

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

AGAINST M/S. VEEKRANT STOCKS AND FINANCE PRIVATE LIMITED, MEMBER, THE STOCK EXCHANGE, MUMBAI (SEBI REGISTRATION NO. INB 010994336) UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

Whereas, an investigation was conducted into the unusual price movement in the scrip of Sawaca Communications Limited (hereinafter referred to as SCL) during the period 01.10.99 to 31.03.00 and it was brought out that the price of the scrip went up from Rs. 19.35/- per share in 01.10.99 to a high of Rs. 106.00/- per share on 04.01.00, and,

whereas, there was nothing in the fundamentals of SCL nor there was any corporate developments which could have justified the steep movement in the scrip of SCL, and,

whereas, M/s. Veekrant Stocks & Finance Pvt. Ltd., Member, The Stock Exchange, Mumbai, (hereinafter referred to as 'the member') had dealt in the scrip of SCL on behalf of M/s. Harvic Management Services Ltd. (hereinafter referred to as HMSL) through its sub-broker, M/s. M. S. Investments (hereinafter referred to as MSI). A total of 14,200 shares were purchased and 63,600 shares were sold for HMSL, and,

whereas, an enquiry officer was appointed vide an order dated 24.07.03 to inquire into the role of the member for its dealings in the scrip of SCL for its ultimate client, HMSL through its sub-broker MSI and to inquire into the violation of the provisions of Clause A (2) of the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, and,

whereas, the enquiry officer after inquiring into the violations of the member had submitted a report dated 20.09.04, concluded that the member has failed to exercise due skill, care and diligence and has therefore violated the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. Therefore, the enquiry officer recommended that the member be advised to exercise greater in dealings in securities in future, and,

whereas, a show cause notice dated 28.09.04 was issued to the member annexing a copy of the enquiry report asking it to reply within 15 days or else it would be presumed that the member had no explanation to offer and SEBI would be free to take such action as it deems fit, and,

whereas, a reply dated 07.10.04 was received from the member stating that the findings of the enquiry officer do not lead to the conclusion that the member has failed to exercise due care and diligence. Therefore, the member requested that the proceedings against it be dropped, and,

whereas, the issue for consideration is whether the member is guilty of violating the provisions of the provisions of Clause A (2) of the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, by virtue of its carrying out the deals for its ultimate client HMSL.

I have considered the enquiry report dated 20.09.04 and the reply of the member dated 07.10.04 to the findings in the enquiry report.

I have noted that HMSL is one of the main manipulators in the scrip of SCL apart from M/s. Mayekar Investments and Shri Mahendra A. Shah. HMSL had traded a total of 77,800 shares in the scrip of SCL through the member and its various sub-brokers. Of this, a total of 66,900 shares have been dealt by the member through MSI for HMSL constituting about 87% of the volumes dealt with by the member for HMSL.

The member has submitted that the findings of the enquiry officer do not lead to the conclusion that the member has not exercised proper care and diligence in the performance of its duties. I do not agree with the submission of the member after considering the volume of transactions that the member has put through for the ultimate client through itself and its sub-brokers. MSI alone contributing about 87% of all the deals would have raised doubts in the minds of any prudent individual. An intermediary with intricate knowledge of the market and its activities having allowed the transactions to be carried on without any clue only shows the lack of diligence on its part in the performance of business activities. Expecting external agencies, such as SEBI, to alert any undesirable event in the market, when the member itself is in the thick of things, only shows the member's unwillingness to be careful in its duties.

Therefore, I am inclined to agree with the view of the enquiry officer that the member has violated Clause A (2) of the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 by carrying on transactions in the scrip of SCL for HMSL through its sub-broker MSI.

Now, therefore, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with regulations 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby direct M/s. Veekrant Stocks and Finance Private Limited, member, The Stock Exchange, Mumbai (SEBI Registration No. INB 010994336) to exercise greater care in dealings in securities in future.

Place: Mumbai
Date: 10.01.2006

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA