

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM : Dr. T.C. NAIR, WHOLE TIME MEMBER**

**IN THE MATTER OF ASK HOLDINGS PRIVATE LIMITED IN THE
SCRIP OF GRANULES INDIA LIMITED**

Date of hearing: July 24, 2007

Appearances :

For Noticees: Shri Ashok K Jain

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

ORDER

**UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992 READ WITH
REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND
UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET)
REGULAITONS, 2003.**

1. Consequent to the unusual increase in the price and volume of the scrip during the period December 19, 2002 to January 23, 2003 (hereinafter referred to as "investigation period"), Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation into buying, selling and dealing into the scrip of Granules India Ltd. (hereinafter referred to as "GIL"). The shares of GIL were listed on the Bombay Stock Exchange Limited (BSE), Hyderabad Stock Exchange (HSE), Madras Stock Exchange Ltd. (MSE).

2. Investigation inter alia revealed that GIL had allotted 14,02,524 shares on May 24, 2002 and 10,51,894 shares on June 14, 2002 aggregating to 24,54,418 shares at the rate of Rs.14.26 on preferential basis to the promoter and Managing Director of GIL, Shri C. Krishna Prasad (hereinafter referred to as "Shri Prasad"). GIL was listed at BSE on December 19, 2002 and on the same day there was commencement in trading in the shares of GIL. In the initial days of listing there was hardly any interest in the scrip. It was noted in the investigation report that Shri Prasad wanted to sell his existing holding in the company. Therefore, liquidity was required to be brought in to facilitate the off loading of shares by Shri Prasad. Shri Prasad approached Shri C P Khandelwal of M/s. Southern Shares & Stocks Ltd. (Southern Shares), member of BSE to offload the shares at BSE who in turn approached Shri Arun Kumar Dalmia (Shri Dalmia), who assured that he would arrange the buyers for the shares when they are offloaded by Shri Prasad. It was alleged that Ask Holdings Pvt. Ltd. (hereinafter referred to as "Ask Holdings") along with other clients in the scrip who were known to each other had executed the mandate given by Shri Dalmia and created artificial liquidity and interest in the scrip in violation of provisions of Regulation 4 (a) (b) (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as "PFUTP Regulations").
3. In view of the aforesaid findings of investigation, a show cause notice dated March 29, 2007 was issued under section 11 and 11(4)

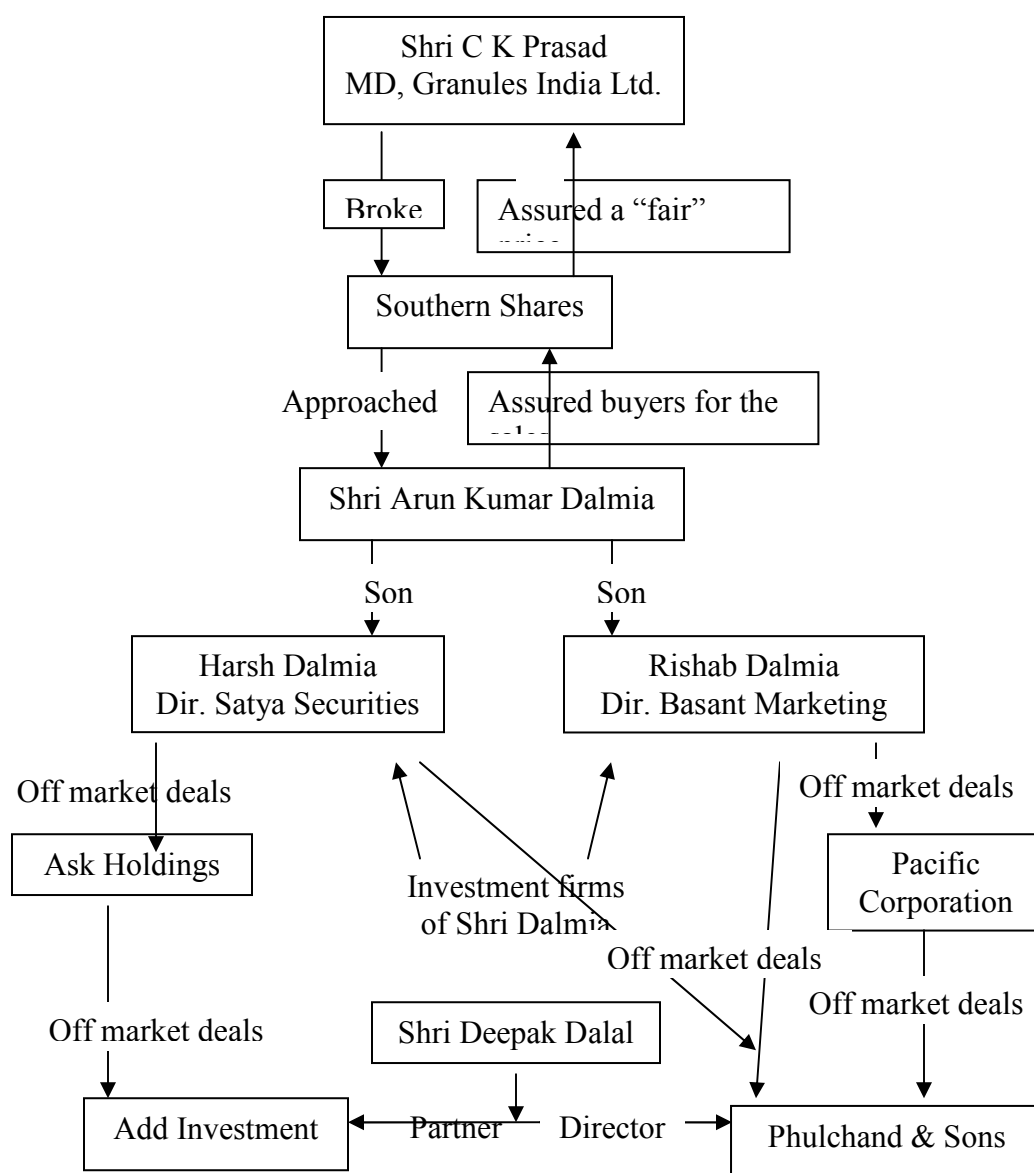
of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations”) to Ask Holdings asking it to show cause as to why suitable directions including issuing such directions restraining him from buying, selling or dealing in securities market for a specified period should not be issued against it.

4. Ask Holdings vide letter dated July 9, 2007 interalia replied to the show cause notice and denied the allegations made against it in the show cause notice.
5. An opportunity of hearing was granted to Ask Holdings on July 24, 2007 before me wherein the director, Shri Ashok K Jain appeared and made submissions.
6. I have carefully considered the show cause notice, the reply/written/oral submissions of Ask Holdings and the other material available on record. The issue that arises for consideration is that whether Ask Holdings was involved in manipulation in the scrip in concert with the related entities. My findings are as under:
7. From the investigation report, I note that the price of the scrip had risen from Rs.17.95/- (closing price) on December 19, 2002 and it had touched a high of Rs.52.90/- (Intra day high) on January 17, 2003 and fell down to Rs.39.70/- (closing price) on January 17, 2003. The volume of the scrip had also risen from 450 shares on December 20, 2002 to high of 5,76,840 shares on January 3, 2003. During the

investigation period, the scrip was traded on 25 days and on 15 days the total traded quantity of shares was more than 1 lakh shares. During the same period, BSE sensex fell from 3,333 to 3,250. Thus, I find that the movement in the price and volume of the scrip was neither in tandem with the general market sentiments nor with any announcements from the company which might have generated such an interest in scrip.

8. I note that prior to the period of investigation, GIL had allotted 14,02,524 shares on May 24, 2002 and 10,51,894 shares on June 14, 2002 aggregating to 24,54,418 shares @ Rs.14.26 each in two tranches to Mr. C Krishna Prasad on a preferential basis.
9. I further note that post preferential allotment, Shri C Krishna Prasad, the MD of GIL, wanted to sell his existing holding in the company. The scrip was listed on BSE only on December 19, 2002. Prior to that, the scrip was almost illiquid. For the five days from December 19, 2002, the total shares traded on the exchange were 1075, 450, 700, 7900, 6110 shares, respectively from which it is evident that there was no trading interest in the scrip at that time. The liquidity was required to be brought in to facilitate the off loading of shares by Shri C Krishna Prasad to the general investing public. For this purpose, various entities were roped in which were related to each other. Shri C. Krishna Prasad had approached Shri C P Khandelwal of Southern Shares, member of BSE to offload the shares at BSE, who had assured a "fair price" to him. Shri Khandelwal in turn had approached Shri Arun Kumar Dalmia, who assured that he will

arrange for the buyers for the shares when they are offloaded by Shri C. Krishna Prasad. Accordingly, Shri Arun Kumar Dalmia had arranged for entities as “buyers”. These entities included Satya Securities Ltd., Basant Marketing Pvt. Ltd., Pacific Corporation, ADD Investment, Phulchand Sons Investment Pvt. Ltd. and ASK Holdings Pvt. Ltd. The entities are related in the manner as illustrated in the following chart :



10. I note that these entities had executed transactions which have not resulted into delivery on the exchange. Besides executing transactions on the exchange, some of the entities have also made offsetting off market deals resulting in no change in the beneficial interest in the scrip. The above modus operandi was primarily with the purpose of creating artificial liquidity in the scrip so that the shares are offloaded by Shri Prasad through Southern Shares.
11. I note that Ask Holdings was the single largest contributor to the volumes in the scrip operating through three brokers Ramaben Samani Pvt. Ltd., Ramrakh R Bohra and Ajmera Associates. It had purchased 9,09,580 shares equivalent to 27.72% and sold 5,08,080 shares amounting to 14.36% of the total shares traded during the period.

Broker	Gross Purchase	Gross sell	Net Purchase/sell
Ramrakh R Bohra	909580	-123080	786500
Ramaben Samani	0	-290000	-290000
Ajemra Associates	0	-95000	-95000
Total	909580	-508080	401500

12. I further note that Ask Holdings had executed structured deals as a client both on the buy and sell sides with brokers Ramrakh R Bohra and Ramaben Samani Pvt. Ltd. Following table contains the details of the order and the trade logs of these deals :

Tradedate	Time	Qty	Price	Buyer broker	Seller broker name	Buyer client code	Seller client code	Buy order time	Sell order time	Time difference
1/23/2003	10:37:33 AM	500	45	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	10:37:33 AM	10:37:33 AM	0:00:00
1/23/2003	10:54:12 AM	500	45	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	10:54:11 AM	10:54:08 AM	0:00:03
1/8/2003	11:05:33	1000	39.25	Shri Ramrakh	Ramaben Samani	ASK	ASK	11:05:32	11:05:32	0:00:00

Tradedatet	Time	Qty	Price	Buyer broker	Seller broker name	Buyer client code	Seller client code	Buy order time	Sell order time	Time difference
	AM			R. Bohra	Finance Pvt. Ltd.	AKhtn		AM	AM	
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:34 AM	500	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:34 AM	11:43:33 AM	0:00:01
1/23/2003	11:43:50 AM	50	43.25	Shri Ramrakh R. Bohra	Ramaben Samani Finance Pvt. Ltd.	ASK AKhtn	ASK	11:43:49 AM	11:43:33 AM	0:00:16

13. From the above table, it is observed that Ask Holdings traded in the scrip without any intention to effect transfer beneficial ownership but only intended to create false or misleading appearance of trading in the scrip. Also such structured deals have resulted in increase in the price of the scrip from Rs. 39.25 to Rs. 51. I note that Ask Holdings had admitted during depositions before the Investigating Authority that these transactions were entered into without the intention of transfer of the ownership in the shares and that these transactions may have created false and misleading appearance of trading in the market in the scrip.

14. I further note that as per the deposition of the broker Ramrakh R. Bohra, they had granted an independent terminal to Ask Holdings Pvt. Ltd. as Ask Holdings was their sub-broker. Further Ramrakh R Bohra had admitted during his depositions that from the

transactions it appeared that there could have been an attempt to create artificial volumes in the scrip.

15. It was observed that M/s. ADD Investment and M/s. Phulchand Sons Investment Pvt. Ltd. were the buyers that were arranged by Shri Dalmia to create artificial liquidity in the scrip. It was also observed that M/s. Phulchand Sons Investment Pvt. Ltd. also had some spot deals on the buy side with Satya Securities and Basant Marketing which was evident from the demat transaction statement of M/s. Phulchand Sons Investment Pvt. Ltd., an extract of which is as follows:

Date	Trans. No.	Description	Credit	Debit	Balance
13-Jan-03	5126678	By INDSEC SEC. FIN. LTD./10003747	100,000	0	100,000
13-Jan-03	5126684	By INDSEC SEC. FIN. LTD./10095390	100,000	0	100,000
20-Jan-03	5127745	By INDSEC SEC. FIN. LTD./10003747	100,000	0	100,000

16. The above shares were then sold by M/s. Phulchand Sons Investment Pvt. Ltd. on the stock exchange through SPS Share Brokers Pvt. Ltd. in settlement number 200 and 205, i.e. on the same days as the dates of the off market deals, wherein the counterparty client was Ask Holdings Pvt. Ltd. through the broking terminal of Ramrakh R. Bohra, the details of which are as follows:

Tradedate	Time	Qty	Price	Buyer broker	Seller broker name	Buyer client code	Seller client code	Buy order time	Sell order time	Time difference
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20

Tradedate	Time	Qty	Price	Buyer broker	Seller broker name	Buyer client code	Seller client code	Buy order time	Sell order time	Time difference
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:13 PM	5000	48.5	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:13 PM	2:35:53 PM	0:00:20
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	1000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03
1/13/2003	2:36:39 PM	4000	48.6	Shri Ramrakh R. Bohra	SPS Share Brokers Pvt. Ltd.	ASK	Phulchand	2:36:39 PM	2:36:36 PM	0:00:03

17. I observe from the above deals that while the shares were bought from the entities related to Shri Dalmia the same were immediately offloaded in the market. These were no doubt transactions designed

to create an impression of the artificial liquidity in the scrip. Thus, it is evident that Ask Holdings was a party to all these fictitious transactions.

18. From the facts and circumstances of the case, I find that Ask Holdings had indulged in activities which were calculated to create a false and misleading appearance of trading on the securities market. Also, they had indulged in activities which resulted in reflection of prices of securities based on transactions which were not genuine trade transactions and had entered into purchase and sales of securities, without the intention of transferring of the beneficial ownership, but intended to operate only as a device to inflate and cause fluctuations in the price of the securities. In view of the above, Ask Holdings has violated the provisions of Regulation 4 (a) (b) (c) & (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 1995.
19. Now therefore in exercise of powers conferred upon me under sections 11(4) and 11 B read with Section 19 of the SEBI Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 further read with relevant provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain Ask Holdings Private Limited, PAN NO. AABCA5572B from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities

in any manner whatsoever, whether directly or indirectly for a period of three months.

20. This order shall come into force with immediate effect.

Date: 14.01.2009

Place: Mumbai

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