

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4) AND 11 B OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTISES RELATING TO SECURITIES MARKET) REGULATIONS, 2003, IN THE MATTER OF PRIME CAPITAL MARKET LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) noticed unusual price movement in the shares of various companies with low market capitalization, including Prime Capital Market Limited (hereinafter referred to as the company) listed on Calcutta Stock Exchange Association Limited (hereinafter referred to as CSE), during March 2005 to September 2005. Preliminary analysis revealed that the average share price of the company increased from Rs.14.00/- on March 17, 2005 to Rs.280.40/- on September 15, 2005. In view of the sudden price rise and unusual trading in the shares of the company, SEBI in order to protect the interest of investors and the securities market passed an ad-interim ex-parte order dated September 29, 2005 *inter alia* directed stock brokers namely, M/s D. B. & Co, M/s Sanju Kabra, and Shivam Stock Broking Private Limited not to buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions. SEBI had also suspended the trading in the shares of the company till further directions. Thereafter, SEBI, after affording an opportunity of hearing, confirmed the interim directions, vide order dated January 12, 2006. In the said order it was

directed “*The ex-parte interim order dated September 29, 2005 so far as they relate to the entity Prime Capital Market Ltd., shall remain in force till the deletion of the name of the entity from the list of vanishing companies as appeared in the Public Notice dated October 14, 2005 issued by the Ministry of Company Affairs.*”

2. The investigation conducted by SEBI in respect of the dealings in the shares of the company *inter alia* observed that the stock brokers namely D.B & Co., M/s Sanju Kabra, Shivam Stock Broking Private Limited and D.K. Khandelwal & Co. had traded in the shares of the company during the relevant period, which accounted for nearly 93% of the total volume at CSE. It was observed that Bhuwania Vinimay Private Limited was a common client to the aforesaid stock brokers (except M/s D.K. Khandelwal & Co.). It was alleged that Bhuwania Vinimay Private Limited had made a profit of Rs.1.10 crores out of the aforesaid transactions. Zenser Merchandise Private Limited had also traded substantially through the stock brokers namely M/s Sanju Kabra and Shivam Stock Broking Private Limited. It was also noticed that Jain Stock & Share Brokers Limited who traded through M/s D.K. Khandelwal & Co. was *prima facie* found to be responsible for raising the share price from Rs.18.40/- to Rs.21.40/- in three consecutive trading days. The investigation conducted by SEBI also noticed certain inter linkages between the company and Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited. In view of the findings of the investigation, it was alleged that the company, Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited, Mr. Sarbeswar Parida (Chief Executive of Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited and an employee of the company) and Jain Stock & Share Brokers Limited and the directors of the aforesaid entities have contravened Regulation 4(2)(a) & (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the

PFUTP Regulations). The details of alleged relationship among the aforesaid entities, details of trades and the role of the company in the alleged manipulation were explained in the show cause notice dated August 8, 2006 in which SEBI had advised the aforesaid entities/persons to show cause as to why directions under Sections 11, 11B and 11(4) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the Act) read with Regulation 11 of the PFUTP Regulations, should not be issued against them.

3. The company, vide letter dated September 3, 2006, *inter alia* stated that:-

a. Mr. Dhruv Narayan Jha was a director of the company and Jain Stock & Share Brokers Private Limited. He was a director in Jain Stock & Share Brokers Limited since 1996-97 and served as a non executive director of the company during August 12, 2001 to December 15, 2005.

b. Neither Mr. Dhruv Narayan Jha had promoted the company nor drawn any remuneration from it. He was not in any capacity to influence the decision of the company and therefore, the question of him playing a role in the manipulation does not arise.

c. In respect of having common address (P -27, Princep Street, Kolkata-700072) by the company, Mr. Dhruv Narayan Jha and Jain Stock & Share Brokers Private Limited, it is stated that the same was a four storied building, where a lot of other offices were also situated. According to the company, it started its branch office at the above address since 2002-03, whereas Jain Stock & Share Brokers Private Limited started its operation on the above premises since 1996-97.

d. It had not dealt in its own shares through Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited in which Mr. Dhruv Narayan Jha was a common director.

e. It further stated that Mr. Sarbeswar Parida was one of its staff and that as per the information provided by him to it, he was also 'involved with' Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited as Chief Executive. According to it, it was common for a person to do full time and part time jobs with different concerns.

f. The resignation of Mr. Dhruv Narayan Jha from its board on December 15, 2005 was to save the company from any type of controversy in the investigation conducted by SEBI.

g. It had never created false market or indulged in any act detrimental to investors' interest. The company further added that it had never entered into any transactions in securities with the intention of artificially raising or depressing the prices of the securities and thereby inducing the sale or purchase of shares.

4. Bhuwania Vinimay Private Limited, vide letter dated September 3, 2006, *inter alia* stated that:

a. In respect of 5,69,050 shares of the company, it stated that it had sold the said shares with a margin of 0.05 paisa to 0.10 paisa. According to it, the alleged gain of Rs.1.10 crore was wrongly calculated and that the gain or loss in shares are always calculated with reference to the date of purchase and sale of shares.

b. Its main object (in Memorandum of Association) was trading and

investing in shares and securities and that it purchased 11,64,563 shares of the company for Rs. 30,35,21,346/- as a part of its normal business activities.

c. It bought the said shares on different dates and sold them with a margin to different clients.

d. It requested to condone the small technical and procedural deficiencies in its activities and further assured to be more vigilant, cautious and careful in all its future dealings and transactions.

In view of its submissions, Bhuwania Vinimay Private Limited requested SEBI not to initiate any action for its violations.

5. Zenser Merchandise Private Limited, vide letter dated September 3, 2006, *inter alia* stated that:

a. The purchase of 2,69,750 shares of the company for Rs.6,81,09,557.50/- was done through stock brokers namely Shivam Stock broking Private Limited and M/s Sanju Kabra on different dates and rates and were then sold out to clients/creditors by keeping a profitable margin of maximum 0.10 paise.

b. All its trades were genuine delivery based by giving its Unique Client Code and the time of order entry.

c. Its main source of income was from trading in shares and securities and it bought and sold shares in the normal course of its business.

d. In respect of sharing of office address (P -27, Princep Street, Kolkata-700072) with the company, it stated that the same is a four storied building, where lot of other offices were situated. According to it, the company started its branch office at the said premises in the year 2002-03 whereas it was having its office in the said building since March 2005.

e. In respect of the common director namely Mr. Dhruv Narayan Jha, it stated that he was its director from March 15, 2005 whereas he joined the company on August 12, 2001 and later resigned from it on December 15, 2005. According to it, Mr. Dhruv Narayan Jha was its non executive director as well as in the company and never held shares in any of them. He did not promote the said entities and did not draw any remuneration from them. It was also stated that Mr. Dhruv Narayan Jha was not in any capacity to influence major decisions in those entities and therefore the question of him playing any role in the manipulation does not arise.

f. It further stated that it had never created false market or indulged in any act detrimental to investors' interest. According to it, it had never entered into any transactions in securities with the intention of artificially raising or depressing the prices of the securities and thereby inducing the sale or purchase of shares.

g. It requested to condone the small technical and procedural deficiencies in its activities and further assured to be more vigilant, cautious and careful in all its future dealings and transactions.

In view of its submissions, Zenser Merchandise Private Limited requested SEBI not to initiate any action for its violations.

6. Jain Stock & Share Brokers Limited, vide letter dated August 29, 2006, *inter alia* stated as follows:-

a. It admitted the purchase of 600 shares of the company. It stated that it purchased 200 shares at the rate of Rs.18.40/- on March 31, 2005; 200 shares at the rate of Rs.19.90/- on April 1, 2005 and 200 shares at the rate of Rs.21.40/- on April 4, 2005 through the stock broker, M/s D. K. Khandelwal & Co.

b. It denied the allegation that it was responsible for raising the share price of the company as it had done the said trades in the regular course of business.

c. The price rise of the scrip by 16% in three days with the buy quantity of 600 shares is not a sign of artificial deal, manipulation in quantity and price, speculative gains or any fraudulent trade practices.

d. The shares of the company did not have enough liquidity and it had to buy shares at a higher price as there was no seller at low price.

e. It invested in the shares of the company in the capacity as an investor and had no intention of fraudulent trade practices.

f. According to it, the said trades were genuine trade transactions without having any deceptive trade practices.

g. In respect of the sharing of the office address (P -27, Princep Street, Kolkata-700072) with the company, it stated that the same is a four storied building, where a lot of other offices were situated. It was further stated that, it was having its office in the said building since 1996-

97, whereas the company had its branch office since 2002-03.

h. In respect of Mr. Dhruv Narayan Jha, it admitted that he was its director as well as in the company. According to it, Mr. Dhruv Narayan Jha did not hold shares in any of them.

i. It had never entered into any transactions in securities with the intention of artificially raising or depressing the prices of the securities and thereby inducing the sale or purchase of shares.

J. It requested to condone the small technical and procedural deficiencies in its activities and further assured to be more vigilant, cautious and careful in all its future dealings and transactions.

In view of its submissions, Jain Stock & Share Brokers Limited requested SEBI not to initiate any action for its violations.

7. Though, the show cause notices were also sent to the following persons, they failed to file their replies.

a. Mr. Siby Pd. Singh, Mr. Vimal Joshi and Mr. Dhruva Narayan Jha (directors of the company)

b. Mr. Rajendra Kumar Kothari, Mr. Dhruva Narayan Jha (directors of Bhuwania Vinimay Private Limited) and Mr. Sarbeswar Parida (Chief Executive of Bhuwania Vinimay Private Limited).

c. Mr. Rajendra Kumar Kothari, Mr. Druva Narayan Jha (directors of Zenser Merchandise Private Limited) and Mr. Sarbeswar Parida (Chief Executive of Zenser Merchandise Private Limited).

d. Mr. Dhruva Narayan Jha and Mr. Sushil Kumar Purohit (directors of Jain Stock & Share Brokers Limited),

8. Thereafter, SEBI granted an opportunity to the company, Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited (hereinafter collectively referred to as noticees and individually by their respective names) on May 23, 2008. On the said date, as authorized by the noticees, Mr. Dhruva Narayan Jha appeared on behalf of himself as well as the other noticees. On the said date, Mr. Dhruva Narayan Jha had also submitted a letter on behalf of the persons/entities covered under the show cause notice dated August 8, 2006 to the effect that they would be availing the 'facilities' under SEBI consent order scheme. Subsequently, SEBI had received applications from all the persons/entities [except Mr. Vimal Joshi, Mr. Sibupd. Singh (directors of the company) and Mr. Sushil Kumar Purohit (director of Jain Stock & Share Brokers Limited)]. Pursuant to the rejection of the consent applications, SEBI granted an opportunity of hearing to the noticees on August 5, 2009. Mr. Deepak Agarwal, as authorized by the persons/entities covered under the show cause notice dated August 8, 2006 represented them before me and *inter alia* submitted that the noticees did not want to controvert the charges specifically. He further requested not to debar the noticees.

9. I have considered the show cause notice issued to the noticees, their replies and the oral submissions made by the authorized representative on their behalf and other material available on record. The allegation against the noticees is that they have violated Regulation 4(2)(a) and 4(2)(e) of the PFUTP Regulations in respect of their dealings, as mentioned in the show cause notice dated August 8, 2006.

10. I note that Bhuwania Vinimay Private Limited had traded in the shares of

the company through the stock brokers namely, M/s Sanju Kabra, Shivam Stock Broking Private Limited and M/s D B & Co. during the relevant period. Similarly, Zenser Merchandise Private Limited executed trades through M/s Sanju Kabra and Shivam Stock Broking Private Limited and Jain Share & Stock Brokers Limited had traded through M/s D.K. Khandelwal & Co. The above mentioned stock brokers had contributed for 93% of the total traded volume in the shares of the company at CSE during the relevant period, as given below:

Name of the stock broker	Volume-Buy/Sell (shares)	Traded from Rs.	Traded upto Rs.
D B & Co	1518402	229.00	281.00
Sanju Kabra	1082151	73.00	280.60
Shivam Stock Broking Private Limited	768851	199.80	280.60
D K Khandelwal & Co	22100	18.00	159.00

It is pertinent to note that majority of the trades of the aforesaid stock brokers were either synchronized or cross deals, as given below:

A. M/s. D. B. & Co.:

Name of the Stock broker	Cross and Matched transactions					
	M/s D B & Co		M/s Sanju Kabra		Shivam Stock Broking Private Limited	
	Qty	%	Qty	%	Qty	%
M/s D B & Co	1511702	99.5	3100	0.2	3000	0.2

B. M/s Sanju Kabra:

Name of the stock broker	Cross and Matched transactions					
	M/s D B & Co		M/s Sanju Kabra		Shivam Stock Broking Private Limited	
	Qty	%	Qty	%	Qty	%
M/s Sanju Kabra	3100	0.2	316400	29.2	740250	68.4

C. Shivam Stock Broking Private Limited:

Name of the stock broker	Cross and Matched transactions					
	M/s D B & Co		M/s Sanju Kabra		Shivam Stock Broking Private Limited	
	Qty	%	Qty	%	Qty	%
Shivam Stock Broking Private Limited	3000	0.3	740250	96.2	25600	3.3

D. M/s. D. K. Khandelwal & Co:

Name of the stock broker	Cross and Matched transactions					
	M/s Sanju Kabra		Shivam Stock Broking Private Limited		M/s D K Khandelwal & Co	
	Qty	%	Qty	%	Qty	%
M/s D K Khandelwal & Co	100	0.5	0	0	22000	99.5

11. The buy-sell concentration of Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited, who were found to be the major clients of M/s D.B. & Co., M/s Sanju Kabra and Shivam Stock Broking Private Limited, are given below:

Name of the client	Name of the stock brokers					
	M/s D.B. & Co.		M/s Sanju Kabra		Shivam Stock Broking Private Limited	
	Qty.	% to stock broker's volume	Qty.	% to stock broker's volume	Qty.	% to stock broker's volume
Bhuwania Vinimay Private Limited	675802	44.5%	83801	7.74%	380851	49.5%
Zenser Merchandise Private Limited	-	-	46100	4.26%	223650	29%

The trades of the aforesaid clients involved 14,10,804 shares which accounted for 77% of the buy volume at CSE. The above table would indicate that Bhuwania Vinimay Private Limited was a common client to all the three stock brokers. The purchase details (in terms of value) of Bhuwania Vinimay Private Limited through the above stock brokers, is given below:

Name of the stock broker	Qty (shares)	Value (Rs.)
M/s D B & Co	675802	17,60,88,917.00
Shivam Stock Broking Private Limited	380851	10,21,14,507.60
M/s Sanju Kabra	107910	2,53,17,921.20
Total	1164563	30,35,21,346.00

12. I note that, Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited had contributed about 80% of the traded volume of Shivam Stock Broking Private Limited in the shares of the company. It is observed that 96.20% of Shivam Stock Broking Private Limited (through whom Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited had traded) were synchronized. Similarly, 68.40% of the trades of M/s Sanju Kabra were also synchronized. It is also to be noted that 99.50% of the trades of M/s D. B. Co. (through which Bhuwania Vinimay Private Limited had traded) were cross deals and synchronized trades. I note that, SEBI, vide order dated September 29, 2005 *inter alia* directed M/s D. B. & Co, M/s Sanju Kabra and Shivam Stock Broking Private Limited, not to buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions. In the enquiry proceedings so initiated against the said stock brokers, SEBI found them to have violated the provisions of the PFUTP Regulations and Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 and accordingly imposed penalties as mentioned in the respective orders. As stated earlier in this order, Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited were the clients of the

aforesaid stock brokers who have already been found guilty of manipulation in the shares of the company. As the majority of the said stock brokers' trades were either cross deals or synchronized transactions and the noticees (except the company) were their clients, it goes without saying that the said stock brokers had executed cross and synchronized trades for the said clients. M/s D.B. & Co. had accounted for 41.67% of the total buy-sell volume in the shares of the company at CSE during the relevant period and the said trades were instrumental in the price rise from Rs. 229/- to Rs. 281/-. It was also found that the said stock broker had executed 1,246 transactions which were in the nature of cross deals in 42 trading days, out of which 550 transactions were on behalf of its client, Bhuwania Vinimay Private Limited. The trades (buy and sale) of Bhuwania Vinimay Private Limited had accounted for 44.50% of M/s D.B. & Co. The said entity had bought 6,75,802 shares of the company through the said stock broker, which accounted for 90% of its (stock broker) total purchase volume. The said entity has not refuted the trades and has merely submitted that the same were in the normal course of business. I cannot accept the said plea. The involvement of the said entity in 550 cross deals consistently in the shares of the company through its stock broker cannot be said to be in the normal course. By the very nature of its trades, it can be held that the same were intended for creating a misleading appearance of trading and which subsequently resulted in the manipulation of the share price. Thus, Bhuwania Vinimay Private Limited was a necessary party in the manipulation in the share price of the company during the relevant period.

13. In addition to the above trades, Bhuwania Vinimay Private Limited had also traded through the stock broker, Shivam Stock Broking Private Limited. The said stock broker had contributed for nearly 21.10% of the total trading in the shares of the company during the relevant period and the trades of Bhuwania Vinimay Private Limited had contributed for nearly 49.50% of the said stock broker's trades. The synchronized trades executed by Shivam Stock

Broking Private Limited (with the stock brokers- M/s Sanju Kabra and M/s D.B.& Co.) had accounted for nearly 96.50% of its trading in the shares of the company. Thus, it is obvious that Bhuwania Vinimay Private Limited, having contributed nearly 50% of the said stock broker's trades was also responsible for the said synchronized and cross deals. It is pertinent to note that the trades of the said stock broker were instrumental in the increase in the share price of the company from Rs. 199.80/- to Rs. 280.60/- during the relevant period.

14. Similarly, Bhuwania Vinimay Private Limited had also executed substantial trades involving 83,801 shares during the relevant period through the stock broker M/s Sanju Kabra. The said stock broker had contributed 30% of the total volume in the shares of the company during the relevant period. Majority of the trades of the said stock broker, as in the case of other stock brokers mentioned above, were in the nature of cross deals and synchronized trades. The trades of the said stock broker were instrumental in increasing the share price from Rs. 73/- to Rs. 280.60/-.

15. As mentioned in the show cause notice, Bhuwania Vinimay Private Limited had purchased a total of 11,64,563 shares of the company for a total consideration of Rs. 30,35,21,346.00. Thus, the average purchase price per share was Rs. 260/-. The company informed SEBI that Bhuwania Vinimay Private Limited had sold 5,69,050 shares on September 20, 2005. During September 20, 2005, the share price of the company was around Rs. 280/-. As per the show cause notice, the consideration in respect of the sale of 5,69,050 shares on September 20, 2005 was about Rs. 15,93,34,000/-. In the process, Bhuwania Vinimay Private Limited had made a gain of Rs. 1,10,00,000/-, as mentioned in the show cause notice. Thus, Bhuwania Vinimay Private Limited while trading through M/s D.B. & Co., M/s Sanju Kabra and Shivam Stock Broking Private Limited was one of the necessary parties in the cross deals and synchronized trades executed by the said stock brokers. It is already

established that the said transactions had not only created false and misleading appearance of trading but also impacted the share price resulting in manipulation.

16. Zenser Merchandise Private Limited while trading through the stock broker, M/s. Sanju Kabra had transacted in 46,100 shares. It had also traded substantially through Shivam Stock Broking Private Limited involving 2,23,650 shares, which accounted for 29% of the said stock broker's total volume. The purchase details (in terms of value) of Zenser Merchandise Private Limited through the stock brokers are given below:

Name of the stock broker	Qty (shares)	Value (Rs)
Shivam Stock Broking Private Limited	223650	11353150.00
M/s Sanju Kabra	46100	56756407.50
Total	269750	68109557.50

As stated earlier, Shivam Stock Broking Private Limited had contributed for nearly 21.10% of the total trading in the shares of the company during the relevant period. The trades of Zenser Merchandise Private Limited had contributed for nearly 29% of the said stock broker's trades. The synchronized trades of the said stock broker had accounted for nearly 96.50% of its trading in the shares of the company. Thus, it is established that the trading of Zenser Merchandise Private Limited had also contributed to the manipulation. Similarly, the said entity had also executed substantial trades involving 46,100 shares during the relevant period through the stock broker M/s Sanju Kabra. The said stock broker had contributed 30% of the total volume in the shares of the company during the relevant period and majority of its trades were in the nature of cross deals and synchronized trades.

17. The investigation conducted by SEBI found that Bhuwania Vinimay

Private Limited and Zenser Merchandise Private Limited had purchased 14,34,313 shares (11,64,563+2,69,750) out of the total of 16,73,803 shares of the company traded at CSE during the period of investigation, which accounted for 85.69% of the total volume at CSE. The said entities had purchased 84% of the combined bought position of the three stock brokers namely, M/s Sanju Kabra, Shivam Stock Broking Private Limited and M/s D B & Co. and 77% of the total bought quantity at CSE. From the above, it is established that, Zenser Merchandise Private Limited while trading through M/s Sanju Kabra and Shivam Stock Broking Private Limited actively participated in the cross deals and synchronized trades which resulted in manipulation.

18. Jain Stock & Share Brokers Limited had also executed trades in the shares of the company through the stock broker, M/s DK Khandelwal & Co, during the relevant period. It was found that the said stock broker had traded in 22,100 shares. It was found to have executed 52 cross deals in the shares of the company. Jain Stock & Share Brokers Limited had placed orders at successively higher rates and was responsible for increasing the share price from Rs. 18.40/- to Rs. 21.40/- within three trading days, as given below:

Order Date	Order Time	Member Name	Qty	Price	B/S	Counter Party
31-Mar-05	15:29:09	D K K	200	18.4	B	DKK*
1-Apr-05	13:33:06	D K K	200	19.9	B	DKK
4-Apr-05	12:41:20	D K K	200	21.4	B	DKK

* DKK –M/s DK Khandelwal & Co.

19. Jain Stock & Share Brokers Limited contended that the price rise by 16% in three days was not artificial. It further stated that since the shares of the company was not liquid, it had to buy shares at a higher price as there was no seller at low price. The said contentions are not convincing. It is very illogical that a person knowing very well that a scrip is illiquid would want to invest in the same. It has not explained the rational for purchasing the shares of the

company at a higher price. It is further noted that the said entity was housed in the same premises (P -27, Princep Street, Kolkata-700072) as that of the company. I further note that the noticees authorized Mr. Dhruva Narayan Jha to represent them before SEBI during the hearing held on May 23, 2008. Further, he had submitted a letter on behalf all the persons/entities covered under the impugned show cause notice intimating their willingness to avail the consent scheme. I also note that the letters authorizing Mr. Dhruva Narayan Jha on behalf of Bhuvania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited were signed by one and the same person namely, Mr. Rajendra Kumar Kothari (director of the said entities). The aforesaid facts would strengthen the inference that all persons/entities covered under the show cause notice are closely connected with each other. It is an admitted position that Mr. Dhruv Narayan Jha was a common director in the company and Jain Stock & Share Brokers Limited which was a client of M/s D.K. Khandelwal & Co. In view of its trading and the relevant facts and circumstances, it is established that the trades of Jain Stock & Share Brokers Limited were intended to create artificial market in the shares of the company during the relevant period.

20. In view of the foregoing, it is established that the noticees were the necessary parties in the series of transactions which culminated in the manipulation of the shares of the company during the relevant period. The investigation conducted by SEBI observed that there was sharing of address (P -27, Princep Street, Kolkata – 700072) by the company, Jain Stock and Share Brokers Limited and Mr. Dhruv Narayan Jha, it was contended that the same was a four storied building and a lot of other offices were situated in the said building. It is not only the same address but it was found that Mr. Dhruv Narayan Jha was a common director in the said entities. Jain Stock and Share Brokers Limited traded in the shares of the company during the investigation period. It was found that the said trades were responsible for the price

manipulation in the shares of the company from March 31, 2006 to April 4, 2006. Moreover, the investigation conducted by SEBI found Mr. Sarbeswar Parida was the Chief Executive of Bhuwania Vinimay Private Limited and Zenser Mercantile Private Limited, which had traded substantially in the shares of the company during the investigation period. In the complaint lodged by the company with the Bowbazar Police Station for missing records, it had stated that Mr. Sarbeswar Parida was “our man”. It was also stated by Mr. Jagdish Purohit, the managing director of the company that Mr. Sarbeswar Parida was the staff of the company. In terms of the written statement of M/s Sanju Kabra, Mr. Sarbeswar Parida used to place buy and sell orders with it on behalf of Bhuwania Vinimay Private Limited and Zenser Mercantile Private Limited.

21. I note from the letters dated May 24, 2006 submitted by Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited during the investigation, that they carried the same address. i.e 37/7 Mirpara Road, Bhattanagar, Liluah, Howrah. The said letters were signed by Mr. Rajendra Kumar Kothari, a director common in both the said entities. The address of Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited as informed by the company to SEBI was also found to be the same as mentioned above. Further, vide letter dated May 24, 2005 sent to SEBI, Bhuwania Vinimay Private Limited had described Mr. Dhruv Narayan Jha as one of its directors who had the same address as that of the company. Admittedly, Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited were the major shareholders in the company. Further, from the ‘Know Your Client’ (KYC) form of Bhuwania Vinimay Private Limited, it is noted that the said entity was incorporated on March 7, 2005 i.e. just prior to the commencement of the relevant investigation period. The fact of having Mr. Dhruv Narayan Jha as a common director in the company, Jain Share & Stock Brokers Private Limited, Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited is not disputed. Besides, Bhuwania Vinimay Private Limited and Zenser

Merchandise Private Limited were the major shareholders in the company having the same address. Mr. Sarbeswar Parida, chief executive in Bhuwania Vinimay Private Limited and Zenser Merchandise Private Limited and was also employed (part time) in the company. These set of facts would lead to a conclusion that the noticees were related and connected to each other. Further, the trading pattern of Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Share & Stock Brokers Private Limited would also support this view. The aforesaid facts would lead to an inference that the company used Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Share & Stock Brokers Private Limited as its fronts to manipulate its shares. In this regard, I note the following observation of the Hon'ble Securities Appellate Tribunal in the matter of Gaurav Shah Vs Whole Time Member, SEBI:

“When the promoters of a company through their own front entities start manipulating their own scrip, the charge is more serious and those who act in concert with them are equally responsible.”

22. I also note that the noticees have not made convincing submissions or have refuted the allegations leveled against them. Though, it was specifically alleged in the show cause notice “ *It is clear from the above that the Company (PCML), the above mentioned brokers and the above mentioned clients had prior understanding among themselves with respect to these large number of transactions*”, the same remained unanswered. Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited, in their respective replies stated “*We hope, that the above submission will be kind and gracious enough to consider our contentions and condone the small technical and procedural deficiencies in our activities.....*”. This would go to show that they had ignored the norms of securities market, while trading in the shares of the company. Further, they had assured and have undertaken

that they would be more vigilant, cautious and careful in all their future dealings and transactions and have requested SEBI not to initiate any action for their violations. The transactions of the said entities cannot be considered trivial to be ignored.

23. In the facts and circumstances of the case, I do not have any hesitation in holding that Prime Capital Market Limited, Bhuwania Vinimay Private Limited, Zenser Merchandise Private Limited and Jain Stock & Share Brokers Limited have contravened the provisions of Regulation 4(2)(a) & (e) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003. The directors and the Chief Executive of the respective entities who were responsible for the affairs of the said entities, as mentioned in the show cause are also responsible for the said violations.

24. I note that the ex-parte interim order dated September 29, 2005 had suspended the trading in the shares of the company till further orders. The said direction was later confirmed, vide SEBI Order dated January 12, 2006 wherein it was observed that the said direction in respect of the company shall remain in force till the deletion of its name from the list of vanishing companies. Pursuant to the deletion of the company's name from the list of vanishing companies, the direction imposed against it, vide ex-parte order dated September 29, 2005 ceased to remain in force from April 23, 2007. Considering the above, the present proceeding is disposed of as ordered herein below.

25. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Sections 11, 11(4) and 11B thereof read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain

Bhuwania Vinimay Private Limited (having its address at P-27, Princep Street, Kolkata and Fortune Chambers, Mezznine Floor, 6, Loyns Range, Room No. 13, Kolkata), Zenser Merchandise Private Limited (having its address at P-27, Princep Street, Kolkata and Fortune Chambers, Mezznine Floor, 6, Loyns Range, Room No. 13, Kolkata), Jain Stock & Shares Brokers Limited (having its address at P-27, Princep Street, 3rd Floor, Kolkata), Mr. Rajendra Kumar Kothari, Mr. Dhruva Narayan Jha (Permanent Account No. ACVPJ 2857K) , Mr. Sarbeswar Parida (having their address at 6, Loyns Range, Room No. 13, Kolkata- 700001) and Mr. Sushil Kumar Purohit (having his address at P-27, Princep Street, 3rd Floor, Kolkata) from accessing the securities market and further prohibit them from buying, selling or dealing otherwise in the securities market, directly or indirectly, in any manner, for a period of three months.

26. No further direction is being ordered on Prime Capital Market Limited for the reasons stated at paragraph 24 above. However, its directors Mr. Sibu Pd. Singh, Mr Vimal Joshi are warned and are further advised to be cautious and careful while dealing in the securities market in future. As Mr. Dhruva Narayan Jha, director of Prime Capital Market Limited has been restrained from accessing the securities market and prohibited from buying, selling or dealing otherwise in the securities market, directly or indirectly, in any manner, for a period of three months, as stated above, no separate direction is passed against him in his capacity as a director of Prime Capital Market Limited.

27. This Order shall come into force with immediate effect.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: December 14, 2009