

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**IN THE MATTER OF RAVI VISHNU SECURITIES LTD, MEMBER OF
MADHYA PRADESH STOCK EXCHANGE SEBI REGISTRATION No.
INB 071128236 AND SUB BROKER MPSE SECURITIES LTD SEBI
REGISTRATION NO. INS010718133 IN THE SCRIP OF ALFAVISION
OVERSEAS (INDIA) LTD.**

Date of hearing : 23-01-2007

Appearance

For Noticee : Shri Vijayesh Atre

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

ORDER

**UNDER REGULATION 28(2) OF SEBI (INTERMEDIARIES)
REGULATIONS, 2008**

1.1. Alfavision Overseas (India) Ltd. (hereinafter called 'AOIL'/ the 'company') is a public limited company. The company is listed on the Madhya Pradesh Stock Exchange – MPSE (Regional) and Bombay Stock Exchange Ltd. (BSE). The scrip was suspended from trading at the MPSE from March 14, 2001 to April 17, 2001 on account of complaints regarding non-redressal of investor grievances.

- 1.2. The Securities and Exchange Board of India ("SEBI") received complaints alleging delay on the part of the company in the dematerialization of the shares of the company as well as rejection by the company of the shares sent by the shareholders for transfer on flimsy grounds. The complaints against the company were examined. Based on the records available, it was observed that the company had in several cases, delayed the process of dematerialization of shares beyond the stipulated time of 15 days.
- 1.3. Complaints were further received by SEBI regarding the price manipulation in the scrip of the company. Hence these complaints were forwarded to BSE with an advice to conduct an investigation into the trading of the scrip on the exchange and examine the possibility of manipulation of the price of the scrip due to the delay in the dematerialization of the shares of the company. Thereafter BSE submitted the investigation report covering the period from November 6, 2000 to January 5, 2001 (relevant period).
- 1.4. The said report inter- alia noted that the price of the scrip at BSE increased from Rs. 4.60 as on November 06, 2000 to Rs.19.15 as on December 29, 2000. The report further stated that major volumes in the scrip had been created by the sub-brokers of one of its member called MPSE Securities Ltd., subsidiary of Madhya Pradesh Stock Exchange (MPSE). These sub-brokers were also the members of MPSE. However amongst the said sub-brokers, major volumes were found to have been created by M/s Ravi Vishnu Securities Ltd (for brevity's sake referred to as "RVSL"), a sub broker of MPSE Securities Ltd. RVSL was stated to

be connected to and an associate of AOIL. The report also noted certain instances where the trades of related persons were found to have matched. Based on these reports, it was surmised that there was a possibility that these trades were fictitious and meant to create artificial volumes and increase the price of the scrip of the company.

1.5. In view of the above, SEBI conducted investigation into buying selling dealing in the scrip of AOIL. Investigation revealed that RVSL was connected with the company AOIL and executed cross deals and synchronized trades for its clients with the intention to deliberately match the transactions and establish a new and higher price. It was alleged that RVSL deliberately failed to co-operate with the investigating authority in violation of Regulation 9 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market), Regulations 1995. It was further alleged that RVSL had violated the following provisions of law:

- i. Regulation 4(a), 4(b) and 4(c) of SEBI (Prohibition of Fraudulent & Unfair Trade Practices Relating to Securities Market) Regulations, 1995.
- ii. Clause A(3) and A (4) of Code of Conduct of Stock Brokers read with Schedule II of Regulation 7 of the SEBI(Stock Brokers and Sub Brokers) Regulations, 1992.
- iii. Clause D (1) and D (4) of Code of Conduct of Sub Brokers read with Schedule II of Regulation 15 of the SEBI(Stock Brokers and Sub Brokers) Regulations, 1992.

2.1 Pursuant to the findings of investigation, Chairman, SEBI vide order dated January 8, 2003 appointed an Enquiry Officer to enquire into the alleged violations committed by RVSL. The Enquiry Officer conducted enquiry in terms of the then SEBI (Procedure for Holding enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") and found that RVSL traded in the scrip of AOIL with a view to manipulate the scrip and to facilitate AOIL to create artificial market for the scrip and there by violated Regulations 4(a), (b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. also by indulging in market manipulation has violated Schedule II clause A1 and A4 of Conduct as prescribed under Regulation 7 of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992, and also violated clause D1 and D4 of the code of Conduct prescribed for Sub-brokers under schedule II read with Regulation 15 of the SEBI (Stock brokers & Sub brokers) Regulations, 1992. On completion of enquiry, the Enquiry Officer submitted a report dated May 25, 2004 to SEBI recommending suspension of certificate of registration of RVSL for a period of 18 months.

3.1 A copy of the enquiry report along with show cause notice dated June 2, 2004 was forwarded to RVSL, in terms of Regulation 13(2) of the Enquiry Regulations advising it to show cause as to why penalty as to why penalty as considered appropriate including penalty as recommended by Enquiry Officer should not be imposed on RVSL.

3.2 RVSL vide letter dated August 23, 2004 replied to the said show cause notice and inter alia made the following submissions:

- i. The main object of RVSL was dealing in securities. RVSL was managed by Shri Sanjay Garg, Director, RVSL. Shri Sanjay Garg looked after all its day to day activities and neither RVSL nor Shri Sanjay Garg regularly dealt in securities.
- ii. During the month of November 2000 to January 2001, RVSL executed certain transactions on receiving instructions from its clients including Shri Sanjay Garg and Smt. Sapna Garg, in their individual capacities, who were also noticees in the investigation. The transactions were entered into as per the instructions from the independent clients and except Shri Sanjay Garg and Smt. Sapna Garg no one else was directly related to RVSL's business. There was no mala-fide on the part of either RVSL, Shri Sanjay Garg or Smt. Sapna Garg while dealing in shares of Alfavision Overseas (India) Ltd and there is no business relationship between AOIL and other persons who have traded in the shares of AOIL, except its ex-directors and their relationship with AOIL is not known to RVSL.
- iii. Neither RVSL nor Shri Sanjay Garg and Shri Sapna Garg regularly dealt in shares of any company and the transactions so entered into were due to ignorance and without any mala-fide on their part.

iv. In compliance with the directions of order dated October 21, 2003 the then directors have already resigned from the directorship of the company w.e.f. February 2, 2004 and no more related to the company and instead Shri Ashok Gupta and Smt. Sheela Gupta have been appointed as Directors of the Company.

3.3 Due to change in competent authority, the matter was put afresh before me. Accordingly an opportunity of personal hearing was granted to RVSL before me on June 30, 2006. However, vide fax dated June 29, 2006, RVSL requested to adjourn the hearing as the concerned person was unwell to attend the hearing. Subsequently, hearing was granted on January 23, 2007 wherein Vijayesh Atre, authorised representative of RVSL attended the hearing and reiterated submissions made earlier in response to the show cause notices.

4.1 I have carefully considered the Enquiry Report, show cause notice issued to RVSL and the submissions made by it in response to the show cause notices. The issues that arises for consideration are :

- a. Whether the scrip of Alfa Vision Overseas India Ltd. had been manipulated?
- b. Whether RVSL has any relation with AOIL?
- c. Whether RVSL along with the other persons connected to the AOIL manipulated the prices of AOIL.
- d. Whether RVSL was involved in the manipulation of the scrip of AOIL.

- 4.2 I note that most of the transactions in the scrip of AOIL during the investigation period were done by the sub-brokers of MPSE Securities Ltd. Among the sub-brokers of MPSE Securities Ltd., majority of transactions in the scrip were done by RVSL. Out of total volume of 73251 shares, trades of MPSE Securities Ltd. accounted for 60848 shares, which represented 83% of the total volume traded during the said period. These trades were mainly of MPSE Securities Ltd., which belonged to RVSL. The total volume of RVSL was 40248 shares, which accounted for 66% and 55% of volume of MPSE Securities and total market volume respectively.
- 4.3 I note that SEBI vide its order dated October 21, 2003 against AOIL held that the scrip of AOIL was manipulated with the help of group of clients who were closely related to each other and also associated with AOIL. The company was debarred from accessing the capital market and also from buying, selling, dealing in securities for a period of two years from the date of the order.
- 4.4 I further note that the scrip of AOIL was manipulated by a group of entities including RVSL who were related to the company AOIL. The total volume of the shares traded by RVSL was 66% of the volume of its main broker, MPSE Securities and 55% of the volume at BSE. The clients and the brokers traded in the scrip related to each other and also related to AOIL.
- 4.5 I have noted that as per the distribution schedule filed by the company with the stock exchange in terms of the Listing Agreement, RVSL held

upto 11 % stake in the capital of the company. Further, I note that RVSL in its submission before the Enquiry Officer stated that RVSL was one of the top shareholders of the company.

4.6 The Enquiry Officer has further found that Shri Sanjay Garg, Director of RVSL was named as Chief Executive of AOIL in the column “Designation of Compliance Officer” in the application form given to CDSL. Even in the Letter of Intent cum Master Credit Form also Shri Sanjay Garg was named as compliance officer at the address 81, Janaki Nagar, Indore. I note that RVSL during its submissions before the Enquiry Officer stated that Shri Sanjay Garg never acted as a compliance officer with any of the Depositories and his name was included in the application forms without his knowledge. The reply of RVSL is not convincing. It is interesting to note that RVSL failed to bring on record the protest made by the Shri Sanjay Garg to the company for including his name in the application forms filed with the Depositories as Compliance Officer. RVSL also failed to prove that Shri Sanjay Garg proceeded against AOIL for mis-using his name as compliance officer. I do not accept the explanation that RVSL was not aware of this fact. I therefore, agree with the finding of Enquiry Officer that Shri Sanjay Garg was acting as a Compliance Officer of AOIL.

4.7 Further the address of registered office of AOIL was mentioned as Goel House, 81, Janaki Nagar Main, Indore. It is noted that RVSL had the same address in the communications addressed to MPSE Securities Ltd. RVSL admitted the fact that the address mentioned in the letter belonged to AOIL. The Enquiry Officer after examining the issue in

detail observed that AOIL and RVSL had intimate relation with the company other than as a mere shareholder.

4.8 I note that Shri Sanjay Garg was holding 61,000 shares in his individual name and Smt. Sapna Garg was holding 3600 shares. It is admitted fact that both are husband and wife. They both hold together more than 2% of the shares of the company. Incidentally, it was observed that Shri Mohanlal Garg, father of Shri Sanjay Garg holds 11,600 shares. Shri Sanjay Garg's clients and broker agreement with the AOIL was witnessed by Shri Dinesh Kumar Sharma, Company Secretary of AOIL. This further shows that the nexus between RVSL and the company at personal level also. It is incidental to note here that said Dinesh Kumar Sharma traded in the scrip through another sub broker of MPSE Securities Ltd. I therefore has no hesitation to hold that RVSL is associated with the company both at corporate and personal level. I agree with the finding of the Enquiry Officer that RVSL was aware of the company's affairs and has a close nexus with the company.

4.9 The issue whether RVSL along with other persons connected to the AOIL manipulated the prices of AOIL, I note that most of the transactions in the said scrip during the said period were done by the sub-brokers of MPSE Securities Ltd. Among the sub-brokers of MPSE Securities Ltd, majority of transactions in the scrip were done by RVSL. Out of total volume of 73251 shares, trades of MPSE Securities Ltd. accounted for 60848 shares, which represented 83% of the total volume traded during the said period. These trades were mainly on Terminal No. 13 of MPSE Securities Ltd, which belonged RVSL. The total volume

of RVSL was 40248 shares, which accounted for 66% and 55% of volume of MPSE Securities and total market volume respectively.

4.10 The Enquiry Officer found that RVSL acted in concert with Shri Sanjay Garg, Smt. Sapna Garg, Shri Mohanlal Garg, Shri Dinesh Kumar Sharma, Shri Shyam Sharma, Shri Baliram Yadav, Shri Pradeep Joshi, Shri Rajesh Agarwal, Shri Dharmendra Agarwal. All these clients are based in Indore, MP. Whereas Shri Sanjay Garg and Shri Sapna Garg are the directors of RVSL and the others are one way or the other related to the company.

4.11 I note that it is an admitted fact that Shri Dinesh Kumar Sharma acted as a Company Secretary of the AOIL and witnessed the Client & Broker Agreement dated November 28, 2000. Further representative of RVSL stated that Shri Dinesh Sharma was their client which implies that Dinesh Kumar Sharma, Company Secretary of AOIL was in a position to introduce Shri Sanjay Garg to RVSL in which Shri Sanjay Garg is a director.

4.12 It was observed that Smt. Sapna Garg one of the Directors of RVSL traded through Sharad Bhandari and Gunjan Securities of MPSE Securities Ltd. She also traded through Sanjay Bakshi, Broker BSE. The Client Broker Agreement of Smt. Sapna Garg with Sharad Bhadari was again witnessed by Shri Dinesh Sharma.

4.13 I note that Shri Mohanlal Garg, is the father of Shri Sanjay Garg is having the same address as that of Shri Sanjay Garg and Smt. Sapna

Garg. Shri Mohanlal Garg was holding 11,600 shares which constitute 0.3680% of AOIL. The representative of RVSL stated that Shri Mohanlal Garg was a share holder on his own and has nothing to do with RVSL. I find that he traded through sub broker, Shakti Finsec Pvt. Ltd. though they have their family concern as a stock broker and sub broker. It is also noted that Shri Mohanlal Garg entered into agreement with the sub broker just before he started trading in the scrip.

4.14 It was alleged that Rajesh Agrawal and Dharmendra Agrawal had traded in the scrip of AOIL through RVSL. As per the client registration application form of Shri Dharmendra Agrawal with RVSL, Shri Dharmendra Agrawal had been introduced by Shri Rajesh Agarwal. The name of the witness of Shri Sanjay Garg in the client agreement form submitted with RVSL was mentioned as Rajesh and the signature of Rajesh matches with that of introducer of Shri Dharmendra Agarwal i.e. Shri Rajesh Agarwal. From the above, it is apparent that Shri Rajesh Agarwal & Shri Dharmendra Agarwal knew each other and both of them knew Shri Sanjay Garg, and thereby both of them are connected/associated with AOIL and have traded in the scrip through RVSL.

4.15 RVSL submitted that the relationship between Shri Rajesh Agarwal and Shri Dharmendra Agarwal as stated above was not known to it and that it also was not aware of any relationship between them and Sanjay Garg. Though copies of the above documents were furnished to RVSL, it declined to comment on it. I hold that Shri Dharmendra Agarwal and Shri Rajesh Agarwal were known to each other as well as to RVSL.

- 4.16 I further note that Shri Pradeep Joshi had traded in the scrip of AOIL through RVSL. As per the client registration application form Shri Pardeep Joshi had been introduced by Shri Shakti. Further, it is noted in client agreement form of Shri Sanjay Garg with RVSL, Shri Shakti has put his name and signature on behalf of RVSL. In view of the above, it is apparent that Shri Pradeep Joshi is connected/associated with Shri Sanjay Garg, RVSL and AOIL.
- 4.17 Shri Dinesh Kumar Sharma who traded in the scrip of AOIL during the said period through Dilip Bhandari, a sub-broker of MPSE Securities Ltd. Shri Dinesh Kumar Sharma was a Company Secretary of Alfavision Securities Limited till November 8, 2000. Moreover, I note that Shri Dinesh Kumar Sharma had witnessed the client-broker agreements of Shri Sanjay Garg, Smt. Sapna Garg, Shri Mohanlal Garg.
- 4.18 Shri Shyam Sharma had traded in the scrip of AOIL through RVSL. Address of Shri Shyam Sharma is same as that Shri Dinesh Kumar Sharma mentioned in the client registration form with the sub-broker Dilip Bhandari. Hence, Shri Shyam Sharma is related to Shri Dinesh Kumar Sharma and hence to the company.
- 4.19 Shri Baliram Yadav had traded in the scrip of AOIL through Gunjan Securities, sub-broker of MPSE Securities Ltd. The name and signature of Shri Baliram Yadav in the client registration form with Gunjan Securities matched with the signature put on the copy of Annual Report and letters sent by the company. Shri B.R. Yadav has signed as the

authorized signatory of AOIL. Hence, it is established that he is an employee of AOIL.

4.20 From the above, it is obvious that all the above entities are either related to each other or known to each other and the common link is AOIL.

4.21 Now, I would like to deal with the issue that whether RVSL was involved in the manipulation of the scrip of AOIL. I note that in settlement no. 2000033, Shri Rajesh Agarwal had a net purchase position of 1000 shares through RVSL which represented 90% of total net purchase quantity in the said settlement. By this trade the price of the scrip rose from Rs.4.60 to 5.60 which showed an increase of 20% in this settlement.

4.22 In settlement no. 200034, Shri Rajesh Agarwal had a net purchase position of 400 shares through RVSL which represented 80% of total net purchase quantity. Shri Mohanlal Garg had a net sale position of 500 shares through sub broker of broker of Bharat C. Bagri, viz. Shakti Finsec P Ltd. in the said settlement.

4.23 The Enquiry Officer has further found that there was a synchronized trade between RVSL and Bharat C. Bagri which resulted in artificial determination of the price. On November 17, 2000 at 10:09:58 the first and only trade of the day was executed for 500 shares @ Rs.6.95 between RVSL and Bharat Bagri. RVSL's buying client was Shri Rajesh Agarwal and selling client of broker Bharat C. Bagri was Shri Mohanlal Garg. It was noticed that the RVSL had entered the order at 10:05:54

while Shri Mohanlal Garg through Bharat C. Bagri had entered order at 10:09:58 i.e., within a time difference of only 4 min 4 seconds. The trade prior to this trade was executed at Rs.5.60 on November 7, which is 10 days prior to this trade. With this the price was increased from Rs.5.60 to Rs.6.95 i.e., by Rs.1.35 (24% rise as compared to the last closing rate), and hit the circuit filter. Hence, it is apparent that the trade was a synchronized and fictitious trade entered to deliberately match the transaction to artificially establish a new and higher price in defiance to the market mechanism of determination of the price

4.24 In settlement no. 2000035, Shri Rajesh Agarwal had a net sale position of 600 shares through RVSL. One Shri Shyam Sharma had a gross purchase position of 1098 shares and gross sales position of 1200 shares through RVSL in the said settlement. In this settlement, the scrip evidently traded in all the five trading days. Price opened at Rs. 8.65 on November 20, 2000 and closed at Rs. 10.40, thereby registering an increase of 25% from the closing price of previous settlement. This 25% increase had been largely contributed by RVSL. Therefore, it can be inferred that the trades are not genuine and they are fraudulent with a view to hike the price of the scrip.

4.25 In settlement no. 2000036, Shri Shyam Sharma had a gross purchase position of 3450 shares and gross sales position of 3600 shares through the Broker, thereby had a net sale position of 150 shares. Shri Dharmendra Agarwal had a gross purchase position of 1550 shares and gross sales position of 1500 shares through the member. Shri Rajesh Agarwal had a gross purchase position of 400 shares and gross sales

position of 400 shares through RVSL. Shri Pradeep Joshi had a gross purchase position of 1000 shares and gross sales position of 1000 shares through RVSL.

- 4.26 Of the nine trades on November 27, 2000, the first trade of the day was executed for 400 shares at 10:08:22 @ Rs. 11.20 was a cross deal of MPSE Securities, between Sharad Bhandari and RVSL. I find that the both are sub-brokers of MPSE Securities. The price of the scrip rose from Rs.10.20 to Rs. 11.20 i.e., by Rs.1.00 with this trade. This is 10% rise as compared to the last closing rate of Rs. 10.20 on November 24, 2000. Subsequently, all the trades were executed at this price of Rs. 11.20.
- 4.27 I further find that there were nineteen trades executed on November 28, 2000. The first trade of the day was executed at 10:24:54 for 100 shares @ Rs. 11.70. It was a cross deal of MPSE Securities, between sub-broker Sharad Bhandari and RVSL. With this trade the price of the scrip rose from Rs.11.20 to Rs. 11.70 i.e., by Rs.0.70. This is 6.25% rise as compared to the last closing rate of Rs. 11.20 on November 27, 2000. The third trade of the day was executed at 12:22:04 for 50 shares @ Rs. 12.05 between the RVSL and Churiwala Securities Ltd. With this trade the price of the scrip rose from Rs.11.70 to Rs. 12.05. Subsequently, all the trades were executed at this price of Rs. 12.05. It was further observed that last nine trades of the day from time 14:46:31 to 15:22:54 were cross deals of MPSE Securities Ltd. The orders were entered by the Broker, Sharad Bhadrari, Sharda & Co., Mohan Malpani.

- 4.28 On November 29, 2000 at 10:25:37, the first trade of the day was executed for 200 shares @ Rs. 12.30. It was a cross deal of MPSE Securities, between sub-broker Sharad Bhandari and RVSL. With this trade the price of the scrip rose from Rs.12.05 to Rs. 12.30. (as compared to the last closing rate of Rs. 12.05 on November 28, 2000). 11 trades were executed on November 30, 2000. The first trade of the day was executed at 10:23:08 for 400 shares @ Rs. 13.20 a cross deal of MPSE Securities, between sub-broker Sharad Bhandari and RVSL. With this trade the price of the scrip rose from Rs.13 to Rs. 13.20. (as compared to the last closing rate of Rs. 13.00 on November 29, 2000). It was further observed that last three trades of the day from time 15:21:04 to 15:54:03 were cross deals of MPSE Securities Ltd. executed at Rs. 14.00. The orders were entered by the RVSL and Mohan Malpani.
- 4.29 On December 1, 2000 at 13:01:37, the first trade of the day was executed for 900 shares @ Rs. 14.90 between the member and Saurashtra Capital. With this trade the price of the scrip rose from Rs.14 to Rs. 14.90.(as compared to the last closing rate of Rs. 14.00 on November 30, 2000). The third trade of the day was executed at 13:14:55 for 400 shares @ Rs. 15. It was a cross deal of MPSE Securities, between sub-broker Sharad Bhandari and the member. With this trade the price of the scrip rose to Rs. 15.
- 4.30 In settlement no. 2000037, Dharmendra Agarwal had a gross purchase position of 1850 shares and gross sales position of 1850 shares through

RVSL. Sanjay Garg had a net purchase position of 3800 shares through RVSL.

- 4.31 On December 4, 2000 at 10:08:08, fourth trade was executed for 200 shares @ Rs.15.35. Both the buy order and the sell order were entered by the member with same client code of 1030 for both the orders, which was allotted to Sanjay Garg. However, there is no sell transaction of Sanjay Garg in the said settlement. The sell order was entered at 10:07:20 while the buy order was entered at 10:08:08 with a difference of only 48 sec. This is a fictitious trade, and the member succeeded in sustaining the price of the scrip and created artificial volumes in the scrip.
- 4.32 On December 5, 2000 at 10:21:29 the first trade of the day was executed for 1000 shares @ Rs. 15.35 was a cross deal of MPSE Securities, between RVSL and the sub-broker Sharad Bhandari. The second trade of the day was executed for 200 shares @ Rs. 15.55 was a cross deal of MPSE Securities, between RVSL and the sub-broker Sharad Bhandari With this trade the price of the scrip rose from Rs.15.35 to Rs. 15.55. Subsequently, all the trades were executed at this price of Rs. 15.55.
- 4.33 Again on December 6, 2000, the first trade of the day was executed for 1000 shares @ Rs. 15.70 at 12:07:26 between Sanjay Baxi and the member. It is found that the price of the scrip rose from Rs.15.55 to Rs. 15.70 with this trade.

It is found that Sanjay Garg had a net sale position of 2400 shares through the Broker in settlement no. 2000038.

- 4.34 On December 14, 2000 at 12:21:11, first trade was executed for 100 shares @ Rs.16.50 both buy and sell quote been entered by MPSE Sec. Ltd. These shares were bought by the member on behalf of the client Sanjay Garg and sold by sub-broker, Dilip Bhandari on behalf of the client Dinesh Kumar Sharma. The client code entered by the Broker was 1030, which was allotted to Sanjay Garg. However, as per the client details submitted there is no buy transaction of Sanjay Garg in the settlement no. 38. Dinesh Kumar Sharma was the Company Secretary of AOL and Sanjay Garg is its director. I have already found that the member is associated with the AOIL and that both Sanjay Garg and Dinesh Kumar Sharma are related with AOIL. Dinesh Kumar Sharma had entered order at 12:20:27 while Sanjay Garg had entered the order at 12:21:11 i.e., with a time difference of only 44 sec. The trade prior to this trade was executed at Rs.16.25. So with this synchronized and fictitious trade the price was artificially increased from Rs.16.25 to Rs.16.50 i.e., by Re.0.25.

In settlement no. 2000039 Sanjay Garg had a net sale position of 4900 shares through the member. In settlement no. 2000040 Sanjay Garg had a net sale position of 6400 shares through the member.

- 4.35 From the above, it is evident that, Shri Sanjay Garg, who is the director of RVSL, had been very frequently trading in the scrip during the relevant period. He was trading in the scrip with a view to artificially

determine the price of the scrip. Further, he was also dealing with other persons in the scrip knowing very well that those persons were connected to the company. His wife who is another director of RVSL was also dealing in the scrip through other brokers. His father was also dealing in the scrip in the same period. It is also found that the scrip was not a liquid scrip and as demonstrated above, the trading was there only in the given period. RVSL was also found trading for the other clients who were found to have been connected to AOIL. In view of the connections between the entities as mentioned in earlier paras and the pattern emerging out of their trades, I hold that RVSL traded in the scrip with a view to manipulate the scrip and also to facilitate AOIL to create artificial market for its scrip. The contention that neither RVSL nor Shri Sanjay Garg and Shri Sapna Garg regularly dealt in shares of any company and the transactions so entered into were due to ignorance and without any mala-fide on their part is therefore not acceptable.

- 4.36 I note that SEBI vide order dated October 21, 2003 has debarred AOIL from accessing the capital market for a period of two years. It was, interalia, found in the said order as under:

“From the above, I find that there was a nexus between M/s Alfavision Overseas (India) Limited, M/s Ravi Vishnu Securities Limited, Sanjay Garg and Sapna Garg in manipulating the scrip of the company This was facilitated by the company by delaying the dematerialization of shares, thereby resulting in reduction of floating stock in the market and hampered the true discovery price in the market. The same is not in accordance with sound market principles. I find that the company had indirectly through persons connected

through it carried out substantial transactions in the scrip of the company and violated the provisions of Regulations 4(a), (b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995."

The order was confirmed by another order dated January 12, 2005 after the Hon'ble SAT remanded the case to SEBI.

- 4.37 I further note that vide a separate order dated October 21, 2003, Sanjay Garg and Sapna Garg were debarred from dealing in securities for a period of two years. It was inter alia, found in the said order that:

"From the conduct of Sanjay Garg and Sapna Garg, it can be inferred that the same is not in accordance with sound market principles. These persons acting in concert with other entities, carried out substantial transactions in the scrip of the company and violated the provisions of Regulations 4(a), (b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995".

- 4.38 From the facts and circumstances of the case, I find that RVSL is responsible for the market manipulation in the scrip of AOIL and there by violated Regulations 4(a), (b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. By indulging in market manipulation RVSL also has violated Schedule II Clause A1 and A4 of Conduct as prescribed under Regulation 7 of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992, and also violated Clause D1 and D4 of the Code of Conduct prescribed for sub-brokers under schedule II read with Regulation 15 of the SEBI

(Stock Brokers & Sub Brokers) Regulations, 1992. It is therefore proved that RVSL has a nexus with AOIL and other clients traded in the scrip and manipulated the scrip so as to appreciate the prices of the scrip. In view of the above I agree with the findings and recommendations of the Enquiry Officer.

- 5.1 Now, therefore, in exercise of powers conferred vide Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, read with Regulation 28(2) Of Sebi (Intermediaries) Regulations, 2008, I hereby suspend the Certificate of Registration of Ravi Vishnu Securities Ltd., member of MP Stock Exchange SEBI Registration No. INB 071128236 and sub broker of MPSE Securities Ltd. SEBI Registration No. INS010718133 for a period of 18 months.
- 5.2 This order shall come into effect on expiry of 21 days from the date of this order.

DATE: 14.1.09

PLACE: MUMBAI

T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA