

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

IN THE MATTER OF DATASOFT APPLICATION SOFTWARE (INDIA) LIMITED

In respect of Rijan Securities Private Limited, Mr. Milan G. Parikh and Mr. Bhavesh N. Muni

Date of hearing: August 25, 2011

Appearances:

For Noticees: Mr. Bhavesh Muni, Director, Rijan Securities Pvt. Limited
Mr. Rajesh Khandelwal, Advocate

For SEBI: Ms. Anju Mahendra, Presenting Officer
Ms. Medha Sonparote, Deputy General Manager
Mr. Pradeep Kumar, Assistant Legal Advisor
Mr. Naveen Kumar, Manager

ORDER

Under Sections 11, 11(4) 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 investigation in respect of trading in the shares of Datasoft Application Software (India) Limited (hereinafter referred to as 'Datasoft') for the period from November 06, 2000 to January 25, 2001. The scrip of Datasoft, during the period of investigation was listed at the Bombay Stock Exchange (hereinafter referred to as 'BSE') and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
2. The trading details of different persons in the scrip of Datasoft were collected and analyzed along with the data of the volumes contributed. During the period of investigation, the price of the scrip plunged from ₹106.90 as on November 06, 2000 to ₹47.55 as on January 25, 2001. The investigation *inter alia* revealed that Rijan Securities Private Limited (hereinafter referred to as

'Rijan') traded in the scrip of Datasoft as an unregistered sub-broker and executed manipulative trades continuously over a period of time.

3. On completion of the investigation, SEBI issued a Show Cause Notice (hereinafter referred to as 'SCN') dated December 21, 2009 to Rijan, its directors namely Mr. Milan G. Parikh and Mr. Bhavesh N. Muni (hereinafter collectively referred to as the 'noticees' and individually by their respective names) under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'). The SCN alleged that Rijan had created artificial liquidity in the scrip of Datasoft by executing self trades and matched trades with Vivenasri Financial Services Limited (hereinafter referred to as 'Vivenasri'). The SCN, also alleged that the acts of Rijan, its directors Mr. Milan G. Parikh and Mr. Bhavesh N. Muni were in violation of Regulations 4(b), (c) and (d) of the PFUTP Regulations. Accordingly, the SCN called upon the noticees to show cause as to why suitable directions under Section 11 read with Section 11B of the SEBI Act including the direction of restraining them from accessing the securities market should not be initiated against them.
4. The noticees vide separate letters, all of which were dated January 14, 2010, sought an extension of time for replying to the SCN and sought an inspection of certain documents. Later on, the noticees replied to the SCN vide separate letters dated March 30, 2010. Thereafter, an opportunity for inspection of the documents was given to the noticees on July 07, 2011. Pursuant to this, the copy of the statement of Milan G. Parikh was forwarded to the noticees vide a letter from SEBI dated July 15, 2011. Before proceeding further, an opportunity of personal hearing was granted to the noticees on August 25, 2011. On the date fixed, Mr. Bhavesh Muni along with Mr. Rajesh Khandelwal, Advocate for the noticees and made oral submissions.
5. I have carefully considered the SCN issued to the noticees, replies of the noticees and the material available on record. The submissions of the noticees are almost similar. A summary of these are given below:-

- The SCN is ambiguous and the observations/ allegations therein are not specific.
 - The trades were executed as per the clients' requirements and no proprietary trading was done in the scrip.
 - The trades were done in the normal course of business. It is impossible to detect/ perceive the intentions of the clients.
 - It was in the process of getting registered as sub-broker during the relevant period, however, later on, it decided not to proceed with registration and stopped trading since 2002.
 - They were not aware that Vivenasri was already registered as client with Ruchiraj Share and Stock Brokers Pvt. Limited. The director of Rijan may have acted as a witness in his individual capacity in the Member Client agreement between Vivenasri and Ruchiraj Share and Stock Brokers Pvt. Limited.
 - Rijan's name has already been removed from the company's master list w.e.f. from July, 2005 as maintained with the respective statutory authorities.
 - It has not received copy of the purported statements.
- 6.** I note the argument of the noticees that they have not been provided with the statement of Milan G. Parikh. This argument of the noticee is without merits as the said statement has already been forwarded by SEBI to the noticee vide letter dated July 15, 2011. I also note that pursuant to this, no communication in this regard has been received from the noticees. Having considered the above, the issue that now arises for my consideration is: Whether the noticees had created artificial volume in the scrip of Datasoft?
- 7. Whether the noticees had created artificial volume in the scrip of Datasoft?**
- a.** I note that Rijan had traded in the shares of Datasoft through two brokers viz., Ruchiraj Shares and Stock Brokers Limited and M/s Kirtikumar Fulchand Vora, during the period of investigation.

- b. I have seen the trading pattern of Rijan in the scrip of Datasoft as also brought out in the SCN and note that it had matched its orders with its own orders on the other side. I have seen the details of self trades entered by Rijan and note that the orders for the same were entered with very little time difference. The details of such trading have also been brought out below for reference:

Table A

Sett. No.	Date	Buy order				Sell order				Trade		
		Member code	Order time	Order Qty.	Order Rate	Member code	Order time	Order Qty.	Order Rate	Time	Qty	Rate
37	06/12/2000	370	15:41:41	5,000	88.50	380	15:41:40	5,000	88.50	15:41:41	5,000	88.50
			15:42:10	10,000	88.50		15:42:10	10,000	88.50	15:42:10	10,000	88.50
			15:49:33	10,000	88.50		15:49:32	10,000	88.50	15:49:34	10,000	88.50
38	11/12/2000	370	14:30:10	5,000	85.55	380	14:30:29	5,000	85.55	14:30:29	5,000	85.55
		370	15:42:48	15,000	86.00	380	15:43:06	15,000	86.00	15:43:06	15,000	86.00
	12/12/2000	370	15:42:10	10,000	81.50	380	15:42:10	10,000	81.50	15:42:13	9,930	81.50
39	22/12/2000	380	14:39:20	39,495	58.95	370	14:39:20	39,495	58.95	14:39:21	38,645	58.95
		380	14:57:14	10,000	58.95	370	14:57:14	10,000	58.95	14:57:14	10,000	58.95
40	27/12/2000	380	10:05:16	5,000	64.50	370	10:05:17	5,000	64.50	10:05:17	5,000	64.50
		380	10:05:48	5,000	64.00	370	10:05:49	5,000	64.00	10:05:49	5,000	64.00
		380	10:29:59	5,000	62.90	370	10:29:59	5,000	62.90	10:30:00	5,000	62.90
		380	10:30:37	5,000	62.75	370	10:30:51	5,000	62.75	10:30:52	5,000	62.75
		380	10:53:15	5,000	62.70	370	10:53:15	5,000	62.70	10:53:16	5,000	62.70
		380	14:37:36	25,750	61.90	370	14:37:34	25,750	61.90	14:47:36	25,750	61.90

*KFV – Kirtichand Fulchand Vohra (Member code- 370)

*Ruchiraj Share and Stock Brokers Pvt. Limited – (Member code -380)

The settlement-wise table showing the volume contributed by Rijan while trading in this manner to the total volume traded in the scrip of Datasoft has been brought out below:

Table B

Sett. No.	Date	Qty.	Buy client	Buy broker	Sell Client	Sell Broker
37	06/12/2000	25,000	Rijan	KFV	Rijan	Ruchiraj
38	12/12/2000	29,930	Rijan	KFV	Rijan	Ruchiraj
39	22/12/2000	48,645	Rijan	Ruchiraj	Rijan	KFV
40	27/12/2000	50,750	Rijan	Ruchiraj	Rijan	KFV
Total		1,54,325				

From the tables A and B above, it is seen that all the trades entered by Ruchiraj Shares and Stock Brokers Limited and M/s Kirtikumar Fulchand Vora are entered on behalf of Rijan. I note that Rijan had carried out 14 self trades deals involving 1,54,325 shares i.e., 30.81% of total market volume of the relevant four settlements. The said trades were surely not genuine as the

buyer and seller were the same and there was no change in the beneficial ownership.

- c. While proceeding further, I note that the trades of Rijan had also matched with Vivenasri on few occasions. I have seen the details of such trades as provided in the SCN and note the proximity in the time of entering of orders at identical price and quantity resulting into the matching of the trades. This clearly indicates synchronization while entering the orders. An analysis of these trades reveals that the orders of the trades entered by Rijan were punched in with some pre-conceived motive and prior arrangement.
- d. I note that the noticee had traded in the scrip of Datasoft as an un-registered sub-broker, during the relevant period and vide its letter dated September 02, 2002, it has also submitted a list of 47 clients. I have also seen the statement of Milan G. Parekh, one of the directors of Rijan, who is also a noticee and note that Rijan had carried out trades on behalf of Vivenasri (entity with whom the trades of Rijan were matched in a synchronized manner), K.M. Investments, A.D. Investments and other retail clients. I have seen the statement of Milan G. Parikh dated August 29, 2002 and note that he was also the director of Ruchiraj Shares and Stock Brokers Pvt. Limited and one Deepmilan Investment and Finance Company Pvt. Limited. Further, in the statement he has also admitted that Rijan had carried out broking business as unregistered sub-broker for about five months up to March, 2001. These facts point to a close nexus between Rijan and Vivenasri.
- e. From the above discussion, I note that Rijan had indulged in a unique trading pattern as discussed above with regularity, which also projected volumes in the scrip that were not market determined, rather with the hidden motive to induce innocent investors to enter the market. Such transactions are clearly not genuine and were solely entered for creating misleading appearance of trading in the scrip. Therefore, it can be concluded that Rijan had traded in the scrip in a manner which created artificial volume in the scrip of Datasoft.

8. I note that Mr. Milan G. Parikh and Mr. Bhavesh N. Muni were the directors of Rijan at the relevant point of time and responsible for the affairs of the company. In view of the above, I find that the noticees were guilty of violating the provisions of Regulation 4(b), 4(c) and 4(d) of the PFUTP Regulations. As regards the charge of acting as an un-registered sub-broker, I note that SEBI has initiated prosecution against Rijan. I also note the submission of the noticees that the name of Rijan has been struck from the records of the Registrar of Companies, since 2002 and consider that restraining a company that it non-existent is futile.
9. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11 and 11B of the SEBI Act, 1992, do hereby restrain Mr. Milan G. Parikh [PAN: AAEPP 0670K] and Mr. Bhavesh N. Muni [PAN: AKFPM 7895Q] 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. This order shall be served on all the recognized stock exchanges and the depositories to ensure that the entities mentioned above are not allowed to undertake transactions as prohibited above.
11. This order shall come into force with immediate effect.

DATE : MARCH 5, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA