SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11B AND 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF

1. NAGESHWAR INVESTMENT LTD., 2. ADINATH BIO-LABS LTD.,
3. GLOBE STOCKS & SECURITIES LTD., 4. GOENKA BUSINESS & FINANCE LTD. AND 5. CORONET INDUSTRIES LTD.

WTM/GA/29/ISD/11/05

1. **Background**

1.1 In recent times, SEBI and the Stock Exchanges have been closely monitoring the shares of companies with low market capitalization, commonly referred to as "small cap stocks" or "penny stocks". SEBI had also taken action, including initiation of investigation against several such companies, their promoters, brokers and unscrupulous traders. SEBI had vide order dated September 29, 2005 also taken action against some of the "small cap stocks" viz. Prime Capital Market Ltd., Subh Laxmi Projects Ltd., Global Capital Market Ltd., Bankam Investments Ltd., S.T. Services Ltd. And Amluckie Investment Co., which are listed and traded on the Calcutta Stock Exchange (CSE) as well as against the promoters of these companies and 11 brokers who had manipulated the prices on the shares of these companies, in order to protect the interest of investors and the integrity of the market. In continuation of SEBI's continuous efforts to safeguard the interest of investors, and protect the market from dubious participants, SEBI had recently conducted preliminary examination in the share prices of a five similar companies listed and traded on the CSE, as the shares of these companies witnessed a sharp price variation ranging from 69% to 323% within a short period between April 2005 to November 2005. These companies are:

1. Nageshwar Investment Ltd.
2. Adinath Bio-labs Ltd.
3. Globe Stocks & Securities Ltd.
4. Goenka Business & Finance Ltd.
5. Coronet Industries Ltd.

1.2 The price movement of the shares of the above five companies during April, 2005 to November, 2005 is given in Table 1 below:

Table 1: The price movement of the shares of the above five companies (April-Nov)

Sr. No	Scrip Name	Period	Initial traded price (in Rs.)	Last traded price (in Rs.)	% increase/decrease	Duration
1	Nageshwar Investment Ltd.	25/4/05 to 24/11/05	12.70	45.50	258%	7 months
2	Adinath Bio-labs Ltd.	16/5/05 to 24/11/05	20.80	88	323%	6 months 9 days
3	Globe Stocks & Securities Ltd.	15/7/07 to 24/11/05	19.10	77.65	307%	4 months 10 days
4	Goenka Business & Finance Ltd.	8/4/05 to 24/11/05	60.10	13.60	77%	7 months 17 days
5	Coronet Industries Ltd.	4/4/05 to 24/11/05	160.00	270	69%	7 months 21 days

The major findings of the preliminary examination are given below:

2. Preliminary Findings

Nageshwar Investment Ltd.

2.1 Nageshwar Investment Ltd. is one of the listed companies at CSE which witnessed a significant price increase during the period under scrutiny. The share price of the company increased from Rs. 12.70 to Rs. 45.50, i.e. a rise of 258% increase in 7 months.

2.2 It is observed from the latest annual report of the company received from CSE that in the year 2004-05 the share capital of the company was Rs.30.70 crore against which the company grossed receipts of Rs.40.87 crore which almost exactly accounted for meeting its expenditure

(Rs.40.87 crore) and consequently its net profit (PAT) for the year was only Rs.3,437. During the previous year also the company's net profit (PAT) was only Rs.2,497. It is observed that the company has an accumulated loss of Rs.7.27 lakh at the end of financial year 2004-05.

2.3 As per the latest compliance report obtained from CSE, the company has not submitted the following documents / reports with the exchange:

a) Balance sheet for the years 2003-04.

b) Share-holding pattern for the years 2002-03, 2003-04, 2004-05 and 2005-06.

c) Unaudited quarterly results in respect of the 2nd quarter for the year 2005-06.

2.4 The CSE has suspended trading in the shares of the company with effect from November 22, 2005 for partial / non-compliance of listing agreement of the exchange.

2.5 The financial results coupled with the fact that the company has not bothered to file its balance sheet for the year ended March 2004 and its shareholding pattern since 2002-03 only confirms the belief that the company has scant interest in disclosing its financial results to the investors. The poor financial result of the company in 2004-05 and the fact that it is carrying an accumulated loss, do not appear to warrant a sudden astronomical rise of 335% in the price during April 25, 2005 to November 24, 2005.

2.6 An analysis of the trading data revealed that primarily four brokers have traded in the scrip, the details of which are given in the Table below:

Table 2: Trading data of four brokers accounting for 55% of trading volume

Sl. No.	Member Name	Total Volume	% to Scrip Total
1	Basant Periwal & Co.- D618	3161955	19.62
2	Binoy Poddar - D1019	2029155	12.59
3	Shyam Lal Sultania - D470	2019402	12.53
4	P K Agarwal & Co.- D923	1980451	12.29

2.7 A further analysis of the trading data revealed that the above members not only acted as counter party of their own transactions, they also have matching transactions among themselves. The extent of such transactions is given in the following table.

Table 3: Trading data of two brokers – matched transactions

Sl No	Name of the member	Basant Periwal	%	Binoy Poddar	%	S L Sultania	%	P K Agarwal	%
1	Basant Periwal & Co.- D618	222798	7.05	2	0.00	187951	5.94	1708050	**54.02**
2	Binoy Poddar - D1019	2	0.00	1248896	**61.55**	3	0.00	0	0.00
3	Shyam Lal Sultania – D470	187951	9.31	3	0.00	389192	**19.27**	0	0.00
4	P K Agarwal & Co.- D923	1708050	**86.25**	0	0.00	0	0.00	179600	9.07

(The percentage mentioned in the table is with respect to their total trades in the scrip during the relevant period (significant percentages shown in bold))

2.8 Clearly the cross deals executed by Binoy Poddar and the transactions between Basant Periwal and P.K. Agarwal constituted a large portion of trading in the share and have been responsible for the price rise in the share. Such a rise in share price the company with poor fundamentals is clearly out of sync with the fundamentals and primarily designed to create a false market, to lure small investors to invest in the shares of the company.

ADINATH BIO-LABS LTD.

2.9 Adinath Bio-labs Ltd. is another of the "small cap" listed companies at CSE which witnessed a significant price increase during the period under scrutiny. The share price of the company increased from Rs. 20.80 to Rs. 88, i.e. a rise of 323% in 6 months & 9 days.

2.10 It is observed from the latest annual report of the company received from CSE that in the year 2004-05 the share capital of the company was Rs.5.52 crore against which the company grossed receipts of Rs.20.01 crore which almost exactly accounted for meeting its expenditure (Rs.19.69 crore), leaving a net profit (PAT) for the year of Rs.5 lakh. During the previous year also the company's net profit (PAT) was Rs.8 lakh.

2.11 As per the latest compliance report obtained from CSE, the company has not submitted the following documents / reports with the exchange:

a) Share-holding pattern in respect of 1st and 4th quarter for the year 2002-03, 1st and 2nd quarter for the year 2003-04 and 2nd quarter for the year 2004-05.

b) Unaudited quarterly results in respect of 2nd quarter for the year 2005-06.

2.12 Thus, the available information indicates that the financial performance of the company has been consistently not so impressive and certainly not enough to generate a sudden burst of investor expectation to warrant a sharp rise in share price of 323% in six months. The fact that the company has not bothered to file the shareholding pattern since 2002-03 also reflects on the attitude of the company and its scant respect towards disclosures.

2.13 An analysis of the trading data revealed that primarily four brokers have traded in the scrip, the details of which are given below:

Table 4: Trading data of four brokers accounting for 85% of trading volume

Sl. No.	Member Name	Total Volume	% to Scrip Total
1	Pramod K Kothari -D475	164250	37.43
2	Purshottam Lal Kejdiwal - D739	82700	18.85
3	Santosh K Kejriwal Sec- D144	79500	18.12
4	Dinesh Kumar Lodha - D728	51950	11.84

2.14

It is observed from the above table that during April 2005 to May 2005 the price of the scrip fell from Rs.80 to Rs.20.75 and two brokers, i.e. Pramod K Kothari and Santosh K Kejriwal executed majority of the trades in the scrip during the said period.

It is further observed from the above table that after May-June 2005 to October 2005 the price of the scrip again rose from Rs.21 to Rs.84.20 and this time the majority of trades were executed by two different brokers, i.e. Purshottam Lal Kejdiwal and Dinesh Kumar Lodha.

2.15 A further analysis of the trading data revealed that the pattern of trading and the modus operandi seems to be identical as in the previous case wherein the above members not only acted as counter party of their own transactions, they also have matched the transactions among themselves, creating artificial volumes.. The extent of such transactions is given in the following table.

Table 5: Trading data of two brokers – matched transactions

Sl No	Name of the member	P K Kothari	%	S K Kejriwal	%	P L Kejdiwal	%	D K Lodha	%
1	Pramod K Kothari -D475	71200	**43.35**	79500	**48.40**	0	0.00	300	0.18
2	Santosh K Kejriwal Sec- D144	79500	**100.00**	0	0.00	0	0.00	0	0.00
3	Purshottam Lal Kejdiwal - D739	0	0.00	0	0.00	200	0.24	46000	**55.62**
4	Dinesh Kumar Lodha - D728	300	0.58	0	0.00	46000	**88.55**	0	0.00

(The percentage mentioned in the table is with respect to their total trades in the scrip during the relevant period (significant percentages shown in bold))

It is seen that the transactions executed between P.K.Kothari and S.K.Kejriwal and between P.L.Kejdiwal and D,K,Lodha constituted a major portion of trading in the share and helped in creating an artificial market in the share.

GLOBE STOCKS & SECURITIES LTD.

2.16 Globe Stocks & Securities Ltd. is another of the "small cap" listed companies at CSE which witnessed a significant price increase during the period under scrutiny. The share price of the company increased from Rs. 19.10 to Rs. 77.65, i.e. a rise of 307% increase in 4 months 10 days. The shares of the company are also listed on Magadh Stock Exchange, Uttar Pradesh Stock Exchange, Bhubaneshwar Stock Exchange, Cochin Stock Exchange and Ludhiana Stock Exchange.

2.17 It is observed from the latest annual report of the company sent by CSE that in the year 2004-05 the share capital of the company was Rs.10.50 crore against which the company grossed receipts of Rs.87 lakh which largely accounted for meeting its expenditure (Rs.33 lakh) and consequently its net profit (PAT) for the year was only Rs.45 lakh. During the previous year the company had incurred a loss of Rs.8.58 lakh. The company has an accumulated loss of Rs.32 lakh at the end of financial year 2004-05.

2.18 As per the latest compliance report obtained from CSE, the company has not submitted the following documents / reports with the exchange:

a) Share-holding pattern in respect of 1st and 3rd quarter for the year 2002-03 and 2nd quarter for the year 2005-06.

b) Unaudited quarterly results in respect of the 1st, 2nd and 3rd quarter for the year 2002-03, 3rd quarter for the year 2003-04 and 2nd quarter for the year 2005-06.

The company has not shown any interest in filing quarterly results with the company since 2002-03. .

2.19 Analysis of the trading data revealed that primarily two brokers have traded in the scrip, the details of which are given below:

Table 6 Trading data of two brokers accounting for 63% of trading volume

Sl. No.	Member Name	Total Volume	% to Scrip Total
1	Ashish Stock Broking- D498	3522910	31.10
2	Sunil Kedia - D712	3539800	31.25

2.20 A further analysis of the trading data revealed that the above members have matching transactions among themselves. The extent of such transactions is given in the following table:

Table 7: Trading data of two brokers – matched transactions

Sl No	Name of the member	Ashish	%	Sunil Kedia	%	Sanju Kabra	%
1	Ashish Stock Broking- D498	0	0.00	3484800	**98.92**	10000	0.28
2	Sunil Kedia - D712	3484800	**98.45**	0	0.00	0	0.00

(The percentage mentioned in the table is with respect to their total trades in the scrip during the relevant period (significant percentages shown in bold))

2.21 It is clearly evident from the above tables that the two stock brokers viz. Ashish Stock Broking and Sunil Kedia have been able to create an artificial market in the shares of the company by executing large volume of transactions among themselves

GOENKA BUSINESS & FINANCE LTD.

2.22 Goenka Business & Finance Ltd. is another of the "small cap" companies listed on the CSE which witnessed a significant price fall during the period under scrutiny. Unlike in the other three cases analysed above, the share price of this company fell sharply from Rs. 60.10 to Rs. 13.60, i.e. a decline 77% in 7 months and 17 days.

Curiously, the sharp decline in share prices was also the result of the common modus operandi of matched transactions between the same two brokers viz. Ashish Stock Broking and Sunil Kedia, who dealt in the share of Globe Stock and Securities Ltd.,

2.23 As per the latest compliance report obtained from CSE, the company has not submitted the following documents / reports with the exchange:

a) Balance sheet for the years 2003-04 and 2004-05

b) Share-holding pattern for the years 2002-03, 2003-04, 2004-05 and 2005-06.

c) Unaudited quarterly results for the year 2002-03, 2003-04, 2004-05 and 2005-06

2.24 The exchange has suspended trading in the shares of the company with effect from November 22, 2005 for partial / non-compliance of listing agreement of the exchange.

2.25 Analysis of the trading data given in the Tables below, shows that only two have traded in the share and accounted for 100% of the volume through matched transactions.

Table 8: Trading data of two brokers accounting for 100% of trading volume

Sl. No.	Member Name	Total Volume	% to Scrip Total
1	Ashish Stock Broking- D498	3102500	50
2	Sunil Kedia - D712	3102500	50

Table 9: Trading data of two brokers – matched transactions

Sl	Name of the member	Ashish	%	Sunil Kedia	%
1	Ashish Stock Broking- D498	0	0.00	3102500	**100.00**
2	Sunil Kedia - D712	3102500	**100.00**	0	0.00

The percentage mentioned in the table is with respect to their total trades in the scrip during the relevant period (significant percentages shown in bold).

2.26 This company also, like in the earlier instances, have paid scant regard to disclosures and have not filed any past or current financial information. In the absence of any information it is difficult to ascribe any reason for the sudden activity on the shares of the company except to state that through matched transactions, the two brokers were able to create a false market in the share, with a view to accommodate.

CORONET INDUSTRIES LTD.

2. 27 Coronet Industries Ltd. Is another "small cap" company listed on the CSE which witnessed a significant price increase during the period under scrutiny. The share price of the company increased from Rs. 160 to Rs. 270, i.e. a rise of 69% increase in 7 months 21 days.

2.28 It is observed from the latest annual report of the company sent by CSE that in the year 2003-04 the share capital of the company was Rs.70 lakh against which the company grossed receipts of Rs.17 lakh which largely accounted for meeting its expenditure (Rs.15.55 lakh) and consequently its net profit for the year was only Rs.1.58 lakh. The exchange has informed that they have not submitted balance sheet for the year 2004-05.

2.29 As per the latest compliance report obtained from CSE, the company has not submitted the following documents / reports with the exchange:

a) Balance sheet for the year 2004-05

b) Share-holding pattern in respect of the 2nd quarter for the year 2005-06.

c) Unaudited quarterly results in respect of the 1st and 2nd quarter for the year 05-06

In the light of lack lustre track record of the company in 2003-04 coupled with the absence of any information about the company, on account of non-submission of balance sheet for 2004-05 and quarterly results during the current year, no justification was apparent for the sudden spurt in prices.

2.30 A further analysis of the trading data revealed that primarily two brokers have traded in the scrip, the details of which are given below:

Table 10 Trading data of two brokers accounting for 99% of trading volume

Sl. No.	Member Name	Total Volume	% to Scrip Total
1	Ahilya Commercial- D588	260350	46.85
2	Murari Lal Goenka- D835	236700	42.59

2.31 Further analysis of the trading data revealed that the above members not only acted as counter party of their own transactions, they also executed matching transactions among themselves. The extent of such transactions is given in the following table.

Table 11 Trading data of two brokers – matched transactions

Sl	Name of the member	Ahilya	%	M L Goenka	%
1	Ahilya Commercial- D588	213600	**82.04**	22550	8.66

2	Murari Lal Goenka- D835	22550	9.53	207800	**87.79**

(The percentage mentioned in the table is with respect to their total trades in the scrip during the relevant period (significant percentages shown in bold):

2.32 Thus these two brokers Ahilya Commercial and Murari Lal Goenka, through matched transaction among themselves have been able to create a false market in the shares of the company and contributed to the artificial rise in the price. Of the two brokers, SEBI, had passed orders on September 29, 2005, against Ahilya Commercial, prohibiting them from dealing in securities.

3. **Summary of the findings**

3.1 The facts brought out in the foregoing paragraphs and the analysis of the trade and order log as given in the tables above lead to the following conclusion –

a) All the five companies have lack lustre mediocre to poor track record which does not warrant sharp price variation in a relatively short period.

b) These companies have not made the necessary financial disclosures to the stock exchange, including submission of annual/quarterly reports. There is therefore no information about these companies available to the market.

c) The trading volumes in the shares of these companies have invariably been created by a few brokers trading among themselves and through matched transactions (i.e. clients allowed to place simultaneously both buy and sale orders of same quantity at the same price in the selected shares), often executed on a single terminal of the broker. Curiously while in four instances, there was a sharp rise in share prices, in one there was sharp decline, all through a common modus operandi. These brokers have therefore created a false market in the shares of the companies.

d) As the variation in the price of the shares rose significantly, except in one case, there is a possibility that investors without having proper information about the company may be lured to these illiquid scrips and get trapped in the process, which is highly detrimental to the interest of the investors.

e) Clearly, the ultimate objective behind the creation of a false market in these shares, was either to lure investors, or perhaps to legitimising the gains.

f) SEBI vide order dated September 29, 2005 in similar cases has already passed direction against Shyam Lal Sultania, member of CSE in the case of Subh Laxmi Projects Ltd. and Amluckie Investment Co. Ltd. and Ahilya Commercial Pvt. Ltd., member of CSE in the case of Subh Laxmi Projects Ltd; directing them not to buy, sell or deal in securities in any manner, either directly or indirectly, till further directions

3.2 In sum, it is evident from the above analysis of the five companies, all of which are listed in CSE, that the brokers have 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. Besides the companies themselves have recorded poor or lack lustre financial performance and have not bothered to file up to date financial statements with CSE. Such acts by the brokers pose a serious risk to the stability and settlement system of the stock exchange besides raising the spectre that innocent investors may get drawn by the artificial trading volumes generated by these brokers and may in the process be beguiled into investing in the shares of these fundamentally weak companies at unjustifiable market prices, only to be left adrift.

3.3 The findings of the preliminary investigation as detailed above also establishes 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 are being dealt in a manner detrimental to the investors and securities market. SEBI is initiating formal investigations into the matter.

3.4 In view of the above, I am satisfied that pending investigation by SEBI, it is necessary to issue an order under Section 11 (4) (b) read with Section 11 (1) under 11B of the SEBI Act in order to protect the interests of the investors and also the integrity of the securities market.

4 **ORDER**

4.1 In exercise of the powers conferred upon me by virtue of Section 19 read with Section , 11 (4) (a), 11(4)(b) and Section 11 (1) and 11 B of the SEBI Act it is hereby directed, pending investigation, that :

A) the following ten stock brokers of CSE shall not buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions in this regard:

1. Basant Periwal & Co.
2. Binoy Poddar
3. P K Agarwal & Co.
4. Pramod K Kothari
5. Purshottam Lal Kejdiwal
6. Santosh K Kejriwal Securities (P) Ltd.

7. Dinesh Kumar Lodha
8. Ashish Stock Broking
9. Sunil Kedia
10. Murari Lal Goenka
11. Shyam Lal Sultania
12. Ahilya Commercial Pvt. Ltd.

B) In respect of Shyam Lal Sultania and Ahilya Commercial Pvt. Ltd., brokers of CSE (mentioned at Sr. No. 11 & 12 of para no. 4.1 A) against whom another order dated September 29, 2005 has been passed whereby they were directed not to buy, sell or deal in securities in any manner, either directly or indirectly, both the orders will run concurrently, till further directions in them.

C) The trading in the following companies shall remain suspended till further directions in this regard.

1. Nageshwar Investment Ltd.
2. Adinath Bio-labs Ltd.
3. Globe Stocks & Securities Ltd.
4. Goenka Business & Finance Ltd.
5. Coronet Industries Ltd.

The above directions shall take effect immediately and shall be in force until further orders. The stock brokers and the companies may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court, 'B' Wing, Nariman Point, Mumbai 400021 on a date and at a time to be fixed on specific request, to be received in this behalf from the stock brokers within above 15 days from the date of this order.

Place: Mumbai
Date:30/11/2005

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