



FOR FAVOUR OF PUBLICATION

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The Chief Reporter/ Business Reporter**IGF demands action and separate category for Penny Stocks**

Like 1992 Harshad Mehta scam, 1995-97 vanishing companies scam, 2001 KP scam, Penny stocks prices are rising again in 2005.

Investors' Grievances Forum (IGF) delegation consisting of President, Dr. Kirit Somaiya, ex MP, Hinesh Doshi, Satya Vedula, met SEBI Whole Time Member in charge of Surveillance Dept., Mr. Anantharaman. SEBI has also expressed concern about the abnormal price rise of penny stocks.

A separate category for such penny stocks, whose prices have gone up more than 10 times, should be created, demanded IGF. This could be done at par with Z category and 'T-to-T' category,

IGF also submitted a list of 24 companies to SEBI. The list has stated that companies, whose shares were quoted at Re.1/- has gone high upto Rs.13/- with P/E ratio of 70. Penny stock, whose price was Rs.4/-, has gone upto Rs.93/- with P/E ratio of 83. The list also includes names of companies having P/E ratio of 627.

Dr. Kirit Somaiya stated that 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.

IGF demanded –

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 which have multiplied by over 10 times in the past one year without any corporate development.
3. Identify mischievous promoters of earlier bull runs and place high alert on their stocks.
4. Not to permit stock split for penny stocks as this makes manipulation easier.
5. To analyze results and advertisement of Penny stocks so as to ascertain their genuinity.
6. Continuous Investor Alert through media by SEBI/stock exchanges of such stocks.

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