

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V.K CHOPRA, WHOLE TIME MEMBER

**Against Agbros Securities Pvt. Ltd. Broker – Calcutta
Stock Exchange in the scrip of Ranbaxy Limited**

DATE OF HEARING: 13.10.2006

APPEARANCES:

FOR COMPANIES/ BROKERS:

- 1 Shri Narendra Balasia, Director, M/s Agbros Securities Pvt. Ltd
- 2 Shri. Prakash Shah, Authorised Representative of M/s Agbros Securities Pvt. Ltd

FOR SEBI:

1. Mrs Barnali Mukherjee, DGM, SEBI

ORDER

**{Under Regulation 13(4) SEBI (Procedure for Holding Enquiry
by Enquiry Officer and Imposing Penalty) Regulations, 2002}**

1.0 BACKGROUND

- 1.1 Ranbaxy Laboratories Ltd. (hereinafter referred to as “Ranbaxy”) was incorporated in June 1961 and engaged mainly in the business of manufacturing and marketing of pharma products. The price of the scrip of Ranbaxy had moved up significantly from Rs.270/- in January 1999 to about Rs.1200/- in October 1999 accompanied with significant increase in volumes. Considering the above major spurt in price and volumes traded in the Exchanges particularly on the Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE) and Calcutta Stock Exchange (CSE), Securities and Exchange Board of India (hereinafter referred to as “the Board”) had conducted investigation into the dealings of many brokers in the shares of Ranbaxy including M/s Agbros Securities Pvt. Ltd., a

broker (hereinafter referred to as “the Broker”) CSE with SEBI Registration No.INB031017534.

- 1.2 The Board after considering the Investigation Report, appointed an Enquiry Officer vide Order dated November 27, 2002 to enquire into the violations of the provisions of Regulation 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to as “PFUTP Regulations”) Regulation 7 read with clause A(3) and (4) of the Code of Conduct for Stock Brokers as specified in Schedule II of SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 (hereinafter referred to as “Stock Brokers Regulations”) and Rules, Regulations and Bye-laws of Stock Exchanges.
- 1.3 The Enquiry Officer, after conducting an enquiry in accordance with the provisions of Regulation 6 of the Securities and Exchange Board of India (Procedure for holding Enquiry by Enquiry Officer and imposing penalty) Regulations, 2002 (hereinafter referred to as “Enquiry Regulations”) submitted a report dated November 14, 2003 wherein he observed that the Broker violated the provisions of SEBI circular No.SMDRP/POLICY/CIR-32/1999 dated September 14, 1999; Regulation 7 read with clause A(3) and (4) of Code of Conduct as specified in Schedule II of Stock Brokers Regulations and Regulation 4(b) & (c) of PFUTP Regulations. He recommended suspension of registration of the Broker for a period of six months.

2.0 SHOW CAUSE NOTICE

- 2.1 Pursuant to the receipt of the said Enquiry Report, a Show Cause Notice dated December 05, 2003 was issued to the Broker, enclosing therewith a copy of the said Enquiry Report and advising him to show cause as to why the action as recommended by the Enquiry Officer or any other penalty deemed appropriate

should not be imposed on them. The Broker submitted its reply to the show cause notice vide letter dated January 01, 2004.

3.0 REPLY OF THE BROKER TO THE SHOW CAUSE NOTICE

"The findings of the Enquiry Officer in Point no. 5.2 that we had executed synchronized / matching trades in the shares of Ranbaxy Laboratories Ltd. with the Counter Party is wrong and denied. The mere fact that in all the cases order quantity and price are the same with the Counter Party quantity and price cannot and should not form the basis of concluding that these are synchronized / matching trades. Because if this is taken as the criteria then we are sure many of the trades executed at Stock Exchanges would be termed as synchronized / matching trades which cannot be the case.

In reply to the finding in Point No. 5.3 we state that there was no prior understanding with the Counter Party in the trades executed by us.

The contention of the Enquiry Officer that 10,40,000 shares were still matched by the Member with other counter party members is wrong and denied even the trade of these shares were executed by us in the normal course of business at the prevailing market rate on 'C' Star screen based trading system of Calcutta Stock Exchange these were genuine trades and it may be please noted that the 'C' star screen based trading system while making purchase or sale sauda we do not know the identity of the Counter Party broker with whom our purchase or sale order gets matched. There is no mechanism by which we can come to know who the Counter Party broker is even if we want to know about it.

As also confirmed by the Enquiry Officer in Point No. 5.5, it will be observed that the % of the alleged matching transaction to our total transaction in the shares of Ranbaxy Laboratories Ltd. during the period under consideration is quite less at 10.36%.

The finding of the Enquiry Officer in Point no. 5.7 that our trades were not executed through the normal price and order mechanism of the Exchange is wrong and denied as already explained in above in our Point no. 1.

As all our trades were genuine and in the normal course so there was no Violation of Regulation 7 read with clause A(3) and (4) of Code of Conduct as specified in Schedule II of SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 as mentioned in Point no. 5.8. Similarly there was no violation of the Provisions of Regulation 4(b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995.”

4.0 HEARING

- 4.1 In the said reply to show cause notice, the broker requested for personal hearing. The broker was accordingly advised to attend the personal hearing before me at Head Office SEBI at Mumbai on October 13, 2006 at 2.45p.m. Shri Narendra Balasia, Director, M/s Agbros Securities Pvt. Ltd and Shri. Prakash Shah, Authorised Representative of M/s Agbros Securities Pvt. Ltd attended the hearing and also sought a weeks time to file their written submission which was granted. Accordingly written submission dated October 27, 2006 was filed on October 31, 2006. I have considered the said written submission while dealing with the issues involved in the matter.

5.0 CONSIDERATION OF ISSUES & FINDINGS

- 5.1 I have carefully examined the Enquiry Report, Show Cause Notice, Reply of the broker and written submission.
- 5.2 The scrip of Ranbaxy Laboratories Ltd. (herein after referred as Ranbaxy) traded around the price range of Rs.270/- at the beginning of January 1999. The price of

the scrip moved up to Rs.320/- by the end of January 1999. Subsequently, price continued to move upward during February – March 1999 and reached to Rs.650/- by end of March 1999. Further, the price of the scrip moved to Rs.700/- during May 1999 and came down to Rs.600/- during June 1999. The price subsequently moved upwards and touched Rs.800/- during July 1999 and Rs.1000/- during August 1999. The scrip was being traded in the range of Rs.900/- to Rs.1100/- during August – September 1999 and increased to Rs.1200/- during October 1999. Effectively the price of the scrip moved up from Rs.267 on 01.01.99 to a high of Rs.1215/- on 13.10.99. Later on the price started falling gradually and closed at Rs.869 on 29.10.99 at BSE. The price of the scrip of Ranbaxy had moved significantly during the period from Rs.270/- in January 1999 to about Rs.1200/- in October 1999. The price rise in the scrip was accompanied with significant increase in volumes.

- 5.3 I find that the Enquiry Officer has arrived at a conclusion in his enquiry report that the broker had carried out 67 instances of synchronization of trades with a view to create misleading appearance of trading which tampers with price discovery mechanism of stock exchange .
- 5.4 I find that the charges levelled against the Broker are on the basis of the aforesaid synchronized trades. The synchronized trade is a kind of transaction where the seller and buyer execute the trade for almost same quantity and price at substantially the same time. I find that synchronized deal per se is not illegal. On the other hand, the synchronized deal with fraudulent or deceptive intention to create misleading appearance of trading and to manipulate the price and volume of the scrip price to tamper the price discovery mechanism of stock exchange with a view to get undue gain out of it, is no doubt a serious matter.
- 5.5 Hence the issue to be decided in this case is whether the broker has carried out any such synchronized trades and to take a decision as to whether the penalty recommended by the enquiry officer against the broker is proper or not. In order

to decide the said issue, I felt it necessary to analyze the details of synchronized trades executed by the broker which is hereunder;

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy orderrate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
Agbros Securities Pvt. Ltd.	3/23/1999	15:07:53	10000	675.00	SANJAY KHEMANI	15:07:53	10000	675.00	0:00:00	0.00
SANJAY KHEMANI	4/21/1999	15:29:43	25000	610.70	Agbros Securities Pvt. Ltd.	15:29:42	25000	610.70	0:00:01	0.00
SHRUTI MOHTA	5/10/1999	10:51:13	5000	719.50	Agbros Securities Pvt. Ltd.	10:51:13	5000	719.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	5/10/1999	12:52:54	10000	730.50	HERALD EQUITIES PVT. LTD.	12:52:55	10000	730.50	0:00:01	0.00
Agbros Securities Pvt. Ltd.	5/10/1999	13:03:29	7000	729.30	CITIZEN SECURITIES (P) LTD	13:03:29	7000	729.30	0:00:00	0.00
Agbros Securities Pvt. Ltd.	5/10/1999	14:32:13	6300	730.70	M/s Loknath Saraf	14:32:13	6300	730.70	0:00:00	0.00
Agbros Securities Pvt. Ltd.	5/11/1999	10:55:42	15000	758.40	ASHOK KUMAR PODDAR	10:55:41	15000	758.40	0:00:01	0.00
Agbros Securities Pvt. Ltd.	5/11/1999	15:05:24	14000	740.50	DINESH KUMAR SINGHANIA & CO.	15:05:24	14000	740.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	5/17/1999	11:35:42	25000	736.50	HERALD EQUITIES PVT. LTD.	11:35:42	25000	736.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	5/18/1999	13:43:01	15000	719.50	HERALD EQUITIES PVT. LTD.	13:43:01	15000	719.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	6/1/1999	11:12:23	30000	643.60	SHRUTI MOHTA	11:12:21	30000	643.60	0:00:02	0.00
Agbros Securities Pvt. Ltd.	6/1/1999	12:20:48	50000	651.20	SANJAY KHEMANI	12:20:49	50000	651.20	0:00:01	0.00
Agbros Securities Pvt. Ltd.	6/1/1999	12:32:08	30000	655.90	KANODIA STOCK BROKING (P) LTD	12:32:08	30000	655.90	0:00:00	0.00
Agbros Securities Pvt. Ltd.	6/1/1999	13:42:44	20000	642.70	KANODIA STOCK BROKING (P) LTD	13:42:43	20000	642.70	0:00:01	0.00
Agbros Securities Pvt. Ltd.	6/1/1999	14:17:51	15000	644.50	TACKEL STOCK BROKING SERVICES(	14:17:51	15000	644.50	0:00:00	0.00
SANJAY KHEMANI	6/9/1999	14:53:03	75000	605.80	Agbros Securities Pvt. Ltd.	14:53:03	75000	605.80	0:00:00	0.00
SANJAY KHEMANI	6/9/1999	14:53:21	75000	606.30	Agbros Securities Pvt. Ltd.	14:53:21	75000	606.30	0:00:00	0.00
SHRUTI MOHTA	6/21/1999	11:36:24	7500	589.00	Agbros Securities Pvt. Ltd.	11:36:24	7500	589.00	0:00:00	0.00

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy orderrate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
PREM RATAN BAHETY	6/23/1999	14:59:24	5000	675.90	Agbros Securities Pvt. Ltd.	14:59:23	5000	675.90	0:00:01	0.00
Agbros Securities Pvt.	6/28/1999	14:18:26	14000	676.80	HERALD EQUITIES PVT.	14:18:26	14000	676.80	0:00:00	0.00
Agbros Securities Pvt. Ltd.	6/28/1999	15:52:57	15000	675.20	TACKEL STOCK BROKING SERVICES(	15:52:57	15000	675.20	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/6/1999	15:08:23	25000	690.80	SANJAY KHEMANI	15:08:24	25000	690.80	0:00:01	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	11:53:35	25000	712.50	KANODIA STOCK BROKING (P) LTD	11:53:35	25000	712.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	11:53:45	25000	712.50	KANODIA STOCK BROKING (P) LTD	11:53:45	25000	712.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	11:59:15	5000	714.10	SHRUTI MOHTA	11:59:15	5000	714.10	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	12:38:42	10000	720.40	KANODIA STOCK BROKING (P) LTD	12:38:41	10000	720.40	0:00:01	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	15:14:38	25000	726.50	SHRUTI MOHTA	15:14:38	25000	726.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	15:22:18	15000	724.50	SHRUTI MOHTA	15:22:17	15000	724.50	0:00:01	0.00
Agbros Securities Pvt. Ltd.	7/12/1999	15:27:41	10000	731.20	KISHAN CO.	15:27:41	10000	731.20	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/13/1999	13:09:37	70000	730.80	ASHOK KUMAR PODDAR	13:09:37	70000	730.80	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/13/1999	13:29:04	30000	734.70	ASHOK KUMAR PODDAR	13:29:04	30000	734.70	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/16/1999	13:39:48	50000	784.70	SANJAY KHEMANI	13:39:48	50000	784.70	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/19/1999	11:16:47	15000	803.00	KHANDELWAL BROS.	11:16:47	15000	803.00	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/21/1999	15:07:54	41000	860.20	ARCHANA KHANDELWAL	15:07:54	41000	860.20	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/26/1999	10:25:31	15000	907.50	SHRUTI MOHTA	10:25:31	15000	907.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	7/27/1999	11:34:29	15000	892.00	KANODIA STOCK BROKING (P) LTD	11:34:28	15000	892.00	0:00:01	0.00
Agbros Securities Pvt. Ltd.	7/27/1999	14:28:25	75000	872.70	SANJAY KHEMANI	14:28:24	75000	872.70	0:00:01	0.00
Agbros Securities Pvt. Ltd.	7/27/1999	14:49:45	50000	874.30	SANJAY KHEMANI	14:49:45	50000	874.30	0:00:00	0.00

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy order rate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
Agbros Securities Pvt. Ltd.	8/3/1999	15:21:40	50000	882.00	SANJAY KHEMANI	15:21:40	50000	882.00	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/9/1999	14:54:15	10000	998.20	SHRUTI MOHTA	14:54:15	10000	998.20	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/11/1999	10:43:29	15000	997.80	SHRUTI MOHTA	10:43:29	15000	997.80	0:00:00	0.00
SHANKAR LAL CHOKHANY	8/13/1999	11:13:37	20000	1012.80	Agbros Securities Pvt. Ltd.	11:13:37	20000	1012.80	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/16/1999	13:08:52	15000	982.00	J. V. S. SECURITIES PVT. LTD.	13:08:52	15000	982.00	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/27/1999	12:14:14	25000	1051.40	TACKEL STOCK BROKING SERVICES(	12:14:14	25000	1051.40	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/27/1999	12:37:17	25000	1061.20	SHANKAR LAL CHOKHANY	12:37:17	25000	1061.20	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/27/1999	13:07:53	25000	1061.10	KANODIA STOCK BROKING (P) LTD	13:07:53	25000	1061.10	0:00:00	0.00
Agbros Securities Pvt. Ltd.	8/27/1999	14:10:15	20000	1087.60	RVS SHARES & STOCK BROK. SER.	14:10:16	20000	1087.60	0:00:01	0.00
TACKEL STOCK BROKING SERVICES(	8/31/1999	12:48:54	20000	1124.50	Agbros Securities Pvt. Ltd.	12:48:54	20000	1124.50	0:00:00	0.00
RVS SHARES & STOCK BROK. SER.	9/1/1999	12:07:17	20000	1125.50	Agbros Securities Pvt. Ltd.	12:07:17	20000	1125.50	0:00:00	0.00
SANJAY KHEMANI	9/1/1999	13:26:13	25000	1126.00	Agbros Securities Pvt. Ltd.	13:26:12	25000	1126.00	0:00:01	0.00
SHRUTI MOHTA	9/14/1999	13:55:40	20000	1069.50	Agbros Securities Pvt. Ltd.	13:55:40	20000	1069.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	10/1/1999	14:00:16	5000	1037.50	MAN MOHAN DAMANI	14:00:15	5000	1037.50	0:00:01	0.00
SHRUTI MOHTA	10/14/1999	12:18:36	10000	1252.90	Agbros Securities Pvt. Ltd.	12:18:36	10000	1252.90	0:00:00	0.00
SHANKAR LAL CHOKHANY	10/15/1999	13:14:54	8500	1173.50	Agbros Securities Pvt. Ltd.	13:14:54	8500	1173.50	0:00:00	0.00
SHYAM SUNDAR DALMIA	10/15/1999	13:16:54	25000	1174.40	Agbros Securities Pvt. Ltd.	13:16:54	25000	1174.40	0:00:00	0.00
Agbros Securities Pvt. Ltd.	10/15/1999	13:19:53	10000	1174.70	SALASAR STOCK BROKING LTD.	13:19:54	10000	1174.70	0:00:01	0.00
RAJESH & CO.	10/15/1999	13:41:39	16500	1162.20	Agbros Securities Pvt. Ltd.	13:41:38	16500	1162.20	0:00:01	0.00
Agbros Securities Pvt. Ltd.	10/15/1999	13:47:24	25000	1163.50	GAUTAM BAJORIA	13:47:24	25000	1163.50	0:00:00	0.00

Buy Mem Name	Trade date	Buy Order time	Buy order Qty	Buy orderrate	Sell Mem Name	Sell Order time	Sell Order Qty	Sell order rate	Time Difference	Price difference
Agbros Securities Pvt. Ltd.	10/15/1999	13:56:41	5000	1160.90	NARESH CHAND CHANDAK	13:56:41	5000	1160.90	0:00:00	0.00
SALASAR STOCK BROKING LTD.	10/15/1999	14:14:42	15000	1154.20	Agbros Securities Pvt. Ltd.	14:14:42	15000	1154.20	0:00:00	0.00
PAWAN KUMAR TODI	10/15/1999	14:30:53	5000	1127.10	Agbros Securities Pvt. Ltd.	14:30:53	5000	1127.10	0:00:00	0.00
SANJAY KHEMANI	10/15/1999	14:32:28	25000	1132.50	Agbros Securities Pvt. Ltd.	14:32:28	25000	1132.50	0:00:00	0.00
LOHIA SECURITIES LTD.	10/15/1999	15:20:38	5000	1114.50	Agbros Securities Pvt. Ltd.	15:20:38	5000	1114.50	0:00:00	0.00
KCGP Share Broking Services Pv	10/15/1999	15:24:29	6000	1111.40	Agbros Securities Pvt. Ltd.	15:24:29	6000	1111.40	0:00:00	0.00
Agbros Securities Pvt. Ltd.	10/22/1999	13:45:07	5000	1033.80	RAJESH & CO.	13:45:07	5000	1033.80	0:00:00	0.00
Agbros Securities Pvt. Ltd.	10/26/1999	12:24:17	7500	1008.50	SHRUTI MOHTA	12:24:17	7500	1008.50	0:00:00	0.00
Agbros Securities Pvt. Ltd.	10/26/1999	15:04:55	25000	999.70	DINESH KUMAR SINGHANIA & CO.	15:04:55	25000	999.70	0:00:00	0.00

5.6 I find that the Broker had executed 67 instances of synchronized trades in Ranbaxy with the counter party brokers on 33 days. The total quantity involved in the said 67 synchronized trades were 14,58,300 shares of Ranbaxy. I observe that in all cases order quantity and price are same with counter party order quantity and price. Orders were placed at the same time in most of the cases with counter party members while in few cases the orders were matched within a period of 1-2 seconds.

5.7 The Enquiry Officer examined the submission of the Broker that some orders (418000 shares) had been executed in part (of small quantities) at a different rate and not as a single lot. The Enquiry Officer observed that even these orders were matched within a period of 1-2 seconds with counter party brokers and percentage of such trades was 28.6%. The Enquiry Officer also observed that even if the said contention of the Broker is accepted and the said trades are taken out from their total trades in Ranbaxy, the remaining 10,40,000 shares

were still matched by the Broker with the counter party brokers which cannot be considered as a mere coincidence.

5.8 I have also noted that the Broker executed more than one synchronised trades on several days especially on May 10, 1999(4 trades), May 11, 1999(2 trades), June 1, 1999(5 trades), June 9, 1999(2 trades), June 28,1999(2 trades), July 12, 1999(7 trades), July 13, 1999(2 trades), July 27, 1999(3 trades), August 27,1999(2 trades), September 1, 1999(2 trades), October15,1999(11 trades) and October 26, 1999 (2 trades) and this can not be considered as mere a coincidence. Further, synchronized deals are possible if the trades are put in the system with prior understanding. In such cases prices and quantities have been negotiated outside the system and orders had been executed simultaneously.

5.9 I have also observed that orders of 1,54,000 shares out of total of 14,58,300 shares (i.e. 11%) of the Broker were matched with brokers who had dealt for entities connected or associated with Ketan Parekh group. The details of the said transactions are given hereunder.

Mem-Code	MemberName	OrderDate	Time	Qty	Price	Buy/Sell	OrderNo
D0543	ASHOK KUMAR PODDAR	5/11/1999	10:55:41	15000	758.40	S	103192
D0851	AGBROS SECURITIES PVT LTD	5/11/1999	10:55:42	15000	758.40	B	103193
D0456	DINESH KUMAR SINGHANIA	5/11/1999	15:05:24	14000	740.50	S	108869
D0851	AGBROS SECURITIES PVT LTD	5/11/1999	15:05:24	14000	740.50	B	108868
D0543	ASHOK KUMAR PODDAR	7/13/1999	13:09:37	70000	730.80	S	429176
D0851	AGBROS SECURITIES PVT LTD	7/13/1999	13:09:37	70000	730.80	B	429177
D0851	AGBROS SECURITIES PVT LTD	7/13/1999	13:29:04	30000	734.70	B	430277
D0543	ASHOK KUMAR PODDAR	7/13/1999	13:29:04	30000	734.70	S	430276
D0851	AGBROS SECURITIES PVT LTD	10/26/1999	15:04:55	25000	999.70	B	1290144214
D0456	DINESH KUMAR SINGHANIA	10/26/1999	15:04:55	25000	999.70	S	1320139472
				154000			

5.10 I also observe that the aforementioned brokers have been declared defaulters by CSE and SEBI has subsequently cancelled the registrations of these brokers as per Press Release dated October 22, 2001. The Broker has not disputed the said finding. However, they contended that they are not aware of any linkage between

the brokers listed above and the Ketan Parekh Group. In this context, I observe that some other brokers against whom similar kind of proceedings were initiated had also executed two or three such trades with KP related entities and the same can be mere coincidence. However, in the instant case, the Broker executed five instances of synchronised trades with the above KP related entities including two instances of synchronised trades on May 11, 1999 and July 13, 1999 and the said transactions can not be treated as mere coincidence.

5.11 I find that the Broker never disputed the said 67 instances of synchronized trades. What they submitted before me is that they had no intention to get the transaction artificially matched since they had traded on the screen based system where the automated trading server matches purchase orders and sale orders without human intervention. In their latest written submission dated October 27, 2006, they have also stated that there was no reversal or circular pattern. However, from the above table, I observe that the Broker had reversed its buy position of June 01, 1999 with Sanjay Khemani on June 09, 1999. Similar trades were also observed with the Broker Tackel Stock broking on August 27, 1999 and August 31, 1999. Hence, the contention of the Broker does not hold good.

5.12 Further, they also submitted that there was gap in between their order and counter party orders. In this regard, I find that in most of the instances the orders were executed at zero seconds which is maximum synchronization per se possible in any case. In such cases prices and quantities have been negotiated outside the system and orders had been executed simultaneously. Otherwise there was no possibility of such perfect matching of quantity and price etc. It may be noted that synchronized deals with exact matching of price and quantity for 67 instances of trade are only possible if the trades are put in the system with prior understanding. The intention of the parties to execute such synchronized transactions could be inferred from the above attending circumstances especially execution of several synchronised transactions in a single day, circular nature of

trading and reversal of transactions etc. Further, I observe that the standard of proof required in a proceeding of this nature is at variance with the standard of proof required in criminal cases. It is sufficient if the preponderance of probabilities suggests towards the indulgence of the delinquent in the misconduct

5.13 I also find that the entire charge against the broker is synchronized deals with an intention to make undue benefits which is evident from the above explained transactions. The Broker submitted that percentage of their volume when compared to the market volume in the scrip of Ranbaxy is negligible. I am of the view that any broker intention to use the technique of synchronization of trade will definitely affect the price discovery of the exchange and the same will also reflect in the market. I find that the relevant details of the said synchronized trades had been furnished to the broker. The intention of the parties to execute such synchronized transactions could be inferred from the above attending circumstances especially execution of several synchronised transactions in a single day.

5.14 In view of these, I find that that Broker has put these trades with a view to create misleading appearance of trading. This synchronization of trades tampers with price discovery mechanism of stock exchange and is against the concept of transparency. The synchronized deals entered into by the Broker abetted in creating artificial volumes and false market in the scrip of Ranbaxy. Further Broker through these dealings in the scrip of Ranbaxy has violated the provisions of Regulation 4 (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, which provides that,

4 No person shall -

- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;
- (c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

- 5.15 Further, the Broker has violated Regulation 7 read with the clause A (3) and (4) of Code of Conduct as specified in Schedule II of Stock Brokers Regulations, which provides that

“(3) Manipulation : A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(4) Malpractices : A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness”.

- 5.16 I have also noted that the Broker was earlier suspended for a period of nine months vide order dated April 23, 2003 passed by then Chairman of SEBI. Having considered all aspects and circumstances of the case, I am satisfied that it is necessary as a deterrent to impose penalty on the Broker. However, considering the volume of synchronised trades executed by the Broker in Ranbaxy when comparing with market volume of Ranbaxy, I am of the view that the certificate of registration of the Broker for a period of 7 days should be suspended.

6.0 ORDER

- 6.1 Taking into account all facts and circumstances of the case and in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992 read with Regulation 13(4) of SEBI Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby impose a minor penalty of

suspension of certificate of registration of the Broker, M/s Agbros Securities Pvt. Ltd. with SEBI Registration No.INB031017534 for a period of 7 days.

- 6.2 This order shall come into force immediately on the expiry of twenty one days from the date of this order.

Place: Mumbai

Date: March 29, 2007

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA