

SECURITIES AND EXCHANGE BOARD OF INDIA

Coram: Dr. T. C. NAIR, Whole Time Member

Name of the noticee : M/s. Goldcrest Capital Markets Limited
Date of hearing : 03-05-2006
Appearance of parties
For the noticee : Shri Tushar T. Tanna, Director
Shri Rajendra Sheth, Accounts Manager
For SEBI : Shri Sanjiv Dutt
Shri Jitendra Kumar

ORDER

UNDER REGULATION 13(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002 AGAINST M/s. GOLDCREST CAPITAL MARKETS LIMITED, MEMBER OF THE NATIONAL STOCK EXCHANGE AND BOMBAY STOCK EXCHANGE WITH SEBI REGISTRATION NUMBERS INB230654633 AND INB010654631 RESPECTIVELY, IN THE MATTER OF M/s. ROOFIT INDUSTRIES LIMITED

WTM/TCN/ID7/47/07 /2007

1.0 BACKGROUND

- 1.1 M/s. Roofit Industries Limited was incorporated on February 18, 1982 as a private limited company in the name and style of M/s. Ratnagiri Asbestos Private Limited. Its name was changed to M/s. Ratnagiri Building Products Limited on October 21, 1987. In December 1988, the company started commercial production under the 'Roofit' brand. In 1996, the name of the company was further changed to M/s. Roofit Industries Limited (hereinafter referred to as "Roofit" or the "company"). During 1986, the Motwani Group acquired the controlling interest in the company. One of the group companies of Roofit is M/s. Sun Earth Ceramics Limited. The company is listed at Delhi Stock Exchange (DSE), National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Ahmedabad Stock Exchange, (ASE).

- 1.2 Based on the investigation report submitted by NSE for the period 06.10.99 - 03.12.99, the Securities and Exchange Board of India (SEBI) on March 22, 2000 initiated investigations into the scrip of Roofit to examine the reasons behind the sudden spurt in the price and the trading volume in the scrip. At the same time, SEBI had received a complaint dated 19-01-2001 from Shri Michael D'Silva to the effect that the management of the company directly/indirectly controlled the entire shareholding of the company and that it is being used to rig the share price. Thus, NSE was requested to carry out another investigation. In response, NSE submitted another investigation report on December 31, 2001, for the time period 08.11.2000 to 06.02.2001. Further, NSE conducted an investigation for the time period 07.02.2001 to 08.05.2001 and submitted its report on September 11, 2002.
- 1.3 BSE was requested to investigate the matter and submit its report to SEBI as the scrip was also listed and traded on BSE. BSE conducted investigations for the periods 10.10.99 -12.12.99 and 22.01.01 - 04.05.01 and submitted its investigation reports on September 26, 2001 and May 24, 2002, respectively.
- 1.4 Thus, cumulatively, the investigations by NSE and BSE, in the scrip of Roofit covered the following periods:
- a. 06.10.99 to 12.12.99
 - b. 08.11.2000 to 06.02.2001 and
 - c. 07.02.2001 to 08.05.2001.
- 1.5 NSE and BSE in their investigation reports have identified 16 brokers including M/s Goldcrest Capital Markets Limited (herein after referred to as "Goldcrest" or the "broker"). SEBI had conducted detailed investigations and examined the role of brokers based on the trading details of the respective brokers in the scrip.
- 1.6 The investigation report revealed the following with respect to Goldcrest:
- 1.6.1 The client wise detail of trades executed by the broker in the scrip of Roofit, exchange wise, during the time period of investigation, is given below:

Table 1
Trades executed at NSE

Sett no.	Client	Buy Qty	Sell Qty	Gross	Net
2000046	Mayfair Realtor	0	22000	22000	-22000
2000047	Ami Impex	52000	52000	104000	0
2000053	Onlooker	0	150000	150000	-150000
2000053	Mayfair Realtor	0	25000	25000	-25000
2001001	Habiscus	0	50000	50000	-50000
2001002	Habiscus	0	200000	200000	-200000
2001003	Habiscus	0	136000	136000	-136000
2001004	Alkan Project	0	35000	35000	-35000
2001005	Onlooker	0	90000	90000	-90000
2001005	Habiscus	0	140000	140000	-140000
2001005	Alkan Project	0	100000	100000	-100000
2001005	Jyoti J Mehta	0	10000	10000	-10000
2001006	Alkan Projects	0	20000	20000	-20000
2001007	Alkan Projects	0	93000	93000	-93000
2001007	M'Belle International	0	202000	202000	-202000
2001009	Onlooker Investment	0	53000	53000	-53000
2001009	M'Belle International	0	237000	237000	-237000
2001009	Jyoti J Mehta	0	35000	35000	-35000
2001011	Onlooker Investment	0	100000	100000	-100000
2001011	M'Belle International	0	125000	125000	-125000
2001011	Jyoti J Mehta	0	40000	40000	-40000
2001011	Habiscus Investments	0	155000	155000	-155000

Table 2
Trading Details at BSE

Sett no.	Client name	Buy Qty	Sell Qty	Gross	Net
2000044	Alkan Projects	0	90,000	90,000	-90,000
2000044	Vynex chemical Engg.	0	35,000	35,000	-35,000
2000044	Mayfair Paper	0	155,000	155,000	-155,000
2000045	Alkan Projects	0	25,000	25,000	-25,000
2000045	Habiscus Investments	0	55,000	55,000	-55,000
2000045	Jitendra Mehta	0	42,000	42,000	-42,000
2000046	Alkan Projects	0	63,000	63,000	-63,000
2000046	M'Belle International	0	70,000	70,000	-70,000
2000047	Alkan Projects	0	100,000	100,000	-100,000
2000047	M'Belle International	0	65,000	65,000	-65,000
2000047	Jyoti Mehta	0	30,000	30,000	-30,000
2000048	Onlooker Investment	0	120,000	120,000	-120,000
2000049	M'Belle International	0	265,000	265,000	-265,000
2000050	Alkan Projects	0	152,000	152,000	-152,000
2000050	M'Belle International	0	250,600	250,600	-250,600
2000051	Onlooker Investment	0	115,000	115,000	-115,000
2000051	Mayfair Realtor	0	80,000	80,000	-80,000

- 1.6.2 The following were the clients for whom the broker had executed trades:
- M/s. Mayfair Realtors Pvt. Ltd. (here-in after referred to as “M/s. Mayfair Realtors”)
 - M/s. Ami Impex (here-in after referred to as “M/s. Ami Impex”)
 - M/s. Onlooker Investments Pvt. Ltd. (here-in after referred to as “M/s. Onlooker”)
 - M/s. Habiscus Investments Pvt. Ltd. (here-in after referred to as “M/s. Habiscus”)
 - M/s. Alkan Projects Pvt. Ltd. (here-in after referred to as “M/s. Alkan”)
 - M/s. Jyoti J Mehta (here-in after referred to as “M/s. Jyoti”)
 - M/s. Vynex Chemical Engg. (B) Pvt. Ltd. (here-in after referred to as “M/s.Vynex”)
 - M/s. Mayfair Paper & Boards Pvt. Ltd. (here-in after referred to as “M/s.Mayfair Paper ”)
 - M/s. Jitendra Mehta. (here-in after referred to as “M/s. Jitendra”)
 - M/s. M'Belle International Pvt. Ltd. (here-in after referred to as “M/s.M'Belle”)

In almost all its settlements, the broker had sold for its clients.

- 1.6.3 At NSE, through out the investigation period, the noticee had acted as a seller and M/s. Amgis Holdings Pvt. Ltd. (herein after referred to as “M/s. Amgis”) acted as a buyer. Detailed analysis of trade log is given below:

Table 3
Trades Executed between M/s. Amgis and M/s. Goldcrest Capital Market Limited at NSE

Date	Trade Time	Trade Price	Trade Qty	Buy Tm Name	Buy Client Name	Buy Order Entry Time	Sell Tm Name	Sell Client Name	Sell Order Entry Time
20-Nov-00	12:32:35	268	659	Amgis	Onlooker	12:32:31	Goldcrest	Ami Impex	12:32:35
20-Nov-00	12:32:45	268	4541	Amgis	Onlooker	12:32:45	Goldcrest	Ami Impex	12:32:35
20-Nov-00	12:32:45	268	46800	Amgis	Onlooker	12:32:45	Goldcrest	Ami Impex	12:32:35
27-Dec-00	10:41:07	121	25000	Amgis	H(Habiscus)	10:41:07	Goldcrest	Mayfair	10:41:03
27-Dec-00	10:41:47	121.5	25000	Amgis	H(Habiscus)	10:41:47	Goldcrest	Onlooker	10:41:45
27-Dec-00	11:06:40	120.25	25000	Amgis	H(Habiscus=6658& onlook=18342)	11:06:40	Goldcrest	Onlooker	11:06:28
27-Dec-00	11:07:13	120.25	25000	Amgis	H(onlooker)	11:07:13	Goldcrest	Onlooker	11:07:11
27-Dec-00	11:08:07	120.1	25000	Amgis	H(onlooker)	11:08:07	Goldcrest	Onlooker	11:08:04
08-Jan-01	10:38:37	119.5	25000	Amgis	H(Habiscus)	10:38:37	Goldcrest	Habiscus	10:38:25
08-Jan-01	10:39:12	119	25000	Amgis	H(Habiscus=8903& S J Impex 16093)	10:39:12	Goldcrest	Habiscus	10:38:57

[illegible]

Date	Trade Time	Trade Price	Trade Qty	Buy Tm Name	Buy Client Name	Buy Order Entry Time	Sell Tm Name	Sell Client Name	Sell Order Entry Time
14-Mar-01	10:13:31	112.25	24930	Amgis	Onlooker	10:13:31	Goldcrest	Jyoti J. Mehta	10:13:23
14-Mar-01	10:13:40	112.25	70	Amgis	M'Belle	10:13:40	Goldcrest	Jyoti J. Mehta	10:13:23
14-Mar-01	10:14:09	112.25	15000	Amgis	Onlooker	10:14:09	Goldcrest	Jyoti J. Mehta	10:14:04
14-Mar-01	10:20:29	110.00	25000	Amgis	Onlooker	10:20:29	Goldcrest	Onlooker	10:20:22
14-Mar-01	10:21:13	113.00	25000	Amgis	Onlooker	10:21:13	Goldcrest	Onlooker	10:21:08
14-Mar-01	10:21:39	112.00	15000	Amgis	Onlooker	10:21:39	Goldcrest	Onlooker	10:21:34
14-Mar-01	10:21:56	112.00	15000	Amgis	M'Belle	10:21:55	Goldcrest	Onlooker	10:21:56
14-Mar-01	10:22:47	113.00	9000	Amgis	M'Belle	10:22:47	Goldcrest	Onlooker	10:22:42
14-Mar-01	10:23:09	112.50	11000	Amgis	M'Belle	10:23:04	Goldcrest	Onlooker	10:23:09
15-Mar-01	10:01:19	110.00	25000	Amgis	Onlooker	10:01:19	Goldcrest	Habiscus	10:01:08
15-Mar-01	10:01:50	112.00	14950	Amgis	M'Belle	10:01:50	Goldcrest	Habiscus	10:01:40
15-Mar-01	10:01:59	112.00	50	Amgis	Onlooker	10:01:59	Goldcrest	Habiscus	10:01:40
15-Mar-01	10:02:30	112.25	15000	Amgis	M'Belle	10:02:30	Goldcrest	Habiscus	10:02:28
15-Mar-01	10:03:48	111.50	25000	Amgis	M'Belle	10:03:48	Goldcrest	Habiscus	10:03:38
15-Mar-01	10:05:02	111.75	15000	Amgis	M'Belle	10:05:02	Goldcrest	M'Belle	10:04:49
15-Mar-01	10:05:24	111.90	35000	Amgis	M'Belle	10:05:24	Goldcrest	M'Belle	10:05:20
15-Mar-01	10:05:56	112.00	15000	Amgis	M'Belle	10:05:56	Goldcrest	M'Belle	10:05:44
15-Mar-01	10:06:38	112.00	25000	Amgis	M'Belle	10:06:38	Goldcrest	M'Belle	10:06:26
15-Mar-01	10:07:28	111.00	10000	Amgis	M'Belle	10:07:28	Goldcrest	M'Belle	10:07:18
15-Mar-01	10:08:07	111.50	15000	Amgis	Onlooker	10:08:07	Goldcrest	M'Belle	10:07:55

The above table would indicate the following:

- 76 structural deals amounting to 1,847,000 shares were executed between M/s. Amgis and M/s. Goldcrest.
- For all these 76 structural deals, M/s. Amgis acted as a buyer and M/s. Goldcrest acted as a seller.
- Both buy and sell orders have been placed at approximately same time, same price and for the same quantity.
- Same clients have been found trading through both these members. These clients who are - M/s. Onlooker, M/s. Habiscus, M/s. Alkan and M/s. Mayfair Realtor - are related to each other and had acted as buyer and seller trading through both these members
- In 10 trades amounting to 297,000 shares, the client – M/s. M' Belle International Pvt. Ltd. was buying shares through Amgis Holdings P. Ltd. and at the same time selling shares through M/s. Goldcrest Capital Markets Ltd. M/s. M'Belle is related to the promoter / director of the company M/s. Roofit.
- In 7 trades amounting to 2,23,017 shares, the client - M/s. Onlooker Investments Pvt. Ltd. was buying through M/s. Amgis Holdings P. Ltd. and at the same time

selling shares through M/s. Goldcrest Capital Markets Ltd. M/s. Onlooker is indirectly related to the promoter / director of the company M/s. Roofit.

- g. 15 trades amounting to 132,910 shares have been executed on behalf of the client – M/s. M'Belle International Pvt. Ltd. on the buy side and M/s. Alkan Projects Pvt. Ltd. on the sell side. Further, 3 structured deals amounting to 152,000 shares have been executed on behalf of M/s. Alkan Projects Pvt. Ltd. on the buy side and M/s. M'Belle International Pvt. Ltd. on the sell side. M/s. Alkan and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.
- h. 11 trades amounting to 275,566 shares have been executed on behalf of the client – M/s. M'Belle International Pvt. Ltd. on the buy side and M/s. Habiscus Investments Pvt. Ltd. on the sell side. M/s. Habiscus and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.
- i. trades amounting to 88,000 shares have been executed on behalf of the client – M/s. M'Belle International Pvt. Ltd. on the buy side and M/s. Onlooker Investments Pvt. Ltd. on the sell side. M/s. Onlooker and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.
- j. structured deals amounting to 75,250 shares, have been executed on behalf of M/s. Onlooker Investments P. Ltd. on the buy side and at the same time M/s. Habiscus Investments Pvt. Ltd. on the sell side. M/s. Habiscus and M/s. Onlooker are related to each other and to the promoter / director of the company M/s. Roofit.
- k. structural deals amounting to 115,000 shares have been executed on behalf of M/s. Onlooker Investments P. Ltd. on the buy side and M/s. M'Belle International Pvt. Ltd. on the sell side. M/s. Onlooker and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.

1.6.4 At BSE, through out the period, M/s. Goldcrest acted as a seller and M/s. Pals acted as a buyer. Trade log detail is given below:

Trades Executed between M/s. Goldcrest and M/s. Pals at BSE

a. Sett. No. 44 (22/01/2001 to 25/01/2001)

On 22/01/2001: Following trades were executed.

Table 4

BUYER MEMBER				Price (Rs.)	Qty	Executed Time	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time				Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	0857	Alkan Projects	10:18:41	122	9,000	10:18:47	326	10:18:46	4060	Alkan Projects
		M Belle Inter			21,000					
314	0858	Alkan Projects	10:22:53	122	3,000	10:22:54	326	10:22:49	4062	Alkan Projects
		M Belle Inter			27,000					
314	0860	Alkan Projects	10:23:43	122.1	15,000	10:23:43	326	10:23:32	4063	Alkan Projects
		M Belle Inter			15,000					
314	0861	Alkan Projects	10:24:34	121.5	21,000	10:24:34	326	10:24:33	4064	Vynex Chemicals
		M Belle Inter			14,000					
314	0862 0863	Alkan Projects	10:29:31 10:30:10	122 121.75	15,000	10:29:32	326	10:29:30 10:30:06	4067 4068	Mayfair Paper & Boards Pvt. Ltd.
		M Belle Inter			20,000	10:30:06				
		Alkan & M Belle			500	10:30:10				
		M Belle Inter			15,000	10:30:27				
314	0865	Alkan Projects	10:31:50	122	2,500	10:31:51	326	10:31:46	4069	Mayfair Paper & Boards Pvt. Ltd.
		M Belle Inter			22,500					
314	0866	Alkan Projects	10:32:29	122	18,000	10:32:29	326	10:32:29	4070	Mayfair Paper & Boards Pvt. Ltd.
		M Belle Inter			2,000					
314	1237	Alkan Projects	13:01:05	122	7,000	13:01:05	326	13:00:37	4073	Mayfair Paper & Boards Pvt. Ltd.
		M Belle Inter			3,000					
314	1238	Alkan Projects	13:01:53	122	25,000	13:01:54	326	13:01:47	4074	Mayfair Paper & Boards Pvt. Ltd.
314	1239	Alkan Projects	13:02:31	122	25,000	13:02:31	326	13:01:21	4075	Mayfair Paper & Boards Pvt. Ltd.

Goldcrest (Clg. No. 326) has put in sell order for 30,000 shares at Rs.122 at 10:18:41 and M/s. Pals (Clg. No. 314) has put in buy order immediately at 10:18:46 for 30,000 shares at Rs.122. This was the first trade to be executed on this day. Thus, it appears that both the members matched their trades. During the day, both the members matched 11 trades totaling to 280,000 shares. Further, on the same day, M/s. Pals was the only buyer at Rs. 122. There was no buyer at higher than this price. M/s. Pals executed trades for M/s. Alkan and M/s. M'Belle. M/s. Goldcrest executed trades for M/s. Alkan, M/s. Vynex and M/s. Mayfair Paper. All these clients are related to each other and to the promoter / director of the company M/s. Roofit. Also same clients were found trading on both the sides - buy and sell.

b. In Sett. No. 45 (29/01/2001 to 02/02/2001):

On 29/01/2001: There was absence of buyers in the market. Goldcrest (Clg. No. 326) puts in sell order for 42,000 shares at 10:03:39 at Rs. 132 and M/s. Pals (Clg. No. 314) puts in buy order for 42,500 shares at 10:03:41 at Rs. 133. The order is executed initially for 200 shares with other members at 10:03:41 at the

rate of Rs.127-Rs.127.4 and then the order for 42,000 shares were executed at Rs.132. The order for remaining 300 shares was deleted at 10:03:53. Thus it appears that the members have matched their trades. During the day, both the members have matched 5 trades totaling to 122,000 shares and Pals (Clg. No. 314) was the only buyer at Rs. 132. There was no buyer higher than this price.

