

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST VIKAS HOLDINGS PRIVATE LIMITED, MEMBER, DELHI STOCK EXCHANGE LIMITED, IN THE MATTER OF ANKUR COMMERCIAL LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted an investigation into the unusual price rise in the shares of Ankur Commercial Limited (hereinafter referred to as the company) for the period between April 10, 2001 and July 13, 2001 (the investigation period). The investigation conducted by SEBI observed that the share price of the company had increased from Rs.3/- on April 10, 2001 to Rs.86.70/- on July 13, 2001 with low traded volumes. The investigation further found that the traded volumes in the shares of the company were concentrated among Vikas Holdings Private Limited (hereinafter referred to as the stock broker) along with two other stock brokers, namely, A. Nitin Capital Services Limited and SCG Securities Private Limited. The stock broker alone had contributed to 54% of the total traded volumes. The stock broker had traded in respect of 6,600 shares of the company in gross during the investigation period. On the basis of the findings of the investigation, the stock broker was alleged to have indulged in price manipulation in the shares of the company during the investigation period. The stock broker was alleged to have contravened Regulation 4(a) and (b) 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) and

Clauses A(1) to (5) of the Code of Conduct specified in Schedule II of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the Stock Brokers Regulations). In view of the above, SEBI initiated enquiry proceedings, vide order dated July 15, 2004, against the stock broker under the provisions of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (since repealed). The Enquiry Officer, vide Report dated April 21, 2005 while finding the stock broker guilty of the aforesaid provisions, had recommended that its certificate of registration be suspended for a period of four months. Thereafter, a notice dated April 27, 2010 was issued by SEBI to the stock broker enclosing therewith a copy of the Enquiry Report, advising it to show cause as to why action as recommended should not be taken against it. The said notice which was served on the stock broker through the Delhi Stock Exchange Limited (hereinafter referred to as DSE), advised it to file the reply by May 20, 2010 and to appear for a hearing scheduled on May 21, 2010. Though, the stock broker acknowledged the receipt of the notice, it neither submitted any reply nor did it appear for the hearing. As no response is received from the stock broker, I am of the view that further opportunities need not be afforded to the stock broker and that the matter could be proceeded on its merits on the basis of the available material on record.

2. I have considered the Enquiry Report and other material available on record and the issues for consideration are whether the stock broker by its acts of commission and omission had contravened Regulation 4(a) & (b) of the PFUTP Regulations and Clauses A (1) to (5) of the Code of Conduct prescribed for stock brokers in Schedule II of the Stock Brokers Regulations. I note that the share price of the company had increased from Rs.3/- to Rs.86.70/- during the investigation period with low traded volumes. The share price movement of the company with the 'open', 'high', 'low' and 'close' prices along with the traded volumes are already mentioned in the Enquiry Report. The stock broker had traded for 6,600 shares (in gross) which accounted for 54% of the traded volumes during the period. In terms

of contribution to the market volumes, the stock broker was found to be the highest contributor. It has been alleged that the stock broker had dealt in the shares of the company on behalf of Mrs. Sunita Devi (who was none other than its director, Mrs. Sunita Kabra) and also on behalf of Mr. Dhiraj Swaroop, with an intention of artificially raising the share price of the company. The investigation conducted by SEBI found that the signature of Mrs. Sunita Devi on the client registration form was the same as that of Mrs. Sunita Kabra in the records of DSE, where she had signed as the director of the stock broker. In view of the same, the investigation had inferred that Mrs. Sunita Devi and Mrs. Sunita Kabra was the same person. It is not in dispute that the share price of the company had increased during the investigation period. It is to be reiterated that the trades of the stock broker had accounted for majority of the trades in the shares of the company during the period of investigation. This was not the only factor which connects the stock broker to the manipulation. There are certain other facts which establish the connection between the stock broker and the company, as given below:

- a. the earlier address of the registered office of the stock broker was the same as that of the company;
- b. the auditors for the stock broker and the company were the same;
- c. Mrs. Vijay Laxmi Kabra was one of the directors of the stock broker. Her husband, Mr. A.K. Kabra was a director in the company;
- d. Mr. Praveen Kumar Maheswari was a director of the stock broker and his wife, Mrs. Sunita Kabra was also in the board of the stock broker. Mr. Praveen Kumar Maheswari's father, Mr. P.D. Maheswari was a director in two group companies of the company; and
- e. the company and the stock broker had a common compliance officer.

The aforesaid relationship, obviously indicates the close connection of the stock broker with the company. Further, it was observed in the Enquiry Report that the stock broker had also indulged in price manipulation in the shares of Rohit Agro Industrial Limited and Hunt Commercial Limited, which were under the same

management as that of the company. Though, the details regarding the names of the above mentioned companies, their directors, the members of the stock exchange and clients involved in the trading of the shares of the aforesaid companies (including the company) along with price movement data were also mentioned in the Enquiry Report, the same remained undisputed before me.

3. A perusal of the traded volumes in the shares of the company during the investigation period and the price movement indicate that a volume of just 6,100 shares (one side) contributed to a price rise of 2790%. The stock broker had purchased 3,300 shares and sold the same quantity, which had accounted for 54% of the total traded quantity (of 12,200 shares). From the price movement of the shares of the company during the investigation period, it is apparent that on most of the days of trading, the scrip opened at a price higher than the previous trading session even when the intra-day trading was done without fluctuation in price. This would clearly establish that the trading in the scrip was undertaken with an intention to artificially increase the share price without there being any genuine trading interest. It is not in dispute that the share price had increased substantially during the investigation period with low traded volumes. The connection between the stock broker and the company is established. It is a fact that the share price of the company had increased substantially during the investigation period. Needless to say, the said trades created misleading appearance of trading in the shares of the company. The above factors indicate that the stock broker had played a role in the manipulation as is apparent from its substantial traded volumes *vis-à-vis* the market volume. Further, it was observed that the stock broker traded for a client namely, Mrs. Sunita Devi, who actually was Mrs. Sunita Kabra, the director of the stock broker. The said misrepresentation clearly reveal the ulterior motives. Thus, I do not have any hesitation in finding the stock broker guilty of contravening Regulations 4(a) and (b) of the PFUTP Regulations.

4. In terms of the provisions of the Clauses A(1) to (4) of the Code of Conduct prescribed under the provisions of the Stock Brokers Regulations, a stock broker

shall not *inter alia* create false market or indulge in any act detrimental to the investors' interest or which leads to the interference with the fair and smooth functioning of the securities market. The stock broker shall also maintain high standards of integrity, promptitude and fairness and shall act with due skill, care and diligence in the conduct of his business. It is also a requirement that a stock broker shall not *inter alia* indulge in manipulative transactions with a view to distort the market equilibrium. In the present case, the trades of the stock broker (as explained above) created a misleading appearance of trading in the shares of the company. The share price of the company was also manipulated by vitiating the price discovery mechanism in the securities market. It amply demonstrates that the stock broker was also responsible for the manipulation in the shares of the company, in violation of the Code of Conduct. A Stock broker is expected to protect the interest of the investors in the securities market and is required to maintain high standards of integrity, promptitude and fairness in the conduct of the business dealings as specified in the Code of Conduct of the Broker Regulations (mentioned above). By indulging in manipulative transactions, as stated earlier, the stock broker did not uphold the expected standards of integrity and fairness in its conduct. Thus, the violation of Clauses A(1) to (4) of the Code of Conduct in Schedule II of the Stock Brokers Regulations stands established. As the stock broker had failed to comply with the provisions of law, as stated above, it had also violated Clause A(5) of the Code of Conduct in Schedule II of the Stock Brokers Regulations. As the present enquiry proceedings were initiated under the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (since repealed), the same is being disposed of in terms of Regulation 38(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as ordered hereinbelow .

5. In view of the foregoing, I, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certificate of registration of the stock

broker, Vikas Holdings Private Limited (Registration no. INB 050564337), Member, Delhi Stock Exchange Limited, for a period of two weeks.

6. This order shall come into force immediately on the expiry of twenty one days from the date of this order.

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

**PLACE: MUMBAI
DATE: JUNE 25, 2010**