

SECURITIES AND EXCHANGE BOARD OF INDIA

Order

Under Section 11B and 11 of Securities and Exchange Board of India, Act, 1992 against Shri Ajit Satyaprakash Gupta, Shri Arihant Jain, Shri Dilip Mohan Kejriwal, Shri Gunjan Jain, Ms. Lalita Jain, M/s. Martanda Finlease P. Ltd., Ms. Meera Jain, M/s. Natun Finlease P Ltd., Shri Pradeep Joshi, Shri Pramod Joshi, Ms. Sonal Jain, Shri Surendra Kumar Jain and Ms. Veena Dilip Kejriwal in the matter of M/s. Aastha Broadcasting Network Ltd.

WTM/71/IVD/6/06

1.0 Background

- 1.1 M/s. Aastha Broadcasting Network Ltd. (hereinafter referred to as "the Company"), formerly known as M/s. C M M Broadcasting Network Ltd. (CMM) and M/s. Trimline Investments Ltd. (Trimline) was incorporated on 19th August 1981 to carry on the business of investments and finance.
- 1.2 As on 31st March 2001, share capital of the Company stood at Rs. 10, 00, 00, 000 divided into 1 crore equity shares of Rs. 10/- each. Of these, 7, 00, 000 shares are listed on The Stock Exchange, Mumbai (hereinafter referred to as "BSE") and the remaining 93, 00, 000 shares were yet to be listed. Of the total 1, 00, 00, 000 equity shares issued by the company, as on 31st March 2000 7, 00, 000 equity shares were issued by Trimline. Subsequently, the Company at its annual general meeting held on 16th May 2000 decided to make a preferential issue of 93, 00, 000 shares. The shares were allotted on 14th August 2000 to the promoter group entities to the extent of 51, 00, 000 shares and 42, 00, 000 shares to other Kolkata based entities.
- 1.3 Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the trading of the scrip of the Company for possible violation of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market Regulations, 1995 (hereinafter referred to as "FUTP 1995 Regulations") and Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as "DIP Guidelines").
- 1.4 Investigation 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 consideration towards preferential allotment. 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.
- 1.5 Investigation found that part of preferential allotment funds were invested in unlisted companies, based on "comfort level" of the Company with promoters of such unlisted companies. It was also observed that while certain portion of the funds was stated to have been given by the company in the year 2000-2001 as advance for purchase of software rights, the software had not been purchased at all by it.
- 1.6 It was also found that prior to the preferential allotment in August 2000, paid up capital of the company was Rs. 70 lakh comprising 7 lakh shares of Rs. 10 each which were listed on BSE. The shares were given ISIN No. INE199B01010. The additional 93 lakh shares allotted by the Company in August 2000 were also given the same ISIN. Thus shares had become fungible. It was also observed that out of 93, 00, 000 shares allotted on a preferential allotment basis, the shareholding of the preferential allottees as on 10th October 2003 was stated to be only 74, 11, 727 shares. A portion of the shares (around 17, 68, 900 shares) were stated to have been transferred to known persons/ their companies. Thus 1, 19, 373 (93, 00, 000 less 74, 11, 727 less 17, 68, 900) shares were delivered in the market. It has also been found that majority of shareholding was in the hands of the entities/ persons viz., M/s. Bratiti Finlease Pvt. Ltd., M/s. Prarekha Exim, M/s. Smitasha Impex, M/s. Cheneena Impex, M/s. Cee-An Impex, M/s. Bhairav Tradelink Pvt. Ltd., M/s. Divya Dealers Pvt. Ltd., M/s. Deepmala Dealers Pvt. Ltd., M/s. Gurupath Merchandise Pvt. Ltd., M/s. Jeet Vanijya Pvt. Ltd., M/s. Navltex Marketing Pvt. Ltd., M/s. Saltlake Merchants Pvt. Ltd. M/s. Savera Traders Pvt. Ltd., M/s. Bicharsil Traders Pvt. Ltd., M/s. Neena Mehta, M/s. CMM Ltd, M/s. Network Power P Ltd., Shri Ajit Satyaprakash Gupta, Shri Arihant Jain, Shri Dilip Mohan Kejriwal, Shri Gunjan Jain, Ms. Lalita Jain, M/s. Martanda Finlease P Ltd. Ms. Meera Jain, M/s. Natun Finlease P Ltd. Shri Pradeep Joshi, Shri Pramod Joshi, Ms. Sonal Jain, Shri Surendra Kumar Jain and Ms. Veena Dilip Kejriwal.

2.0 Interim Order

- 2.1 SEBI vide an ad-interim ex-parte order dated 15th January 2004 prohibited the above entities/ persons from buying, selling or dealing in the securities of the company till further orders. It was further directed that the shares of the Company held by the above entities/ persons and lying in their demat accounts and/or in any other demat accounts of such persons/ entities shall be frozen till further orders.

2.2 On 10th March 2004 SEBI had given a post decisional hearing to the above entities. The said 30 entities made their submissions at the time of hearing and also vide written submissions on 28th January 2004 and 5th March 2004. After hearing the entities and perusing their written submissions, SEBI vide its order dated 15th June 2004 confirmed the interim order dated 15th January 2004 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.

3.0 Order dated 6th September 2005

SEBI completed the investigations in the matter and based on the findings of the investigation, a notice was issued to Aastha and 39 other entities. Taking into account the violations committed by the Company, the preferential allottees including the promoter group entities and other entities which acted as conduits for recirculation of preferential allotment funds, a final order dated 6th September, 2005 was passed against Aastha and 39 entities (names of these entities are given in said order). Among other directions issued vide the said order, the entities M/s. Cheneena Impex Pvt. Ltd, M/s. CMM Ltd., Ms. Neena Mehta, M/s. Ceean Impex Pvt. Ltd., M/s. Smitasha Impex Pvt. Ltd., M/s. Prarekha Exim Pvt. Ltd., M/s. Bratiti Finlease Pvt. Ltd., M/s. Bicharsil Traders Pvt. Ltd., M/s. Bhairav Tradelink Pvt. Ltd., M/s. Deepmala Dealers Pvt. Ltd., M/s. Divya Dealers Pvt. Ltd., M/s. Gurupath Merchandise Pvt. Ltd., M/s. Jeet Vanijya Pvt. Ltd., M/s. Navltex Marketing Pvt. Ltd., M/s. Saltlake Merchants Pvt. Ltd., M/s. Network Power Pvt. Ltd. and M/s. Savera Traders Pvt. Ltd., were prohibited from buying, selling and dealing in securities and accessing the capital market till 14th January, 2007. Also, directions were issued stating that the shares of the Company that were frozen in the demat accounts of the above said entities shall continue to remain frozen in their demat accounts till 14th January, 2007.

4.0 Appeal before the Hon'ble Securities Appellate Tribunal

The above mentioned order dated 6th September 2005 was challenged by way of Appeal No. 166 of 2005 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "the Tribunal"), which the Hon'ble Tribunal dismissed vide order dated 6th February 2006 inter alia holding as follows

"In this view of the matter, the Board was right in holding that the appellant company played a fraud on the existing investors of the company who held 7 lac shares and that the investors in the market were led to believe that the preferential allotment was successful. This in turn would have increased the demand for the shares of the appellant company and would have resulted in defrauding the innocent investors had the Board not passed the interim order on 15.1.2004 prohibiting the appellant and its entities from buying, selling or dealing in scrips."

5.0 Show cause notice and reply

5.1 Apart from the Show Cause Notice issued to Aastha and 30 other entities as stated above based on the findings of the investigation, a show notice dated 17th October 2005 was issued to Shri Ajit Satyaprakash Gupta, Shri Arihant Jain, Shri Dilip Mohan Kejriwal, Sri Gunjan Jain, Ms. Lalita Jain, M/s. Martanda Finlease P Ltd., Ms. Meera Jain, M/s. Natun Finlease P Ltd., Shri Pradeep Joshi, Shri Pramod Joshi, Ms. Sonal Jain, Shri Surendra Kumar Jain and Ms. Veena Dilip Kejriwal (except Shri Ajit Satyaprakash Gupta, hereinafter collectively referred to as "the entities") to show cause as to why suitable directions should not be passed against the entities under section 11(4) (b) read with sections 11 and 11B of Securities and Exchange Board of India Act, 1992 including directions to continue the freezing of shares issued pursuant to the irregular preferential allotment.

5.2 The entities individually replied to the said show cause notice stating that they were not party to preferential allotment. They acquired shares after paying consideration for the same. The entities have pleaded that order of freezing their de-mat account might not be passed against them. All of them have submitted that their written submissions were final and they did not desire personal hearing before me.

5.3 I note that Ajit Satyaprakash Gupta has not responded to the show cause notice despite two reminders dated 2nd December 2005 and 21st December 2005 being sent to him. Hence, the order is ex-parte as far as he is concerned.

6.0 Conclusion

6.1 I have carefully considered the investigation report, show cause notice issued on completion of investigation and the replies given by the entities to that show cause notice. I note that they have submitted that they were not party to preferential allotment and had acquired shares after paying consideration for the same. However, it was never the case of SEBI that they were party to the preferential allotment, and in that view the same is not relevant here. With regard to freezing of demat accounts, which was essentially done to prevent irregularly allotted shares getting circulated in the market and harming the interests of innocent investors. The plea of the entities not to freeze their demat accounts is at cross purposes

and inconsistent with the imperative need to insulate the market from contamination and protect the investors from getting cheated in the event of such irregularly allotted shares getting traded in the market.

- 6.2 As a pre-emptive measure, SEBI had already prohibited 30 entities from dealing in the securities of Aastha with effect from 15th January 2004 and has frozen the shares of Aastha in the demat accounts of these entities. 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.

7.0 Order

- 7.1 Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Section 11 (1) and 11B of Securities Exchange Board of India Act, it is hereby directed, that the shares of the M/s. Aastha Broadcasting Network Ltd. held by the following entities / persons and lying in their demat accounts mentioned in the table and / or in any other demat accounts of such persons / entities shall continue to be frozen till 14th January 2007.

S. No	Entity	Address	NSDL Client ID No.	Depository Participant
1.	Ajit Satyaprakash Gupta	Flat No 202, Sheil Tower, Yari Road, Andheri (W), Mumbai - 400 061	14948273	SCHIL
2.	Arihant Jain	10, Princep Street II Floor, Kolkatta - 700 072	60017034	Global Trust Bank
3.	Dilip Mohan Kejriwal	413, Cotton Exchange Bldg., Kalbadevi Road, Mumbai - 400 002	10415617	Standard Chartered Bank
4.	Gunjan Jain	68, Pramathesh Barua Sarani, Flat 5E, 4th Floor, Kolkatta - 700 019	60046637	Global Trust Bank
5.	Lalita Jain	10, Princep Street II Floor, Kolkatta - 700 072	10084924	Global Trust Bank
6.	Martanda Finlease P Ltd.	Flat No 102 Mangal Mahesh 14th Road, Khar West, Mumbai - 400 052	14890240	SCHIL
7.	Meera Jain	10, Princep Street, 2nd Floor, Kolkatta - 700 072	60029215	Global Trust Bank
8.	Natun Finlease P Ltd.	Flat No 102, Mangal Mahesh 14th Road, Khar West, Mumbai - 400 052	14890233	SCHIL
9.	Pradeep Joshi	501/A Govardhan Nagar, Borsa Pada Road, Poisar, Kandivli (W), Mumbai - 400 067	17152214	SCHIL
10.	Pramod Joshi	501/A Govardhan Nagar, Borsa Pada Road, Poisar, Kandivli (W), Mumbai - 400 067	14951928	SCHIL
11.	Sonal Jain	10, Princep Street, 2nd Floor, Kolkatta - 700 072	60015326	Global Trust Bank
12.	Surendra Kumar Jain	2nd Floor, 28, Strand Road, Kolkatta- 700 001	10164700	East India Sec Ltd
13.	Veena Dilip	413 Cotton Exchange Bldg., Kalbadevi Road,	10424597	Standard

	Kejriwal	Mumbai – 400 002		Chartered Bank
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- 7.2 This direction shall come into force with immediate effect.
- 7.3 Notwithstanding this direction, it will be open for SEBI to explore the possibility of taking up civil proceedings for appropriate remedies against the entities involved.

Date: June 07, 2006

Place: Mumbai

G Anantharaman
Whole Time Member
Securities and Exchange Board of India