

Order passed against Sri Pravin Panwar under SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with section 11 and 11B of SEBI Act, 1992

1. Prosoft Systems Ltd. (hereinafter called Prosoft) was incorporated as private Limited Company on July 28, 1993. It was converted in to a public limited company on January 19, 2000. It has its registered office at 186, Datta Complex, Main Rd, Gandhi Bajar, Basavanna Gudi, Bangalore , 004.
2. During October 2000, the company came out with a public issue of 61.60 lakh shares at par aggregating to Rs.616 lakhs (Rs.2.50 on application and 7.50 on allotment) The issue was closed on October 23, 2000 and the shares got listed on November 17, 2000. The last date for payment of allotment money was December 15, 2000. Bangalore Stock Exchange had permitted trading in the scrip to commence on December 27, 2000. Trading was permitted in compulsory demat mode.
3. However, Prosoft had not credited shares to the demat account of any shareholder as on that date. The first credit was given only on January 12, 2001. Prosoft had given credit of 3.00 lakh shares to the demat account of Shri Pravin Panwar (proprietor of Kamal Investments) on January 12, 2001 and the remaining shareholders accounts were credited only after January 22, 2001. This created artificial scarcity of deliverable securities in the market. Shri Panwar was the sole agent for marketing the public issue. Thus, the company had failed to give demat credit to its shareholders before commencement of trading in compulsory demat mode.
4. It was stated in the prospectus for the said public issue that the post-issue paid up capital of the company will be Rs.1026 Lakhs whereas the audited annual report of the company for the year ended March 31, 2001 revealed that the paid-up capital was Rs.575.83 lakhs and Rs.450-19 lakhs were calls in arrears.
1. There was variation in the price of the scrip of Prosoft listed on Bangalore Stock Exchange (BgSE), between Rs.25.15 and Rs.36.40 between December 27, 2000 and January 16, 2001 i.e. an increase of about 45% in 15 trading days.
2. SEBI conducted investigations into the dealings in the shares of Prosoft for alleged market manipulation. Investigations revealed several irregularities in the trading done by Shri Pravin Panwar in the shares of the company, such as creation of artificial volumes & false market in the shares and price rigging.
3. It is found that Shri Pravin Panwar has signed as authorized signatory of the company in a communication to the allottees of private placement done by the company prior to the public issue. He was the only shareholder who had fully paid up shares of the company in 'Demat' form. He had also marketed entire public issue. Shri Pravin Panwar stated under oath that he has been associated with Prosoft since 1999 and since January 2002, he has been on the board of the company as a non-executive director. He further stated that he was acting as an agent of the company for private placement of the shares and also as a marketing agent for the public issue. Therefore he was a person associated with the company.
4. Once BgSE permitted trading in the scrip, executed substantial trades in the scrip acting through two different brokers, namely, Sunil Investments and Index Finlease Services Ltd. In many of the trades, he acted as both buyer and seller. Thus he created artificial volumes in the scrip. He traded at increasing rates thus rigging up the price of the scrip. In a statement to SEBI, he also admitted that he tried to create investor interest in the scrip in order to dispose off his holdings at a higher price.
1. In view of the above a show cause notice was issued to him bearing no IES/ ID7/ 901/ 13142/ 2002 dated 17-02-02 for violating Sections 6 (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 asking him to show cause why suitable direction under regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Section 11 and 11B of the SEBI Act, 1992 including a direction to prohibit him from dealing in securities for a particular duration should not be passed against him.
2. The said show cause notice was not replied to by Sri Pravin Panwar. An opportunity of personal hearing was also accorded to Sri Pravin on 28-10-02 which he did not avail either. An exparte order therefore is passed based on the available material looking into the gravity of the charges and it is considered that no purpose will serve if another opportunity of hearing is given except further delay in proceedings.

4.1 Sri Pravin Panwar had commenced trading in the scrip of Prosoft from the day the trading permission was granted by BgSE. The details of the individual trades executed by the said Pravin Panwar on December 27, 2000 on his behalf as are as under:

Name of the Broker	Bought	Rate	Sold	Rate	Traded value*
					(In rupees)
Sunil Investments	200	14.00			-2800.00
			200	16.00	3200.00

	500	16.50			-8250.00
	200	17.00			-3400.00
	500	17.25			-8625.00
	300	17.50			-5250.00
			100	18.00	1800.00
			300	18.50	5550.00
			200	18.75	3750.00
			200	19.00	3800.00
			200	19.50	3900.00
			400	19.50	7800.00
			100	19.75	1975.00
			200	20.00	4000.00
			300	20.50	6150.00
			200	21.00	4200.00
			200	21.50	4300.00
			200	21.75	4350.00
			100	21.90	2190.00
			300	22.00	6600.00
			500	22.50	11250.00
	150	23.25			-3487.50
	100	23.60			-2360.00
	100	23.90			-2390.00
	150	23.95			-3592.50
	200	24.00			-4800.00
	200	24.90			-4980.00
	1500	25.25			-37875.00
	1	26.50			-26.50
	1	27.00			-27.00
	98	28.00			-2744.00
	2	28.00			-56.00
	48	28.00			-1344.00
	50	28.00			-1400.00
	2	28.00			-56.00
Total	4302		3700		-18648.50
Index Finlease Services	200	16.00			-3220.00

	200	18.75			-3770.00
	200	19.00			-3820.00
			200	14.00	2780.00
			100	18.50	1840.00
			150	22.00	3285.00
			150	23.95	3577.50
			200	24.00	4780.00
			200	24.90	4960.00
Total	600		1000		10412.50

* - Traded value inclusive of brokerage.

- The above table clearly revealed that Pravin Panwar purchased 4902 shares of Prosoft and sold 4700 shares, acting through two brokers. Out of the above, the bulk of the trades i.e. purchase of 4302 shares and sales of 3700 shares have been executed through Sunil Investments.
- Pravin Panwar also got executed 35 transactions (both bought and sold) through Sunil Investments. Based on the Price Volume data furnished by BgSE, it is noticed that there were only 37 transactions in that scrip for a total traded volume of 8252 shares on December 27, 2000.
- Thus, he had done almost the entire transactions in the scrip on December 27, 2000. It is also seen that, acting through Sunil Investments, Sri Pravin Panwar got executed these trades at successively increasing prices starting from Rs.14.00 and closing at Rs.28.00. It was also noted that Rs.28.00 was the highest traded price on that date. Out of the above transactions done on his behalf on December 27, 2000, he had acted as both buyer and seller in the case of six transactions aggregating to 1150 shares. This resulted in the artificial rise in the price of the scrip. It is therefore found that Sri Pravin Panwar had constituted the single largest trading client on December 27, 2000 (both on buy and sell sides).
- It was further found that the trades done by Sri Pravin Panwar constituted 42% of the total traded volume in the scrip of Prosoft for the period December 27, 2000 to January 16, 2001. He dealt in the scrip during the above period through two different brokers namely, M/s. Sunil Investments and Index Finlease Services Ltd. Your daily trading details, are as under:

2. Trade done through M/s. Sunil Investments:

Date	Purchase	Sale	Net Position
27-12-00	4302	3700	602
28-12-00	21793	22944	-1151
29-12-00	12401	11752	649
01-01-01	2302	1901	401
02-01-01	3299	3301	-2
03-01-01	8100	7100	1000
04-01-01	200	0	200
05-01-01	500	501	-1
08-01-01	10703	11900	-1197
09-01-01	1750	400	1350
10-01-01	0	1200	-1200
11-01-01	500	210.00	290
12-01-01	1600	200	1400
15-01-01	0	1840	-1840

16-01-01	0	500	-500
TOTAL	67450	67449	1

5.3 Trades done through Index Finlease Services Ltd.

Date	Purchase	Sale	Net Position
27-12-00	600	1000	-400
28-12-00	7300	8200	-900
29-12-00	5100	4300	800
01-01-01	1500	1000	500
02-01-01	6301	6301	0
03-01-01	6300	5200	1100
04-01-01	0	1100	-1100
09-01-01	200	100	100
12-01-01	900	1000	-100
TOTAL	28201	28201	0

- It is evident from the above tables that during the period from December 27, 2000 to January 16, 2001, he had purchased 95,651 shares and sold 95,650 shares, on gross basis. In many of the above trades, he was found to have acted both as a buyer and a seller with a view to influence the market price of the scrip.
- Sri Pravin Panwar in the statement under oath given to the investigating authority, which was recorded on April 4, 2002 had confirmed that he tried to create volume / trading interest in the scrip to dispose off his holdings. In the aforementioned statement he had further confirmed that there were no circuit filters for the first three days (after commencement of trading).
- He had also deliberately influenced the price discovery mechanism of the exchange by putting transactions at successively increasing rates and acting as both buyer and seller in various transactions. He indulged in fictitious trades on the Bangalore Stock Exchange with a view to create artificial volumes and to manipulate the price of the scrip.
- An analysis of the trading pattern in the scrip as above revealed beyond reasonable doubt that, on December 27, 2000, he had got executed your trades in the scrip at successively increasing prices starting from Rs.14.00 and closing at Rs.28.00. It was observed that Rs.28.00 was the highest traded price on that date and that Bangalore Stock Exchange permitted commencement of trading in the scrip only from December 27, 2000.
- It was further observed that in many of the transactions he had acted as both buyer and seller. It is therefore found that Pravin Panwar, through these trades tried to induce people to trade in the scrip by creating artificial volumes in it and artificially raising the prices.
- It was further revealed in the investigation that that the aforementioned Shri Pravin Panwar had made multiple applications in the public issue of Prosoft, furnishing different addresses. He had made 13 such applications for allotment of 2600 shares on cumulative basis. Similarly, such multiple applications were received from various relatives of his like Shri D. B. Panwar, Smt. Savita Panwar, Shri Kamal Kishore, Smt. Kamaladevi etc. for a total of 18000 shares. It was further noticed that about 100 applicants had furnished the address of M/s. Kamal Investments, a firm belonging to Shri Pravin Panwar, as their address. It was also noticed that most applicants had furnished the same addresses as those furnished by Shri Pravin Panwar in his various applications. The details of some of the multiple applications received and allotted are furnished below:

Shares	Amt.	Name1	Fh1	Age	Add1	Add2	City
200	500	Pravin Panwar	D B Panwar	30	9 Shivajinagar	Near Mohit Hotel	Udaipur
200	500	Pravin Panwar	D B Panwar	37	86 22nd Cross	8th Main Jayanagar	Bangalore
200	500	Pravin Panwar	D B Panwar	32	Ranveer Bhawan	Chopasni Road	Jodhpur
200	500	Pravin Panwar	D B Panwar	40	67 4th Main	Shakambari Nagar	Bangalore

200	500	Pravin Panwar	D B Panwar	36	15 Bhoomija Apt	Mission Road	Baroda
200	500	Pravin Panwar	D B Panwar	30	Nilesh Securities	310 S M Lodha Complex	Udaipur
200	500	Pravin Panwar	D B Panwar	37	1144/B Dr Raj Kumar Road	Rajaji Nagar	Bangalore
200	500	Pravin Panwar	D B Panwar	30	606 World Trade Centre	Sayaji Gunj	Baroda
200	500	Pravin Panwar	D B Panwar	30	45 7th Cross	1st Main	Bangalore
200	500	Pravin Panwar	D B Panwar	30	101 Sundar Gopal Complex	Ambawade Bazar	Ahmedabad
200	500	Pravin Panwar	D B Panwar	30	B-90 Anandpuri	M D Road	Jaipur
200	500	Pravin Panwar	D B Panwar	37	Paramount Traders	Opp M G Hospital	Jodhpur
200	500	Pravin Panwar	D B Panwar	30	6 Motilal Build	Ratanada Road	Jodhpur
200	500	D B Panwar	Ganshni Ram	50	9 Shivajinagar	Near Mohit Hotel	Udaipur
200	500	D B Panwar	Ganshi Ram	32	86 22nd Cross	8th Main Jayanagar	Bangalore
200	500	D B Panwar	Mangniram	49	Ranveer Bhawan	Chopasni Road	Jodhpur
200	500	D B Panwar	Ganshi Ram	50	15 Bhoomija Apt	Mission Road	Baroda
200	500	D B Panwar	Ganshiram	50	35 3rd Main 4th Cross	Matadahalli R T Nagar	Bangalore
200	500	D B Panwar	Ganshi Ram	30	Nilesh Securities	310 S M Lodha Complex	Udaipur
200	500	D B Panwar	Ganshi Ram	50	45 7th Cross	1st Main	Bangalore
200	500	D B Panwar	Ganshi Ram	46	101 Sundar Gopal Complex	Ambawade Bazar	Ahmedabad
200	500	D B Panwar	Ganshi Ram	45	B-90 Anandpuri	M D Road	Jaipur
200	500	D B Panwar	Ganshiram	45	Paramount Traders	Opp M G Hospital	Jodhpur
200	500	D B Panwar	Ganshi Ram	50	6 Motilal Building	Ratanad Road	Jodhpur
200	500	D B Pawar	Ganshi Ram	46	67 4th Main	Shakambari Nagar	Bangalore
200	500	D B Pawar	Ganshi Ram	50	G C I Krishna Regency	K R Road	Bangalore
200	500	D B Pawar	Ganshi Ram	50	1144/B Dr Raj Kumar Road	Rajaji Nagar	Bangalore
200	500	D B Pawar	Gansih Ram	50	606 World Trade Centre	Sayaji Gunj	Baroda

10. It is evident from the above table that there were multiple applications received from the same address belonging to Kamal Investments, of which Pravin Panwar was the proprietor. Shri Pravin Panwar tried to explain it away that he had marketed the entire public issue. Regarding the same address he stated that when his agents asked him to give an address to be filled in the various applications collected by them from the investors, he had asked them to put his address in the application forms. The above reply of Shri Panwar is not satisfactory and this fact further reinforces the finding that Pravin Panwar's intention from the beginning was to manipulate the public issue of the Prosoft and its shares on their trading.
1. There were no fully paid up shares in demat form on December 27, 2000 i.e. when BgSE permitted the trading in the scrip. The first demat credit of fully paid up shares was given by NSDL only on January 12, 2001. The said credit was given to Shri Pravin Panwar for 3,00,000 shares and first demat credit of shares by CDSL was given on January 22, 2001.
 2. Thus, it is apparent that, as on the date when commencement of trading was permitted in compulsory demat mode i.e. December 27, 2000, there was not even a single share in demat form available with the shareholders. It is therefore clear that the company did not credit the fully paid up shares after the closing date for payment of allotment money i.e. December 15, 2000.

3. It is observed that during the first two settlements, the members had not delivered against their sale position. Even if it was delivered it was partly paid shares in which case the exchange has rejected the deliveries and settled the open position at highest rate in first settlement and during second settlement it was auctioned day close plus 20%. During the third settlement, the exchange had initiated the auction for non-delivery of shares against sale position. In auction settlement, one of the members namely; M/s. Sunil Investments has participated and gave delivery of shares which was received from Shri Pravin Panwar, who was the main trader in the scrip.
4. It is therefore apparent that during the first two settlements, delivery could not take place because no fully paid up shares were available with the public. During the third settlement, Shri Pravin Panwar, who was the only person to have received demat credit of shares, has offered the shares in auction. This is a fraud committed on the public and the small investors by the Company and Sri Pravin Panwar together acting in concert.
5. An amount of Rs.20 lakhs was transferred from the current account of Prosoft on 28/11/2000 i.e. on the date the public issue proceeds were transferred to their account. An amount of Rs.140 lakhs was transferred to M/s. Kamal Investments on the same day. Shri Pravin Panwar is the proprietor of the said Kamal Investments. M/s. Kamal Investments used this money to issue two DDs for Rs.100 lakh and 36 lakh respectively. The said amounts were paid to M/s. Mardia Sons Holdings Ltd and ASL Holdings Ltd who together had applied 54,40,000 shares amounting to Rs.136 lakhs. This is apparently a replayment of the consideration for shares applied for with public issue.
6. Therefore Pravin Panwar was instrumental in creating an illusion of full subscription. These 54,40,000 shares constituted 88% of the total number of shares applied for allotted in the public issue. This again is a fraud committed on the common investor by creating a façade of complete subscription. The issue would not have been fully subscribed but for this illegal arrangement with Mardia and ASL in which Pravin Panwar is an active party. He therefore aided and abetted a fraud committed on unsuspecting subscriber to the public issue.
1. It is therefore found that Sri Pravin Panwar violated regulations 4(a), 4(b), 4(c) and 4(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995.
2. The violations found to have been committed by Sri Pravin Panwar are very serious in nature and they erode the confidence of the investors in the market mechanism. The transactions undertaken by Sri Panwar in concert with the Company are very heinous and if left unchecked will leave the very securities market in great chaos as they made use of the depository system also for their ulterior purposes. It is these kind persons who are proving to be a menace to the system who indulged in such actions which tend to lower the integrity of the securities market and affect the interest of investors by creating unhealthy market situation as stated above. These actions would result in creating an atmosphere which is not conducive to the development of securities market.
1. I, therefore, hold Pravin Panwar guilty for violation of regulation 4(a), 4(b), 4(c) and 4(d) of the SEBI (Prohibition of Fraudulent Trade Practices relating to the securities market) Regulations, 1995. In these circumstances, as a measure of investor protection and maintaining high standards of integrity of the Securities market persons like Sri Pravin Panwar required to be restrained from dealing in securities.
2. Therefore, in order to restore the confidence of the investors in the Securities Market and to see that this kind of actions are not repeated by the said Pravin Panwar, in exercise of powers under Regulation 11 read with regulation 12 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with sections 4 (3), 11 and 11B of SEBI Act, 1992, I hereby direct Pravin Panwar not to deal in securities for two years. This order shall come into force with immediate effect.

Place : Mumbai
Date : December 12, 2002

G.N.BAJPAI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA