

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

In the matter of M/s Coverage & Consultants Ltd.

In the scrip of Top Media Entertainment Ltd.

Date of hearing: 19.07.2007

Appearances:

For Noticee: None

For SEBI: Mrs. Barnali Mukherjee, DGM

Shri Naveen Sharma, AGM

Mohammed Rahaz P. M., Legal Officer

ORDER

Under Section 11 and 11B of the Securities and Exchange Board of India Act, 1992

1. Towards the middle and last week of June 2002, SEBI observed several advertisements in newspapers in respect of certain companies. Quite a few of such advertisements glossed over the company's past activities, projected an exceptionally buoyant picture of the company's future and then proceeded to announce that the board of the company was about to consider a corporate action as for instance - Buyback of shares, preferential allotment, Bonus issue etc. It was also noticed that such advertisements were not mandated by any provision of law and the companies were voluntarily publishing them. Significantly, it was further observed that there was unusual price volume movement in the shares of those companies around the time of the issuance of such advertisements.

2. One such company which had issued such advertisements was Top Media Entertainment Ltd. (hereinafter referred to as TMEL). TMEL had issued an advertisement in newspapers in the first week of July 2002 to the effect that a meeting of its Board of Directors (hereinafter referred to as 'BoD') was to be held shortly to inter-alia, consider buy-back of shares by the company. It was observed that such advertisements were not legally required to be issued much less at the proposal stage itself. It was further observed that there was a sharp increase in the volumes traded prior to the issuance of advertisements and sharp increase in traded volumes subsequent to issuance of the advertisements. The share price/volume history indicated that the shares of TMEL were very thinly traded prior to the occurrence of the aforesaid events. In view of the aforesaid, it prima facie appeared that the purpose of such advertisements was to attract investor interest in illiquid scrip and induce them to trade in such scrips.
3. In view of the advertisements that had appeared in the newspapers on July 02, 2002 and the trading pattern in the scrip of TMEL prior to and after the issuance of the advertisements, SEBI conducted investigation into the trading in the said scrip for the period from May 01, 2002 to July 31, 2002 to ascertain the violation, if any, of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations'), SEBI (Prohibition of Insider Trading) Regulations, 1992 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as 'Takeover Regulation').
4. Investigation revealed that TMEL had come out with a public issue of 5,159,400 equity shares of Rs 10/- each during 1996. The Authorised Capital of the company was increased from Rs. Six crores to Rs. Ten crores in EGM of the company held on January 17, 2000. Thereafter, the paid up capital of the company increased to Rs.91.6 Lakh as on 31st March, 2000

since the company did preferential allotment of 40,00,000 shares of Rs.10/- each fully paid-up (issued at Par). The paid up capital of TMEL then increased to Rs. 12.66 crore as the company had issued 35 lacs shares to the group Company Top cassettes Ltd under the SWAP arrangement. The trading in the shares was transferred to compulsory demat mode since October 10, 2000. It was further revealed that TMEL had split its equity shares from every one existing equity shares of Rs.10/- each into ten equity shares of Rs.1/- effective from May 28, 2001. Thereafter, TMEL had informed BSE that the EGM of the company will be held on March 09, 2002 to consider the consolidation of equity shares of Rs.1/- each into one equity shares of Rs.10/- each. There was no further development reported to the Exchanges and value of equity share was of Rs.1/- when the scrip was suspended from BSE.

Particulars	Shares	Price(Rs)	Listing status on BSE
Before Public Issue	8,20,800		Listed in BSE
Public issue in 1996	51,59,400 (51.6 lakh)	Rs.10/-	
Preferential allotment on January 17, 2000	40 lakh	Rs.10/-	
Shares Issued on Acquisition in January 2001	35 lakh		not listed
Total	1.266 crore	Rs.10/-	
Splitting of Shares May 2001	12.66 crore	Rs.1/-	

- Investigation also revealed that TMEL was one of those low cap stocks for which there was an advertisement on proposed corporate action viz. Buy Back of shares. The company had sent the information about the proposal

for the buy back of shares to BSE and ASE on June 26, 2002 and also published advertisements about this in various news papers on July 02, 2002. However, subsequently on July 18, 2002, the company informed BSE that its Board had decided not to buyback thirty million shares at the price of Rs 3 for the share of Re 1 paid up and its Board had also decided not to consider buyback at this stage and the matter would be reconsidered after one year. The company published this information in various news papers on July 21-22, 2002 in small column in notice form.

6. Investigation brought out that trading in the shares of TMEL was concentrated in the hands of few brokers during this period. Summary of transactions of the major brokers of BSE is as under:

S. No.	Broker	Gross Sale	Net sale	Major Clients
1	Park Light Investment Pvt Ltd.	7463467 (40.36%)	6813425 (46.87%)	Coverage and Consultant Ltd.
2	Hari Hiralal	4188166 (22.64%)	4036319 (27.69%)	Scattered Client Base
3	MPSE Sec Ltd	2024418 (10.94%)	533535 (3.67%)	Ever Growth Financial Ltd

Further examination of the clients of these brokers brought out that M/s. Coverage & Consultants (CCL), the major client of Parklight Investment Pvt. Ltd. (hereinafter referred to as PIPL), had major net sell positions of more than one crore shares during the investigation period. Thus, Investigation Report concluded that TMEL acting through its directors and other associate entities offloaded its shares in the market through its intermediary company CCL after the happening of aforesaid events.

7. Accordingly, Show Cause Notices dated March 01, 2005 were issued to TMEL and CCL to show cause as to why suitable directions under Section 11(4) read with Section 11B of SEBI Act 1992 including direction of

debarring them from the capital market/dealing in securities for a suitable period of time, should not be passed against them. Similarly, Show Cause notices dated March 14, 2005 were also issued to the directors of TMEL namely Shri Deep Trivedi, Mrs. Jyoti Trivedi and Shri Inderjit Singh Vaghela to show cause as to why suitable directions under Section 11(4) read with Section 11B of SEBI Act 1992 including direction of debarring them from the capital market/dealing in securities for a suitable period of time, should not be passed against them. The Noticees except TMEL however did not reply to the show cause notices. The status of the SCNs and reminders issued to them is as under:

S. No.	Name of the entity	Status
1.	Top Media Entertainment Ltd.	SCN served through Juris Matrix, replied vide letter dated 18.06.07
2.	Shri Inderjit Singh Vaghela	SCN dated 14.03.05 acknowledged by group company Top Cassettes Ltd. on behalf of the director Shri Vaghela. Reminder dated 21.02.06 returned undelivered whereas reminder dated 20.10.06 was pasted by ASE.
3.	Shri Deep Trivedi	-do-
4.	Mrs. Jyoti Trivedi	-do-
5.	M/s Coverage Consultants Ltd.	SCN dated 01.03.05 returned undelivered, SCN served through broker PIPL on 19.04.06. Reminders dated 30.06.06 & 20.10.06 returned undelivered.

8. Personal hearing was also granted to all the aforesaid entities before me on July 19, 2007. The notice for hearing was served to TMEL and its three directors through Jurix Matrix, Advocates as they had inspected the documents on behalf of TMEL and its directors. The notice for hearing to

CCL was posted on the official website of SEBI. However, no one appeared on July 19, 2007.

9. I have considered the investigation report, show cause notice, reply thereof and other materials available on record.
10. I note that TMEL and its directors namely Shri I. G. Vaghela, Shri Deep Trivedi and Mrs. Jyoti Trivedi have filed consent applications in terms of SEBI Circular No- EFD/Cir-1/2007 dated April 20, 2007. In view of the same, I am not passing any direction against TMEL and its directors namely Shri I. G. Vaghela, Shri Deep Trivedi and Mrs. Jyoti Trivedi at this stage. However, it would remain open to SEBI to pass appropriate direction/order against them in accordance with law as and when necessary/appropriate. With regard to CCL, I note that it has neither replied to the SCN nor appeared for personal hearing. Therefore, I am constrained to proceed ex-parte in the matter against CCL on the basis of available records.
11. I note from the price -volume data, obtained from BSE, that the scrip of the TMEL was traded thinly in exchange. The total volume traded in the exchange was around three crore of shares during June-July 2002. The average volume traded till the period of the advertisements was in the range of 6.5 lakh shares per day. During June 2002, volume of shares in market was increasing till the advertisement published by the company but prices were decreasing, indicating that there was supply pressure in the market for the scrip. On the day of advertisement i.e. July 02, 2002, volume crossed 24 lakh of shares. After the advertisement, there was rising trend in the price of scrip. As the shares of scrip were already oversupplied in the market and the advertisement had created interest in

public as the company had announced to buy back the shares at price of Rs.3/- whereas the prevailing price of shares was only Rs.0.40, for investors and public, it was a good opportunity to buy shares at the prevailing price and sell it to the company at higher price. This created demand of the scrip in market and push the price in upward direction, however it could not sustain for a longer time as shares of TMEL in market were oversupplied. The details are as follows:

Date	Volume	Close	Date	Volume	Close	Date	Volume	Close
6/3/2002	152819	0.65	6/28/2002	637172	0.45	7/26/2002	816601	0.25
6/4/2002	10858	0.75	7/1/2002	604291	0.4	7/29/2002	169101	0.25
6/5/2002	144001	0.9	7/2/2002	2419040	0.45	7/30/2002	255653	0.25
6/6/2002	72703	0.85	7/3/2002	1364287	0.5	7/31/2002	141414	0.25
6/7/2002	124801	0.7	7/4/2002	1546356	0.6	8/1/2002	133101	0.25
6/10/2002	406302	0.65	7/5/2002	1433103	0.7	8/2/2002	103101	0.25
6/11/2002	429411	0.6	7/8/2002	2284046	0.8	8/5/2002	65950	0.25
6/12/2002	100100	0.6	7/9/2002	2066800	0.65			
6/13/2002	49835	0.6	7/10/2002	514864	0.75			
6/14/2002	961303	0.55	7/12/2002	611905	0.55			
6/17/2002	407753	0.55	7/15/2002	614951	0.5			
6/18/2002	245707	0.55	7/16/2002	336667	0.45			
6/19/2002	89614	0.65	7/17/2002	494284	0.4			
6/20/2002	302905	0.65	7/18/2002	1294020	0.4			
6/21/2002	714700	0.6	7/19/2002	771348	0.35			
6/24/2002	548103	0.5	7/22/2002	557424	0.3			
6/25/2002	612766	0.45	7/23/2002	1541577	0.25			
6/26/2002	580578	0.45	7/24/2002	1037267	0.3			
6/27/2002	85812	0.5	7/25/2002	1482796	0.3			

12. I note that CCL, the client of Parklight, had major net sell positions. The client CCL had sold more than one crore shares during the investigation period. The net position i.e. net sell on the day of advertisement and Board of Directors (in short BoD) meeting day crossed 10 lakh shares. In between the day of advertisement and the BoD meeting, the client maintained its position in selling and sold more than 90 lakh of shares. The details of transactions done by CCL are as under:

Client Name	Date	Gross Buy (a)	Gross Sell (b)	Quantity delivered/received
Coverage & Consultant Ltd. (CCL)	11.06.2002	00	349700	-349700
CCL	12.06.2002	00	76000	-76000
CCL	13.06.2002	500	00	500
CCL	14.06.2002	00	691600	-691600
CCL	17.06.2002	00	349549	-349549
CCL	20.06.2002	00	180000	-180000
CCL	21.06.2002	5000	369110	-364110
CCL	24.06.2002	00	371490	-371490
CCL	25.06.2002	31000	563650	-532650
CCL	26.06.2002	2000	543204	-541204
CCL	27.06.2002	5000	00	5000
CCL	28.06.2002	7000	566199	-559199
CCL	01.07.2002	00	497398	-497398
CCL	02.07.2002	33198	1747000	-1713802
CCL	03.07.2002	32987	1080000	-1047013
CCL	04.07.2002	30000	430321	-400321
CCL	05.07.2002	9853	00	9853
CCL	08.07.2002	27000	1336622	-1309622
CCL	09.07.2002	26100	1141388	-1115288
CCL	11.07.2002	26400	191026	-164626
CCL	12.07.2002	110000	462300	-352300
CCL	15.07.2002	41000	557010	-516010
CCL	16.07.2002	37740	244153	-206413
CCL	17.07.2002	22000	443000	-421000
CCL	18.07.2002	8100	1113000	-1104900
CCL	19.07.2002	00	715411	-715411
CCL		4,54,878	1,40,19,131	-1,35,64,253
NAVKAR INVESTMENT	11.07.2002	2000	00	2000
PRASHANT PARIKH	02.07.2002	5000	00	5000
PRASHANT PARIKH	03.07.2002	5000	00	5000
PRASHANT PARIKH	12.07.2002	00	5000	-5000
PRASHANT PARIKH	19.07.2002	00	5000	-5000

13. Trading on the day of advertisement (July 02, 2002)

Broker's Name	Gross sale (%)	Net Sale (%)
Parklight Investment Pvt. Ltd	1747000 (72.22%)	1708802 (79.37%)
MPSE Sec Ltd	584000 (24.14%)	383200 (17.80%)

It is noted from the aforesaid that the broker PIPL had net sell position of approx 80% of the net sale of the exchange on the day of advertisement and all of these shares were sold by the client CCL. In fact, major transactions were carried out by CCL only after the issuance of the advertisements.

14. Examination of demat statement of the top 50 shareholders as on the end of May, June and July 2002 revealed following changes in shareholding of major shareholders.

Shareholder (Location)	Client ID	5/31/2002	6/30/2002	7/31/2002
Top Cassettes Ltd (Mumbai)	30178215	35000000	15000000	
Jyoti Trivedi (Ahemdabad)	10027989	5000000	5000000	
Bhanuprasad Trivedi (Ahemdabad)	10027997	5000000	5000000	
Reliable Plastics Limited (Indore)	30186506	6000000	6000000	6000000
Coverage And Consultants Ltd (Indore)	10029747	4313555	15772406	
	10007307			10045034
	30157663	291400	291400	291400
Coverage And Consultants Ltd		4604955 (3.6 app.)	16063806 (12.68app.)	10336434 (8.16app.)
Infoquest Software Exports Limited (Indore)	30186514	5401552	5401552	201552
Pinnalce Finstock P Ltd.(Ahemedabad)	10000677	940265	940265	20940265
Park Light Investment Private Limited	10000230	471100	3557446	
Evergrowth Financial Consultants P ltd (Indore)	16106364	868590	1744425	1621613
Equisearch Broking Pvt Ltd (Mumbai)	17192813	294508	306508	306508
GRAND TOTAL		17327150	21301331	1928121

15. Top Cassettes Ltd, now known as Top Tele Media Ltd, is a group company of TMEL. Top cassettes had transferred 3.5 crore shares to the associated entities including CCL during the investigation period which were then off loaded in the market. It is noted here that these shares were issued to

the company in January 2001 under the SWAP. The shares have still not been listed in BSE.

16. Further I note from the Investigation Report that large quantities of shares had flowed from the major promoter associated entities to the Indore based entities. The major promoter associated entities who had transferred shares to CCL are as under

1. Jyoti Trivedi (Director) - DP ID: IN301485, Client ID: 10027989 had transferred 5,000,000 shares to Coverage and Consultants Ltd Client ID: 10007307 on July 25, 2002.

2. Bhanu Prasad Trivedi (Related to Jyoti Trivedi) - DP ID: IN301485, Client ID: 10027997 had transferred 5,000,000 shares to Coverage and Consultants Ltd Client ID: 10007307 on July 24, 2002. Addresses and contact No. given to the depository by Bhanu Prasad Trivedi is same as the address and phone no given by the Director of TMEL, Mrs. Jyoti Trivedi.

3. Top Cassette Ltd. DP ID: IN (Client ID: 30178215) had transferred 20,000,000 shares to Coverage and Consultants Ltd Client ID: 10029747 on June 07, 2002 (before the advertisement) and 15,000,000 shares on July 05, 2002 (after the advertisement was published by the company).

17. The analysis of the demat statements and Off-market transactions of entities are summarised below:

1. **Securities flow from account of Top Cassette Ltd. (Client ID : 30178215)**

Top Cassette Ltd. had shareholding of 35,000,000 (28.18%) shares at the end of May 2002. Its shareholding decreased to 15,000,000 (12.07%) at the end of month of June. By the end of July 2002, Top Cassettes had no shareholdings in the TMEL. These shares were transferred to the account of Coverage And Consultants Ltd during the investigation period.

	Shareholder Name /Members	Client ID	Date	Quantity
1.	Coverage And Consultants Ltd	10029747	07-Jun-02	20,000,000(15.79%)
2.	Coverage And Consultants Ltd	10029747	05-Jul-02	15,000,000(11.85%)
	TOTAL			35,000,000

In the demat statement of Top cassettes, off market transactions were also observed. From the aforesaid table, it is evident that Top cassettes had transferred two crore of shares to CCL before the advertisement was published and 1.5 crore of shares after the advertisement. It is noted that these shares were not listed in BSE.

2. Securities flow from account of Pinnacle Finstock Pvt. Ltd. (Client ID 10000677)

Pinnacle Finstock Pvt. Ltd. had shareholdings of 940,265 shares at the end of May and June 2002. Its shareholding increased to 2,08,52,342 at the end of July 2002. Pinnacle Fin stock Pvt. Ltd was major body corporate shareholder of the company. On July 05, 2002 CCL had transferred 20,000,000 shares to the account of Pinnacle Finstock Pvt. Ltd. Details of transaction done during July 2002 are given below:

Date	Client ID\ (Set. No.)	Description	Debit	Credit
		Opening Balance		886665

5/7/2002	10029747	By Khandwala Int.Fin.S.Pv.L	0	10000000
5/7/2002	10029747	By KHANDWALA INT.FIN.S.PV.L	0	10000000
8/7/2002	(0203071)	By CM ACTIVE FINSTOCK PVT LTD	0	4000
9/7/2002	11553525	To KARVY CONSULTANTS LTD	4000	0
16/07/2002	(0203078)	To CM ACTIVE FINSTOCK PVT LTD	12504	0
19/07/2002	(0203080)	To CM ACTIVE FINSTOCK PVT LTD	60183	0
20/07/2002	(0203079)	By CM ACTIVE FINSTOCK PVT LTD	0	12504
25/07/2002	(0203082)	By CM ACTIVE FINSTOCK PVT LTD	0	60183
12/8/2002	(0203096)	To CM ACTIVE FINSTOCK PVT LTD	50000	0
13/08/2002	(0203097)	To CM ACTIVE FINSTOCK PVT LTD	32723	0
13/08/2002	(0203098)	To CM ACTIVE FINSTOCK PVT LTD	5200	0
		Closing Balance	1,64,610	2,08,52,342

I note that during the investigation when queries were raised to Pinnacle fin stock Pvt. Ltd. regarding the shareholdings in TMEL, Pinnacle replied that the shares were transferred to its account by CCL as security deposit. CCL was a regular client of Pinnacle Finstock and CCL had deposited shares of TMEL as security towards their outstanding balance with the Pinnacle Finstock.

3. Securities flow from account of Coverage And Consultants Ltd. (Client ID: 10029747, 10007307 and 30157663)

CCL had shareholdings of 46,04,955(3.6%) shares at the end of May 2002. Its shareholding increased to 1,60,63,806 (12.68%) at the end of June 2002 and then its shareholding decreased to 1,03,36,434 (8.16%) shares at the end of July 2002. It is noted that 3.5 crore shares were transferred to the account of CCL by the group company Top Cassettes Ltd. during the investigation period as demonstrated (supra). CCL also received 52 lakh shares from Info Quest Software Exports Limited on July 19, 2002 just after the BoD meeting was held. It appears that Info Quest and the promoter of TMEL are related entities as the phone no given by them to

the depository is same. During the investigation period, many off- market transactions were observed in the demat statement of CCL. Details are given below:

	Shareholder Name	Client ID	Date	Quantity
1.	Evergrowth Financial Consultants P ltd	16106364	06-May-02	3,00,000
2.	Evergrowth Financial Consultants P ltd	16106364	30-may-02	10,00,000
3.	Evergrowth Financial Consultants P ltd	16106364	10-Jun-02	20,00,000
4.	Evergrowth Financial Consultants P ltd	16106364	05-Jul-02	25,00,000
5.	Pinnacle Fin stock Pvt. Ltd.	10000677	05-Jul-02	1,00,00,000
6.	Pinnacle Fin stock Pvt. Ltd.	10000677	05-Jul-02	1,00,00,000
7.	Parklight Investment Pvt Ltd	10000230	19-Jun-02	50,000
8.	Parklight Investment Pvt Ltd	10000230	26-Jun-02	50,00,000
9.	Parklight Investment Pvt Ltd	10000230	07-Jul-02	50,00,000
10.	Parklight Investment Pvt Ltd	10000230	24-May-02	4,78,800
11.	Parklight Investment Pvt Ltd	10000230	20-Jul-02	30,00,000
12.	Coverage And Consultants Ltd	10007307	22-Jul-02	54,00,000
	TOTAL			4,47,28,800
13.	To CM PIPL	(0203058)	18-Jun-02	691600
14.	To CM PIPL	(0203059)	18-Jun-02	349549

4. Securities flow from account of Ever Growth Financial Ltd. (Client ID: 16106364)

It is noted that CCL has also traded through Ever Growth Financial Ltd.

The details of transaction are given below:

Date	Description	Credit	Debit	Balance
	Opening Balance			0
2/5/2002	By CM MPSE ,RML / 0203022	6050	00	6050
2/5/2002	To CM MPSE ,RML / 0203025		2400	3650
6/5/2002	By Coverage and Consultant ltd (10029747)	300000	00	303650
7/5/2002	To CM MPSE ,RML / 0203029		23849	279,80
13/05/2002	By CM MPSE ,RML / 0203030	3000	00	282801
16/05/2002	By CM MPSE ,RML / 0203032	18500	00	301,30
24/05/2002	By CM MPSE ,RML / 0203038	100	00	31401
25/05/2002	To CM MPSE ,RML / 0203043		3300	298101
28/05/2002	To CM MPSE ,RML / 0203044		32850	265,25
29/05/2002	To CM MPSE ,RML / 0203045		69600	195,65

30/05/2002	To CM MPSE ,RML / 0203046		133351	62300
30/05/2002	By Coverage and Consultant Ltd (10029747)	1000000	00	1062300
31/05/2002	To CDS / 1202620000000364		193710	868590
1/6/2002	To CM MPSE ,RML / 0203048		223501	645089
4/6/2002	To CM MPSE ,RML / 0203049		132355	512734
6/6/2002	To CM MPSE ,RML / 0203051	123,31	123310	389424
8/6/2002	To CM MPSE ,RML / 0203052		57101	332323
8/6/2002	To CM MPSE ,RML / 0203053		122500	209823
10/6/2002	By Coverage and Consultant Ltd (10029747)	2000000	00	2209823
11/6/2002	To CM MPSE ,RML / 0203054		200000	2009823
11/6/2002	To CM MPSE ,RML / 0203054		182600	1827223
14/06/2002	To CM MPSE ,RML / 0203057		36500	1790723
18/06/2002	By CM MPSE ,RML / 0203055	100	00	1790823
19/06/2002	By CM MPSE ,RML / 0203056	3100	00	1793923
19/06/2002	To CM MPSE ,RML / 0203060		224500	1569423
21/06/2002	By CM MPSE ,RML / 0203058	14500	00	1583923
22/06/2002	By CM MPSE ,RML / 0203059	25600	00	1609523
26/06/2002	By CM MPSE ,RML / 0203061	1	00	1609524
27/06/2002	By CM MPSE ,RML / 0203062	5101	00	1614625
28/06/2002	By CM MPSE ,RML / 0203063	123000	00	1737625
29/06/2002	By CM MPSE ,RML / 0203064	6800	00	1744425
1/7/2002	By CM MPSE ,RML / 0203065	60831	00	1805256
3/7/2002	To CM MPSE ,RML / 0203069		6000	1799256
3/7/2002	To CM MPSE ,RML / 0203070	367100	00	1432156
3/7/2002	By CM MPSE ,RML / 0203066	21200	00	1453356
5/7/2002	To CM MPSE ,RML / 0203072		843658	609698
5/7/2002	By Coverage and Consultant Ltd (10029747)	2500000	00	3109698
6/7/2002	To CM MPSE ,RML / 0203073		933303	2176395
9/7/2002	To CM MPSE ,RML / 0203074		314000	1862395
9/7/2002	By CM MPSE ,AUCTION ROLLING 0203067	5000	00	1867395
10/7/2002	To CM MPSE ,RML / 0203075		375682	1491713
17/07/2002	By CM MPSE ,RML / 0203076	81200	00	1,572,91
	Total share sold in Rolling Settlement		42,34,070	
18/07/2002	To CM MPSE ,T 2 T / 0203081		3000	1569913
19/07/2002	By CM MPSE ,RML / 0203078	25000	00	1,594,91
22/07/2002	By Inter Depository transfer CDS 1202620000000379	1000	00	1,595,91
22/07/2002	By CM MPSE ,T 2 T / 0203079	8100	00	1604013
24/07/2002	By CM MPSE ,T 2 T / 0203080	1500	00	1605513
24/07/2002	By CM MPSE ,T 2 T / 0203081	5100	00	1610613
25/07/2002	By CM MPSE ,T 2 T / 0203083	1000	00	1611613
27/07/2002	By CM MPSE ,T 2 T / 0203082	1000	00	1612613

27/07/2002	By CM MPSE ,T 2 T / 0203083	9000	00	1621613
Closing Balance				1,621,613

VIOLATION OF TAKEOVER REGULATIONS

18. The shareholding of CCL in TMEL crossed the 15 % limit as Top Cassettes had transferred 3.5 crore shares to CCL as demonstrated (supra) which triggered Regulation 10 of Takeovers Regulations. Regulation 10 of Takeover Regulations states that

“No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen percent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the Regulations”.

I note that CCL acquired these shares without making public announcement and therefore it violated Regulation 10 of Takeover Regulations.

VIOLATION OF FRAUDULENT AND UNFAIR TRADE PRACTICES REGULATIONS:

19. TMEL made corporate announcements of buy back of shares and later on withdrew the same after offloading large chunk of shares through its intermediary company CCL which resulted into violation of Regulations 3, 5(1) and 6(a) of the PFUTP Regulations. In this regard, it is pertinent to analyse the provisions of these regulations. Regulations 3, 5(1) (a) & (b) and 6(a) states as under:

“3. Prohibition of certain dealings in securities.-

No person shall buy, sell or otherwise deal in securities in a fraudulent manner.”

“5. Prohibition of misleading statements to induce sale or purchase of securities.-

(1) No person shall make any statement, or disseminate any information which –

(a) is misleading in a material particular; and

(b) is likely to induce the sale or purchase of securities by any other person or is likely to have the effect of increasing or depressing the market price of securities, if when he makes the statement or disseminates the information-

(i) he does not care whether the statement or information is true or false; or

(ii) he knows, or ought reasonably to have known that the statement or information is misleading in any material particular.

Nothing in this sub-regulation shall apply to any general comments made in good faith in regard to – (a) the economic policy of the Government,

(b) the economic situation in the country,

© trends in the securities markets, or

(d) any other matter of a similar nature,

whether such comments be made in public or in private.”

“6. Prohibition on unfair trade practice relating to securities.-

No person shall –(a) in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities;

.....
....."

20. It is noted that the shares transferred by Top Cassettes were not listed in BSE. Details submitted by PIPL shows that the CCL had sold (net) 1.35 crores of shares directly in the market through PIPL. The client details submitted by PIPL states that trading was done by Mr. Deep Trivedi and Mr. Inderjit Bhai on behalf of CCL. Further it is also noted that shares were transferred to Ever Growth Financial and these shares were sold in the market through MPSE Securities Ltd. during the period of Investigation.
21. The modus operandi of coming up with the attractive corporate activity of buy back of shares by TMEL and later on withdrawal of the same proposal and then transferring shares in large quantity by the entities related to the company including CCL in the market, clearly reflects that TMEL, its promoters/directors and CCL had malafide intention. They disseminated misleading information about proposal of corporate activity and created demand for the scrip of the company and then they sold shares in the market. The promoters/directors/related entities cleverly transferred its shareholding to the intermediary company CCL before the advertisement in order to not to be suspected. When the company had published the advertisement, this intermediary company i.e. CCL had offloaded shares in the market through PIPL.
22. I note that the promoters and the related entities had channeled their shares in market through CCL. So CCL aided and abetted these entities in offloading the shares in the market. On paper TMEL and CCL seems to be two different entities, however, I find that these two companies are apparently related to each other as contact number (079-26438207) given

by promoter Shri Deep Trivedi and CCL to the depository is same. The company had given same contact number to BSE. It was also found that in the BSNL directory the name of the person belonging to phone no 2519459(Indore) is Shri Deep Kumar Trivedi and address is similar to the address given by CCL to the Depository (Client ID:10029747).

23. From the foregoing, I am of the view that in the present case, CCL, an entity related to TMEL, by acquiring more than 15 % of shares of TMEL without making public announcement in terms of Takeover Regulations violated the provisions of Regulation 10 of Takeover Regulations. Additionally, the entire sequence of events in respect of transfer of shares by TMEL related entities before the publication of the advertisement, unwarranted advertisement in newspaper, the consideration for the proposal of Buy back of shares, withdrawal of the said proposal, rise in price - volume in the scrip, indicate plan of the promoters to create artificial demand in the market for the scrip and then offload the shares through the intermediary company CCL. Thus, the violation of the provisions of Regulations 3, 5(1) (a) & (b) and 6(a) of the PFUTP Regulations, 1995 has clearly been established against CCL.
24. Persons who operate in the market are required to maintain high standards of integrity, promptitude and fairness in the conduct of the business dealings. People, who indulge in manipulative, fraudulent and deceptive transactions, or abet the carrying out of such transactions which are fraudulent and deceptive, should be suitably penalized for the said acts of omissions and commissions. I also note that CCL and PIPL have been found to be involved in similar violations in past.

25. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11 and 11B of Securities and Exchange Board of India Act, 1992 read with Section 19 of the SEBI Act and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 restrain hereby M/s. Coverage & Consultants Ltd. (PAN No. 18-12-CN-9209) 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. As M/s. Coverage & Consultants Ltd. was already restrained from accessing the securities market and also prohibited from buying, selling or dealing in securities either directly or indirectly for a period of seven years w.e.f. SEBI order dated October 22, 2007, this order restraining and prohibiting M/s. Coverage & Consultants Ltd. from accessing the securities market for a period of two years will run concurrently.
26. This order shall come into force with immediate effect.

DATE: 20.02.08

PLACE: MUMBAI

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA