

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**In the matter of Shri Piyush Jhaveri, Proprietor: Shri Parshwa
Finance**

In the scrip of Manna Glass Tech Industries Limited.

DATE OF HEARING: 30.07.2007

Appearances:

For noticees: Nil

**For SEBI: Shri P K Bindlish, Chief General Manager
 Shri Bibhu Datta Samal, Manager
 Ms Kshama Wagherkar, Legal Officer**

ORDER

**Under Section 11 and 11B of SEBI Act 1992 read with Regulation 11 of
SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to
Securities Market) Regulations, 2003.**

- 1 Securities and Exchange Board of India (hereinafter referred to as SEBI)
conducted investigation into the alleged manipulation into dealings in the
scrip of Manna Glass Tech Industries Limited (hereinafter referred to as

“company”/ “Manna Glass”) between January 1999 to July 1999 and January 2000 to July 2000 (hereinafter referred to as relevant period).

2 The investigation inter alia revealed the following:

- a) That during the period from January 1999 to July 1999, there was a spurt in the trading of Manna Glass as compared to its trading for the previous two years at The Bombay Stock Exchange Limited (hereinafter referred to as BSE). During this period, there was a substantial increase in the price and volume traded in the scrip.
- b) That during this period, four entities namely Indian Shelters Ltd., Growth Agro Industries Ltd., Omega Avenues Ltd. and Sarlee Fabrics Exports Ltd. had substantial dealings in the scrip.
- c) That in January 2000, Manna Glass had issued 1.8 crore shares @ Rs 17/- on preferential basis to promoters and other non-promoter entities. Due to this, total number of shares of company was increased from 83,39,500 to 2,63,39,500 and total issued equity capital of the company increased to Rs. 26.33 crores divided into shares of Rs.10/- each.
- d) That although there was a preferential issue, there was no real flow of funds from the allottees of the preferential issue to the company by way of allotment money.
- e) That around 1.50 crore shares of Manna Glass i.e, 84% of shares allotted in the preferential issue, were sold indirectly by the allottees in the stock exchange immediately after the preferential issue i.e. during March-July, 2000 through Shri Ramesh Parekh, Shri Rajesh Jhaveri and Shri **Piyush Jhaveri – the Proprietor of Parshwa Finance**

(hereinafter referred to as noticee). Average price in the market during which the shares were sold was around Rs.3.5 per share, i.e 1.5 crore shares worth Rs. 5.2 crore were sold in the market. Shri Prabhudas Lillardhar, member BSE had executed trades on behalf of its sub-broker Jyotish Bhogilal whose client was Shri Parshwa Finance (Proprietor - Shri Piyush Jhaveri, the noticee herein). The client of Shri Parshwa Finance was M/s Rajesh N Jhaveri and others.

- 3 The investigation conducted by SEBI also revealed that the noticee had assisted the preferential allottees and acted as their proxy to off load large quantities of shares in the market and thereby violated regulation 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as PFUTP Regulations).
- 4 Pursuant to the aforesaid findings of the investigation, a show cause notice dated September 29, 2003 was issued by SEBI to the noticee alleging the violations of provisions of Regulation 6(a) of PFUTP Regulations and calling upon him to show cause as to why suitable directions under Section 11, 11 (4) (b) and 11B of SEBI Act 1992 read with Regulation 11 of PFUTP Regulations, 2003 should not be passed against him.
- 5 Vide letter dated 04/11/2003, the noticee forwarded his reply. While denying the charges leveled against him, he inter alia submitted that:
 - (a) The report of investigating officer has not been furnished to him in violation to the principles of Natural Justice.
 - (b) The inquiry has been initiated under misconception of fact and law and there was not a single transaction wherein there was a default of payment or non delivery of shares.

- (c) The statements taken from persons during investigation have not been furnished to him and in the absence of the same it would not be able to represent the case properly.
6. An opportunity of hearing was granted to the noticee on February 03, 2004 when he appeared before the then Whole Time Member and made submissions.
 7. As the proceedings could not be completed during the tenure of the then Whole Time Member, the case was put up to me for consideration and in adherence to the Principles of Natural Justice another opportunity of hearing was granted to the noticee on 11.12.2006. However vide letter dated 11.12.2006 the noticee intimated that due to some other personal commitments it would not be possible for him to attend the hearing and the written submissions already submitted by him may be taken into consideration. Another opportunity of hearing was granted to the noticee on 03.08.2007. Nevertheless, vide letter dated 30.07.2007, the noticee once more intimated that due to personal commitments it would not be possible for him to attend the hearing and written submissions dated 11.12.2006 may be taken into consideration for arguments and contentions.
 8. I have carefully examined the investigation report, show cause notice, written submissions made by the noticee and the other available material available on record.
 9. I note that SEBI investigations covered the trading in Manna Glass at BSE for the period January 1999 to July 1999 and January 2000 to July 2000. During January 1999 to July 1999 it was noted that there was a spurt in the trading interest in the scrip as compared to previous two years. This is evident from the fact that during January-July 1999, the price of the scrip

at BSE opened at Re.0.80 on January 5, touched a high of Rs.15/- on June 9, and closed at Rs.9.50 on July 9. The cumulative trading volume in the scrip during Jan-July, 1999 was 12,76,600 shares, whereas there was no transaction in the scrip during the 20 months immediately proceeding this period. Further, in the year 1997, only four trades for 700 shares were executed.

10. The price-volume data furnished by the BSE for the scrip during the period from January 05, 1999 to July 09, 1999 is as under:

Sett No.	Date/month/year	open	High	Low	close	Volume
1999042	1/5/1999	0.8	0.8	0.8	0.8	100
	1/6/1999	0.9	2	0.9	2	10000
	1/7/1999	2.5	3.5	2.5	3.5	12000
	1/8/1999	3.6	4.9	3.6	4.9	9700
1999043	1/11/1999	5.1	7	5.1	7	28200
	1/12/1999	7	7	7	7	1300
	1/15/1999	5	5	5	5	100
1999044	1/18/1999	5.05	5.05	5.05	5.05	500
1999045	1/25/1999	4.65	4.65	4.65	4.65	200

Sett No.	Date/month/year	open	High	Low	close	Volume
2000004	4/15/1999	5	5	5	5	500
2000005	4/20/1999	5.45	5.45	5.45	5.45	100

Sett No.	Date/month/year	open	High	low	close	Volume
2000011	5/31/1999	6	9.95	6	9.95	30200
	6/1/1999	7.5	11	7.5	11	43300
	6/2/1999	10.4	11.6	10.4	11.6	106100
	6/3/1999	12.1	12.5	12.05	12.5	118400

	6/4/1999	12	13.45	11.7	12.65	53400
2000012	6/7/1999	13.5	13.55	13	13	18800
	6/8/1999	13.5	14	13	14	15300
	6/9/1999	14.25	15	13	13.15	30200
	6/10/1999	13.25	13.9	13	13	19600
	6/11/1999	13.1	13.1	12	12.25	20100
2000013	6/14/1999	12.55	12.75	11.3	11.4	150100
	6/15/1999	12.3	12.3	12.25	12.3	158900
	6/16/1999	13.25	13.25	13.15	13.25	153600
	6/17/1999	14.15	14.3	12.25	12.6	70200
	6/18/1999	13	13.3	12.75	13.05	80400
2000014	6/21/1999	13.9	14.05	13.05	13.1	13800
	6/22/1999	13.4	13.5	13	13	6100
	6/23/1999	12.5	13	12	12.5	7300
	6/24/1999	12.5	13	11.6	12	7700
	6/25/1999	12.3	12.8	11.7	11.8	8300
2000015	6/28/1999	12.25	12.6	11	11.25	8400
	6/29/1999	11	12	10.9	11.25	18700
	6/30/1999	10.5	11	10.4	10.4	9200
	7/1/1999	11.2	11.2	9.95	10.05	17800
	7/2/1999	10.8	10.8	9.5	9.9	7100
2000016	7/5/1999	10.2	10.5	9.35	10	2900
	7/6/1999	10	10.5	9.25	10.4	16500
	7/8/1999	9.6	9.9	8.85	9.1	9800
	7/9/1999	9	9.6	8.4	9.5	11700
			Total			1276600

The above table shows that during January 5, 1999 to January 11, 1999, the price of the scrip rose from Re. 0.80 to Rs. 7/-. During the month of February – March 2000, there was no transactions in the scrip. Then

during May 31, 1999 to July 9, 1999, there was a spurt in the trading volume and price of the scrip rose from average Rs. 4.45/- to Rs. 15/-. The average settlement trading volume during this period was 2 lakh shares.

11. During this period four clients namely Indian Shelters Ltd, Growth Agro Industries Ltd, Omega Avenues Ltd and Sarlee Fabrics Exports Ltd. had done substantial trading in the scrip. The analysis of the trading details of these four clients led me to conclude that Manna Glass being illiquid scrip had been subjected to manipulation. There was no transaction in scrip from May 1997 to December 1998. From January 1999 onwards, volume in the scrip increased and a number of fictitious/ matched trades were conducted, establishing new and higher price.
12. I further note that Manna Glass came out with a preferential issue of 1.8 crore equity shares at Rs.17/- per share (face value 10/- plus Rs.7/- towards share premium) on 27.01.2000 to 5 promoters and 12 non promoter entities.

The allottees to the preferential allotment are as follows:

Sr. No.	Name of the allottees	Category	No of shares
1.	Amidhar Majmudar,	Promoter	9,76,300
2.	Tushar A Majmudhar,	-do-	10,08,500
3.	Rena Majmudhar,	-do-	10,36,400
4.	Reema Majmudhar,	-do-	11,19,400
5.	Dr. Beena A. Shah		10,40,100
	Total		51,80,700
6.	Indo Care Pharmaceuticals Ltd	Non- Promoter	11,50,000
7.	Shalin Resorts Ltd	-do-	11,50,000
8.	Sarlee Fabric Exports Ltd	-do-	11,50,000
9.	Omega Avenues Ltd	-do-	11,50,000
10.	Growth Agro Industries Ltd	-do-	11,50,000
11.	Gujarat Fun'n Water Park Ltd	-do-	11,50,000
12.	Indian Shelters Ltd	-do-	11,50,000

Sr. No.	Name of the allottees	Category	No of shares
13.	Shree Corporation	-do-	11,50,000
14.	G Bhavsar & Company	-do-	11,50,000
15.	Sofitel & Finstock	-do-	11,50,000
16.	Ashok Chokshi	-do-	6,94,100
17.	Noopur Kansara	-do-	6,25,200
	Total		1,28,19,300
	Promoters		51,80,700
	Non Promoters		1,28,19,300

			1,80,00,000

13. It is also interesting to note that prior to the preferential allotment, Manna Glass, its promoter companies/entities and the aforementioned allottees opened their accounts in the same bank branch. Except for Sarlee Fabrics, Growth Agro and Omega Avenues Limited, all other accounts were introduced by only one common person namely Shri Ronak V Patel. Scrutiny of bank account of the company revealed that it had first issued cheques to the promoter companies/entities namely Manna Exports, Manna Machineries Pvt. Ltd and Mannapule Machineries Pvt. Ltd who had in turn issued cheques to the allottees and then the allottees issued cheques back to the company by way of allotment money. Thus in fact, there was no real flow of funds from the allottees to the company by way of allotment money and preferential issue did not really bring additional funds to the company. This fact is very clear from the statement dated 28.04.2003 of Shri Tushar Majmudhar, the promoter of the company, that he and his family members had received shares on preferential basis without investing any funds for the same directly and that the money for the same was arranged by the other directors of the company. Further, Shri Noopur Kansara, director of Indian Shelters Limited which was one among the four clients who did substantial transactions during the pre-preferential allotment period, in his statement dated 06.02.2003 has deposed that one of the promoter company/ entity arranged subscription money for them at the time of preferential issue.

14. On an analysis of the post preferential allotment transactions, I note that the above allottees had sold 84% of shares allotted on preferential basis at BSE through Shri Ramesh Parikh, Shri Rajesh Jhaveri and the noticee herein. Average price in the market during which the shares were sold was around Rs.3.50 and 1.5 crore shares worth Rs.5.2 crore were sold in the market. I find that BSE member Prabhudas Liladhar had executed trades on behalf of its sub-broker Jyotish Bhogilal whose client was Shri Parshwa Finance, the noticee herein. It is worth mentioning here that the client of Shri Pashwa Finance was Rajesh Jhaveri and others.

The settlement wise details of the aforementioned transactions are as under:

Settl No.	Sale Qty	Name of Sub-broker	Name of client of Sub-broker	Client
1999046	97900	Jyotish Bhogilal Stock Brokers	Shri Parshwa Profin (P) Ltd	
1999048	71800	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	A P Traders
1999050	40600	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
1999051	355400	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Shashwat Fincap (300000) Rajesh Jhaveri (55400)
1999053	13500	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Nrupesh Shah
2000005	370900	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000007	8500	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000009	197600	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Shalin Resort
2000010	24200	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000013	2400	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000014	7000	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000016	64600	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
2000017	38800	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri

Settl No.	Sale Qty	Name of Sub-broker	Name of client of Sub-broker	Client
2000018	38500	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
200019	8000	Jyotish Bhogilal Stock Brokers	Shri Parshwa Finance	Rajesh Jhaveri
	13,39,700			

Prabhudas Liladher Pvt Ltd, BSE Member confirmed that the above transactions have been done by one of its sub-brokers Jyotish Bhogilal Stock Brokers Ltd. whose ultimate clients were the noticee herein and Shri Parshwa Profin Pvt. Ltd. Further, the noticee, vide letter dated 23.4.2003, stated that most of the transactions were done on behalf of Shri Rajesh Jhaveri and Shri Nupesh C. Shah whose ultimate clients were Shalin Resorts Ltd. Growth Agro Industries, Indocare Pharma and Sarlee Fabrics Exports Limited. This fact further corroborates the deliberate intention on the part of all these entities including the noticee to cheat the investing public.

- 15 Thus from the foregoing discussion it is very clear that the company Manna Glass, its promoters and directors had indirectly, through entities connected with them, manipulated the market in the scrip of Manna Glass. Further it is evident from the above discussion that the allottee entities had sold around 13.40 crore preferential shares in the market through the noticee. The noticee thus assisted the allottees and acted as proxy to off load large quantities of shares in the market. Hence I have no doubt in holding that the noticee had knowingly engaged in fraudulent acts connected with the securities market and violated provisions of Regulation 6 (a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (1995 Regulations) which read as under:

6 Prohibition on unfair trade practices relating to securities: - No person shall:-

(a) in the course of his business, knowingly engage in any act, or practice which would operate as fraud upon any person in connection with the purchase or the sale of, any other dealing in, any securities.”

It is pertinent to note here that pursuant to the repeal of 1995 Regulations, the corresponding provisions are contained in Regulations 3 and 4 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

16. Therefore, I, in exercise of powers conferred upon me under sections 11 and 11 B read with Section 19 of the SEBI Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 further read with relevant provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain the noticee herein, Shri Piyush Jhaveri, Proprietor, Shri Parshwa Finance from accessing the securities market and prohibit it from buying, selling or otherwise dealing in securities in any manner whatsoever, whether directly or indirectly for a period of one year.

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

Date: 23.10. 2008

Place : Mumbai

TC NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA