

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**IN THE MATTER OF PRABHAT AND CO., SHRI ASHOK AGARWAL,
SHRI SANDEEP BANSAL, SHRI SANJEEV BANSAL, NEW AGE SHARES
AND STOCK BROKERS PVT. LTD., BIG STAR FILMS LTD., SYSTEL
INFOTECH LTD.**

Date of hearing: October 27, 2006 and July 11, 2007

Appearances:

For noticees: Shri Ashish Aggarwal, Advocate
Shri Vimal K. Sharma

For SEBI: Shri P. K. Nagpal, Chief General Manager
Shri P. K. Bindlish, Chief General Manager
Shri Bibhudutta Samal, Manager
Ms. Kshama Chavan, Legal Officer

ORDER

**DIRECTION UNDER SECTION 11(4) OF THE SEBI ACT, 1992 READ
WITH READ WITH REGULATION 11 OF SEBI (PROHIBITION OF
FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO
SECURITIES MARKET) REGULATIONS, 2003 IN THE SCRIP OF VATSA
MUSIC LTD.**

1. Vatsa Music Ltd. (hereinafter "VML") belongs to the Vatsa group of companies. Vatsa Corporation Ltd. (hereinafter "VCL") is the flagship company of the Vatsa Group. The distribution schedule of VML indicates a high level of concentration of shareholding in the hands of

small number of shareholders with private corporate bodies holding 71.69% of the shares of the company.

2. The shares of VML were listed at the National Stock Exchange of India Ltd. (hereinafter "NSE") and The Bombay Stock Exchange Ltd. (hereinafter "BSE"). During January 1, 1998 and June 30, 1998, substantial price movements were observed in the shares of VML and therefore Securities and Exchange Board of India (hereinafter "SEBI") advised NSE and BSE to conduct an investigation into the trading in the scrip and submit a report.
3. NSE conducted the investigation in three phases and as per the findings of NSE, the price behavior of the scrip for the three investigation periods was as follows:

PERIOD	PRICE BEHAVIOUR
07.01.1998 to 30.6.1998	Price rose from Rs. 440 to Rs. 705
01.12.1999 to 14.01.2000	Price rose from Rs. 440 to Rs. 982.50
01.03.2000 to 04.04.2000	Price rose from Rs. 1695 to Rs. 4214.85

4. Based on its findings for the first investigation period i.e. January 7, 1998 to June 30, 1998, NSE concluded that the spurt in prices was for reasons other than strong fundamentals of the company. During the investigation period, while trading in the scrip was infrequent and negligible, the prices of the scrip showed manifold increase. The trades resulting in the upward price movement were in the nature of cross trades, with majority of the transactions being undertaken by few

brokers. NSE also observed that entities allegedly associated with the Vatsa group had dealt in the scrip during the above periods.

5. The price volume data of the scrip on NSE for the relevant period i.e. January 7, 1998- June 30, 1998 and observations on the same are furnished below:

Date	Opening Price	High Price	Low Price	Closing Price	Traded Quantity
January 7, 1998	440	448	440	448	700
January 8, 1998	485	485	443	443	3100
January 9, 1998	486	486	444	446	5600
January 12, 1998	445.9	452	441	451	8000
January 13, 1998	451	451	445	445	3300
January 14, 1998	448	458	418.5	418.5	1200
January 15, 1998	424	424	424	424	1000
January 16, 1998	424	424	424	424	1000
January 19, 1998	436	439	436	437	5000
January 20, 1998	429	434	410	410	1600
January 22, 1998	451	451	418	418	1600
January 23, 1998	416	459	416	459	600
January 27, 1998	450	500	450	500	1300
January 28, 1998	545	545	545	545	100
January 30, 1998	573	573	573	573	100
February 2, 1998	576	576	576	576	900
February 3, 1998	576	576	530	549.25	5500
February 5, 1998	506	506	506	506	1000
February 6, 1998	556	556	556	556	100

Date	Opening Price	High Price	Low Price	Closing Price	Traded Quantity
February 9, 1998	605	605	605	605	100
February 10, 1998	602	602	602	602	100
February 17, 1998	602	602	602	602	200
February 24, 1998	604	604	604	604	500
February 25, 1998	647.2	647.2	545	545	5600
March 2, 1998	596	596	596	596	100
March 3, 1998	625	640	625	640	200
March 19, 1998	577	577	577	577	100
April 17, 1998	590	590	590	590	600
April 21, 1998	595	595	595	595	600
April 30, 1998	565	565	565	565	400
May 20, 1998	621	621	621	621	600
May 21, 1998	625	625	625	625	300
June 24, 1998	685	685	660	660	500
June 25, 1998	705	705	705	705	500

6. The trading pattern of the scrip reveals that it was highly illiquid. During the entire investigation period; there were three instances wherein there was a gap of nearly one month between two trades in the scrip. During the entire investigation period of about six months, the scrip was traded only on 34 days.
7. Total 52,100 shares were traded over these 34 days. While, the average traded volume per day works out to 1,530 shares; of these 34 days, on 20 days, less than 1,000 shares were traded in each session. However the price of the scrip increased from Rs. 440 to Rs. 705 i.e. an increase of 60% in 34

trading days. Furthermore, of these 52,100 shares traded, 37,600 shares were executed as cross trades.

8. As mentioned above at paragraph 2, during the investigation period, VML was listed both on the BSE and NSE. Typically, for a scrip listed simultaneously on both NSE and BSE, there is a congruence in the trading pattern of the scrip i.e. if there is trading interest in a scrip at NSE, similar trading interest is also reflected in the scrip at BSE. However, it is extremely unusual that in the present case while the scrip of VML reflected high movement on one exchange (i.e. NSE) there was negligible/ no trading on the other exchange (i.e. BSE).
9. The Investigation Report submitted by BSE reflects that for the six month period under investigation, as against the trading in VML at NSE, there were no trades at all on BSE. Trading in VML scrip on BSE took place on July 16 and 17, 2008 and at prices significantly lower than those reflected at NSE. Whereas the last traded price at the NSE was Rs.705 on June 25, 1998; the scrip traded at BSE on July 16, 1998 at Rs. 376 and on July 17, 1998 at Rs.379.75. Thus it was reasonably concluded that the prices of VML at NSE were not genuine but set up prices.
10. On April 5, 2000 the scrip was suspended for trading on the NSE for non compliance with certain clauses of the listing agreement.
11. Vide order dated November 27, 1998 SEBI initiated a formal investigation into the dealings in the scrip of VML. On the basis of the investigation, it

was *inter alia* alleged that the prices of the scrip were manipulated by certain entities including the following :

- a) Prabhat and Co. (hereinafter “Prabhat”)
- b) Shri Ashok Aggarwal
- c) Shri Sanjeev Bansal
- d) Shri Sandeep Bansal
- e) New Age Shares and Stock Brokers Pvt. Ltd. (hereinafter “New Age”)
- f) Big Star Films Ltd. (formerly Moon Holding and Credit Ltd.) (hereinafter “Moon Holding/Big Star Films”)
- g) Systel Infotech Ltd. (formerly Ketaki Estate and Finance Ltd.) (hereinafter “Ketaki/Systel Infotech”)

12. On the basis of the findings of the investigations, a detailed Show Cause Notice dated August 8, 2003 was issued to these entities asking them to show cause as to why appropriate direction under Section 11(4) of the SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter “PFUTP Regulations”) including a direction to prohibit them from dealing in securities market for a particular duration should not be passed against them for violation of Regulation 4(a) - 4(c) of the PFUTP Regulations.
13. Replies vide letters dated September 6, 2003 were received from Shri Ashok Agarwal, Shri Sandeep and Sanjeev Bansal and New Age. The replies to the Show Cause Notice submitted by Shri Ashok Agarwal, Shri Sandeep and Sanjeev Bansal and New Age were similar in nature and replies from everyone except Shri Ashok Agarwal were received from the

address 33, LGF, Babar Road, Bengali Market, New Delhi 110001. The entities, *inter alia*, denied all charges and submitted as follows:

- a) There was no intention to artificially raise or depress prices of securities to induce their sale or purchase
- b) They did not indulge in any act, calculated to create a false and misleading appearance of trading in securities market
- c) The Show Cause Notice against them should be quashed because there is no evidence on record against them

- 14. Even though the Show Cause Notices were delivered to them, no replies were received from Moon Holding/Big Star Films and Ketaki/Systel Infotech. The Show Cause Notice returned undelivered from Prabhat but was finally delivered on November 10, 2003 through the Uttar Pradesh Stock Exchange (hereinafter "UPSE"). However, no reply was received from Prabhat also.
- 15. An additional reply to the Show Cause Notice was submitted by Shri Ashok Aggarwal, Shri Sandeep Bansal, Shri Sanjeev Bansal and New Age on July 23, 2004 wherein the entities reiterated their earlier submissions and asked for an opportunity of personal hearing.
- 16. An opportunity for personal hearing was given to the entities on August 31, 2004 before the then Whole Time Member. The Hearing was attended by Shri Ashish Aggarwal, an advocate representing Shri Ashok Agarwal, Shri Sandeep Bansal, Shri Sanjeev Bansal and New Age. The then Whole Time Member however took premature retirement and the matter was subsequently referred to me for consideration. After perusal of all the related

documents, material available on record, another opportunity for personal hearing was granted to all involved entities before me on October 27, 2006. Ketaki/ Systel Infotech was granted an opportunity for personal hearing on October 9, 2006 and April 18, 2007.

17. At this hearing, Prabhat and Co. was represented by its proprietor Shri Vimal Kumar Sharma. Shri Sharma submitted *inter alia* that he had traded in the shares of VML on behalf of his clients in good faith and not with the intention of creating artificial volumes or manipulating prices. He also prayed that the findings of the investigation should be rejected and the matter should be closed.
18. An adjournment was sought by Shri Ashok Aggarwal, Shri Sandeep Bansal, Shri Sanjeev Bansal and New Age stating that their advocate, Shri Ashish Agarwal was unavailable on the scheduled day. The hearing was re-scheduled for July 6, 2007 but was again adjourned to July 11, 2007 as Shri Ashish Agarwal, advocate sought time for making submissions. On July 11, 2007 written submissions were made on behalf of the above mentioned entities by Shri Ashish Agarwal. Moon Holding/ Big Star Films and Ketaki/ Systel Infotech however did not attend the hearings.
19. I have carefully considered the findings of the investigation; charges levied vide the Show Cause Notices, replies received from concerned entities, submissions made during the personal hearing and also the written submissions filed from time to time.

20. Based on a combined reading of the complex factual matrix as presented in the investigation report and the trade data furnished by NSE and elaborated in subsequent paragraphs, I find that the entities involved in the present case are directly or indirectly related to Shri Ashok Agarwal and his brothers Shri Sandeep Bansal and Shri Sanjeev Bansal and in some cases, indirectly to VML also. The facts clearly indicate that Shri Ashok Bansal and Shri Sandeep and Sanjeev Bansal used their employees as a connecting link to the various entities that facilitated the manipulation in the scrip of VML by indulging in cross trades on set up prices. Most of these individuals have been either previously employed under Shri Ashok Agarwal and his brothers Shri Sandeep and Sanjeev Bansal or are currently in employment with them. As per the statements of these individuals, Shri Ashok Agarwal has allegedly taken their signatures on various documents and used their names as introducers to various entities without their consent.
21. I find that Prabhat & Co. ['Prabhat' the entity at a) in paragraph 11] is a member of the UP Stock Exchange and engaged in the share broking business since 1989. It has dealings with Mr. Kamal Kumar Jalan, Member, BSE and promoter of Priyasha Meven Finance Ltd (hereinafter "Priyasha") since 1989 and Sreeji Finvest Ltd., Member, NSE (hereinafter "Shreeji") since 1996. Prabhat traded in VML through Priyasha and Shreeji between January and March 1998. Prabhat was the only client of Priyasha and Shreeji.
22. All trades executed by Priyasha and Shreeji on behalf of Prabhat were entered into with Prabhat Financial Services Ltd. (hereinafter "PFSL"). It is also pertinent to note that Prabhat is an associate concern of PFSL. Vimal Kumar Sharma, the proprietor of Prabhat is a director in PSFL along with his father

Shri G. L. Sharma. Furthermore, Shri G. L. Sharma is a director in SRG Infotech (hereinafter "SRG") and SRG Finman(I) Ltd, entities belonging to Shri Ashok Agarwal and his brothers as discussed in paragraphs 34-35.

23. In all these trades, PFSL was representing its ultimate client Sudarshan Finvest Pvt. Ltd. (hereinafter "Sudarshan"); whereas Prabhat (through Priyasha and Shreeji) was trading on behalf of its sub-clients Festival Secfin P. Ltd. (hereinafter "Festival") and Sahukar Finsec P Ltd. (hereinafter "Sahukar").
24. The address of Sudarshan as made available by PFSL was D-9, Jungpura, New Delhi 110014 which is the office of Shri Ajay Kumar Thakkar, a Chartered Accountant. Shri Thakkar was a co-director of Ravico (I) Ltd. along with Shri Sandeep and Sanjeev Bansal, brothers of Shri Ashok Agarwal.
25. Enquiries with Vijaya Bank, Barakhamba Road, New Delhi 110001 (hereinafter "Vijaya Bank"), where Festival maintained its bank account, revealed that the registered address of Festival was 35-B, New Mandi, Muzaffarnagar- 251001. This was also the address of Inter World Fashions Ltd. Inter World Fashions Ltd., in a communication to Vijaya Bank provided its alternative address as 33 LGF, Babar Road, New Delhi., which is the known address of SRG, New Age and Shri Sandeep and Sanjeev Bansal.
26. It was admitted by Shri S. P. Kabra, Director, PFSL in his statement dated August 16, 1999 that Sudarshan was introduced to them by Shri Ashok Agarwal. Furthermore, Shri Kabra also said that the client introduction forms showing Shri Mukesh Kumar and Shri Ravi Arora as contact persons for

Festival and Sahukar were provided by Shri Ashok Agarwal and he had personally never met those persons.

27. Similarly, Shri Vimal Kumar Sharma, proprietor, Prabhat in his statement dated September 6, 1999 stated that Festival and Sahukar were introduced to them by Shri Ashok Agarwal. Orders on behalf of Sudarshan, Festival and Sahukar were received by PFSL and Prabhat through Shri Chandresh, who was allegedly working at the behest of Shri Ashok Agarwal.
28. The contact person for Festival and counterparty client Sudarshan was Shri Mukesh Kumar, an employee of Shri Ashok Agarwal and Shri Sandeep Bansal. Similarly, Shri Ravi Arora, the contact person for Sahukar was an employee of Devraha Communications, whose directors were Shri Sandeep and Sanjeev Bansal respectively. This was reiterated in the statement made by Shri Sohit Agarwal before SEBI on August 1, 1999. It was also found during the investigations that Shri Ravi Arora and Shri Mukesh Kumar had acted as introducer to other entities under the management of Shri Ashok Agarwal and/ or his brothers Shri Sandeep and Sanjeev Bansal .
29. A summary of the trading between these members (Priyasha, Shreeji and PFSL respectively) on behalf of their clients is given below:-

1. Trades between PFSL and Priyasha:

Date	Traded Qty.	Trade d Price	Buy order time	Sell order time	Trade executed time	Buy Qty.	Sell Qty.	Buy Rate	Sell Rate
8.1.98	100	485	10:48:56	10:48:59	10:48:59	100	100	485	485
13.1.98	200	445	15:23:47	15:23:51	15:23:52	200	200	445	445

14.1.98	900	448	12:38:48	12:38:58	12:38:58	900	900	448	448
2.2.98	300	576	13:15:23	13:15:15	13:15:23	300	300	576	576
6.2.98	100	556	10:11:53	10:12:20	10:12:20	100	100	556	556

2. Trades between PFSL and Shreeji:

Date	Traded Qty.	Traded Price	Buy Order Time	Sell Order Time	Trade executed time	Buy Qty.	Sell Qty.	Buy Rate	Sell Rate
20.1.98	200	429	14:10:28	14:10:30	14:10:30	200	200	429	429
27.1.98	1200	450	13:00:05	12:59:45	13:00:05	1200	1200	450	450
28.1.98	100	545	12:41:30	12:41:37	12:41:37	100	100	545	545
30.1.98	100	573	12:56:48	12:56:43	12:56:48	100	100	573	573
9.2.98	100	605	10:43:20	10:42:56	10:43:20	100	100	605	605
10.2.98	100	602	10:53:19	10:25:50	10:53:19	100	100	602	602
2.3.98	100	596	15:57:13	15:59:02	15:59:02	100	100	596	596

3. Trades between Shreeji and Priyasha:

Date	Traded Qty.	Traded Price	Buy Order Time	Sell Order Time	Trade executed Time	Buy Qty.	Sell Qty.	Buy Rate	Sell Rate
14.1.98	200	458	12:42:40	12:42:25	12:42:40	200	200	458	458
22.1.98	1200	450	13:23:27	13:18:48	13:23:27	1200	1200	450	450

30. As can be clearly seen, the time differential between the placement of the buy and sell order in most transactions is negligible. Of the 14 trades executed between the three entities, in 10 trades the time difference between the placement of buy and sell order ranges between 2 to 27 seconds. Furthermore, the buy and sell order quantities as well as the prices quoted by the buy and sell clients in all the orders are identical in each successive transaction.

31. Such transactions, taking place over a long duration of time cannot be a mere co-incidence and have to be decided prior to the entry of buy and sell quotes to result in such simultaneous/ near simultaneous orders. It is pertinent to note that these transactions are not denied by either of the parties involved and are claimed to be entered into in good faith on behalf of their client without any manipulative intent.
32. Furthermore, during the investigations, it also came to light that there was circular movement of share certificates between Priyasha (dealing for Festival), Shreeji (dealing for Sahukar) and PFSL (dealing for Sudarshan). Share certificate no. 119054 which was delivered to Sudarshan (trading through PFSL) by Festival (trading through Priyasha) in Settlement No. 1998002 was again delivered to Sudarshan in Settlement No. 1998004 through Sahukar (trading through Shreeji).
33. When this fact was brought to his notice, Shri Vimal Kumar Sharma, proprietor of Prabhat in his statement dated September 6, 1999 accepted that there might be a relation between his clients Festival and Sahukar and the ultimate buying client of PFSL, Sudarshan which facilitated the delivery of share certificates without any trades taking place between the parties.
34. Shri Ashok Agarwal, entity at b) and Shri Sandeep and Sanjeev Bansal, entities at nos. c) and d) [paragraph 11] are brothers and are also the Directors of SRG. As stated by Shri Ashok Agarwal in his statement dated September 29, 1999, SRG acted as the Share Transfer Agent to VML. SRG and VML shared the same corporate office in Mumbai at A- 19, 3rd Floor, Vatsa House,

Janambhoomi Marg, Fort, Mumbai 400001. Moreover, as on July 31, 1997, SRG held about 7.5 lac shares in VML valued in excess of Rs.12 crore.

35. Entities at nos. c) and d) are directors in New Age, one of the entities allegedly involved in market manipulation of the VML scrip. Shri Sandeep and Sanjeev Bansal were also directors in other group companies like Devraha Communications Ltd., New Age Fincorp (I) and Ravico (I) Ltd. Shri Sanjeev Bansal is also a director in Arihant Equity Fund Ltd. It was found during the course of investigations that Arihant was introduced to Vijaya Bank by Vatsa Healthcare Ltd., an associate company of VML.
36. Entity No. e) New Age is an OTCEI dealer and a SEBI registered intermediary. Its address is shown as 33 LGF, Babar Road, Bengali Market, New Delhi 110001, which is also the corporate office of SRG and the known address of Shri Sandeep and Sanjeev Bansal. As mentioned in the foregoing paragraphs, Shri Sandeep and Sanjeev Bansal, brothers of Shri Ashok Agarwal were the directors of New Age. A perusal of the bank accounts of New Age maintained at Vijaya Bank, revealed that substantial financial transactions took place between New Age and SRG. During the enquiries with the Bank it was found that individuals associated with SRG were operating the New Age bank account.
37. In Settlement No. 20 (1998020) New Age appeared as a client of Shalibhadra Securities Ltd. (hereinafter "Shalibhadra") with a purchase of 900 shares of VML. Further it was noticed that New Age had dealt with Shalibhadra only in VML scrip. According to the statement dated July 24, 1999 of Shri Hemender Shah, Director, Shalibhadra, New Age was introduced to them by Shri Ashok

Agarwal. On further questioning, it was found that Shri Ashok Agarwal was introduced to Shalibhadra by Shri Bimal Bhatt, Director, Rolex Holdings. It is pertinent to note that Shri Bimal Bhatt is also the Chairman of VML. Moreover, Rolex Holdings has the same office address as VCL thus indicating that Rolex Holding is an associate of VML.

38. Entity no. f), Moon Holding/Big Star Films was the most significant client of Narayan Securities Pvt. Ltd (hereinafter "Narayan"). It purchased 8,300 shares and sold 100 shares resulting in net purchase of 8,200 shares. The trades executed by Moon Holding/ Big Star Films constituted approximately 30% of total shares of VML purchased in Settlement No. 1 (1998001) at NSE. According to the statement dated April 5, 1999 of Shri Ramesh Saraf, Managing Director of Narayan, Moon Holding/ Big Star Films was introduced to them by Shri Vinay Garg residing at 38/C-9, Sector-7, Rohini, Delhi. Shri Saraf further elaborated in his statement that Moon Holding/ Big Star Films had dealt with them in January 1998 and only in the shares of VML.
39. Shri Vinay Garg was employed with Shri Sandeep and Sanjeev Bansal. He had earlier represented New Age Fincorp (I) Ltd., an entity belonging to Shri Sandeep and Sanjeev Bansal before SEBI in connection with certain investigations into the dealings in shares of Excel Software Ltd. In his statement dated October 22, 1999 he denied having introduced Moon Holding/ Big Star Films to Narayan and said that Shri Sanjeev and Sandeep Bansal, who had dealt with Narayan earlier might have furnished his name and address as introducer.

40. Moon Holding/ Big Star Films came out with a Public Issue in June 1997. As per its prospectus, its Registered Office was at B-5, 2nd Floor, Tagore Market, Kirti Nagar, New Delhi 110 015. Enquiry letters sent at this address were returned undelivered and even personal visits did not yield any results. The address of Moon Holding/ Big Star Films as provided by Narayan is 10, Community Centre, East of Kailash, New Delhi. On a personal visit, these premises were found to be occupied by M/s Ambience, a reputed advertising company. Enquiries revealed that the premises were earlier occupied by SRG, a fact indicated by the signboard of SRG hanging outside the premises.
41. Enquiries with M/s Doogar & Associates Ltd. (hereinafter "Doogar and Associates"), Lead Manager to the Issue of Moon Holding/ Big Star Films revealed that Moon Holding/ Big Star Films had changed its name to Big Star Films Ltd. and its Registered Office to AB-4, Safdarjung Enclave, New Delhi-110 029.
42. A communication dated February 23, 1999 filed by Moon Holding/ Big Star Films with the Delhi Stock Exchange stating that they have appointed SRG, an entity under the direct control of Shri Ashok Agarwal and Shri Sandeep Bansal as their Share Transfer Agent is available on record. According to this communication, the Registered Office of Moon Holding/ Big Star Films is at 201, Neel Kanth Place, 190-191, Sant Nagar, East of Kailash, New Delhi 110065.
43. During the course of investigations, it was revealed that these premises were occupied by R. Dhariwal & Associates, Chartered Accountants (hereinafter "Dhariwal"). Shri Sunil Tripathi, an employee of Dhariwal in his statement

dated July 13, 1999 stated that Moon Holding/ Big Star Films was using their address for correspondence purposes. He further stated that Shri Ravi Dhariwal, proprietor, Dhariwal, at the request of Shri Brahambhatt, his neighbour, had allowed the use of their office address for correspondence purposes of Vatsa Healthcare Ltd., Vatsa World Ltd. and Moon Holding/ Big Star Films. It is pertinent to note that Shri Brahambhatt is the brother-in-law of Shri Pradeep Vakil, Director, Vatsa Group. Vatsa Healthcare Ltd. and Vatsa World Ltd. are associated entities of VML.

44. Initially, all the correspondence was directly sent to Shri Pradeep Vakil at his Mumbai office. Around, January 1999, Shri Ravi Dhariwal was advised by Shri Pradeep Vakil that Shri Sohit Agarwal, Shri Ashok Agarwal or Shri Shyam Agarwal would be receiving the correspondences on his behalf. This clearly indicates that there is some link between Moon Holding/ Big Star Films and the Vatsa group.
45. Shri Sohit Agarwal was also mentioned as being connected with Moon Holding/ Big Star Films by Shri Ramesh Saraf, Managing Director of Narayan who in his statement dated April 5, 1999 stated that the orders on behalf of Moon Holding/ Big Star Films were placed by Shri Sohit Agarwal.
46. A statement of Shri Sohit Agarwal, Chartered Accountant, residing at B-3-10, Model Town I, Delhi-110 009 was recorded on August 1, 1999. Shri Sohit Agarwal is associated with Rajesh Kukreja & Associates, Chartered Accountants and auditors of SRG. Sohit Agarwal further stated that he was a retainer with New Age, an entity directly under Shri Sandeep and Sanjeev Bansal at a fee of Rs.6,500 per month for various services such as ROC work,

Income Tax matters, audits and finalisation of accounts etc. for their group companies.

47. Shri Sohit Agarwal initially denied any association with Moon Holding/ Big Star Films or placing any orders in VML scrip on its behalf. But when confronted with the statement of Shri Sunil Tripathi, employee of Dhariwal, he stated that he used to contact Shri Sunil Tripathi at the behest of Shri Sandeep and Sanjeev Bansal without having any idea as to nature of the correspondence being exchanged.
48. Moon Holding/ Big Star Films maintained its bank account with Vijaya Bank where it was introduced by Shri Ravi Arora. Shri Ravi Arora, as aforementioned at paragraph 23 is an employee of Devraha Communications under Shri Sandeep and Sanjeev Bansal. An examination of bank accounts of Moon Holding/ Big Star Films revealed that substantial funds were received from and transferred to entities connected to SRG and its directors. Moon Holding/ Big Star Films has since been declared as vanishing company.
49. Entity no. g) Ketaki/ Systel Infotech was the second client of Narayan and had purchased 400 shares of VML through them. The office address of Ketaki/ Systel Infotech was shown as C-3, Amar Colony Market, Lajpat Nagar-IV, New Delhi and the contact person was Shri R.K. Modi.
50. The office of Ketaki/ Systel Infotech was visited on April 6, 1999 and found occupied by Anirudha & Associates, Chartered Accountants managed by Shri Anirudh Kumar. Vide letter dated April 6, 1999 Shri Anirudh Kumar denied that Ketaki/ Systel Infotech operated from his premises but stated that some

correspondences in the name of Ketaki/ Systel Infotech were received, but returned undelivered.

51. Shri R.K. Modi, director, Ketaki/ Systel Infotech in his statement dated April 4, 1999 stated the company came out with a Public Issue in 1985 and its shares are listed on the BSE. He further stated that the corporate office of Ketaki/ Systel Infotech was at the above mentioned address and that BSE had been informed accordingly. According to Shri Modi, the office of Shri Anirudh Kumar was used to receive the correspondences on behalf of Ketaki/ Systel Infotech and these were later forwarded to him at his residence. On further questioning, he stated that when Ketaki/ Systel Infotech required an office at Mumbai, he was advised by Shri Ashok Agarwal to show the office address as A-19, Noble Chambers, Fort, Mumbai. This address is same as the known address of VCL.
52. Shri R.K. Modi also stated that the bank account of Ketaki/ Systel Infotech was maintained at Vijaya Bank. Perusal of the bank account indicates that there were number of transfer entries in/from two accounts of Sugam Share Shoppee and New Age maintained at the same bank.
53. Sugam Share Shoppee and New Age are entities under the direct control of Shri Ashok Agarwal and Shri Sandeep and Sanjeev Bansal. Further, the perusal of the bank account also revealed that there were many instances of funds transfer from various current accounts belonging to Shri Sandeep and Sanjeev Bansal and their associates or operated by their employees.

54. The noticees herein have been charged for violation of Regulations 4(a) to 4(c) of the PFUTP Regulations. The violations of Regulations 4(b) and 4(c) are established from the factual matrix presented at paragraphs 28-32 in relation to the structured trade that took place between the entities as well as the consequent rise in prices.
55. In this regard, I would like to refer and rely upon the decision in *Dlugash v. SEC* (373 F.2d 107 at 109, 2nd Circuit (1967)) later reiterated in *Todd & Co. Inc.*, (46 S.E.C. 314 at 319 (1976)) wherein the US Court observed that rapidly rising prices **in absence of any demand for securities** are well known symptoms of manipulative transactions. These decisions were quoted favorably by the Hon'ble Securities Appellate Tribunal (SAT) in Appeal No. 20 of 2001 in the case of *Sterlite Industries (I) Ltd. v. SEBI* and Appeal No. 23 of 2001 in the case of *Videocon International Ltd v. SEBI*.
56. The said issue has also been dealt by the Hon'ble SAT in Appeal Nos. 54 to 57 of 2002 in the case of *Nirmal Bang Securities (P) Ltd. v. SEBI* wherein the Tribunal observed that, "*Synchronized trading is in violation of all prudential and transparent norms of trading in securities. Synchronized trading on a large scale can create false volumes... In synchronized trading intention is implicit.*" (Emphasis added.)
57. SAT in Appeal No.2 of 2004 in the case of *Ketan Parekh v. SEBI* also observed that a synchronized transaction would be illegal if, "*It is executed with the intention to manipulate the market or if it results in circular trading or is dubious in nature and ... does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium.*" SAT also noted that

the intention to manipulate the market can be inferred from the attending circumstances including the nature of transaction executed, frequency with which the transactions are undertaken, value of the transactions, whether they involve circular trading, real change of beneficial ownership, the conditions then prevailing in the market etc.

58. Inferences as regards manipulation by the noticees can be drawn from a reading of the facts at paragraphs 4-7 and paragraphs 28-32 read with the abovementioned observations of the Hon'ble SAT. Of the 12 days on which trades have taken place between Trading Members (TM) PFSL, Priyasha and Shreeji; on 6 days, trades were executed at significantly higher prices than the last closing price. Further, as the table below indicates, on 5 trading days, only 100 shares have been traded between the parties. Given the significantly negligible number of shares traded and the corresponding high prices, it can be inferred that the trading was set up to artificially manipulate the price and volumes in the scrips without any genuine intentions.

Date of Trade	Buy TM	Buy Client	Sell TM	Sell Client	Previous Closing price	Opening Price	Quantity traded
22.1.98	Shreeji	Sahukar	Priyasha	Prabhat & Co	410 (20.1.98)	451	1200
28.1.98	PFSL	Sudarshan	Shreeji	Prabhat & Co	500 (27.1.98)	545	100
30.1.98	PFSL	Sudarshan	Shreeji	Prabhat & Co	545 (28.1.98)	573	100
6.2.98	PFSL	Sudarshan	Priyasha	Prabhat & Co	506 (5.2.98)	556	100
9.2.98	PFSL	Sudarshan	Shreeji	Prabhat & Co	556 (6.2.98)	605	100
2.3.98	PFSL	Sudarshan	Shreeji	Prabhat & Co	545 (25.2.98)	596	100

59. Regulation 4(a) is applicable not only the purchaser and seller but even third parties, if they are found in any way involved in effecting or taking part in the manipulative transactions directly or indirectly. Those transactions must be

with the intention of distorting the prices of securities so as to induce any other person to sell or purchase the securities. The element of deceit is an underlying factor in the transaction. The participation need not necessarily be direct; it can be indirect as well.

60. In this regard, Hon'ble SAT has noted in Appeal No.2 of 2004 in the case of *Ketan Parekh v. SEBI* that under Regulation 4(a) once the factum of market manipulation is established, **it will necessarily follow that the investors in the market have been induced to buy or sell** and no further proof is required in this regard. This is because in a system of screen based trading, investors track the scrips through the screens of the exchanges only to see whether a particular scrip is active or not, whether it is trading in large volumes and whether the price is going up or down. Having regard to these factors he makes up his mind to invest or disinvest in the securities. When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy / sell their stocks.
61. In the present case, I find that it is quite clear from the facts of the case that Shri Ashok Agarwal, Shri Sandeep and Sanjeev Bansal, through other noticees had conducted their dubious dealings in the scrip of VML. It is reasonably clear therefore that Shri Ashok Agarwal and Shri Sandeep and Sanjeev Bansal have violated Regulation 4(a) by indirectly participating in the dealings of VML. This is supported by the decision of SAT in Appeal No. 2 of 2004 in the case of *Ketan Parekh v. SEBI* wherein the Tribunal *inter alia* observed

"The concept of corporate entity was evolved to encourage and promote trade and commerce but not to commit illegalities or to defraud people. Where, therefore, the corporate character is employed for the purpose of committing illegality or for defrauding others, the court would ignore the corporate character and will look at the reality behind the corporate veil so as to enable it to pass appropriate orders to do justice between the parties concerned."

62. As regards *mens rea*, I would like to refer to the decision of the Hon'ble High Court of Bombay in the matter of **SEBI v. Cabot International Capital Corporation** (2004 (51) SCL 307 (BOM)) wherein the Court noted that *"for breaches of provisions of SEBI Act and Regulations, according to us, which are civil in nature, mens rea is not essential."* This view was reiterated by the Supreme Court in its judgment in the case of **SEBI v. Shriram Mutual Fund and Another** (2006 INDLAW SC 237).
63. From the aforesaid, it is reasonably clear that Shri Ashok Agarwal and his brothers Shri Sandeep and Sanjeev Bansal designed an elaborate plan that enabled them to effect the manipulation in the trading of the scrip of VML. These transactions which have been undertaken, directly or indirectly on behalf of Shri Ashok Agarwal have created artificial rise in prices of the VML scrip and also acted as a ploy to deceive common investors to invest in the scrip of VML.
64. In view of the aforesaid findings, I agree with the investigation findings that the trades executed by various entities named above at paragraph 11 are in direct contravention of Regulations 4(a) to 4(c) of the PFUTP Regulations and unequivocally detrimental to the orderly development and integrity of the securities market, thereby adversely affecting the interest of innocent investors.

65. It is pertinent to note here that pursuant to the repeal of 1995 Regulations, the corresponding provisions are contained in Regulation 4 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Therefore, the present order is being passed under 2003 Regulations.
66. Therefore, taking into consideration all facts and circumstances in the present matter, in the interests of investors and to safeguard the integrity of securities markets, in exercise of powers conferred upon me in terms of Section 19 of the SEBI Act read with Section 11 of the SEBI Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, read with relevant provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby restrain the following entities :
1. Prabhat and Co.
 2. Shri Ashok Agarwal
 3. Shri Sanjeev Bansal
 4. Shri Sandeep Bansal
 5. New Age Shares and Stock Brokers Pvt. Ltd.
 6. Big Star Films Ltd. (formerly Moon Holding and Credit Ltd.)
 7. Systel Infotech Ltd. (formerly Ketaki Estate and Finance Ltd.)

from being associated with the securities market in any manner whatsoever and from buying, selling and dealing in securities for a period of two years each.

66. This order shall come into force with immediate effect

PLACE: MUMBAI

DATE: 9.01.2009

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