WTM/PS/34/IVD/ID-06/ OCT /2011

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF SUN INFOWAYS LTD.

In respect of Opulent Broking Pvt. Ltd.

ORDER

Under Sections 11, 11B and 11(4) of Securities and Exchange Board of India Act, 1992

1. Securities and Exchange Board of India (SEBI) conducted investigation into alleged irregular transactions in the scrip of Sun Infoways Ltd. (hereinafter referred to as "SIL" or "the company") in view of a sudden fall in the price of the scrip accompanied by low delivery between February 5, 2001 and May 2, 2001 (hereinafter referred to as the "investigation period"). There was a consistent fall in the price of the scrip during the investigation period. The opening price on February 5, 2001 was Rs.342 and fell to a low of Rs.60.75 on April 30, 2001 before finally closing at Rs.73.80 on May 2, 2001. SEBI had conducted an investigation earlier, in the same scrip, for the period February, 2000 to August, 2000, where the price of the scrip had moved from Rs.10 in February, 2000 to Rs.696 in August, 2000. Further, actions were initiated against the company, its related entities, certain stock brokers and their clients for the violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

2. Investigation revealed that circular/ synchronised trades were executed between certain brokers including Opulent Broking Pvt. Ltd. (hereinafter referred to as "the noticee"), who were trading on behalf of their clients during the investigation period. The circular/ reversal trades mentioned above created artificial volumes to the tune of 5,43,500 shares (gross), executed in 2443 trades resulting out of 363 buy orders and 364 sell orders. Circular trades generated 26% to 97% of total volumes on the days when such trading was observed. The daily traded volume in the scrip was considerably high due to circular trading amongst the select brokers and their clients

between February 5, 2001 and March 2, 2001, in settlement numbers 46 to 49. This led to an increase in the price of the scrip during the period February 5, 2001 to March 2, 2001, and the price remained in the range of Rs.342 to Rs.296 (opening price). The trading of these entities in the scrip reduced drastically after this period. The volume of trades in the scrip became negligible. The price of the scrip also started declining, and by April 30, 2001, the price fell to Rs. 60.75 before rising marginally to Rs. 73.75 at the end of the investigation period. Therefore, it was alleged that certain entities, including the noticee, had created artificial volumes in the scrip by executing circular trades which were also synchronized in terms of order price, time and quantity, and thus violated Regulation 4(a), (b), (c) and (d) of SEBI (Prevention of Fraudulent and Unfair Trade Practices relating to Securities Market) 1995 (hereinafter referred to as "PFUTP Regulations, 1995") read with Regulation 4(1), 4(2) (a), (b) (e) (g) and (n) of SEBI (Prevention of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003") and Regulation 7 read with clause A(1) to (5) of Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as the "Broker Regulations").

3. Accordingly, SEBI issued a notice dated October 06, 2008 (hereinafter referred to as "SCN") to the noticee, asking it to show cause as to why suitable directions under Sections 11, 11(4) and 11B of SEBI Act, 1992 should not be passed against it. The noticee was advised to reply within 21 days of the date of receipt of the SCN. However, the SCN was returned undelivered from the address available with SEBI. Thereafter, by way of a newspaper announcement carried out in The Times of India on September 30, 2010, the noticee was intimated that the SCN had been made available on the website of SEBI. The noticee was further advised that if it wished to avail personal hearing in the matter or make any submission in relation to the same, they should write to SEBI within 15 days from the publication of the advertisement, failing which, the matters would be decided ex-parte. However, no reply has been received from the noticee till date. Accordingly, I am compelled to proceed with the

matter, *ex-parte*, on the basis of material available on record, having complied with the principles of natural justice.

4. I have carefully considered the SCN and material available on record. The questions that arise for consideration here are:
   i. Whether the noticee's trades were non-genuine, artificial and synchronized in terms of order time, quantity and price?
   ii. Whether the noticee had created artificial volumes in the scrip of SIL which distorted market equilibrium?

5. I note that during the investigation period, three different groups were trading in the scrip in a circular manner within the groups. These three groups can be divided as under:

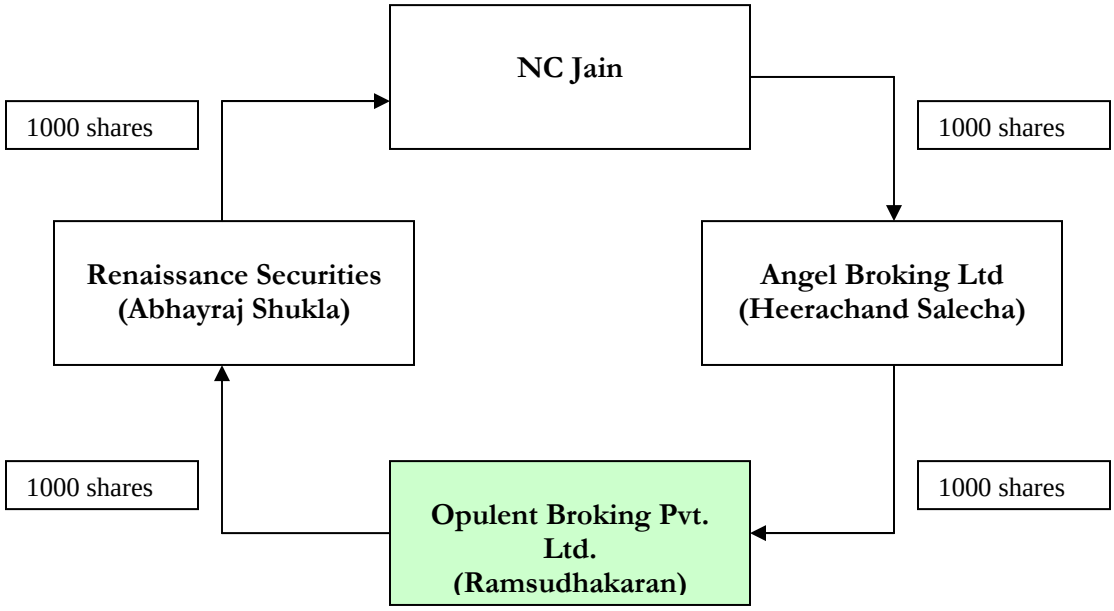
Sr. No.	**Member Name**	**Dealt for client (sub-broker)**	No of Days Traded During the Period / No of Days Done Circular Trading	**Buy**	**Sell**	**Gross (buy+ sell)**
				Circular/ reversal Qty	Circular / reversal Qty	Gross Circular traded Qty. (% to total trading of the broker)
Group I						
	Angel Broking Ltd.	Heerachand Salecha	14/12	34200	31300	65500 (86.41%)
	NC Jain	Proprietary trading	6/6	26500	26500	53000 (83.33%)
	Opulent Broking	Ramsudhakaran	7/6	27100	27100	54200 (90.03%)
	Bharti Thakkar India	Govind Chhichani	5/5	26500	26500	53000 (100%)
	Shripal Jain	Proprietary trading	5/5	21400	20700	42100 (98.36%)
	ISJ Securities	Chetan Haridas Mapara **(Vintel Securities)**	17/9	8100	7100	15200 (37.25%)
	Joindre Capital Services	1.Heerachand Salecha 2.Kamlesh Jain **(Alwin Securities)**	14/9	5600	8900	14500 (34.65%)
	Renaissance Securities (now Mehta Equities)	Abhayraj Shukla **(Millennium Securities)**	13/8	22500	23300	45800 (75.83%)
Total circular trading among Group I				171400	171400	342800
Group II						
	LKP Shares & Securities Ltd.	Adinath Propcon Pvt. Ltd. **(Surtaj Assets & Cap management**	22/16	23100	21800	44900 (75.20%)

		Pvt. Ltd)				
	Nirmal Bang Securities Pvt. Ltd.	Mayrose Capfin Pvt. Ltd.	18/12	18900	20200	39100 (68.47%)
	Mahesh Kothari Shares & Stock Brokers Pvt. Ltd.	Great Eastern Mercantile Pvt. Ltd**. (Parth Investment Consultants P Ltd)**	20/16	19700	19600	39300 (75.43%)
	Soverign Securities Pvt. Ltd.	Adhunik Finance Pvt. Ltd**. (Hindustan Holdings Ltd.)**	16/14	20700	22500	43200 (82.28%)
	Veekrant Stocks & Finance Pvt. Ltd.	Sati & Swati Investments. –trading on own account Shree Shyam Fabtex Pvt. Ltd **(Yash Finance)**	13/8	10700	8100	18800 (90.82%)
Total circular trading among Group II				93100	92200	185300
Group III						
	IKM Investor Services Ltd.	Rajender Rai Ashok Kumar Chaudhary **(CompuAction Securities Pvt. Ltd.)**	19/7	3800	4300	8100 (31.03%)
	SSK Investor Services	R.S Investments	3/3	4000	3300	7300 (79.34%)
Total circular trading among Group III				7800	7600	15400
Total of group I+II+III				272300	271200	543500
Total Market traded Quantity				456500	456500	913000

Thus, entities belonging to Group I were seen to be trading in a circular manner amongst themselves, Group II entities executed circular/ reversal trades with other entities of the same group, and Group III entities also circulated the shares of the company amongst themselves. A total volume of 5,43,500 shares was generated by the three groups, including the noticee herein, in 37 days out of a total of 50 days when the scrip was traded, amounting to 59.52% of the total trading in the scrip during the investigation period. The noticee, as evident from the table above, formed a part of Group I, and executed circular/ reversal trades on behalf of its client(s) with other brokers forming part of the above illustrated Group I.

6. The noticee, a stock-broker, had traded for 7 days on behalf of its, client Ramsudhakaran and executed reversal/circular trades on 6 days for 54200 shares

(gross) which constitutes 5.43% of the market traded quantity (gross). For instance, from the trade details forming a part of the Annexure-I to the SCN, I note that on the first day of the investigation period i.e. February 5, 2001, the noticee indulged in circular trading. The circle, thus, can be illustrated as under:



** The name without the parentheses indicates the name of the client and the name within the parentheses indicates the name of the broker. Coloured box indicates that the entity is a noticee.*

Thus, I note on February 5, 2001, NC Jain sold 1000 shares to Angel Broking Ltd., another broker forming part of Group I, who was trading on behalf of its client Heerachand Salecha. The said trade took place at 1:11:47 pm and the buy and sell order price, time and quantity were matched with perfection. At 1:27:17 pm the shares were transferred by Angel Broking Ltd., trading on behalf Heerachand Salecha to Opulent Broking Pvt. Ltd., the noticee herein, trading for its client Ramsudhakaran. In this case also, the price, time and quantity of the buy and sell orders matched. Within a time frame of 20 minutes, i.e., at 1:46:21 pm, the noticee transferred the shares to Renaissance Securities, dealing for the client Abhayraj Shukla. The price and quantity of the buy and sell orders were identical here as well, and the buy and sell orders were placed 2 seconds apart. The circle was completed at 1:55:44 pm when NC Jain bought the 1000 shares back from Renaissance Securities in a matched

deal, wherein the price and quantity of the buy and sell orders were the same and there was a time difference of one second between the buy and sell orders.

7. A number of such circular and synchronized trades were executed by the noticee, with the counterparty brokers being Angel Broking (4 days), Bharti Thakkar India Ltd. (5 days), ISJ Securities (1 day), NC Jain (4 days), Shripal Jain (4 days), Joindre Capital Services (1 day) and Renaissance Securities Ltd. (now known as Mehta Equities Ltd.) (4 days). There were 266 buy trades and 241 sell trades (that resulted in circular/ reversal trades) by the noticee arising out of 32 buy orders and 33 sell orders. This circular trading comes to 90.03% of the noticee's trades in the scrip of Sun Infoways Ltd. during the investigation period. I note that the noticee is no longer a registered stock broker.

8. I note that a clear pattern of circular trading emerges in the trades among these entities during the investigation period. The circular trades have affected the price of the scrip also.

9. The abovementioned Group I brokers/ sub brokers trading for their clients had jointly contributed to a gross quantity of 342800 shares i.e., over 37.2% of the gross traded volume in the scrip during the investigation period, by way of circular trading that was structured by order time (less than one minute), order quantity and order rate. These trades comprised of 214 buy orders and 215 sell orders and had resulted in 1562 trades. Most of these orders were placed with a time gap of just 0-4 seconds with the maximum time difference being 1 minute. Such closely matched orders resulting in a circular pattern of trading cannot be a mere coincidence.

10. In view of foregoing, I find that the noticee, Opulent Broking Pvt. Ltd. created artificial volumes in the scrip of SIL which distorted market equilibrium and thus violated Regulation 4(a), (b), (c) and (d) of SEBI (Prevention of Fraudulent and Unfair Trade Practices relating to Securities Market) 1995 read with Regulation 4(1), 4(2) (a), (b) (e) (g) and (n) of (PFUTP) Regulations, 2003 and Regulation 7 read with

clause A(1) to (5) of Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

11. Therefore, in exercise of the powers conferred upon me under Section 19 read with 11B of the Securities and Exchange Board of India Act, 1992 I hereby restrain Opulent Broking Pvt. Ltd. (PAN AAACO2790A) from accessing the securities market and prohibit it from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of 3 (three) months.

12. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticee is not allowed to undertake transactions as prohibited in Para 11 above.

13. This order shall come into effect immediately.

Date : October 19, 2011
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA