

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF EIDER INFOTECH LTD.

In respect of Eider Infotech Ltd., Smt. Rama Sinha, Sanjay Sinha, Manmohan Dhasmana, B.L. Khurana, Eider e-Commerce Ltd., Eider Financial Services Ltd., Centre for Excellence in Fashion Technology and Mr. N. K. Jain (proprietor of Parshad & Co. and Saran Investments Ltd.)

ORDER

Under Section 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 and 12 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigations into buying, selling and dealings in the shares of Eider Infotech Ltd. (hereinafter referred to as 'EIL') formerly known as Eider Telecom Ltd. on receipt of complaints about the price rigging in the scrip from Rs.40/- as on December 01, 1999 to a high of Rs.625/- as on March 14, 2000. The investigation was bifurcated into two parts i.e. December, 1999 to March, 2000 (period I) during this period the scrip was being traded in normal settlement and April, 2000 to August, 2000 (period II) during this period the scrip was being traded in rolling settlement (both periods I and II together hereinafter referred to as 'relevant period'), *inter alia*, to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations'). During the relevant period, the shares of EIL were listed on National Stock Exchange (hereinafter referred to as 'NSE'), Bombay Stock Exchange (hereinafter referred to as 'BSE'), Ludhiana Stock Exchange (hereinafter referred to as 'LSE'), Ahmedabad Stock Exchange (hereinafter referred to as 'ASE'), Delhi Stock Exchange (hereinafter referred to as 'DSE') and Calcutta Stock Exchange (hereinafter referred to as 'CSE').
2. Investigations revealed that at BSE, the price of the scrip rose from

Rs.43.15/- as on December 02, 1999 to Rs.100.70 as on February 02, 2000. Due to sharp rise in the price and low trading volumes, BSE reduced the circuit filter limit on the scrip from 8% to 4% on December 08, 1999. Apart from the reduction of circuit filter, BSE also imposed price sensitive steps such as additional volatility margin from time to time to curb the volatility in the prices of EIL.

3. At NSE the concentration of trading volume among few trading members was observed during the period I. It was revealed that some trading members had intentionally executed trades in the scrip of EIL so as to create artificial liquidity in the market and at the same time managed to increase the price of the scrip to discernibly high levels. NSE suspended the trading in the scrip due to non-compliance of listing formalities during the month of April, 2000. Further, on April 26, 2000, NSE revoked the suspension and trading in the scrip was resumed at the base price of Rs.111 and reached to the level of Rs.150 on May 10, 2000 and further touched a high of Rs.830 as on July 06, 2000.
4. Investigations, revealed that EIL, its directors/ promoters viz. Smt. Rama Sinha, Mr. Sanjay Sinha, Wg. Cdr. Mr. Manmohan Dhasmana and Mr. B.L. Khurana, group entities viz., Eider Financial Services Ltd. (hereinafter referred to as 'EFSL'), Eider e-Commerce Ltd. (earlier known as City Wide Communications and Computers India Ltd.) (hereinafter referred to as 'ECL'), Centre for Excellence in Fashion and Television Technology (hereinafter referred to as 'CEFT') and Mr. N.K. Jain proprietor of Parshad & Co. and Saran Investments Ltd. (hereinafter collectively referred to as to 'group companies/ associates') had played a major role in the price manipulation in the scrip of EIL, during the relevant period. From the trading pattern and bank records, it was found that EIL and its group companies/ associates had funded the brokers and the clients, who had traded significantly in the scrip during the relevant period. The bank records showed the flow of funds on a continuous basis from the group companies of EIL to the accounts of brokers/ sub-brokers. Broker namely NAM Securities Ltd.

(hereinafter referred to as 'NSL') while trading in the scrip of EIL constituted a major part of volumes at NSE during the relevant period.

5. On completion of the investigations, SEBI issued Show Cause Notices (hereinafter referred to as 'SCN') under Section 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'), to EIL, Smt. Rama Sinha, Sanjay Sinha, Wg. Cdr. Manmohan Dhasmana, B.L. Khurana, EFSL, ECL, CEFT and N. K. Jain proprietor of Parshad & Co. and Saran Investments Ltd. (hereinafter collectively referred to all these entities as 'noticees') asking them to show cause as to why suitable directions under Section 11B of the SEBI Act, 1992 read with the provisions of Regulation 11 and 12 of PFUTP Regulations including restraining them from dealing in securities market for a particular period or other appropriate directions should not be issued against them. Details regarding the dates of issuing SCN to noticees are as under:

Table A

Sr. No	Name of entities	Date of issue of SCN
1.	Eider Infotech Ltd.	July 03, 2003
2.	Smt. Rama Sinha, Director, EIL	September 30, 2003
3.	Mr. Sanjay Sinha, Director, EIL	September 30, 2003
4.	Wg. Cdr. Manmohan Dhasmana, Director, EIL	September 30, 2003
5.	Mr. B.L. Khurana, Director, EIL	September 30, 2003
6.	Eider Financial Services Ltd. (EFSL)	August 29, 2002
7.	Eider e-Commerce Ltd. (ECL)	August 29, 2002
8.	Centre for Excellence in Fashion & Television Technology (CEFT)	August 29, 2002
9.	Parshad & Co. (Prop. N.K. Jain)	August 16, 2002
10.	Saran Investments (Prop. N.K. Jain)	August 16, 2002

It was alleged in the SCNs, that EIL along with its group companies/ associates while acting in concert with the management of EIL had funded the market intermediaries i.e. the brokers/ sub-brokers and thereby violated the provisions of Regulation 4 (a), (b), (d) and (e) of PFUTP Regulations.

6. The noticees vide their letters replied to the SCN, the contentions thereof, in brief, are:

a. EIL vide its letters dated September 9, 2003, January 19, 2004, February 22, 2008, March 10, 2008, October 06, 2008, October 07, 2008, October 16, 2008, June 22, 2009 and October 15, 2009 submitted as under:

- Shares purchased by Parshad & Co. and Saran Investments Ltd. have not been sold/ transferred to anybody till date.
- Had not funded anybody for purchasing the shares of EIL and payments made to Saran Investment Ltd. were on some other account.
- Cheque signing authority cannot be termed as owner of entity.
- CEFT is an independent entity entirely controlled by an NRI and is not a group company of EIL.
- N.K. Jain was attached with EIL for a short period of time and was not key management personnel of EIL during the period December, 1999 to August, 2000. In view of this the trading activities of Parshad & Co. and Saran Investments Ltd. cannot be attributed to the group/ associates of EIL.
- The management of EIL/ or its group associates had no connection with NSL. The payment made by EFSL to NSL was on behalf of its client/ party in ordinary course of business.
- Pending transfer/ dematerialization of the shares could not be done due to snag in the computer operating system.
- Had only purchased the shares and this cannot be termed as trading. Conduct of EIL cannot be termed as Unfair Trade Practices
- Had not received the documents relied upon in the investigations.
- Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'SAT') in the matter of Eider e-com. Ltd. Vs. SEBI vide its order dated August 20, 2008 has held that EIL was not required to make public announcement because Regulation 11 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 (hereinafter referred to as 'SAST Regulations') was not attracted. In view of this the SCN dated July 03, 2003 is without jurisdiction and legal power.

b. EFSL vide its letters dated October 25, 2002:

- The price rise in the scrip of EIL was attributed to software boom.
- It was a financial and investment company with the main object to buy, underwrite, invest in, acquire, hold and deal in the shares of companies. The shares of EIL purchased by it were on behalf of its investors and were never sold in market and are lying with the investors.
- Out of 10 demand drafts mentioned only 4 were issued in favour of NSL viz. Demand Draft (hereinafter referred to as 'DD') No. 52292 for Rs.2 lacs, DD No. 052299 for Rs.4 lacs, DD No. 052349 for Rs.10.68 lacs and last one for Rs.7,79,781. These payments were made to NSL on behalf of Mr. Devinder Singh (on specific request), to whom EFSL owed this amount. The pay orders were issued to NSL by EFSL while settling the account of Devinder Singh. The investigation report was based on unauthentic and incorrect documents as the DD No. 88530 dated March 24, 2000 for Rs.3,39,684 was never issued to Profin Capital Services Ltd. (hereinafter referred to as 'Profin').
- Mere fact that the registered office of EFSL, Parshad & Co and Saran Investments Ltd. matched with that of EIL, does not mean that these entities were associated with EIL.
- Its management and control was vested with the industrialists based in Bihar and was a non functional/ non operational company since long, it could not retain proper administrative or clerical staff at Chandigarh and relied on Sanjay Sinha who was also authorized to operate the bank accounts at Chandigarh in limited capacity. By this Sanjay Sinha cannot be said to be in control of the affairs of the company in any manner.
- It has the certificate to act as Category II Merchant Banker issued by SEBI in the year 1996 and with this it was empowered to act as Portfolio Manager for its clients, in which it was engaged.

- It had never entered into the contract for the purpose of dealing the securities of EIL and none of the ingredients of fraud can be established in its transactions. No material to prove that it had committed fraud and the loss incurred to the investors.

c. ECL vide its letters dated November 01, 2002, July 06, 2009 and October 15, 2009:

- Never funded any entity/ person for the purpose of purchasing the shares of EIL. Payments made to Profin were made on specific request of Saran Investment Ltd. ECL owed this amount on some other account to Saran Investments Ltd. and while settling their account on their specific request, it issued pay orders in the name of Profin to whom Saran Investment Ltd. owed the amount.
- The shop cum office building in which office of EIL was situated before August, 2000 i.e. SCO 147-148, Sector 8-C, Chandigarh, was a building hired on rent. EIL and many other entities were having their offices in the same building on the same floor.
- As the alleged association of various firms and individuals has been discounted by Hon'ble SAT in the appeals filed by it. The other charge of generating artificial increase in the scrip through manipulated acquisition of the shares of EIL through the same firms and individuals on the same facts and circumstances cannot stand the legal scrutiny.
- Order of Hon'ble SAT establishes that EIL was not an acquirer at all and so the question of participation in manipulation of scrip price by it does not arise.
- No material to prove that it had committed fraud and the loss incurred to the investors.
- The price rise in the scrip of EIL was attributed to software boom.

7. The SCNs issued to Saran Investment Ltd. and Parshad & Co. were returned undelivered. Thereafter, these SCN were forwarded through EIL. I

note that EIL has returned the letter of Saran Investment Ltd. stating therein that they are not aware of the whereabouts of N.K. Jain vide its letter dated June 17, 2009.

8. Pursuant to this, opportunities of personal hearing were granted to EIL and its associate entities, before the then Whole Time Member, SEBI. However, on January 20, 2004 and February 09, 2004, none appeared on behalf of EIL and its associate entities. Further, on August 24, 2007 one Mr. A.K. Rampal, attended the hearing on behalf of EIL and its associate entities, without any proper authorization. Taking concern of this the hearing was adjourned and another opportunity of personal hearing was granted to the noticee in compliance of the principles of natural justice on October 26, 2007, but on this date none appeared on behalf of noticees and later on claimed that the letter of hearing was received late by them i.e. on October 31, 2007. Considering this, once again an opportunity of personal hearing was granted to EIL on January 16, 2008, this time again none appeared for making submissions.
9. Pursuant to this, EIL vide its letter dated January 11, 2008 asked for a copy of SCN dated July 03, 2003. Accordingly, a copy of SCN dated July 03, 2003 was provided to EIL vide SEBI letter dated February 08, 2008, and intimated it about the next date of hearing on March 13, 2008. EIL vide its letter dated February 22, 2008 submitted that it:
 - a. Have not received the material/ documents/ complaints on the basis of which the conclusions/ allegations in investigation report were drawn/ recorded.
 - b. Have not received the trade logs and replies filed by different institutions/ brokers referred in the investigation report.
10. Further, EIL instead of attending hearing on March 13, 2008, wrote a letter dated March 10, 2008 to SEBI. Pursuant to this, another opportunity of personal hearing was granted to EIL on June 10, 2008, which was later on

rescheduled to June 19, 2008. This time again, EIL and its associate entities failed to appear before the then Whole Time Member, SEBI. Again another opportunity of personal hearing was granted to EIL on October 13, 2008. In the mean time Hon'ble SAT passed an order on August 20, 2008 in Appeal no. 176 of 2007 in the matter of Eider e-Commerce Ltd. Vs. SEBI and the EIL and its associates entities vide their letter dated October 06, 2008 relied on this order.

11. Thereafter, SEBI vide its letter dated October 08, 2008, made it clear to EIL that the proceedings under Section 11B of SEBI Act, 1992 and under Regulation 42 of SAST Regulations are different. In view of this one more opportunity of personal hearing was granted to EIL and its associate entities on July 09, 2009. This hearing was adjourned due to change in appropriate authority.
12. Another opportunity of personal hearing was granted to EIL and its associates/ group companies on November 20, 2009, before me, in adherence to the principals of natural justice. Hearing notices were issued to the noticees, I note that some of these hearing notices returned undelivered. In an attempt to serve these hearing notices, SEBI also affixed these at EIL's all India sales office situated at 119, Indra Prakash Building, 21, Barakhamba Road, Connaught Place, New Delhi by SEBI. I note that EIL and ECL vide their letters dated October 15, 2009 replied to the hearing notices issued by SEBI and preferred to reiterate their earlier submissions. To proceed with the matter, SEBI also issued a press notification in the local and national daily newspapers intimating the entities therein about the hearing. However, this time again no one appeared on the date of hearing on November 20, 2009. Taking note of this, I am compelled to proceed with the matter *ex-parte*, on the basis of material available on record, having complied with the principles of natural justice.
13. Before proceeding further, I must deal with the preliminary objection raised by EIL and ECL that the order of Hon'ble SAT in the matter of Eider e-com

Ltd. Vs. SEBI dated August 20, 2008 has made the SCN dated July 03, 2003 without jurisdiction. I have seen this order of Hon'ble SAT and find that the main issue discussed in it was the applicability of Regulation 11 of SAST Regulations in a given set of facts. I note that the order discusses the question of law and puts no bar on the proceedings pending with SEBI.

- 14.** As regards the submission of EFSL that it had a certificate to act as Category II Merchant Banker and was empowered to act as portfolio manger for its clients. To this, I have seen the details of its registration with SEBI and found that its certificate to act as merchant banker was valid from August 01, 1996 to July 31, 1999. After this date the registration of EFSL expired as the same was not renewed by it. In light of this, I note that the submission of the EFSL was incorrect and misleading in nature.
- 15.** Further, all relied upon document for the present proceedings have been supplied to the noticees herein. However, I note that no document, which has not been provided to the noticees, is being relied upon in the present proceedings.
- 16.** I have carefully examined the SCN issued and the replies/ written submissions received from the noticees and material available on record. The following issues arises for consideration:

 - a.** Whether EIL and its group companies/ associates had funded the market intermediaries and thereby aided and abetted in the price manipulation of the scrip of EIL.
 - b.** Whether EIL had delayed the share transfer/ dematerialization requests of investors.
- 17.** Whether EIL and its group companies/ associates had funded the brokers/ sub-brokers for dealing in the scrip of EIL.

 - a.** I note from the investigations that the group companies/ associates of

EIL namely EFSL, Eider Technologies Ltd., ECL and CEFT were all closely related. Further the persons/ entities related to the management of EIL i.e. Parshad & Co. and Saran Investments Ltd. were also active in the market through market intermediaries and were trading in the shares of EIL. Before proceeding further, the inter-relationship of group companies/ associates is necessary to be discussed, which is as under:

Table B

S. No.	Name of person/ entity	Relationship with Eider Infotech Ltd. (EIL)
1.	Eider Financial Services Ltd. (EFSL)	- As per the prospectus during the public issue of EIL, this company was promoted by the promoters of EIL and under the same Management. - As per the details furnished by IndusInd Bank Ltd., the cheque signing authority was with Sanjay Sinha, who is also the promoter of EIL.
2.	Centre for Excellence in Fashion & Technology (CEFT)	- As per the Annual Report 1998-1999, Eider group had established International Institute of Telecom Technology (IITT) and an education society. IITT in turn promoted CEFT. - Address matched with the regd. office address of EIL. - As per the details furnished by IndusInd Bank Ltd., the cheque signing authority of CEFT is Sanjay Sinha, promoter of EIL.
3.	City Wide Communications and Computers India Ltd. (now known as Eider E-Commerce Ltd.) (ECL)	- City Wide Communications and Computers India Ltd. was promoted by the Eider group and the name was changed to Eider E-Commerce Ltd., which planned a public issue during the year 2000. (the public issue did not open for subscription). - As per the prospectus issued by ECL, City Wide Communications and Computers India Ltd. was a company acquired by EIL.
4.	Parshad & Co. trading through Tandon, sub broker to IMSL (broker), NSE	- Address of Parshad and Co. matched with the Regd. office address of EIL. - The entity is controlled by N.K. Jain whose name matched with that of the Vice President, Corporate Finance and Accounts of EIL. - The representative of EIL after seeing the photograph of N.K Jain (of Parshad and Co. and Saran Investments) confirmed to the investigating team that the photograph matched with that of the Vice President (Corp. Fin. and Accts.) of EIL. - The positions of Parshad and Co. in the scrip were funded by the group/ associate companies of EIL viz. EFSL and CEFT.
5.	Saran Investments Ltd. trading through Profin, broker, NSE	- The address of Saran Investments matched with the registered office address of EIL.

		- The entity is controlled by N.K. Jain whose name matched with that of the Vice President, Corporate Finance and Accounts of EIL. - The representative of EIL after seeing the photograph of N.K Jain (of Parshad and Co. and Saran Investments) confirmed to the investigating team that the photograph matched with that of the Vice President (Corp. Fin. and Accts.) of EIL. - The purchase positions of Saran Investments were funded in entirety by the group companies of EIL viz. ECL and EFSL.
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- b.** From the above, I note that the director of EIL namely Sanjay Sinha was having cheque signing authority of two companies i.e. EFSL and CEFT. However, EFSL in its reply has argued that the cheque signing authority given to a person cannot be treated as giving of ownership of such entity. I agree with the submission of the EFSL, that Sanjay Sinha, Director, EIL, cannot be considered as the owner of EFSL on having the cheque signing authority as it was a public limited company. But from such relationship of Sanjay Sinha with EFSL and CEFT gives an inference that he was having close nexus with these companies, the position enjoyed by him is generally based on trust and faith posed in the person. I also note that the address of CEFT, Parshad & Co. and Saran Investments Ltd. matched with that of Registered Office of EIL at the relevant period of time i.e. SCO 147-148, Sector 8-C, Chandigarh (as per its 9th Annual Report of EIL). EIL has objected to this by submitting that it was the same building but offices were different. I have noted this argument of the EIL but the circumstances like the relation as noted above infer that they were having close nexus among themselves.
- c.** The table B above also attempts to bring out the relationship between Parshad & Co. and Saran Investments Ltd. with the management of EIL. I note that the control of these two companies was with N.K. Jain. Upon enquiries from the brokers/ sub-brokers it came to the knowledge of SEBI that the contact person for both the entities namely Parshad & Co. and Saran Investments Ltd. was N.K. Jain. At the relevant period of time Parshad & Co. and Saran Investments Ltd. were found trading in the

scrip of EIL through Tandon Financial Services Ltd. (hereinafter referred to as 'Tandon') and Profin respectively, the orders for these were given by N.K. Jain. I note that as per the 9th and 10th Annual Report of EIL, the name of N.K. Jain is appearing as one of their key personal i.e. the Vice President, Corporate Finance and Accounts.

During investigations when Mr. Hardam Singh, the authorized representative of EIL, appeared before SEBI for giving statement on behalf of EIL, he confirmed that N.K. Jain was the Vice President with EIL and was in charge of the fund management of Eider Group. Further, when the representative of EIL was confronted with the photograph of N.K. Jain, affixed in the client information form of Tandon, he confirmed that it is of N.K. Jain. These facts substantiates that Prasad and Co. and Saran Investments Ltd. were entities closely related to the management of EIL.

