

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 13 (4) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

AGAINST M/S H T NANAVATI SECURITIES PVT. LTD., MEMBER, THE STOCK EXCHANGE, MUMBAI, REGN NO. INB 010990330 AND M/S HIRALAL THAKORDAS NANAVATI, MEMBER, THE NATIONAL STOCK EXCHANGE, REGN NO. INB 230439326 IN THE MATTER OF JAYANT AGRO ORGANICS LTD.

Background :

1. The shares of M/s Jayant Agro Organics Ltd. (hereinafter referred to as 'JAOL') having its registered office at 13, Sitafal wadi, Dr. Mascarenhas Road, Mazgaon, Mumbai – 400010, are listed on the National Stock Exchange (hereinafter referred to as 'NSE') and Bombay Stock Exchange (BSE).
2. Investigations into the dealings of the shares of JAOL during the period from September 18, 2000 to March 13, 2001 (hereinafter referred to as "investigation period") conducted by SEBI prima facie found involvement of certain brokers in fluctuations in the share price during the said period. Vide order dated November 27, 2002, an Enquiry Officer was appointed under SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") to enquire in to the alleged violations of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and SEBI (Prohibition of Fraudulent

and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 by M/s. H T Nanavati Securities Pvt. Ltd., Member, BSE and M/s. Hiralal Thakurdas Nanavati, Member, NSE (hereinafter referred to as the "said brokers") who were found to have transacted significant quantities in the shares of JAOL on behalf of its promoters during the investigation period.

3. The Enquiry Officer after conducting the enquiry in terms of the procedure prescribed under the Enquiry Regulations submitted his report on April 13, 2004 recommending a minor penalty of censure against both the brokers.

Show Cause Notices and replies:

4. Separate show cause notices dated May 6, 2004 along with the enquiry report were issued to the said brokers communicating the findings and recommendation of the Enquiry Officer and advising them to show cause as to why the action as considered appropriate should not be taken against them.
5. M/s H T Nanavati Securities Pvt. Ltd. submitted its reply dated May 18, 2004 to the said show cause notice submitting interalia that all the orders were placed on behalf of the clients and there were no proprietary trade. However, no reply was received from M/s. Hiralal Thakurdas Nanavati. After about a year a M/s. Hiralal Thakurdas Nanavati sent a letter dated June 16, 2005 in reply to the show cause notice was received by SEBI interalia submitting that he has surrendered his membership to NSE and requested for issuance of surrender of certificate of registration.

Consideration of the issues and findings :

6. I have carefully considered the facts of the case, the findings of Enquiry Officer, show cause notice issued, the reply received from M/s H T

Nanavati Securities Pvt. Ltd and the letter received from M/s. Hiralal Thakurdas Nanavati.

7. With regard to M/s H T Nanavati Securities Pvt. Ltd., the issue that arises for consideration is whether they had indulged in price manipulation in the scrip of JAOL between September 18, 2000 and November 03, 2000 for their clients including those belonging to Udeshi Family, the promoters of JAOL and used client code number 11 for all these clients.

In the reply submitted by M/s H T Nanavati Securities Pvt. Ltd., it was stated that all the orders referred to in the show cause notice were placed on behalf of the clients and there was no proprietary trades. It was further submitted that these clients include family members of Udeshi also who are the promoters of the JAOL. It was further submitted that Udeshi family had bought only 3325 shares during the relevant period. Regarding usage of client code "11" for many clients, it was submitted that the said code was used for its ease in entering orders to gain advantage in time preference when the market opened for trading and the same was done to facilitate the client's orders. It was also submitted that there was no intention for manipulation and therefore the minor penalty of censure recommended by the Enquiry Officer may be waived.

I note that as per the de-mat account of Udeshi's family, the promoters of JAOL, they had bought 3325 shares through this member between 23/10/2000 and 3/11/2000 but did not sell them thereafter. I also note that the volumes of the member on 2/11/2000 and 3/11/2000 were 54 and 50 shares respectively as against the total volumes of 53684 and 69881 shares at BSE. In light of these facts, I agree with the findings of Enquiry Officer that the member was not indulged in price manipulation of the scrip of JAOL.

I further note that all orders of clients including Udeshi's family and others were given a common client code no.11 by the member, but the member has submitted that this client code was given for convenience so as to enter the order with speed and accuracy. I however agree with the EO that assignment of common client code for different clients is a procedural irregularity.

8. With regard to M/s Hiralal Thakurdas Nanavati, I agree with the findings of the Enquiry Officer that in the facts and circumstances of the case, it cannot be said that broker was setting the prices at high levels with a single digit sell orders preceded by a buy order at a price higher than the previous days closing price.

I however note from the Enquiry Report that the persons related with the directors of broking firm traded in the shares of JAOL during the same time when the promoter family of JAOL had purchased the shares through the broker. The broker could have avoided this so as to place all his transactions above board.

From the letter dated June 16, 2005 written by M/s Hiralal Thakurdas Nanavati to SEBI, I find that it was submitted that he has surrendered his membership to NSE and requested SEBI for cancellation of certificate of registration as surrendered.

9. In view of the above, I, in the absence of any substantial information, agree with the recommendation of the Enquiry Officer.

Order:

10. Thus, on a conspectus of the facts of the case and material attendant circumstances, I, in exercise of the powers conferred upon me in terms of

Section 19 of SEBI Act, 1992 read with Regulation 23 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and Regulation 13(4) of SEBI (Procedure for holding Enquiry by Enquiry Officer and imposing penalty) Regulations, 2002 hereby censure M/s. H. T. Nanavati Securities Pvt. Ltd and M/s Hiralal Thakurdas Nanavati and direct them to be more diligent in complying with the SEBI Act, 1992 and the Rules and Regulations framed there under.

Date: 01-02-2006

Place: Mumbai

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA