

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF OASIS MEDIA MATRIX LTD.

IN RESPECT OF SMT. MONA F. SHAH

ORDER

Under Section 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995

1. Securities and Exchange Board of India (hereinafter referred as 'SEBI') had conducted investigation into the buying, selling and dealing in the shares of Oasis Media Matrix Ltd. (hereinafter referred as 'OMML') for the period April 8, 2002 to July 9, 2002, *inter alia*, to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations'). During the period of investigations the scrip of OMML was listed on Bombay Stock Exchange (hereinafter referred to as 'BSE') and on Ahmedabad Stock Exchange. However, during the period of investigation the scrip got traded at BSE only.

2. The trading details of the persons who had traded in the scrip were collected and analyzed along with the data of the volume contributed by the entities traded during the relevant period of time. The financial performance of the company was also observed and was found that it had incurred a loss of Rs.3.21 lacs for the financial year ended March 2001, and earned a negligible profit of Rs.2.98 lacs in the financial year ended March 2002 on a paid up capital of Rs.3.49 crore. During the year ended on March 2003, the profit of the company remained unchanged at Rs.2.98 lacs. Investigations revealed that there was no trading in the scrip in the rolling settlement during July 1, 2001 to April 8, 2002, during this period the scrip was traded just for three days in the physical segment. During the period under investigation, the price of the scrip opened at Rs.15.10/- on April

8, 2002, touched a high of Rs.37.95/- on July 9, 2002 and closed at Rs.35.50/- on July 9, 2002. After the period of investigation the price of the scrip went down to Rs.13/- as on July 26, 2002 (on face value of Rs.10/-). The company went for stock split of its shares from face value of Rs. 10/- per share to Re.1/- per share during the year 2003. The volume traded during the period of investigation was 6,45,492 shares in 64 days. During this period the Sensex index at BSE moved from 3,480 on April 8, 2002 to 3,356 on July 9, 2002.

3. On completion of the investigations, SEBI *inter-alia* issued Show Cause Notice dated July 02, 2007 (hereinafter referred to as 'SCN') to Smt. Mona F. Shah (hereinafter referred to as 'Noticee') under Section 11B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulation 11 of PFUTP Regulations read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The SCN alleged that the Noticee was observed to be a part of group of clients involved in circular trading/ reversal of trades and had actively traded in the shares of OMML during the relevant period of time among themselves, created volumes and thereby contributed to the price rise in the scrip of OMML. The SCN, therefore, alleged that the acts of the Noticee were in violation of the Regulation 4 (a),(b),(c) and (d) of PFUTP Regulations. Accordingly, it called upon the Noticee to show cause as to why suitable directions under Section 11B of SEBI Act read with Regulation 11 of PFUTP Regulations including restraining her from accessing the capital market in securities should not be issued against her.

4. Noticee replied to the said SCN vide her letter dated July 12, 2008. Pursuant to this, an opportunity of personal hearing was granted to the Noticee before me on September 16, 2009. To this the noticee vide her letter dated August 10, 2009 requested for exemption from personal hearing.

5. I have carefully considered the SCN, reply to the SCN, submissions dated June 13, 2009 and August 10, 2009 and material available on record. The contentions of the Noticees in their replies, in brief, are:

- No direct role in creating false market and not indulged in circular/ reversal trades in connivance with the brokers.
- Small number of transactions during the period stated and without intention to carry out false volume in the market.
- Had not done any off-market deal in the scrip of OMML.
- Difficult to know as to how many other people are trading in the scrip on a given day and contributing to certain %age of total turnover.

6. I note that the SCN has described the transactions entered by the Noticee clearly, along with supporting evidence (price-volume data, order log, trade log, instances of circular/ reversal trades, relationship among the clients, etc.) of movement of shares in between the clients. I find that Noticee has not declined or raised doubt on the data. I note that there is a typographical error in the SCN and Noticee has been named as proprietor of Shree Parshwa Finance wrongly. In view of this, I am not considering this as against the Noticee.

7. After having examined the above details, the issue arises for my consideration is: Whether the Noticee indulged in circular/ reversal trading and was responsible for creating artificial volumes while trading in the scrip of OMML?

- a. The SCN has alleged a pattern of circular/ reversal trading among the clients and as stated the same accounted for 67.13% of the gross market traded quantity. The sub-period of investigation relevant to the Noticee i.e. April 15, 2002 to July 09, 2002 (period of volume creation) is being considered for the present proceedings.
- b. During this period, the price of the scrip of OMML increased from Rs.23.75/- to Rs.35.50/- and 6,02,992 shares were traded in 4,918 executed trades in 60 days. Major brokers and clients during this period were-

Table - A

Broker	Sub-Broker	Major Ultimate Client	Gross Purchase		Gross Sales	
			Shares	%	Shares	%
P. Suryakant	Parshwa Finance	Anil Modi	65,150	10.80	65,450	10.85

		Ashish P. Shah	66,885	11.09	65,100	10.80
		Mona F. Shah	5,000	0.83	48,919	8.11
		Fenil M. Shah			6,500	1.08
ASE Capital Markets	Archi Shares & Stock Brokers Pvt. Ltd	Mona F. Shah	46,632	7.73	46,919	7.78
		Vrajesh Patel	1,05,414	17.48	1,10,155	18.27
	Jaswantlal Vadilal Shah	Piyush Jhavery (proprietor of Parshwa Finance)	54,700	9.07	54,700	9.07
		Nrupesh C. Shah	77,350	12.83	77,650	12.88
	Rajesh Jhavery	Rajesh N. Jhavery	11,451	1.90	6,400	1.06
Active Finstock		Swasthik Stock Broking	50,100	8.31	49,600	8.23
Anagram Stock Broking		Bhavya V. Shah	24,360	4.04	24,200	4.01
Parklight Investments Pvt. Ltd.		Sanjay Talati	15,800	2.62		0.00
FMS Securities		Harsha Jhavery	7,250	1.20	7,250	1.20
Total				87.90%		93.34%
Total traded quantity			6,02,992		6,02,992	

I note that out of 4,918 trades executed during this period, in 1996 trades (40.60% of the total number of trades during this period) the orders were placed within a time gap of only 1 minute and the total volume in these trades comes to 1,90,862 shares (31.66% to the total traded volume during this period). I note that these trades were executed between the clients Anil D. Modi, Ashish P. Shah, Vrajesh Patel, Nrupesh C. Shah, Piyush N. Jhavery, Swasthik Stock Broking, Harsha Jhavery and the Noticee.

- c. I have seen the trading details of the Noticee and find that clients including Noticee viz., Anil D. Modi, Ashish P. Shah, Mona F. Shah, Nrupesh C. Shah, Piyush Jhavery, Harsha Jhavery, Vrajesh Patel and Swasthik Stock Broking had traded actively in the scrip and created volumes during this period in the scrip. The trades appears to be reversal/ circular and also synchronized/ structured in nature as explained here under:

Table - B

Broker	Client/ (sub-broker)	No. of Trading days/ No. of days circularly traded	Buy Qty.	% of market traded Qty.	Sell Qty.	% of market traded Qty.	Gross Circular traded Qty. (% to total trading of broker)	% of gross market traded Qty.
ASE Capital	Vrajesh Patel Mona F. Shah Piyush S. Jhavery Nirupesh C. Shah Rajesh N Jhavery	56/37	2,42,447	40.21 %	2,43,997	40.46%	4,86,444 (79.99%)	40.34%
P. Suryakant	Anil Modi Ashish P. Shah Mona F. Shah	45/37	1,21,000	20.07 %	1,18,050	19.58%	2,39,050 (72.82%)	19.82%
Active Finstock	Swasthik Stock Broking (Pinnacle Stock Broking)	26/15	34,100	5.66 %	35,500	5.89 %	69,600 (62.99%)	5.77%
FMS Securities	Harsha Jhavery	2/2	7,250	1.20 %	7,250	1.20 %	14,500 (100%)	1.20%
Total			4,04,797	67.13 %	4,04,797	67.13 %	8,09,594	67.13%
Market Volume on BSE			6,02,992		6,02,992			

I note from the above table that out of total 6,02,992 shares traded on BSE during relevant period and out of this 4,04,797 shares i.e. 67.13% were in the nature of circular/ reversal. For the days on which circular trades were observed, the circular trades generated 26% to 100% of the day's traded quantity and on an average 84.81% of the day's traded volume (of the days when circular trading was observed). I note that the price of the scrip increased daily during the entire period of investigation and the last traded price analysis shows that the price varied in the range from -9.86% to 8.08% due to the circular/ reversal nature of trades between the entities including the Noticee, while the price of the scrip increased from Rs.22.50/- to Rs.35.4/-. This clearly points that along with artificial volume creation these clients had also affected the price of the scrip of OMML.

- d.** I observe that Smt. Mona F. Shah while trading through brokers ASE Capital and P. Suryakant had traded for a total of 10 days out of the total 64 trading days during the period of investigation and on all these days her trades were matched among the group clients in reversal/ circular /synchronized manner. On these days she traded with Nrupesh C. Shah (on 7 days), self trades (on 2 days), Swasthik (on 3 days) and Vrajesh Patel (on one day). All these days she executed circular / reversal trades. On the days when the circular trading was being observed the total circular trading volume of Smt. Mona F. Shah (arising out the trades with other circular trading clients) comes to 38,652 shares on buy side and 41,802 shares on sell side. This is approximately 9.54% of the total buy volume and 10.3% of the total sell volume on the days when circular/ reversal trading pattern was observed.
- e.** All these facts points that the Noticee indulged in circular/ reversal trades. The total quantity of circular/ reversal trades of the aforesaid entities including the Noticee comprised of 489 buy orders (out of 728 executed buy orders during the period) and 477 sell orders (out of 730 executed sell orders during the period) and that has resulted in 956 buy trades and 948 sell trades.
- 8.** I note from the findings of investigations that Smt. Mona F. Shah was connected to OMML, as she is the wife of Mr. Falgun D. Shah, who was the compliance officer of OMML. Further, from the records of NSDL, the entities including Noticee viz. Vrajesh Patel, Varsha Jatin Shah, Kanmlesh H. Shah, Chandrakant B. Shah (director, OMML), Asif Chippa etc. were having the same contact phone number.
- 9.** I observe that the Noticee and other clients were found to have traded in the nature of reversal/ circular trades where in the trades did not result in any change in their ownership and were only instrumental in creating false market. It has been observed from the pattern that the concerted buying and selling among these entities, kept the price of the scrip of OMML going up. As mentioned earlier the combined percentage of these clients comes to more than 85% approximately of the day's market volume on 33 circular/ reversal trading days. The circular/ reversal trading volume are around 67.13%

to the total market volume during the second period. Out of these days, on 10 days the combined volume of clients comes to 100% of the day's volume. I also observe that once these entities stopped trading in the scrip the price of the scrip crashed back to the original levels.

10. I find from the above facts that the trading by the Noticee was in the nature of circular/ reversal trades since she was one of the entities who had traded amongst themselves by executing synchronised trades with the sole intention that the orders of a particular entity get matched with the other. I note that these transactions had resulted in creation of artificial volume in the scrip. The pattern of trading indicates several instances when the time difference between buy and sell orders was negligible considering the volume of the scrip. I note that no unknown persons can trade continuously by putting orders in such a pattern and by contributing significantly to the total volume in the market. The execution of circular trading repeatedly for several days by the Noticee as a group reveals that they were having nexus with each other. These entities executed trades with a pre-determined plan to match their trades which were not indicative of genuine transactions since it did not result into transfer of beneficial ownership. From this, the increase in the volume in the scrip can primarily be attributed to the trades done by the Noticee. Thus from the aforesaid acts of omission and commission, I am of the view that the charges against Noticee of violation of provisions of Regulation 4(a), (b), (c) and (d) of PFUTP Regulations are established.

11. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Section 11 of SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain Smt. Mona F. Shah from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of six months from the date of this order.

12. This order shall be served on all recognized stock exchanges and depositories to ensure that the Noticees are not allowed to undertake transactions as prohibited in Para 11 above.

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

DATE : 16.11.2009
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA