

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST M/S HI-ELEC ENGINEERS AND CONSULTANTS (P) LTD. IN THE MATTER OF VATSA WORLD LIMITED.

1.0 Background

- 1.1 Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted Investigations into the dealings in the shares of Vatsa World Limited (hereinafter referred to as VWL) for alleged market manipulations.
- 1.2 VWL was incorporated as a private limited company in the name and style of Ongoing Advertising and Packaging Pvt. Ltd. The company was converted into a public limited company on February 20, 1996. On June 24, 1996, the name of the company was changed to Vatsa World Limited. On June 19, 2001, the name of the company was once again changed to Little Kingdom World Limited after acquiring the business of Little Kingdom Edutech Ltd., an education technology based company.
- 1.3 The investigations revealed that the company came out with its initial public offer on December 10, 1996, subsequent to which the scrip of the company was listed on Delhi Stock Exchange (hereinafter referred to as DSE) on February 19, 1997. 50, 00,000 shares were allotted by the company to the

share holders of Little Kingdom Edutech Ltd. by way of preferential allotment.

- 1.4 The investigation revealed that the price volume data of the scrip on DSE for the period from April 9, 2001 to July 20, 2001 is furnished below:

Date	Opening Price	Closing Price	High Price	Low Price	Traded Quantity
09-04-01	12.50	12.50	12.50	12.50	500
10-04-01	9.50	9.50	9.50	9.50	300
12-04-01	9.55	9.55	9.55	9.55	200
25-04-01	8.00	8.00	8.00	8.00	100
27-04-01	7.00	7.00	7.00	7.00	100
30-04-01	6.50	6.50	6.50	6.50	200
03-05-01	5.00	5.00	5.00	5.00	200
23-05-01	6.50	6.50	6.50	6.50	500
24-05-01	8.00	8.00	8.00	8.00	500
25-05-01	10.00	10.00	10.00	10.00	500
28-05-01	10.25	11.15	11.15	10.25	800
29-05-01	11.00	11.00	11.00	11.00	200
30-05-01	12.00	12.00	12.00	12.00	200
31-05-01	13.00	13.00	13.00	13.00	200
01-06-01	12.00	13.00	13.00	12.00	500
05-06-01	11.15	11.15	11.15	11.15	500
06-06-01	9.90	10.50	10.50	9.90	1500
08-06-01	10.25	11.00	11.00	10.25	1000
20-06-01	13.75	13.75	13.75	13.75	900
21-06-01	17.15	17.15	17.15	17.15	500
22-06-01	19.25	19.25	19.25	19.25	1300
25-06-01	21.50	21.65	21.65	21.50	1100

26-06-01	23.35	23.35	23.35	23.00	1200
27-06-01	25.20	25.20	25.20	25.20	2000
28-06-01	27.05	27.20	27.20	27.05	1300
29-06-01	29.00	28.95	29.00	28.95	4800
02-07-01	30.35	31.25	31.25	30.35	700
04-07-01	30.25	33.50	33.50	30.25	1800
05-07-01	34.00	36.00	36.00	34.00	600
06-07-01	37.00	38.00	38.50	37.00	1200
09-07-01	40.00	40.00	40.00	40.00	500
10-07-01	43.05	43.05	43.05	43.05	500
11-07-01	0.00	43.00	0.00	0.00	100

During the above period the closing price touched a high of Rs.43.05 and a low of Rs.5.00. The traded quantity was highest at 4800 shares on June 29, 2001. Further, the price of the scrip showed a declining trend during the period from April 9, 2001 to May 3, 2001. During this period, the closing price of the scrip declined from Rs.12.50 to Rs.5.00. Thereafter the price of the scrip increased substantially to Rs.43/- on July 10, 2001.

1.5 The investigation further revealed that DSE has, in their investigation report furnished to SEBI, noted that the increase in price of the scrip during April 9, 2001 to July 10, 2001 was not accompanied by a corresponding increase in trading volume and the entire trading was concentrated amongst 8 members of the exchange. Most of the trades were squared off and there was only one instance of delivery during the entire trading period spread over 15 settlements. In view of the same, DSE forwarded their report to SEBI for further investigation into likely price manipulation and other issues.

1.6. The investigation revealed that Hielec Engineers and Consultants (P) Ltd (hereinafter referred to as HECPL) was one of the trading clients who had

dealt in the scrip of VWL in comparatively large quantities at DSE. Investigation further revealed that HECPL is one of the Promoters of SRG Infotech Limited (hereinafter referred to as SRG) which is an associate entity of VWL.

- 1.7 On the basis of the above the investigation concluded that ITCPL has violated Regulation 3, 4 (a) (b) (c) and (d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

2.0 SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

- 2.1 Accordingly a show cause notice dated June 27, 2003 was issued to HECPL advising it to show cause as to why suitable directions under Section 11 and 11B of the SEBI Act, 1992 read with regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 including a direction to prohibit HECPL from dealing in securities market for a particular period should not be issued against it. The aforesaid Show Cause Notice issued to HECPL in its last known address returned undelivered. Several attempts were made to obtain the correct address of HECPL from ROC Delhi through DSE , however DSE informed that the same was not traceable.
- 2.2 An opportunity of personal hearing was granted to HECPL on January 13, 2004 and December 29, 2005. Neither did it appear for the hearing nor did it seek an adjournment. Therefore I proceed the matter ex-parte on the basis of the records available.

3.0 CONSIDERATION OF ISSUES AND FINDINGS

- 3.1 I have examined the findings of investigation and the show cause notice issued to Hi-Elec. Since, Hi-Elec could not be traced; I proceed to pass the order based on the findings of investigation.
- 3.2 I find that VWL was incorporated as a private limited company in the name and style of Ongoing Advertising and Packaging Pvt. Ltd. The company was converted into a public limited company on February 20, 1996. On June 24, 1996, the name of the company was changed to Vatsa World Limited. On June 19, 2001, the name of the company was once again changed to Little Kingdom World Limited after acquiring the business of Little Kingdom Edutech Ltd., an education technology based company.
- 3.3 The price volume data of the scrip on DSE for the period from April 9, 2001 to July 20, 2001 is given below:

Date	Opening Price	Closing Price	High Price	Low Price	Traded Quantity
09-04-01	12.50	12.50	12.50	12.50	500
10-04-01	9.50	9.50	9.50	9.50	300
12-04-01	9.55	9.55	9.55	9.55	200
25-04-01	8.00	8.00	8.00	8.00	100
27-04-01	7.00	7.00	7.00	7.00	100
30-04-01	6.50	6.50	6.50	6.50	200
03-05-01	5.00	5.00	5.00	5.00	200
23-05-01	6.50	6.50	6.50	6.50	500
24-05-01	8.00	8.00	8.00	8.00	500
25-05-01	10.00	10.00	10.00	10.00	500
28-05-01	10.25	11.15	11.15	10.25	800
29-05-01	11.00	11.00	11.00	11.00	200
30-05-01	12.00	12.00	12.00	12.00	200

31-05-01	13.00	13.00	13.00	13.00	200
01-06-01	12.00	13.00	13.00	12.00	500
05-06-01	11.15	11.15	11.15	11.15	500
06-06-01	9.90	10.50	10.50	9.90	1500
08-06-01	10.25	11.00	11.00	10.25	1000
20-06-01	13.75	13.75	13.75	13.75	900
21-06-01	17.15	17.15	17.15	17.15	500
22-06-01	19.25	19.25	19.25	19.25	1300
25-06-01	21.50	21.65	21.65	21.50	1100
26-06-01	23.35	23.35	23.35	23.00	1200
27-06-01	25.20	25.20	25.20	25.20	2000
28-06-01	27.05	27.20	27.20	27.05	1300
29-06-01	29.00	28.95	29.00	28.95	4800
02-07-01	30.35	31.25	31.25	30.35	700
04-07-01	30.25	33.50	33.50	30.25	1800
05-07-01	34.00	36.00	36.00	34.00	600
06-07-01	37.00	38.00	38.50	37.00	1200
09-07-01	40.00	40.00	40.00	40.00	500
10-07-01	43.05	43.05	43.05	43.05	500
11-07-01	0.00	43.00	0.00	0.00	100

During the above period, the closing price was found to have touched a high of Rs.43.05 and a low of Rs.5.00. The traded quantity was highest at 4800 shares on June 29, 2001. Further, the price of the scrip had showed a declining trend during the period from April 9, 2001 to May 3, 2001. During this period, the closing price of the scrip was found to have declined from Rs.12.50 to Rs.5.00. Thereafter the price of the scrip had increased substantially to Rs.43/- on July 10, 2001. The price of the scrip declined by 60% during the period from April 9, 2001 to May 3, 2001, over 7 trading days. Subsequently, the price was found to have been increased by 760% during the period from May 3, 2001 to July 10, 2001, over 25 trading days. The scrip of VWL was found to have been traded only for 33 days, and the total number of shares traded was only 26,700. The average traded volume per day worked out to be about 810 shares.

Both the decline in price as well as the subsequent increase was found to have been accompanied by thin trading volumes, which in many instances were as low as one or two trades. Thus it is clear that there was very little trading interest in the scrip.

3.4 I find that DSE had also reported that the entire trading in VWL was concentrated amongst 8 members of DSE and that most of such trades had been squared off, and only one instance of delivery was noted during the entire trading period spread over 15 settlements.

A summary of the information collected from Prabhat Investments who have dealt in the scrip on behalf of Hi-Elec during the period under scrutiny is as follows:

Name of the broker: Prabhat Investments.

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price	Net Traded Qty for Hi-Elec	Market Traded Qty.	% of Elec market trades	Hi-to
1.	09-04-01	Hi- Electric Engg.	Nil	Nil	500	12.50	-500	500	100	
2.	10-04-01	Hi- Electric Engg.	300	9.50	Nil	Nil	300	300	100	
3.	12-04-01	Hi- Electric Engg.	200	9.55	Nil	Nil	200	200	100	
4.	25-04-01	Hi- Electric Engg.	Nil	Nil	100	8.00	-100	100	100	
5.	27-04-01	Hi- Electric Engg.	100	7.00	Nil	Nil	100	100	100	
6.	30-04-01	Hi- Electric Engg.	Nil	Nil	200	6.50	-200	200	100	
7.	03-05-01	Hi- Electric Engg.	200	5.00	Nil	Nil	200	200	100	
8.	23-05-01	Hi- Electric Engg.	Nil	Nil	500	6.50	-500	500	100	
9.	24-05-01	Hi- Electric Engg.	500	8.00	Nil	Nil	500	500	100	
10.	25-05-01	Hi- Electric Engg.	Nil	Nil	500	10.00	-500	500	100	
11.	28-05-01	Hi- Electric Engg.	500	10.85	Nil	Nil	500	800	62.50	
12.	29-05-01	Hi- Electric Engg.	Nil	Nil	200	11.00	-200	200	100	
13.	31-05-01	Hi- Electric Engg.	200	13.00	Nil	Nil	200	200	100	
14.	01-06-01	Hi- Electric Engg.	Nil	Nil	500	12.50	-500	500	100	
15.	05-06-01	Hi- Electric Engg.	Nil	Nil	500	11.15	-500	500	100	

16.	06-06-01	Hi- Electric Engg.	1500	10.13	Nil	Nil	1500	1500	100
17.	08-06-01	Hi- Electric Engg.	Nil	Nil	1000	10.63	-1000	1000	100
18.	20-06-01	Hi- Electric Engg.	Nil	Nil	800	13.75	-800	900	
19.	21-06-01	Hi- Electric Engg.	Nil	Nil	500	17.15	-500	500	100
20.	22-06-01	Hi- Electric Engg.	1300	19.25	Nil	Nil	1300	1300	100
21.	25-06-01	Hi- Electric Engg.	1100	21.57	Nil	Nil	1100	1100	100
22.	27-06-01	Hi- Electric Engg.	Nil	Nil	2000	25.20	-2000	2000	100
23.	28-06-01	Hi- Electric Engg.	1100	27.10	Nil	Nil	1100	1300	84.62
24.	29-06-01	Hi- Electric Engg.	Nil	Nil	200	28.95	-200	4800	4.17
25.	04-07-01	Hi- Electric Engg.	500	33.50	Nil		500	1800	27.78
26.	06-07-01	Hi- Electric Engg.	Nil	Nil	500	38.00	-500	1200	41.67

From the above table, it can be seen that the net purchase/net sell position of Hi-Elec accounted for 100% of the market volume on 19 trading days out of a total of 26 trading days on which Hi-Elec has traded in the market. So it may be inferred that there would not have been any trade on those trading days if Hi-Elec would not have traded on those days.

- 3.5 I further find that HECPL is one of the promoters of SRG which is an associate of VWL. I also find that SRG and VWL share the same addresses (reported to DSE). Further, I find that SRG is a promoter of Status Management Services Ltd (hereinafter referred to as status management). Status Management and VWL have a common director namely; Shri Sunil Kumar. Also, the promoters of VWL share a common address with one of the promoters of Status Management. The address of Hi-Elec is S-37 Srinivas Puri, New Delhi 110 065, same as that of Shri Prashant Kumar Srivastava, director of Tactful Investments Ltd. (TIL). TIL and VWL have a common director namely Shri Gopal Das Goyal. In view of the above, I find that it can be inferred that the trading client, Hi-Elec is connected to VWL.

- 3.6 I further find that Hi-Elec has dealt in illiquid scrip like VWL in large quantities. They have bought 7500 shares and sold 8000 shares during the investigation period constituting about 58% of the gross market traded quantity. Most of the trades have been squared off. The deals have been done at prices ranging from Rs.5/- to Rs.38/- over a period of 3 months. Since no explanation has been offered by Hi-Elec for having dealt in an illiquid scrip, it is presumed that Hi-Elec has indulged in price manipulation and creation of artificial volume in the scrip of VWL. I find that the show cause notice issued to Hi-Elec in their last known address had returned undelivered. Several attempts were made to obtain the address of Hi-Elec from ROC, Delhi, through Delhi Stock Exchange (DSE). However, DSE informed that the same was not traceable by ROC, Delhi.
- 3.7 I further find that the scrip of VWL was illiquid and few clients had traded in the scrip and built up artificial volumes and price. The scrip otherwise did not elicit any interest from the general investors. These clients had put the trades without any interest in transfer of beneficiary ownership. Hi-Elec was one of the largest trading clients in the scrip.
- 3.8 Thus I find that indulged in creation of false market in the scrip of VWL and hindered true price discovery. Therefore, I find Hi-Elec guilty of violating Regulations 3, 4(a), 4(b), 4(c) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 which reads as follows:

“3. Prohibition of certain dealings in securities.- No person shall buy, sell, or otherwise deal in securities in a fraudulent manner.

4. Prohibition against market manipulation.- No person shall –

(a) effect, take part in, or enter into , either directly or indirectly , transactions in securities, with intention of artificially raising or depressing the prices of securities in the market 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 in to a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended only to operate only as a device to inflate, depress, or cause fluctuations in the market price of the securities;

3.9 I further find that in adherence to the principles of Natural Justice, an opportunity of personal hearing had been granted to HECPL on different dates and he neither attended the same nor sought adjournment. This kind of decidedly non- co-operative attitude on the part of HECPL is to be viewed seriously.

4.0 ORDER

4.1 Therefore, I, in exercise of the powers conferred upon me under Section 19, read with Section 11(4) and 11B of the SEBI Act, 1992 read with regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 read with the relevant provisions of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003, hereby prohibit Hi-Elec Engineers and Consultants (P) Ltd. from buying, selling or

dealing in securities, in any manner, directly or indirectly for a period of one year.

4.2 This order will come into effect with immediate effect.

**MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

Place : Mumbai

Date : 02/02/2006