

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM : Dr. T.C.NAIR, WHOLE TIME MEMBER

**AGAINST M/s. AGARWAL SHARES & FINANCE PVT LTD., IN THE
DEALINGS IN THE SCRIP OF GUJARAT FISCON LTD.**

Date of hearing : October 09, 2006

Appearances :

For Noticees: Shri Umashankar Agrawal

For SEBI: Shri P.K. Bindlish, General Manager
Shri Atul Agarwal, Manager
Ms. Kshama Chavan, Legal Officer

ORDER UNDER SECTION 11 AND 11B OF SEBI ACT, 1992

1.0 Background

1.1 Gujarat Fiscon Ltd. (hereinafter referred to as “GFL”), a public limited company is engaged in the business of leasing, ICD/Bill discounting, project and management consultancy. The shares of the company are listed on the Vadodara Stock Exchange, Ahmedabad Stock Exchange Ltd. (ASE) and the Bombay Stock Exchange Ltd. (BSE).

1.2 SEBI conducted investigations into the buying, selling and dealings in the scrip of GFL for the period from July 31, 2000 to December 15, 2000 (hereinafter referred to as the “investigation period”) on the basis of an investor complaint alleging that the promoters of the

captioned company along with a handful of brokers had artificially created volumes in the scrip.

- 1.3 During the investigation period, it was observed that the price of the scrip rose from Rs.60 on July 31, 2000 to Rs.104 on December 15, 2000. It was alleged that the aforesaid trades were by a set of brokers, sub broker and their clients known to each other who acted in concert and most of the traded volumes were squared off. It was further alleged that these brokers abetted their clients in creating artificial volumes. The cartel of clients was led by Shri Heerachand Salecha, the other major contributors being Agarwal Shares & Finance Pvt. Ltd. (Umashankar Agarwal), Jatin R Shah (Shri Jatin), Kishorekumar K. Vasa (Shri Vasa). The cartel of brokers were allegedly led by Ramaben Samani Finance Pvt. Ltd. (Ramaben Samani).

2.0 Show Cause Notice and Reply

- 2.1 Based on the findings of the investigation, a show cause notice dated December 29, 2004 was issued to Agarwal Shares Pvt. Ltd. (hereinafter referred to as Agarwal Shares) under Section 11(4)(b) read with Section 11 and 11B of the SEBI Act, 1992, asking it to show cause as to why suitable directions including directions restraining it from buying, selling or dealing in securities for a specified period should not be issued against it, for violating the provisions of Regulations 4 (a), (b) (c) & (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. It was also mentioned that it failed to submit any reply within

the stipulated period of 21 days, then it would be presumed that it had no explanations to offer in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations. The documents relied upon in support of the allegations contained in the show cause notice were also annexed with the notice.

- 2.2 Though the receipt of show cause notice was duly acknowledged by Agarwal Shares, they did not submit any reply to the show cause notice. Pursuant to this, an opportunity of personal hearing was granted before me on September 26, 2006. However, Agrawal Shares did not attend the hearing. Another opportunity of personal hearing was granted before me on October 09, 2006 wherein Shri Umashankar Agrawal, Director of Agarwal Shares (Shri Agrawal) attended the hearing and made oral submissions. Vide letter dated October 10, 2006, Agarwal Shares made written submissions that they are not involved in the matter.

3.0 Consideration of Issues and Findings

- 3.1 I have carefully considered the investigation report and the reply of Agrawal Shares. My findings are as under :
- 3.2 From the trading details, I find that following brokers and their clients were the major traders in the scrip during the period:

Name of the Member		Major Ultimate Client	Purchase	Sale	Gross	% age of Total volumes on the SE	Net
Bhagwandas Bhogilal & Co.		Jatin R. Shah	126300	125900	252200	19.41	400
Ramaben Samani Finance Pvt. Ltd.		Kishorkumar K. Vasa	114300	114300	228600	17.59	0
Bharti Thakkar India Securities Pvt. Ltd.		Agarwal Shares & Fin. Pvt. Ltd.	42800	42800	85600	6.59	0
Joindre Capital Services Ltd.	Allwin Securities Ltd.(Sub-broker)	Heerachand Salecha	65200	64800	130000	10.00	400
		Total	348600	347800	696400	53.59	800

3.3 From the above table, it is seen that the above brokers / clients had purchased 348600 shares of the total traded volume and had sold 347800 shares of the total traded volume. In all, these brokers /sub brokers/clients traded more that 50% of the total volumes in the scrip during the period of investigation. Also, almost all the clients of the brokers having concentration had done trading/squaring off transactions.

3.4 From the investigation, I have noticed that a cartel of clients and brokers known to each other and who also had business relationships with each other traded heavily in the scrip over a period of time and made heavy volumes in the scrip. The cartel of clients was led by Shri Salecha.

3.5 I note that due to the non co-operation of Shri Salecha and Ramaben Samani, the purpose for which the clients created artificial volumes

in the scrip could not be established. Whereas Shri Salecha did not comply with the summons, Ramaben Samani tried to way lay the investigation team by producing false documents.

3.6 From the investigation, I have noticed that a cartel of clients and brokers who were known to each other and had business relationships traded heavily in the scrip over a period of time and made heavy volumes in the scrip. The cartel of clients was led by Shri Salecha, along with the other major contributors Agarwal Shares (Umashankar Agarwal), Shri Jatin R. Shah, Shri Kishorekumar K. Vasa. The cartel of brokers were allegedly led by Ramaben Samani Finance P Ltd.

3.7 I find that Agarwal Shares had traded heavily in this scrip during the period of investigations and it had not taken any delivery during this period. It had dealt through the broker, Bharti Thakkar India Securities Pvt. Ltd. The settlement wise trading of Agrawal Shares is as under :

Settl. No.	Gross Purchases	Rate	Gross Sale	Rate	Net Purchase/ Sale
23	2900	70.99	2900	71.13	0
24	5400	75.03	5400	75.31	0
25	7900	79.62	7900	79.78	0
26	7000	78.73	7000	79.16	0
27	8000	80.63	8000	80.78	0
28	7500	81.2	7500	80.96	0
29	4100	80.53	4100	80.75	0
TOTAL	42800		42800		

- 3.7 Shri Jatin R. Shah, another major client submitted that he dealt on behalf of another person, Shri Umashankar Agarwal, director of Agarwal Shares & Finance Pvt Ltd as a token of obligation, as Shri Agarwal had introduced him to the broker, Bhagwandas Bhogilal & Co. Thus, I find that Agarwal Shares had also traded through Shri Jatin R. Shah through the broker, Bhagwandas Bhogilal & Co. Around 24% of the transactions of Agarwal Shares were matching with Shri Jatin R Shah. Further, I note that it can not be a mere coincidence that a quarter of the total transactions of Agarwal Shares were matching with Shri Jatin R Shah.
- 3.9 I have noticed that Shri Umashankar Agarwal was also having business relationship with Shri Salecha, the kingpin, and Shri Agarwal was an associate of Shri Salecha in real estate business. From above, I find that Shri Agarwal, Shri Jatin R. Shah, and Shri Salecha were known to each other and contributed 36% of the volume. Further if the volume generated by Shri Salecha in the name of Shri Vasa is also added, the transactions in this scrip will constitute 53.59% of the total volume.
- 3.10 On the basis of the above facts, I am convinced that Agarwal Shares was a party to this market manipulation and creation of artificial liquidity in an illiquid scrip to attract the interest of small investors thereby violating the provisions of Regulation 4(a), 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Related to Securities Markets) Regulations, 1995.

4.0 Order

4.1 In view of the above, I, in exercise of powers conferred in terms of Section 19 read with Section 11 and 11 B of SEBI Act, 1992, hereby direct that Agarwal Shares & Finance Pvt Ltd be debarred from accessing the securities market and prohibited from buying, selling or dealing in securities, either directly or indirectly, for a period of three months.

4.2 This order shall come into force with immediate effect.

PLACE: MUMBAI

DATE: 22.06.2007

**T .C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**