

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI B JAYAPRAKASH IN THE MATTER OF DEALING IN SHARES OF MOSCHIP SEMICONDUCTORS LTD.

1.0 Background

- 1.1 Moschip Semiconductors Ltd. (hereinafter referred to as 'MSL') is engaged in the production of Application Specific Integrated Circuits. Company commenced commercial operation only in July, 2000. The equity shares of the company were listed at the Stock Exchange, Mumbai (BSE) and Hyderabad Stock Exchange (HSE - regional stock exchange).
- 1.2 Pursuant to a sudden price rise in the scrip of MSL during the period May 07, 2001 to June 01, 2001(hereinafter referred to as the investigation period dealings in the scrip of Moschip. When the trading details were called for it was found that M/s Vijay Growth Financial Services Ltd.(hereinafter referred to as VGFL) and Shri. B. Jayaprakash, who was an employee of VGFL were the main buyers into the scrip during the investigation period.
- 1.3 Investigation revealed that on BSE the price of the scrip rose from Rs.25.80 on May 7, 2001 to Rs.50.85 on May 31, 2001. Total volume traded during the period of investigation (May 7, 2001 to June 1, 2001) was 79,790 shares. Average daily volume during the period has been 3990 shares. The price fell to Rs.33.45 on June 15, 2001. On HSE the price rose from Rs.25/- on May 7, 2001 to Rs.49.90 on May 31, 2001. The total volume during the period was 32421 shares. The highest volume of

8850 shares was observed on May 30, 2001 and lowest volume of one share was observed on May 23 and May 24, 2001.

- 1.4 Investigations revealed that brokers viz. M/s Krishna Aggarwal, Cholamandalam Securities Limited (hereinafter referred to as Cholamandalam), Techno Shares and Stocks Limited(hereinafter referred to as TSSL) Alliance Finstock Ltd.(hereinafter referred to as AFL) have traded in the scrip on BSE. Shri B. Jayaprakash and VGFSL were the main buyers into the scrip and influenced the price of the scrip.
- 1.5 Based on the above findings the investigation concluded that Shri B Jayaprakash has violated Regulation 4(a) and (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

2.0 SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

- 2.1 Consequently, a show cause notice dated November 10, 2003 was issued to Shri B Jayaprakash, under section 11 and 11B of the SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as to why appropriate action should not be taken restraining him from accessing the securities market for a particular period. The party did not reply to the said show cause notice.
- 2.2 In adherence to the Principles of Natural Justice, Shri B Jayaprakash was given an opportunity of personal hearing on January 8, 2004 and January 2, 2006 but Shri B Jayaprakash did not turn up for the hearings on both the dates.

3.0 Consideration of Issues and Findings

- 3.1 I find that Shri B. Jayaprakash had bought 12,385 shares through broker Cholamandalam and 19,254 shares through PAARK Securities (hereinafter referred to as "PAARK") a sub-broker with the TSSL, a member of BSE. The total of 31,639 shares purchased by Shri B. Jayaprakash accounted for approximately 40% of the shares traded at BSE. I further find that VGFSL paid Rs.6.75 lakhs to Cholamandalam for the shares that Shri B. Jayaprakash purchased through them. This payment was made as under:

Date	Cheque No.	Amount
29.5.2001	213634	2,25,000
7.6.2001	213662	4,00,000
9.6.2001	213672	50,000
Total		6,75,000

Mr. D. B. Reddy, director of VGFSL in his statement stated that his company did not have membership at BSE and since Shri B. Jayaprakash was registered with Cholamandalam, had bought the shares on his own personal account and the payment for these shares was made by VGFSL. Mr. D. B. Reddy in his statement also admitted that it was an irregular transaction.

- 3.2 I find that Shri B. Jayaprakash in his statement recorded on June 6, 2002 stated that the sub-broker M/s PAARK Securities used to fund approximately 70% of the purchases made by him. I find that Shri B. Jayaprakash placed orders at prices in the upper circuit filter limits and that these orders were first of the orders in the day. It is also observed

that orders placed by Shri B. Jayaprakash on 10.5.2001, 11.5.2001, 14.5.2001, 16.5.2001, 17.5.2001, 24.5.2001 and 25.5.2001 were at prices 4% higher than the previous day's closing price. Thus, on the above mentioned days, Shri B. Jayaprakash placed buy orders through PAARK at prices 4% higher than the previous day's closing price i.e. upper circuit filter level and it is therefore clear that on the above days, Shri B. Jayaprakash was instrumental in raising the price of the scrip from Rs.28 on 10.05.2001 to Rs.43 on 24.05.2001.

From the order log details of BSE, I find that Shri B. Jayaprakash had made following purchases through the sub-broker M/s PAARK Securities:

Date	No. of shares for which order placed	Price at which purchased	Previous day's closing price	Time	No. of Shares purchased	Total number Of Shares traded on exchange
10.5.2001	5000	28.70	27.65	9:56:53 a.m.	1100	1100
11.5.2001	5000	29.80	28.70	9:55:07 a.m.	6545	7250
	5000	29.80		9:55:10 a.m.		
	5000	29.80		9:55:13 a.m.		
	5000	29.80		9:55:16 a.m.		
14.5.2001	500	31.00	29.80	10:18:56 a.m.	1000	1575
	5000	31.00		10:19:33 a.m.		
16.5.2001	7500	33.40	32.15	10:23:30 a.m.	575	975
	2500	33.40		10:23:57 a.m.		
17.5.2001	5000	34.40	33.40	9:55:24 a.m.	300	300
	5000	34.70		9:55:40 a.m.		
24.5.2001	5000	43.00	40.35	9:53:44 a.m.		4900
	5000	43.00		9:54:59 a.m.		
25.5.2001	10000	43.60	41.95		2640	2640

- 3.3 I find that Cholamandalam placed 4 buy orders on behalf of VGFSL for 10000 shares each on 25.5.2001 at the upper circuit price level of Rs.43.60. Further, Shri B. Jayaprakash was authorized by VGFSL to deal with Cholamandalam, which brings out that he was instrumental in placing the said orders at upper circuit filter prices. I find that both orders placed by Shri B. Jayaprakash and VGFSL (acting through Shri B. Jayaprakash) were the first orders of the day on the above mentioned days.
- 3.4 I further find that Mr. A. Rama Rao, proprietor of PAARK in his statement submitted that Shri B. Jayaprakash was known to him for the last ten years and that he had a running account with him. He also submitted that he allowed Shri B. Jayaprakash a debit of Rs. 2 to 3 lakhs for the trades he had done during the period mentioned above.
- 3.5 Therefore, I find that Shri B. Jayaprakash had manipulated the price of the scrip of the company in violation of Regulation 4 (a) and (b) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Regulation 4 (a) and (b) of the said regulations reads as under:

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;

4.0 ORDER

4.1 Now therefore, having considered the nature and charges established, the facts and circumstances of the case, the mitigating factors as explained above, in exercise of powers conferred upon me under section 19 of the SEBI Act, 1992 read with Section 11B and 11 (4) of the SEBI Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with the relevant provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby debar Shri B. Jayaprakash from buying, selling and dealing or accessing the securities market for a period of one year.

4.2 This order shall come into force with immediate effect.

Date: 01- 02- 06

Place: Mumbai

**MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**