

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 28 (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST M/s S. JHUNJHUNWALA & CO., IN RESPECT OF ITS DEALINGS IN THE SHARES OF RADIANT FINANCIAL SERVICES LIMITED.

1. It was brought to the notice of Securities and Exchange Board of India (hereinafter referred to as SEBI) that shares of some illiquid companies listed at Calcutta Stock Exchange Association Limited (hereinafter referred to as CSE) were traded in a circuitous route among certain members of a group operating collusively and the same were later on sold at highly inflated prices during the period January 1, 2004 to February 28, 2005 (hereinafter referred to as the investigation period). Thereafter, SEBI initiated investigation into the dealings in the shares of such companies which included Radiant Financial Services Limited (hereinafter referred to as the company). The investigation conducted by SEBI *inter alia* observed that the share price of the company had witnessed a sharp rise between January 1, 2004 and February 28, 2005. The average price of the shares of the company was Rs.1.95/- on February 16, 2004 which went up to Rs.225/- on February 25, 2005, an increase of 11,438%. It was noticed that the stock brokers viz. M/s Dinesh Kumar Lodha, Subh Stock Broking Private Limited, M/s S. Jhunjhunwala & Co. (hereinafter referred to as the Broker) and M/s Deepak Jhunjhunwala & Co. had traded substantially in the shares of the company and that their cumulative trades accounted for 98.23% of the total (buy and sell) transactions in the said shares at CSE during the investigation period. It was alleged that the transactions of the Broker were *inter*

alia designed to create false and misleading appearance of trading in the shares of the company and that it was alleged to have contravened the provisions of Regulations 4(2)(a), 4(2)(e) and 4(2)(o) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the PFUTP Regulations) and clauses A(1), A(2), A(3), A(4) and B(4)(a) of the Code of Conduct prescribed for stock brokers under Schedule II of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the Broker Regulations). Thereafter, SEBI, vide order dated November 12, 2007 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) to enquire into the alleged violations committed by the Broker. The Enquiry Officer/Designated Authority (hereinafter referred to as the Enquiry Officer) submitted the Report dated August 24, 2009 under the provisions of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and found the Broker guilty of contravening Regulation 4(2)(o) of the PFUTP Regulations and Clauses A(2) and B(4)(a) of the Code of Conduct prescribed for stock brokers under Schedule II of the Broker Regulations. The Enquiry Officer recommended the suspension of the certificate of registration of the Broker for a period of one month. Pursuant to the submission of the Enquiry Report, SEBI issued a notice dated August 28, 2009, to the Broker advising it to show cause notice as to why the penalty as recommended by the Enquiry Officer or as considered appropriate by SEBI should not be imposed against it. A copy of the Enquiry Report was also forwarded to the Broker with the said show cause notice. The Broker was also advised to inform SEBI, whether he desired to avail an opportunity of hearing. As SEBI had not received any response from the Broker, SEBI provided another opportunity to the Broker, vide letter dated October 14, 2009. Thereafter, vide letter October 20, 2009, the Broker *inter alia* stated that it had been suspended and debarred from the

securities market for a period of 35 months from September 29, 2005 to August 11, 2008. In view of the above, the Broker requested SEBI to 'forgo and set aside the suspension period of one month....'. Though, the Broker was advised to indicate whether it sought for a personal hearing, no response in that regard was made by it. In view of the above, I do not consider it necessary to provide an opportunity of hearing to the Broker and the present proceeding is being considered on the basis of the available material on record including the reply of the Broker dated October 20, 2009.

2. The fact that the share price of the company had increased from Rs.1.95/- on February 16, 2004 to Rs.225/- on February 25, 2005, thereby witnessing a price rise of about 11,438% within a period of one year. The total trading volume in the shares of the company during the period under investigation was 1,18,58,944 shares which constituted for 16.20% of the total volume in the shares of the company at CSE, as mentioned below:

Name of the broker	Trade Data					
	No. of shares bought	% to Total Buy	No. of shares sold	% to Total Sell	Total no. of shares	% to Total Buy & Sell
Broker	1450865	24.5	473850	8.0	1924715	16.2

3. I also note that the Broker had entered into cross deals and synchronised deals while trading in the shares of the company during the investigation period. The details of such cross deals and synchronised/matched deals (with other stock brokers) are given below:

Name and address of the stock broker	Cross and Matched transactions							
	Broker		Subh Stock Broking Private Limited		Dinesh Kumar Lodha		Deepak Jhunjhunwala & Co.	
	Qty	%	Qty	%	Qty	%	Qty	%
Broker	67400	3.50	1337950	69.54	225500	11.72	198249	10.3

It can be seen that about 95% of the total volume of the Broker were either synchronised or cross deals. The same is not in dispute. It had been observed

that the Broker had raised the share price of the company by thin margin on daily basis as given in the table mentioned below:

Date	Previous day Closing price(Rs)	Closing Price (Rs)	Exchange volume (No. of shares)	Volume created by the Broker (No. of shares)	% Increase in share price
24.11.04	5.50	6.10	43600	8700	10.9
25.11.04	6.10	6.75	62000	16000	10.7
29.11.04	6.75	7.50	86200	43100	11.1
30.11.04	7.50	7.85	43000	21500	4.7
01.12.04	7.85	8.70	18000	500	10.8
02.12.04	8.70	9.25	23000	11500	6.3
08.12.04	8.70	9.75	20000	10000	12.1
09.12.04	9.75	10.80	11398	5699	10.8
10.12.04	10.80	11.90	13400	6700	10.2
13.12.04	11.90	11.90	192600	91300	0.0
14.12.04	11.90	13.30	13000	6500	11.8
15.12.04	13.30	14.90	11600	5800	12.0
16.12.04	14.90	16.90	64400	32200	13.4
17.12.04	16.90	18.80	200000	100000	11.2
21.12.04	18.80	18.85	157300	75849	0.3
23.12.04	18.60	19.10	53000	26500	2.7
28.12.04	18.25	18.35	66600	33300	0.5
04.01.05	18.35	19.55	24300	11900	6.5
05.01.05	19.55	21.90	16000	8000	12.0
07.01.05	21.90	24.60	1200	600	12.3
10.01.05	24.60	27.90	200	100	13.4
11.01.05	27.90	31.45	200	100	12.7
12.01.05	31.45	35.45	48600	24300	12.7
13.01.05	35.45	39.45	5000	5000	11.3
17.01.05	39.45	45.10	30000	15000	14.3
19.01.05	45.10	51.45	2010	1005	14.1
25.01.05	43.75	49.50	27788	13000	13.1
27.01.05	49.50	54.00	88	44	9.1
28.01.05	54.00	61.90	3000	15000	14.6
01.02.05	70.05	79.80	10	5	13.9
02.02.05	79.80	91.25	10	5	14.3
03.02.05	91.25	104.00	2100	1050	14.0
04.02.05	104.00	117.50	80800	39000	13.0
07.02.05	117.50	133.45	4000	2000	13.6
08.02.05	133.45	151.90	2000	1000	13.8
09.02.05	151.90	172.40	42000	19000	13.5
10.02.05	172.40	185.80	48000	24000	7.8
11.02.05	185.80	194.50	86400	43200	4.7
14.02.05	194.50	198.50	103000	51500	2.1

4. The extracts of the investigation report providing the details of the alleged violations were provided with the show cause notice issued by the Enquiry Officer to the Broker. The Enquiry Officer had given detailed findings in respect of the violations committed by the Broker. The Enquiry Officer found the Broker guilty of contravening Regulation 4(2)(o) of the PFUTP Regulations and Clauses A(2) and B(4)(a) of the Code of Conduct prescribed for stock brokers under Schedule II of the Broker Regulations. No effort was taken by the Broker to controvert the specific findings of the Enquiry Officer. As mentioned above in this order, the trades of the Broker had impacted the share price of the company. Most of its trades were either synchronised or cross deals. Needless to say, the Broker had not exercised due skill, care and diligence in the conduct of its business. In the facts and circumstances of the case I, do not have any hesitation to hold that the Broker is guilty of the above mentioned charges. Any intermediary who fails to comply with the rules and regulations shall deserve to be punished in accordance with law. The only plea of the Broker is not to impose the recommended penalty. I note that the prohibition and suspension undergone by the Broker (as mentioned in its reply) was in respect of its role in a different matter. In the facts of the case, I am not inclined to accept the plea of the Broker. I note that the certificate of registration of the Broker was suspended by SEBI for a period of two months, vide order dated November 18, 2009 in the matter of Toplight Commercial Limited and the said order would come into force on expiry of twenty one days from the date of the said order. In the facts and circumstances of the case, I dispose of the present enquiry proceeding initiated against the Broker in the matter of Radiant Financial Services Limited, as ordered herein below. As the Securities and Exchange Board of India (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 is repealed with effect from the notification of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, this order is being passed under the corresponding provisions of the Securities and Exchange Board of India (Intermediaries Regulations), 2008.

5. In view of the foregoing, I, in exercise of the powers conferred upon me under 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, hereby suspend the certificate of registration of the stock broker viz. S. Jhunjhunwala & Co. [Registration No. INB 031166110], Member, The Calcutta Stock Exchange Limited, for a period of one month.

6. This order shall come into force immediately on expiry of twenty one days from the date of this order.

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

PLACE: MUMBAI

DATE: DECEMBER 14, 2009