

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

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

IN THE MATTER OF SHRI PARSHWA FINANCE

IN THE SCRIP OF M/s. SAWACA COMMUNICATIONS LTD.

DATE OF HEARING: 11.12.2006

Appearances:

For Noticees: None appeared

**For SEBI: Shri P K Bindlish, Chief General Manager
Shri Atul Agarwal, Manager
Ms. Kshama Wagherkar, Legal Officer**

ORDER

**UNDER SECTIONS 11 AND 11B OF SEBI ACT, 1992 READ WITH
REGULATION 4(a) AND (b) OF SEBI (PROHIBITION OF
FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO
SECURITIES MARKET) REGULATIONS, 1995**

1. The scrip of Sawaca Communications Ltd. (hereinafter referred to as "SCL"/"the company") witnessed a significant price rise accompanied with significant increase in volume during the period October 1999 to March 2000. It was found that the price of the scrip ranged between Rs.19.35 on October 01, 1999 to Rs.106 on January 04, 2000.

2. In view of the above, Securities and Exchange Board of India (hereinafter referred to as "SEBI") vide order dated October 22, 2001 initiated investigations into the buying, selling and dealing in the scrip of SCL during the period October 1999 to March 2000.
3. The investigation interalia revealed that Shri Parshwa Finance (hereinafter referred to as "the noticee") has traded in the scrip of SCL mainly on behalf of Shri Mahendra A. Shah, Shri Rajesh N. Jhaveri and Shri Bhupendra A. Shah, who have been shown as promoter group entities as per the information provided by M/s. Jyotish Bhogilal Stock Brokers Pvt. Ltd. It was found from the records submitted by the brokers that, Shri Mahendra A. Shah along with M/s. Harvic Management Services Ltd. and M/s. Mayekar Investments Pvt. Ltd. were trading in the scrip through BSE members and were the largest contributors to the total volumes in the scrip. It was further found from the records that these clients/sub-brokers formed a cartel and traded through the brokers/sub-brokers of BSE during the relevant period. Investigations further revealed that the trading pattern suggested that these entities/individuals were prima facie responsible for the creation of artificial volume and price rise in the scrip during the investigation period.
4. Accordingly a show cause notice dated October 27, 2003 was issued by SEBI to the noticee alleging the violation of provisions of Regulation 4(a) and (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations,

1995 (hereinafter referred to as 'PFUTP Regulations') and calling upon it to show cause as to why suitable directions under Section 11 and 11B of SEBI Act, 1992 should not be issued.

5. Shri Piyush Jhaveri, representative of the noticee replied to the said show cause notice vide letter dated November 4, 2003 and stated as follows:

5.1. They stated that as per the statement given by them, the authority ought to have called upon the clients who had purchased or sold at a relevant time but not to have called them for acting on behalf of those clients

5.2 They denied the allegations leveled in the notice and submitted that they have not traded in the scrip in the name of the firm and all the transactions were entered into on behalf of the clients.

5.3 As regards the alleged violation of Regulation 4(a) PFUTP Regulations it was submitted that if they had any intention of artificially raising the price of the shares, they would have dealt in the scrip in the name of the firm and enriched itself.

5.4 They further denied the alleged violation of Regulation 4(b) PFUTP Regulations stating that they never indulged in any act which has created a false or misleading appearance of trading in securities market as all the transaction were entered into on behalf of the clients.

6. An opportunity of hearing was granted to the noticee on January 22, 2004 when he appeared before the then Whole Time Member and made submissions. However, 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 September 06, 2007. But no one appeared on behalf of the noticee.
7. I have carefully considered the investigation report, the show cause notice issued, reply, submissions of the noticee and other relevant material available on record.
8. From a perusal of the investigation report, I note that the price of the scrip at BSE during the period October 01, 1999 to January 04, 2000 ranged between Rs. 19.35 and Rs. 106. Prior to October 1999, the trading in the scrip was more or less infrequent and the volumes started picking up from October 1999.
9. I observe from the records submitted by the brokers that, Shri Mahendra A. Shah along with Harvic Management Services Ltd. and Mayekar Investments Pvt. Ltd. were trading in the scrip through BSE members and were the largest contributors to the total volumes in the scrip. It is indicative from the trading pattern available in the records that these clients/sub-brokers formed a cartel and traded through the brokers/sub-brokers of BSE creating

artificial volume and price rise in the scrip during the relevant period.

10. I note from the investigation report that the total quantity traded during the period under consideration was approx 1.05 crore shares and the gross quantity traded by Shri Mahendra A. Shah comes to 19.61 lakhs shares, thus constituting approx. 19% of the total quantity traded on the exchange.

11. I observe from the records that Shri Rajesh N. Jhaveri was one of the promoters of the company. Further, I note that he was also the authorized representative of M/s. Rajesh N. Jhaveri (Proprietor: Shri Gautam N. Jhaveri, brother of Shri Rajesh N. Jhaveri). M/s. Rajesh N. Jhaveri sold the shares mainly on behalf of Shri Mahendra A. Shah through the noticee, another unregistered sub-broker, who in turn traded in the scrip through M/s. Jyotish Bhogilal Stock Brokers Pvt. Ltd., unregistered sub-broker, to M/s. Prabhudas Liladhar Pvt. Ltd. The dealings of M/s. Rajesh N. Jhaveri through the noticee are as under :

Name of the Party	Purchase	Sales	Gross	Gross
Shri Parshwa Finance	0	75,000	75,000	-75,000
	0	2,900	2,900	-2,900
	0	22,800	22,800	-22,800
Total	0	1,00,700	1,00,700	-1,00,700

12. The dealings of Shri Parshwa Finance with Jyotish Bhogilal during the period under consideration are as under :

Settlement No.	Purchase	Sales	Gross	Net
31	0	87,200	87,200	-87,200
32	36,600	54,300	5,900	-17,700
33	0	5,900	14,800	-5,900
34	0	14,800	100	-14,800
36	0	100	54,300	-100
37	25,700	28,600	90,000	-2,900
38	40,000	50,000	49,600	-10,000
39	10,000	39,600	10,500	-29,600
41	0	10,500	60,500	-10,500
42	35,500	25,000	39,600	10,500
43	0	39,600	5,000	-39,600
44	5,000	0	50,000	5,000
45	25,000	25,000	5,58,400	0
Total	1,77,800	3,80,600	5,58,400	-2,02,800

13. Further, Shri Rajesh N. Jhaveri, authorized representative of M/s. Rajesh N. Jhaveri, in his statement dated May 30, 2002 given to SEBI admitted that he had acted as sub-broker to Shrikant G. Mantri, without having registration for the same. The member has traded for Mahendra A. Shah, who has been found to be the main client trading in the scrip along with M/s. Harvic Management Services Ltd. and M/s. Mayekar Investments Pvt. Ltd., through M/s. Rajesh N. Jhaveri. The order log revealed that members have also resorted to putting big orders and thereby creating artificial/false appearance of market.

14. Therefore, I find from the trading details furnished by the noticee that they have acted as unregistered sub-broker and have traded for various clients including M/s. Rajesh N Jhaveri, Shri Mahendra Shah and Shri Bhupendra A Shah, who were connected with the management of SCL. I further note from the records that these

clients have formed a cartel and traded through the brokers/sub-brokers of BSE during the relevant period with an intention to create artificial volume and price rise.

15. Thus from the foregoing discussion it is very clear that the noticee has aided and abetted Shri Mahendra Shah in creating a false and misleading appearance of the scrip in the market. The noticee also aided M/s. Rajesh N Jhaveri, an entity connected with Shri Mahendra Shah in creating artificial volumes in the scrip. 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 4(a) and (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 which read as under:

“Prohibition against Market Manipulation

4. No person shall -

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

.....

.....”

16. Hence, I find the noticee guilty of violating Regulation 4(a) and (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Also the noticee is found to have acted as a sub-broker without being registered, violating the provisions of Section 12 of the SEBI Act, 1992 read with Rule 3 of SEBI (Stock Brokers and Sub-Brokers) Rules, 1992. The said provision mandates that no stock broker or sub-broker shall buy, sell or deal in securities unless he holds a certificate granted by the Board under the Regulations.

17. Therefore, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11 and 11B of the SEBI Act, 1992 read with Regulation 4(a) and (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 11 and 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003, I hereby direct that M/s. Shri Parshwa Finance be prohibited from associating with any corporate body from buying, selling or dealing in securities, directly or indirectly for a period of one year.

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

Place: Mumbai

T.C. NAIR

Date: 13.1. 2009

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA