

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**CORAM: V. K. CHOPRA, WHOLE TIME MEMBER****Against M/s Pursarth Trading Company Private Ltd in respect of its dealings in the scrip of Prudential Pharmaceutics**

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 Sahab Singh, Manager, SEBI
3. Shri. Mohamed Rahaz P.M., Legal Officer, SEBI

ORDER**{Under Section 11 (4) read with 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003}****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 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 also changed on 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. Investigation report stated that the major buying broker M/s Tropical Securities and Investments Pvt. Ltd. (hereinafter referred to as "Tropical") had mostly bought shares of PPL for Pursarth Trading Company Private Ltd. (hereinafter referred to as "Pursarth") in almost 4.53% of the paid up capital of PPL.
- 1.3 Investigation revealed that the Noticee had entered into synchronised / structured deals with the clients of the counter party brokers UTI Securities Ltd and M/s Pawankumar Parmeshwarlal Choudhary by the Noticee and its group entities. For executing such artificial transactions, the Noticee used the stock exchange mechanism and the same had also resulted in creation of artificial volume. Regulations 4(b) and 4(c) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 1995 and its corresponding Regulations, 2003 (hereinafter referred to in short as "PFUTP Regulations").

2.0 SHOW CAUSE NOTICE

- 2.1 A Show Cause Notice dated July 07, 2006 was issued to Noticee whereby they were advised to show cause as to why the action under Section 11 B of SEBI Act, 1992 read with Regulations 11 of PFUTP Regulations should not be taken against them for the violations mentioned at paragraph 1.3 above. The Noticee submitted its reply to the show cause notice, vide letter dated July 29, 2006.

3.0 REPLY OF THE NOTICEE TO THE SHOW CAUSE NOTICE.

- 3.1 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. The transactions were structured/synchronised deals in the scrip so as to create false volumes.
- 3.2 The Noticee submitted that they had been issued contract notes/bills in respect of trades in the scrip at the relevant time and all contractual obligations inter-se were fulfilled as required.
- 3.3 The Noticee submitted that their transactions for the relevant period were only on few days and that too at the prevailing market rates. Further, they submitted that they had not created any artificial volume and had not gained from these transactions except having created the liquidity for their associate who was being pressurized by their banker. He added that they had resorted to temporary funding to meet the requirement in November and December 2001.
- 3.4 The Noticee denied that there was any interference with the fair and smooth functioning of the market and the creation of artificial volumes. They denied having executed matched / structured trades in the scrip of PPL.

4.0 HEARING

- 4.1 The Noticee was given an opportunity of personal hearing before me at SEBI's Head Office at Mumbai on February 26, 2007. Shri. Milan Dalal, and Shri. Deepak Shah attended the hearing on behalf of the Noticee. During the course of hearing, they by and large reiterated the submissions they had already made in their reply to the Show Cause Notice as also in their written submission.

5.0 CONSIDERATION OF ISSUES & FINDINGS

- 5.1 I have carefully examined the enquiry report, show cause notice and written submissions of the Noticee.
- 5.2 The main charge levelled against the Noticee is that it had executed synchronised/structured trades in the scrip of PPL through its associate broker, Tropical and misutilised the stock exchange mechanism to create artificial volume. I have noted that Tropical, CFL Securities Ltd. and Harbinger Trading Company Private Ltd. are also associated with the Noticee as Shri. Milan Dalal gave a statement before me. I have also noted that the Accountant of Noticee, Shri Deepak Shah attended the personal hearing before me along with Shri Milan Dalal. They have not denied their connection/association with these entities.
- 5.3 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 this period 4,41,970 shares were traded at BSE. Further, it is observed that the Noticee and its counterparties were not trading in the scrip, the price was falling. They have not traded in the scrip from July 18, 2001 to July 24, 2001 and during this period the price came down from Rs. 22.15 to Rs. 16.50. Therefore, it can be observed from the above that whenever they were not trading in the scrip of PPL price was falling.
- 5.4 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 share price of the company decreased by 27% due to substantial increase in expenditure of the company from Rs. 8.27 crore to Rs. 10.75 crore. Further, EPS of the company declined by 21% during the year ended March 31, 2001. From these figures, it is observed that the financial performance of the company was not satisfactory.
- 5.5 I observe that broker Tropical 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 trading, 14,629 shares were bought in its own trading account and sold 25 shares in its own trading account and 25 shares were bought for its other client Ms. Veena Maheshwari.
- 5.6 I observe 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 almost same quantity and price. The intention is to create misleading appearance of trading and to manipulate the price and volume of the scrip price tampering with the price discovery mechanism of stock exchange. The issue to be decided is whether any penalty against the Noticee is warranted or not. In view of this, I felt it necessary to analyse the details of synchronised trades executed by the Noticee. (As given in the Annexure).

Details of synchronised trades of the Noticee with the client of the broker 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
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

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 Quantit
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

5.7 I find that the Noticee had executed 126 synchronised trades through the broker Tropical and the counter parties were the clients of UTI Securities Ltd. and M/s Pawankumar Parmeshwarlal Chou UTI Securities Ltd. The Noticee bought a total of 1,96,000 shares of PPL in a single day i.e on July 16, 2001 within a time gap from 10:11:57 to 10:15:07. UTI Securities Limited sold 1,96,000 through its broker Tropical. I however find that there was no repetition of such transaction by UTI Bank or UTI Securities Limited.

5.8 The Noticee had also entered into 66 synchronised/structured trades with the clients of BSE Member M/s Pawankumar Parmeshwarlal Choudhary. In this regard it is noted that M/s Choudhary has 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 orders for 12,

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
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

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 time of buy and sell order
279	65000200010012271	12:40:33	49.95	2000	00650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	00550	1003	0:00:07	0	0
280	65000200010012271	12:40:33	49.95	2000	00650	TT	100	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	00550	1003	0:00:07	0	0
281	65000200010012271	12:40:33	49.95	2000	00650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	00550	1003	0:00:07	0	0
282	65000200010012271	12:40:33	49.95	2000	00650	TT	200	49.95	7/11/2001	12:40:41	55000100010005300	12:40:40	49.95	2000	00550	1003	0:00:07	0	0
5	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
6	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
7	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
8	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
9	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
10	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
11	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
12	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
13	65000200010013476	14:39:31	17.8	3000	00650	TT1	300	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
14	65000200010013476	14:39:31	17.8	3000	00650	TT1	50	17.808	8/28/2001	14:39:32	55000100010006035	14:39:28	17.8	2750	00550	1104	0:00:03	0	0
4	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
5	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
6	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
7	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
8	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
9	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
10	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
11	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
12	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
13	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
14	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
15	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
16	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
17	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
18	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
19	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
20	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
21	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
22	65000200010014053	15:26:02	17	950	00650	TT1	50	17.009	19/2001	15:26:03	55000100010006658	15:25:14	17	1000	00550	1107	0:00:48	0	0
1	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
2	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
3	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
4	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
5	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
6	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
7	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
8	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
9	65000200010014215	15:58:38	16.9	4000	00650	TT1	400	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0
10	65000200010014215	15:58:38	16.9	4000	00650	TT1	310	16.90	10/1/2001	15:58:38	55000100010006896	15:58:30	16.9	3910	00550	1107	0:00:08	0	0

5.9 In all out of total of 126 synchronized trades, the Noticee executed 66 trades on six days (i.e on July 9, 2001 - one trade, July 10, 2001-14 trades, July 11, 2001-12 trades, August 28, 2001 - 10 trades). Pawankumar Parmeshwarlal Choudhary. All these trades were executed within a time gap of 3 to a maximum 48 seconds. Synchronized/matching trades are evident from the above tables and quantity difference between buy and sell orders. Through the above structured deals, M/s Pawankumar Parmeshwarlal Choudhary had sold 82,534 shares for his 5 clients viz. M/s P L Choi Pawankumar Choudhary (HUF) (4,200), Ms. Sabitaridebi Choudhary (5,000) and Ms. Kanta Singhania (10,000). All of these clients are related to M/s Pawankumar Parmeshwarlal Choudhary summoned by the Investigating Officer for recording their statement. Shri Pawankumar Parmeshwarlal Choudhary (Proprietor of M/s Parmeshwarlal Pawankumar Choudhary) appeared before submitted that the above entities belonging to M/s Pawankumar Parmeshwarlal Choudhary purchased 82,848 shares through off market from Harbinger Trading Company Private Limited (associated),

"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.

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

"the parties interested in sell-n-cash usually transfer "N" quantity of shares and "N" number of scripts in our demat account. As per their need, they ask us to sell all or few out of these shares 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 Choudhary to sell "N" 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 value cheques might be awaiting want to continue to hold their holdings or any other such circumstances/reasons, which are better known to them only, they sometime arrange that the sell offer put by them is immediate

5.11 From the above statement, the relationship of M/s Pawankumar Parmeshwarlal Choudhary and his clients with the Noticee and their intention to execute the trades in the scrip of PPL are clearly evident

5.12 I observe that Shri Milan Dalal in his statement recorded by the investigating Officer stated that the above transactions were executed to tide over the financial difficulties as group entities of the Private Limited were facing financial difficulties to fulfill their commitments and therefore the Noticee and its group entities resorted to spot funding through brokers and banks. Shri Dalal further Limited against overdraft facility. To meet the shortage in its group entities account, UTI Bank Limited sold 1,96,000 shares which were in turn purchased by Noticee through the broker Tropica crore to the Noticee's associate concern CFL Securities Limited and CFL Securities Limited could not meet shortfall in their overdraft account. As such, UTI Bank Limited accepted 2,50,000 share UTI Securities Limited. Shri Dalal further stated that as the shares of PPL were illiquid and the Noticee alongwith group entities had commitments with the bank, Noticee bought these shares through postponed by those days. This statement indicates their intention to execute synchronised trades in PPL so as to meet their funding requirements as also to derive undue benefit thereof. Further, the Noticee with M/s Pawankumar Parmeshwarlal Choudhary. Therefore, it is evident that the Noticee alongwith its associated entities misused the stock exchange mechanism to tide over their financial

5.13 I find that the Noticee had not disputed the execution of 126 synchronised trades. What they submitted before me is that they executed trades on the BOLT system of BSE at the relevant time in the stock exchange mechanism. This submission however is contrary to their earlier statement before the Investigating Officer that the trades were executed to meet their financial difficulties.

5.14 The charge against the Noticee is misutilisation of stock exchange mechanism for executing synchronized / structured deals in the scrip of PPL and this is evident from the statement of the Noticee obviously has its bearing on the price discovery mechanism of the exchange. The Noticee has failed to give an acceptable explanation for these trades. In fact synchronized deals are possible only and quantities are negotiated outside the system and orders are executed simultaneously. All the 126 transactions in this case give an impression that these were all synchronized and execute perfect matching of quantity price, etc. The intention of executing the said trades has been clearly established. The stock exchange mechanism should not be utilized to execute a pre determined Tribunal (SAT) in Appeal Nos 54 to 57 of 2002 in the case of Nirmal 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. I find many transactions between BEB and FGSB. These orders had been synchronized by the counter party brokers. Such transactions undoubtedly create an artificial market to mislead the genuine investors. Synchronized trading on a large scale can create false volumes. The argument that the parties had no means of knowing whether any entity controlled by the client is simultaneously not 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 broker is and theoretically this is OK. But when parties decide to synchronize the transaction the story is different. There are many transactions giving an impression that these were all synchronized, 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 had entered buy and sell orders for the cause notice certainly goes to prove the synchronized nature of the transaction which is in violation of regulation 4 of the FUTP Regulations. The facts on record categorically establish FUTP Regulations. In a synchronized trading intention is implicit."

5.15 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 to be influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell on the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established, inducement 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 not be humanly possible for the Board to track the manipulation and law can never impose on the Board a burden which is impossible to be discharged."

5.16 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. 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, 1966, SC 1734 and *National Housing Bank versus ANZ Grindlays Bank*, 1998 (2) LJ 153 is relied upon in this regard.

5.17 In view of what has been explained herein above, I find that the Noticee misused stock exchange mechanism to tide over their financial commitments and distorted equilibrium of the PPL to the investors and induces them to trade in the shares and face imminent loss. Further, synchronization of trades with mala fide intention as above tampers with price discovery mechanism of the market. The Noticee is abetted in creating artificial volumes and false market in the scrip of PPL and are in violation of the provisions of Regulation 4 (b) and (c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003. Regulations 4 (b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

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.

5.18 Apart from the above, the certificate of registration of the brokers M/s Pawankumar Parmeshwarlal Choudhary and Tropical were suspended for a period of one month vide Order dated April 10, 2007. Noticee should be restrained from dealing or accessing the securities market in any manner for a period of one month.

6.0 ORDER

6.1 Having considered all aspects of the matter and in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) and 11B of SEBI Act, 1992 and Regulations, 2003, I hereby restrain the Noticee, M/s Pursarth Trading Company Private Ltd from buying, selling and dealing or accessing the securities market in any manner for a period of one month.

6.2 This order shall come into force with immediate effect.

Place: Mumbai

Date: April 26, 2007