

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

IN THE MATTER OF BANK OF RAJASTHAN LTD.

ORDER

Under Sections 11, 11 (4) and 11B of Securities and Exchange Board of India Act, 1992

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) received a reference from the Reserve Bank of India (hereinafter referred to as RBI), wherein the following were observed during their annual financial inspection of the Bank of Rajasthan Limited (hereinafter referred to as BoR):
 - a. There was incorrect disclosure made by BoR regarding the shareholding pattern of the promoter group led by Mr. Pravin Kumar Tayal and others.
 - b. Though, the promoters of BoR (controlled by the Tayal Group), reported certain reduction in their stake in BoR as mandated by RBI in its Guidelines dated February 28, 2005 on Ownership and Governance in Private Sector Banks, it appeared that they had increased their stake in BoR simultaneously through surrogate acquisition.
 - c. There were inter-firm transfers of funds to the accounts of other corporate bodies who had purchased the stake in BoR.
 - d. Most of those companies have contact details same as that of various Tayal group companies.
 - e. Some of the directors were common in the said other corporate bodies and Tayal Group Companies.

2. RBI provided details of movement of funds from the Tayal group to certain domestic corporates which were termed as front companies of the Tayal group.
3. Upon receiving the aforesaid reference from RBI, SEBI conducted a preliminary examination of the dealings in the scrip of BoR and noticed that the promoter group of BoR had by way of their continuous disclosure, publicly announced that their stake had been coming down from 44.18% as at quarter ending June 2007 to 28.61% as at quarter ending December 2009. On the contrary, they had actually increased their shareholding as the holding of Yadav and Silvassa groups (as defined in the interim order) in BoR were made, by and large, through funds received from the promoter and Tayal groups. No disclosures related to such acquisition were made to the stock exchanges or to the public by any of the acquiring groups or by BoR at any time over this extended period. The artifice outlined above of disguising the ownership structure apparently also seems to have superficially resulted in compliance with the guidelines issued by RBI on ownership and governance.
4. Pursuant to the above, SEBI vide ad interim ex-parte order dated March 08, 2010 (hereinafter referred to as the 'Interim Order') restrained the following entities/persons from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, with immediate effect, till further directions.

<i>Sr.</i>	<i>Entity</i>	<i>Permanent Account Number</i>
1.	<i>21st Century Entertainment Limited</i>	<i>AAACZ1383L</i>
2.	<i>Ahmednagar Investments Private Ltd</i>	<i>AADCA9872E</i>
3.	<i>Cumballa Hill Property Developers Pvt Ltd</i>	<i>AAACC2276M</i>
4.	<i>Cyber Infosystems And Technologies Limited</i>	<i>AABCC2176K</i>
5.	<i>Cyberinfo Zeeboomba Com Limited</i>	<i>AABCC7400L</i>
6.	<i>Giriganga Investments Private Limited</i>	<i>AABCG8591L</i>
7.	<i>Global Softech Limited</i>	<i>AABCG1089R</i>
8.	<i>Sumander Property Developers Pvt Ltd</i>	<i>AAACS9998N</i>

9.	<i>Eskay K'n'it (India) Ltd</i>	<i>AABCS 1363 G</i>
10.	<i>Jaybharat Textiles & Real Estate Limited</i>	<i>Not available</i>
11.	<i>Jayshree Petrochemicals Private Limited</i>	<i>AAACJ0934B</i>
12.	<i>Krishna Knitwear Technologies Limited</i>	<i>Not available</i>
13.	<i>KSL & Industries Limited</i>	<i>AAACK4722E</i>
14.	<i>Megna Developers P Ltd</i>	<i>AAECM7768A</i>
15.	<i>Praneta Properties Pvt Ltd</i>	<i>AAECP0073B</i>
16.	<i>Praneta Realty Pvt Ltd</i>	<i>AAECP0070C</i>
17.	<i>Pravin Kumar Tayal</i>	<i>AAEPT9210B</i>
18.	<i>Navin Kumar Tayal</i>	<i>AABPT2833K</i>
19.	<i>Sanjay Kumar Tayal</i>	<i>AAEPT9209L</i>
20.	<i>Saurabh Pravin Tayal</i>	<i>AABPT2950R</i>
21.	<i>Aim Multitrade Company Pvt Ltd</i>	<i>AAGCA6820M</i>
22.	<i>Akshar Mercantile Pvt Ltd</i>	<i>AAGCA5378L</i>
23.	<i>Anoop Multitrade Private Limited</i>	<i>AAGCA5306A</i>
24.	<i>Anshul Mercantile Private Limited</i>	<i>AAGCA5310E</i>
25.	<i>Beta Trading Private Limited</i>	<i>AADCB2320G</i>
26.	<i>Colorshop Trading Company Private Ltd</i>	<i>Not available</i>
27.	<i>Everframe Trading Co P Ltd</i>	<i>Not available</i>
28.	<i>Geonet Trading Company Private Ltd</i>	<i>Not available</i>
29.	<i>Girish Chand Yadav</i>	<i>ABKPY8316C</i>
30.	<i>Highzone Trading Company Private Limited</i>	<i>Not available</i>
31.	<i>Hiren Trading Company Pvt Ltd</i>	<i>AABCH9499Q</i>
32.	<i>Infinite Mercantile Company Private Limited</i>	<i>Not available</i>
33.	<i>Inorbit Trading Company Pvt Ltd</i>	<i>AABCI4237M</i>
34.	<i>Laksh Mercantile Private Ltd</i>	<i>AABCL3880B</i>
35.	<i>Madan Multitrade Pvt Ltd</i>	<i>AAF2183C</i>
36.	<i>Maginot Trading Company Private Limited</i>	<i>Not available</i>
37.	<i>Montreal Trading Company P Ltd</i>	<i>Not available</i>
38.	<i>Newtree Mercantile Co P Ltd</i>	<i>Not available</i>
39.	<i>Niti Mercantile Company Private Ltd</i>	<i>AACCN6445P</i>
40.	<i>Palaash Construction Pvt Ltd</i>	<i>AAECP3872G</i>
41.	<i>Prajay Trading Company Private Limited</i>	<i>AAECP4636J</i>
42.	<i>Punit Mercantile Pvt Ltd</i>	<i>AAECP3785G</i>
43.	<i>Real Star Trading Company P Ltd</i>	<i>Not available</i>
44.	<i>Sangeeta J Sawant</i>	<i>BOFPS1458J</i>
45.	<i>Sarveshwara Trading Company Pvt Ltd</i>	<i>AALCS1723J</i>

46.	<i>Sea View Trading Company P Ltd</i>	<i>Not available</i>
47.	<i>Seaview Multitrade Company Private Limited</i>	<i>AALCS4105L</i>
48.	<i>Skyview Trading Company Private Ltd</i>	<i>AALCS4103N</i>
49.	<i>Starview Constructions Private Limited</i>	<i>Not available</i>
50.	<i>Starview Mercantile Co Pvt Ltd</i>	<i>AAJCS3372B</i>
51.	<i>Sulochana Mercantile Private Ltd</i>	<i>AALCS4107J</i>
52.	<i>Superfine Trading Company Private Limited</i>	<i>Not available</i>
53.	<i>Superhouse Trading Company Private Limited</i>	<i>Not available</i>
54.	<i>Topcare Constructions Private Limited</i>	<i>Not available</i>
55.	<i>Topcare Trading Company P Ltd</i>	<i>Not available</i>
56.	<i>Vinay Mercantile Pvt Ltd</i>	<i>AACCV5597L</i>
57.	<i>Watergate Mercantile Company P Ltd</i>	<i>Not available</i>
58.	<i>Acrow Constructions Pvt Ltd</i>	<i>AAGCA2721D</i>
59.	<i>Acrow Realcon Pvt Ltd</i>	<i>AAGCA2721D</i>
60.	<i>Ador Construction Private Limited</i>	<i>AAGCA2386Q</i>
61.	<i>Allcon Estate Private Limited</i>	<i>AAGCA2387R</i>
62.	<i>Alpha (India) Properties Ltd</i>	<i>AAFCA8789C</i>
63.	<i>Anil Kumar Dubey</i>	<i>AIBPD9829P</i>
64.	<i>Avera Engineering Private Limited</i>	<i>AAGCA2682M</i>
65.	<i>Avera Machinery Private Limited</i>	<i>AAGCA2681J</i>
66.	<i>Avera Properties Private Limited</i>	<i>AAGCA2390G</i>
67.	<i>Avery Procon Pvt Ltd</i>	<i>AAGCA2559M</i>
68.	<i>Avon Realcon Private Limited</i>	<i>AAGCA4032P</i>
69.	<i>Axon Realpro Private Limited</i>	<i>AAGCA2391H</i>
70.	<i>Axtel Properties Pvt Ltd</i>	<i>AAGCA4033N</i>
71.	<i>Badal Realty Private Ltd</i>	<i>AADCB0972C</i>
72.	<i>Bodal Conpro Private Ltd</i>	<i>AADCB0973D</i>
73.	<i>Capman Conpro Private Ltd</i>	<i>AADCC0449B</i>
74.	<i>Charms Holding Private Limited</i>	<i>AACCC9761F</i>
75.	<i>Conart Conpro Private Limited</i>	<i>AADCC0517C</i>
76.	<i>Cubex Constructions Pvt Ltd</i>	<i>AADCC1068N</i>
77.	<i>Dulron Procon Pvt Ltd</i>	<i>AACCD5830E</i>
78.	<i>Edc Securities Limited</i>	<i>AAACE9165D</i>
79.	<i>Elnet Conpro Private Limited</i>	<i>AABCE7401P</i>
80.	<i>Elpro Machinery Private Limited</i>	<i>AABCE7495B</i>
81.	<i>Envair Realty Private Limited</i>	<i>AABCF7461R</i>

82.	<i>Everlon Estate Private Limited</i>	<i>AABCE7403R</i>
83.	<i>Everlone Machinery Private Limited</i>	<i>AABCE7494A</i>
84.	<i>Expro Constructions Pvt Ltd</i>	<i>AABCE7940B</i>
85.	<i>Hanuman Cultivation Private Limited</i>	<i>AACCH0995A</i>
86.	<i>Hikal Pro-Estate Pvt Ltd</i>	<i>AABCH8815L</i>
87.	<i>Jyoti Harvesting Pvt Ltd</i>	<i>AACCJ0622N</i>
88.	<i>Kanishka Infrastructure Private Limited</i>	<i>AADCK0691B</i>
89.	<i>Omkar Cultivators Pvt Ltd</i>	<i>AABCO0810A</i>
90.	<i>Siddhi Cultivation Private Limited</i>	<i>AAMCS3193B</i>
91.	<i>Sukh-Suvidha Real Estate Ltd</i>	<i>AAKCS1430P</i>
92.	<i>Uday Plantation Private Limited</i>	<i>AABCU0192M</i>
93.	<i>Kanti C Patel</i>	<i>AIGPC1538H</i>
94.	<i>Kishore Patil</i>	<i>ATMPP6578P</i>
95.	<i>Mahendra Kumar Panchal</i>	<i>AQNPP1369G</i>
96.	<i>S M Azam</i>	<i>AWYPS0941A</i>
97.	<i>Subhash M Jambhale</i>	<i>AGAPJ4974C</i>
98.	<i>Vijay Upadhyay</i>	<i>AARPU3795M</i>
99.	<i>Vipin Kumar Bhatnagar</i>	<i>AJCPK4281A</i>
100.	<i>Nitish J Nayak</i>	<i>ABAPN5330P</i>

5. The investigation in the matter has been completed. The investigation has found different violations under SEBI (Prohibition and Fraudulent Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 against the aforesaid entities except the entities mentioned at Sr. No. 93 to 100. I have noted that the Investigation Authority has recommended initiation of adjudication proceedings against all the entities except the entities mentioned at Sr. No. 93 to 100 and revocation of Interim Order against all the aforesaid entities.

6. I have considered the findings in the investigation report. This is a matter where various directions were issued against a number of entities as stated above. Since, the investigation is now complete and in the interest of justice, I feel it appropriate to consider the matter as to whether the prohibitory directions issued under the Interim Order need to be continued or not.

7. The Investigating Authority has recommended revocation of directions passed against the entities mentioned in the Interim Order. Before considering the recommendation, certain factors as mentioned below need to be taken into account.

A. Factors to be considered for continuation of directions:

- a. The continuance of the entity in the securities market is likely to be detrimental to the interest of investors and the securities market.
- b. There is substantive material on record to suggest that the entity was involved in similar manipulative activities in the past.
- c. Seriousness of the offence committed by the entity, as per the investigation.
- d. Continuous non-adherence to the law and the repeated nature of violations by the entity.
- e. To ensure effective implementation of disgorgement, if contemplated.

B. Factors to be considered for revocation of the directions:

- a. The findings of investigation does not substantiate *prima facie* charges levelled against the entity in the ad-interim ex-parte Order.
- b. The period of prohibition already undergone by the entity *vis a vis* the findings of investigations.
- c. The recommendation is to initiate adjudication proceedings which may result only in imposition of monetary penalty.
- d. There is nothing to suggest that revocation of interim directions would result in resumption of the undesirable activity for which the interim directions were already issued.

However, the aforesaid factors are not exhaustive and may vary depending on the facts and circumstances of each case and the findings of investigation thereof.

8. In this light, now I shall examine whether the nature of violations is such that the aforesaid entities should be kept away from securities market as their continued presence will be detrimental to the integrity of the market. Investigation report reveals that the aforesaid entities (Sr. No. 1 to 92) evolved an elaborate scheme by which their actual holding in a bank could be camouflaged and the banking sector regulator could be placated by conveying an impression that there is a continued effort on their part to reduce their holding to the desired level even while actually increasing their holding.
9. In this regard, the first question is whether the nature of offence in itself is material enough to warrant continuation of prohibitory directions issued vide Interim Order dated March 8, 2010. As a baseline, we have to assume that the requirements laid down by the banking sector regulator are in the best interests of the banks, economy and the bank customers. In such a condition, any attempt to circumvent the banking sector regulators' requirements should be considered as a serious offence. So the first issue is whether the banking sector regulator considered the action of the entities to be very serious. Prima facie, it appears from the reference received from the RBI (mentioned in the paragraph 1 of the interim order dated March 8, 2010) that indeed such was the case. Yet going by the information publicly available, it appears that RBI has permitted BoR to be amalgamated with ICICI Bank under the provisions of Section 44A of Banking Regulation Act, 1949, which inter-alia states as under:

"If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section it shall be submitted to the Reserve Bank for sanction and shall, if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be binding on the banking companies concerned and also on all the share- holders thereof."

It will also be instructive to look at the detail and seriousness with which such sanction of amalgamation scheme is done by Reserve Bank of India. RBI circular DBOD.No.PSBS.BC.89/16.13.100/2004-05 dated May 11, 2005 lays down detailed guidelines for such mergers/amalgamation. Therefore, it would be reasonable to assume that the RBI would have been fully satisfied as to the desirability of the merger. It would also be safe to presume that if the RBI itself had considered the conduct of the promoters extremely serious then either it would not have allowed the merger or would have done so with required caveats for the promoters.

The second issue to be examined is whether any such attempt at camouflaging the real level of share holding by promoters should be considered as a serious, very serious or fatal threat to the securities market. Again, as a baseline, the securities regulations are disclosure based and the securities market regulator does expect that all disclosures should be true and fair. I am of the opinion that such an offence would have been considered as very serious or fatal if the wrongful disclosures would have led genuine investors into trades that would eventually expose them to much greater risk. I have noted that there is no allegation as to any price or volume manipulation by the promoters. Therefore, I am of the opinion that purely from a securities market point of view, the severity of the offence could be considered not very grave.

10. The second question which needs to be examined is as to what is the probability that the entities will continue to indulge in their activities if they are permitted to operate in the securities market again. BoR has been amalgamated with ICICI Bank and the BoR shares have been swapped into ICICI Bank shares. The entities' shareholding in the ICICI Bank share capital is learnt to be too small to attract the RBI guidelines on ownership and governance and provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 in respect of promoters or significant shareholders. There is no allegation that the entities

indulged in any other kind of manipulation in the securities market. Therefore, it would be reasonable to assume that on the basis of the material available on record, there is no indication of a likelihood that the entities shall indulge again in wrongful disclosures of their holdings of which they have been charged with in the first place.

11. I have noted that these entities have been debarred for last 2 years. In the light of the above facts and after carefully examining the report of the investigation, I am of the considered view that there is no need to continue the directions issued against them vide interim order dated March 08, 2010. However adjudication proceedings shall be initiated against the entities mentioned at S.no 1 to 92 in Paragraph 4, for the prima facie violations as observed in the investigations.

12. Accordingly, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Sections 11, 11(4) and 11B thereof, do hereby revoke the directions issued vide Interim Order dated March 08, 2010, against all the entities mentioned in paragraph 4, with immediate effect.

13. The Adjudicating Officer shall conclude the proceedings in accordance with the SEBI Act and SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, and pass an appropriate order on merits, at the earliest, uninfluenced by this order.

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: MARCH 26, 2012

