

WTM/TCN/ 112 /IVD2/Jan /09

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**IN THE MATTER OF SHRI SANJIV PRAVINCHANDRA SHAH IN THE
SCRIP OF MONALISA INFOTECH LIMITED**

Date of hearing: 08.09.2008

Appearances:

For noticee: Nil

For SEBI: Smt. Pradnya Saravade, Chief General Manager
Shri Bibhudutta Samal, Manager
Ms. Kshama 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, Orbit Securities Limited and Shri Sanjiv Pravinchandra Shah (hereinafter referred to as noticee). 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 SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. However the noticee did not file any reply to the aforesaid show cause notice.
- 4 Subsequently, adhering to the principles of natural justice, the entity was given opportunity of personal hearing which was not availed by the entity.
- 5 I have carefully examined the investigation report, show cause notice and other material available on record. I note that the noticee has never responded to the show cause notice even after the opportunity for filing the reply was given more than once. From the records it is further noted that the noticee has not responded to the summons

issued to it by the investigating authorities and adjudication proceedings was also initiated against the noticee for not furnishing information during investigation. Such non-cooperative attitude of the entities associated with securities market is to be treated seriously. In the absence of any response, oral or written, from the noticee, I am proceeding in the matter ex- parte.

- 6 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 it 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.
- 7 The noticee herein along with Shri Tushar S Jhaveri, Shri Sanjay R Shah, Classic Consultancy and Orbit Securities Limited indulged in circular trading and thereby created an artificial market in the scrip of Monalisa. 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 that Shri Sanjay R. Shah and Classic Consultancy share the 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 had transferred 100000 shares to Shri Sanjiv P Shah.
- 8 On perusal of transactions at ASE during the relevant period, I find that the scrip was traded for 9 days and almost entire trades at ASE during these 9 days were accounted by circular trades among these 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	Tushar	15000	Prerak	Sanjay	32500	32500

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	Jhaveri		Capital	Shah		
		Ashok C. Shah	Sanjay Shah	10000				
20/9/00	53	Hemant Jhaveri	Tushar Jhaveri	20000	Prerak Capital	Sanjay Shah	40000	40000
		Ashok C. Shah	Sanjay Shah	20000				
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	Tushar	8000				

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	Jhaveri					
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. Jhaveri	Prop A/c	17500				
		Ashok C. Shah	Sanjay Shah	16000				
28/9/00	59	Paresh Shah	Sanjay Shah	11000	Khandwala Finstock	Classic Cons	11000	11000
29/9/00	60	Paresh Shah	Sanjay Shah	75000	Khandwala Finstock	Classic Cons	80000	95000
		Rajendra Chudgar	Sanjay Shah	5000				

- 9 Similar kind of trading activity was noticed at BSE also 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

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of shares	No. of Trades
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 in the scrip during this period is 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 Parshawa Finance/R ajesh Jhaveri	28250	52200
		SKSE Sec thru sub-broker Amrut Sec	Sanjay Shah/ Tushar	2500	Prabhudas Liladher thru Jyotish Bhogilal	Rajesh Jhaveri thru Shree Parshawa Finance	225	

27/9/00	128	SKSE Sec thru sub- broker Amrut Sec Galaxy Brok	Sanjay Shah/ Tushar Jhaveri Tushar Jhaveri	15000 10000	Prabhudas Liladher - Jyotish Bhogilal	Rajesh Jhaveri thru Shree Parshawa Finance	10763	45600
28/9/00	129	Galaxy Brok SKSE Sec thru sub- broker Amrut Sec	Tushar Jhaveri Sanjay Shah/ Tushar Jhaveri	23900 2500	Prabhudas Lila/Jyotis h Bhogilal Lalkar Sec	Rajesh Jhaveri thru Shree Parshawa Finance Tushar Jhaveri thru Enpee Securities	3000 30000	60710
29/9/00	130	SKSE Sec thro sub- broker Amrut Sec SKSE Sec thro sub- broker Anil Gandhi	Sanjay Shah/ Tushar Jhaveri Sanjay Shah/ Tushar Jhaveri	10000 46000	Acme Shares	Tushar Jhaveri th Mahavir Inv	25300	81218
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	Tushar Jhaveri	100	54001

					Lark Consul	Sanjiv Shah	19480	
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 Prabhudas Lila/Jyotish Bhogilal	Tushar Jhaveri Sanjay R. Shah thru Shree Parshawa Finance/ Rajesh Jhaveri	2000 6100	30200
13/10/00	139	Galaxy Brok	Tushar Jhaveri	55000	Prabhudas Lila/Jyotish Bhogilal	Sanjay R. Shah thru Shree Parshawa Finance/ Rajesh Jhaveri	25548	92598

From the above table, it is clear that on all the 11 days circular trading was executed by the group of connected entities including the noticee. The noticee herein himself indulged in circular trading on 4 days viz., October 06, 2000, October 09, 2000, October 10, 2000 and October 11, 2000. The above table clearly brings into light how illiquid scrip like Monalisa was targeted by the group and exposed to excessive manipulation for creation of artificial volume. From the nature of

trades conducted among these related entities, I find that there was no genuine intention to trade in the scrip; rather they indulged in circular trades without any change in beneficial ownership which resulted in creation of artificial volume.

10 I note that 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 without knowing the hidden agenda of the players behind the screen.

11 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... ..".

- 12 In the instant case, the noticee was a part of a large group which indulged in unfair market practices by indulging trades in a circular manner. The noticee has taken active part in the trading on four trading days viz., October 06, 2000, October 09, 2000, October 10, 2000 and October 11, 2000 on BSE when such circular trading was observed.
- 13 Moreover, as a responsible market participant, the noticee herein had a higher responsibility to clarify its position either by giving answer to the show cause notice or by presenting himself before the competent authority which he failed to do and hence I am of the view that the noticee was in turn accepting the charges leveled against him.
- 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 prevailed provisions of Regulation 4 (b) and (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 Shri Sanjiv Pravinchandra Shah, the noticee herein, from accessing the securities market and prohibit him 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**