The trades matched during the day were as under:

Table 5

BUYER MEMBER				Price (Rs.)	Qty	Executed Time	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time				Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	1413	M'Belle Inter	10:03:41	132	42,000	10:03:41	326	10:03:39	4122	Jitendra Mehta
	1416		10:04:34	126	100	10:04:35				
314	1417	M'Belle Inter	10:04:58	126	49,500	10:04:59	326	10:04:28	4123	Habiscus Invest
	1418		10:05:24	126	5,400	10:05:24				
314	1421	M'Belle Inter	10:06:03	126	25,000	10:06:03	326	10:05:57	4124	Alkan Projects

- i. M/s. Goldcrest has executed trades for M/s. Habiscus and M/s. Alkan
- ii. M/s. Habiscus and M/s. Alkan are related to each other and to the promoter / director of the company M/s. Roofit.

c. Sett. No. 46 (05/02/2001 to 09/02/2001):

On 05/02/2001: There was absence of buyers in the market before Goldcrest (Clg. No. 326) put in sell order for 50,000 shares at 10:09:10 at Rs. 127 and M/s. Pals (Clg. No. 314) put in buy order for 50,000 shares at 10:09:14 at Rs. 127. This was the first trade to be executed during the day. Thus, it appears that the members have matched their trades. During the day, both the members have matched 5 trades totaling to 133,000 shares and Pals (Clg. No. 314) was the only buyer at Rs. 127.8. There was no buyer higher than this price.

The trades matched during the day were as under:

Table 6

BUYER MEMBER				Price (Rs.)	Qty	Executed Time	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time				Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	1128	M'Belle Inter	10:09:14	127	50,000	10:09:15	326	10:09:10	4231	M'Belle Inter
314	1130	M'Belle Inter	10:09:51	127.5	20,000	10:09:51	326	10:09:49	4232	M'Belle Inter
314	1133	M'Belle Inter	10:11:56	126.75	20,000	10:11:56	326	10:11:54	4234	Alkan Projects
314	1135	M'Belle Inter	10:21:00	126.5	30,000	10:21:00	326	10:20:56	4235	Alkan Projects
314	1586	M'Belle Inter	10:32:00	126	13,000	10:32:00	326	10:31:53	4237	Alkan Projects

- i. M/s. M'Belle was found trading through both these members.
- ii. M/s. Goldcrest had executed trades for M/s. Alkan also. M/s. M'Belle and M/s. Alkan are related to the promoter / director of the company M/s. Roofit.

d. Sett.No. 47(12/02/2001 to 16/02/2001):

On 12/02/2001: There was absence of buyers in the market before Goldcrest (Clg. No. 326) put in sell order for 30,000 shares at 10:08:29 at Rs. 132 and M/s. Pals (Clg. No. 314) put in buy order for 32,000 shares at 10:08:35 at Rs. 132. However, due to the availability of other sell orders at lower prices prior to this order, the order of M/s. Pals (Clg. No. 314) got executed at the price from Rs.126.95 to Rs.128.7 for 1,350 shares. Then, order for 30,000 shares got executed with the order of Goldcrest (Clg. No. 326) at Rs.132. Thus the price of Rs.132 got established. Remaining 650 shares were executed at 10:09:23 with other members. Thus, it appears that the two members have matched their trades. During the day, these members have matched 5 trades totalling to 195,000 shares and Pals (Clg. No. 314) was the only buyer at Rs. 132. There was no buyer higher than this price.

The trades matched during the day were as under:

Table 7

BUYER MEMBER				Price	Qty	Execu	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time	(Rs.)		ted Time	Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	1717	M'Belle Inter	10:08:35	132	30,000	10:08:35	326	10:08:29	4409	Jyoti Mehta
314	1718	M'Belle Inter	10:09:45	130	50,000	10:09:56	326	10:09:56	4411	Alkan Projects
314	1719	M'Belle Inter	10:10:52	129.75	50,000	10:10:52	326	10:10:44	4412	Alkan Projects
314	1725	M'Belle Inter	10:13:13	129	61,000	10:13:13	326	10:13:06	4413	M'Belle Inter
314	1726	M'Belle Inter	10:14:27	129	4,000	10:14:27	326	10:14:26	4414	M'Belle Inter

- i. M/s. Goldcrest had matched his trades with M/s. Pals.
- ii. Immediately after the last matched order for 4,000 shares was executed, two more buy orders were put in by Clg.No.314 for 100 shares at 10:11:13 for Rs.125 and other order also for 100 shares at 10:11:33 was punched for Rs.122.1. These orders got executed at 10:27:49 and 10:29:50 respectively. The price fell from Rs.132 to Rs.122.

- iii. M/s. Pals executed trades for M/s. M'Belle, who is related to the promoter / director of the company M/s. Roofit.
- iv. M/s. Goldcrest executed trades for M/s. M'Belle and M/s. Alkan.
- v. M/s. M'Belle and M/s. Alkan are related to each other and to the promoter / director of the company M/s. Roofit.
- vi. Thus, members have tried to manipulate the price by trading for the clients who are related to each other, to the broker and to the promoter / director of the company M/s. Roofit.

e. In Sett. No. 49 (26/02/2001 to 02/03/2001)

On 26/02/2001: The first order to be executed was at 10:03:59 for 100 shares at Rs.119. The next order was executed between Goldcrest (Clg. No. 326) who had put in sell order for 57,600 shares at 10:25:51 at Rs. 120 and M/s. Pals (Clg. No. 314) who had put in buy order for 57,600 shares at 10:25:57 at Rs. 120. It is thus suspected that both the members have matched their trades. During the day, both of them have matched 7 trades totaling to 265,000 shares.

The trades matched during the day were as under:

Table 8

BUYER MEMBER				Price (Rs.)	Qty	Executed Time	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time				Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	2065	Onlookers Invest	10:25:57	120	57,600	10:25:58	326	10:25:51	4584	M'Belle Inter
314	2067	Onlookers Invest	10:26:50	121	51,200	10:26:51	326	10:26:41	4585	M'Belle Inter
314	2069	Onlookers Invest	10:27:40	120.5	41,800	10:27:41	326	10:27:32	4586	M'Belle Inter
314	2070	Onlookers Invest	10:28:12	121	37,600	10:28:12	326	10:28:10	4587	M'Belle Inter
314	2071	Onlookers Invest	10:29:00	120.75	51,600	10:29:00	326	10:28:56	4588	M'Belle Inter
314	2072	Onlookers Invest	10:29:37	121	15,200	10:29:37	326	10:29:37	4589	M'Belle Inter
314	2073	Onlookers Invest	10:32:33	120	10,000	10:32:34	326	10:32:32	4590	M'Belle Inter

- i. Member, M/s. Pals has traded for the client M/s. Onlooker and M/s. Goldcrest has traded for the client M/s. M'Belle.
- ii. M/s. Onlooker and M/s. M'Belle are related to each other and to the promoter / director of the company M/s. Roofit.

f. In Sett. No. 50(05/03/2001 to 09/03/2001):

On 05/03/2001: M/s. Goldcrest (Clg. No. 326) punched in sell order for 82,000 shares at 10:09:32 at Rs. 121 and M/s. Pals (Clg. No. 314) punched in buy order

for 82,000 shares at 10:09:41 at Rs. 121. This is the first order to be executed during the day. It is therefore, suspected that the members have done a matched trade. During the day, both the members have matched 6 trades totaling to 402,600 shares.

The trades matched during the day were as under:

Table 9

BUYER MEMBER				Price (Rs.)	Qty	Exe cuted Time	SELLER MEMBER			
Clg. No.	Buy Order ID	Ultimate Clients	Order Time				Clg. No.	Order Time	Sell Order ID	Ultimate Clients
314	2160	Onlookers Invest	10:09:41	121	53,000	10:09:41	326	10:09:32	4859	Alkan Projects
		M'Belle Inter			29,000					
314	2161	Onlookers Invest	10:10:25	121.25	56,000	10:10:25	326	10:10:20	4860	Alkan Projects
		M'Belle Inter			14,000					
314	2164	Onlookers Invest	10:25:52	120.5	17,400	10:25:52	326	10:25:48	4861	M'Belle Inter
		M'Belle Inter			62,200					
		Onlookers & M'Belle			8,400					
314	2165	M'Belle Inter	10:26:35	120.75	60,000	10:26:35	326	10:26:26	4862	M'Belle Inter
314	2166	Onlookers Invest	10:27:35	120.9	31,040	10:27:35	326	10:27:19	4863	M'Belle Inter
		M'Belle Inter			46,560					
314	2168	Onlookers Invest	10:31:44	120.5	25,000	10:31:44	326	10:31:35	4864	M'Belle Inter

- M/s. M'Belle traded through both the members, appearing both at the buy and the sell side.
- Member, M/s. Goldcrest sold shares for M/s. Alkan and M/s. M'Belle. M/s. Alkan and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.
- M/s. Goldcrest matched its trades with M/s. Pals, who executed trades for M/s. Onlooker and M/s. M'Belle. M/s. Onlooker and M/s. M'Belle are related to the promoter / director of the company M/s. Roofit.

1.6.5 Linkages

Goldcrest has traded for clients who are related to each other. Some of the clients are related to the promoter / director of the company – M/s. Roofit. These linkages are given below:

a) Clients related to each other

M/s. Mayfair Realtor and M/s. Mayfair Paper are related to each other as they have common address.

b) Clients related to the promoter / director of M/s. Roofit

M/s. Vynex and M/s. Mayfair Paper are one of the persons acting in concert in M/s. Roofit. Thus, M/s. Vynex and M/s. Mayfair Paper are related to the company M/s. Roofit. Mr. Madan Relwani is the director of M/s. Mayfair Realtors.

c) As per the information given by M/s. Sunearth Ceramics Ltd., Mr. Madan Relwani is one of the directors of M/s. Sunearth Ceramics. M/s. Sunearth Ceramics is the group / associated company of M/s. Roofit. Thus, M/s. Mayfair Realtors is indirectly related to the promoter / director of the company M/s. Roofit.

d) Thus M/s. Onlooker, M/s. Habiscus, M/s. M'Belle, M/s. Alkan are related to each other and to promoter / director of M/s. Roofit. Further, M/s. Vynex, M/s. Mayfair Realtors and M/s. Mayfair Paper are also related to each other and to the promoter / director of the company M/s. Roofit. Therefore, all these entities are related to each other and to the promoter / director of the company M/s. Roofit.

1.6.6 Delivery of Securities

1.6.6. A) Demat Analysis

a) In Sett No. 2000053, M/s Goldcrest had sold 150,000 shares for M/s. Onlooker and 25,000 shares for M/s. Mayfair Realtor. M/s Goldcrest's NSE Pool demat statement shows that it had received 65,000 shares from M/s. Onlooker's A/c. and 120,000 shares from M/s. Habiscus's A/c. to meet the payin obligation of Sett No. 2000053.

b) In Sett No. 2001002, M/s Goldcrest had sold 200,000 shares for M/s. Habiscus at NSE. M/s Goldcrest had received these shares from M/s. Alkan, M/s. Vynex and M/s. Mayfair Paper's account. M/s Goldcrest had executed purchase transactions for these clients at BSE. Thus, shares were received from BSE pool a/c. to meet the pay-in obligation at NSE.

- c) Sett No. 2001003, M/s Goldcrest had sold 136,000 shares for M/s. Habiscus. M/s Goldcrest had received 42,000 shares from M/s. Mayfair Realtor's a/c. and 39,000 shares was received through pledge closure.
- d) In Sett No. 2001007 of NSE, M/s. Goldcrest had sold 93,000 shares for M/s. Alkan and 202,000 shares for M/s. M'Belle, amounting for 295,000 shares. Demat statement of the M/s Goldcrest reveals that it had received 305,000 shares from M/s. M'Belle on 23/02/2001. These shares were pledged with Bank of Punjab on 27/02/2001. The pledge was revoked on the same day and 295,000 shares out of 305,000 shares were used to make the pay-in. Therefore, the trading member used shares received from M/s. M'Belle to make pay-in even for M/s. Alkan.
- e) In Sett No. 2001009 of NSE, M/s. Goldcrest sold 53,000 shares for M/s. Onlooker and 237,000 shares for M/s. M'Belle. Demat statement of M/s Goldcrest reveals that it had received 255,000 shares from M/s. Onlooker and 80,000 shares from M/s. Mayfair Realtors amounting to 335,000 shares. Out of these, 325,000 shares were used for making pay-in.
- f) In Sett No. 11 of NSE, M/s. Goldcrest had sold 100000 shares for M/s. Onlooker, 125,000 shares for M/s. M'Belle and 155,000 shares for M/s. Habiscus. Demat statement of M/s Goldcrest shows that to meet the pay-in obligation of the above mentioned clients, 40,000 shares were received from M/s Goldcrest's BSE beneficiary a/c. which in turn were received from the demat a/c. of M/s. Amgis. The remaining 380,000 shares were received by M/s Goldcrest through pledge closures. The shares pledged were received from different related clients / entities. Similar pattern was observed in other settlements.

1.6.6. B) SHARES TRANSFERRED FROM NSE POOL A/C. TO BSE POOL A/C.

- a. In BSE - Sett. No. 44 (22/01 - 25/01) - M/s. Goldcrest sold 90,000 shares for M/s. Alkan, 35,000 shares for M/s. Vynex and 155,000 shares for M/s. Mayfair Paper & Board. These clients had to give the delivery on the Pay in day i.e. on 01/02/2001. Demat statement of M/s. Goldcrest shows that these shares were received from its NSE Pool A/c instead of clients A/c.
- b. The NSE Pool A/c. statement of M/s. Goldcrest shows that in Sett. No. 04 (24/01 - 30/01) on 27/01, 55,000 shares were received from M/s. Habiscus and 42,000 shares were received from M/s. Mayfair Realtor. 97,000 shares were transferred to NSE Clearing corporation on 29/01 (for Pay in of Sett. No.03). On 30/01 member received 100,000 shares from M/s. Onlooker, 100,000 shares from M/s. Alkan and 140,000 shares from M/s. Habiscus. Out of these 340,000 shares 60,000 shares were transferred to its NSE Beneficiary A/c. for pledging with Bank of Punjab on 31/01 and balance 280,000 shares were transferred to BSE Pool A/c. to meet the Pay in obligation for Sett. No 44 at BSE.
- c. Thus, M/s Goldcrest had interchangeably adjusted the shares received from one set of related clients to meet the Pay in obligation of another set of related clients at both the exchanges. Some shares were used to pledge with the Bank of Punjab for one day or so and later these shares were being used to fulfill the Pay in obligations by closing the pledge request. In some cases reverse transfer of shares were also observed.
- d. Similar technique was used in Sett. No. 46, 47, and 48 by M/s. Goldcrest, to meet its Pay in obligation at BSE by transferring shares from NSE Pool A/c.

1.6.6. C) SHARES TRANSFERRED FROM NSE BENEFICIARY A/C. TO BSE POOL A/C.

- a. In BSE - Sett. No. 45 (29/01 - 02/02) - M/s. Goldcrest sold 25,000 shares for M/s. Alkan, 55,000 shares for M/s. Habiscus and 42,000 shares for M/s. Jitendra Mehta. The pay in day for the delivery of these shares was on 08/02/01. Demat staement shows that these shares were received from NSE Beneficiary A/c.
- b. From NSE Pool A/c. it was observed that in Sett. no. 05 (31/01 - 06/02) on 02/02, 1,13,000 shares were received from M/s. Alkan and 70,000 shares were received from M/s. M'Belle. Out of these 1,83,000 shares, 1,48,000 shares were transferred to its NSE Beneficiary A/c on 03/02 and the remaining 35,000 shares were used to meet the pay in obligation of Sett. No. 04.
- c. On 08/02, 1,22,000 shares were transferred from NSE Beneficiary A/c. to BSE Pool A/c on 08/02 to meet the pay in obligation of shares at BSE for Sett. No. 45.
- d. Similar method was resorted to, by M/s. Goldcrest to meet its Pay in obligation at BSE by transfer from NSE Beneficiary A/c. in Sett. No. 49, 50 and 51.
- e. Therefore, it appears that M/s. Goldcrest was making adjustment for its clients as far as delivery of securities is concerned, which only highlights the close relationship / association between the clients and the trading member.

1.6.7 STATEMENT OF SHRI TUSHAR TANNA, DIRECTOR OF M/s. GOLDCREST CAPITAL MARKET LTD.

- a. With regard to the related clients for whom Goldcrest had executed trades who were introduced by Shri Deven Mehta; Director of M/s. Amgis Holdings Pvt. Ltd. – member, NSE and M/s. Pals Overseas Pvt. Ltd. – member, BSE; Shri Tushar Tanna, director of Goldcrest had stated that

“Mr. Deven Mehta introduced him to these ten clients referred in the investigation report. These clients are:

1. M/s. Mayfair Realtors Pvt. Ltd.
2. M/s. Ami Impex
3. M/s. Onlooker Investments Pvt. Ltd.
4. M/s. Habiscus Investments Pvt. Ltd.
5. M/s. Alkan Projects Pvt. Ltd.
6. M/s. Jyoti J Mehta
7. M/s. Vynex Chemical Engg. (B) Pvt. Ltd.
8. M/s. Mayfair Paper & Boards Pvt. Ltd.
9. M/s. Jitendra Mehta.
10. M/s. M'Belle International Pvt. Ltd.”

- b. M/s. Goldcrest acted as a financier to these clients. Member had made spot payment to these related clients for the shares sold by them. Payment was made much before the payout day for which member used to charge a certain amount. Shri Tanna stated
- “We were also to make spot payment to the clients though we were to receive the money later from either the NSE or the BSE on pay-out date. We were charging these clients a certain amount of pre-payment charges and brokerage for making these payments in advance. The pre-payment charges were the same for all these ten clients and were levied for approx. one settlement period which at that time was for one week. The pre-payment charge was approx. 1% of the transaction value. On pay-out dates, the money for the sales for these ten clients would remain with us rather than going to the clients, since we had already paid them off”.*
- c. M/s Goldcrest received shares in advance in its NSE Pool a/c. or in its BSE Pool a/c. before placing sell order for these related clients and transfer the shares as per the requirement of pay-in at either of the exchanges. It was stated by Shri Tanna, Director of M/s Goldcrest that M/s Goldcrest received these shares either at

NSE or the BSE pool account. However, the sale may not necessarily have taken place at BSE or NSE. M/s Goldcrest would transfer the shares from the NSE to the BSE pool account or vice versa, as per the requirement of shares for pay-in. If M/s Goldcrest already had shares in this account, it would not transfer additional shares to save on demat charges”.

- d. M/s. Goldcrest, would enter into sale transactions and than make payments to these related entities. M/s Goldcrest would get covered by the settlement guarantee fund of the Exchanges. M/s. Amgis and M/s. Pals, broking entity of Shri Deven Mehta would enter into Structural deals with M/s. Goldcrest and ensure that the related entities did not lose control over their shares and the cycle could be repeated. I note that the investigations have concluded that the ultimate clients of the trading member M/s. Goldcrest, M/s. Amgis and M/s. Pals, with whom member has executed structural deals are related to each other and to the promoter / director of the company M/s. Roofit.
 - i. The trading member executed a series of matched trades with various brokers to influence the price as well to create volume.
 - ii. Demat statement of the member shows that the member was making adjustment for a set of related clients as far as delivery of shares was concerned.
 - iii. Demat statement further reveals that the member was transferring shares from its NSE Pool a/c. (belonging to a set of related clients) to its BSE Pool a/c. to meet the payin obligation at BSE (for another set of related clients, with both these sets of clients related to each other).
 - iv. Shares were bought by the member on spot basis and payment was made by the member much before the payout day. Member acted as a financier.
 - v. Member misutilised / put to risk the stock exchange mechanism (safeguarding its interest by the settlement guarantee

fund of the exchange) by transferring / mirroring their, off the market financing transactions, onto the exchange system.

1.6.8 Based on the above it was alleged by the investigation Report that Goldcrest has aided and abetted related client as well as acted in concert with the related clients in the

- i) Creation of false market or misleading appearance of trading in the market
- ii) Execution of transactions that are not genuine trade transaction and
- iii) Execution of transactions intended to inflate or cause fluctuations in the market price of the scrip and therefore, has violated the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets), Regulations, 1995 and Clause A (1) and A (4) under Regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

2.0 ENQUIRY PROCEEDINGS

2.1 In order to enquire into the aforesaid contraventions by the broker, an Enquiry Officer was appointed by SEBI vide orders dated 24-07-2003 and 25-06-2003. The Enquiry Officer was required to enquire into the aforesaid allegations against the broker and submit his report to the Board. A notice in terms of Regulation 6(1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2003 was issued to the broker calling for its explanation with respect to the charges. The broker was charged for having aided and abetted with the related clients as well as acted in the creation of false market so as to mislead investors giving them an impression of trading in the market, execution of transactions that is not genuine trade transaction and execution of transaction intended to inflate or cause fluctuation in the market price of the security, thereby violated the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Clause A(1) and A(4) of the Code of Conduct for

Brokers read with Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

- 2.2 The broker replied to the notice vide letter dated 28-11-2003 wherein they had put forth their submissions. The Enquiry Officer also heard the noticee on 30-12-2003, wherein Shri Tarun Tanna, Director of M/s. Goldcrest had appeared before the Enquiry Officer. Further, written submissions dated 02-02-2004 were also submitted to the Enquiry Officer.
- 2.3 On conclusion of the Enquiry proceedings, the Enquiry Officer had submitted his report dated 29-06-2004 to the Board. The Enquiry Officer in his report has concluded that the broker has aided, abetted and acted in concert with related clients in the scrip of M/s. Roofit Industries Limited in creation of false market or misleading appearance of trading in the market and execution of transactions that are not genuine trade transactions and for having violated the provisions of Regulation 4(b) and 4(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Clause A(1) and A(4) of the Code of Conduct for Brokers read with Regulation 7 of the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992. In view of the findings, the Enquiry Officer has recommended that the certificate of registration of the broker be suspended for a period of two months.
- 2.4 On submission of the Enquiry Report, a show cause notice dated 06-08-2004 was issued to the broker in accordance with the provisions of Regulation 13(2) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. The said notice enclosed the Enquiry Report and required the noticee to show cause as to why penalty as considered appropriate should not be imposed against it. The broker submitted its reply dated 06-09-2006 in response to the show cause notice. I note that the broker was heard by my predecessors and the orders could not be passed since the office of the Member fell vacant. When the case was referred to me I thought it fit to hear the broker again before passing any orders. The broker was thus given a personal hearing before me on 03-05-2006, wherein Shri Tushar T Tanna, Director and Shri Rajendra Sheth, Accounts Manager represented the firm. They reiterated their

earlier submissions and also subsequently filed their written submissions dated 16-05-2006.

3.0 CONSIDERATION OF ISSUES

3.1 I have carefully perused the notice, reply of the broker, Enquiry Report and the submissions made before me by the representatives of the broking outfit. The main issues which need to be determined in the instant case are –

- a) Whether the broker engaged in any unfair transactions in order to attract the provisions of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995?
- b) Whether the broker while transacting in the scrip of the company had contravened Clause A (1) and (4) of the code of conduct prescribed for stockbrokers under the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992?

3.2 I find that the investigations have revealed that the broker has engaged in structured deals with two other stock brokers viz., M/s. Amgis Holdings Private Limited (Amgis) and M/s. Pals Overseas Private Limited (Pals). I find that the Enquiry Officer had found that the broker had entered into 76 structured deals amounting to 18,47,000 shares with Amgis in NSE and 39 structured deals amounting to 13,97,600 shares with Pals in BSE and that during several occasions both the buy and sell orders had been placed at approximately the same time, same price and quantity.

3.3 From Table 3 mentioned in para 1.6.3 above, I find that there are 76 deals executed between Amgis and the broker. In all the 76 deals, Amgis had acted as a buying broker and Goldcrest had acted as a selling broker. I find that the orders have been placed at approximately the same time or with a difference of only a few seconds for the same price and for the same quantity. I find that Goldcrest has placed sell orders on behalf of its clients – M/s. Ami Impex, M/s. Mayfair, M/s. Onlooker, M/s. Habiscus, M/s. Alkan, M/s. Jyoti Mehta and M/s. M'Belle and Amgis has placed buy orders for its clients, M/s. Onlooker, M/s. Habiscus, M/s.

Mayfair, M/s. Alkan and M/s. M'Belle. A reading of the said table would reveal that M/s. Onlooker, M/s. Mayfair, Alkan, M/s. Habiscus and M/s. M'Belle were both sellers and buyers trading through Amgis and Goldcrest. I find that there are 10 trades for 297,000 shares where the client, M/s. M' Belle was buying shares through Amgis and at the same time selling the shares through Goldcrest. There were 7 trades for 2,23,017 shares where the client, M/s. Onlooker was buying through Amgis and at the same time selling shares through Goldcrest. I find that 15 trades amounting to 132,910 shares have been executed on behalf of the M/s. M'Belle on the buy side and M/s. Alkan on the sell side. Further, 3 structured deals amounting to 152,000 shares have been executed on behalf of M/s. Alkan on the buy side and M/s. M'Belle on the sell side. I find that there were 11 trades amounting to 275,566 shares executed on behalf of M/s. M'Belle on the buy side and M/s. Habiscus on the sell side. I also find that trades amounting to 88,000 shares were executed on behalf of M/s. M'Belle on the buy side and M/s. Onlooker on the sell side. Structured deals amounting to 75,250 shares have also been executed on behalf of M/s. Onlooker on the buy side and M/s. Habiscus on the sell side. Structured deals amounting to 1,15,000 shares have been executed on behalf of M/s. Onlooker on the buy side and M/s. M'Belle on the sell side. Further there were 62 deals out of 76 deals which were matched within 10 seconds. Goldcrest had also traded at BSE, where the counter party broker was Pals. I find from tables 4 to 9 mentioned in para 1.6.4 supra, that the broker had entered into matched/structured deals with Pals. I find that the broker has entered into such transactions only with an ulterior motive. By entering into such trades as discussed above, the broker (Goldcrest) had acted in a manner so as to create false or misleading appearance of trading in securities and also transactions that are not genuine trades.

- 3.4 I am therefore of the view that the Enquiry Officer was right in concluding that the broker has entered into trades to create a false trading as analysed vide above tables in the scrip of the company to attract the investors in a scrip relatively less liquid. The clients are related to the promoter/director of Roofit and had traded through many brokers by executing structured/matched trades with a view to create artificial volumes and manipulating/maintaining the price. Thus, the cycle of such transactions continued settlement after settlement by entering into

structured deals with the broking entities who had made the payments and ensured that the clients did not lose control over their shares and that the cycle could be repeated. The said transactions are not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate or cause fluctuation in the market price of the security. This would prove that the brokers were hand in glove with the clients and had aided and abetted the clients in their manipulative designs. Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 reads as under:

“Prohibition against Market Manipulation

4. 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;

(e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities.”

I note that the broker has submitted that other parties cannot be known while trading online in the current stock exchange scenario. This argument would not hold good, since there were many trades and the matching cannot happen in all as a matter of coincidence. Thus with regard to the charge of market manipulation, I find broker of having entered into trades so as to create false market in the scrip and therefore has violated the provisions of clauses (b) and

(c) of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. The above said provision prohibits and restrains people related to the securities market from indulging in any kind of unfair and fraudulent trade practices only to protect the interest of innocent investors. The broker on violating the said provisions has clearly played with the equilibrium of the market and therefore needs to be punished accordingly.

- 3.5 With regard to the charge that the broker has traded for the clients who are related to each other, the broker has replied that they were not aware of the same. The broker has submitted that they traded for clients who were introduced by their acquaintance. Even assuming that the broker had no knowledge of any relation between the clients, the order matching in all the trades should have instilled some doubt in the trading in the scrip and the broker should have alerted the respective stock exchange so as to enable them to investigate into the trading pattern, which the broker failed to do. This would also go to prove that the broker was hand in glove in the entire transactions.
- 3.6 With regard to the finding that the broker has financed the selling clients much before pay-in happened, the broker has submitted that they were under the impression that they were entitled to do so. The broker has submitted that it had extended the said facility on payment of charges not exceeding 1% of the transaction. If this was allowed there would be no need of any settlement mechanism in the stock exchanges. The submission made with respect to this finding cannot hold good. I also note that the broker has submitted that they had received a proposal from one of their acquaintances that there were certain clients who wanted to sell shares of the company on a condition that they were to be paid immediately after the sale.
- 3.7 I note that the broker has admitted that, for the deceptive trades done by them, the National Stock Exchange has already penalised them and that they cannot be penalised twice for the very same offence. I note that the Disciplinary Action Bench of NSE had imposed a penalty of Rs. 2,50,000/- for the trades executed in the shares of M/s. Sunearth Ceramics Limited and Roofit Industries Limited for

violating Regulation 4.6.2 of Part A of Capital Market Segment and Rule 4(e) of Chapter IV of the Rules of NSE. Rule 4(e) prescribes that if a trading member directly or indirectly alone or with other persons, effects series of transactions in any security to create actual or apparent active trading in such security, or raising or depressing the prices of such security for the purpose of inducing purchase or sale of such security by others, shall be deemed to be guilty of un-business like conduct. I note that the concerned stock exchange has found him guilty for entering into deceptive trades in two scrips, one being M/s. Roofit. The broker has submitted that since it has been penalized by the stock exchange, it cannot be penalized again. The said submission would fail on two counts – first being that, the present proceedings are civil in nature and secondly the broker is a market intermediary subject to the rules and regulations of SEBI and in this case the broker has violated the provisions of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Clause A(1) and (4) of Code of Conduct prescribed for stock brokers mentioned in SEBI (Stock brokers and Sub-brokers Regulations), 1992. Moreover, the penalty levied by the exchange was for the violation of its byelaws and rules while these proceedings are for the contravention of relevant rules and regulations framed under the SEBI Act, 1992.

- 3.8 I thus find that the broker has not acted with integrity and fairness in its conduct while executing orders that created artificial volumes and price rise which is in contravention of Clause A(1) of the Code of Conduct prescribed for stock brokers under Schedule II read with Regulation 7 of the SEBI (Stock brokers and Sub-brokers Regulations), 1992. By indulging in such deceptive trades the broker has thus contravened Clause A (4) of the Code of Conduct mentioned in Schedule II read with Regulation 7 of the SEBI (Stock brokers and Sub-brokers Regulations), 1992 which prescribes that a stock broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. Thus I find the broker guilty of having violated the provisions of sub-clauses (1) and (4) of Clause A of the code of conduct mentioned in Schedule II read with Regulation 7 of the SEBI (Stock brokers and Sub-brokers Regulations), 1992.

3.9 From the above discussions, I find that the broker has violated clauses (b) and (c) of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and sub-clauses (1) and (4) of Clause A of the Code of Conduct mentioned in Schedule II read with Regulation 7 of the SEBI (Stock brokers and Sub-brokers Regulations), 1992. I have no reasons to differ from the findings of the Enquiry Officer and find that suspension of the broker's registration for a period of two (2) months meets the ends of justice.

4.0 ORDER

4.1 I, therefore in exercise of powers conferred under Section 19 of SEBI Act, 1992 and Regulation 13(4) of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, hereby direct that the certificate of registration of M/s. Goldcrest Capital Markets Limited, member, National Stock Exchange and Bombay Stock Exchange with SEBI registration numbers INB230654633 and INB010654631 respectively, for their irregular dealing in the scrip of M/s. Roofit Industries Limited be suspended for a period of two (2) months.

4.2 This order shall come into force after the expiry of 21 days from the date of this order.

DATE: 31.07.2007

PLACE: MUMBAI

T C NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA