

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

WTM/GA/124/ISD/01/07

ORDER UNDER SECTION 11B AND 11D OF THE SEBI ACT, 1992, AGAINST SHRI ANIRUDH SETHI AND THE BUSINESS NAME “STOCK MARKET NAVIGATOR”(SMN)

1 Background

- 1.1 It has been noticed that some entities are offering investment advices/tips on purchase and sales of securities through media. Such recommendations aired through public media and their influence on the investors has been the concern of SEBI, particularly when the misleading information affects the market integrity, as unsuspecting investors fall prey to such information while making investment decisions. SEBI has earlier initiated actions against entities who attempted to mislead the general investing public by giving recommendation on securities through print and electronic media.
- 1.2 In continuance of the avowed objective to safeguard market integrity, SEBI looked into the advertisements issued by one Shri Anirudh Sethi in the name of “Stock Market Navigator” in the stock quotation section of financial dailies viz. “Business Standard” and “Financial Express”. Hereinafter Shri Anirudh Sethi and the business name “Stock Market Navigator”(SMN) are collectively referred as “Shri Anirudh Sethi”. The content of the one such advertisement which appeared in “Business Standard” dated November 16, 2006 is reproduced below:

“Dear Traders & Investors, we are proud to announce that your Favorite (Stock Market Navigator) SMN is entering the 18th year. In this long successful journey our Newsletter in Internet, Articles, in Pink Papers etc. have become Heart-Throb of millions of market players from India as well Abroad. Our Real-time On-Line SMS recommendations are the ultimate to capture market moves for earning quick money.

On this eventful occasion, we are making a delightful very limited offer to the numerous aspiring On Line Clients:

Just pay Rs 50, 000 as Fee for full One Year
(Its only Rs 200 per day)

U will be getting 15 to 25 SMS
each day both for Short & Long, Cash Stock & Futures
Small-caps & Large-caps, Delivery & Intra-day

Our SMS is suitable to all classes of Mkt Participants

Gear-up, Get – Set for a Superior Life-style

Pl Note: No Trials, No Monthly/Qtrly break-ups
Anirudhsethi71@yahoo.com”

1.3 In the advertisement, Shri Anirudh Sethi has solicited business from prospective investors to subscribe to “Stock Market Navigator” on payment of Rs. 50000 p.a. per investor for receiving recommendation to buy or sell the shares of listed companies. It is also noted that Shri Anirudh Sethi gives recommendations on one of the website viz. [valuenotes.com](http://www.valuenotes.com) on a regular basis with an advice to contact him at the following email addresses:

http://www.valuenotes.com/tw_dailies/asksmnteam@yahoo.com
http://www.valuenotes.com/tw_dailies/may17_2004@yahoo.com
anirudhsethi71@yahoo.com

1.4 It is also found that a website viz. www.sensexandnifty.com has been hosted to spread awareness about “Stock Market Navigator”. As per the said website, “Stock Market Navigator” is headed by Chief Analyst & CEO, Shri Anirudh Sethi located at Baroda, Gujarat. It is stated that “Stock Market Navigator” is a team of professionals and technical analysts having an experience of more than 15 years in the Indian Stock Market and Shri Anirudh Sethi is a professional analyst having a rich experience of around 15 years successfully predicting the movement of Indian Stock Market. The vision of “Stock Market Navigator” is reported to be as mentioned below:

“At a small price of nominal fees charged by us, it is our endeavor to ensure that targets of all clients should be met. Yes, you fix any kind of target from 5 digit figure to 8 digit figure and it will be met. Tell us your capacity and financial strength we will maximize the returns for you. We have a long lasted vision of seeing all people associated with us to successfully fulfill the stock market their dreams of life.”

The address of “Stock Market Navigator” (Shri Anirudh Sethi) as given in the website www.indianyellowpages.com is B-228, Anand Baugh Society, Makarpura Road, Behind Suseen, Baroda, Gujarat.

2. Acting as a Portfolio Manager without SEBI Registration

2.1 In the advertisement, Shri Anirudh Sethi is offering to provide recommendations/tips on shares of listed companies to traders/investors on payment of certain amount as a fee. Hence, a contractual obligation arises between Shri Anirudh Sethi and investors/traders, out of such kind of fee based service of providing stock specific recommendations. This act of Shri Anirudh Sethi giving stock specific recommendations to the traders/investors on a contractual basis falls within definition of activities of Portfolio manager as defined in Regulations 2(e) of SEBI (Portfolio Managers) Regulations, 1993 which is given as under:

“Portfolio manager means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the

management or administration of a portfolio of securities or the funds of the clients, as the case may be”

Therefore, it prima-facie appears that Shri Anirudh Sethi acted as a “Portfolio Manager” without obtaining registration from SEBI to act as a “Portfolio Manager” as required under Section 12 of SEBI Act, 1992 and Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993. The relevant provisions of the said Section and Regulations are reproduced below:

<i>Section 12 (1) of SEBI Act</i>	<i>No stock-broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the (regulations) made under this Act.</i>
<i>Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993.</i>	<i>No person shall carry on any activity as a portfolio manager unless he holds a certificate granted by the Board under the Regulations.</i>

3. Scrip Specific Information Announced by Shri Anirudh Sethi

3.1 It was noticed that the advertisement issued by Shri Anirudh Sethi also contains a stock specific recommendation with an assurance of price rise on account of certain company specific information which is not made public. SEBI had advised the exchanges to verify with the company with regard to the company specific news made by Shri Anirudh Sethi for the period from October 16, 2006 to November 16, 2006. SEBI had conducted a scrutiny of data received from the exchanges and analysis of post-recommendation impact on the price and volume of the scrip. The findings of the same as given below:

3.2 The details of the scrip specific information given by Shri Anirudh Sethi on the print as well as on the electronic media and the response of the companies, for the selected days, is given below:

Table A: Details of the advertisements by Shri Anirudh Sethi

Sr No	Date of Recommendation (Media)	Scrip	Contents of Advertisement (Company specific news indicated in italics and in bold letters)	Details of verification with company/announcement by the company
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Sr No	Date of Recommendation (Media)	Scrip	Contents of Advertisement (Company specific news indicated in italics and in bold letters)	Details of verification with company/announcement by the company
1	9-Oct-06 <i>(valuenotes.com)</i>	Tamilnadu Petroproducts Ltd	<p>“Technically looking hot...Today if trades above 21.50 grab 1000-25000-1 lac shares and enjoy huge explosion. Nonstop rally upto Rs.28.25, 32 not ruled out. Shareholders please hold upto Rs.32 + level. Today & Tomorrow....99.99% will hit freeze. So you can take risk of Rs.2.60...Your stoploss Rs.18.50 and considered Rs.16.50 as rock bottom. It will hit freeze!!!!!!”</p> <p><i>“Tamilnadu Petroproducts Ltd (TNPL) Holds 1.9 cr (16.6%) in Henkel India, Henkel KGaA to Buy TNPL's 16.6% Stake in Henkel India at RS 40/share. TNPL to gain Rs 76 cr Â...(9 RS/share)”</i></p>	No such news was informed to the Stock Exchange by the Company.
2	12-Oct-06 <i>(valuenotes.com)</i>	Glenmark Pharmaceutical Ltd (GPL)	<p>“Stock will surge by Rs.50-75. Any decline buy!!!”</p> <p><i>“A Molecule deal with Merck on the cards, expect the news in next 48 Hrs, Deal worth \$75 Millions.”</i></p>	Announcement dated (17-Oct-2006 around 18:00 hrs): Glenmark Pharmaceuticals is set to earn Eur 190 million (Rs 1,077.5 crore) from Merck KGaA by licensing the German major to develop a diabetes drug.
3	18/10/06 (Financial Express)	SKS Ship Ltd.	Prefrential Issue to Bada bhai at Rs. 75/-; Expansion plan for 2500 Crores	No such news was informed to the Stock Exchange by the Company.
4	19/10/06 (Financial Express)	Millars India Ltd.	The target price recommended was Rs.99 to Rs.118. Company holds 10.6% in GMM Pfaunder worth Rs.26 crores and has granted joint development rights worth Rs. 14.40 crore.	No such news was informed to the Stock Exchange by the Company.
5	27/10/06 (Financial Express)	Standard Industries Ltd.	It was mentioned that Mukesh (Bada Bhai) is buying the scrip	No such news was informed to the Stock Exchange by the Company.
6	2/11/06 (Financial Express)	Synergy Log-in Systems	30-52 in one month State has approved thea acquisition of 500 acres of land to create a IT hub	No such news was informed to the Stock Exchange by the Company..
7	7-Nov-06 Financial Daily	Tamilnadu Telecommunications	<p>“Your stop loss Rs.19 if trades above Rs.21.... by 25,000-1 lac shares and watch one side freeze upto Rs.34, Rs.42. Whole world will buy this stock..... you will get jump of 50-60% in coming days.”</p> <p><i>“Fujikura, Japan holds 14%. Disinvestment of TCIL through IPO – TCIL to sell its 31% stake in TN Tele. Government holding = 60%. TIDC holds 29% Buy this</i></p>	No such news was informed to the Stock Exchange by the Company..

Sr No	Date of Recommendation (Media)	Scrip	Contents of Advertisement (Company specific news indicated in italics and in bold letters)	Details of verification with company/announcement by the company
			<i>stock before TCIL IPO hits the market."</i>	
8	7-Nov-06 Financial Daily	HFCL	<p>"Darling of the year 2000 traded at NSE as HFCL (Stock will make all of you multimillionaire) Buy for day / swing trading or hold for 10 – 15 days. Above 27-25 if trades risk only 50 paise or 26-50. 101% will zoom to upper freeze. Nonstop rally upto 37, 39, 41 level. Buy 1-5 lac shares at opening bell and earn unexpected money. Don't raise eyebrows ... FIIs hold about 35%."</p> <p><i>"Has a strong order book of nearly Rs.620 crore plus Rs.450 crore contract with Reliance Infocomm for supply of CDMA based mobile handsets and fixed wireless phones. Trigger for Firework: Optical fibre business is getting sold for Rs.160 + crores."</i></p>	No such news was informed to the Stock Exchange by the Company.
9	10/11/06 (Financial Express)	Sybyl Industries Ltd.	In Dec 06 -22/25-50+ - Tie up with USA & Tokyo Companies	No such news was informed to the Stock Exchange by the Company.
10	13-Nov-06 (Financial Express)	Repro India Limited	<p>"Watch upper freeze."</p> <p>"Major order received from Microsoft."</p>	No such news was informed to the Stock Exchange by the Company.
11	13-Nov-06 (Financial Express)	Indiabulls Financial Services Limited	<p>"Jump of Rs.100/-"</p> <p><i>"Stock split NEWS on card."</i></p>	No such news was informed to the Stock Exchange by the Company.
12	14-Nov-06 (Financial Express)	Supreme Petrochem Ltd	<p>"Traded at NSE too as SUP Petro. Technically looking very explosive. Thirsty day traders Do you know hope is the last gift given to man. So today at opening bell... try to catch this baby if trades above Rs.29 with volumes, it will zoom Rs.36, 38, 42 in hours only. A jump of Rs.12-15 on card. Stoploss 27, consider 25 as rock bottom. We boldly recommend 25,000-1 lac shares and freeze in first 10 minutes not ruled out. Don't raise eyebrows."</p> <p><i>"Sales for FY June end 2006 = 1430 Crore. MCAP = 292 Crore only which is less than Q1 September sales of 2006. Supreme Inds holds 29.6%, R.Raheja Investments Pvt Ltd hold 29.6%, Stake Sale news on Cards at unexpected Price Level. Why RVF and leading funds running behind???"</i></p>	Exchange had written a letter to the company for rumour verification. However, company denied it.

Sr No	Date of Recommendation (Media)	Scrip	Contents of Advertisement (Company specific news indicated in italics and in bold letters)	Details of verification with company/announcement by the company
13	20-Nov-06 valuenotes.com	The Dhanalakshmi Bank Ltd.	<p>“Grab @ opening bells & hold for two sessions. Today, if trades above Rs.42/- with volumes.... Grab Rs.10,000 – 25,000 or 1 lac shares for Day Trading. Today itself Will try to kiss Rs.52-54.50... nonstop rally. Your stop loss of Rs.39/- in next 2-3 days whole world will run to buy this stock. Buy today or regret after 2-3 sessions.... Choice is yours.. Our ultimate target in this rally in next few days Rs.62-70/-”</p> <p>“Highly places sources after acquiring stake in chinese BANK huaxia bank, deutsche bank has picked up stake in INDIAN private bank !!!”</p>	Exchange had written a letter to the company for rumour verification. However, company denied it.
14	21-Nov-06 (Financial Express)	Bharat Electronics Ltd	<p>Buy</p> <p>“Defence PSU Bharat Electronics (BEL) has bagged an order for supply of 2 lakh set top boxes (STBs) from Wire and Wireless India (WWIL), a Zee Group company.”</p>	Bharat Electronics Ltd informed that exchange that it had issued a press release dated 20/11/06 that the Company has bagged a prestigious order for supply of 200,000 nos. of Set Top Boxes (STBs) from M/s. Wire and Wireless India Ltd of Zee Group, Mumbai.
15	29-Nov-06 valuenotes.com	CESC Ltd	<p>“Ready to kiss: 411-425 December 2006 .. Risk Rs.12-15. BUY Today. Just Grab December Future . . . If trades above 349.50.. . . It will zoom to kiss 370-381 in hours only. *We boldly recommend to buy 10-50-100-500 lot !! *Yes , Today itself expect huge short covering in Nov segment. *Stop-loss :Rs. 335.”</p> <p>“Land sale . . . is nothing , we expect major announcement from Center.”</p>	No such news was informed to the Stock Exchange by the Company.
16	7-Dec-06 valuenotes.com	Siemens Ltd.	<p>“Very intelligent traders are buying this stock... Don’t trade no problem.... They want people should go short... and they will trap everybody... Spurt of Rs.100-125 very soon !!”</p> <p>“Bonus Announcement On Card.”</p>	Exchange had written a letter to the company for rumour verification. However, company denied it.

3.3 It is seen from the above table that Shri Anirudh Sethi has made price sensitive announcement viz. future plans of the companies, bonus etc which on verification by the exchanges with the concerned company were either found to be denied by the said company or the company has not made any announcement to that effect to the exchange.

3.4 In the advertisement, Shri Anirudh Sethi has issued a disclaimer/disclosure in fine print that “*the objective of publication is to promote the Science & Art of Technical Analysis to forecast price movements and this information should not be construed as an offer to buy or sell securities of any kind*”. However, it was observed that most of the recommendations made by him contained an assurance of price rise alongwith the company specific news relating to company's business, its future prospects, bonus etc, which were either denied by the said company or in respect of which the company has not made any such announcement to that effect to the exchange.

4. **Impact on Price and Volume of the Shares of the Company**

4.1 Analysis of trading in the shares of companies, for which Shri Anirudh Sethi had given advertisements, was carried out to ascertain its impact on the price and volume of concerned scrips. The details of the analysis are given in table below:

Table A: Price Impact and Volume Impact Analysis

Sr No.	Date of Recommendation (Day T)	Scrip	Shares Prices (In Rs.)				Traded Volumes (no of shares)			
			Close Price as on T- 2 day	Close Price as on T-1 day	High Price as on Day T day	Close Price as on T+1 day	Volume on T- 2 day	Volume T-1 day	Volume on T day	Volume on T+1 day
1	9-Oct-06	Tnpetro	17.35	17.75	21.30	22.40	59490	165637	852799	2050830
2	12-Oct-06	Glenmark	325.5	321.85	362.00	341.60	652612	411743	1602948	1266571
3	18/10/06	SKS Ship Ltd.	34.35	41.20	44.60	38.85	133198	343874	1220637	58973
4	19/10/06	Millars India Ltd.	73.15	85.15	94.00	91.15	29393	81654	356218	51368
5	27/10/06	Standard Industries Ltd.	46.40	48.70	51.10	50.20	296103	857599	398436	388274
6	2/11/06	Synergy Log-in Systems	17.15	20.55	24.65	22.65	21282	222012	908373	332822
7	7-Nov-06	Tamilnadu Telecommunications	18.95	20.80	21.80	20.20	181364	212302	404134	132509
8	7-Nov-06	HFCL	25.25	27.15	29.45	27.25	2611011	7148344	13441465	5009136
9	10/11/06	Sybyl Industries Ltd.	21.10	22.90	23.90	20.10	124653	1028736	2411857	322395
10	13-Nov-06	Repro	107.7	118.50	126.00	107.25	88450	236860	190702	91147
11	13-Nov-06	Indiabulls	477.1	508.20	531.40	556.95	2834530	6848674	2874674	6604830
12	14-Nov-06	Sup Petro	24.8	29.80	32.85	26.25	67920	660792	1419141	156167
13	20-Nov-06	Dhanbank	36.1	43.35	52.05	45.05	63643	509720	1312033	551713
14	21-Nov-06	BEL	1,120.90	1107.05	1,165.45	1169.85	175444	129982	208758	195719
15	29-Nov-06	CESC	342.6	344.75	353.90	341.75	125524	159942	161696	82336
16	7-Dec-06	Siemens	1,175.30	1160.15	1,193.90	1169.50	1001204	740576	1305534	1301221

4.2 It is seen from the above table that shares prices of the above companies have gone up on the day of recommendation given by Shri Anirudh Sethi in the media. However, next day, the share prices of 13 companies, out of 16 companies had fallen next day. Further, it is also observed from the above table that the volumes traded on the day on which recommendation appeared in the media had increased substantially as compared to previous day. It is pertinent to mention that during this period, the companies either denied the existence of such information or had not sent any notice to the stock exchange as statutorily required under the Listing Agreement.

4.3 This suggests that company specific news was planted by Shri Anirudh Sethi in the media which had an impact on the price and trading volume of the shares of the concerned company, which were not substantiated by the companies, except in two cases out of sixteen cases. It appears that the major objective of Shri Anirudh Sethi for issuing such advertisement is to attract the investors to subscribe to his services provided through emails and/or SMS messages on making certain payment to him.

5. **Violation of SEBI Regulations**

5.1 From the above, it is apparent that Shri Anirudh Sethi is inducing the investors to deal in the shares of a particular company by disseminating company specific information, through advertisement on print and electronic media, which had not originated from the company and which had not been confirmed by the company. This act of Shri Anirudh Sethi is in violation of Regulation 4(1) read with Regulation 2(1)(c)(5) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 [SEBI (FUTP) Regulations]. The relevant provisions of the said regulations are reproduced below:

<i>Regulation 4(1)</i>	<i>(1) No person shall indulge in a fraudulent or an unfair trade practice in securities</i>
<i>Regulation 4(2)</i>	<i>(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud</i>
<i>Regulation 2(1)(c)(5)</i>	<i>(c): "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include-</i> <i>(1)...</i> <i>(2)...</i> <i>....</i> <i>(5): a representation made in a reckless and careless manner whether it be true or false;</i> <i>...</i> <i>(8): a false statement made without reasonable ground for believing it to be true;</i> <i>(9)...</i> <i>And "fraudulent" shall be construed accordingly</i>

5.2 The above act of Shri Anirudh Sethi is also in violation of Regulations 4(2)(k) and 4(2)(r) of SEBI (FUTP) Regulations. The relevant provisions of the said Regulations are reproduced below:

<i>Regulation 4(2)</i>	<i>Dealing in securities shall be deemed to be fraudulent or an unfair trade practices if it involves fraud and may include all or any of the following, namely:-</i>
<i>Regulation 4(2)(k)</i>	<i>An advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;</i>
<i>Regulation 4(2)(r)</i>	<i>Planting false or misleading news which may induce the sale or purchase of securities.</i>

5.3 The aforesaid provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 are statutory provisions aimed at ensuring market integrity and protecting the lay investors.

6 Conclusion

6.1 Shri Anirudh Sethi, disseminated company specific information through advertisement on print and electronic media which has been denied by the company and in respect of which the company had not sent any notice to the Stock Exchanges as statutorily required under Listing Agreement. This is a clear case of an attempt to mislead the investors by indulging in activities prejudicial to the price discovery mechanism of the Stock Exchange. Hence, Shri Anirudh Sethi has violated the above said provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Further, it prima-facie appears that Shri Anirudh Sethi acted as a “Portfolio Manager” without obtaining registration from SEBI to act as a “Portfolio Manager” as required under Section 12 of SEBI Act, 1992 and Regulation 3 of the SEBI (Portfolio Managers) Regulations, 1993.

6.2 Having regard to the foregoing, it is apprehended that lay investors could be further misled on account of such continuous dissemination of untrue information. As a regulator, it is SEBI’s duty to take immediate steps to prevent such persons from further misleading investors and impairing the integrity of the market. Accordingly, in this case I feel that immediate action is called for in the interest of the investing public.

7 Order

7.1 Therefore, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the SEBI Act, 1992 read with Section 11B and 11D, I hereby, by way of, ex-parte order, direct Shri Anirudh Sethi and the business name “Stock Market Navigator”(SMN) to cease and desist from giving investment advice to clients including any recommendations containing company specific news which amounts to violation of Regulation 4(1) read with Regulation 2(1)(c)(5) and Regulation 4(2)(k) and 4(2)(r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

- 7.2 Further, Shri Anirudh Sethi and the business name “Stock Market Navigator”(SMN) are directed to cease and desist from acting as an unregistered portfolio manager until they are registered with the Board in terms of Section 12 of SEBI Act read with Regulation 3 of SEBI (Portfolio Managers) Regulations, 1993.
- 7.3 The above order is without prejudice to the any other action that may be initiated against the said violations.
- 7.4 I also take this opportunity to caution investors to take informed investment decisions without being influenced by such recommendations given in the public media.
- 7.5 The print and electronic media has a wide reach; therefore, they have a responsibility cast on them for exercising due care and diligence to ensure that such persons do not misuse the power and credibility of the media for illegal pecuniary gains.
- 7.6 The above order shall take effect immediately. However, the entities/persons against whom this order is issued may file their objections, if any, to this order within 15 days from the date of this order at the Securities and Exchange Board of India, SEBI Bhavan, C4-A, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

Place : Mumbai

Date :19/1/2007

**G ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**