

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under Sections 11(1), 11(4) and 11B of the Securities And Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003.

In the matter of Pipavav Defence and Offshore Eng. Limited, Parsvnath Developers Limited, Tulip Telecom Limited and Glodyne Technoserve Limited

In respect of M/s North Eastern Publishing & Advertising Company Limited (PAN AAACN6958M)

1. Securities and Exchange Board of India ('SEBI'), being alerted by its surveillance systems, on July 26, 2012, noticed a downward movement in the prices of four scrips namely Pipavav Defence and Offshore Eng. Limited, Parsvnath Developers Limited, Tulip Telecom Limited (*Tulip*) and Glodyne Technoserve Limited as compared to their closing prices on July 25, 2012 at the National Stock Exchange of India ('NSE') and Bombay Stock Exchange Limited ('BSE'). It was also observed that the prices of the said four scrips had seen a sharp downward movement within the time from 09:15 to 09:49 on July 26, 2012. During 15 days prior to July 26, 2012, no corporate announcements/price sensitive information was disclosed to the stock exchanges by the aforesaid companies which could have impacted prices of their shares negatively.
2. In the above background, SEBI, vide an *ad interim ex-parte* order dated August 03, 2012 (*interim* order), amongst others restrained M/s North Eastern Publishing & Advertising Company Limited ('noticee') from accessing the securities market and further prohibited it from buying, selling or dealing in securities in any manner whatsoever, till further directions.
3. Pursuant to the aforesaid *interim* order, noticee made submissions/objections vide its letter dated September 12, 2012. Opportunity of personal hearing was granted to the noticee on November 01, 2012. Vide its letter dated October 29, 2012 the noticee submitted that it is unable to appear before SEBI on the aforementioned date and submissions in its letter should be taken on record

for deciding on the allegations against it. In view of the same, I proceed to deal with the matters with respect to the noticee on the basis of material available on record and its written replies.

4. The noticee denies all the charges and allegation in the *interim* order. It has submitted that it is a non-deposit taking NBFC, registered with Reserve Bank of India and its principal business is to carry on the business of loans and investments. It is also engaged in the business of securities trading after its own appraisal, analysis and research on the basis of fundamentals of the company. Further, it has been trading through various brokers and also has availed loans from various NBFC's and margin thereof is provided in the form of both funds as well as securities.
5. With regards to the allegation in the *interim* order that noticee had sold 50,000 shares of *Tulip* on July 26, 2012 on BSE, the noticee has submitted that it has a trading account with M/s Nirmal Bang Securities Pvt Ltd. ('NBSPL'). For the purpose of its trading; it has availed of margin funding from M/s Nirmal Bang Financial Services Pvt Ltd. ('NBFSP'). Relying upon a letter dated July 26, 2012 from NBFSL, the noticee has submitted that on July, 25, 2012 there was a margin shortfall of ₹65,27,901/ in its account with NBFSP. On July 26, 2012 it had not placed the order with NBSPL for the said sale of those shares and after market hours it was informed that the trades had been executed in its account by NBSPL. According to the noticee those trades executed in its account are unauthorised trades and the noticee apprehends that they had been executed by NBFSP on its own. Therefore, holding noticee responsible on the basis of these trades is erroneous.
6. Noticee further submitted that the alleged trades in the scrip *Tulip* were not executed in the price fall period as identified by SEBI and NBFSP might have sold the scrip in question because price of the scrip was going down. Hence, the allegation that it was instrumental in the price fall of the scrip is proved wrong in its case. Its trade in the market are independent and not based on trading of the others.
7. With regard to its relation with other entities as mentioned in Para 17 & 18 of *interim* order, the noticee has submitted that :
 - Its registered office is Room No 5, 1st Floor, H.M. , T.R. Phookan Road, Guwahati Assam – 781 001 and its Head Office is situated at 5, Gorkhy Terrace, 2nd Floor, Kolkata. The head office is not owned by them and is obtained from the owner on rent free basis.
 - Mr. Ajit Jain and Mr. Manish Agarwal are not associated or related to noticee in any manner whatsoever.

- Mr. Ajit Jain and Mr. Manish Agarwal are directors in several companies having their office at 5, Gorkhy Terrace, 2nd Floor, Kolkata on the basis of which it has been alleged that the noticee is related to them. The noticee is not the owner of premises having the aforesaid address and it cannot be related to each and every entity having their registered office at that address.
 - Hence, the inference that noticee is related to Mr. Ajit Jain and Mr. Manish Agarwal solely on the fact that they are directors in some of the companies having their registered office at 5, Gorkhy Terrace, 2nd Floor, Kolkata is wrong and erroneous.
8. With regard to its financial details mentioned in Para 19 of the *interim* order, the noticee has submitted that the details provided in the KYC are factually correct and keeping with its past records nothing suspicious should be read into it. Noticee submitted that they trade in shares and securities for gains and a substantial part of its trading is intra-day and thus its trading turnover is high. Notice has also submitted its intra- day trade details for the financial year 2010-11 demonstrating the same.
 9. I have considered the written submissions of the noticee, since noticee has failed to appear in hearing, I proceed in the matter on the basis of the relevant material available on record. The limited issue to be considered in this order is to decide whether, based on the available material on record and after considering the submissions made by the noticee, the directions issued by vide *ad interim* ex-parte order need to be continued, revoked or modified in any manner, in so far as it relates to the noticee.
 10. The Noticee has claimed that order for selling 50,000 shares of *Tulip* on July 26, 2012 from its account were executed by NBFSP from which noticee has acquired margin funding. In this regard, I have perused the letter dated July 26, 2012 from the NBFSP relied upon by the noticee. I note that the said letter *inter alia* states as under:

"This is with reference to your Loan account (KLK02680) with us. Please note that loan outstanding is of Rs. 91,08,875/- on 27/07/2012 against there is collateral security in the form of shares and/or initial margin is of Rs. 25,80,974/- after taking into account the prescribed haircut on the market value of shares. There is a shortfall of Rs. 65,27,901/- in the security coverage. You are hereby advised to give the security coverage on top most priority or to make the payment of Rs. 65,27,901 towards the shortfall of security immediately. As per the clause 3.4 of Master loan agreement entered into between you and us, we

the lender have full discretion to liquidate the Stock to the extent of shortfall and to cover other dues (if any) pertains to the account".

11. I note that the aforesaid letter dated July 26, 2012 describes the loan outstanding/ margin shortfall in the loan account of the noticee as on July 27, 2012 i.e. one day after the date of trade in question. I note that this communication does not suggest that the transaction in question was on account of margin shortfall as on July 26, 2012 and it was done by NBFSPIL on its own. In view these observations, I find that the document relied upon by the noticee does not substantiate its claim that alleged shares in the scrip *Tulip* were sold by NBFSPIL pursuant to margin shortfall with regard to the loan availed by it and therefore, it is difficult to accept the arguments of the noticee at this stage.
12. I note that, *interim* order has *prima facie* alleged the connection between noticee, Mr. Manish Agarwal and Mr. Ajit Jain on the basis of common address i.e. '5, Gorkhy Terrace, 2nd Floor, Kolkota'. Noticee has admitted that its registered office is situated at this address, however, it has contended that it is not the owner of the premises as its office place is taken on rent free lease and for this reason it cannot be linked with other entities having their office at the aforesaid address. I note that noticee has failed to furnish any documentary evidence including copies of the rent agreement, etc. in support of its submissions. I, therefore, do not agree with the claim of the noticee. It is also to be noted that such connection, even though seems tenuous at the first glance, may be important in the context of larger perspective of establishing culpability of the securities laws violators.
13. I note that the allegation against the noticee in the *interim* order is that it had sold 50,000 shares in the scrip *Tulip* on July 26, 2012 and was among the major net sellers during the day. The allegation in the *interim order* is based on *prima facie* findings and predominantly based on allegation of the sale of shares in the respective scrips during the price fall period. I note that noticee had sold the said 50,000 shares of *Tulip* subsequent to the price fall period after freeze on price. I note that in the case of noticee, at this stage, the case has not been made out that its trades were part of any alleged plan of other entities. Thus, balance of convenience is in favour of the noticee at this stage. I note that the investigation in the matter is still in progress and final view with regard to the role of the noticee, if any in the matter, can be taken on the completion of the investigation.

14. It is noted that the noticee has already undergone restraint for more than four months pursuant to the *interim* order. The facts and circumstances of the case relating to noticee, at this stage, do not suggest any emergent or urgent reasons to continue with the directions issued against it vide the *ad interim* order. I, therefore, am of the view that the directions issued against noticee vide the *ad interim* order need not continue during the continuance of the ongoing investigation in the matter.
15. I, therefore, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby revoke the directions issued vide the *ad interim ex-parte* order dated August 03, 2012 against M/s North Eastern Publishing & Advertising Company Limited (PAN AAACN6958M).
16. It is, however, made clear that this order is without prejudice to any enforcement action that SEBI may deem necessary against the aforesaid noticee in the matter, on completion of the investigation.
17. A copy of this Order shall be served on all the recognized stock exchanges and depositories for necessary action to implement the directions herein.
18. This order shall remain in force till further directions.

DATE: December 31st, 2012
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA