

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

IN THE MATTER OF CYBERSPACE LTD.

In respect of Chandresh Mehta (PAN: AFEPM7700E)

ORDER

Under Section 11B and 11(4) of the Securities and Exchange Board of India Act, 1992

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had conducted an investigation into the buying, selling and dealing in the shares of M/s Cyberspace Ltd. (hereinafter referred to as 'Cyberspace') on observing unusual movement in the price and volume of the scrip of Cyberspace in the period October 1999 to March 2001. Investigations revealed that the price of the Cyberspace scrip had gone up substantially in the period from October, 1999 to March, 2001 (hereinafter referred to as the 'period of investigation'/'investigation period'), and thereafter started attracting large volumes from September 2000/October 2000 till March 2001. The scrip was trading at around Rs. 1200/- in September, 2000. Pursuant to the sub-division of the equity shares from Rs.10/- to Rs.2/-, the price was proportionally reduced to Rs. 186/- on September 26, 2000. The price moved in the range of Rs. 190/- to Rs. 147/- till February 2001.
2. Investigations further revealed that M/s. Pradeepak Finance & Mgmt. Consultants Pvt. Ltd. (hereinafter referred to as 'Pradeepak'), of which Chandresh Mehta was a director, had purchased 8,53,300 shares and sold 7,99,100 shares on BSE during the investigation period, thereby creating artificial volumes in collusion with Cyberspace and other related/ linked entities.
3. Accordingly, SEBI issued notices dated May 26, 2004 (hereinafter referred to as 'SCN') to Chandresh Mehta (hereinafter referred to as the 'noticee'). SEBI vide its order dated March 3, 2008, *inter alia*, restrained the noticee, Shri Chandresh Mehta from accessing the

securities market and prohibited him from associating with the securities market to buy, sell or deal in securities in any manner whatsoever for a period of 5 years for the violation of Regulations 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. The noticee appealed against the said SEBI order (appeal no. 74/2008 respectively) before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'SAT'). However, the Hon'ble SAT, vide its order dated December 17, 2008, noted that the SCN was not delivered to the noticee and hence remitted the case back to SEBI for a fresh decision in accordance with law after serving the copy of the SCN on the appellant. In compliance with the SAT Order the SCN dated May 26, 2004 was sent to Chandresh Mehta vide letter dated May 18, 2009 asking the noticee to show cause as to why suitable directions under Sections 11(4) and 11B of SEBI Act, 1992, including restraining him from accessing the capital market and prohibiting him from buying, selling or dealing in securities in any manner should not be issued against him.

4. Since no reply was received from Shri Chandresh Mehta, a reminder dated June 17, 2009 was sent to him. Shri Chandresh Mehta replied vide his letter dated June 24, 2009. Thereafter, an opportunity of hearing was provided to Chandresh Mehta on November 12, 2009. Chandresh Mehta attended the said hearing. The noticee has, *inter alia*, submitted as under:
 - a) He was appointed as a director of Pradeepak due to his relationship as the brother of Shri Rajendra Mehta, also a director of Pradeepak.
 - b) He never participated in the day to day management and affairs of the company directly or indirectly. Further he never held any office of profit as director and never drew any salary, remuneration, commission or monetary benefit directly or indirectly
5. I have carefully considered the SCN, submissions of the noticee and other material available on record.
6. I note that Cyberspace was originally incorporated in 1984 as M/s. Greenfield Leasing and Holdings Limited and was renamed as M/s. Century International Finance Ltd. in

1994. Thereafter, in 1998, the company again changed its name to M/s Cyberspace Infosys Ltd. and is presently known as M/s. Cyberspace Ltd. The company came out with a public issue in December 1994 and its total equity of Rs 5.74 crore was divided into 57.40 lac equity shares of Rs 10 each. The equity shares of Cyberspace were listed on the Delhi Stock Exchange (hereinafter referred to as 'DSE'), the Uttar Pradesh Stock Exchange (hereinafter referred to as 'UPSE'), the Bombay Stock Exchange (hereinafter referred to as 'BSE') and the National Stock Exchange (hereinafter referred to as 'NSE'). The scrip of Cyberspace was traded in compulsory rolling settlement. As per the distribution schedule dated May 31, 2000, the promoters and group companies were holding 42.73% and the public holding was 42.88%. In 1993-94, Shri A.K Johari and Shri Arvind Johari had taken over Cyberspace as promoters.

7. M/s Century Consultants Ltd (hereinafter referred to as 'CCL') was a group company of Cyberspace and a member of NSE, BSE and Over-The-Counter Exchange of India (hereinafter referred to as 'OTCEI'). G N Johari, Anand Johari and Arvind Johari were directors in both Cyberspace and CCL.
8. On a preliminary enquiry, the BSE found that the promoters of Cyberspace and CCL seemed to be involved in manipulative activities, which may have affected the price in the scrip of Cyberspace. Subsequently, BSE and NSE withheld the payouts in the scrip for the settlement No. 242-246 and W47-W50 respectively.
9. Subsequently, SEBI conducted an investigation into the affairs relating to buying, selling and dealing in the shares of Cyberspace. It was found that the promoters of Cyberspace and CCL had acted in concert with certain shell companies and circulated shares of the company amongst themselves with a view to raise the price and volume of the scrip artificially and they created false market. Thereafter, CCL defaulted and the price of the scrip started crashing by 16% on daily basis.
10. As already stated earlier, Pradeepak had purchased 8,53,300 shares and sold 7,99,100 shares of Cyberspace on BSE during the investigation period. Chandresh Mehta was a director of Pradeepak during this period. Analysis of the demat account of Pradeepak

revealed off-market transfers to and from CCL and entities associated with CCL and its promoters including Nucleus Soft-Tel Ltd., Kamrao Plastique Ltd., Octopus Soft-Tel Pvt. Ltd., Rosewood Tradelinks Pvt. Ltd., Delta Investments, Arihant Investments, and Shivam Multi Services Pvt. Ltd. These entities were linked to Cyberspace and/or CCL as under:

Name	Relationship with Cyberspace/ CCL
Nucleus Soft-Tel Ltd.	Amit Singh, director of Nucleus Soft-Tel Ltd. and Sachin Agrawal, witness to the Moemorandum of Association (MoA), were employees of CCL. Amit Singh was the personal assistant to Arvind Johari
Kamrao Plastique Ltd.	Chetan Patel, director of Kamrao Plastique Ltd., was an employee of CCL.
Octopus Soft-Tel Pvt. Ltd.	Anil Thambe, director of Octopus Soft-Tel Pvt. Ltd., and Sachin Agrawal, witness to the MoA, were employees of CCL.
Rosewood Tradelinks Pvt. Ltd.	Unregistered sub-broker of CCL.
Delta Investments	Mahesh Mistry, director of Delta Investments, was an employee of CCL.
Arihant Investments	Rakesh Giriya, proprietor of Arihant Investments, was a client of CCL and Rohit Shah, witness to the Member Constituent Agreement, was an employee of CCL.
Shivam Multi Services Pvt. Ltd.	Unregistered sub-broker of CCL.

11. For instance, in settlement no. 2001045, Pradeepak had a deliverable position of 1,77,600 shares. Pradeepak's demat account showed a transfer of 68,141 shares of Cyberspace from Delta Investment and 27,372 shares from Rosewood Tradelinks Pvt. Ltd.
12. Pradeepak, in its statement before the investigating authority admitted that it was transacting in the scrip on Arvind Johari's request as the latter wanted to upgrade the scrip from B2 to B1 group, for which a higher volume of trade in the scrip was needed. Moreover, Pradeepak stated that it was acting as an unregistered sub broker to CCL since 1997. Further, the noticee received funds from AM Johari and CCL. The receipt of such funds was followed by an increased trading by Pradeepak in the scrip.
13. In view of the above, it is evident that Pradeepak was complicit in the manipulation of the scrip. I note that the proceedings herein have been initiated against Chandresh Mehta as the director of the company. In his defense, Chandresh Mehta has pleaded that he was

never involved in the day to day affairs of Pradeepak. However, I note that Pradeepak is a private limited company, and, as per its annual report, during the investigation period there were only 3 directors on its board. In such a scenario, and in the absence of any other material on record to point to a different conclusion, I cannot rely merely on the *ipse dixit* of the noticee. I also note that directions have been passed/ are being passed against Pradeepak and other directors of Pradeepak during the investigation period.

14. Whereas Pradeepak indulged in fraudulent practices in the scrip of Cyberspace, the noticee, being a director of Pradeepak, cannot escape from the liability for manipulative activities. It is the responsibility of the directors to ensure that a company functions properly, in accordance with law. The company as well as every director who is in charge of the company at the time of alleged manipulation shall be responsible for the violation of Regulations 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. Therefore, I find that Chandresh Mehta, the noticee violated Regulations 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
15. Therefore, taking into consideration facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) and 11B of SEBI Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, restrain the Shri Chandresh Mehta (PAN: AFEP7700E) from buying, selling or dealing in securities and from associating in securities market in any manner whatsoever for a period of one year.
16. A copy of this order shall be served on all recognized stock exchanges and depositories.
17. This order shall come into force with immediate effect.

DATE : 25/January/2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA