

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: DR. K.M ABRAHAM, WHOLE TIME MEMBER

ORDER

UNDER REGULATION 28(2) OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST SHARAN FINCAP LIMITED IN RESPECT OF ITS DEALINGS IN THE SHARES OF KARISHMA FLORICULTURE LTD.

1. It was brought to the notice of Securities and Exchange Board of India (hereinafter referred to as SEBI) that there was sudden spurt in the shares of Karishma Floriculture Limited (hereinafter referred to as the company) at Delhi Stock Exchange Association Limited (hereinafter referred to as DSE) during 1995-96. The share price of the company had also increased from Rs. 10/- in June-July 1995 to Rs. 31.87/- in January 1996. Similar price and volume movement was observed in Ludhiana Stock Exchange Limited (hereinafter referred to as LSE). In view of the above, SEBI initiated investigation in respect of the alleged market manipulation and irregularities in the trading of the shares of the company. It was *inter alia* observed that the stock broker namely, M/s Sharan Fincap Limited (hereinafter referred to as the Broker), Member, LSE had substantially traded in the shares of the company during the said period and created volumes and thus facilitated the alleged manipulation in the shares of the company. The Broker also dealt heavily as a client of various other top trading stock brokers (members of DSE). The investigation conducted by SEBI observed that the Broker prima facie violated *inter alia* the provisions of Regulations 4(a), 4(b) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market)

Regulations, 1995 (hereinafter referred to as the FUTP Regulations) and the provisions of Clauses A(2) to A(5) of the Code of Conduct specified in Schedule II of Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations).

2. Thereafter, SEBI, vide orders dated July 30, 2004 and November 8, 2004 appointed an Enquiry Officer under the provisions of Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (since repealed). A show cause notice dated November 27, 2004 was also issued to the Broker alleging the violations of the provisions of FUTP Regulations and Broker Regulations as stated above. The Enquiry Officer, vide report dated February 12, 2007 recommended for the imposition of a penalty of suspension of the certificate of registration of the Broker for a period of fifteen working days. Subsequently, SEBI issued a notice dated February 17, 2007 asking the Broker to show cause as to why action should not be taken as recommended by the Enquiry Officer. A copy of Enquiry Report was also forwarded to the Broker alongwith the said show cause notice. As the Broker had failed to file any reply, SEBI granted another opportunity to file its reply, vide letter dated September 5, 2007. Though the said letter was acknowledged by the Broker on September 6, 2007, it chose not to respond to the same. Despite the failure of the Broker to file its submission, a final opportunity was provided to it by SEBI, vide letter dated April 3, 2008. Pursuant to the said letter, the Broker vide letter dated April 7, 2008 *inter alia* stated *"We hereby accepted or agreed with your goodself for the suspension of our membership card for fifteen days."* In view of the above submission of the Broker, I do not consider it necessary to grant an opportunity of hearing to the Broker and the present

proceedings is being dealt in terms of the provisions of Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

3. The Enquiry Officer *inter alia* observed that had the Broker exercised the necessary amount of skill, care and diligence, it would not have executed the trades in the shares of the company, as alleged in the show cause notice. The Enquiry Officer also observed that as the Broker had failed to carry out its duties diligently, it should be suitably penalized for the said acts of omissions and commissions. The basis for the said findings has been explained in detail in the Enquiry Report. I note that the Broker had not contested before the Enquiry Officer, the findings of investigations on the basis of which the charges were framed against it. Further, the copy of the Enquiry Report was forwarded to the Broker by SEBI with the show cause notice dated February 17, 2007. Though sufficient opportunities were provided to the Broker by SEBI from time to time, the Broker chose not to controvert the findings of the Enquiry Officer. On the other hand, the Broker, vide letter dated April 3, 2008 accepted the recommendation of the Enquiry Officer. In the facts and circumstances, wherein the Broker not only failed to refute the findings of the Enquiry Officer but also accepted the recommendation, I do not consider it necessary to reiterate the violations committed by the Broker as specified in the show cause notice dated November 27, 2004 and as observed by the Enquiry Officer. I agree with the findings and recommendation of the Enquiry Officer. Accordingly, the present enquiry proceedings against the Broker stands disposed of as ordered herein below.

4. In view of the foregoing, I, in exercise of the powers conferred on me in terms of Section 19 of the Securities and Exchange Board of India Act,

1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certificate of registration (No.INB120829631) of the stock broker namely, M/s Sharan Fincap Limited, Member, Ludhiana Stock Exchange Limited for a period of fifteen working days.

5. This order shall come into force from three weeks from the date of this order.

K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: January 2, 2009