

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

Against M/s Tropical Securities and Investments Pvt. Ltd, a registered broker of BSE and in respect of its dealings in the scrip of Prudential Pharmaceuticals Ltd.

DATE OF HEARING: 26.02.2007

APPEARANCES:

FOR COMPANIES/ BROKERS:

1. Shri. Milan Dalal, Director, M/s Tropical Securities and Investments P Ltd.
2. Shri. Deepak Shah, Accountant, M/s Pursarth Trading Company P Ltd.

FOR SEBI:

1. Mrs Barnali Mukherjee, DGM, SEBI
2. Shri. Vir Sahib Singh, Manager, SEBI
3. Shri. Mohamed Rahaz P.M., Legal Officer, SEBI

ORDER

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

1.0 BACKGROUND

- 1.1 M/s Prudential Pharmaceuticals Ltd. was originally incorporated in the name of Pharmasia Drugs and Chemicals Pvt. Ltd. on June 25, 1985. The company became a deemed Public Limited Company by a resolution on November 03, 1994. A fresh certificate of incorporation consequent on the conversion of the company was issued on February 15, 1995. The company's name was referred to in short as "PPL" w.e.f. February 22, 1995.
- 1.2 Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the alleged manipulation in the scrip of PPL for the period from July 09, 2001 to March 06, 2002. In its investigation report stated that the major buying broker Tropical Securities and Investments Pvt. Ltd. (hereinafter referred to in short as "Noticee") bearing SEBI Registration No. INI/000000000000 Company Pvt. Ltd. who had bought almost 4.53% of the paid up capital of PPL. It is also observed from the analysis of trade log and order log that the Noticee had entered into synchronised trades with Parmeshwarlal Choudhary.
- 1.3 SEBI after considering the Investigation Report appointed an Enquiry Officer vide Order dated June 02, 2006 to enquire into the violations allegedly committed by the Noticee under the provisions of Sub-brokers) Regulations, 1992 (hereinafter referred to as "Stock Broker Regulations") and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities) Regulations, 1992 (hereinafter referred to as "PFUTP Regulations") as also Securities and Exchange Board of India Act, 1992(hereinafter referred to as "SEBI Act").

2.0 ENQUIRY PROCEEDINGS

- 2.1 The Enquiry Officer issued notice vide letter no. IVD/ID8/BM/SS/PPL/71361/2006 dated July 13, 2006 communicating the violations alleged to have been committed by it in terms of Regulation 13(4) of the Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to in short as "Enquiry Regulation").
- 2.2 The Noticee replied to the show cause notice vide letter dated July 29, 2006 and submitted the following:
 - The transactions were executed through BOLT system at BSE
 - Our transactions for the relevant period were only on a few days and that too at the prevailing market rates.
 - We sold the shares and bought it back on the exchange. This was resorted for temporary funding to clear the pressure in the bank account and avoid default.
 - We have no connection / association whatsoever with the company or its promoters or its directors.
- 2.3 The Enquiry Officer granted an opportunity of hearing in the matter on August 23, 2006. Shri. Milan Dalal, authorized representative of the Noticee attended the hearing before the Enquiry Officer. The Noticee submitted a report dated August 31, 2006 whereby he observed that the Noticee violated the provisions Regulation 4(b) & (c) of PFUTP and Regulatory Schedule II of Stock Broker Regulations. He recommended suspension of registration of the Noticee for a period of one month.

3.0 SHOW CAUSE NOTICE

- 3.1 Pursuant to the receipt of the said Enquiry Report, a Show Cause Notice dated September 08, 2006 was issued to Noticee, along with a copy of the said Enquiry Report, advising them to show cause why no action should not be imposed on it. The Noticee submitted its reply to the said show cause notice, vide letter dated October 09, 2006.

4.0 REPLY OF THE NOTICEE TO THE SHOW CAUSE NOTICE.

- 4.1 The Noticee submitted that the impugned transactions in the scrip of PPL were carried out on the BOLT system of BSE at the relevant time in the normal and ordinary course of business. Because there was no question of intentionally and deliberately entering deals in the scrip so as to hamper the stock exchange mechanism. They also submitted that they are voluntarily out of business from the scrip of PPL. On this ground, the Noticee requested to cancel the recommendation of the Enquiry Officer and also requested for a personal hearing.

5.0 HEARING

- 5.1 Accordingly, the Noticee was advised to attend the personal hearing before me at SEBI's Head Office at Mumbai on February 26, 2007 which they attended and reiterated the submissions made. Therefore, I am proceeding in the matter on the basis of the submissions of the notice and the material before me.

6.0 CONSIDERATION OF ISSUES & FINDINGS

- 6.1 I have carefully examined the enquiry report, show cause notice, reply of the Noticee and submissions made at the time of hearing.
- 6.2 The Enquiry officer found that the Noticee executed synchronised trades in the scrip of PPL and thereby misutilised the stock exchange trading mechanism. In order to reach the said conclusion, I have analysed the transactions of major brokers during the investigation period from July 09, 2001 to March 06, 2002. During the said period, the Noticee purchased 2,48,075 shares of PPL (56.13%) and it sold 14,629 shares of PPL (3.34%) during the said period.
- 6.3 The price of the scrip during the period from July 09, 2001 to March 06, 2002 has decreased from Rs. 54.20 to Rs. 8.00 and during the same period 4,41,970 shares were traded at BSE. Further, it is observed that whenever the Noticee and its counterparties viz. UTI Securities Limited and M/s Pawankumar Parmeshwarlal Choudhary were not trading in the scrip, the price was falling. These members had bought the scrip during this period the price came down from Rs. 41 to Rs. 33.45 and during the period of August 01, 2001 to August 24, 2001 these brokers traded for 130 shares only and the price comes down above that whenever these brokers were not trading in the scrip of PPL price was falling and hence the brokers were supporting the price of the scrip.
- 6.4 I have also noted the financial performance of the company PPL for the financial years ended on March 31, 2001 and 2002 and quarters ended on December 31, 2001 and 2002. Though, the price of the scrip increased from Rs. 54.20 to Rs. 8.00 on March 31, 2002, but the profit of the company decreased by 27% due to substantial increase in the expenditure of the company from Rs. 8.27 crore to Rs. 10.75 crore. Further, EPS of the company declared dividend of 10% for the year ended on March 31, 2001. It can also be observed that the financial performance of the company was not satisfactory.
- 6.5 I find that the major client of Noticee was Pursarth Trading Company Private Limited (hereinafter referred to in short as "Pursarth") who was an associate concern of Noticee. I have noted that CFL associated with the Noticee as Shri. Milan Dalal is the Director of all these entities and he even gave a statement before the Investigating Officer on behalf of the aforesaid four entities. I have attended the personal hearing before me along with Shri Milan Dalal, Director of Noticee. They have not denied their connection/association.
- 6.6 I observe that Noticee traded for 25 days during the period of investigation and it bought 2,48,075 shares (85.44%) out of 2,90,339 shares traded during these 25 days at BSE. Out of its total purchases and 14,629 shares it bought in its own trading account and sold 25 shares in its own trading account and 25 shares were bought for its client Ms. Veena M Dalal.
- 6.7 The Enquiry Officer has found that the Noticee had entered into synchronised / structured deals. The synchronized trade is a kind of transactions where the seller and buyer execute the trade for a period of time 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 mechanism of stock exchange is no doubt a serious matter.

6.8 Hence, the issue to be decided in this case is whether the Noticee has carried out any such trades and to take a decision as to whether the penalty recommended by the Enquiry Officer against felt it necessary to analyse the details of synchronised trades executed by the Noticee. (As given on next page)

Details of synchronised trades of the Noticee with UTI Securities Ltd in the scrip of PPL

Sell Member Code	Sell Client Code	Sell Order No	Sell Order Date	Sell Order Time	Sell Order Price	Sell Order Quantity	Buy Member Code	Buy Client Code	Buy Order No.	Buy Order Date	Buy Order Time	Buy Order Price	Buy Order Quantity	Trade No	Traded Quantity	Tr Pr
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	2	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	3	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	4	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	5	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	6	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	7	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	8	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	9	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	10	5000	
D0767	UTICAP	76700100010009847	7/16/2001	10:11:57	51.25	50000	D0650	TT	65000200010012419	7/16/2001	10:11:54	51.25	50000	11	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	12	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	13	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	14	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	15	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	16	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	17	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	18	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	19	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	20	5000	
D0767	UTICAP	76700100010009848	7/16/2001	10:12:33	51	50000	D0650	TT	65000200010012420	7/16/2001	10:12:35	51	50000	21	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	22	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	23	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	24	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	25	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	26	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	27	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	28	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	29	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	30	5000	
D0767	UTICAP	76700100010009849	7/16/2001	10:13:04	51.25	50000	D0650	TT	65000200010012421	7/16/2001	10:13:04	51.25	50000	31	5000	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	32	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	33	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	34	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	35	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	36	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	37	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	38	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	39	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	40	2500	
D0767	UTICAP	76700100010009850	7/16/2001	10:13:37	51	25000	D0650	TT	65000200010012422	7/16/2001	10:13:38	51	25000	41	2500	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	42	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	43	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	44	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	45	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	46	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	47	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	48	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	49	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	50	2000	
D0767	UTICAP	76700100010009851	7/16/2001	10:14:10	51.25	20000	D0650	TT	65000200010012423	7/16/2001	10:14:10	51.25	20000	51	2000	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	52	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	53	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	54	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	55	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	56	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	57	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	58	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	59	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	60	100	
D0767	UTICAP	76700100010009852	7/16/2001	10:15:07	51.3	1000	D0650	TT	65000200010012424	7/16/2001	10:15:06	51.3	1000	61	100	

6.9 I find that the Noticee had executed 60 instances of synchronised trades with UTI Securities Ltd in a single day i.e on July 16, 2001 within a time gap from 10:11:57 to 10:15:07. The Noticee bo 2001. UTI Securities Limited sold 1,96,000 shares of PPL on behalf of UTI Bank Ltd. and the shares were bought by the Noticee through structured deals on behalf of its related client Pursarth. UTI Securities Limited.

6.10 However, the Noticee entered into several synchronised/structured trades with BSE Member M/s Pawankumar Parmeshwarlal Choudhary also. In this regard it is noted that M/s Choudhary has sc Noticee. It is observed that 12,810 shares were bought by the Noticee through structured trades where the Noticee placed 6 buy orders for 13,150 shares and M/s Choudhary also placed 6 sell o (As given on next page).

Details of synchronised trades of the Noticee with M/s Pawankumar Parmeshwarlal Choudhary

Trade No	Buy Order No	Buy Order Time	Buy Order Price	Buy Order Quantity	Buy Member Code	Buy Client Code	Traded Quantity	Trade Price	Trade Date	Trade Time	Sell Order No	Sell Order Time	Sell Order Price	Sell Order Quantity	Sell Member Code	Sell Client Code	Difference between sell time and buy time order	Difference between price of buy and sell order	Difference between quantity of buy and sell order
99	65000100010009434	14:20:36	52.85	200	D0650	TT1	200	52.85	7/9/2001	14:20:36	55000100010005269	14:20:29	52.85	200	D0550	1108	0:00:07		0
168	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
169	65000200010012237	12:58:41	51.4	3000	D0650	TT1	200	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
170	65000200010012237	12:58:41	51.4	3000	D0650	TT1	100	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
171	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
172	65000200010012237	12:58:41	51.4	3000	D0650	TT1	100	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
173	65000200010012237	12:58:41	51.4	3000	D0650	TT1	200	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
174	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
175	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
176	65000200010012237	12:58:41	51.4	3000	D0650	TT1	200	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
177	65000200010012237	12:58:41	51.4	3000	D0650	TT1	100	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
178	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
179	65000200010012237	12:58:41	51.4	3000	D0650	TT1	100	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
180	65000200010012237	12:58:41	51.4	3000	D0650	TT1	200	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
181	65000200010012237	12:58:41	51.4	3000	D0650	TT1	300	51.40	7/10/2001	12:58:41	55000100010005287	12:58:38	51.4	3000	D0550	1003	0:00:03		0
271	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
272	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0

Trade No	Buy Order No	Buy Order Time	Buy Order Price	Buy Order Quantity	Buy Member Code	Buy Client Code	Traded Quantity	Trade Price	Trade Date	Trade Time	Sell Order No	Sell Order Time	Sell Order Price	Sell Order Quantity	Sell Member Code	Sell Client Code	Difference between sell time and buy time order	Difference between price of buy and sell order	Difference between quantity of buy and sell order
273	65000200010012271	12:40:33	49.95	2000	D0650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
274	65000200010012271	12:40:33	49.95	2000	D0650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
275	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
276	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
277	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
278	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
279	65000200010012271	12:40:33	49.95	2000	D0650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
280	65000200010012271	12:40:33	49.95	2000	D0650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
281	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
282	65000200010012271	12:40:33	49.95	2000	D0650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	D0550	1003	0:00:07		0
5	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
6	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
7	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
8	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
9	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
10	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
11	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
12	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
13	65000200010013476	14:39:31	17.8	3000	D0650	TT1	300	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
14	65000200010013476	14:39:31	17.8	3000	D0650	TT1	50	17.808	28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	D0550	1104	0:00:03		0
4	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
5	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
6	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
7	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
8	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
9	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
10	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
11	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
12	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
13	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
14	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
15	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
16	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
17	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
18	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
19	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
20	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
21	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
22	65000200010014053	15:26:02	17	950	D0650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	D0550	1107	0:00:48		0
1	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
2	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
3	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
4	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
5	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
6	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
7	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
8	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
9	65000200010014215	15:58:38	16.9	4000	D0650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0
10	65000200010014215	15:58:38	16.9	4000	D0650	TT1	310	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	D0550	1107	0:00:08		0

6.11 I find that the Noticee executed 66 instances of synchronised trades with M/s Pawankumar Parmeshwarlal Choudhary within a period of 6 days (i.e on July 9, 2001 - one trade, July 10, 2001 September 19, 2001 - 19 trades, October 01, 2001 - 10 trades). All these trades were executed within a time gap of 3 to a maximum 48 seconds. I find that synchronized/matching trades a difference between buy and sell orders as also the quantity difference between buy and sell orders. Through the above structured deals, M/s Pawankumar Parmeshwarlal Choudhary had sold 82, Parmeshwarlal Pawankumar Choudhary (HUF) (26,234), Pawankumar Choudhary (HUF) (4,200), Ms. Sabitaridebi Choudhary (5,000) and Ms. Kanta Singhania (10,000). All of these clients were r family members. All the above five entities were summoned by the Investigating Officer for recording their statement. Shri Pawankumar Parmeshwarlal Choudhary (Proprietor of M/s Parmes officer on behalf of above entities and given his statement. He submitted that the above entities belonging to M/s Pawankumar Parmeshwarlal Choudhary purchased 82,848 shares through off concern of Tropical Securities and Investments Private Limited) and sold 82,534 in the market. In the statement he has stated,

"All of the above entities are in the business of finance since very long and during this period they have done sell and cash type business with Harbinger Trading Company Private Limited.

6.12 In continuation to his statement he furnished the reply of his clients who submitted that,

"the parties interested in sell-n-cash usually transfers "N" quantity of shares and "N" number of scrips in our demat account. As per their need, they ask us to sell all or few out of these the market and ask them to pay after reducing their sell-n-cash charges approximately 1.5% to 2%. When they ask us to sell in the market, we ask M/s Pawankumar Parmeshwarlal C scrip." They also submitted that, "sometimes the other party is in so hurry and requires money so urgently that he can not wait for a long time, as some of their pay in or margin or high circumstances or some that other party may want to continue to hold their holdings or any other such circumstances/reasons, which are better known to them only, they sometime arrang

6.13 From the above statement, the relationship of M/s Pawankumar Parmeshwarlal Choudhary and his client and their intention to execute the trades in the scrip of PPL are established.

6.14 I observe that Shri Milan Dalal Director of the Noticee in his statement recorded by the investigating Officer stated that the above transactions were executed to tide over the financial difficult Limited and Harbinger Trading Company Private Limited were facing financial difficulties to fulfill their commitments and therefore the Noticee and its group entities resorted to spot funding Securities Limited pledged 2,50,000 shares with UTI Bank Limited against overdraft facility. To meet the shortage in its group entities account UTI Bank Limited sold 1,96,000 shares which were i also confirmed that they extended overdraft facility of Rs. 30 crore to the Noticee's associate concern CFL Securities Limited and CFL Securities Limited could not meet shortfall in its overdraft pledge on July 12, 2001 and sold 1,96,000 shares on July 16, 2001 through UTI Securities Limited. Shri Dalal further stated as the shares of PPL were illiquid and the Noticee alongwith group these shares through the Noticee and as the settlement of the same was few days later therefore payments were postponed by those days. This statement indicates their intention to execute sync derive undue benefit. Further, he has not given any proper explanation for the trades executed by them with M/s Pawankumar Parmeshwarlal Choudhary. Therefore, it is evident that the Nc mechanism to tide over their financial commitments and thereby distorted the market equilibrium in the scrip.

6.15 I find that the Noticee executed a total of 126 instances of synchronised trades and this has not been disputed by them. What they submitted before me is that they executed trades on the BOLT s of business and they had no intention to hamper the stock exchange mechanism. This submission is contradictory to their earlier statement i.e the trades were executed to meet their financial Officer.

6.16 I find that the charge against the Noticee is misutilisation of stock exchange mechanism for executing synchronized / structured deals in the scrip of PPL as is evident from the above statement of t I am of the view that one broker intending to use the technique of synchronization of trade, will definitely affect the price discovery mechanism of the exchange and it will also reflect in the marke been furnished to the Noticee in pre-enquiry stage itself and he failed to give an acceptable explanation for the above mentioned trades either before the Enquiry Officer or before me. I am of tl the system with prior understanding. In such cases prices and quantities are negotiated outside the system and orders are executed simultaneously. I find that all the 126 transactions in this cas to create artificial market, or else there would have been no possibility of such perfect matching of quantity price, etc. The said issue was already discussed by the Hon'ble Securities Appellate T Bang Securities (P) Ltd. vs. SEBI. While examining the issue of synchronized trades, the Hon'ble SAT observed as under:

"BEB has been charged for synchronized deals with First Global. I have examined the data provided by the parties on this issue.

the online trading system, confidentiality of counter parties is ensured, is untenable. It was submitted by the Appellants that it was not possible for the broker to know who the counter party was in some cases. Theoretically this is OK. But when parties decide to synchronize the transaction the story is different. There are many transactions giving an impression of such perfect matching of quantity price etc. As the Respondent rightly stated it is too much of a coincidence over too long a period in too many transactions when both parties to the transaction trade in the shares almost simultaneously. The data furnished in the show cause notice certainly goes to prove the synchronized nature of the transaction which is in violation of regulation 4 of the FIPR had indulged in synchronized trading in violation of regulation 47 of the FUTP Regulations. In a synchronized trading intention is implicit." (emphasis not supplied)

6.17 Once the factum of manipulation is proved as discussed above, then as observed by SAT in the matter of Ketan Parekh Vs SEBI, the investors are affected by the said price difference. The relevant

"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to trade in the shares and face certain loss. Further, synchronization of trades with mala fide intention as stated hereinabove tampers with price discovery mechanism of stock exchange. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, it follows that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged."

6.18 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 probability is in favour of the respondent. The strict rules of Evidence Act and proof beyond reasonable doubt are not applicable to a proceeding of this nature. The Supreme Court's decision in Gulabchand vs Kudilal AIR, 1961 relating to transactions in securities in the matter of National Housing Bank versus ANZ Grindlays Bank, 1998 (2) LJ 153 is relied upon in this regard.

6.19 In view of these, I find that the Noticee misused stock exchange mechanism to tide over the financial commitments and distorted equilibrium of the scrip of PPL. This type of artificial volume induces them to trade in the shares and face certain loss. Further, synchronization of trades with mala fide intention as stated hereinabove tampers with price discovery mechanism of stock exchange. The Noticee abetted in creating artificial volumes and false market in the scrip of PPL and thus the trades executed by the Noticee are in violation of the provisions of Regulation 4 (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995 and the corresponding provisions of 4(1), 4(2) (a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003. Regulations 4 (b) and (c) relating to Securities Market Regulations, 1995 provides as follows:

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 transactions.

6.20 Further by entering such trades the Noticee violated the provisions of Regulation 7 read with Clause A (1) to (5) of code of conduct specified under Schedule II of the SEBI (Stock Brokers and Sub

A (1): A Stock Broker shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

A (2): A Stock Broker shall act with due skill, care and diligence in the conduct of all his business.

A (3): 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 person

A(4): 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 not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

A (5): A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be app

6.21 Apart from the above, I also find that the Noticee had committed similar violations in the scrip of M/s Surya Roshni Ltd. by executing synchronised / structured deals with M/s Pawankumar registration for a period of two months vide order dated September 29, 2004 passed by the then Whole Time Member of SEBI. Having considered all aspects of the matter, I find that the penalty period of one month recommended by the Enquiry Officer is reasonable.

7.0 ORDER

7.1 Taking into consideration all facts and circumstances of the matter and in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby impose a minor penalty of suspension of certificate of registration issued to M/s Tropic INB010993738 for a period of one month.

7.2 This order shall come into force on the expiry of 21 days from the date of this order.

Place: Mumbai

Date: April 10, 2007