

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: SHRI V.K. CHOPRA, WHOLE TIME MEMBER

IN THE MATTER OF M/S NUMERO UNO PROJECTS LTD., SHRI HARISH DEVJI RUPAREL, SHRI VIVEK RUPAREL, M/S NUMERO UNO CREDIT CAPITAL & INVESTMENT PVT. LTD., M/S NUMERO UNO SECURITIES PVT. LTD., M/S AVDH INVESTMENT & CAPITAL PVT. LTD., M/S HAVMORE FINANCIAL SERVICES LTD. AND M/S DANHEM HOLDINGS & INVESTMENT PVT. LTD.

IN THE SCRIP OF M/S NUMERO UNO PROJECTS LTD.

DATE OF HEARING: 18.09.2007

APPEARANCES:

FOR NOTICEES: Shri Kaplesh K. Chawalla, Director
Shri Hemang D. Jangla, Director

FOR SEBI: Mrs Barnali Mukherjee, DGM.
Shri Narendra Rawat, Assistant General Manager
Shri Mohamed Rahaz P. M., Legal Officer

ORDER

**UNDER SECTIONS 11 AND 11B OF SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992**

1. M/s Numero Uno Projects Ltd. (hereinafter referred as “the company”) is a Mumbai based company which is mainly engaged in the business of construction, land development and allied trading. Shri Harish Devji Ruparel was the Chairman and Promoter of the

- company. His sons Shri Vivek Ruparel and Shri Sandeep Ganti were the directors of the company.
2. The company issued an advertisement dated June 29, 2002 in various news papers informing the public about a meeting of the Board of Directors which was scheduled to be held on July 11, 2002 interalia, to approve the un-audited financial results for the quarter ending June 30, 2002 and to consider the buy-back of 10 lakh shares of the company at Rs. 10 per share. The market price of the shares of the company during that time was in the range of Rs. 3 - 4 per share.
 3. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation into the affairs of misleading advertisements made by the company during the month of June and July 2002.
 4. The investigation revealed that the buy-back of shares as announced did not finally take place and the intention behind the advertisements was to create interest in the scrip so as to enable the promoters Shri Harish Devji Ruparel and Shri Vivek Ruparel to off-load the shares. The investigation further revealed that the promoters off-loaded large volume of shares with the help of a sub-broker, M/s Harvic Management Services Ltd. (hereinafter referred to as "sub-broker") by utilising the promoter associated entities viz. M/s Numero Uno Credit Capital & Investment Pvt. Ltd., M/s Numero Uno Securities Ltd. and M/s AVDH Investment & Capital Investment Pvt. Ltd.

5. Investigations brought out that the other two entities namely, M/s Havmore Financial Services Ltd. and M/s Danhem Holdings & Investment Ltd. were associated entities of the sub-broker. The modus operandi which was adopted to execute the said transactions was that the promoters transferred shares to their associated entities, who in turn transferred the shares to the sub-broker. The sub-broker along with its associated entities off-loaded large volumes of shares in the market during the period of the impugned advertisements. The sub-broker admitted before the investigating authority that he knew the promoters for 14 years through some common friends.
6. Further the investigation revealed that the promoters sold total 16,30,000 shares of the company thereby reducing their shareholding from around 55% to 20%. Of this, 14,30,000 shares were sold during the period of the impugned advertisements.
7. On the basis of the findings of the Investigation Report, SEBI issued eight separate show cause notices all dated August 25, 2004, communicating the alleged violations of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as "PFUTP Regulations") to M/s Numero Uno Projects Ltd., Shri Harish Devji Ruparel, Shri Vivek Ruparel, M/s Numero Uno Credit Capital & Investment Pvt. Ltd., M/s Numero Uno Securities Ltd., M/s AVDH Investment & Capital Investment Pvt. Ltd., M/s Havmore Financial Services Ltd. and M/s Danhem Holdings and Investment Ltd. These show cause notices were issued requiring the noticees to show cause as to why appropriate directions should not be issued against them for the

alleged violations.

8. Shri Harish D. Rupural vide letter dated October 11, 2004 submitted reply to the show cause notice stating that the shares of the company were sold to meet some domestic emergency of the promoters despite suffering a huge loss on the sale. He further admitted that they sold the shares inadvertently as they were not having any competent person to advise and assured that such inadvertence would not be repeated in future. Shri Harish D. Rupural further submitted that the price of the scrip prior to and during the operation of the impugned advertisements was almost same and the impugned advertisements did not have any material impact on the price. Shri Harish D. Rupural vide letter dated January 20, 2006 informed SEBI that the above reply submitted by him was the consolidated reply of all the associated companies.
9. M/s Adhia & Adhia, Advocates and Solicitors vide letter dated November 25, 2004 submitted that they had filed a reply vide letter dated September 21, 2004 before the Enquiry proceedings were initiated against the sub-broker. Thereafter, M/s Havmore Financial Services India Ltd. and M/s Danhem Holding & Investment Pvt. Ltd. vide letter dated August 23, 2007 submitted that SEBI had already exonerated the said sub-broker and as the facts of the case in respect of three entities viz. Harvic Management Services Ltd., Havmore Financial Services India Limited and Danhem Holding & Investment Private Limited are same, a similar order may be passed in their case as well.

10. Vide letter dated August 30, 2007 an opportunity of personal hearing was granted to all the entities on September 18, 2007. Shri Kaplesh K. Chawalla, Director of M/s Havmore Financial Services Ltd. and M/s Hemang D. Jangla, Director of Danhem Holdings & Investment Ltd. attended the hearing and reiterated their earlier submissions.
11. I have carefully examined the investigation report, show cause notices, reply of the noticees and their submissions made at the time of hearing.
12. Now I shall deal with the charges alleged and record my findings thereon as under:
13. I find that the company had issued an advertisement in prominent business newspapers regarding the proposed meeting of Board of Directors on July 11, 2002 interalia to discuss buyback of shares. The text of the advertisement is given below:

“ Notice is hereby given to the members of the company that a meeting of the Board of Directors will be held on 11th July, 2002 to approve the un-audited financial results for the quarter ended 30th June 2002 and to consider the Buy-back of 10 lakh shares of the company at Rs. 10 per share.”

“By the order of the Board”

14. I also note that the company had also informed Bombay Stock Exchange (hereinafter referred to as 'BSE') about the above proposal of buy-back and the Board meeting, on June 29, 2002. The details of the advertisements published by the company are given hereunder:

Release order date	Date of Issue	News papers
29/06/02	02/07/02- Tuesday	Mumbai Samachar, Mumbai
29/06/02	03/07/02- Wednesday	Economic times, Mumbai
29/06/02	09/07/02- Tuesday	Economic times, Ahmedabad
29/06/02	04/07/02- Thursday	Business Standard, Mumbai
29/06/02	04/07/02- Thursday	Sakal, Mumbai
29/06/02	08/07/02- Monday	Gujarat Samachar (via- Jaya Ads)
10/07/02	11/07/02- Thursday	Sandesh, Ahmedabad, Surat, Rajkot, Vadodara, Bhavnagar

15. It is pertinent to note that the company incurred Rs. 91037/- towards the total cost of the advertisements which was almost 3 times of the expenses incurred by the company for advertisements in the previous year. Shri Harish D. Ruparel stated that the payments were made from the internal resources of the company, but no evidence was produced. I find that the company had paid amount in

cash (even more than Rs. 20,000/-) and an amount of Rs. 2910 and Rs. 2722 was received by the advertising agency from the sub-broker, M/s Harvic Management Services India Ltd. and its associated entity, M/s Havmore Financial Services Ltd. on December 18, 2002.

16. I further note that the price of the scrip was around Rs. 1 per share prior to May 2002. By second week of June 2002, the price went up from Re. 1 to Rs. 3 and volumes sharply increased to 2 lakh shares per day. During the period of impugned advertisements, volumes in the scrip were as high as 10 lakh shares per day. Thereafter, by third week of July 2002, there was no activity in the scrip at BSE and price of the scrip fell down to Re 1 levels and volumes also decreased to levels of few thousands.

17. The sharp rise in volumes without proportionate change in price levels can be attributed to the impugned advertisements. Investors and shareholders envisaged a clear gain of around Rs 7 per share (Buyback price of Rs. 10 per share less prevailing market price levels of Rs. 3 per share). The advertisements also indicated that a total quantity of 10,00,000 shares would be bought back by the company. This also had the effect of creating a comfort level in the minds of the investors as there was lesser possibility of them being saddled with illiquid shares of the company since the company would be buying back as much as 10,00,000 shares. This created trading/buying interest in the scrip and pushed up volumes. But the corresponding price did not increase. This was on account of supply of large number of shares in the market from the promoters. This

supply absorbed the new demand and maintained equilibrium at existing price levels. The new supply of shares was a result of off-loading of the shares in the market by the promoters, and the advertisements were an enabling factor to the extent that the promoters could sell their stake.

18. I find that the buy-back of shares as announced did not finally take place. As per the company, the Board of Directors in its meeting held on July 11, 2002 rejected the said buy-back proposal. This was intimated to Stock exchanges only on July 15, 2002, i.e., after four days thereby violating clause 22 of the Listing Agreement. Further I note that the company had sent intimation to the stock exchanges on June 29, 2002 in regard to the said Board meeting date and its purpose.

19. In addition to this I note that the company was not eligible to make such a proposal of buy-back since the company was making losses and also did not fulfil the eligibility criteria stipulated under Section 77 of the Companies Act, 1956. Section 77(1) reads as under:

“77 (1) A company may purchase its own shares or other specified securities out of –

- 1. Its free reserves; or*
- 2. The securities premium account; or*
- 3. The proceeds of any shares or specified securities”*

Further, as per section 77(2)(d) of the Companies Act reads that-

“No company shall purchase its own shares or other specified securities under sub section (1) unless the ratio of the debt owed by the company is not more than twice its capital and free reserves after such buy back”

20. I find that the company had written off its bad debts and reported a net loss of Rs. 265 lakhs in the year 2002. The company did not have any professionally qualified staff or full time company secretary at that time. This indicates that there was never any intention on part of the company to give effect to the buy-back of its shares. Therefore it can be concluded that the whole scheme of things was a sham without any concrete plan of action. I have also examined the basis of proposing buy-back price of Rs. 10 per share when the market price of the scrip was hovering around Rs. 2 to Rs. 3 per share. The explanation of the company for doing so was that since public issue was made at Rs. 10 per share, it was decided to fix the buy-back of shares at Rs. 10 per share. On the contrary, the Board of Directors of the company rejected the proposal of buy-back, inter alia on the ground that the investors who offer shares in the buy-back may also include those who had procured the shares from the open market at substantially lower price and it would have been unfair to treat both i.e., the original subscribers and purchasers from the market, on the same basis. There is no explanation as to why they have not considered this aspect before taking a decision to publish the impugned advertisement especially when they knew the prevailing market price at that time.

21. The next issue to be examined is the transactions of the promoters and associated entities. I find that that promoters/associated entities had sold a total of 16,30,000 shares of the company through sub-broker viz. M/s Harvic Management Services Ltd. from April 1, 2002 to August 2002, and the details thereof are given here under:

Sr No.	Promoter associated selling entity	Qty of shares sold
1.	Avdh Investment & Capital Pvt. Ltd	555000
2.	Numero Uno Credit Capital & Investment Pvt. Ltd.	300000
3.	Numero Uno Securities Pvt. Ltd.	575000
4.	Darshna Ruparel	200000
	Total	1630000

22. The sub-broker, M/s Harvic Management Services Ltd. stated that the promoters of the company wanted to sell some of their shareholding and as such they transferred 16,30,000 shares to his demat account from the associated entities mentioned in the table above. The sub-broker in turn transferred a total of 1,96,000 shares (out of 16,30,000 shares received by it from the promoters) to M/s Havemore Financial Services Ltd., M/s Danhem Holding and Investment Ltd. and Shri Kerul Shah (employee of the sub-broker). It is pertinent to note that the address of these 3 entities was same. They sold total 16,30,000 shares of the company in the market through different brokers in order to camouflage the self deals and cross deals.

23. I find that that major portion of the promoter sales had taken place around the time of the impugned advertisements i.e., from the issuance of the advertisement of proposal of buyback on June 29, 2002. During this period, the promoters off-loaded 14,30,000 shares (around 88% of the total sales of the promoters - 16,30,000 shares sold from April to August, 2002).

24. I note the submission made by the sub-broker that the promoters had not transacted in shares of any other company and the sub-broker stopped trading on behalf of promoters after the trading in the shares of the company. In this regard it is also pertinent to mention the submission made by the promoters that they sold shares to meet their contingency needs. However, they failed to adduce any details to justify their contingency needs. The associated entities of the sub-broker namely, M/s Havmore Financial Services Ltd. and M/s Danhem Holding and Investment Ltd. submitted that they had filed reply before the Enquiry proceedings initiated against the sub-broker have been initiated. However, the reply filed before the Enquiry Officer basically deals with the issues relating to the trades executed by the sub-broker, which he admitted before the Investigation Authority that he knew about the promoters who had transferred shares to him through their associated companies and the shares received by him were off-loaded in the market with the help of its associated entities. Therefore, the reply filed before the Enquiry Officer can not be considered in the instant proceeding, especially when there is no specific response to the charges levied against M/s Havmore Financial Services Ltd. and M/s Danhem Holdings and Investment Ltd. in the said reply.

25. On the other hand, the trading pattern of these entities clearly establishes self trades and cross deals amongst the associated entities. Further, M/s Havmore Financial Services Ltd. and M/s Danhem Holdings and Investment Ltd. submitted before me that the Enquiry proceeding against their associated sub-broker, M/s Harvic Management Services India Ltd. was dropped. On examination of the materials on record, I however find that the above submission is incorrect and in the case of sub-broker the Enquiry Officer vide report dated January 31, 2005 had recommended suspension of its certificate of registration for a period of three months and thereafter an order dated August 23, 2007 was passed suspending the registration of the sub-broker for a period of two months.

26. In view of the facts and circumstances stated herein above, it is clear that the financial condition of the company was not good during the period of investigation which was reflected in its trading in the stock market, as the shares of the company were thinly traded. In order to generate trading interest, the promoters adopted a strategy with the help of the sub-broker and its associated entities who indulged in self deals/cross deals at BSE to create artificial volume in the scrip. The sub-broker and its associated entities had also made payment for advertisements on behalf of the company and as such were involved in the matter from the initial stage itself. They sold the shares through two other broking entities so as to avoid detection of concentrated trading. The company also issued an advertisement in the newspapers in June/July 2002 about the Board of Directors' proposal to go in for a buy-back of 10 lakh shares at Rs. 10 each, when the market price was in the range of Rs. 3-4 per share. The

company had placed an order for publishing a series of advertisements on June 29, 2002 and from July 02, 2002 upto July 11, 2002. The stock exchanges were also informed, though it was not mandatory to do so, in order to generate additional publicity. The buy-back proposal was later rejected by the Board of Directors. Thus, it is clear that the company did not intend to proceed with the buy-back. The whole exercise was just a sham to create interest in the trading of the shares of the company and aid the promoters to off-load their shares. The promoters sold entire 16,30,000 shares of the company, thereby reducing their shareholding from around 55% to 20%. Of this, 14,30,000 shares were sold during the period of the impugned advertisements, which is a substantial number.

27. The entire chain of events in respect of the buy-back proposal as described by the company, the unwarranted advertisements, large monies spent, reasons for the buy-back proposal, reasons for rejection of the proposal, impact on the price/volume of the shares is highly suggestive of an orchestrated ploy on part of the promoters to create an artificial demand for the shares of the company and induce innocent public for purchasing shares so as to absorb promoter sales. The company, its promoters and the associated entities of promoters as well as the sub- broker, had created artificial market in the scrip of the company and cheated innocent investors by publishing misleading advertisements tantamounting to defrauding them as it was aimed at manipulating the volume of trading in the scrip. All such actions can be termed as frauds under Regulation 2(c) of PFUTP Regulations. They have accordingly violated the provisions of Regulation 3, 4(b), 5 and 6(a) of SEBI

(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

28. Therefore, taking into consideration all the facts, circumstances and other materials available on record, in exercise of the powers conferred upon me under Section 11 and 11B of SEBI Act, 1992 read with corresponding provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, I hereby, restrain M/s Numero Uno Projects Ltd. (PAN No. AAACN1422A), Shri Harish Devji Ruparel, Shri Vivek Ruparel (PAN No. ADQPR6418L), M/s Numero Uno Credit Capital and Investments Pvt. Ltd., M/s Numero Uno Securities Ltd., M/s AVDH Investment & Capital Ltd., M/s Havmore Financial Services Ltd. (PAN No. AAACH1450L) and M/s Danhem Holdings and Investment Ltd. (PAN No. AAACD5257B) from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, for a period of two years.

29. This order shall come into force with immediate effect.

Place: Mumbai

V.K. CHOPRA

Date: February 15, 2008

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA