

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF DIRECTIONS TO M/s NEW AGE FINSEC (P) LIMITED UNDER SECTION 11 READ WITH SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES) REGULATIONS, 2003 WITH REGARD TO IRREGULARITIES IN THE ISSUE AND TRADING OF SHARES OF M/s TACTFULL INVESTMENTS LIMITED

C/111/ISD/09/2003

1.1 M/s. New Age Finsec (P) Ltd. (hereinafter referred to as "New Age") is a Private Limited Company having its registered office at AM-94, Shalimar Bagh, New Delhi 110 088. Shri Sanjiv Mahajan is the director of New Age.

1.2 It was observed that there was a rise in the price of the scrip of M/s Tactfull Investments Limited (hereinafter referred to as "TIL") by 113% during the period 2.2.2001 to 28.6.2001 and that the same was accompanied by thin trading volumes and that Delhi Stock Exchange (DSE) where the shares of TIL were listed, suspended trading in the scrip of TIL.

1.3 It was also observed that TIL was included in the list of vanishing companies by the Securities and Exchange Board of India (hereinafter referred to as "SEBI") for the reasons that the company:-

- a. had not responded to shareholders for 2 years.
- b. had not complied with provisions of the listing agreement and
- c. was not available at the address of its registered office.

1.4 It was also observed that TIL was prohibited from accessing the capital markets for 5 years vide order dated 17.12.99 and its directors viz. Bhupinder Kumar Singh and Sohinder Kaur Bedi were also prohibited from accessing the capital market vide order dated 4.10.2000.

2.1 SEBI initiated an investigation into the matter vide order dated 28.5.03. The findings of the investigation include:

2.1.1 TIL was essentially an illiquid scrip, but the price of the scrip of TIL had shown an abnormal rise of 113% from Rs.16/- on 1.2.2001 to Rs.34/- on 28.6.2001.

2.1.2 The top four brokers who traded in the scrip accounted for 97% of the gross traded quantity and 100% of the net purchase quantity.

2.1.3 The clients of 3 of the top trading members were associated with TIL.

2.1.4 New Age was a client of M/s Emmkay Share & Stock Brokers Ltd (hereinafter referred to as "Emmkay"). New Age is an associate of TIL. New Age has traded in the shares of TIL in association with certain other trading clients and indulged in manipulation of the price of the scrip and in creating a false market for the scrip.

3.1 A Show Cause Notice was issued to New Age on 20.1.2003 stating inter alia that:

3.1.1 New Age is an associate of TIL and that they have dealt in the scrip of TIL, which has been identified as a vanishing company and whose scrip is illiquid.

3.1.2 New Age has bought and sold the shares of TIL at prices ranging from Rs.28.01 to Rs.33.67 and they have indulged in price manipulation and creation of artificial volumes.

3.2 New age submitted their reply to the said show cause notice vide letter dated 14.2.2003. In the said reply, they submitted :

3.2.1 That they had dealt in the shares of TIL during the year 2001 and that they had bought 2600 shares and sold 2200 shares and taken delivery of 400 shares.

3.2.2 That these shares were bought for Shri Ved Prakash Bhandari through Emmkay.

3.2.3 That in the net, they bought the shares on average at the highest price.

3.2.4 That they are not an associate of TIL.

3.2.5 That the investor wanted to dispose of the shares, but the stock exchange has suspended trading in the shares and hence the same could not be done.

3.2.6 That they are not concerned with the rise in prices by 113% within 6 months.

3.3 An opportunity of hearing was given to NewAge on 5.7.03. However, they chose not to attend the hearing and make submissions. In view of the above, I am of the opinion that adequate opportunity has been given to New Age to make submissions and therefore, I proceed further in the matter.

4.1 I have considered the facts of the matter, the investigation report and the reply of New Age. The following issues arise for consideration :

4.1.1 Whether New Age has indulged in manipulation of the price of the scrip of TIL and created an artificial market for the said scrip.

4.1.1.1 I note that, the price of the scrip had shown an increase of about 113% from Rs.16/- on February 1, 2001 to Rs.34/- on June 28, 2001 in a period of 31 trading days. The details of the shares traded by the members in the scrip of TIL during the period from February 1, 2001 to June 30, 2001 as furnished by DSE is given below:

Sr. No.	Member name	Total Purchase	Total Sale	Gross	Net
1.	Prabhat Investments	9700	9200	18900	500
2.	Argus Stock Broking Ltd.	6400	6400	12800	0
3.	Emmkay Share & Stock Brokers Ltd.	2600	2100	4700	500
4.	Anvee Share Brokers Pvt. Ltd.	1700	1700	3400	0
5.	PNR Securities Ltd.	0	500	500	-500
6.	V.K. Kapoor & Co.	0	500	500	-500
7.	Option Securities Pvt. Ltd.	100	100	200	0

4.1.1.2 I further note that, an analysis of the member-wise trading details in the scrip of TIL during the period from February 1, 2001 to June 30, 2001 reveals that the top four trading members accounted for 97% of the gross traded quantity and 100% of the net purchase quantity. In view of the above as well as the observations of DSE, settlementwise and clientwise trading details were sought from the above top four trading members. The data furnished by these members is given below:

Sr. No.	Settl No./Date	Client Name	Buy quantity	Price	Sell quantity	Price
1.	SNo.2001013	NewAge Finsec Pvt. Ltd.	11000	28.01	1100	30.99
2.	SNo.2001014	NewAge Finsec Pvt. Ltd.	1500	32.54	1000	31.99
3.	SNo.2001016	NewAge Finsec Pvt. Ltd.	Nil	-	100	33.67
	Total		2600		2200	

The trading member has stated that one Shri Sanjiv Mahajan is the director of NewAge Finsec and his address is 15, Bungalow Road, Kamala Nagar, New Delhi. It is noted that the above was the address of the registered office of Vatsa World Ltd. (hereinafter referred to as "VWL"). VWL is an associate of TIL, since they have a common promoter viz. Sangam Portfolio Pvt. Ltd. and a common director viz. Gopaldas Goyal.

4.1.1.3 I further note that, Shri Sandeep Bhansal, one of the subscribers to the memorandum of Association of New Age Finsec is a director of SRG Infotech Ltd. SRG Infotech Ltd and VWL are associates since, the addresses of the two companies as reported to DSE, from time to time, are the same. Further, SRG Infotech is a promoter of Status Management Services Ltd. Which in turn is an associate of VWL since they have a common director viz; Shri Sunil Kumar. Moreover, the promoters of VWL share a common address with one of the promoters of Status Management Services Ltd. Hence, New Age is an associate of VWL. Since VWL is an associate of TIL as mentioned above, NewAge is also an associate of TIL.

4.1.1.4 I further note that the member confirmed that they used to receive payments from / make payments to third parties i.e. those other than their selling / buying clients. Though the member agreed to furnish the relevant details in this regard to SEBI, they have failed to do so. The member dealt in the scrip at prices ranging from Rs.28.05 during settlement No.13 to Rs.33.67 during settlement No.16.

4.1.1.5 In view of the above, I find that New Age has traded in an illiquid and infrequently traded scrip in association with TIL which is a vanishing company and thereby indulged in the manipulation of the price of the scrip and in creation of artificial volumes.

4.2 I note that Regulation 4 of the SEBI(Prohibition of Fraudulent and Unfair Trade Practices Relating to securities market) Regulations, 1995 (hereinafter referred to as the "1995 Regulations") provided that:

"Prohibition against Market Manipulation

No person shall –

- effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person ;
- indulge in any act which is calculated to create a false or misleading appearance of trading on the securities market;
- indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
- enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities ;
- pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities.

4.3 I also note that Regulation 6 of the 1995 regulations provided that:

"Prohibition on unfair trade practice relating to securities

6. No person shall –

(a) in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities

(b) on his own behalf or on behalf of any person, knowingly buy, sell or otherwise deal in securities, pending the execution of any order of his client relating to the same security for purchase, sale or other dealings in respect of securities.

Nothing contained in this clause shall apply where according to the clients instruction, the transaction for the client is to be effected only under specified conditions or in specified circumstances;

(c) intentionally and in contravention of any law for the time being in force delays the transfer of securities in the name of the transferee or the dispatch of securities or connected documents to any transferee.

4.4 In view of the above, I find that New Age has violated Regulations 4 and 6 of the 1995 Regulations. I note that the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to securities market) Regulations, 2003(hereinafter referred to as "2003 Regulations") which were notified on 17.7.2003, have replaced the 1995 regulations, but in Regulation 13 of the 2003 Regulations provides that:

"13. Repeal and saving

(1) ...

(2) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any violation of regulations 3,

4, 5 and 6 of the SEBI(Prohibition of Fraudulent and Unfair Trade Practices Relating to securities market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.

(3) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations.

Therefore, I proceed to issue directions under Regulation 11 of 2003 regulations.

5.0 In view of the above, it is necessary that appropriate directions be issued by SEBI in the interest of investors and the safety and security of the capital market. Therefore, in exercise of the powers conferred on me under Section 4(3) read with Section 11 and 11(b) of the SEBI Act and Regulation 11 of the SEBI(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, I hereby warn New Age Finsec Pvt. Ltd. and its directors viz. Shri Sanjiv Mahajan to be more careful in future and advise them to note that any violation of a similar nature in future shall be treated seriously and shall invite serious action.

G. N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Date: 2nd September, 03

Place: Mumbai