

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER****IN THE MATTER M/s BHAVIN C THAKRAR, SUB BROKER AFFILIATED TO SKSE SECURITIES LTD. IN THE SCRIP OF SWORD & SHIELD PHARMA LTD.****ORDER****(UNDER REGULATION 13 (4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002 IN RESPECT OF M/S BHAVIN C THAKRAR, SUB BROKER AFFILIATED TO SKSE SECURITIES LTD. IN THE SCRIP OF SWORD & SHIELD PHARMA LTD.****1.0 Background**

1.1 Sword and Shield Pharma Ltd. (hereinafter referred to as "SSPL") was incorporated as a Public Limited Company with the objective of manufacturing and marketing pharmaceutical formulations. The company is listed on the Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE") and The Ahmedabad Stock Exchange Ltd. (hereinafter referred to as "ASE").

1.2 SEBI conducted investigation into the trading in the scrip of SSPL subsequent to unusual increase in the price and volume of the scrip during the period May 3, 2001 to July 6, 2001. Based on the above unusual rise in price and volume in the scrip an investigation was conducted by SEBI. It was noticed that the price and volume rise of the scrip was not supported by the fundamentals of the company. During the aforesaid investigation period, it was noticed that a group of entities were acting in concert for executing synchronised and structured trades to affect the price of the scrip.

1.3 M/s Bhavin C Thakkar (hereinafter referred to as "BCT") is a member of SKSE, as also a sub-broker of SKSE Securities and is registered with SEBI under section 12 of SEBI Act with registration number INB-011076032. As a sub-broker, BCT was alleged to have executed transactions for Ms. Jyotiben M Patel who is stated to be involved in the manipulation of the scrip.

2.0 Enquiry Proceedings

2.1 On the basis of the findings of the investigation, an Enquiry Officer was appointed vide order dated October 14, 2004 to conduct enquiry in respect of the violations / contraventions alleged to have been committed by BCT. In terms of Regulation 6 (1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalties) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") a show cause notice dated March 16, 2005 was issued to BCT communicating the charges against it.

2.2 BCT vide letter dated March 29, 2005 replied to the aforesaid show cause notice. In terms of Regulation 9 of the Enquiry Regulations, an opportunity of hearing was granted to BCT on May 17, 2005 before the Enquiry Officer wherein Shri Ronak S. Davda, authorized representative of BCT attended the personal hearing and made submissions. On completion of enquiry, the Enquiry Officer vide his report dated May 28, 2005 recommended a minor penalty of censure.

3.0 Show Cause Notice and Reply

3.1 Based on the recommendations of the Enquiry Officer, a show cause notice dated June 9, 2005 was issued to BCT under Regulation 13(2) of the Enquiry Regulations asking it to show cause as to why the penalty as considered appropriate by the Enquiry Officer should not be imposed upon it. A copy of the Enquiry Report was also forwarded to BCT with the said show cause notice.

3.2 BCT vide their letter dated June 20, 2005 replied to the aforesaid show cause notice wherein they pleaded that they be absolved of the charges leveled against them.

4.0 Consideration of Issues and Findings

4.1 I have carefully considered the Enquiry Report, the show cause notice issued to BCT, the submissions of BCT and my findings are as under:

4.2 I have observed that the investigation conducted by SEBI indicated that the price of the scrip of SSPL rose from Rs. 14.85 to Rs. 37.85 in just two months i.e from May 3, 2001 to July 6, 2001. This amounted to an increase of 154.88% in the price of SSPL shares despite sensex fall of more than 5% during that period. During the same period, the volume traded in SSPL shares also increased from 52525 to 164446 which led to an increase of 213.08%. Further, the price and volume rise was not supported by the fundamentals of the company at that time.

4.3 The Enquiry Officer found that certain clients, mainly Shri Mahesh Kumar Patel (also known as Mayur Patel) and his wife Smt. Jyotikaben Patel were involved in the manipulation in the scrip of SSPL. Shri Mahesh Patel was instrumental in inflating the prices through continuous buying and selling in the scrip mostly through the entities who were acting in concert namely Smt. Jyotiben M Patel (also known as Jyotika M Hadwani and Mahesh's wife), Gautam Shambhubhai Patel, Aarushi Consultancy, Rajnibhai M Patel, Heena Rajnibhai Patel, Paragon Investment, Farida Fakkrudin Sariya, Radhe Investments, Rajesh Modi, Nilesh Patel, Pravin Raiyani, Hiren Rathod, Mega Securities, Praful Patel, Nokia Finance International Pvt. Ltd. and Kishor Corporation.

4.4 The Enquiry Officer found that these entities/persons were interrelated and were acting in concert and the same is established by flow of funds and securities evidenced by the records. Further, it was observed that the clients were introducing one another to the brokers.

4.5 I find that Smt. Jyotiben M Patel traded through Bhavik Rajesh Khandhar Share & Stock Pvt. Ltd., broker of the BSE with BCT as a sub broker. Smt. Jyotiben M Patel, wife of Shri Mahesh Patel admitted that she herself did not deal in the scrip of SSPL and that her name was used by her husband Shri Mahesh Patel to trade in SSPL. Further Smt. Jyotiben M Patel was alleged to be involved in the

structured trades in as many as 27 instances. I find that the said client sold the shares on 17 occasions and bought the shares on 10 occasions. I find the client was actively executing both buy and sell transactions through BCT.

4.6 I find that BCT through their client was involved in a series of structured trades and sweeping trades. It is noted that BCT executed 27 trades on behalf of Ms. Jyotiben M Patel where the orders were put almost simultaneously by BCT and the counterparty broker.

4.6 BCT in its reply submitted that the trades were executed for the client as a sub-broker only in the ordinary course of business. The Enquiry Officer has found that the buy and sell order has been executed by the sub-broker on behalf of the client. Initially 10 transactions were executed during the period May 29, 2001 and April 07, 2001 which were for purchase of shares. Subsequently, 17 trades were executed for sale of shares. Further, it was noted that the sub-broker had executed 6 sweeping trades. I note that though the volume of the transactions in the alleged sweeping trades appear to be high, the impact of the said transactions on the market is not apparent from the facts of the case. Further, I note that no evidence is available on record which establishes any other connection between BCT and Smt. Jyotiben M Patel. In the absence of any such evidence, it can not be concluded that BCT played a manipulative role in the said transactions.

4.7 From the facts and circumstances of the case, it appears that BCT appears to have believed that the client was a genuine purchaser of the scrip. In view of the same, I agree with the finding of the Enquiry Officer that in absence of any evidence on record, it cannot be concluded that BCT has violated the provisions of Regulations 4 (a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

4.8 However, it is pertinent to note that in the said scrip, BCT had executed as many as 27 trades on behalf of the said client who was seller as well as buyer. Further, it is pertinent to note that from the facts of the case, Shri Mahesh Kumar Patel, husband of Smt. Jyoti M Patel was placing the orders on behalf of his wife. This clearly indicates that the sub broker failed to exercise due skill and care while acting on behalf of the said client. Considering the large number of transactions and also its execution over a period of time, I find that BCT has failed to exercise due, skill, care diligence and violated the provisions of Clause A(2) of Schedule II read with Regulation 15 of the SEBI(Stock Broker and Sub-Broker) Regulations 1992. Considering the facts of the case, imposition of penalty of censure would be adequate to meet the ends of justice.

5.0 Order

5.1 Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby "Censure" Bhavin C. Thakrar, sub broker to SKSE Securities Ltd. I also direct BCT to note that any instances of violations or non-compliance of the provisions of Securities and Exchange Board of India Act and the Rules and Regulations framed there under, in future, shall be dealt with stringently.

DATE: 14.06.2007
PLACE: MUMBAI

T. C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA