

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

**IN THE MATTER OF SUDARSHAN FINVEST PVT. LTD., SAHUKAR FINSEC
PVT. LTD. AND FESTIVAL SECFIN PVT. LTD.**

IN THE MATTER OF VATSA MUSIC LIMITED

ORDER

Under Section 11(4) of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

1. The shares of Vatsa Music Ltd. (hereinafter “VML”) were listed at the National Stock Exchange of India Ltd (hereinafter “NSE”) and the Bombay Stock Exchange Ltd (hereinafter “BSE”). During January 01, 1998 and June 30, 1998, substantial price movements were observed in the shares of VML and therefore Securities and Exchange Board of India (hereinafter “SEBI”) advised NSE and BSE to conduct an investigation into the trading in the scrip of VML and submit a report.
2. NSE conducted investigation in three phases and as per the findings of NSE, the price behavior of the scrip for the three investigation periods was as follows:

Period	Price rise
07.01.1998 to 30.06.1998	Price increased from Rs.440 to Rs.705
01.12.1999 to 14.01.2000	Price increased from Rs.440 to Rs.982.50
01.03.2000 to 04.04.2000	Price increased from Rs.1695 to Rs.4214.85

3. Based on its findings for the first investigation period i.e. January 07, 1998 to June 30, 1998, NSE concluded that the spurt in prices was for reasons other than strong fundamentals of the company. During this investigation period, while trading in the scrip was infrequent and negligible, the prices of the scrip showed manifold increase. The trades resulting in the upward price movement were in nature of synchronized/cross trades, with majority of the transactions being undertaken by a few brokers. NSE also

observed that entities allegedly associated with VML had dealt in the scrip during the above periods.

4. The trading pattern of the scrip revealed that it was highly illiquid scrip. During the said investigation period, there were 3 instances wherein there was a gap of nearly one month between two trades in the scrip. Further, during this entire period of about six months, the scrip was traded only on 34 days for total of 52,100 shares. While the average traded volume per day works out to 1,530 shares, on 20 days less than 1000 shares were traded in each session. However the price of the scrip increased from Rs.440 to Rs.705 i.e. an increase of 60% in 34 trading days.
5. The investigation report submitted by BSE revealed that for the 6 months period under investigation, as against the trading in VML at NSE, there were no trades at all on BSE. Trading in the scrip of VML on BSE took place on July 16 and 17, 1998 and at prices significantly lower than those reflected at NSE. Whereas the last traded price at the NSE was Rs.705 on June 25, 1998, the scrip was traded at BSE on July 16, 1998 at Rs.376 and on July 17, 1998 at Rs.379.75. Thus, it was reasonably concluded that the prices of VML at NSE were not genuine but set up prices. On April 05, 2000, the scrip was suspended for trading on the NSE for non compliance with certain clauses of the listing agreement.
6. Vide order dated November 27, 1998, SEBI initiated a formal investigation into the dealings in the scrip of VML. On the basis of the investigation, it was *inter alia* alleged that the prices of the scrip were manipulated by certain entities including Sudarshan Finvest Pvt Ltd. (hereinafter referred to as “Sudarshan”), Sahukar Finsec Pvt Ltd. (hereinafter referred to as “Sahukar”) and Festival Secfin Pvt Ltd. (hereinafter referred to as “Festival”).
7. On the basis of the findings of the investigations, a detailed common notice dated August 08, 2003 was issued *inter alia* to these entities asking them to show cause as to why suitable direction under Section 11(4) of the SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter “PFUTP Regulations”) including direction to prohibit them from dealing in securities market for a particular duration should not be

passed against them for violation of Regulation 4 (a), (b) and (c) of the PFUTP Regulations, 1995.

8. The SCN dated August 08, 2003, issued to the aforesaid entities on the available address returned undelivered. Subsequently, personal hearing was granted thrice on October 27, 2006, July 06, 2007 and July 09, 2009. However, the notices for personal hearing also returned undelivered.
9. Since the SCN and the personal hearing notices returned undelivered, the same was put up on the SEBI website and a notice was also published in newspapers Hindustan on August 09, 2009 and in Hindustan Times on August 13, 2009. In the newspaper notice, it was mentioned that in case the noticees wish to avail personal hearing in the matter or make any submission in this connection, they may write to SEBI within 15 days of the publication of the notice in the newspaper failing which the matter would be decided ex-parte. Since the entities didn't respond to the newspaper notice, I am proceeding ex-party in the matter.
10. I have carefully considered the findings of the investigation, charges mentioned in the SCN and other materials available on record.
11. I note that Sudarshan, Festival and Sahukar are the clients who dealt through the broker Prabhat Financial Services Ltd. (hereinafter referred to as 'PFSL'), Priyasha Meven Finance Ltd. (hereinafter referred to as 'Priyasha') and Shreeji Finvest Ltd. (hereinafter referred to as 'Shreeji') respectively. Further, these three and other entities involved in manipulation were found to be directly or indirectly related to one Shri Ashok Agarwal and his brothers Shri Sandeep Bansal and Shri Sanjeev Bansal.
12. All the trades of PFSL were on behalf of its client Sudarshan having address at D-9, Jangpura, New Delhi – 110014 which is the office of Shri Ajay Kumar Thakkar, a Chartered Accountant. Shri Thakkar was a co-director of Ravico (I) Ltd along with Shri Sandeep Bansal and Sanjeev Bansal, brothers of Shri Ashok Agarwal.
13. Enquires with Vijaya Bank, Barakhamba Road, New Delhi – 110001, where Festival maintained its bank account revealed that the address of Festival was 35-B, New Mandi, Muzaffar Nagar-251 001 which was the office address of Inter World Fashions Ltd. In a

communication to the bank, Inter World Fashions Ltd. had shown its address as 35-B, New Mandi, Muzaffar Nagar-251 001 and 33 LGF, Babar Road, New Delhi, the known address of Shri Ashok Agarwal and his brothers Shri Sandeep and Sanjeev Bansal.

14. It was admitted by Shri S. P. Kabra, Director, PFSL in his statement dated August 16, 1999 that Sudarshan was introduced to them by Shri Ashok Agarwal. Furthermore, Shri Kabra said that the client introduction forms showing Shri Mukesh Kumar and Shri Ravi Arora as contact persons for Festival and Sahukar were provided by Shri Ashok Agarwal and he had personally never met those persons.
15. Similarly, Shri Vimal Kumar Sharma, proprietor, Prabhat & Co. which is an associate concern of PFSL and was trading in VML through Priyasha and Shreeji, in his statement dated September 06, 1999 stated that Festival and Sahukar were introduced to them by Shri Ashok Agarwal.
16. The contact person for Festival and counterparty client Sudarshan was Shri Mukesh Kumar, an employee of Shri Ashok Agarwal and Shri Sandeep Bansal. Similarly, Shri Ravi Arora, the contact person for Sahukar was an employee of Derarh Communications, whose directors were Shri Sandeep Bansal and Sanjeev Bansal.
17. The aforesaid facts establish that the entities including the noticees involved in the manipulation were related in one way or the other.
18. An examination of the trade logs of executed trades revealed that the trades by certain entities were responsible for creating new highs in the scrip. A further analysis of the corresponding order logs in respect of these trades showed that the timings of these trades were very close, suggesting that the logging of the orders had obviously been synchronised with a manipulative intent to create new high prices. It was also observed that these entities made deliberate attempts to create artificially high prices in VML by consistently placing buy and sell orders which were unreasonably higher than the previous trades in the scrip at NSE and had no co-relation to the trades at BSE. These trades were done by PFSL for its client Sudarshan, Priyasha for its client Festival and Shreeji for its client Sahukar. Some of the instances are depicted below: -

Date	No of Shares	Traded Price	Last Traded Price	Buy Member	Buy Client	Buy Order Time	Sale Member	Sale Client	Sale Order Time
08/01/1998	100	485	448	PFSL	Sudarshan	10:48:56	Priyasha	Festival	10:48:59
27/01/1998	100	500	459	PFSL	Sudarshan	13:55:04	PFSL	Sudarshan	13:54:59
09/02/1998	100	605	556	PFSL	Sudarshan	10:43:20	Shreeji	Sahukar	10:42:56

19. During the investigation period, Sudarshan dealing through PFSL purchased 4,100 shares and sold 2,200 shares resulting in net purchases of 1,900 shares of VML. Total deliveries effected in VML during the investigation period was merely 6,800 shares, of which PFSL dealing on behalf of Sudarshan had taken net delivery of 1,900 shares which constituted approx. 28% of the deliveries. During this period, the price of the scrip also moved from a close of Rs.445/- at the end of Settlement No. 1 on 13.1.98 to Rs.500/- at the end of Settlement No. 3 on 27.1.98 by trading only on 8 days. This price rise can be attributed mainly to the buying pressure exerted by Sudarshan. The trade logs revealed that Sudarshan was a party to as many as 6 out of 9 trades, which resulted in creating all time high prices in VML. Further, the timings of placing these orders were so close to suggest that they were synchronised to create new high prices. Sudarshan dealing through PFSL was continuously trying to push the price by placing buy orders at substantially higher prices from the last traded price, thus increasing the price of the scrip.

20. The trades of Sudarshan dealing through PFSL were matched either with Festival dealing through Priyasha or Sahukar dealing through Shreeji. Both Festival and Sahukar routed their trades through Prabhat & Co.

21. A summary of trading among these entities is given below:

Trades between Sudarshan (Buy) through PFSL and Festival (Sale) through Priyasha

Date	Traded Qty	Trade Price	Buy Order Time	Sell Order Time	Trade Time	Buy Qty	Sell Qty	Buy Rate	Sale Rate
08/01/1998	100	485	10:48:56	10:48:59	10:48:59	100	100	485	485

13/01/1998	200	445	15:23:47	15:23:51	15:23:52	200	200	445	445
14/01/1998	900	448	12:38:48	12:38:58	12:38:58	900	900	448	448
02/02/1998	300	576	13:15:23	13:15:15	13:15:23	300	300	576	576
06/02/1998	100	556	10:11:53	10:12:20	10:12:20	100	100	556	556

Trades between Sudarshan (Buy) through PFSL and Sahukar (Sale) through Shreeji

Date	Trade Qty	Trade Price	Buy Order Time	Sell Order Time	Trade Time	Buy Qty	Sell Qty	Buy Rate	Sale Rate
20/01/1998	200	429	14:10:28	14:10:30	14:10:30	200	200	429	429
27/01/1998	1200	450	13:00:05	12:59:45	13:00:05	1200	1200	450	450
28/01/1998	100	545	12:41:30	12:41:37	12:41:37	100	100	545	545
30/01/1998	100	573	12:56:48	12:56:43	12:56:48	100	100	573	573
09/02/1998	100	605	10:43:20	10:42:56	10:43:20	100	100	605	605
10/02/1998	100	602	10:57:13	10:25:50	10:53:19	100	100	602	602
02/03/1998	100	596	15:57:13	15:59:02	15:59:02	100	100	596	596

Trades between Sahukar (Buy) through Shreeji and Festival (Sale) through Priyasha

Date	Trade Qty	Trade Price	Buy Order Time	Sell Order Time	Trade Time	Buy Qty	Sell Qty	Buy Rate	Sale Rate
14/01/1998	200	458	12:42:40	12:42:25	12:42:40	200	200	458	458
22/01/1998	1200	450	13:23:27	13:18:48	13:23:27	1200	1200	450	450

22. As can be clearly seen, the time difference between the buy and sell order in most transactions is negligible. Of the 14 trades executed among the three entities, in 10 trades the time difference between buy and sell order ranges between 2 to 27 seconds. Furthermore, the buy and sell order quantities as well as the prices quoted by the buy and sell clients in all the orders are identical in each successive transaction.

23. Such transactions, taking place over a long duration of time cannot be a mere coincidence and have to be decided prior to the entry of buy and sell quotes to result in such simultaneous/near simultaneous orders. It is pertinent to note that these transactions are not denied by either of the brokers involved. In the present case, the noticees have conducted dubious dealings in the scrip of VML with the intention of distorting its price
24. Thus, from the aforesaid acts of omission and commission it is clear that Sudarshan Finvest Pvt. Ltd., Sahukar Finsec Pvt. Ltd. and Festival Secfin Pvt. Ltd. have violated the provisions of Regulations 4 (a), (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995. Since repealed the corresponding provisions are contained in SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 and therefore this order is being passed under 2003 Regulations.
25. On taking into consideration the case in its totality and the nature of the violations committed, I, in exercise of the powers conferred upon me under Section 19 and Sections 11(4) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain Sudarshan Finvest Pvt. Ltd., Sahukar Finsec Pvt. Ltd. and Festival Secfin Pvt. Ltd. from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly, for a period of one year from the date of this order.
26. The stock exchanges are hereby directed to permit the respective members dealing for the noticees to square off their existing open positions, if any, at the earliest in Futures and Options segment. They must strictly ensure that no fresh positions are created for them.
27. This order shall come into force with immediate effect.

Place: Mumbai
Date: June 02, 2010

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA