

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,MUMBAI

Coram: Dr. T. C. NAIR, Whole Time Member

In the matter of M/s. Munga Holdings Ltd.

ORDER

UNDER SECTION 11B READ WITH SECTION 11(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST M/s. EXV FINVEST PRIVATE LIMITED AND ITS DIRECTORS SHRI S.N.SINGH AND SHRI S.G.DHANUKA

1. The Delhi Stock Exchange (hereinafter referred to as "DSE") had examined the trading pattern of the scrip of M/s. Munga Holdings Ltd. (hereinafter referred to as Munga) for the period 1st January 2001 to 31st August 2001 (hereinafter referred to as "period under consideration") and submitted a report to the Securities and Exchange Board of India (hereinafter referred to as "SEBI"). As per the said report of DSE, during the period under consideration, the price of the scrip had gone up from Rs. 3.50 on 1st January 2001 to Rs. 43 on 31st August 2001 which is about 1130% (increase) in 52 trading days. This price raise was against low trading volumes and without any change in the economic fundamentals of the company.
2. SEBI undertook investigation into the trading in the scrip of the Company for possible violations of the SEBI Act, 1992 and the Regulations made thereunder.

3. It is noticed that trading in the scrip was concentrated among two trading members - M/s. Securities Brokers of India Ltd. and M/s. Mukesh Gupta & Company. These two members executed 80% of the total volume of the scrip traded. EXV Finvest Ltd and M/s. Ananya Traders Ltd. (hereinafter referred to as M/s Ananya) were the two entities related to the company since they shared the same address, and were the major traders in the scrip. It is alleged that these entities created false market in the scrip by way of price manipulation accompanied by the creation of false volumes.
4. **Show cause notice:** Show cause notice dated April 24, 2003 was issued under section 11(4) of the Securities and Exchange Board of India Act, 1992 to M/s Exv Finvest Private Limited (hereinafter referred to as “first noticee”). Show cause notices dated October 5, 2005 were issued to the director of the first noticee Shri S N Singh (hereinafter referred to as the “second noticee”) and another director of the first noticee Shri S.G Dhanuka (hereinafter referred to as the “third noticee”). Since the second and the third noticee could not be located, the show cause notices were affixed at their respective last known addresses. It was alleged that all the noticees are connected to each other and that the first noticee was related to its counter party client Ananya by having common directors in their boards.
5. All the noticees were alleged to have entered into transactions that are not genuine trade transactions and created a false appearance of trading in the securities. It was also alleged that the noticees entered into transactions by matched trades that are not to effect transfer of beneficial ownership but intended to operate only as a devise to inflate or cause fluctuation in the market price of the security.
6. Therefore, the noticees were alleged to have violated the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995.

7. **Reply:** The noticees except first noticee did not respond to the aforesaid show cause notices. The director of first noticee replied to the show cause notice on July 3, 2003.

(a) With regard to the allegation that first noticee is related to Munga, the first noticee stated that that first noticee and Munga are two separate legal entities and independent juristic persons and submitted that sharing of address or the fact of common directors between these two companies cannot be considered to be a factor for concluding that these companies are related companies.

(b) The companies Act, 1956 does not bar any person from holding the post of "Director" in more than one company. The first noticee extended the same argument to counter the allegation of its relationship with Ananya, the counter party client.

(c) The first noticee denied that it is having common address with Munga. The first noticee further denied of making any false statement as to its relationship with Munga.

(d) The first noticee denied that any matched trade with its counter party client Ananya was executed by the first noticee. The first notice further denied that there was any intentional matching of orders or synchronized trades as alleged.

(e) No director or officer of first noticee had benefited out of the alleged transactions

8. **Hearing:** An opportunity of personal hearing was granted to the noticees on May 4, 2006. Since the second noticee and the third noticee could not be located, the notice of hearing of the second noticee was affixed at the last known address on April 21, 2006 and the noticee of third noticee was affixed at the last

known address on April 24, 2006. None of the noticees at the last known addresses attended the hearing.

9. **Consideration of Issues:** I have carefully examined the show cause notices, the reply and other relevant material on record. Since the show cause noticees raise common allegations on same set of facts and raises common question of facts and law, I proceed to pass a common order in the matter. The first question that arises for consideration is whether all the noticees have entered into transactions that are not genuine trade transactions intended to effect transfer of beneficial ownership and created a false market or false appearance of trading in the scrip of Munga. The second question for consideration whether the trades done by the noticees had impacted the price along with creation of volumes.
10. I find from trade records that between the period 28.05.01 and 06.08.01 only 11 trades were executed in the scrip of the Company, all of which were executed by and between M/s. Ananya Traders Ltd. and M/s. EXV Finvest Ltd. During this period the price of the scrip of the company rose from Rs.33.25 to Rs.42.
11. I find that the first noticee has traded in the scrip of Munga at DSE, through the trading member M/s Securities Brokers of India Ltd. The trades/transactions of M/s EXV in the scrip are as under:-

Sett. No.	Client Name	Total Purchase	Total Sale	Gross	Net
2042	M/s EXV	400	0	400	400
2044	-do-	1300	400	1700	900
2045	-do-	200	0	200	200
1001	-do-	200	0	200	200
1002	-do-	400	400	800	0
1003	-do-	100	100	200	0
1004	-do-	100	100	200	0
1009	-do-	100	100	200	0
1010	-do-	500	500	1000	0
1011	-do-	600	600	1200	0

Sett. No.	Client Name	Total Purchase	Total Sale	Gross	Net
1012	-do-	1000	1000	2000	0
1013	-do-	1000	1000	2000	0
1014	-do-	1500	1500	3000	0
1015	-do-	1000	1000	2000	0
1016	-do-	500	500	1000	0
1017	-do-	600	600	1200	0
1018	-do-	700	700	1400	0
1019	-do-	1000	1000	2000	0
1020	-do-	500	500	1000	0

12. In this connection it is useful to refer to my earlier order dated November 2, 2006 in the same matter of Munga Holdings Ltd. against Binani Cements Ltd. wherein on the issue of the alleged price manipulation, it was observed at para 16 of the said order that based on the available records there was no evidence to establish price manipulation in the scrip of MHL.
13. As the facts and circumstances and allegations are the same in present case involving the same scrip and following my earlier order cited in the same matter of Munga Holdings Ltd., no further directions are required to be passed against the noticees. However, the noticees are directed to be careful in future.
14. **ORDER**
15. Now, therefore, in exercise of powers conferred under Section 19 of the SEBI Act, 1992 and Section 11B read with Section 11(4) of the SEBI Act, 1992, I direct Exv Finvest Private Limited, Shri S.N.Singh and Shri S.G.Dhanuka to be careful in future.

Date: January 9, 2009

Place: Mumbai

T C Nair

Whole-Time Member

Securities and Exchange Board of India

