WTM/PS/35/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
Hindustan Holdings Ltd. and Vintel Securities 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") following a sudden fall in the price of the scrip accompanied by low delivery in the period from February 5, 2001 to 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, which 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 earlier conducted an investigation 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 and sub-brokers trading on behalf of their clients, during the investigation period. Hindustan Holdings Ltd. and Vintel Securities Ltd. (hereinafter referred to as the "noticees") were two amongst such sub-brokers involved in circular/ reversal trades. Such circular/ reversal trades 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 daily volumes on the days when such trading was observed. The daily traded volume in the scrip was considerably high, due to the circular trading amongst the select brokers and their clients, during the period from

February 5, 2001 to March 2, 2001 (settlement numbers 46 to 49). These trades led to an increase in the price of the scrip from the beginning of the investigation period to March 2, 2001, and the price remained in the range of Rs.342 to Rs.296 (opening price). Thereafter, the trading of these entities in the scrip reduced drastically and 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. It was thus alleged that certain entities, including the noticees herein, 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 15 read with clause A(1)(2) and D (1)(4)(5) of Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and Regulation 4(a), (b), (c) and (d) of SEBI (Prevention of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 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").

3. Accordingly, SEBI issued a notice dated October 6, 2008 (hereinafter referred to as "SCN") to Hindustan Holdings Ltd. (hereinafter referred to as "Hindustan") and Vintel Securities Ltd. (hereinafter referred to as "Vintel") to show cause as to why suitable directions under Sections 11, 11(4) and 11B of SEBI Act, 1992 should not be passed against them.

4. With respect to Hindustan, the SCN was returned undelivered from the address available with SEBI. I note that SEBI issued an advertisement in the 'Times of India' on September 30, 2010 and in the 'Hindustan Times' on August 13, 2009 as a mode of substituted service to the noticee, with an advice that in the absence of any reply, the matter would be proceeded ex-parte. However, no reply has been received from Hindustan till date. In view of the same, 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.

5. In the case of Vintel Securities Private Ltd., the SCN was delivered. Vintel replied to the SCN vide its letter dated October 17, 2008. Subsequently, Vintel was granted several opportunities for personal hearing before me vide letters dated July 8, 2010, August 3, 2010 and September 3, 2010. However, Vintel did not appear for the scheduled hearings.

6. I have carefully considered the SCN and other material available on record including the reply received from Vintel. The submissions of Vintel, *inter alia*, are:
   i. It was not involved in any circular or synchronized trades.
   ii. It acted as a sub broker and executed all the trades on behalf of the registered clients. It had not dealt on its own account.
   iii. The trades as alleged were done by its clients and Vintel is not responsible for their acts of omission and commission.

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

8. 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 Pvt. Ltd**)	22/16	23100	21800	44900 (75.20%)
	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

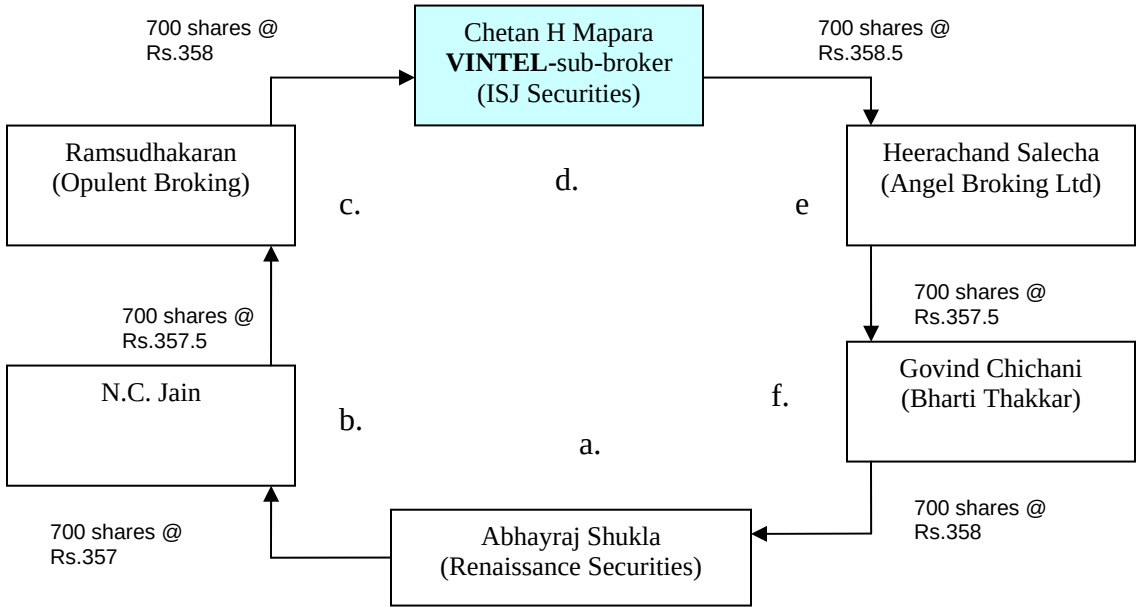
** Highlighted name indicates that the entity is a noticee.*

9. Thus, the 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. Vintel, one among the noticees, was a part of Group I and Hindustan, the other noticee herein, formed part of Group II.

GROUP I

10. As mentioned before, the noticees traded within their groups in a circular fashion. Vintel, being part of Group I, traded within that group. For instance, I note from the trade and order logs annexed to the SCN that on February 5, 2001 Vintel indulged in circular trading. This circle can be diagrammatically represented 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.*

a. Abhayraj Shukla, one of the Group I entities, dealing through the broker Renaissance Securities, sold 700 shares of the company at 11:27:16 AM to NC Jain at the rate of Rs.357 per share. The buy and sell orders were placed in a time interval of one second. The price and quantity of buy and sell orders matched to perfection.

b. A few minutes later, at 11:33:05 AM, NC Jain sold these 700 shares to Ramsudhakaran, who was trading through the broker Opulent Broking Pvt. Ltd. at a price of Rs.357.50. The quantity and price of the buy and sell orders matched exactly in this case also. I note that the time of placing the orders differed by just one second.

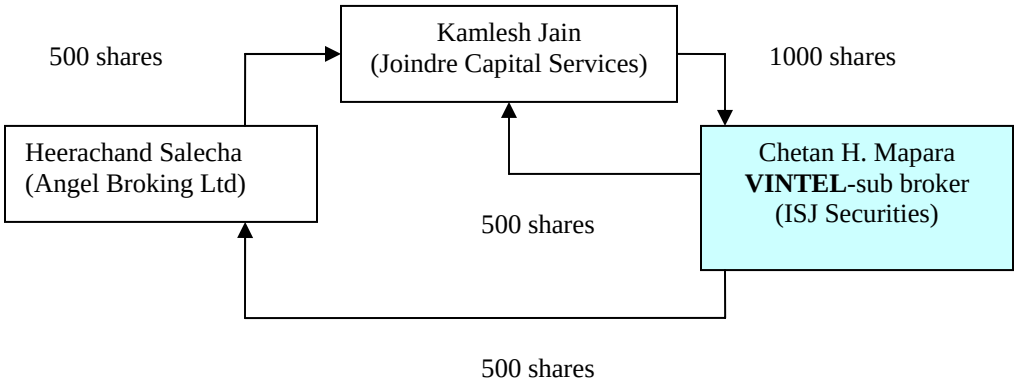
c. Soon after, at 11:40:04 AM, Ramsudhakaran sold 700 shares at Rs. 358 per share, to Vintel, one of the noticees herein, dealing as the sub-broker of Chetan H Mapara. The buy and sell orders matched precisely in respect of price, quantity and time.

d. Further, within 4 minutes, Vintel, sold 700 shares through the broker ISJ Securities to Heerachand Salecha at Rs. 358.50 per share. Once again, the buy and sell orders were identical in terms of price, quantity and time.

e. Heerachand Salecha, then, dealing through Angel Broking Ltd, sold 700 shares at the rate of Rs.357.50 to Govind Chichani. The difference between the buy and sell orders was nil.

f. Thereafter, at 12:09:29 pm Abhayraj Shukla bought 700 shares from Govind Chichani, dealing through his broker, Bharti Thakkar India Ltd. The time difference between the buy and sell orders was one second, and the price and quantity of the buy and sell orders were alike.

11. Another instance of circular trading is illustrated below:



** 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.*

a. On March 22, 2001 Kamlesh Jain, dealing through his broker, Joindre Capital Services, sold 1000 shares to Chetan H. Mapara, who was dealing through Vintel, a sub-broker of ISJ Securites.

b. Thereafter, on March 26, 2001, Chetan H. Mapara (through Vintel) securities sold 500 shares to Heerachand Salecha, and 500 shares to Kamlesh Jain

c. Subsequently, on the same day, Heerachand Salecha sold 500 shares to Kamlesh Jain.

The aforesaid trades resulted out of buy and sell orders which were placed less than a minute apart. Further, the orders for buy and sell by the counterparties were also similar in each of the trades in terms of price and quantity.

12. Vintel, a sub-broker of ISJ Securities traded for 17 days for its client Chetan Haridas Mapara and executed reversal/circular trades on 9 days for 15200 shares (gross) which amounts to 1.66% of the market traded quantity (gross). Majority of these trades were executed with the brokers Angel Broking Ltd. (8 days), Joindre Capital Services Ltd. (8 days) and G R Pandya (1 day). There were 81 buy trades and 73 sell trades of circular/ reversal nature by the sub-broker arising out of 15 buy orders and 15 sell orders. These circular trades constituted 37.25% of Vintel's trades in the scrip of Sun Infoways Ltd., during the investigation period. I also note that Vintel is no longer a registered sub broker.

13. I note that a clear pattern of circular trading emerges in the trades carried out among these entities during the investigation period. The circular trades have affected the price of the scrip and/ or gave a misleading appearance of trading in the scrip.

14. The Group I brokers/ sub brokers trading for their clients had together, by executing circular trades that were also structured within a time interval of less than one minute, order quantity and order rate, 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. 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 and the maximum time difference being one minute. Given the number of trades and the closely matched orders, the sub-broker could not have been ignorant about the manipulation. Such closely matched orders resulting in a circular pattern of trading cannot be a mere coincidence.

15. On many instances, the buy and sell order quantities and rates were similar and time difference between the buy and sell order entered was negligible. The orders that resulted in such trades were mostly synchronized / matched in nature. Thus, the trading pattern clearly shows that circular trades were carried out day after day, trade after trade with the same group of brokers and clients. Hence, it can be reasonably inferred that the noticee sub broker was part of the manipulation which gave a misleading appearance of trading in the market without change of beneficial ownership in the scrip. Thus, the contention of the noticee that it acted only upon instructions of its clients cannot be accepted.

16. In view of the above, I find that Vintel Securities Ltd executed circular trades which were synchronized in terms of order price, time and quantity, and thus was instrumental in the creation of artificial volume in the scrip and affected the price of the scrip. Hence, Vintel Securities Ltd violated Regulation 15 read with clause A(1)(2) and D (1)(4)(5) of the Code of Conduct for Sub Brokers specified under Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and Regulations 4(a), (b), (c) and (d) of PFUTP Regulations, 1995 read with Regulation 4(1), 4(2) (a), (b) (e) (g) and (n) of PFUTP Regulations, 2003.

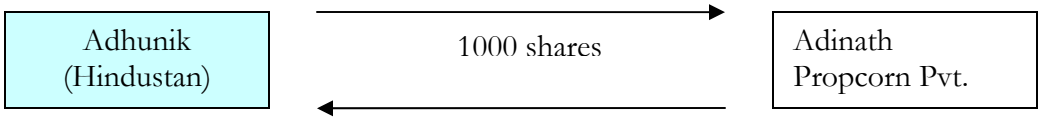
GROUP II

17. Group II consists of brokers and/ or clients who are either connected to the company or its directors/ promoters or its auditor, Dilip Nabera.

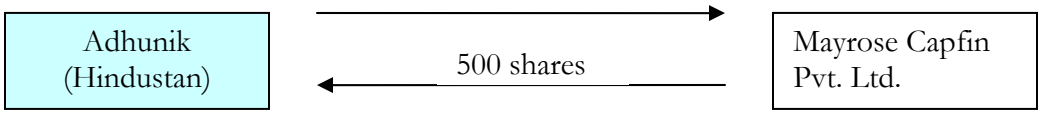
18. I note that Hindustan, a sub-broker of the stock- broker, Sovereign Securities, dealt in the scrip on behalf of its client Adhunik Finance Pvt. Ltd (hereinafter referred to as "Adhunik"). I also note that one of the directors of Adhunik, namely, Sadhana Nabera is the wife of Dilip Nabera.

19. From the trade and order logs that are annexed to the SCN, I note that there were several reversal/ circular trades in the scrip wherein Hindustan was involved. For instance, on February 15, 2001 at 1:00:22 pm, Adinath Propcorn Pvt. Ltd., another entity in Group II, sold 1000 shares to Hindustan, dealing on behalf of Adhunik. The sell and

buy orders matched in terms of price and quantity. Thereafter, at 1:44:43 pm, the trade was reversed when Adhunik, through Hindustan, sold 1000 shares to Adinath Propcorn Pvt. Ltd. The price and quantity of the buy order were the same as the price and quantity of the sell order. In both these trades, the time difference in the buy and sell orders was less than a minute.



20. A similar pattern of reversal was also observed on February 19, 2001 when Mayrose Capfin Pvt. Ltd sold 500 shares to Adhunik in a matched deal and soon after bought 500 shares from Adhunik, dealing through its sub broker Hindustan. In this case also, the price and quantity of the buy and sell order were alike and the time difference between the counterparty orders was 2 seconds and 14 seconds, respectively.



21. Hindustan Holdings, a sub-broker of Sovereign Securities Pvt. Ltd. dealt on behalf of Adhunik on 16 days and executed reversal/circular trades on 14 days. Such reversal/ circular trades executed by the noticee accounted for 4.73% of the total market traded quantity. Majority of these trades were executed with counterparty brokers Nirmal Bang Securities Pvt. Ltd. (10 days), Mahesh Kothari Shares & Stock Brokers Pvt. Ltd. (11 days), LKP Shares & Securities Ltd. (11 days) and Veekrant Stocks & Finance Pvt. Ltd. (7 days). Adhunik executed 204 buy trades and 206 sell trades (that resulted in circular/ reversal trades) arising out of 34 buy orders and 32 sell orders for a total of 43200 shares (gross). 82.28% of the entity's trades in the scrip of SIL, during the investigation period, were of a reversal /circular nature. I also note that Hindustan was not a registered sub broker.

22. Group II by way of circular/ reversal trades contributed 185300 shares i.e., about 20.29% of the gross traded volume in the scrip during the investigation period. These

trades comprised of 138 buy orders and 139 sell orders and had resulted in 819 trades. Majority of these orders were placed within 0-20 seconds of the counter order. Such closely matched orders resulting in a circular pattern of trading cannot be a mere coincidence.

23. In view of the above, I find that Hindustan Holdings Ltd. executed circular trades which were synchronized in terms of price, time and quantity of order, and thus was instrumental in the creation of artificial volume in the scrip and affected the price of the scrip. Hence, Hindustan Holdings Ltd. violated Regulation 15 read with clause A(1)(2) and D (1)(4)(5) of the Code of Conduct for Sub Brokers specified under Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and Regulations 4(a), (b), (c) and (d) of PFUTP Regulations, 1995 read with Regulation 4(1), 4(2) (a), (b) (e) (g) and (n) of PFUTP Regulations, 2003.

24. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Section 11B and 11(4)(b) of SEBI Act, 1992, hereby restrain Hindustan Holdings Ltd. (PAN AAACH0524K) and Vintel Securities Ltd. (PAN AABCV0925H) 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.

25. 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 24 above.

26. This order shall come into effect immediately.

DATE : October 19, 2011
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA