

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTIONS UNDER SECTION 11B READ WITH SECTION 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF SECURITIES EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003, AGAINST SHRI PURAN KISHORE SRIVASTAVA IN THE MATTER OF SOFTWARE TECHNOLOGY GROUP INTERNATIONAL LIMITED.

WTM/GA/ID3/ 135/2 /2007

BACKGROUND

1. Software Technology Group International Limited was incorporated as Aashi Consultants Private Limited on 24th April 1992. The company was subsequently renamed as Software Technology Group International Limited (STGIL) and became a public limited company in February 1994.
2. STGIL is listed on the equity segment of NSE, DSE and BSE. It was listed on the NSE from May 24, 2000 and shifted to compulsory rolling settlement from December 31, 2001.
3. STGIL came out with a public issue of 31,87,500 equity shares at a premium of Rs. 56/- per share in December 1999 for setting up training centers in Bombay, Ahmedabad, Pune and Calcutta, a subsidiary in USA and offices at UK and Australia, corporate office at Gurgaon and expansion of franchise network within India and abroad.
4. The scrip of STGIL was quoting around Rs.43 on April 02, 2001 with the traded volume of 1,080 shares. The scrip gradually moved up and reached to Rs.83 on May 24, 2001 with a volume of 7,870 shares. Later, the scrip came down to the level of Rs.34 with a volume of 2,995 shares as on June 28, 2001. However, during the period of investigation i.e. May 2001 to June 2001 highest volume was recorded on June 04, 2001 for 1,78,134 shares with the closing price of Rs.64.70.
5. There were not many trades noted in the DSE. Details from the BSE revealed no substantial trading by any of the members. Also, clients were not found to be related to one another. Major trading in the scrip was noticed in NSE and the movements in NSE were echoed at the other exchanges as well.
6. NSE in its investigation report brought out that Shri Puran Kishore Srivastava (PKS), a common client of Star Finvest Pvt. Ltd. and Karvy Stock Broking Ltd. was a major dealer in the scrip of STGIL.

The client has mainly traded during the period May and June 2001 mainly in the scrip of STGIL.

7. Subsequently, SEBI had conducted investigation into the trading in the scrip of STGIL. The investigation revealed that PKS has dealt in two settlements. During the period I (Sett No 2001018 to Sett. No. 2001020; from May 02, 2001 to May 22, 2001) under scrutiny, the price was rising and he was observed to be a net buyer. The trades executed by PKS during this period under scrutiny have accounted for 2.85% and 7.74% of the gross quantity traded and 4.36% and 24.29% of the net quantity traded during the respective settlements in the period. During the entire period 1 under scrutiny, these trades have accounted for 5.09% of the gross quantity traded in the market.
8. During period 2 (Sett. No. 20001021 to Sett No. 2001022; from May.23, 2001 to June 05, 2001), i.e. when the price was falling, PKS has dealt in 2 settlements and was a net buyer. The trades executed by PKS in this period have accounted for 16.52% and 20.29% of the gross quantity traded and 42.91% and 45.07% of the net quantity traded during the respective settlements in the period. During the entire period 2 under scrutiny, these trades have accounted for 19.55% of the gross quantity traded in the market.
9. The combined net and sell position of PKS through STAR FINVEST PRIVATE LTD and through KARVY STOCK BROKING is being given below:

Table 1

Period	SN	Client Name	Normal Buy Qty	Normal Sell Qty	Client Gross Qty	% of Client Gross to Mkt Gross	Client Net Qty	% of Client Net to Mkt Net	Broker
1	2001019	Puran Kishore Srivastava	1116	250	1366	2.85	866	4.36	Karvy
1	2001020	Puran Kishore Srivastava	5183	284	5467	7.74	4899	24.29	Karvy
1	2001019	Puran Kishore Srivastava	4185	0	4185	8.73	4185	21.09	Star Finvest
1	2001020	Puran Kishore Srivastava	10288	0	10288	14.56	10288	51.02	Star Finvest
2	2001021	Puran Kishore Srivastava	24758	875	25633	16.52	23883	42.91	Karvy
2	2001022	Puran Kishore Srivastava	128066	1491	129557	20.29	126575	45.07	Karvy
2	2001021	Puran Kishore Srivastava	25534	1157	26691	17.21	24377	43.80	Star Finvest
2	2001022	Puran Kishore Srivastava	159590	200	159790	25.02	159390	56.76	Star Finvest
	TOTAL		361730	17294	379024				

10. From the table above it is apparent that PKS is the major contributor to the volume generated during the period under investigation. In the period 1 he has bought 20,772 shares of STGIL

and in period 2 he has bought 3,37,948 shares. The total shares bought by PKS constitutes nearly 67% of all market buy.

11. The statement of PKS was recorded and he was asked to explain the rationale for his heavy buying in the scrip and the source of his funds. He stated that he was bullish about the fate of STGIL and because of that he invested his funds received after selling his stakes- in NIIT. The DP statement of PKS shows that he had 56392 shares of NIIT in his account ID -10443218 with DP Alankit Assignments Ltd. His income as purportedly reported to the Income Tax Authority, is only 1.57 Lac in year 2002 and Rs. 1.62 Lac in year 2001. On being asked he stated that he was aware about the company since its public issue and that even he had made an application therein, however, he was not allotted any share in the issue. He felt that STGIL was a growing company and probably would give good return. The reason for his dealing through two brokers in the scrip was to give business to two brokers as both the brokers' offices were in the same premises. All the shares acquired of STGIL were after April 1, 2001.
12. About his acquisition of NIIT shares PKS stated that these shares had been gifted by his father-in-law in April-May 2001, who used to work with WHO, Dhaka and he had acquired those shares while still being in service. His wife was also joint holder of the NIIT shares gifted by his father -in-law. It was due to market news that STGIL would do better in future and the price being substantially lower than that of NIIT, he shifted to STGIL. He has not sold till date those shares of STGIL he acquired through market in the May-June 2001.
13. On being further asked about his contribution towards volume making in the scrip of STGIL he stated that just in the hope that the company would do better he went on buying the stock. All the orders of PKS used to be limit orders. There are certain structured deals of PKS as pointed out by the report of NSE and he was also asked to explain the reasons thereof. He stated that those deals may be coincidence as he never met the entities appearing on the counter side.
14. PKS placed the following orders through Star Finvest Pvt Ltd on the following dates which have influenced the price of the scrip of STGIL:
 - a. On May 14, 2001 a buy order no 200105140623554 was placed at 14:42:48 PM with the limit price of Rs. 52.50 when the last traded price was Rs. 51.10 for 200 shares. The complete order got executed by 14:43:20 PM and the price moved to Rs. 52.50.
 - b. On May 15, 2001 a buy order 200105150092050 was placed at 10:08:44 AM with the limit price of Rs. 49.00 when the last traded price was Rs. 48.60 for 200 shares. The order was modified at 10:30:07 AM and the limit price was made Rs.50.15.

The order got executed for 80 shares by 11:29:46 AM. The order was once again modified at 12:05:17 AM with limit price at Rs. 50.60. The remaining order of 120 shares got executed by 14:00:57 PM and the price moved to Rs. 50.60.

- c. On May 15, 2001 a buy order 200105150794916 was placed at 15:07:25 PM with the limit price of Rs. 55.00 when the last traded price was Rs. 53.70 for 500 shares. The complete order got executed immediately and the price moved to Rs. 54.00. The order was placed on behalf of the client - Puran Kishore Srivastava.
- d. On May 16, 2001 a buy order 200105160859328 was placed at 14:49:36 PM with the limit price of Rs. 53.00 when the last traded price was Rs. 52.00 for 500 shares. When orders for 497 shares were executed and the price had moved to Rs. 53.00, the order was modified at 15:17:40 PM for a limit price of Rs. 53.15 for the rest of the quantity. Then the order was cancelled at 15:18:36 PM when the limit price was Rs. 53.55. The order was placed on behalf of the client - Puran Kishore Srivastava.
- e. On May 16, 2001 a buy order 200105160861058 was placed at 14:50:17 PM with the limit price of Rs. 55.00 when the last traded price was Rs. 53.00 for 500 shares. The complete order got executed by 14:50:46 PM and the price moved to Rs. 55.00. The order was placed on behalf of the client - Puran Kishore Srivastava.

15. PKS placed the following orders through Karvy Stock Broking Ltd on the following dates which have influenced the price of the scrip of STGIL.

- a. On May 16, 2001 a buy order no 200105160252715 was placed at 10:41:35 AM with the limit price of Rs. 54.00 when the last traded price was Rs. 52.00 for 1 share. The complete order got executed immediately at Rs. 53.80. The order was placed on behalf of the client-Puran Kishore Srivastava.
- b. On May 16, 2001 a buy order no 200105160896891 was placed at 15:02:25 PM with the limit price of Rs. 55.50 when the last traded price was Rs. 53.20 for 1 share. The complete order got executed immediately at Rs. 55.00. The order was placed on behalf of the client-Puran Kishore Srivastava.

- c. On May 22, 2001 a buy order no 200105220106181 was placed at 10:10:39 AM with the limit price of Rs. 74.50 when the last traded price was Rs. 70.00 for 10 shares. The complete order got executed immediately at Rs. 74.45. The order was placed on behalf of the client-Puran Kishore Srivastava.
- d. On May 22, 2001 a buy order no 200105220183535 was placed at 10:28:57 AM with the limit price of Rs. 71.85 when the last traded price was Rs. 70.35 for 10 shares. The complete order got executed immediately at Rs. 71.70. The order was placed on behalf of the client-Puran Kishore Srivastava.
- e. On May 22, 2001 a buy order no 200105220441242 was placed at 12:03:33 PM with the limit price of Rs. 71.35 when the last traded price was Rs. 69.50 for 10 shares. The complete order got executed immediately at Rs. 71.30. The order was placed on behalf of the client-Puran Kishore Srivastava.
- f. On May 22, 2001 a buy order no 200105220776423 was placed at 14:52:09 PM with the limit price of Rs. 76.00 when the last traded price was Rs. 72.25 for 500 shares. The complete order got executed immediately and the price moved to Rs. 74.40. The order was placed on behalf of the client-Puran Kishore Srivastava.
- g. On May 22, 2001 a buy order no 200105220780337 was placed at 14:53:51 PM with the limit price of Rs. 76.00 when the last traded price was Rs. 74.40 for 300 shares. The complete order got executed immediately and the price moved to Rs. 74.90. The order was placed on behalf of the client - Puran Kishore Srivastava.
- h. On May 23, 2001 a buy order no 200105230035607 was placed at 09:58:05 AM with the limit price of Rs. 82.00 when the last traded price was Rs. 76.50 for 5 shares. The complete order got executed at 09:58:06 AM at Rs. 81.95. The order was placed on behalf of the client-Puran Kishore Srivastava.

16. The Table showing the structured deals by PKS is as under;

Table 2 : Structured deals of PKS (synchronized deals)

Sl. No.	Trade Number	Trade Price	% to LTP	Trade Qty	Buy TM Name	Buy Client Name	Buy Order Time	Buy Order Limit Price	Buy Order Disc Qty	Buy Order org qty	Sell TM Name	Sell Client Name	Sell order Entry Time	Sell Order limit price
1:23	200106040026569	75.80	0.00	24113	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:04:23	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:03:53	75.80
1:33	200106040027096	75.80	0.40	887	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:04:33	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:03:53	75.80
1:38	200106040027315	75.80	0.00	24038	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:04:33	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:04:38	75.80
1:01	200106040028457	75.80	0.07	962	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:01	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:04:38	75.80
1:01	200106040028458	75.80	0.00	22495	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:01	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:04:54	75.80
1:14	200106040029257	75.80	0.07	2505	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:14	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:04:54	75.80
1:26	200106040029947	75.80	0.00	20995	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:14	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:05:26	75.80
1:46	200106040030927	75.80	0.00	4005	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:46	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:05:26	75.80
1:59	200106040031593	75.80	0.00	20895	STAR FINVEST PVT. LTD.	Puran Kishore Srivastava	10:05:46	75.80	5000	25000	FRONTLINE CAPITAL SERVICES LTD.	Accent Services	10:05:59	75.80

17. Apart from the orders mentioned at para 16 above which have resulted in the manipulation of the price, Table 2 above vividly explains as to how PKS has also entered into nine structured deals (synchronized deals) totaling to 1,20,895 shares which were executed by Star Finvest Pvt. Ltd. for PKS. The counterparty broker & client were M/s. Frontline Capital Services Ltd. and M/s. Accent Services respectively. These structured deals were executed during the period 2 under scrutiny. These structured deals constituted 13.03% to the gross quantity traded in the scrip during the entire period of 1 and 2 under scrutiny.
18. Based on the investigation findings mentioned above, Shri Puran Kishore Srivastava was charged for violating the provisions of Regulations 4 (a), (b) & (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

SHOW CAUSE NOTICE, REPLY AND HEARING

19. Pursuant to aforesaid findings in the investigation, a notice dated 30.09.04 was issued to Shri Puran Kishore Srivastava asking him to show cause as to why suitable directions including directions debarring/prohibiting him from buying and selling in securities for a specified period under section 11B and 11(4) of the SEBI Act, 1992 read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, should not be issued for violating the provisions of Regulations 4 (a), (b) & (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. It was also mentioned that if he failed to submit any reply within the stipulated period of 21 days, then it would be presumed that he had no explanations to give in the matter and SEBI would be constrained to pass such orders as specified in terms of the aforesaid Act and Regulations. The documents relied upon in support of the allegations contained in the show cause notice were also annexed with the notice.
20. PKS has written a letter dated 17.11.04 stating that he had received the show cause notice only the previous week and had requested for an extension of time to respond to the same. Thereafter, no reply has been received from PKS to the show cause notice. Subsequently, a hearing was offered to PKS before me on 13.04.06. Notice for the said hearing was pasted at the last known address of PKS, but the noticee did not turn up for the hearing.

ISSUES FOR CONSIDERATION

21. I have gone through the show cause notice issued by SEBI and the charges contained therein. I have also considered the letter dated

17.11.04 written by PKS to SEBI requesting more time for submitting his reply to the show cause notice. I have noticed that PKS has not replied to the show cause notice till date even after requesting an extension of time. The notice informing of the hearing scheduled for 13.04.06 was pasted at the last known address of PKS as the said notice was returned undelivered earlier. But, PKS has not appeared before me on the said date. I feel that enough opportunities have been provided to PKS to represent his case before me, both in writing and in person. However, PKS has not responded either to SCN or to notice of hearing. In the circumstances of the case, I proceed to consider the charges made out in the show cause notice and decide the matter on merits.

22. The primary issue that warrants my consideration in the present case is to decide whether PKS is guilty of violating the provisions of Regulations 4 (a), (b) & (c) of SEBI (PFUTP) Regulations, 1995.

23. I note that the transactions carried out by PKS have been spread over the entire period of investigation i.e. May – June 2001. PKS has been buying the shares of STGIL in two periods as identified in the investigation. One is during the Settlements 18 to 20 when the price in the scrip of STGIL was on the increase, wherein PKS has bought a total of 20,772 shares. The other is during the Settlements 21 and 22 when the price in the scrip of STGIL had started moving down, PKS bought a total of 3,37,948 shares. In all, PKS has garnered a total of 3,61,730 shares of STGIL. This constituted a whopping 67% of the total market buy during the entire period under investigation. I note that the same had a significant impact in the price as brought out by the investigation report. In the first period of rising prices, the transactions were through Karvy and Star Finvest. However, in one transaction with Karvy on the 23rd May 2001, the order was placed at Rs. 82/- when the last traded price was Rs. 76.50. Also the series of synchronized deals between PKS and Accent Services occurred during the second period when the prices have been falling. The second period transactions occurred at a price level of Rs. 75.80/- on 04.06.01 much higher than the previous closing price of Rs. 70.25/- on 01.06.01. It is worthwhile to note that during the second period, apart from other deals, there were 9 synchronized deals reported on 4.6.2001. On 4.6.2001, the opening price was Rs. 66.05/- as against the order price of Rs. 75.80/- for all the synchronized deals that have occurred at about 9 minutes after the opening of the market. The synchronized deals on a single day have served to push up the price in a falling market.

24. I note from the trades that PKS had always been placing orders at a higher price than the last traded price which a prudent investor would not indulge in. By putting in orders quoting higher prices than the last traded price in regular intervals, PKS has systematically shoved up the price at various levels. His naive explanation that he

purchased the shares expecting the market to be good for this share axes one's credence, while his conduct in building up position in the 2nd period does not leave any room for doubting that his transactions were meant to influence the price upwards. Classic manipulation cases often feature a variety of sham transactions like synchronized trading, circular trading, parking of shares with the intention of manipulation, churning the portfolio to create artificial volumes etc. Such modus operandi is intended to give the false appearance of trading activity in the manipulated stock. The apparent activity, in turn, artificially sparks interest in the stock and increases demand. The transactions carried out by PKS had resulted in an artificial increase in terms of volume and price of the scrip during the investigation period, as specified in Table supra, without any underlying cause such as the sound fundamentals of the company or important corporate announcements. These kinds of transactions would attract the innocent and genuine investors to trade in the scrip resulting in a loss of faith and confidence in the market. In other words, the general investing public gets induced to buy such stocks. The manipulators not only increase artificially the trading volumes but also benchmark the price because every trade establishes the price of the scrip. In this regard the provisions of Regulation 4 (a), (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, with which PKS was charged with read as follows:

“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;

25. I find that PKS is guilty of violating provisions of Regulation 4 (a), (b) and (c) of SEBI Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 as the transactions by PKS have created artificial volumes besides causing a spurt in the price of the scrip while inducing unsuspecting investors to trade in the scrip at artificial prices.

ORDER

26. In view of the above discussion, I, in exercise of the powers conferred upon me by virtue of Section 19 of the Securities And Exchange Board of India Act, 1992 read with section 11B and 11(4) of the Securities And Exchange Board of India Act, 1992 read with Regulations 11 and 13 of SEBI Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby direct that Shri Puran Kishore Srivastava be restrained from accessing the securities market and prohibit him from buying, selling or dealing in securities for a period of three months.

27. This order shall come into force with immediate effect.

Place : Mumbai
Date : 08-02-2007

G. ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA