

WTM/TCN/82 /IVD2/02/2008

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**CORAM: Dr. T.C. NAIR, WHOLE TIME MEMBER**

**IN THE MATTER OF LATIN MANHARLAL SECURITIES PVT. LTD.,**

**MEMBER OF THE BOMBAY STOCK EXCHANGE LIMITED, SEBI**

**REGN No. INB011072056**

**IN THE SCRIP OF HIMACHAL FUTURISTIC COMMUNICATIONS  
LTD. GLOBAL TELESYSTEMS LTD. AND ADANI EXPORTS LTD.**

Date of hearing: August 14, 2006

*Appearance :*

For Noticee:

Shri S.H. Merchant, Advocate

Shri O. Mohandas, Advocate

Shri Latin M. Shah, CMD, Latin Manharlal Securities Pvt. Ltd.

Shri Sanjay Mehta, Latin Manharlal Securities Pvt. Ltd.

For SEBI:

Shri P.K. Nagpal, Executive Director

Shri Ansuman Dev Pradhan, Manager

Ms. Kshama J. Chavan, Legal Officer

## **ORDER**

**UNDER REGULATION 13 (1) OF SEBI (PROCEDURE FOR HOLDING  
ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY)  
REGULATIONS, 2002.**

1.1 Securities and Exchange Board of India (hereinafter referred to as  
“SEBI”) conducted investigations into the buying, selling and dealing

in the shares of Himachal Futuristic Communications Ltd. (hereinafter referred to as HFCL), Global Telesystems Ltd. (hereinafter referred to as GTL) and Adani Exports Ltd. (hereinafter referred to as AEL) during the period April 01, 2000 to March 31, 2001.

- 1.2 Investigations revealed that the orders placed by Latin Manharlal Securities Pvt. Ltd. (hereinafter referred to as LMSPL), member of the Bombay Stock Exchange Ltd. (hereinafter referred to as BSE) on behalf of the entities connected and / or controlled by Shri Ketan V. Parekh and Shri Kartik K. Parekh (hereinafter referred to as “KP / Ketan Parekh entities”) got matched with select counterparty brokers who also acted on behalf of KP entities. It was observed that such matched orders of the counterpart brokers were put on behalf of either same KP entity or different set of KP entities which resulted in circular trading.
- 1.3 Thus, LMSPL was alleged to have aided and abetted KP entities in circular trading thereby creating artificial market and was found to have failed to exercise due skill and care in its dealings on behalf of its client which were related to Shri Ketan Parekh and. It was therefore alleged that LMSPL while executing fictitious deals in the scrips mentioned above, violated Regulation 4 (b), (c) (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as “PFUTP Regulations”) and Clause A (1) and A (2) of the Code of Conduct specified in Schedule II under Regulation 7 of the SEBI

(Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as the “Stock Brokers Regulations”).

- 1.4 Accordingly, an Enquiry Officer was appointed vide order dated October 14, 2004 under Regulation 5 (1) of the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as “Enquiry Regulations”) to enquire into violations alleged to have been committed by LMSPL. The Enquiry Officer conducted the enquiry in terms of the Enquiry Regulations and found that the actions of LMSPL were violative of Regulation 4 (b), (c) (d) of the PFUTP Regulations and Clause A (2) of the Code of Conduct specified under Schedule II read with Regulation 7 of Stock Brokers Regulations. The Enquiry Officer submitted his report dated May 19, 2005, recommending a penalty of suspension of certificate of registration of MBSL for a period of one month.
- 1.5 Based on the recommendations of the Enquiry Officer, a show cause notice dated June 7, 2005 along with a copy of the enquiry report was forwarded to LMSPL in terms of Regulation 13 (2) of the Enquiry Regulations advising it to show cause as to why action as recommended by the Enquiry Officer should not be taken against them.
- 1.6 LMSPL vide letter dated June 23, 2005, replied to the said show cause notice *inter alia* stating as under:

- i. *From the perusal of trade logs relied upon by the enquiry officer and investigation officer it is revealed that the same is beyond the period of investigation as it takes into account the transaction executed during the period October 1999 to March 2000 whereas the investigation order period is limited to the trades between the period April 2000 to March 2001. Hence the enquiry report is predetermined.*
- ii. *LMSPL purely acted as broker and only on instructions of their clients to earn their legitimate brokerage. Further, while executing the trades they had duly discharged all the obligations enjoined upon under the rules and regulations of SEBI and BSE.*
- iii. *LMSPL had no connection or relationship of any nature either with KP or any KP entities and had exclusive member – client relationship governed by a duly executed member client agreement as envisaged by the Rules and Regulations of SEBI.*
- iv. *All the transactions of LMSPL done on behalf of these two KP entities were done through the trading system of BSE i.e. (BOLT). In screen based transactions, it is highly impossible to ascertain the counter party broker. In every transaction either the payment was made or received and / or were backed by the delivery of the scrip and / or settled as per the net position of the concerned client at the end of each settlement. Further, as required by the Rules, Regulations and Bye-laws of the Exchange, contract notes were issued in support of the transactions and there has been an effective transfer of beneficial ownership in the shares.*
- v. *LMSPL denied of entering into any structured deals. They acted in accordance with the instructions given by the clients. It was submitted that the transactions were carried out within the four corners of SEBI Circular dated September 14, 1999.*
- vi. *In respect of trades done in the scrip of HFCL, there is not even a single instance of trading done by them on behalf of KP entities on NSE as at the relevant time they were not the member of NSE. Moreover with respect to circular trades of KP entities, through CFSB proprietary account there were only two instances of trade done by them i.e. on August 27, 2000 and November 21, 2000 which by no stretch of imagination be called circular trade. Hence it cannot be*

*contented that LMSPL aided and / or abetted KP entities to create artificial volumes in HFCL.*

- vii. In respect of trades done in the scrip of GTL, there is only one trade and the allegations leveled against them are incorrect.*
- viii. In respect of AEL, there are only three trades which are alleged to be synchronized and it is also admitted in the findings of the Enquiry Officer that the said few trades itself cannot be regarded as sufficient proof to hold execution of synchronized deals.*
- ix. Further, the trade logs giving details of the trade, the trade time and order time does not show a difference of even one second.*
- x. The learned enquiry officer has failed to take into consideration the facts that during the period of investigation there was a system of five (5) day settlement. The details regarding net position at the end of the then current settlement ought to have been taken into account before drawing any inference in the above matter.*
- xi. With respect to finding that they have aided and abetted KP entities to create artificial volume in the market, it is submitted that there is no evidence to support such findings and no concrete evidence is available on record evidencing any connection between LMSPL and KP entities except a client broker relation ship.*
- xii. Regulation 3(2) of the SEBI (Criteria for Fit and Proper Person) Regulation, 2004 are not applicable or attracted in the present case.*

2.1 An opportunity of personal hearing was granted to LMSPL before me on August 14, 2006 wherein the noticees along with their advocate Shri S.H. Merchant appeared and made their submissions. LMSPL further submitted its written submissions dated August 23, 2006 which are similar to its submissions dated June 24, 2005.

- 3.1 I have carefully examined the investigation report, enquiry report, the show cause notice and submissions of LMSPL and other material on record.
- 3.2 At the outset, I note that LMSPL has contended that the Enquiry Report is predetermined and beyond the scope of show cause notice as regards the investigation period. From the documents available on record and taking them on their face value, and perusal of Annexure-A to the show cause notice dated November 8, 2004, I find that the trades executed by LMSPL in the scrip of HFCL during the period October 1999 – March 2000 were provided as annexures to the show cause notice which forms part of the show cause notice. LMSPL was put on guard as to the material proposed to be relied upon by SEBI while giving an opportunity to rebut the charges. Therefore, this technical objection is not sustainable.
- 3.3 The shares of HFCL and GTL were sold by the entities associated with Shri Ketan Parekh namely, Classic Credit Ltd. (Classic Credit), Luminant Investment Pvt. Ltd. (Luminant) and Panther Fincap & Management Services Ltd. (Panther Fincap) through the brokers CSFB Securities Ltd. (CSFB) and DKB Securities Ltd. (DKB). These shares were bought through different brokers including LMSPL either by the same KP entities namely, Classic Credit and Panther Fincap or by other KP entities namely, Saimangal Investtrade Ltd. (Saimangal), NH Securities Ltd. (NH Securities – proprietary account), Classic Shares and Stock Brokers Ltd. (Classic Shares–proprietary account) and Chitrakut Computers Pvt. Ltd. (Chitrakut).

3.4 In the scrip of AEL, KP entities bought the shares through various brokers at BSE and NSE which were earlier sold by KP entities through CSFB. I further note that LMSPL purchased 2,00,412 shares of AEL which were sold by other KP entities through the broker CSFB which were structured deals, details of which are as under :

| Buy Member Name | Sell Client | Buy Client | Sell Order No         | Buy Order No          | Sell Order Time | Buy Order Time | Sell Order Qty | Buy Order Qty | Sell Order Rate | Buy Order Rate |
|-----------------|-------------|------------|-----------------------|-----------------------|-----------------|----------------|----------------|---------------|-----------------|----------------|
| Latin M         | LIPL        | PFMS       | 49700500010<br>016920 | 4050460000<br>0001615 | 14:46:31        | 14:46:30       | 100000         | 100100        | 610.00          | 610.00         |
| Latin M         | LIPL        | PFMS       | 49700500010<br>016921 | 4050460000<br>0001616 | 14:49:11        | 14:49:48       | 4899           | 500           | 607.00          | 607.00         |
| Latin M         | LIPL        | PFMS       | 49700500010<br>020077 | 4050460000<br>0001997 | 12:42:18        | 12:42:21       | 100000         | 100000        | 822.00          | 822.00         |

3.5 I note that Classic Credit and Panther Fincap indulged in circular trades in the scrip of HFCL through CSFB's proprietary account by using the following modus operandi: KP entities first purchased the shares from CSFB proprietary account by synchronizing the trades. Then, on the same day after a short gap they sold these very shares to CSFB proprietary account, through CSFB by way of cross deals. In the similar fashion, shares of HFCL were sold by KP entities through DKB.

3.6 I observe that LMSPL was also a counter party broker for the following transactions in the scrip of HFCL. In this regard, I note that there was some typographical error regarding timings of trade mentioned in the table given in the show cause notice as well as the Enquiry Report which has been pointed out by the noticee also. From

the factual verification of the trade and order logs obtained from the stock exchanges, I note that though there was a zero time difference between the placing of buy and sell orders with respect to some trades as alleged, there were some orders wherein there was very negligible time difference. In this regard, it may be mentioned that a broker does have the record of time of placing of its orders and also actual time of their execution. From the said details (revised table given below) it is very clear that the broker had a role in synchronisation of few trades done by the KP entities.

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number       | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name           | Counter<br>Party<br>Name | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|-----------------------|--------------|---------------|--------------|---------------|---------------------------|--------------------------|------------------------|
| 2000028               | 06-Oct-00     | 86728   | 13:38:20      | 59915        | 1276           | 405001000<br>10003982 | S            | 1276          | 60000        | 13:38:18      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 06-Oct-00     | 86728   | 13:38:20      | 59915        | 1276           | 460012000<br>10001223 | B            | 1276          | 60000        | 13:38:19      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
| 2000029               | 10-Oct-00     | 43536   | 13:22:42      | 120000       | 1215.5         | 405001000<br>10003989 | B            | 1215.5        | 120000       | 13:22:42      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 10-Oct-00     | 43536   | 13:22:42      | 120000       | 1215.5         | 460012000<br>10001248 | S            | 1215.5        | 120000       | 13:22:42      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
| 2000029               | 13-Oct-00     | 133452  | 11:55:53      | 113780       | 1002           | 405001000<br>10004039 | S            | 1002          | 120000       | 11:55:53      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 13-Oct-00     | 133452  | 11:55:53      | 113780       | 1002           | 460012000<br>10001292 | B            | 1002          | 120000       | 11:55:52      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
| 2000030               | 16-Oct-00     | 9885    | 12:13:22      | 90237        | 1101           | 405001000<br>10004067 | B            | 1101          | 100000       | 12:13:22      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 16-Oct-00     | 9885    | 12:13:22      | 90237        | 1101           | 460012000<br>10001345 | S            | 1101          | 100000       | 12:13:17      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
| 2000030               | 16-Oct-00     | 18681   | 14:04:06      | 11030        | 1085           | 405001000<br>10004079 | B            | 1085          | 15000        | 14:04:06      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 16-Oct-00     | 18681   | 14:04:06      | 11030        | 1085           | 460012000<br>10001354 | S            | 1085          | 15000        | 14:04:05      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
| 2000030               | 20-Oct-00     | 179168  | 14:19:42      | 33800        | 1244           | 405046000<br>00000998 | S            | 1244          | 35000        | 14:19:42      | Latin<br>Manhar           | Milan<br>Mahendra        | PFMS                   |

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number       | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name      | Counter<br>Party<br>Name | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|-----------------------|--------------|---------------|--------------|---------------|----------------------|--------------------------|------------------------|
|                       |               |         |               |              |                |                       |              |               |              |               | lal                  | Sec                      |                        |
|                       | 20-Oct-00     | 179168  | 14:19:42      | 33800        | 1244           | 460012000<br>10001420 | B            | 1244          | 35000        | 14:19:42      | Milan Mahendra Sec   | Latin Manharlal          | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 10-Nov-00     | 117495  | 10:11:55      | 12750        | 1345           | 405046000<br>00001211 | B            | 1345          | 21000        | 10:11:54      | Latin Manharlal      | Vidyut Devendrakumar     | PFMS                   |
| 2000033               | 10-Nov-00     | 117495  | 10:11:55      | 12750        | 1345           | 685001000<br>10022997 | S            | 1345          | 21000        | 10:11:54      | Vidyut Devendrakumar | Latin Manharlal          | CCL                    |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 20-Nov-00     | 5657    | 10:38:10      | 34900        | 1332.5         | 405046000<br>00001245 | S            | 1332.5        | 35000        | 10:38:07      | Latin Manharlal      | Vidyut Devendrakumar     | PFMS                   |
| 2000035               | 20-Nov-00     | 5657    | 10:38:10      | 34900        | 1332.5         | 685001000<br>10023824 | B            | 1332.5        | 35000        | 10:38:09      | Vidyut Devendrakumar | Latin Manharlal          | CCL                    |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 20-Nov-00     | 22096   | 14:26:06      | 24730        | 1339           | 120001000<br>10007622 | B            | 1339          | 25000        | 14:26:06      | Keynote Capitals     | Latin Manharlal          | PFMS                   |
| 2000035               | 20-Nov-00     | 22096   | 14:26:06      | 24730        | 1339           | 405046000<br>00001249 | S            | 1339          | 25000        | 14:26:04      | Latin Manharlal      | Keynote Capitals         | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 21-Nov-00     | 32835   | 10:31:02      | 11231        | 1289           | 405046000<br>00001252 | S            | 1299          | 12000        | 10:30:27      | Latin Manharlal      | Pravin V Shah            | PFMS                   |
| 2000035               | 21-Nov-00     | 32835   | 10:31:02      | 11231        | 1289           | 558001000<br>10003745 | B            | 1289          | 12000        | 10:31:02      | Pravin V Shah        | Latin Manharlal          | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 21-Nov-00     | 46450   | 14:08:39      | 24394        | 1294.3         | 405046000<br>00001254 | S            | 1294.3        | 25000        | 14:08:38      | Latin Manharlal      | Mukesh Babu Sec          | PFMS                   |
| 2000035               | 21-Nov-00     | 46450   | 14:08:39      | 24394        | 1294.3         | 450003000<br>10008097 | B            | 1294.3        | 25000        | 14:08:39      | Mukesh Babu Sec      | Latin Manharlal          | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 30-Nov-00     | 122701  | 14:51:08      | 19000        | 1421           | 405046000<br>00001350 | B            | 1421          | 20000        | 14:51:07      | Latin Manharlal      | Milan Mahendra Sec       | PFMS                   |
| 2000036               | 30-Nov-00     | 122701  | 14:51:08      | 19000        | 1421           | 460001000<br>10020790 | S            | 1421          | 20000        | 14:51:08      | Milan Mahendra Sec   | Latin Manharlal          | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 15-Dec-00     | 118352  | 12:36:18      | 42690        | 1389           | 248003000<br>10002537 | B            | 1389          | 46000        | 12:36:18      | Hem Securities       | Latin Manharlal          | PFMS                   |
| 2000038               | 15-Dec-00     | 118352  | 12:36:18      | 42690        | 1389           | 405046000<br>00001442 | S            | 1389          | 46000        | 12:36:18      | Latin Manharlal      | Hem Securities           | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                      |                          |                        |
|                       | 26-Dec-00     | 46123   | 14:50:57      | 69161        | 1124           | 163001000<br>10004694 | B            | 1124          | 70000        | 14:50:57      | Omega Equities       | Latin Manharlal          |                        |
| 2000040               | 26-Dec-00     | 46123   | 14:50:57      | 69161        | 1124           | 405046000<br>00001490 | S            | 1124          | 70000        | 14:50:56      | Latin Manharlal      | Omega Equities           | PFMS                   |

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number        | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name           | Counter<br>Party<br>Name | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|------------------------|--------------|---------------|--------------|---------------|---------------------------|--------------------------|------------------------|
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000040               | 26-Dec-00     | 46230   | 14:51:54      | 19675        | 1123           | 163001000<br>10004695  | B            | 1123          | 20000        | 14:51:54      | Omega<br>Equitie<br>s     | Latin<br>Manharlal       |                        |
|                       | 26-Dec-00     | 46230   | 14:51:54      | 19675        | 1123           | 405046000<br>00001491  | S            | 1123          | 20000        | 14:51:54      | Latin<br>Manhar<br>lal    | Omega<br>Equities        | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000017               | 19-Jul-00     | 67618   | 15:20:30      | 49980        | 1354.00        | 248003000<br>00000474  | S            | 1354          | 50000        | 15:20:30      | Hem<br>Securiti<br>es     | Latin<br>Manharlal       | CCL                    |
|                       | 19-Jul-00     | 67618   | 15:20:30      | 49980        | 1354.00        | 405003000<br>00016508  | B            | 1354          | 50000        | 15:20:30      | Latin<br>Manhar<br>lal    | Hem<br>Securities        | CCL                    |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000017               | 21-Jul-00     | 122664  | 15:14:04      | 14842        | 1364.50        | 850040000<br>0001191   | B            | 1364.5        | 20000        | 15:14:02      | C J<br>Dalal              | Latin<br>Manharlal       | PFMS                   |
|                       | 21-Jul-00     | 122664  | 15:14:04      | 14842        | 1364.50        | 405001000<br>00002185  | S            | 1364.5        | 20500        | 15:14:03      | Latin<br>Manhar<br>lal    | C J Dalal                | CCL                    |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000023               | 29-Aug-00     | 50406   | 14:21:23      | 35720        | 1418.00        | 405003000<br>10025463  | B            | 1418          | 36000        | 14:21:23      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 29-Aug-00     | 50406   | 14:21:23      | 35720        | 1418.00        | 460012000<br>10000730  | S            | 1418          | 36000        | 14:21:18      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000024               | 07-Sep-00     | 123050  | 14:20:06      | 24141        | 1645.00        | 405046000<br>00000152  | S            | 1645          | 25000        | 14:20:06      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 07-Sep-00     | 123050  | 14:20:06      | 24141        | 1645.00        | 460012000<br>10000822  | B            | 1645          | 25000        | 14:20:05      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000024               | 08-Sep-00     | 143205  | 10:53:42      | 11000        | 1655.50        | 850040001<br>0001889   | B            | 1655.5        | 11000        | 10:53:41      | C J<br>Dalal              | Latin<br>Manharlal       | PFMS                   |
|                       | 08-Sep-00     | 143205  | 10:53:42      | 11000        | 1655.50        | 405001000<br>10003521  | S            | 1655.5        | 11000        | 10:53:41      | Latin<br>Manhar<br>lal    | C J Dalal                | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000026               | 18-Sep-00     | 27820   | 14:35:54      | 14300        | 1586.00        | 405001000<br>10003831  | B            | 1586          | 15000        | 14:35:52      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 18-Sep-00     | 27820   | 14:35:54      | 14300        | 1586.00        | 460001000<br>10012839  | S            | 1586          | 15000        | 14:35:53      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000026               | 18-Sep-00     | 27847   | 14:36:13      | 14385        | 1580.00        | 405001000<br>10003832  | B            | 1580          | 15000        | 14:36:12      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 18-Sep-00     | 27847   | 14:36:13      | 14385        | 1580.00        | 460001000<br>10012840  | S            | 1580          | 15000        | 14:36:11      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |
| 2000026               | 22-Sep-00     | 206869  | 12:34:23      | 25537        | 1333.00        | 405046000<br>00000672P | S            | 1333          | 30000        | 12:34:22      | Latin<br>Manhar<br>lal    | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 22-Sep-00     | 206869  | 12:34:23      | 25537        | 1333.00        | 460012000<br>10001071  | B            | 1333          | 30000        | 12:34:22      | Milan<br>Mahen<br>dra Sec | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                        |              |               |              |               |                           |                          |                        |

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number       | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name                 | Counter<br>Party<br>Name    | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|-----------------------|--------------|---------------|--------------|---------------|---------------------------------|-----------------------------|------------------------|
| 2000042               | 11-Jan-01     | 205495  | 15:11:29      | 28310        | 1137.5         | 181001000<br>10006090 | B            | 1137.5        | 35000        | 15:11:29      | Aldan<br>Invest<br>ments        | Latin<br>Manharlal          | PFMS                   |
|                       | 11-Jan-01     | 205495  | 15:11:29      | 28310        | 1137.5         | 405046000<br>00001688 | S            | 1137.5        | 35000        | 15:11:28      | Latin<br>Manhar<br>lal          | Aldan<br>Investment<br>s    | PFMS                   |
| 2000042               | 12-Jan-01     | 251591  | 14:44:15      | 14250        | 1192           | 181001000<br>10006154 | S            | 1192          | 20000        | 14:44:14      | Aldan<br>Invest<br>ments        | Latin<br>Manharlal          | PFMS                   |
|                       | 12-Jan-01     | 251591  | 14:44:15      | 14250        | 1192           | 405046000<br>00001729 | B            | 1192          | 20000        | 14:44:11      | Latin<br>Manhar<br>lal          | Aldan<br>Investment<br>s    | PFMS                   |
| 2000042               | 12-Jan-01     | 256283  | 15:13:06      | 35867        | 1177           | 405046000<br>00001742 | B            | 1177          | 40000        | 15:13:03      | Latin<br>Manhar<br>lal          | Mangal<br>Keshav<br>Share   | PFMS                   |
|                       | 12-Jan-01     | 256283  | 15:13:06      | 35867        | 1177           | 491021000<br>10002342 | S            | 1177          | 40000        | 15:13:05      | Mangal<br>Keshav<br>Share       | Latin<br>Manharlal          | PFMS                   |
| 2000043               | 16-Jan-01     | 90155   | 14:25:54      | 23963        | 1103.5         | 405046000<br>00001781 | S            | 1103.5        | 25000        | 14:25:52      | Latin<br>Manhar<br>lal          | Mangal<br>Keshav<br>Share   | PFMS                   |
|                       | 16-Jan-01     | 90155   | 14:25:54      | 23963        | 1103.5         | 491021000<br>10002389 | B            | 1075          | 25000        | 14:25:35      | Mangal<br>Keshav<br>Share       | Latin<br>Manharlal          | PFMS                   |
| 2000043               | 19-Jan-01     | 200949  | 11:31:45      | 14410        | 1193.5         | 405046000<br>00001799 | B            | 1193.5        | 15000        | 11:31:45      | Latin<br>Manhar<br>lal          | Mukesh<br>Babu Sec          | PFMS                   |
|                       | 19-Jan-01     | 200949  | 11:31:45      | 14410        | 1193.5         | 450003000<br>10011173 | S            | 1193.5        | 15000        | 11:31:45      | Mukes<br>h Babu<br>Sec          | Latin<br>Manharlal          | PFMS                   |
| 2000044               | 25-Jan-01     | 126069  | 13:03:46      | 49665        | 1252           | 405001000<br>10006491 | B            | 1252          | 50000        | 13:03:45      | Latin<br>Manhar<br>lal          | Latin<br>Manharlal          | CCL                    |
|                       | 25-Jan-01     | 126069  | 13:03:46      | 49665        | 1252           | 405046000<br>00001847 | S            | 1252          | 50000        | 13:03:44      | Latin<br>Manhar<br>lal          | Latin<br>Manharlal          | PFMS                   |
| 2000044               | 25-Jan-01     | 126081  | 13:03:56      | 44815        | 1252           | 405001000<br>10006492 | B            | 1252          | 50000        | 13:03:56      | Latin<br>Manhar<br>lal          | Latin<br>Manharlal          | CCL                    |
|                       | 25-Jan-01     | 126081  | 13:03:56      | 44815        | 1252           | 405046000<br>00001848 | S            | 1252          | 50000        | 13:03:56      | Latin<br>Manhar<br>lal          | Latin<br>Manharlal          | PFMS                   |
| 2000044               | 25-Jan-01     | 133188  | 14:46:39      | 45550        | 1237.5         | 405046000<br>00001909 | B            | 1237.5        | 50000        | 14:46:39      | Latin<br>Manhar<br>lal          | Mukesh<br>Babu Sec          | PFMS                   |
|                       | 25-Jan-01     | 133188  | 14:46:39      | 45550        | 1237.5         | 450003000<br>10011771 | S            | 1237.5        | 50000        | 14:46:38      | Mukes<br>h Babu<br>Sec          | Latin<br>Manharlal          | PFMS                   |
| 2000044               | 25-Jan-01     | 134247  | 14:53:30      | 28334        | 1234.8         | 405046000<br>00001925 | B            | 1234.8        | 28334        | 14:53:22      | Latin<br>Manhar<br>lal          | Vidyut<br>Devendr<br>akumar | PFMS                   |
|                       | 25-Jan-01     | 134247  | 14:53:30      | 28334        | 1234.8         | 685001000<br>10030766 | S            | 1234.8        | 30000        | 14:53:29      | Vidyut<br>Devend<br>rakuma<br>r | Latin<br>Manharlal          | CCL                    |

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number       | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name                 | Counter<br>Party<br>Name | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|-----------------------|--------------|---------------|--------------|---------------|---------------------------------|--------------------------|------------------------|
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000046               | 09-Feb-01     | 205448  | 14:12:22      | 158942       | 999            | 120005000<br>10007772 | S            | 999           | 159000       | 14:12:22      | Keynote<br>Capital<br>s         | Latin<br>Manharlal       | PFMS                   |
|                       | 09-Feb-01     | 205448  | 14:12:22      | 158942       | 999            | 405046000<br>00002093 | B            | 999           | 159000       | 14:12:22      | Latin<br>Manhar<br>lal          | Keynote<br>Capitals      | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000046               | 09-Feb-01     | 209865  | 14:47:23      | 91473        | 990            | 405046000<br>00002138 | B            | 990           | 100000       | 14:47:23      | Latin<br>Manhar<br>lal          | Mukesh<br>Babu Sec       | PFMS                   |
|                       | 09-Feb-01     | 209865  | 14:47:23      | 91473        | 990            | 450003000<br>10012957 | S            | 990           | 100000       | 14:47:23      | Mukes<br>h Babu<br>Sec          | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000046               | 09-Feb-01     | 209922  | 14:47:55      | 46709        | 990            | 405046000<br>00002141 | B            | 990           | 50000        | 14:47:54      | Latin<br>Manhar<br>lal          | Mukesh<br>Babu Sec       | PFMS                   |
|                       | 09-Feb-01     | 209922  | 14:47:55      | 46709        | 990            | 450003000<br>10012958 | S            | 990           | 50000        | 14:47:55      | Mukes<br>h Babu<br>Sec          | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000049               | 02-Mar-01     | 224430  | 13:15:03      | 49820        | 645.5          | 405046000<br>00002217 | S            | 645.5         | 50000        | 13:15:02      | Latin<br>Manhar<br>lal          | Milan<br>Mahendra<br>Sec | PFMS                   |
|                       | 02-Mar-01     | 224430  | 13:15:03      | 49820        | 645.5          | 460012000<br>10002220 | B            | 645.5         | 50000        | 13:15:01      | Milan<br>Mahen<br>dra Sec       | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000050               | 07-Mar-01     | 66228   | 13:18:32      | 90433        | 445            | 163001000<br>10006858 | S            | 445           | 100000       | 13:18:32      | Omega<br>Equitie<br>s           | Latin<br>Manharlal       | PFMS                   |
|                       | 07-Mar-01     | 66228   | 13:18:32      | 90433        | 445            | 405046000<br>00002237 | B            | 445           | 100000       | 13:18:32      | Latin<br>Manhar<br>lal          | Omega<br>Equities        | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000050               | 07-Mar-01     | 67251   | 13:23:58      | 99925        | 431            | 163001000<br>10006860 | S            | 431           | 100000       | 13:23:58      | Omega<br>Equitie<br>s           | Latin<br>Manharlal       | PFMS                   |
|                       | 07-Mar-01     | 67251   | 13:23:58      | 99925        | 431            | 405046000<br>00002249 | B            | 431           | 100000       | 13:23:57      | Latin<br>Manhar<br>lal          | Omega<br>Equities        | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000050               | 07-Mar-01     | 68276   | 13:33:37      | 98552        | 441            | 405046000<br>00002260 | B            | 441           | 100000       | 13:33:36      | Latin<br>Manhar<br>lal          | Woodstock<br>Securities  | PFMS                   |
|                       | 07-Mar-01     | 68276   | 13:33:37      | 98552        | 441            | 753001000<br>10004870 | S            | 441           | 100000       | 13:33:37      | Woodst<br>ock<br>Securiti<br>es | Latin<br>Manharlal       | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000050               | 07-Mar-01     | 69808   | 13:54:22      | 57342        | 435.25         | 850010001<br>0007897  | S            | 435.25        | 57792        | 13:54:22      | C J<br>Dalal                    | Latin<br>Manharlal       | PFMS                   |
|                       | 07-Mar-01     | 69808   | 13:54:22      | 57342        | 435.25         | 405046000<br>00002275 | B            | 435.25        | 57792        | 13:54:22      | Latin<br>Manhar<br>lal          | C J Dalal                | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                                 |                          |                        |
| 2000050               | 07-Mar-01     | 69873   | 13:55:21      | 71563        | 433            | 140001000<br>10003393 | S            | 433           | 75000        | 13:55:20      | Milleni<br>um<br>Equitie        | Latin<br>Manharlal       | PFMS                   |

| Settle<br>ment<br>No. | Trade<br>Date | TradeNo | Trade<br>Time | Trade<br>Qty | Trade<br>Price | Order<br>Number       | Buy/<br>Sell | Order<br>Rate | Order<br>Qty | Order<br>time | Membe<br>r Name               | Counter<br>Party<br>Name | Clie<br>nt<br>Nam<br>e |
|-----------------------|---------------|---------|---------------|--------------|----------------|-----------------------|--------------|---------------|--------------|---------------|-------------------------------|--------------------------|------------------------|
|                       |               |         |               |              |                |                       |              |               |              |               | s                             |                          |                        |
|                       | 07-<br>Mar-01 | 69873   | 13:55:21      | 71563        | 433            | 405046000<br>00002277 | B            | 433           | 75000        | 13:55:21      | Latin<br>Manhar<br>lal        | Millenium<br>Equities    | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                               |                          |                        |
|                       | 07-<br>Mar-01 | 69992   | 13:57:42      | 24985        | 435            | 140001000<br>10003394 | S            | 435           | 25000        | 13:57:41      | Milleni<br>um<br>Equitie<br>s | Latin<br>Manhar<br>lal   | PFMS                   |
| 2000050               | 07-<br>Mar-01 | 69992   | 13:57:42      | 24985        | 435            | 405046000<br>00002280 | B            | 435           | 25000        | 13:57:40      | Latin<br>Manhar<br>lal        | Millenium<br>Equities    | PFMS                   |
|                       |               |         |               |              |                |                       |              |               |              |               |                               |                          |                        |
|                       | 07-<br>Mar-01 | 71222   | 14:11:17      | 96059        | 436            | 140001000<br>10003395 | S            | 436           | 100000       | 14:11:16      | Milleni<br>um<br>Equitie<br>s | Latin<br>Manhar<br>lal   | PFMS                   |
| 2000050               | 07-<br>Mar-01 | 71222   | 14:11:17      | 96059        | 436            | 405046000<br>00002294 | B            | 436           | 100000       | 14:11:16      | Latin<br>Manhar<br>lal        | Millenium<br>Equities    | PFMS                   |

3.7 From the above, it can be seen that LMSPL executed 42 structured trades in the scrip of HFCL. The buy and sell orders for these trades were entered almost at the same time and the order quantity and price were the same for all the orders, except two (synchronised).

3.8 As mentioned above, LMSPL was involved in executing structured trades in the scrip of HFCL where the counter party brokers were DKB and CSFB for KP entities (clients) who traded on the buy as well as the sell side. Details of the said trades are given as under :

| Sell Order<br>No      | Sell Order<br>Time | Sell Order<br>Qty | Sell Order<br>Price | Buy Order<br>No       | Buy Order<br>Time | Buy Order<br>Qty | Buy Order<br>Price | Remarks                                                                                                         |
|-----------------------|--------------------|-------------------|---------------------|-----------------------|-------------------|------------------|--------------------|-----------------------------------------------------------------------------------------------------------------|
| 49700100010<br>000475 | 13:17:19           | 50000             | 1603.5              | 4050010001<br>0002929 | 13:17:18          | 50000            | 1603.5             | Shares sold by CSFB<br>- Proprietary<br>Account through<br>CSFB is purchased by<br>KP entities through<br>LMSPL |
| 49700300010<br>006929 | 10:15:43           | 65000             | 1287.5              | 4050460000<br>0001251 | 10:15:42          | 65000            | 1287.5             |                                                                                                                 |
| 276001000<br>10000258 | 15:20:08           | 600<br>00         | 117<br>8            | 4050460000<br>0001040 | 15:20:07          | 600<br>00        | 1178               | KP entity is selling<br>through DKB and KP<br>entity is purchasing                                              |
| 276002000             | 11:01:28           | 125               | 132                 | 4050460000            | 11:01:28          | 125              | 1320               |                                                                                                                 |

| Sell Order No         | Sell Order Time | Sell Order Qty | Sell Order Price | Buy Order No          | Buy Order Time | Buy Order Qty | Buy Order Price | Remarks       |
|-----------------------|-----------------|----------------|------------------|-----------------------|----------------|---------------|-----------------|---------------|
| 10015825              |                 | 000            | 0                | 0001247               |                | 000           |                 | through LMSPL |
| 276001000<br>10000707 | 10:50:33        | 550<br>00      | 144<br>2         | 4050460000<br>0001379 | 10:50:36       | 550<br>00     | 1442            |               |
| 276002000<br>10019175 | 13:54:27        | 150<br>000     | 151<br>5         | 4050460000<br>0001406 | 13:54:30       | 900<br>00     | 1515            |               |
| 276002000<br>10022495 | 10:44:37        | 106<br>000     | 112<br>2.5       | 4050460000<br>0001488 | 10:44:36       | 500<br>00     | 1122.5          |               |
| 276001000<br>10000937 | 14:47:55        | 100<br>000     | 112<br>3         | 4050460000<br>0001489 | 14:47:54       | 100<br>000    | 1123            |               |

3.9 In the scrip of GTL also LMSPL was involved in circular trades where KP entities were buying and selling the shares of GTL amongst themselves, details of which are as under:

| Sell Order No/<br>Date | Sell Order Time | Sell Order Qty | Sell Order Price | Buy Order No/<br>Date | Buy Order Time | Buy Order Qty | Buy Order Price | Remarks                                                       |
|------------------------|-----------------|----------------|------------------|-----------------------|----------------|---------------|-----------------|---------------------------------------------------------------|
| 27600100000001046      | 15:16:06        | 100000         | 671.5            | 40504600000002158     | 15:16:04       | 100000        | 671.5           | KP entity is selling through DKB and purchasing through LMSPL |

3.10 From the above tables, I note that LMSPL had executed as many as 55 trades on behalf of KP entities. Out of the said 55 trades, 51 trades were executed in the scrip of HFCL, one trade in the scrip of GTL and three trades in the scrip of AEL. I have noted the submissions of LMSPL that the trades were executed by them based on the order from their clients. It is pertinent to note that the ordered quantities in the said trades and the order price are identical in the above trades. The perfect matching of the trades in an identical fashion over a long period clearly indicate that these were synchronised transactions and cannot be executed without the knowledge and active participation of

the broker. The nature of transactions itself indicates nexus between the broker and the clients.

- 3.11 I find that the trades executed by LMSPL on behalf of KP entities in the scrip of HFCL appear to be synchronised as evidenced by identical quantities of the orders, simultaneous placing the orders, identical prices etc. on most of the occasions. Hence the above characteristics of the trades reveal the predetermined fashion in which the said trades were executed.
- 3.12 On perusal of the trade and order log, I observe that apparently buy and sell brokers had put orders with prior understanding with a view to ensure that the sell order of one set of KP entities matched with the buy order of same/other set of KP entities. By entering into these synchronised deals, shares sold by KP entities were again purchased back by KP entities, which resulted in circular trading. This type of trading continued over a period of time.
- 3.13 It cannot be a coincidence that for such large number of transactions executed over a period of time, there is perfect matching of order time, quantity and price of the buy and sell orders. On the contrary, the above characteristics clearly lead to the conclusion that the same were executed on the basis of predetermined plan so as to result in matched trades. In view of the same it can be concluded that the same are synchronised trades. Though it is noted that LMSPL had executed 3 trades in AEL and 1 trade in GTL which are alleged to be synchronised. In the scrip of HFCL, the large number of transactions

executed over a period of time in identical manner establish that the same were synchronised trades.

3.14 From the perusal of facts and circumstances and in view of large number of synchronised transactions executed by LMSPL on behalf of KP entities on the buy as well as sell side in the scrip of HFCL, I find that LMSPL has aided and abetted KP entities to create false and misleading appearance of trading in violation of Regulation 4 (b), (c) and (d) of SEBI (PFUTP) Regulation.

3.15 Further, I find that as far as the scrip of HFCL is concerned LMSPL had executed as many as 51 trades on the behalf of the said clients which were buyers as well as sellers. On two instances, LMSPL was both the buying and selling broker for the synchronised trades executed in the scrip of HFCL. The large number of transactions and also the synchronised manner of execution of trades over a period of time clearly indicate that LMSPL also failed to exercise due skill, care and diligence as mandated under the provisions of clause A(2) of Schedule II read with Regulation 7 of the Stock Broker Regulations.

3.16 Based on the material available on record, I find that LMSPL was very much aware of the fact that Ketan Parekh entities were transacting in the market from other broker terminals also. There is enough material evidencing the trading behaviour of Ketan Parekh entities and I am of the view that any broker of normal prudence can deduce that such trades cannot happen without premeditation. In view of the above, I find that LMSPL has violated Regulation 4 (b), (c) and (d) of SEBI

(PFUTP) Regulations, as applicable at the relevant time when the act was committed and clause A (2) of Code of Conduct as specified under Schedule II of Regulation 7 of the Stock Broker Regulations. However, taking into consideration the total number of synchronised trades vis a vis the total trades executed during relevant period and also trades were executed on behalf of clients and not on own its proprietary account, the ends of justice would meet if the penalty as recommended by the Enquiry Officer is reduced.

- 4.1 Therefore, in exercise of the powers conferred upon me under section 19 of the SEBI Act, 1992, read with Regulation 13(4) of the Enquiry Regulations, I hereby impose a penalty of suspension of certificate registration for a period of three days on Latin Manharlal Securities Pvt. Ltd., Member of BSE, bearing registration SEBI No INB011072056 (PAN No. AAACL2767L)
- 4.2 This order shall come into force immediately after the expiry of 21 days from the date of this order.

**PLACE: MUMBAI**  
**DATE:20/02/2008**

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