

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: Dr. T C NAIR, WHOLE TIME MEMBER

ORDER

UNDER SECTION 11 (1) AND 11 (4) OF THE SEBI ACT, 1992 READ WITH REGULATION 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATION, 2003 AGAINST M/s NEW AGE SHARES AND STOCK BROKERS PVT LTD, M/s UNIVERSAL MEDIA NETWORK LTD, SHRI SANJEEV BANSAL, SHRI ASHOK AGARWAL AND SHRI PRAMOD JAIN IN THE MATTER OF M/s SRG INFOTECH LTD.

1. M/s SRG Infotech Ltd (hereinafter referred to as the “SRG”) was originally incorporated as Fairdeal Leasing Finance and Investment Company Ltd on February 9, 1984 and was promoted by Shri Siddharth Jain. In August 1993, there was an acquisition of shares by Shri Sunil Kumar Agrawal, Shri Rakesh Kumar Bhatia, Shri Gopal Chandra Sharda and Shri Narendra Kumar Rastogi resulting in a change in the management of Fairdeal Leasing Finance and Investment Company Ltd. The name of the company was changed to SRG Finman (India) Ltd on November 30, 1993. In January 1995, its name was further changed to SRG Infotech (India) Ltd. In February 1999, SRG Infotech (India) Ltd finally became SRG Infotech Ltd.

2. The scrip of SRG was listed on the National Stock Exchange, Bombay Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange, Calcutta Stock Exchange and Delhi Stock Exchange.
3. SEBI had received a number of complaints from investors alleging price rigging and manipulation in the scrip of SRG during the period from December 1998 to June 1999. As per the complaints, SRG had come out with a Rights Issue in 1995 and also SRG had stated software development and exports, computer education, multimedia and registrar and share transfer agents as their business activities. Furthermore, it was alleged that SRG had not carried out any of the afore-mentioned activities except that of registrar and share transfer agent. It was further alleged that the price of the shares was rigged taking advantage of the no-delivery period from January 14 – February 18, 1999 when the price moved from Rs. 9 to around Rs. 20.
4. SEBI vide its letter dated February 26, 1999 directed the afore-mentioned stock exchanges to conduct an investigation in the alleged price manipulation in the scrip of SRG for the period from December 15, 1998 to June 30, 1999. Accordingly, NSE submitted its report on May 5, 1999 & BSE submitted its interim report on February 16, 2004 & final report on April 30, 2004 respectively.
5. Based on the above-mentioned reports of BSE and NSE, SEBI accordingly initiated an investigation into the said allegations by the

- investors, information and documents etc were called from the brokers and their directors and their statements were also recorded.
6. Pursuant to the findings of the investigation, SEBI issued Show Cause Notice (“SCN”) dated September 21, 2004 to M/s New Age Shares and Stock Brokers Pvt Ltd (“**NASSB**”) and its directors viz. Shri Sanjeev Bansal and Shri Ashok Agarwal.
 7. SEBI also issued another SCN dated September 21, 2004 to Universal Media Network Ltd (“**UMNL**”) (earlier known as M/s Arihant Equity Fund) and its directors viz. Shri Sanjeev Bansal and Shri Pramod Jain.
 8. A copy each of following documents were annexed to the above two SCNs dated September 21, 2004.
 - (a) Photocopy of Form 32 along with acknowledgement issued by ROC confirming the appointment of Shri Sanjeev Bansal and his brother, Mr. Kuldeep Bansal as a director of UMNL.
 - (b) Photocopy of Form 29 in respect of consent of Shri Sanjeev Bansal to act as director of UMNL duly filed in the ROC, Calcutta, West Bengal and acknowledgement issued by ROC.
 - (c) Photocopy of Annual Return filed by UMNL along with acknowledgement issued by ROC, duly certified by Shri Sanjeev Bansal on behalf of the said company as a Director.
 - (d) Photocopy of Board Resolution for opening Bank Account with Bank of America, New Delhi in the meeting of Board of Directors

held on January 11, 1999, authorizing Shri Sanjeev Bansal and/or Shri Pramod Kumar Jain to operate the bank account of UMNL with Bank of America, New Delhi duly signed by Shri Pramod Jain and Shri Sanjeev Bansal.

- (e) Photocopy of letter dated May 10, 1999 signed by Shri Sanjeev Bansal on behalf of UMNL authorizing M/s Integrated Master Securities Pvt Ltd ("**IMS**") to transfer credit balance in Settlement No. 9917 of NSE towards Debit balance in Settlement No. 7 of BSE.
- (f) Photocopy of Bill No. Group A/07/000/ dated May 17, 1999 in Settlement period from May 3, 1999 to May 7, 1999 duly receipted/acknowledged by Shri Sanjeev Bansal in token of various transactions done with IMS on BSE in the said Settlement.
- (g) Photocopy of DP Delivery Instruction Slip No. 131196 dated June 28, 1999 in relation to transfer of 82000 shares of SRG duly signed by Shri Sanjeev Bansal as director of UMNL, sold by UMNL in Settlement No. 121 of 1999 towards Pay-in.
- (h) Photocopy of Account Opening Form of Depository Account of UMNL with IMS duly signed by Shri Sanjeev Bansal as a Director.
- (i) Photocopy of a letter received by IMS as Depository Participant from UMNL. It appears from the letter that M/s Arihant Equity Fund has changed its name to UMNL but the registered office address continues to be the same.
- (j) Photocopy of statement recorded of Shri Virendra Khaneja, Director IMS on June 16, 2004.

- (k) Photocopy of statement recorded of Shri Ashok Agarwal on July 9, 2004.
- (l) Photocopy of statement recorded of Shri Santosh Kumar Jain, Ex – Director, UMNL on July 16, 2004.
- (m) Photocopy of statement recorded of Shri Pramod Jain, Ex – Director, UMNL on July 19, 2004.

9. The findings of investigation in brief, as contained in both the SCNs dated September 21, 2004 alleged that NASSB and UMNL alongwith their directors namely Shri Sanjeev Bansal, Shri Ashok Agrawal and Shri Pramod Jain had indulged in acts intended to create false or misleading appearance of trading in the SRG scrip during the period December 1998 – June 1999 which had resulted in artificially raising the price of the scrip in violation of Regulation 4 (a) and (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. In addition, Shri Sanjeev Bansal had also dealt in the SRG scrip in a fraudulent manner and hence violated the provisions of Regulation 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. Further, Shri Ashok Agarwal, Shri Pramod Jain and Shri Santosh Jain were also found to have violated Section 11 of the SEBI Act, 1992 on account of making incorrect submissions before SEBI. NASSB and UMNL alongwith their directors, were required to show cause as to why suitable directions, under Section 11 & 11 (4) read with 11B of the SEBI Act, 1992 read with Regulation 11 & 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 including

directions debarring them from accessing the securities market and dealing in securities for a suitable period, should not be issued to them.

10. NASSB vide its letter dated November 2, 2004 responded to the SCN dated September 21, 2004 and put up the following before the Board which are summarized as follows: -

- a. All trades carried out by NASSB were in the normal course of business.
- b. The information deciphered from the reports etc. of the Stock Exchanges was inadequate for NASSB to present their case in a proper manner with better assertions and proofs.
- c. During the period under review i.e. from 30th November 1999 till 2nd July 1999, there were too many progressive activities going on in the SRG, which were attractive enough to develop interest of any trader or investors to deal in its shares.
- d. NASSB's dealings with the scrip in question resulted in a net sale of shares of SRG during the period under review. The market went much higher after the shares were sold by NASSB and even the volume of trade by NASSB was miniscule compared to that of the market volumes of trade. Therefore there was no intention to increase the price of the scrip. The volume of trade of the said scrip in the BSE during the period in question is approximately 11,73,02,200 shares (both sides) which if compared to the volume of the trade of NASSB in the scrip in question would be humongous and would therefore be incapable of affecting the price of movement of such a high volume scrip.

- e. During the period from December 1998 to July 1999, the Sensex also showed extraordinary growth and fluctuation to the tune of a rise from 2800 points to 4500 points from said period of December 1998 to July of 1999.
- f. The scrip of SRG was a high volume – low price scrip, the price of the scrip was going up due to the progressive activities of the company and there was nothing unusual about the movement of the price of the same scrip as the rise was subsequent to the business development of the company.
- g. The two instances of entering the orders and subsequently deleting/cancelling them from the system, it is quite normal to follow such practices in the market and happens many times in such volatile markets. It could further be possible that the orders so cancelled were because of the clerical or typographical error on the part of the broker by putting huge quantity of shares on screen. Manual mistakes in placing orders and trades on screen are not uncommon and quite normal to happen.
- h. It is a settled proposition of law not to consider assumptions and inferences to allege any violation against any one.
- i. A necessary ingredient of Regulation 4 (b) of the FUTP Regulations, 1995 is that the transaction/act must be calculated to create a false or misleading appearance of trading on the securities market which is not the case above as NASSB has no ulterior motive while trading in the shares and there is no evidence which shows false or misleading appearance of trading on the securities market, neither the investigation report has shown any documentary evidences or proof in this regard.

- j. Regulation 4 (c) of the FUTP Regulation, 1995, assumes acts which result in reflection of prices of securities based on transactions that are not genuine trade transactions. All the transactions effected by NASSB were through onscreen price and order matching mechanism of the Exchange and at prevailing market rates and therefore do not attract Regulation 4 (c) of the FUTP Regulations, 1995.
11. Shri Ashok Agarwal (Director – NASSB) vide his letter dated November 1, 2004 responded to the SCN dated September 21, 2004 and stated that: -
- a. That SCN was issued to him in a wrong capacity as he was not the director of the said company during the relevant period referred to in the show cause notice. He was director of the NASSB in the year 1995 from January 19, 1995 to August 26, 1995 only.
 - b. That he had no involvement in any trading made in the scrip of SRG by NASSB or by UMNL. He had just represented and attended personal hearing on behalf of his brother, Sanjeev Bansal who was a director of NASSB.
 - c. That investigating officer had relied upon the statements made by the director of UMNL which are factually incorrect and malicious. Also, Virendra Khaneja Director of IMS had nowhere referred his name in relation to the trading made by the two entities i.e. NASSB & UMNL.
 - d. That in paragraph 15 of the investigation report, the officer had made a remark that NASSB & UMNL along with their directors

namely Shri Sanjeev Bansal, Shri Ashok Agarwal and Pramod Jain have indulged in such acts which are calculated to create false or misleading appearance of trading in the scrip of SRG and which has resulted in artificially raising the price of the scrip and have therefore violated 4 (a) and 4 (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. As he was neither a director nor a person in control of the said entities, just on the basis of his relation with one of the Directors of the said entities, his name is being drawn in the report.

- e. That he is not liable to any action under Section 11, 11(4) and 11B of the SEBI Act, 1992 read with Regulation 11 & 13 of SEBI (Prohibition of Fraudulent and Unfair Practices relating to the Securities Market) Regulations, 2003 as being concluded by the Investigating officer. As he is not beneficiary of any of the transactions referred to in the report.

12. UMNL in its reply dated October 15, 2004 to the SCN dated September 21, 2004 had stated that: -

- a. The statement made by Shri Virendra Khaneja, Director of IMS clarifies the whole issue. He has clearly stated that it was Mr. Sanjeev Bansal who used to place orders on behalf of UMNL. Since the depository account in the name of the company was also maintained with the same DP. It is also very clear that all cheques issued from A/c No. 325052 with Bank of America in the name of the company were signed by Shri Sanjeev Bansal only. The company is not aware of any letter having been written by

Mr. Santosh Jain to NSE or SEBI in respect of these share dealings.

- b. The documents annexed to SCN include application form, signature card, DP agreement and a copy of delivery instruction and none of them are signed by any other director apart from Mr. Sanjeev Bansal. This makes it clear that even Mr. Pramod Jain was not aware of opening of DP account in the name of UMNL by Mr. Sanjeev Bansal. As stated earlier and also submitted by Mr. Pramod Jain in his disposition, the resolution for opening of account with Bank of America was never sent to Mr. Santosh Jain or the Registered Office of the company at Kolkata and hence it was not submitted to Bank on the letter head nor the rubber stamp is the normal one as appearing on the other documents.
- c. It is also incorrect to state that UMNL has indulged in the deliberate act of first entering and subsequently deleting orders in SRG. Since all these deals were done at the instructions of Mr. Sanjeev Bansal, it is clear that none other than Mr. Sanjeev Bansal is guilty of the said act.
- d. Neither the company UMNL nor any of its directors including Shri Pramod Jain have indulged in such acts which are calculated to create false or misleading appearance of trading in the scrip of SRG which has resulted in artificially raising the price of the security in violation of Regulation 4 (a) and 4 (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulation, 1995. The dealing done in the name of the company has been done by Shri Sanjeev Bansal on his own account and behalf and the company was never an

intended or unintended beneficiary of these transactions and dealings.

- e. The company never received any bank statements or transaction details and none of the transactions entered into during the period under investigation have been recorded in the books accounts of the company which were finalized and approved by its members within time stipulated under the law.

13. In reply to the to the SCN dated September 21, 2004 Mr. Pramod Jain (Director - UMNL) put up reply dated October 18, 2004 the following before the Board which are summarized as follows: -

- a. The statement made by Shri Virendra Khaneja - Director of Master Integrated Securities Pvt. Ltd. clarifies the whole issue. He has clearly stated that it was Mr. Sanjeev Bansal who used to place orders on behalf of Arihant Equity Fund Ltd. since the depository account in the name of the company was also maintained with the same DP. It is also very clear that all cheques issued from A/c No. 325052 with Bank of America in the name of the company were signed by Shri Sanjeev Bansal only. The company is not aware of any letter having been written by Mr. Santosh Jain to NSE or SEBI in respect of these share dealings.
- b. The documents annexed to SCN include application form, signature card, DP agreement and a copy of delivery instruction and none of them are signed by any other director apart from Mr. Sanjeev Bansal. This makes it clear that even Mr. Pramod Jain was not aware of opening of DP account in the name of UMNL. by Mr. Sanjeev Bansal. As stated earlier and also submitted by

Mr. Pramod Jain in his deposition, the resolution for opening of account with the Bank of America was never sent to Mr. Santosh Jain or the registered office of the company at Kolkata and hence it was not submitted to the Bank on the letter head nor the rubber stamp is the normal one as appearing on the other documents.

- c. It is also incorrect to state that UMNL had indulged in the deliberate act of first entering and subsequently deleting orders in SRG. Since all these deals were done at the instructions of Mr. Sanjeev Bansal, it is clear that none other than Mr. Sanjeev Bansal is guilty of the said act not Mr. Pramod Jain.
- d. Neither the company, UMNL or any of its directors including Shri Pramod Jain have indulged in such acts which are calculated to create false or misleading appearance of trading in the scrip of SRG which has resulted in artificially raising the price of the security in violation of Regulation 4 (a) and 4 (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulation, 1995. The dealing done in the name of the company has been done by Shri Sanjeev Bansal on his own account and the company was never an intended or unintended beneficiary of these transactions and dealings.
- e. The company never received any bank statements or transaction details and none of the transactions entered into during the period under investigation have been recorded in the books accounts of the company which were finalized and approved by its members within time stipulated under the law.
- f. Mr. Pramod Jain in his submissions has further stated that during his deposition, he had admitted having signed the said bank

account opening form which also included the format for company resolution which was actually the format for the resolution and not the resolution itself that was passed by the board of the company. It has been further mentioned that any such resolution is to be signed by the chairman of the company or the meeting in which such resolution was passed as a matter of practice. Mr. Pramod Jain did not have his signature on either of the DP agreement & a copy of delivery instruction, opening of DP account, any instruction to DP or share broker or to the bank, neither operated the DP account, or bank account nor received any benefits directly or indirectly of any nature.

- g. In the light of the above, Mr. Pramod Jain has requested the board not to issue any directions debarring him accessing the securities market and dealing in securities or any other action as provided under section 11 and section 11(4) read with 11B of SEBI Act 1992 read with Regulation 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulation, 1995.

14. Mr. Sanjeev Bansal in his reply dated November 2, 2004 to the 2 SCNs dated September 21, 2004 had submitted as follows: -

14.1 As director of NASSB:

- (i) That he was director of NASSB, a SEBI registered broking-company, till January 15, 2002.
- (ii) That NASSB had dealt in shares of companies listed on BSE & NSE through their registered brokers including IMS.

- (iii) That the increase in price of SRG was normal considering the conduct of the market and the performance of SRG during the period under review.
- (iv) That NASSB's trading was during the said period only as SRG showed good growth prospects.
- (v) That the scrip of SRG was a **high volume - low price scrip** wherein the slightest change in the market affects the price of the scrip.
- (vi) That the total gross trading in the scrip of SRG during the said period was more than 10 Crore shares, of which trading by NASSB was miniscule.
- (vii) That the entering and cancellation of orders of which only 2 instances of cancellation were indicated in the SCN were probably due to clerical or typographical error on the part of the broker by putting huge quantity of share on screen. Further, in cases involving high volume - low price scrip, the price changes very fast and in such cases it is not unusual to cancel or change orders within seconds of putting the order on screen.

14.2 **As director of UMNL:**

- (i) That he was director of UMNL from December 8, 1998 - September 29, 1999 and was acting as per the instructions of the Promoter Directors of the UMNL.
- (ii) That he was appointed as director of UMNL because it required a person based in Delhi to represent and co-ordinate its matters.
- (iii) That UMNL was a client of IMS for which orders were placed by him on behalf of the management of UMNL.

- (iv) That UMNL conducted Board Meetings in Mumbai and passed the resolution for opening of an account in Delhi. The said resolution was sent to him for further action and accordingly all other account opening formalities were completed by him.
- (v) That the contention of Shri Pramod Jain that he signed the form in good faith and account was fraudulently opened by submitting fake board resolution is wrong, illogical and misleading. The directors of UMNL were fully capable of making the decisions and cannot be tricked to do something without knowing its implications. The SCN itself mentioned that the statements of Shri Pramod Jain are contentious and cannot be believed. The SCN also stated that *“Shri Pramod Jain was willfully hiding facts from SEBI and trying to mislead the investigation process”*.

14.3 That Mr. Sanjeev Bansal had further submitted: -

- (i) That the transfer of Rs. 40000 from the account of NASSB was made in order to arrange funds for opening of Bank Account as requested by the directors of UMNL.
- (ii) That all orders for trading were placed and cancelled by and on behalf of the promoters of UMNL who were the actual beneficiaries of any profit derived from such transaction. Further, Mr. Virender Khaneja, director of IMS had also stated that he was not sure as to the name of the clients who ordered for cancellation.
- (iii) That the statement of Shri Pramod Jain that *“the account opening form has been signed by him and that he had done this on the request of Shri Ashok Agarwal”* and that *“surely a fraudulent board resolution*

must have been submitted by Shri Sanjeev Bansal and Shri Ashok Agarwal” have been disagreed by SEBI and it has been stated in the SCN that *“Shri Santosh was aware of the dealings in SRG as he is choosing to continue with the DP Account with IMS”*. When it is agreed by SEBI that Shri Pramod Jain had provided misleading and false information, his statements that trading was done by Shri Sanjeev Bansal in tandem with Shri Ashok Agarwal must not be relied upon.

- (iv) That Shri Ashok Agarwal was not involved in the entire affair and had merely represented him during the personal hearing required before SEBI.

- 15. On June 27, 2007 SEBI issued hearing notices to NASSB & UMNL alongwith Shri Sanjeev Bansal, Shri Ashok Agarwal & Shri Pramod Jain whereby they were granted an opportunity of personal hearing on July 6, 2007. That the said notices were also posted on the SEBI website [in accordance with SEBI (Manner of Service of Notice and Summons Issued by the Board) (Amendment) Regulations, 2007].
- 16. During the personal hearing before the WTM on July 6, 2007 at SEBI NRO, Delhi, NASSB, Shri Sanjeev Bansal and Shri Pramod Jain appeared. Shri Akhil Cheddha of Akhil Cheddha & Associates, Company Secretaries, appeared on behalf of NASSB & Shri Sanjeev Bansal on July 6, 2007 and filed written submissions.

17. NASSB in its written submission dated July 20, 2007 filed at the time of hearing, had reiterated the contents of its reply to SCN dated September 21, 2004.
18. Ashok Agarwal, in his undated written submission which was received by SEBI on July 24, 2007 filed at the time of hearing, had reiterated the contents of his reply to SCN dated September 21, 2004.
19. UMNL had not made any written submission before WTM, SEBI.
20. Pramod Jain in his oral submission dated July 6, 2007 at the time of hearing, had reiterated the contents of his reply to SCN dated September 21, 2004.
21. Mr. Sanjeev Bansal in his undated written submission for the above hearing, received by SEBI on July 24, 2007 had submitted as follows:
 - (i) Shri Sanjeev Bansal submitted that he was not a beneficiary of any of the said alleged transactions.
 - (ii) That he was director of UMNL from December 8, 1998 – September 29, 1999 and was acting as per the instructions of the Promoter Directors of the UMNL.
 - (iii) That he was appointed as director of UMNL because it required a person based in Delhi to represent and co-ordinate its matters.
 - (iv) That UMNL was a client of IMS for which orders were placed by him on behalf of the management of UMNL.
 - (v) That UMNL conducted Board Meetings in Mumbai and passed the resolution for opening of an account in Delhi. The said

resolution was sent to him for further action and accordingly all other account opening formalities were completed by him.

- (vi) That the contention of Shri Pramod Jain that he signed the form in good faith and account was fraudulently opened by submitting fake board resolution is wrong, illogical and misleading. The directors of UMNL were fully capable of making the decisions and cannot be tricked to do something without knowing its implications. The SCN itself mentioned that the statements of Shri Pramod Jain are contentious and cannot be believed. The SCN also stated that *“Shri Pramod Jain was willfully hiding facts from SEBI and trying to mislead the investigation process”*.

CONSIDERATION OF ISSUES

- (i) I observe from the finding of the investigation as given in the SCNs dated September 21, 2004 that the NASSB, UMNL alongwith their directors have not disputed the price rise of the SRG scrip during the investigation period. However, NASSB, UMNL alongwith their directors have claimed that the said price rise was normal. I further find that the price of the SRG scrip opened at Rs. 2.80 on November 30, 1998 and closed at Rs. 13.40 on July 2, 1999. I find that the lowest price of the scrip for the period was Rs. 2.65 on December 1, 1998. The price of the scrip reached its highest of Rs. 22.45 for the period on March 3, 1999. The scrip went ex-dividend from January 11, 1999. The no-delivery period of the scrip was from January 11, 1999 to February 5, 2003. The book closure of the scrip was from February 8, 1999 to February 22, 1999. The above fact of no

delivery period, book closure etc, has also not been disputed by NASSB, UMNL alongwith their directors. During this period, I find that the price of the scrip had risen from Rs. 7.5 (opening) on January 11, 1999 to Rs. 19.10 (high) on February 22, 1999. I also find that the volumes during this patch had also shown a spurt compared to the earlier settlements. I find that aforesaid price rise in the SRG scrip has been corroborated by reports of NSE & BSE. I find that SRG was engaged in Registrar to Issue and Share Transfer Agent activities and had not diversified in other activities as was indicated in its Offer document for Rights Issue. The alleged growth news was not such as to warrant such price rise and I also find that the rise in price of the SRG scrip from Rs. 7.5 on January 11, 1999 to Rs. 19.10 on February 22, 1999 which was about 154.67% during those 2 settlement period was abnormally high.

- (ii) I find that NASSB and UMNL have not disputed their trading in the SRG scrip during the period of investigation as shown in the SCNs. However, NASSB and UMNL have contended that the same was miniscule compared to the market volume of trade. From the findings of the investigation as given in the SCNs, I find that NASSB and UMNL dealt in the SRG scrip during the no delivery period through IMS. I find that the clients who had dealt majorly for IMS on both NSE and BSE were NASSB & UMNL. I further find that UMNL had a gross buy of 1335400 shares of SRG and gross sell of 1142000 shares of SRG in BSE. NASSB had a gross buy of 64600 shares of SRG and gross sell of 493400 shares

of SRG in BSE. I also find that UMNL and NASSB trading through IMS (Clg.No.780) have altogether bought 1400000 shares of SRG which is 2.31% of the total shares traded and sold 1635400 shares of SRG which is 2.71% of the total shares traded during the period of investigation (60453600 shares). I find that the total net shares bought by IMS (member) in NSE prior to the book closure period constituted 2.6% of total net buy (in settlement no. 1999001N) which changed to net sell of 8.6% (for settlement no. 1999006N) in NSE after the book closure period. Therefore, I am unable to agree with the contention of the noticees that the trade at NASSB & UMNL in SRG scrip during the above period is miniscule.

- (iii) I find that NASSB and UMNL have not denied the entering and cancellation of orders in the SRG scrip during the period of investigation as given in the SCNs. However, they have contended that such practice was normal. I find that NASSB and Shri Sanjeev Bansal in their reply dated November 2, 2004 had contended that the entering and cancellation of orders of which only 2 instances of cancellation were indicated in the SCN were probably due to clerical or typographical error on the part of the broker by putting huge quantity of share on screen. I do not agree with the contention. I find that the instances indicated in the SCN were merely illustrative and not exhaustive as can be seen from the following table: -

Date	Order No.	Client Code	Client Name	Order Time	Addition	Deletion	Updation
4/12/1998	78005677	N015	New Age Securities Pvt. Ltd.	14:09:37	1,000		
				14:43:20		1,000	
	78005777	N015	New Age Securities Pvt. Ltd.	14:39:36	1,000		
				14:43:25		1,000	
	78005977	N015	New Age Securities Pvt. Ltd.	15:28:42	1,700		
				15:30:00		1,200	
14/12/1998	78000934	N015	New Age Securities Pvt. Ltd.	14:44:35	100,000		
				14:45:08		6,000	
15/12/1998	78001477	N015	New Age Securities Pvt. Ltd.	12:34:54	500		
				12:49:29		500	
	78001485	N015	New Age Securities Pvt. Ltd.	12:35:28	500		
				12:49:32		500	
16/12/1998	78002584	N015	New Age Securities Pvt. Ltd.	11:20:48	1,000		
				11:55:14		1,000	
	78002610	N015	New Age Securities Pvt. Ltd.	11:27:22	500		
				11:55:11		500	
28/12/1998	78001504	N015	New Age Securities Pvt. Ltd.	14:58:44	75,000		
				14:59:12		4,200	
9/2/1999	78003112	N015	New Age Securities Pvt. Ltd.	13:07:19	100,000		
				13:07:51		99,800	
20/04/1999	78006362	A040	Arihant Equity Fund Ltd.	14:52:07	50,000		
				14:53:41		50,000	
	78006455	A040	Arihant Equity Fund Ltd.	15:04:29	90,000		
				15:09:24		90,000	
21/04/1999	78006805	N015	New Age Securities Pvt. Ltd.	9:58:34	200,000		
				10:02:50		198,100	
	78007076	A040	Arihant Equity Fund Ltd.	10:17:28	200,000		
				10:22:21		180,400	
	78007387	A040	Arihant Equity Fund Ltd.	10:46:04	100,000		
				10:48:15		93,400	
22/04/1999	78008968	A040	Arihant Equity	10:07:17	100,000		

Date	Order No.	Client Code	Client Name	Order Time	Addition	Deletion	Updation
			Fund Ltd.				
				10:10:44		88,300	
	78009168	A040	Arihant Equity Fund Ltd.	10:33:12	5,000		
				10:33:48		3,800	
	78009179	A040	Arihant Equity Fund Ltd.	10:34:18	50,000		
				10:35:26		50,000	
	78009216	A040	Arihant Equity Fund Ltd.	10:37:09	40,000		
				10:38:24		40,000	
	78009248	A040	Arihant Equity Fund Ltd.	10:40:55	100,000		
				10:56:41		100,000	

I find that prices have risen mainly during the no-delivery period in the scrip. I find that IMS (Clg.No.780) was found to be entering orders for large quantities and subsequently deleting them on behalf of NASSB and UMNL in BSE. I find that Shri Sanjeev Bansal in his reply dated November 2, 2004 to the SCNs had submitted that all orders for trading were placed and cancelled by and on behalf of the promoters of UMNL who were the actual beneficiaries of any profit derived from such transaction. I find that UMNL in its reply dated October 15, 2004 has submitted that it is incorrect to state that UMNL has indulged in the deliberate act of first entering and subsequently deleting orders in SRG. UMNL further stated that since all these deals were done at the instructions of Mr. Sanjeev Bansal it is clear that none other than Mr. Sanjeev Bansal is guilty of the said act.

- (iv) I find that M/s Silicon Valley Infotech Ltd (taken over by SRG) had a shareholding in UMNIL. I find that UMNIL and NASSB are connected entities amongst themselves and also with the company SRG through their common directors and their common address as that of the concerned companies of which they are the directors, namely UMNIL and NASSB. I find that Shri Sanjeev Bansal was a director in both NASSB and UMNIL. I find that Shri Ashok Agarwal is the brother and authorized representative of Shri Sanjeev Bansal and he is also a director in SRG and this fact has not been disputed by him.
- (v) I find that Shri Sanjeev Bansal has contended that he placed orders on the instructions of the promoters of NASSB and UMNIL and he was not a beneficiary of the said transactions. I find that Shri Khaneja (Director of IMS) in his statement dated June 16, 2004 had submitted that Shri Sanjeev Bansal used to place the orders on behalf of UMNIL and NASSB. I find that Shri Sanjeev Bansal entered orders for large quantities and subsequently deleted them. I find that Sanjeev Bansal - Director of both NASSB and UMNIL was actively involved in placing orders to IMS during the period under investigation.
- (vi) I find that IMS had submitted a copy of the client Registration Form of UMNIL executed on May 28, 1999 from which it is clearly seen that Shri Sanjeev Bansal had also signed the Client Registration form on behalf of UMNIL, being one of the directors of UMNIL. As per the details in the account opening form, the

bank account for UMNL was in Bank of America (account no. 325052). I find that this account was opened in January 22, 1999 and closed on September 24, 1999. The authorized signatories to operate this account were Shri Sanjeev Bansal and Shri Pramod Jain. The account was opened by way of a deposit of Rs. 40000/- by cheque. The cheque was issued from the account of NASSB (cheque no 905239 issued from Bank of America - A/C No. 124661) which is controlled by Sanjeev Bansal. This account belongs to NASSB and as per the details submitted by IMS dated June 10, 2004 the account number of NASSB is also the same as that mentioned in the account opening form filed by Mr. Sanjeev Bansal on behalf of NASSB with IMS. The client registration form of NASSB, filed with IMS on September 16, 1999 has also been signed by Shri Sanjeev Bansal and lists the names of Shri Sanjeev Bansal and Shri Ashok Agarwal as the Directors. This is the account number of NASSB, an entity which Shri Ashok Agarwal has acknowledged as belonging to his brothers.

- (vii) I find that Shri Sanjeev Bansal had admitted that he was director of both NASSB & UMNL during the period of investigation and that NASSB & UMNL were clients of IMS. Shri Sanjeev Bansal had also admitted that NASSB had dealt in shares of companies listed on BSE & NSE. Shri Sanjeev Bansal had stated that he was appointed as director of UMNL because it required a person based in Delhi to represent and co-ordinate its matters and that UMNL was a client of IMS for which orders were placed by him on behalf of the management of UMNL. I find that the

documents annexed to SCNs include application form, signature card, DP agreement and a copy of delivery instruction and none of them are signed by any other director apart from Mr. Sanjeev Bansal. I find that the Board Resolution for opening Bank Account with Bank of America, New Delhi in the meeting of Board of Directors of UMNL had authorized Shri Sanjeev Bansal and/or Shri Pramod Kumar Jain to operate the bank account of UMNL with Bank of America and the same was also signed by Shri Pramod Jain and Shri Sanjeev Bansal. I find from the letter dated May 10, 1999 signed by Shri Sanjeev Bansal on behalf of UMNL authorizing IMS to transfer credit balance in Settlement No. 9917 of NSE towards Debit balance in Settlement No. 7 of BSE. I find that Bill No. Group A/07/000/ dated May 17, 1999 in Settlement period from May 3, 1999 to May 7, 1999 was receipted/acknowledged by Shri Sanjeev Bansal in token of various transactions done with IMS on BSE in the said Settlement. I find that DP Delivery Instruction Slip No. 131196 dated June 28, 1999 in relation to transfer of 82000 shares of SRG was signed by Shri Sanjeev Bansal as director of UMNL, sold by UMNL in Settlement No. 121 of 1999 towards Pay-in. I find that Account Opening Form of Depository Account of UMNL with IMS was signed by Shri Sanjeev Bansal as a Director. It is stated that the photocopies of the above documents were furnished to NASSB, UMNL alongwith their directors.

- (viii) I find that Shri Sanjeev Bansal, as director of UMNL & NASSB, was actively involved in placing orders for entering and deleting

orders in the SRG scrip. This was done with a view to create artificial volumes in the scrip and also to create an impression of huge liquidity in the scrip. The said transaction was entered with the intention of raising the price of the SRG scrip for inducing the sale & purchase of the said scrip by investors. The said transactions had created a false & misleading appearance of trading resulting in an abnormal price rise of the SRG scrip.

- (ix) In view of the above, I find that UMNL, NASSB alongwith Shri Sanjeev Bansal had violated the provisions of Regulation 4 (a) and (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 which state that:

“Prohibition against market manipulation.

4. No person shall -

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;*
(b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;”

- (x) I find that Shri Sanjeev Bansal as director of UMNL & NASSB had traded in a fraudulent manner in violation of Regulation 3 by entering orders through IMS, for large quantities in the SRG scrip mostly after the no-delivery period and subsequently deleting them either after updation of rates or after part execution of the same. This has been illustrated by the following table: -

Date	Order No.	Client Code	Client Name	Order Time	Addition	Deletion	Updation
4/12/1998	78005677	N015	New Age Securities Pvt. Ltd.	14:09:37	1,000		
				14:43:20		1,000	
	78005777	N015	New Age Securities Pvt. Ltd.	14:39:36	1,000		
				14:43:25		1,000	
	78005977	N015	New Age Securities Pvt. Ltd.	15:28:42	1,700		
				15:30:00		1,200	
14/12/1998	78000934	N015	New Age Securities Pvt. Ltd.	14:44:35	100,000		
				14:45:08		6,000	
15/12/1998	78001477	N015	New Age Securities Pvt. Ltd.	12:34:54	500		
				12:49:29		500	
	78001485	N015	New Age Securities Pvt. Ltd.	12:35:28	500		
				12:49:32		500	
16/12/1998	78002584	N015	New Age Securities Pvt. Ltd.	11:20:48	1,000		
				11:55:14		1,000	
	78002610	N015	New Age Securities Pvt. Ltd.	11:27:22	500		
				11:55:11		500	
28/12/1998	78001504	N015	New Age Securities Pvt. Ltd.	14:58:44	75,000		
				14:59:12		4,200	
9/2/1999	78003112	N015	New Age Securities Pvt. Ltd.	13:07:19	100,000		
				13:07:51		99,800	
20/04/1999	78006362	A040	Arihant Equity Fund Ltd.	14:52:07	50,000		
				14:53:41		50,000	
	78006455	A040	Arihant Equity Fund Ltd.	15:04:29	90,000		
				15:09:24		90,000	
21/04/1999	78006805	N015	New Age Securities Pvt. Ltd.	9:58:34	200,000		
				10:02:50		198,100	
	78007076	A040	Arihant Equity Fund Ltd.	10:17:28	200,000		
				10:22:21		180,400	
	78007387	A040	Arihant Equity Fund Ltd.	10:46:04	100,000		
				10:48:15		93,400	
22/04/1999	78008968	A040	Arihant Equity Fund Ltd.	10:07:17	100,000		
				10:10:44		88,300	
	78009168	A040	Arihant Equity Fund Ltd.	10:33:12	5,000		
				10:33:48		3,800	

Date	Order No.	Client Code	Client Name	Order Time	Addition	Deletion	Updation
	78009179	A040	Arihant Equity Fund Ltd.	10:34:18	50,000		
				10:35:26		50,000	
	78009216	A040	Arihant Equity Fund Ltd.	10:37:09	40,000		
				10:38:24		40,000	
	78009248	A040	Arihant Equity Fund Ltd.	10:40:55	100,000		
				10:56:41		100,000	

(xi) I find that the documents annexed to SCN include application form, signature card, DP agreement and a copy of delivery instruction have not been signed by any other director apart from Shri Sanjeev Bansal. I find that Shri Virendra Khaneja, Director of IMS clearly stated that it was Mr. Sanjeev Bansal who used to place orders on behalf of UMNL. Since the depository account in the name of the company was also maintained with the same DP. It is also very clear that all cheques issued from A/c No. 325052 with Bank of America in the name of the company were signed by Shri Sanjeev Bansal only. I find that UMNL has indulged in entering and subsequently deleting orders in SRG through Shri Sanjeev Bansal. I therefore find that Shri Sanjeev Bansal had violated provision of Regulation 3 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 which states that: -

“Prohibition of certain dealings in securities.

3. No person shall buy, sell or otherwise deal in securities in a fraudulent manner.”

(xii) I find that the bank account for UMNL was in Bank of America (account no. 325052) and this account was opened in January 22, 1999 and closed on September 24, 1999. I find that the board resolution of UMNL authorizing opening of the above bank account had been signed by Shri Pramod Jain and Shri Sanjeev Bansal. The authorized signatories to operate this account were Shri Sanjeev Bansal and Shri Pramod Jain. The account was opened by way of a deposit of Rs. 40000/- which was paid by cheque and issued from the account of NASSB (cheque no. 905239 issued from Bank of America- A/c no. 124661) which is controlled by Shri Sanjeev Bansal. This is the account no. of NASSB an entity which Shri Ashok Agarwal has acknowledged as belonging to his brothers and as per the details submitted by IMS the account no. of NASSB is also the same as that mentioned in the account opening form filed by Mr. Sanjeev Bansal on behalf of NASSB with IMS. I find that Shri Pramod Jain was involved in the opening of the bank account as well as completion of all formalities related to it and can be considered equally liable for the creation of artificial volumes.

(xiii) In view of the above, I find that Shri Pramod Jain had violated the provision of Regulation 4 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 which state that:

“Prohibition against market manipulation.

4. No person shall -

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;"

- (xiv) I find that Shri Pramod Jain (who was also the co-signatory with Shri Sanjeev Bansal in the bank account with Bank of America), denied having any knowledge of the dealings by UMNL in the shares of SRG. On being shown by the investigating officer, the statement of Shri Ashok Agrawal wherein he had stated that Shri Sanjeev Bansal had never dealt in UMNL, Shri Pramod Jain stated that he was 'sure that all the dealings were done by Shri Sanjeev Bansal in tandem with Shri Ashok Agrawal.' Shri Pramod Jain has admitted that the account opening form had indeed been signed by him. He also submitted that he had done this on the request of Shri Ashok Agrawal but the form was never supported by any board resolution by the Company. On being shown a letter by the investigating officer, written on the letter head of UMNL and dated September 21, 1999 asking Bank of America for a copy of the Board Resolution from the Bank of America, Shri Pramod Jain stated that he was 'sure that a fraudulent board resolution must have been submitted by Shri Sanjeev Bansal and Shri Ashok Agrawal.' He further stated that he had signed the account opening form in good faith as Shri Ashok Agrawal Agarwal assured that he shall be able to persuade Shri Santosh Jain to convene the board meeting for passing necessary resolution. However no such resolution was passed and the account to his knowledge was never opened. He

stated that he couldn't have imagined that this could be misused'. He stated that all the dealings were done by Shri Sanjeev Bansal in tandem with Shri Ashok Agarwal.

(xv) From the above, I find that Shri Pramod Jain has made a submission before SEBI that he did not have any knowledge of the dealings by UMNL in the shares of SRG which was found to be incorrect. I find that the board resolution of UMNL for opening of bank account had authorized Shri Pramod Jain and Shri Sanjeev Bansal to operate the bank account of UMNL and was also signed by Shri Pramod Jain and Shri Sanjeev Bansal. Therefore, Shri Pramod Jain was found to have made incorrect submissions before SEBI.

(xvi) I find Shri Pramod Jain has violated the provisions of Regulation 9 (1) & (4) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 which state that: -

"Duty to produce records, etc.

9. (1) *It shall be the duty of every person in respect of whom an investigation has been ordered under regulation 8 to produce to the Investigating Officer such books, accounts and other documents in his custody or control and furnish him with such statements and information as the said officer may reasonably require for the purposes of the investigation.*

(4) *It shall be the duty of every person concerned, to give to the Investigating Officer, all such assistance and otherwise extend all such co - operation as may reasonably be required in connection with the investigation and to furnish information relevant to such investigation as may be reasonably sought by such officer."*

(xvii) I find that Shri Pramod Jain had wrongly stated that he did not have any knowledge of the dealings by UMNL in the shares of SRG. I find that Shri Pramod Jain was authorized by a board resolution of UMNL to operate the bank account of UMNL for dealing in securities including SRG. I find that Shri Pramod Jain has been trying to hide and fabricate facts by giving out misleading statements which had hampered the investigation process thereby also hampering the process to justice which attracts the provisions of regulation 9 (1) & (4) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

(xviii) I find that Shri Ashok Agarwal, director of NASSB in his statement dated July 9, 2004 submitted that SCN dated September 21, 2004 was issued to him in a wrong capacity as he was not the director of the said company during the relevant period referred to in the show cause notice. He was director of the NASSB in the year 1995 from January 19, 1995 to August 26, 1995 only. I also find that Shri Ashok Agarwal had submitted that he represented and attended the personal hearing on behalf of his brother, Shri Sanjeev Bansal who was a director of NASSB.

(xix) I find that the above contention of Shri Ashok Agarwal that he was not a director of NASSB during the relevant period is correct. Verification by SEBI Regional Office shows that Shri Ashok Agarwal was director of NASSB only for the period from January

19, 1995 – August 26, 1995 and was not a director of NASSB during the period of occurrence of price manipulation in the SRG scrip. I therefore recommend that no directions may be issued against Shri Ashok Agarwal for the occurrence of price manipulation in the SRG scrip.

(xx) I find that the NASSB, UMNL alongwith its directors Shri Sanjeev Bansal and Shri Pramod Jain had indulged in acts intended to create false or misleading appearance of trading in the SRG scrip during the period December 1998 – June 1999 which had resulted in artificially raising the price of the SRG scrip. I also find that Shri Sanjeev Bansal had also dealt in the SRG scrip in a fraudulent manner. Further, I find that Shri Pramod Jain had made incorrect submissions before SEBI.

22. In view of the above findings, I in exercise of powers conferred upon me under Section 11 (1) and 11 (4) and Section 19 of the SEBI Act, 1992 read with Regulation 11 and 13 of the SEBI (PFUTP) Regulations, 2003 hereby direct as follows:

- a. NASSB & UMNL shall not access the capital market and deal in securities for a period of six months from the date of passing of this order.
- b. Shri Sanjeev Bansal shall not deal in securities for a period of one year from the date of passing of this order.
- c. Shri Pramod Jain shall not deal in securities for a period of six months from the date of passing of this order.

- d. The above order is without prejudice to any other proposed actions which the Board may consider initiating as may be deemed appropriate including initiation of prosecution proceedings under Section 24 of the SEBI Act.

PLACE: MUMBAI

T C NAIR

DATE: 23.09.2008

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA