

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SECTION 11 (4) AND 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST M/S VIVENASRI FINANCIAL SERVICES LTD.

CO/105/ISD/08/2003

1.0 BACKGROUND

1.1 On observing sudden spurt in the trading volumes in the scrip of M/s Zodiac Clothing Company Ltd. (Zodiac) National Stock Exchange (NSE) conducted investigations into the trading in the scrip from July 05, 2000 to August 22, 2000 and submitted its report to SEBI on January 10, 2001. It was observed in the NSE report that M/s. Vivenasri Financial Services Ltd. (hereinafter VFSL), having its registered office at 4/9, Kubera towers, Narayanguda, Hyderabad-500 029, was the major net seller and M/s. Harsh Pranav Securities Pvt. Ltd. (hereinafter referred to as HPSPL) and M/s. Newfin Financial Services Pvt. Ltd. (hereinafter referred to as NFSPL) were major net buyers during the said period. It was also observed that these clients were associated with each another.

1.2 NSE conducted another investigations into the trading in the scrip of Zodiac for the period October 25, 2000 to February 27, 2001. In its report submitted to SEBI on April 30, 2002, NSE observed that the three clients M/s. Vivenasri Financial Services Ltd. (VFSL), M/s. Newfin Financial Services Pvt. Ltd. (NFSPL) and M/s. Harsh Pranav Securities Pvt. Ltd. (HPSPL) were the major traders in the scrip during the said period and they have executed structured deals and cross deals within themselves.

2.0 INVESTIGATION BY SEBI

2.1 In light of the findings of the aforesaid investigations conducted by NSE, Securities And Exchange Board of India (hereinafter referred to as the SEBI) conducted its own investigation into the affairs related to buying, selling and dealings in the shares of Zodiac for alleged market manipulation in the scrip during July 05, 2000 to February 27, 2001.

3.0 FINDINGS OF INVESTIGATION BY SEBI

1. During the period from July 05, 2000 to February 27, 2001 (hereinafter referred to as the "relevant period") the scrip Zodiac clocked a volume of 4,05,551 shares on BSE and 14,55,151 shares on NSE.
2. During the said period, the closing price of the scrip touched a low of Rs. 68.60 on August 04, 2000 and a high of Rs. 95.00 on September 12, 2000 on BSE whereas at NSE the scrip touched the lowest price of Rs. 67.40 on August 08, 2000 and a high of Rs. 96.15 on September 06, 2000.
3. On the basis of the trading details obtained from VFSL, it is observed that VFSL has done trading in the scrip of Zodiac on NSE and BSE during the relevant period. The details of the trading done by VFSL are as under :

Sr. No.	Broker / Entity through which you have traded	Exchange	Gross Purchase	Gross Sales	Gross Volume	Net Pur / (Net Sale)
1	Namah Capital Resources Ltd.	NSE	0	500220	500220	-500220
2	Integrated Master Sec Pvt Ltd.	NSE	0	268875	268875	-268875
	Integrated Master Sec Pvt Ltd.	BSE	0	97000	97000	-97000
3	Shalibhadra Securities Ltd.	NSE	165700	154500	320200	11200
4	Valfin Financial Ser. Pvt. Ltd.	NSE	77000	45000	122000	32000
5	Dimensional Sec Pvt Ltd.	NSE	0	97392	97392	-97392
	Dimensional Sec Pvt Ltd.	BSE	0	14600	14600	-14600
6	HDFC Bank Ltd	NSE	0	79500	79500	-79500
	HDFC Bank Ltd	BSE	0	32000	32000	-32000
7	SHCIL	BSE	0	44000	44000	-44000
	SHCIL	NSE	0	22200	22200	-22200
8	B R Khandhar Share and Stock Brokers (P) Ltd.	NSE	0	63900	63900	-63900
9	Sanghavi Investemnts & Consultancy	NSE	40500	18000	58500	22500
10	J.G.A. Shah Share Brokers Pvt. Ltd.	BSE	53700	2900	56600	50800
11	Rijan Securities Pvt. Ltd.	NSE	25000	25000	50000	0
12	Merc Stock & Securities Pvt. Ltd.	BSE	42500	6000	48500	36500
13	Keynote Capitals Ltd.	NSE	39670	0	39670	39670

	Keynote Capitals Ltd.	BSE	7000	0	7000	7000
14	Shreepathi Holdings Pvt. Ltd.	NSE	0	42300	42300	-42300
15	Ruchiraj Shares & Stock Brokers Pvt. Ltd.	BSE	32000	0	32000	32000
16	Kantilal Chhaganlal Securities Pvt. Ltd.	BSE	26400	0	26400	26400
17	Angel Capital and Debt Market Ltd.	NSE	24050	1820	25870	22230
	Angel Capital and Debt Market Ltd.	BSE	0	50	50	-50
18	Ghalla Bhansali Stock Brokers (P) Ltd.	NSE	13000	9200	22200	3800
19	Aum Shivahari Securities Pvt. Ltd.	NSE	15200	0	15200	15200
20	Creative Global Stock Broking Ltd.	BSE	4875	10000	14875	-5125
21	Mahavir Investment & Consultancy	BSE	14300	0	14300	14300
22	Karnavati Securities Pvt. Ltd.	BSE	8400	0	8400	8400
23	Adi K. Motafram	NSE	7000	0	7000	7000
24	Soni Securities Ltd.	NSE	4000	0	4000	4000
	Total	BSE	189175	206550	395725	-17375
	Total	NSE	411120	1327907	1739027	-916787
	Grand Total BSE + NSE		600295	1534457	2134752	-934162

3.4 As per the findings of the investigations conducted by SEBI, VFSL had entered in to following Off Market Deals with its group companies NFSPL and HPSPL :

Sr. No	Date	Name of the Company	Rate (Rs.)	Purchase Qty	Sale Qty
1	3/7/2000	Newfin Financial Services P Ltd.	72.10		46279
2	11/7/2000	Newfin Financial Services P Ltd.	85.00	110000	
3	15/7/2000	Newfin Financial Services P Ltd.	76.00	5900	
4	31/7/2000	Harsh Pranav Securities P Ltd.	73.00	59500	
5	22/8/2000	Harsh Pranav Securities P Ltd.	78.00	16600	
6	29/8/2000	Harsh Pranav Securities P Ltd.	90.00	25900	
7	29/8/2000	Newfin Financial Services P Ltd.	90.00	44000	
8	30/8/2000	Newfin Financial Services P Ltd.	90.00	6000	
9	5/9/2000	Newfin Financial Services P Ltd.	87.35	25000	
10	29/9/2000	Newfin Financial Services P Ltd.	83.00	300	
11	29/9/2000	Harsh Pranav Securities P Ltd.	78.50	44974	
12	11/10/2000	Harsh Pranav Securities P Ltd.	72.05	42300	
13	18/10/2000	Harsh Pranav Securities P Ltd.	71.05	7000	
14	1/11/2000	Newfin Financial Services P Ltd.	75.30	39400	
15	8/11/2000	Newfin Financial Services P Ltd.	81.10	71	
16	9/11/2000	Harsh Pranav Securities P Ltd.	81.30	50000	
17	10/11/2000	Harsh Pranav Securities P Ltd.	84.50	16870	
18	16/11/2000	Newfin Financial Services P Ltd.	76.40	37675	
19	23/11/2000	Harsh Pranav Securities P Ltd.	78.00	7000	
20	30/11/2000	Harsh Pranav Securities P Ltd.	76.00	48500	
21	7/12/2000	Harsh Pranav Securities P Ltd.	78.00	17075	
22	20/12/2000	Harsh Pranav Securities P Ltd.	76.25	62500	
23	4/1/2001	Harsh Pranav Securities P Ltd.	80.00	29986	
24	11/1/2001	Harsh Pranav Securities P Ltd.	74.10	45200	
25	17/1/2001	Harsh Pranav Securities P Ltd.	73.00	34900	
26	25/1/2001	Harsh Pranav Securities P Ltd.	71.00	41200	
27	1/2/2001	Harsh Pranav Securities P Ltd.	72.00	35200	

28	8/2/2001	Harsh Pranav Securities P Ltd.	79.00	59090	
29	15/2/2001	Harsh Pranav Securities P Ltd.	70.00	40300	
30	24/2/2001	Harsh Pranav Securities P Ltd.	72.00	930	
31	26/2/2001	Harsh Pranav Securities P Ltd.	78.00	7000	
		Total		960371	46279
		Net Off Market Purchase		914092	

3.5 From the above, it is observed during the relevant period VFSL bought 1,89,175 shares and 4,11,120 shares of zodiac on BSE and NSE respectively & sold 2,06,550 shares and 13,27,907 shares of zodiac on BSE and NSE respectively. As a result of these transactions, VFSL was a net market seller of 9,74,542 shares of zodiac. Apart from this, VFSL had net purchase position of 9,14,092 in off market deals with NFSL and HPSPL. This indicates that, considering the market and off market transactions, VFSL was a net buyer of 60,450 shares.

3.6 From the details gathered during the investigations, it was found that VFSL, along with NFSPL and HPSPL had common directors and are thus associate entities and therefore stated hereinabove as one group.

3.7 The details of the trades entered in to by VFSL, NFSPL and HPSPL as a group, are as under :

Sr. No.	Client	Market / Offmarket	Gross Purchases	Gross Sales	Net Purchase / (Net Sale)
1	Vivenasri Financial Services Ltd.	BSE	189175	206550	-17375
		NSE	411120	1327907	-916787
		Total BSE + NSE	600295	1534457	-934162
		Off Market	960371	46279	914092
		Total of market & off market	1560666	1580736	-20070
2	Newfin Financial Services Pvt. Ltd	NSE	298417	64750	233667
		BSE	87000	83100	3900
		Total BSE + NSE	385417	147850	237567
		Off Market	46279	268346	-222067
		Total of market & off market	431696	416196	15500
3	Harsh Pranav Securities Pvt. Ltd	NSE	810381	0	810381
		Off Market	0	692025	-692025
		Total of market & off market	810381	692025	118356

3.8 It was observed that the total market volume traded on NSE and BSE in the scrip during the relevant period was 18,60,702 shares (4,05,551 shares on BSE and 14,55,151 shares on NSE). It was further found that VFSL along with NFSPL and HPSPL had purchased on BSE and NSE a total number of 17,96,093 shares which account for 96.53% of shares traded on BSE and NSE and sold 17,00,507 shares of the said scrip which account for 91.39% shares traded on BSE and NSE.

3.9 From the order log-trade log details in the scrip of Zodiac, it is observed that VFSL had executed structured deals on NSE and BSE and cross deal on NSE where the counter party client was always one of your group company namely NFSPL or HPSPL. It was further observed that on July 11, 2000 on BSE, VFSL had purchased 12,000 shares @ Rs.75.54 of Zodiac by way of structured deal. The counter party was NFSPL who had sold through Integrated Master Securities Ltd. (Member BSE) as under :

a) Structured Deals between VFSL and NFSPL on July 11, 2000 on BSE							
Trade No	MemberCode	Qty	Price	Buy Or Sell	Time	Counter Party Code	Client Code
9D0202		500	77.5	B	12:02:32 PM	D0780	Y VF (b)
9D0780		500	77.5	S	12:02:32 PM	D0202	V045 NF (s)
11D0202		300	77.5	B	12:28:49 PM	D0780	Y VF (b)

11	D0780	300	77.5	S	12:28:49 PM	D0202	V045	NF (s)
14	D0202	800	76.1	B	12:37:34 PM	D0780	Y	VF (b)
14	D0780	800	76.1	S	12:37:34 PM	D0202	N024	NF (s)
15	D0202	100	77.5	B	12:41:43 PM	D0780	Y	VF (b)
15	D0780	100	77.5	S	12:41:43 PM	D0202	V045	NF (s)
16	D0202	500	77.5	B	12:41:43 PM	D0780	Y	VF (b)
16	D0780	500	77.5	S	12:41:43 PM	D0202	V045	NF (s)
17	D0202	200	77.5	B	12:41:43 PM	D0780	Y	VF (b)
17	D0780	200	77.5	S	12:41:43 PM	D0202	V045	NF (s)
22	D0202	300	76.8	B	12:58:49 PM	D0780	Y	VF (b)
22	D0780	300	76.8	S	12:58:49 PM	D0202	N024	NF (s)
23	D0202	300	76.8	B	12:58:49 PM	D0780	Y	VF (b)
23	D0780	300	76.8	S	12:58:49 PM	D0202	N024	NF (s)
24	D0202	300	76.8	B	12:58:49 PM	D0780	Y	VF (b)
24	D0780	300	76.8	S	12:58:49 PM	D0202	N024	NF (s)
25	D0202	300	76.8	B	12:58:49 PM	D0780	Y	VF (b)
25	D0780	300	76.8	S	12:58:49 PM	D0202	N024	NF (s)
26	D0202	100	76.8	B	12:58:49 PM	D0780	Y	VF (b)
26	D0780	100	76.8	S	12:58:49 PM	D0202	N024	NF (s)
27	D0202	200	76.1	B	1:23:51 PM	D0780	Y	VF (b)
27	D0780	200	76.1	S	1:23:51 PM	D0202	N024	NF (s)
28	D0202	100	76.1	B	1:23:51 PM	D0780	Y	VF (b)
28	D0780	100	76.1	S	1:23:51 PM	D0202	N024	NF (s)
39	D0202	800	75.5	B	2:06:29 PM	D0780	Y	VF (b)
39	D0780	800	75.5	S	2:06:29 PM	D0202	N024	NF (s)
40	D0202	400	75.9	B	2:09:58 PM	D0780	Y	VF (b)
40	D0780	400	75.9	S	2:09:58 PM	D0202	N024	NF (s)
41	D0202	400	75.9	B	2:09:58 PM	D0780	Y	VF (b)
41	D0780	400	75.9	S	2:09:58 PM	D0202	N024	NF (s)
42	D0202	400	75.9	B	2:09:58 PM	D0780	Y	VF (b)
42	D0780	400	75.9	S	2:09:58 PM	D0202	N024	NF (s)
43	D0202	400	75.9	B	2:09:58 PM	D0780	Y	VF (b)
43	D0780	400	75.9	S	2:09:58 PM	D0202	N024	NF (s)
44	D0202	100	75.9	B	2:09:58 PM	D0780	Y	VF (b)
44	D0780	100	75.9	S	2:09:58 PM	D0202	N024	NF (s)
46	D0202	400	75.9	B	2:24:24 PM	D0780	Y	VF (b)
46	D0780	400	75.9	S	2:24:24 PM	D0202	N024	NF (s)
47	D0202	400	75.9	B	2:24:24 PM	D0780	Y	VF (b)
47	D0780	400	75.9	S	2:24:24 PM	D0202	N024	NF (s)
48	D0202	300	75.9	B	2:24:24 PM	D0780	Y	VF (b)
48	D0780	300	75.9	S	2:24:24 PM	D0202	N024	NF (s)
53	D0202	100	75.6	B	2:38:25 PM	D0780	Y	VF (b)
53	D0780	100	75.6	S	2:38:25 PM	D0202	N024	NF (s)
56	D0202	100	75.8	B	3:10:35 PM	D0780	Y	VF (b)
56	D0780	100	75.8	S	3:10:35 PM	D0202	N024	NF (s)
57	D0202	300	75.8	B	3:10:35 PM	D0780	Y	VF (b)
57	D0780	300	75.8	S	3:10:35 PM	D0202	N024	NF (s)
58	D0202	300	75.8	B	3:10:35 PM	D0780	Y	VF (b)
58	D0780	300	75.8	S	3:10:35 PM	D0202	N024	NF (s)
59	D0202	300	75.8	B	3:10:35 PM	D0780	Y	VF (b)
59	D0780	300	75.8	S	3:10:35 PM	D0202	N024	NF (s)
60	D0202	300	75.8	B	3:10:35 PM	D0780	Y	VF (b)
60	D0780	300	75.8	S	3:10:35 PM	D0202	N024	NF (s)
61	D0202	300	75.8	B	3:10:35 PM	D0780	Y	VF (b)
61	D0780	300	75.8	S	3:10:35 PM	D0202	N024	NF (s)
62	D0202	200	75.8	B	3:10:35 PM	D0780	Y	VF (b)
62	D0780	200	75.8	S	3:10:35 PM	D0202	N024	NF (s)

66	D0202	100	75.8	B	3:19:45 PM	D0780	Y	VF (b)
66	D0780	100	75.8	S	3:19:45 PM	D0202	N024	NF (s)
67	D0202	300	75.8	B	3:19:45 PM	D0780	Y	VF (b)
67	D0780	300	75.8	S	3:19:45 PM	D0202	N024	NF (s)
68	D0202	600	75.8	B	3:23:19 PM	D0780	Y	VF (b)
68	D0780	600	75.8	S	3:23:19 PM	D0202	N024	NF (s)
70	D0202	1400	75.6	B	3:23:19 PM	D0780	Y	VF (b)
70	D0780	1400	75.6	S	3:23:19 PM	D0202	N024	NF (s)
71	D0202	100	75.5	B	3:23:19 PM	D0780	Y	VF (b)
71	D0780	100	75.5	S	3:23:19 PM	D0202	N024	NF (s)

It may be mentioned here that "Y" is the client code of VFSL and "N024" is the client code of NFSPL.

b) On July 12, 2000, VFSL sold 60000 shares of Zodiac on NSE, which was the total volume of the said shares on NSE on that date, through B R Khandhar Share & Stock Brokers P Ltd. (member NSE) out of which 59500 shares were purchased by HPSPL by way of 6 Structured deals @ Rs. 74.5 to 76.00 through the Broker as shown below.

Settlement No.	Trade Number	Date	Buy Member	Buy Client	Sell Member	Sell Client	Trade Price	Trade Qty
2000029	200007120576926	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	76.00	10000
2000029	200007120578017	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	75.50	10000
2000029	200007120579145	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	75.00	10000
2000029	200007120579146	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.50	10000
2000029	200007120579148	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.00	9500
2000029	200007120580441	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.50	10000

It may be mentioned here that 9216 was the client code of HPSPL and 19902 was the client code of VFSL.

c) VSFL was found to have entered in to following cross deals with its group company NFSPL:

On 10th November 2000, 25100 shares of Zodiac were traded on NSE. Out of which VFSL sold 24910 shares of the said scrip through Shailabhadra Securities Ltd. (member NSE) and NFSPL bought these shares through Shailabhadra Securities Ltd by way of cross deal @ Rs. 79.00 – Rs.81.00 as shown below:

Day	Trade Number	Trade Time	Trade Qty	Trade Price	Buy TM Name	Buy Client	Sell Member	Sell Client
-----	--------------	------------	-----------	-------------	-------------	------------	-------------	-------------

Date					Name			
10- Nov-2000	200011100665405	15:24:39	15000	81.00	Shalibhadra Sec. Ltd.	Newfin	Shalibhadra Sec. Ltd.	Viv
10- Nov-2000	200011100675449	15:28:05	9910	79.00	Shalibhadra Sec. Ltd.	Newfin	Shalibhadra Sec. Ltd.	Viv

It was observed in the SEBI investigation report that the aforesaid trades of VFSL which were executed with its group companies viz. NFSPL and HPSPL by way of structured and cross deal had hampered the true price discovery mechanism of the market price of the said scrip.

3.10 Apart from the above VFSL was found to have entered into the following Circular Dealings with its group companies viz. **NFSPL and HPSPL** :

a) Circular Trading done between VFSL, NFSPL and HPSPL during SN 48 of NSE.

(i) During the settlement no 48 (from November 23 to November 28, 2000), a total no. of 59,443 shares of Zodiac were traded at NSE. Out of this, 49,006 shares were traded on November 23, 2000 and 10,300 shares on November 28, 2000. While on November 24, and 27, 2000 only 12 and 125 shares were traded.

NFSPL received 34930 shares from Shalibhadra Securities Ltd. (hereinafter referred to as SSL) on November 22, 2000 for the purchases done during the SN 46 of NSE. On November 23, 2000 VFSL purchased 34,900 shares from NFSPL in off market transaction. In the demat statement of NFSPL 34,900 shares are debited by HDFC Bank Ltd. for client Id 10466221 which is the client Id of VFSL. This finding was confirmed from the perusal of the demat statement of VFSL and NFSPL.

(ii) HPSPL received 7050 shares from SSL on November 22, 2000 for the purchases done during the SN 46 of NSE. On November 23, 2000 VFSL purchased 7,000 shares @ Rs. 78.00 from HPSPL in off market transaction. In the demat statement of HPSPL, 7,000 shares are debited by HDFC Bank Ltd. for client Id 10466221 which is the client Id of your company. This finding was confirmed from the perusal of the demat statement of VFSL and HPSPL.

- i. On November 23, 2000, VFSL sold 25,000 shares through Integrated Master Securities Ltd. (hereinafter referred to as IMSL) on NSE. Another 15,000 shares were sold and purchased on November 23, 2000 by VFSL through SSL. On November 23, 2000, NFSPL purchased 8100 shares @ Rs. 78.72 through Sony Securities Ltd. on NSE. HPSPL purchased 17,000 shares @ Rs. 79.59 through SSL on NSE on the same date.
- ii. From the demat statement of VFSL, it is observed that 25000 shares are debited on November 23, 2000 for SN 48 of NSE by IMSL. From the demat statement of NFSPL it was observed that 8100 shares are credited by Sony Securities on December 18, 2000 for SN 48 of NSE and on December 20, 2000 NFSPL sold 8100 shares to VFSL (Client Id 10466221) in off market transaction. From the demat statement of HPSPL it was observed that 8100 shares are credited by SSL on December 06, 2000 for SN 48 of NSE. Further, on December 07, 2000 HPSPL sold 17075 shares @ Rs. 78.00 to VFSL (Client Id 10466221) in off market transaction.

(v) From the demat account of VFSL it is observed that it had received 17,075 shares on December 07, 2000 from HDFC Bank Ltd. client Id. 12482988 (client Id of HPSPL) and 8100 shares on December 20, 2000 from HDFC Bank Ltd. client Id. 10464234 (Client Id of NFSPL).

b) Circular Trading done between VFSL and NFSPL during SN 45 of NSE.

(i) During the settlement no 45 (from November 01 to November 07, 2000), a total no. of 41,720 shares were traded at NSE. Out of this, 30200 shares were traded on November 01, 2000 and 9,700 shares on November 02, 2000.

On November 01, 2000 your company purchased 39400 shares at the rate of Rs. 75.30 from NFSPL (client demat Id 10466221) in off market transaction. VFSL sold 30000 shares on November 01, 2000 and 9400 shares on November 02, 2000 at an average rate of Rs. 73.68 through IMSL. These very shares were purchased by NFSPL through SSL.

(ii) From the demat statement of NFSPL maintained in HDFC, it is observed that the 39,400 shares purchased by NFSPL from VFSL during SN 34 of NSE were received by NFSPL on November 15, 2000 (38,000 shares) and on November 17, 2000 (1,400 shares) through SSL. These shares were however, again purchased by VFSL in off market deal - 38,000 shares on November 16, 2000 and 1,400 shares on November 17, 2000 at average rate of Rs. 76.40

3.11 VFSL was thus found to be a party to the irregular trades as aforesaid which were not intended to effect the transfer of beneficial ownership but were intended to operate only as a device to cause fluctuations in the market. These trades were not genuine trade transactions and hence it was noted that VFSL created a false and misleading appearance of trading in the scrip in violation of the provisions of Regulation 4 (a), (b), (c) and (d) of the SEBI (SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (hereinafter referred to as the "said Regulations").

4.0 SHOW CAUSE NOTICE

1. On the basis of the aforesaid finding of the Investigations conducted by SEBI, a detailed show cause notice dated April 28, 2003, was issued to M/s.Vivenari Financial Services Ltd.

4.2 Vide said show cause notice VFSL was directed to show cause as to why appropriate direction under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 Regulations read with Section 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, including restraining VFSL from accessing the securities market and prohibit it from buying, selling or dealing in the securities market in any manner whatsoever for a particular period should not be passed.

5.0 REPLY TO THE SHOW CAUSE NOTICE AND PERSONAL HEARING :

5.1 VFSL did not submit any reply to the said show cause notice. However, when in compliance to the principle of Natural Justice, before taking a final view in the matter, a personal hearing was granted to VFSL on 09.07.03, its representatives apart from making oral submissions also filed their reply to the show cause notice dated April 28, 2003.

6.0 SUBMISSIONS MADE IN THE PERSONAL HEARING :

1. Shri P V Muralikrishna, Director, VFSL and HPSPL, and Shri G S Sridhar, Director NFSPL (hereinafter referred to as representative of VFSL) appeared for the personal hearing and made oral submissions before me. During the submissions while admitting of indulging in cross and structured deals and also doing circular trading among its group companies, they submitted that the same was done as they require some liquid cash for their business. They further undertook that such acts of omissions and commissions shall not be repeated in future.
2. It was further submitted that their aforesaid acts has not resulted in any wrongful loss to any of the investor in the securities market as there was no unusual movement in the price of the scrip of Zodiac during the relevant period on account of the trades done by them as detailed in the show cause notice. On this basis, it was prayed by the representative to drop the proceedings.

3. Vide their reply to the show cause notice submitted during the personal hearing, they submitted as under :

- a. The trading pattern, volumes and the price range in Zodiac during the relevant period and the equivalent periods preceding and succeeding the relevant period on both the exchanges are as follows :

Month	BSE			NSE		
	Volume	High	Low	Volume	High	Low
Preceding 8 months	1400		136	8800	154	130
Nov' 1999	26700	155	140	40900	213	140
Dec' 1999	11400	208	143	18000	194	145
Jan' 2000	36200	194	110	20000	150	110
Dec' 2000	8500	152	88	12600	116	90
Mar' 2000	9000	120	71	11000	99	75
Apr' 2000	4300	100	65	19000	90	69
May' 2000	15800	89	71	14100	101	70
June' 2000		102				
Total volumes	113300	208	65	144400	213	69
Relevant 8 month period						
July' 2000	70300	85	69	78300	90	65
Aug' 2000	191650	95	68	108281	95	67
Sept' 2000	3304	95	76	79024	100	75
Oct' 2000	25983	79	71	185687	79	69
Nov' 2000	27261	87	75	361008	83	70
Dec' 2000	50413	83	73	205759	83	70
Jan' 2001	27300	81	69	239750	81	67
Feb' 2001	9340	79	70	197342	77	65
Total volumes	405551	95	68	1455151	100	65
LESS						
Volumes of VFSL group	276175			1392657		
Volumes of others	129376	95	68	62494	100	65

Succeeding 8 months						
Mar'2001		68	41	94005	68	
Apr'2001	35892	44	32	107855	45	39
May'2001	35626	51	35	45242	50	31
June'2001	15583	52	43	12180	50	36
July'2001	1360	52	44	7939	52	45
Aug'2001	17079	50	42	17224	48	42
Sept'2001	10682	44	37	7753	46	42
Oct'2001	10285	46	40	2758	45	38
	5783					37
Total volumes	132290	68	32	294956	68	31

- b. There was no major change in the involvement of the general investing / trading public in the trading of the said scrip on account of the volumes said to be created by VFSL. The investors had not been affected by the said transactions carried out by VFSL. The transactions of VFSL had not influenced the investing / trading decisions of the investors nor had they induced the investors to invest in the said scrip.
- c. The price movement remained unaffected either during the relevant period or during the succeeding period. The transactions of VFSL had not hampered the true price discovery mechanism of the market price of the scrip.
- d. The bids or offers of VFSL were made only at the prevailing prices without any variation therefrom.
- e. None of the transactions of VFSL were intended to operate only as a device to inflate, depress or cause fluctuations in the market price of the said scrip.
- f. VFSL has not indulged in any acts or transactions which resulted in wrongful reflection of prices of the scrip.

7.0 CONSIDERATION OF SUBMISSIONS AND FINDINGS :

- 7.1 I have carefully considered the findings of the investigation report, charges levied vide show cause notice, replies received from VFSL and the submissions made during the personal hearing.
2. In view of the admission of the guilt and other submissions made on behalf of VFSL during the personal hearing as aforesaid, I find that VFSL had indulged in the structured and cross deals as per the findings of the Investigation conducted by SEBI. Further, I find that the aforesaid trades of VFSL executed within its group companies have resulted in circular trading in the scrip of Zodiac and have hampered the true price discovery mechanism of the market price and have created artificial volumes in the scrip.
3. By entering in to the aforesaid transactions of buying/selling of the shares of Zodiac which were not intended to effect the transfer of beneficial ownership but intended to operate only as a device to cause fluctuations in the market price which was based on non-genuine transactions, VFSL was instrumental in creating a false and misleading appearance of trading in the scrip of Zodiac Clothing Company Ltd.
4. The submission of VFSL that their aforesaid transactions did not result in any wrongful loss to any of the investor and also there was no unusual movement in the price of the scrip does not absolve them from the wrongdoings which were per-se illegal. It is well established principle of law that indulging in an act which is illegal per-se and not permitted by law, makes the person liable to be punished for the violation of law, irrespective of fact whether the act of omission and commission in question had resulted in any loss or not.
5. I therefore find that VFSL created a false and misleading appearance of trading in the scrip in violation of the provisions of Regulation 4 (a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (hereinafter referred to as the "said Regulations").
6. I have also noted that VFSL had obtained the SEBI registration no. INB061156031 dt. March 09, 2001 as a stock broker, which is just after the investigation period i.e. February 27, 2001 and is a member of HSE. However, as informed by VFSL its card is inoperative from the beginning till date.
7. Though, no violation of the provisions of the Act and Regulations made thereunder has been found to be committed by VFSL after it got itself registered with SEBI as a Broker in March 2001, I am of the view that as the same entity has been found to be involved in serious violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 as aforesaid, it is not a fit and proper person which may be allowed to continue in the securities market in order to maintain the sanctity and integrity of the market.

8.0 ORDER

1. Having regard to the above I, in exercise of the powers conferred upon me under Section 4(3) of the SEBI Act, 1992, read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 and Section 11(4)(b) and 11B (ii) of SEBI Act, 1992, hereby prohibit M/s Vivenasri Financial

Services Ltd. from buying, selling and dealing in securities, in any manner, directly or indirectly, for a period of five years.

2. This order shall come into force immediately after three weeks from the date of this order.

Date : 25th August, 2003

Place: Mumbai

G.N. BAJPAI

Chairman

Securities and Exchange Board of India