

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: DR. T. C. NAIR, WHOLE TIME MEMBER

IN THE MATTER OF M/s. TRIUMPH INTERNATIONAL FINANCE INDIA LIMITED

IN THE SCRIP OF DSQ BIOTECH LIMITED

ORDER

UNDER SECTIONS 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

1. The Securities and Exchange Board of India (hereinafter referred to as 'the SEBI' or 'the Board') conducted investigations into the dealing in the shares of DSQ Biotech Ltd. for the period between December 1999 and January 2001. The investigations were conducted inter alia, to ascertain whether there were any violations of the provisions of the SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') and the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred as 'Broker Regulations') by any of the persons/brokers who had dealt in the said scrip during the relevant period.
2. The shares of DSQ Biotech Ltd. were listed on the National Stock Exchange Ltd. ('NSE') and the Bombay Stock Exchange Ltd. ('BSE') during the time of the investigations.
3. The major findings of the investigations in the matter are as follows:
 - a. It was noticed that the company had increased the share capital by making a preferential issue during March 2000. The shares under the said issue were placed to its related entities. 80,30,000 equity shares priced at Rs.275/- [Rs.10 face value and Rs.265/- premium] were placed with 4 entities, which included overseas corporate bodies and FIIs as per the table below:

Sr. No.	Name	No. of Shares	Percentage of Expanded Paid Up Capital
1.	Deutsche Bank Custodial Ltd. (FII)	22,00,000	9.77%
2.	Society Generale, Paris (FRANCE) (FII)	11,00,000	4.88%
3.	A. J. Finance Ltd., 151, Chin Swee Road, # 09-08 Manhattan House, SINGAPORE 169867 (OCB)	30,00,000	13.33%
4.	Greenfield Investment Ltd., 7th Floor. Happy world House, Sir William Alewten SP, Port Louis, Republic of Mauritius, (OCB)	17,30,000	7.69%

- b. These shares were partly paid up in the first instance only upto the extent of 10% which was paid at the time of the allotment. It was revealed that the rest of the 90% did not come into the company and that the same was managed to be shown to have been credited to the company by fictitious bank entries through three Indian Companies – Continental Filaments, Athena Software and Uniforge Steel. It was also revealed during the investigations that all these companies were companies belonging to the DSQ Group and that two of the companies Continental and Uniforge were bought by the DSQ Group in March 2000 itself.
- c. These shares were dematerialized into the accounts of Greenfield and A J Finance which were subsequently transferred to the demat account of DSQ Holdings Ltd.. DSQ Holdings Ltd. then offloaded these shares in the market through various brokers at the NSE and the BSE. It was also seen that these shares were also used to satisfy the settlement obligations of the various other DSQ group entities in the market. These entities were provided funds by their brokers to the extent of the sale proceeds on the date of the trade itself before the pay-out was made by the exchange.
- d. It was seen that DSQ Holdings Ltd. was one of the major selling counterparties for the trades executed by the associated entities. These transactions were in the nature of synchronized trades / matched trades / structured trades which ensured matching of orders of the seller with a specific buyer. These orders were put simultaneously or within close proximity of each other for same price and quantity. It was also observed from order log and trade log of the exchanges that there was almost exact matching in the quantity and the rate and also

proximity in the time of inputting buy and sell orders. Investigations alleged that these orders were synchronized and were put with prior understanding with a view to match.

- e. These transactions were merely entered into to facilitate the financing transaction of the counterparty associated/related clients, which were given the colour of sale and purchase of shares on the stock exchanges. While in the ordinary course of settlement the proceeds of the sales would be due to be paid by the broker to the client only after the pay-out declared by the exchange, while on the buy side the payment for the buy position has to be made before the pay-in, which always precedes the pay out. The brokers were able to bail out the DSQ Group entities by entering into fictitious transactions and allowing them to trade without involving their own money which would have to be arranged if they had not got the advance payment from the selling brokers.
- f. It was observed that prior to and after the period of the preferential issue (before December 1999 and after January 2001) abnormal activity in the scrip was noticed at the NSE and the BSE accompanied by a large number of structured deals wherein the buy and the sell clients were related entities.
- g. At the NSE during the period between December 1999 and April 2000, the scrip was traded for 16 days in rolling period out of the 99 days in the account period. The major clients in the cross deals in the scrip at NSE were DSQ Industries, Square D Texiles, Pilliyar Pattiyar Textiles Ltd. and DSQ Holdings, etc. These clients had traded on both, the account period as well as the rolling settlement period. They were the major buyers upto February 23, 2000 and then consistent and heavy sellers from the period beginning February 24, 2000.
- h. Further, at the BSE, it was observed that during the same period, synchronized trades were executed by 12 brokers on behalf of entities relating to the DSQ group and that those synchronized trades accounted to 68.29% of the market

volume during the period, and the percentage of these trades to the particular day's trading was to the extent of 21%- 100%.

- i. At the NSE during the period September 2000 to January 09, 2001 it was observed that the top 15 brokers had traded on behalf of the entities of the DSQ Group and these clients had accounted for a sizable portion of the gross quantity traded (ranging from 68.2% to 2%) and net quantity traded in the scrip ranging from [97% to 34%]. Further, cross deals and structured deals were executed between brokers during the period which accounted for approx 7.24 % of the gross traded quantity in the scrip during the period under scrutiny.
- j. The volumes in the scrip during the above mentioned period were attributed to the synchronised trades and the fictitious trades executed by the entities through accommodating brokers. Further, it was seen that trades were also used to avail of the finance from the system. The brokers also connived with the DSQ Group to trade and offload unlisted preferential shares into the market which is explained below.
- k. Based on the information submitted by the stock exchanges and the information gathered from the brokers, it was observed that some of the clients and the entities were related/ associated to each other and that some of them were also related to the DSQ Bio-Tech Ltd. (the relation between the various entities interse had been depicted in the relationship chart annexed as Annexure C&D to the show cause notice issued to the noticee)
- l. It could be observed from the said relationship chart that Triumph International Finance India Ltd., NH Securities Ltd and Classic Shares & Stock Broking Services Ltd and their clients were related / connected to each other. Triumph International Finance India Ltd. is a member of BSE and the NSE, having its registered office at Oxford Centre, 10, Shroff Lane Colaba, Causeway, Colaba, Mumbai 400005 with dealing offices in Mumbai, Ahmedabad, Chennai, Jaipur,

Bangalore, Mangalore, Calcutta, Surat, Delhi, Baroda & Bharuch. The dominant promoters of the broker are Moncon Invt Pvt Ltd, Moneshi Consultancy Pvt Ltd, Shreyam Securities Pvt Ltd, Mi Vidha Invt Pvt Ltd.. The directors were S/Shri Percy Mistry (Chairman), Shiamak Marshall, Dharmesh Doshi, Vipul Parekh, Kartik Parekh, Homi Patel and Homi Setna.

- m. From these details, it was found that Triumph International Finance India Ltd. ('Triumph' or 'the noticee'), a registered broker with the NSE and the BSE, was one among the entities who had actively traded in the shares of the company during the relevant period for its clients, viz. Panther Fincap and Management Services Ltd. ('Panther'), Classic Credit and Finance Management Ltd. ('Classic'), European Investments, Vinod Parekh etc.. Investigations, prima facie revealed that Triumph while trading for its clients was responsible in contributing to the unusual spurt in the volumes and the prices of the shares of the company. Based on the findings of the investigation, it was alleged that Triumph contravened the provisions of sub-clauses (1), (2), (3), (4) and (5) of Clause A of Schedule II read with Regulation 7 of Broker Regulations and Regulation 4 (b), (c) and (d) of the PFUTP Regulations, 1995.
 - n. I note that the noticee is being proceeded under Sections 11 and 11B of the SEBI Act, 1992 as its certificates of registration as a broker was already cancelled vide previous orders of SEBI, which was upheld by the Hon'ble Securities Appellate Tribunal (SAT) in Appeal No. 35 of 2002. I further note that the appeal in Civil Appeal No. 544 of 2008 (impugning the order passed by SAT in Appeal No. 35/02) filed by Triumph before the Hon'ble Supreme Court of India was also dismissed vide order dated 11-01-2008 (made in Civil Appeal No. 502/08 with Civil Appeal No. 502/08).
4. Accordingly, Show Cause Notices dated 28-10-2005 were issued to Triumph International Finance Ltd., N H Securities Ltd., Classic Shares & Stock Broking Services Ltd., DSQ Biotech Ltd and its director Shri Dinesh Dalmia, DSQ Holding

Ltd., Powerflow Holdings & Trading Pvt. Ltd., Hulda Properties & Trades Ltd., Arun Polymers, Aspolight Barter, Cooltex Commodities, Berral Trading & Investments Ltd., Panther Fincap & Management Services Ltd, Mackertich Consultancy Services Pvt. Ltd. and Luminant Investments. Vide show cause notice dated 28-10-2005; Triumph was inter alia informed of the allegations in respect of its transactions in the scrip. The SCN required the noticee to show cause as to why suitable directions including restraining them from accessing the capital market and prohibiting them from buying, selling or dealing in securities for a specified period should not be issued.

5. Triumph vide its letter dated December 15, 2005 requested 15 days more time till January 3, 2006 to submit reply, as they were in the process of compiling the data to submit their reply. Subsequently, Triumph vide its letter dated 29th December, 2005 (year mistakenly mentioned as 2004 instead of 2005) submitted its reply to the SCN dated 28th October, 2005 received by the Board on 02-01-2006. Vide the said reply, the noticee inter alia submitted as follows:
 - a. that the SCN issued by SEBI was vague and incoherent and does not clearly state the manner in which the violation of specific Regulations has been committed with credible evidence signifying the breach of the Regulations;
 - b. that the SCN and its Annexure were vague and allegations that have been leveled against them are not specific but general in nature and they are unable to understand in clear and unambiguous terms the allegations leveled against them;
 - c. that the SCN was issued after 5 years after the completion of settlement in DSQ Biotech Ltd. as per the Rules, Byelaws and Regulations at BSE and, therefore, it is clearly a case of great delay for initiation of any proceeding against them. It was submitted that on this ground alone the proposed enquiry/investigation should be dropped;

- d. It denied that they are related to any of the entities mentioned in the charts annexed to the show cause notice or they have been party to their alleged wrongdoing;
- e. It submitted that DSQ Industries, Square D Textiles, Pilliyar Textiles Ltd., DSQ Holdings etc, who were alleged to have done cross deals were not their clients and therefore it did not have any comments to offer in respect of the trades carried out by any of them;
- f. it submitted that they did not execute any cross deals or structured deals with any broker. They further submitted that they were unaware of the existence of any alleged meeting of minds between the said brokers, as implied in the SCN and if at all such meeting of minds existed, they were not party to the same;
- g. It was submitted by Triumph that they have never executed any trades for the entities mentioned in the SCN and hence they were not responsible or concerned in any manner whatsoever, with the trades carried out by the said entities and cannot be termed as “accommodating brokers”.
- h. It submitted that they have no co-relation and are not connected with the alleged acts of the DSQ Group and they have no comments to offer upon the alleged wrongdoing;
- i. They denied the allegation that clients and the entities were related to each other or any of them was related to DSQ Bio Tech Ltd. Further, they submitted that SCN does not indicate that Triumph has connection with any of the entities or clients of other brokers mentioned in the said chart;
- j. It submitted that relationship chart drawn in the annexure to the SCN is based on false, vague and uncertain sources and the investigation Officer has irrationally sought to stretch the relationship between other brokers and their clients only on the basis of common address or common directors which is inappropriate and untenable in law;

- k. It denied the allegation of SEBI that the broker and clients are related. It was submitted by Triumph that Mr. Kartik Parekh who is director of Classic Credit Ltd. is the non executive director of Triumph and he did not enjoy the power of management and control over Triumph. They also denied that they are associated/ related with DSQ Biotech Ltd.;
- l. It submitted that they are not in any manner associated/related to European Investments Corporation Ltd. and Far East Investment Corporation Ltd as alleged by SEBI;
- m. It submitted that they have not executed any cross-deals. As a broker they have executed trades for and on behalf of their clients in a transparent and fully computerized Stock Exchange mechanism. It was impossible for Triumph to identify the counter party broker or his clients and as such Triumph cannot be held guilty of the so called cross-deals. Further, it was submitted by Triumph that they have acted purely as broker and on instructions of their clients and have acted in a bonafide manner for and on behalf of their clients for purchase and sales of shares;
- n. It submitted that they were not willing party to any alleged cross deals their clients. Further, they never executed any trades with the intention to create impression of liquidity in the market;
- o. It denied the charge of synchronized trades. It further submitted that they were never aware of the identity of the counter party broker or the identity of their clients;
- p. It also submitted that they were not aware that the transactions entered by their clients were financing transactions or they were for receiving finance or were fictitious transactions as alleged;
- q. It submitted that they are not related to NH Securities Ltd. and Classic Shares & Stock Broking Services Ltd. However, they admitted that Panther Finacap & Management are their clients but denied the allegation that they are related to their clients and have facilitated, aided

and abetted their clients in manipulative and fraudulent activities, as alleged in the SCN;

- r. They have submitted that they have exercised proper skill, care and diligence while dealing with all their clients mentioned in the show cause notice and it cannot be said that they have violated any provision of Regulation or Code of Conduct as specified in Schedule II of Regulation 7 of the Broker Regulations. Further it was submitted by Triumph that they have not violated Clause A (1), (2), (3), (4) & (5) of Schedule II of Regulation 7 of the Broker Regulations.
- s. Triumph had also denied the allegation that they have violation provisions of FUTP Regulation.
- t. It requested for a personal hearing before the competent authority

6. Vide letter dated April 20, 2006 SEBI communicated to Triumph regarding the personal hearing granted to it before me on May 11, 2006. However, Triumph vide its letter dated April 26, 2006 requested SEBI to give it any alternate date after June 5, 2006 for the hearing. Accordingly, SEBI vide its letter dated June 8, 2006 informed Triumph that the date of hearing has been rescheduled to June 12, 2006. On the date of hearing, vide its letter dated June 12, 2006 Triumph once again requested SEBI to reschedule the hearing to July 04, 2006. Thereafter, SEBI vide its letter dated June 22, 2006 informed Triumph that personal hearing would be granted on July 10, 2006. Accordingly, a personal hearing was granted to the broker on July 10, 2006. The representative of Triumph who attended the said hearing submitted written submissions in addition to submissions made in their reply on merits to the SCN dated 28th October, 2005. The written submissions inter alia contained the following submissions:

- a. that SCN dated 28th October 2005 was issued to them in respect of the trades executed by them for and on behalf of their clients during the period September 1999 to January 2000 i.e. almost after a period of more than 6 years from the purported cause of action that may have arisen;

- b. that SEBI vide its prohibitory order dated 4th April, 2001 had restrained their company, Triumph from carrying on any business on the stock exchange. The said order of SEBI is still subsisting and has been challenged by them before the Hon'ble SAT by way of appeal;
- c. that NSE vide its Order dated 3rd May, 2002 has cancelled their Registration;
- d. that SEBI vide its Order dated 16th May, 2002 had cancelled its Certificate of Registration and the said order of SEBI has also been challenged by way of an Appeal and is pending before the Hon'ble SAT;
- e. that by way of SCN dated 28th October, 2005 SEBI is exercising its power to find out the alleged contravention of Code of Conduct of the Broker Regulation and the alleged violations of Regulation 4 of FUTP Regulations. It was also submitted by the Triumph that the conduct of the broker is to be inquired or probed into only if there is any perceived threat to the securities market from such a broker- member. Since they have not been able to carry any business on the Stock Exchange as Broker for more than 5 years due to orders passed by SEBI and NSE and in view of the pending appeals, any action taken by SEBI against them for violation of Regulation 4 of FUTP Regulations by Triumph would be meaningless and would not lead to any conclusion in the larger interest of the securities market;
- f. that the issue of their being KP Group entity, as alleged by SEBI, is pending before SAT and if Triumph is able to prove before the superior court that they are not KP entities, all the allegations made against them would also fall to ground; and
- g. that pending appeals before the SAT, no action should be taken by SEBI in the matter.

7. I have carefully considered the findings of investigation, allegations in the SCN issued to the noticee, the submissions made by Triumph and other material available on record.

8. I note that Triumph, N H Securities Ltd., Classic Shares & Stock Broking Services Ltd., DSQ Biotech Ltd and its director Shri Dinesh Dalmia, DSQ Holding Ltd., Powerflow Holdings & Trading Pvt. Ltd., Hulda Properties & Trades Ltd., Arun Polymers, Aspolight Barter, Cooltex Commodities, Berral Trading & Investments Ltd., Panther Fincap & Management Services Ltd, Mackertich Consultancy Services Pvt. Ltd. and Luminant Investments had dealt in the scrip of DSQ Biotech Ltd. during the relevant period. I also note from the information garnered during the investigations that Panther Fincap and Management Services Ltd. (Panther), Classic Credit & Finance Management Ltd. (Classic) etc. have dealt through Triumph.
9. Before proceeding further, I wish to consider the submission made by Triumph that the issue of their being a 'KP' group entity as alleged by SEBI is pending before the SAT and that if they are able to prove that it is not a KP entity, then all the allegations made against it would fall to the ground. In this regard, I refer to the observations made by the Hon'ble SAT in Appeal No. Appeal No. 35 of 2002 (Triumph International Finance Ltd. vs. SEBI, decided on 04-05-2007) -

*"It is inconceivable that such large number of trades could have matched on the screen without the appellant as the buyer's broker being a party to the game plan. Since the buy and sell orders were punched into the system simultaneously in such large numbers and they all matched, we cannot believe that it was a coincidence and the only inference that can be drawn is that there was a prior meeting of the minds before the trades were executed and this disturbs the true price discovery mechanism of the exchange. The appellant is only feigning innocence which plea in the circumstances cannot be accepted. **There is yet another reason why we believe that the appellant was in the know of the game plan. The appellant may not be a Ketan Parekh entity but certainly it is a close associate of his and his investment/broking companies. The appellant has had very close business relations with Ketan Parekh and his entities and Ketan Parekh also has financial interest in the appellant through his wife and his brother's wife.** The two ladies – Mrs. Mamta Parekh and Mrs. Ami Parekh hold 15.84% of the shareholding in the appellant and they constitute the second*

largest group of shareholders in the appellant company. Since Ketan Parekh had been manipulating the market in a big way as noticed by us in our order dated 14.7.2006 passed in Appeal no. 2 of 2004 we cannot accept the plea that the appellant was not a party to the illegal and manipulative trades. It was not necessary that the appellant, too, should have been under the control of Ketan Parekh. Ketan Parekh was getting his game plan executed even from the appellant as was being done through other broking entities promoted/controlled by him. In this view of the matter we uphold the findings recorded by the Board and the enquiry officer. This is a serious market irregularity committed by a regulated market intermediary and deserves a severe penalty. In the circumstances, the order canceling the certificate of registration is justified.”

Therefore, it is established that Triumph is a close associate of Ketan Parekh. I further refer to the SEBI order dated December 12, 2003 and SAT Order dated July 14, 2006 in the matter of KP entities wherein after detailed examination, it was held that the Shri Ketan V. Parekh, Shri Kartik K. Parekh , Classic Credit Ltd., Panther Fincap & Management Services Ltd., Luminant Investments Pvt. Ltd., Chitrakut Computers Pvt. Ltd., Saimangal Investrade Ltd., Classic Infin Ltd. (Classic Infin /CIL) and Panther Investrade Ltd. are entities under the control of Ketan Parekh. These findings can be treated as confirmed by the Hon’ble Supreme Court in view of the dismissal of the appeal filed by Shri Ketan Parekh and others challenging the SAT order. I also note that Kartik Parekh is one of the directors on its board. Also, Classic, NHS, Panther and Luminant share common address. Being related, the design of one entity has been carried and taken forward by the actions/role of the other entities.

10. I note that Triumph has dealt for the clients in the scrip as per the table below:

Exchange /period	Name of the client	buy	sell	Gross	net
July 2000 to November 2000 – The Stock Exchange, Mumbai	Panther Fincap & Management Services Ltd.	399800	0	399800	399800

Period - September 2000 to January 2001	Classic Credit & Finance Management Ltd.	1384932	248856	1633788	1136076
	European Investments	0	400000	400000	-400000
	Far East Investments	0	315068	315068	-315068
	H K G Capital Services	30000	30000	60000	0
	Hemant Sarvaiya	56000	56000	112000	0
	Hindon Sales	10000	10000	20000	0
	Kaksha Vipul Par	50000	50000	100000	0
	Kapadia & Kapadia	75000	50000	125000	25000
	Kensington Investment	2500000	0	2500000	2500000
	Montrosa Investment	32800	32800	65600	0
	Own A/c Triumph	100407.5	100407.5	200815	0
	P D K Stocks & Securities	60000	60000	120000	0
	Pallavi Dhupelia	1036868	1036868	2073736	0
	Sahil Stock Broker	10000	10000	20000	0
	Vinod Parekh	45400	45400	90800	0

11. I note that Shri Kartik Parekh who is a director of Triumph and Classic is also a director of Panther. I note that during the period September 2000 to January 2001 at the NSE the broker has executed 31 cross deals amounting to 58,98,112 shares. Most of the orders for these trades have been placed at approximately the same time, same price and for the same quantity, which can be seen from the following table:

SN	Trade date	Trd no	Trade price	Trade qty	BO Time	Buy Client	SO Time	Sell Client	Time diff
2000052	20-Dec-00	371440	186.50	200	12:02:57	H. K. G. Capital Services Ltd.	12:03:23	triumph bangalore	0:00:26
2001001	3-Jan-01	528481	161.80	100000	13:19:37	vipul parekh	13:19:37	european inv	0:00:00
2001001	3-Jan-01	528892	161.80	99900	13:19:51	Pallavi dupellia	13:19:51	european inv	0:00:00
2001001	3-Jan-01	529306	161.80	100	13:19:51	Classic credit	13:20:08	european inv	0:00:17
2001001	3-Jan-01	529307	161.80	99825	13:20:07	Classic credit	13:20:08	european inv	0:00:01
2001001	3-Jan-01	544648	161.00	99635	13:30:43	Pallavi dupellia	13:30:42	fareast inv	0:00:01
2001001	3-Jan-01	545268	160.90	115068	13:31:04	Pallavi dupellia	13:31:05	fareast inv	0:00:01
2001001	3-Jan-01	544234	161.10	99200	13:30:27	Classic credit	13:30:27	fareast inv	0:00:00

2001001	3-Jan-01	528146	161.80	100000	13:19:23	Classic credit	13:19:23	european inv	0:00:00
2001001	4-Jan-01	629456	180.50	100760	13:56:39	kensington inv	13:56:39	classic credit	0:00:00
2001001	4-Jan-01	656480	182.50	124487	14:05:45	kensington inv	14:05:45	classic credit	0:00:00
2001001	4-Jan-01	627491	180.60	123809	13:56:02	kensington inv	13:56:03	classic credit	0:00:01
2001001	4-Jan-01	630436	180.60	278	13:56:58	kensington inv	13:56:03	classic credit	0:00:55
2001001	4-Jan-01	628413	180.50	124303	13:56:18	kensington inv	13:56:19	pallavi Dhupelia	0:00:01
2001001	4-Jan-01	629433	180.50	24240	13:56:29	kensington inv	13:56:39	classic credit	0:00:10
2001001	4-Jan-01	630437	180.60	100000	13:56:58	kensington inv	13:56:57	classic credit	0:00:01
2001001	4-Jan-01	654771	183.50	117290	14:04:58	kensington inv	14:04:58	pallavi Dhupelia	0:00:00
2001001	4-Jan-01	655712	182.50	124900	14:05:23	kensington inv	14:05:22	classic credit	0:00:01
2001001	4-Jan-01	656474	182.50	11	14:05:32	kensington inv	14:05:45	classic credit	0:00:13
2001001	4-Jan-01	657105	182.50	125000	14:06:01	kensington inv	14:06:01	classic credit	0:00:00
2001001	4-Jan-01	657565	182.75	123891	14:06:13	kensington inv	14:06:14	classic credit	0:00:01
2001001	4-Jan-01	658018	182.75	124902	14:06:27	kensington inv	14:06:28	classic credit	0:00:01
2001001	4-Jan-01	658389	182.75	124900	14:06:36	kensington inv	14:06:39	classic credit	0:00:03
2001001	4-Jan-01	658751	183.00	124909	14:06:48	kensington inv	14:06:48	classic credit	0:00:00
2001001	4-Jan-01	659109	183.00	122865	14:06:59	kensington inv	14:07:00	classic credit	0:00:01
2001001	4-Jan-01	660485	182.75	125000	14:07:40	kensington inv	14:07:42	classic credit	0:00:02
2001001	4-Jan-01	660760	182.75	124000	14:07:49	kensington inv	14:07:51	classic credit	0:00:02
2001001	4-Jan-01	661727	182.45	49645	14:08:14	kensington inv	14:08:15	classic credit	0:00:01
2001001	4-Jan-01	656034	182.50	124939	14:05:32	kensington inv	14:05:32	classic credit	0:00:00
2001001	4-Jan-01	628987	180.50	100000	13:56:29	kensington inv	13:56:29	classic credit	0:00:00
2001001	4-Jan-01	655329	182.50	124999	14:05:11	kensington inv	14:05:11	pallavi Dhupelia	0:00:00

12. I note that these trades accounted for 2.76% of the gross traded quantity in the scrip during the period under scrutiny. Out of these, 30 cross deals were executed in SN 2001001, which has accounted for 16.29% of the gross traded quantity during the settlement. It is observed that on both the sides of trades, the clients who were related to each other were the parties. It appears from the trading pattern that the stockbroker (noticee) had been a willing party to the cross deals. I observe that this pattern of trading for the same set of clients demonstrates the intention of the clients to trade in the scrip without any intention of the transfer of the beneficial interest in the securities but only with the intention of giving an impression of liquidity in the market.
13. I note that Triumph has submitted that they did not execute any cross deals or structured deals with any broker. They further submitted that they were unaware of the existence of any alleged meeting of minds between the said brokers, as implied in the SCN, and if at all such meeting of minds existed, they were not party to the same. Their argument cannot hold good in the light of the trades that have taken place and the relationship between the parties, which have been explained above. This charge is fortified by the fact that Triumph had executed synchronized / matched deals/ structured trading which ensured matching of orders of seller with the specific buyer. These orders were put simultaneously or within close proximity of each other for same price and quantity. The time difference was negligible or nil. There was no change in beneficial ownership of the shares so traded and as a result of such transactions there was a creation of artificial market for the scrip.
14. I further note that the representative who appeared before the investigating authority did not answer to the questions posed to him with respect to the allegations levelled against Triumph and had submitted that it had no details regarding the trading in the scrip. Such non-cooperative approach had hampered the investigations in the collection of more material evidence in the case.

15. I also note that Triumph was engaged in making advance payments to the clients by reason of which the clients bought more shares of DSQ and built up concentrated positions in order to create artificial volumes. It is seen that the broker made payment of sale consideration to the selling clients on the same day /next day before the payment was made by the concerned exchange. As observed earlier, funds were made available to the selling entity by the broker, instead of paying the sale consideration after the payout was received from the stock exchange. Thus financing transactions were given the colour of purchase and sell transactions with the connivance of the broker and its clients as its counterparty. This has resulted in the abuse of the trading and settlement mechanism of the exchanges.
16. With respect to the submission of Triumph that it did not indulge in cross deals or structured deals, I note that the details in Tables in Para 11 above would by itself indicate that the noticee was common to both the sell and buy clients. Such trades where the sell orders and buy orders were placed by the same broker is called a 'cross deal'. Further, the trades have been executed with nil or negligible time difference between the buy and the sell orders, which proves that such trades were structured and synchronized.
17. I note that the noticee has submitted that it cannot be termed as 'accommodating broker' and further denied that it has executed any trades for the entities mentioned in the show cause notice and that it was not responsible for the trades carried out by the said entities. I note that the noticee has submitted that they have no co-relation and are not connected with the alleged acts of the DSQ group. In this regard, I find that though Triumph did not deal for DSQ related clients, it certainly traded for other related clients including Panther, Classic, European, Far East etc. Also, Triumph indulged in cross deals with related clients and had acted as 'accommodating broker'. By indulging in cross deals as mentioned in Para 11 above, it cannot be said that the noticee was not acquainted with European Investments Corporation Ltd. and Far East Investment Corporation Ltd.. Further,

it is seen that Far East Investment Corporation Ltd. holds 3.53% of the equity capital of Triumph. The address of the two clients European Investments and Far East Investments are the same – viz., PCL Bldg, Sir William Newton Street, Port Louis, Mauritius. The NSE has stated that the constituted attorneys, of both the clients were also the same viz. Noshir B. Captain. Hence, I conclude that both the clients are associated / related to the noticee. Therefore, the submission of the Triumph that it was not in any manner associated / related with European Investments Corporation Ltd. and Far East Investment Corporation Ltd. would not hold good.

18. I also find that Shri Kartik Parekh, director of Triumph, is also a director of its client Classic Credit Ltd. Thus the broker and the client are related. Further, I note that the NSE in its report to the SEBI has stated that Classic Credit Ltd. appears in the list of persons acting in concert (PACs) with the company – DSQ Biotech Ltd. as on March 31, 2001. Thus, the client (Classic Credit) and its broker (Triumph) are related / associated to DSQ Biotech.
19. With respect to the submission that Triumph was not aware of the financing transactions, I find that the investigations have clearly brought out that payout of sale proceeds were made to the clients even before the same was made by the exchange.
20. With respect to the relationship of Triumph with NH Securities and Classic, the same has been brought out in the earlier part of this order. It may also be seen that the noticee has admitted that Panther was its client.
21. In view of the above, I conclude that Triumph had contravened the provisions of clauses (b), (c) and (d) of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Further, by engaging and encouraging such fictitious trades, as a stockbroker, Triumph has contravened Clauses A(1), (2), (3), (4) and (5) of the Code of Conduct for Stock

Brokers prescribed under Schedule II read with Regulation 7 of the SEBI (Stock-Brokers and Sub-Brokers) Regulations, 1992.

22. I note that SEBI vide order dated 12-11-2007, Triumph was restrained from accessing the securities market and also prohibited from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, whether directly or indirectly, for a period of five years. Triumph challenged the said order in Appeal No. 5 of 2008 before the Hon'ble SAT. Later, when the appeal was taken up by SAT for hearing, it submitted that the appeal had become infructuous and prayed that the same be dismissed. Accordingly, vide order dated 04-09-2008, the Hon'ble SAT dismissed the appeal as infructuous. In view of the same, Triumph is undergoing debarment/restraint from dealing in securities for a period of 5 years from 12-11-2007.
23. In view of the above violations by the noticee, in exercise of powers conferred upon me under Section 19 of SEBI Act, 1992 read with Sections 11B and 11 (4) (b) of the SEBI Act, 1992 and Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, I hereby restrain Triumph International Finance Ltd., from accessing the securities market and also prohibit it from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever, directly or indirectly, for a period of five years.
24. The period of debarment as directed herein above shall be set-off against the period of debarment already undergone by Triumph International Finance Ltd. vide SEBI Order dated 12-11-2007.
25. This order shall come into force with immediate effect.

DATE: 13.01.2009

PLACE: MUMBAI

T. C. NAIR

WHOLETIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA