

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER****IN THE MATTER OF NOKIA FINANCE INTERNATIONAL PVT. LTD., MEMBER, AHMEDABAD STOCK EXCHANGE LIMITED,
IN THE SCRIP OF SWORD & SHIELD PHARMA LIMITED****ORDER****Under Regulation 13 (4) of SEBI (Procedure For Holding Enquiry By Enquiry Officer and Imposing Penalty) Regulations, 2002 in respect of M/s Nokia Finance International Pvt. Ltd., Member of Ahmedabad Stock Exchange, INB021117735 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 Nokia Finance International Pvt. Ltd. (hereinafter referred to as "Nokia"), a member of ASE is registered with SEBI having registration number INB021117735. Nokia, as a stock broker was alleged to have executed structured trades for its clients. Nokia was alleged to have executed transaction for Mayur Patel, Gautam Patel and Aarushi Consultancy who were involved in manipulation of the scrip and were charged for violating the provisions of Clause A(2) (3) and (4) of the Code of Conduct as specified in Regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as "Stock Brokers Regulations") and Regulations 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices), 1995 (hereinafter referred to as "PFUTP Regulations").

2.0 Enquiry Proceedings

2.1 On the basis of findings of investigation, an Enquiry Officer was appointed by SEBI vide order dated October 14, 2004 to enquire into the alleged violations / contraventions committed by Nokia. In terms of Regulation 6(1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") a show cause notice was issued to Nokia vide letter dated March 16, 2005 communicating the charges against it. It was alleged that Nokia had violated the provisions of Regulation 4 of the PFUTP Regulations and clauses A (2), A (3) and A (4) of the Code of Conduct as specified in Schedule II of the Regulation 7 of the Stock Brokers Regulations.

2.2 Nokia vide its letter dated October 28, 2005 replied to the notice and made detailed submissions. In terms Regulation 9 of the Enquiry Regulations an opportunity of hearing was granted to Nokia on December 15, 2005 before the Enquiry Officer. However, no one attended the hearing on behalf of Nokia.

2.3 On completion of enquiry, the Enquiry Officer vide his report dated February 28, 2006 recommended a penalty of suspension of certificate of registration of Nokia for a period of six months.

3.0 Show Cause Notice and Reply

3.1 On the basis of the recommendations of the Enquiry Officer, a show cause notice dated March 03, 2006 was issued to Nokia under Regulation 13(2) of the Enquiry Regulations asking it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed upon it. A copy of the Enquiry Report was also forwarded to Nokia with the said show cause notice. The said show cause notice was served on Nokia through ASE.

3.2 Nokia vide its letter dated March 21, 2006 made the following submissions:

(i) *Nokia acted upon instructions of their clients and were not aware about the total volume of shares traded in the scrip. They had no idea about the operations of the said company and therefore were not aware whether at that particular time the share prices were reflecting its fundamentals or not.*

(ii) *Nokia acted on behalf of the clients whose names did not reveal that they acted in concert or were seemingly inter related parties. Nokia was not directly or indirectly involved in artificially raising or depressing the prices of shares of the said company.*

(iii) *Nokia acted on behalf of their clients in good faith without being aware that they were manipulating the price of the scrip; or that they were persons acting in concert or inter related parties and were instrumental in raising the price of the scrip.*

(iv) *Nokia never indulged in any act calculated to create a false or misleading appearance of trading on the securities market. All their trades were genuine and legitimate trades. Nokia was never aware of the identity of the counterparty brokers or the identity of their clients.*

(v) *Nokia denied that they indulged in any act which resulted in reflection of prices of securities based on transactions that were not genuine trade transactions.*

(vi) *Nokia denied that they ever entered into any purchase or sale transactions which were not intended to effect transfer of beneficial ownership or which were intended to operate as a device to inflate or depress or cause fluctuations in the market price of any securities. All their trades were genuine, bonafide and legitimate which were executed on the instructions of clients.*

(vii) *Nokia exercised proper due diligence while dealing in the scrip of SSPL and at the time of registration of the client by knowing the client and subsequently ensuring that the client was not fictitious by way of assuring that payments were received and made by account payee cheques, shares received and delivered properly.*

(viii) *Nokia denied of indulging in any manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains. Nokia submitted that it was impossible for a stockbroker to know that the trades of his clients were for the purpose of manipulating the market since the intention of a client was not known or apparent from his trading pattern. Nokia never attempted to create a false market either singly or in concert with others.*

(ix) *Nokia was in no way involved in speculative business in the market. Their client is not fictitious and very much in existence. They did not indulge in any sort of malpractice.*

(x) *If there was any circular / fictitious / artificial trading as alleged in the show cause notice, they were not party or privy to the conspiracy. In fact, they are the victims and have been deceived if at all by the clients.*

4.0 Opportunity of personal hearing

4.1 Nokia was granted an opportunity for personal hearing before me on October 3, 2006 and October 18, 2006 vide letters dated September 11, 2006 and October 12, 2006 at SEBI, Head Office, Mumbai. However on both the occasions no one appeared on behalf of Nokia for the hearing.

5.0 Consideration of Issues

5.1 I have carefully considered the Enquiry Report, the show cause notice issued to Nokia and the reply of Nokia. I have observed that Nokia did not appear for hearing either before the Enquiry Officer or before me. Considering the facts of the case and reply of Nokia, my findings are as under:

5.2 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 fall in BSE Sensex 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.

5.3 The Enquiry Officer found that handful of clients, mainly Shri Mahesh Kumar Patel (also known as Mayur Patel) and his wife Smt. Jyotiben M Patel (also known as Smt. Jyotika M Hadwani and Mahesh Patel's wife), were involved in the manipulation in the scrip of SSPL. Further 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. Jyitoben M Patel, Shri Gautam Shambhubhai Patel (also known as Gautam Vaghasia and Mahesh's relative), Aarushi Consultancy, Rajnibhai M Patel (also known as Rajni M Padalia), Heena Rajnibhai Patel, Paragon Investment, Farida Fakkruddin Sariya, Radhe Investment, Rajesh Modi, Nilesh Patel, Pravin Raiyani (also known as Pravin Patel), Hiren Rathod, Mega Securities, Praful Patel, Nokia and Kishor Corporation. I find these entities/persons were interrelated and acted 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.

5.4 I note that Nokia acted as a client through Bijal Securities Pvt. Ltd., sub broker SKSE Securities Ltd. and Equisearch Broking Pvt. Ltd., Stock Broker, BSE as unregistered sub broker and had executed trades for nearly all the major clients involved in the dealings of SSPL shares. The clients include Farida Fakkruddin Sariya, Jyotiben Patel, Gautam Patel, Pravin Raiyani, Praful Patel, Mahesh Patel and Kishor Corporation.

5.5 Nokia was also involved in gross trading of 1534432 shares which accounted for approximately 6% of the total trading done during the period of investigation. Nokia was a major net seller which accounted for total net sales of 836000 shares at both Bijal Securities Pvt. Ltd. and also Equisearch Broking Pvt. Ltd. As stated above, Nokia acted for its clients with Bijal Securities Pvt. Ltd. who is a sub broker. It is pertinent to note that if it acted as sub broker for its clients, it can deal through a broker with whom it is registered. The details pertaining to the trades executed by Nokia for its clients through Bijal Securities Pvt Ltd. and Equisearch Broking Pvt. Ltd. as detailed in table 1 clearly indicated that Nokia was aware of the large volume of trades executed by the clients in the scrip. In this regard, it is pertinent to note that it is not a case where the broker executed the trades as per the instructions of the clients. As stated before Nokia acted as an unregistered sub broker of Bijal Securities Pvt. Ltd. and also of Equisearch Broking Pvt. Ltd. through whom the trades were executed for the clients and details of the same are given below in Table 1 :

Table 1

Settlement Number	Purchase	Sale	Gross trade	Net buy	Broker/sub-broker
7	6000	120500	126500	-114500	Bijal
8	25000	113000	138000	-88000	Bijal
9	86143	197143	283286	-111000	Bijal
10	50000	140000	190000	-90000	Bijal
11	113773	210773	324546	-97000	Bijal
12	300	102300	102600	-102000	Bijal
13	30000	58000	88000	-28000	Bijal
14	5000	74000	79000	-69000	Bijal
15	5000	80000	85000	-75000	Bijal
7	5000	11500	16500	-6500	Equisearch

8	3000	3000	6000	0	Equisearch
9		25000	25000	-25000	Equisearch
10	20000	50000	70000	-30000	Equisearch
Total	349216	1185216	1534432	-836000	

5.6 The above table clearly indicates the involvement of Nokia in assisting the entities who were clients in the present case executing fictitious and circular trades among themselves. From the above the active involvement of Nokia in the manipulation of scrip of SSPL is apparent.

5.7 The extract of demat statement of Nokia provided by (DP Khandwala Integrated Financial Services Pvt. Ltd. Client ID 10010658) reproduced in Table 2 below, shows the manner in which SSPL shares were traded during the period of investigation.

Table 2

Date	From/To	Demat A/c no.	Credit	Debit
8-May	Jyoti Patel	24272050	50000	
12-May	Gautam Patel	24272876	4200	
12-May	Maresh Patel	24241120	45800	
19-May	Jyoti Patel	24272050	25000	
21-May	Gautam Patel	24272876	59000	
22-May	Pravin Raiyani	10133667	11349	
24-May	Pravin Raiyani	10133667	25651	
25-May	Pravin Raiyani	10133668	86143	
2-Jun	Gautam Patel	24272876	90000	
2-Jun	Praful Patel	24275226	60000	
2-Jun	Gautam Patel	24272876	1172	
2-Jun	Jyoti Patel	24272050	8788	
4-Jun	Kishor Corporation	12382601		100000
9-Jun	Gautam Patel	24272876	36400	
9-Jun	Jyoti Patel	24272050	30805	
11-Jun	Kishor Corporation	12382601		90000
11-Jun	Gautam Patel	24272876	50133	
12-Jun	Gautam Patel	24272876	6400	
19-Jun	Gautam Patel	24272876	53000	
19-Jun	Kishor Corporation	12382601		53000
20-Jun	Praful Patel	24275226	121500	
20-Jun	Kishor Corporation	12382601		47000
22-Jun	Maresh Patel	24241120	19000	
22-Jun	Gautam Patel	24272876	46825	
25-Jun	Kishor Corporation	12382601		110000
26-Jun	Jyoti Patel	24272050	50000	
27-Jun	Kishor Corporation	12382601		50000
30-Jun	Jyoti Patel	24272050	108000	
30-Jun	Maresh Patel	24241120	32000	
2-Jul	Kishor Corporation	12382601		100000
4-Jul	Gautam Patel	24272876	20000	
4-Jul	Kishor Corporation	12382601		30000
6-Jul	Kishor Corporation	12382601		20000
6-Jul	Jyoti Patel	24272050	200000	
10-Jul	Kishor Corporation	12382601		100000
13-Jul	Gautam Patel	24272876		3000
17-Jul	Jyoti Patel	24272050	105000	
18-Jul	Kishor Corporation	12382601	55000	
18-Jul	Pravin Raiyani	10133667	20000	

5.8 The above table clearly traces out the path of how SSPL shares were traded and indicates the active involvement of Nokia. It is evident that Nokia was well aware of all the artificial trading on part of its clients. Further, I note that Kishor Corporation had at times bought huge chunk of SSPL shares thereby indirectly financing certain other clients like Mayur Patel and related entities.

5.9 The Enquiry Officer has found that Nokia was involved in synchronized deals on buy side on two occasions, the details of which are given in Table 3 below. The details of these orders /trades are as under:

Table 3

Trade Date	Trade Time	Qty	Buyer Member Code	Order Time	Buying Client Name Nokia	Counter Party Code	Order Time	Selling Client Name	Time Diff.
6/7/2001	12:02:17	30000	D0253	12:02:13	Finance	D0653	12:02:43	Kishor Corporation	0:00:30

6/7/2001 12:02:43 15000D0253 12:02:35 Finance D0653 12:03:14 Kishor Corporation 0:00:39

5.10 I note that Nokia when asked about the above trades during the course of investigation, failed to provide any satisfactory answer.

5.11 I note that the movement of shares in the demat account of Nokia clearly indicates the involvement of Nokia in assisting the entities who were the major clients in the present case in executing fictitious trades. Further instances of synchronised trades executed by Nokia are also noted for which Nokia could not provide any satisfactory explanation.

5.12 I have noted the submissions of Nokia and find that the above facts clearly indicate that Nokia was acting as a conduit for its clients and executed trades at BSE through Bijal Securities Pvt. Ltd. and Equisearch Broking Pvt. Ltd. The above actions of Nokia amount to acting as an unregistered sub broker and also executing structured trades which are violative of Clause A (2), A (3) & A(4) of the Code of Conduct as specified in Schedule II of Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 which provides the following:

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

A(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.

A(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 the interference with the fair and smooth functioning of the market.

5.13 On the basis of the facts and circumstances of the case and evidence available on record and considering the volume traded by Nokia, I find that Nokia has aided and abetted the clients in manipulation of the scrip and is guilty of violating the provisions of Regulation 4(a),(b), (c) and (d) of the PFUTP Regulations, 1995 which provides as under :

No person shall:

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;

(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;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities.

5.14 However on careful analysis of the case and considering the volume of trades of Nokia, I am of the view that penalty of suspension of certificate of registration for a period of six months as recommended by the Enquiry Officer would be excessive. Considering the facts and circumstances of the case, imposition of penalty of two months would be adequate to have a deterrent effect on Nokia.

6.0 Order

6.1 Now, therefore, in exercise of powers conferred vide Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby impose a penalty of 'Suspension of the Certificate of Registration for a period of two months on M/s. Nokia Finance International Pvt. Ltd., Member Ahmedabad Stock Exchange Ltd. (INB NO. 021117735)

6.2 This order shall come into effect on expiry of 21 days from the date of this order.

DATE: 19.06.2007

PLACE: MUMBAI

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