

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

**DIRECTIONS UNDER 11B AND 11(4) OF THE SECURITIES AND
EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF PEACOCK
INDUSTRIES LIMITED**

1. Pursuant to observing considerable differences in the closing prices noticed in the shares of Peacock Industries Limited (hereinafter referred to as the company) at National Stock Exchange of India Limited (hereinafter referred to as NSE) and Bombay Stock Exchange Limited (hereinafter referred to as BSE) on September 22, 2000, Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the trading in the shares of the company for the settlement Nos. 2000035N to 2000039N at NSE and settlement Nos. 22-29 at BSE, during the period August 23, 2000 to September 26, 2000. It was noticed that, at NSE, on August 23, 2000, the share price opened at Rs. 8.50 and on September 19, 2000, it closed at Rs. 47.10. The high and low price of the scrip during the investigation period was Rs. 51.20 on September 18, 2000 and Rs. 6.45 on August 23, 2000, respectively. There was also an irregular pattern in the volumes traded during the investigation period. During the above period, the quantity traded on the high side was 1,44,670 shares (on August 28, 2000) and on the low side it was 1,900 shares (on September 11, 2000). The price increase in the share price of the company was also noticed at BSE during the said period. The share price opened at Rs. 6.00 on August 23, 2000 and closed at Rs. 12.65 on September 26, 2000. During the period, the price of the scrip touched a high of Rs. 21.55 on September 19, 2000. Though, there was significant movement in the volume

as well as the number of trades during the period August 23-25, 2000, the price movement was not correspondingly significant. On September 19, 2000 highest quantity of 2,47,006 shares were traded and the price opened at Rs. 21.55 (highest price during the investigation period) but subsequently fell to Rs. 18.95 on the same day. Thereafter, the price of the scrip continued to fall, almost hitting the lower circuit everyday. The closing price on September 22, 2000 at NSE and BSE was Rs 36.75 and Rs 14.85, respectively. The quantities traded on NSE and BSE were 1 and 1,00,72 shares, respectively (difference of 10,07,100%). Further, it was observed from the Annual Reports of the company for the years 1999-2000 and 2000-01, that it was a sick industrial company and that rehabilitation proposals were under consideration of the operating agency, Industrial Development Bank of India. The total loss shown by the company as on July 31, 2000 was Rs. 83.69 crores. Thus, it was observed that there was no positive corporate development to justify the rise in the price of the scrip during the period under investigation. The investigation carried out by SEBI revealed that Mr. Pawan Kumar Goyal along with M/s Goyal Investments and Goyal Brothers (Proprietor, Mr. Arun Goyal, brother of Mr. Pawan Kumar Goyal) and M/s Goyal Securities (Proprietor, Mr. Vinod Goyal, brother of Mr. Pawan Kumar Goyal) executed number of structured deals in the shares of the company, which *prima facie* resulted in artificially raising the price of the scrip and *inter alia* led to the creation of false or misleading appearance of trading in the market and thereby induced the sale/purchase of securities. The investigation conducted by SEBI also observed that Mr. Pawan Kumar Goyal along with his father, wife and brothers figured in the top fifty shareholders of the company. It was also found that Mr. Arun Goyal had received 1,00,000 shares of the company from Space Age Polymers Private Limited (belonged to the promoter group of the company) on August 31, 2000. Mr. Pawan Kumar Goyal, Mr. Arun Goyal, Mr. Vinod Goyal, M/s Goyal Investments, M/s Goyal Brothers and Goyal Securities are hereinafter collectively referred to as the noticees and individually

by their respective names. In the view of the above, it was alleged that the noticees have contravened Regulations 4(a), 4(b) and 4(c) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the PFUTP Regulations). Accordingly, SEBI issued a notice dated June 12, 2009 to the noticees advising them to show cause as to why appropriate directions including restraining them from accessing the securities market and prohibiting them from buying, selling or dealing in securities for an appropriate period should not be passed against them. Details of trades executed by the noticees in the shares of the company during the investigation period, copy of the statement of Mr. Arun Goyal, etc. were provided to the noticees with the show cause notice.

2. Thereafter, Mr. Vinod Goyal (Proprietor of Goyal Securities), vide letter dated October 6, 2009 *inter alia* stated that Goyal Securities and his brother's (Mr. Arun Goyal) firms were sub brokers of ISJ Securities Private Limited and ISJ Share & Stock Broker Private Limited. According to Mr. Vinod Goyal, he had acceded to the request of Mr. I. S. Jain (of ISJ Securities Private Limited and ISJ Share & Stock Broker Private Limited) to trade in his account. He stated that Mr. I.S. Jain had also offered him a portion of the profit. He further stated that, at the instance of Mr. I.S. Jain, trades were executed in his account maintained with the stock broker, Nouveau Shares and Securities Limited. However, according to Mr. Vinod Goyal, he was not aware that Mr. I.S. Jain himself executing trades as counter party to his own trades. He stated he was fully not aware of the Rules and Regulations and that, the mistakes had happened due to his ignorance of law. He further promised not to commit such mistakes in future. Mr. Arun Goyal, vide letter dated October 6, 2009 stated that during the relevant period his firms namely, Goyal Investments and Goyal Brothers and his brother's (Mr. Vinod Goyal) firm Goyal Securities were

registered as sub-brokers of ISJ Shares and Stock-Brokers Private Limited. According to Mr. Arun Goyal, Mr. Bandi (brother-in-law of Mr. I. S. Jain) was monitoring their activities as sub brokers. In respect of the trades executed in his accounts, Mr. Arun Goyal made similar submissions as that of Mr. Vinod Goyal. Mr. Pawan Kumar Goyal, vide letter dated October 6, 2009 made similar submissions. He stated that Mr. I.S. Jain used to transfer money to trade in the shares of the company. He further stated that pursuant to his separation from his brothers in 2000, Mr. I S Jain asked him to relocate to Mumbai and to work with him. He also stated that when he returned to Udaipur in 2004, he came to know about the activities wherein Mr. I S Jain used his account and that of his brothers. According to him, Mr. Bandi with instructions from Mr. I S Jain used to execute orders of buying and selling from noticee's accounts with Nouveau Shares and Securities Limited. He also stated that the mistakes committed by him would not be repeated again. In view of the above, Mr. Pawan Kumar Goyal requested to take a lenient view in the matter.

3. As the noticees have not sought for an opportunity of hearing, I do not consider it necessary to provide them an opportunity of hearing and the present proceedings are being disposed of on the basis of the show cause notice dated June 12, 2009, the aforesaid replies and other material available on record. One of the allegations against the noticees is that they had executed structured deals in the shares of the company during the investigation period. The details of structured trades executed by the noticees are given in detail in the show cause notice issued to them. The noticees executed number of such transactions amongst them. It is to be noted that the share price of the company had increased during the above period, from Rs. 8.50/- on August 23, 2000 to Rs. 51.20/- on September 18, 2000 at NSE. It was also noted that M/s Goyal Investments had executed eight cross deals through Nouveau Shares and Securities Limited. M/s Goyal Investments had traded 4,600 shares in such

cross deals. Though, details of matched trades and cross deals executed by the noticees were given in the show cause notice, the noticees did not dispute or controvert the same. In their respective letters, the noticees had admitted the execution of such transactions. In view of such admission, I do not consider it necessary to reproduce these details in this order. The contention of the noticees is that they had given permission to Mr. I.S. Jain to trade in their accounts. This contention would not benefit the noticees. Further, they should not have permitted misuse of their accounts. If the noticees' accounts have been misused, they cannot escape from the consequences thereof. Further, the plea of Ignorance of Law is hardly a valid excuse. The noticees submitted that their firms (as mentioned above in this order) were acting as sub-brokers to ISJ Shares and Stock Brokers Private Limited. In such a scenario, the noticees should have been all the more careful and diligent in their activities in the securities market. They should also be aware of the rules and regulations governing the securities market transactions.

4. It was observed that M/s Goyal Investments was registered as a client both with Nouveau Shares and Securities Limited and with ISJ Share & Stock Broker Private Limited, As a matter of fact, the said client was introduced to Nouveau Shares and Securities Limited by none other than Mr. I. S. Jain himself (director of ISJ Shares & Stock Broker Private Limited). The investigation conducted by SEBI found that M/s Goyal Investments, trading through Nouveau Shares and Securities Limited was a net seller constituting 29.60% & 1.67% to the market gross and 94.36% & 22.28% to the market Net during Settlement 2000035N and 2000038N respectively at NSE. M/s Goyal Investments/Mr. Arun Goyal had bought a total of 1,05,427 shares and sold a total of 1,82,675 shares during the period of investigation through the stock broker, Nouveau Shares and Securities Limited at NSE. Similarly, M/s Goyal Brothers/Mr. Arun Goyal bought a total of 28,600 shares and sold a total of

20,000 shares through the stock broker, ISJ Securities Private Limited at BSE during the period of investigation. It is also observed that M/s Goyal Securities, a proprietary concern of Mr. Vinod Goyal had also dealt in the shares of the company and had sold a total of 14,900 shares and bought a total of 2,100 shares through the broker, ISJ Share & Stock Broker Private Limited at NSE during the period of investigation. M/s Goyal Securities had also bought a total of 4,600 shares and sold a total of 5,650 shares through the stock broker, ISJ Securities Private Limited at BSE. Thus, the noticees were found to have executed trades involving substantial shares of the company during the investigation period. The noticees and their firms had dealt heavily in the shares of the company with the intention of artificially raising the prices of securities and thereby inducing the sale or purchase of securities. They have also indulged in acts calculated to create a false or misleading appearance of trading in the securities market and indulged in acts which resulted in the reflection of prices of securities based on transaction which were not genuine trade transactions. It is an undisputed fact that Mr. Arun Goyal, Mr. Pawan Kumar Goyal and Mr. Vinod Goyal were the major shareholders of the company during the relevant period. As per the information provided by the company, as on August 15, 2000, Mr. Arun Goyal (38,800 shares), Mr. Pawan Kumar Goyal (70,900 shares) and Mr. Vinod Goyal (79,700 shares) were the major shareholders of the company. Further, as per the Distribution Schedules received from the various stock exchanges where the shares of the company were listed, the shareholding pattern of the above persons was as under:

Sr. No.	Name of the shareholder	As on 21.10.1999 (Filed with NSE)	As on 24.11.2000 (Filed with BSE, DSE & JSE)
1	Park Continental Ltd.	1750000	701400*
2	Space Age Polymers Pvt. Ltd.	459500	816700*
3	Arun Goyal	40900	92600*
4	Pawan Goyal	36200	83085*
5	Vinod Goyal	NIL	79500 (Physical)

* These include physical as well as demat holdings.

5. It is pertinent to note that Mr. Pawan Goyal, Mr. Arun Goyal appeared as one of the top 50 share holders of the company during the relevant period. Besides, the other members of Mr. Pawan Kumar Goyal family who appeared in the top fifty shareholders as on October 21, 1999 were Mr. Mohan Lal Goyal (father of Mr. Pawan Kumar Goyal) holding 39,000 shares and Mrs. Renu Goyal (wife of Mr. Pawan Goyal) holding 15,400 shares. Besides, Mr. Arun Goyal had received 1,00,000 shares of the company from Space Age Polymers Private Limited during the period of investigation. In his submissions dated August 10, 2004 (during the course of investigation), Mr. Arun Goyal gave a vague and unclear reason for the aforesaid transfer of shares from Space Age Polymers Private Limited. The said explanation was already mentioned in the show cause notice. The said contention was found to be false as there was no “no delivery” or “book closure” period during the period of investigation as per the information submitted by the stock exchanges. It is noted that the shares were transferred to the demat account of Mr. Arun Goyal on August 31, 2000. It was also observed that the noticees (including M/s Goyal Investments) executed structured trades during the said period. Further, the reasons stated by the director of Space Age Polymers Private Limited, Mr. Munawar Hussain for the transfer of 1,00,000 shares to the demat account of Mr. Arun Goyal are totally different. It is to be noted that Space Age Polymers Private Limited belonged to the promoter group of the company. Though, the statements of Mr. Arun Goyal and Mr. Munawar Hussain were provided to the noticees, no explanation was provided by them in this regard. SEBI, vide order dated October 26, 2009 *inter alia* restrained Space Age Polymers Private Limited from accessing the securities market and further prohibited from buying, selling or otherwise dealing in the securities market in any manner and in any capacity whatsoever for a period of one year. The Hon'ble Securities Appellate Tribunal in the matter of Gaurav Shah Vs Whole Time Member, SEBI, had *inter alia*

observed *“When the promoters of a company through their own front entities start manipulating their own scrip, the charge is more serious and those who act in concert with them are equally responsible.”* Needless to say, the noticees were necessary parties to the manipulation.

6. In the facts and circumstances, I do not have any hesitation to hold that the noticees have violated Regulations 4(a), 4(b) and 4(c) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and the present proceedings initiated against the noticees are disposed of as ordered herein below.

7. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 hereby restrain Mr. Pawan Kumar Goyal, M/s Goyal Investments, M/s Goyal Brothers (Proprietor, Mr. Arun Goyal) and Goyal Securities (Proprietor, Mr. Vinod Goyal), having their address at 368/10, Ashok Nagar, Udaipur, Rajasthan from accessing the securities market and further prohibit them from buying, selling or dealing in securities, directly or indirectly, for a period of one year.

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

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: DECEMBER 31, 2009