

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under Sections 11, 11(4) and 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 Securities Market) Regulations, 2003

In the matter of Genus Commutrade Ltd.

In respect of Mr. Uday Vora (PAN:AAMPV2972L), Ms. Sonal U Vora (PAN:AAWPV2754Q), Mr. Dhiren Vora (PAN:AAWPV2756N) and Mr. Dharmesh Patel (PAN:AGHPP3633K)

Appearances:

Name of the noticees	Authorized representatives	For SEBI
Mr. Uday Vora	Mr. Vijay Ranjan, Advocate	Mr. Santosh Kumar Shukla, Joint Legal Adviser
Ms. Sonal U. Vora		Mr. Sharad K. Sharma, General Manager
Mr. Dhiren Vora		Mr. Himadri Shekhar Verma, Asst. General Manager
Mr. Dharmesh Patel	Not appeared	Mr. Gautam Kumar, Assistant Legal Adviser and Mr. Swapnil Jain, Legal Officer

1. Securities and Exchange Board of India ('SEBI') had conducted investigation into the trading in the scrip of Genus Commutrade Ltd. ('the company/GCL') for the period May 14, 2001 to July 20, 2001 ('the investigation period') on the basis of an internal investigation carried out by the Bombay Stock Exchange Limited ('BSE'). During the investigation period, the scrip of GCL was listed at BSE and the Ahmedabad Stock Exchange ('ASE'), however, the scrip was traded only at BSE.
2. The investigation *inter alia* revealed that the scrip of GCL was highly illiquid and prior to the investigation period there were only 12 trades in the scrip of GCL for total 1700 shares between January 2001 to April 2001. During the investigation period, the scrip was traded for 50 days and the total traded volume in the scrip was 1,07,65,730 shares. The price of the scrip was ₹5.40 on May 14, 2001 which touched a high of ₹23.90 on July 2, 2001 and closed at ₹20.25 on July 20, 2001. The traded volume in the scrip was 3,500 shares on May 14, 2001 which touched a high of 9,21,151 shares on May 28, 2001 and closed at 1,95,153 shares on July 20, 2001. The scrip had hit the circuit filter limits on ten days (six days-upper and four days-lower) on BSE during the investigation period.

3. It was observed that the top ten stock brokers who had traded in the shares of GCL accounted for 67.27% of the gross purchase volume and 63.27% of the gross sell volume, during the investigation period. It was noticed that a group of clients namely Mr. Rajeshkumar V. Patel, Mrs. Kirtiben R. Patel, Mr. Paresh R. Patel, Mrs. Hema Paresh Patel, Mr. Dhaval V. Shah, Mr. Dharmesh Patel, Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora ('the *connected/related clients*') who were allegedly either connected with each other or with GCL or with PIPL had traded actively in the scrip of GCL which was otherwise an illiquid scrip. The major buying broker was Parklight Investment Pvt. Ltd. (PIPL) who bought 14,69,440 shares (13.65%) and sold 8,85,044 shares (8.22%). The major client of PIPL was Shri Uday Vora, its Director. It was observed that these clients created artificial volume in the scrip and impacted its price.
4. Based on the investigation, SEBI issued a combined show cause notice (SCN) dated July 16, 2008 *inter alia* to Mr. Uday Vora, Ms. Sonal Uday Vora, Mr. Dhiren Vora and Mr. Dharmesh Patel (hereinafter collectively referred to as 'the noticees' and individually by their respective names) alleging that the noticees alongwith other entities created artificial volume in an otherwise illiquid scrip which also impacted the price of the scrip. The acts of the noticees were, thus, alleged to be in violations of regulation 4 (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 ('PFUTP Regulations 1995') read with regulations 4(1), 4(2) (a) and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ('PFUTP Regulations 2003').
5. Mr. Uday Vora and Ms. Sonal Uday Vora filed their reply vide their separate letters each dated July 03, 2009. Mr. Dhiren Vora filed his reply vide letter dated July 11, 2009. Mr. Dharmesh Patel filed his reply vide letters dated July 25, 2009 and July 21, 2010. An opportunity of personal hearing was granted to Mr. Dharmesh Patel on March 29, 2012. However, he failed to appear for hearing despite service of hearing notice dated March 19, 2012 upon him.
6. Further, an opportunity of personal hearing was granted to Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora on May 28, 2012 which was eventually postponed. However, Mr. Vijay Ranjan, advocate of Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora filed a written reply vide his letter dated May 28, 2012. Subsequently, after granting several opportunities of personal hearing and adjournments as requested by Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora, a final opportunity of personal hearing was granted

to them on September 18, 2012 when Mr. Vijay Ranjan, advocate, appeared and made submissions on behalf of Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora. During the course of hearing the learned advocate reiterated the submissions of Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora made in their replies.

7. During the hearing, the learned advocate argued in support of allegation in the SCN that Mr. Dhiren Vora had traded for 50,000 shares in the scrip of GCL during the investigation period, no material has been provided to him alongwith the SCN. It was pointed out to him that Mr. Dhiren Vora had purchased 50,000 shares of GCL on June 29, 2001 and relevant documents in support of the same were furnished to the learned advocate. The learned advocate sought one week time for seeking instructions from his client and to file his response in this regard and the same was granted to him. Vide his letter dated September 25, 2012, the learned advocate admitted that Mr. Dhiren Vora had traded for 50,000 shares as alleged in the SCN.
8. The submissions of the noticees are *inter alia* as under:-
 - a) Since the matter was very old for which no details were readily available with the noticees, it was impossible for them to file a detailed reply. Relying upon the orders of Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Libord Finance Ltd. vs. SEBI* and *Shri Ashok K Chaudhary vs. SEBI*, Mr. Uday Vora, Ms. Sonal U. Vora and Mr. Dharmesh Patel have contended that on account of inordinate delay in issuing the SCN to them, the SCN is legally untenable and liable to be set aside.
 - b) The trades in question were done in the ordinary course of business.
 - c) With respect to 33 large trades as alleged in the SCN, only 5 trades were done by Mr. Uday Vora and in 4 such trades the buy order quantity and sell order quantity did not match. This shows that parts of the quantity of shares were also picked by the third parties in the market and that there was no synchronisation or execution of structured deals as alleged. Ms. Sonal U. Vora had only trade in those 33 large trades. Mr. Dharmesh Patel does not figure in those 33 large trades.
 - d) Mr. Dharmesh Patel had sought all the documents and materials relied upon including the details like copies of the investigation report and trade & order logs, and statements of all the connected entities.
9. Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora have further submitted that in the same matter, the SCNs against 5 entities namely Mr. Rajeshkumar V. Patel, Mrs. Kirtiben R Patel, Mr. Paresh R. Patel, Mrs. Hema Paresh Patel and Mr. Dhaval V. Shah have been disposed of vide order dated March 31, 2010 by issuing a warning to them though

the trading volume of those 5 entities was more than that of Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora . In view of the same, they should be exonerated.

10. I have examined the show cause notice, replies of the noticees and other relevant material available on record. Before dealing with submissions of the noticees on merit, I deem it necessary to deal with the preliminary objections raised by the noticees regarding tenability of SCN after delay as contended by them. I note from the records that after completion of the investigations, the proposed actions were approved by the Competent Authority on March 27, 2008 and SEBI issued the SCN on July 16, 2008 to the noticees. Mr. Uday Vora and Ms. Sonal U Vora filed their reply on July 03, 2009, Mr. Dhiren Vora July 11, 2009 and Mr. Dharmesh Patel on July 25, 2009 i.e. almost after one year of the date of SCN that too when SEBI had sent a reminder letter dated May 26, 2009 to Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora. When the dates of hearing in the matter were fixed and intimated to Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora, they sought several adjournments (total 4 occasions) for one or other reason. I, therefore, am the view that Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora have also contributed to the time taken in the proceedings. I, therefore, do not agree with the contention of the noticees.
11. I note from the records that SEBI vide its letter dated July 08, 2010 had provided a copy of order and trade logs to Mr. Dharmesh Patel and informed him that the statements of the persons specified in his letter dated July 25, 2009 were not recorded. I note that the findings of the investigation related/relevant to him were given alongwith supporting documents/materials, relied upon in the SCN. I, therefore, find that Mr. Dharmesh Patel had been provided with all documents/materials relied upon in the SCN and thus principle of natural justice has been followed.
12. I note that Mr. Uday Vora and Mr. Dhiren Vora are related as brothers and Ms. Sonal U Vora is wife of Mr. Uday Vora. Mr. Dharmesh B. Patel and Mr Uday Vora share same office address. Mr. Uday Vora, Ms. Sonal Uday Vora and Mr. Dhiren Vora have not disputed the relationship among the clients including noticees, PIPL and GCL, as described in the SCN. While the noticees have admitted their trades alleged in the SCN, they have contended that the trades were in ordinary course of business. It is not in dispute that the shares of the company had witnessed sudden rise in price and volume during the investigation period.
13. It is pertinent to note that during January 2001 till April 2001 (prior to the investigation period), there were only 12 trades involving 1,700 shares of GCL which were executed

on BSE. The details of the share price and traded volume in the scrip of GCL during January 2001-December 2001 are as following:

Table I: Movement of the Scrip (January 2001- December 2001)

<i>Date</i>	<i>Open ₹</i>	<i>High ₹</i>	<i>Low ₹</i>	<i>Close ₹</i>	<i>No. of Shares</i>	<i>No. of Trades</i>	<i>Net Turnover (₹)</i>
<i>January 2001</i>	3.75	4.50	3.70	3.70	300	3	1,195.00
<i>February 2001</i>	3.00	4.50	3.00	3.50	1000	6	3,350.00
<i>March 2001</i>	3.95	3.95	3.00	3.70	400	3	1,365.00
<i>May 2001</i>	4.60	12.60	4.60	10.65	2898767	2474	29,931,294.00
<i>June 2001</i>	10.30	23.70	9.80	22.30	4925285	7609	81,363,260.00
<i>July 2001</i>	23.90	25.10	15.55	24.95	3148958	5910	60,685,158.00
<i>August 2001</i>	26.00	29.85	19.35	19.35	209895	916	5,277,046.00
<i>September 2001</i>	20.80	21.30	8.70	11.00	150396	552	2,651,229.00
<i>October 2001</i>	11.75	11.75	5.30	7.15	29313	343	226,138.00
<i>November 2001</i>	7.90	8.50	3.60	5.50	171250	1204	936,942.00
<i>December 2001</i>	6.25	6.25	3.30	3.55	225913	907	991,110.00

(May 2001 to July 2001 - Investigation Period)

14. The above table indicates that there was a manifold increase in the price and traded volume in the scrip of GCL during the investigation period as compared to the periods prior to and after the investigation period. I note that the financial performance/position of the company was not good during the investigation period as well as one year prior and after the investigation period. The net profit of the company stood at a mere ₹ 0.60 lakh as on June 2002.
15. In this case, the '*connected/related clients*' including the noticees traded amongst themselves as well as with other clients. Total 42,89,461 shares of GCL (39.84% of the total traded volume) were bought during these trades out of which buying concentration amongst the '*connected/related clients*' including the noticees was 13,24,659 shares (12.30% of the total trading volume and 30.88% of these clients' trading volume). Similarly, these clients sold 37,80,632 shares (35.12%) and the selling concentration amongst the connected clients was

- 13,21,242 shares (12.27% of the total trading volume and 34.95% of these clients trading volume) during the investigation period.
16. I note that 128 large trades (above 10,000 shares) for 24,40,883 shares were executed between the '*connected/related clients*' and out of these 128 large trades, 33 large trades for 6,67,797 shares were executed on 11 days where the time gap was less than 1 minute between buy and sell orders. Out of said 33 large trades, Mr. Uday Vora had individually done 5 trades and Ms. Sonal U Vora (a buy order for 50,000 shares on June 07, 2001), Mr. Dhiren Vora (a buy order for 50,000 shares on June 29, 2001) had individually done 1 trade each. Mr. Dharmesh Patel had no trade in those 33 large trades. It is the case of the noticees that their trades were miniscule when compared to total traded volume.
 17. I find that though the trades of the noticees taken individually were miniscule so far it relates to 33 large trades, the total trades executed by the noticees were substantial during the investigation period. In this regard, I note that Mr. Uday Vora traded for 11,23,991 shares (10.44% of total traded volume) where he purchased 7,34,195 shares and sold 3,89,796 shares during the investigation period. Similarly, Ms. Sonal Uday Vora traded for 3,93,572 shares (3.65% of total traded volume) where she bought 3,06,292 shares and sold 87,280 shares during the investigation period. Mr. Dharmesh Patel traded for 2,94,910 shares (2.74% of total traded volume) where he bought 4501 shares and sold 2,90,409 shares during the investigation period. Mr. Dhiren Vora had bought 50,000 shares during the investigation period. Thus, I find that the noticees had significant trading contribution where they traded total 18,62,473 shares (17.30% of the total traded volume).
 18. I further find that the '*connected/related clients*' including the noticees had entered into numerous buy and sell transactions among themselves in the illiquid scrip of GCL which had generated trading interest in the scrip during the investigation period. The share price had also increased during the trades of the noticees. There was a sudden surge in the price and volume of the scrip of GCL during the investigation period. The economic fundamentals of GCL did not justify the substantial volumes and price rise in the scrip during the investigation period.
 19. In the facts and circumstances of the case, the logical conclusion, in my view would be that such trades were not genuine and had impacted the share price of GCL. Further, these trades created misleading appearance of trading in the shares of GCL. I find that the scrip of GCL had opened higher than the previous day closing price on 31 days and had closed higher than the previous day closing price on 29 days out of total 50 trading days during the

investigation period. The analysis of opening and closing trades shows that the '*connected/related clients*' including the noticees have repetitively appeared in few opening trades but largely in closing session trades. Therefore, I hold that the noticees have dealt in the scrip of GCL in contravention of regulation 4 (b) and (c) of PFUTP Regulations 1995 read with regulations 4(1), 4(2) (a) of PFUTP Regulations 2003.

20. I note that the 5 entities out of the '*connected/related clients*' namely, Mr. Rajeshkumar V. Patel, Mrs. Kirtiben R Patel, Mr. Paresh R. Patel, Mrs. Hema Paresh Patel and Mr. Dhaval V. Shah have already been issued warning vide an Order dated March 31, 2010. Further, there was no charge in the SCN regarding fraudulent trading done by the noticees like synchronized/structure/reversal etc. In my view, considering the facts & circumstances of this case and these mitigating factor, the noticees should be issued warning.
21. In view of the foregoing, I, in exercise of the powers conferred upon me by virtue of Section 19 read with Section 11 and 11B of Securities and Exchange Board of India Act, 1992, and regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby issue warning to Mr. Uday Vora(PAN:AAMPV2972L), Ms. Sonal U Vora (PAN:AAWPV2754Q), Mr. Dhiren Vora (PAN:AAWPV2756N) and Mr. Dharmesh Patel (PAN:AGHPP3633K). I further direct them to be strictly compliant with the securities laws and other requirements which govern their conduct in the securities market in their future dealings.
22. This order shall come into force with immediate effect.

DATE: December, 31st 2012
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA