

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTION 11 AND 11(4) (B) OF SEBI ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI URVISH R. VORA AND SMT. PALLAVI VORA IN THE MATTER OF MOBILE TELECOMMUNICATIONS LTD.

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the transactions of M/s. Mobile Telecommunication Ltd. (hereinafter referred to as MTL), a company listed in The Stock Exchange Mumbai and Ahmedabad Stock Exchange (hereinafter referred to as BSE and ASE respectively). This investigation was initiated due to unusual price rise in the scrip of MTL during August-November, 2000 at BSE. The investigation covered the transactions conducted during August 20, 2000 to November 11, 2000 (hereinafter referred to as investigation period).
- 1.2 The investigation revealed that certain individuals which were connected with each other and MTL, had actively traded in its scrip among themselves and thus created high volumes during the investigation period.
- 1.3 Investigation further revealed that Shri Urvish R Vora who was among top 50 shareholders of MTL bought 6900 shares and sold 22870 shares of MTL through M/s Bharti Thakkar Securities Pvt. Ltd. (BTSL), Member BSE. Similarly, Smt. Pallavi Vora, wife of Shri Urvish R Vora also traded in the scrip of MTL through M/s JRD Securities Ltd. (hereinafter referred to as JRD), member BSE during the said period.
- 1.4 From the order log of BTSL, it is seen that Shri Urvish R Vora first placed and then deleted many orders in the scrip of MTL during the months of September and October 2000.
- 1.5 From the inward details of BTSL, it was observed that Shri Urvish R Vora had delivered 15000 shares which were in the name of Shri Vipin C Gandhi, the then Chairman and Managing Director of MTL and 1000 shares which were in the name of Vipul M Gandhi, the friend of Shri Urvish R Vora. It was also observed from the outward details of JRD that all the 15000 shares sold and delivered by Smt Pallvi Vora were in the name of Vipul M Gandhi.
- 1.6 During the investigation, in his statement recorded by SEBI on February 17, 2004, Shri Urvish R Vora who has represented his wife Mrs. Pallavi Vora also before SEBI, admitted that among the shares delivered by him during the investigation period, some of the shares were held in his name and others were in the name of his friend Shri Vipul M Gandhi. When asked as to why the shares held by him for about a year were not transferred in his name before selling, he failed to offer any satisfactory explanation.
- 1.7 It was also observed during the investigation that on September 13, 2000 Shri Urvish R Vora placed orders in MTL through BTSL. The counter party broker was JRD and client was Smt. Pallvi Vora. These orders matched with each other in a difference of few seconds.

The orders placed by both of them on September 13, 2000 are detailed below:

QUANTITY	RATE	ORDER TIME	Sell / buy	Broker
5000	152.50	12:45:25 Hrs	Sell	JRD
7000	152.50	12:45:37 Hrs	Sell	JRD
12000	152.50	12:46:10 Hrs	Buy	Bharti Thakker
3000	152.00	12:46:58 Hrs	Sell	JRD
3000	152.00	12:47:09 Hrs	Buy	Bharti Thakker

In his statement dated February 17, 2004 Shri Urvish R Vora admitted to have entered into these transactions.

In light of these facts, investigations concluded that having bought and sold shares in the scrip through different brokers at BSE, both Shri Urvish R Vora and Smt. Pallvi Vora created artificial volume in the scrip. Investigation further concluded that the orders for the aforesaid trades were placed in such a way that they got matched. Investigation further concluded that there appeared to be no intention to transfer the beneficial ownership of these shares and the same was done only to operate as a device to create a false or misleading appearance of trading on the Securities. Investigation thus concluded that the aforesaid acts of omission and commission of Shri Urvish R Vora and Smt. Pallavi Vora were in violation of Regulation 4(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995, which are as under :

Prohibition against market manipulation:

4. No person shall ♦

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;*
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market*
- (c) indulge in any act, which results in reflection of prices of securities based on transactions that are not genuine trade transactions;*
- (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities.*

2.0 SHOW CAUSE NOTICE AND REPLY:

Accordingly, in terms of Regulation 13(2) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003 [hereinafter referred to as the SEBI

FUTP (Regulations) 2003] a show cause notice dated December 28, 2004 was issued to Shri Urvis R Vora and Mrs. Pallavi Vora advising them to show cause as to why appropriate directions under Regulation 11 (4) of SEBI FUTP (Regulations) 2003 read with Section 11 and 11B of the Securities and Exchange Board of India Act, 1992, including a direction not to deal in securities in any manner whatsoever for a particular period should not be passed against them.

Both Shri Urvis R Vora and Mrs. Pallavi Vora replied to the said show cause notice vide their letter dated February 2, 2005. From their replies it is observed that both the noticees have filed somewhat similar replies wherein while denying the charges alleged inter alia submitted that they had not indulged in any trades in violation of the provisions mentioned in the show cause notice and all these transactions were genuine transactions. Without prejudice to their aforesaid submissions they offered unconditional apologies for any unsuspected wrongdoing on their part which according to them was unintentional and requested for an opportunity of a personal hearing before taking any decision in the matter.

3.0 PERSONAL HEARING

In adherence to the principles of natural justice, an opportunity of personal hearing was given to the noticees on March 10, 2005 before me. Shri Urvis R. Vora attended the said hearing for himself and on behalf of his wife Smt. Pallavi Vora. In course of oral submissions, Shri Urvis R Vora informed that another show cause notice for somewhat similar allegations has also been issued by SEBI with respect to their similar tradings in the scrip of M/s. Dynacons Systems and Solutions Ltd. (DSSL) and requested that both the matters may be heard and decided together.

A common personal hearing with respect to both the cases mentioned above was given to the noticees on June 29, 2005 wherein again Shri Urvis R. Vora appeared on behalf of both the noticees. During the course of hearing, Shri Urvis R Vora admitted the alleged transactions and submitted that the said transactions were done inadvertently and without awareness as to the ingenuity of the transactions. He further submitted that after noticing these transactions on January 1, 2004 they did not indulge in any similar transactions subsequently either in the scrip of MTL or in any other scrip.

Shri Urvis R Vora further submitted that he had made a profit of Rs.3 lacs for transactions in the scrip of MTL and incurred a loss of about Rs.35 lacs in the scrip of DSSL and offered to deposit the amount of profit earned in their dealing in the scrip of MTL and requested SEBI to accept this proposition.

4.0 CONSIDERATION OF ISSUES AND FINDINGS

Having considered the facts of the case, investigation report, show cause notices issued, reply received and submissions made before me on behalf of noticees, I decided to deal with both the matters separately and accordingly vide my order dated December 16, 2005 direct Shri Urvis R Vora and Mrs. Pallavi Vora to be careful and to desist from undertaking transactions of the nature carried out in the scrip of DSSL, in future. It was also directed that in case Shri Urvis R Vora and Mrs. Pallavi Vora are found to be involved in any irregular activity related to securities market, then SEBI would take a due cognizance of this case while considering appropriate action at the material time.

Now I shall proceed to deal with this matter independent of the matter of DSSL.

- a) I note that though Shri Urvis R Vora and Smt. Pallavi Vora have denied the charges alleged in the show cause notice, but in a hindsight admitted the trades and violations in their reply dated February 15, 2005 to the show cause notice dated December 28, 2004.
- b) I note that Shri Urvis R Vora though claimed that out of the total shares delivered by him during the investigation period, some of the shares were bought from the market and other from off-market deals, he failed and neglected to provide the details in this regard inspite of undertaking given by him in his statement dated February 17, 2004.

- c) On further questioning, he admitted that out of the shares delivered by him, some of them were in the name of his friend Shri Vipul M Gandhi. When asked as to why he held those shares for more than a year without transferring them in his name, Shri Urvish R Vora could not offer any satisfactory reply. In this regard, it is pertinent to note that during the course of personal hearing before me, Shri Urvish R Vora appearing for himself and his wife Mrs. Pallavi Vora, stated that they are regularly dealing in shares and this is the only source of their income. Therefore, being not a novice in securities market, he should have been aware that he could not have held shares for more than a year which were in the name of Shri Vipin C Gandhi.
- d) I note that during the recording of the statement of Shri Urvish R Vora on February 17, 2004, while admitting certain buying of shares from the market and some from off the market, undertook to provide full details of the transactions in question by February 20, 2004. Shri Urvish R Vora, however, failed to provide the same to SEBI till date.
- e) During the personal hearing on June 29, 2005 he admitted the transactions in question and pleaded that these transactions were done inadvertently and without being aware as to the ingenuity of the transactions.
- f) These submissions admitting the transactions in question and the findings of the investigation report suggest that the transactions in question were entered into by the noticees in violation of the provisions of Regulation 4(a), (b), (c) and (d) of the SEBI (FUTP) Regulations 1995.
- g) Shri Urvish R Vora during the course of personal hearing on June 29, 2005 filed a written submission admitting that they had earned a profit of Rs.3 lacs by these transactions and proposed to deposit the same and requested SEBI to accept this preposition.
- h) In this regard, I note that SEBI Act, 1992, as it stands today, does not recognize or contemplate the settlement of disputes by disgorgement of the gains made in the questionable transactions and therefore the proposal of the noticees can not be accepted.
- i) In view of this settled legal position, the noticees have to face the consequence of their misadventure within the four corners of SEBI Act and the relevant regulations.
- j) I however note that Shri Vora had candidly admitted the transactions and promised and undertook to desist from similar transactions in future. He submitted that the said transactions were entered into inadvertently and stated that if SEBI finds any similar transaction by him after January 01, 2004, SEBI may take any action against them.
- k) I also note that in order to show his genuineness and sincerity, he even offered to pay the profit eared by them in the transactions in question.

5.0 ORDER

I, therefore, in light of the facts and circumstances of the case and the material available on record and mitigating factors stated hereinabove, taking a lenient view and giving the noticees an opportunity to reform themselves, in exercise of powers conferred upon me under Sections, 11, 11(4) (b) and 19 of the SEBI Act, 1992 read with Regulation 12 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003, hereby restrain Shri Urvish R Vora and Mrs. Pallvi Vora the noticees herein, from accessing the securities market and prohibit them from buying, selling and otherwise dealing in the securities for a period of three months from the date of the order.

DATE : January 24, 2006

MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA