

BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI

**Appeal No. 140 of 2008**

**Date of decision : 15.7.2009**

Pramod Jain ..... Appellant

Versus

Securities and Exchange Board of India ..... Respondent

Mr. Vinay Chauhan Advocate for the Appellant.  
Dr. Poornima Advani Advocate for the Respondent.

Coram : Justice N.K. Sodhi, Presiding Officer  
Samar Ray, Member

Per Justice N.K. Sodhi, Presiding Officer (Oral)

Pramod Jain is the appellant before us. He has challenged the order dated 23.9.2008 passed by the whole time member of the Securities and Exchange Board of India (for short the Board) holding him and others guilty of violating Regulations 4(a) and 9(1) & (4) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. He has been debarred from accessing the securities market for a period of six months.

The Board received a number of complaints from investors alleging price rigging and manipulation in the scrip of SRG Infotech Limited (for short SRG). It ordered investigations for the period from 15.12.1998 to 30.6.1999 and found that two companies namely New Age Shares and Stock Brokers Pvt. Ltd. and Arihant Equity Fund Ltd. (now known as Universal Media Networks Ltd.) (hereinafter referred to as New Age and Arihant respectively) had traded in the scrip of SRG and that the trades executed by them were manipulative. The Board further found that the price of the scrip had been rigged and that artificial volumes were created. The appellant was a director of Arihant at the relevant time. Along with the appellant, Sanjeev Bansal and Santosh Kumar Jain, among others, were also the directors of Arihant. The investigations further revealed that New Age and Arihant had executed trades through a

common broker namely, Integrated Master Securities Limited. One Ashok Agarwal is the brother of Sanjeev Bansal and he is also the director of SRG whose scrip had been manipulated. Sanjeev Bansal is also a director in New Age. During the course of the investigations, statements of the broker and some others including the appellant and Santosh Kumar Jain were recorded. On the basis of the investigation report, the Board initiated proceedings under section 11 and 11B of the Securities and Exchange Board of India Act, 1992 against the appellant and others including Sanjeev Bansal, Santosh Kumar Jain, Ashok Agarwal, New Age and Arihant. The whole time member found that they all colluded to execute manipulative trades in the scrip of SRG and rigged the price and created artificial volumes. They have all, except Ashok Agarwal, been found guilty of the charges levelled against them and have been debarred from accessing the securities market. We are only concerned with Pramod Jain in this appeal. The others have not come up in appeal against the impugned order.

We have heard the learned counsel for the parties who have taken us through the record. Mr. Vinay Chauhan learned counsel appearing for the appellant strenuously contended that the appellant was innocent and that he was not responsible for the manipulative trades in the scrip of SRG and that the whole time member was not justified in holding him guilty only because the appellant had signed a bank account opening form. We are unable to accept this contention. The fact that New Age and Arihant had executed manipulative trades in the scrip of SRG has not been disputed before us. It is also not in dispute that the appellant, Sanjeev Bansal and Santosh Kumar Jain, among others, were the directors of Arihant. One Virendra Kaneja the representative of the common broker through whom New Age and Arihant had executed the trades was summoned to appear during the course of the investigations and he categorically stated that Sanjeev Bansal was the person who was placing the orders for the purchase and sale of the shares on behalf of New Age and Arihant. Ashok Agarwal and Santosh Kumar Jain also appeared before the investigating officer and they denied that Arihant had traded in the scrip of SRG. When the investigating officer confronted them with the details of the trades procured from the stock exchanges which were computer generated statements, they had no option but to admit the execution of

the trades but denied their own roles. Santosh Kumar Jain who is the chairman of Arihant when confronted with the trades admitted that the Delhi based directors of Arihant could have executed the trades on behalf of this company and he named the appellant and Sanjeev Bansal. The appellant completely denied any role as a director of Arihant in the execution of trades in the scrip of SRG. We have carefully gone through the statements of the persons who were summoned to appear during the course of the investigations including that of the appellant and find that they are all contradicting each other in material respects and we are satisfied that the statement of the appellant does not inspire confidence. He has admittedly signed the bank account opening form which was submitted to the Bank of America for opening a bank account. This account was opened on 22.1.1999 and closed in September, 1999. He has also signed the board resolution which was submitted to the bank at the time of the opening of the account in a printed format provided by the bank. It is not in dispute that this account was used for trading in the scrip of SRG. The learned counsel for the appellant contends that his client had signed a blank bank account opening form and the printed format of the board resolution with the details left blank. We have perused the format of the board resolution and also the bank account opening form signed by the appellant. It is clearly stipulated in the format that the document is being submitted to the bank for the purpose of opening an account. The appellant cannot be heard to say that he did not know that the account was ever opened. He signed these documents as a director of the company and they also bear the stamp of the company. It is, thus, established that the appellant also played some role in the entire game plan and had opened a bank account to enable Arihant to trade in the scrip of SRG. Shri. Chauhan contends that the demat account and the trading account with the broker which were necessary for the trading had been opened and operated by Sanjeev Bansal and it was he alone who executed the manipulative trades and not the appellant. May be, the appellant did not open those two accounts but the fact that he opened the bank account through which trading was done is enough to establish his part of the role in the execution of the manipulative trades. He is not as innocent as he claims to be and, it appears to us that Sanjeev Bansal obviously played a major role in the whole episode. Shri. Chauhan learned counsel has

also argued that it was only Sanjeev Bansal who was placing the buy and sell orders as mentioned by the representative of the broker and that the appellant did not play any role in that regard. A reading of the statements of different persons recorded during the course of the investigations clearly establish that they were all in league with each other and after they were confronted with the details of the trades they denied their own roles and started implicating each other. As already observed, Santosh Kumar Jain clearly named the appellant who traded in the scrip. In view of his statement, we are satisfied that the appellant too traded in the scrip on behalf of Arihant. In this view of the matter, no fault can be found with the impugned order holding the appellant guilty of the charges levelled against him.

Having regard to the fact that the kingpin was Sanjeev Bansal as pointed out by the broker and that the manipulative trades were executed almost eleven years back, we are of the view that the ends of justice would be adequately met if the period of debarment of the appellant is reduced to four months. We order accordingly. The impugned order stands modified to that extent.

The appeal stands disposed of as above with no order as to costs.

Sd/-  
Justice N.K. Sodhi  
Presiding Officer

Sd/-  
Samar Ray  
Member

15.7.2009  
bk/-