

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**AGAINST M/s. ANVEE SHARE BROKERS PVT. LTD., MEMBER, DELHI
STOCK EXCHANGE ASSOCIATION LTD., REGN. NO. INB051001839 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
Anvee Share Brokers Pvt. Ltd. Ltd., Member, 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 mentioned 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 date 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 of 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 brokers in the scrip of TIL during the period from February 2, 2001 to June 28, 2001 as furnished by DSE is mentioned 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 of 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. Anvee Share Brokers Pvt. Ltd., (hereinafter referred to as Anvee) a broker of DSE, registered with SEBI having registration no. INB051001839 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 Anvee.

2.2 A show cause notice dated August 21, 2003 was issued to Anvee 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 Anvee 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 Anvee vide its letter dated August 21, 2003 replied to the show cause notice and made submissions in detail. An opportunity of hearing was granted to Anvee before the Enquiry Officer on February 23, 2004 wherein Shri Akhilesh Gupta, Director of Anvee appeared and reiterated the submissions made vide letter dated August 21, 2003. On completion of enquiry, the Enquiry Officer submitted his report dated July 21, 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 Anvee 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 Anvee with the said show cause notice and the same was served on Anvee through Delhi Stock Exchange. However, no reply has been received from Anvee.

4.0 Consideration of Issues

4.1 I have carefully examined the investigation report, show cause notice 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, Anvee 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.

4.3 The settlement wise and client wise trading details of Anvee are as under:

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	

- 4.4 I note that the Anvee admitted the fact that these transactions appeared to be manipulative and that they did not have any systems in place while dealing in an illiquid scrip like TIL. Anvee stated that his client never exhibited signs of attempting a manipulation of the capital market or endeavoring to make illegal profits. Anvee further stated that it was aware of the financial capabilities of its client and had placed adequate checks on transactions undertaken by him. It further submitted that the transactions in TIL were delivery based transactions. Hence Anvee negated the allegation of any manipulation of share prices in violation of Regulation enunciated by SEBI. On queried about the above transactions M/s. Venkateshwara Trading Co., stated that the above transactions in the scrip of TIL were entered pursuant to the market tips received by the client.
- 4.5 The Enquiry Officer found that Anvee had permitted its client M/s. Venkateshwara Trading Co., to trade in an illiquid scrip which had been made liquid by putting artificial volumes and price by few clients including the client of Anvee. Further, it 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. The scrip had been made liquid by putting artificial volumes and price by few clients including the client of Anvee. However, there is no material to suggest that the client is connected to TIL.
- 4.6 In view of the above circumstances, any prudent stock broker can doubt the intentions of the clients and stop trading for them. Instead Anvee continued trading for three settlements which resulted in

building up of artificial volumes and price in the scrip of TIL. Unsuspected innocent investors would be trapped by such false appearance of trading in securities. This is detrimental to the interest of investors and orderly development of the securities market.

4.7 After considering the facts and circumstances of the case, I find that Anvee has failed to exercise due skill and care in terms of Clause A (2) of the Code of Conduct prescribed for stock brokers, in terms of Regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

4.8 However, I note that since the listing has not been suspended by the Stock Exchange, Anvee cannot be blamed entirely for trading in the scrip of a company which has been declared as vanishing company. Further, I note that it has no proprietary trades in the scrip and there is no allegation of not collecting appropriate margins from the client or failure to take proper introduction of the client.

4.9 On careful perusal of the charges and the findings as recorded above, I agree with the findings of the Enquiry Officer and direct Anvee to be careful in future.

5.0 ORDER

5.1 Therefore in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 read with Regulation 13(1) of the SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty) Regulations, 2002, I direct Anvee Share Brokers Pvt. 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 Anvee 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