

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

In the matter of M/s MOH Ltd against Shri Jitendra Shah, Mahavir Investments & its Partners (Ms Varshaben V Gandhi and Ms Falguniben N Shah), Tanaya Securities Ltd & its Directors (Shri Gaurang Patel & Shri Parag Patel), Kajol Impex Ltd. & its Director (Shri Hemrajsinh Vaghela), Shri Piyush Jhaveri, Smt Alpa Shah, Smt Bijal Mehta and Shri Anil Suresh Mistry.

DATE OF HEARING: 22.08.2006, 27.10.2006, 29.11.2006 & 21.12.2006

APPEARANCES

FOR NOTICEES:

1. Shri Jitendra J Shah
2. Smt Alpa Shah
3. Shri Bijal Mehta
4. Shri Piyush Jhaveri
5. Shri Anil S. Mistry

FOR SEBI:

1. Mrs Barnali Mukherjee, DGM, SEBI
2. Shri Krishna Sastry. K.V., Manager, SEBI
3. Shri Mohamed Rahaz P.M., Legal Officer, SEBI

ORDER

{Under Section 11(4) of SEBI Act, 1992 and Regulation 11 and 12 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 in the matter of dealing in the scrip of MOH Ltd.}

1.0 BACKGROUND

- 1.1 M/s MOH Ltd, an Ahmedabad based company was incorporated in February 1993 in the name of MOH Granites Ltd and was engaged in processing, mining and export of granites. The name of the company was changed to MOH Ltd. in the year 2000 when they entered into the information technology area. The company had earlier come out with public issue of 67,00,000 shares at par in August 1996 for Rs 8.70 crore to part finance granite project located at Mahesana in Gujarat. However, after the issue, information about the implementation of the project was not available.
- 1.2 The MOH shares are listed at Bombay Stock Exchange Ltd. (BSE) and Ahmedabad Stock Exchange (ASE). The price of MOH scrip started increasing from a level of Rs.240.50 on August 01, 2000 to a level of Rs.799/- on September 19, 2000 with trading volumes ranging between 100 to 10,000 shares. Prior to this, the price of the scrip had fallen to Rs 223/- from Rs 270 during June 01, 2000 to July 26, 2000 with daily trading volume ranging between 12,500 to 1,23,000 shares.
- 1.3 After an internal investigation in the matter, BSE concluded that the price and volume of the scrip were manipulated by certain connected entities by entering into fictitious transactions in the nature of circular trading. It was also observed that there was no reason for the price of the scrip to go up considering the financial performance of the company. It was observed that BSE had imposed a special margin of 25% w.e.f. August 10, 2000 which was subsequently increased to 50% w.e.f. September 04, 2000. The daily circuit filter was reduced from normal 8% to 4% from August 10, 2000 in view of abnormal increase in price of the scrip.
- 1.4 In view of the above developments, Securities and Exchange Board of India (hereinafter referred to in short as SEBI) conducted investigation in the scrip of MOH. Investigations inter alia revealed that entities viz Shri Jitendra Shah, Mahavir Investments & its Partners namely Ms Varshaben V Gandhi and Ms Falguniben N Shah, Tanaya Securities Ltd & its Directors namely Shri Gaurang Patel & Shri Parag Patel, Kajol Impex Ltd. & its Director, Shri Hemrajsinh Vaghela, Shri Piyush Jhaveri, Smt Alpa Shah, Smt Bijal Mehta and Shri Anil Suresh Mistry (All these entities are hereinafter referred to as "Noticees") had placed orders in such a way that the buy orders of one of the Noticees was getting matched with the sell orders of another in view of very nominal volume in the scrip. The trading details of the Noticees indicate that they put in an order which was normally higher than 8% of the previous day's closing price. Once the trade was executed at this rate, they then traded among themselves and maintained price level at that rate. In this way, they managed to take the price to a level of Rs 799/- within a short time. Investigation also revealed that the Noticees had sold shares of MOH without actually having them in their accounts.

- 1.5 It is further observed that the Noticees viz Shri Jitendra Shah along with Tanaya Securities, Kajol Impex (Shri Hemrajsinh Vaghela), Smt Alpa Shah. Smt Bijal Mehta, Shri Piyush Jhaveri and Mahavir Investments had artificially manipulated the price and volume of the scrip to unrealistic levels by indulging in fictitious and circular trading. This is in violation of Regulation 3, 4(a), 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as "PFUTP Regulations"). Further, Shri Anil Mistry by allowing Smt Alpa Shah to use the name of his proprietary concern viz. AM Investments and by allowing her to use his demat account had aided and abetted Smt Alpa Shah and others in their dubious operations which is a violation of Regulation 3 and 4(a) of PFUTP Regulations.

2.0 SHOW CAUSE NOTICE

- 2.1 Show cause notice dated August 13, 2003 was issued to the Noticees advising them to show cause as to why suitable directions under Regulation 11(4) of SEBI Act, 1992 and Regulation 12 of PFUTP Regulations read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, debarring them from accessing the capital market and dealing in securities for a period of two years should not be issued for the violations mentioned at paragraph no. 1.5 above.

3.0 REPLY OF THE NOTICEE TO THE SHOW CAUSE NOTICE

- 3.1 Shri Jitendra Shah filed his reply dated August 29, 2003 wherein he denied the charges and also stated that he had not given any false and misleading information to SEBI.
- 3.2 Mahavir Investments vide their letter dated November 01, 2003 denied the charges and stated that their deals in MOH scrip were genuine and one can try to take benefit of earning when certain scrip prices were going up.
- 3.3 Tanaya Securities Ltd through its Director, Shri Gaurang G Patel vide letter dated September 08, 2003 filed a reply wherein he inter alia requested the statements of AM investments and Abhilasha Securities. Further, vide letter dated October 30, 2003, he requested for his own statement recorded on April 15, 2002. The following statements were furnished to Tanaya Securities vide letter dated October 6, 2003.
1. Statement of Shri Hemrajsinh Vaghela, Director of Kajol Impex recorded on November 18, 2002,
 2. Statement of Shri Piyush Jhaveri recorded on November 21, 2002
 3. Statement of Shri Virag K Gandhi, Partner, Mahavir Investment recorded on April 15, 2002
 4. Statement of Shri Yezdi J Master, Director of Abhilasha Securities Pvt Ltd recorded on October 22, 2002.
 5. Statement of Shri Gaurang Patel, Director of Tanaya Securities recorded on April 15, 2002
 6. Statement of Smt Alpa Shah recorded on October 23, 2002
 7. Statement of Shri Jitendra Shah recorded on January 07, 2002 and
 8. Statement of Shri Anil Mistry recorded on January 14, 2002.

I note that no further reply was received from M/s Tanaya Securities Ltd despite sending the aforesaid statements to them.

- 3.4 Kajol Impex vide letter dated October 30, 2003 asked for time till end of November 2003 to reply to the show cause notice. However, they have not filed any reply thereafter.
- 3.5 Shri Piyush Jhaveri vide his letter dated September 06, 2003 stated that he traded in the scrip of MOH considering its volatility and expected good return. He also stated that he started trading in the scrip from June 01, 2000 and continued the trading upto February 2001. During this period, he had traded 5,95,608 shares of MOH. As regards the period in dispute i.e. from August 01, 2000 to September 19, 2000, he stated that he had traded for 28,000 shares which is only 4.70% of the total trading done by him in the scrip. He further stated that during 2000-2001 he traded in 268 scrips wherein the turnover was more than 900 crores and in this particular scrip the total turnover was five and half crores. The Noticee denied his association with Shri Jitendra Shah and stated that he had not created any artificial market in MOH scrip.
- 3.6 Smt Bijal Mehta vide letter dated August 28, 2003 asked for time to reply to the show cause notice and also copies of the statements made by others against her. In spite of sending the documents asked by her, she did not reply to the show cause notice.
- 3.7 Smt Alpa Shah vide letter dated October 20, 2003 asked for copies of the statements of persons who gave statements against her and this was promptly complied. She filed her reply to show cause notice vide letter dated November 07, 2003

wherein she stated that her statement was correct as evident from the joint statement of Bhavesh/Dhiraj of Ask Raymond James. She also relied upon the statement of Hiten Mehta.

- 3.8 Shri Anil Suresh Mistry vide his letter dated August 28, 2003 asked for copies of the statements of persons who gave statements against him. The copies of statements were sent to him, but he did not reply to the show cause notice.

4.0 HEARING

- 4.1 An opportunity of personal hearing was given to all the Noticees before me at SEBI's Office, details whereof are given hereunder:

- 4.1.1 Shri Jitendra J Shah attended the hearing on August 22, 2006 and submitted that he had already sent a reply to the show cause notice and requested to consider the same while deciding the matter.
- 4.1.2 Shri Piyush Jhaveri attended the hearing on October 27, 2006 and also filed written submission on the same date. He also sought the details of action taken by SEBI against the broker, Prabhudas Liladhar and sub-broker, Jyotish Bhogilal. He stated that there is no specific allegation of any manipulation against him in the show cause notice. He also reiterated the submissions that he had already made in his reply to the show cause notice.
- 4.1.3 Smt Alpa Shah and Smt Bijal Mehta attended the hearing on August 22, 2006 and sought time to file written statement in the matter for which 7 days time was given to them. Smt Alpa Shah filed her written submissions dated August 25, 2006 wherein she stated that she was a small investor and she had been making regular investment of 500 to 1000 shares in the stock market through different brokers / sub-brokers. She had dealt in MOH scrip through broker, ASK Raymond James and the sub-broker, Royal Investments. The quantity bought and sold by her was 8,451 and 5,002 shares which accounts for only 11.35% and 6.72% respectively of the total buy and sell volume at the exchange. As regards the finding of investigation that the sub-broker Abhilasha Securities Pvt. Ltd. paid an amount of Rs 1,20,900/- on behalf of Tanaya Securities to AM Investments, Smt Alpa Shah stated that Shri Hiten Mehta in his statement had clearly informed the circumstances under which the said amount of Rs 1,20,900/- was paid by Abhilasha Securities Pvt. Ltd. Smt Bijal Mehta had also filed her written submissions dated August 25, 2006 wherein she inter alia stated that she had dealt in the scrip of MOH only through AM Investments. She purchased 2000 shares from the market on August 10, 2000 and this worked out to only 2.68% of the total volume.
- 4.1.4 Shri Anil Mistry attended the hearing on October 27, 2006 and in his written submissions dated 31.10.2006 stated that he was working for Smt Alpa Shah who was out of India during the period of the trades in question. He also stated that he was acting on authority given to him by Smt Alpa Shah and had executed trades in MOH on behalf of her. The trades were executed through two brokers namely Royal Investment and ASK Raymond James. He had purchased a total of 6,186 shares through the sub-broker, Royal Investments and sold 4,046 shares through them. He also stated that his employer, Smt Alpa Shah was having stock of 2,140 shares for transactions carried through Royal Investment. Similarly, for transactions carried through ASK Raymond James, a net stock of 1,000 shares were lying with his employer and stock totaling to 3,140 shares costing about Rs 16 lakhs was then delisted from the exchange and had resulted in erosion of her capital.
- 4.1.5 The other Noticees viz. Tanaya Securities Ltd. and its directors Shri Gaurang Patel and Shri Parag Patel, M/s Mahavir Investments and its partners Ms Varshaben V. Gandhi and Ms Falguniben N. Shah and M/s Kajol Impex Ltd and its Director Shri Hemrajsinh Vaghela did not avail of the three opportunities of hearing given to them on August 22, 2006, October 27, 2006 and November 29, 2006. M/s Kajol Impex Ltd. and its directors Shri Hemrajsinh Vaghela again sought an opportunity of hearing due to health reasons and the same was granted on December 21, 2006. However, the said opportunity was also not availed by them.

5.0 CONSIDERATION OF ISSUES & FINDINGS

- 5.1 The maximum rise in the price of the scrip was from August 01, 2000 to September 19, 2000. The total volume traded at the exchange, during this period was 74,480 shares. The trade log for the period the said period was analyzed and it has been observed that the following were the main brokers in terms of gross purchase and gross sale in the scrip.

Name of the broker	Qty bought	% to the total buy volume at the exchange	Qty sold	% to the total sell volume at the exchange
Kantilal Mangaldas	18,939	25.43%	18,939	25.43%
SVS Securities Ltd.	16,248	21.82%	18,807	25.25%
Prabhudas Lilladher	15,134	20.32%	12,970	17.42%
BD Shah Sec Pvt Ltd.	8,451	11.35%	5,002	6.72%
Active Finstock	3,800	5.10%	0	0%
Acme Shares Pvt Ltd.	3,275	4.40%	10,650	14.30%
	65,847	88.42%	66,368	89.12%

5.2 The names of the sub-brokers who executed trades in MOH for the Noticees and their main brokers are given hereunder:

Name of the broker	Name of the sub broker	Ultimate Client
Kantilal Mangaldas	Abhilasha Securities	Tanaya Securities
SVS Securities	Kunvarji Finstock	Kajol Impex
Prabhudas Lilladher	Jyotish Bhogilal	Shri Parshwa Finance
BD Shah Sec. Pvt Ltd.	Royal Investments	A.M.Investments (Smt Alpa Shah/Bijal Mehta)
Active Finstock	Kunvarji Finstock	Kajol Impex
Acme Shares Pvt Ltd.	M.M.Consultancy	Mahavir Investments

5.3 Investigations revealed that MOH shares were transferred from the account of one Shri Jitendra Shah to the clients as mentioned in the above table. The movement of shares from Shri Jitendra Shah to others clearly reveals connection among all entities which are given in the table given hereunder:

Sr. No.	Name of the Entity	Related to the Entity	Relationship between the entities
1.	Shri Jitendra J. Shah	Shri Anil Mistry	Shri Jitendra J Shah sold 5000 shares of MOH Ltd. to Shri Anil Mistry in an off market deal. And delivery coupon was signed by Shri Jitendra J. Shah
2.	Shri Jitendra J. Shah	M/s Kajol Impex	Shri Jitendra J Shah delivered 5,335 shares on behalf of Kajol Impex and delivery coupon signed by Shri Jitendra J. Shah. Shri Jitendra Shah used the client ID of Kajol Impex and his office address was the same as that of Ambica Seeds Pvt Ltd. Shri Hemrajsin Vaghela is the director of Kajol Impex Ltd and Ambica Seeds
3.	Shri Jitendra J. Shah	M/s Mahavir Investments	Shri Virag K Gandhi, husband of Smt Varsha V Gandhi (who is one of the proprietors of Mahavir Investments), in his statement given to SEBI dated April 15, 2002, had stated that Shri Jitendra Shah was a friend of his uncle and that Shri Jitendra Shah had given him 7601 shares of MOH and also signed delivery coupon for the same.
4.	Smt Alpa Shah	Smt Bijal Mehta	Smt Bijal Mehta is the Sister-in-law of Smt Alpa Shah.

5.	Smt Alpa Shah	Shri Anil S. Mistry	Shri Anil S. Mistry is a proprietor of A.M Investment and Smt Alpa Shah and Smt Bijal Shah transacted in the name of A.M Investments.
6.	M/s Tanaya Securities Ltd	M/s A.M. Investments – Shri Anil Mistry (Smt Alpa Shah and Smt Bijal Mehta traded in the name of A.M. Investments	A payment of Rs 1,20,900/- was made by Abhilasha Securities Pvt. Ltd. (through which Tanaya Securities traded) to A M Investments on behalf of Tanaya Securities. Also, A.M.Investments delivered 164 shares on behalf of Tanaya Securities against the deliverable position of the later which is evident from the Ledger Book of Abhilasha Securities Pvt. Ltd
7	M/s Tanaya Securities	M/s Kajol Impex	Tanaya Securities gave the address as 'C/o Kajol Impex Ltd.'
8	Shri Anil Mistry	M/s Kajol Impex	Kajol Impex is having office where Trans Fiscal Private Ltd is also located and for the said Trans Fiscal Private Ltd, Shri Anil Mistry took 40,000 shares of MOH as loan from Kunvarji Finstock whose ultimate client was Kajol Impex.

Shri Jitendra Shah

5.4 Shri Jitendra Shah had converted 43,000 MOH shares from physical form to demat form on August 01, 2000 (the day from which the price started moving up) and these shares were off loaded in the market through other Noticees. It was observed that the shares moved directly from the demat account of Shri Jitendra J. Shah to the pool account of the main broker against the sale position of the clients of the brokers.

- 5.5 Shri Jitendra Shah submitted that his client ID No. with SHCIL was 30079275 and from this, it was found that he transferred 165 shares on August 16, 2000 to the demat account of Shri Parshwa Profin (Pvt) Ltd. and 5335 shares to the account of broker SVS Securities against the sale position of Kajol Impex. Shri Jitendra Shah had also transferred 7,601 shares to the account of broker Acme Share & Stock Brokers against the sale position of Mahavir Investments and 5000 shares to the account of Shri Anil Mistry. Shri Anil Mistry stated that Shri Jitendra Shah had sold 5000 shares of MOH @ Rs.600/- per shares to him and Shri Jitendra Shah received a cheque of Rs.30.00 lakhs from him.
- 5.6 Shri Jitendra Shah in his statement dated April 15, 2002 submitted that he had dealt in the scrip of MOH through Mahavir Investments and had given these shares to Mahavir Investments for selling. However, Shri Virag Gandhi who was a partner of Mahavir Investment stated that except the first sale transaction of 7601 shares, all other transactions were his own jobbing/speculative transactions and not that of Shri Jitendra Shah.
- 5.7 Efforts were made to identify the source of the shares transferred by Shri Jitendra Shah to various demat accounts. It was found that Shri Jitendra Shah had made a request to IDBI Bank Ltd. (DP) for conversion of 43,000 shares from physical form to demat form on August 01, 2000. This request was processed by the company MOH and on August 3, 2000, 43,000 shares were credited to the demat account of Shri Jitendra Shah with IDBI Bank Ltd.
- 5.8 Shri Jitendra Shah was asked vide letter dated December 19, 2002, to clarify as to how he purchased these 43,000 shares and also the reason for transferring these shares against the sale position of various other entities and his relationship with them. On January 07, 2003, he submitted that he had received these 43,000 shares (physical form) from a person whose name he could not remember and transferred it to his demat account. He had not made any payment for these 43,000 shares. In fact, as and when that person gave instructions, he transferred these shares to demat accounts of Anil Mistry and Kajol Impex. He also submitted that he would send the name and contact details of the person who had given him the 43,000 shares by January 9, 2003. However, the information was never received from him. It is evident from details available that he transferred shares to other Noticees and acted in concert with them to manipulate the price and volumes of MOH scrip.

Mahavir Investments (Partners Ms Varsha V Gandhi and Ms Falguni N Shah).

- 5.9 Mahavir Investments through the sub-broker MS Consultancy (the broker Acme Shares Pvt Ltd.) had purchased 3,275 shares (constituting 4.40% of the total purchases at the exchange) and sold 10,650 shares (constituting 14.30% of the total sales at the exchange). Mahavir Investments is a partnership firm and its two partners are Ms Varsha V Gandhi and Ms Falguni N Shah. The settlement wise position of Mahavir Investments was as follows:

St.21 (-) 7601	Shares received from the demat a/c of Jitendra Shah
St.23 (+) 50	This position was closed out in auction
St.26 (+) 590	These shares were retained in the pool a/ c of MS Consultancy
St.27 (-) 4	These shares were retained in the pool a/ c of MS Consultancy

- 5.10 From the above table, it can be confirmed that Mahavir Investments received shares from Shri Jitendra Shah and their relationship is clearly explained in table at paragraph no. 5.3 above.

M/s Tanaya Securities Ltd

- 5.11 I find from the distribution schedule as on September 11, 2000 given by BSE that M/s Tanaya Securities Ltd was among top shareholders holding 99,000 shares of MOH. Tanaya Securities had traded through sub-broker Abhilasha Securities. The position of Tanaya Securities vis-à-vis the position of the broker is given below:

Client	Buy qty	% to the total Buy position of the broker	Sell qty	% to the total sale position of the broker
M/s Tanaya Securities Ltd	18,839	99.47%	18,839	99.47%

- 5.12 It is clear from the above table that M/s Tanaya Securities Ltd bought and sold identical quantity of MOH shares. The investigation revealed that M/s Tanaya Securities Ltd. had done only square-off transactions during the period of investigation, except for one settlement (St.No.21 of 2000) where they had a net sale position of 164 shares. It was observed that these shares were actually received from the demat account of one Shri Anil Mistry who got these shares from Jitendra J Shah.
- 5.13 On an overall analysis of the trade log and Order log of BSE during the period, August 01, 2000 to August 21, 2000, it was observed that on most of the days, M/s Tanaya Securities Ltd had placed the buy orders at upper circuit limits or at higher rates compared to the previous day's closing price. Further, it was observed that on August 16, 2000, August 17, 2000 and

August 18, 2000, (during the settlement no. 21) M/s Tanaya Securities Ltd. had purchased 4685 shares, 8050 shares and 3000 shares respectively and sold 11889 shares on August 18, 2000.

- 5.14 I note from the party ledger of Tanaya Securities maintained with Abhilasha Securities Pvt Ltd., that on October 04, 2000 there was a journal voucher of Rs.1,20,900 and the narration states that "being amount paid to A.M.Investments on behalf of Tanaya Securities". Abhilasha Securities submitted that they had made this payment to A.M.Investments on the instructions of Tanaya Securities. In this regard, I have examined the statement of Shri Gaurang Patel, Director, M/s Tanaya Securities Ltd, recorded on April 15, 2002, when he stated that he neither knew AM Investments nor had authorized the sub-broker, Abhilasha Securities to make the payment to AM Investments on their behalf. He stated that they had received a payment of Rs.2.5 lakhs and an amount of Rs.1,10,000 was still payable by the said sub-broker to Tanaya Securities. This statement of Gaurang Patel is wrong as it has been clearly proved that Tanaya Securities received shares from the demat account of Shri Anil Mistry of AM Investment as stated in paragraph 5.12 above.
- 5.15 I also note that in the account opening form of their demat account with SHCIL, Tanaya Securities had initially mentioned one Shri Hemrajsinh Vaghela (who is the Director of Kajol Impex) but later struck that name and mentioned one Shri Kirit Pandya as the authorized signatory. However, in his statement on April 15, 2002, Shri Gaurang Patel of Tanaya Securities submitted that he was not aware of Kajol Impex and did not mention Shri Kirit Pandya a Director of M/s Tanaya Securities Ltd. They even submitted that it was a mistake of SHCIL and it can be proved also. However, they have not produced any evidence to contradict the facts. Evidently, Shri Gaurang Patel gave false and misleading information to SEBI.
- 5.16 I find from the statement of Shri Hemrajsinh Vaghela, who is the director of Kajol Impex Ltd and Ambica Seeds (recorded by Investigating Authority on November 18, 2002) that their company Ambica Seeds is located at a portion of Aquarin Exim Ltd which is a big room of about 3000 sq.ft situated at B-2, Sarita Darshan, Ashram Road, Ahmedabad and the other offices such as Aquarn Exim, Trans Fiscal Private Ltd and Trans Real Estate Pvt Ltd also occupied the said space.
- 5.17 It is pertinent to mention that Trans Fiscal Private Ltd is also located in the same place where the associated company of Kajol Impex is having office and for the said Trans Fiscal Private Ltd, Shri Anil Mistry took 40,000 shares of MOH as loan from Kunvarji Finstock whose ultimate client was Kajol Impex. Further, I note that Tanaya Securities has given their address as C/o Kajol Impex Ltd, Harikrupa Towers, Ahmedabad and their residential address as "pravin Colony, Navrangpura". Shri Hemrajsinh Vagela stated that Tanaya Securities had given the address as "C/o Kajol Impex" probably because it was on the same floor. Regarding the residential address of Tanaya Securities, he stated that the address belongs to his uncle and Tanaya Securities had never operated from this address. All these facts are enough to prove that Tanaya, Kajol, Anil Mistry, Alpa Shah, Bijal Mehta and Jitendra Shah acted in concert to manipulate the MOH scrip.

Kajol Impex Pvt Ltd

- 5.18 Kajol Impex was client of Kunvarji Finstock Pvt Ltd, a sub broker of S.V.S.Securities The sub broker Kunvarji Finstock had purchased 12,248 shares and sold 15,107 shares through the broker, SVS Securities Ltd. It was observed that Kunvarji Finstock had received delivery of these 3500 shares on behalf of Kajol Impex in their pool account. Out of this they had delivered 1685 shares against the sale position of Kajol Impex (sold through broker SVS Securities). Kunvarji Finstock had also traded on behalf of Kajol Impex through BSE broker Active Finstock and had purchased 3500 shares on August 18, 2000 and August 25, 2000. The settlement wise position of Kajol is given hereunder:

St.20 (-) 5,335 Shares	Received from the a/c of Shri Jitendra Shah
St.21 (+) 3,000 shares	Received in the pool a/c of sub broker
St.22 (+) 900 shares	Received in the pool a/c of sub broker
St.23 (+) 261 shares	Received in the pool a/c of sub broker
St.24 (-) 1,685 shares	Delivered out of the purchases made above

- 5.19 Shri Hemrajsinh Vaghela who is a director of Kajol Impex as well as Ambica Seeds Pvt. Ltd. in his statement dated November 18, 2002 stated that he had acquired 1,29,900 shares of MOH in the public issue, in his name and in the name of his family members/related entities. Details are given hereunder:

Hemrajsinh Vaghela	25,000 shares
Pooja Vaghela (wife)	25,000 shares
Ambica Seeds	59,900 shares
Shailesh Patel (partner in Kajol Impex)	20,000 shares

- 5.20 I observe that Shri Vaghela, his family members/related entities, Kajol Impex Pvt Ltd., and Ambica Seeds did not appear among the top 50 shareholders (at the time of allotment). However, they were shown among the 50 top shareholders as per the distribution schedule of MOH as on September 19, 1999 and September 2000 and were holding 99,000 shares each (of face value of Rs.10 each).
- 5.21 It is thus observed that Kajol Impex had a net sale position of 5,335 shares in Settlement No.20 of 2000 and they were asked to clarify regarding the source of these shares delivered by them. Since Kajol Impex did not provide the details,

information was collected from SHCIL and it was observed that 5,335 shares were delivered directly to the broker – SVS Securities on behalf of Kajol Impex - from the DP account of Shri Jitendra J. Shah.

Shri Piyush Jhaveri

- 5.22 Shri Piyush Jhaveri had purchased 15, 134 shares (constituting 20.32% of the total purchases at the exchange) and sold 12,970 shares (constituting 17.41% of the total sales at the exchanges) through Jyotish Bhogilal who is a sub broker of Prabhudas Lilladher Pvt Ltd.
- 5.23 Shri Piyush Jhaveri is a proprietor of Shri Parshwa Finance. His statement was recorded on November 21, 2002 wherein he stated that he had dealt in the MOH scrip based on market rumours that the price would appreciate. He also stated that he had initially sold 365 shares in Settlement No.19 and 20 and the share deliveries were actually taken on loan from one Shri Raju Shah. Shri Jhaveri was asked as to why he sold shares initially and that too after taking loan from Shri Raju Shah. In his response he submitted that even though the scrip was looking good, since he had shares which could be delivered he sold it at higher prices. This argument is not convincing for the reasons stated herein below.
- 5.24 When asked to clarify the reasons for placing order at 8% higher than the previous day's closing price, Shri Piyush Jhaveri submitted that he used to place limit orders at a particular price based on previous day's price or last traded price. If the orders did not get executed then they used to place order at 8% higher. It is pertinent to mention here that at the relevant time BSE was taking many steps like levying special margins and consistently reversing circuit filter levels which ought to have sent a strong signal to the market that there was some thing suspicious in the trading in the scrip. However, in spite of this Shri Piyush Jhaveri was trading in illiquid MOH scrip and was always putting orders at 8% above the last day's closing price. The above facts clearly prove his manipulative intent.
- 5.25 Analysis of the pool account of the sub broker, Jyotish Bhogilal revealed that the following shares were received/delivered from their account, on behalf of Shri Piyush Jhaveri:

St.19/2000	(-) 300	Shares received from the demat a/c of Rajesh Jhaveri
St.20/2000	(-) 65	Shares were not delivered and were auctioned at BSE. However, 65 shares were received from the a/c of Shri Parshwa Profin Pvt Ltd. and were retained in the pool a/c of sub-broker
St.21/2000	(+) 2460	Shares were retained in the pool a/c of sub-broker. Apart from this 40 shares were received from the account of Shri Rajesh Jhaveri. Thus the total shares available were 2565 Shares (65+2460+40 shares)
St.22/2000	(-) 2565	Shares were delivered from the pool a/c of sub-broker as available in the demat account of the sub-broker
St.24/2000	(+) 1500	Shares were delivered to the demat a/c of Shri Parshwa Profin Pvt Ltd.
St.25/2000	(+) 1134	Shares were delivered to the demat a/c of Shri Parshwa Profin Pvt Ltd.

- 5.26 From the documents provided by Stock Holding Corporation of India Ltd, it is observed that Shri Piyush Jhaveri was also a director of Shri Parshwa Profin Pvt Ltd. Further, 1500 shares and 1134 shares purchased by Shri Piyush Jhaveri were subsequently transferred to the account of Madhur Shares and Stocks Ltd.

Smt Bijal Mehta and Smt Alpa Shah

- 5.27 The sub broker, Royal Investments had dealt for Smt Bijal Mehta and Smt Alpa Shah who in turn had dealt (in the name of AM Investments) in MOH through brokers ASK Raymond James also, prior to the period under consideration. The sub-broker of Smt Bijal Mehta and Smt Alpa Shah had purchased 8,451 shares (constituting 11.35% of the total purchase at exchange) and sold 5,002 shares (constituting 6.72% of the total sale at the exchange).
- 5.28 Smt Bijal Mehta in her written submissions inter alia stated that she had dealt in the scrip of MOH Ltd only through AM Investments. She purchased 2000 shares from the market on August 10, 2000 and sold 400 shares on September 13, 2000. The balance shares held in the demat A/c were also sold in the market sometime during the month of November 2000. The settlement wise position of A.M.Investments is given hereunder:

St.20	(+) 4190	Shares received in the demat a/c of Shri Anil Mistry
St.20	(-) 164	Shares delivered against the sale position of Tanaya Securities
St.20	(+) 5000	Shares received from the account of Shri Jitendra Shah
St.24	(-) 50	Shares received from the demat a/c of Shri Anil Mistry
St.24	(+) 164	Shares received from demat a/c of Abhilasha Securities
St.25	(-) 400	Shares received from the demat a/c of Shri Anil Mistry

- 5.29 Smt Bijal Mehta further stated that the quantity bought by B.D Shah Securities Pvt Ltd was 8451 shares. Out of which she purchased only 2000 shares, which works out to only 2.68% of the said volume. She further stated that this being a

miniscule volume can never be termed as fraudulent or unfair trade practice. Smt Alpa Shah has also raised similar contention that she could never influence the price movement with miniscule volume. Smt Alpa Shah, however, did not disclose the quantity she purchased and the details of transactions in support of her contention.

- 5.30 Royal Investments is proprietary concern of Shri Jagrut Kotari, who in his statement dated October 24, 2002 submitted that he had dealt with A.M.Investments, a proprietary concern of Smt Alpa Shah. A.M.Investments had in turn dealt for Smt Alpa Shah and Smt Bijal Mehta. The orders were placed by Smt Alpa Shah on behalf of A.M.Investments.
- 5.31 Smt Alpa Shah, in her statement recorded on October 23, 2002, submitted that she used to deal with ASK Raymond James and Royal Investments. Smt Alpa Shah submitted that she received a tip about MOH from Ms Ruchi/Bhaves of ASK Raymond James that the price would go up whereafter she decided to deal in the scrip. When asked as to why she had sold the shares of MOH first, inspite of the tip that the price would go up, Smt Alpa Shah submitted that she felt that the price would not go up and accordingly sold the shares. She went on to state that on receiving this tip she purchased and sold the shares of MOH. On the contrary their statement dated October 24, 2002 to SEBI, Ms Ruchi / Shri Bhaves of ASK Raymond James denied having given any sort of tip to Smt Alpa Shah as it is against the policy of their firm. From these details, it is clear that Smt Alpa Shah was having connection with Abhilasha Securities which is the sub broker of M/s Tanaya Securities Ltd. Further, Smt Alpa Shah is Smt Bijal Mehta's brother's wife and thus related / known to each other.
- 5.32 Smt Alpa Shah submitted in her statement before the Investigating Authority that she did not know Abhilasha Securities. As already brought out at paragraph no. 5.14 an amount of Rs 1,20,900 was paid to AM Investments. Regarding this payment she stated in her written submission that Shri Hiten Mehta who is the husband of Smt Bijal Mehta had given explanations about the payment of Rs. 1,20,900 from Abhilasha Securities. Shri Hiten Mehta, husband of Smt Bijal Mehta, in his statement recorded on October 23, 2002 stated that he used to deal in stock market in the name of his wife. Smt Alpa Shah who is Bijal Mehta's brother's wife as stated above told that she received a tip about MOH from ASK Raymond James. Regarding payment of Rs.1,20,900 made to A.M.Investments from the account of Tanaya Securities, Shri Hiten Mehta submitted that he had to make some payment to A.M.Investments and had money receivable from Abhilasha Securities and as such he requested Abhilasha Securities to make payment directly to A.M.Investments from his account. However, he told that he was not aware as to why the payment was made from the account of Tanaya Securities. From the statement of Shri Hiten Mehta it is clear that Smt Alpa Shah and Smt Bijal Mehta were aware of the payment made to AM Investments by Abhilasha Securities.

Anil S. Mistry

- 5.33 I find contradictory statement of Shri Anil Mistry and Smt Alpa Shah who were actively associated in the manipulative transactions of MOH shares. Both of them claimed that they are proprietors of AM Investment.
- 5.34 I have examined the statement of Shri Anil Mistry recorded by the investigating authority on January 14, 2003 and find that he is the sole proprietor of AM Investment and Smt Alpa Shah is the sister of his friend Shri Ketan Shah. Smt Alpa Shah requested him to allow her to use his demat account for all her transactions. He stated that he permitted her to use his demat account as she being the sister of his friend and there was no other specific reason. Shri Mistry further submitted that he never used to place any orders in MOH scrip and all the transactions done in the name of AM Investments through the broker BD Shah, during the period August – October 2000 were done by Smt Alpa Shah only. He also stated that he had signed all the delivery instruction slips for all the transactions done through his demat account including the scrip of MOH.
- 5.35 In the aforesaid statement, Shri Anil Sureshbhai Mistry stated that he purchased 5000 shares at the rate of Rs 600/- per share from Jitendra Shah in off market deal on the basis of the recommendation of his friend Shri Ashwin Shah. He made a cheque payment of Rs 30 lakhs in the name of Shri Jitendra Shah and subsequently out of these 5000 shares, he had sold 726 shares through Smt Alpha Shah. He stated that apart from the above, all other transactions belong to Smt Alpha Shah and he took 40,000 shares of MOH as loan from his friend Shri Nayan Thakkar of Kunvarji Finstock for his another friend Shri Haresh Kalsaria, Director of Trans Fiscal Pvt Ltd. He added that his friend had used his demat without using his(friend's) account of Trans Fiscal Pvt Ltd.
- 5.36 During the course of hearing as also in his written submission dated October 31, 2006, Shri Mistry has taken a different stand that he was an employee of Smt Alpa Shah and he only transacted in MOH scrip under the instructions of Smt Alpa Shah. With these details, it is proved that Smt Alpha Shah and Bijal Mehta had dealt in the scrip of MOH Ltd in the name of A.M Investment and the proprietor of A.M Investment is Anil Mistry. Shri Anil Mistry got the shares from Jitendra Shah and all these persons acted in concert with each other and transacted in MOH scrip in a circular manner and manipulated the market.
- 5.37 From above details, it is established that the Noticees executed manipulative and artificial transactions in an illiquid scrip like MOH. Initially when the price of scrip started moving up, only 100 shares were traded and subsequently, the Noticees

generated 88% of the volume at the exchange by trading among themselves.

- 5.38 I find that the Noticees are all linked to each other which is clear from the movement of shares among the demat accounts of the Noticees. The Noticees failed to explain the source of the shares and the reason for receiving/delivering shares and their square off transactions in the scrip. Likewise, Noticees also failed to explain the reason behind their trading in a highly illiquid scrip like MOH. The shares were transferred from the demat account of Shri Jitendra J. Shah directly to the pool account of the main broker against the sale position of the client of the broker and not through the respective clients. This indicates that the Noticees sold the shares without actually having them. Thus, it is clear that the Noticees had not used their own demat accounts in order to camouflage their identity and to hoodwink the investigators. It has been observed from the trading details of the Noticees that on most of the days, they had purchased and sold shares at 8% higher than the previous day's closing trades and that too among themselves in such a way that the buy orders of one Noticee is getting matched with the sell order of the same group. This was possible because the volume in this scrip, initially, was almost nil when the scrip was illiquid. Once the trade was executed at this rate, the Noticees then traded among themselves to ensure that the price of the scrip was maintained at that level. In this way, they managed to take the price to a level of Rs.799 within a short period. There was no basis or fundamentals for such a hike in price as the profit and loss account of MOH for the financial year 2001-2002 had fallen drastically compared to previous financial year 2000-2001.
- 5.39 The trade log and order log analysis revealed that the Noticees had executed the trades in such a way that their net deliverable position at the end of the settlement was almost nil. It was also found out that the Noticees had generated most of the volumes in this scrip during the period under consideration. Since most of the transactions had been squared off among the Noticees who had acted in concert, these transactions can be considered as circular in nature and could also be termed as dubious. By executing such artificial trades and giving an appearance of genuine trading in this scrip, the innocent investors were induced to start trading in this scrip. It has been observed from the price and volume data after the investigation period that the price came down to Rs 36.45 on March 2001 (face value Re 1/-), Rs 22.65 in April 2001, Rs. 10.40 in May 2001, Re 1 in August 2001 and went down further to Re 0.20 in December 2001. Hence, the genuine investors must have suffered loss.
- 5.40 It is therefore established from the above facts that the company's fundamentals were not strong enough to justify the abnormal price rise in a short period. The volumes were very thin and the trading in MOH scrip was concentrated among the Noticees. They put up the trade in a circular manner and placed orders successively at 8% higher than the previous day's closing trade. Looking from the overall perspective of the matter and the modus operandi adopted by the Noticees it is clear that they were acting in concert for a predetermined purpose to create misleading appearance of trading in MOH scrip. This type of trades induces the innocent investors to believe that there is a genuine trading in the scrip.
- 5.41 It is thus clear that the Noticees viz Tanaya Securities Ltd & its Directors (Shri Gaurang Patel / Shri Parag Patel), Kajol Impex Ltd. & its Directors (Shri HemrajsinhVaghela), Smt Alpa Shah, Smt Bijal Mehta, Shri Piyush Jhaveri and Mahavir Investments & its Partners (MsVarshaben V Gandhi and Ms Falguniben N Shah) in connivance with Shri Jitendra Shah, had artificially manipulated the price and volume of the scrip to unrealistic levels by indulging in fictitious and circular trading. Their conduct is detrimental to the integrity and orderly development of securities market and the interest of investors. I find that the charges of manipulation against the Noticees are proved. Shri Anil S Mistry violated Regulation 4(a) of PFUTP Regulations as he allowed Smt Alpa Shah to use his proprietary concern viz. A.M Investment and the other Noticees have violated Regulation 4(a) to (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 which read as under
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;
- 5.42 Apart from the above, I find that all the Noticees did not co-operate or furnish requisite information during the process of investigation. Accordingly, SEBI launched adjudication proceedings against these entities under the appropriate provisions of SEBI Act, 1992, details whereof are given below:

Sr.No.	Entity	Adjudication Amount (Rs.)	Remarks
1.	Smt Alpa Shah	50,000	Penalty paid.
2.	Shri Parshwa Finance	5,00,000	Appealed in SAT and deposited Rs 25,000/- as per SAT directions. SAT modified the penalty of Rs. 25,000/-.
3.	Mahavir Investments	2,00,000	Appealed in SAT and deposited Rs. 25,000/- as per SAT directions. SAT modified the penalty to Rs. 25,000/-.
4.	Shri Jitendra J Shah	5,00,000	SAT reduced the penalty to Rs 1,00,000/-. Shri Shah paid Rs 75,000/-.
5.	Tanaya Securities	5,00,000	Did not pay the penalty.
6.	Kajol Impex	5,00,000	Did not pay the penalty.

5.43 SEBI has also launched prosecution against the Noticees viz. Shri Jitendra Shah, Kajol Impex, Tanaya Securities, A.M.Investments / Smt Alpa Shah, Shri Parshwa Finance and Mahavir Investments for non submission of information / non-compliance of summons.

6.0 ORDER

6.1 Therefore, taking into consideration facts and circumstances of the case and in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) of SEBI Act, 1992 and Regulation 11 and 12 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby restrain the Noticees viz. Shri Jitendra Shah, Mahavir Investments & its Partners (Ms Varshaben V Gandhi and Ms Falguniben N Shah), Tanaya Securities Ltd & its Directors (Shri Gaurang Patel & Shri Parag Patel), Kajol Impex Ltd. & its Director, (Shri HemrajsinhVaghela), Shri Piyush Jhaveri, Smt Alpa Shah, Smt Bijal Mehta and Shri Anil Suresh Mistry from buying, selling and dealing or accessing the securities market in any manner for a period of two years.

6.2 This order shall come into force with immediate effect.

Place: Mumbai

Date: June 20, 2007

V. K. CHOPRA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA