

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SECTION 11(4) (b) READ WITH SECTION 11 AND 11B OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992 READ WITH REGULATION 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST M/S. AASTHA BROADCASTING NETWORK LIMITED AND 39 OTHERS.

BACKGROUND

1. Aastha Broadcasting Network Ltd. (Aastha) formerly known as CMM Broadcasting Network Ltd. (CMM) and Trimline Investments Ltd. (Trimline) was incorporated on August 29, 1981 to carry on the business of investments and finance. In May 2000, Trimline passed a resolution to carry on multimedia activities and to operate satellite channels and christened itself as Aastha Network Ltd., and subsequently in the year 2003 Aastha Network Limited was rechristened as Aastha Broadcasting Network Ltd. The registered office of Aastha is located at 1st Floor, Vaman Techno Centre, Off Andheri Kurla Road, Andheri East, Mumbai 59.

2. The share capital of Aastha stands at Rs. 10,00,00,000 divided into 1 crore equity shares of Rs. 10/- each as on 31st March, 2001. Of these, 7,00,000 shares are listed on The Stock Exchange, Mumbai (BSE) and the remaining 93,00,000 shares are yet to be listed. Of the total 1,00,00,000 equity shares issued by the company, 7,00,000 equity shares were issued by Trimline as on 31.03.00. Subsequently, Aastha at its annual general meeting held on 16.05.00 decided to make a preferential issue of 93,00,000 shares. The shares were allotted on 14.08.00 to the promoter group entities to the extent of 51,00,000 shares and 42,00,000 shares to other Kolkata based entities as detailed below :

No.	Name of preferential allottees/Promoter Group	Shares allotted	% of enhanced capital of the co.
1.	Cheneena Impex P Ltd	2000000	20
2.	CMM Ltd.	1000000	10
3.	Neena Mehta	475000	4.75
4.	Ceean Impex P Ltd.	475000	4.75
5.	Smitasha Impex P Ltd.	475000	4.75
6.	Prarekha Exim P Ltd.	475000	4.75
7.	Bratiti Finlease Pvt. Ltd.	200000	2.00
	Sub Total (A) – Aastha Group	5100000	51.00
	Other than Promoter Group		
8.	Bicharsil Traders Pvt. Ltd.	472000	4.72
9.	Bhairav Tradelink Pvt. Ltd.	466000	4.66
10.	Deepmala Dealers Pvt Ltd.	466000	4.66
11.	Divya Dealers Pvt. Ltd	466000	4.66
12.	Gurupath Merchandise Pvt. Ltd.	466000	4.66
13.	Jeet Vanijya Pvt. Ltd.	466000	4.66
14.	Navltex Marketing Pvt. Ltd.	466000	4.66
15.	Saltlake Merchants Pvt. Ltd.	466000	4.66
16.	Savera Traders Pvt. Ltd.	466000	4.66
	Sub Total (B)	4200000	42.00
	TOTAL	93,00,000	93.00

3. SEBI received a report on September 3, 2001 from BSE regarding its examination of the trading pattern in the shares of Aastha for the period November 20, 2000 to February 16, 2001. During the period under investigation by BSE, the share price increased from Rs. 9.70 on November 20, 2000 to Rs. 39.10 on February 16, 2001. Thereafter, the share price fell to levels of Rs. 26 in June 2001. The report of BSE brought out that Aastha had issued 93,00,000 shares on a preferential allotment basis in August 2000 to several entities and some of these entities appeared to be related to each other / Aastha and had traded in the shares of Aastha in significant quantities.

4. Pursuant to the above report, SEBI conducted an investigation into the scrip of Aastha for possible violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market Regulations, 1995 (FUTP 95 Regulations) and SEBI (Disclosure and Investor Protection) Guidelines, 2000 (DIP Guidelines). SEBI investigation brought out that the shares issued on preferential allotment were earlier dematted without receipt of listing permission from the stock exchanges. Investigation also revealed that there was rerouting of preferential allotment funds from the company to the preferential allottees through layers of related entities. Same funds were re-circulated as preferential allotment consideration. It was also seen that a major portion of the shares issued in preferential allotment were transferred by the preferential allottees to related entities in off market transactions and 1,19,373 shares were off-loaded in the market.

5. Based on the investigations conducted till 15.01.04, SEBI found that there was a prima-facie case made out for non-receipt of full consideration money in respect of preferential allotment of shares and offloading of unlisted shares in the market. In order to ensure that no further harm is caused to the investors or the market an interim order was passed by SEBI on 15.01.04 prohibiting the preferential allottees and other entities to whom the shares had been transferred by the preferential allottees, totalling 30, from buying, selling or dealing in securities of the company till further orders. In addition, it was ordered that, the shares of Aastha held in the demat account of the said 30 entities would be frozen, till further orders.

6. Since the order dated 15.01.04 was passed without giving an opportunity of personal hearing to the said 30 entities, a post decisional hearing was given to these entities by SEBI on 10.03.04. The said 30 entities made their submissions at the time of hearing and also vide written submissions on 28.01.04 and 05.03.04. After hearing the entities and perusing their written submissions, SEBI vide its order dated 15.06.04 confirmed the interim order dated 15.01.04 and directed that the 30 entities/persons be prohibited from buying, selling or dealing in the securities of Aastha, either directly or indirectly, till further orders. It was further directed that the shares of Aastha, held by the said 30 entities/persons and lying in all their demat accounts shall be frozen till further orders.

SHOW CAUSE NOTICE AND HEARING

7. SEBI completed the investigations in the matter and based on the findings of the investigation, a notice dated 06.08.04 was issued to Aastha and 39 other entities (Cheneena Impex Pvt. Ltd, CMM Ltd., Neena Mehta, Ceean Impex Pvt. Ltd., Smitasha Impex Pvt. Ltd., Prarekha Exim Pvt. Ltd., Bratiti Finlease Pvt. Ltd., Bicharsil Traders Pvt. Ltd., Bhairav Tradelink Pvt. Ltd., Deepmala Dealers Pvt. Ltd., Divya Dealers Pvt. Ltd., Gurupath Merchandise Pvt. Ltd., Jeet Vanijya Pvt. Ltd., Navltex Marketing Pvt. Ltd., Saltlake Merchants Pvt. Ltd., Savera Traders Pvt. Ltd., Alkon Trading, Arihant Ltd., ATN Telefilms, Celeste Merchandise Pvt. Ltd., CMS Infotech, Modern power Pvt Ltd., Network Power, Noble Power Pvt. Ltd., Rangbarshi Projects Pvt. Ltd., Ricon Tie Up Pvt. Ltd., Sheetal Farms Ltd., Weldorf Trade links, Whiteline Barter, Sunny Dealers, Vikas Power Pvt. Ltd., Herald commerce Ltd., Avon Mercantile Ltd., Aminex Projects, Niharika Ltd., Mangalam India Ltd., Pratima commodities /Indo Invest vision Ltd., ATN International, Sunrise Movies P Ltd.) asking them to show cause as to why suitable directions including such directions debarring/prohibiting them from buying, selling and dealing in securities for a specified period should not be issued against them under section 11(4)(b) read with Sections 11 and 11B of the SEBI Act, 1992 read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. It was also mentioned that if they failed to submit any reply within the stipulated period of 21 days then, it would be presumed that they had no explanations to give in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations. The charges made out in the show cause notice are as follows:

a. Improper pricing of preferential issue:

Aastha has violated the provisions of Clause 13.1.1.1 of DIP Guidelines, relating to pricing of issues, according to which clause the issue of shares on a preferential basis can be made at a price not less than the higher of (i) average of the weekly high and low of the closing prices of related shares quoted on the stock exchange during six months preceding the relevant date; or (ii) the average of the weekly high and low of the closing prices of related shares quoted on the stock exchange during two weeks preceding the relevant date."

b. Non-disclosure of details of the monies utilized out of the preferential issue:

Aastha by virtue of non-disclosure of details of the monies utilized out of the preferential issue in its balance sheet for the year 2000-2001 has violated the provision of Clause 13.5A of DIP Guidelines.

c. Allotment of partly-paid up shares on preferential basis:

Aastha by virtue of issuing and allotting partly paid shares under the preferential issue has violated the provisions of Clause 13.4.2 of DIP Guidelines.

d. Non-receipt of money against preferential allotment of shares:

Aastha and the 39 other entities to whom show cause notices have been issued, have violated the provisions of Regulations 5(1) and 6(a) of FUTP 95 Regulations by virtue of its recirculation of the preferential allotment subscription money among its group of entities and disseminating misleading information pertaining to preferential allotment. The company had received only a sum of Rs. 2.83 crores out of the total issue of Rs.9.30 crores and recirculated a portion of the Rs. 2.83 crores using layers of related entities to create an impression of subscription for the remaining Rs.6.47 crores. In effect, a total of Rs. 3.04 per share has been received as against the issue price of Rs. 10 per share.

e. Non-communication of lock-in details to the Registrar :

Aastha has also violated the provisions relating to lock-in prescribed in Clause 13.3 of DIP Guidelines by not providing the information regarding lock-in period of promoters' stake to the extent of 25 lakh shares for a period of 3 years from the date of allotment, to Registrar to the issue.

8. Aastha submitted a reply vide its letter dated 24.08.04 and other entities on different dates, to the charges made against them in the show cause notice dated 06.08.04. Their replies to the charges are as follows.

a. The pricing of the preferential issue was in compliance of the then prevalent norms / rules / regulations, which is established in the 'Pricing Statement' issued by M/s. K.K. Khadaria & Co., Chartered Accountants, dated 17 April 2000. Clause 13.1.1.1 of DIP Guidelines relating to pricing provides that, the issue price shall not be less than the average of the weekly highs and lows of the closing prices during:

- 6 months preceding the relevant date or
- 2 weeks preceding the relevant date

It may be observed from the Chartered Accountant's certificate enclosed herewith that the pricing of the preferential issue should be more than Rs.7.80 per share. It is submitted that the offer price was Rs.10.00 per share, which, therefore, is in accordance with the said pricing guidelines of SEBI.

b. Aastha has provided no reply in relation to the allegation detailed at point 8(b).

c. It has been submitted by Aastha that the shares issued on preferential basis were allotted on 14th August 2000. The requirement to obtain in-principle approval from stock exchanges where the securities of the company are listed before getting them dematerialized was made mandatory vide circular dated 08.03.01 which came into effect from 01.01.02 and BSE amended the Listing Agreement only in 2003. Also, Clause 13.4.2 of the DIP Guidelines requiring the equity shares allotted vide a preferential issue to be fully paid up at the time of allotment was inserted with effect from 07.08.00. But, Aastha had passed the resolution to allot shares under preferential allotment even on 16.05.00. Thereby, there has been no violation on the part of Aastha of clause 13.4.2 of the DIP Guidelines.

d. Aastha and the other entities have merely denied the allegations of fraud made against them and have submitted that no instances as suggested by the relevant regulations have taken place to result in fraud. Aastha has also submitted that, none of

its shareholders have ever complained that a fraud has been perpetrated on them. When no fraud has occurred at all, there cannot be a situation of aiding, abetting or assisting of a fraud, as alleged.

e. Aastha has submitted that out of the 93 lakhs shares under preferential allotment, 51 lakhs shares were allotted to the promoter group entities. Although these shares were dematerialized, not a single share has ever been traded on the Stock Exchange. The allegation by SEBI is that a total of 1,19,373 shares has been off-loaded in the market. This has been done out of the 42 lakhs shares allotted to bodies corporate belonging to persons other than the Promoter Group. Thereby, no violation has been committed by off-loading shares subject to lock-in belonging to the promoter group.

9. Subsequent to the filing of reply with SEBI, Aastha filed a Writ Petition No. 1240 of 2005 before the High Court of Judicature at Bombay for directing SEBI and BSE to permit trading in the 93,00,000 equity shares of the company that were issued and allotted on 14.08.00. Aastha had also prayed for directing SEBI to act on the reply to the show cause notice submitted by them with SEBI. The petition was taken up for hearing on 12.07.05 and the High Court directed that SEBI shall pass the order within six weeks from the date of receipt of its order i.e., on 14.07.05. To avoid further delay, Aastha was directed to appear before SEBI on the 25th July, 2005. By virtue of the above order of the High Court, SEBI had to pass the final order in the matter on or before 25.08.05.

10. An opportunity of personal hearing was offered to Aastha and 39 other entities, to which SEBI had issued show cause notices, on 21.07.05 when a total of 36 entities appeared before me and made their submissions. Additional documents and clarifications were sought from Aastha at the time of hearing which was to be submitted on or before 29.07.05. Subsequently, the said documents along with their additional written submissions were received from Aastha and other entities. A final personal hearing was offered to Aastha on 18.08.05, when Aastha appeared before me and made its further submissions. An application was made before the High Court by SEBI on 24.08.05 seeking extension of time by four weeks for taking a comprehensive and considered view on matters wherein an irregular preferential allotment was made, as in the case of Aastha. The High Court was pleased to grant an extension of three weeks from 24.08.05 to SEBI for passing an order. SEBI has to pass an order on or before 13.09.05, according to the order of the High Court.

ISSUES FOR CONSIDERATION AND FINDINGS

11. I have considered the charges made out in the show cause notice, the written replies submitted by Aastha dated 24.08.04, 20.07.05 and 02.08.05 and their submissions made during the hearings before me on 21.07.05 and 18.08.05. I have also considered the replies and submissions made by the other 39 entities against whom show cause notices have been issued. Now, I proceed to offer my findings below on the charges made out in the show cause notice and their replies submitted by Aastha and other entities.

12. Improper pricing of preferential issue:

On a perusal of the certificate issued by M/s. K. K. Khadaria & Co., Chartered Accountants, I find that, the price has been properly fixed at Rs. 10/- higher than Rs. 7.80/-. In view of the above, I find that Aastha has not violated Clause 13.1.1.1 of DIP Guidelines as alleged in the show cause notice.

13. Non-disclosure of details of the monies utilized out of the preferential issue

The second charge against Aastha is that it has violated the provisions of clause 13.5A of DIP Guidelines. It has not furnished the details of all monies utilised out of the preferential issue proceeds under an appropriate head in the balance sheet of the company for the period 2000-2001, indicating the purpose for which the monies have been utilised. The details of un-utilised monies has also not been disclosed under a separate head in the balance sheet of the company for the period 2000-2001 indicating the form in which such un-utilised monies have been invested. I have perused the Annual Report containing the audited accounts of the company for the period 2000-2001. I found that there has been no disclosure relating to the utilization of the preferential issue proceeds or the details of unutilized monies in the audited accounts of the company. I have seen from the replies of Aastha that there has been no explanation offered for the non-disclosure of utilization of issue proceeds in the balance sheet for the period 2000-2001. Also, no satisfactory explanation was offered by Aastha at the time of hearing before me. In view of the above, I find that Aastha has violated provisions of Clause 13.5A of DIP Guidelines.

14. Allotment of partly-paid up shares on preferential basis:

The next charge made out against Aastha is that they have allotted partly paid up equity shares under the preferential allotment on 14.08.00 in violation of Clause 13.4.2 of DIP Guidelines, which requires that the shares shall be fully paid up at the time of preferential allotment. In this regard, I find that where notice for convening the general meeting of shareholders to consider the preferential issue was sent before 07.08.00, amendment to the DIP Guidelines dated August 04, 2000 was not applicable. In the instant case, I find that the meeting approving the preferential issue had taken place even on 16.05.00. Accordingly, I find no violation of clause 13.4. 2 of DIP Guidelines by Aastha.

15. Misleading information inducing sale or purchase of securities:

15.1. The next charge that has been made out against Aastha is that they have violated the provision of Regulations 5(1) and 6(a) read with Regulation 2(1) (c) and 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 by virtue of its recirculation of the preferential allotment subscription money among its group entities giving misleading impression of successful subscription to the preferential allotment.

15.2. Aastha, when confronted with the multiplier effect of the same money subjected to several rounds of circulation through the group entities without there being corresponding infusion of funds as established by the investigation, never denied such transactions, though taking a bald plea that without money, its expansion in business would not have been possible. Aastha contended that subsequent to the preferential issue in August 2000, it had established a large infrastructure to support its expanded business. Further, Aastha submitted that it has launched two satellite channels from the money mobilized through preferential allotment as against the original plan of launching one satellite channel only. The channels are running successfully for the past 5 years and huge software inventories were built up during this period involving high production costs evidenced by the asset growth and business improvement brought out in the audited accounts of Aastha from the years 2000-01 to 2004-05. Barring a self-serving observation as above, Aastha failed to satisfactorily explain the yawning gap in the subscription amount. The onus was on Aastha to show how the huge deficiency was made good with entries in books of accounts as well as balance sheet and the same was never discharged.

15.3. I observed from the investigation report that the entities to whom preferential shares have been allotted and the entities to whom these shares were transferred were entities either belonging to the Aastha group or were connected to Aastha in the following manner:

No	Name of entity	Address	Board of Directors
1.	Bicharsil Traders Pvt. Ltd.	28, Strand Road, 2 nd floor, Calcutta 700 001	Dharmendra Kumar Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Arihant Jain 68, Ballygunge Circular Road, Calcutta 700 019 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mr. Birendra Kumar Jain 37, Shibtolla Street, Calcutta 700 007 Mr. Saheb Singh R-Z-L/37, Sagarpur, Delhi 110 046 Mr. Manoj Saraogi Burtalla, Chakpura Liluah, Howrah Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mrs. Lalita Jain 5-E, Annapurna Apts, 68, Ballygunge Circular Road, Calcutta 700 019. Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 40B, Baikuntha Ghosh Road Calcutta 700 042 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Pradeep Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Mr. Shivkumar Lohariwala 5, Nimtolla Ghat Street
2.	Bhairav Tradelink Pvt. Ltd.	13C, Jabkusum House 34, C. R. Avenue Calcutta 700 012 10, Princep Street 2nd floor, Calcutta 700 072	Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mr. Birendra Kumar Jain 37, Shibtolla Street, Calcutta 700 007 Mr. Saheb Singh R-Z-L/37, Sagarpur, Delhi 110 046 Mr. Manoj Saraogi Burtalla, Chakpura Liluah, Howrah Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mrs. Lalita Jain 5-E, Annapurna Apts, 68, Ballygunge Circular Road, Calcutta 700 019. Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 40B, Baikuntha Ghosh Road Calcutta 700 042 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Pradeep Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Mr. Shivkumar Lohariwala 5, Nimtolla Ghat Street
3.	Deepmala Dealers Pvt Ltd.	28, Strand Road, 2 nd floor, Calcutta 700 001	Dharmendra Kumar Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Arihant Jain 68, Ballygunge Circular Road, Calcutta 700 019 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mr. Birendra Kumar Jain 37, Shibtolla Street, Calcutta 700 007 Mr. Saheb Singh R-Z-L/37, Sagarpur, Delhi 110 046 Mr. Manoj Saraogi Burtalla, Chakpura Liluah, Howrah Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mrs. Lalita Jain 5-E, Annapurna Apts, 68, Ballygunge Circular Road, Calcutta 700 019. Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 40B, Baikuntha Ghosh Road Calcutta 700 042 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Pradeep Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Mr. Shivkumar Lohariwala 5, Nimtolla Ghat Street
4.	Divya Dealers Pvt. Ltd	28, Strand Road, 2 nd floor, Calcutta 700 001	Dharmendra Kumar Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Arihant Jain 68, Ballygunge Circular Road, Calcutta 700 019 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mr. Birendra Kumar Jain 37, Shibtolla Street, Calcutta 700 007 Mr. Saheb Singh R-Z-L/37, Sagarpur, Delhi 110 046 Mr. Manoj Saraogi Burtalla, Chakpura Liluah, Howrah Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mrs. Lalita Jain 5-E, Annapurna Apts, 68, Ballygunge Circular Road, Calcutta 700 019. Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 40B, Baikuntha Ghosh Road Calcutta 700 042 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Pradeep Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Mr. Shivkumar Lohariwala 5, Nimtolla Ghat Street
5.	Gurupath Merchandise Pvt. Ltd.	14, Ganesh Chandra Avenue 2 nd floor, Calcutta 700 013 10, Princep Street 2nd floor, Calcutta 700 072	Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mr. Birendra Kumar Jain 37, Shibtolla Street, Calcutta 700 007 Mr. Saheb Singh R-Z-L/37, Sagarpur, Delhi 110 046 Mr. Manoj Saraogi Burtalla, Chakpura Liluah, Howrah Mr. Pankaj Kumar Jain 41, Shibtolla Street, Calcutta 700 007 Mrs. Lalita Jain 5-E, Annapurna Apts, 68, Ballygunge Circular Road, Calcutta 700 019. Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 40B, Baikuntha Ghosh Road Calcutta 700 042 Mr. Prakash Shukla 93/1/H/2 Dr. G. S. Basu Road Calcutta 700 039 Mr. Pradeep Jain O/31, Ambar Towers, Sansarchand Road Jaipur 302 001 Mr. Shivkumar Lohariwala 5, Nimtolla Ghat Street

No	Name of entity	Address	Board of Directors
6.	Jeet Vanijya Pvt. Ltd.	10, Princep Street 2nd floor, Calcutta 700 072	Calcutta 700 006. Mr. Sushil Parakh Saha Court, 8 G. C. Avenue Calcutta 700 013 Mr. Mohan Kanthal 10, Princep Street, 2 nd floor, Calcutta 700 072 Mr. Surendra Kumar Jain 5, Nimtolla Ghat Street Calcutta 700 006.
7.	Navltex Marketing Pvt. Ltd.	1-B, Black Burn Lane 4 th floor, Calcutta 700 012 158, Lenin Sarani	Mr. Susanta Sengupta 10, Taramani Ghat Road, Calcutta 700 041 Mr. Kaushal Singh 28, Raja B. N. Street, Calcutta 700 007
8.	Saltlake Merchants Pvt. Ltd.	1 st floor, Calcutta 700 013 28, Strand Road, 2 nd floor, Calcutta 700 001	Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Sandeep Dey 10, Shri Hari-na-para lane, Shibpur, Howrah 711 102 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 Mr. Anil Kumar Jain 41/A, Tarachand Datta Street Calcutta 700 069 Mr. Niraj Jain 11 Bysack Street, Calcutta 700 007 Mr. Susanta Sengupta 10, Taramani Ghat Road. Calcutta 700 041 Mr. Farqui Siyadatnajma 28, Saket Apts.J. P. Road. Worli Mumbai 400 025.
9.	Savera Traders Pvt. Ltd.	10, Princep Street 2nd floor, Calcutta 700 072 P-33, Mission Road Extn. 2 nd floor, Calcutta 700 13	

15.4. Also many of the above directors of the preferential allottees such as Lalita Jain, Surendra Kumar Jain, Arihant Jain are also directors /associated with other Kolkatta based entities. Investigation revealed that these entities have played an important role in channelling preferential allotment funds through Aastha, preferential allottees and other associated entities.

15.5. I could gather that the bank accounts of all the entities involved have been maintained in a few banks, but with the same branch to facilitate the movement of funds among various accounts as detailed below:

a) Company – Aastha.

	Entity	A/c No	Bank /branch
1	Aastha	5437	Canara Bank, Princep Street, Calcutta
2	Aastha	13295	Oriental Bank of commerce, Stock Exchange Branch, Mumbai

b)Preferential allottees

	Entity	A/c No	Bank /branch
1.	Bratiti Finlease Pvt. Ltd.	6223	Patan Cooperative Bank, Marine Drive, Mumbai
2.	Prarekha Exim Ltd.	13473	Oriental Bank of commerce, Stock Exchange Branch, Mumbai
3.	Smitasha Impex Ltd.	13376	Oriental Bank of commerce, stock Exchange Branch, Mumbai
4.	Cheneena Impex	68529	Oriental Bank of commerce, Dadar Branch, Mumbai
5.	Cheneena Impex Ltd.	13384	Oriental Bank of commerce, stock Exchange Branch, Mumbai
6.	Cheneena Impex Ltd.	5464	Canara Bank, Princep Street, Calcutta
7.	Cee-An Impex Ltd.	13392	Oriental Bank of commerce, stock Exchange Branch, Mumbai

Entity	A/c NoBank /branch
8. Neena Mehta	22667Oriental Bank of commerce, stock Exchange Branch, Mumbai
9. CMM Ltd.	771Oriental Bank of commerce, stock Exchange Branch, Mumbai
10. Jeet Vanijya Ltd.	5006Canara Bank, Princep Street, Calcutta
11. Divya Dealers Ltd.	5014Canara Bank, Princep Street, Calcutta
12. Navltex Marketing Ltd	5056Canara Bank, Princep Street, Calcutta
13. Bhairav Tradelinks Ltd.	5123Canara Bank, Princep Street, Calcutta
14. Deepmala Dealers Ltd.	5124Canara Bank, Princep Street, Calcutta
15. Salt Lake Merchants Ltd.	5125Canara Bank, Princep Street, Calcutta
16. Savera Traders Ltd.	5151Canara Bank, Princep Street, Calcutta
17. Bicharsil traders Ltd	5143Canara Bank, Princep Street, Calcutta
18. Gurupath Merchandise Ltd.	5146Canara Bank, Princep Street, Calcutta

15.6. The striking common feature in terms of common address, common directors, common bank accounts at the same branch are neither fortuitous nor accidental, but by design in a sordid nexus of complicity and control. I have also seen from the investigation report that shares allotted on a preferential basis by Aastha has been subscribed to by entities belonging to the Aastha group to the extent of 51 lakhs shares and another 42 lakhs shares has been subscribed to by other entities. Aastha had received only a sum of Rs. 2.83 crores as against the issue size of Rs. 9.3 crores. The balance sum of Rs.6.47 crores have been mobilized through recirculation of funds by the company involving layers of related entities. In effect, only a sum of Rs. 3.04 per share has been received as against the issue price of Rs. 10 per share. This acted as a fraud against the existing shareholders of the company and the other investors in the market.

15.7. The following tables illustrate the payments made by Aastha to its group entities and the same money having passed through various entities to finally reach the subscriber bank account and in turn to Aastha in the form of application money for the preferential allotment to be made by Aastha:

Master Table showing the flow of funds among the entities involved for the purpose of ensuring full subscription to the preferential allotment

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Bicharsil	8-Jul-00	1461	1200000	1200000	Aastha
Gurupath	8-Jul-00	13085	1300000	1300000	Aastha
Aastha	08-Jul-00	6715	2500000	2500000	Sunrise Movies
Sunrise Movies	11-Jul-00	1715	2500000	2500000	Cheneena Impex
Cheneena Impex	14-Jul-00	2962	2500000	2500000	CMM Ltd.
CMM Ltd.	15-Jul-00	6196	2500000	2500000	Aastha
Aastha	15-Jul-00	4975	2500000	2500000	Sunrise Movies
Sunrise Movies	17-Jul-00	1715	2500000	2500000	Cheneena Impex
Cheneena Impex	18-Jul-00	7952	2500000	2500000	Aastha
Aastha	19-Jul-00	4975	2500000	2500000	Sunrise Movies
Sunrise Movies	20-Jul-00	87311	2500000	125000	Bratiti
				1175000	Smitasha
				1200000	Ceean Impex
Bratiti	24-Jul-00	0	125000	125000	Aastha
Smitasha	24-Jul-00	4975	1175000	1187500	Aastha
Ceean Impex	24-Jul-00	4975	1200000	1187000	Aastha
Aastha	24-Jul-00	4975	125000	2375000	Sunrise Movies
Sunrise Movies	24-Jul-00	87311	2375000	2250000	Cheneena Impex
Cheneena Impex	26-Jul-00	4975	2250000	2250000	Aastha
Aastha	26-Jul-00		2374000	125000	Sunrise Movies
Sunrise Movies	24-Jul-00	87311	125000	125000	Bratiti
Bratiti	26-Jul-00	0	125000	125000	Aastha
Aastha	26-Jul-00	4975	125000	2250000	Sunrise Movies
		-2120025	2250000		
Sunrise Movies	26-Jul-00	87311	2250000	1200000	Cheneena Impex
Sunrise Movies	26-Jul-00	87311		1175000	Prarekha
Cheneena Impex	28-Jul-00	4975	1200000	1200000	Neena Mehta
Neena Mehta	28-Jul-00	175000	1200000	1187000	Aastha
Prarekha	28-Jul-00	4950	1175000	1187500	Aastha
Aastha	28-Jul-00	-684835	1187500	250000	Sunrise Movies
Aastha	28-Jul-00	252665	3000	250000	Sunrise Movies
Sunrise Movies	28-Jul-00	10425	250000	250000	Cheneena Impex
Cheneena Impex	31-Jul-00	4965	250000	250000	Aastha
Sunrise Movies	28-Jul-00	10425	250000	250000	Bratiti
Bratiti	1-Aug-00	4875	250000	250000	Aastha
Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Aastha	14-Mar-01	209260	0	7500000	Sunrise Movies
After the above transaction, Aastha had a debit balance of Rs. 7290740					
Sunrise Movies	15-Mar-01	5679	7500000	1300000	Smitasha
Sunrise Movies	15-Mar-01			1000000	Prarekha
Sunrise Movies	15-Mar-01			1600000	Ceean Impex
Sunrise Movies	15-Mar-01			3600000	Cheneena Impex
Cheneena Impex	16-Mar-01	4915	3600000	3562500	Aastha
Aastha	16-Mar-01	5270014		5000000	Sunrise Movies

Sunrise Movies	17-Mar-01	9782	5000000	5000000	Ceean Impex
Ceean Impex	23-Mar-01	867475	5000000	5812000	Aastha
Aastha	20-Mar-01	269964	5812500	5500000	Sunrise Movies
Sunrise Movies	21-Mar-01	9782	5500000	5300000	Smitasha
Smitasha	22-Mar-01	557471	5300000	5812000	Aastha
Aastha	22-Mar-01	293709	5812500	5000000	Sunrise Movies
Sunrise Movies	22-Mar-01	9782	5000000	3500000	Prarekha
Sunrise Movies	23-Mar-01			1500000	Prarekha Impex
Prarekha	24-Mar-01	207450	3500000	3562500	Aastha
Prarekha Impex	29-Mar-01		1500000	1500000	Aastha
(Prarekha Impex gave this amount to Aastha on behalf of Bratiti)					
Aastha	27-Mar-01	4632976		3000000	Sunrise Movies
Sunrise Movies	28-Mar-01	5102	3000000	3000000	Prarekha
Prarekha	29-Mar-01	1644950	300000	300000	Aastha

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
21st Century	6-Nov-00			1300000	Divya
Divya	6-Nov-00	7304	1300000	1300000	ATN Telefilms
ATN Telefilms	6-Nov-00	1939	1300000	280000	Navltex
Navltex	6-Nov-00	898	280000	280000	Aastha
21st Century	6-Nov-00			400000	Saltlake
Saltlake	6-Nov-00	1639	400000	400000	ATN Telefilms
ATN Telefilms	6-Nov-00	1939	400000	20000	Bicharsil
Bicharsil	6-Nov-00	1192	20000	20000	Aastha
21st Century	6-Nov-00			670000	Deepmala
Deepmala	6-Nov-00	1906	670000	650000	ATN Telefilms
ATN Telefilms	6-Nov-00	1939	670000	300000	Savera
Savera	6-Nov-00	3553	300000	300000	Aastha

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
CMS Infotech	8-Nov-00	2247	1200000	1200000	Cheneena Impex
Cheneena Impex	8-Nov-00	800	1200000	1200000	Aastha
ATN International	8-Nov-00	76610	1200000	1200000	Cheneena Impex
Cheneena Impex	8-Nov-00	800	1200000	1200000	Aastha
Mantra Online	8-Nov-00			2500000	Cheneena Impex
Cheneena Impex	8-Nov-00	1800	2500000	2500000	Aastha
Aastha	08-Nov-00	5017	1200000	1200000	Deepmala Dealers
Deepmala Dealers	8-Nov-00	1442	1200000	1200000	ATN International
CMS Infotech	10-Nov-00			1000000	Cheneena Impex
Cheneena Impex	10-Nov-00	1800	1000000	1000000	Aastha
	10-Nov-00	1800	6000000	6000000	Aastha
Aastha	10-Nov-00	5017	7000000	1500000	Sunny Dealers
Aastha	10-Nov-00			1500000	Vikas Power
Sunny Dealers	10-Nov-00	1615	1500000	1500000	CMS Infotech
Vikas Power	10-Nov-00	2735	1500000	1500000	CMS Infotech
CMS Infotech	10-Nov-00	2327	1000000	1000000	Cheneena Impex
Cheneena Impex	10-Nov-00	3001800	1000000	1000000	Aastha
Cheneena Impex	5-Dec-00	1800	1000000	1000000	Aastha
Aastha	5-Dec-00	7522	1000000	1000000	CMM Ltd.
Alkon Trading	26-Dec-00	362	1437101.7	1436000	Arihant
Arihant	26-Dec-00	3303	1436000	1400000	Cheneena Impex
Arihant	26-Dec-00			350000	Cheneena Impex
Arihant	26-Dec-00			100000	Cheneena Impex
Cheneena Impex	26-Dec-00	1800	1400000	1400000	Aastha
Cheneena Impex	26-Dec-00		350000	350000	Aastha
Cheneena Impex	26-Dec-00		100000	100000	Aastha
Aastha	26-Dec-00	251735	1850000	2100000	Alkon Trading

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
21st Century	22-Jul-00			300000	Divya Dealers
Silicon Valley	22-Jul-00			700000	Divya Dealers
CMS Infotech	22-Jul-00	31292	500000	500000	Divya Dealers
Divya Dealers	22-Jul-00	26561	1500000	1500000	Aastha
ATN Telefilms	26-Jul-00	8156	2000000	1000000	Navltex
ATN Telefilms	26-Jul-00			1000000	Jeet Vanijya
Navltex	26-Jul-00	3781	1000000	1000000	Aastha
Jeet Vanijya	26-Jul-00	1500	1000000	1000000	Aastha
Arihant	5-Aug-00	1424	1700000	1700000	Divya Dealers
Divya Dealers	5-Aug-00	3458	1700000	200000	Aastha
Divya Dealers	5-Aug-00			1000000	Bhairav
Bhairav	5-Aug-00	1464	1000000	1000000	Aastha
Aastha	02-Aug-00	255665		500000	JMD Sounds
JMD Sounds	5-Aug-00		500000	500000	Savera
Savera	7-Aug-00	1199	500000	500000	Aastha
Godavari Commerce	8-Aug-00			700000	Savera
Savera	8-Aug-00	1199	700000	700000	Aastha

Aastha	08-Aug-00	1685	700000	690000ATN Telefilms
Benzer Agencies	9-Aug-00			350000Deepmala
Deepmala	9-Aug-00	10167	350000	350000Aastha
Navltex	9-Aug-00	103324		100000Aastha
Aastha	09-Aug-00	6125	450000	450000ATN Telefilms
Aastha	09-Aug-00	6125	450000	450000ATN Telefilms
ATN Telefilms	9-Aug-00	1453	450000	450000Saltlake
ATN Telefilms	9-Aug-00	1453	450000	200000ATN International
ATN Telefilms	9-Aug-00			250000Saltlake
Saltlake	9-Aug-00	2999	450000	450000Aastha
Saltlake	9-Aug-00	2999	250000	250000Aastha
Aastha	09-Aug-00	6125	250000	250000ATN Telefilms
Unisys Software	10-Aug-00			500000Saltlake
Saltlake	10-Aug-00	2999	500000	500000Aastha
Aastha	10-Aug-00	6125	500000	500000ATN Telefilms
ATN Telefilms	10-Aug-00	1453	500000	500000Deepmala
Deepmala	10-Aug-00	10167	500000	500000Aastha
ATN Telefilms	10-Aug-00	1453	500000	350000Deepmala
Deepmala	10-Aug-00	10167	350000	350000Aastha
Aastha	10-Aug-00	6125	350000	350000ATN Telefilms
21st Century	18-Aug-00			2500000Pratima
Pratima	18-Aug-00	790	2500000	2500000Mantra Online
Mantra Online	18-Aug-00		2500000	2500000Saltlake
Saltlake	18-Aug-00	2999	2500000	2000000Aastha

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Silicon Valley	15-Sep-00				2500000Arihant
Arihant	15-Sep-00	2385	2500000		1300000Saltlake
Arihant	15-Sep-00				1200000Savera
Saltlake	15-Sep-00	2799	1300000		1300000Aastha
Savera	15-Sep-00	6751	1200000		1200000Aastha
Aastha	15-Sep-00	2125	2500000		200000Rangbarshi Projects
Rangbarshi Projects	15-Sep-00	1172	2000000		500000Savera
Navltex	15-Sep-00	1436	282800		280000Aastha
Divya	15-Sep-00	1949	0		1000000Aastha
Aastha	15-Sep-00	26125	1280000		1300000Whiteline Barter
Whiteline Barter	15-Sep-00	2729	1300000		1300000Gurupath
Gurupath	15-Sep-00	20500	1300000		1500000Herald Commerce
Herald Commerce	16-Sep-00	1305	1500000		1000000Divya Dealers
Herald Commerce	16-Sep-00				280000Navltex
Precision Paper	29-Sep-00				250000Gurupath
Gurupath	29-Sep-00	1877	250000		250000Aastha
Aastha	29-Sep-00	2050	250000		250000CMM Ltd
Avon Merchantile	23-Oct-00	2588	2500000		2500000Rangbarshi
Rangbarshi	23-Oct-00	1172	2500000		2500000Bicharsil
Bicharsil	23-Oct-00	692	2500000		2500000Aastha
Aastha	23-Oct-00	1550	2500000		2240000Aminex Projects
Aminex Projects	23-Oct-00	1008	2240000		2240000Avon Mercantile
Avon Mercantile	23-Oct-00	2588	2500000		1000000Network Power
Network Power	23-Oct-00	2991	1000000		1000000Bicharsil
Aastha	23-Oct-00				260000Modern Power
Modern Power	23-Oct-00	1455	260000		260000Avon Mercantile
Avon Mercantile	23-Oct-00				1500000Sheetal Farms
Sheetal Farms	23-Oct-00	1381	1500000		1500000Bhairav
Bicharsil	23-Oct-00	692	1000000		1000000Aastha
Bhairav	23-Oct-00	1041	1500000		1500000Aastha
Aastha	23-Oct-00	1550	2500000		2500000Niharika
Niharika	23-Oct-00	1074	2500000		2500000Avon Mercantile
Avon Mercantile	23-Oct-00	2588	2500000		2500000Rangbarishi
Rangbarishi	23-Oct-00	1172	2500000		1960000Bhairav
Rangbarishi	23-Oct-00				540000Deepmala
Bhairav	23-Oct-00	1041	1960000		1960000Aastha
Deepmala	23-Oct-00	2176	540000		540000Aastha
Aastha	23-Oct-00	1550	2500000		2500000Mangalam
Mangalam	23-Oct-00	1275	2500000		2500000Avon Merchantile
Avon Merchantile	23-Oct-00	2588	2500000		2500000Rangbarshi
Rangbarshi	23-Oct-00	1172	2500000		1960000Divya Dealers
Rangbarshi	23-Oct-00				540000Gurupath
Divya Dealers	23-Oct-00	1509	1960000		1960000Aastha
Gurupath	23-Oct-00	6134	540000		540000Aastha
Aastha	23-Oct-00	1550	2500000		400000Mangalam
Aastha	23-Oct-00				700000Accord Tracon
Aastha	23-Oct-00				300000Bullpower Vyapar
Aastha	23-Oct-00				950000Modern Power
Aastha	23-Oct-00				100000Jeet Vanijya

Modern Power	23-Oct-00	1455	950000	950000Avon Merchantile
Jeet Vanijya	23-Oct-00	1920	100000	100000Avon Merchantile
Rangbarishi	23-Oct-00	1172	1416500	1416500Gurupath
Deepmala	23-Oct-00	2176	335000	335000Gurupath
Divya Dealers	23-Oct-00	1509	246712	246712Gurupath
Sterling Milk	23-Oct-00			150000Gurupath
Sheetal Farms	23-Oct-00	1381	347500	347500Gurupath
Gurupath	23-Oct-00	6134	2495713	2500000Aastha
Aastha	23-Oct-00	1550	2500000	2500000Pratima Commodities
Pratima Commodities	23-Oct-00	1200	2500000	2250000Jeet Vanijya
Jeet Vanijya	23-Oct-00	1920	2250000	2250000ATN Telefilms
ATN Telefilms	23-Oct-00	1836	2250000	510000Savera
Savera	23-Oct-00	4497	510000	510000Aastha
ATN Telefilms	24-Oct-00			1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Whiteline Barter
Whiteline Barter	24-Oct-00	1729	1450000	1450000Deepmala
Deepmala	24-Oct-00	2176	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Weldorf Tradelinks
Weldorf Tradelinks	24-Oct-00	2174	1450000	1450000Deepmala
Deepmala	24-Oct-00	2176	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Ricon Tie up
Ricon Tie up	24-Oct-00	2722	1450000	1450000Jeet Vanijya
Jeet Vanijya	24-Oct-00	1920	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Modern Power
Modern Power	24-Oct-00	1455	1450000	1450000Jeet Vanijya
Jeet Vanijya	24-Oct-00	1920	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Network Power
Network Power	24-Oct-00	2991	1450000	1450000Savera
Savera	24-Oct-00	4497	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Celeste Merchandise
Celeste Merchandise	24-Oct-00		1450000	1450000Navltex
Navltex	24-Oct-00	4048	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Noble Power
Noble Power	24-Oct-00	353725	1450000	1450000Navltex
Navltex	24-Oct-00	4048	1450000	1450000Aastha
Aastha	24-Oct-00	10550	1450000	1450000Network Power
Network Power	24-Oct-00	2991	1450000	70000Divya Dealers
Network Power	24-Oct-00			17500021st Century
Network Power	24-Oct-00			200000ATN International
Network Power	24-Oct-00			225000ATN Telefilms
Network Power	24-Oct-00			330000Weldorf Tradelinks
Network Power	25-Oct-00	2991	150000	150000Saltlake
Saltlake	25-Oct-00	639	150000	150000Aastha

15.8. Of the series of transactions as detailed above, two of them have been elucidated to impart better understanding and comprehension:

Table showing rotation of funds among Aastha and its promoter group entity.

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Aastha	15-Jul-00	4975	2500000	2500000	Sunrise Movies
Sunrise Movies	17-Jul-00	1715	2500000	2500000	Cheneena Impex
Cheneena Impex	18-Jul-00	7952	2500000	2500000	Aastha

Explanation to the above table: Aastha first issued cheque No. 576901 dated 15/7/2001, a/c no 13295, Oriental Bank of Commerce, Mumbai for Rs. 25,00,000 in favour of Sunrise Movies ostensibly as advance for purchase of film rights and song. Incidentally, Aastha had earlier received these funds from another preferential allottee -CMM Ltd, as may be seen from the master table. Sunrise Movies in turn gave this amount of Rs. 25,00,000 to Cheneena Impex vide cheque No. 765116 dated 17/7/2001 drawn on a/c no 7370, Indian Overseas Bank, Fort Branch, Mumbai ostensibly as its share application money. The same Rs. 25 lakhs was routed and rerouted is borne out by the finding that the opening balances in all the accounts as specified were negligible and that there were no other entries in these accounts.

Table showing rotation of funds among Aastha and its non-promoter group entity.

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Aastha	23-Oct-00	1550	2500000	2500000	Mangalam
Mangalam	23-Oct-00	1275	2500000	2500000	Avon Merchantile
Avon Merchantile	23-Oct-00	2588	2500000	2500000	Rangbarshi
Rangbarshi	23-Oct-00	1172	2500000	1960000	Divya Dealers
Rangbarshi	23-Oct-00			540000	Gurupath
Divya Dealers	23-Oct-00	1509	1960000	1960000	Aastha
Gurupath	23-Oct-00	6134	540000	540000	Aastha

From this table it may be seen that Aastha issued cheque No. 529029 dated 23/10/00 for Rs. 25 lakh in favour of Mangalam India Ltd. (a/c no 4497, Canara Bank, Kolkata) ostensibly as advance. The funds received by Mangalam as above were immediately given by it to Avon Mercantile (a/c no 4456, Canara Bank, Kolkata) vide cheque no 531546 dated 23/10/00 for Rs. 25 lakh. Avon Mercantile once again employed these funds to arrange preferential allotment to Divya and Gurupath through Rangbarshi Projects in the following manner – (i) Avon Mercantile issued cheque No. 500539 dated 23/10/00 for Rs. 25 lakh in favour of Rangbarshi (a/c no 5426, Canara

Bank, Kolkata). (ii) Rangbarshi issued 2 cheques viz., one cheque No. 498226 dated 23/10/00 for Rs. 19.6 lakh in favour of Divya (a/c no 5014, Canara Bank, Kolkata) as share application money and a second cheque No. 498227 dated 23/10/00 for Rs. 5.4 lakh in favour of Gurupath (a/c no 5146, Canara Bank, Kolkata) as short term advances, (iii) Divya (a/c no 5014, Canara Bank, Kolkata) and Gurupath (a/c no 5146, Canara Bank, Kolkata) then used these funds to subscribe to the preferential allotment of Aastha vide cheque no 498593 dated 23/10/00 for Rs. 19.6 lakh and cheque No. 593012 dated 23/10/00 for Rs. 5.4 lakh respectively. In the present instance, the entities involved are from non-promoter group.

15.9. In this regard, Aastha contended that, it advanced monies to the extent of Rs. 200 lakhs to Sunrise Movies P. Ltd. for purchase of software programs and another Rs. 475 lakhs to various entities towards advance for investment in the shares of those companies. It also contended that the software has been subsequently received and that the shares allotted were evidenced by the relevant entries in the books of accounts. In view of the above, Aastha submitted that transfer of funds was for commercial purposes and not for recirculation of funds intended to mobilize subscription to the preferential issue of the company.

15.10. Scrutiny of the bank accounts of all the entities through whom the funds were rotated showed that there were meagre bank balances in all the accounts and there were no other major transactions during the relevant period except for the receipt and payment of funds in connection with the preferential allotment. This clearly proved that not all these entities have regular transactions with each other and the rotation of funds were solitary transactions with a predetermined purpose. Hence, the contention of Aastha that the funds transfers were for commercial purposes cannot pass muster.

15.11. After perusing the details of the rotation of funds as depicted in the table above, I am of the view that this was a systematic design made by Aastha with the aid of its group entities and other preferential allottees with a view to project full subscription to the preferential allotment without actually receiving the full subscription money. This proves that Aastha has used the initial subscription money of Rs. 2.83 crores to circulate among its various group entities to create a make believe of subscription to preferential allotment. If the funds received through recirculation to the extent of Rs.6.47 crores is eliminated, the effective amount received by the company towards preferential allotment works out to Rs. 3.04 per share as against the stated issue amount of Rs. 10 per share. This has in fact acted as a fraud on the existing investors of the company who hold 7 lakhs shares. Also, the investors in the market were led to believe that the preferential allotment has been successful. This would have increased the demand for the shares of Aastha and would have resulted in defrauding of innocent investors had it not been for BSE withholding listing of the preferential issue pursuant to SEBI's action by its order dated 15.01.04 to prohibit the 30 entities involved from buying, selling or dealing in the scrip and also freezing the shares of Aastha in the demat accounts of these entities.

15.12. Further, a perusal of the documents submitted by Aastha pursuant to the hearing on 21.07.05 revealed the following positions:

(Rs. Lakhs)							
Year	Assets		Share Capital	Liabilities		Income	
	Fixed Assets Gross Block	Net Current Assets*		Reserves & Surplus	Unsecured Loans	Gross Income per P&L A/c	Income as Returned Income (As per IT Intimations)
1999-00	0.00	74.22	70.00	3.72	0.90	277.22	
2000-01	53.87	897.70	1,000.00	6.91	0.00	1,029.94	-4.18
2001-02	47.46	937.94	1,000.00	9.03	20.00	835.45	6.67
2002-03	55.28	961.71	1,000.00	17.93	28.17	926.00	16.66
2003-04	78.77	1,073.89	1,000.00	28.69	138.56	1,067.08	18.34
2004-05	86.92	981.52	1,000.00	11.27	147.91	1,157.16	

* Net Current Assets mainly consist of Software Programme inventories

On a careful examination of the above table, I find that the gross block of fixed assets have gone up by only Rs. 0.54 crore during the financial year 2000-01 and the net current assets during this period have gone up by Rs. 8.23 crores. I notice that a sizeable portion of the current assets as on 31.03.01, which is a critical referral point for any study of the alleged receipt of funds towards preferential allotment, was made up of software program inventory of Rs. 2 crore and stock of shares of unlisted companies of Rs. 4.75 crore. I further find that the advances given for purchase of shares were for the shares of unlisted companies, which cannot be justified as deployment for the company's infrastructure/ business as claimed by Aastha.

15.13. Current assets is of omnibus nature and would include any transient utility not extending beyond the financial year or any other receivable or unadjusted debit balances within the limited time span of one year. The above deployments of preferential issue proceeds do not appear to have translated into creation of enduring tangible assets in the form of gross block of assets and were shown only as current assets, which by their very description lend themselves to accommodate after-thoughts and manipulation. I find that the Current Assets were fabricated to account for the recirculation of funds made by the company to the extent of Rs. 6.47 crores through various layers of Aastha and group entities. Also, the balance sheet does not disclose the utilization of the issue proceeds along with the amounts remaining unutilized and the manner in which the same has been invested by Aastha in violation of Clause 13.5A of DIP Guidelines. I see that Aastha has merely denied the allegations made but has not been able to substantiate its version except for harping upon the inventory figuring in Current Assets as shown in the balance sheet.

15.14. It is further noticed that Sunrise Movies Pvt. Ltd. (Sunrise) from whom Aastha reportedly had received software programs to the extent of Rs. 3.86 crores, is the same entity to whom the company rotated funds crores out of preferential issue proceeds during the period July 2000 to March 2001, which was ultimately rerouted to the company through various preferential allottees. As can be seen from the table below, the amounts, which were claimed to have been given to Sunrise for the purpose of production of software programs, have been transferred to the accounts of related entities either on the same day or within a span of few days:

Entity giving funds	Date	Opening Bal. (Rs.)	Receipts (Rs.)	Payments (Rs.)	Entity receiving funds
Aastha	08-Jul-00	6715	2500000	2500000	Sunrise Movies
Sunrise Movies	11-Jul-00	1715	2500000	2500000	Cheneena Impex
Aastha	15-Jul-00	4975	2500000	2500000	Sunrise Movies
Sunrise Movies	17-Jul-00	1715	2500000	2500000	Cheneena Impex
Aastha	19-Jul-00	4975	2500000	2500000	Sunrise Movies
Sunrise Movies	20-Jul-00	87311	2500000	125000	Bratiti
Sunrise Movies	24-Jul-00	87311	2375000	2250000	Cheneena Impex

Sunrise Movies	24-Jul-00	87311	125000	125000Bratiti
Aastha	24-Jul-00	4975	125000	2375000Sunrise Movies
Sunrise Movies	26-Jul-00	87311	2250000	1200000Cheneena Impex
Sunrise Movies	26-Jul-00	87311		1175000Prarekha
Aastha	26-Jul-00		2374000	125000Sunrise Movies
Aastha	26-Jul-00	4975	125000	2250000Sunrise Movies
Sunrise Movies	28-Jul-00	10425	250000	250000Cheneena Impex
Sunrise Movies	28-Jul-00	10425	250000	250000Bratiti
Aastha	28-Jul-00	-684835	1187500	250000Sunrise Movies
Aastha	28-Jul-00	252665	3000	250000Sunrise Movies
Aastha	14-Mar-01	209260	0	7500000Sunrise Movies
Sunrise Movies	15-Mar-01	5679	7500000	1300000Smitasha
Sunrise Movies	15-Mar-01			1000000Prarekha
Sunrise Movies	15-Mar-01			1600000Ceean Impex
Sunrise Movies	15-Mar-01			3600000Cheneena Impex
Aastha	16-Mar-01	5270014		5000000Sunrise Movies
Sunrise Movies	17-Mar-01	9782	5000000	5000000Ceean Impex
Aastha	20-Mar-01	269964	5812500	5500000Sunrise Movies
Sunrise Movies	21-Mar-01	9782	5500000	5300000Smitasha
Sunrise Movies	22-Mar-01	9782	5000000	3500000Prarekha
Aastha	22-Mar-01	293709	5812500	5000000Sunrise Movies
Sunrise Movies	23-Mar-01			1500000Prarekha Impex
Aastha	27-Mar-01	4632976		3000000Sunrise Movies
Sunrise Movies	28-Mar-01	5102	3000000	3000000Prarekha

From the foregoing data and also the comprehensive data on fund movement earlier reproduced in this order (Master Table), it would be evident that whatever money that was received by Sunrise was immediately transferred out to the accounts of related entities for circulation and nothing remained for production of software program as claimed.

15.15. I have seen that Aastha has not been able to offer any plausible explanation for the series of transactions executed through layers of entities belonging to the group, originating and culminating in its own bank account as explained in the table showing rerouting of funds (Master Table), excepting for the *ipse dixit* of a mere denial of the commission of a fraud on its investors and general public. I have also noted that the replies furnished by entities other than Aastha are a mere denial of the charges of fraud made out against them. I find that by virtue of the above actions, Aastha has disseminated information, which is misleading in material particulars with a view to induce the sale or purchase of securities by any person. Also, the actions of Aastha and the other entities, has resulted in a fraud on the existing shareholders of Aastha and upon the investors in general who are likely to have dealt with in the scrip of Aastha. Therefore, I hereby hold that Aastha and the 39 other entities have violated the provisions of Regulations 5(1) and 6(a) read with Regulation 2(1)(c) and 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

Non-communication of lock-in details to the Registrar:

16. The final charge against Aastha is that they have not communicated the information pertaining to the lock-in of shares prescribed under Clause 13.3 of the DIP Guidelines, to the registrar to the issue. I find from the replies submitted by Aastha that it has admitted the fact that it has failed to communicate the share subject to lock-in to the registrar to the issue.

17. Aastha has in a clever subterfuge, put in place a chain of entities for engineering a web of transfers and retransfers among them in a bid to create a make-believe of fund-rolling the preferential allotment, when there was actually no infusion of funds for the large part of the allotment. Incisive analysis of rotation of funds as brought on record supra, with supporting tabular chart of data obtained from banks clearly indicates that there was an unseen thread, which was controlling the whole fund movement back and forth, in what appears to be wizardry of creating an illusion of fund flow, out of nothing. They are nothing but sham transactions without any underlying. The entire exercise of circulating the same funds to impart a seeming verisimilitude to otherwise a process of punk financial engineering is part of colorable devise and "it will be difficult for judicial process to accord its approval to it". [McDowell & Co. Ltd v/s. CTO, (1985) 154 ITR 148 (SC)]. Such sham transactions giving rise to an elaborate edifice of liquidity by way of subscription to preferential allotment cannot be a legitimate expedient which law would permit. The details of transactions put through in such a cosy arrangement, controlled and master minded by the promoters contain tell-tale strands of how the entire process of funding the preferential allotment was designed and structured on the building blocks of a slew of transfers and retransfers suitably rejigged, to beguile the same as transactions with commercial sense. The final denouement as emerging from a close appraisal of the transactions in their meandering course and the unraveling of the inner threads with all the meticulous care in the course of investigative scrutiny gives the lie to what is sought to be projected as a regular financial transaction, while making it evident and abundantly clear that the entire shenanigan was designed to make the present and prospective investors dupes of rootless wonders.

18. While the conduct of the promoters does not leave anything to doubt as to how they contrived to support the subscription to the preferential allotment on stilts which are illusory, the entries in the books of accounts and balance sheet do not add any meat and marrow to the case of Aastha. The debit balances shown against Sunrise to the extent of Rs.3.88 crores under the caption "current assets" owe its critical mass to the cumulative position of Sunrise as debtor at different stages in the game of rotation of same fund. In other words, the sheer number has been achieved depending upon the number of times Sunrise happened to be in the position of debtor vis-à-vis Aastha in the continuum of assumed positions. The cycle/periodicity of rotation of the same funds has imparted a veneer of critical mass to the debit balances appearing against Sunrise. What more, it has been established in no uncertain terms in the course of analysis of data as per the master chart that such funds which were characterized as advances to Sunrise never remained with them, in as much as such funds were part of the churning process. Definitely, in such a context, the plea of Aastha that such advances were made to Sunrise for the purpose of building up software inventories is facile and facetious. It has been observed earlier that the balance sheet of the company as on 31.03.01 does not indicate at all as to the utilization of preferential issue proceeds and also the manner in which the unutilized moneys have been invested. No doubt this constitutes a violation of DIP guidelines of SEBI. Added to that, such non disclosure of critical information either in balance sheet or otherwise as discussed, would entail the presumption that the expansion in business was out of funds from undisclosed sources, which is neither here nor there. A further point

to be noted in this context is that the company had chosen to exhibit the putative outstanding advances as either for procurement of software programs or investment in unlisted stocks, under the omnibus heading of Current Assets. Current Assets as known in the accounting parlance have a wider amplitude in its scope to enable the parking of a motley assortment of outstanding debit balance. The same gives necessary flexibility and fluidity besides providing strategic manoeuvrability to the person handling the balance sheet to shift the balances in one way or other according to convenience in the "shifting sands" of current asset portfolio. Such shifts have come in handy in the instant case not based upon any punctilious concern for normative standards but solely based on expediency and the felt need to disclose. In that view of the matter, a depiction of certain outstanding debit balances in the Current Assets lends itself to misuse. Accordingly, the disclosure made in the Current Assets are of no value, more so, when the investigation has established beyond doubt that such advances were not only fictitious but also not capable of being used for the vaunted purpose, while in effect, have been made use of for circulation to create a make believe of full subscription. Therefore, it is not possible to set store on such disclosures. The reality check also shows that the funds were rotated with the help of intermediaries acting only as name lenders but not as service providers as claimed. Having regard to the various significant features emerging from the investigation report, it would be sheer naiveté to accept the version of the company that the moneys were fully received and utilized for establishing infrastructure.

19. Having considered the charges made out in the show cause notice and the replies of Aastha and other entities to the charges, I hereby conclude that:

a. Aastha has violated Clause 13.5A and 13.3 relating to the lock-in requirements of the DIP Guidelines,

b. Aastha and 39 other entities have violated the provisions of Regulations 5(1) and 6(a) read with Regulation 2(1) (c) and 3 of FUTP 95 Regulations.

In view of the above, SEBI is empowered under Section 11(4)(b) read with Section 11 and 11B of the SEBI Act, 1992 and Regulation 11 and 13 SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, to restrain Aastha and the other entities involved in the malpractice from accessing the securities market for an appropriate period and issue such other directions in the interest of investors.

20. As a pre-emptive measure, SEBI had already prohibited 30 entities from dealing in the securities of Aastha with effect from 15.01.04 and has frozen the shares of Aastha in the demat accounts of these entities. Also, the shares issued pursuant to the preferential allotment on 14.08.00 have not been listed by BSE so far. This has effectively rendered preferentially allotted shares bereft of any marketable value, in the absence of listing and resulting marketability of the shares.

21. I have noticed that during the period 2000-01, there were a spate of preferential allotments made by several companies. Many of these preferential allotments were irregular and made with a view to issue shares without actually receiving adequate consideration and without disclosing the details of utilization of proceeds while bypassing the takeover regulations. Further, most of the promoters who raised the capital through preferential allotment route by making use of select intermediaries, later off-loaded their shares profitably in the market, at times, without getting the shares listed in the stock exchange. The main purpose of these preferential allotments was for a private gain at the cost of public good. Aastha is one such case wherein an irregular preferential allotment was noticed. But for the freezing of shares issued vide preferential allotment by an order of SEBI, there was every possibility of the same to have been off-loaded into the market, further contaminating it. In fact, a total of 1,19,373 shares have been off-loaded before SEBI could act and stop further seepage of the shares into the market. I have noticed that the Hon'ble Securities Appellate Tribunal (SAT) has vide its order dated 08.08.05 in the matter of Snowcem India Ltd. Vs SEBI observed the following:

"As a regulator, SEBI is charged with the responsibility of zealously protecting the integrity of the system and are required to take preventive steps to keep the system free of contamination."

Taking into account, the observation of SAT relating to the function of SEBI, I find it necessary to take action against the parties who have been involved in the irregular preferential allotment and give suitable directions accordingly for the sake of market integrity lest the market should be infested with such shares fraudulently issued, with no value.

22. Taking into account the violations committed by Aastha, the preferential allottees including the promoter group entities and other entities which acted as conduits for recirculation of preferential allotment funds, and the fact that the entities holding the preferential allotment shares in their demat accounts have been prohibited from dealing in the scrip pursuant to the investigations carried out in the scrip by SEBI till 15.01.04, I feel it would be appropriate to prohibit Aastha and the 39 other entities involved from buying, selling and dealing in securities and accessing the capital market till 14th January, 2007. Till that time i.e., 14.01.07, it would be in the larger interest of the market for the shares lying in the demat accounts of the entities, Cheneena Impex Pvt. Ltd, CMM Ltd., Neena Mehta, Ceean Impex Pvt. Ltd., Smitasha Impex Pvt. Ltd., Prarekha Exim Pvt. Ltd., Bratiti Finlease Pvt. Ltd., Bicharsil Traders Pvt. Ltd., Bhairav Tradelink Pvt. Ltd., Deepmala Dealers Pvt. Ltd., Divya Dealers Pvt. Ltd., Gurupath Merchandise Pvt. Ltd., Jeet Vanijya Pvt. Ltd., Navltex Marketing Pvt. Ltd., Saltlake Merchants Pvt. Ltd., Network Power Pvt. Ltd., Savera Traders Pvt. Ltd., to continue to remain frozen.

ORDER

23. Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(4)(b), 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby direct the following:

a. 1. Aastha Broadcasting Network Limited, 2. Cheneena Impex Pvt. Ltd, 3. CMM Ltd., 4. Neena Mehta, 5. Ceean Impex Pvt. Ltd., 6. Smitasha Impex Pvt. Ltd., 7. Prarekha Exim Pvt. Ltd., 8. Bratiti Finlease Pvt. Ltd., 9. Bicharsil Traders Pvt. Ltd., 10. Bhairav Tradelink Pvt. Ltd., 11. Deepmala Dealers Pvt. Ltd., 12. Divya Dealers Pvt. Ltd., 13. Gurupath Merchandise Pvt. Ltd., 14. Jeet Vanijya Pvt. Ltd., 15. Navltex Marketing Pvt. Ltd., 16. Saltlake Merchants Pvt. Ltd., 17. Savera Traders Pvt. Ltd., 18. Alkon Trading, 19. Arihant Ltd., 20. ATN Telefilms, 21. Celeste Merchandise Pvt. Ltd., 22. CMS Infotech, 23. Modern power Pvt Ltd., 24. Network Power Pvt. Ltd., 25. Noble Power Pvt. Ltd., 26. Rangbarshi Projects Pvt. Ltd., 27. Ricon Tie Up Pvt. Ltd., 28. Sheetal Farms Ltd., 29. Weldorf Trade links, 30. Whiteline Barter, 31. Sunny Dealers, 32. Vikas Power Pvt. Ltd., 33. Herald commerce Ltd., 34. Avon Mercantile Ltd., 35. Aminex Projects, 36. Niharika Ltd., 37. Mangalam India Ltd., 38. Pratima commodities /Indo Invest vision Ltd., 39. ATN International and 40. Sunrise Movies Pvt. Ltd. shall be prohibited from buying, selling and dealing in securities and accessing the capital market till 14th January, 2007.

b. Consequently, the shares of Aastha Broadcasting Network Limited that were frozen in the demat accounts of 1. Cheneena Impex Pvt. Ltd, 2. CMM Ltd., 3. Neena Mehta, 4. Ceean Impex Pvt. Ltd., 5. Smitasha Impex Pvt. Ltd., 6. Prarekha Exim Pvt. Ltd., 7. Bratiti Finlease Pvt. Ltd., 8. Bicharsil Traders Pvt. Ltd., 9. Bhairav Tradelink Pvt. Ltd., 10. Deepmala Dealers Pvt. Ltd., 11. Divya Dealers Pvt. Ltd., 12. Gurupath Merchandise Pvt. Ltd., 13. Jeet Vanijya Pvt. Ltd., 14. Navltex Marketing Pvt. Ltd., 15. Saltlake Merchants Pvt. Ltd., 16. Network Power Pvt. Ltd., and 17. Savera Traders Pvt. Ltd., shall continue to remain frozen in their demat accounts till 14th January, 2007.

This direction shall come into force with immediate effect.

24. In the meanwhile, it will be open for SEBI to explore the possibility of taking up civil proceedings against the entities involved for appropriate remedies.

DATE:06.09.2005

PLACE:Mumbai

G. ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA