

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

In the matter of Directions under Sections 11(4)(b) and 11B of SEBI Act read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 against Shri Sunil Kumar in the matter of trading in the scrip of Tactfull Investments Ltd.

MO/34/IVD/12/03

1.0 Background

1. Tactfull Investments Pvt. Ltd. (hereinafter referred to as 'TIL') was incorporated on August 5, 1994. The company came out with a public issue of 24,00,000 equity shares in January 1996. The shares of the company were listed on Delhi Stock Exchange (hereinafter referred to as 'DSE') on April 18, 1996. The Directors of TIL as on 13.08.2002 were Shri Vinod Gupta, Smt. Ruchi Bamba, Shri Vinod Kumar Sundryal and Shri Prashant Kumar Srivastava. As on 31.12.2001, the promoters viz. Hotline Services Pvt. Ltd., Whiteline Portfolio Pvt. Ltd., held 2.81% of the paid up capital of TIL, Private Corporate bodies held 85.91% and the public holding was 11.28%.
2. TIL was included in the list of vanishing companies by SEBI based on the fact that it had not responded to shareholders for a period of two years, that it had not complied with provisions of the listing agreement entered into by it and that the company was not available at the registered office. Consequently, vide order dated 17.12.1999, Securities and Exchange Board of India (hereinafter referred to as 'SEBI') prohibited TIL from accessing the capital market for a period of five years. Further, vide order dated 04.10.2000, SEBI prohibited 2 of the then Directors of TIL viz. Shri Bhupinder Kumar Singh and Smt. Sohinder Kaur Bedi from accessing the capital markets for a period of five years.
3. A significant variation was observed in the price of the scrip of TIL, during the period February to June 2001. The price of the scrip varied between Rs.16/- on February 2, 2001 to Rs.34/- on June 28, 2001 signifying a price increase of 113%. The above increase was accompanied by thin trading volumes. In view of the above, DSE conducted an investigation into the trading in the scrip of TIL for the period from February 1, 2001 to June 30, 2001 and furnished their report to SEBI. Further, DSE suspended trading in the scrip with effect from November 19, 2001.

2.0 Investigations

1. SEBI ordered a preliminary enquiry into the trading of the scrip during December 2001. During the course of preliminary enquiry, it was observed that the trading was concentrated amongst a few brokers. Also, some of the trading members and the trading clients were suspected to be associated with the company. In view of the above, SEBI ordered a formal investigation into the case during May 2002.
2. In the course of investigation, it was observed that the price of the scrip had shown an increase of about 113% within a period of 31 trading days. The details of trading in the shares of TIL during these 31 days i.e. 01.02.2001 to 30.06.2001 are as under:

Sr. No.	Name of the Members	Total Purchase	Total Sale	Gross	Total
1.	Prabhat Investments	9700	9200	18900	500
2.	Argus Stock Broking Ltd.	6400	6400	12800	0
3.	Emmkay Share & Stock Brokers Ltd.	2600	2100	4700	500
4.	Anvee Share Brokers Ltd.	1700	1700	3400	0
5.	PNR Securities Ltd.	0	500	500	-500
6.	V K Kapoor & Co.	0	500	500	-500
7.	Opiton Scheme Pvt. Ltd.	100	100	200	0

An analysis of the memberwise trading details in the scrip during the said period revealed that the top four trading members accounted for 97 % of the gross traded quantity and 100% of the net purchase quantity. In view of the above, settlementwise and clientwise trading details were sought from the four members who included Emmkay Share and Stock Brokers Ltd., Prabhat Investments Ltd., Argus Stock Broking Ltd. and Anvee Share Brokers Pvt. Ltd.

3. From the details submitted by Argus Stock Broking Ltd. it was noted that one Shri Sunil Kumar had traded in the shares of TIL through their sub broker M/s Supreme Investments.
4. It was also noted that Shri Sunil Kumar was one of the Directors of Vatsa World Ltd. (hereinafter referred to as 'VWL'). It was also noted that VWL was associated with TIL in that they had a common promoter viz. Sangam Portfolio Pvt. Ltd. and that they had a common Director viz. Shri Gopaldas Goyal. Shri Sunil Kumar is also a Director of Sangam Portfolio Pvt. Ltd.
5. In view of the above, it was alleged that Shri Sunil Kumar being connected to the promoters of TIL, had dealt in the scrip of the company with a view to manipulate the price of the same.

3. Show Cause Notice and Hearing

1. A show cause notice was issued to Shri Sunil Kumar on 22.05.2003 advising him to show cause why suitable directions including direction prohibiting him from accessing the capital market should not be passed against him. Shri Sunil Kumar submitted his reply vide letter dated 04.07.2003 stating, inter alia, that :

3.1.1 That he is in no way connected to the company and he is not a Director of the company.

3.1.2 That he is not connected with the management of the company.

3.1.3 That the actual client who had dealt in the shares of TIL was Shri Anil Goel through sub broker Supreme Investments.

2. Shri Sunil Kumar was given an opportunity of personal hearing on 05.11.2003. However, he did not appear before me nor did he submit any written submissions.

4.0 Consideration of Issues

I have considered the facts of the matter, the reply of Shri Sunil Kumar and other material on record. I find the following issues arise for consideration:

1. Whether Shri Sunil Kumar had indulged in manipulation of the price of shares of TIL and whether he had created an artificial market for the same?

1. I note that Shri Sunil Kumar has dealt in the scrip of TIL through M/s Supreme Investments a sub broker of M/s Argus Stock Broking Ltd. Details of the trade of Shri Sunil Kumar are as under:

Sr. No.	Settlement No./Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
1.	26.02.01	Sunil Kumar through sub broker M/s Supreme Investments	200	20.30	Nil	21.70
2.	27.02.01	- do -	Nil	Nil	200	23.38
3.	16.03.01	- do -	Nil	Nil	500	Nil
4.	22.03.01	- do -	500	25.34	Nil	Nil
5.	23.03.01	- do -	100	27.39	Nil	Nil
6.	20.04.01	- do -	Nil	Nil	100	29.35
7.	23.04.01	- do -	Nil	Nil	500	29.35
8.	23.04.01	- do -	200	31.75	Nil	Nil
9.	24.04.01	- do -	Nil	Nil	200	29.15
10.	25.04.01	- do -	Nil	Nil	200	26.85
11.	27.04.01	- do -	200	24.80	Nil	Nil
12.	30.04.01	- do -	200	23.05	Nil	Nil
13.	03.05.01	- do -	Nil	Nil	200	21.25
14.	23.05.01	- do -	100	23.05	Nil	Nil
15.	24.05.01	- do -	Nil	Nil	1000	24.75
16.	28.05.01	- do -	1000	26.60	1000	27.00
17.	31.05.01	- do -	Nil	Nil	500	27.85
18.	01.06.01	- do -	1000	28.22	Nil	Nil
19.	05.06.01	- do -	Nil	Nil	100	26.65
20.	06.06.01	- do -	2000	25.30	Nil	Nil
21.	07.06.01	- do -	Nil	Nil	1000	25.70
	TOTAL		6400		6400	

4.1.2 I note that the ledger account of M/s Supreme Investment as furnished by M/s Argus Stock Broking Ltd. shows Shri Sunil Kumar as their client. Further the client ledger of Shri Sunil Kumar in the books of M/s Supreme Investments shows credit and debit entries on account of transactions in the scrip of TIL. I further note that in their statements, Shri Utkal Ranjan Mishra, authorized representative of Argus Stock Broking Ltd. and Shri Salil Aggarwal, Proprietor of Supreme Investments, have stated that Supreme Investments dealt in the shares of TIL on behalf of Shri Sunil Kumar.

3. I note that the scrip of TIL was essentially an illiquid scrip. Shri Sunil Kumar traded in the scrip from 26.02.2001 to 07.06.2001 at prices ranging from Rs.20.30 to Rs.31.75. It is also noted that Shri Sunil Kumar bought and sold similar quantity of shares within proximate dates. Such trading in an illiquid scrip had the effect of raising or depressing the price. Further, it is apparent that Shri Sunil Kumar did not make those trades with the intention of gaining beneficial ownership to the same, rather the intention was to create an appearance of trading in an illiquid scrip thereby seeking to create an artificial market for the same. I also note that in their statements before SEBI, Shri Utkalranjan Mishra the authorized representative of Argus Stock Broking and Shri Salil Agarwal, the proprietor of Supreme Investments stated that the trades by Sunil Kumar appeared to be manipulative transactions.

In view of the above, I find that Shri Sunil Kumar had indulged in manipulation of the price of the shares of TIL and also created an artificial market for the same.

1. Whether by manipulating the price and creating a false market, Shri Sunil Kumar has violated Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market)

Regulations, 1995?

4.2.1 "Prohibition against Market Manipulation

4. No person shall –

- a. effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person ;
- b. indulge in any act which is calculated to create a false or misleading appearance of trading on the securities market;
- c. indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
- d. enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities ;
- e. pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities."

2. I find that Shri Sunil Kumar by entering into transaction with the intention of artificially manipulating the price of securities has violated Regulation 4 (a) and (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulation, 1995.

5. Directions

1. I find that Shri Sunil Kumar by indulging in manipulative practices with the intention of creating an artificial market for the shares of TIL has sought to gain an undue advantage and by his action the safety and integrity of the securities market has been adversely affected. I find that it is necessary to restrain Shri Sunil Kumar from associating with the securities market and dealing in securities.
2. In view of the above, I, in exercise of powers conferred on me by Section 19 read with Section 11 (4)(b) and Section 11B of the SEBI Act and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair and Trade Practices Relating to Securities Market) Regulations, hereby direct Shri Sunil Kumar to disassociate himself from the securities market and not to buy, sell or otherwise deal in securities for a period of 1 year.

This order shall come into effect 21 days after the date of order.

Place: Mumbai

Date : 15/12/2003

A. K. Batra

Whole Time Member

Securities and Exchange Board of India