- d. I note the argument of EIL that CEFT was not its group company and was controlled by a NRI. However, the investigation of SEBI has revealed that CEFT was promoted by an education society established by EIL. On the observations made above, even if the argument of EIL that CEFT was not its group company is accepted, the inference remains that it was having close nexus with CEFT.
- e. I have seen the bank records of the associate/ group companies of EIL and note that the DDs were found issued from the account of the group companies/ associates of EIL, against the cheques drawn from their respective accounts. I have seen the details of these DDs and pay orders which were issued directly in favour of the brokers/ sub-brokers accounts and were settled for the position of Prasad & Co. and Saran Investments Ltd. The table below brings out the details of fund transfer by the group companies/ associates of EIL:

Table C

	Date	Amount	DD. No.	Remarks
From the account of EFSL maintained with IndusInd Bank Ltd., Chandigarh (A/c no. 184902)	28/12/1999	16,925	N.A.	To NSL
	11/01/2000	17,050	N.A.	-do-
	12/01/2000	2,00,000	052292	-do-
	13/01/2000	1,00,000	052298	-do-
	13/01/2000	4,00,000	052299	-do-
	18/01/2000	10,68,878	052349	-do-
	24/01/2000	10,00,000	052403	-do-
	27/01/2000	7,79,781	N.A.	-do-
	27/01/2000	3,00,000	N.A.	-do-
	11/01/2000	3,00,600	N.A.	-do-
	23/02/2000	5,00,000	604840	To Tandon Fin. Ser. Ltd. against the positions taken by Parshad and Co.
	23/02/2000	5,00,000	604839	-do-
Total		51,83,234		
From the account of CEFT maintained with IndusInd Bank Ltd., Chandigarh (A/c no. 183795)	21/02/2000	5,00,000	29936	Tandon Fin. Ser. Ltd. against the positions taken by Parshad and Co.
	22/02/2000	5,00,000	29938	-do-
	23/02/2000	5,00,000	29939	-do-
	26/02/2000	5,00,000	29945	-do-
	28/02/2000	5,00,000	29946	-do-
	28/02/2000	5,00,000	29947	-do-
	01/03/2000	10,00,000	Cheque Dishonored	-do-
	02/03/2000	10,00,000	604969	-do-
	03/03/2000	5,00,000	164303	-do-
	03/03/2000	5,00,000	164032	-do-
	03/03/2000	5,00,000	164301	-do-
Total		65,00,000		
From the account of ECL maintained with HDFC Bank, New Delhi (A/c no. 32050000864)	07/03/2000	5,00,000	331067	Profin Cap. Ser. Ltd. against positions of Saran Investments Ltd.
	07/03/2000	5,00,000	331068	-do-
Total		10,00,000		

- f. From Table C above, it can be seen that from the account of EFSL transfer of funds had taken place in favour of NSL, Tandon (a sub-broker affiliated to Integrated Master Securities Ltd., broker, NSE) and Profin. I note the argument of EFSL, that only 4 DDs out of the total mentioned by SEBI were issued to NSL and that also on behalf of one Devinder Singh. Further, as regards the DD issued to Profin, EFSL has argued that such DD was never issued by it.

I note that SEBI vide its order dated August 19, 2004, against NSL has considered the fund transfer to NSL by EFSL and after conducting a

detailed enquiry, suspended the certificate of registration of NSL for a period of six months. NSL preferred an appeal before the Hon'ble SAT against this order of SEBI. Hon'ble SAT while considering the charges of receiving of funds against the NSL from the group companies/ associates of EIL, for influencing the price of the scrip of EIL, vide its order dated November 18, 2005, concluded that there was no transfer of funds from EFSL to NSL and further reduced the period of suspension to two days. Taking in view of this, I am not considering the funds received by NSL for the present proceedings.

Taking into consideration of above, now only two instances of fund transfer from EFSL remains to be examined for the present proceedings. I note that as regards the pay order nos. 604840 and 604839 issued by EFSL to Tandon, no objection/ concern has been made by EFSL in its reply, this gives an inference that these payments were made for the position of Prashad & Co.

- g. I note that CEFT on 11 instances had made fund transfer to Tandon for the positions taken by Parshad & Co. ranging from Rs.5,00,000/- to Rs.10,00,000/- during a period of 8 days totaling to Rs.65,00,000/-. I note that a few of these cheques were even dishonored. The table below indicates the details of DDs/ cheques that were received by Tandon from CEFT towards the purchase positions of its client Parshad & Co.:

Table D

Date of the Instrument	Instrument No.	Amount (in Rs.)	Issued from
21/02/2000	29936	5,00,000	CEFT
22/02/2000	29938	5,00,000	CEFT
23/02/2000	29939	5,00,000	CEFT
26/02/2000	29945	5,00,000	CEFT
28/02/2000	29946	5,00,000	CHEQUE DIS (CEFT)
28/02/2000	29947	5,00,000	CHEQUE DIS (CEFT)
01/03/2000	Cheque Dishonored	10,00,000	CHEQUE DIS* CEFT)
02/03/2000	604969	10,00,000	CEFT (Pay Order)
03/03/2000	164303	5,00,000	CEFT (Cheque)
03/03/2000	164032	5,00,000	CEFT (Cheque)
03/03/2000	164301	5,00,000	CEFT (Cheque)

Further, the trade log in the scrip of EIL, shows that the transactions in the scrip of EIL were entered by Tandon on behalf of "CXCEFT" (although as earlier stated Parshad & Co. was its direct client). On specifically asking about 'CXCEFT', Tandon submitted that the said code was given at the request of N.K. Jain. This clearly shows that CEFT was having some relation with the client of Tandon i.e. Parshad & Co.

I have seen the instances of funding from CEFT to Tandon for the positions of Parshad & Co. However, no explanation has been received from it for these funding transactions. As discussed above, the client code entered by Tandon for these trades of Parshad & Co. also finds mention of CEFT. These facts shows the culpability of CEFT in funding and generating interest in the scrip of EIL.

- h. I have seen the bank records of ECL (earlier known as City Wide Communications and Computers India Ltd.) and find that it had funded the purchases of Saran Investments Ltd. in EIL's shares. These payments were adjusted by Profin against the debit balances of Saran Investments Ltd. I note that these payments were directly made to Profin from the account of ECL (earlier known as City Wide Communications and Computers India Ltd.) for the position of Saran Investments Ltd. I note that the submission of ECL that the two instances of payments by it to Profin were on the specific request of Saran Investments Ltd. I note that these two transactions were on the date of March 07, 2000 to the tune of Rs.10,00,000/-. No document has been submitted by ECL to show that it owed this amount to Saran Investment Ltd. Taking in consideration of the above I do not find any merit in the submission of ECL.
- i. From the above details of fund transfers, it is clear that CEFT and ECL had funded the purchases of Parshad & Co. and Saran Investments Ltd. respectively entities being run by N.K. Jain. Further, on two instances EFSL has also made payments to Tandon for the positions of Parshad &

Co. Further, as per the details submitted by the broker/ sub-brokers, I note that Prasad & Co. and Saran Investments Ltd. had not traded in any other scrip except that of EIL during the relevant period. This infers that these two entities were trading solely to create interest in the scrip of EIL. The payments made by the group companies/ associates clearly resemble the funding pattern. The movement of funds to brokers/ sub-brokers substantiates the fact that the group companies/ associates of EIL were instrumental, for generating interest in the scrip. In view of the above, it can be concluded that the group companies/ associates of EIL while acting in concert with EIL had funded the market intermediaries as discussed above.

18. Whether EIL had delayed the share transfer/ dematerialization requests of investors.

- a.** I note that EIL had delayed the share transfer requests of investors during the relevant period. I have seen the number of complaints received against EIL and their status as attached with the SCN. A possible reason of such delay by EIL was to reduce the floating stock of its shares in the demat segment by delaying the process of dematerialization of shares. I note by this act of EIL an artificial scarcity of demat shares had arisen during the relevant period of time in the scrip of EIL. Such act of EIL resulted in reduction of the floating stock of the scrip in the market and this had aided in manipulation of prices of the scrip.
- b.** I note that during the period II of investigations the scrip of EIL had witnessed substantial movement with thin volumes. The number of shares available in the demat form were also very less. When the investor complaints were shown to the representative of EIL at the time of recording of statement, he submitted that due to non availability of sufficient staff at that time there was some delay in dispatch of the share

certificates. However, EIL in its letters has submitted that at the relevant point of time there was some snag in computer operating system due to which the delay has occurred.

- c. I note that the explanation of EIL, is different on two occasions and by this it becomes more difficult for me to accept this submission in absence of any supporting evidence from EIL. All this suggest that the management of EIL was well aware of the delay in share transfer requests and the reasons furnished by it in this regard are not convincing as not being in the interest of investors.
- d. In view of this, I conclude that EIL had deprived the innocent investors of an exit route from their investments in the shares of EIL. This in turn had facilitated manipulation in share prices of EIL noticing which SEBI has conducted a full-fledged investigation. Taking in consideration of the above, I hold EIL guilty of unfair trade practices. These acts of EIL are in clear violation of Regulation 6(c) of PFUTP Regulations. I note that the SCN issued to EIL does not find mention of Regulation 6(c), in view of this I am not considering it for the present proceedings.

- 19. From the above discussion and the material available on record about the role of Sanjay Sinha, Director, EIL, I note that he was having cheque signing authority of two companies i.e. EFSL and CEFT while holding the post of director of EIL. I note that the cheques issued by him were used for the purposes of issuing drafts in favour of the market intermediaries. I also note that these cheques/ drafts were later on used for the financing transactions of Prashad & Co. and Saran Investments Ltd. through these market intermediaries. All this shows that he had acted as a master mind for the whole game plan as discussed above.
- 20. As regards, the funding transactions by EFSL, ECL and CEFT, it can be concluded that the group companies/ associates of EIL had funded the market intermediaries for creating interest in the scrip and thereby aided and abetted the manipulation in the scrip.

- 21.** As regards Parshad & Co. and Saran Investments Ltd. I note that both were being handled by the key personal of EIL i.e. N.K. Jain as detailed above. Both these entities were trading from different brokers/ sub-brokers. I also note that these were the entities for whose position CEFT, ECL and EFSL (group companies/ associates) had provided funds. As discussed above, these entities were having close nexus with EIL. All these fact points to the culpability of Parshad & Co. and Saran Investments Ltd. in creating interest and price manipulation in the scrip of EIL.
- 22.** In view of the above, it can be concluded that all these entities had acted in furtherance of a common objective i.e. funding the positions of N.K. Jain taken in the scrip of EIL. This in turn has resulted into increase in the prices of the scrip. Thereby these entities namely Sanjay Sinha, EFSL, ECL, CEFT, N.K. Jain (proprietor of Parshad & Co. and Saran Investments Ltd.) violated the provisions of Regulation 4 (a), (b) and (e) of PFUTP Regulations.
- 23.** The charge as against EIL and its directors namely Smt. Rama Sinha, Wg. Cdr. Manmohan Dhasmana and B.L. Khurana of acting in concert with the group companies/ associates for funding the market intermediaries can not sustain independently as the material available on record falls short of proving the charges. The evidence available on record nowhere discusses the role of these in the funding process. I note that nothing has been brought on record to show that these directors were acting in concert with the group companies/ associates. In view of this the charges leveled as against these are set aside.
- 24.** Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11B and 11(4) of SEBI Act, 1992, do hereby issue the following directions:

- a. Mr. Sanjay Sinha, Eider E-Commerce Ltd., Eider Financial Services Ltd., Centre for Excellence in Fashion Technology, Mr. N K. Jain (proprietor of Parshad & Co. and Saran Investments Ltd.) are restrained from buying, selling or dealing in securities and from associating in securities market in any manner whatsoever for a period of one year from the date of this order.
- b. The show cause notices issued against Eider Infotech Ltd., Smt. Rama Sinha, Wg. Cdr. Manmohan Dhasmana and B.L. Khurana are disposed of without any directions for the reasons stated above.

25. These directions shall come into force with immediate effect.

DATE : 30-MARCH-2010
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA