

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

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

**WTM/VKC/ID6/138/08**

**In the matter of Shri Kishore Vithalbhai Thakkar, Shri Sanjiv P. Shah, Shri  
Dixit Babubhai Patel, Shri Ashit H Vora, Shri Maulik Patwa, Shri Mukesh  
Bachubhai Vadecha and Smt Swati Aslesh Shah**

**In the scrip of Universal Media Network Ltd**

**DATES OF HEARING: 30. 05.2007, 22.06.2007 and 24.07.2007**

**APPEARANCES:**

**FOR THE NOTICEES:**

1. Shri Joby Mathew and Suruchi Gurjar, Advocates for Ashit H Vora,  
Maulik Patwa and Mukesh Bachubhai Vadecha
2. Shri Aslesh Shah for his wife Smt Swati Aslesh Shah

**FOR SEBI:**

1. Mrs Barnali Mukherjee, DGM, SEBI
2. Shri Naveen Sharma, Manager, SEBI
3. Shri Mohamed Rahaz P. M., Legal Officer, SEBI

**ORDER**

**Under Section 11B of the Securities and Exchange Board of India Act, 1992  
read with Regulation 11 of the Securities and Exchange Board of India  
(Prohibition of Fraudulent and Unfair Trade Practices relating to the  
Securities Market) Regulations, 1995.**

1. Securities and Exchange Board of India (SEBI) observed that during the  
month of June and July 2002 several advertisements appeared in various  
newspapers in respect of some companies and majority of these  
advertisements were issued by one advertisement agency viz., Garima

Communications, Ahmedabad. It was noticed that through such unusual advertisements an attempt was being made to project a bright and rosy picture of company's future growth by making announcements such as that Board of Directors of the company were about to consider buy-back of shares, issue of bonus shares etc. Preliminary scrutiny into the matter revealed that shares of such companies were thinly traded. It may be mentioned that such advertisements were not required by law and the companies were voluntarily publishing them. As a result of this publication, there was unusual price and volume movement in the shares of these companies around the time of the issuance of such advertisements. The purpose of such advertisements was clearly aimed at attracting investors interest in illiquid scrips and to induce them to trade in such scrips.

2. "Universal Media Network Limited" (hereinafter referred to as "UMNL") was one such company that had issued advertisements in newspapers in the last week of June 2002 to inform the general public/investors in respect to its Board of directors meeting to be held on July 04, 2002 to inter-alia, consider bonus issue. As stated earlier, these advertisements were issued by advertisement agency viz., Garima Communications, Ahmedabad. In view of these facts, SEBI conducted investigation in the matters relating to the issues arising out of advertisement published by UMNL. The scrip was listed at Bombay Stock Exchange (BSE) on June 10, 1996. The scrip was also listed at Jaipur Stock Exchange (JSE), Calcutta Stock Exchange (CSE) and Ahmedabad Stock Exchange (ASE).

3. Investigation revealed that at the time of impugned advertisements, Shri Ashok Kumar Mishra was the Chairman & Managing Director of UMNL and Shri P R Parasuram, Shri Manish Pardiwala & Shri Paresh Shantilal Shah were other directors. It was further revealed that after the issuance of the advertisements, the promoter related entities namely Galaxy Telefilms, SGP Investments and MBS Investments offloaded a total of 1,38,21,517 shares

which were acquired by them from the preferential allottees with the help of Ahmedabad based entities viz. Shri Kishore Vithalbhai Thakkar, Shri Sanjiv P. Shah, Shri Dixit Babubhai Patel, Shri Ashit H Vora, Shri Atul Hiralal Shah, Shri Raju Shah, Shri Maulik Patwa, Shri Mukesh Bachubhai Vadecha and Smt Swati Aslesh Shah. The entire chain of events pointed out that the related entities had assisted UMNL and the promoters to create an artificial demand for UMNL shares and to cheat the innocent investors. Thus, they were alleged to have 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 (hereinafter referred to as "PFUTP Regulations").

4. Accordingly, Show Cause Notices dated December 02, 2004 were issued to the Noticees asking them why suitable directions including debarring them from dealing in securities should not be passed under Section 11, 11(4) and 11B of the SEBI Act, 1992 for the aforesaid violations.

5. Shri Ashit H Vora and Shri Maulik Patwa vide letter dated January 20, 2005, have submitted the replies denying the allegations. However, no replies were received from other Noticees.

6. I note that the entities namely UMNL, Shri Atul H. Shah, Shri Raju B. Shah, MBS Investments, SGP Investments, Galaxy Television, Shri Manish Pardiwala, Shri Paresh S Shah, Shri Ashok Kumar Mishra and Shri Siddhartha Srivastava have filed applications for settlement of the issues in terms of SEBI Circular No- EFD/Cir-1/2007 dated April 20, 2007. Therefore at present no order is being passed with respect to aforesaid entities. As regards Shri P R Parasuram, I note that the company on his behalf vide letter dated December 28, 2007 informed SEBI that it desires to avail the scheme of consent. Therefore, pending receipt of formal application for consent, if any, and its disposal in terms of the said circular, I keep the proceedings against Shri P R Parasuram pending. However, it would remain open to SEBI to pass

appropriate direction/order against them in accordance with law as and when necessary/appropriate. In view of the same, while keeping the matter on hold with respect to these entities, I am proceeding in the matter with respect to Shri Kishore Vithalbhai Thakkar, Shri Sanjiv P. Shah, Shri Dixit Babubhai Patel, Shri Ashit H Vora, Shri Maulik Patwa, Shri Mukesh Bachubhai Vadecha and Smt Swati Aslesh Shah (these persons are hereinafter collectively referred to as 'the Noticees' and singularly by their individual name).

7. An opportunity of personal hearing was granted to the Noticees on May 30, 2007, June 22, and July 24, 2007. On June 22, 2007, Shri Joby Mathew, Advocate, appeared on behalf of Shri Ashit H. Vora, Shri Mukesh Bachubhai Vadecha and Shri Mulik Patwa. On July 24, 2007, Shri Ashlesh Shah, husband of Smt Swati Shah, appeared on her behalf and as requested ten days time was given to file submissions but no reply has been received till date.

8. Shri Ashit H. Vora stated that M/s. Kishore Corporation and Shri Sanjeev P Shah who were known to him, approached and requested him to hold certain UMNL shares in his demat account in trust and transferred these shares under instruction from them through the stock brokers. Replies dated June 27, 2007 in the similar line were received from Shri Mukesh Bachubhai Vadecha and Shri Maulik Patwa.

9. I have carefully examined the show cause notice, replies thereof and other materials on record. I note that the preferential allotment was approved in the EGM of the company held on March 29, 2000 and thereby it was decided to allot upto 75,00,000 equity shares of Rs.10/- each for cash at a premium of Rs 5/- per share to promoter, their friends, relatives and associate companies and upto 25,00,000 equity shares of Rs 10/- for cash at premium of Rs 5/- to a selected group of body corporates on preferential basis. Thereafter, the promoter entities and preferential allottees offloaded the shares in the

market with the help of a group of entities including the Noticees. In order to facilitate offloading the shares in the market, UMNL published misleading advertisement. On June 28, 2000 UMNL allotted the above said equity shares on preferential basis to the following entities:

| <b>Shareholder Name</b>          | <b>Address</b>                                                        | <b>No. of Shares allotted.</b> | <b>% of shareholding post issue</b> |
|----------------------------------|-----------------------------------------------------------------------|--------------------------------|-------------------------------------|
| Quasar Telecom Pvt. Ltd.         | 178, Atlanta, Nariman Point, Mumbai – 21                              | 25,00,000                      | 16.66                               |
| ATN Films Ltd                    | 178, Atlanta, Nariman Point, Mumbai – 21                              | 25,00,000                      | 16.67                               |
| Galaxy Television Ltd            | 178, Atlanta, Nariman Point, Mumbai – 21                              | 25,00,000                      | 16.67                               |
| Twenty First Century (India) Ltd | 10, Princep Street, Kolkatta – 700 072                                | 2,50,000                       | 1.67                                |
| Divya Dealers Pvt. Ltd           | 28, Strand Road, 2 <sup>nd</sup> Floor, Kolkatta – 700 001            | 2,00,000                       | 1.33                                |
| Shubh Automobiles Ltd.           | 10, Princep Street, Kolkatta – 700 072                                | 2,50,000                       | 1.67                                |
| Bicharsil Trades Pvt. Ltd        | 28, Strand Road, 2 <sup>nd</sup> Floor, Kolkatta- 700 001             | 2,00,000                       | 1.33                                |
| Bhairav Tradelinks Pvt. Ltd      | 13C, Jabakusum House, 34 Chittaranjan Avenue, Kolkatta – 700 012      | 2,00,000                       | 1.33                                |
| Deepmala Dealers Pvt. Ltd        | 28, Strand Road, 2 <sup>nd</sup> Floor, Kolkatta – 700 001            | 2,00,000                       | 1.33                                |
| Gurupath Merchandise Pvt. Ltd    | 14, Ganesh Chandra Avenue , 2 <sup>nd</sup> Floor, Kolkatta – 700 013 | 2,00,000                       | 1.33                                |
| Jeet Vanijya Pvt. Ltd            | 14, Ganesh Chandra Avenue , 2 <sup>nd</sup> Floor, Kolkatta – 700 013 | 2,00,000                       | 1.33                                |
| Navltex Marketing Pvt. Ltd       | 158, Lenin Sarani, Kolkatta – 700 013                                 | 2,00,000                       | 1.33                                |
| Saltlake Merchants Pvt Ltd       | 28, Strand Road, 2 <sup>nd</sup> Floor, Kolkatta – 700 001            | 2,00,000                       | 1.33                                |
| Savera Traders Pvt. Ltd          | P-33, Mission Row, Extn, 2 <sup>nd</sup> Floor, Kolkatta – 700 001    | 2,00,000                       | 1.33                                |
| Sudhanil Vanijya Pvt. Ltd        | P-33, Mission Row, Extn, 2 <sup>nd</sup> Floor, Kolkatta – 700 001    | 2,00,000                       | 1.33                                |

10. UMNL's first Advertisement dated June 24, 2002 was released on June 27, 2002 informing the public that a meeting of the Board of Directors of UMNL would be held on July 04, 2002 at its registered office, interalia to take on record consideration of issuance of bonus shares. UMNL had also sent the information to BSE, ASE, CSE and JSE on June 24, 2002 in this regard. Advertisements were issued in 4 newspapers viz. Economic Times, Gujarat Samachar, Mumbai Samachar, and Investor Guide (Colour) on June 27, 2002, June 28, 2002, June 28, 2002 and July 1, 2002 respectively.

11. The aforesaid Advertisements highlighted that UMNL was a *"complete media company"*, having *"in house audio and video studio for content development"*. It was however revealed that this was not the case. In its letter dated January 7, 2003 to SEBI, UMNL stated that *"It aims to provide exclusively a full time entertainment music channel and it will be setting up a state of the art studio for in house production activity which essentially involves delivery of rich content"*. In fact UMNL had not even started the activities highlighted in the advertisements and at the time of issuance of the advertisements, there was no such studio in place. Further, it was also revealed that UMNL had only 10 employees at the relevant time, out of which as many as 6 were in the support staff/lower managerial level and composition of these employees brought out lack of skills/competencies required for the purported business. Therefore, the advertisements presented a misleading picture of the true state of affairs of UMNL.

12. It is also pertinent to mention here that only a fortnight preceding the date (June 24, 2002) of informing the stock exchanges about the proposed bonus issue, UMNL vide its letter dated June 8, 2002 informed the stock exchanges that a meeting of its Board of directors would be convened on June 27, 2002 to take on record the audited financial results for the year ended March 31, 2002. At this point of time, UMNL did not envisage any bonus

issue but after a fortnight decided to come out with an advertisement for the impugned bonus issue.

**13.** On July 09, 2002 and July 10, 2002, UMNL issued another advertisement on the outcome of the Board meeting held on July 04, 2002. The advertisements stated that the Board in their meeting resolved to allot fully paid up bonus shares in the ratio of 5:1 to existing shareholders of UMNL. These advertisements were also issued in all editions of prominent national newspapers having wide circulation such as Economic Times, Financial Express, Business Standard, Gujarat Samachar, Mumbai Samachar and Sandesh.

**14.** UMNL issued another set of advertisements in July 2002 only in the nature of clarifications against certain false reports alleging that UMNL had published misleading advertisements concerning its bonus issue. In the said advertisement, UMNL assured the public and the investors that they have already finalised the book closure date and intimated the same to all the stock exchanges where the securities were listed. It was further clarified that legal action would be taken against such false reports to protect its reputation and goodwill. These advertisements appeared in 5 newspapers viz. Business Standard, Financial Express, Gujarat Samachar, Mumbai Samachar and Economic times on July 25, 2002, July 25, 2002, July 26, 2002, July 26, 2002, and July 30, 2002 respectively.

**15.** Investigations revealed that UMNL had proposed to issue 1.5 crores bonus shares of Rs. 2 each by capitalising a sum of Rs. 3 crores from its share premium account. However, UMNL itself admitted in its Annual report for the year ended March 31, 2002 that in view of the marginal profit, the directors did not recommend any dividend for the year ended March 31, 2002. UMNL had shown Profit after Tax of only Rs. 13.35 lakh for the year and when added to the losses carried forward from the previous year of Rs. 3.41

crores, there was a total loss of Rs. 3.28 crores for the year ended 2001. Similarly for the year ended March 2002, UMNL had shown a profit after Tax of only Rs. 10.47 lakh and booked a loss of Rs. 2.101 crores for the year. Thus, there was an addition of Rs. 1.23 crores on account of Deferred Tax adjustment due to which book loss decreased substantially during the year from Rs. 3.28 crores to Rs. 2.1 crores. Despite all these losses, UMNL indicated that it was proposing to issue bonus shares.

16. UMNL vide letter dated June 24, 2002 informed the stock exchanges regarding the meeting of Board of directors to be held on July 4, 2002 in respect of impugned issue of bonus shares. In my view, in light of weak financial position of the company, there was no need of issuing advertisements and incurring substantial expenditure. When UMNL informed BSE vide letter dated July 24, 2002 regarding book closure for bonus issue, BSE replied vide letter dated July 26, 2002 that book closure for the purpose of bonus issue can be fixed only after shareholders' approval. BSE further informed UMNL that in case it had said approval, it has to cancel the book closure and fix new one giving 30 days advance notice after shareholding approval. In facts of the case, I am inclined to hold that UMNL had intentionally not provided the shareholders' approval which was the basic regulatory requirement and this should have been known to UMNL since it had occasion to deal with these kinds of matter earlier as well. UMNL had issued capital earlier by means of preferential allotment and had also done stock split from face value Rs. 10 to Rs 2 per share. Nevertheless, at the AGM of UMNL held on September 27, 2002, the members of UMNL approved the bonus allotment of the shares.

17. BSE vide letter dated May 14, 2004 informed that UMNL had not allotted any bonus shares. The explanation given by UMNL stating that BSE did not permit listing of their 1 crore shares issued on preferential basis is not acceptable since the bonus shares could have been issued to other

common/retail shareholders against their shareholding and the bonus shares relating to the unlisted preferential allotment shares could have been kept in abeyance for the time being. I further note that UMNL did not act on the proposal of the bonus issue within a period of 6 months from the date of the Board of Directors meeting. As per Clause 15.1.7 of SEBI (DIP) Guidelines 2000 which states that “ ... A company which announces its bonus issue after the approval of the Board of Directors must implement the proposal within a period of six months from the date of such approval and shall not have the option of changing the decision”. From the aforesaid it is ample clear that UMNL consciously and deliberately violated the said provisions of law.

18. Further, I note that UMNL which gave expensive advertisements regarding the bonus issue deliberately did not give effect to the proposal within the period of 6 months knowing well that in such event the stock exchange would reject the proposed bonus issue. This reinforces the belief that UMNL was not interested in going ahead with the proposal of bonus issue in the first place and such advertisements were made with intent to attract investor interest in illiquid stock and facilitate offloading of promoters' shares in an illiquid stock.

19. I also note that after the issuance of the advertisement, the promoter related entities namely Galaxy Television Ltd, MBS Investments & Trading P Ltd and S G P Investments Private Ltd offloaded a total of 1,38,21,517 shares. Shri Sidhartha Shrivastava was the promoter of Galaxy Television Ltd as well as UMNL. He was also director/authorised signatory for MBS Investments & Trading P Ltd and S G P Investments which were located at the address of UMNL. The shares offloaded by these promoter entities were received from the preferential allottees and they offloaded these shares with the help of certain Ahmedabad based entities including the Noticees.

20. The demat account of Ahmedabad based entities including the Noticees, as on June 30, 2002 revealed that they had a shareholding of around 1,78,44,540 shares of the UMN. This is around 23.8% of the total number of its shares. Major portion of such transfer was of unlisted shares. As stated above, the Noticees acquired shares from the promoters/preferential allottees and the Noticees thereafter offloaded the shares in the market. This is evident from the declining shareholdings of the Noticees in June to July 2002. Examination of demat statement of the Noticees, as on the end of May, June and July 2002 revealed the following changes in their shareholding:

| Shareholder                | Client ID | 5/31/2002 | 6/30/2002 | 7/31/2002 |
|----------------------------|-----------|-----------|-----------|-----------|
| ASHIT HARIBHAI VORA        | 10110927  | 0         | 0         | 1250000   |
| KISHOR VITTHALBHAI THAKKAR | 10005322  | 0         | 1600000   | 340870    |
| KISHORE VITTHALDAS THAKKAR | 12382601  | 0         | 0         | 3200000   |
| MAULIK PRAFULCHANDRA PATWA | 10146527  | 0         | 1432000   | 350257    |
| MUKESH BACHUBHAI VADECHA   | 10172288  | 0         | 993149    | 0         |
| SWATI ASHLESH SHAH         | 10105053  | 0         | 1100000   | 5106874   |
| SWATI ASHLESH SHAH         | 10755774  | 0         | 1100000   | 1100000   |

21. Investigations brought out the flow of securities from the promoter entities to the Noticees. The promoter entity, Galaxy Television Ltd had dematerialised its entire shareholding of 1,25,00,000 shares on June 24, 2002 and transferred the same on July 4, 2002 to Ahmedabad based entities including the Noticees. The details of the transactions are given hereunder:

| Sl No. | Shareholder Name           | Client ID | Date   | Quantity |
|--------|----------------------------|-----------|--------|----------|
| 1.     | Ashit Haribhai Vora        | 10110927  | 4/7/02 | 1250000  |
| 2.     | Atulbhai Bachubhai Shah    | 10105220  | 4/7/02 | 2500000  |
| 3.     | Maulik Prafulchandra Patwa | 10146527  | 4/7/02 | 2500000  |
| 4.     | Mukesh Bachubhai Vadecha   | 10172288  | 4/7/02 | 2500000  |
| 5.     | Raju Bachubhai Shah        | 10105447  | 4/7/02 | 2500000  |
| 6.     | Swati Ashlesh Shah         | 10105053  | 4/7/02 | 1250000  |
|        | TOTAL                      |           |        | 12500000 |

22. Similarly, the promoter entity MBS Investments & Trading P Ltd had transferred 50,00,000 shares to the following entities including the Noticees as shown hereunder:

| Sl No | Date      | Name of the shareholder    | Qty of shares |
|-------|-----------|----------------------------|---------------|
| 1     | 14-Jun-02 | Ashit Haribhai Vora        | 1000000       |
| 2     | 14-Jun-02 | Raju Bachubhai Shah        | 1000000       |
| 3     | 14-Jun-02 | Mukesh Bachubhai Vadecha   | 1000000       |
| 4     | 14-Jun-02 | Atulbhai Bachubhai Shah    | 1000000       |
| 5     | 14-Jun-02 | Maulik Prafulchandra Patwa | 1000000       |
|       | TOTAL     |                            | 5000000       |

23. The Securities flow from account of SGP Investments Ltd to the Noticees are given hereunder:

| Sl No | Date      | Particulars                                      | Qty of shares |
|-------|-----------|--------------------------------------------------|---------------|
| 1     | 21-Jun-02 | To Pravin Ratilal Sh Stk/10146527( M Patwa)      | 700000        |
| 2     | 21-Jun-02 | To Pravin Ratilal Sh Stk /10172288(M Vadecha)    | 700000        |
| 3     | 21-Jun-02 | To Pravin Ratilal Sh Stk /10105053 (Swati Shah)  | 600000        |
| 4     | 21-Jun-02 | To Standard Chartered Bank/10755774 (Swati Shah) | 600000        |

24. Shri Sanjiv P Shah received shares from the promoter associated entities viz ATN International Ltd. as well as indirectly through Ahmedabad based entities. The details are given hereunder:

| Date      | Details                                     | Quantity  |
|-----------|---------------------------------------------|-----------|
| 6/21/2002 | BY SCHIL/14828118 ( ATN International)      | 500,000   |
| 7/3/2002  | BY Pravin Ratilal /10146527 ( Maulik Patwa) | 905,774   |
| 7/5/2002  | BY Pravin Ratilal /10105447 (Raju Shah)     | 1,041,584 |
| 7/8/2002  | BY Pravin Ratilal /10146527 (Maulik Patwa)  | 300,000   |
| 7/30/2002 | BY Pravin Ratilal /10105447 (Raju Shah)     | 612,551   |
| 8/2/2002  | BY Pravin Ratilal /10146527 ( Maulik Patwa) | 350,257   |
| 8/2/2002  | BY Pravin Ratilal /10105447 (Raju Shah)     | 283,229   |
| 8/2/2002  | BY Pravin Ratilal /10110927 (Ashit Vora)    | 116,514   |

25. Shri Sanjiv P Shah offloaded a total of 37,13,363 shares in the market directly during the period June 24,2002 to July 31,2002. He also purchased 6,75,060 shares. Thus, Shri Sanjiv P Shah had a net sale position of 30,38,303 shares. Shares were mostly offloaded in July 2002 i.e. after the advertisements (first advertisement dated June 24,2002 published on June 27,2002). On June 24,2002, a total of 5 lakh shares were offloaded.

26. It was observed that 16 lakh shares were credited in the demat account of Shri Dixit Babubhai Patel on June 18, 2002 and thereafter on June 28, 2002, a total of 6,89,825 shares were credited to the account of his broker for sales made in settlement no 067 of 2002/03.

27. Shri Kishore V Thakkar received a total of 16 lakh shares in his demat account on June 18, 2002. On July 2, 2002, 12.59 shares were given to the account of his broker for sales made in settlement no 070 of 2002/03.

28. Shri Mukesh Bachubhai Vadecha received a total of 48.75 lakhs shares between June 14 to July 4, 2002 in the following manner - 10 lakh shares from MBS, 8 lakh shares from Silicon Valley, 7 lakh shares from SGP and 23.75 lakh shares from Galaxy. It was further observed that upon receipt of 10 lakh shares in the demat account, all these shares were immediately transferred, in off market, to the demat account of Shri Dixit B. Patel. Additionally, upon receipt of further shares, part of the shares (506851 shares) were sold in the market in rolling settlement no. 065 of 2002/03 and further part i.e. 6,64,275 shares was sold again in rolling settlement nos. 082 and 83 of 2002/03. The remaining 28,28,874 shares were then transferred, in off market, to the demat account of Mrs. Swati Ashlesh Shah on July 22, 2002. Ms Swati Shah transferred 47000 shares, in off market, to Shri Piyush Jhaveri and remaining shares were retained by her along with previous balance in the account.

29. Smt Swati Ashlesh Shah received 5 lakh and 6 lakh shares on June 20, 2002 and June 21, 2002 from the promoter entities viz Silicon Valley and SGP Investments respectively. Mrs. Swati Ashlesh Shah retained these shares in the demat account till the end of the July.

30. Shri Ashit Haribhai Vora received 10 lakh shares on June 14, 2002 and 12.5 lakh were credited on July 4, 2002 from MBS and Galaxy respectively. Upon receipt of 10 lakh shares, Shri Ashit Vora in turn credited the shares to the account of Shri Kishore Thakkar. The account retained a balance of 12.5 lakh shares till the end of July 2002.

31. It was observed from the demat statement of Shri Maulik Patwa that transactions were done in the period June 14 to July 10, 2002. He received 49.5 lakh shares from the demat accounts of MBS (10 lakhs), Silicon Valley (7.5 lakh), SGP (7 lakh) and Galaxy (25 lakh). Upon receipt of these shares, he immediately transferred the same, in off market, to Ahmedabad based entities viz Shri Hemendra Shah and Shri Dixit Patel. It is also significant to note here that a major portion of shares, as many as 23,50,969 was sold in the market in Rolling Sett no. 075 of 2002/03. Total exchange traded volume during that period was 35,55,516 shares. Thus, these sales comprised major portion of sales during that period.

32. The Noticees viz Shri Maulik Patwa Shri Mukesh Bachubhai Vadecha and Shri Ashit H. Vora vide their letters dated June 27, 2007 submitted that they have received shares from Kishore Corporation and Shri Sanjeev P Shah who were known to them and transferred these shares under instruction from them through the stock brokers. It is extremely unusual that such large quantity of shares are kept in such a manner in a third person's demat account and that too without any reasons. The shares were kept in beneficiary /free account and not in pledge account which should have been the case if shares were to be kept as trustee. There was no reason to put up request for

transfers of shares from the demat accounts for each and every transaction. Hence, this stand taken by them is an afterthought to mask their own transactions, especially sales of shares, which they had acquired from the promoter associated entities during the tenure of the advertisements issued by UMNL.

**33.** On analysing the details of securities flows, I find that in aggregate, a total of 1,38,21,517 shares have been offloaded in the market by the promoters/associated entities of UMNL. Of this, Galaxy, SGP and MBS sold 1,03,39,152, 14,12,625 and 20,69,740 shares respectively.

**34.** I have noted that total issued capital of UMNL at the relevant time was 7.5 crore shares of face value of Rs. 2 each. Of this, as many as 5 crores shares had emanated out of preferential allotment made by UMNL and which were not given listing permission by BSE. Thus, listed stock was only 2.5 crore shares. Thus, around 55% of the listed stock of UMNL was offloaded during that short period of time after the issuance of the advertisements. The shares of UMNL were very thinly traded prior to the issuance of the advertisements. The advertisements were issued for the first time on June 27, 2002. It was observed that from May 2002 upto the date of the advertisement, the share price showed a declining trend from levels of Rs. 13 (face value Rs. 2) to level of Rs. 3. As regards the volume traded, the average volume traded till the period of the advertisements was in the range of 2.75 lakh shares per day. Subsequently, the daily volumes increased sharply as under:

| <b>Date</b>      | <b>Traded Volume per day</b> | <b>Price</b> |
|------------------|------------------------------|--------------|
| 6/24/2002        | 910111                       | 5.15         |
| 6/25/2002        | 870766                       | 4.15         |
| 6/26/2002        | 284177                       | 4.2          |
| <b>6/27/2002</b> | <b>1168994</b>               | 3.7          |
| 6/28/2002        | 402126                       | 4.4          |
| 7/1/2002         | 1674741                      | 3.55         |
| 7/2/2002         | 1880978                      | 2.85         |
| 7/3/2002         | 2069821                      | 2.3          |
| 7/4/2002         | 584429                       | 2.75         |
| 7/5/2002         | 1109364                      | 3.05         |

| <b>Date</b> | <b>Traded Volume per day</b> | <b>Price</b> |
|-------------|------------------------------|--------------|
| 7/8/2002    | 2237621                      | 2.45         |
| 7/9/2002    | 3555516                      | 2            |
| 7/10/2002   | 1750031                      | 2.4          |
| 7/12/2002   | 2143291                      | 1.6          |
| 7/15/2002   | 583571                       | 1.6          |
| 7/16/2002   | 597085                       | 1.9          |
| 7/17/2002   | 1070019                      | 1.6          |
| 7/18/2002   | 244042                       | 1.7          |
| 7/19/2002   | 745398                       | 1.4          |
| 7/22/2002   | 568023                       | 1.15         |
| 7/23/2002   | 206891                       | 1.3          |
| 7/24/2002   | 180191                       | 1.4          |
| 7/25/2002   | 378853                       | 1.15         |
| 7/26/2002   | 828761                       | 1            |
| 7/29/2002   | 266836                       | 1.05         |
| 7/30/2002   | 1546080                      | 0.9          |
| 7/31/2002   | 642302                       | 0.8          |

35. After July 31, 2002, the average volumes decreased to its levels of around 1 lakh to 1.5 lakh shares per day till the end of August 2002. The advertisements were issued upto July 1, 2002 and UMNL informed the stock exchanges during the month of July 2002 regarding the meetings of the Board of directors meetings. It has also issued clarificatory advertisements towards the end of July 2002 reinforcing its intention to proceed with its bonus issue. Thus, the advertisements permitted the promoters to offload their stock after building up demand on the back of inducing investor interest. Artificial demand was created as a result of the advertisements. Promoters' associated entities also managed to offload unlisted equity. These entities were Galaxy Television Ltd, MBS Investments & Trading P Ltd and S G P Investments Private Ltd. Shri Siddhartha Srivastava was the major shareholder /person in control of all these 3 companies and he was also a director of UMNL.

36. On analysing all aspects of the matter as also submission / statement made by some of the Noticees, I am of the view that Noticees have committed fraud on shareholders of UMNL by first issuing misleading advertisement and subsequently deliberately not taking any conclusive action thereon.

During the period of advertisement, the promoter related entities with the help of Noticees offloaded the shares resulting in huge volumes which would have induced the innocent investors to invest in the scrip. The action on the part of Noticees to lure innocent investors by publishing misleading statement / advertisement tantamounts to defrauding them as it was aimed at manipulating the volume in trading of the scrip. All such actions can be termed as fraudulent under Regulation 2(c) of PFUTP Regulations. They have accordingly violated the provisions of Regulation 3, 4(b), 5 and 6(a) of PFUTP Regulations.

37. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11B of Securities and Exchange Board of India Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, restrain the Noticees viz. Shri Kishore Vithalbhai Thakkar (PAN No. AAXPT9298C), Shri Ashit H Vora (PAN No. ACJPV1280C), Shri Maulik Patwa (PAN No. AGAPP4919R), Mrs. Swati Aslesh Shah (PAN No. AXRPS3686E), Shri Sanjiv P. Shah, Shri Dixit Babubhai Patel, Shri Mukesh Bachubhai Vadecha from accessing the capital market for a period of 2 years.

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

**Place: Mumbai**

**Date: 18.02.2008**

**V. K. CHOPRA**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**