

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**AGAINST M/s. ARGUS STOCK BROKING LTD., MEMBER OF DELHI
STOCK EXCHANGE ASSOCIATION LTD. , REGN. NO. INB051004836 IN
RESPECT OF DEALINGS IN THE SCRIP OF TACTFULL
INVESTMENTS LIMITED**

ORDER

**(Under Regulation 13(4) of SEBI (Procedure For Holding Enquiry By
Enquiry Officer and Imposing Penalty) Regulations, 2002 against M/s
Argus Stock Broking Ltd., Member of Delhi Stock Exchange Association
Ltd.**

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 The price volume data of the scrip of DSE for the period from February 2, 2001 to June 28, 2001 is below :

Date	Opening Price	Closing Price	High Price	Low Price	Traded Quantity
02-02-01	16.00	16.00	16.00	16.00	500
09-02-01	16.50	16.50	16.50	16.50	500
23-02-01	18.00	18.00	18.00	18.00	500
26-02-01	20.20	20.20	20.20	20.20	200
27-02-01	21.80	21.80	21.80	21.80	200
16-03-01	23.50	23.50	23.50	23.50	500
19-03-01	25.25	25.25	25.25	25.25	500
22-03-01	27.25	27.25	27.25	27.25	100
23-03-01	29.40	29.40	29.40	29.40	100
20-04-01	29.40	29.40	29.40	29.40	500
23-04-01	31.70	31.70	31.70	31.70	200
24-04-01	29.20	29.20	29.20	29.20	200
25-04-01	26.90	26.90	26.90	26.90	200
27-04-01	24.75	24.75	24.75	24.75	200
30-04-01	23.00	23.00	23.00	23.00	200

Date	Opening Price	Closing Price	High Price	Low Price	Traded Quantity
03-05-01	21.30	21.30	21.30	21.30	200
23-05-01	23.00	23.00	23.00	23.00	1000
24-05-01	24.80	24.80	24.80	24.80	1000
25-05-01	26.00	26.00	26.00	26.00	1000
28-05-01	26.10	27.90	27.90	26.10	2200
31-05-01	27.90	27.00	27.90	27.00	700
01-06-01	27.25	29.00	29.00	27.25	1000
05-06-01	27.00	26.35	27.00	26.35	1000
06-06-01	25.00	26.00	26.00	25.00	2000
07-06-01	25.50	26.00	26.50	25.50	1000
20-06-01	28.00	28.00	28.00	28.00	1100
21-06-01	30.00	30.00	30.00	30.00	100
22-06-01	31.00	31.00	31.00	31.00	1100
25-06-01	32.00	32.00	32.00	31.00	1500
27-06-01	32.50	32.50	32.50	32.50	500
28-06-01	34.00	34.00	34.00	34.00	500

- 1.5 During the above period the scrip was traded only for 31 days and the total number of shares traded were only 20,500. The average traded volume per day works out to about 660 shares. 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 dated during the period under scrutiny was only 2200 shares. Thus, there was very little trading interest in the scrip. The price of the scrip has increased from Rs. 16/- on February 2, 2001 to Rs. 34/- on June 28, 2001 signifying a price increase on 113%. The above price increase was accompanied by thin trading volumes. DSE has also informed that none of the above transactions resulted in any net delivery. Also, no off the floor trades were reported to the stock exchanges.

- 1.6 The details of the shares traded by stock brokers in the scrip of TIL during the period from February 2, 2001 to June 30, 2001 as furnished by DSE is below:

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

- 1.7 An analysis on the member wise trading details in the scrip of TIL during the period from February 1, 2001 to June 30, 2001 revealed that the four trading members accounted for 97% of the gross traded quantity and 100% of the net purchase quantity. Argus Stock Broking Ltd., (hereinafter referred to as “Argus”) stock broker of DSE, registered with SEBI having registration no. INB051004836 was identified as one of them who is alleged to have failed to exercise due diligence while dealing in securities and has aided and abetted its client in price manipulation and in creation of artificial volume.

2.0 Enquiry Proceedings

- 2.1 Pursuant to the investigation, an Enquiry Officer was appointed by SEBI Board vide order dated December 6, 2002 in terms of the provisions of Regulation 5 of the SEBI (Procedure for holding Enquiry

by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as “Enquiry Regulations”) to examine the irregularities / violations committed by Argus.

- 2.2 A show cause notice dated July 31, 2003 was issued to Argus in terms of Regulation 6(1) of the Enquiry Regulations communicating the charges leveled against it and advising it to reply to the allegations within 21 days. The said notice referred to the findings of investigation of SEBI and the details of violation of various provisions of law. It was alleged that Argus failed to exercise due skill and care and therefore violated Clause A (2), (3) and (4) of the Code of Conduct prescribed in Schedule II in terms of Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as “Stock Brokers Regulations”).
- 2.3 Argus vide its letter dated August 22, 2003 replied to the show cause notice and made submissions in detail. An opportunity of hearing was granted to Argus before the Enquiry Officer on July 23, 2004 wherein Shri Kapil Dewan, Director of Argus appeared and reiterated the submissions made vide letter dated August 22, 2003. On completion of enquiry, the Enquiry Officer submitted his report dated August 13, 2004 recommending a minor penalty of warning.

3.0 Show Cause Notice and Reply

- 3.1 Based upon recommendation of the Enquiry Officer, a show cause notice dated August 23, 2004 was issued to Argus in terms of Regulation 13(2) of the Enquiry Regulations, advising it to show cause as to why action as considered appropriate should not be taken against it. A copy

of the Enquiry Report was also forwarded to Argus with the said show cause notice and the same was served on Argus through Delhi Stock Exchange. However no reply has been received from Argus.

4.0 Consideration of Issues

4.1 I have carefully examined the investigation report, show cause notice, reply of Argus and my findings are as under:

4.2 I note that the price of the scrip had shown an increase of about 113% from Rs.16/- on February 2, 2001 to 34/- on June 28, 2001 in a period of 31 trading days. Further from the analysis of the broker wise trading in the scrip of TIL during the investigation period, Argus was identified as one of the broker who along with other brokers accounted for 97% of the gross traded quantity and 100% of net purchase quantity. The settlement wise and client wise trading details of Argus is as under:

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
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

Sr. No.	Settlement No. / Date	Client Name	Buy Quantity	Price	Sell Quantity	Price
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	

4.3 I note that the above client, Shri Sunil Kumar had dealt in the scrip of TIL through M/s. Supreme Investments, a sub broker of Argus. Shri Sunil Kumar was found to have dealt in the scrip at prices ranging from Rs. 20.30 to 31.75. I note that when queried about the above trades on behalf of Shri Sunil Kumar, Shri Utkal Ranjan Mishra, authorised representative of Argus and Shri Salil Agrawal, proprietor of Supreme Investments admitted that the above trades appeared to be manipulative transactions. However they stated that while executing the transactions they were not aware of the manipulative intent of their client. They also informed that they did not have any procedure / systems in place while allowing clients to trade in illiquid scrips.

4.4 The Enquiry Officer found that Shri Sunil Kumar was one of the directors of Vatsa World Ltd., (VWL) a company associated with TIL. Also Shri Sunil Kumar is a director of Sangam Portfolio Pvt. Ltd., one of the promoters of TIL.

- 4.5 Argus submitted that it had executed trades in TIL for its registered sub broker, Supreme Investments, whose proprietor is Shri Salil Agarwal. The sub broker was registered with Argus with effect from August 05, 2000 and currently there is no business. He is dealing with various scrips. Supreme Investments had executed trades for its client Shri Sunil Kumar in the scrip of TIL. Argus further submitted that Shri Sunil Kumar was not connected to TIL.
- 4.6 The Enquiry Officer found that Argus had permitted their client to trade in illiquid scrip. Argus further submitted that ultimate client was not known when the trades were executed. The volume of sub broker was not huge and he was prompt in his payment to Argus. Argus stated that the clients' business was in the nature of jobbing and it has no proprietary trading in the scrip. Argus however, admitted its lapses of executing trades in illiquid scrip and that too in the scrip of the company which was declared as vanishing company by SEBI.
- 4.7 Argus had dealt in the scrip of a company which had been identified by SEBI as vanishing company and which had been prohibited by SEBI from accessing capital market for a period of 5 years vide order December 17, 1999. Being a registered intermediary of SEBI, Argus cannot exhibit its ignorance of SEBI declaring TIL as a vanishing company. Any prudent stock broker would not deal in the shares of such company. The scrip had been made liquid by putting artificial volume and price by few clients including the client of Argus.

- 4.8 From the chronology of events, I find that Argus has failed to exercise due skill and care in terms of Clause A (2) of Code of Conduct prescribed for stock brokers, in terms of Regulation 7 of Securities and Exchange Board of India (Stock Brokers and Sub Brokers) Regulations, 1992. I further note that since the listing has not been suspended by the Stock Exchange, Argus cannot be blamed entirely for trading in the scrip of a company which had been declared as vanishing company. Further, I note that the trades were executed by the registered sub broker of Argus and it had no proprietary trades in the scrip.
- 4.9 On careful perusal of the charges and the findings, I agree with the findings of the Enquiry Officer and direct Argus to be careful in future.

5.0 Order

Therefore, in exercise of the powers conferred upon me by virtue of section 19 read with Regulation 13 (1) of SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002, I direct Argus Stock Broking Ltd. to be careful in future and exercise due skill, care and diligence in the conduct of its affairs as a capital market intermediary. I also direct Argus to note that any instances of violation or non-compliance of the SEBI Act and Rules and Regulations in future shall be dealt with stringently.

Date: 21.08.2007
Place: Mumbai

T. C. Nair
Whole Time Member
Securities and Exchange Board of India