

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11B AND 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF (1) PRIME CAPITAL MARKET LTD., (2) SUBH LAXMI PROJECTS LTD., (3) GLOBAL CAPITAL MARKET LTD., (4) BANKAM INVESTMENTS LTD., (5) S. T. SERVICES LTD. AND (6) AMLUCKIE INVESTMENT CO. LTD.

1. Background

1.1 Trading and sharp rise in a short period in shares of companies with low market capitalization, commonly referred to as "small cap stocks" or "penny stocks" in the recent times have been engaging the attention of SEBI, the stock exchanges and the media. They have been under the surveillance of SEBI and the stock exchanges for some time. The following six companies are examples of such "small cap" companies, whose shares witnessed a sharp price variation ranging from 200% to 1900% within a short period between March 2005 to September 2005 on the Calcutta Stock Exchange (CSE):

1. Prime Capital Market Ltd.
2. Subh Laxmi Projects Ltd.
3. Global Capital Market Ltd.
4. Bankam Investments Ltd.
5. S. T. Services Ltd.
6. Amluckie Investment Co.

1.2 The price movement of the shares of the above six companies during March, 2005 to September, 2005 is given below:

S. No	Share Name	Period	Lowest Price (in Rs.)	Highest Price (in Rs.)	% Price rise	Duration
1	Prime Capital Market Ltd.	17/3/05 to 15/9/05	14.00	280.40	1903	5 months 28 days
2	Subh Laxmi Projects Ltd.	17/3/05 to 14/7/05	21.30	248.50	1067	3 months 27 days
3	Global Capital Market Ltd.	17/6/05 to 16/9/05	1.25	13.50	980	3 months
4	Bankam Investments Ltd.	9/6/05 to 6/9/05	2.10	16.85	702	3 months 7 days
5	S. T. Services Ltd.	18/3/05 to 16/9/05	12.10	96.50	698	5 months 28 days
6	Amluckie Investment Co.	1/4/05 to 23/8/05	95.00	298.50	214	4 months 22 days

The steep increase in price of the above companies' shares warranted an immediate examination of the dealings in the share, which was accordingly undertaken by SEBI. The major findings of the preliminary examination are given below:

2. Preliminary Findings

Prime Capital Market Ltd. (PCML)

2.1 Prime Capital Market Ltd. (PCML) is one of the listed companies at CSE which showed a steep price rise during the period of March, 2005 to September, 2005. The share price of the company rose from Rs.14 to Rs.280.40 between March 17, 2005 to September 15, 2005 i.e. a price rise of 1903% in a span of 5 months and 28 days. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are only for the year ended March 2003. The company filed its financial results with the CSE also upto the period March 2003 only. It is observed from the financial statements filed by the company with the CSE for the years ended March 2002 and March 2003 that the company had no sales during the above period and had incurred net losses of Rs.4 lakh and Rs.6 lakh respectively indicating negative performance. The foregoing coupled with the fact that the company has not bothered to file any financial statements for the year ended March 2004 and March 2005 only confirms the belief that the company has scant interest in disclosing its financial results to the investors. In the absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 1903% during March 17, 2005 to September 15, 2005 can only be artificial. An analysis of the trading data for the said period at the CSE revealed that only three brokers namely, M/s DB & Co., M/s Sanju Kabra and M/s Shivam Stock Broking have contributed around 92% of the total turnover of the PCML's shares. The turnover contribution of these three brokers in the shares of PCML is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	D B & Co	759252	41.68	759150	41.67	1518402	41.67
2	Sanju Kabra	161601	8.87	920550	50.53	1082151	29.70
3	Shivam Stock Broking	752950	41.33	15901	0.87	768851	21.10
	Total	1673803	91.88%	1695601	93.07	3369404	92.47

2.2 A further analysis of the trading data revealed that most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Cross and Matched transactions				
Sl.	Name of the broker	D B & Co	Sanju Kabra	Shivam Stock Broking
		1511702	3100	3000
1	D B & Co	(99.5%)	(0.2)	(0.2)
		3100	316400	740250
2	Sanju Kabra	(0.2)	(29.2)	(68.4)
		3000	740250	25600
3	Shivam Stock Broking	(0.3)	(96.2)	(3.3)

It is seen that the cross deals executed by D B & Co and the transactions between Sanju Kabra and Shivam Stock Broking constituted a large portion of trading in the share. Hence, the price rise in the share can be attributed to the dealings by these brokers. This further fortifies the conclusion that the price movement and the

transactions in the share was artificial and was designed to create a false market, when the shares lack the fundamentals.

Subh Laxmi Projects Ltd. (SLPL)

- 2.3 Subh Laxmi Projects Ltd. (SLPL) is one of the listed companies at CSE which had a steep price rise during the period of March, 2005 to July, 2005. The share price of the company rose from Rs.21.30 to Rs.248.50 between March 17, 2005 to July 14, 2005 i.e. a price rise of 1067% in a span of 3 months and 27 days. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are that for the year ended March 2004. The company filed its financial results to the CSE only upto the period March 2004. It is observed from the financial statements filed by the company with the CSE for the year ended March 2004 that the company had a net sales of Rs.61 lakh and did not earn any profit. During the earlier year (i.e. 2003) the company did not have any income. The paid up capital of the company is Rs.7.52 crore. Thus, the available information indicates that the financial performance of the company is far from encouraging. The company has not filed any financial statements for the year ended March 2005 which indicates that the company is having scant interest in disclosing its financial results to the investors. In the absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 1067% during March 17, 2005 to July 14, 2005 in this company also like in the previous case seems to be artificial and intended to create a false market.
- 2.4 An analysis of the trading data for the said period at the CSE revealed that only two brokers namely, M/s Ahilya Commercial Pvt. Ltd. and M/s Shyam Lal Sultania have contributed around 25.93% of the total turnover of the SLPL's shares. The turnover contribution of these two brokers in the shares of SLPL is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	Ahilya Commercial	333800	13.71	317900	13.06	651700	13.38
2	Shyam Lal Sultania	258550	10.62	352600	14.48	611150	12.55
	Total	592350	24.33%	670500	27.54	1262850	25.93

A further analysis of the trading data revealed that the pattern of trading and the modus operandi seems to be identical as in the previous case. Most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Sl.	Name of the broker	Cross and Matched transactions	
		Ahilya Commercial	Shyam Lal Sultania
1	Ahilya Commercial	626000 (96%)	12800 (2%)
2	Shyam Lal Sultania	12800 (2%)	171100 (28%)

It is seen that the cross deals executed by M/s Ahilya Commercial Pvt. Ltd. and M/s Shyam Lal Sultania constituted a large portion of trading in the share. Hence, the price rise in the share can be attributed to the dealings by these brokers.

Global Capital Markets Ltd. (GCML)

- 2.5 Global Capital Markets Ltd. (GCML) is one of the listed companies at CSE which had a steep price rise during the period of June, 2005 to September, 2005. The company is also listed on the BSE where it was last traded on June 28, 2005 at Rs.3.55. Thereafter there has been no trading in the share on BSE. The share price of the company rose from Rs.1.25 to Rs.13.50 between June 17, 2005 to September 16, 2005 i.e. a price rise of 980% in a span of 3 months. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are that for the year ended March 2004. The company filed its financial results to the CSE only upto the period March 2004. It is observed from the financial statements filed by the company with the CSE for the year ended March 2004 that the company had a net sales of Rs.45 lakh and a net profit of Rs.28 lakh. Thus, the financial performance of the company is not encouraging. The company has not filed any financial statements for the year ended March 2005 which indicates that the company is having scant interest in disclosing its financial results to the investors. In the absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 980% during June 17, 2005 to September 16, 2005 seems to be artificial and designed to create a false market.
- 2.6 An analysis of the trading data for the said period at the CSE revealed that only three brokers namely, M/s Sanju Kabra, M/s A V Shares and Stock Brokers Pvt. Ltd. and M/s Shivam Stock Broking have contributed around 90.97% of the total turnover of the GCML's shares. The turnover contribution of these two brokers in the shares of GCML is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	Sanju Kabra	1168910	66.30	355300	20.15	1524210	43.23
2	A V Shares & Stock Brokers Pvt Ltd.	100	0.01	1114200	63.20	1114300	31.60
3	Shivam Stock Broking Pvt. Ltd.	322940	18.32	246200	13.97	569140	16.14
	Total	1491950	84.63%	1715700	97.32	3207650	90.97

A further analysis of the trading data once again revealed the identical modus operandi as in the previous two cases. Most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Sl.	Name of the broker	Cross and Matched transactions		
		Sanju Kabra	A V Shares & Stock Brokers Pvt Ltd.	Shivam Stock Broking
1	Sanju Kabra	894800 (58.7%)	568800 (37.3%)	---
2	A V Shares & Stock Brokers Pvt Ltd.	---	894800 (80.3%)	---
3	Shivam Stock Broking	---	---	568800 (99.94%)

It is seen that the cross deals executed by M/s Sanju Kabra, M/s A V Shares and Stock Brokers Pvt. Ltd. and M/s Shivam Stock Broking constituted a large portion of trading in the share. Hence, the artificial price rise in the share can be attributed to the dealings by these brokers.

Bankam Investments Ltd. (BIL)

- 2.7 Bankam Investments Ltd. (BIL) is one of the listed companies at CSE which had a steep price rise during the period of June, 2005 to September, 2005. The share price of the company rose from Rs.2.10 to Rs.16.85 between June 09, 2005 to September 06, 2005 i.e. a price rise of 702% in a span of 3 months and 7 days. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are that for the year ended March 2004. The company filed its financial results to the CSE only upto the period March 2004. It is observed from the financial statements filed by the company with the CSE for the years ended March 2004 that the company had no income and had incurred a net loss of Rs.11 lakh. During the earlier year (ie. 2003) the company did not have any income. The paid up capital of the company is Rs.74 lakh. As in the previous three cases, the company has not filed any financial statements for the year ended March 2005 demonstrating that the company is having scant interest in disclosing its financial results to the investors. In the light of the poor performance of the company compounded by absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 702% during June 9, 2005 to September 16, 2005 seems to be artificial and designed to create a false market.

2.8 An analysis of the trading data for the said period at the CSE revealed that only two brokers namely, Rajendra Prasad Shah and Badri Prasad and Sons have contributed around 98.70% of the total turnover of the BIL's shares. The turnover contribution of these two brokers in the shares of BIL is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	Rajendra Prasad Shah	93500	65.05	60000	41.74	153500	53.40
2	Badri Prasad & Sons	46500	32.35	83730	58.26	130230	45.30
	Total	140000	97.40%	143730	100.00	283730	98.70

A further analysis of the trading data revealed that the pattern of trading and the modus operandi seems to be identical as in the previous cases. Most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Sl.	Name of the broker	Cross and Matched transactions	
		Rajendra Prasad Shah	Badri Prasad & Sons
		120000	33500
1	Rajendra Prasad Shah	(78.2%)	(21.8)
		33500	93000
2	Badri Prasad & Sons	(25.7%)	(71.4%)

It is seen that the cross deals executed by Rajendra Prasad Shah and Badri Prasad and Sons constituted a large portion of trading in the share. Hence, the artificial price rise in the share can be attributed to the dealings by these brokers.

S T Services Ltd. (STSL)

2.9 S T Services Ltd. (STSL) is one of the listed companies at CSE which had a steep price rise during the period of March, 2005 to September, 2005. the company is also listed on ASE and JSE. The share price of the company rose from Rs.12.10 to Rs.96.50 between March 18, 2005 to September 16, 2005 i.e. a price rise of 698% in a span of 5 months and 28 days. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are that for the year ended March 2004. The company filed its financial results to the CSE only upto the period March 2004. It is observed from the financial statements filed by the company with the CSE for the years ended March 2004 that the company had sales of Rs.39 lakh (Rs.88 lakh during 2003) and had incurred a net profit of only Rs.1 lakh (Rs.1 lakh profit in 2003). The paid up capital of the company is Rs.4.96 crore. Thus, the available information indicates that the financial performance of the company is poor. No data on shareholding pattern and promoter holdings is available. On top of it as in the earlier cases, the company has not filed any financial statements for the year ended March 2005 which indicates that the company is having scant interest in disclosing its financial results to the investors. In the light of the poor performance of the company compounded by the absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 698% during March 18, 2005 to September 16, 2005 is artificial and designed to create a false market.

2.10 An analysis of the trading data for the said period at the CSE revealed that only two brokers namely, Ram Mohan Sarda and S. Jhunjhunwala & Co. have contributed around 53.86% of the total turnover of the STSL's shares. The turnover contribution of these two brokers in the shares of STSL is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	Ram Mohan Sarda	736595	37.68	893500	45.70	1630095	41.69
2	S Jhunjhunwala & Co.	244305	12.50	231700	11.85	476005	12.17
	Total	980900	50.18%	1125200	57.55	2106100	53.86

A further analysis of the trading data revealed that the pattern of trading and the modus operandi to be identical as in the previous cases. Most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Sl.	Name of the broker	Cross and Matched transactions	
		Ram Mohan Sarda	S Jhunjhunwala & Co.
		1232990	174455
1	Ram Mohan Sarda	(75.63%)	(10.7%)
		174455	24000
2	S Jhunjhunwala & Co.	(36.6%)	(5%)

It is seen that the cross deals executed by Ram Mohan Sarda and S. Jhunjhunwala & Co. constituted a large portion of trading in the share. Hence, the artificial price rise in the share can be attributed to the dealings by these brokers.

Amluckie Investment Co. Ltd. (AIML)

2.11 Amluckie Investment Co. Ltd. (AIML) is one of the listed companies at CSE which had a steep price rise during the period of April, 2005 to August, 2005. The share price of the company rose from Rs.95 to Rs.298.50 between April 1, 2005 to August 23, 2005 i.e. a price rise of 214% in a span of 4 months and 32 days. It is observed from the data available from the Capitaline Database that the company is into finance and investment business. The latest financial results available are that for the year ended March 2004. The company filed its financial results to the CSE only upto the period March 2004. It is observed from the financial statements filed by the company with the CSE for the years ended March 2004 that the company had sales of Rs.9 lakh (Rs.3 lakh during 2003) and had earned a net profit of Rs.3 lakh (Rs.1 lakh profit in 2003). The paid up capital of the company is Rs.20.16 crore. The EPS for the year 2004 works out to 0.01 and at a market price of Rs.298.50, the P/E ratio works out to 29850. The company has not declared any dividend during the past 3 years. Thus, the available information indicates that the financial performance of the company is far from encouraging and the share price is not justified by the fundamentals of the company. The company has not filed any financial statements for the year ended March 2005 which indicates that the company has very little interest in disclosing its financial results to the investors. In the absence of any details about the financial performance of the company to the investors in the past two years, the astronomical rise in the price of 698% during April 1, 2005 to August 23, 2005 seems to be artificial and designed to create a false market.

2.12 An analysis of the trading data for the said period at the CSE revealed that only two brokers namely, Shyam Lal Sultania and M. Bhiwaniwala & Co. have contributed around 39.43% of the total turnover of the AICL shares. The turnover contribution of these two brokers in the shares of AICL is given below:

Sl.No	Member Name	Trading Data					
		Buy	% to Total Buy	Sell	% to Total Sell	Total	% to Total Buy & Sell
1	Shyam Lal Sultania	567900	30.41	247300	13.24	815200	21.83
2	M Bhiwaniwala & Co	214999	11.51	442300	23.69	657299	17.60
	Total	782899	41.92%	689600	36.93	1472499	39.43

A further analysis of the trading data revealed that the pattern of trading and the modus operandi seems to be identical as in the previous cases. A further analysis of the trading data revealed that most of the trades were executed as cross deals (wherein the buying and selling broker is the same) and the above members

acted as counter party of their own transactions. The extent of such transactions is given in the following table. The percentage mentioned in the table is with respect to their total trades in the share during the relevant period (significant percentages shown in bold):

Sl.	Name of the broker	Cross and Matched transactions	
		Shyam Lal Sultania	M Bhiwaniwala & Co
1	Shyam Lal Sultania	92600	543100
		(11.3%)	(66.6%)
2	M Bhiwaniwala & Co	543100	11000
		(82.6%)	(1.6%)

It is seen that the cross deals executed by Ram Mohan Sarda and S. Jhunjunwala & Co. constituted a large portion of trading in the share. Hence, the price rise in the share can be attributed to the dealings by these brokers.

3. Summary of the findings

3.1 The facts brought out in the foregoing paragraphs and the analysis of the trade and order log as given in the tables above lead to the following conclusion –

- Significant number of trades in the selected shares of the above brokers during the period under scrutiny are apparently client to client trades which have been executed on a single terminal of the same broker, acting as counter party, successively at a higher price thereby jacking up the price.
- These brokers have allowed their clients who in some cases are themselves to place simultaneously both buy and sale orders of same quantity at the same price in the selected shares to facilitate matching of transactions and creation of volume.
- Order time of these trades show that both buy and sale orders were given either in identical time or within a gap of few seconds. More than 70% of the trades of these brokers in the above mentioned six companies' shares were either between

the said brokers among themselves having identical quantities and rates or through cross-deals.

- Through matched and cross deals, there has been significant rise in the above mentioned six companies' share price ranging from 200% to 1900%.
- A group of two or three of the above mentioned brokers have transacted in the above shares and those transactions have an upward impact on price.
- Apparently, the artificial price rise in the above shares resulted into gains to some set of brokers and loss to other set brokers, which may be instrumental in legitimizing certain financial gains .
- As the price of the above shares have gone up significantly there is a possibility that investors without having proper information about the concerned companies may be lured to these illiquid shares and may get trapped in the process, which is highly detrimental to the interest of the investors.

3.2 In sum, it is evident from the above analysis of the six companies, all of which are listed in CSE, and one of which is listed also in BSE, and another listed additionally in Jaipur and Ahmedabad Stock Exchanges the brokers have followed a common modus operandi of artificially jacking up the price and creating false volumes through continuous self deals executed on the same terminal and cross deals amongst themselves, thereby not only enriching themselves but also aiding and abetting the process of legitimizing the gains. Besides the companies themselves have recorded poor or negative financial performance and have not bothered to file up to date financial statements with CSE. Such acts by the brokers pose a serious risk to the stability and settlement system of the stock exchange besides raising the spectre that innocent investors may get drawn by the artificial trading volumes generated by these brokers and may in the process be beguiled into investing in the shares of these fundamentally weak companies at unjustifiable market prices, only to be left adrift.

3.3 The findings of the preliminary inquiry as detailed above also establishes a prima facie case of violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 and Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 read with code of conduct as specified in Scheduled II of the said Regulations. There is a reasonable ground to believe that the transactions in the above securities are being dealt in a manner detrimental to the investors and securities market. SEBI is initiating formal investigations into the matter.

3.4 In view of the above, I am satisfied that pending inquiry by SEBI, it is necessary to issue an order under Section 11 (4) (b) read with Section 11 (1) under 11B of the SEBI Act in order to protect the interests of the investors and also the integrity of the securities market.

4 **ORDER**

4.1 In exercise of the powers conferred upon me by virtue of Section 19 read with Section , 11 (4) (a), 11(4)(b) and Section 11 (1) and 11 B of the SEBI Act it is hereby directed, pending inquiry, that :

A) the following eleven stock brokers of CSE shall not buy, sell or deal in securities, in any manner, either directly or indirectly, till further directions in this regard:

- Sanju Kabra
- Shivam Stock Broking Pvt. Ltd.
- D B & Co.
- Rajendra Prasad Shah
- Badri Prasad & Sons
- M Bhiwaniwala & Co.
- Ram Mohan Sarda
- A V Shares & Stock Brokers Pvt. Ltd.
- Shyam Lal Sultania
- Ahilya Commercial Pvt. Ltd.
- S Jhunjunwala & Co.

B) The trading in the following companies shall remain suspended till further directions in this regard.

- Prime Capital Market Ltd.
- Subh Laxmi Projects Ltd.
- Global Capital Market Ltd.
- Bankam Investments Ltd.
- S. T. Services Ltd.
- Amluckie Investment Co.

The above directions shall take effect immediately and shall be in force until further orders. The stock brokers and the companies may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court, 'B' Wing, Nariman Point, Mumbai 400021 on a date and at a time to be fixed on specific request, to be received in this behalf from the stock brokers within above 15 days from the date of this order.

Place: Mumbai

Date:29.9.2005

**G ANANTHARAMAN
WHOLE-TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA