BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. PG/AM/AO-13/2013

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Parag Vanijya Private Limited
(PAN – AAECP5130D)
In the matter of:
Dealings of Sanjay Dangi and other entities in various scrips

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BACKGROUND

1. Securities and Exchange Board of India (**SEBI**) received a reference from the Income Tax Department (**ITD**), containing certain findings in the matter of Murli Industries Limited (**MIL**). It was stated in the said reference that ten entities were holding substantial shares of MIL and the affairs of the ten companies were being looked after by Mr. Amit Raja, Chartered Accountant, who happened to be their auditor. The ITD had found certain documents suggesting manipulation in the share price of MIL. The reference stated that the following ten private limited companies were found to be dummy companies incorporated by MIL which had together cornered a large part of the shareholding of MIL.

i. Ambaji Papers Private Limited (**Ambaji**)
ii. Inco Infrastructures Private Limited (**Inco**)
iii. Kanhaiya Mining And Minerals Private Limited (**Kanhaiya**)
iv. Krishnum Investments Private Limited (**Krishnum**)
v. Lakhi Packaging Private Limited (**Lakhi**)
vi. Ramji Agri Business Private Limited (**Ramji**)
vii. Ramkrishna Fabrication and Machineries Private Limited (**Ramkrishna**)
viii. Runicha Alloys And Steel Private Limited (**Runicha**)
ix. Simple Mining And Power Private Limited (**Simple**)
x. Taitan Management Services Private Limited (**Taitan**)

2. The reference made by the ITD stated that none of the dummy companies had proper offices and that the directors of these dummy companies were of no means to carry out huge transactions running into millions of rupees. As per the said reference, ITD conducted survey under Section 133A of the Income Tax Act, 1961 at the premises of the dummy companies and found that the companies were not traceable at their given addresses. The original documents relating to the ten dummy companies and their directors (bank statements, demat statements, correspondence from brokers, dividend vouchers, contract notes, correspondence with shareholders, tax invoices, income tax returns filed, income tax acknowledgements, copies of PAN applications, correspondence with lenders, blank pledge creation forms, etc.) were found at the premises of Mr. Amit Raja and were impounded by ITD, whereas even copies of these documents were not found in the premises of the dummy companies or their directors. Similarly, the original documents pertaining to the directors in their personal capacity (bank statements, demat statements, correspondence from brokers, dividend vouchers, contract notes, income tax returns filed, income tax acknowledgements, copies of PAN applications, etc) were also found in the premises of Mr. Amit Raja, whereas no

such documents or even their copies were found in the premises of the individual directors.

3. ITD also forwarded certain documents which indicated an agreement for manipulation of MIL share price and profit sharing between MIL promoters and Sanjay Dangi.

4. The reference received from the ITD suggested that the price of the MIL scrip was manipulated by the entities mentioned in the reference for the purpose of issuing Foreign Currency Convertible Bond (**FCCB**) at a higher price than what was the correct price. In light of the aforesaid reference and documents received from the ITD regarding the manipulation in share price of MIL and the profit sharing arrangement between MIL and Mr. Sanjay Dangi, SEBI initiated a preliminary inquiry in the matter to find as to whether there was any concentration of shareholding of the company among the ten entities and whether there was any attempt to manipulate the share prices of the company before the FCCB issue of MIL. Based on the preliminary findings of the aforesaid investigation, it appeared to SEBI that a group of entities connected to each other (**Dangi Group**) had influenced the price rise in the scrip during the 'pricing period' of FCCBs and thereafter, exited the scrip at a profit, as per the alleged agreement made with the promoters of MIL.

5. Based on the finding in MIL, it appeared that a group was operating to offer its services to promoters, SEBI examined patterns in the trading and price-volume of scrips of other companies that had issued FCCBs or in which Dangi Group had been found to have traded regularly, or both. The said

examination revealed that the Dangi Group was actively trading in the shares of many companies where there was capital raising exercise through FCCB issue, ADR/GDR issue, QIB/QIP placement, preferential allotment or loans or pledge/revocation of pledge of promoter shares. Among the several scrips in which Dangi group was trading, their role was taken up for examination in their dealings in the shares of Hubtown Ltd. (**Hubtown**) (earlier known as Ackruti City Ltd.); Welspun Corp Ltd. (earlier known as Welspun – Gujarat Stahl Rohren Ltd.) (**WCL**), Brushman (India) Ltd. (**BIL**) and RPG Transmission Ltd. (**RPG**).

6. In view of the above findings in various scrips and noticing that such operations were possibly continuing in the market to the detriment of the investing public, SEBI vide ad-interim ex-parte order dated December 2, 2010, (**interim Order**) (available on SEBI website www.sebi.gov.in) issued directions against, *inter alia*, Mr. Sanjay Dangi, his associates & promoter entities of 4 companies i.e. MIL, Hubtown, WCL & BIL. In the said interim Order, 10 Dangi entities and 14 Ashika entities were restrained from accessing the securities market and further prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions.

7. The entities were grouped as Ashika entities since they were all clients of broker Ashika Stock Broking Ltd. (**ASBL**). Apart from these clients, five entities belonging to Dangi group i.e. Amit Business Ltd. (**ABL**), Mentor Capital Ltd. (**MCL**), Ivory Consultants Pvt. Ltd. (**ICPL**), Sunil Dangi & Goldflag Trading Co. Pvt. Ltd. (**GTCPL**) had also traded through ASBL. In the aforesaid interim Order, ASBL was also directed not to buy, sell

or deal in the securities in own/proprietary account in any manner till further directions and also not to take/deal with fresh/new clients with immediate effect till further orders.

8. Further, certain promoter/promoter related entities of MIL, Hubtown, WCL and BIL mentioned therein were directed not to buy, sell or deal in the securities of their own companies and their listed group companies, in any manner whatsoever, till further directions. The aforesaid four companies and their respective promoters were directed to ensure that the shareholding of the promoters/promoter group in the said companies was not altered in any manner till further directions. The stock brokers namely, Sanchay Fincom Limited, Sanchay Finvest Limited and ASBL were directed not to buy, sell or deal in the securities in their own/proprietary account in any manner till further directions in this regard. They were further directed not to take/deal with fresh/new clients with immediate effect until further orders.

9. The interim Order mentioned about the trading activity of primarily Dangi Group in five scrips, i.e., MIL, Hubtown, WCL, BIL and RPG. It was observed that among Dangi entities, two entities, i.e., Ashok Finstock Ltd. (**AFL**) & MCL were two major entities which traded in all the five scrips and were alleged to be creating artificial volume as well as price manipulation. It was prima facie observed in the interim Order that the Dangi Group along with the promoters of various companies had indulged in fraudulent and unfair trade practices relating to securities market. It was also observed that the Dangi Group and Ashika Group entities came together in a coordinated manner for execution of fraudulent schemes in the securities market. At the

relevant point of time, prior to the pricing of a forthcoming issue of securities, they were found dealing in shares of companies concerned in order to artificially increase volumes and price or even to maintain the prices and favour the promoters in the desired manner.

10. It was observed that on February 06, 2007, MIL successfully completed the offer and allotment of Zero Coupon Unsecured FCCBs for USD 23 Million, with a conversion price of ₹ 565 per share. As per the announcement made by MIL, the bonds would have a maturity period of five years and one day and shall be convertible. In view of the prima facie finding that certain dummy companies were incorporated to deal in the scrip of MIL and the reference from ITD pointing out to possible manipulation by Dangi/ Ashika group entities for influencing the FCCB pricing, SEBI conducted detailed investigations in respect of dealings in the scrip of MIL.

11. From the bank statements of Ramji, Runicha, Ambaji, Kanhaiya and Inco it was observed that these companies had availed loans from SICOM Limited (**SICOM**) to make the payments to MIL for conversion of the share warrants allotted to them. The loans were provided to these companies against, *inter alia*, comfort letter of MIL and post dated cheques towards principal and interest from Shri Nandlal Maloo (promoter/ MD of MIL). From the information furnished by the dummy companies, MIL, bank transaction counterparties of dummy companies, etc., it was observed that many customers of MIL had given huge unsecured loans to the dummy companies immediately after their incorporation and even before these companies had set up any business infrastructure. Further, it was observed that when

the five dummy companies which took loans from SICOM had to repay their loans, they received the necessary funds as unsecured loans from ANG Financial Consultants Private Limited (**ANG**) (earlier known as Madhulika Leasehold Private Limited), which in turn had received the necessary funds from MIL. On the same day as loan was extended to the five dummy companies, ANG had received the same amount from MIL. However, ANG repaid MIL in installments using the money paid by the dummy companies as repayment for their loans. Thus, it appeared that MIL had used ANG as a conduit to provide funds to the five dummy companies to repay their loans to SICOM.

12. It was observed that for the bank account of one of the directors of Krishnum, i.e., Kamalkishore Bhattad held with State Bank of India (Nagpur), for the purpose of residence proof, a letter dated November 01, 2001 from Murli Agro Products Limited (now MIL) was submitted. It was also observed that the residence of Kamalkishore Bhattad was in the same building as the office of MIL. It was further observed that for the same bank account, the introducer was Mrs. Shanta Bajranglal Maloo, who has the same address as Mr. Bajranglal Maloo (one of the promoters of MIL).

13. It was observed from the depository (CDSL) account of Kamalkishore Bhattad maintained with Motilal Oswal Securities Limited that his address was '101, Jai Bhavani Society, Wardhaman Nagar, Nagpur', which was also the address of MIL and the email id provided was maloo@nagpur.dot.net.in. For the same account, the phone number provided by Kamalkishore Bhattad was 2768912, which was registered in the name of Mr. Bajranglal Bankatlal Maloo, C/o Nandlal

Enterprises. In the account of Kamalkishore Bhattad with IL&FS Securities Services Limited, the address mentioned was 'Jai Bhawani Society, Central Avenue, Wardhman Nagar, Nagpur 440008' and the phone numbers mentioned were 2738634 and 9373118357. In the Income Tax returns, the address furnished by Kamalkishore Bhattad was '201, 202 Jai Bhawani Society, C A Road, Wardhaman Nagar, Nagpur'. Further, it was observed from Kamalkishore Bhattad's bank account statement that in May-June 2010 that Kamalkishore Bhattad received Rs. 4,80,000/- each from Nihal Gilts Private Limited and Raghav Finvest Private Limited, both being promoters of MIL.

14. It was observed from the demat account opening forms of the promoters of MIL that for the accounts held with ICICI the email id furnished by Mahesh Maloo, Lalchand Maloo HUF, Murli S Maloo, Bajranglal Maloo HUF, Nandlal Maloo HUF, Sunilkumar Sobhagmal Maloo, Lalchand Bankatlal Maloo and Bajranglal Bankatlal Maloo was also maloo@nagpur.dot.net.in.

15. It was observed that in the bank account opening form of Taitan, the address of one of its directors, i.e., Poonamchand Bhattad was mentioned as '102, Jai Bhawani Society, Wardhaman Nagar, Nagpur' (address of MIL being '101, Jai Bhawani Society, Wardhaman Nagar, Nagpur') and his phone number was 2738634 (same phone number as mentioned in Kamalkishore Bhattad's account with IL&FS Securities Services Limited). It was observed that Poonamchand Bhattad was also a director of Ambaji. It was further observed that the address in the driving license (issued in March 2004) of Lalit Loya, who was a director of Krishnum and Ramji, was 'C/o M/s. Murli Agro Products Limited, MIDC, Dhurkheda Tah, Umrer'. The connection

between the dummy companies arising out of common contact details was as follows:

Common Telephone Number			
1	3096334	Kamalkishore Bhattad - (R) – Director of Krishnum	IDBI Bank a/c opening form of Krishnum
		Shivshakti Dhoot - (R) – Director of Kanhaiya, Inco and Simple	IDBI Bank a/c opening form of Kanhaiya
		Nilesh Jain - (R) – Director of Ramkrishna, Runicha and Taitan	IDBI Bank a/c opening form of Ramkrishna
		Inco - (O)	IDBI Bank a/c opening form; Guiness Securities a/c opening form
		Taitan - (O)	IDBI Bank a/c opening form
2	2732955 (Phone Number of Mr. Harish D Jasani)	Sukhram Prajapat (O)	IDBI Bank a/c opening form
		Sanjay Lute - (O) – Director of Inco	IDBI Bank a/c opening form
		Umardan Khariya - (O) - Director of Ramji	IDBI Bank a/c opening form
		Lalit Loya - (O) - Director of Krishnum and Ramji	IDBI Bank a/c opening form
3	9370422232 (Phone Number of Mr. Amit Raja CA)	Krishnum	Guiness Securities a/c opening form
		Simple	Guiness Securities a/c opening form
		Taitan	Guiness Securities a/c opening form
		Lakhi	Guiness Securities a/c opening form
4	2778910 (Phone Number of Mr. Amit Raja CA)	Krishnum	IDBI demat a/c opening form
		Simple	IDBI Bank a/c opening form; IDBI Demat a/c opening form
		Lalit Loya - (R)	IDBI Bank a/c opening form of Runicha
		Kanhaiya	Guiness Securities a/c opening form; IDBI Demat a/c opening form
		Taitan	IDBI Demat a/c opening form
		Lakhi	IDBI Demat a/c opening form
		Ambaji - (O)	Guiness Securities a/c opening form; IDBI Demat a/c opening form
		Runicha	IDBI Demat a/c opening form
		Ramji	Guiness Securities a/c opening form; IDBI Demat a/c opening form
Common Address			
1	C/o M/s. Murli Agro Products Limited, MIDC, Dhurkheda Tah, Umrer	Lalit Loya	Address in Driving Licence
2	Plot 142, East Wardhaman Nagar, Behind Akash Apartment, Nagpur – 8 (Address of Amit Raja CA)	Ramji	IDBI Demat a/c opening form
		Runicha	IDBI Demat a/c opening form
		Lakhi	IDBI Demat a/c opening form
		Taitan	IDBI Demat a/c opening form
		Kanhaiya	IDBI Demat a/c opening form; Guiness Securities a/c opening form
		Inco	IDBI Bank a/c opening form; Guiness Securities a/c opening form
		Simple	IDBI Demat a/c opening form
		Krishnum	IDBI Demat a/c opening form
3	c/o Vidya Amar Fulzale, Ambedkar Square, bypass Road, Umrer, Nagpur	Ramji	IDBI Demat a/c opening form; Guiness Securities a/c opening form
		Runicha	IDBI Demat a/c opening form

	441203	Krishnum	Guiness Securities a/c opening form
4	2nd Floor, Bind Apartment, Gandhi X Ray, Gandi Putla, Nagpur -8 (Address of late Deepti Raja, wife of Amit Raja CA)	Kamalkishore Bhattad	IDBI Bank a/c opening form of Krishnum
		Krishnum	Fortis a/c opening form; IDBI demat a/c opening form
Common e-mail address			
1	ar.nagpur@gmail.com (e-mail address of Amit Raja CA)	Krishnum	Guiness Securities a/c opening form; ROC Filings
		Simple	Guiness Securities a/c opening form; ROC Filings
		Taitan	Guiness Securities a/c opening form; ROC Filings
		Lakhi	Guiness Securities a/c opening form; ROC Filings

16. It was observed that all the dummy companies had used the services of Bhagwati Commercial and Financial Services Private Limited (promoters/directors of Bhagwati Commercial & Financial Services Pvt. Ltd. were Jayantilal V Raja, Lata J Raja and Deepti A Raja) for accounting consultancy and ROC work. It was also observed that Mr. Amit Raja, CA, was the auditor of the dummy companies since the incorporation of each of the companies.

17. It was observed that the 10 dummy companies had a common auditor, common consultant (which incidentally was run by the family members of Mr. Amit Raja, CA), bank accounts in the same branch of IDBI Bank Ltd., demat accounts with the same DP (Guiness Securities), trading accounts with the same broker, off market transfers by directors of dummy companies with the same counterparties and a large number of common shareholders.

18. The common phone number and email id shared by the promoters of MIL and some of the directors of dummy companies indicated that the promoters of MIL were known well to the directors. The only income for the various dummy companies and their directors appeared to be the dividend paid

by MIL as seen from their respective bank statements. It was also observed that none of the dummy companies had invested in any scrip other than MIL since their incorporation. It was observed that all the 10 dummy companies were incorporated during the same time period (April – May, 2005). It was also observed that four dummy companies, namely, Krishnum, Lakhi, Simple and Taitan had actively traded in the scrip of MIL. The dummy companies incorporated with a capital of not more than a couple of lakhs of rupees had invested in the warrants of MIL in which a payment close to Rs 5 Crore was required to convert the warrants. Yet no business activity was undertaken by any of these companies to generate income.

19. During investigation it was observed that customers of MIL (corporate entities not based in Nagpur, but clients of MIL) had paid lakhs of rupees as either advance or share application money to one or more of the dummy companies immediately after their incorporation. The offices of these dummy companies were set up at the residences of their respective directors and the companies had no infrastructure or business deals in place. The amounts thus received by the dummy companies were used either to pay for share warrants of MIL or to pay off unsecured loans. Therefore, on examining the end use of these funds, it appeared that clients of MIL had funded the dummy companies to purchase the share warrants of MIL.

20. It was also observed from the bank statements of dummy companies that a number of companies had invested in them as shareholders. The information obtained from MCA website during investigation indicated that all these companies

(shareholders of dummy companies) were based out of Kolkata (registered office being in Kolkata) and had common directors.

21. In order to conduct a thorough investigation and in order to ascertain the exact role played by the various entities including the ten dummy companies and their shareholders, vide summons, details/information was sought from Parag Vanijya Private Limited (**Noticee/PVPL**) by the SEBI Investigating Authority (**IA**). It was alleged that despite duly receiving summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011 the Noticee failed to submit complete details/information as required vide the aforesaid summonses, thereby violating the provisions of Section 11C(2) and 11C(3) of the SEBI Act, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

22. The undersigned was appointed as the Adjudicating Officer vide order dated March 30, 2012 and the said appointment was conveyed vide proceedings of the Whole Time Member dated April 11, 2012 to inquire and adjudge under Section 15A(a) of the SEBI Act, 1992 alleged violations of provisions of Section 11C(2) & 11C(3) of SEBI Act, 1992 committed by the Noticee.

SHOW CAUSE NOTICE, HEARING & REPLY

23. Show Cause Notice (**SCN**) in terms of the provisions of Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (**Adjudication Rules**) was issued to the Noticee on January 18, 2013, calling upon the Noticee to show cause why an inquiry should not be held

against it under Rule 4(3) of the Adjudication Rules for the alleged violations.

24. The aforesaid SCN was duly delivered to the Noticee by Speed Post on January 23, 2013. Subsequently, an opportunity of personal hearing was granted to the Noticee vide Notice of Inquiry dated February 07, 2013 and the Noticee was advised to attend the hearing on February 22, 2013. It was observed that vide letter dated February 09, 2013, the Noticee submitted its reply and *inter alia* made the following submissions:

> *"It is hereby informed that there was a change in management of the company in May 2010 (Copies of the relevant Form 32 attached herewith). The erstwhile management consisting of the promoters & directors resigned and new directors took over. The details as called for in your notice relates to period which was looked after by the old directors and promoters. The details which were available on records were duly replied and those which required the help and assistance of old directors were put on hold till the information could be gathered from thereon. The delay was unintentional and was due to a reason beyond the control of the present management. The information has since been gathered and are provided herewith. You are therefore requested to kindly make note of the above and drop the inquiry u/r 4(1) of Securities and Exchange Board of India and not to impose penalty u/s 15A of the Act."*

In its reply, the Noticee also submitted certain other information and enclosed certain annexures submitting information/documents in reference to the SEBI summonses.

25. Thereafter, vide letter dated February 12, 2013 the Noticee acknowledged the receipt of Notice of Inquiry dated February 07, 2013 and stated that all the required information/documents was annexed with the letter dated February 09, 2013 and in case of any further requirement the Noticee may be informed so that the same may be provided. On the scheduled date of hearing, i.e., February 22, 2013, CA Pranita Dalmia and Ms. Preeti

Agarwal, appeared as Authorised Representatives (ARs) on behalf of the Noticee and made the following submissions:

"The Noticee was incorporated in the year 2008. The promoters of the Noticee were Mr. Jayanta Majumdar and Mr. Gautam Ghosh. Ownership of the Noticee was changed in year 2010 wherein Mr. Manish Dalmia and Mr. Girish Dalmia were appointed as directors and the shareholding and also the registered office of the Noticee was accordingly changed. The Noticee was taken over in good faith and due diligence was carried on with respect to the documents furnished to us. The Noticee received a summon from SEBI on September 16, 2011 U/S. 11C(3) wherein the Noticee was asked to furnish certain informations/documents relating to transactions carried on by the Noticee in the year 2008-09. The Noticee replied with whatever documents were presently in their possession. Regarding the remaining documents the present management approached the previous management, but could not get any proper reply and cooperation. The Noticee accepts its fault in not complying with the Summons issued in the period 2011-12 and states that such non-compliance was purely unintentional and there was no mala-fide intention of the management. The Noticee has replied vide letter dated February 09, 2013 wherein all the remaining papers which were pending was duly submitted. The Noticee is ready to co-operate in whatever manner guided by SEBI. We have no further submissions to make."

ISSUES FOR CONSIDERATION

26. After perusal of the material available on record, I have the following issues for consideration, viz.,

A. Whether the Noticee has violated provisions of Section 11C(2) and 11C(3) of the SEBI Act, 1992?

B. Whether the Noticee is liable for monetary penalty under Section 15A(a) of the SEBI Act, 1992?

C. What quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act, 1992?

FINDINGS

27. On perusal of the material available on record and giving regard to the facts and circumstances of the case, I record my findings hereunder.

ISSUE 1: Whether the Noticee has violated provisions of Section 11C(2) and 11C(3) of the SEBI Act, 1992?

28. The provisions of Section 11C(2) and 11C(3) of the SEBI Act, 1992 read as under:

Section 11C(2) and Section 11C(3) of the SEBI Act, 1992

Section 11C(2): *Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.*

Section 11C(3): *The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

29. From the material available on record, I note that summons dated September 06, 2011, was issued to the Noticee by the IA asking it to furnish certain information by September 14, 2011. Vide letter dated September 14, 2011, the Noticee submitted partial information and *inter alia*, stated that it had paid ₹ 50,00,000 as share application money to Kanhaiya; ₹ 1,50,00,000 as share application money to Ambaji; and ₹ 12,00,000 as share application money to Ramji. The Noticee also requested for 30 days time to submit certain other information. Thereafter,

another summons dated September 22, 2011 was sent to the Noticee asking it to furnish information. Subsequently, another summons dated October 12, 2011 was sent to the Noticee asking it to furnish the information by October 20, 2011.

30. I note that vide letter dated September 22, 2011, (received by SEBI on October 19, 2011) the Noticee submitted partial information in response to summons dated September 22, 2011. Thereafter, another summons dated October 25, 2011 was sent to the Noticee asking it to furnish the information by November 03, 2011. However, as no reply was received, one more summons dated December 23, 2011 was sent to the Noticee asking it to furnish the information by December 30, 2011. I also note that vide letter dated nil (received by SEBI on January 16, 2012) the Noticee submitted only the list of its shareholders as on December 31, 2009. I further note that all the summonses clearly stated that in case of default by the Noticee, SEBI will initiate adjudication proceedings against the Noticee under Section 15A of SEBI Act and may also launch prosecution under section 11C (6) of SEBI Act.

31. A table depicting summons issued and response of the Noticee thereto is as follows:

Serial No.	Date of Summons	Nature of Information Sought	Response of PVPL (in brief)
1.	September 06, 2011	Details of promoters/directors and key officials of PVPL; details of bank accounts (including account statements) of PVPL and its promoters / directors for 01/04/2005 to 31/12/2009; details of shareholders of PVPL on quarterly basis for 01/04/2005 to 31/12/2009; details of loans availed by PVPL and/or its promoters; relation/connection and also financial dealings between PVPL, its promoters/directors and MIL / dummy companies / promoters of MIL/ certain Dangi group entities and Ashika group entities; etc.	Partial reply vide letter dated September 14, 2011. PVPL did not furnish bank account statements, shareholder details, etc.

2.	September 22, 2011	Details of investments made in dummy companies, bank details of promoters, shareholder details, investments in other private limited companies; etc.	Partial reply vide letter dated September 22, 2011 (received by SEBI on October 19, 2011). PVPL did not furnish all the details/information.
3.	October 12, 2011	Details of bank accounts (including account statements) of PVPL and its promoters / directors for 01/04/2005 to 31/12/2009; details of shareholders of PVPL on quarterly basis for 01/04/2005 to 31/12/2009; copy of Annual Reports of PVPL; copy of Income Tax Returns of promoters / directors of PVPL; details regarding investment in Kanhaiya, Ambaji and Ramji; investments made in other private limited companies; etc.	Summons delivered. No reply submitted.
4.	October 25, 2011	Details of bank accounts (including account statements) of PVPL, Gautam Ghosh and Joyanta Majumdar for 01/04/2005 to 31/12/2009; details of shareholders of PVPL on quarterly basis for 01/04/2005 to 31/12/2009; copy of Annual Reports of PVPL; copy of Income Tax Returns of promoters / directors of PVPL; details regarding investment in Kanhaiya, Ambaji and Ramji; connection with certain Kolkata based entities (shareholders of dummy companies); details of investments made in all private limited companies in the given format; etc.	Summons delivered. No reply submitted.
5.	December 23, 2011	Details of bank accounts (including account statements) of PVPL and its promoters / directors for 01/04/2005 to 31/12/2009; details of shareholders of PVPL on quarterly basis for 01/04/2005 to 31/12/2009; copy of Annual Reports of PVPL; copy of Income Tax Returns of promoters / directors of PVPL; copy of cash book and bank book of PVPL for years 2005-06 to 2009-10; details regarding investment in Kanhaiya, Ambaji and Ramji; investments made in other private limited companies; etc.	Partial reply vide letter dated nil, received by SEBI on January 16, 2012. PVPL only submitted a list of its shareholders as on 31/12/2009.

32. I note that the Noticee has neither denied nor disputed the receipt of the aforesaid summonses dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011 issued to it. However, I note that the Noticee failed to submit complete information as required vide the aforesaid summonses. For instance, I note that vide summons

dated September 06, 2011 the Noticee was asked to submit details of all bank accounts alongwith bank statements of those accounts and details of shareholders of the Noticee on a quarterly basis from April 01, 2005 to December 31, 2009. However, the Noticee vide letter dated September 14, 2011, *inter alia*, requested for 30 days time for compliance with the summons and had only mentioned the name of the Bank, branch and account number. But the Noticee neither submitted the bank statements nor gave the details of its shareholders for the required period.

33. Subsequently, vide summons dated September 22, 2011 the Noticee was, *inter alia*, asked to submit details of all bank accounts alongwith bank statements of those accounts and details of shareholders of the Noticee on a quarterly basis; details of its shareholding in other private limited companies; etc. However, as no reply was received, one more summons dated October 12, 2011 was sent to the Noticee asking it information, *inter alia*, regarding bank accounts alongwith bank statements and details of shareholders of the Noticee for the required period; copies of annual reports and income tax returns, details about its investment in Kanhaiya, Ambaji and Ramji including basis of investment and source of funds, as also information regarding who approached the Noticee regarding investment in Kanhaiya, Ambaji and Ramji; names of other private limited companies in which the Noticee had made similar investments; etc.

34. I note that vide letter dated September 21, 2011 (received by SEBI on October 19, 2011) the Noticee submitted partial information in response to summons dated September 22, 2011.

I am of the considered opinion that such delayed submission of information definitely hampers the investigation process as it precludes the IA from carrying out further and deeper investigation because of paucity of time. Even then, the Noticee did not furnish bank statements for the required period and details of shareholders on a quarterly basis as required vide summons dated September 22, 2011.

35. Subsequently, one more summons dated October 25, 2011 was sent to the Noticee vide which the Noticee was, *inter alia*, asked to submit details of all bank accounts alongwith bank statements of those accounts and details of shareholders of the Noticee on a quarterly basis; details about its investment in Kanhaiya, Ambaji and Ramji including basis of investment and returns on investment, as also information regarding connection with promoters/directors of who Kanhaiya, Ambaji and Ramji and who approached the Noticee regarding investment in Kanhaiya, Ambaji and Ramji; details of its shareholding in other private limited companies; etc. However, the Noticee failed to submit information in response to this summons also.

36. Thereafter, another summons dated December 23, 2011 was issued to the Noticee vide which the Noticee was, *inter alia*, asked to submit details of all bank accounts alongwith bank statements of those accounts and details of shareholders of the Noticee on a quarterly basis; details about its investment in Kanhaiya, Ambaji and Ramji including basis of investment and returns on investment, as also information regarding connection with promoters/directors of Kanhaiya, Ambaji and Ramji and who approached the Noticee regarding investment in Kanhaiya, Ambaji and Ramji; copies of cash book and bank book of the

Noticee; etc. However, vide letter dated nil, (received by SEBI on January 16, 2012) the Noticee only submitted a list of its shareholders as on 31/12/2009.

37. The Noticee did not furnish the required bank statements and details of shareholders on a quarterly basis; details about its investment in Kanhaiya, Ambaji and Ramji including basis of investment and returns on investment, as also information regarding connection with promoters/directors of who Kanhaiya, Ambaji and Ramji and who approached the Noticee regarding investment in Kanhaiya, Ambaji and Ramji; etc. Further, the Noticee did not submit the names of other private limited companies in which it had made investments and also about its connections with certain other entities. Had such information been provided, the IA would have been in a better position to ascertain the nature of the companies in which the Noticee was investing and whether there were any relation between the Noticee and other entities who were also shareholders of dummy companies.

38. In regard to the summonses issued by the IA, I observe that the information sought would have enabled the IA to draw precise conclusions in the matter. I now proceed to discuss, as to how essential and important the information was in the instant matter which was not provided by the Noticee. In view of the prima facie finding that certain dummy companies were incorporated to deal in the scrip of MIL and the reference from ITD pointing out to possible manipulation by Dangi/Ashika group entities for influencing the FCCB pricing, the IA was conducting detailed investigations in respect of dealings in the scrip of MIL. Since, as per the Noticee's own admission it had

invested heavily in three of the aforesaid ten dummy companies (paid ₹ 50,00,000 as share application money to Kanhaiya; ₹ 1,50,00,000 as share application money to Ambaji; and ₹ 12,00,000 as share application money to Ramji), it was imperative that the Noticee provided detailed information regarding its investment in Kanhaiya, Ambaji and Ramji, connections with other entities, etc. on time. Had the information with regard to the basis of investment and who approached the Noticee for the investment, etc. been provided, then the IA would have been in a better position to ascertain the exact role played by the various entities including the dummy companies and the Noticee and the same would have helped in examination of possible violations of the provisions of SEBI Act and Rules and Regulations made thereunder. Further, since the Noticee had indicated sale of investments as source of funds, the information with regard to shareholders of the Noticee, complete bank account statements of the Noticee and its investments in other private limited companies was also significant so as to match the fund flow with the corresponding securities flow, which is inherent and one of the most vital part of the whole investigative process. In this context, it can be said beyond doubt that the information which was not provided by the Noticee was relevant to find the truth in the matter and caused hindrance to the whole investigation process.

39. I note that the Noticee in its reply dated February 09, 2013 and subsequently during the course of personal hearing has, *inter alia*, submitted that it had undergone a change in management in May 2010 and that the details as called for in the summonses relate to a period which was looked after by the old directors and promoters. The Noticee mentioned that promoters of the

Noticee were Mr. Jayanta Majumdar & Mr. Gautam Ghosh and on change of ownership of the Noticee in 2010, Mr. Manish Dalmia & Mr. Girish Dalmia were appointed as directors. The Noticee also submitted that it replied with whatever documents which were there in its possession and regarding the rest, it approached its old directors. The Noticee has further submitted that it could not get any proper reply and cooperation from its previous management. However, I note that the replies dated September 14, 2011 and September 22, 2011 were signed by Mr Jayanta Majumdar. I am of the considered opinion that these submissions of the Noticee cannot be accepted as a justification for not submitting complete details/information as sought by the SEBI summonses. Despite receiving the five summonses the Noticee did not bother to furnish detailed information as required by the IA which hampered the investigation process to a great extent, as discussed above. Also, keeping in mind the ample time given to the Noticee by the IA, information such as details of shareholders, bank account statements for the relevant period, detailed information regarding investments in Kanhaiya, Ambaji and Ramji, details of investment in other private limited companies, connection with certain other entities, etc. as required vide the summonses could have been easily submitted by the Noticee. Hence, I find that the Noticee has failed to comply with summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011. I also note that the Noticee in its reply dated February 09, 2013 has admitted that it submitted only partial reply to summons dated September 06, 2011, September 22, 2011 & December 23, 2011 and none to summons dated October 12, 2011 & October 25, 2011.

40. I note that alongwith its reply dated February 09, 2013, the Noticee also submitted certain information and certain annexures submitting information/documents in reference to the SEBI summonses. I also note that through these, the Noticee has attempted to submit certain information for the first time such as copy of its cash book and bank book, relation with certain other entities, investments made in other private limited companies, etc. However, I am of the considered opinion that the Noticee ought to have submitted the information during the stage of the investigation in compliance with the summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011.

41. At this juncture, I refer to the observations of the SAT in *M/s. Bubna Stock Broking Services Limited v. SEBI*, Appeal No. 41/2009, wherein it was *inter alia* held that "*.....All these details had been asked for which were necessary for carrying out further investigations. Incomplete information furnished by the appellant amounts to non furnishing of information within the meaning of section 15A(a) of the Act and it thwarted the investigations. This is, indeed, a serious matter.....*". I also refer to the observations of the Securities Appellate Tribunal in the matter of *DKG Buildcon Private Limited v. The Adjudicating & Enquiry Officer, Securities and Exchange Board of India*, Appeal No. 106/2006, wherein it was, *inter alia*, held "*.....It is of utmost importance that every person from whom information is sought should fully co-operate with the investigating officer and promptly produce all documents, records, information as may be necessary for the investigations. If persons are allowed to flout the summons issued to them during the course of the investigations, the Board as the watchdog of the securities market will*

not be able to perform its duties in protecting the interests of the investors and safeguarding the integrity of the securities market.....".

42. From the forgoing paragraphs it is observed that the Noticee failed to provide the required documents and information to the IA. The said details which were sought vide the summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011 were very relevant and important in the whole Investigating Process. Thereby, it is established that the Noticee has violated the provisions of Section 11C(2) & 11C(3) of the SEBI Act, 1992.

ISSUE 2: Whether the Noticee is liable for monetary penalty under Section 15A(a) of the SEBI Act, 1992?

43. The provisions of Section 15A(a) of the SEBI Act, 1992 read as under:

Penalty for failure to furnish information, return, etc.:

Section 15A *If any person, who is required under this Act or any rules or regulations made there under, –*

(a) *to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less*

44. I note that during the course of personal hearing, the Noticee has accepted its fault in not complying with the SEBI summonses and stated that such non-compliance was purely unintentional and there was no mala-fide intention of the management. However, I note that in the matter of *SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC)*, the Hon'ble Supreme Court of India has held that "*In our considered opinion, penalty is*

attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the regulation is established and hence the intention of the parties committing such violation becomes wholly irrelevant".

45. As already observed, the Noticee failed to comply with the summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011. Therefore, I find that the Noticee is liable for monetary penalty under Section 15A(a) of the SEBI Act, 1992.

ISSUE 3: What quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act, 1992?

46. While imposing monetary penalty it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992, which reads as under:

> ***"15J - Factors to be taken into account by the adjudicating officer***
> *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*
> ***(a)****the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> ***(b)****the amount of loss caused to an investor or group of investors as a result of the default;*
> ***(c)****the repetitive nature of the default."*

47. In the absence of material on record, the amount of disproportionate gain or unfair advantage made as a result of the default and the amount of loss caused to the investors due to the said default cannot be quantified. I note that not submitting complete details to the summons despite having the same

appears to be an act on part of the Noticee to not cooperate with the regulatory mechanism. I also note that such non cooperation and default definitely compromises the regulatory framework and acts as an impediment to the functioning of the investigation process of SEBI. Further, any delay or hurdle in investigation due to non cooperation by any entity is detrimental to the interest of investors in securities market. I note that the Noticee has failed to comply with summons dated September 06, 2011 and subsequent summonses dated September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011; therefore the default of the Noticee is repetitive in nature.

48. From the forgoing paragraphs it is now established that the Noticee, failed to provide necessary information/documents to the IA in response to the summons dated September 06, 2011; September 22, 2011; October 12, 2011; October 25, 2011 and December 23, 2011. Considering the facts and circumstances of the case and the violation committed by the Noticee, I find that imposing a penalty of ₹ 5,00,000/- (Rupees Five Lakhs only) on Parag Vanijya Private Limited would be commensurate with the violation committed done by the Noticee.

ORDER

49. In terms of the provisions of the SEBI Act, 1992 and Rule 5(1) of the Adjudication Rules, I hereby impose a penalty of ₹ 5,00,000/- (Rupees Five Lakhs only) under Section 15A(a) of SEBI Act, 1992 for violation of Section 11C(2) & 11C(3) of the SEBI Act, 1992 on Parag Vanijya Private Limited.

50. The penalty shall be paid by way of demand draft drawn in favour of "SEBI – Penalties Remittable to Government of India" payable at Mumbai within 45 days of receipt of this Order. The said demand draft shall be forwarded to the Division Chief, Investigation Department (IVD – ID8), Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051.

51. In terms of the provisions of Rule 6 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this Order are being sent to the Noticee and also to Securities and Exchange Board of India.

Date: February 28, 2013 **Piyoosh Gupta**
Place: Mumbai **Adjudicating Officer**