

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

IN THE MATTER OF TOP TELEMEDIA LTD.

In respect of Mr. Rajendra J. Shah

ORDER

Under Section 11 and 11B of the Securities and Exchange Board of India Act, 1992

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted an investigation into the buying, selling or dealings in the scrip of Top Telemedia Ltd. (hereinafter referred to as 'TTL') for the period of November 01, 2001 to April 29, 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 investigation the scrip of TTL was listed on Bombay Stock Exchange (hereinafter referred to as 'BSE'), Ahmedabad Stock Exchange and Pune Stock Exchange. However, for the present proceedings the trading of only BSE has been considered.
2. The trading details of the persons who had traded in the scrip were collected and analyzed along with the data of the volumes contributed during the relevant period of time. During the period of investigation the scrip was traded in weekly as well as rolling segment. In weekly segment, the scrip opened at Re.1 on November 01, 2001 (with face value of Re.1 per share), touched Rs.1.95 on November 27, 2001 and closed at Re.0.75 on December 28, 2001. From, November 01, 2001 and till December 28, 2001, the trading in the scrip was in both segments viz. weekly and rolling. After December 28, 2001, the trading in the scrip had started exclusively in the rolling segment. In

the month of January, 2002, the shares of TTL were consolidated in the ratio of 10:1. In rolling segment, scrip opened at Re.0.95 (with face value of Re.1 per share) on November 01, 2001, touched Rs.18 (with face value of Rs.10 per share) on March 21, 2002 and closed at Rs.10.70 on April 29, 2002. The investigations *prima facie* revealed that the sales, net profit and total income of the company had reduced considerably for the year ended March, 2001, and quarter ended September, 2001. It was revealed that a group of clients and sub-broker had traded significantly and created large volumes in the scrip of TTL.

3. On completion of investigation, *inter alia* SEBI issued show cause notice dated June 05, 2008 (hereinafter referred to as 'SCN') to Mr. Rajendra J Shah (hereinafter referred to as 'noticee') under Section 11B and 11(4) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The SCN alleged that during the relevant period the noticee was involved in reversal of trades with M/s. Rajesh N. Jhaveri (a sub-broker of ASE Capital Market Ltd.) in a synchronized manner and thereby he created artificial volumes in the scrip. The SCN, therefore, alleged that the acts of the noticee were in violation of Regulations 4 (a), (b) and (d) of PFUTP Regulations read with Regulation 4(1), 4(2) (a), (b), and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003. Accordingly, it called upon the noticee to show cause as to why suitable directions under Section 11B and 11(4) of SEBI Act read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 should not be issued against him.
4. Noticee failed to reply to the SCN despite of various reminders. Before proceeding further an opportunity of personal hearing was granted to the

noticee on September 14, 2009. In the meantime noticee applied for settlement of the proceedings through a consent order in terms of SEBI Circular dated April 20, 2007. In view of this, the present proceedings were kept on hold. SEBI, however, did not agree to settle the proceedings by consent as the terms offered by the noticee were not adequate and finally rejected the application. Pursuant to such rejection, the present proceedings have been revived from the stage where these were kept on hold and another opportunity of personal hearing was granted to the noticee on May 21, 2010, before me. The noticee vide his letter dated May 07, 2010, requested for postponement of hearing to a date after June 30, 2010 due to his preoccupation on said date. The request of the noticee was considered and in the interest of justice, another opportunity of personal hearing was granted to him on July 01, 2010. This time again he failed to appear for the personal hearing.

5. I note that noticee vide his letter dated June 29, 2010, sought adjournment of hearing due to sudden health problem. In support he also submitted a medical certificate. A perusal of the said medical certificate shows that the same was issued on June 30, 2010 (i.e. after the date of letter of noticee). The sequence of events throws serious doubt on his intention to actually appear for personal hearing. Considering this, I note that sufficient opportunities of hearing had already been granted to the noticee, which he has failed to avail. It appears that noticee has nothing to say in his defence and is only gaining time by delaying the proceedings. Taking note of this, I am compelled to proceed with the matter *ex-parte*, on the basis of material available on record, as against the noticee, having complied with the principles of natural justice.
6. I have carefully considered the SCN and material available on record. I note that SCN has described the role and the transactions entered by the noticee clearly, along with supporting evidence of movement of shares. After having

examined the above details, the issue arises for my consideration is whether the noticee indulged in reversal of trades and thereby created artificial volume in the scrip?

- a. I note that the noticee was trading in the scrip through M/s. Rajesh N. Jhaveri, a sub-broker of ASE Capital Mkt. Ltd. during the period of March 08, 2002 to April 03, 2002. The trades of the noticee were matched with the trades of M/s. Rajesh N. Jhaveri who was entering the counterparty orders through his proprietary account. This shows the close relationship between the noticee and the counter party i.e. of client and broker.
- b. I note that the noticee and the counterparty were found matching their buy and sell orders and reversing their position as detailed in the SCN. An analysis of the trade order log reveals that the noticee had placed buy and sell orders with identical price and quantities, which were executed with the counterparty and had resulted in trades with negligible time difference.
- c. For better understanding, an instance of such perfect matching may be discussed. For example on March 8, 2002, M/s. Rajesh N. Jhaveri placed a buy order at 10:08:50 for 5,000 share at the rate of Rs.14 and the noticee placed sell order at 10:08:51 for 5,000 shares at same rate. These orders got executed in multiple trades. Later on, the noticee placed a buy order for 5,000 shares at 10:10:03 at the rate of Rs.14.05. Similarly, M/s. Rajesh N. Jhaveri placed a sell order of 5,000 shares at 10:10:03 at the same rate. These orders got executed in multiple trades. I observe that by trading in this fashion, the noticee and M/s. Rajesh N. Jhaveri had reversed their position. I note that these orders by the noticee and the counterparty were placed in a synchronized manner wherein the time difference between placing buy and sell order was merely 0 to 1 second and the price, quantity was almost identical. A summary of trading of the noticee with M/s. Rajesh N. Jhaveri is given below:

Date	Bought from Rajesh N. Jhaveri	Sold to Rajesh N. Jhaveri	Reversal Qty.	No. of Trades	Day wise Volume	%age
8/3/2002	50,000	50,000	50,000	200	2,38,478	20.97
13/3/2002	50,000	50,000	50,000	200	1,32,129	37.84
14/3/2002	50,000	50,000	50,000	289	1,94,683	25.68
15/3/2002	50,000	50,000	50,000	200	1,94,949	25.65
18/3/2002	68,000	69,000	68,000	279	2,24,517	30.29
19/3/2002	94,000	91,000	91,000	640	3,10,520	29.31
20/3/2002	59,000	58,650	58,650	439	2,84,919	20.58
21/3/2002	66,818	68,106	66,818	1,283	2,86,871	23.29
22/3/2002	80,000	72,000	72,000	380	2,76,876	26.00
26/3/2002	70,000	74,000	70,000	341	2,68,340	26.09
27/3/2002	14,000	14,000	14,000	60	1,56,405	8.95
28/3/2002	52,700	53,000	52,700	259	2,30,948	22.82
1/4/2002	59,900	59,100	59,100	280	2,40,020	24.62
2/4/2002	59,000	61,900	59,000	270	2,23,999	26.34
3/4/2002	9,000	9,000	9,000	40	1,11,515	8.07
Total	8,32,418	8,29,756	8,20,268	5,160	33,75,169	24.30

- d. From above table, it can be seen that the noticee had traded for huge volumes in the scrip of TTL. As already observed the trades of the noticee got reversed with that of M/s. Rajesh N. Jhaveri. Noticee entered 5,160 reversal trades which account for 8,20,268 shares, constituting 24.30% of total traded quantity during the said period. I note that execution of trades in identical fashion over a period of time between the same parties indicate that the same were structured in nature and are only possible if the trades are put in the system with some prior understanding. In such cases, prices and quantities are negotiated outside the system and orders are executed simultaneously. I note that the price and quantity was identical in the present case and were in synchronized nature. In light of the above discussion, I find that the noticee by his synchronized trades had created artificial volume in the scrip of TTL.
- e. I note that synchronized deal per se is not illegal. On the other hand, the synchronized deals with fraudulent or deceptive intention to create misleading appearance of trading and to manipulate the volumes in the scrip, tampers

the market equilibrium. Such acts are serious in nature and required to be viewed seriously. Execution of number of synchronized trades and reversal of trades continuously for number of days with M/s. Rajesh N. Jhaveri, shows the manipulative intent of the noticee to create artificial volume in the scrip.

7. In view of the above stated facts, I find that the noticee had entered the impugned trades with a view to create misleading appearance of trading which tampers with price discovery mechanism of stock exchange and is against the concept of transparency. The reversal and synchronized trades entered into by the noticee facilitated the creation of artificial volumes and false market in scrip of TTL. This is likely to induce the innocent genuine investors to trade in the scrip. Further, it is established that the noticee had indulged in creating false or misleading appearance of trading on the securities market and dealt in securities, not intending to effect transfer of beneficial ownership but intending to operate only as a device to cause fluctuations in the price of scrip of TTL and therefore is guilty of violating the provisions of Regulation 4 (a), (b) and (d) of PFUTP Regulations.
8. In view of the above, I find the noticee guilty of violating provision of Regulation 4 (a), (b) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 read with Regulation 4 (1), 4 (2) (a), (b), and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
9. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act, 1992 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 Mr. Rajendra J. Shah [PAN:

ACIPS 6614E] from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of one year from the date of this order.

10. The stock exchanges are hereby directed to permit the respective members to square off his existing open positions, if any, at the earliest in Futures and Options segment.
11. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticee is not allowed to undertake transactions as prohibited in Para 9 above.
12. This order shall come into force with immediate effect.

DATE : 30/JULY/2010
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA