

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

**ORDER UNDER SECTION 11 AND 11 B OF THE SEBI ACT, 1992 IN
THE MATTER OF M/s. PADMAVATHI CONSULTANCY IN THE
SCRIP OF FORTUNE INFORMATICS LTD.**

1. Securities and Exchange Board of India (SEBI) had conducted investigations into the dealings in the scrip of Fortune Informatics Ltd (hereinafter referred as 'FIL') for the period from October 21, 1999 to July 31, 2000 (hereinafter referred to as the "investigation period"). The shares of the company are listed on Hyderabad Stock Exchange Ltd. (HSE) and Calcutta Stock Exchange Ltd. (CSE).
2. During the investigations, it was observed that the price of FIL scrip was raised from Rs. 64 in October 1999 to Rs.106 in December 1999 and from December 06, 1999 it moved sharply and reached Rs. 654.90 on January 05, 2000 and went up to Rs 665 on February 11, 2000. Subsequently it came down to Rs. 55.75 on July 31, 2000.
3. It was alleged that M/s. Padmavathi Consultancy (hereinafter referred to as "Padmavathi") had transacted in the scrip of FIL at HSE through the trading member M/s. Y.G. Rajaram as an unregistered sub broker thereby violating section 12 of the SEBI Act,

1992 read with Rule 3 of SEBI (Stock Brokers and Sub Brokers) Rules, 1992 (hereinafter referred to as “the Stock Broker Rules”).

4. In view of the above findings of investigation, a show cause notice dated December 02, 2005, was issued against Padmavathi asking it to show cause as to why appropriate direction should not be issued against it under section 11(4)(b) and 11B of the SEBI Act, 1992 read with Rule 3 of the Stock Broker Rules.
5. Padmavathi vide letter dated December 15, 2005 replied to the aforesaid show cause notice and stated that they have ceased to be a sub broker since February 2003 and have not done any business as a sub broker since then. It further submitted that vide its letter dated December 2002, they have surrendered their registration as a sub broker to SEBI. They further stated that they have not done any transaction of purchase or sell of shares of FIL on their own account except 300 shares purchased during October 21, 1999 to December 06, 1999. Since the shares of FIL were not listed on the Bombay Stock Exchange and they knew the trading member of HSE, Y. G. Rajaram, they facilitated their clients to buy and sell the shares of FIL for them.
6. I have carefully considered the findings of investigation and the show cause notice issued to Padmavathi and the reply to the aforesaid show cause notice. I note that Padmavathi has not indicated its desire for hearing before me. I therefore proceed ahead on the basis of material available on record and its reply to the show

cause notice. I note that Padmavathi had transacted in the scrip of FIL at HSE through the trading member M/s. Y. G. Rajaram. The trades executed by Padmavathi in the aforesaid scrip during The above investigation period through Y G Rajaram are as under :

Date	Settlement No.	Buy	Sell
09/11/1999 - 15/11/1999	34	25000	100
16/11/1999 -22/11/1999	35	5000	5000
23/11/1999 - 29/11/1999	36	6000	-
30/11/1999 - 6/12/1999	37	600	-
Total		36600	5100

7. I note that Shri Jatin Dedhia, Proprietor of Padmavathi Consultancy during the investigation stated that they had traded in the scrip of FIL mostly on behalf of their clients. He further stated that during the period 1997 to 2002, it was registered as a sub broker with the trading member Latin Manharlal Securities Pvt. Ltd. From the perusal of statement of M/s Y.G.Rajaram, recorded before the investigating officer, it is observed that Padmavathi Consultancy was not registered as a sub broker with them.
8. From the above facts, I find that Padmavathi has transacted in the scrip at HSE as an unregistered sub broker in violation of section 12 of SEBI Act, 1992 read with Rule 3 of the SEBI (Stock Brokers and Sub Brokers) Rules, 1992. I note that the sub broker inspite being aware of the provisions of SEBI Act acted as an unregistered sub broker which would be prejudicial to the interest of the investors who deal with such unregistered sub brokers. It is clear that at the

relevant point of time, Padmavathi was not having certificate of registration to act as a sub broker to Y.G. Rajaram and having acted as such has contravened the provisions of Section 12 of the SEBI Act, 1992 read with Rule 3 of the Stock Brokers Rules. I also note that Padmavathi Consultancy has ceased to be a sub broker since February 2003. Having regard to the nature and gravity of the charges established and the facts and circumstances of the case, I am of the considered view that ends of justice will be met by imposing a penalty of warning.

9. Now therefore in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Rule 3 of the SEBI (Stock Brokers and Sub Brokers) Rules, 1992, I hereby warn Padmavati Consultancy to be more cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its actions in the securities market.

DATE :09.01.2009

T.C.NAIR

WHOLE TIME MEMBER

PLACE: MUMBAI SECURITIES AND EXCHANGE BOARD OF INDIA