

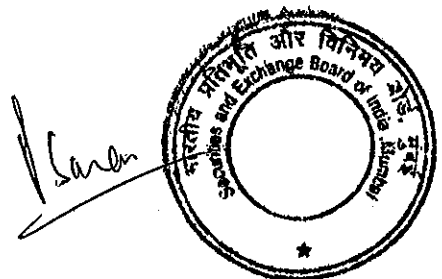
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

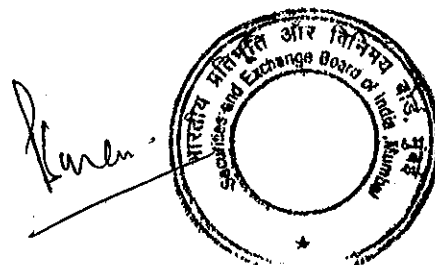
ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF INITIAL PUBLIC OFFER OF PG ELECTROPLAST LIMITED AGAINST ALFA FISCAL SERVICES PRIVATE LIMITED (PAN:AABCA8192K) AND ITS DIRECTORS MR.HARDIK R BAGADIA (PAN:AHKPB6972F) AND MR.BHAVESH NATWARLAL SHETH (PAN:AHGPS8751A)

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had, pending investigation, vide an ad interim ex-parte order dated December 28, 2011 (hereinafter referred to as 'the Order'), in the matter of Initial Public Offer of PG Electroplast Limited, *inter alia* prohibited Alfa Fiscal Services Private Limited (hereinafter referred to as 'Alfa') (PAN:AABCA8192K) and its Directors Mr.Hardik R Bagadia (PAN:AHKPB6972F) and Mr.Bhavesh Natwarlal Sheth (PAN:AHGPS8751A) from buying, selling or dealing in the securities market, in any manner whatsoever, till further directions. The Order *inter alia* stated that Alfa and its abovementioned directors might file their objections, if any, within twenty one days from the date of the Order and, if they so desired, avail themselves of an opportunity of personal hearing.
2. Alfa, vide its letter dated January 11, 2012 requested SEBI for grant of inspection of certain documents. Meanwhile, Alfa, on behalf of itself and its abovementioned directors, filed written submissions vide its letter dated January 16, 2012. Subsequently, an opportunity of inspection of documents was provided to Alfa on February 08, 2012 wherein trade details and order book positions pertaining to Alfa were inspected by it and copies of the same were provided to it. Further, vide letter dated March 26, 2012, the details of Last Traded Price (LTP) for the buy orders of Alfa was provided to it. Alfa, vide letter dated April 03, 2012, *inter alia* confirmed that it did not require inspection of any further documents.

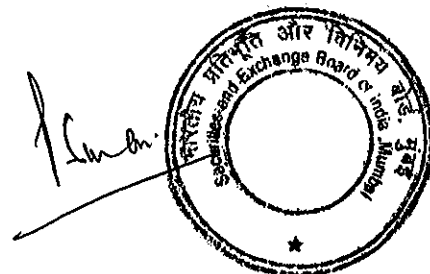


3. In the meanwhile, Mr. Bhavesh N. Sheth, vide his undated letter received by SEBI on March 14, 2012, *inter alia* submitted that as a result of the Order, all his investments, which he has made from his personal finances (which are earned by him in his capacity as an individual distinct and separate from the company) have been frozen depriving him of his legitimate right to liquidate the investments at opportune times and requested to permit him to sell off his investments (other than shares of PG Electroplast Ltd. if any) pending hearing in the matter purely on ad-interim basis.
4. An opportunity of personal hearing was granted to Alfa and its abovementioned directors (hereinafter collectively referred to as 'the entities') on May 03, 2012. Mr. Somasekhar Sundaresan (Advocate), accompanied by Mr. Ravichandra Hegde, Mr. Hardik R Bagadia and Mr. Nilesh Natwarlal Sheth, appeared before me on the said date and made submissions on behalf of the entities.
5. At this stage, the limited issue to be considered is whether on a consideration of the submissions made by the entities, the ad interim ex-parte directions issued vide the Order dated December 28, 2011 against the entities should be confirmed, vacated or modified in any manner. Before proceeding further, it is necessary to refer to the background of the matter which is summarized as follows:
6. PG Electroplast Ltd. (hereinafter referred as 'PGEL') came out with its Initial Public Offer (IPO) for issue of 57,45,000 equity shares of face value of Rs.10/- each through 100% book building process. The issue price of the IPO was Rs.210 per equity share, aggregating to approx. Rs.120.65 Crores. The scrip was listed at the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) on September 26, 2011. On the date of listing, the scrip opened at Rs.215 at NSE, increased to intra-day high of Rs.484.4 (NSE) and closed at Rs.415.3 i.e. almost double the issue price of Rs.210.
7. During investigation, it was noted that Alfa had purchased 6,80,051 shares (6,44,827 shares at NSE and 35,244 shares at BSE) and sold 6,30,051 shares (5,94,827 shares at NSE and 35,244 shares at BSE) on Sept 26, 2011 (date of



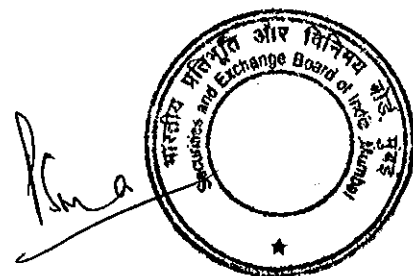
listing). The analysis of variation in LTP revealed that Alfa had placed most of its orders at prices higher than the LTP. On analyzing the bid orders and ask orders, it was noted that Alfa had been putting its buy orders at prices higher than the pending ask rates (for the order quantity required by it). A total of 3,37,661 shares (out of total buy of 6,44,827 shares by Alfa at NSE) by Alfa were traded with such buy orders when the buy order was placed at higher prices than the available sell orders in the system. The placement of such orders on continuous basis indicated that the intention of Alfa was to increase the price of the scrip of PGEL. Alfa (directors Bhavesh Natwarlal Sheth and Hardik R Bagadia) indulged in manipulation of the price of the scrip and has therefore *prima facie* violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (FUTP Regulations).

8. The entities have made *inter alia* these submissions vide letter dated January 16, 2012 as well as during the course of personal hearing on May 03, 2012, as summarized below:
- a. Alfa has been carrying on the business of dealing in securities since 1999. One of its main objects is to do the business of an investment company and has been doing so for past three years. It has been an active trader in the securities and derivative market and also engages in arbitrage trading and jobbing which has been its major source of income.
 - b. Alfa and its directors have no connection with the directors, promoters or any entities directly or indirectly connected with PGEL or with any entity mentioned in the Order.
 - c. There was a high volatility in the scrip of PGEL on the listing day. On the trading date, an average of 60 trades per second were executed on both the exchanges and there was considerable movement in the price and volume. Given the fact that large amount of trades were executed in the

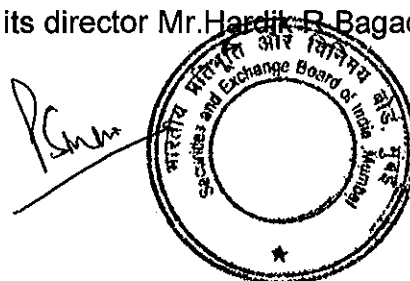


scrip, placing buy orders at the prevailing market price would not have resulted in the share being available for purchase by any interested buyer. It is customary to place orders at a price higher than the best available rate when the intent is to buy shares in a volatile market. In a volatile market, placing limit orders as per the best bid and ask rates will not result in the execution of buy orders since the price would have already increased by such time.

- d. Large number of trades with significant price differences are executed per second on the exchange. Given such high volatility and enormous amount of orders placed and pending on the exchange, there cannot be any cogent or scientific basis for calculating the LTP. Thus, the basis for calculating LTP in the Order needs to be relooked and ascertained and the Table No. 18 of the Order needs to be recalculated. The observation regarding punching of orders has to be further viewed with the hindsight that there will be a broadcast delay between the actual trade executed at the exchanges and the information displayed on the terminals.
- e. Due to extreme volatility in price and volume of the share of PGEL on the listing day, there was a delay of 1 to 3 seconds for the actual market price and volumes to appear on the trading terminals. The prevailing market price has negligible significance in cases where the prices are highly volatile and fluctuating especially on the day of listing.
- f. Substantial portion of the orders remained unexecuted as the price of the scrip was shooting up very fast. However, with a view to purchase the shares, they deleted all the unexecuted orders and in lieu thereof, placed limit orders to ensure that the order gets executed.
- g. There was significant fluctuation in the price of shares of PGEL and it increased significantly even during the period when Alfa did not trade any orders.

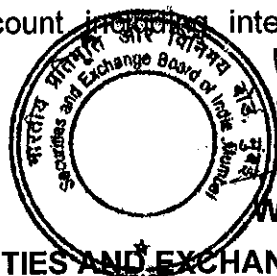


- h. Trades executed by Alfa are insignificant and miniscule. Their trading amounted to approx. 0.95% of the total trading over the exchanges and cannot be in any way be said to have impacted the price of the scrip.
9. I have considered the submissions made by the entities and other material available on record. I find from records that there are many instances where Alfa had put buy orders at prices higher than the LTP and the pending ask rates for the quantity required by it. The extent of difference between the order price and LTP price was as high as Rs.17. An illustration of the same, as seen from the Order, is as follows. Alfa had placed its buy order (no. 2011092652325823) at 14:15:08 for 8,000 shares at Rs. 260. The buy order by Alfa was placed at much higher price than the LTP of Rs.245.05. Further, the best 5 sell orders, which appeared on the screen during that instance, were in the range of Rs.244-245. Another instance quoted in the Order is that Alfa placed several buy orders at Rs.300 which got executed at prices in the ranges of Rs.283-284.3 (for order no. 2011092651865888), Rs.284.75-285.8 (for order no. 2011092651866531) and Rs.288.6-289.75 (for order no. 2011092651888018). However, Alfa kept on placing its buy orders at Rs.300. Therefore, it is clear that Alfa had placed its buy order at a price much higher than the LTP and the available sell orders.
10. I find from records that a total of 3,37,661 share (out of total buy of 6,44,827 shares by Alfa at NSE) by Alfa were traded with such buy orders when the buy order was placed at higher prices than the available sell orders in the system. The placement of such orders on continuous basis indicates that the intention of Alfa was to increase the price of the scrip of PGEL. I find that the submissions of the entities fail to credibly justify the abovementioned trading pattern by Alfa.
11. I note that the investigation in the matter is under progress. SEBI is expected to expeditiously complete the investigation in the matter in the interest of justice and thereafter shall take appropriate actions in accordance with law. Therefore, at this stage, considering the facts and circumstances of the case and the material available on record, I do not find any merit in vacating or modifying the Order dated December 28, 2011 as regards Alfa and its director Mr. Hardik R Bagadia.



12. As regards Mr. Bhavesh Natwarlal Sheth, I have considered his submission, made vide his undated letter received by SEBI on March 14, 2012. I note that he has claimed that all investments made by him are earned by him in his capacity as an individual, distinct and separate from Alfa. Considering the debarment of over 8 months undergone by him while investigation is under progress, I am of the considered opinion that the said request of Mr. Bhavesh Natwarlal Sheth may be granted and directions made in the Order against Mr. Bhavesh Natwarlal Sheth be modified to a limited extent to take care of the same.

13. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued vide the ad interim ex-parte Order dated December 28, 2011 in the matter of IPO of PG Electroplast Limited, against Alfa Fiscal Services Private Limited (PAN:AABCA8192K) and its director Mr. Hardik R Bagadia (PAN:AHKPB6972F) and modify the directions issued vide the said Order against Mr. Bhavesh Natwarlal Sheth (PAN:AHGPS8751A) to the limited extent of allowing him to sell the securities, other than the shares of PGEL, held by him, if any, in his demat accounts. Mr. Bhavesh Natwarlal Sheth shall deposit sale proceeds, in case of any sale, in a bank fixed deposit earning interest and he shall not be allowed to withdraw monies from the said account ~~in respect of~~ interest without the prior permission of SEBI.



PRASHANT SARAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: September 05, 2012.