

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.

Appearances:

For Noticee

Shri Harminder Chawla, Advocate for Shri S. Dutta Roy, Shri S Sengupta of M/s Ananya Traders Ltd.

For SEBI

Shri Sanjiv Dutt, Chief General Manager, Shri Sachin Yadav, Manager.

ORDER

UNDER SECTION 11B READ WITH SECTION 11(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN RESPECT OF M/s. ANANYA TRADERS LIMITED AND ITS DIRECTORS SHRI S. DUTTA ROY AND SHRI S. SENGUPTA

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 'M/s Munga' or the 'company' or 'MHL') 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 said period, 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 only. This unusual 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 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. Between these two members, 80% of the total volumes of the scrip were traded. EXV Finvest Ltd. and M/s. Ananya Traders Ltd. (hereinafter referred to as M/s Ananya) were two entities related to the company, who 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 and Hearing:** A show cause notice dated April 24, 2003 under section 11B and 11(4) of the SEBI Act, 1992 was issued to M/s Ananya Traders Limited (hereinafter referred to as “first noticee”) Show cause notice dated October 5, 2005, was also issued to Shri S Sengupta, Director of the first noticee (hereinafter referred to as the “second noticee”). Show cause notice dated December 13, 2005 was issued to Shri S. Dutta Roy, another director of the first noticee (hereinafter referred to as the “third noticee”). First noticee and the company shared the same address. It was alleged that all the noticees are connected to each other and that the first noticee was related to its counter party client M/s EXV Finvest Ltd (hereinafter referred to as “M/s EXV”).
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 intended 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:** First noticee submitted its reply dated July 9, 2003. Second noticee submitted his reply dated December 8, 2005. Third noticee submitted his reply dated December 30, 2005. Their submissions as per the replies are as under.

(a) With regard to the allegation that first noticee is related to M/s Munga, it was stated that that M/s Ananya and M/s Munga are two separate legal entities and independent juristic persons and 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. First noticee extended the same argument to counter the allegation of its relationship with M/s EXV, the counter party client.

(c) The first and third noticee further denied making any false statement as to the status of third noticee because third noticee was not a promoter of first noticee.

(d) The first noticee denied any synchronized trades with its counter party client EXV. All the noticee denied that there was any intentional matching trades and matching of trades, if any, was entirely incidental.

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

8. **Hearing:** SEBI granted an opportunity of personal hearing on May 4, 2006. However on request from the advocates for the noticees, M/s. Chawla and Co., the personal hearing was postponed to 19-05-2006. M/s. Chawla and Co. appeared before me on the said date on behalf of all the noticees and made their submissions.
9. **CONSIDERATION OF ISSUES:** I have carefully examined the show cause notices, the replies and investigation reports and other relevant material on record. Since the show cause notices raise common allegations on the 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 appearance of trading in the scrip of Munga. The second question for consideration is whether the trades done by the noticees had influenced the price along with creation of artificial volumes.
10. I find from the trade records that between 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 traded in the scrip of M/s Munga at DSE, through the trading members M/s Mukesh Gupta & Company and M/s SRG Global Capital Pvt. Ltd. The trades/transactions of first noticee in the scrip (M/s Munga) are as under:-

**Trades executed by M/s Mukesh Gupta & Company on behalf of the first
noticee**

Sett. No.	Client Name	Total Purchase	Total Sale	Gross	Net
1010	M/s Ananya traded through sub broker M/s. DNA Securities P Ltd.	500	500	1000	0
1011	-do-	600	600	1200	0
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

**Trades executed by M/s SRG Global Capital Pvt. Ltd on behalf of the first
noticee**

Sett. No.	Client Name	Total Purchase	Total Sale	Gross	Net
0042	M/s Ananya	0	400	400	-400
0044	-do-	400	0	400	400
0045	-do-	200	200	400	0
0049	-do-	400	0	400	400
0050	-do-	500	200	700	300
1009	-do-	100	100	200	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 circumstance, 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 M/s. Ananya Traders Private Limited, Shri S. Dutta Roy and Shri S. Sengupta to be careful in future.

Date: January 9, 2009

Place: Mumbai

T. C. Nair

Whole-Time Member

Securities and Exchange Board of India