

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

IN THE MATTER OF SANJAY R. SHAH, SEBI REGISTRATION NO. INB 020494913

IN THE MATTER OF MONALISA INFOTECH LIMITED

Date of hearing: 25.09.2009

Appearances:

For Noticees: Shri Sanjay R. Shah

**For SEBI: Shri Bibhudutta Samal, Assistant General Manager, and
Shri Amitesh Kumar, Legal Officer.**

ORDER

Under Regulation 28 (2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. This order will dispose of the enquiry proceedings initiated by the Securities and Exchange Board of India (hereinafter referred to as "SEBI") against Sanjay R. Shah (hereinafter referred to as 'SRS'), member, Ahmedabad Stock Exchange Ltd. (hereinafter referred to as 'ASE') into his dealings in the shares of Monalisa Infotech Ltd. (hereinafter referred to as 'MIL').
2. SEBI conducted investigation into dealings in the shares of MIL for the period September 19, 2000 to October 13, 2000. The investigation revealed that during this period, at ASE and BSE where the shares of MIL were listed, there was a concentrated trading activity in the scrip of MIL among SRS, Tushar S. Jhaveri and other entities connected with them viz Classic Consultancy, Orbit Securities Pvt. Ltd. and Sanjiv Pravinchandra Shah. It also revealed that the rise in price of the said shares accompanied with increased trading volume was allegedly on account of concerted trading among these entities.
3. At ASE, there was no trading reported during the period December 1, 1999 to September 18, 2000. However, during the period September 19, 2000 to September 29, 2000, trading was observed and the price of shares of MIL increased from Rs.28 to Rs.39 in 9 trading days. The

transactions for the nine days at ASE showed that almost entire trades at ASE during the said period were accounted by circular trades of SRS, Tushar S. Jhaveri and entities connected with them. SRS and related entities executed similar transactions at BSE also during the period from September 25, 2000 to October 13, 2000.

4. On the basis of the investigation report, SEBI appointed an Enquiry Officer vide order dated February 04, 2004 to enquire into the dealings of SRS in the shares of MIL for alleged violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995, SEBI (Stock Brokers and Sub-brokers) Rules, 1992 and SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as “PFUTP Regulations”, “Broker Rules” and “Broker Regulations” respectively).
5. Based on the evidence and materials available on record, the Enquiry Officer found SRS guilty of violating Regulations 4 (b), (d) and 6(a) of the SEBI (PFUTP) Regulations, 1995, Regulation 7 read with the code of conduct prescribed in Schedule II of the Broker Regulations, 1992 and Rule 4(b) of Broker Rules and Regulations 5(d) and 5(e) of Broker Regulations, 1992. On the basis of the aforesaid findings, the Enquiry Officer vide her report dated March 30, 2007 recommended that the registration of SRS be suspended for a period of one month.
6. Accordingly, a notice under SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as the Enquiry Regulations) was issued to SRS on April 05, 2007 enclosing therewith a copy of the enquiry report and advising him to show cause as to why action as recommended by the Enquiry Officer or any other action as considered appropriate should not be taken against him. He was also asked to explain why consequential action under Regulation 3(2) of SEBI (Criteria for Fit and Proper Person) Regulations, 2004 should not be taken against him.
7. Vide letter dated April 28, 2007, SRS replied to the SCN denying all charges and accusation. He also submitted that if SEBI wishes, it may go ahead with the recommendation made by the Enquiry Officer but he is not in a position to pay any sort of financial penalties levied upon him. An opportunity of personal hearing was granted to SRS in the matter on September 25, 2009 at Ahmedabad. On the scheduled date, Shri Sanjay R Shah appeared and made oral submissions wherein he reiterated the submissions made in his reply.

8. I have carefully considered the investigation report, enquiry report, SCN issued by SEBI, reply thereof and the submissions made before me during the personal hearing and other materials available on records.
9. I note that at ASE and BSE, during the investigation period, there was a concentrated trading activity among SRS, Tushar S. Jhaveri and other entities connected with them viz Classic Consultancy, Orbit Securities Pvt. Ltd. and Sanjiv Pravinchandra Shah. I also note that SRS and Classic Consultancy have same address. Further, SRS, Classic Consultancy, Orbit Securities Pvt. Ltd. and Sanjiv Pravinchandra Shah had received shares of MIL directly or indirectly from Tushar S. Jhaveri.
10. At ASE, there was no trading reported during the period December 1, 1999 to September 18, 2000 barring the period September 19, 2000 to September 29, 2000. The opening price, volume and number of trades during the period September 19, 2000 to September 29, 2000 are as given below:

Table – 1

Date	Open Price	Volume	No. of trades
19/9/2000	28.00	32500	16
20/9/2000	27.00	40000	7
21/9/2000	26.00	60000	6
22/9/2000	27.00	87000	25
25/9/2000	30.00	58000	25
26/9/2000	32.40	105000	36
27/9/2000	34.90	141000	48
28/9/2000	37.50	11000	1
29/9/2000	39.90	95000	14
		629500	178

11. The following are the settlement wise details of transactions done by SRS, Tushar Jhaveri and entities connected with them:

Table - 2

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	SRS	32500	32500

Date	Set t 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	
		Ashok C. Shah	SRS	10000				
20/9/00	53	Hemant Jhaveri	Tushar Jhaveri	20000	Prerak Capital	SRS	40000	40000
		Ashok C. Shah	SRS	20000				
21/9/00	54	Paresh R. Shah	SRS	40000	Prerak Capital	SRS	60000	60000
		Hemant Jhaveri	Tushar Jhaveri	15000				
22/9/00	55	Paresh Shah	SRS	42000	Ashok C Shah	SRS	52000	87000
		Rajendra Chudgar	SRS	25000	Rajesh Jhaveri Stock	SRS	19000	
		Hemant Jhaveri	Tushar Jhaveri	20000	Hemant Jhaveri	Tushar Jhaveri	15000	
25/9/00	56	Paresh R. Shah	SRS	33000	Ashok C Shah	Orbit Sec	33000	58000
		Rajendra Chudgar	SRS	15000	Rajendra Chudgar	SRS	15000	
26/9/00	57	Paresh Shah	SRS	35000	Rajesh Jhaveri Stoc	Aloni Ent.	55000	105000
		Ashok C. Shah	SRS	15000	Prerak Capital	Orbit Sec	30000	
		Hemant Jhaveri	Tushar Jhaveri	8000				
27/9/00	58	Rajendra Chudgar	SRS	49900	Rajesh Jhaveri Stoc	Aloni Ent.	80000	141000
		Paresh Shah	SRS	22600	Ashok C. Shah	SRS	20000	
		Rajesh N. Jhaveri	Prop A/c	17500				
		Ashok C. Shah	SRS	16000				
28/9/00	59	Paresh Shah	SRS	11000	Khandwala Finstock	Classic Cons	11000	11000

Date	Set t 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	
29/9/00	60	Paresh Shah	SRS	75000	Khandwala Finstock	Classic Cons	80000	95000
		Rajendra Chudgar	SRS	5000				

The transactions for the nine days at ASE as mentioned above show that almost entire trades at ASE during the said period were accounted by circular trades of SRS, Tushar Jhaveri and entities connected with them. The above transactions show that out of 6,29,500 shares traded during this period, these entities purchased 5,27,500 shares which is 83% of the buy volume and sold 4,42,500 which is 70% of the sale volume. Further, same person/entity/connected entities were appearing as both buyer and seller for the same transaction but through different ASE brokers during the above nine trading days.

12. It is further observed that SRS and Tushar Jhaveri who executed circular deals and created artificial volumes at ASE executed similar transactions at BSE also during the period from September 25, 2000 to October 13, 2000. The price volume, trade data of shares of MIL during the said period at BSE is given below:

Table - 3

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

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares	No. of Trades
13 October	27.45	27.45	25.05	25.05	92598	129

The details of transactions of SRS and Tushar Jhaveri are given below:

Table - 4

Date	Sett No.	Buy Details			Sell Details			Total shares traded in the market
		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	SRS through Shree Parshawa Finance/ Rajesh Jhaveri	28250	52200
		SKSE Sec through sub-broker Amrut Sec	SRS /Tushar Jhaveri	2500	Prabhudas Liladher thru Jyotish Bhogilal	Rajesh Jhaveri through Shree Parshawa Finance	225	
27/9/00	128	SKSE Sec through sub-broker Amrut Sec	SRS /Tushar Jhaveri	15000	Prabhudas Liladher- Jyotish Bhogilal	Rajesh Jhaveri through Shree Parshawa Finance	10763	45600
		Galaxy Brok	Tushar Jhaveri	10000				
28/9/00	129	Galaxy Brok	Tushar Jhaveri	23900	Prabhudas Lila/Jyotish Bhogilal	Rajesh Jhaveri through Shree Parshawa Finance	3000	60710
		SKSE Sec through sub-broker Amrut Sec	SRS /Tushar Jhaveri	2500	Lalkar Sec	Tushar Jhaveri through Enpee Securities	30000	
29/9/00	130	SKSE Sec through	SRS /Tushar	10000	Acme Shares	Tushar Jhaveri	25300	81218

Date	Sett No.	Buy Details			Sell Details			Total shares traded in the market
		Name of broker/sub-broker	Name of client	Buy Qty	Name of broker/sub-broker	Name of client	Sell Qty	
		sub-broker Amrut Sec SKSE Sec through sub-broker Anil Gandhi	Jhaveri SRS /Tushar Jhaveri	46000		through Mahavir 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 Lark Consul	Tushar Jhaveri Sanjeev Shah	100 19480	54001
9/10/00	135	Galaxy Brok	Tushar Jhaveri	53650	Lark Consul	Sanjeev Shah	50000	119425
10/10/00	136	Galaxy Brok	Tushar Jhaveri	10450	Lark Consul	Sanjeev Shah	28600	90027
11/10/00	137	Galaxy Brok	Tushar Jhaveri	69600	Lark Consul	Sanjeev Shah	37220	106692
12/10/00	138	Galaxy Brok	Tushar Jhaveri	19000	Galaxy Brok Prabhudas Lila/Jyotish Bhogilal	Tushar Jhaveri SRS through Shree Parshaw Finance/Rajesh Jhaveri	2000 6100	30200
13/10/00	139	Galaxy Brok	Tushar Jhaveri	55000	Prabhudas Lila/Jyotish Bhogilal	SRS through Shree Parshaw Finance/Rajesh Jhaveri	25548	92598

13. As seen from the table above, SRS/Tushar Jhaveri and other connected entities were buying and selling the shares of MIL simultaneously through different brokers. It was also found that SRS had apparently defaulted in making payments to their brokers for their purchases.
14. The modus operandi of these entities in the shares of MIL appears to be such that SRS and Tushar used various entities to deliver the shares at the ASE and BSE in order to avoid detection. SRS transferred shares to Rajesh Jhaveri Stock Broker who in turn was found to have transferred the shares to Parshwa Finance. Parshwa Finance in turn sold the said shares at BSE in rolling settlement nos. 126, 128 and 129 of the year 2000 through Jyotish Bhogilal, sub broker of Prabhudas Liladhar. These shares were again purchased by SRS/Tushar Jhaveri through Galaxy Broking Ltd. These transactions clearly show that the trades were circular in nature.
15. I find that SRS is guilty of having manipulated the shares of MIL by creation of artificial trades/volumes and raising the price of the scrip of MIL by simultaneously buying and selling the same shares and thereby entering into circular trades in the shares of MIL at BSE and ASE.
16. I have also noted that SEBI had issued various summons dated December 18, 2002, January 24, 2003, February 5, 2003 and March 3, 2003 to SRS to appear in person but none of them were complied with.
17. Persons who operate in the securities market are expected to be aware of and comply with the rules and regulations of the market. SRS, being a SEBI registered intermediary, stands on a higher pedestal and is required to maintain higher standards of integrity, promptitude and fairness in the conduct of the business dealings. By indulging in the manipulative and fraudulent acts, SRS did not maintain the standards of integrity, promptitude and fairness required from a person who is also a registered stock broker. In the process of perpetuating these circular/irregular trades, SRS has failed to exercise proper skill, care and diligence, required from a broker.
18. Thus, from the aforesaid acts of omission and commission, it is established that Sanjay R Shah have violated Regulation 4(b), (d) and 6(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating the Securities Market) Regulation, 1995, Regulation 7 read with the Code of Conduct prescribed in Schedule II of the SEBI (Stock Brokers and Sub-brokers) Regulations,

1992 and Rule 4(b) of SEBI (Stock Broker and Sub brokers) Rules, 1992 and Regulations 5(d) and 5(e) of the SEBI (Stock Broker and Sub brokers) Regulations, 1992.

19. In view of the above, it would be in the interest of justice if a penalty of suspension of the certificate of registration as recommended by the enquiry officer is imposed on SRS for aforesaid violations.
20. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the Intermediaries Regulations, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of Intermediaries Regulations. Therefore, this order is being passed under SEBI (Intermediaries) Regulations, 2008.
21. Therefore, in exercise of the powers conferred upon me under Section 19 of SEBI Act, 1992 and Regulation 28(2) of the SEBI (Intermediaries) Regulations, 2008, I hereby impose a penalty of suspension of the certificate of registration of Sanjay R. Shah having SEBI registration no. INB020494913 for a period of one month.
22. A copy of this order shall also be sent to the concerned stock exchanges.
23. This order shall come into effect immediately on expiry of 21 days from the date of this order.

Date: March 10, 2010
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA