

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 A to Z Steels P Ltd. (*A to Z*) (PAN:AAACA2331D), M/s G N Credits Private Ltd. (*G.N. Credits*) (PAN:AAACG2179F), M/s Premium Hospitality Services Private Limited (*Premium*) (PAN:AAACP6934D), M/s Gajria Jaayna Precision Industries Private Limited (*Gajria*) (PAN:AABCG5915E), M/s 4a Financials Securities Private Limited (*4a Financials*) (PAN: AAACZ3020E), M/s Venus Infosoft Private Limited (*Venus*) (PAN:AACCV5360M) and M/s Passion System Solution Private Limited (*Passion*) (PAN:AAECP3609F).

Appearances:

For Noticees:

Sl. No.	Name of the Entity	Name of the Authorized Representatives
1	A to Z	Mr. Vinay Chauhan and Mr. Arvind Kumar Srivastava
2	G N Credits	Mr. Vinay Chauhan and Mr. Dinesh Gupta
3	Premium	Mr. Vinay Chauhan and Mr. Dinesh Gupta
4	Gajria	Mr. Vinay Chauhan and Mr. Dinesh Gupta
5	4a Financials	Mr. Vinay Chauhan and Mr. Arvind Kumar Srivastava
6	Venus	Mr. Vinay Chauhan and Mukesh Gupta
7	Passion	Mr. Vinay Chauhan and Mukesh Gupta

For SEBI:

1. Mr. Santosh Kumar Shukla, Joint Legal Adviser
2. Mr. Manoj Kumar, General Manager
3. Mr. Amitesh Kumar, Assistant Legal Adviser
4. Mr. Rajudeen Khan, Manager
5. Mr. Manish Kumar Gupta, Assistant Manager

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 ('Pipavav'), Parsvnath Developers Limited ('Parsvnath'), Tulip Telecom Limited ('Tulip') and Glodyne Technoserve Limited ('Glodyne') 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 A to Z Steels P Ltd. ('A to Z'), M/s G N Credits Private Ltd. ('GN Credits'), M/s Premium Hospitality Services Private Limited ('Premium'), M/s Gajria Jaayna Precision Industries Private Limited ('Gajria'), M/s 4a Financials Securities Private Limited ('4a Financials'), M/s Venus Infosoft Private Limited ('Venus') and M/s Passion System Solution Private Limited ('Passion') (hereinafter collectively referred to as 'noticees') 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, the noticees made separate submissions/objections vide their letters dated September 03, 2012. Opportunity of personal hearing was granted to the noticees on October 31, 2012 when their authorized representatives appeared and made submissions on their behalf. Subsequent to the hearing, the noticees filed written submissions vide their separate letters dated November 05, 2012. Pursuant to the hearing SEBI, vide letter dated November 16 2012, had sought certain information from the noticees and the noticees vide their separate letters dated November 22, 2012 responded to the said letter of SEBI.
4. It is noted that the noticees have made common submissions that no sale orders were placed by them in the concerned scrips on July 26, 2012 and in fact the alleged sale orders were placed by the NBFC/Brokers through whom they had availed margin finance in their account and those sales were consequent to margin shortfall. The transactions in question were carried out in their accounts by the NBFC/Broker consequent to the margin short fall and they had no role in placement of sale orders in the concerned scrips. The NBFCs/Lenders sold the scrip in question because price of the scrip was going down.

5. '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*' have also submitted that in none of the scrips the sales have been executed in their account during the identified price fall period. The price fall period for various scrips for the BSE and NSE identified by SEBI ranges between 9:15:00 to 9:49:00 whereas the sales in the impugned scrips allegedly by them have taken place post 9:49:00 only i.e. after the price fall period identified by SEBI.
6. The learned advocate of the noticees further added that the shares were sold by NBFCs/ Lender when the price of concerned scrip had already fallen and those sell orders did not cause price fall as alleged. Since sale of shares as alleged in the *interim* order was at lower price the noticees lost value on those shares. Relying upon the SEBI order number ISD/KMA/07/09 dated July 07, 2009 in the matter of *GHCL*, the learned advocate submitted that the facts and circumstances of the case are similar to those of *GHCL* wherein Whole Time Member of SEBI had revoked the directions issued vide *ad- interim ex parte* order no. ISD/KMA/53/09 dated April 20, 2009 as against 33 entities since the interim order dated April 20, 2009 was based on a *prima facie* view and the detailed investigation in the matter was on going. According to the learned advocate in the case of the noticees also the *interim* order is on the basis of *prima facie* findings and investigations are ongoing. Hence, the *interim* order may be revoked as against the noticees.
7. In respect of link with each other, '*A to Z*' has submitted that it is the lease holder of the premises 203, Pankaj House, Pocket Shopping Complex, Sarita Vihar, Delhi – 110076. '*Premium*', '*Gajria*', '*Venus*' and '*Passion*' have submitted that they are holding the part of the aforesaid premises from '*A to Z*' under a sub-lease. '*G N Credits*', and '*4a Financials*' have denied the sharing of aforesaid address.
8. I have carefully considered the objections/submissions raised by the Noticees. As the subject matter in the *interim* order issued to the entities is identical and their subsequent submissions relating to oral hearing are similar, I proceed to deal with issues involved in the matter by way of this common order.
9. I note from the *interim* order that out of the said 7 noticees only *Gajria* and *Passion* had sold shares of the concerned scrips during the identified price fall period as under:

Stock Exchange	Name of Client	Net Sell Quantity	% to market Net
Parsvnath Developers Limited			
NSE	Gajria	158557	51.15
Tulip Telecom Limited			
NSE	Passion	113000	14.39
NSE	Gajria	90000	11.46

10. From the Order pattern analysis in the scrip of *Tulip* it is apparent that '*Gajria*' placed sell order of 40895 shares at 09:44:25:08606 at price of Rs. 85/- when best buy and best sell price was Rs. 87.35/ and Rs. 88/, respectively. Similarly, sell order of 40000 shares was placed by Gajria at 09:47:50:886978 at price of Rs. 72 when the best buy and best sell price was Rs. 72.10/ and Rs. 72.70/, respectively-. '*Gajria*' had also sold 1,58,557 shares of *Parsvnath* during 9:39:34 AM to 9:40:39 AM. Price of this scrip moved in the range of Rs.53.35 to Rs.46.20 and '*Gajria*'s' trades were executed in the price range of Rs.53.00 to Rs. 46.20. I further note that Passion had sold 1,13,000 shares of *Tulip* during 9:44:29 AM to 9:47:21 AM. Price of the scrip moved in the range of Rs. 87.75 to Rs. 68.20 and trades of Passion were executed in the price range of Rs. 86 to Rs. 72.
11. '*Gajria*' and '*Passion*' have not disputed the above transactions and have claimed that these transactions were carried out by ECL Finance Ltd. and SKJP Financial Services Limited (NBFC/Lender)/ Edelweiss Securities Ltd. and FairWealth Securities Limited (Broker) consequent to fall in the price of the scrip that was kept as a margin with that Lender. I have perused the copies of the documents submitted by '*Gajria*' and '*Passion*' in support of these submissions. I note that Master Loan Agreements between them and ECL Finance Ltd, the Lender and the Power of Attorney in favour of the said Lender are dated way back in 2009. I find that the said Master Loan Agreements are not duly executed agreements and they are recitals of certain covenants on plain paper. I note that these covenants provide for maintenance of margin (with the Lender) that could consist of '*Securities from the Approved List*' acceptable to the Lender, computation of the value based on market price of those securities, right of the Lender to increase or decrease the margin, top-up and sell-out, review of securities, etc. Those covenants also stipulate that the borrowers shall be responsible to make itself aware of the shortage and/ or increase in

margin and the Lender is not bound to send communication regarding fall in market price of the securities, change in margin, etc. However, these documents do not specify the scrips that were to be kept as margin. From the copies of vouchers and ledgers submitted by 'Gajria' and 'Passion' also it is not clear that shares were sold by NBFC-Lender/Broker pursuant to the margin shortfall.

12. 'Gajria' has also submitted that an e-mail dated July 27, 2012 at 3.55 p.m. was sent by M/s Edelweiss Securities Ltd. to its director requesting it to give an undertaking confirming as following:-

“These all order were executed on my instruction on 26/7/2012 in (Gajaria Jayna) and I have recd contract note against the same.”

13. According to 'Gajria' this e-mail also confirms that the sale orders were placed by M/s Edelweiss Securities Ltd. without any recourse to it. Otherwise there was no need for M/s Edelweiss Securities Ltd. to seek any undertaking from 'Gajria'. I note that the said e-mail does not specify the scrip with regard to which, the undertaking was asked for by the Broker from 'Gajria'. Further, 'Gajria', on the one hand submitted that shares were sold by NBFC/Broker consequent to margin shortfall/volatility in the price of the scrip pursuant to the loan agreement without any recourse to it while on the other hand it has submitted, on the basis of the e-mail, that the broker, on July 27, 2012 had asked for undertaking that shares were sold by it. Apparently, by this e-mail, 'Gajria' was asked to confirm to the broker, M/s Edelweiss Securities Ltd. that all sale orders were executed on instructions of 'Gajria' on July 26, 2012 and it had received the contract note against the same. Therefore, this email indicates that the sale orders were placed by 'Gajria' on July 26, 2012.
14. I have perused the Customer Information Form of *Passion* with SKJP Financial Services Private Limited-NBFC and find that the date of opening of account and financial details of the passion are not mentioned in the form. Other noticees have submitted the copies of their financial statements and ledger statements.
15. In view of the above, I find that the documents relied upon by the noticees do not substantiate their claim that their shares in the respective scrip were sold by their

lender/broker pursuant to margin shortfall with regard to the loan availed by them and therefore, it is difficult to accept the arguments of the noticees at this stage.

16. According to '*A to Z*' it is the lease holder of the premises 203, Pankaj House, Pocket Shopping Complex, Sarita Vihar, Delhi – 110076 which is alleged to be the common address of '*A to Z*', '*Premium*', '*Passion*', '*Gajria*' and '*Venus*'. According to '*Premium*', '*Gajria*', '*Venus*' and '*Passion*' they are holding a part of the aforesaid premises from '*A to Z*' by way of sub-lease. I find that '*A to Z*', '*Premium*', '*Passion*', '*Gajria*' and '*Venus*' failed to furnish any evidence including copies of the rent agreements or bank statements showing payment made by these entities as rent. The *interim* order has alleged connection of the noticees also based on the common phone numbers as mentioned below-

Common Phone number	Name of the entities
9911050665	' <i>A to Z</i> ', ' <i>Premium</i> ', ' <i>Passion</i> ', ' <i>Gajria</i> ' and ' <i>Venus</i> '
9971099091	' <i>A to Z</i> ', ' <i>Venus</i> ' and ' <i>Gajria</i> '
01140541518	' <i>A to Z</i> ', ' <i>GN Credits</i> ', ' <i>Gajria</i> ', ' <i>Passion</i> ' and ' <i>Premium</i> '
9871927842	' <i>A to Z</i> ', ' <i>Gajria</i> ' and ' <i>Premium</i> '
9810371809	' <i>A to Z</i> ', ' <i>Premium</i> ', ' <i>Gajria</i> ' and ' <i>4A Financials</i> '

17. I note that the noticees have not disputed the above allegation. In view of the above, I, *prima facie*, find that noticees are connected to each other.
18. As per the *interim* order, '*Gajria*' and '*Passion*' had sold substantial quantity of shares of respective scrips during the identified price fall patch and were also among the top 10 net sellers in those scrips, leading to substantial price fall in the scrips. The *interim* order has also alleged that '*Gajria*' was instrumental in pulling the price of '*Tulip*' down during the identified time period as it was placing sell orders below the best sale and buy price during the period. I find that '*Gajria*' and '*Passion*' have not been able to show sufficient cause to draw any inference other than drawn in the *interim* order with regard to their trading in the respective scrips. I note that the role played by '*Gajria*' and '*Passion*' is significant during the price fall period. I find that these entities are *prima facie* connected to each other considering aforesaid address and telephone number and their trading pattern. The trading pattern of '*Gajria*' and '*Passion*' does indicate towards their role in the manipulation of the respective scrips.

19. I have perused the order no. ISD/KMA/07/09 dated July 07, 2009 passed by SEBI in the matter of *GHCL*, which has been relied upon by the noticees. I note that this order does not suggest that in all cases where the *interim* order is based on the *prima facie* finding and the investigation is going on, the *interim* order should be revoked. In my view, the decision whether to continue or revoke the *interim* order depends upon the facts and circumstances of the case and balance of convenience of the affected parties.
20. I find that the submissions of '*Gajria*' and '*Passion*' do not give any plausible reason/explanation, at this stage, for their trades in the respective scrips as alleged in the *interim* order. Thus, '*Gajria*' and '*Passion*' have not been able to make out a *prima facie* case for revocation of the *interim* order as against them and the material available on record justifies the continuation of the directions passed against '*Gajria*' and '*Passion*' issued under the *ad interim ex-parte* order dated August 03, 2012. I also note that investigation in the matter is ongoing and appropriate decision, in accordance with law, would be taken after completion thereof. In the light of above facts and circumstances, I, therefore, am of the considered view that no intervention is called for, at this stage, in either vacating the interim directions or modifying it, with respect to '*Gajria*' and '*Passion*'.
21. I note that '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*' have not sold the shares during the price fall period. The allegation in the interim order is on the basis of the sale of shares in the respective scrips during the price fall period. These five entities had sold shares in the respective scrips subsequent to the price fall period after freeze on price. I have already observed that they are *prima facie* connected to each other and '*Gajria*' and '*Passion*'. 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. I, however, note that in the case of these five entities, at this stage, the case has not been made out that their trades were part of any alleged plan of other connected noticees. I note that the investigation in the matter is still in progress. A final view with regard to the role of the '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*', if any in the matter, can be taken on the completion of the investigation. It is noted that the noticee has already undergone restraint for more than four months pursuant to the *interim* order. In my view, in the facts and circumstances of

the case, the balance of convenience is in favour of the '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*' at this stage.

22. The facts and circumstances of the case relating to the '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*' , at this stage, do not suggest any emergent or urgent reasons to continue with the directions issued against them vide the *ad interim* order. I, therefore, am of the view that the directions issued against '*A to Z*', '*GN Credits*', '*Premium*', '*4a Financials*' and '*Venus*' vide the *ad interim* order need not continue during the continuance of the ongoing investigation in the matter.
23. In view of the foregoing, I, 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 confirm the directions issued against M/s Gajria Jaayna Precision Industries Private Limited(PAN:AABCG5915E) and M/s Passion System Solution Private Limited (PAN:AAECP3609F) and revoke the directions issued against M/s A to Z Steels P Ltd. (PAN:AAACA2331D), M/s G. N. Credits Private Ltd. (PAN: AAACG2179F), M/s Premium Hospitality Services Private Limited (PAN: AAACP6934D), M/s 4a Financials Securities Private Limited (PAN: AAACZ3020E), M/s Venus Infosoft Private Limited (PAN: AACCV5360M) vide *ad-interim ex-parte* order dated August 03, 2012.
24. A copy of this Order shall be served on all the recognized stock exchanges and depositories for necessary action to implement the directions herein.
25. This Order shall come into force with immediate effect

DATE: December 19th , 2012

PLACE: MUMBAI

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