



INVESTORS' GRIEVANCES FORUM

SEBI Regn. No. : IGG/SM/3179/2000
ISO 9001:2000 Certified

President : Dr. KIRIT SOMAIYA
Ex-MP, F.C.A., Ph.D.

IGF/SEBI/318/05

22nd September, 2005

Shri S.S. Palanimanikkam
Hon'ble Minister of State (Revenue)
Ministry of Finance
Government of India
New Delhi

Dear Sir,

Sub: APPEAL FOR VIGILANCE ON PENNY STOCKS

Every Bull Run results in unscrupulous promoters taking advantage and manipulating the stock prices by organized trading, false advertisement, manipulating results, Stock split (just to have low value per share) etc.

Penny stocks are the companies that generally do not have any business, no track record, loss making and unknown promoters. These are the stocks where manipulation takes place and investors get carried away in the hope of fast profits. These are the stocks, which eventually kill the investors and the capital market.

A separate category of such companies, i.e. "Penny stock list" be prepared. Couple of years back, BSE started this category. There is also "T-to-T" category. In the similar manner, "P" category be prepared for Penny stocks. Penny stocks can be defined easily. This will give message to Small Investors and to the economy to be 'alert'.

Hence We Appeal:

1. To identify such stocks based on P/E ratio e.g. say Stock with PE over 50 and shift to separate category.
2. Stocks in Z category.
3. Stocks which have multiplied by over 10 times in the past one year without any corporate development.
4. Generally manipulation is done in fancied sectors. Hence analysis of penny stocks in those sectors is required. E.g Construction, Engineering, Financial services etc
5. Identify mischievous promoters of earlier bull runs and place high alert on their stocks.
6. Not to permit stock split for penny stocks as this makes manipulation easier.



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- 2 -

7. To analyze results and advertisement of Penny stocks so as to ascertain their genuinity.
8. Continuous Investor Alert through media by SEBI/stock exchanges of such stocks.
9. There are some turnaround growth stocks. However the P/E's are abnormally High. Such stocks should be on vigil.
10. Delisting of such stocks after the sharp run harms the investors. Delisting should be a preventive measure to be initiated before the run-up of the stock. In delisting, the investors only loose but the promoters get the cake and eat it too.

Request to do the needful.

Thanking you,

Yours faithfully,
For **INVESTORS' GREIVANCES FORUM**

Dr. Kirit Somaiya , Ex M.P.
President