

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4) AND 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST NEWAGE IN THE MATTER OF VATSA WORLD LIMITED.

- 1.0 Investigations were conducted by Securities and Exchange Board of India (hereinafter referred to as 'SEBI') into the dealings in the shares of Vatsa World Limited (hereinafter referred to as 'VWL') for the alleged market manipulations. Investigations conducted for the period April, 2001 to July, 2001 revealed that prices of the scrip were manipulated.
- 1.1 M/s Newage Finsec Pvt Ltd. (hereinafter referred to as 'Newage') was one of the four largest trading clients in the scrip of VWL at Delhi Stock Exchange during the relevant period. Newage has dealt in the scrip through Emmkay Share and Stock Brokers Ltd., (hereinafter referred to as 'Emmkay') The authorized representative of Emmkay stated during the investigation by SEBI that one Shri Sanjiv Mahajan, the director of Newage used to place the above orders from 15, Bungalow Road, Kamala Nagar, New Delhi, which address is also the address of the registered office of VWL. Further, Shri Sandeep Bansal, one of the subscribers to the Memorandum of Association of Newage is a director of SRG Infotech Limited. The addresses of the two companies, viz. SRG Infotech Limited and VWL, as reported to DSE, from time to time, are the same. Further, M/s SRG Infotech is a promoter of one Status Management Services Ltd. One of the directors of Status Management i.e. Shri Sunil Kumar is also a director of VWL. Shri Sanjeev Mahajan, had earlier accompanied Shri

Ashok Agarwal, promoter of SRG group of companies, to the office of SEBI, in connection with the investigations in the scrip of Vatsa Music Ltd. Thus, VWL is connected to SRG group and Newage is connected to VWL.

2.0 Pursuant to the investigation, a show cause notice dated April 16, 2003 was issued to Newage alleging it to have indulged in creation of false market in the scrip and hindered true price discovery thereby violated Regulations 3, 4(a), 4(b), 4(c) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. No reply was received from Newage. Thereafter, a communication granting it an opportunity of hearing before SEBI on June 12, 2003 was sent vide letter dated May 30, 2003. In reply to the same, Newage sent a letter to SEBI dated 23rd May, 2003, which was received by SEBI on June 3, 2003 wherein some clerical mistakes in the show cause was pointed out by them.

2.1 A further show cause notice was issued to Newage vide letter dated June 6, 2003. Shri Sanjeev Mahajan, director of Newage replied to the show cause notice vide letter dated July 8, 2003. He stated as follows:

- ? he was a director in Newage
- ? Mr. Sandeep Bansal was not a director in the company since a long time and hence he had nothing to do with the company or with the activities of the company.
- ? The reasoning that since Mr. Sandeep Bansal was one of the subscribers to the Memorandum of Association of the company, so the company belongs to VWL, was baseless.
- ? Categorically denied any relation of Newage with VWL.
- ? All the transactions had been done by Mr. Ved Prakash Bhandari who normally settled all the transactions in one settlement, whether

it was VWL or Satyam or Infosys. Such transactions were done by Shri Bhandari as per the news available in the market.

- ? Denied the linkage between VWL and SRG and requested SEBI to drop the proceedings against them.

2.2 Thereafter, Newage was granted an opportunity of hearing before me on July 28, 2003, which was communicated vide letter dated July 15, 2003. The hearing was adjourned to August 6, 2003 and the same was communicated vide SEBI's letter dated July 21, 2003. No one appeared for Newage in the said hearing. However, a letter dated August 02, 2003 was received from Newage, seeking adjournment on the ground that travel reservation was not confirmed for its representative to appear for the hearing. I find that the same is not a substantive and justifiable ground for adjournment as the date of hearing was communicated to Newage well in advance. Therefore, I proceed to pass this order after considering the reply furnished by Newage to the show cause notice.

3.0 I have examined the findings of investigation which inter alia contains the trading details of Newage, also incorporated in the Show Cause Notice issued to it, together with its reply to the said show cause notice.

3.1 VWL was incorporated as a private limited company in the name and style of Ongoing Advertising and Packaging Pvt. Ltd. It was converted into a public limited company on February 20, 1996. On June 24, 1996, the name of the company was changed to Vatsa World Limited. On June 19, 2001, the name of the company was once again changed to Little Kingdom World Limited after acquiring the business of Little Kingdom Edutech Ltd., an education technology based company.

3.2 The price volume data in the scrip of VWL on DSE for the period from April 9, 2001 to July 20, 2001 is as follows:

Date	Opening Price	Closing Price	High Price	Low Price	Traded Quantity
09-04-01	12.50	12.50	12.50	12.50	500
10-04-01	9.50	9.50	9.50	9.50	300
12-04-01	9.55	9.55	9.55	9.55	200
25-04-01	8.00	8.00	8.00	8.00	100
27-04-01	7.00	7.00	7.00	7.00	100
30-04-01	6.50	6.50	6.50	6.50	200
03-05-01	5.00	5.00	5.00	5.00	200
23-05-01	6.50	6.50	6.50	6.50	500
24-05-01	8.00	8.00	8.00	8.00	500
25-05-01	10.00	10.00	10.00	10.00	500
28-05-01	10.25	11.15	11.15	10.25	800
29-05-01	11.00	11.00	11.00	11.00	200
30-05-01	12.00	12.00	12.00	12.00	200
31-05-01	13.00	13.00	13.00	13.00	200
01-06-01	12.00	13.00	13.00	12.00	500
05-06-01	11.15	11.15	11.15	11.15	500
06-06-01	9.90	10.50	10.50	9.90	1500
08-06-01	10.25	11.00	11.00	10.25	1000
20-06-01	13.75	13.75	13.75	13.75	900
21-06-01	17.15	17.15	17.15	17.15	500
22-06-01	19.25	19.25	19.25	19.25	1300
25-06-01	21.50	21.65	21.65	21.50	1100
26-06-01	23.35	23.35	23.35	23.00	1200
27-06-01	25.20	25.20	25.20	25.20	2000
28-06-01	27.05	27.20	27.20	27.05	1300
29-06-01	29.00	28.95	29.00	28.95	4800
02-07-01	30.35	31.25	31.25	30.35	700
04-07-01	30.25	33.50	33.50	30.25	1800

05-07-01	34.00	36.00	36.00	34.00	600
06-07-01	37.00	38.00	38.50	37.00	1200
09-07-01	40.00	40.00	40.00	40.00	500
10-07-01	43.05	43.05	43.05	43.05	500
11-07-01	0.00	43.00	0.00	0.00	100

3.3 During the above period, the closing price was found to have touched a high of Rs.43.05 and a low of Rs.5.00. The traded quantity was highest at 4800 shares on June 29, 2001. Further, the price of the scrip had showed a declining trend during the period from April 9, 2001 to May 3, 2001. During this period, the closing price of the scrip was found to have declined from Rs.12.50 to Rs.5.00. Thereafter the price of the scrip had increased substantially to Rs.43/- on July 10, 2001. The price was found to have been increased by 760% during the period from May 3, 2001 to July 10, 2001, over 25 trading days. The scrip of VWL was found to have been traded only for 33 days, and the total numbers of shares traded were only 26,700. The average traded volume per day worked out to be about 810 shares. Both the decline in price as well as the subsequent increase was found to have been accompanied by thin trading volumes, which in many instances were as low as one or two trades. Thus it is clear that there was very little trading interest in the scrip.

3.4 Information was sought by SEBI from the eight brokers identified by DSE as having dealt in the scrip during the period under investigation. The statement of four trading members, who had dealt in at least 5000 shares of the scrip on a gross basis, was recorded by SEBI during investigation. Emmkay was one of the four trading members.

3.5 A summary of the information collected from Emmkay, which had dealt in the scrip on behalf of Newage during the period under scrutiny is given below:

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
1.	SNo. 2001003	US & Co.	500	12.53	500	9.49
2.	SNo.2001013	NewAge Finsec Pvt. Ltd.	1300	14.81	1300	19.24
3.	SNo.2001015	NewAge Finsec Pvt. Ltd.	2000	35.23	2000	33.35
4.	SNo.2001016	NewAge Finsec Pvt. Ltd.	500	40.01	500	43.04
5.	SNo.2001018 *	NewAge Finsec Pvt. Ltd.	Nil	Nil	100	49.87
6.	SNo.2001018 *	JPG Securities Pvt. Ltd.	100	50	Nil	Nil
7.	SNo.2001019 *	NewAge Finsec Pvt. Ltd.	100	53.01	Nil	Nil
8.	SNo.2001019 *	JPG Securities Pvt. Ltd.	Nil	Nil	100	53
	TOTAL		4500		4500	

* - Spot Transactions.

From the above data, it can be seen that Newage had squared off all its transactions and did not have any net position in any of the settlements (except the spot transactions).

- 3.6 I find that the trading data furnished by Emmkay differs substantially from that provided by DSE. As per the data furnished by DSE, Emmkay had purchased 8100 shares and sold 8000 shares. Except for purchase and sale of 500 shares each on behalf of US & Co., another client of theirs, all the other trades executed by Emmkay were found to be on behalf of Newage. Further, Emmkay confirmed that they used to receive payments from / make payments to third parties, i.e. those other than their selling / buying clients. Newage is also found to have dealt at increasing prices ranging from Rs.14.81 during settlement no.13 to Rs.43.04 during settlement no. 16, in the scrip of VWL. Further, Emmkay also executed spot transaction with JPG Securities on behalf of Newage at prices of Rs.50/- and Rs.53/-. They were also seen to have used a different client

code for the same client. Emmkay had confirmed that they do not have any systems/precautions while permitting clients to deal in illiquid scrips like VWL.

- 3.7 Summons were issued to Newage to appear before investigating authority. Despite issuing summons repeatedly to appear before the investigating authority, it had sought postponement of the appearance date and finally pleaded their inability to appear before the investigating authority at Mumbai.
- 3.8 I find that Newage had dealt in an illiquid scrip of VWL in large quantities, having purchased 3800 shares and sold 3900 shares, as against the total market traded quantity of 26,700 shares during the period under scrutiny. All the trades were found to have been squared off. I find that the trades were executed at successively increasing prices. I also find that Newage had entered into spot transactions at rates much more than the highest price traded on the Delhi Stock Exchange. From the aforesaid, it is clear that Newage was responsible for creation of artificial volumes and the price rise in the scrip of VWL.
- 3.9 I find that the scrip of VWL was illiquid and few clients had traded in the scrip and built up artificial volumes and price. The scrip otherwise did not elicit any interest from the general investors. These clients had put the trades without any interest in transfer of beneficiary ownership. Newage, which is connected to VWL was one of the largest trading client in the scrip. In the facts and circumstances of the case, particularly the trading pattern adopted, I find that Newage was responsible for creating false and misleading appearance of trading and artificial price rise in the scrip of VWL. Unless these acts are prevented, innocent investors will be induced to trade by such false appearance of trading in the securities market.

- 4.0 Newage has thus indulged in creation of false market in the scrip of VWL and hindered true price discovery. Therefore, I find Newage guilty of violating Regulations 3, 4(a), 4(b), 4(c) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995.
- 4.1 From the aforesaid discussion, I find that the conduct of M/s.Newage is detrimental to the safety and orderly development of the securities market. In view of the above, I, in exercise of the powers conferred upon me under Section 19, read with Section 11(4) and 11B of the SEBI Act, 1992 read with regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003, hereby prohibit Newage from buying, selling or dealing in securities, in any manner, directly or indirectly for a period of two years.
- 4.2 This order shall come into force with immediate effect.

A.K. Batra
Whole Time Member
Securities and Exchange Board of India

Place : Mumbai
Date : December 17, 2003