

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER**

IN THE MATTER OF SHRI PARSHWA FINANCE

**IN THE SCRIP OF M/s. OJAS TECHNOCHEM PRODUCTS
LIMITED**

ORDER

**DIRECTIONS UNDER SECTION 11B AND 11 (4) OF THE SEBI
ACT, 1992**

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) noticed substantial increase in the volume and price of the shares of Ojas Technochem Products Limited (hereinafter referred to as OTPL) at the Bombay Stock Exchange Ltd (BSE), during the period November 1999 to February 2000 (between settlement numbers 37 to 46). It was noticed that the volume of the shares of OTPL had increased from 27,500 shares on November 1, 1999 to 33,13,100 shares on February 9, 2000 and the increase in the price of the shares of OTPL during the corresponding period was Rs. 3.55/- to Rs. 23.60/-. It was noticed that the price of the shares of OTPL had sharply increased (from Rs. 9/- to Rs.18.85) between settlement numbers 44 and 46 (January 17, 2000 to February 4, 2000). The shares of OTPL were also listed on the Vadodara Stock Exchange Ltd. (VSE), Ahmedabad Stock Exchange Ltd. (ASE). In view of the unusual price/ volume increase as stated above, SEBI conducted investigations to find out as to whether there was any

manipulation in respect of the said price/volume increase in the shares of OTPL and look into the role of various entities/persons, if any, including the promoters/ directors of OTPL in respect of the said increase.

2. During the investigations, the investigations found that M/s. Shri Parshwa Finance (hereinafter referred to as 'the noticee') had dealt in the scrip of the company as an unregistered sub-broker and aided the promoters/directors and related entities to off-load their stake in OTPL after manipulating the price of the scrip. The details of the buy and sell details of the noticee in the scrip of OTPL, as submitted by the noticee is as below:

Buy/Sell Details in Ojas Technochem from 01/11/1999 to 01/03/2000				
Valan No.	Seller's Name	Quantity	Buyer's Name	Quantity
36	Rajesh N. Jhaveri	116500	Jyotish Bhogilal Shah	116500
37	Rajesh N. Jhaveri	390500	Jyotish Bhogilal Shah	390500
	Jyotish B. Shah	13500	Rajesh N. Jhaveri	13500
38	Rajesh N. Jhaveri	295700	Jyotish B. Shah	295700
39	Dina Narendra Shah	2000	Jyotish B. Shah	2000
	Rajesh N. Jhaveri	50000	Jyotish B. Shah	50000
	Jyotish B. Shah	50000	Rajesh N. Jhaveri	50000
40	Rajesh N. Jhaveri	60000	Ashok Kumar Bagre	60000
	Rajesh N. Jhaveri	10000	Kalyan Maybhai	10000
42	Rajesh N. Jhaveri	25000	Jyotish Bhogilal Shah	25000
	Jyotish B. Shah	25000	Rajesh N. Jhaveri	25000
43	Rajesh N. Jhaveri	4300	Jyotish Bhogilal Shah	4300
44	Rajesh N. Jhaveri	61600	Jyotish Bhogilal Shah	61600
46	Rajesh N. Jhaveri	235600	Jyotish Bhogilal Shah	235600
47	Rajesh N. Jhaveri	225000	Jyotish Bhogilal Shah	225000
	Jyotish B. Shah	223300	Rajesh N. Jhaveri	223300
	Rajesh N. Jhaveri	200000	Kalyan Maybhai	200000
	Kalyan Maybhai	135000	Rajesh N. Jhaveri	135000

Buy/Sell Details in Ojas Technochem from 01/11/1999 to 01/03/2000				
Valan No.	Seller's Name	Quantity	Buyer's Name	Quantity
48	Rajesh N. Jhaveri	100000	Deval N. Seth	100000
	Rajesh N. Jhaveri	219600	Jyotish Bhogilal Shah	219600
		2442600		2442600

When the noticee was questioned as to whether it had acted as a sub-broker to any entity/person including M/s. Rajesh N. Jhaveri, it denied and submitted that it acted as a client to M/s. Jyotish Bhogilal stock Brokers Pvt. Ltd. After perusal of the details submitted by M/s. Rajesh N Jhaveri, member of the Ahmedabad Stock Exchange (ASE), it appeared to the investigations that the noticee had either acted as an unregistered sub-broker or has dealt in an off-market deal and has facilitated the off-loading of the shares of the promoters/directors of OTPL or their related entities. It also appeared that the noticee had acted as a conduit for M/s. Rajesh N. Jhaveri who had helped the promoters/directors and related entities to off-load their stake after manipulating the price of OTPL. The investigations had thus alleged that by the various acts of the noticee, it had contravened the provisions of Section 12 of the SEBI Act, 1992 and clauses (b) and (d) of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995. In view of the allegations, a show cause notice was found necessary to be issued to the noticee in order to seek its explanation.

3. A show cause notice dated September 30, 2004 was issued to the noticee communicating the allegations against it. The show cause

notice alleged the noticee of having violated Section 12 of the SEBI Act, 1992 and clauses (b) and (d) of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995. The show cause notice also directed the noticee to submit its reply within 21 days of receipt of the notice failing which it would be construed that the noticee had nothing to submit and suitable directions that deem fit would be initiated against it.

4. The various correspondences between SEBI and the noticee have been tabulated below for reference:

Sr.no	Date	From	To	Particulars
1	30-09-2004	SEBI	Noticee	Show cause notice leveling allegations against the noticee.
2	21-10-2004	Noticee	SEBI	Noticee seeks extension of time for replying to the show cause notice.
3	29-10-2004	SEBI	Noticee	Request of the noticee accepted. Time extended till 08-11-2004.
4	06-11-2004	Noticee	SEBI	Noticee's request to SEBI to furnish copies all documents which establish his role in the price manipulation.
5	17-11-2004	SEBI	Noticee	Intimating the noticee that its request for inspection of documents has been granted and that it may inspect the documents on 13-12-2004, even though the documents had been furnished to the noticee earlier.
6	18-01-2005	SEBI	Noticee	Notice for personal hearing - the noticee was directed to attend a hearing before me on 16-02-2006.
7	11-02-2005	Noticee	SEBI	Requests another opportunity for inspecting the documents

Sr.no	Date	From	To	Particulars
				and to adjourn the date of hearing.
8	03-03-2005	SEBI	Noticee	The noticee was granted another opportunity to inspect the documents on 15-03-2005. It was then required to submit its reply by 29-03-2005 and then to attend a personal hearing scheduled on 21-04-2005.
9	10-03-2005	Noticee	SEBI	The noticee makes a request for re-scheduling the date fixed for inspection from 15-03-2005 to 16-03-2005
10	11-03-2005	SEBI	Noticee	The request of the noticee is acceded to and the date of inspection is fixed on 16-03-2005.
11	16-03-2005			The noticee inspected the documents and had taken copies of the same
12	21-03-2005	Noticee	SEBI	The noticee's reply to the show cause notice dated 30-09-2004
13	13-04-2005	SEBI	Noticee	The noticee is intimated of the rescheduling of the hearing.
14	01-07-2005	SEBI	Noticee	The noticee is required to attend a personal hearing on 09-08-2005.
15	05-08-2005	SEBI	Noticee	The noticee is intimated of the rescheduling of the hearing
16	19-01-2006	SEBI	Noticee	The noticee is required to attend a personal hearing on 10-02-2006.
17	10-02-2006	Noticee	SEBI	Facsimile message received from the noticee stating that he had missed his flight and further requested for an adjournment.
18	01-03-2007	SEBI	Noticee	Letter intimating the noticee directing it to attend the personal hearing fixed on 15-03-2007 as a last opportunity.
19	15-03-2007	Noticee	SEBI	Noticee again seeks further time citing health reasons.

Sr.no	Date	From	To	Particulars
20	07-04-2007	Noticee	SEBI	The noticee submits its written submissions

From the above table, it is evident that the noticee did not submit its reply in time. Several opportunities for inspecting the documents and that of personal hearing were afforded to it. The submissions of the noticee as found in its letter dated March 21, 2005 has been summarized below:

- i) In the absence of the inspection of all the documents and records, it would be impossible to effectively represent his case and reply to the show cause notice.
- ii) The noticee has denied the allegations and his activities alleged are in no way in violation of Regulations 4(b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Under such circumstances, no action much less a direction debarring him from accessing the securities market as proposed in the show cause notice, be taken.
- iii) The allegations sought to be levelled against it in the show cause notice are based on uneventful transactions, presumptions, assumptions, surmises and conjectures and therefore, do not permit initiation of any investigation or any action pursuant thereto.
- iv) The allegations levelled against it in the show cause notice are based on misconstruing and erring in the correct appreciation of facts and documents and in absolute contravention/ total disregard/ ignoring the facts very

much available on record in as much as it fails to establish direct relationship with any of the promoters or their relatives or having knowledge of they being trading at relevant point or his direct or indirect access with either of them. The allegations levelled against it are without any substance and therefore, required to be dropped.

- v) The allegations levelled against it in the show cause notice are based on misconstruing and erring in the correct appreciation of facts and documents and in absolute contravention/ total disregard/ ignoring the facts very much available on record with respect to its relationship with M/s. Rajesh N Jhaveri and therefore, investigation has been initiated absolutely on wrong facts and footings and as such the same cannot be proceeded further and requires to be withdrawn immediately.
- vi) The allegations levelled in the show cause notice are on the face of it based on self contradiction of facts and conclusion drawn by the investigating officer in as much as it is alleged that it had acted as conduit and facilitated promoters and their relatives in off loading of shares in the market while charges are levelled against it for creating artificial volume and not effecting beneficial ownership in the market although all the trades carried by it were in the nature of jobbing/ arbitrage trades backed by delivery in the said scrip. Further contradiction emerges from the allegation that the said act was done by it after manipulating the price of the said scrip at higher prices while from the records submitted by M/s. Rajesh N Jhaveri, it appears that the shares of promoters and their

relatives were off loaded by the said firm during the period when the highest price was not prevailing in the said scrip as can be gathered from the report itself. It is pertinent to note that its arbitrage/ jobbing trades were within price range of meagre less than even 0.05 paisa and such narrow price range trading pattern hardly affects the prices of the shares or its equilibrium as alleged or otherwise or at all.

- vii) The investigating officer endeavoured to conclude allegations sought to be levelled against the noticee in the show cause notice appears to be on the face of it ignoring the evidence available on record and merely probabalizing and enduring to prove the alleged facts on the basis of preponderous of probability without clearly understanding its role, trading pattern, contractual relationship with respective brokers/ sub-brokers thereto. The investigating officer while concluding about the violations sought to be levelled has not confined himself with the usual nature of trading practice carried out by it in the ordinary course of market and in the usual capacity as a client but has travelled beyond the said fact available on record during the period of investigation. The said bias and vindictive report under no circumstances shall be the basis for any kind of penal action much less the penal action as sought to be imposed in the show cause notice.
- viii) That the contents of para 8 of the show cause notice are highly misleading and misconceived in as much as from the contents thereof it is abundantly clear that while arriving at the conclusion.

4. An opportunity of personal hearing was granted to the noticee on April 15, 2007. However the noticee did not appear for the hearing before me. I am proceeding ahead, based on the material available on record.
5. I have perused the show cause notice issued to the noticee, replies/written submissions received from the noticee and other material on record. The show cause notice issued to the noticee has alleged that the noticee has either acted as an unregistered sub-broker or has dealt in an off-market deal and has facilitated off-loading the shares of the promoters/directors of OTPL or their related entities and that it appeared that the noticee had acted as a conduit for M/s. Rajesh N Jhaveri who had helped the promoters/directors and related entities to off-load their holdings in OTPL after manipulating the price of OTPL. On the basis of the allegations contained in the show cause notice, the following issues come up for my consideration:
 - *Whether the noticee had acted as an un-registered sub-broker while trading in the scrip of OTPL, thereby contravening Section 12 of the SEBI Act, 1992?*
 - *Whether the noticee had dealt in off-market deals and has facilitated off-loading of the shares of the promoters/directors of OTPL or their related entities?*
 - *Whether the noticee had acted as a conduit for M/s. Rajesh N. Jhaveri, member of ASE who had helped the promoters/directors and related entities to off-load their holdings in OTPL?*
 - *Whether the noticee has contravened the provisions of Regulation 4 (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair*

Trade Practices Relating to Securities Market) Regulation, 1995 by their commissions and omissions while dealing in the scrip of OTPL?

6. The first issue to be determined is whether the noticee had acted as an un-registered sub-broker while trading in the scrip of OTPL which would be in contravention of Section 12 of the SEBI Act, 1992. I note that the noticee is a proprietorship concern with Shri Piyush Jhaveri as its proprietor. The noticee had dealt in 24,42,600 shares of OTPL through M/s. Rajesh N. Jhaveri, M/s. Jyotish Bhogilal Stock Brokers Private Limited during the period under scrutiny. I note that the noticee has stated before the Investigating Officer vide deposition of Shri Mehul K Shah, its authorised representative on 25-06-2003 that the noticee had traded in the scrip to earn profits by jobbing and that they had earned profits from such jobbing transactions.
7. With regard to the charge of acting as an un-registered sub-broker, the noticee has submitted that it had acted only as clients of various brokers including M/s. Jyotish Bhogilal Stock Broker Pvt. Ltd. and M/s. Rajesh N Jhaveri (RNJ) and not as a broker or a sub-broker. I find that Shri Parshwa Finance had dealt in the scrip as an unregistered sub-broker through other unregistered sub-brokers in the matter. The details of the buy and sell of the entity as submitted by the noticee has already been reproduced under para 2 of this order. From the table, I note that 2442600 shares of OTPL have been dealt with by the noticee mainly through M/s. Jyotish Bhogilal Stock Brokers Pvt. Ltd. and Rajesh N Jhaveri and also through M/s. Deval N Sheth and Kalyan Maya Bhai. I also note that the noticee was not able to furnish

details of the distinctive numbers of the shares bought and sold by it. The noticee also denied trading off the market. From the facts and circumstances of the case, I find that the noticee has acted as a conduit for M/s. Rajesh N Jhaveri, member, ASE and has acted as an unregistered sub-broker, thereby contravening the provisions of Section 12 of the SEBI Act, 1992.

8. With regard to the charge of violation of Regulation 4 (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995, I am inclined to exonerate the noticee for want of material evidence.

. In view of the above the above facts and circumstances of the case, I in exercise of powers conferred under Section 19 of the SEBI Act, 1992 read with Section 11B of the SEBI Act, hereby warn M/s. Parshwa Finance to careful and cautious in future while dealing with the clients. I also direct M/s. Parshwa Finance to note that any instances of violation or non compliance of the SEBI Act and Rules and Regulations in future shall be dealt with stringently.

DATE: 16.5.2008
PLACE: MUMBAI

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