

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 11B and Section 11(4) (b) of the SEBI Act, 1992 against Pranav Financial Services Ltd. and PFS Investments & Securities Pvt. Ltd. in the matter of the alleged transactions in the scrip of Padmalaya Telefilms Limited.

Date of hearing: 11.07.06

Appearances:

For Noticee: Shri Pranav Shah

Shri Rajesh Jain

For SEBI: Shri P. K. Nagpal - CGM

Shri Praveen Trivedi - DLA

Shri Bibhudutta Samal - Manager

Shri Amitesh Kumar – LO

1.0 FACTS

- 1.1 Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted investigation into the trading in the scrip of Padmalaya Telefilms Limited (hereinafter referred to as PTL) for the period between October 3, 2000 and July 27, 2001. It was observed during investigation that Pranav Financial Services Ltd. (hereinafter referred to as PFS) and PFS Investments & Securities Pvt. Ltd. (hereinafter referred to as PFSIS) had traded in the scrip of PTL through Pranav Securities Pvt. Ltd. (PSL), member of Bombay Stock Exchange. It was also revealed that PFS and PFSIS had a common director, Smt. Renuka Shah with the broker PSL and also had the same address as the broker. It was further revealed that during

the period from November 20, 2000 to December 19, 2000, the price of the scrip of PTL had gone up from Rs. 92.30 to Rs. 149.75. During the period both the entities had placed continuous buy orders at higher than the last traded prices through the broker PSL. In the light of these facts, it was alleged that PFSL & PFSIS had assisted and abetted the broker PSL in creating artificial volumes influencing prices in the scrip of PTL and thus violating the provisions of Regulations 4(a), (b) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as FUTP Regulations).

2.0 Show Cause Notice, Reply and Personal Hearing

- 2.1 A show cause notice dated March 01, 2004 was, therefore, issued to PFSL & PFSIS requiring them to show cause why suitable action as specified under Section 11B and 11(4) of SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, including restraining them from accessing the securities market and prohibiting them from being associated with the securities market in any manner including buying, selling and dealing in securities for a particular period should not be taken.
- 2.2 However, PFSL & PFSIS did not reply to the said show cause notice. Nonetheless, they were granted an opportunity of personal hearing which was attended by Shri Pranav Shah and Shri Rajesh Jain on behalf of PFSL & PFSIS.
- 2.3 PSL submitted printouts of the trades done by it directly in PTL for its institutional clients in support of its explanation for the trades in the counter at its end.

3.0 Consideration of issues and findings

- 3.1 I have carefully examined the facts and circumstances of the case, investigation reports and other material available on record. I have also considered the oral submission made by the representatives during personal hearing.
- 3.2 I have noted that the scrip of PTL was listed on the BSE on May 2000 and was traded in the compulsory rolling settlement w.e.f. July 24, 2000. The period of investigation ranged between October 3, 2000 and July 27, 2001 when the scrip was trading in the physical segment on the BSE. Incidentally the scrip was also traded in the rolling segment for 10 days during the period under investigation. The price of the scrip rose from Rs.78.50 on November 27, 2000 to Rs.140.40 on December 19, 2000 and the traded volumes increased from 73,968 shares as on November 27, 2000 to 6,74,123 shares on December 19, 2000. Thereafter, the price of the scrip declined from Rs.121.50/- on February 7, 2001 to Rs.24.95 on April 12, 2001. The average number of shares traded per day during the period from February 7, 2001 to April 12, 2001 was 26,500 shares. The price of the scrip subsequently went up from Rs.25/- on April 16, 2001 to Rs.68.75/- on May 29, 2001 with the average volume per day being 24,100 shares. The quantity of shares traded on the HSE was insignificant as compared to the volumes on the BSE.
- 3.3 I also note that PFS (client code P023) and PFSIS (client code P019) had traded extensively in the scrip of PTL through the broker PSL. PSL also traded on its own account through P –Sec Pvt. Ltd. (client code P025). Their cumulative purchases and sales in the scrip of PTL during the period under investigation were 15,41,243 and 13,29,932 shares respectively. Vasanti Shah, director of PFS Investment and Pranav Financial Services sold 1,00,025 shares through PSL and Pranav Financial Services Pvt. Ltd. It is also observed that the entities PFS and PFSIS traded amongst

themselves and with P-Sec Pvt. Ltd. on both rolling segment as well as the account period segment on many occasions, without the accompanying transfer of shares/funds. Further in some case PFS was on both buy side and sell side. So is the case with PFSIS. This has been apparently done to establish the price of the scrip and to create a false appearance of trading in the scrip. Few such instances are brought out in the table given below:

Trade No	Buy Member Code	Buy Client Code	Sell Member Code	Sell Client Code	Qty	Price	Trade Date	Time
1	D0430	P019	D0430	P025	25,000	125.00	13-12-00	12:24:03
2	D0430	P019	D0430	P025	25,000	125.00	13-12-00	12:24:03
209	D0430	P025	D0430	P019	1,000	92.35	20-11-00	11:56:59
211	D0430	P025	D0430	P019	476	92.35	20-11-00	11:56:59
231	D0430	P025	D0430	P019	1,000	92.35	20-11-00	12:30:07
3782	D0430	P019	D0430	P019	1,210	104.30	07-12-00	15:43:56
5069	D0430	P019	D0430	P025	1,300	138.00	19-12-00	14:59:40
147	D0430	P025	D0430	PSEC	20,900	48.50	07-05-01	11:43:16
148	D0430	P025	D0430	PSEC	250	48.50	07-05-01	11:43:43
865	D0430	P023	D0430	P023	1,344	60.40	16-05-01	11:04:14

Client Codes: PFS: P023 PFSIS: P019 P-Sec: P025

- 3.4 I have also observed that whilst trading in the scrip of PTL, PFSIS had placed buy orders, continuously at prices higher than that of the last traded price. This resulted in the scrip price reach daily highs as compared to the last traded price and PFSIS seemed to be the only party interested in buying at higher prices. The table given below reveals instances of placing many such orders at higher prices:

Clg. No.	Buy / Sell	Order Type	Price	Qty	A/U/ D	Date	Time	Order No.	Client
56	B	L	95.00	100	A	21-11-2000	11:27:49	5600500010012717	CR173
421	B	L	96.50	100	U	21-11-2000	11:30:17	42100600010017122	4035
722	B	L	95.05	300	A	21-11-2000	11:31:39	72200400010041900	J02301
430	B	L	98.00	250	A	21-11-2000	11:32:17	43000100010003437	P019
707	B	L	95.00	100	A	21-11-2000	11:32:35	70700300010043911	OFF
430	B	L	95.00	500	A	21-11-2000	11:33:03	43000100010003438	P019
430	B	L	96.75	100	A	21-11-2000	11:33:32	43000100010003439	P019
430	B	L	95.00	300	U	21-11-2000	11:34:00	43000100010003438	P019

430	B	L	96.75	100	A	21-11-2000	11:34:13	43000100010003441	P019
430	B	L	98.00	200	A	21-11-2000	11:34:37	43000100010003442	P019
62	B	L	95.05	25	A	21-11-2000	11:35:03	6200600010037853	S71
430	B	L	98.00	100	A	21-11-2000	11:36:47	43000100010003444	P019
578	B	L	95.10	100	A	21-11-2000	11:37:27	57800200010006598	4001
6	B	L	86.50	100	A	21-11-2000	11:37:28	600900010016963	A690
286	B	L	95.25	50	A	22-11-2000	9:58:30	28602600010021953	7600
578	B	L	88.00	200	A	22-11-2000	10:03:13	57800100010010837	5130
430	B	L	98.00	100	A	22-11-2000	10:04:06	43000100010003457	P019
430	B	L	98.00	500	A	22-11-2000	10:04:34	43000100010003458	P019
766	B	L	87.55	50	A	22-11-2000	10:05:05	43000100010003458	PK22
372	B	L	92.20	100	A	22-11-2000	10:05:35	37201400010002567	V
722	B	L	84.10	200	U	23-11-2000	14:59:15	72200100010012510	S1712
722	B	L	84.15	200	U	23-11-2000	14:59:26	72200100010012510	S1712
174	B	L	84.20	100	U	23-11-2000	14:59:38	17400300000005854	2
578	B	L	84.25	300	U	23-11-2000	14:59:42	57800100010010928	5130
174	B	L	84.30	100	U	23-11-2000	14:59:57	17400300000005854	2
430	B	L	87.00	1000	A	23-11-2000	15:00:35	43000100010003509	P019
718	B	L	82.10	720	U	23-11-2000	15:00:40	71801500010019446	V019
656	B	L	84.35	20	U	23-11-2000	15:00:53	65600500010019234	64
430	B	L	88.00	1000	A	23-11-2000	15:00:59	43000100010003510	P019
174	B	L	84.40	100	U	23-11-2000	15:01:05	17403000000005854	2
430	B	L	89.00	1000	A	23-11-2000	15:01:18	43000100010003511	P019
106	B	L	85.00	40	U	23-11-2000	15:01:41	10601900000007031	14023
148	B	L	85.00	500	A	23-11-2000	15:01:42	14800300010017567	7021
430	B	L	86.00	500	A	23-11-2000	15:01:48	43000100010003512	P019

Client Codes: PFS: P023 PFSIS: P019 P-Sec: P025

3.5 Apart from the trades discussed above, I have also observed that PSL had entered into cross deals where PSL was the broker (D0430) from both buy and sell sides. A large member of these trades (either buying or selling or both) were executed on behalf of its clients, PFS Investments (P019), or p-sec (P025) or Pranav Financial Services (P023).The details are as given in the table below:

Trade No	Buy Member Code	Buy Client Code	Sell Member Code	Sell Client Code	Qty	Price	Trade Date	Trade Time
206	D0430	P025	D0430	P019	524	92.35	20-11-00	11:56:59
209	D0430	P025	D0430	P019	1000	92.35	20-11-00	11:56:59
211	D0430	P025	D0430	P019	476	92.35	20-11-00	11:56:59
231	D0430	P025	D0430	P019	1000	92.35	20-11-00	12:30:07

311	D0430	P048	D0430	P019	200	104.90	05-12-00	09:59:22
1101	D0430	U001	D0430	P019	500	111.00	06-12-00	10:03:43
1104	D0430	U001	D0430	P019	500	111.00	06-12-00	10:03:43
1106	D0430	U001	D0430	P019	500	111.00	06-12-00	10:03:43
1107	D0430	U001	D0430	P019	500	111.00	06-12-00	10:03:43
1108	D0430	U001	D0430	P019	300	111.00	06-12-00	10:03:43
3775	D0430	H026	D0430	P019	290	104.00	07-12-00	15:29:46
3776	D0430	H026	D0430	P019	500	104.00	07-12-00	15:29:46
3777	D0430	H026	D0430	P019	500	104.00	07-12-00	15:29:46
3778	D0430	H026	D0430	P019	500	104.00	07-12-00	15:29:46
3779	D0430	H026	D0430	P019	500	104.00	07-12-00	15:29:46
3780	D0430	H026	D0430	P019	500	104.00	07-12-00	15:29:46
3782	D0430	P019	D0430	P019	1210	104.30	07-12-00	15:43:56
3786	D0430	H026	D0430	P019	5000	104.30	07-12-00	15:45:34
7924	D0430	ICICI	D0430	P025	20000	143.90	14-12-00	11:52:03
1766	D0430	S001	D0430	P019	235	149.75	19-12-00	09:58:58
1768	D0430	S001	D0430	P019	1500	149.75	19-12-00	09:58:58
1769	D0430	S001	D0430	P019	565	149.75	19-12-00	09:58:58
3310	D0430	SUNILT	D0430	H026	50	149.00	19-12-00	12:03:38
3311	D0430	SUNILT	D0430	H026	450	149.00	19-12-00	12:03:38
5069	D0430	P019	D0430	P025	1300	138.00	19-12-00	14:59:40
1392	D0430	P019	D0430	ICICI	73760	80.00	23-02-01	13:02:09
154	D0430	D017	D0430	D016	5000	42.25	14-03-01	10:22:01
147	D0430	P025	D0430	PSEC	20900	48.50	07-05-01	11:43:16
148	D0430	P025	D0430	PSEC	250	48.50	07-05-01	11:43:43
732	D0430	TARUS	D0430	P023	950	50.00	09-05-01	10:16:10
733	D0430	TARUS	D0430	P023	50	50.00	09-05-01	10:16:10
734	D0430	TARUS	D0430	P023	1000	50.00	09-05-01	10:16:10
735	D0430	TARUS	D0430	P023	450	50.00	09-05-01	10:16:10
736	D0430	TARUS	D0430	P023	550	50.00	09-05-01	10:16:10
737	D0430	TARUS	D0430	P023	950	50.00	09-05-01	10:16:10
738	D0430	TARUS	D0430	P023	50	50.00	09-05-01	10:16:10
739	D0430	TARUS	D0430	P023	1000	50.00	09-05-01	10:16:10
740	D0430	TARUS	D0430	P023	450	50.00	09-05-01	10:16:10
741	D0430	TARUS	D0430	P023	550	50.00	09-05-01	10:16:10
742	D0430	TARUS	D0430	P023	950	50.00	09-05-01	10:16:10
743	D0430	TARUS	D0430	P023	50	50.00	09-05-01	10:16:10
744	D0430	TARUS	D0430	P023	1000	50.00	09-05-01	10:16:10
745	D0430	TARUS	D0430	P023	450	50.00	09-05-01	10:16:10
746	D0430	TARUS	D0430	P023	550	50.00	09-05-01	10:16:10
747	D0430	TARUS	D0430	P023	950	50.00	09-05-01	10:16:10
748	D0430	TARUS	D0430	P023	50	50.00	09-05-01	10:16:10
781	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
782	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
783	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
784	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
785	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
786	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
787	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
788	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45

789	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
790	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
791	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
792	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
793	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
794	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
795	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
796	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:21:45
797	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:21:45
798	D0430	TARUS	D0430	P023	850	50.00	09-05-01	10:22:16
799	D0430	TARUS	D0430	P023	150	50.00	09-05-01	10:22:16
865	D0430	P023	D0430	P023	1344	60.40	16-05-01	11:04:14
618	D0430	R061	D0430	P023	215	68.20	23-05-01	12:13:15
622	D0430	R061	D0430	P023	235	68.20	23-05-01	12:14:08

Client Codes: PFS: P023 PFSIS: P019 P-Sec: P025

3.6 I also note that on December 1, 2000. PSL was the major buyer in the scrip of PTL who had bought 32,500 shares, all of which were bought for PFSIS. PSL had continuously placed buy orders at higher prices and was the first member to place a buy order near the 8% circuit filter level. Further, on December 8, 2000, PSL had again placed buy orders for PFSIS at higher prices but had subsequently deleted them. From 9:55:31 to 10:09:57 PSL had placed buy orders for PFSIS at higher prices from Rs.104.00 to Rs.112.60. These were also later deleted. On December 5, 2000 and December 11, 2000 PFSIS was the major seller on the exchange accounting for around 40% of the total traded quantity in the scrip of PTL.

3.7 Another period of price rise was observed from April 30, 2001 to June 1, 2001 when the scrip price increased from Rs.31.50 to Rs.70.95.

3.8 On May 7, 2001 PFS (Client Code P023) had placed a buy order at Rs.48.55 (near the upper circuit limit) at 9:57:21 when the previous buy orders ranged from 42.00 to 43.00. This was the rate at which the first trade got executed.

3.9 On May 9, 2001 the price of the scrip opened at Rs.51.90 and moved up to the intra-day high of Rs.55.15 immediately due to two buy orders entered at 9:59:28 by the member for PFS at Rs.55.15.

3.10 From an extract of the order log pertaining to the broker, it is apparent that on May 11 and May 14, 2001, PFS showed an interest in buying the shares at higher prices as shown below.

Mem. Code	B/S	Rate	Qty	A U D	Date	Time	Order No.	Client code
430	B	42.50	2500	A	11-05-2001	12:57:32	43000400010006087	P023
430	B	44.00	1000	A	11-05-2001	12:58:46	43000400010006088	P023
430	B	43.00	1000	A	11-05-2001	12:59:08	43000400010006089	P023
430	B	45.00	2500	A	11-05-2001	12:59:47	43000400010006090	P023
430	B	44.00	1000	A	11-05-2001	13:00:26	43000400010006091	P023
430	B	46.00	1000	A	11-05-2001	13:01:41	43000400010006092	P023
430	B	45.00	500	A	11-05-2001	13:02:00	43000400010006093	P023
430	B	47.00	1000	A	11-05-2001	13:02:40	43000400010006094	P023
430	B	46.00	500	A	11-05-2001	13:10:08	43000400010006095	P023
430	B	47.00	2500	A	11-05-2001	13:12:06	43000400010006096	P023
430	B	46.00	1000	A	11-05-2001	13:12:47	43000400010006097	P023
430	B	47.00	1000	A	11-05-2001	13:18:57	43000400010006098	P023
430	B	48.00	500	A	11-05-2001	13:19:17	43000400010006099	P023
430	B	48.00	2000	A	11-05-2001	13:20:07	43000400010006100	P023
430	B	47.00	1000	A	11-05-2001	13:20:30	43000400010006101	P023
430	B	46.00	500	A	11-05-2001	14:27:58	43000400010006102	P023
430	B	46.00	500	A	11-05-2001	14:47:06	43000400010006103	P023
430	B	47.50	2500	A	11-05-2001	14:53:45	43000400010006104	P023
430	B	48.00	2500	A	11-05-2001	14:54:03	43000400010006105	P023
430	B	48.55	10000	A	11-05-2001	14:54:18	43000400010006106	P023
430	B	48.55	2500	A	11-05-2001	14:54:39	43000400010006107	P023
430	B	48.55	2500	A	11-05-2001	14:54:56	43000400010006108	P023
430	B	48.55	1000	A	11-05-2001	14:55:33	43000400010006109	P023
430	B	48.55	2500	A	11-05-2001	14:56:01	43000400010006110	P023
430	B	48.55	1000	A	11-05-2001	14:56:44	43000400010006111	P023
430	B	50.00	500	A	14-05-2001	10:06:13	43000400010006129	P023
430	B	48.00	1000	A	14-05-2001	10:06:30	43000400010006130	P023
430	B	50.00	500	A	14-05-2001	10:11:21	43000400010006131	P023
430	B	51.00	500	A	14-05-2001	10:11:41	43000400010006132	P023
430	B	52.00	500	A	14-05-2001	10:29:23	43000400010006133	P023
430	B	52.00	500	A	14-05-2001	10:29:47	43000400010006134	P023
430	B	50.00	1000	A	14-05-2001	10:30:22	43000400010006135	P023
430	B	52.00	500	A	14-05-2001	10:32:26	43000400010006136	P023
430	B	51.00	500	A	14-05-2001	12:08:33	43000400010006137	P023

430	B	44.65	10000	A	14-05-2001	12:13:31	43000400010006138	P023
430	B	52.00	1000	A	14-05-2001	12:14:46	43000400010006139	P023
430	B	52.35	1500	A	14-05-2001	12:17:07	43000400010006140	P023
430	B	52.35	2500	A	14-05-2001	12:17:22	43000400010006141	P023

Client Codes: PFS: P023 PFSIS: P019 P-Sec: P025

3.11 Also during the period from July 12, 2001 to July 27, 2001 large volumes were observed in the scrip of PTL. During this period, the clients PFS and PFSIS of PSL were seen to have offloaded most of their holdings in the scrip of PTL. The sales have been made for PFS and PFSIS and for P-sec (trading account of the member) which accounted for more than 50% of the trading volumes during the period. From the demat statement of PFSIS it can be observed that the share transfer for the pay-out/pay-in of the clients have not been made from its account. Rather they have been transferred to/from the member's own account. As per the trade log, PFS had a net obligation in a number of settlements but no transactions were made from the demat account of the client.

3.12 As brought out earlier, trades were being executed by PSL on behalf of PFS and PFSIS without the resultant transfer of funds/securities. These trades are effectively fictitious in nature, as there is no transfer of beneficial ownership. A scrip with sound fundamentals would have attracted many buyers, without any market activity and would not have had to rely upon the practices as in the present case of PSL i.e. artificial trades being effected or demand purchases being made by brokers to place buy orders at prices, higher than the last traded price (to establish prices). Besides, cross deals, were also executed by PSL and that too, on behalf of their sister concerns PFS and PFSIS. These dealings of PSL clearly indicate their intention to manipulate the price of the scrip of PTL and create artificial volumes, without any change in beneficial ownership.

3.13 On a cumulative analysis of the facts mentioned above, it is clear that the modus operandi of PFS and PFSIS to facilitate PSL in the manipulation of the scrip of PTL was given effect to in the following manner:

- 1) Trading without the accompanying transfer of beneficial ownership.
- 2) Placing buy orders at higher prices than the last traded price, to establish prices.
- 3) Executing deals without involving transfer of funds and securities

3.14 In this context it is relevant to note the relevant provisions of Regulation 4 (a), (b) & (d) of FUTP Regulations, 1995 which read as under:

4. Prohibition against market manipulation.- 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;
- (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.

3.15 Persons who operate in the market are required to maintain high standards of integrity, promptitude and fairness in the conduct of the business dealings. People, who indulge in manipulative, fraudulent and deceptive transactions, or abet the carrying out of such transactions which are fraudulent and deceptive, should be suitably penalized for the said acts of omissions and commissions.

3.16 From the facts detailed above, it is established that PFS and PFSIS have indulged in transactions with the intention of artificially raising the prices of securities, creating a false or misleading appearance of trading on the securities market and dealt in securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to cause fluctuations in the price and volume of the security and therefore are guilty of violating the provisions of Regulation 4 (a), (b) and (d) of SEBI (FUTP) Regulations, 1995.

4.0 Order

4.1 Now, therefore in exercise of the powers conferred upon me under Section 19 of SEBI Act, 1992 read with Section 11B and 11 (4) (b) of SEBI Act, 1992, I hereby restrain Pranav Financial Services Ltd. and PFS Investments & Securities Pvt. Ltd. from accessing the securities market and prohibit them from buying, selling and dealing in securities in any manner for a period of one year.

4.2 This order shall come into force with immediate effect.

DATE: 18.01.2007

PLACE: MUMBAI

T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA