

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

IN THE MATTER OF DATASOFT APPLICATION SOFTWARE (INDIA) LIMITED

In respect of:

- 1. Vivenasri Financial Services Limited, Mr. K. Satyajit Ray, Mr. A. Rajendra Prasad and Mr. P.V. Murlikrishna**
- 2. Newfin Financial Services Private Limited, Mr. G.S. Sridhar and Mr. P.V. Murlikrishna**

ORDER

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

- 1.** Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation in respect of trading in the shares of Datasoft Application Software (India) Limited (hereinafter referred to as 'Datasoft') for the period from November 06, 2000 to January 25, 2001. The scrip of Datasoft, during the period of investigation was listed at the Bombay Stock Exchange (hereinafter referred to as 'BSE') and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
- 2.** The trading details of different persons in the scrip of Datasoft were collected and analyzed along with the data of the volumes contributed. During the period of investigation, the price of the scrip plunged from ₹106.90 as on November 06, 2000 to ₹47.55 as on January 25, 2001. The investigation *inter alia* revealed that a client namely Newfin Financial Services Private Limited (hereinafter referred to as 'Newfin') traded in the scrip and purchased shares of Datasoft. Subsequently, the shares so purchased by Newfin were transferred in off-market to another entity namely Vivenasri Financial Services Limited (hereinafter referred to as 'Vivenasri') who emerged as the major trader in the scrip of Datasoft and had executed manipulative trades continuously over a period of time.

3. On completion of investigation, SEBI issued Show Cause Notice (hereinafter referred to as 'SCN') dated December 21, 2009 to Vivenasri and its directors namely Mr. K. Satyajit Ray, Mr. A. Rajendra Prasad and Mr. P.V. Murlikrishna under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'). The SCN alleged that Vivenasri had created artificial volume in the scrip of Datasoft by executing self trades and matched trades with Rijan Securities Private Limited (hereinafter referred to as 'Rijan'). The SCN, also alleged that the acts of Vivenasri, its directors namely Mr. K. Satyajit Ray, Mr. A. Rajendra Prasad and Mr. P.V. Murlikrishna were in violation of Regulations 4(b), (c) and (d) of the PFUTP Regulations. Accordingly, the SCN called upon Vivenasari and its directors to show cause as to why suitable directions under Section 11 read with Section 11B of the SEBI Act including the direction of restraining them from accessing the securities market should not be initiated against them.

Another SCN dated December 21, 2009 was issued to Newfin and its directors namely Mr. G.S. Sridhar and Mr. P.V. Murlikrishna under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'). The SCN alleged that Newfin had aided and abetted Vivenasri by transferring it the shares of Datasoft from time to time which were later on used to create artificial volume in the scrip. The SCN, also alleged that the acts of Newfin and its directors namely Mr. G.S. Sridhar and Mr. P.V. Murlikrishna were in violation of Regulations 4(b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations'). Accordingly, the SCN called upon Newfin and its directors to show cause as to why suitable directions under Section 11 read with Section 11B of the SEBI Act including the direction of restraining them from accessing the securities market should not be initiated against them.

4. No reply was received in response to the SCNs issued. Before proceeding further, an opportunity of personal hearing was granted to Newfin, its directors namely Mr. G.S. Sridhar, Mr. P.V. Murlikrishna and Vivenasri, its

directors namely Mr. K. Satyajit Ray, Mr. A. Rajendra Prasad, Mr. P.V. Murlikrishna (hereinafter all collectively referred to as 'noticees') on July 08, 2011. In the meantime, G.S. Sridhar director of Newfin vide an email dated July 06, 2011, on behalf of himself, P.V. Murlikrishna, director in both Newfin and Vivenasri and A. Rajendra Prasad director of Vivenasri requested for an adjournment of the personal hearing. The request was acceded to and another opportunity of personal hearing was granted on September 02, 2011. However, none of the noticees turned up for the personal hearing, nor did SEBI receive any intimation in this regard, I have seen that sufficient opportunities have already been given to the noticees for explaining their case and it appears that they are not interested in submitting their stand in the present proceedings. In view of this, 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. I have carefully considered the SCN and the material available on record. The issue that now arises for my consideration is: Whether the noticees had created artificial volume in the scrip of Datasoft?
6. **Whether the noticees had created artificial volume in the scrip of Datasoft?**
 - a. I note that Vivenasri was one of the major clients dealing in the scrip of Datasoft during the period of investigation and its trading accounted for about 70-80% of the total trading in the subject scrip. I have seen the analysis of demat statements of Vivenasri from the SCN and note that it had 2,15,600 shares of Datasoft which were later-on sold in the market.
 - b. I have seen the trading details of Newfin in the scrip of Datasoft and note that it had transferred 26,600 shares to the demat account of Vivenasri. It is important to note that no reconciliation of trading by Newfin has been furnished despite various opportunities. I note that the purchase of said 26,600 shares by Newfin and subsequent transfer of such shares in off-market to Vivenasri has not been reflected in the book of accounts of Newfin.

Vivenasri used these shares for trading in the scrip of Datasoft by entering orders which on the most of occasions resulted in self trades wherein the orders were matched with its own counterparty order on the other side. On few occasions, its trade matched with Rijan also. A detailed settlement wise table showing the volume contributed by Vivenasri to the total volume traded in the scrip of Datasoft has been brought out below:

Table A

Sett. No.	Total Volume	Volume by Vivenasari	% of Vivenasari to total volume
33	2,00,710	1,43,020	71.26%
34	1,09,374	96,215	87.97%
35	2,09,314	1,46,311	69.90%
36	2,27,060	1,72,745	76.08%
37	2,23,720	1,33,805	59.81%
38	3,05,226	1,81,723	59.54%
39	1,20,580	3,380	2.80%
41	2,77,042	2,31,470	83.55%
42	1,95,930	1,59,065	81.18%
43	1,30,220	1,05,290	80.86%
44	3,58,120	3,00,175	83.82%
Total	23,57,296	16,73,199	70.98%

- c. I have seen the trading pattern of Vivenasri in the scrip of Datasoft as also brought out in the SCN and note that it had matched its trades with Rijan on two days with little time difference. The example of such trading has been brought below for reference:

Table B

Sett. No.	Date	Buy order by Rijan				Sell order by Vivenasari				Trade		
		Member	Time	Qty.	Rate	Member	Time	Qty.	Rate	Time	Qty.	Rate
38	11/12/2000	370*	14:12:58	15,000	85.50	675*	14:11:39	15,000	85.50	14:12:58	15,000	85.50
	15/12/2000	370	15:10:15	20,000	75.00	675	15:09:56	20,000	75.00	15:10:15	19,960	75.00
		370	15:11:49	10,000	74.00	675	15:11:21	10,000	74.00	15:11:50	10,000	74.00

*370- Kirtikumar Fulchand Vora

*675- ULJK Securities Pvt. Limited

The aforesaid table points out that the orders of the trades entered by Vivenasri were punched in with some pre-conceived motive and prior arrangement that the orders would be picked up by a particular client on the opposite side. I note the proximity in the time of entering of orders at almost identical price and quantity resulting into the matching of the trades. This clearly indicates synchronization while entering the orders.

- d. Further, I note the instances of self trades by Vivenasri in the scrip of Datasoft wherein it was selling the shares through Stock Holding Corporation of India Limited by availing its 'Sell and Cash' scheme. Thereafter, Vivenasri simultaneously entered counterparty buy order from other side. I have seen the details of self trades and note that the orders for the same were entered with little time difference. An instance of such perfect self trade has been brought out below for reference:

Table C

Sett. No.	Date	Buy Order				Sell Order				Trade		
		Member	Time	Qty.	Rate	Member	Time	Qty.	Rate	Time	Qty.	Rate
37	06/12/00	202*	13:54:13	10,000	89.80	675*	13:54:26	10,000	89.80	13:54:26	10,000	89.80
		202	13:54:48	7,000	89.60	675	13:55:20	7,000	89.60	13:55:21	7,000	89.60
		202	13:56:22	8,000	89.50	675	13:56:09	8,000	89.50	13:56:22	8,000	89.50
		380*	14:43:37	10,000	88.75	675	14:43:20	10,000	88.75	14:43:37	10,000	88.75
		380	14:44:52	15,000	88.50	675	14:44:37	15,000	88.50	14:44:52	10,000	88.50

*675- ULJK Securities Pvt. Limited

*202- JGA Shah Share Brokers Pvt. Limited.

*380- Ruchiraj Shares

I note from the SCN that this pattern was repeated by Vivenasri on twenty two days, 97 times in over 10 settlements. The settlement wise trading of Vivenasri where it was acting both as buyer and seller has been detailed below:

Table D

Sett. No.	Total Market Volume (One side)	No. of shares trades by Vivenasri while acting as both buyer and seller	% of fictitious trades to total volumes
33	1,00,355	53,150	52.96%
34	54,687	44,360	81.12%
35	1,04,657	64,835	61.95%
36	1,13,530	62,560	55.10%
37	1,11,860	50,000	67.05%
38	152,613	63,910	90.95%
41	1,38,521	1,00,000	72.19%
42	97,965	71,000	72.47%
43	65,110	44,560	68.44%
44	1,79,060	1,35,350	75.59%

I note from the statement of P.V. Muralikrishna who is a director in both Vivenasri and Newfin recorded on December 04, 2003 that the trading was a kind of finance arrangement to meet the immediate pay-in obligation to brokers. The submission of the noticee regarding finance arrangement is required to be considered along with the pattern of its trading wherein the same quantity of shares was being bought within minutes of sale transaction.

I note that such pattern of trading must have caused further financial obligation to Vivenasri as the price of the scrip was continuously falling.

- e. In conclusion, I note that Vivenasri had indulged in the trading pattern as discussed above with regularity, which also projected volumes in the scrip in a way that was not market determined, rather with a hidden motive to induce innocent investors to enter in the market. Such transactions are clearly not genuine and were solely entered by the Vivenasri for creating misleading appearance of trading in the scrip. Therefore, it can be concluded that Vivenasri had traded in the scrip in a manner which created artificial volume in the scrip of Datasoft.
 - f. Considering the role of Newfin, I note that the only charge as against it is of transferring 26,600 shares of Datasoft to the demat account of Vivenasri in off-market. It is seen that for such transfer Newfin has not furnished any reconciliation despite of various opportunities. I have seen the material on record and I am unable to find as to how the transfer of 26,600 shares by Newfin had created false or misleading appearance of trading in the securities market. Having considered this, I am inclined to give benefit of doubt to Newfin on the charge of violation of the provisions of Regulation 4(b) of the PFUTP Regulations.
7. I note that Mr. K. Satyajit Ray, Mr. A. Rajendra Prasad and Mr. P.V. Murlikrishna were the directors of Vivenasri at the relevant point of time and responsible for the affairs of the company. In view of the above, I find the noticees guilty of violating the provisions of Regulation 4(b), 4(c) and 4(d) of the PFUTP Regulations.
8. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11 and 11B of the SEBI Act, 1992, do hereby issue following directions:

- a. Dispose of the show cause notice dated December 21, 2009 as against Newfin Financial Services Private Limited and its directors Mr. G.S. Sridhar and Mr. P.V. Murlikrishna [PAN: AHNPP 6355K] without any directions.
 - b. Vivenasri Financial Services Limited and its directors Mr. A. Rajendra Prasad [PAN: ABLPA 2819H], Mr. P.V. Murlikrishna [PAN: AHNPP 6355K], Mr. K. Satyajit Ray are restrained from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of six months from the date of this order.
9. This order shall be served on all the recognized stock exchanges and the depositories to ensure that the entities mentioned above are not allowed to undertake transactions as prohibited above.
10. This order shall come into force with immediate effect.

DATE : 25/JANUARY/2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA