

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

**IN THE MATTER OF INVESTIGATIONS IN PENNY STOCKS AT THE
CALCUTTA STOCK EXCHANGE**

AGAINST SHIVAM STOCK BROKING PVT. LTD., SHYAM LAL SULTANIA, AHILYA COMMERCIAL PVT. LTD., A V SHARES & STOCK BROKING PVT. LTD., RAJENDRA PRASAD SHAH, BADRI PRASAD & SONS, S JHUNJHUNWALA & CO, RAM MOHAN SARDA, M BHIWANIWALA & CO, BASANT PERIWAL & CO, BINOY PODDAR, P K AGARWAL & CO, PRAMOD K KOTHARI, PUROSHATTAM LAL KEJRIWAL, SANTOSH KUMAR KEJRIWAL SECURITIES (P) LTD., DINESH KUMAR LODHA, SUNIL KEDIA, ASHISH STOCK BROKING PVT. LTD. AND MURARI LAL GOENKA

**[DIRECTIONS UNDER SECTIONS 11B AND 11 (4) OF THE SECURITIES AND
EXCHANGE BOARD OF INDIA ACT, 1992]**

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had found rampant price manipulation in the shares of companies with low market capitalization, commonly referred to as "small cap stocks" or "penny stocks" during the year 2005. The Board, in order to protect the interest of investors and the integrity of the securities market had initiated investigation against several such companies which are listed and traded on the Calcutta Stock Exchange Association Ltd. ('CSE') and had probed into the dealings of the said companies, their promoters, brokers and unscrupulous traders who were found to have manipulated the prices of the shares of those companies.
2. Initial investigations in six small cap companies, viz. Prime Capital Market Ltd., Subh Laxmi Projects Ltd., Global Capital Market Ltd., Bankam

Investments Ltd., S. T. Services Ltd. and Amluckie Investment Co. revealed that the shares of the above said companies had witnessed a sharp price variation ranging from 200% to 1900% within a short period between March 2005 to September 2005 on the Calcutta Stock Exchange (CSE). It was found that a set of brokers had traded in the said scrips and had manipulated their prices. In order to prevent and prohibit further irregularities, it became necessary to pass suitable directions against those found to have dealt in the scrip so as to protect the interests of the investors and also the integrity of the securities market. Therefore, the SEBI vide an interim order dated 29-09-2005 issued under Sections 11 (4) and 11B, pending inquiry, had directed the eleven brokers, viz. Sanju Kabra, Shivam Stock Broking Pvt. Ltd., D B & Co., Rajendra Prasad Shah, Badri Prasad & Sons, M Bhiwaniwala & Co., Ram Mohan Sarda, A V Shares & Stock Brokers Pvt. Ltd., Shyam Lal Sultania, Ahilya Commercial Pvt. Ltd. and S Jhunhunwala & Co. not to buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions. The trading in the six scrips were also suspended till further directions. Vide an order dated 12-01-2006 passed by the Board in the matter, pending investigations, it was interalia directed that the ex-parte interim order dated September 29, 2005 so far as they relate to the brokers, viz. Sanju Kabra, Shivam Stock Broking Pvt. Ltd., D. B. & Co., Rajendra Prasad Shah, Badri Prasad & Sons, M. Bhiwaniwala & Co., Ram Mohan Sarda, A.V. Shares & Stock Brokers Pvt. Ltd., Shyam Lal Sultania, Ahilya Commercial Pvt. Ltd. and S. Jhunhunwala & Co., shall remain in force till further orders which the SEBI may pass on conclusion of the investigation proceedings in the matter.

3. In continuation of SEBI's continuous efforts to safeguard the interest of investors, and protect the market from dubious participants, the SEBI had again conducted preliminary examination of the movement of share prices of five other similar companies listed and traded on the CSE, viz.

Nageshwar Investment Ltd., Adinath Bio-labs Ltd., Globe Stocks & Securities Ltd., Goenka Business & Finance Ltd. and Coronet Industries Ltd. The shares of the above mentioned companies had witnessed a sharp price variation ranging from 69% to 323% within a short period from April 2005 and November 2005. The preliminary investigations revealed that the above said five companies had poor fundamentals and therefore the price rise was not supported. It was also revealed that a set of brokers had traded in those scrips and had followed a common modus operandi of artificially inflating the price and creating false volumes through continuous self deals executed on the same terminal and cross deals amongst themselves, thereby not only enriching themselves but also aiding and abetting the process of legitimizing the gains. The findings of the preliminary investigation as detailed above also established a prima facie case of violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 and Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 read with code of conduct as specified in Scheduled II of the said Regulations. There is a reasonable ground to believe that the transactions in the above securities were dealt in a manner detrimental to the investors and securities market. In order to prevent and prohibit further irregularities, the SEBI vide order dated 30-11-2005 under Sections 11 (4) and 11B of the SEBI Act, 1992, pending investigations, had directed that the ten stock brokers of CSE, viz. Basant Periwal & Co., Binoy Poddar, P K Agarwal & Co., Pramod K Kothari, Purshottam Lal Kejriwal, Santosh K Kejriwal Securities (P) Ltd., Dinesh Kumar Lodha, Ashish Stock Broking, Sunil Kedia, Murari Lal Goenka, Shyam Lal Sultania and Ahilya Commercial Pvt. Ltd. not to buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions. With respect to Shyam Lal Sultania and Ahilya Commercial Pvt. Ltd., it was clarified that since they were vide order dated 29-09-2005 directed not to buy, sell or deal in securities in any manner, either directly or indirectly, the said orders will run concurrently,

till further directions to be issued to them. It was also directed that the trading of the shares of the above mentioned 5 companies shall remain suspended till further directions. Vide order dated 31-05-2006, the interim order against the above said stock brokers were directed to remain in force till SEBI passes necessary directions on conclusion of the investigations in the matter.

4. After initiating and completing investigations in the above said matters, various enforcement/administrative actions had been initiated against the brokers and others. Enquiry proceedings in terms of the provisions of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 have been initiated against the following stock brokers and the details of the said proceedings are as under:

Sl. No.	Name of suspended broker	Scrip	Status of the proceeding
1	Sanju Kabra	Prime Capital Markets Ltd.	Final order passed against the suspended intermediary
		Global Capital Markets Ltd.	Final order passed against the suspended intermediary
2	Shivam Stock Broking Pvt. Ltd.	Prime Capital Markets Ltd.	Final order passed against the suspended intermediary
		Global Capital Markets Ltd.	Enquiry Report submitted
3	D.B.& Co.	Prime Capital Markets Ltd.	Final order passed against the suspended intermediary
4	Shyam Lal Sultania	Subh Laxmi Projects Ltd.	Enquiry Report submitted
		Amluckie Investment Company	Enquiry Report submitted
		Nageswar Investment Ltd.	Enquiry in progress
5	Ahilya Commercial Pvt. Ltd.	Subh Laxmi Projects Ltd.	Enquiry in progress
		Coronet Industries Ltd.	Enquiry in progress
6	AV Shares & Stck Bkng P Ltd.	Global Capital Markets Ltd.	Enquiry Report submitted
7	Rajendra Prasad	Bankam Investment	Enquiry in progress

	Shah	Ltd.	
8	Badri Prasad & Sons	Bankam Investment Ltd.	Enquiry in progress
9	S Jhunjhunwala & Co.	S.T. Services Ltd.	Applied for consent proceedings
10	Ram Mohan Sarda	S.T. Services Ltd.	Applied for consent proceedings
11	M. Bhiwaniwala & Co.	Amluckie Investment Company	Enquiry in progress
12	Basant Periwal & Co.	Nageswar Investment Ltd.	Enquiry in progress
13	Binoy Poddar	Nageswar Investment Ltd.	Enquiry in progress
14	P.K. Agarwal & Co.	Nageswar Investment Ltd.	Enquiry in progress
15	Pramod K. Kothari	Adinath Bio-Labs Ltd.	Enquiry in progress
16	Puroshattam Lal Kejdiwal	Adinath Bio-Labs Ltd.	Enquiry in progress
17	Santosh Kumar Kejriwal Securities (P) Ltd.	Adinath Bio-Labs Ltd.	Applied for consent proceedings
18	Dinesh Kumar Lodha	Adinath Bio-Labs Ltd.	Enquiry in progress
19	Sunil Kedia	Globe Stock & Securities Ltd.	Enquiry Report submitted
		Goenka Business & Finance	Enquiry in progress
20	Ashish Stock Broking Pvt. Ltd.	Globe Stock & Securities Ltd.	Enquiry Report submitted
		Goenka Business & Finance	Enquiry in progress
21	Murari Lal Goenka	Coronet Industries Ltd.	Enquiry in progress

I note that the enquiry proceedings so initiated against the above mentioned stock brokers are nearing completion. I find that in those cases where enquiry reports have been submitted, the enquiry officers have recommended a penalty of suspension of the certificate of registration of the stock brokers for periods ranging from two months to six months. I also find that final orders have been passed against D.B. & Co., and Shivam Stock Broking Pvt. Ltd. in the matter of Prime Capital Market Ltd. and Sanju Kabra in the matters of Prime Capital Market Ltd. and Global Capital Markets Ltd. on completion of the respective enquiry proceedings and the penalty of suspension of the certificate of registration of the stock

brokers so imposed on the said brokers ranged from four months to two years. I further note that the above said stock brokers of the CSE had been restrained from buying, selling or otherwise dealing in securities by way of interim orders passed in 2005 and the said orders continue to be in force till date. Since the stock brokers have undergone suspension for more than the period which may be finally imposed on them by way of final orders, I find it imperative and just to lift the operation of the interim orders dated 29-09-2005 and 30-11-2005 and the confirmatory orders dated 12-01-2006 and 31-05-2006 with immediate effect. But, the vacation of the interim orders would have to be without prejudice to any action /order which the SEBI may take / pass on completion of the enquiry proceedings against the said stock brokers.

6. Therefore, in exercise of powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 and Sections 11 B and 11 (4) of the SEBI Act, 1992, I hereby direct that the restraint order imposed by way of interim orders dated 29-09-2005 and 30-11-2005 and later confirmed by orders dated 12-01-2006 and 31-05-2006 on the stock brokers affiliated with the CSE viz. Shivam Stock Broking Pvt. Ltd., Shyam Lal Sultania, Ahilya Commercial Pvt. Ltd., A V Shares & Stock Broking Pvt. Ltd., Rajendra Prasad Shah, Badri Prasad & Sons, S Jhunjhunwala & Co, Ram Mohan Sarda, M Bhiwaniwala & Co, Basant Periwal & Co, Binoy Poddar, P K Agarwal & Co, Pramod K Kothari, Puroshattam Lal Kejdiwal, Santosh Kumar Kejriwal Securities (P) Ltd., Dinesh Kumar Lodha, Sunil Kedia, Ashish Stock Broking Pvt. Ltd., and Murari Lal Goenka is vacated.
7. This order vacating the earlier orders suspending the business activities of the said stock brokers shall be without prejudice to the powers of the SEBI to pass necessary and fit directions against them on completion of the enquiry proceedings so initiated against them.

8. This order shall come into force with immediate effect.

DATE: 11.08.2008

PLACE: MUMBAI

Dr. T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA