BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. IVD-ID7/SVIL-PS/AO/DRK/SS/EAD3/166-09/69-2010]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5(1) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

Against
Prince Securities
(Address at
10 – A, Etkhar Housing Society, Lokhandwala Road,
Andheri (W), Mumbai – 400053)

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) had conducted an investigation into the dealings in the shares of Silicon Valley Infotech Limited (hereinafter referred to as **'SVIL/Company'**) during the period November 01, 2002 to April 23, 2003 (hereinafter referred to as the **'investigation period'**). The shares of the Company were traded on The Calcutta Stock Exchange Limited (hereinafter referred to as **'CSE'**) and the Bombay Stock Exchange Limited (hereinafter referred to as **'BSE'**) during the investigation period. SVIL was grouped under B1 segment in BSE.

2. SVIL was incorporated as a Public Limited Company on 29.08.1983. The Company is primarily carrying out the business of financing loans and investment of shares and securities and is a NBFC registered with RBI.

3. The price of the scrip of SVIL opened at Rs.8.60/- on 01.11.2002 and reached Rs.9.50/- on 26.12.2002. Thereafter the scrip picked up momentum and went upto Rs.65.75/- on 23.04.2003. On a few days (i.e. on 28.01.2003, 29.01.2003, 03.02.2003 and 11.04.2003) the volumes were exceptionally higher.

4. Total traded quantity as provided by CSE in the scrip was 70,15,661 shares. The trading by major stock-brokers was as follows:

Name of the Stock Broker	**Buy Quantity as reported by CSE**	**Sell Quantity as reported by CSE**
Bubna Stock Broking Services Ltd.	22,40,000	24,10,000
Prakash Nahata & Co.	20,23,848	20,36,177
M. Bhiwaniwala & Co.	17,27,411	16,93,100

5. Majority of the trades were cross deals. Although the transactions were claimed to be for different clients, the client codes were entered randomly and the reason being quoted is ‘to avoid margins’. The trades were then distributed to the respective clients. There was no settlement-wise pay-in / pay-out of funds as well as securities to clients. Promoter related entities were major sellers through all the stock-brokers.

6. The promoter companies of SVIL holding more than 1% during the investigation period were Arihant Ltd. and ATN International Ltd., where both are listed companies. Also, Arihant Ltd., ATN International Ltd. and Blue Chip India Ltd. were ‘companies under the same management’ as SVIL as defined under Section 370(1B) of the Companies Act, 1956.

APPOINTMENT OF ADJUDICATING OFFICER

7. I was appointed as the Adjudicating Officer vide order dated December 10, 2008 (subsequent to the transfer of the previous Adjudicating Officer Shri Biju S.), under Section 15 I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **'SEBI Act'**) read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge under Section 15HA of the SEBI Act, the violations of Regulation 4(a), (b), (c) and (d) 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 **'PFUTP Regulations, 1995'**) read with the provisions of Regulation 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations, 2003'**), alleged to have been committed by Prince Securities (hereinafter referred to as the **'noticee'**).

SHOW CAUSE NOTICE, REPLY AND HEARING

8. A Show Cause Notice No. A&E/SVIL/DRK/SS/162608/2009 dated May 07, 2009 (hereinafter referred to as the **'SCN'**) was sent to the noticee through Registered Post Acknowledgment Due (**RPAD**) in terms of the provision of Rule 4(1) of the Adjudication Rules, seeking reply of the noticee as to why an inquiry should not be held against it in respect of the violations alleged to have been committed by the noticee.

9. In the SCN it was alleged that the noticee along with the buyer Rocky Marketing Pvt. Ltd. (hereinafter referred to as **'Rocky'**) had colluded with the stock-broker Bubna Stock Broking Services Ltd. (hereinafter referred to as **'Bubna'**) and other promoter related selling entities like Ojas

Suppliers Ltd., Amluckie Investment Co. Ltd., Divya Dealers Ltd., Abhijeet Cement Ltd. (formerly Sabera Tradelink Pvt. Ltd.), Dhansafal Vyapaar Ltd., ACME Resources Ltd. (formerly Mantra Online Ltd.), Casecade Power Ltd. (formerly Casecade Dealcom Pvt. Ltd.) and Hanurang Projects Ltd. and had purchased the shares of SVIL in order to create artificial volumes and manipulate the price of the scrip SVIL in CSE. The total traded quantity as provided by CSE in the scrip of SVIL is 70,15,661. It was alleged that the noticee had purchased 8.75 lakh shares through the stock-broker Bubna.

10. It was alleged that the noticee along with the aforementioned buyer, Rocky, stock-broker, Bubna and promoter related seller entities had adopted a modus operandi wherein the noticee acted as the buyer and the promoter related entities acted as the sellers. It was observed that during the period of January 17, 2003 to January 27, 2003, 19 lakh shares of SVIL were transferred by the promoter related entities of SVIL to the demat account of Bubna. It was alleged that the noticee started buying the scrip on recommendation from Bubna. The deals were executed as cross deals wherein the noticee was the buyer and the promoter related entities were the sellers.

11. It was observed that the deals were entered in random client codes on the trading platform of CSE in order to avoid margins. This continued till February 3, 2003. During the process the noticee had acquired 8.75 lakh shares and the price had moved from Rs.7.00/- to around Rs.9.50/- – 11.80/-. It was observed that the noticee had dealt only in the said scrip and that there was a debit balance of Rs.70.75 lakhs in its account with Bubna. It is also observed that the noticee had arranged for third party cheques to the tune of Rs.15 lakhs approximately. Even though there was a debit balance of Rs.55 lakhs in the noticee’s account, it was alleged that 8.75 lakh shares were transferred to the noticee’s account. It was also alleged that out of the said 8.75 lakh shares, 3.75 lakh shares were in turn transferred to entities which claimed to be known by the noticee and the remaining 5 lakh shares were returned to Bubna.

12. It was also alleged that the noticee's proprietor, Shri Pradeep Babel, had purchased 67,829 shares through Action Financial Services (India) Ltd. on BSE.

13. During the investigation it was seen that SVIL's scrip in BSE opened at Rs.8.60/- on 1.11.2002 and gradually moved upwards with a difference of 10 & 20 paise till Rs.9.50/- on 26.12.2002. The price picked up momentum there-after and went upto Rs.65.75/- on 23.04.2003. While it was observed that on most of the days the volumes had been in multiples of thousands, on a few days, it was noted that the volumes were exceptionally higher which are listed as under:

Date	Price (in Rs.)	Volume
28.01.2003	8.45	1913970
29.01.2003	8.10	2077361
03.02.2003	15.70	1964070
11.04.2003	59.75	1045625

14. It was stated in the SCN that the share price at CSE was much at variance when compared to the price of BSE, which could have been attributable to the cross deals executed at CSE wherein the price discovery as well as volumes were artificial and manipulated.

15. The SCN came back undelivered by the postal authority with the remark 'address not known'. Subsequently, a copy of the SCN was sent to the noticee through its stock broker, Bubna vide a letter dated June 04, 2009. However, the stock-broker replied vide letter dated 21/07/2009 that the SCN could not be served on the noticee due to unavailability of the office of the noticee at the given address. The stock-broker sent back the envelope containing a copy of the SCN marked to the noticee.

16. Subsequently, a copy of the SCN was sent for affixture on November 04, 2009 to the last known address. However, the same could not be affixed due to 'short address.'

17. NSDL and CDSL were also asked for the address of the noticee. NSDL forwarded the address of one 'Prince Shares and Securities Private Limited'. The ROC website was also checked for the address of the noticee and the address of one 'Prince Securities Services Private Limited', Mumbai, was found. The Operations Department of SEBI was also approached to provide the full address of the noticee. Subsequently, a personal hearing notice dated February 05, 2010 enclosing a copy of the SCN and scheduling a personal hearing on February 24, 2010 was sent to the noticee by Hand Delivery at the addresses received from the Operations Department of SEBI and from the ROC website since the name was found to be similar to that of the noticee. The hearing notice along with a copy of the SCN was also simultaneously sent for affixture at the two addresses.

18. The hearing notice sent to the address received from the Operations Department of SEBI came back undelivered with the remark 'no such company at the given address'. The copy sent to the address taken from the ROC website was delivered. However, a letter dated 16/02/2010 was received from 'Prince Securities Services Private Limited' stating that:
    a. The hearing notice was delivered at the registered address of 'Prince Securities Services Private Limited' and no concern named 'Prince Securities' existed or had ever existed at that address.
    b. 'Prince Securities Services Private Limited' did not have share trading or investment activities.
    c. 'Prince Securities Services Private Limited' had never made any transactions with the stock-broker, Bubna for the scrip of SVIL or any other scrip.
    d. In the SCN it was stated that Shri Pradeep Babel was the proprietor of Prince Securities. However, 'Prince Securities Services Private

Limited' stated that it did not know any person or concern named above.

e. It stated that it appeared that the notice was wrongly served to 'Prince Securities Services Private Limited'.

19. All attempts of serving the SCN / personal hearing notice on the noticee as per the Adjudication Rules failed. Further attempts of serving the SCN on the noticee through the stock-broker also failed since the stock-broker was unable to serve the SCN on the noticee. Considering the facts and circumstance of the case, the SCN / personal hearing date was informed vide Newspaper publications. SEBI issued a public notice on April 9 and April 10 in Hindustan Times, Mumbai edition (and other cities editions too) and also in local newspapers, Sakal (Mumbai) and Lokmat (for Pune) and other regional newspapers wherein names of entities to whom SEBI had issued show cause notices / personal hearings were listed. The noticee's name was mentioned in the public notice dated April 10, 2010 for unserved Show Cause Notices, at Serial No. 7, under the list for the Adjudicating Officer, Shri D Ravikumar. Also, in the public notice dated April 09, 2010 for new hearing dates, the noticee's name was mentioned at Serial No. 13, under the list for the Adjudicating Officer, Shri D Ravikumar. The new date for personal hearing was given for April 19, 2010 at 11:00 am. In the public notices it was stated that the notices were also made available on the SEBI website under the heading 'unserved Summons/ Notices'. Also, if the entities wished to reply to the SCN they should do so within 14 days from the date of the publication and also where the hearing dates were scheduled, the noticees should attend the hearings on the said date, failing which the matter would be decided ex-parte. The noticee neither collected a copy of the SCN nor attended the personal hearing without furnishing any reasons for the same. In view of the above attempts made to serve the SCN and personal hearing notices through Registered Post Acknowledgement Due, Hand Delivery Acknowledgement Due and affixtures as prescribed in the Adjudication Rules and further service through stock broker and notices in newspapers, I am fully convinced that the Principles of Natural Justice is complied with.

In view of the above steps taken to deliver the SCN and personal hearing notices and in the absence of any response from the noticee, I am compelled to pass an ex-parte order against the noticee based on the material made available on record.

CONSIDERATION OF EVIDENCE AND FINDINGS

20. I have taken into consideration the facts and circumstances of the case and the materials made available on record.

21. The allegation against the noticee in the SCN was that it was in violation of Regulation 4 (a), (b), (c) and (d) of the PFUTP Regulations, 1995 read with Regulation 13 of the PFUTP Regulations, 2003, since its actions had resulted in fraudulent and unfair trade practices. The provisions of the said regulations are as hereinafter:

PFUTP Regulations, 1995

"Prohibition against Market Manipulation

4. No person shall -

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;"

PFUTP Regulations, 2003

"Repeal and savings

13. (1) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 is hereby repealed.

(2) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.

(3) Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations."

22. The violations mentioned in the above paragraphs make the noticee liable to penalty under Section and 15HA of the SEBI Act. The relevant text of the Section is stated hereinafter:-

"[15HA. Penalty for fraudulent and unfair trade practices.-
If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.]"

23. The noticee has not submitted any reply to the SCN nor attended the personal hearing even after the newspaper publication with respect to the SCN / personal hearing and hosting of the same on the SEBI website. Inspite of the above steps taken to serve the SCN / Personal Hearing Notice, the noticee has failed to make any submissions / correspondence. From the above actions of the noticee, it can be concluded that the noticee has not shown any inclination to cooperate with the current adjudication proceedings. Ample time and opportunities were provided to the noticee to make its detailed submissions / to appear for the personal

hearing. However it has chosen neither to make any submissions nor to appear for the personal hearing. In this scenario, I am compelled to pass an ex-parte order against the noticee.

24. It was observed from the Investigation Report (**IR**) that all the promoter related selling entities, namely, Ojas Suppliers Ltd., Amluckie Investment Co. Ltd., Divya Dealers Ltd., Abhijeet Cement Ltd. (formerly Sabera Tradelink Pvt. Ltd.), Dhansafal Vyapaar Ltd., ACME Resources Ltd. (formerly Mantra Online Ltd.), Casecade Power Ltd. (formerly Casecade Dealcom Pvt. Ltd.) and Hanurang Projects Ltd. had sold huge quantities of shares of SVIL through the same stock-broker, namely Bubna and during the same period. Also, all these shares sold by the promoter related selling entities have been bought mainly by the two purchasers namely, Rocky and the noticee. These purchasers also bought the shares only through Bubna. All these events cannot be a mere coincidence. The table hereinafter illustrates the shares bought and sold by the entities through the stock-broker Bubna during the investigation period:

Serial No.	**Name of the Entity**	**Bought**	**Sold**
01	**Prince Securities**	**8,75,000**	
02	Casecade Power Ltd. (earlier known as Casecade Dealcom Pvt. Ltd.)		1,50,000
03	Ojas Suppliers Ltd.		1,50,000
04	Amluckie Investment Co.Ltd		10,00,000
05	Divya Dealers Ltd.		3,50,000
06	Abhijeet Cement Ltd. (earlier known as Sabera TradeLink Pvt. Ltd.)		2,50,000
07	Dhansafal Vyapaar Ltd.		2,10,000
08	Acme Resources Ltd. (earlier known as Mantra Online Ltd.)		1,50,000
09	Pramod Agarwal	3,00,000	
10	Hanurang Projects Ltd.		1,50,000

Serial No.	Name of the Entity	Bought	Sold
11	Rocky Marketing Pvt. Ltd.	10,55,000	
	Total Qty reported by the Stock-Broker	**22,30,000**	**24,10,000**

25. As per the Investigation Report (**IR**), the noticee bought 8.75 lakh shares through Bubna on CSE. It was alleged in the SCN that the noticee along with another buyer, Rocky, stock-broker, Bubna and promoter related seller entities had adopted a modus operandi wherein the noticee acted as the buyer and the promoter related entities acted as the sellers. It was observed that during the period of January 17, 2003 to January 27, 2003, 19 lakh shares of SVIL were transferred by the promoter related selling entities of SVIL to the demat account of Bubna. It was alleged that the noticee started buying the scrip on recommendation from Bubna. The deals were executed as cross deals wherein the noticee was the buyer and the promoter related entities were the sellers.

26. It was observed from the IR that the deals were entered in random client codes on the trading platform of CSE in order to avoid margins. This continued till February 3, 2003. During the process the noticee had acquired 8.75 lakh shares and the price had moved from Rs.7.00/- to around Rs.9.50/- – 11.80/-. It was also observed from the IR that the noticee had dealt only in the said scrip and that there was a debit balance of Rs.70.75 lakhs in its account with Bubna. It is also observed that the noticee had arranged for third party cheques to the tune of Rs.15 lakhs approximately. Even though there was a debit balance of Rs.55 lakhs in the noticee's account, 8.75 lakh shares were transferred to the noticee's account. Out of the said 8.75 lakh shares, 3.75 lakh shares were in turn transferred to entities which claimed to be known entities of the noticee and the remaining 5 lakh shares were returned to Bubna. It was also observed from the IR that subsequently the noticee's debit balance increased to Rs.2.13 crores.

27. It was also observed from the IR that the noticee's proprietor, Shri Pradeep Babel, had purchased 67,829 shares through Action Financial Services (India) Ltd. on BSE.

28. On BSE the price rose from Rs.8.60/- on 01.11.2002 to Rs.65.75/- on 23.04.2003 (i.e. an increase of approximately 664.53%). The number of shares traded was also very high. The noticee itself individually bought 8.75 lakh shares during the investigation period as can be observed from the table above. Such huge no. of shares traded in the scrip was calculated to create a false and misleading appearance of trading in the scrip. Further it was observed from the IR that the noticee had dealt in the scrip of SVIL only.

29. It is observed from the IR that there was no settlement wise pay-in / pay-out of funds as well as securities to the noticee and the promoter related selling entities by the stock broker Bubna. The difference in shares bought / sold and delivered by Bubna to its clients (i.e. the promoter related selling entities) and the purchasers, Rocky and the noticee leads to the conclusion that there was a prior understanding amongst the promoter related selling entities, the purchasers (i.e. Rocky and Prince Securities) and the stock-broker Bubna to create artificial volumes and manipulate the price of the scrip of SVIL.

30. In view of all these events as discussed in pre paras, it can be concluded that the noticee indulged in artificially creating volumes and manipulated the price of the scrip of SVIL in violation of the provisions of the PFUTP Regulations, 1995 read with PFUTP Regulations, 2003 as stated in pre-paras.

31. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Rules require that while adjudging the quantum of penalty, the adjudicating officer shall have due regard to the following factors namely;

"a. the amount of disproportionate gain or unfair advantage wherever quantifiable, made as a result of the default

b. the amount of loss caused to an investor or group of investors as a result of the default

c. the repetitive nature of the default"

32. In this case, it also becomes necessary to quote the judgment of the Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC) dated May 23, 2006 where it was held that :

"*once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow*".

33. Considering the above facts and findings, it can be concluded that the noticee has violated Regulation 4 (a), (b), (c) and (d) of the PFUTP Regulations, 1995 read with Regulation 13 of the PFUTP Regulations, 2003. It is also to be noted that the IR has not quantified the profit / loss for the nature of violations carried out by the noticee and no quantifiable figures are made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of the fraudulent trade practices.

34. Considering the violations committed by the noticee, I hereby impose a penalty of Rs.6,00,000/- (Rupees Six Lakhs only) under Section 15HA of the SEBI Act, on the noticee which is appropriate in the facts and circumstances of the case.

ORDER

35. In exercise of the powers conferred under Section 15 I of the Securities and Exchange Board of India Act, 1992, and Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I impose a penalty of Rs.6,00,000/- (Rupees Six Lakhs only) on Prince Securities, having its last known address at 10 – A, Etkhar Housing Society, Lokhandwala Road, Andheri (W), Mumbai – 400053, in terms of the provisions of Section 15HA of the Securities and Exchange Board of India Act, 1992 for its violation of the provisions of Regulation 4(a), (b), (c) and (d) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

36. The penalty shall be paid by way of Demand Draft drawn in favour of "SEBI – Penalties Remittable to Government of India" payable at Mumbai within 45 days of receipt of this order. The said Demand Draft shall be forwarded to the Chief General Manager, IVD-ID7, Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

37. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995 copies of this order are being sent to Prince Securities and also to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai
Date: June 16, 2010

D. RAVI KUMAR
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER