

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF WELLWIN INDUSTRY LTD.

In respect of

**Shreepathy Investments,
Forsee Financial Consultancy Services Pvt. Ltd and
Anjana Consultancy Services Pvt. Ltd.**

ORDER

Under Section 11B of the Securities and Exchange Board of India Act, 1992

1. Securities and Exchange Board of India (hereinafter referred as 'SEBI') had conducted an investigation for the period January, 1996 to May, 1996 (hereinafter referred to as the 'investigation period') into the dealing in the shares of Wellwin Industry Ltd. (hereinafter referred to as 'the company'/ 'WIL'), a company listed on the Bombay Stock Exchange (hereinafter referred to as 'BSE') and the Madras Stock Exchange (hereinafter referred to as 'MSE').
2. WIL came up with a public issue in November, 1995. The public issue was for 13,60,000 equity shares of Rs. 10 each for cash at par aggregating Rs.1,36,00,000. There was a sharp rise in the scrip price of WIL both at the MSE and BSE from Rs.10 upon listing on January 10, 1996, to Rs. 45 on February 27, 1996 and again from Rs.17.25 on March 3, 1996 to Rs.63.50 on May 22, 1996. During the investigation period, substantial increase in the volumes in the scrip at both the MSE and BSE, without any justification, was also noted.
3. Investigations, *inter alia*, revealed that a group of individuals and entities related to the promoters cornered the shares of WIL during the investigation period, such as MVS Ananthakrishnan (hereinafter referred to as 'MVS') Shreepathy Investments (hereinafter referred to as 'Shreepathy'), Anjana Consultancy Services Pvt. Ltd. (hereinafter referred to as

‘Anjana’) and Forsee Financial Consultancy Services Pvt. Ltd. (hereinafter referred to as ‘Forsee’), and thereby contributed to the price rise in the scrip of WIL. The acts of the above named entities appeared to be in violation of Regulation 4 (a), (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the ‘PFUTP Regulations, 1995’).

4. In view of the above, SEBI issued a notice dated August 11, 2008 (hereinafter referred to as ‘SCN’), *inter alia*, to Shreepathy, Anjana and Forsee (hereinafter collectively referred to as ‘noticees’) asking them to show cause as to why directions under Section 11B of the SEBI Act, 1992 read with Regulation 11 and 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the ‘PFUTP Regulations, 2003’), including one restraining them from accessing the capital market, should not be issued against them.
5. As the SCNs could not be served on the noticees, a newspaper advertisement was issued on August 9, 2009 in the Tamil daily ‘Dinakaran’ and on August 13, 2009 in the ‘Hindustan Times’ regarding the undelivered SCN. The advertisement also informed the noticees that they should write to SEBI within 15 days from the date of advertisement if they wish to avail personal hearing or make any submissions. However, none of the noticees responded to the newspaper advertisement.
6. I have carefully considered the investigation report, SCN and other material available on record. I am of the view that adequate opportunity has been given to the noticees to defend themselves. In the absence of any reply/ written submissions/ personal appearance from the noticees, I am proceeding, *ex-parte*, in the matter.
7. I note that immediately after the public issue of WIL, the promoters, individuals and different groups of entities associated with the promoters and the company were seen to be holding a substantial part of the share capital of WIL. Out of the total floating stock comprising about 33,40,000 shares, the above mentioned entities managed to corner a substantial portion, that is 29,64,700 shares constituting about 89% of the total floating stock, both by way of allotment in public issue and acquisition from the open market as well.

An abnormal upward movement in the price in the scrip of WIL was also noticed during this period.

8. I note that MVS along with certain entities/ individuals such as Shreepathy and T.Chandramouli (the authorized signatory of Shreepathy) dealt in the scrip at both the BSE and MSE. S.Shridharan and Sumathi Sridharan, the promoters of WIL were admittedly known to MVS. MVS had received 2,79,000 shares of WIL by way of allotment in the public issue.
9. I further note that Forsee was related to the promoter group of WIL. It shared the same premises as the administrative office of WIL, located at 1D, Manthira Apartments, 23, North Boag Road, T Nagar, Chennai- 600017. Further, Shri R Rajagopalan and Shri R Kalyanaraman were directors common to Forsee and WIL. Moreover, Forsee was allotted 2,50,000 shares of WIL in the promoters quota without lock in and 3,02,500 shares with a lock in periods of 3 and 5 years. Forsee held close to 10.83% of the total paid up capital of WIL, post its public issue. Forsee further acquired about 6,00,000 shares of WIL during January 1996, i.e., three months after the public issue. Therefore, by the end of January 1996, the total shareholding of Forsee in WIL was 11,52,500 shares which constituted roughly 22.59 % of the post issue capital of WIL.
10. I further observe from the SCN that Anjana was located in the same premises as the administrative office of WIL. One of the core promoters of WIL, Smt. Sumathy Sridharan, was a director in Anjana. As submitted by MVS, Anjana had applied for shares on behalf of MVS. I further observe from the records submitted by MVS that there were numerous instances of fund transfers between MVS and Anjana. These funds were then routed through various entities to finance the purchase of shares of WIL. In this manner Anjana indirectly funded the purchase of shares of WIL through various entities.
11. I note that the cornering of the shares of WIL was funded through a web of financing transactions. Anjana and Forsee are found to have financed MVS and individuals/entities connected to MVS, who then transferred funds to Shreepathy. Shreepathy, one among the noticees, in turn, financed several ultimate clients who purchased shares of WIL.

12. The entities who received funds either directly or indirectly through Shreepathy include:

NAME OF THE CLIENT	PURCHASES	SALES
Shreepathy Investments	2,01,400	91,800
Muthu Investments	2,00,300	93,200
Max Investments	1,99,600	1,18,200
Sri Lakshmi Associates	1,15,600	40,200
Vision Research & Securities	91,100	57,100
B. Arivukann	1,30,700	93,000
Shree Aishwarya Financial	25,100	18,300
G Uma	600	0
S Vaishnavi	46,600	46,500
Total	10,11,000	5,58,300

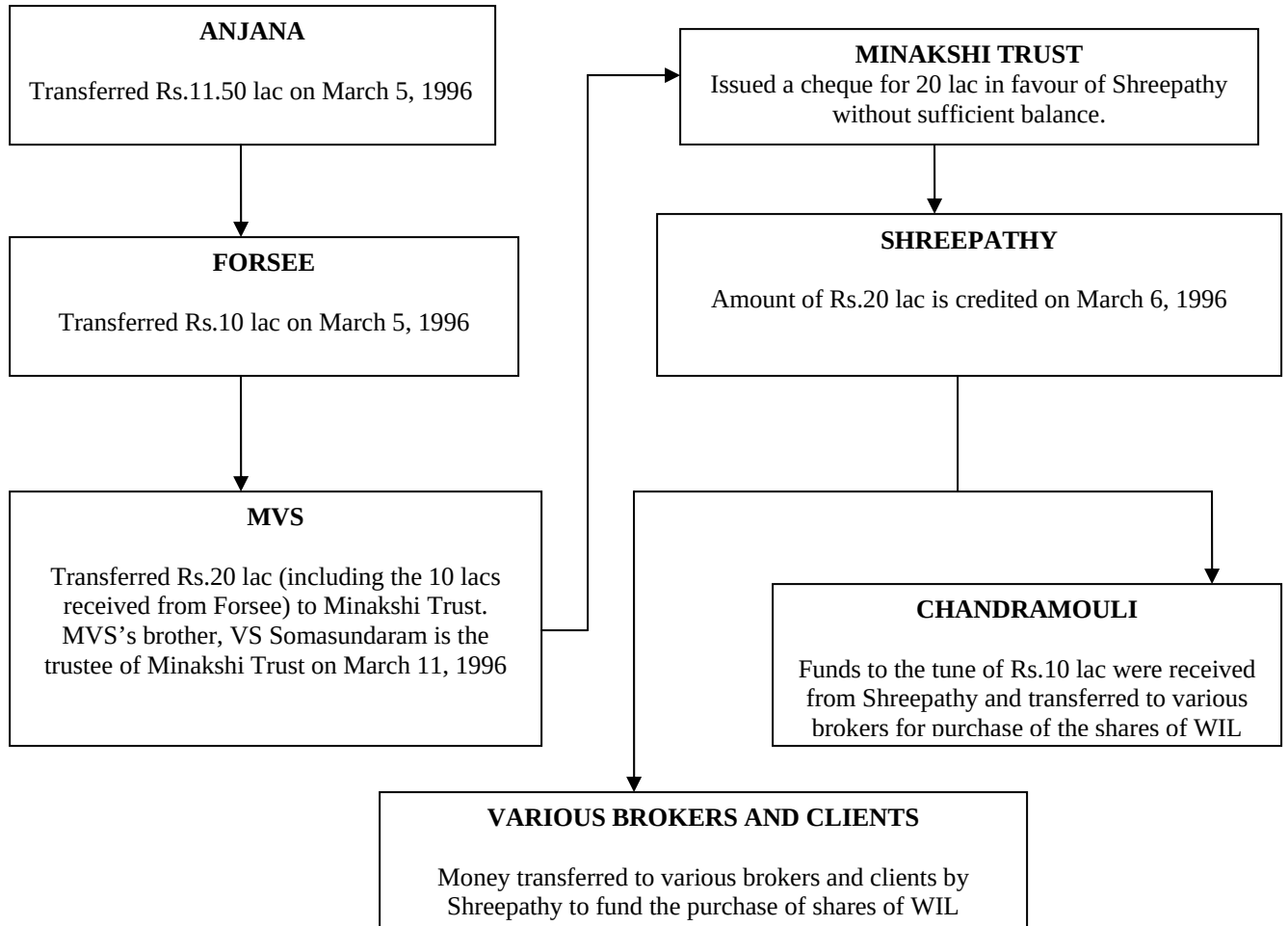
13. I observe that the cheques used for the purchase of the shares of WIL by the aforementioned clients were of continuous serial numbers. The payments made by entities such as Max Investments, Muthu Investments, Sri Lakshmi Associates and Shreepathy Investments towards the purchase of WIL shares were through the cheques of the bank account held by Shreepathy with United Bank of India, Mylapore Branch. Further, payments relating to G.Uma, Shree Aishwarya Financial, B. Arivukkan, Vision Research & Securities, Sri Lakshmi Associates and S Vaishnavi herself were made by cheques that were issued from the account of S Vaishnavi maintained with United Bank of India, Mylapore Branch. S Vaishnavi was introduced to the bank by Shri T Chandramouli, who was the authorised signatory of Shreepathy. It was found that there were several fund transfers between the accounts of S Vaishnavi, T Chandramouli (personal account) and Shreepathy. S Vaishnavi had, *inter alia*, made payments to Max Investments, Vision Research and Sri Lakshmi Associates.

14. From an analysis of the bank account of Shreepathy maintained with United Bank of India - Mylapore Branch, Chennai, the following observations were made:

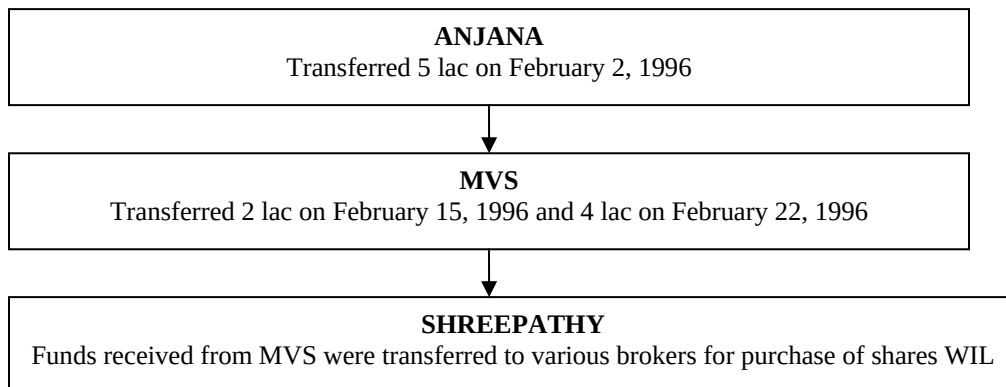
- a. There were several transfers between the accounts of Shreepathy and Mr. T.Chandramouli who had the power of attorney for Shreepathy.

- b.** Many transactions had taken place between the bank accounts of Shreepathy and other clients like Max Investments, Vision Research & Securities, Shyam Investments, Muthu Investments, Sri Lakshmi Associates, Shree Aishwarya Financial, B. Arivukkan thus establishing a nexus between these clients. It is clear that all the above said clients were acting for and on behalf of Shreepathy, in respect of their purchases of shares of WIL.
 - c.** There were also fund transfers to the account of Shreepathy from the account of Shripathee Investments P Ltd (an entity owned and controlled by MVS) and also from the personal account of MVS. The bank account details of Shripathee Investments P Ltd and MVS reveal that there were frequent transfers from/to these accounts from the account of Forsee and Anjana (entities wherein the main directors of WIL were interested). For example, an amount of Rs 20 lakh was transferred from Forsee's Bank Account (held with Lakshmivilas Bank, Kodambakkam) to the account of Shripathee Investments P Ltd (maintained with Indian Overseas Bank, Adayar) on February 12, 1996. On February 13, 1996 an amount of Rs 19 lakh was transferred from the account of Shripathee Investments P Ltd to the account of Shreepathy (with United Bank of India, Mylapore Branch). On February 13, 1996 and February 14, 1996, Shreepathy Investments made payments to several brokers and clients in relation to the purchase/sale of WIL shares.
- 15.** There were numerous such instances of fund transfers from/to the accounts of WIL, Anjana, MVS and Shripathee Investments (entity owned by MVS) from Forsee, indicating that Forsee was involved in funding the purchases of WIL shares by other clients without actually buying for itself in the secondary market. I also note that there were several fund transfers between MVS and Anjana. MVS is found to have used the funds to purchase shares of WIL through various entities such as Shreepathy Investments.
- 16.** Some instances of fund transfers amongst MVS and the noticees are represented diagrammatically below:

INSTANCE 1



INSTANCE 2



The extensive funding for purchasing of shares of WIL suggests that these interconnected entities colluded to corner the shares of WIL.

17. I also note that during the course of investigations, Shreepathy submitted that it had made purchases on behalf of its clients. Shreepathy had dealt in this scrip on behalf of as many as 74 clients. Chandramouli, the authorized signatory of Shreepathy admitted in his statement to SEBI that MVS introduced 15 parties to Shreepathy, which included one MK Shivaramon. Shivaramon is MVS's brother, and in turn introduced 39 clients to Shreepathy.
18. The details of the transactions entered into by the clients of Shreepathy are given in the following table:

Name Of Introducer	No. Of Clients	Shares Purchased	Shares Sold
Direct	20	356600	377100
MVS	15	603000	0
MK Shivaramon	39	61800	231200
Total	74	1021400	608300

Chandramouli further submitted that Shivaramon and MVS used to place orders on behalf of the clients introduced by them respectively. The shares were then delivered to the representatives of Shivaramon and MVS on their instructions. Thus, it is apparent that most 'clients' were only front entities, set up to corner the shares of WIL.

19. In view of the foregoing, I conclude that Shreepathy, Foresee and Anjana colluded with MVS and cornered the shares of WIL. Related clients were found to have bought the shares by employing front entities. The concerted buying by these entities resulted in rise in the price of the scrip of WIL. The pattern of fund transfers during several instances shows that the noticees made funds available to front entities to buy shares of WIL. I note that no person without collusion with other persons can successfully corner a substantial chunk of the floating stock of the scrip and thereby cause artificial price rise as observed in this instant case.

20. Thus from the aforesaid acts of omission and commission, it is clear that the noticees have violated the provisions of Regulation 4(a), (b), and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.
21. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11B and 19 of the SEBI Act, 1992 read with Regulations 11 and 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain the noticees viz. Shreepathy Investments, Foresee Financial Consultancy Services Pvt. Ltd. and Anjana Consultancy Services Pvt. Ltd. from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of one year from the date of this order.
22. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticees are not allowed to undertake transactions as prohibited in Para 21 above.
23. This order shall come into force with immediate effect.

DATE: MAY 02, 2011
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA