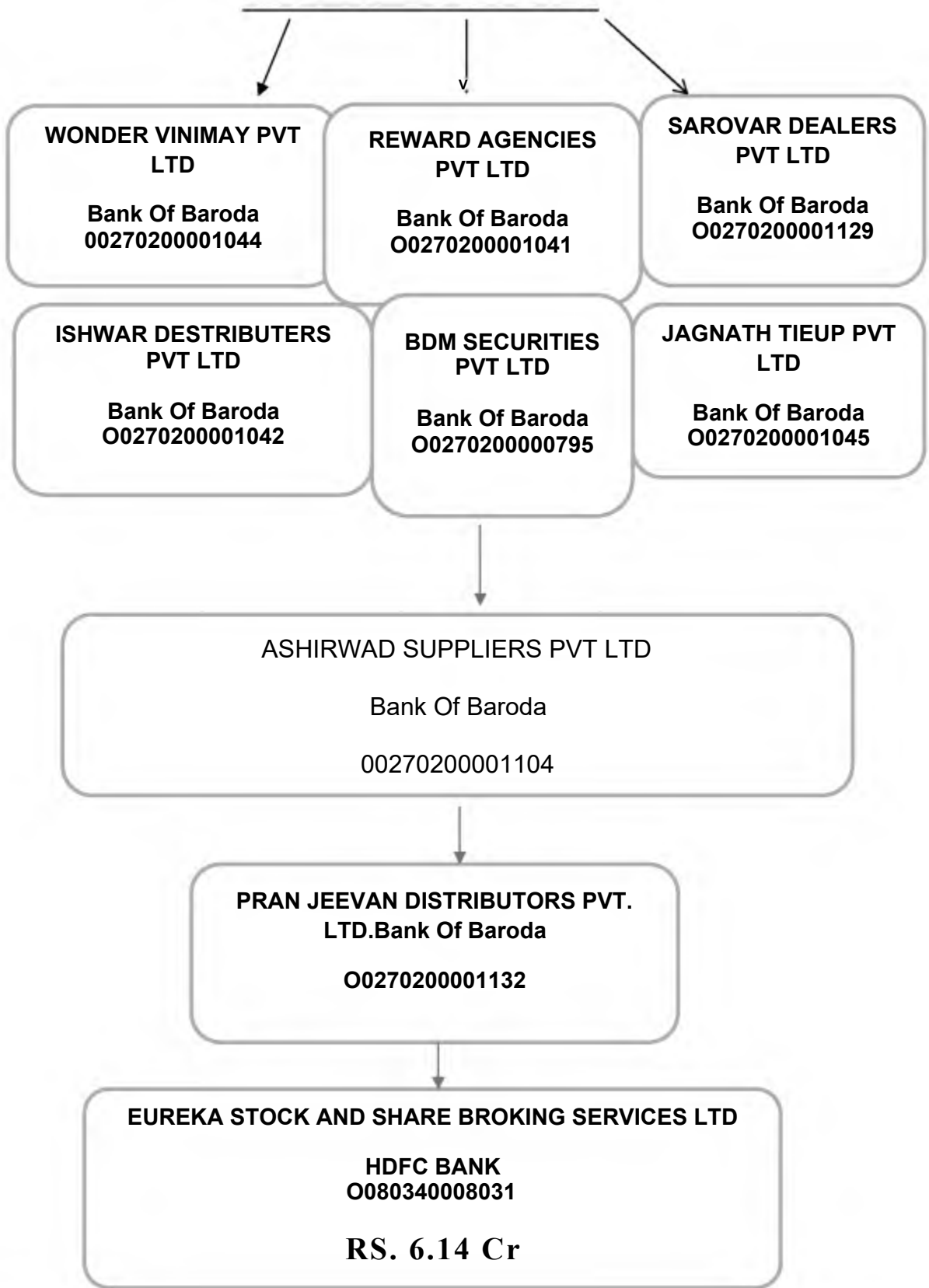
## Unexplained Cash Deposits

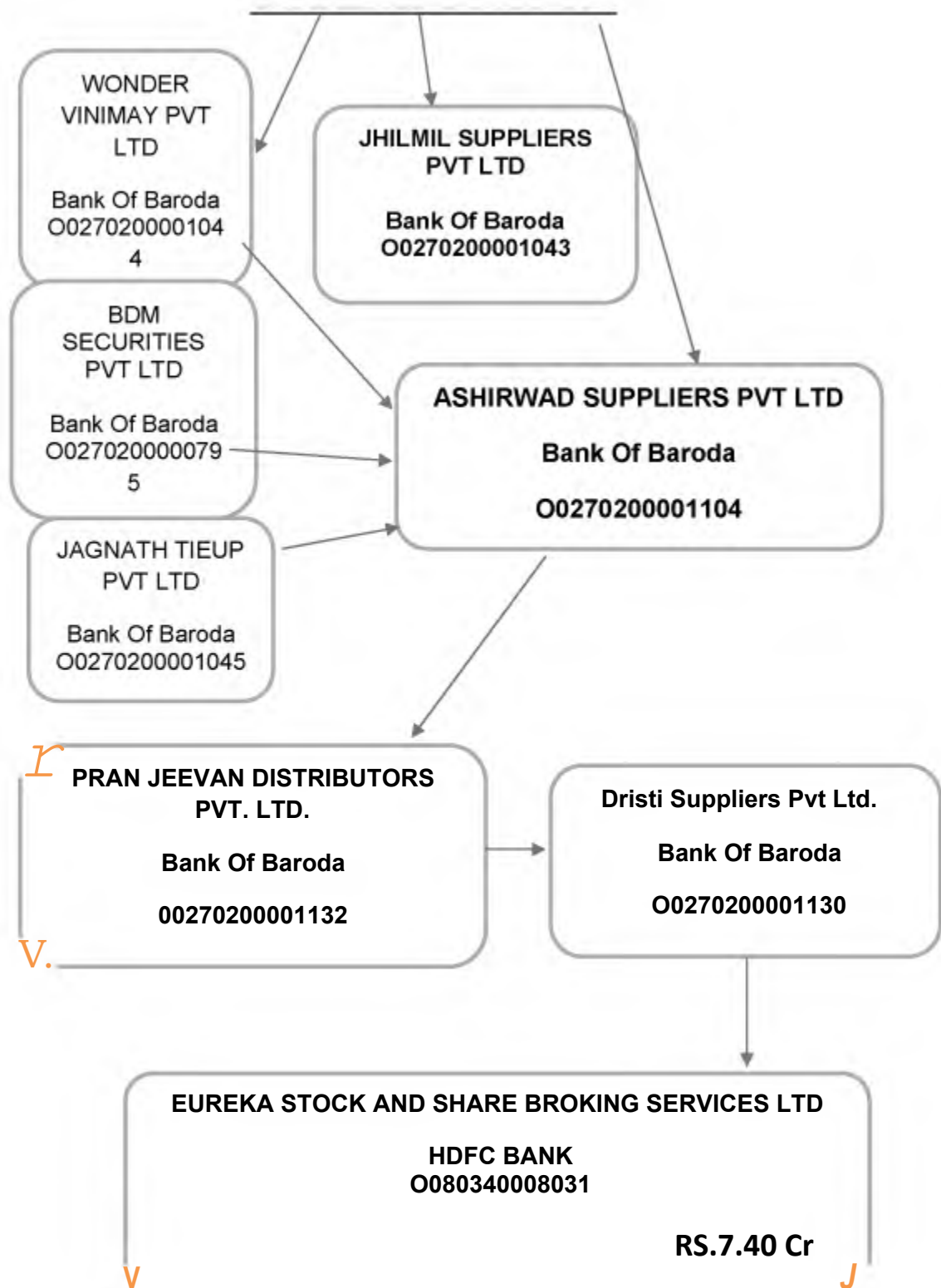


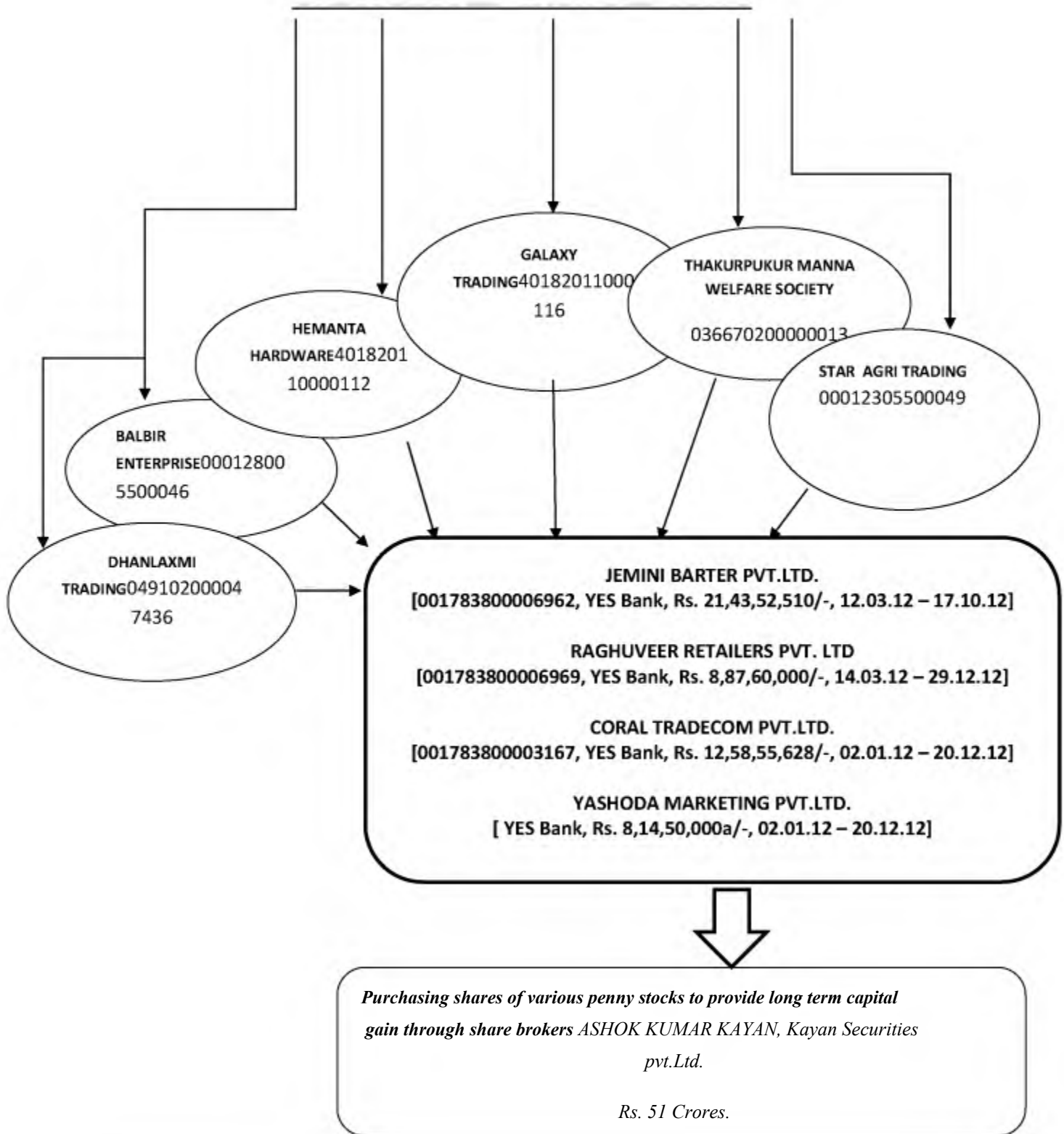












## CHAPTER -8

### SEBI Action & Beneficiary.s Covered under search/surveys.

#### (A) SEBI Action

Securities and stock Exchange Board of India (SEBI) is the premier regulatory body of share market. Whenever, they see a foul play, they are bound to take actions.

SEBI has taken the issue of penny stocks being traded for bogus LTCG, very seriously. They have already been intimated about the earlier actions of the Directorate of Investigations, Kolkata, where entry operators had accepted their involvement in price manipulation of scripts and providing accommodation entry of LTCG/STCL in lieu of cash commission.

In a recent past SEBI has passed several orders where it has shown that how bogus entities in connivance with the share brokers, are involved in dubious trading, just to launder money. Not only that SEBI has also asked various stock exchanges to suspend trading in many such scripts. In our case SEBI has directed BSE to suspend trading in as much as 28 Penny Stocks. List of such suspended Scrips are being given here : \_

SL NO	SCRIPT CODE	SCRIPT NAME	FULL NAME of PENNY STOCK	SEBI ACTION
1	531517	ALANG IN GAS	ALANG INDUSTRIAL GASES LTD	Suspended
2	512355	ANUKARAN COM	ANUKARAN COMMERCIAL ENTERPRISES LTD	Suspended
3	530479	ATLINFRA	Atlanta Infrastructure and Finance Ltd	Suspended
4	531570	BLAZON MARBL	BLAZON MARBLES LIMITED	Suspended
5	526141	COMP DISC IN	COMPACT DISC INDIA LTD	Suspended
6	512361	CUPID TRADE	CUPID TRADES & FINANCE LTD	Suspended
7	532903	DHANUSTECH	DHANUS TECHNOLOGIES	Suspended

			LTD	
8	512207	EFFTXT	Effingo Textile & Trading Limited	Suspended
9	511369	FIRST FIN.	FIRST FINANCIAL SERVICES LTD	Suspended
10	507968	JOLLY PLAST.	JOLLY PLASTIC INDUSTRIES LTD	Suspended
11	506938	KAPPAC PHARM	KAPPAC PHARMA LTD	Suspended
12	531689	MAHAREM	MAHAVIR ADVANCED REMEDIES LTD	Suspended
13	513305	MORYO IND	MORYO INDUSTRIES LTD	Suspended
14	530557	NCL RESEARCH	NCL RESEARCH & FINANCIAL SERVICES LTD	Suspended
15	505525	PARICHAY.INV	PARICHAY INVESTMENTS LTD	Suspended
16	530561	PSGLOBAL	Radford Global Limited	Suspended
17	530657	GLOBAL SECUR	GLOBAL SECURITIES LTD	Suspended
18	531800	SHEETAL BIO	SHEETAL BIO-AGRO TECH LTD	Suspended
19	505513	SHRSHA TEX	Shree Shaleen Textiles Limited	Suspended
20	512075	SUCHAK TRAD	SUCHAK TRADING LTD	Suspended
21	508969	SULABHA ENGG	SULABH ENGINEERS & SERVICES LTD	Suspended
22	512311	SURAB.CHE.&I	SURABHI CHEMICALS & INVESTMENTS LTD	Suspended
23	504358	TURBO TECH	TURBOTECH ENGINEERING LTD	Suspended
24	512067	VISHJYOTI TR	VISHVJYOTI TRADING LTD	Suspended
25	511016	PREMCAP	PREMIER CAPITAL SERVICES LTD	Suspended
26	532031	SARCHEM	SARANG CHEMICALS LTD	Suspended

27	531597	MIDPOLY	MIDLAND POLYMERS LTD	Suspended
28	511668	FACTENT	FACT ENTERPRISE LTD.	Suspended
			Total	26 SCRIPTS SUSPENDED BY SEBI

Now, this is a great evidence in the hand of Assessing officers that even market regulatory authority had certified that all such scrips have been manipulated for bogus LTCG. This fact will give force the assessment orders and will hold ground in the eyes of appellate authorities. Three such orders passed by SEBI in respect of First Financial Services Ltd, Radford Global Ltd and Moryo Industries ltd is being given in "LTCG Database".

### **(B) Beneficiaries**

Ultimate goal of the whole exercise is to curb money laundering and penalize the beneficiaries, who are the main culprits of the scam. In respect of the same Directorate of Inv. Kolkata conducted a search on Gagan Ferrotech Group on 03/03/2015. Its promoters Mr. **Deepak Kumar Agarwal** and family members have taken Bogus long term capital gain of Rs. 25 Crores in two penny stocks

1. NIKKI GLOBAL FINANCE LTD
2. SULABH ENGINEERS & SERVICES LTD

Assessee was confronted with the fact and investigation findings, where he accepted that he has booked bogus LTCG in both these scrips through one share broker.

Even **directorate of Inv. Delhi** has covered some beneficiaries, where they have accepted the fact that they took bogus LTCG for equal amount of cash being provided to entry operators.

**i. Shri Ajit Gupta:** In his statement recorded u/s 132(4) of Income Tax Act on oath on 16.10.2014, he has admitted that he had obtained entry of bogus LTCG of total ^50 crores, in his name as well as in the names of his family members through pre-arranged purchase & sale transactions in the shares of the listed companies namely



Rander Corporation Ltd & Global Infratech & Finance Ltd. He also admitted that he obtained this entry of LTCG by paying equal amount of unaccounted cash in addition to commission of 5-6% of the entry amount, that too, in cash.

**ii. Shri Sanjeev Kumar Aggarwal** - In his statement recorded u/s 132(4) of Income Tax Act on oath on 16.10.2014 & u/s 131(1A) on 18/12/2014, he has admitted that he had obtained entry of bogus LTCG of total approx. ₹ 14 crores, in his name as well as in the names of his family members through pre-arranged purchase & sale transactions in the shares of the listed companies namely Rander Corporation Ltd, Surabhi Chemicals Ltd, Mishka Finance & Trading Ltd, Pine Animation Ltd & Parag Shilpa Investments Ltd (PS IT & Infrastructure Ltd). He also admitted that he obtained this entry of LTCG by paying equal amount of unaccounted cash in addition to commission of 6% of the entry amount, that too, in cash.

**iii. Shri Charchit Agarwal** - In his statement recorded u/s 131(1A) of Income Tax Act on oath on 2.7.2014, he has admitted that he had obtained entry of bogus LTCG of total approx. ₹ 4.50 crores, in the name of his wife Ms Kanika Agarwal through pre-arranged sale transactions in the shares of the Rander Corporation Ltd. He also admitted that he obtained this entry of LTCG by paying equal amount of unaccounted cash in addition to commission on the entry amount, that too, in cash.

**iv. Shri Manish Uppal** - In his statement recorded u/s 131(1A) of Income Tax Act on oath on 29.8.2014, he has admitted that he had obtained entry of bogus LTCG of total approx. ₹ 2.30 crores, in his name through sale transactions in the shares of the Global Infratech & Finance Ltd. His CFO Shri Sanjiv Jain also admitted that this bogus transaction had been done by paying equal amount of unaccounted cash.

Furthermore, Directorate of Inv. Kolkata is planning further actions on the beneficiaries, the outcomes of the same will be reported separately.