

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. T. C. NAIR, WHOLE TIME MEMBER**

**IN THE MATTER OF SWADHA SECURITIES PVT. LTD., MEMBER, THE
CALCUTTA STOCK EXCHANGE ASSOCIATION LTD. WITH SEBI
REGISTRATION NO. INB031141238**

**IN THE SCRIPS OF AKSHAY FISCAL SERVICES LTD., ASHIKA CREDIT
CAPITAL LTD. AND SHARADRAJ TRADE FINANCE LTD.**

Date of hearing : 23-05-2008

Appearance of the parties

For Swadha Securities Pvt. Ltd. :

Shri Naresh Kumar Jalan, Director

For the Securities and Exchange Board of India:

1. Shri Jayanta Jash, General Manager
2. Shri Mrityunjaya Behera, Manager

ORDER

**[UNDER REGULATION 28 (2) OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008]**

1. This order would dispose of the enquiry proceedings initiated against M/s. Swadha Securities Pvt. Ltd. in the scrips of Akshay Fiscal Services Ltd., Ashika Credit Capital Ltd. and Sharadraj Tradefin Ltd. Brief facts of the case are as under:

The Securities and Exchange Board of India ('SEBI' for short) had conducted investigations into the alleged excessive speculative transactions in some of the finance/investment, bio-tech and info-tech companies which were listed at the Calcutta Stock Exchange (hereinafter referred to as "CSE"). Akshay Fiscal Services Ltd. (Akshay), Ashika Credit Capital Ltd. (Ashika) and Sharadraj Trade Finance Ltd. were three such companies where widespread speculative trading was reported to SEBI by the CSE. In view of the above, trading in the shares of the said companies were subjected to investigations by the SEBI for the period July to October, 2001 (hereinafter also referred to as 'the investigation period') to find any possible violations of the provisions of the SEBI Act, 1992 and the rules and regulations framed thereunder. The investigations revealed that M/s. Swadha Securities Pvt. Ltd. (hereinafter referred to as 'noticee' or 'broker'), a member of the CSE and registered with the SEBI (SEBI Registration No. INB031141238) had dealt in the shares of the above said companies allegedly in a manner contravening the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 ('PFUTP Regulations') and the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 ('Broker Regulations').

2. As it was prima facie found that the noticee had acted in a manner contravening the relevant provisions of the PFUTP Regulations and Broker Regulations while dealing in the scrips of Akshay, Ashika and Sharadraj, an enquiry was ordered by the SEBI to inquire into its dealing in the said scrips vide order dated 18-09-2004, appointing an Enquiry Officer in terms of Regulation 5 of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 ('Enquiry Regulations').
3. I note that the Enquiry Officer had issued separate show cause notices dated 04-10-2004 under Regulation 6 of the Enquiry Regulations to the noticee in the enquiry proceedings initiated in scrips of Akshay, Ashika and Sharadraj. The findings of the investigation as relevant to the case were enclosed along with the

respective show cause notice issued to the noticee. The noticee had submitted its reply vide letters dated 25-10-2004 in the matters of Akshay and Ashika to the Enquiry Officer. Vide letter dated 27-10-2004, the noticee replied to the show cause notice issued in the matter of Sharadraj. After completing the enquiry in terms of the Enquiry Regulations, the Enquiry Officer in his Report to the Board found that the noticee violated the provisions of Regulation 7 of the Broker Regulations read with Clauses A (1), (2), (3) & (5) and B (4) (a) of the Code of Conduct prescribed for stock brokers mentioned under Schedule II of the said regulations, clauses (a), (b), (c) and (d) of Regulation 4 of the PFUTP Regulations and SEBI Circular No. SMDRP/POLICY/CIR – 32/99 dated 14-09-1999 while dealing in the scrip of Akshay. The enquiry officer also found that the noticee of having violated Regulation 7 of the Broker Regulations read with Clauses A (1), (2), (3) & (5) and B (4) (a) of the Code of Conduct prescribed for stock brokers mentioned under Schedule II of the said regulations and also the provisions of clauses (a), (b), (c) and (d) of Regulation 4 of the PFUTP Regulations while dealing in the scrips of Ashika and Sharadraj. Vide separate Enquiry Reports (all dated 19-12-2006), the Enquiry Officer had recommended that the certificate of registration of the noticee be suspended for a period of 6 months in each of the three matters.

4. Thereafter, show cause notices dated 28-12-2006 were issued to the noticee in terms of Regulation 13 (2) of the Enquiry Regulations enclosing a copy of the enquiry reports in each of the two matters. The show cause notices required the noticee to show cause as to why action as recommended by the enquiry officer in his enquiry report in the relevant matter be not imposed. In reply to the said show cause notices, the noticee submitted its common reply dated 12-01-2007 in all the three matters. On 23-05-2008, the noticee was represented by its director, who made his submissions in the matters.
5. i) In the scrip of Akshay, I find from the trade data that the brokers, viz. Mukesh Dokania & Co, Swadha Securities Pvt. Ltd. (the noticee), S. K. Jhunjhunwala and

Dinesh Kumar Modi & Co were traded substantially in the scrip. The details (per table below) with respect to select brokers in the said scrip from Settlement No. 2002115 to 2002129 would indicate that the noticee has contributed 24% on the total buy and 37% of total sell of shares of Akshay at the exchange.

Name of the broker	Buy Qty	% of member's buy to total buy (3811706)	Sale Qty	% of member's sale to total sale (3811706)
Mukesh Dokania & Co.	1223701	32%	1492100	39%
Swadha Securities P. Ltd.	915050	24%	1403701	37%
S.K. Jhunjhunwala	821000	22%	121000	3%
Dinesh Kr. Modi & Co.	395000	10%	420000	11%
Total	3354751	88%	3436801	90%

It is observed from the above data submitted by CSE that the select brokers had generated approximately 90% of the volume in the shares of Akshay for the period under scrutiny. The average price of the scrip has consequently increased from Rs.3.20/- in Settlement No.2002115 to Rs.47.50/- in Settlement No. 2002129 (period - between July 2, 2001 to October 12, 2001) without any change in the fundamentals of the company. The settlement wise transactions of the noticee are tabulated below:

Settlement No	Date	Buy Qty	Price	Sell Qty	Price
2002115	04/07/2001	45000	3.20	45000	3.20
2002115	05/07/2001	30000	3.20	30000	3.20
2002116	09/07/2001	0	0	500	3.20
2002116	10/07/2001	0	0	500	3.10
2002116	11/07/2001	0	0	500	3.10
2002116	12/07/2001	5000	3.10	5000	3.10
2002116	13/07/2001	3400	3.20	3400	3.20
2002117	16/07/2001	0	0	500	3.20
2002117	17/07/2001	0	0	500	3.90
2002117	20/07/2001	73600	3.19	81100	3.20
2002118	24/07/2001	0	0	500	2.50
2002118	25/07/2001	20000	2.00	20000	2.00
2002119	30/07/2001	0	0	228000	1.70
2002119	31/07/2001	0	0	144500	2.68
2002120	10/08/2001	50	5.30	50	5.30

Settlement No	Date	Buy Qty	Price	Sell Qty	Price
2002121	14/08/2001	33000	6.30	33001	6.30
2002121	16/08/2001	5000	6.40	5000	6.40
2002122	22/08/2001	0	0	50000	7.44
2002122	23/08/2001	0	0	39000	7.39
2002122	24/08/2001	100	8.90	100	8.90
2002123	29/08/2001	10000	10.70	10000	10.70
2002125	11/09/2001	30000	16.50	30000	16.50
2002125	12/09/2001	60300	17.74	65000	17.75
2002125	13/09/2001	550	16.40	50	16.40
2002125	14/09/2001	45500	17.70	45500	17.70
2002126	17/09/2001	10000	19.10	10000	19.10
2002126	18/09/2001	25000	19.72	25000	19.72
2002126	19/09/2001	40000	21.00	40000	21.00
2002127	26/09/2001	3000	25.40	11000	25.40
2002127	27/09/2001	95050	26.42	100000	26.40
2002127	28/09/2001	4000	29.00	4000	29.00
2002128	01/10/2001	100000	30.95	100000	30.95
2002128	04/10/2001	14000	34.71	14000	34.71
2002128	05/10/2001	30000	37.50	30000	37.50
2002129	08/10/2001	20000	39.00	20000	39.00
2002129	09/10/2001	80000	41.94	80000	41.94
2002129	10/10/2001	71500	44.53	71500	44.53
2002129	11/10/2001	20500	46.67	20500	46.67
2002129	12/10/2001	40500	44.67	40500	44.67
Total		9,15,050		14,03,701	

ii) I note that the enquiry officer has found that on majority of the occasions, the orders placed by the noticee in the exchange were matched with select brokers in terms of order quantity, price and time. Hence, the delivery obligation was either negligible or nil. Such trading pattern had impacted the price/volume of the scrip which in turn was responsible for the price rise.

iii) From the material on record, it appears that the broker and the clients had executed the trades so as to match amongst themselves, which would result in no delivery to the exchange. Such cross deals entered into by the noticee over a long period in time would create artificial volumes and attract public interest in the scrip. Therefore, by the aforesaid acts, the noticee was instrumental in affecting the price of the scrip and created a false appearance of trading in the scrip. Since the trades did not result in delivery of shares or payment of money, it is inferred that the transactions were not genuine transactions and not intended to transfer

any beneficial ownership of the shares. By the above said acts, the noticee was not fair in his conduct of business and also did not exercise due care and diligence and had indulged in unfair and deceptive practices thereby upsetting the equilibrium of the scrip in the market.

iv) The noticee has also admitted of having undertaken off the floor transactions for Shri Anup Kumar Dharnidharka and Shri Dilip Kumar Minny, who were promoters of the Akshay and M/s. Keystone Tradelink Pvt. Ltd., a group company of the promoters. I, therefore agree with the findings of the Enquiry Officer.

6. i) In the scrip of Ashika, I find that the average price of the scrip at the exchange was Rs.5.05 during the Settlement No.2002115 (02/07/2001-06/07/2001) and went up to Rs.43.70 during the 3rd week of October 2001 with substantial increase in the trading volumes at the exchange. From the trade data obtained from the CSE for the relevant period, it was observed that major trading in the scrip was indulged by the noticee, Dinesh Kumar Modi, Mukesh Dokania & Co and Prakash Nahata & Co. It was observed that during settlement No. 2002115 (02/07/2001-06/07/2001) to 2002130 (15/10/2001-22/10/2001) a total of 18,77,376 shares were purchased and the same quantity of shares were also sold resulting in no delivery obligations. I note that the investigations had further revealed that the noticee along with other brokers of CSE viz. Mukesh Dokania & Co and Dinesh Kumar Modi had transacted in 3341800 shares of the company for their clients through matching and synchronized trades that were sunchronized in terms of order price, quantity and time. The volumes so generated by such transactions were nearly 88% of the total trading on the exchange during the relevant period. The member wise analysis of trading data in respect of the above scrip from the Settlement No. 2002115 to 2002130 is given below for reference:

Name of the broker	Buy Quantity	% of member's buy to total buy (18,77,376)	Sale Quantity	% of member's sale to total sale (18,77,376)
Swadha Securities	6,05,000	32%	6,05,000	32%

Mukesh Dokania	9,47,700	50%	9,47,700	50%
Dinesh kr. Modi	1,18,200	6%	1,18,200	6%
Total	16,70,900	88%	16,70,900	88%

From the above table, it becomes apparent that the noticee had traded in around 32% of the shares of the total traded volumes. The details of the trades executed by the noticee on behalf of its clients date wise are given below:

Date	Name of the Broker	Buy Qty.	Buy Rate	Sale Qty.	Sale Rate
7/2/2001	SWADHA SECURITIES PVT. LTD.	45000	5.7	45000	5.7
7/3/2001	SWADHA SECURITIES PVT. LTD.	26000	4.5	26000	4.5
7/4/2001	SWADHA SECURITIES PVT. LTD.	85000	4.7	85000	4.7
7/5/2001	SWADHA SECURITIES PVT. LTD.	32000	4.7	32000	4.7
7/6/2001	SWADHA SECURITIES PVT. LTD.	20000	4.8	20000	4.8
7/9/2001	SWADHA SECURITIES PVT. LTD.	500	5.3	500	5.3
7/10/2001	SWADHA SECURITIES PVT. LTD.	500	5.9	500	5.9
7/11/2001	SWADHA SECURITIES PVT. LTD.	500	6.7	500	6.7
7/12/2001	SWADHA SECURITIES PVT. LTD.	5000	6.4	5000	6.4
7/13/2001	SWADHA SECURITIES PVT. LTD.	51000	5.5	51000	5.5
7/17/2001	SWADHA SECURITIES PVT. LTD.	0	0.0	100	10.1
7/19/2001	SWADHA SECURITIES PVT. LTD.	2000	10.4	2000	10.4
7/20/2001	SWADHA SECURITIES PVT. LTD.	3050	10.5	3000	10.5
7/24/2001	SWADHA SECURITIES PVT. LTD.	100	12.0	0	0.0
7/26/2001	SWADHA SECURITIES PVT. LTD.	200	13.7	0	0.0
7/27/2001	SWADHA SECURITIES PVT. LTD.	15000	13.3	15300	13.3
7/30/2001	SWADHA SECURITIES PVT. LTD.	200	15.3	0	0.0
7/31/2001	SWADHA SECURITIES PVT. LTD.	200	16.6	0	0.0
8/1/2001	SWADHA SECURITIES PVT. LTD.	200	17.9	0	0.0
8/2/2001	SWADHA SECURITIES PVT. LTD.	0	0.0	250	19.0
8/3/2001	SWADHA SECURITIES PVT. LTD.	250	20.5	0	0.0
8/6/2001	SWADHA SECURITIES PVT. LTD.	50	22.6	0	0.0
8/10/2001	SWADHA SECURITIES PVT. LTD.	37025	22.3	37000	22.3
8/14/2001	SWADHA SECURITIES PVT. LTD.	21400	24.9	21400	24.9
8/16/2001	SWADHA SECURITIES PVT. LTD.	10000	24.7	10000	24.7
8/17/2001	SWADHA SECURITIES PVT. LTD.	15000	30.0	15000	30.0
8/20/2001	SWADHA SECURITIES PVT. LTD.	17200	30.0	17000	30.0
8/23/2001	SWADHA SECURITIES PVT. LTD.	100	35.0	100	35.0
8/24/2001	SWADHA SECURITIES PVT. LTD.	1100	36.0	0	0.0
8/28/2001	SWADHA SECURITIES PVT. LTD.	61000	39.5	61000	39.5
9/7/2001	SWADHA SECURITIES PVT. LTD.	100	33.9	100	33.9
9/10/2001	SWADHA SECURITIES PVT. LTD.	100	31.2	100	31.2
9/11/2001	SWADHA SECURITIES PVT. LTD.	100	28.8	100	28.8
9/12/2001	SWADHA SECURITIES PVT. LTD.	200	27.5	200	27.5
9/13/2001	SWADHA SECURITIES PVT. LTD.	2000	26.5	2000	26.5
9/14/2001	SWADHA SECURITIES PVT. LTD.	2000	24.8	2000	24.8
9/17/2001	SWADHA SECURITIES PVT. LTD.	2000	23.9	1000	23.0

Date	Name of the Broker	Buy Qty.	Buy Rate	Sale Qty.	Sale Rate
9/18/2001	SWADHA SECURITIES PVT. LTD.	4000	21.5	4000	21.5
9/21/2001	SWADHA SECURITIES PVT. LTD.	100	23.2	100	23.2
9/24/2001	SWADHA SECURITIES PVT. LTD.	100	24.9	100	24.9
9/25/2001	SWADHA SECURITIES PVT. LTD.	200	26.8	200	26.8
9/26/2001	SWADHA SECURITIES PVT. LTD.	100	28.2	100	28.2
9/27/2001	SWADHA SECURITIES PVT. LTD.	100	30.3	100	30.3
9/28/2001	SWADHA SECURITIES PVT. LTD.	200	32.7	200	32.7
10/1/2001	SWADHA SECURITIES PVT. LTD.	20000	33.5	20000	33.5
10/3/2001	SWADHA SECURITIES PVT. LTD.	700	36.7	200	36.7
10/4/2001	SWADHA SECURITIES PVT. LTD.	200	38.0	200	38.0
10/5/2001	SWADHA SECURITIES PVT. LTD.	5000	40.0	5000	40.0
10/8/2001	SWADHA SECURITIES PVT. LTD.	68000	39.6	68000	39.6
10/9/2001	SWADHA SECURITIES PVT. LTD.	40500	40.2	40000	40.3
10/10/2001	SWADHA SECURITIES PVT. LTD.	400	38.2	200	39.4
10/11/2001	SWADHA SECURITIES PVT. LTD.	1000	42.0	1000	42.0

ii) The table above illustrates how the noticee was placing orders at the ‘buy’ as well as the ‘sell’ side for its clients. It can also be seen that the orders matched completely and the trades were squared off, as a result the delivery obligation at the exchange was nil or negligible. Most of the trades executed by the noticee were client to client trades (cross deals) executed on a single terminal of the noticee.

iii) I find that the concentrated trading by the aforesaid brokers in the said scrip was responsible for its price rise substantially. The noticee has also admitted that it had executed cross deals for its clients on a single terminal. The noticee has replied that all orders were placed only on the instructions of their clients. All the transactions were cross deals wherein the buyer and seller belonged to the same broker and the volumes contributed by such trades by the broker is quite significant which created artificial rise in volume and price. Further, such trades did not result in delivery of shares or payment of money as they were squared off. By executing such trades for their clients in this scrip, the noticee had not acted with the required diligence and was not fair in its conduct as a stock broker and had indulged in unfair and deceptive practices thereby upsetting the equilibrium of the scrip in the market. For the reasons said above, I find that the noticee has

contravened the relevant provisions of the Broker Regulations and the PFUTP Regulations. I, therefore concur with the findings of the Enquiry Officer.

7. i) In the matter of Sharadraj, the investigations had revealed that there was a steep decline in the price of the scrip. It was observed that the scrip had witnessed a decline from Rs. 67.50 to Rs. 29.60, a decrease of nearly 50 % in just five settlements (2002125 to 2002129). I note that the trade data furnished by the CSE indicated that almost the entire volume in the scrip was generated by three brokers, namely the noticee, Basant Kumar Chirimar, and Ballabh Dass Daga during the relevant period.

ii) It was noticed that the average price of the scrip had declined sharply from Rs.67.50/- to Rs.29.60/-, a decrease of nearly 50 % in just five settlements, i.e, 2002125 to 2002129. The entire trading in the scrip at the exchange during the above said period were through the aforementioned brokers only. The noticee had traded in 3,71,600 shares, which was approximately 20% of the total trading volume in the scrip. The details of the noticee's transactions in settlements 2002119 to 2002125 are as below:

Settlement No.	Date of Transaction	Name of Broker	Purchase Qty	Sale Qty
2002119	8/1/2001	SWADHA SECURITIES P. LTD.	10000	10000
	8/2/2001	SWADHA SECURITIES P. LTD.	57000	57000
2002120	8/16/2001	SWADHA SECURITIES P. LTD.	30000	30000
2002122	8/22/2001	SWADHA SECURITIES P. LTD.	8000	8000
2002124	9/3/2001	SWADHA SECURITIES P. LTD.	5800	5800
2002126	9/18/2001	SWADHA SECURITIES P. LTD.	6000	6000
	9/19/2001	SWADHA SECURITIES P. LTD.	6000	6000
	9/20/2001	SWADHA SECURITIES P. LTD.	2000	2000

Settlement No.	Date of Transaction	Name of Broker	Purchase Qty	Sale Qty
	9/21/2001	SWADHA SECURITIES P. LTD.	2000	2000
2002127	9/24/2001	SWADHA SECURITIES P. LTD.	2000	2000
	9/25/2001	SWADHA SECURITIES P. LTD.	2000	2000
	9/26/2001	SWADHA SECURITIES P. LTD.	2000	2000
2002128	10/3/2001	SWADHA SECURITIES P. LTD.	20000	20000
	10/4/2001	SWADHA SECURITIES P. LTD.	9000	9000
	10/5/2001	SWADHA SECURITIES P. LTD.	6000	6000
2002129	10/8/2001	SWADHA SECURITIES P. LTD.	1000	1000
	10/9/2001	SWADHA SECURITIES P. LTD.	1000	1000
	10/10/2001	SWADHA SECURITIES P. LTD.	5000	5000
	10/11/2001	SWADHA SECURITIES P. LTD.	11000	11000
		Total	185800	185800

ii) From the material on record, I find that most of the trades in the scrip by the noticee during the period under scrutiny were client to client trades (cross deals) which have been executed on a single terminal of the noticee, which fact has also been accepted by the noticee before the enquiry officer. It has also been found that the orders (buy and sell) were placed simultaneously for the same quantity and same price.

iii) It is not disputed that the noticee, Ballabh Das Daga and Basant Kumar Chirimar were the brokers who trades accounted for nearly 100% of the trading in the scrip of Sharadraj for the period between 10-09-2001 and 12-10-2001. It is also seen that out of 489400 shares (total traded volume at the exchange), the noticee has dealt in 150000 shares which accounted for nearly 30.65% and that during the period the price of the scrip fell from Rs.67.50/- to Rs.29.60/-.

iv) I find that the aforesaid trades executed by the noticee were instrumental in affecting the price of the scrip and created a false appearance of trading in the

scrip. The delivery of shares or money did not arise or were negligible at the exchange as all the trades were squared off between the clients of the noticee. No beneficial ownership was transferred and looking into the facts and circumstances, it can be inferred that the transactions were not genuine trade transactions. By the above said acts, the noticee was not fair in the conduct of his business and also did not exercise the required care and diligence while executing the orders for its clients.

8. By executing such trades for their clients in this scrip, the noticee had not acted with the required diligence and was not fair in its conduct as a stock broker and had indulged in unfair and deceptive practices thereby upsetting the equilibrium of the scrip in the market. Thus, I concur with the findings of the enquiry officer in all the three scrips. In view of violations found above, I find that the noticee had contravened the provisions of clauses (a) and (b) of Regulation 4 of the PFUTP Regulations and Regulation 7 read with sub-clauses (1), (2) and (4) specified in Schedule II of the Broker Regulations, while dealing in the scrips of while dealing in the scrips of Akshay, Ashika and Sharadraj. Also, in the matter of Akshay, the noticee has contravened the provisions of SEBI CIRCULAR NO. SMDRP/POLICY/CIR-32/99 dated 14-09-1999.
9. I note that the enquiry officer has recommended a penalty of suspension of the noticee's certificate of registration as a stock broker for a period of 6 months in each of the three separate enquiry proceedings initiated against it. However, after carefully examining the reply of the noticee, the mitigating factors (percentage of trading and the number of days traded by the noticee) explained in the course of the personal hearing and the facts and circumstances of the case, I am of the considered view that the noticee failed to exercise due diligence for which a penalty of *censure* would meet the ends of justice.
10. Now, therefore, in exercise of powers conferred upon me under Section 19 of the SEBI Act, 1992 and Regulation 28 (2) of the SEBI (Intermediaries) Regulations,

2008, I hereby censure M/s. Swadha Securities Pvt. Ltd., (SEBI Registration No. INB031141238). The broker is further directed to be careful in future while dealing with its clients. Any repetition of such instances shall be dealt with seriously.

DATE: 09-01-2009

PLACE: MUMBAI

Dr. T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA