

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM : DR. T.C.NAIR, WHOLE TIME MEMBER

**AGAINST SHRI JATIN R SHAH IN THE DEALINGS IN THE SCRIP
OF GUJARAT FISCON LTD.**

Date of hearing : October 09, 2006

Appearances :

For Noticees: None Appeared
For SEBI: Shri P.K. Bindlish, General Manager
Shri Atul Agarwal, Manager
Ms. Kshama Chavan, Legal Officer

ORDER

UNDER SECTION 11 AND 11B OF SEBI ACT, 1992

1.0 Background

- 1.1 Gujarat Fiscon Ltd. (hereinafter referred to as “GFL”), a public limited company is engaged in the business of leasing, ICD/Bill discounting, project and management consultancy. The shares of the company are listed on the Vadodara Stock Exchange, Ahmedabad Stock Exchange Ltd.(ASE) and the Bombay Stock Exchange Ltd. (BSE).
- 1.2 SEBI conducted investigations into the buying, selling and dealings in the scrip of GFL for the period from July 31, 2000 to December 15, 2000 (hereinafter referred to as the “investigation period”) on the basis of an investor complaint alleging that the promoters of the

captioned company along with a handful of brokers had artificially created volumes in the scrip.

1.3 During the investigation period, it was observed that the price of the scrip rose from Rs.60 on July 31, 2000 to Rs.104 on December 15, 2000. It was alleged that the aforesaid trades were by a set of brokers, sub broker and their clients known to each other who acted in concert and most of the traded volumes were squared off. It was further alleged that these brokers abetted their clients in creating artificial volumes. The cartel of clients was led by Shri Heerachand Salecha, the other major contributors being Agarwal Shares & Finance Pvt. Ltd. (Umashankar Agarwal), Jatin R Shah (Shri Jatin), Kishorekumar K. Vasa (Shri Vasa). The cartel of brokers were allegedly led by Ramaben Samani Finance Pvt. Ltd. (Ramaben Samani).

1.4 Shri Jatin R. Shah (hereinafter referred to as “Shri Jatin”) was identified as the largest contributor to the total transactions in the scrip during the period of investigation. Shri Jatin contributed to about 19.40% of the total volume in the scrip. It was alleged that Shri Jatin had created artificial volume in the scrip and had adopted fraudulent practices for the same.

2.0 Show Cause Notice, Reply and Hearing

2.1 Based on the findings of the investigation, a show cause notice dated December 29, 2004 was issued to Shri Jatin under Section 11(4)(b) read with Section 11 and 11B of the SEBI Act, 1992, asking him to show cause as to why suitable directions including directions

restraining him from buying, selling or dealing in securities for a specified period should not be issued against him, for violating the provisions of Regulations 4 (a), (b) (c) & (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. It was also mentioned that if he failed to submit any reply within the stipulated period of 21 days, then it would be presumed that he had no explanations to offer in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations. The documents relied upon in support of the allegations contained in the show cause notice were also annexed with the notice.

2.2 I note that the show cause notice was duly acknowledged by Shri Jatin. Shri Jatin vide letters dated January 24, 2005 and February 2, 2005 requested for extension of time for submitting the reply however he did not submit any reply even after extension of time

2.3 An opportunity of personal hearing was granted to Shri Jatin before me on August 10, 2005 and September 26, 2006. However, Shri Jatin vide letter dated September 26, 2006 stated that he will not be attending the hearing as he was not feeling well and submitted that he be given another opportunity of personal hearing. Acceding to his request, another opportunity of personal hearing was granted before me on October 09, 2006. However, I note Shri Jatin again chose not to attend the hearing and even did not make any correspondence in this regard.

3.0 Consideration of Issues

3.1 I note that inspite of giving several opportunities to Shri Jatin for making submissions to the show cause notices and appearing before me, Shri Shah did not respond to any of them. I find that Shri Jatin is deliberately not responding to the notices. Since enough opportunities have been given to Shri Jatin to counter the allegations framed against him and in view of the fact that principles of natural justice have been complied with, I am inclined to proceed on the basis of material available on record. I have carefully considered the investigation report and my findings are as under:

3.2 From the trading details, I find that following brokers and their clients were the major traders in the scrip during the period:

Name of the Member		Major Ultimate Client	Purchase	Sale	Gross	% age of Total volumes on the SE	Net
Bhagwandas Bhogilal & Co.		Jatin R. Shah	126300	125900	252200	19.41	400
Ramaben Samani Finance Pvt. Ltd.		Kishorkumar K. Vasa	114300	114300	228600	17.59	0
Bharti Thakkar India Securities Pvt. Ltd.		Agarwal Shares & Fin. Pvt. Ltd.	42800	42800	85600	6.59	0
Joindre Capital Services Ltd.	Allwin Securities Ltd.(Sub-broker)	Heerachand Salecha	65200	64800	130000	10.00	400
		Total	348600	347800	696400	53.59	800

3.3 From the above table, it is seen that the above brokers / clients had purchased 348600 shares of the total traded volume and had sold 347800 shares of the total traded volume. In all these brokers /sub

brokers/clients traded more than 50% of the total volumes in the scrip during the period of investigation. Also, almost all the clients of the brokers having concentration had done trading/squaring off transactions.

3.4 From the investigation, I have noticed that a cartel of clients and brokers known to each other and who also had business relationships with each other traded heavily in the scrip over a period of time and made heavy volumes in the scrip. The cartel of clients was led by Shri Salecha.

3.5 I note that due to the non co-operation of Shri Salecha and Ramaben Samani, the purpose for which the clients created artificial volumes in the scrip could not be established. Whereas Shri Salecha did not comply with the summons, Ramaben Samani tried to way lay the investigation team by producing false documents.

3.6 Shri Jatin was identified as the largest contributor to the total transactions in the scrip during the period of investigation. His transactions contributed to about 19.40% of the total volume in this scrip. He had dealt through the broker, Bhagwandas Bhogilal & Co. The settlement wise trading of Shri Jatin is as under:

Settle No.	Gross Purc.	Rate	Gross Sale	Rate	Net Purc./ Sale
19	6000	60.79	6700	60.13	-700
20	5300	61.45	5200	60.82	100
21	4500	63.92	5400	63.38	-900
22	6400	68.45	9100	67.66	-2700
23	9300	71.52	7400	71.44	1900

Settle No.	Gross Purc.	Rate	Gross Sale	Rate	Net Purc./ Sale
24	7700	75.94	7700	74.75	0
25	12500	80.05	13400	78.99	-900
26	14600	79.42	14100	78.64	500
27	18900	80.75	18200	80.55	700
28	7200	81.17	7400	80.25	-200
29	6800	80.49	6100	79.17	700
30	9700	82.03	9600	81.85	100
31	6600	83.86	6700	82.25	-100
32	8200	85.87	7600	84.80	600
33	3000	88.77	3900	88.9	-900
	126700		128500		-1800

3.7 I find that on most of the days during the period of investigation, Shri Jatin's buy order had resulted into the first trade of the day and he had also dealt in the closing sessions. I note that Shri Shah had done these acts to establish the price of the scrip and to manipulate the market. Some of the transaction are as under:

- a. In settlement no. 20 first buy order on behalf of Shri Shah was punched for 1000 shares at 10:12:17 a.m. @ Rs. 60.
- b. In settlement no.21 first buy order on behalf of Shri Shah was punched for 1000 shares at 10:02:18 a.m. @ Rs. 62.
- c. In settlement no. 22 the broker has purchased 1000 shares on August 21, 2000 @ Rs. 65 (closing price of the previous day was Rs. 63.70) on behalf of Shri Jatin at 10:59:26 a.m. and also purchased 1000 shares @ Rs. 65.10 at 3:25:05 and 3:25:06 on behalf of the same client.

3.8 During the deposition of Shri Jatin R Shah before the investigating authority, Shri Jatin Shah stated that he and Shri Salecha were known to each other and had also borrowed money from Shri Salecha in the past. Thus, it is apparent that Shri Salecha was also known to Shri Jatin Shah, a client of Bhagwandas Bhogilal & Co., broker who had created the highest volume in this scrip during the

period of investigations. Further, I note that 18% of the trading of Shri Jatin was matched with Shri Salecha. Also around 16% of the trading of Shri Jatin was matched with Shri Salecha in the name of Shri Vasa.

3.9 I find that the client, Shri Jatin had interest in the scrip and had done such transactions to establish the price of the scrip. Shri Shah had created huge volumes in this scrip to attract the small investors in this illiquid scrip which was trading in thin volumes. I note that during his statement on oath, Shri Shah himself stated that this trading may not be all that innocent and may be fishy. He and Shri Salecha, the kingpin, were known to each other and had financial relationship. Around 18% of the trading of Shri Jatin matched with Shri Salecha. Also around 16% of the trading of Shri Shah was matching with Shri Salecha in the name of Shri Kishorekumar Vasa through the broker, Ramaben Samani Finance Pvt. Ltd. Also around 15% of the trading of Shri Shah was matching with the broker, Bharti Thakkar India Securities Pvt. Ltd which had traded on behalf of Agarwal Shares & Finance Pvt. Ltd.

3.10 I find that Bhagwandas Bhogilal & Co. had allotted a trading terminal to Shri Shah. Shri Jatin used to personally punch the orders, sitting in front of the BOLT. Apart from dealing on his own account in this scrip, Shri Shah also submitted that he has dealt on behalf of another person Shri Umashankar Agarwal, another major client, as a token of obligation, as Shri Agarwal had introduced him to the broker, Bhagwandas Bhogilal & Co. I have noticed that during the same period, apart from the transactions with Shri Shah, Shri

Agarwal was also directly enrolled as client with the broker, Bharti Thakkar India Securities Ltd where he has traded in this scrip during the period. Further, there were a large no. of matched transactions with Shri Agarwal. I find that it cannot be a mere coincidence that around 24% of the total transactions of Shri Agarwal were matching with Shri Shah.

- 3.11 On the basis of above facts, I find that Shri Jatin, Shri Umashankar Agarwal and Shri Salecha were known to each other and their transactions in the scrip had contributed 53.58% of the total volume. From the above, I am convinced that Shri Jatin was a party behind this market manipulation and creation of artificial liquidity in an illiquid scrip to attract the interest of small investors and has violated the provisions of Regulation 4 (a), 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Related to Securities Markets) Regulations, 1995.

4.0 Order

- 4.1 In view of the above, I, in exercise of powers conferred in terms of Section 19 read with Section 11 and 11 B of SEBI Act, 1992, hereby direct that Shri Jatin R. Shah be debarred from accessing the securities market and prohibited from buying, selling or dealing in securities, either directly or indirectly, for a period of three months.
- 4.2 This order shall come in to force with immediate effect.

DATE: 22.06.2007
PLACE: MUMBAI

T.C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

