

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: V. K. CHOPRA, WHOLE TIME MEMBER**

ORDER

Order No. WTM/VKC/ID6/106/07

**Against the sub-broker, M/s Shreepati Holdings & Finance Private Ltd.,
in the matter of Sun Infoways Ltd.**

DATE OF HEARING: 20.03.2007

APPEARANCES:

FOR THE NOTICEE:

1. Ms. Kanan Sheth, Director, M/s Shreepati Holdings & Finance Private Ltd
2. Ms. Urushali Muranjan, Compliance Officer, M/s Shreepati Holdings & Finance Private Ltd

FOR SEBI

1. Mrs Barnali Mukherjee, DGM, SEBI
2. Mr Deepesh M.U, Manager, SEBI
3. Mr Mohamed Rahaz. P.M, Legal Officer, SEBI

ORDER

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

1.0 BACKGROUND

- 1.1 Sun Infoways Limited (hereinafter referred to as "SIL") promoted by Shri Shrikant Vasant Joglekar and Shri Sujit Shrikant Joglekar was incorporated on June 29, 1994 as Best Mulyankan Consultants Pvt. Ltd. The main object of the company was to render consultancy services for valuation of assets such as land, building, machinery, agricultural land etc. This company was subsequently converted into a public company on June 21, 1995. The name Sun Infoways Ltd.

was adopted by the company after it changed its name with effect from May 11, 2000.

- 1.2 The company was listed on Bombay Stock Exchange Ltd (BSE) on May 16, 1996, after the public issue. Shri Joglekar and his family members sold their stake in SIL in the year 2000 to Shri Anil Pujari, Shri Rajan Tawate, Shri Tanvir Zaki, Shri Pravin Sonalkar, Ms Hafeza Vohra and Shri Kuldeep Handoo and all of them were introduced by Manish Marwah. Shri Hemant Damodar Mehta, a consultant, introduced Shri Manish Kumar Marwah to Shri Joglekar and his family members.
- 1.3 It was observed that on February 9, 2000, only one trade for 100 shares was executed in the SIL scrip at a price of Rs.10/- per share for Rs.1000/-. However, thereafter the price of the SIL scrip, continued to rise and reached at a highest level of Rs 697/- on September 11, 2000 with volume of 24,800 shares.
- 1.4 SEBI initiated investigations into the alleged price manipulation in the trading of SIL shares between February 2000 and December 2000. On analyzing the price/volume data of the SIL scrip during the investigation period, it was observed that the rise in the price of the SIL scrip was accompanied with increased trading volumes allegedly effected through large number of entities, associated with the new promoters, directors and associates of SIL as well as few brokers and sub-brokers. M/s Shreepati Holdings & Finance Private Ltd (hereinafter referred to as 'Noticee') acted as sub-broker of SMK Share & Stock Broking Pvt. Ltd. (hereinafter referred to as "SMK") and JCL Securities Pvt. Ltd. (hereinafter referred to as "JCL") from May 02, 2000 onwards with SEBI registration numbers INS 010595234 and INS 010831936 respectively. The registration of the Noticee as a sub-broker of SMK was ceased w.e.f. June 28, 2006.
- 1.5 Investigations inter alia revealed that Shri Kuldeep Handoo who was the director of SIL and Shri Dilip Nabera who was the auditor of SIL were behind the entire

manipulative trades in SIL scrip. The Noticee had executed manipulative trades on behalf of the clients who were connected to Shri Kuldip Handoo and Shri Dilip Nabera and created artificial market in SIL scrip.

2.0 ENQUIRY PROCEEDINGS.

- 2.1 After considering the Investigation Report, SEBI appointed an Enquiry Officer to enquire into the violations allegedly committed by the Noticee under SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, (hereinafter referred to in short as “PFUTP Regulations”) and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to in short as “Stock brokers Regulations”).
- 2.2 A show cause notice dated February 2, 2005 was issued by the Enquiry Officer to the Noticee under Regulation 6(1) of SEBI (Procedure for holding Enquiry by Enquiry Officer and imposing penalty) Regulations, 2002 (hereinafter referred to as “the Enquiry Regulations”) to show cause, as to why enquiry proceedings should not be initiated against them for the violations of Regulation 4 (a) and 4(b) of PFUTP Regulations and code of conduct as per schedule II read with Regulation 15 of Stock brokers Regulations, 1992. As the notice was returned undelivered with the remark “left place”, another notice was sent to the Noticee by the Enquiry Officer vide letter dated February 18, 2005 for which the acknowledgement thereto was received.
- 2.3 The Enquiry Officer had given an opportunity of hearing to the Noticee on March 28, 2005 which was attended by its director Ms. Kanan Sheth and the executive Mr. Nikesh Jain. While clarifying their position vis-à-vis the charges levelled against them, it was inter alia submitted as under:
 - 2.3.1 They did not know anybody from the promoter group of SIL and were not even aware about Anil Pujari having acquired the entire promoter stake in SIL during January 2000.

- 2.3.2 The Code of Conduct governing them did not require them to verify the technical details about the company in which the clients dealt.
- 2.3.3 They did not know Anil Pujari and his associates personally.
- 2.3.4 They were also not aware as to when the management of SIL changed. They were not required to keep track of any transactions entered into by the new promoters and directors of SIL and through whom they had carried out such trades in the scrip of SIL.
- 2.3.5 The data given by SEBI for the number of trades and quantity traded was also not known to them.
- 2.3.6 They did not indulge in any large scale trading volumes in the scrip of SIL nor had they entered into any artificial trades. The trades in SIL were executed only after taking the account opening forms.
- 2.3.7 Their clients had bought shares through cheques or sold the shares by giving deliveries and in both the cases, they had exercised due diligence and made sure that they sold when delivery was available with the client and bought when cheque was available with the client.
- 2.3.8 Had the exchange or SEBI informed them in 2000, they would not have dealt with the client or in the scrip of SIL.
- 2.3.9 The media was also promoting the scrip of SIL at that point of time.
- 2.3.10 They were in no way connected to Shilpa Stock Brokers Pvt. Ltd (Shilpa) nor did they know any entity by the name of Adinath Propcon. All the deals got executed through the market mechanism and hence any synchronized trades happening between the said two entities could not have been known to them. They were not aware as to the entity with whom the opposite trades got matched. The investigating authority could have pointed out the same to them in 2000 itself.
- 2.3.11 They did not know Sunil Saxena, Apoorv Fincap or Adinath Propcon nor were they aware that ARH had introduced them to the sub broker; Portfolio Equity Services.
- 2.3.12 Sadhna Nabera had purchased only 2800 shares through them and her trades with other brokers were not known to them.

- 2.3.13 After a period of 5 years, it would not be possible for them to find out details of the cross deals.
- 2.3.14 Post analysis, SEBI could have felt that there was a nexus between the said entities, but in 2000 they did not have any reason to doubt any of the entities.
- 2.3.15 In the whole deal, they had only earned their brokerage and had no nexus with any of the entities. Their trades were only 0.33% of the total volume, which was not alarming.
- 2.3.16 They were not aware of any of their clients who had traded directly through JCL. Neither the client nor JCL had informed them that these clients had a direct account with JCL.
- 2.3.17 Adhunik Finance Pvt. Ltd.(AFPL) was not registered with them as a client and hence they were not aware of the association of AFPL with the directors or SIL or the fact that Sadhena Nabera was a director of AFPL. They were also not aware of Rajendra Ranka being the uncle of Dilip Nabera.
- 2.3.18 The deal of 500 shares where ARH was both the buyer and the seller through JCL and SMK, and where they acted as a sub broker to both the brokers, was placed by their dealer by mistake on different terminals.
- 2.4 The Enquiry Officer, after conducting enquiry in accordance with the provisions of the Enquiry Regulations submitted a report dated February 27, 2006. The Enquiry Officer in her report recommended that the certificate of registration granted to the Noticee be suspended for a period of two months.

3.0 SHOW CAUSE NOTICE

- 3.1 Pursuant to the receipt of the Enquiry Report, Show Cause Notice dated April 26, 2006 was issued to the Noticee along with copy of the Enquiry Report advising them to show cause as to why the action, as recommended by the Enquiry Officer should not be imposed on them.

4.0 REPLY TO THE SHOW CAUSE NOTICE

- 4.1 Thakordas and Madgavkar, Advocates filed reply dated June 24, 2006 on behalf of the Noticee. The said reply of the Noticee is almost similar to their reply since filed before the Enquiry Officer and the contentions raised by them during the course of hearing before me and as such, the relevant extracts of the reply is discussed in succeeding paragraph.

5.0 PERSONAL HEARING

- 5.1 An opportunity of personal hearing was given to the Noticee before me at SEBI's Head office at Mumbai on March 20, 2007. Ms. Kanan Sheth, Director and Ms. Urushali Muranjan, Compliance Officer of the Noticee attended the hearing and reiterated the submission as they have already made in the Enquiry proceedings as well as in the reply to the show cause notice. The main contentions raised by them are given hereunder:

5.1.1 That all the documents relied by the Enquiry Officer had not been furnished to the Noticee except the statement of Ms. Kanan Sheth.

5.1.2 That they denied the charges of market manipulation under PFUTP Regulations and stated that none of the ingredients of definition of fraud apply to the Noticee or their trading activity and they had no knowledge of any market manipulation.

5.1.3 That the data relied by the Enquiry Officer was not contemporaneously available to the Noticee at the time of transactions.

5.1.4 That the Noticee was not aware of anybody from the promoter group of SIL and was not even aware about Shri Anil Pujari having acquired the entire promoter stake in SIL during January 2000.

5.1.5 That the Noticee has reproduced the extract from the letter of Shri Dilip Nabera dated February 21, 2005 wherein it is stated that Shri Nabera had purchased 10,900 shares during the period from April 22, 2000 to June 23,

2000. It is also stated therein that after the appointment as an auditor of SIL, he had not purchased or sold any SIL shares and he has no relation with the new directors of the company except to the extent of a statutory auditor of SIL.

- 5.1.6 That if there was a linear price rise over a period of eight months without any trace of volatility, the price cannot be manipulated.
- 5.1.7 That they have denied the execution of synchronised / matched trades and that it was not possible to show or suggest that these were matched transactions.
- 5.1.8 That they were not aware of the counterparty as buyers for their clients GEM and Adinath and they are not aware whether AFPL was registered sub broker of Shilpa.
- 5.1.9 That there is no evidence to show that there was matching of the buy and sell quantity.
- 5.1.10 That due to a mistake by the dealer on different terminals, the order for buy and sell for ARH was placed and 500 shares were bought and sold by the same client through the Noticee.
- 5.1.11 That the reason that shri Dilip Nebera introduced the clients who transacted substantially in SIL scrip, did not establish the knowledge on the part of the Noticee about the management of SIL or their involvement in the entity.
- 5.1.12 That the findings of the Enquiry Officer was based on assumptions and inferences and as such the Noticee requested to drop the proceedings, after considering the fact that they had merely acted as sub broker and executed transactions as per the instructions of their clients who were not involved with the management of SIL and their transactions was minuscule as 0.33% from the total transaction of 63,000 shares out of 3.1 crores during the period of investigation.
- 5.1.13 That the Noticee also claimed that they had not done any proprietary trade.

