

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 2003 AGAINST M/s. ASK HOLDINGS PRIVATE LIMITED AND SHRI ASHOK KUMAR JAIN, DIRECTOR, M/s. ASK HOLDINGS PRIVATE LIMITED, IN THE MATTER OF M/S RASHEL AGROTECH LTD.

1. Rashel Agrotech Ltd. (hereinafter referred to as "RAL") is a company incorporated under the Companies Act, 1956. The shares of RAL are listed at Madhya Pradesh Stock Exchange, The Stock Exchange, Mumbai (hereinafter referred to as "BSE"), Ahmedabad Stock Exchange, Jaipur Stock Exchange and Madras Stock Exchange.
2. Securities and Exchange Board of India (hereinafter to be referred to as SEBI) conducted an investigation in the scrip of RAL in respect of transactions covering the period 24.09.02 to 07.01.03. It was alleged that during the period of investigation, the price of the said scrip varied from lowest of Rs.165 as on 4.11.02 to the highest of Rs. 210 as on 18.12.02. The maximum volume traded varied from the highest 2,57,500 shares as on 24.9.02 to the lowest of 10 shares on 3.10.02, 1.11.02, 8.11.02 and 6.12.2002. It was found out from the investigation that some of the major trades were in the nature of synchronized deals and negotiated deals. It was further alleged that the client ASK Holdings Pvt. Ltd (hereinafter to be referred to as ASK) had dealt in the scrip through two different member brokers R.R.Bohra and Ramaben Samani Finance Pvt. Ltd. In all, ASK had purchased 5,41,800 shares and sold 2,85,500 shares that constitute

33.44% and 17.62% of the total shares bought and sold during the period of investigation.

3. **SHOW CAUSE NOTICE AND HEARING**

4. A show cause notice was issued to ASK and Shri Ashok Kumar Jain, Director, ASK Holding Private Limited on June 11, 2004. They were advised to show cause as to why action under Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereafter referred to as FUTP Regulations, 2003) read with Section 11 (4) and 11B of the SEBI Act, 1992 including restraining both of them from accessing the capital market and prohibiting from buying, selling or dealing in the securities in any manner whatsoever for a particular period, should not be taken against them. They were also asked to indicate whether they would prefer personal hearing before the Whole Time Member, SEBI in the matter.
5. **Allegation:** ASK through its director Shri. Ashok Kumar Jain without intention of transferring the beneficial ownership about 2.37 Lakh of the script of RAL, entered into 29 fictitious transactions in the nature of synchronized trade, by placing buy orders from the terminal of R.R. Bohra and simultaneously placing sell orders at the same price from the terminal of Ramaben Samani Finance Pvt. Ltd. during the period covered under investigation thereby violating 4 (a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter to be referred to as FUTP Regulations, 1995) read with Regulation 13 of FUTP Regulations, 2003.
6. **Reply:** Shri Ashok Kumar Jain, Director, ASK Holdings Private Limited submitted the reply to the said notice vide his letter dated August 6, 2004 on behalf of both the entities. Both the entities contested that although the

trades were done at two different member brokers by them but these trades were not fictitious trades, as alleged because the shares were delivered in the pay in and payment was also taken and given, so conclusion of treating these trades as fictitious trades is not correct.

7. They further contested that they were in a financial crisis and had 75000 shares of RAL bought long back, so their intention was to take arbitrage benefit and meet their financial requirement by taking early payouts from the broker. Their intention was not to enter into any sort of synchronized deals. Since they had 75000 shares in their hand so they traded more in the scrip which created the volume of 2.37 lac shares, if they did not have the shares, they could not have traded in the scrip for such volume.
8. They further submitted that they had not increased the price of the share by manipulating trading and also while executing their trades they did not analyze the financials of the scrip and denied of having influenced the price of scrip in the exchange. Hence they refuted the allegation of violation of provisions of Regulation 4(a), (b), (c), (d) of FUTP Regulations, 1995.
9. Shri Ashok Kumar Jain has not sought personal hearing before me on his behalf or on behalf of ASK. Therefore, I proceed to examine the case based on the material available on record.
10. **CONSIDERATION OF ISSUES AND FINDINGS:**
11. I have considered the facts of the case, the written submissions made by Shri Ashok Kumar Jain and other material on record. My observations are as under. Shri. Ashok Kumar Jain has not denied that he was director of ASK at the time period covered under the Investigation.

12. Both the entities have not denied of the execution of the alleged transactions covered under the Investigation period. Both the entities admitted that they traded under two different brokers and they did not challenge the allegation of placing buy orders from the terminal of R,R. Bohra and simultaneously placing sell orders at the same price from the terminal of Ramaben Samani Finance Pvt. Ltd. during the period covered under investigation. Hence with respect to the aspect of simultaneous placing of buy order and sale order as alleged I observe that the two entities have indulged in synchronized trading in the scrip of RAL.
13. As regards the question of transfer of beneficial ownership of the traded shares, the entities have denied the allegation of transfer without the change of beneficial ownership on the ground of the shares being delivered in the pay in and payment being received and given. Hence the entities contested that the alleged transactions cannot be considered as fictitious trades. At the first place Shri. Ashok Kumar Jain did not prove his contention that the shares were delivered in the pay in and payment was also taken and given. I observe that here the delivery of shares is made by ASK from one end to payment is made again by ASK from another end and vice versa. Hence payment and delivery is made by one and the same person though from different ends as the end client is one and the same. This clearly shows both the entities indulged in the above alleged transactions without, in fact, intending to change the beneficial ownership of the RAL shares transacted in the period covered under the Investigation. Coupled with placing buy and sell orders for same quantity of shares at the same price within a time interval of 1- 9 seconds and at times simultaneously, as shown in the following Table, clinchingly shows that the transactions are only fictitious. The fictitious nature of trade is further corroborated by the physical presence of Shri. Jain in the office of Ramaben Samani to give instructions to the broker and the fact of receiving instructions directly by

Shri. R R. Bohra from Shri. Ashok Kumar Jain as found out in the investigation report.

TABLE

Trade No.	Buy or Sell	Rate	Qty	Avgty	Trade Date	Trade Time	Order No.	Cl. Code	Time Diff. Between buy & sell orders
3	S	203.75	12500	1250	11/21/2002	11:14:53	10100300010044620	4225	
13	B	203.75	12500	1250	11/21/2002	11:15:01	57701300000051990	BA01	0:00:08
1	S	208.5	4500	450	11/26/2002	11:09:10	10100100010152146	4225	
13	B	208.5	4500	450	11/26/2002	11:09:13	57701300000054352	KI01	0:00:03
1	S	208.25	5500	550	11/26/2002	11:10:31	10100100010152147	4225	
13	B	208.25	5500	550	11/26/2002	11:10:34	57701300000054353	KI01	0:00:03
1	S	199.75	10000	1000	11/27/2002	11:13:17	10100100010152237	4228	
13	B	199.75	10000	1000	11/27/2002	11:13:24	57701300000055243	KI01	0:00:07
1	S	205	10000	1000	11/28/2002	10:04:02	10100100010152338	4225	
13	B	205	10000	1000	11/28/2002	10:04:03	57701300000056316	AK01	0:00:01
1	S	205	17500	1750	12/2/2002	9:56:57	10100100010152569	4225	
13	B	205	17500	1750	12/2/2002	9:57:02	57701300000057914	AK01	0:00:05
1	S	209	12500	1250	12/5/2002	10:13:44	10100100010152992	4225	
13	B	209	12500	1250	12/5/2002	10:13:46	57701300000059967	AK01	0:00:02
1	S	209	10000	1000	12/6/2002	10:05:09	10100100010153115	4225	
13	B	209	10000	1000	12/6/2002	10:05:18	57701300000060650	AK01	0:00:09
1	S	205	7500	750	12/11/2002	9:58:54	10100100010153394	4225	
13	B	205	7500	750	12/11/2002	9:58:56	57701300000063813	AK01	0:00:02
1	S	205	7500	750	12/12/2002	9:56:13	10100100010153561	4225	
13	B	205	7500	750	12/12/2002	9:56:13	57701300000065018	KI01	0:00:00
1	S	205	7500	750	12/12/2002	9:56:26	10100100010153562	4225	
13	B	205	7500	750	12/12/2002	9:56:29	57701300000065019	KI01	0:00:03
1	S	205	7000	700	12/12/2002	10:30:11	10100100010153592	4225	
13	B	205	7000	700	12/12/2002	10:30:12	57701300000065033	KI01	0:00:01
1	S	209	10000	1000	12/13/2002	9:56:52	10100100010153653	4225	
13	B	209	10000	1000	12/13/2002	9:56:56	57701300000066014	KI01	0:00:04
1	S	210.5	5000	500	12/16/2002	10:01:20	10100100010153743	4225	
13	B	210.5	5000	500	12/16/2002	10:01:22	57701300000067012	AK01	0:00:02
1	S	209.75	7500	750	12/17/2002	10:03:16	10100100010153813	4225	
13	B	209.75	7500	750	12/17/2002	10:03:17	57701300000067094	AK01	0:00:01
1	S	209.75	5500	550	12/17/2002	10:03:47	10100100010153814	4225	
13	B	209.75	5500	550	12/17/2002	10:03:48	57701300000067095	AK01	0:00:01
1	S	210	7500	750	12/18/2002	10:05:23	10100100010153952	4225	
13	B	210	7500	750	12/18/2002	10:05:23	57701300000067638	AK01	0:00:00
1	S	209.5	7000	700	12/18/2002	10:35:26	10100100010153985	4225	
13	B	209.5	7000	700	12/18/2002	10:35:26	57701300000067639	AK01	0:00:00

1	S	204.5	8500	850	12/19/2002	10:08:18	10100100010154039	4225	
13	B	204.5	8500	850	12/19/2002	10:08:18	57701300000068078	AK01	0:00:00
1	S	194.5	7500	750	12/20/2002	9:57:00	10100100010154081	4225	
13	B	194.5	7500	750	12/20/2002	9:57:02	57701300000068674	AK01	0:00:02
1	S	175.25	7500	750	12/24/2002	9:55:30	10100100010154289	4225	
13	B	175.25	7500	750	12/24/2002	9:55:31	57701300000069551	AA10	0:00:01
1	S	175.1	1000	1000	12/24/2002	9:56:57	10100100010154291	4225	
13	B	175.1	1000	1000	12/24/2002	9:56:58	57701300000069552	AA10	0:00:01
1	S	193	8500	8500	12/26/2002	9:58:39	10100100010154368	4225	
13	B	193	8500	8500	12/26/2002	9:58:40	57701300000070925	AK01	0:00:01
1	S	195	9500	950	12/30/2002	9:58:08	10100100010154528	4225	
13	B	195	9500	950	12/30/2002	9:58:12	57701300000072053	AA10	0:00:04
1	S	200.1	7500	7500	12/31/2002	9:56:26	10100100010154585	4225	
13	B	200.1	7500	7500	12/31/2002	9:56:28	57701300000072349	AK01	0:00:02
1	S	203.5	7500	7500	1/2/2003	10:03:10	10100100010154669	4225	
13	B	203.5	7500	750	1/2/2003	10:03:16	57701300000072592	AA10	0:00:06
1	S	203.5	2500	2500	1/2/2003	10:03:39	10100100010154670	4225	
13	B	203.5	2500	2500	1/2/2003	10:03:44	57701300000072593	AA10	0:00:05
13	B	202	7500	7500	1/3/2003	10:02:12	57701300000072843	AA10	
1	S	202	7500	7500	1/3/2003	10:02:15	10100100010154788	4225	0:00:03
13	B	200	5000	5000	1/3/2003	10:11:16	57701300000072845	AK01	
1	S	200	5000	5000	1/3/2003	10:11:17	10100100010154789	4225	0:00:01
1	S	200	11500	11500	1/7/2003	10:34:39	10100100010154906	4225	
13	B	200	11500	1150	1/7/2003	10:34:40	57701300000073638	AK01	0:00:01

14. I further observe that Shri. Ashok Kumar Jain gave simultaneous instructions to both the brokers as many as 22 days entering into 29 transactions. Thus, the client ASK, through two brokers of the exchange R.R. Bohra and Ramaben Samani Finance Private Limited, entered fictitious and synchronized trades of about 2.37 lac shares. In all, ASK had purchased 5,41,800 shares and sold 2,85,500 shares that constitute 33.44% and 17.62% of the total shares bought and sold during the period of investigation. This resulted in creation of artificial volume of trading.

15. I also observe that RAL had a nil dividend paying record. RAL earned a marginal net profit after tax of Rs.14.4 lacs for the year ended 31.03.2002 and Rs. 15.5 lacs for the year ended 31.03.2003 (turnover of Rs. 6.75 crore) on an equity capital of Rs. 9.66 crore. The performance of the Company for subsequent period was that the company had shown a dismal performance

with profits of 4 lacs, 4 lacs and 2 lacs for the first three quarters of financial year 2003-2004 on turnover of Rs. 136 lacs, Rs.278.4 lacs and Rs.311.3 lacs respectively. This further prove that the RAL did not have the financial fundamentals to support the price at which it was bought and sold during the period covered under the Investigation Period.

16. Further I observe from investigation report that during the period of investigation the price of RAL varied from lowest of Rs. 165 as on 4.11.02 to the highest of Rs. 210 as on 18.12.02. The same was made possible by creating artificial volumes as found out earlier.
17. Further Shri. Ashok Kumar Jain has submitted that he had some financial crisis and so he sold the shares of RAL broker Ramaben Samani and got payment before pay out and subsequently this amount was paid to the broker R.R. Bohra through whom the shares were bought. This further goes to point out why the fictitious transactions were carried out. Motive is irrelevant in FUTP violations since good motive cannot legalize illegal transactions and vice versa.
18. The above activities of the entities are in violation of 4 (a), (b), (c), and (d) of FUTP Regulations, 1995, since the entities had the intention to artificially increase the price to derive arbitrage benefit, resulting into false and misleading appearance of trading in the scrip of RAL. The activity further had resulted in the reflection of prices of RAL based on transaction that are not genuine trade transactions. Moreover the proved transactions under the period of investigation are not intended to transfer beneficial ownership of the RAL scrip. I am, therefore, convinced that it is a fit case to pass an order under Section 11B read with section 11(4) of SEBI Act, 1992 and Regulation 11 read with Regulation 13 of the FUTP Regulations, 2003 against ASK and Shri. Ashok Kumar Jain.

19. **ORDER**

20. In view of the above, in exercise of the powers conferred upon me by Section 19, read with Section 11(4) and 11B of the SEBI Act, 1992 and Regulation 11 and 13 of the SEBI FUTP Regulations, 2003 , I hereby restrain *M/s Ask Holdings Private Ltd. and Shri. Ashok Kumar Jain, Director, ASK Holdings Pvt. Ltd.* from associating with any corporate body in accessing the capital market and prohibit them from buying, selling or dealing in the securities in any manner whatsoever for a period of one year.

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

DATE : 31.01.2006

PLACE : MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA