

WTM/TCN/113/IVD2/Jan/09

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

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

**IN THE MATTER OF CLASSIC CONSULTANCY IN THE SCRIP OF  
MONALISA INFOTECH LIMITED**

Date of hearing: 08.09.2008

*Appearances:*

For noticee: Shri Rajiv R Shah

For SEBI: Smt Pradnya Saravade, Chief General Manager  
Shri Bibhudutta Samal, Manager  
Ms Kshama J Chavan, 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 in the scrip of Monalisa Infotech Limited (hereinafter referred to as "company" / "Monalisa") to examine the possible irregularities / manipulations into dealings in the shares for the period from September 19, 2000 to October 13, 2000 (hereinafter referred to as "relevant period").

- 2     The investigation revealed that during the relevant period the scrip was listed at the Bombay Stock Exchange (hereinafter referred to as “BSE”) and the Ahmedabad Stock Exchange (herein after referred to as “ASE”). In both these exchanges there was a concentrated trading activity in the scrip among certain related entities namely Shri Tushar S Jhaveri, Shri Sanjay R Shah, Classic Consultancy (the noticee herein), Orbit Securities Limited and Shri Sanjiv Pravinchandra Shah. During the relevant period these related entities executed circular transactions in the scrip which was otherwise illiquid and created volume in the market.
- 3     Based on the above findings of the investigations, a show cause notice dated April 28, 2004 was issued to the noticee under sections 11 and 11B of SEBI Act, read with the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.
- 4     The noticee replied to said show cause notice vide letter dated March 09, 2005 wherein Shri Rajiv R Shah, the proprietor of the noticee herein, stated that the said trades were executed by him on behalf of Shri Tushar S Jhaveri whom he knew for several years and it was ‘merely a friendly gesture’ and he was not aware of irregularities as mentioned in the show cause notice.
- 5     Adhering to the principles of natural justice an opportunity of personal hearing was given to the noticee on September 08, 2008 when Shri Rajiv R Shah, proprietor of the noticee was present and reiterated his earlier submissions.

- 6 I have carefully examined the investigation report, show cause notice, the oral and written submissions of the noticee and other material available on record.
- 7 I find that during the relevant period (i.e from September 19, 2000 to October 13, 2000) the scrip of Monalisa was listed at ASE and BSE. The scrip was illiquid as there was no trading reported in the scrip during the period from December 01, 1999 to September 18, 2000 at ASE. Interestingly, the scrip gained momentum during September 19, 2000 to October 13, 2000 when the scrip witnessed a concentrated trading activity among certain connected entities. During this period the scrip was subjected to circular trading on a large scale on all the trading days. A group of connected entities bought and sold the shares among themselves without having any genuine intentions of transferring of ownership of shares but in the process influenced the market artificially putting retail investors in peril.
- 8 I note that the entities who had transacted in the scrip both at ASE and BSE are connected in one way or other. The linkage between these entities is as under:
- a) Shri Sanjay R. Shah: On September 21, 2000 and September 23, 2000 Shri Sanjay R. Shah got 3 lakh shares of Monalisa as transferred from Shri Tushar Jhaveri.
  - b) Classic Consultancy: Shri Rajiv R. Shah, the proprietor of Classic Consultancy got 91,000 shares transferred from Shri Tushar Jhaveri on September 29, 2000.

It is interesting to note that Shri Sanjay R. Shah and Classic Consultancy share same address viz. E-101, Shubhalaxmi Tower, Opp. Sanghavi High School, Naranpura, Ahmedabad – 380 013.

- c) Orbit Securities Ltd: It got 50,000 shares transferred to its account on September 27, 2000 from Shri Tushar Jhaveri.
- d) Shri Sanjiv Pravin Chandra Shah – on October 10, 2000 Shri Sanjay R Shah transferred 100000 shares to Shri Sanjiv P Shah.

- 9 On perusal of trades at ASE during the relevant period, I find that the scrip was traded for 9 days and almost entire trades at ASE during this period were accounted by circular trading among these group entities. It is very interesting that in most of these transactions the same person or entity was appearing on both the sides for the same transactions through different brokers.

The details of such trades at ASE are as under:

| Date    | Sett No. | Buy Details        |                |         | Sell Details       |                |          | Total No. of shares traded at ASE |
|---------|----------|--------------------|----------------|---------|--------------------|----------------|----------|-----------------------------------|
|         |          | Name of ASE broker | Name of client | Buy Qty | Name of ASE Broker | Name of Client | Sell Qty |                                   |
| 19/9/00 | 52       | Hemant Jhaveri     | Tushar Jhaveri | 15000   | Prerak Capital     | Sanjay Shah    | 32500    | 32500                             |
|         |          | Ashok C. Shah      | Sanjay Shah    | 10000   |                    |                |          |                                   |
| 20/9/00 | 53       | Hemant Jhaveri     | Tushar Jhaveri | 20000   | Prerak Capital     | Sanjay Shah    | 40000    | 40000                             |
|         |          | Ashok C.           | Sanjay         | 20000   |                    |                |          |                                   |

| Date    | Sett No. | Buy Details        |                |         | Sell Details         |                |          | Total No. of shares traded at ASE |
|---------|----------|--------------------|----------------|---------|----------------------|----------------|----------|-----------------------------------|
|         |          | Name of ASE broker | Name of client | Buy Qty | Name of ASE Broker   | Name of Client | Sell Qty |                                   |
|         |          | Shah               | Shah           |         |                      |                |          |                                   |
| 21/9/00 | 54       | Paresh R. Shah     | Sanjay Shah    | 75000   | Prerak Capital       | Sanjay Shah    | 60000    | 95000                             |
|         |          | Hemant Jhaveri     | Tushar Jhaveri | 15000   | Rajesh Jhaveri Stock | Sanjay Shah    | 35000    |                                   |
| 22/9/00 | 55       | Paresh Shah        | Sanjay Shah    | 42000   | Ashok C Shah         | Sanjay Shah    | 52000    | 87000                             |
|         |          | Rajendra Chudgar   | Sanjay Shah    | 25000   | Rajesh Jhaveri Stock | Sanjay Shah    | 19000    |                                   |
|         |          | Hemant Jhaveri     | Tushar Jhaveri | 20000   | Hemant Jhaveri       | Tushar Jhaveri | 15000    |                                   |
| 25/9/00 | 56       | Paresh R.Shah      | Sanjay Shah    | 33000   | Ashok C. Shah        | Orbit Sec.     | 33000    | 58000                             |
|         |          | Rajendra Chudgar   | Sanjay Shah    | 15000   | Rajendra Chudgar     | Sanjay Shah    | 15000    |                                   |
| 26/9/00 | 57       | Paresh R.Shah      | Sanjay Shah    | 35000   | Rajesh Jhaveri Stock | Aloni Ent.     | 55000    | 105000                            |
|         |          | Ashok C. Shah      | Sanjay Shah    | 15000   | Prerak Capital       | Orbit Sec.     | 30000    |                                   |
|         |          | Hemant Jhaveri     | Tushar Jhaveri | 8000    |                      |                |          |                                   |
| 27/9/00 | 58       | Rajendra Chudgar   | Sanjay Shah    | 49900   | Rajesh Jhaveri Stock | Aloni Ent.     | 80000    | 141000                            |
|         |          | Paresh R.Shah      | Sanjay Shah    | 22600   | Ashok C. Shah        | Sanjay Shah    | 20000    |                                   |
|         |          | Rajesh N. Prop     |                | 17500   |                      |                |          |                                   |

| Date    | Sett No. | Buy Details        |                |         | Sell Details       |                |          | Total No. of shares traded at ASE |
|---------|----------|--------------------|----------------|---------|--------------------|----------------|----------|-----------------------------------|
|         |          | Name of ASE broker | Name of client | Buy Qty | Name of ASE Broker | Name of Client | Sell Qty |                                   |
|         |          | Jhaveri            | A/c            |         |                    |                |          |                                   |
|         |          | Ashok C. Shah      | Sanjay Shah    | 16000   |                    |                |          |                                   |
| 28/9/00 | 59       | Paresh Shah        | Sanjay Shah    | 11000   | Khandwala Finstock | Classi c Cons  | 11000    | 11000                             |
| 29/9/00 | 60       | Paresh Shah        | Sanjay Shah    | 75000   | Khandwala Finstock | Classi c Cons  | 80000    | 95000                             |
|         |          | Rajendra Chudgar   | Sanjay Shah    | 5000    |                    |                |          |                                   |

It is clear from the above table that during the nine trading days viz., 19/09/2000 to 29/09/2000 the connected entities bought and sold shares among themselves and created artificial volume in the market. The noticee herein itself indulged in circular trading on two days viz., 28/09/2000 and 29/09/2000.

From the nature of trades conducted among the related entities it appears to me that they had no intention to trade genuinely, so that the beneficial ownership is changed, instead, their intention was to create artificial volume in the scrip.

- 10 On perusal of trading details at BSE, similar kind of trading activity was noticed during the period from September 25, 2000 to October 13, 2000. During the said period the price opened at Rs. 30 on September

19, 2000 and closed at Rs. 25.05 on October 13, 2000. The price volume and trade data of the scrip during the said period is as under:

| Date         | Open (Rs.) | High (Rs.) | Low (Rs.) | Close (Rs.) | No. of shares | No. of Trades |
|--------------|------------|------------|-----------|-------------|---------------|---------------|
| 19 September | 30.00      | 30.00      | 24.25     | 25.10       | 7648          | 67            |
| 20 September | 23.60      | 27.05      | 23.10     | 26.55       | 11539         | 115           |
| 21 September | 26.00      | 27.80      | 26.00     | 27.65       | 1450          | 21            |
| 22 September | 26.05      | 26.95      | 25.50     | 26.15       | 14500         | 73            |
| 25 September | 26.05      | 30.30      | 26.05     | 29.00       | 52200         | 242           |
| 26 September | 31.00      | 33.60      | 31.00     | 33.50       | 7751          | 53            |
| 27 September | 33.00      | 38.70      | 33.00     | 37.40       | 45600         | 201           |
| 28 September | 39.95      | 40.00      | 36.20     | 38.00       | 60710         | 228           |
| 29 September | 35.75      | 44.00      | 34.00     | 39.90       | 81218         | 378           |
| 3 October    | 41.00      | 41.00      | 34.30     | 36.50       | 29400         | 112           |
| 4 October    | 36.00      | 39.40      | 35.10     | 35.85       | 51300         | 215           |
| 5 October    | 34.50      | 38.70      | 34.50     | 35.05       | 19610         | 136           |
| 6 October    | 37.75      | 40.50      | 35.50     | 38.35       | 54001         | 215           |
| 9 October    | 37.50      | 41.00      | 36.50     | 39.60       | 119425        | 238           |
| 10 October   | 38.85      | 41.00      | 37.00     | 37.00       | 90027         | 294           |
| 11 October   | 34.15      | 38.85      | 34.15     | 35.45       | 106692        | 283           |
| 12 October   | 36.00      | 36.00      | 29.80     | 29.80       | 30200         | 77            |
| 13 October   | 27.45      | 27.45      | 25.05     | 25.05       | 92598         | 129           |

The details of the transactions during this period are as under:

| Date    | Sett No. | Buy Details                |                |         | Sell Details                             |                                              |          | Total No. of shares traded at BSE |
|---------|----------|----------------------------|----------------|---------|------------------------------------------|----------------------------------------------|----------|-----------------------------------|
|         |          | Name of broker/ sub-broker | Name of client | Buy Qty | Name of broker/ sub-broker               | Name of Client                               | Sell Qty |                                   |
| 25/9/00 | 126      | Galaxy Brok                | Tushar Jhaveri | 15000   | Prabhudas Liladher thru Jyotish Bhogilal | Sanjay R. Shah thru Shree Parshaw a Finance/ | 28250    | 52200                             |

| Date    | Sett No. | Buy Details                                       |                                               |                | Sell Details                                  |                                                                                     |               | Total No. of shares traded at BSE |
|---------|----------|---------------------------------------------------|-----------------------------------------------|----------------|-----------------------------------------------|-------------------------------------------------------------------------------------|---------------|-----------------------------------|
|         |          | Name of broker/ sub-broker                        | Name of client                                | Buy Qty        | Name of broker/ sub-broker                    | Name of Client                                                                      | Sell Qty      |                                   |
|         |          | SKSE Sec thru sub-broker Amrut Sec                | Sanjay Shah/ Tushar                           | 2500           | Prabhudas Liladher thru Jyotish Bhogilal      | Rajesh Jhaveri<br>Rajesh Jhaveri thru Shree Parshaw a Finance                       | 225           |                                   |
| 27/9/00 | 128      | SKSE Sec thru sub-broker Amrut Sec<br>Galaxy Brok | Sanjay Shah/ Tushar Jhaveri<br>Tushar Jhaveri | 15000<br>10000 | Prabhudas Liladher - Jyotish Bhogilal         | Rajesh Jhaveri thru Shree Parshaw a Finance                                         | 10763         | 45600                             |
| 28/9/00 | 129      | Galaxy Brok<br>SKSE Sec thru sub-broker Amrut Sec | Tushar Jhaveri<br>Sanjay Shah/ Tushar Jhaveri | 23900<br>2500  | Prabhudas Lila/Jyotish Bhogilal<br>Lalkar Sec | Rajesh Jhaveri thru Shree Parshaw a Finance<br>Tushar Jhaveri thru Enpee Securities | 3000<br>30000 | 60710                             |
| 29/9/00 | 130      | SKSE Sec thro sub-broker                          | Sanjay Shah/ Tushar Jhaveri                   | 10000          | Acme Shares                                   | Tushar Jhaveri th Mahavir                                                           | 25300         | 81218                             |

| Date     | Sett No. | Buy Details                                           |                             |         | Sell Details                                       |                                                                                   |                  | Total No. of shares traded at BSE |
|----------|----------|-------------------------------------------------------|-----------------------------|---------|----------------------------------------------------|-----------------------------------------------------------------------------------|------------------|-----------------------------------|
|          |          | Name of broker/ sub-broker                            | Name of client              | Buy Qty | Name of broker/ sub-broker                         | Name of Client                                                                    | Sell Qty         |                                   |
|          |          | Amrut Sec<br><br>SKSE Sec thro sub-broker Anil Gandhi | Sanjay Shah/ Tushar Jhaveri | 46000   |                                                    | Inv                                                                               |                  |                                   |
| 5/10/00  | 133      | Galaxy Brok                                           | Tushar Jhaveri              | 3100    | Galaxy Brok                                        | Tushar Jhaveri                                                                    | 100              | 19610                             |
| 6/10/00  | 134      | Galaxy Brok                                           | Tushar Jhaveri              | 11950   | Galaxy Brok<br><br>Lark Consul                     | Tushar Jhaveri<br><br>Sanjiv Shah                                                 | 100<br><br>19480 | 54001                             |
| 9/10/00  | 135      | Galaxy Brok                                           | Tushar Jhaveri              | 53650   | Lark Consul                                        | Sanjiv Shah                                                                       | 50000            | 119425                            |
| 10/10/00 | 136      | Galaxy Brok                                           | Tushar Jhaveri              | 10450   | Lark Consul                                        | Sanjiv Shah                                                                       | 28600            | 90027                             |
| 11/10/00 | 137      | Galaxy Brok                                           | Tushar Jhaveri              | 69600   | Lark Consul                                        | Sanjiv Shah                                                                       | 37220            | 106692                            |
| 12/10/00 | 138      | Galaxy Brok                                           | Tushar Jhaveri              | 19000   | Galaxy Brok<br><br>Prabhudas Lila/Jyotish Bhogilal | Tushar Jhaveri<br><br>Sanjay R. Shah thru Shree Parshaw a Finance/ Rajesh Jhaveri | 2000<br><br>6100 | 30200                             |
| 13/10/00 | 139      | Galaxy Brok                                           | Tushar Jhaveri              | 55000   | Prabhudas Lila/Jyotish Bhogilal                    | Sanjay R. Shah thru Shree                                                         | 25548            | 92598                             |

| Date | Sett No. | Buy Details                |                |         | Sell Details               |                                 |          | Total No. of shares traded at BSE |
|------|----------|----------------------------|----------------|---------|----------------------------|---------------------------------|----------|-----------------------------------|
|      |          | Name of broker/ sub-broker | Name of client | Buy Qty | Name of broker/ sub-broker | Name of Client                  | Sell Qty |                                   |
|      |          |                            |                |         |                            | Parshaw Finance/ Rajesh Jhaveri |          |                                   |

11 Circular trading is very common among the various vicious methods manipulators use to influence the market and thereby cheat the common investors. The retail investors generally enter the market by looking into the trend in the market and high volume in particular scrip attracts them and they put in their money without knowing the hidden agenda of the players behind the screen.

12 With regard to this menace of circular trading Hon'ble Securities Appellate Tribunal (SAT) in its order dated 14.07.2008 in the matter of Ketan Parekh Vs SEBI has rightly observed as under:

*".....a manipulator targets a scrip and acquires as much of floating stock as is necessary to ensure his profits and creates an illusion of high trading volumes at the counter. He indulges in what is called circular trading where a few of them get together and buy and sell large blocks of shares among themselves. The shares are sold to associates at a higher price than what is prevailing in the market who in turn sell them another associate for even a higher price. All transactions usually cancel each other and the shares remain within the circle without any genuine trading transaction. This creates an impression that the stock is an actively traded one and sought after and, therefore, such transactions attract those outside the circle to buy the stocks. In other words, the general investing public gets induced to buy the stocks. The manipulators not only*

*increase artificially the trading volumes but also benchmark the price because very trade establishes the price of the scrip. Circular trading is the easiest ways to increase volumes... ..”.*

- 13 From careful examination of the reply, I carefully examined the reply dated 09/03/2005 of the noticee, I note that the noticee failed to give any satisfactory argument against the charges leveled against it.
- 14 On the basis of the foregoing discussion and the fact that there is no satisfactory argument by the noticee against the charges leveled against it, I am of the view that the noticee has violated the then prevailing provisions of provisions of Regulation 4 (b), (d) and Regulation 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

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. Therefore, the present order is being passed under 2003 Regulations.

15. In view of the foregoing discussions, 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 Classic Consultancy, the noticee herein, 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 six months.

16 This order shall come into force with immediate effect.

**DATE: 09.01.2009**  
**PLACE : MUMBAI**

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