6.0 CONSIDERATION OF ISSUES & FINDINGS

- 6.1 I have carefully examined the Enquiry Report, Show Cause Notices, Replies of the Noticee and submissions made at the time of hearing.
- 6.2 I find that the new promoter group purchased 98% of the capital of the company in January 2000 for a total consideration of Rs. 98,34,659/- . After acquiring the shares the new promoters i.e. Shri Kuldip Handoo, Shri Anil Pujari, Shri Hozefa Vohra, GEM etc. entered into large volume of trading in the shares as purchasers as well as sellers through the associated entities who executed trades through the Noticee by way of large number of structured / matched deals at successively higher prices.
- 6.3 I observe that consequent to a change in shareholding of SIL during January 2000, large scale volumes accompanied with price hike were witnessed in the trading of SIL scrip. The price and volume in the SIL scrip as on February 9, 2000 were only Rs 10 and 100 shares respectively which peaked at the highest level of Rs 697/- and 24,800 shares as on September 11, 2000. The trading details of the company from February 07, 2000 (Sett. 47/99-00) to October 06, 2000 (Sett. 28/00-01) are given below:

Sr. No.	Sett.No./Dates	Sett. Low	Sett. High
1	47/99-00 (7/2/00 to 11/2/00)	10	12.40
2.	48/99-00 to (14/2/00 to 18/2/00)	10.50	13.45
3.	49/99-00(21/2/00 to 25/2/00)	14.50	18.15
4.	50/99-00(28/2/00 to 3/3/00)	18.85	21.10
5.	51/99-00 (6/3/00 to 10/3/00)	21.90	25.50
6.	52/99-00 (13/3/00 to 16/3/00)	26.50	29.70
7.	53/99-00 (21/3/00 to 24/3/00)	30.85	34.60
8.	01/00-01(27/3/00 to 31/3/00)	35.95	41.90
9.	02/00-01 (03/04/00 to 7/4/00)	41.10	47.80
10.	03/00-01 (10/4/00 to 13/4/00)	49.70	55.80
11.	04/00-01 (17/4/00 to 20/4/00)	58.00	65.15
12.	05/00-01 (24/4/00 to 28/4/00)	67.70	79.05
13.	06/00-01 (2/5/00 to 5/5/00)	82.20	92.35

Sr. No.	Sett.No./Dates	Sett. Low	Sett. High
14.	07/00-01 (8/5/00 to 12/5/00)	96.00	112.15
15.	08/00-01 (15/5/00 to 19/5/00)	116.60	136.25
16.	09/00-01 (22/5/00 to 26/5/00)	140.00	164.70
17.	10/00-01 (29/5/00 to 2/6/00)	158.00	191.65
18.	11/00-01 (05/06/00 to 09/06/00)	199.30	233.05
19.	12/00-01 (12/06/00 to 16/6/00)	242.35	283.35
20.	13/00-01 (19/6/00 to 23/6/00)	294.65	338.90
21.	14/00-01 (26/6/00 to 30/6/00)	310.00	358.50
22.	15/00-01 (3/7/00 to 7/7/00)	269.70	317.40
23.	16/00-01 (10/7/00 to 14/7/00)	275.00	328.35
24.	17/00-01 (17/7/00 to 21/7/00)	341.45	399.25
25.	18/00-01 (24/7/00 to 28/7/00)	398.60	485.60
26.	19/00-01 (31/7/00 to 4/8/00)	490.00	590.60
27.	20/00-01 (7/8/00 to 11/8/00)	457.85	575.00
28.	21/00-01 (14/8/00 to 18/8/00)	452.00	537.00
29.	22/00-01 (21/8/00 to 25/8/00)	423.50	600.00
30.	23/00-01 (28/8/00 to 31/8/00)	481.45	606.40
31.	24/00-01(4/9/00 to 8/9/00)	557.90	700.00
32.	25/00-01 (11/9/00 to 15/9/00)	588.00	724.00
33.	26/00-01 (18/9/00 to 22/9/00)	474.00	592.00
34.	27/00-01 (25/9/00 to 29/9/00)	358.35	512.75
35.	28/00-01 (3/10/00 to 6/10/00)	304.90	386.50

- 6.4 The Noticee, being a sub broker, had traded through the brokers JCL and SMK. The clients who traded through Noticee via SMK were Act React Holdings P Ltd. (ARH), Great Eastern Merchantile Pvt Ltd. (GEM), V. K. Garg, Lalit Jain, R. N. Jalan, Geeta Devi Bharatia, Sushil Bansal, Bigwig Finance Network, Pushpa Impex, Hitesh Ojha, M. R. Investments, Nidhi Lodha, Ajay Adukia, Mohit Investments, Archana Duggarwal, Rohit Agarwal, New Star, H. S. Prabhu.
- 6.5 The clients who traded through Noticee via JCL were ARH, Dilip Nabera - (HUF), GEM, Rajendra Ranka, AFPL, R. N. Jalan, Shashi Enterprises, Sushil Bansal, Ajay Adukia, Bigwig Finance Network Limited, Pushpa Impex, Rohit Agrawal, Rajeev Singhal, J. P. Agrawal, Dhiraj Khandalwal, Sadhna Nabera,

Geeta Devi Agarwal, Geeta Devi Bhartiya, Hitesh Ojha, Basant Kedia, Shashi Kant Agrawal, M. R. Investments, Amrita Bajoria, Rajesh Ghag, Kanan Seth, Balwant Singh Chaudhary, Sharad Chand Gotia, Savita D Chaudhary.

- 6.6 I have noted that the Auditor of SIL, Shri Dilip Nabera and his wife Smt Sadhna Nabera traded in the scrip through Noticee. While examining the nexus of the clients of the Noticee with SIL, I find that the entire manipulation game in SIL scrip was played by Shri Kuldeep Handoo and Shri Dilip Nabera and both were connected as Kuldeep Handoo was the director of SIL and Shri Dilip Nabera was the auditor of SIL. I also find that one of the clients of the Noticee i.e. ARH belonged to Kuldeep Handoo and ARH was introduced to the Noticee by Shri Dilip Nabera. Further, Shri Dilip Nabera was a professional consultant to Indo Unique Pvt. Ltd. where the Managing Director of the Noticee; Prem Kedia was one of the Directors. Further, the Noticee from its proprietary account and one of its director Ms Kannan Seth who was a direct client of the broker JCL had also executed trades in SIL scrip. Apart from these, the details and linkages of some of the clients of the Noticee with SIL are as follows:

- 6.6.1 **Smt. Sadhna Nabera, Adhunik Finance Pvt Ltd. (AFPL) and Dilip Nabera(HUF) :** AFPL was the firm of Shri Dilip Nabera who was dealing with the Noticee since April 2000 as confirmed by the director Ms. Kanan Sheth, vide statement dated November 19, 2001. Shri Dilip Nabera placed orders on behalf of self and other two clients of the Noticee i.e GEM and his wife Smt Sadhna Nabera, as confirmed by Ms. Kanan Sheth. All the shares of the clients introduced by Shri Dilip Nabera were also delivered by him. Smt. Sadhna Nabera who is the wife of Shri Dilip Nabera was the director of AFPL and she had traded with the Noticee in SIL scrip, using different client codes viz. Sadana and Sadhna etc. Shri Dilip Nabera was one of the directors of AFPL who were the registered sub broker of Shilpa.

- 6.6.2 **ARH :** Ms Kanan Seth admitted that ARH was also introduced by Shri Dilip Nabera to the Noticee. ARH belonged to Shri Kuldip Handoo, a director of SIL. The orders were placed by Shri Kuldip Handoo and the deliveries were given by Shri Dilip Nabera. Shri Kuldip Handoo was appointed as the director of SIL on February 1, 2000 during the period of price manipulation.
- 6.6.3 **GEM :** GEM was introduced to the Noticee by Shri Dilip Nabera. GEM was one of the selling entities for dealing in the scrip of SIL. GEM was incorporated on January 20, 2000 i.e., just prior to the period of investigation. The directors of GEM shown in the member client agreement forms submitted by both JCL and SMK were Shri Iqbal Rupani and Shri Haider Ali Rupani. These two persons took over GEM after the resignations of former directors namely: Shri Santosh Jabre and Shri Sidharatha Jadhav. Both the former directors had sold GEM through Shri Durgesh Kabra of Durgesh Kabra and Co. who stated that the earlier director of GEM sold the entity through them to Shri Dilip Nabera. Even the writings on the client introduction forms of Shri Dilip Nabera and GEM were similar. It is thus clear that Shri Dilip Nabera, had transacted for GEM through the Noticee. GEM was holding 1,50,000 shares of SIL (distinctive numbers : 6,54,021-8,04,020) belonging to the pre-issue period. These facts clearly establish that GEM was related to the management of SIL, prior to the launch of the public issue. As per the statement of Ms Kannan Seth, Shri Dilip Nebera had placed orders on behalf of GEM.
- 6.6.4 **Rohit Agrawal:** He met the investigation officer along with Shri Manoj Jain who also represented AFPL. AFPL was the firm of Shri Dilip Nabera and Smt. Sadhna Nabera.
- 6.6.5 **Rajendra Ranka:** He was introduced to the Noticee by Shri Dilip Nabera. The address and telephone number given by Shri Rajendra Ranka belonged to that of Shri Dilip Nabera. Smt. Sadhna Nabera confirmed that Shri Rajendra Ranka was their uncle.

6.7 The Enquiry Officer has examined the client introduction form submitted by JCL and observed inter alia that the authorized signatory was none other than the director of AFPL i.e. Shri Dilip Nabera who agreed to placing the orders for AFPL over telephone. The date of entering into the member client agreement was July 17, 2000, which is within the period of price manipulation. Furthermore, JCL admitted that ARH and GEM were the ultimate clients of the Noticee. Even SMK vide their reply dated March 2, 2005, confirmed that AFPL, GEM and ARH were not their direct clients.

6.8 The Enquiry Officer has also given the details of the position of the ultimate clients of the Noticee SIL scrip for the period from January 2000 to December 2000, which are as follows:

<i>Name of the Client</i>	<i>Buy</i>	<i>Sell</i>	<i>Net</i>
Act React Holdings P. L.		16000	-16000
Dilip Nabera, HUF	10900	700	10200
Great Eastern Mercantile PL	0	12000	-12000
Rajendra Ranka	5700	0	5700
Pushpa Impex	3300	1800	1500
Bigwig Finance	20300	6100	14200
Sadhna Nabera	2800	0	2800
Ajay Adukia	4200	1200	3000
Amrita Bajoria	100	0	100
Archna Dungarwal	200	0	200
Basant Kedia	300	300	0
Dheeraj Khandelwal	100	0	100
Geeta Devi Agarwal	500	200	300
Geeta Devi Bhartai	3400	2500	900
Shreenivas Prabhu	200	200	0
Hitesh Ojha	400	400	0
J.P. Agrawal	300	0	300
Lalit Jain	1100	1100	0
M. R. Investments	1200	1200	0
Mohit Investments	500	500	0
New Star	100	100	0
Nidhi Lodha	100	100	0
R. N. Jalan	2800	2900	-100
Rajiv Singhal	100	200	-100
Rohit Agarwal	1500	1500	0
Shashi Enterprises	1000	1200	-200
Shashi Kant Agarwal	0	200	-200
Sushil Kumar Bansal	100	100	0
V. K. Garg	3000	3000	0

- 6.9 The total trades done by AFPL through the Noticee via JCL are shown in table given below. AFPL had bought and sold 49,800 and 33,000 shares in settlements No. 17-28 of 2000-01.

Sett. No.	Buy Quantity	Price	Quantity Sold	Price
17/2000-01	3000	390.89	2700	372.40
18	12200	459.54	5700	471.62
19	4000	579.77	----	----
21	4700	517.45	3600	531.86
22	11500	484.31	6900	497.78
24	6000	630.18	11600	638.01
25	6100	647.38	2100	694.01
26	1700	485.96	100	482.00
-27	300	483.26	----	----
28	300	334.18	300	357.71
TOTAL	49800		33000	

- 6.10 In view of the facts contained in the above paragraphs, it is clearly established that most of the clients of Noticee, while trading through JCL and SMK, were common and were very much associated with Shri Dilip Nabera, who in turn was associated with the management of SIL. Shri Dilip Nabera had introduced these clients and had placed orders in the scrip of SIL and delivered the shares to Noticee on behalf of these clients for trading. These entities had also traded, only in the scrip of SIL, as confirmed by Ms Kanan Sheth vide her statement dated November 19, 2001. All the entities had also commenced trading with Noticee in and around the period when maximum price manipulation was noted. Findings of investigation clearly indicate that Shri Dilip Nabera was dealing with Noticee since April 2000, GEM since June 2000, ARH since February 2000 and Rajendra Ranka since June 2000. It is also not out of place to mention that GEM was incorporated only in January 2000 i.e. just prior to the investigation period.

Structured Trades by Noticee:

- 6.11 The details of the structured trades executed by Noticee through JCL, for client AFPL were found to be matched with the trades of Compu Action Securities, sub-broker of IKM Investor Services, (IKM) for the client Rajendra Rai (who was a front of Shri Kuldip Handoo, a Director in SIL). As apparent from the table below, 19,200 shares were traded in a manner that the price and quantity matched.

Of the total volume of 32,600 shares traded between Noticee and IKM, 19200 were matched, which represented 59% of the total trades between them, details whereof are under:

DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Party Client
22/08/2000	10:38:54 AM	D0216	100	562.1	B	D0766	4015	RR
22/08/2000	10:38:54 AM	D0216	100	562.1	B	D0766	4015	RR
22/08/2000	10:38:54 AM	D0216	100	562.1	B	D0766	4015	RR
22/08/2000	10:38:54 AM	D0216	100	562.1	B	D0766	4015	RR
22/08/2000	10:38:54 AM	D0216	100	562.1	B	D0766	4015	RR
22/08/2000	10:45:13 AM	D0216	100	559	B	D0766	4015	RR
22/08/2000	10:45:35 AM	D0216	100	559	B	D0766	4015	RR
22/08/2000	10:45:35 AM	D0216	100	559	B	D0766	4015	RR
22/08/2000	10:45:35 AM	D0216	100	559	B	D0766	4015	RR
22/08/2000	10:45:35 AM	D0216	100	559	B	D0766	4015	RR
22/08/2000	10:45:35 AM	D0216	100	559	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
22/08/2000	11:10:39 AM	D0216	100	527.2	B	D0766	4015	RR
18/08/2000	1:01:38 PM	D0216	100	527.5	B	D0766	4015	RR
22/08/2000	11:10:39 AM	D0216	100	527.2	B	D0766	4015	RR
22/08/2000	11:13:27 AM	D0216	100	527.2	B	D0766	4015	RR
22/08/2000	11:13:27 AM	D0216	100	527.2	B	D0766	4015	RR
18/08/2000	1:22:38 PM	D0216	100	526	B	D0766	4015	RR
18/08/2000	1:22:38 PM	D0216	100	526	B	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	12:04:13 PM	D0216	100	527.2	S	D0766	4015	RR
22/08/2000	1:40:16 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:16 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:16 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:16 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:16 PM	D0216	100	548.2	B	D0766	4015	RR

DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Party Client
22/08/2000	1:40:47 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:47 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:47 PM	D0216	100	548.2	B	D0766	4015	RR
22/08/2000	1:40:47 PM	D0216	100	548.2	B	D0766	4015	RR
23/08/2000	10:46:05 AM	D0216	100	500.3	B	D0766	4015	RR
23/08/2000	10:49:53 AM	D0216	100	500.3	B	D0766	4015	RR
23/08/2000	10:59:46 AM	D0216	2000	500.3	B	D0766	4015	RR
24/08/2000	12:30:44 PM	D0216	1000	460.3	B	D0766	4015	RR
7/9/2000	2:29:17 PM	D0216	200	586	B	D0766	4015	RR
7/9/2000	2:30:08 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:31:55 PM	D0216	200	586	B	D0766	4015	RR
7/9/2000	2:33:16 PM	D0216	200	586	B	D0766	4015	RR
7/9/2000	2:33:16 PM	D0216	200	586	B	D0766	4015	RR
7/9/2000	2:33:16 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:34:02 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:35:19 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:35:19 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:35:19 PM	D0216	100	586	B	D0766	4015	RR
7/9/2000	2:35:19 PM	D0216	100	586	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
11/9/2000	11:29:36 AM	D0216	200	693	B	D0766	4015	RR
14/09/2000	12:23:02 PM	D0216	200	626	B	D0766	4015	RR
4/8/2000	3:27:05 PM	D0216	200	565	B	D0766	3001	RR
4/8/2000	11:07:41 AM	D0216	100	572	B	D0766	9A033	RR
11/9/2000	10:53:24 AM	D0216	700	695	S	D0766	9A033	RR
11/9/2000	10:53:24 AM	D0216	700	695	S	D0766	9A033	RR
11/9/2000	10:53:24 AM	D0216	600	695	S	D0766	9A033	RR
4/9/2000	10:40:58 AM	D0216	100	623	S	D0766	DILIP	RR
4/9/2000	12:10:37 PM	D0216	200	600	S	D0766	DILIP	RR
5/9/2000	10:37:37 AM	D0216	200	623	S	D0766	DILIP	RR
6/9/2000	12:50:14 PM	D0216	200	608	B	D0766	K018	RR
19/09/2000	11:50:56 AM	D0216	200	556	B	D0766	K018	RR
8/9/2000	11:17:26 AM	D0216	100	628	S	D0766	4024	A
8/9/2000	2:33:40 PM	D0216	100	660	B	D0766	4024	A
8/9/2000	2:35:37 PM	D0216	100	663	B	D0766	4024	A
8/9/2000	2:36:50 PM	D0216	100	663	B	D0766	4024	A
8/9/2000	2:36:50 PM	D0216	100	663	B	D0766	4024	A
8/9/2000	2:36:50 PM	D0216	100	663	B	D0766	4024	A

DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Party Client
8/9/2000	2:36:50 PM	D0216	100	663	B	D0766	4024	A
8/9/2000	2:36:50 PM	D0216	100	663	B	D0766	4024	A
24/04/2000	12:23:35 PM	D0216	600	67.7	B	D0766	SADANA	A
24/04/2000	3:26:03 PM	D0216	2000	67.7	B	D0766	SADANA	A
18/07/2000	10:32:06 AM	D0216	300	355.1	S	D0766	K018	A
19/09/2000	11:50:37 AM	D0216	100	554	B	D0766	K018	A
26/07/2000	3:23:02 PM	D0216	500	449	B	D0766	4015	ZSAF1
2/6/2000	10:20:59 AM	D0216	100	191.7	S	D0766	8078	SKM
26/05/2000	3:28:33 PM	D0216	100	155	S	D0766	8099	SKM
16/06/2000	11:54:46 AM	D0216	100	283	S	D0766	8078	SKM

6.12 In all there were 89 trades (with a volume 19,200 shares) executed in 18 trading days. I find such trades as structured deals, since otherwise there was no possibility of such perfect matching of quantity and price, etc. The Noticee had taken a stand that he had no idea about the matching of their transactions with the counter party brokers as shown in the table above. The structured deals with exact matching of price and quantity for 89 trades are only possible if the trades are put in the system with prior understanding. In such cases prices and quantities had been negotiated outside the system and orders were executed simultaneously.

6.13 I have also observed instances of trades where Noticee was selling for GEM and the counter party buyer was Adinath Propcon, through the broker Shilpa. It is also not out of place to mention that AFPL was the registered sub broker of Shilpa. Such instances are placed below:

Instances where seller is GEM through Noticee and the buyer is Adinath through Shilpa								
DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Client
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
		TOTAL	1000					

- 6.14 All these trades were placed within a single day, in 10 trades for 1000 shares of SIL. Instances were noted where Noticee had purchased shares of SIL for Sadhna Nabera, that too at a time when the mega merger of SIL with Zap Infotech was about to come out in the media. The trades are as given below:

Trades of Sadhna Nabera through Noticee via JCL								
DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Party Client
16/06/2000	12:14:21 PM	D0216	100	283.4	B	D0608	SADHNA	0
16/06/2000	12:18:28 PM	D0216	100	283.4	B	D0608	SADHNA	0
16/06/2000	12:21:17 PM	D0216	100	283.4	B	D0784	SADHNA	0
16/06/2000	12:21:36 PM	D0216	200	283.4	B	D0784	SADHNA	0
16/06/2000	12:21:39 PM	D0216	200	283.4	B	D0608	SADHNA	0
16/06/2000	12:24:16 PM	D0216	100	283.4	B	D0126	SADHNA	B67
16/06/2000	12:35:32 PM	D0216	500	283.4	B	D0784	SADHNA	0
16/06/2000	12:38:43 PM	D0216	200	283.4	B	D0608	SADHNA	0
16/06/2000	12:38:51 PM	D0216	100	283.4	B	D0608	SADHNA	0
16/06/2000	12:40:57 PM	D0216	700	283.4	B	D0089	SADHNA	XXX/ V25
16/06/2000	12:43:46 PM	D0216	100	283.4	B	D0248	SADHNA	140
16/06/2000	12:44:54 PM	D0216	500	283.4	B	D0248	SADHNA	140
16/06/2000	12:48:04 PM	D0216	100	283.4	B	D0784	SADHNA	2005
16/06/2000	12:48:06 PM	D0216	2000	283.4	B	D0717	SADHNA	7
		TOTAL	5000					

- 6.15 As on June 16, 2000, there were in all 112 trades out of which 84 trades were initiated by Dilip Nabera and associates. This comes to 75% of the number of trades on that day; (Dilip Nabera bought 10000 quantities and accounted for 47 trades; Sadhna Nabera bought 5000 quantities and accounted for 14 trades; S. K. Marwah bought 2900 quantities and accounted for 21 trades and Rajendra Ranka bought 200 quantities and accounted for 2 trades). In terms of volume, these trades accounted for approximately 39% of the trades of the day.
- 6.16 Apart from what is shown above, there were more trades of Sadhna Nabera in the client code given as Sadana; in the scrip of SIL as seen below:

<i>Date</i>	<i>Time</i>	<i>Member</i>	<i>Quantity</i>	<i>Price</i>	<i>b/s</i>	<i>cpcode</i>	<i>client code</i>	<i>Counter Client</i>
24/04/2000	10:31:51AM	D0216	1000	62.55	B	D0717	SADANA	7
24/04/2000	12:16:53 PM	D0216	800	67.7	B	D0248	SADANA	140
24/04/2000	12:17:54 PM	D0216	1000	67.7	B	D0727	SADANA	A46
24/04/2000	12:18:29 PM	D0216	1000	67.7	B	D0784	SADANA	2145
24/04/2000	12:21:13 PM	D0216	1000	67.7	B	D0784	SADANA	2135
24/04/2000	12:23:35 PM	D0216	600	67.7	B	D0766	SADANA	A
24/04/2000	12:28:39 PM	D0216	100	67.7	B	D0623	SADANA	N065
24/04/2000	12:35:53 PM	D0216	100	67.7	B	D0141	SADANA	P004
24/04/2000	1:19:14 PM	D0216	300	67.7	B	D0673	SADANA	U086
24/04/2000	3:26:03 PM	D0216	2000	67.7	B	D0766	SADANA	A
		TOTAL	7900					

6.17 On April 24, 2000, there were in all 38 trades for 17700 quantities out of which 13200 quantities, i.e. approx. 75% of the quantities, were bought by Nabera and associates (Sadhna Nabera bought 7900 quantities; Dilip Nabera 200; Ashok Kumar Chaudhary 3000 and Rajesh Kumar Chaudhary 2100 quantities). S. K. Marwah sold 5100 quantities which accounted for 9 trades during the day. In all 16600 quantities traded were by Nabera and associates, i.e. a total of approx. 94% of the trades were executed by these persons. In one instance, 2000 quantities sold by S. K. Marwah were bought by Rajesh Kumar Chaudhary. This was one of the rarest case, as in very few cases in this scrip, such a huge quantity was executed in one go.

6.18 All the above deals evidence the fact that there was a matching of the buy and the sell quantity and the buy and the sell price. This proximity in the placing of orders at the same price and for the same quantity, resulted in getting them matched, indicates structured deals. One could accept it as a coincidence in case of a solitary incident or two. However the same happened regularly. The continuous regularity with which these brokers were counter-parties, leads one to conclude, that these transactions were structured and synchronised. The structured nature of trades is evidenced by the exact matching of price and quantity of shares, resulting in the matching of trades almost on every occasion between themselves, even when there were few thousand investors spread over more than 300 cities in the country. Frequency of such trades ensured consistent

matching of the orders, where one entity got themselves as the sellers and vice versa. It is clear that the buy and sell orders were matched at the same price, purely for the purpose of projection of the volumes of the shares of SIL in a way (which were not market determined volumes), to induce other persons to invest in the said scrip.

Cross Deals:

- 6.19 There were also instances of trade where ARH was both the buyer as well as seller as shown in the table below:

Instances where ARH is both buyer and seller through Noticee via JCL and SMK								
DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Client
5/5/2000	3:17:56 PM	D0216	500	92.35	B	D0777	ACT	ACT
5/5/2000	3:18:25 PM	D0216	500	92.35	B	D0777	ACT	ACT
		TOTAL	1000					

- 6.20 Though the said trade was only for 1000 shares of SIL with the client; ARH on both sides of the trade, the same was done with the Noticee being the sub broker at both the ends. The Noticee submitted that the cross deals happened due to a mistake of their dealer. This argument of the Noticee is not convincing as other instances of cross deals where Noticee (via JCL) was both the buyer and seller were also found, details whereof are given hereunder:

DATE	TIME	MEMBER	QUANTITY	PRICE	B/S	CPCODE	CLIENT CODE	Counter Party Client
31/08/2000	10:07:09 AM	D0216	100	606.4	B	D0216	8037	9S005
3/8/2000	10:17:21 AM	D0216	200	567.9	B	D0216	8023	GEETA DEVI
4/8/2000	11:07:41 AM	D0216	100	587	B	D0216	9A033	SSC
25/08/2000	3:50:02 PM	D0216	200	432	B	D0216	4004	K018
		TOTAL	600					

- 6.21 I find from the above trade details that the Noticee had executed cross deals for ARH, who was introduced to Noticee by Shri Dilip Nabera (who himself had traded extensively in SIL scrip) and was also the main person behind the entire

manipulation. The execution of cross deals by the Noticee itself shows that they were also part of the game plan. Further, this will also disprove the contention of the Noticee that they have not done any single transaction in SIL scrip in their proprietary account. In this context, I observe that the Hon'ble SAT while upholding the findings of Adjudicating Officer in deciding the similar issue in Appeal No 100 of 2006 (Ask Holdings Private Limited Vs SEBI), observed as follows.

The buyer and the seller were the appellants themselves and these trades were executed primarily with a view to artificially increase the trading volumes in the scrip of the Company. Artificial increase in the volumes of a scrip has the adverse effect on the innocent investors of the market who get induced to buy the shares because they seldom have knowledge about the scrip and follow the herd mentality while trading. The adjudicating officer was, therefore, right in holding that the appellants had violated the provisions of Regulation 4 of the Securities & Exchange Board of India (Prevention of Fraudulent & Unfair Trade Practices relating to Securities Market) Regulations, 1995. The allegations are rather serious and the appellants by indulging in artificial trades had polluted the stock market.

- 6.22 In the instant matter also the buyer and the seller were same as seen from the table above and these trades were executed primarily with a view to artificially increase the trading volumes in the scrip. Artificial increase in the volumes of the shares of a company has the adverse effect on the innocent investors of the market who get induced to buy the shares since they may not have knowledge about these transactions and their nature.
- 6.23 The Noticee had claimed that there was no proprietary trade in the scrip during the investigation period and have submitted that if there was any manipulative intent there would have been a high proportion of proprietary trading. However, it may be noted that Smt. Kannan Seth, director of Shreepati had traded through JCL as a direct client. The Noticee further submitted that they have not been provided all the documents relied by the Enquiry Officer except the statement of Ms. Kanan Sheth. I find that the trading details of the Noticee and the statement of Ms Kanan Seth are enough to prove the charges against them.

6.24 Further, the contention of the Noticee that they were unaware of the counterparties since the deals were executed on the exchange mechanism is also not tenable. The trading pattern of the Noticee shows that their orders had always matched with the counterparty orders and this can not be possible unless there was a predetermined arrangement to place the order. The buy and sell prices of Noticee were close to the buy/sell rates of IKM and Shilpa in the trades reflected in the tables above. The number of matched trades of the Noticee were quite high and the repeated matched trades can not be treated as mere coincidence. The essence of screen based computerized trading is that it enables investors to transact in a fair and transparent manner. This mechanism is also meant to ensure matching of the orders through the impersonal screen, on the basis of “best offer price” wherein the sellers realizes the true price of their securities within the circuit filters prescribed by SEBI. It is possible for even structured transactions to be executed on the screen of the exchange, at the price and order matching mechanism of the exchange. In the present case, the Noticee facilitated their clients to execute the trades on the screen of the exchange as per their prior understanding. Further, the argument that the identity of the other trading client in such cases was not known to each other can not be accepted if one considers the frequency of the trades and the perfect matching of the quantity and price and their trading pattern. One or two deals on the exchange could be synchronized or structured as a matter of chance, but trades to the extent of such large volumes, involving crores of rupees in all the deals are clearly done with manipulative ‘intent’.

6.25 The clients of the Noticee were trading only in this particular scrip and the pattern of his trading was suspicious. The client of the Noticee i.e. ARH belonged to Shri Kuldip Handoo who was the director of SIL and ARH was introduced to the Noticee by Shri Dilip Nabera. The other client GEM who was a promoter entity, Smt Sadhna Nabera and Rajendra Ranka were also introduced by Dilip Nabera who was well known to one of the directors of Noticee namely Prem Kedia (as accepted by Kanan Sheth, another director of Noticee) proves that there was a

strong nexus between Shri Dilip Nabera with Noticee. This is further reinforced in view of consistent orders placed by Shri Dilip Nabera for such entities and deliveries made and received by him on behalf of the said clients. All these details should have been enough to raise concern for a prudent and responsible sub-broker like Noticee. The stock market system depends a lot on such prudence of the intermediaries. The brokers/sub-brokers are the first line of monitoring and surveillance in the market. The failure at this level weakens the fundamentals of the system and harms its development as a safe market of international standards. In the instant case, the Noticee did not exercise due skill and diligence expected from them and failed to take any action even though there were enough indications suggesting clearly that the trading in the scrip by the clients was not bonafide. Further, instead of taking corrective action against the suspicious dealings of his clients, the Noticee in fact tried to reap benefit out of the artificial market by executing repeated matched, synchronised and cross deals for the clients as well as for themselves.

- 6.26 The creation of artificial trading activity gives misleading appearance of volumes and liquidity in particular scrip. The greater the liquidity, the higher is the investors' attraction towards investing in that scrip. It would not be wrong to assume that any one could be carried away by the unusual fluctuations in the volumes and induced into investing in the said scrip.
- 6.27 The Enquiry Officer has also pointed out that vide reply dated March 28, 2005, Noticee had enclosed a letter dated February 21, 2005 from Shri Dilip Nabera addressed to Noticee, in which the show cause notice dated February 9, 2005 issued to SMK was referred to. Noticee has strongly defended that since the records were 5 years old, they were not able to track the details of cross deals. A moot point that arises is that Noticee managed to obtain a letter from Dilip Nabera after 5 years but was unable to obtain details of such deals executed 5 years earlier. This goes to prove the closeness of the relationship between Dilip Nabera and Noticee.

6.28 In view of what has been explained herein above, I find that that the Noticee misused stock exchange mechanism by executing manipulative trades in the nature of structured and cross deals on behalf of the clients closely related to the management of SIL during the period of price manipulation. All their clients were introduced by Shri Dilip Nabera, who was the auditor of the company and well known to the director of Noticee, Shri Prem Kedia. Shri Dilip Nabera was placing the orders and receiving and delivering the shares on their behalf. The Noticee had also executed trades for the promoter entities like GEM and ARH and also executed trades from their proprietary account. I also find that the price and volumes in the scrip increased manifold and this type of artificial volume creation gives wrong message to the investors and induces them to trade in the shares. These trades abetted in creating artificial volumes and false market in the SIL scrip and are in violation of the provisions of Regulation 4 (a) and (b) of PFUTP Regulations which is extracted under:

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;*

6.29 In the process of perpetuating these artificial trades, Noticee had also failed to exercise proper skill, care and diligence, required of a sub-broker. As a registered entity with SEBI, Noticee is fully aware of the Rules and Regulations of SEBI. By indulging in the aforesaid acts, Noticee did not maintain required standards of integrity, promptitude and fairness expected of a sub-broker. The Noticee has thus violated the provisions of Clause A (1) & (2) and D (4) & (5) of code of conduct specified under Regulation 15(1)(b) of SEBI (Stock Brokers and Sub brokers) Regulations, 1992 which are extracted hereunder:

A. GENERAL

(1) INTEGRITY: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.

(2) EXERCISE OF DUE SKILL AND CARE: A sub-broker, shall act with due skill, care and diligence in the conduct of all investment business.

D. SUB-BROKERS VIS-À-VIS REGULATORY AUTHORITIES.

(4) MANIPULATION: A sub-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.

(5) MALPRACTICES : A sub-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. A sub-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

6.30 It is to be noted that indulgence of the Noticee in the transactions which are prohibited can not be allowed as these transactions have a detrimental effect on the functioning and integrity of the securities market.

6.31 I have noted that the enquiry officer has recommended imposition of a penalty of suspension of the certificate of registration of the Noticee as sub-broker for a period of two months. From the facts and circumstances of the case, I find that this is a fit case to impose penalty. I am as such inclined to concur with the recommendation of the Enquiry Officer.

7.0 ORDER

7.1 Taking into consideration all facts and circumstances of the matter and in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 13(4) of Securities and

Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby impose a minor penalty of suspension of certificate of registration issued to the sub-broker M/s Shreepati Holdings & Finance Private Ltd. (SEBI Registration no. INS 010831936 and PAN No. AAACS8111R) for a period of two months.

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

Place: Mumbai

Date: October 29, 2007

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA