

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

Coram: Dr. T.C. NAIR, WHOLE TIME MEMBER

In the matter of M/s Tactfull Investment Ltd

Date of hearing : October 26, 2006

Appearance

For Noticee : Shri Ashish Aggrawal, Advocate
Ms. Deepika Vijay, Advocate

For SEBI : Shri. P.K. Nagpal, Executive Director
Shri. Bibhudutta Samal, Manager
Ms. Kshama Chavan, Legal Officer

ORDER

Under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations 2003 read with Section 11, 11B and 11(4) of SEBI Act, 1992

1.0 Background

1.1 The Delhi Stock Exchange Association Ltd. (hereinafter referred to as “DSE”) observed significant variation in price in the scrip of Tactfull Investments Ltd. (hereinafter referred to as “TIL”). The price of the scrip in DSE 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. Further, DSE suspended trading in the scrip with effect from November 19, 2001.

1.2 Based on the investigation of DSE, 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 brokers and the trading clients were suspected to be associated with the company. In view of the above, SEBI conducted detailed investigation into the matter.

1.3 Investigations revealed that TIL was included in the list of vanishing companies based on the following criteria :

- (i) Company not responding to shareholders for a period of 2 years.
- (ii) Non-compliance of listing agreement
- (iii) Company is not available at the registered office

1.4 An analysis of broker wise trading details in the scrip from February 2, 2001 to June 28, 2001 revealed that the top four trading brokers accounted for 97% of the gross traded quantity and 100% of the net purchase quantity. The details of trading by various brokers in the scrip during the period is as under:

Sr.No.	Member Name	Total Purchase	Total Sale	Gross	Net
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 Pvt. Ltd.	1700	1700	3400	0
5.	PNR Securities Ltd.	0	500	500	-500
6.	V.K. Kapoor & Co.	0	500	500	-500

7.	Option Securities Pvt. Ltd.	100	100	200	0
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- 1.5 It was alleged that TIL along with their associates had traded in their shares with the intention of manipulating the price of the shares and thereby creating artificial volume in the scrip.

2.0 Show Cause Notice and Reply

- 2.1 In view of the facts mentioned above, SEBI vide letter dated July 09, 2004, called upon TIL to show cause why suitable directions including directions restraining them from buying, selling or dealing in securities for a specified period under Section 11 and 11 B 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 against them.

- 2.2 TIL vide letter dated September 20, 2004 made the following submissions:

- (i) *As regards the issue of branding their company as a vanishing company, TIL denied such allegation and mentioned that their company was never a vanishing company and was wrongly classified as a vanishing company by a public notice of SEBI dated September 14, 1999, for which they never received any prior Show Cause Notice from SEBI. The basis of SEBI while classifying companies as vanishing was non-compliance of provisions of listing agreement, non existence at the registered offices and diversion of funds.*
- (ii) *The company filed an appeal in March 2001 before the Hon ble SAT. On being informed by SEBI that the representation of the company is pending with SEBI, the Tribunal vide order dated April 30, 2001 disposed of the appeal as premature. After the SAT order, the company appeared for hearing before SEBI Chairman on May 18, 2001. After the*

hearing, SEBI chairman confirmed that the name of the company would be removed from the list of vanishing companies. The name of the company been removed from the list of vanishing companies appearing on the website of DCA apparently indicates that the company was wrongly implicated as vanishing company.

- (iii) Since the company was convinced that the confirmation would be only a formal administrative matter, they proceeded with the business strategy and decided to acquire the business of M/s Infopark (India) Ltd. Instead of making cash deal for such acquisition, they made a preferential allotment of shares to M/s Infopark (India) Ltd.
- (iv) At a later date, SEBI filed a criminal case against the company for violation of order dated December 17, 1999, debarring the company from entering the capital market for 5 years. The violation meant here was the preferential allotment of shares made by TIL. When the highest authority of SEBI, the Hon'ble Chairman, had confirmed that the company was not a vanishing company and which was also confirmed by DCA, how such an action can be initiated by SEBI against the verdict of its own Chairman, more so in view of the fact that the name of their company has already been removed from the list of vanishing companies maintained by DCA.
- (v) As regards the issue of preferential shares by TIL and alleged non-compliance, it is submitted that the company had made a preferential issue of 63 lakh equity shares of Rs.10/- each for cash at a premium of Rs. 50/-, in the year 1997. The issue was in confirmation with requirements of listing agreement and SEBI guidelines, and the application for listing of shares on DSE was made vide letter dated April 22, 1997.
- (vi) As regards non-compliance with Listing Agreement and changes in place of registered office, TIL submitted that vide their letter dated September 18, 2000, all the compliances required to be made by the company for the last years were submitted to the stock exchange along with the undertaking by their directors assuring to comply with relevant clauses of the listing agreement.

The company also stated that they have changed the place of their registered office frequently, but the changes were due to commercial reasons and administrative conveniences which were informed to ROC and DSE immediately .

- (vii) Regarding the investigation report of DSE accusing the company for price rigging in the scrip of TIL, during the period under reference the financial condition of the company was progressing converting its losses into profit. The information about company's plan to take up computer related business was made public in the month of February 2001. This is one of the reasons that might have generated interest of the investors in the scrip of the company. The information of the board meeting to be held on 27th April, 2001 to consider the takeover of the business of Infopark (India) Limited was first given on April 18, 2001. Hence this became the public knowledge by 18th April 2001 that the company was considering the takeover of Infopark, an IT company. This might be another reason for the generation of the interest of the traders in the shares of the company.
- (viii) With regard to the involvement of few persons in trading in the scrip of the company and abnormal rise in price of the scrip, as alleged by SEBI, it was submitted that the total holding of persons & entities who traded in the scrip was very small, i.e. near 1% of the total capital. Furthermore if compared with the total share capital of the company the trading done by alleged members was negligible, amounting not more than 0.39% of the share capital, which was certainly incapable of affecting the price of the scrip. The same is shown as under:

Members	Gross Trading	% as to share capital of the company
Prabhat	18900	0.18%
Argus	12800	0.12%
Emmkay	4700	0.05%
Anvee	3400	0.03%
Total	39800	0.39%

The traded quantity by these entities as stated above is insignificant and was open to the market to participate, also considering the other reasons for price rise, the company is no where involved in the whole matter and had no knowledge of the same.

3.0 Personal hearing

- 3.1 TIL was granted an opportunity of hearing on October 15, 2004. The same was postponed at the request of TIL to October 26, 2004. Vide

letter dated October 25, 2004, TIL once again sought adjournment of personal hearing citing the reason that all issues listed in the show cause notice of SEBI revolve around the issue of the company being identified as a vanishing company. They would not be able to furnish their complete reply to the charges leveled against them till they receive a copy of the said order removing their name from the list of vanishing companies.

- 3.2 TIL was granted another opportunity of personal hearing on September 05, 2006 before me. TIL vide letter dated September 02, 2006 sought adjournment. One more opportunity of personal hearing was given to TIL on October 26, 2006. The persons stated on the first page of this order appeared before me and made submissions.

4.0 Consideration of Issues and Findings

- 4.1 I have carefully considered the findings of the investigation, show cause notice and the submissions made by TIL. My findings are as under:
- 4.2 From the perusal of the price volume data of the scrip on DSE for the period from February 2, 2001 to June 28, 2001, I note that the price of the scrip had shown an increase of about 113% from Rs.16/- on February 2, 2001 to Rs.34/- on June 28, 2001 in a period of 31 trading days and the total number of shares traded was only 20,500. The said price increase was accompanied by thin trading volumes. The average traded volume per day thus worked out to about 660 shares. I note that in many of the above trading days there were only one or two trades in the scrip. The maximum number of shares traded on any particular

date during the period under scrutiny was only 2200 shares. Thus, there was very little trading interest in the scrip which was essentially illiquid. I note that none of the above transactions resulted in any net delivery and there were no off-the-floor trades reported to the stock exchange.

4.3 From the investigation, I find that the top four trading brokers namely, Prabhat, Emmkay, Argus, and Anvee had dealt in the scrip of Vatsa World Ltd. (VWL) during the period from January 1, 2001 to July 31, 2001. VWL is an associate of TIL since TIL have a common promoter namely, Sangam Portfolio Pvt. Ltd. Further, VWL and TIL also have a common director namely, Shri Gopaldas Goyal.

4.4 The settlement wise and client wise details of the top 4 trading brokers are as under:

Prabhat Investments:

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
1.	02-02-01	Hotline Securities Pvt. Ltd.	Nil	Nil	500	16.00
2.	09-02-01	Hotline Securities Pvt. Ltd.	500	16.05	Nil	Nil
3.	23-02-01	Hotline Securities Pvt. Ltd.	500	13.10	Nil	Nil
4.	26-02-01	Hotline Securities Pvt. Ltd.	Nil	Nil	200	20.05
5.	27-02-01	Hotline Securities Pvt. Ltd.	200	21.95	Nil	Nil
6.	16-03-01	Hotline Securities Pvt. Ltd.	500	23.65	Nil	Nil
7.	19-03-01	Hotline Securities Pvt. Ltd.	Nil	Nil	500	25.10
8.	22-03-01	Hotline Securities Pvt. Ltd.	Nil	Nil	100	27.10

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
9.	23-03-01	Hotline Securities Pvt. Ltd.	100	29.55	Nil	Nil
10.	20-04-01	Hotline Securities Pvt. Ltd.	500	29.40	Nil	Nil
11.	23-04-01	Hotline Securities Pvt. Ltd.	Nil	Nil	200	31.70
12.	24-04-01	Hotline Securities Pvt. Ltd.	200	29.20	Nil	Nil
13.	25-04-01	Hotline Securities Pvt. Ltd.	200	26.90	Nil	Nil
14.	27-04-01	Hotline Securities Pvt. Ltd.	Nil	Nil	200	24.75
15.	30-04-01	Hotline Securities Pvt. Ltd.	Nil	Nil	200	23.00
16.	03-05-01	Hotline Securities Pvt. Ltd.	200	21.45	Nil	Nil
17.	23-05-01	Hotline Securities Pvt. Ltd.	Nil	Nil	1000	23.00
18.	24-05-01	Hotline Securities Pvt. Ltd.	1000	24.80	Nil	Nil
19.	25-05-01	Hotline Securities Pvt. Ltd.	Nil	Nil	1000	26.00
20.	28-05-01	Hotline Securities Pvt. Ltd.	1200	27.00	Nil	Nil
21.	31-05-01	Hotline Securities Pvt. Ltd.	300	27.45	Nil	Nil
22.	01-06-01	Hotline Securities Pvt. Ltd.	Nil	Nil	1000	28.00
23.	05-06-01	Hotline Securities Pvt. Ltd.	1000	26.80	Nil	Nil
24.	06-06-01	Hotline Securities Pvt. Ltd.	2000	25.50	Nil	Nil
25.	07-06-01	Hotline Securities Pvt. Ltd.	1000	26.00	Nil	Nil
26.	20-06-01	Hotline Securities Pvt. Ltd.	Nil	Nil	1000	28.00
27.	21-06-01	Hotline Securities Pvt. Ltd.	Nil	Nil	100	30.00
28.	22-06-01	Hotline Securities	1100	31.00	Nil	Nil

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
		Pvt. Ltd.				
29.	25-06-01	Hotline Securities Pvt. Ltd.	1000	32.00	Nil	Nil
30.	27-06-01	Hotline Securities Pvt. Ltd.	Nil	Nil	500	32.50
31.	28-06-01	Hotline Securities Pvt. Ltd.	Nil	Nil	500	34.00
	TOTAL		7500		8000	

4.5 From the above table, it is observed that Prabhat Investment dealt on behalf of its client, Hotline Securities Pvt. Ltd. (Hotline Securities) who purchased 7,500 shares and sold 8,000 shares of TIL. This constituted 36.58% of the buy volume and 39.02% of the sale volume during the period of investigation. Further from the shareholding pattern of the company, I note that Hotline Securities is one of the promoters of TIL. Prabhat Investments in its statement indicated that Hotline Securities may have executed these trades with an intention of manipulating the prices in scrip of TIL. It further stated that at the time of executing the deals these facts were not known to them. While denying that Prabhat was aware of Hotline Securities being the promoter of TIL, it admitted that trades of Hotline appeared to be manipulative.

4.6 Argus Stock Broking Ltd :

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	Nil
2.	27-02-01	- do -	Nil	Nil	200	21.70
3.	16-03-01	- do -	Nil	Nil	500	23.38
4.	19-03-01	- do -	500	25.34	Nil	Nil
5.	22-03-01	- do -	100	27.39	Nil	Nil

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
6.	23-03-01	- do -	Nil	Nil	100	29.35
7.	20-04-01	- do -	Nil	Nil	500	29.25
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 -	1000	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	1000	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	

4.7 The trading client, Shri Sunil Kumar has dealt in the scrip of TIL through M/s. Supreme Investments, a sub-broker of Argus Stock Broking Ltd. He is found to have dealt in the scrip at prices ranging from Rs. 20.30 to Rs. 31.75 and their trading volume constituted 31.21% of the buy and sell volume. It is observed that the client Shri Sunil Kumar is a director of Sangam Portfolio Pvt. Ltd., one of the promoters of TIL. Shri Sunil Kumar being a director of Sangam Portfolio Pvt. Ltd is therefore associated with TIL.

Further, I note that Shri Utkal Ranjan Mishra, authorized representative of Argus Stock Broking and Shri Salil Agarwal, proprietor of Supreme Investments during the investigation admitted that the above trades appeared to be manipulative transactions. However, they also stated that while executing the transactions they were not aware of the manipulative intent of their client.

4.8 Emmkay Share & Stock Brokers Ltd:

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
1.	SNo.2001013	NewAge Finsec Pvt. Ltd.	1100	28.01	1100	30.99
2.	SNo.2001014	NewAge Finsec Pvt. Ltd.	1500	32.54	1000	31.99
3.	SNo.2001016	NewAge Finsec Pvt. Ltd.	Nil	-	100	33.67
	TOTAL		2600		2200	

4.9 The trading by the client, New Age Finsec constituted 12.68% of the buy volume and 10.73% of the sale volume during the period of investigation. I find that one Shri Sanjiv Mahajan, director of New Age Finsec has the same address that of registered office of Vatsa World Ltd. (VWL) i.e. at 15, Bungalow Road, Kamala Nagar, New Delhi. Further, Shri Sandeep Bhansal, one of the subscribers to the Memorandum of Association of NewAge Finsec is a director of SRG Infotech Limited which is an associate of VWL as the addresses of the two companies as reported to DSE, from time to time, are the same. Further, SRG Infotech is a promoter of Status Management Services Ltd which in turn is an associate of VWL since they have a common director namely, Shri Sunil Kumar. Moreover, the promoters of VWL share common address with one of the promoters of Status Management. From the above, I find that the above trading client, New Age Finsec is an associate of VWL. I note that since VWL is an associate of TIL as they have a common promoter Sangam Portfolio Pvt. Ltd. and common director Shri Gopaldas Goyal, it is apparent that the trading client New Age Finsec is also an associate of TIL.

4.10 **Anvee Share Brokers Pvt. Ltd :**

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
1	2000045	Venkateshwara Trading Co	500	16.00	Nil	Nil
2	2000046	Venkateshwara Trading Co	Nil	Nil	500	16.42
3	2001009	Venkateshwara Trading Co.	1000	26.13	Nil	Nil
4.	2001010	Venkateshwara Trading Co.	200	27.00	1200	26.27
	TOTAL		1700		1700	

The broker admitted that these transactions appeared to be manipulative. In response to summons, the client M/s. Venkateshwara Trading Co. stated that the above transactions in the scrip were entered pursuant to market tips received by them. However, I note that no relationship was observed between the client Venkateshwara Trading Co. and TIL.

4.11 From above, it is apparent that the three clients namely, New Age Finsec Pvt. Ltd., Hotline Securities Pvt. Ltd., and Shri Sunil Kumar, who have dealt through Emmkay Share and Stock Brokers, Prabhat Investments and Argus Stock Broking respectively, were related to TIL. From the chronology of events, I find that the associates of TIL have traded in the shares of TIL with the intention of manipulating the price of the shares.

4.12 I note that SEBI has identified TIL as a vanishing company and has debarred from accessing capital markets for a period of 5 years vide

order dated December 17, 1999. Further, SEBI, vide order dated October 4, 2000 has also debarred two of their directors namely, Shri Bhupinder Kumar Singh and Smt. Sohinder Kaur Bedi for a period of 5 years.

4.13 From the investigation report, I find that TIL has allotted 7,00,000 shares of the company to Infopark (I) Ltd. during April – June 2001 in a preferential issue. The above allotment was made while SEBI order debarring the company from accessing the capital market was in force. Therefore, TIL has violated the directions issued under section 11B of SEBI Act, 1992.

4.14 The contention of TIL that it has not violated SEBI order dated December 17, 1999, by going for a preferential issue is not acceptable. It is pertinent to note that the name of TIL was removed from the list of vanishing companies in the meeting of Coordination and Monitoring Committee held on January 15, 2004 only. Therefore the preferential allotment made by TIL during the period of debarment i.e April – June 2001 is in violation of directions issued by SEBI under Section 11B of the SEBI Act.

4.15 Apart from the above issues, TIL has raised the contention that SEBI Chairman at the hearing on May 18, 2001 confirmed that the name of the company would be removed from the list of vanishing companies. However from the proceedings of the hearing referred above, the claim of TIL is not confirmed. Besides I do not find any written communication from SEBI to TIL conforming the alleged claim being made by TIL subsequent to the hearing date. TIL further contented that they did not receive the copy of the order where in their name was

removed from the list of vanishing company. I have noted that SEBI vide its letter dated September 15, 2004 had informed TIL that its name has been removed from the list of vanishing company in the meeting of Coordination and Monitoring Committee held on January 15, 2004. Further, SEBI while granting an opportunity of hearing to TIL vide letter dated August 21, 2006, informed that no specific detailed order was issued in this regard. In view of the above, the question of furnishing a copy of order as sought by TIL does not arise.

4.16 After careful perusal of charges, I find that the associates of TIL have traded in the shares of TIL and created an artificial market in the scrip of TIL and influenced the price of the scrip. In the facts and circumstances of the case, it is suspected that there is tacit support from TIL. However the material available on record doesn't establish funding by the company or aiding and abetting with its associates for creating artificial volume in the scrip of TIL. In view of this, I am inclined to give a benefit of doubt to TIL in this regard.

4.17 I have also noted that SEBI has launched prosecution against TIL for violating SEBI order dated December 17, 1999. Such violation of SEBI order which is passed in the interest of investors and the safety of the securities market to be viewed very seriously. I am of the view that civil remedial direction under section 11 and 11B of the SEBI Act, 1992 needs to be passed.

5.0 Order

5.1 In view of the above and in exercise of the powers conferred upon me under Sections 19, read with Sections 11(4)(b) read with section 11 and

11B of the SEBI Act, 1992 and Regulations 11 and 13 of SEBI (Prohibition of fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby direct Tactfull Investments Ltd. not to buy, sell or deal in securities, in any manner, directly or indirectly, for a period of six months.

52 This order shall come into force with immediate effect.

PLACE: MUMBAI
DATE: 21.08.2007

T. C. NAIR
WHOLE-TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA