

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

IN THE MATTER OF COMPETENT PROFESSIONAL LTD. (FORMERLY KNOWN AS TANDON FINANCIAL CONSULTANTS LIMITED), SUB BROKER AFFILIATED TO INTEGRATED MASTERS SERVICES PVT LTD., MEMBER, NATIONAL STOCK EXCHANGE OF INDIA LIMITED, SEBI REGN NO. INS230504636 IN THE SCRIP OF EIDER INFOTECH LTD.

Date of hearing: August 24, 2007

Appearances:

For Noticees: Shri Sanjay Tandon, Promoter
Shri Abhay Kohli, Employee

For SEBI : Shri P.K.Bindlish, Chief General Manager
Shri Siva Govindo Patra, Manager
Ms. Kshama Chavan, Legal Officer

**ORDER
UNDER THE REGULATION 28(2) OF SEBI (INTERMEDIARIES)
REGULATION 2008.**

1.1 Eider Infotech Ltd (hereinafter referred to as "EIL") was incorporated in 1990. The shares of EIL were listed for trading at National Stock Exchange of India Limited (hereinafter referred to as "NSE"), The Bombay Stock Exchange Ltd (hereinafter referred to as "BSE"), Ludhiana Stock Exchange (Regional) (hereinafter referred to as "LSE"), Ahmedabad Stock Exchange (hereinafter referred to as "ASE"), Delhi Stock Exchange (hereinafter referred to as "DSE") and Calcutta Stock Exchange (hereinafter referred to as "CSE") at the time of investigation.

- 1.2 Securities and Exchange Board of India (hereinafter referred to as “SEBI”) had conducted an investigation for the period December 1999 to March 2000 (“Investigation Period I”) and April 2000 to August 2000 (“Investigation Period II”)[hereinafter both the periods referred to as “the relevant period”]into the buying /selling/dealing in the scrip of EIL. Investigation revealed that trading in the scrip of EIL was not very active at both BSE and NSE during the above investigation period. It was found that only 200 shares at BSE and 1,800 shares at NSE were traded during the period January 1998 to August 1999. During September 1999 to March 2000, 6,500 shares and 3,04,200 shares were traded at BSE and NSE respectively. During September 2000 and March 2001 the trading at BSE was nil whereas 26,295 shares were traded at NSE.
- 1.3 Investigation further revealed that during the investigation period I, on November 24, 1999, the closing price of EIL at NSE was Rs.32, which touched a high of Rs.292 by the end of the first week of January 2000 and came down to Rs. 228 by second week of January 2000. By 11th February 2000, the price reached its highest of Rs.800. Correspondingly volumes had gone up in November 1999 from average volume of 490 shares to 4,030 shares in January 2000. Volumes started to decrease in March 2000. Further, during investigation period II, around 12thApril 2000 when the scrip was trading at about Rs. 500, the scrip was suspended by NSE till 26th April 2000 due to non compliance of listing agreement.
- 1.4 It was further found that during the first period of investigation, M/s Eider Infotech Ltd. and their associates/group companies played a major role in the price movement. From the trading records and bank records,

it was found that EIL and its group companies directly funded the brokers and other entities who had significantly traded in the scrip during the first period. The bank records, revealed the flow of funds on a continuous basis from group or associate company of EIL to the accounts of brokers/sub-brokers etc.

1.5 It was alleged that Competent Professional Ltd., formerly known as Tandon Financial Consultants Limited (hereinafter referred to as “the sub broker / “CPL”), a sub broker affiliated to Integrated Master Services Pvt. Ltd., Member, NSE had executed transactions on behalf of its client, Parshad & Co. (hereinafter referred to as “the client”) for 9 days between February 21, 2000 and March 3, 2000 for 8,800 shares in the price range of Rs.607.50 to Rs. 680. These trades were alleged to be in contravention of Regulation 4 (a), (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as “PFUTP Regulations”). It was further alleged that CPL had not shown due skill, care and diligence in its dealings with the client thus violating Clause A (1) and (2) of the Code of Conduct as specified in Schedule II read with Regulation 15 of the Securities and Exchange Board of India (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as “Stock Broker Regulation”).

2.1 In view of the above findings of investigation, SEBI vide order dated July 2, 2002 appointed an Enquiry Officer to enquire into the alleged violations / contraventions alleged to have been committed by CPL. The Enquiry Officer conducted the enquiry in terms of SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing Penalty)

Regulations, 2002 (hereinafter referred to as the “Enquiry Regulations”)
The Enquiry Officer submitted its report dated November 06, 2003 recommending a penalty of suspension of certificate of registration of CPL for a period of four months.

- 2.2 Based on the recommendations of the Enquiry Officer, a show cause notice dated November 11, 2003 was issued to CPL under Regulation 13(2) of the Enquiry Regulations asking it to show cause as to why appropriate action including penalty as recommended by Enquiry Officer should not be imposed upon it. A copy of the Enquiry Report was also forwarded to the broker along with the said show cause notice.
- 2.3 CPL vide letter dated December 6, 2003 replied to the said show cause notice and interalia stated that the Enquiry Officer had contradicted himself in accepting that CPL could not have known the link between the client and EIL and at the same time held CPL liable for dealing on behalf of the client knowing that the client was acting on behalf of EIL. Further with regard to accepting payments from the third parties, CPL submitted that had there been any doubt with regard to the link between the client and EIL, payments would not have been accepted.
- 3.1 Due to change in competent authority the matter was put afresh before me. Accordingly, an opportunity of personal hearing was granted on August 24, 2007 wherein Shri Sanjay Tandon, Promoter Competent Professionals Pvt Ltd Shri Abhay Kohili, employee appeared on behalf of the company and made following submissions, in addition to the submissions made vide their letter dated December 06, 2003:

- i. That their company is not in the stock trading business as Broker/Sub Broker/Intermediary of any kind since April 2003.
- ii. That before taking up any other business, they applied for cancellation of their registration as sub broker of Integrated Master Securities Pvt. Ltd (IMSL) in case of NSE and the same was granted to them vide SEBI dated June 22, 2006 conveyed to IMSL through NSE vide their letter no. dated June 29, 2006.

4.1 I have carefully considered the enquiry report, show cause notice issued to CPL and the submissions made by CPL both in response to the show cause notice issued along with Enquiry report and during the personal hearing before me.

4.2 I note that CPL traded on behalf of the client had dealt with in the scrip for 9 trading days during the period February 21, 2000 and March 3, 2000 and out of the total number of 8,800 shares traded by CPL, 8,700 shares were traded on behalf of the client.

4.3 I note that CPL had taken a plea that Enquiry Officer had contradicted himself by agreeing that CPL could not have known the connection between the client and EIL but still held CPL liable for trading on behalf of the client knowing the link between the client and EIL. I observe that common address does not signify that the client and EIL were connected. However, I also note that it is too much of a coincidence that the client shared a common address with the registered office of EIL and was dealing in the scrip of EIL and that CPL received third party cheques from CEFT which is the associate of EIL. There are too many instances to

be ignored and I have no reason to believe that CPL did not have the knowledge of the client being connected to EIL. In addition, the client had traded only in EIL, no other trades were done on behalf of the client in any other scrip.

- 4.4 It is evident that CPL accepted payments on 13 instances for amounts ranging from 5,00,000 (lowest) to Rs.10,00,000 during the period of 9 days totaling to Rs.75,00,00,000. In the normal course any sub broker should have altered the fact of the third party cheques being received for such huge amounts but CPL chose not to raise the issue as it had the knowledge that client was acting on behalf of EIL.
- 4.5 I observe that by not exercising due diligence in its dealings with the client, CPL allowed the client to indulge in creating false and misleading appearance of trading in the scrip of EIL, which resulted in building up of artificial volumes and price in the scrip of EIL. This is detrimental to the interest of investors and the orderly development of the securities market.
- 4.6 In the light of the facts and circumstance of the case, I am of the view that a penalty of warning is sufficient to have a deterrent effect on the sub broker.
5. Therefore, 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 28(2) of the Securities and Exchange Board of India

(Intermediaries) Regulations, 2008, I hereby warn Competent Professionals Ltd (formerly known as Tandon Financial Consultants Ltd), sub broker affiliated to Integrated Masters Services Pvt Ltd., Member, NSE, Regn. No. INS 230504636 to the effect that the sub broker should be careful in future and exercise due skill, care and diligence in the conduct of its affairs as a capital market intermediary. I also direct Competent Professionals Ltd (formerly known as Tandon Financial Consultants Ltd), to note that any instances of violation or non-compliance of the SEBI Act and Rules and Regulations in future shall be dealt with stringently.

DATE : 15.01.2009

MUMBAI

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