

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS ISSUED UNDER SECTIONS 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003, IN THE MATTER OF JVG FINANCE LIMITED, IN RESPECT OF

- 1. JVG FINANCE LIMITED AND ITS DIRECTORS, MR. V. K. SHARMA, MR. TRIPAT SINGH BHAN AND MR. BIRESH PRASAD SINGH**
- 2. HOFFLAND FINANCE LIMITED AND ITS DIRECTORS, MR. D. P. NAYYAR, MR. PRAMOD KAPUR, MR. S. P. SHARMA, MR. B. B. SHARMA, MR. M. N. BADAM, MR. A. SUBBA RAO AND MR. JAGDISH NARAIN**
- 3. MARISIA FINANCIAL SERVICES LIMITED AND ITS DIRECTORS, MR. B. B. SHARMA AND MR. M. N. BADAM**
- 4. MR. RAKESH MISHRA**
- 5. MR. HARI KUMAR**
- 6. M/S. V. M. INVESTMENTS**
- 7. MR. RANA DAS**
- 8. MR. S. K. GUPTA**
- 9. EVERGROW FINANCIAL SERVICES PRIVATE LIMITED AND ITS DIRECTORS, MR. ASHOK KUMAR KOHLI, AND**
- 10. MR. GOPAL GUPTA**

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) investigated into the alleged artificial price rise in the shares of JVG Finance Limited (hereinafter referred to as the company or JVG) for the periods- (a) April 1995 to March 1996 and (b) June 1996 to December 1996. For the sake of convenience, the period between April 1995 and March 1996 shall be referred to as the 'first investigation period' and the period between June 1996 and December 1996 shall be referred to as the 'second investigation period'. It was observed that the share price of

the company rose from a low of Rs.36.00/- on June 21, 1995 to a high of Rs.81.00/- on October 17, 1995 with large volumes being traded at The Delhi Stock Exchange Limited (hereinafter referred to as DSE). Further, the share price again rose from Rs.78/- on June 3, 1996 to a high of Rs.150/- on September 25, 1996 at DSE. The investigation had noted a similar pattern of price rise at the erstwhile Magadh Stock Exchange Limited (hereinafter referred to as MgSE). The investigation by SEBI revealed that Hoffland Finance Limited (hereinafter referred to as HFL) and its associate entities had bought the shares of the company in large scale during the aforesaid investigation periods. It was observed that a group of entities/persons including Mr. B. B. Sharma, Marisia Financial Services Limited, Mr. Rakesh Mishra, Mr. Hari Kumar, M/s. V. M. Investment, Mr. S. K. Gupta, Mr. Rana Das, M/s. Ever Grow Financial Services Private Limited and Mr. Gopal Gupta alleged to have linkages with HFL and its directors had made substantial purchases of the shares of the company during the investigation periods. The said purchases had constituted a significant part in the trading in the shares of the company at DSE and MgSE and were responsible for the artificial price rise during both the periods of investigation. It was also alleged that the aforesaid persons/entities had created misleading appearance of trading in the shares of the company. The findings of the investigation also revealed that the company through Dr. Bharati Sharma (Member, MgSE) and HFL introduced shares of the promoters which were under 'lock-in', in the market.

2. On the basis of the allegations levelled against the entities/persons, show cause notices dated October 26, 2004 were issued by SEBI to JVG Finance Limited and its directors, Mr. V. K. Sharma, Colonel Tripat Singh Bhan (Retired) and Mr. Biresh Prasad Singh. Separate show cause notices dated November 17, 2004 were also issued to HFL and its directors Mr. D. P. Nayyar, Mr. Pramod Kapur, Mr. S. P. Sharma, Mr. B. B. Sharma, Mr. M. N. Badam, Mr. A. Subba Rao and Mr. Jagdish Narain; Marisia Financial Services Limited and its directors Mr. B. B. Sharma and Mr. M. N. Badam; Mr. Rakesh Mishra, Mr. Hari Kumar, M/s. V. M. Investments, Mr. Rana Das, Mr. S. K. Gupta, Evergrow Financial Services Private Limited and its director Mr. Ashok Kumar Kohli, and Mr. Gopal Gupta. For the sake of convenience, Marisia

Financial Services Limited, Mr. Rakesh Mishra, Mr. Hari Kumar, M/s. V. M. Investments, Mr. Rana Das, Mr. S. K. Gupta, Evergrow Financial Services Private Limited and Mr. Gopal Gupta shall henceforth be referred to as 'HFL group' or 'associate entities of HFL' and individually by their respective names. The said show cause notices required the entities/persons to show cause as to why they should not be debarred from associating with the capital market related activities and dealing in securities for an appropriate period. Mr. V. K. Sharma, managing director of the company filed his reply, vide letter dated May 20, 2005. Thereafter, an opportunity of hearing was granted to the company, its directors and the HFL group on August 1, 2008. Thereafter, another opportunity was afforded on October 17, 2008. Mr. Jagdish Narain made submissions and the same is considered in the later part of this order. Though, the show cause notices were sent to the aforesaid entities/persons at their last known address through registered post, the same were returned undelivered in respect of certain persons/entities. Thereafter, the show causes notices were affixed at the addresses of Marisia Financial Services Limited, Mr. B. B. Sharma, Mr. M. N. Badam, Mr. Hari Kumar, Mr. Rana Das, Mr. S. K. Gupta, Hoffland Finance Limited, Mr. S.P. Sharma and Mr. Gopal Gupta. The hearing notices issued (through registered post) to most of the aforesaid entities at their last known addresses returned undelivered. I also note that SEBI initiated prosecution proceedings against all the aforesaid persons/entities before the Additional Sessions Judge, Tis Hazari Court, New Delhi in C.C. No. 133 of 2005 in the matter and that most of the accused have been evading service of summons of the Hon'ble Court. Except Mr. Jagdish Narain, Mr. Pramod Kapur, Mr. Ashok Kohli and Evergrow Financial Services Private Limited (whose cases have since been compounded), the Hon'ble Sessions Court had declared the others (among the persons named in these proceedings) as 'proclaimed offenders'. In the facts and circumstances of the case and that the subject matter of the case is relatively old, I do not consider it necessary to grant another opportunity to the other entities who had failed to respond to the letters of SEBI. The matter is therefore being considered on the basis of the material available on record. The case against the aforesaid entities/persons have been considered entity-wise hereinbelow.

A. JVG FINANCE LIMITED AND ITS DIRECTORS, MR. V. K. SHARMA, MR. TRIPAT SINGH BHAN AND MR. BIRESH PRASAD SINGH

3. It is alleged that HFL group had indulged in substantial trading in the shares of the company during the investigation periods and thereby instrumental in the creation of false market in the shares of the company and its artificial price rise. In the show cause notice issued to the company and its directors, it was alleged that they were connected with the HFL group. The main charge against the company and its directors was that the company did not stamp the shares under lock-in as being non-transferable with the intention of enabling the promoters to introduce the same in the market through HFL. It was *prima facie* observed that the shares under lock-in were introduced by the company in league with Dr. Bharati Sharma (Member, MgSE) and HFL. Thus, the primary issue to be decided in respect of the company would be whether the company by not inscribing (by stamping that the shares were 'non-transferable' on the face of the share certificates) that the shares were non-transferable, had enabled its promoters in introducing the locked-in shares in the market to the detriment of the shareholders, investors and the securities market at large. I note that SEBI had received complaints, wherein the complainants had furnished photocopies of 1,000 share certificates issued by the company in respect of the shares so allotted to them on April 17, 1992 with distinct numbers from 282009 to 283008. It was seen that though, the said shares did not bear any stamp indicating that they were part of the promoter's quota, DSE had declared them as held under the promoter's quota and hence bad for circulation. The said decision of DSE was based on the certificate dated August 27, 1994 issued by M/s. Pee Dee Kapur & Co., Chartered Accountants, certifying the distinct numbers of shares certificates which were under the lock-in. As per the said certificate, share certificates bearing nos. 282009 to 283008 were not transferable till April 5, 1997 (5 years from the date of their allotment). There was another allegation that the promoters of the company had introduced locked-in shares in league with Dr. Bharati Sharma, member of MgSE. On a perusal of the stock register maintained by Dr. Bharati Sharma, it was noted that its

client, HFL had introduced 19,400 shares of the company in the market, which were non-transferable as the same were under lock-in. The details as below:

Bill No. & Date	Distinctive Nos.
P.B.-014/ 10.10.95	601209-2208, 603009-108, 346509-708, 435809-208, 612009-108, 439209-308, 677209-308, 661009-308, 461309-408, 628309-408, 637909-108, 670109-308, 628509-608, 627609-708, 339009-108, 660809-1008, 461409-508, 683609-708, 573509-608, 670009-108, 656109-208, 656409-508, 339109-208, 383209-508, 666009-108, 613609-4008, 623109-608, 349109-608, 623609-808, 352309-508, 630009-208, 641309-708, 655709-908, 449609-808, 641709-908, 644409-508, 445109-208, 658509-608, 643909-4008, 644009-108, 445009-108, 445209-308, 522709-808, 680809-908, 627709-808, 404509-608, 529109-208, 256209-308, 658809-908, 656009-108, 452509-608, 403909-4008, 404009-108, 428209-308, 428309-408, 669909-008
PB-017/ 13.10.95	638109-208, 638309-408, 687909-008, 684509-708, 267809-008, 383609-708
PB-015/ 10.10.95	3021201-400, 1164401-500, 1971301-400, 1968401-600, 1968101-800, 1969001-300
TOTAL	19,400 shares

It was found from the stock-register of Dr. Bharati Sharma that the shares under promoter quota were introduced in the market. This when seen together with the complaints from investors that shares bearing distinctive numbers 282009 to 283008 did not bear the stamp of 'lock-in' would show that shares held by promoters under 'lock-in' have been fraudulently introduced in market only at the behest of the company and its directors who were in charge of and responsible for the conduct of the business of the company. Further, it is pertinent to note that DSE had declared the said set of shares under the promoter's quota and hence bad for circulation.

4. I note that when the company was required to confirm whether it had affixed the stamp of non-transferability on the share certificates pertaining to the locked-in shares, it had stated in its letter to SEBI during the investigation that the information about the 'lock-in' and 'exchange' of share certificates was given to each shareholder and that the stamp of lock-in was affixed on all new share certificates sent to the shareholders in exchange of old share certificates surrendered by them. The company also submitted that all those shares were standing in the name of original shareholders. It would be pertinent to note that the company had come out with a public issue of 20,00,000 equity shares of Rs.10/- each at par in the year 1994. The said issue had

opened on June 16, 1994 and closed on June 22, 1994. Thus, shares allotted to the promoters in the said issue had to be under 'lock-in' for a period of five years, in terms of the provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 1992 as on that date. In terms of the said Guidelines, issuer companies were mandated to put a stamp of non-transferability on the face of the share certificates issues in respect of the shares allotted to the promoters. The said requirements were reiterated by SEBI, vide Circular Ref. SE/4726 dated June 18, 1992 and issued to all recognized stock exchanges.

5. Mr. V. K. Sharma (Chairman and Managing Director of the company), vide letter dated December 15, 2004 (in reply to the show cause notice dated October 26, 2004) had submitted that the Hon'ble High Court of Delhi had appointed an Official Liquidator in Company Petition No. 265 of 1998 and therefore, all records of the company were shifted from the office of the Registrar of Companies to the office of the Official Liquidator and that the company's offices stood sealed from the date of issue of the provisional winding up orders passed by the Hon'ble High Court. Thereafter, SEBI provided an opportunity of inspecting the documents relied on by it in preparing the show cause notice. In response, SEBI received a letter dated February 2, 2005 on behalf of Mr. V. K. Sharma requesting for time till March 2005, for inspection. The said requested was granted by SEBI and accordingly, Mr. V.K. Sharma was allowed to inspect the records on March 1, 2005. He was further advised to submit the reply by March 8, 2005. However, Mr. V. K. Sharma/or his representative did not appear for inspection of records on said date. Thereafter, Mr. V. K. Sharma, vide letters dated March 12, 2005 and April 13, 2005, requested SEBI for certain information and documents pertaining to the case, which was furnished to him, vide SEBI letter dated May 10, 2005. Subsequently, Mr. V. K. Sharma, vide letter dated May 20, 2005 contended that the relationship between the Chairman of HFL and himself would not prove anything and that they were not associated together since 1994-95. He stated that the sale/purchase of shares were regular trades of HFL and the reason as to why HFL sold or purchased shares of the company was not his business or that of the company. He further stated that all other queries can be replied only after going

through the records which were in the custody of the Official Liquidator and indicated that they were applying to the Hon'ble High Court for grant of permission to the Official Liquidator for supply of necessary documents. Mr. V. K. Sharma had also annexed a copy of the Company Application proposed to be filed before the Hon'ble High Court praying for a direction to the Official Liquidator to provide to the applicant (Mr. V. K. Sharma) copy of the entire correspondence between DSE and the company and or its former directors/officials. However, Mr. V.K. Sharma did not inform SEBI about the receipt of any information received from the Official Liquidator. Subsequently, SEBI had not received any correspondence from the company or its directors, even though letters were addressed to their last known address. Since no communication was received from Mr. V.K. Sharma in respect of the application filed by him before the Hon'ble High Court of Delhi for seeking directions to direct the Official Liquidator to provide the necessary documents, a search was made with respect to the case status of the said Company Application in the database of the website of the Hon'ble High Court of Delhi. From the website of the Hon'ble High Court, it was found that the said application (numbered as Company Application No. 769 of 2005 in Company Petition No. 265 of 1998) had been disposed of as early as on May 27, 2005 allowing the applicant (Mr. V. K. Sharma) to inspect the records. The Hon'ble Court further observed “ While inspecting the relevant records, the applicant can point out those documents which the applicant has to supply to SEBI and OL shall give copies of these documents to the applicant at applicant's cost.” Thus, the Hon'ble High Court had enabled Mr. V. K. Sharma to obtain copies of relevant documents from the Official Liquidator, which would have enabled him to file his reply to the show cause notice. However, he chose not to file any detailed reply and/or submit documents in support of his case. I note that no documentary evidence was furnished either by the company or by its directors, to the effect that the information about shares under lock-in and exchange of share certificate was given to each shareholder. Another fact which would go against the company and its directors would be that if the stamp of non- transferability was affixed on all new share certificates issued in lieu of old certificates, how was it possible for such a large number of share certificates to be in circulation that did not bear the stamp.

6. Thus, on the basis of the above discussion, it would emerge that the company and its directors were responsible in deliberately not stamping the share certificates pertaining to the locked-in shares. This resulted in the said shares being circulated in the market distorting the market equilibrium. The said acts are detrimental to the interest of the investors in the securities market. As the company is under liquidation, the present proceedings against it, is disposed of without any directions. Mr. V.K. Sharma was Chairman and Managing Director of the company and that he has been named as promoter of the company in the prospectus dated May 5, 1994 in respect of its public issue and also in subsequent prospectuses dated January 30, 1997. Mr. Tripat Singh Bhan was also named as director in both these prospectus of the company. It has also been mentioned in prospectus dated January 30, 1997 that Mr. Tripat Singh Bhan was looking after day to day activities of the company. Mr. B P Singh was the other Board member of JVG, as per the prospectus dated January 30, 1997. Mr. V. K. Sharma, Mr. Tripat Singh Bhan and Mr. Biresh Prasad Singh were directors of the company during the relevant periods and were in charge of and responsible for the conduct of the business of the company. In view of the foregoing, I find Mr. V. K. Sharma, Mr. Tripat Singh Bhan and Mr. Biresh Prasad Singh guilty of having contravened the provisions of SEBI Circular Ref. No. PMD/Cir.4545/92 dated June 11, 1992 [Guidelines for Disclosure and Investor Protection] read with SEBI Circular Ref. No. SE/4726 dated June 18, 1992 for their acts of omission to inscribe the words "*not transferable*" on the share certificates.

B. HOFFLAND FINANCE LIMITED AND ITS DIRECTORS, MR. D. P. NAYYAR, MR. PRAMOD KAPUR, MR. S. P. SHARMA, MR. B. B. SHARMA, MR. M. N. BADAM, MR. A. SUBBA RAO AND MR. JAGDISH NARAIN AND THEIR GROUP ENTITIES

7. The investigation conducted by SEBI had observed large scale buying of the shares of the company by HFL and their group entities during the relevant periods. Based on the findings of the investigation, it was alleged that, substantial buying by the said group had resulted in the upward price movement of the shares of the company

between April 1995 and March 1996 and between June 1996 and December 1996, both at DSE and MgSE. It was revealed that HFL, during 1994-1995, had purchased and received delivery of 3,400 shares of the company from M/s. Bharat Bhushan & Co.(Member, DSE). It was further revealed that during 1995 and 1996, HFL had dealt in the shares of the company through Dr. Bharti Sharma (Member, MgSE), Bharat Bhushan & Co. (Member, DSE), Rahul Saigal & Co. (Member, DSE) and Bansal & Co. (Member, DSE). The numbers of shares bought and sold by HFL through the aforesaid stock brokers are as below:

MEMBER	NO. OF SHARES			
	BUY	DLY	SELL	DLY
Dr. Bharti Sharma (MgSE)	40300	-	91900	29700
Bharat Bhushan & Co.(DSE)	13500	12100	1400	-
Rahul Saigal & Co. (DSE)	74500	37200	37300	-
Bansal & Co. (DSE)	18900	13200	5700	-

I also note that, during investigation, HFL had stated that, its entire trading in the shares of the company was on behalf of its clients, but failed to submit details about the clients.

8. As regards Mr. B. B. Sharma, Chairman of HFL, it is noted that he is the husband of Dr. Bharati Sharma (member, MgSE) and also the elder brother of Mr. V.K. Sharma, Chairman of the company. Mr. B. B. Sharma had dealt in the shares of the company through Dr. Bharati Sharma. Mr. B. B. Sharma started purchasing the shares of the company from January 2, 1995 when the shares price was quoting at Rs.15/-. Between January 20, 1995 and March 20, 1995, Mr. B. B. Sharma had purchased a total of 97,600 shares and sold 9,400 shares and received 67,500 shares in delivery. It would be pertinent to note that by that time, the share price had increased to Rs.44/- (on March 20, 1995). Besides, he had dealt in the shares of the company in his own account till September 05, 1995 and thereafter in the account of HFL. He was found to have purchased 1,91,400 shares and sold 75,500 shares and received 1,15,900 shares in delivery between the period April 1, 1995 and September 5, 1995. As Mr. B.

B. Sharma had a running account with the stock broker, it became difficult to correlate the payments made for shares purchased. The investigations observed that the most of the payments were made by him by cash, which was quite unusual for transactions in shares done in the normal course. When Mr. B. B. Sharma was asked to explain his trading, he had replied that the shares of the company were purchased by him on behalf of various clients. However, Mr. B. B. Sharma could not furnish any details in support of his claim. It is pertinent to note that SEBI, vide order dated March 15, 2007 had suspended the certificate of registration of Dr. Bharti Sharma, member of MgSE, in respect of its dealings in the shares of the company. The trades of HFL no doubt created misleading appearance of trading in the market and had induced unsuspecting investors to trade in the shares of the company during the relevant period. Besides, the said trades were also instrumental in the artificial increase in the share price. Thus, I conclude that HFL has violated Regulation 4(a) & 4(b) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

9. In response to the show cause notice, one of the directors of HFL, Mr. Jagdish Narain, vide his reply dated August 1, 2008 had submitted that he was a 'non-working' director in HFL from June 5, 1995 to March 30, 1996 and that during his short period, he was never informed, consulted or attended any board meetings or signed any paper. He further contended that he did not have anything to do with the day to day functioning of the company. Mr. Jagdish Narain had refuted the averment that that he being a director in HFL had a role in the manipulation in the shares of the company. He relied on the submissions made by him before the Hon'ble Additional Sessions Judge, Tis Hazari, Delhi in the complaint (Complaint Case No. 133 of 2005) filed by SEBI before the said court. He had enclosed a copy of the application for compounding filed before the said Hon'ble Court. The said application was made on behalf of Mr. Jagdish Narain in the Hon'ble Court, in terms of SEBI Circular Ref. No. EFD/ED/Cir-1/2007 dated April 20, 2007. The said compounding application has since been allowed by the Hon'ble Court. Among the other directors of HFL, SEBI had also received compounding application from Mr. Pramod Kapur wherein he had contended

that he was non-working director of HFL from June 6, 1995 to March 1, 1996. It was also contended that he neither signed nor attended any Board meeting and had no role in the affairs of HFL. Mr. Pramod Kapur had also produced a copy of Form 32 filed with Registrar of Companies in support of his contention. The said compounding application has since been allowed by the Hon'ble Court. The other directors of HFL have not replied to the show cause notice, though the same were sent at their last known address. After a careful consideration of the case against Mr. Jagdish Narain and Mr. Pramod Kapur, I do not find it appropriate to issue directions against them, in the facts and circumstances of the case. In view of the above, HFL its promoter director Mr. B. B. Sharma and its other directors, Mr. D.P. Nayyar, Mr.A.Subba Rao and Mr. S. P. Sharma, were in charge of and responsible for the conduct of the business of HFL during the relevant period, are held guilty of contravening Regulation 4(a) & (b) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

10. With respect to the role of Marisia Financial Services Limited (one of the group entities of HFL) in the case, I note that, it was a member of the Madhya Pradesh Stock Exchange Limited. It had the same address as that of HFL and the Delhi office of Dr. Bharati Sharma with same telephone numbers. It is noted that, as per the prospectus dated April 4, 1996 of M/s. Goga Foods Limited, its director Mr. M. N. Badam was also shown as a director of Marisia Financial Services Limited, HFL and Dr. Bharati Sharma. Thus, Mr. M.N.Badam was a common director in Marisia Financial Services Limited, HFL and in the stock broking company of Dr. Bharati Sharma. This would show that Marisia Financial Services Limited is one of the group entities of HFL. Mr. B. B. Sharma, Chairman and Managing Director of Hoffland Group of companies was holding 1,10,000 shares constituting 97.28% of the shares of Marisia Financial Services Limited, as informed by the Madhya Pradesh Stock Exchange Limited, vide letter dated February 28, 2001. I also note that the registration of Marisia Financial Services Limited in its capacity as a stock broker, had been cancelled by SEBI vide its order dated January 1, 2002. Marisia Financial Services Limited was a client of M/s. Rahul Saigal, Member, DSE during April 1995 and March 1996. As per the said stock

broker, it had purchased 12,800 shares and sold 7800 shares of the company during the said period. Marisia Financial Services Limited, when called for the details of its trading during 1994-95 & 1995-96 in the shares of the company, stated that it had purchased 8600 shares and sold 500 shares and received delivery of 8100 shares during 1995-96 from M/s. Rahul Saigal & Co. Marisia Financial Services Limited also stated that all its transactions were done on behalf of others, but did not furnish any details about the same.

11. Mr. Rakesh Mishra was the Chief Manager in HFL and also the proprietor of M/s. Rakesh Investment (Member, Uttar Pradesh Stock Exchange Limited). I find as per the information furnished by M/s NC Associates (member of DSE) that its client Mr. Rakesh Mishra had purchased 69,600 shares and sold 44,600 shares resulting in a net buy of 25,000 shares during the period between June 1, 1996 and December 21, 1996. Mr. Rakesh Mishra did not furnish any information about his trading in the shares of the company and instead stated (during the course of investigation) that on account of a theft at his residence, he had lost all the documents. He further stated that most of his clients were from village Khekra, Baghpat (Uttar Pradesh), dealing through one Mohd. Mehrudin. As Mr. Rakesh Mishra failed to furnish his trading details, enquiries were made in respect of the funding for his purchases. From the information obtained from his stock broker, M/s NC Associates, payments against purchase of shares of the company were made by way of cheques issued from Oriental Bank of Commerce, Safdarjang Enclave, New Delhi. The account opening form obtained from the said bank revealed that Mr. Rakesh Mishra had been introduced by HFL. The only transactions in the account were deposit by cash and simultaneous debits by cheques favouring the stock broker, M/s. NC Associates. I note that the bill dated August 10, 1996 issued by M/s. NC Associates to Mr. Rakesh Mishra was received by one, Kutty. It would be pertinent to note that during investigation, it was revealed that the persons dealing for various associates of HFL included the said Mr. Kutty. Mr. Kutty had also received the bill dated June 22, 1996 issued by M/s. Bansal & Co. to M/s. VM Investment for the purchase of shares of the company. This further links M/s. VM Investment, Mr. Rakesh Misra and various

associates of HFL. Therefore, it can be concluded that Mr. Rakesh Mishra had used his bank account as a conduit to transfer funds which were used for acquiring shares of the company. This gains importance in the light of the fact that, during June-December 1996, HFL group had purchased 1,96,000 shares (which is 73.57% of total purchase of 2,66,400 shares at DSE) and the gross trades by these entities aggregated to 3,48,700 shares (which is 65.44% of the 5,32,800 shares traded at DSE).

12. With regard to the case against Mr. Hari Kumar, I note that Mr. Hari Kumar had purchased 6,200 shares and sold 5,500 shares during the period June 1, 1996 to December 21, 1996. As per details furnished by M/s. NC Associates (stock broker through whom Mr. Hari Kumar had traded), it is seen that Mr. Hari Kumar had issued cheques drawn on Punjab National Bank, Mehrauli Road, New Delhi for purchase of shares of the company. The enquiries with the said bank showed the address of Mr. Hari Kumar as 519, Ansal Chambers II, Bhikhaji Cama Place, New Delhi. When the said premises were visited on January 4, 1999, it was found to be locked. Later, it was gathered on local enquiries that the said premises were previously occupied by HFL. It thus emerged that Mr. Hari Kumar was also acting in nexus with HFL.

13. With respect to M/s. V. M. Investments, Mr. Rana Das and Mr. S. K. Gupta, I note that they have made the following transactions in the shares of the company during the period June 1, 1996 to December 21, 1996:

Name of client	Buy	Sell	Net
VM Investment	11,400	1,600	9,800
Mr. Rana Das	19,900	25,500	-5,600
Mr. S.K. Gupta	12,500	12,500	0

The address of Mr. Rana Das at 421, Ansal Chambers II, Bhikhaji Cama Place, New Delhi when visited on January 04, 1999 was found locked. Later, it was known that the said premises were last occupied by HFL. Mr. Ramesh Chandra Bansal, Proprietor of M/s. Bansal & Co. had stated to SEBI (statement recorded on June 16, 1998) that both

M/s. V. M. Investments and Mr. Rana Das were introduced to them by HFL, as they were its clients. It was further stated by Mr. Ramesh Chandra Bansal (during the course of investigation) that Mr. Rana Das and Mr. S. K. Gupta were the employees of HFL and that M/s. V M Investment was owned by one Virmani, an associate/friend of the directors of HFL. It was further revealed that the persons dealing for M/s. VM Investment, Mr. S. K. Gupta and Mr. Rana Das were Mr. Gopal Gupta, Mr. Ghosh and Mr. Kutty. It was further stated by the stock broker (M/s. Bansal & Co.) that telephonic orders used to be placed by one Mr. Gopal Gupta, a computer operator employed with HFL and the deliveries were received *inter alia* by Mr. Kutty for all those clients.

14. With respect to the case against Ever Grow Financial Services Private Limited, I note that from the information furnished by M/s. Puri Financial Services (member, DSE) that Evergrow Financial Services Private Limited had purchased 18,100 shares and sold 100 shares resulting in a net buy of 18,000 during the period June 01, 1996 to December 21, 1996. When the details of trading in the shares of the company were sought during the course of investigation, Evergrow Financial Services Private Limited, vide letter dated November 3, 1997 had furnished the names and addresses of 21 persons for whom it had purchased those shares. From a visit to the office of the said entity at 709, Pocket D, Dilshad Garden, Delhi- 95 on May 19, 1998, it was found to be the residence of one Ashok Kumar Kohli. A statement of his wife Mrs. Neelam Kohli was recorded by SEBI. She had stated that Evergrow Financial Services Private Limited was a firm started by her husband but that no work had been done by it. She also stated that her husband was working in Preet Vihar Office of HFL till 5-6 months back. Based on the said facts, it can be concluded that Evergrow Financial Services Private Limited was one of the front entities of HFL in the purchase of shares of the company.

15. With respect to the case against Mr. Gopal Gupta, I find from the statement of Mr. Vikas Puri of M/s. Puri Associates (sub-broker of M/s. Puri Financial Services, member, DSE) recorded on June 17, 1998 that their entire trading in the shares of the company (purchase of 46,300 shares and sale of 48,700 shares) was for Mr. Gopal

Gupta. As the address of Mr. Gopal Gupta was not available, the source of payments made to the stock broker for purchase of shares by him was examined. On examination, it was found that all the payments were made by way of cheques issued by him from his account maintained with Oriental Bank of Commerce, Safdarjang Enclave, New Delhi. In his case too, the bank account revealed that there were cash deposits and simultaneous debits by cheques favouring the said stock broker, as seen in the case of Mr. Rakesh Mishra. Mr. Gopal Gupta was mentioned as a client by M/s. Ever Grow Financial Services Private Limited and the person dealing for the clients of M/s. Bansal & Co. (member, DSE) for the transactions in the shares of the company. Based on the aforesaid facts and in the absence of any material to disprove the case of the investigation, it can be inferred that Mr. Gopal Gupta had acquired the shares of the company at the behest of HFL.

16. I note that the association between JVG group of companies (which includes the company) and Hoffland group of companies (which includes HFL) is confirmed by the following:-

- a) Mr. V.K. Sharma, Chairman and Managing Director of JVG Group of Companies, is the younger brother of Mr. B.B. Sharma, Chairman and Managing Director of Hoffland Group.
- b) As per the prospectus of JVG Departmental Stores Limited, an associate concern of the company, HFL was among its top 10 shareholders and held 76,700 shares on 5.12.95.
- c) Investigations conducted by SEBI into the price rigging in the scrip of JVG Departmental Store Limited, during September-October 1996 revealed that HFL was involved in creating a false market in the scrip. SEBI had also initiated prosecution proceeding in the said matter against HFL and its directors.
- d) As per the Prospectus dated 4.4.96 of Goga Foods Limited, another associate concern of the company. Mrs. Veena Sharma (wife of Mr. V. K. Sharma) and Mr. M.N. Badam were its directors. Mr. M.N. Badam was also a Director of HFL and Dr. Bharati Sharma Share & Stockbrokers Limited, during the relevant period. Goga Foods Limited also had the same address as that of HFL at 1207, Hemkunt, Rajendra Place, New Delhi.

- e) HFL had introduced the company to Oriental Bank of Commerce, Safdarjang Enclave, New Delhi on July 24, 1997, for opening a bank account.

17. From the foregoing, it is found that the company and its directors were responsible for not inscribing the words “non transferable” on the face of the share certificates issued to the promoters in respect of the shares allotted to them. Thus, they are also responsible in allowing such shares to be easily tradeable in the market. HFL and its group entities had offloaded such shares under lock in through Dr. Bharti Sharma (Member, MgSE) which resulted in DSE declaring those shares as bad for circulation. It is also to be mentioned here that HFL had given a false statement to SEBI, when the matter was taken up with it. SEBI received a letter (on June 18, 1997) from HFL informing that “ *we do not have any transaction received/ delivered scrip of JVG-F which were not transferable being under lock in period.*” This is contrary to the factual position, as established above in this order. Therefore, the company and its directors had contravened the provisions of SEBI Circular Ref. No. PMD/Cir.4545/92 dated June 11, 1992 [Guidelines for Disclosure and Investor Protection] read with SEBI Circular Ref. No. SE/4726 dated June 18, 1992 for their acts of omission to inscribe the words “*not transferable*” on the share certificates. As the company is under liquidation, this proceedings against the company is disposed of. The directors of the company, Mr. V. K. Sharma, Mr. Tripat Singh Bhan and Mr. Biresh Prasad Singh are liable for the aforesaid acts.

18. The linkages between HFL, Marisia Financial Services Limited, Mr. B. B. Sharma, Mr. M.N Badam, Mr. S.P. Sharma, Mr. Rakesh Mishra, Mr. Hari Kumar, M/s. V. M. Investment, Mr. S. K. Gupta, Mr. Rana Das, M/s. Ever Grow Financial Services Private Limited, its director Mr. Ashok Kumar Kohli, Mr. Gopal Gupta have been brought out in the previous paragraphs. It thus emerges that all the aforesaid entities being HFL and its front entities were acting in tandem with each other while dealing in the shares of the company during 1995-96. The said entities began purchasing the shares of the company from January 1995 when the share price was around Rs.20/-. The said entities had cumulatively purchased 1,60,800 shares of the company, which

was 33.17% of the total purchase of 4,84,700 shares at DSE during the relevant period. During June-December 1996, the said entities purchased 1,96,000 shares, which was 73.57% of total purchase of 2,66,400 shares at DSE. Their gross trades of 3,48,700 shares of the company constituted 65.44% of 5,32,800 shares (of the company) traded at DSE. The substantial purchases by the said entities including HFL had increased the share price of the company to Rs.48/- on April 3, 1995 and to Rs.80/- on March 1, 1996. Similarly at MgSE, HFL and its Chairman, Mr. B.B. Sharma (acting as clients of Dr. Bharati Sharma) had taken large deliveries of 86,200 shares during 1995-96, which was approximately 4.3% of the floating stock of 20,00,000 shares of the company. Thus, I conclude that such large scale buying by HFL and associate entities were instrumental in the artificial creation of a market for the shares of the company and the associated increase in its share price. These acts had induced other unsuspecting investors to deal in the shares of the company during the relevant period. By virtue of their concentrated trading in the shares of the company, the entities were able to impact the price of the shares of the company. All of them had their separate roles to play in the manipulation as discussed above. Therefore, HFL, Marisia Financial Services Limited, Mr. B. B. Sharma, Mr. M.N Badam, Mr. S.P. Sharma, Mr. Rakesh Mishra, Mr. Hari Kumar, M/s. V. M. Investment, Mr. S. K. Gupta, Mr. Rana Das, M/s. Ever Grow Financial Services Private Limited, its director Mr. Ashok Kumar Kohli, Mr. Gopal Gupta are guilty of violating the provisions of Regulation 4 (a) & 4(b) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

19. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 further read with Regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain the following persons and entities, from accessing the securities market and prohibit them from buying, selling or dealing in securities in any manner either directly or indirectly for a period of two years.

1	Mr. V. K. Sharma having his address at A-2, Chattarpur Enclave, Phase-II, New Delhi – 110 068
2	Mr. Tripat Singh Bhan having his address at B-22, Ansal Chambers-I, Bhikaji Cama Place, New Delhi – 110 066
3	Mr. Biresh Prasad Singh having his address at B-22, Ansal Chambers-I, Bhikaji Cama Place, New Delhi – 110 066
4	Hoffland Finance Limited having its address at 1207, Hemkunt Towers, Rajendra Place, New Delhi - 110008
5	Mr. D. P. Nayyar having his address at 1207, Hemkunt Towers, Rajendra Place, New Delhi - 110008
6	Mr. S. P. Sharma having his address at B-5/100, Safdarjung Enclave, New Delhi
7	Mr. B. B. Sharma having his address at B-2/54, Safdarjung Enclave, New Delhi
8	Mr. M. N. Badam having his address at E-15/B, DDA Flats, Munirka, New Delhi
9	Mr. A. Subba Rao having his address at CS-91/398, West Azad Nagar, Krishna Nagar, New Delhi
10	Marisia Financial Services Limited having its address at 431, Ansal Chambers-2, Bhikaji Cama Place, New Delhi - 110066
11	Mr. Rakesh Mishra having his address at A-40, Village Mohammedpur, Near Bhikaji Cama Place, New Delhi
12	Mr. Hari Kumar having his address at 519, Ansal Chambers-II, Bhikaji Cama Place, New Delhi
13	M/s. V. M. Investments having its address at Shop No. 125, 110, Apna Bazar, Gurgaon
14	Mr. Rana Das having his address at 421, Ansal Chambers-2, Bhikaji Cama Place, New Delhi - 110066
15	Mr. S. K. Gupta having his address at 15-70, Kanoon Goyan, Aligarh

	(Uttar Pradesh)
16	Evergrow Financial Services Private Limited having its address at Flat No. 709, Pocket-D, Dilshad Garden, New Delhi - 110095
17	Mr. Ashok Kumar Kohli having his address at Flat No. 709, Pocket-D, Dilshad Garden, New Delhi - 110095
18	Mr. Gopal Gupta having his address at E-21 A, Om Vihar, Uttam Nagar, New Delhi

20. The proceedings initiated by Securities and Exchange Board of India against JVG Finance Limited (vide show cause notice dated October 26, 2004) and Mr. Jagdish Narain and Mr. Pramod Kapur (vide show cause notices dated November 17, 2004) are disposed of without any directions, for the reasons stated above.

21. This order will come into force with immediate effect.

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

PLACE: NEW DELHI (NORTHERN REGIONAL OFFICE)
DATE: FEBRUARY 19, 2010