

**SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER**

ORDER

**UNDER REGULATION 28(2) OF THE SECURITIES AND EXCHANGE BOARD OF
INDIA (INTERMEDIARIES) REGULATIONS, 2008 AGAINST M/S RAVI GUPTA & CO.
IN THE MATTER OF SRU SHARE BROKERS LIMITED**

Date of Hearing: December 18, 2009

Appearance:

For M/s Ravi Gupta & Co.:

Mr. Ravi Nandan Gupta, Proprietor

For Securities and Exchange Board of India: Mr. Achal Singh, Deputy General Manager.

Mr. Vijayakrishnan G., Deputy Legal Adviser

Ms. Chhavi Sinha, Legal Officer.

1. Pursuant to the unusual price variations in share price of SRU Share Brokers Limited (hereinafter referred to as the company) at the Ludhiana Stock Exchange Limited (hereinafter referred to as LSE) during the period between November 1995 and June 1996, Securities and Exchange Board of India (hereinafter referred to as SEBI) had examined the buying, selling and dealing in the shares of the company. During the examination, it was *prima facie* noticed that the stock broker namely, M/s Ravi Gupta & Co. (hereinafter referred to as the stock broker), Member, LSE had indulged in unauthorized 'carry forward trading' while dealing in the shares of the company during the relevant period. Thereafter, SEBI appointed an Enquiry Officer to enquire into the allegations leveled against the stock broker. The Enquiry Officer, while recommending the suspension of the certificate of registration of the stock broker for a period of six months found that the stock broker had violated Clause A(5) of the Code of Conduct for stock brokers specified in the provisions of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 and Rule 4(b) of the then existing Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992. Subsequently, a show cause notice was issued to the stock broker along with the copy of the Enquiry Report. The stock broker, vide letter dated January 29, 2004 *inter alia* stated that due to non availability of records, it was not in a position to comment on the

observations of the Enquiry Officer. According to the stock broker, it had not violated any of the provisions of law and that it had dealt on behalf of its clients. It further requested to drop the penalty recommended by the Enquiry Officer and to take a lenient view in the matter. Thereafter, SEBI had provided various opportunities of personal hearing to the stock broker. Subsequently, a consent application dated July 23, 2008, under Circular no. EFD/ED/Cir-1/2007 dated April 20, 2007, was received from the stock broker. Pursuant to the rejection of its consent application, another opportunity of hearing was granted to the stock broker on December 18, 2009. Mr. Ravi Nandan Gupta, proprietor of the stock broker appeared before me and requested not to suspend the certificate of registration of the stock broker, as recommended by the Enquiry Officer. He further submitted to take a lenient view in the matter as the violations are pertaining to the year 1995. He also stated that, pursuant to the transactions of the stock broker, the carry forward transactions were allowed at LSE on its platform.

2. I have considered the Enquiry Report, the oral as well as the written submissions of the stock broker and other material available on record. On an analysis of the trades executed by the stock broker in the shares of the company during the relevant period showed a pattern of trading on Mondays and Fridays. It was observed that many of the trades executed by the stock broker on Fridays were reversed on Mondays with the same counter party stock broker either at the same price or with a small price difference, indicative of carry forward trading. Some of such instances of carry forward trades are given below:

Date	Buyer	Seller	Qty.	Rate (Rs.)	Trade reversed on	Trade reversed at (Rs.)
22.12.95	Stock broker	SG & Co.	20,000	24.00	02.01.96	24.15
05.01.96	Stock broker	SG & Co.	37,200	23.50	08.01.96	23.65
12.01.96	Stock broker	SG & Co.	18,800	22.00	15.01.96	22.25
12.01.96	Stock broker	SG & Co.	20,000	22.00	15.01.96	22.00
18.01.96	Stock broker	SG & Co.	14,400	22.00	22.01.96	22.25
18.01.96	Stock broker	SG & Co.	15,600	22.00	22.01.96	22.00
25.01.96	Stock broker	SG & Co.	12,000	21.00	29.01.96	21.25
25.01.96	Stock broker	SG & Co.	13,000	21.00	29.01.96	21.00
22.12.95	Stock broker	P. Arora	20,000	24.00	02.01.96	24.15
05.01.96	Stock broker	P. Arora	8,500	23.50	08.01.96	23.75
05.01.96	Stock broker	P. Arora	6,500	23.50	08.01.96	23.50

12.01.96	Stock broker	P. Arora	22,800	22.00	15.01.96	22.25
12.01.96	Stock broker	P. Arora	24,600	22.00	15.01.96	22.00

3. The above table would establish the manner in which the stock broker executed trades in the shares of the company on Fridays and Mondays and thus indulged in carry forward trading. During the relevant period, LSE was not authorized to conduct carry forward trading. As mentioned above, the stock broker was financing the purchase positions of various members (including M/s P Arora & Co. and M/s SG & Co.) from one settlement to another settlement. This was also apparent from the Daily Transaction Register furnished by the stock broker. Besides, the stock broker had traded substantially in the shares of the company during the period. Further, it was found that the stock broker had executed proprietary trades. The stock broker had mostly traded on its own account. According to the stock broker, 7,57,500 shares were purchased (receiving a delivery of 1,39,200 shares) and same quantity of shares were sold (giving a delivery of 1,45,300 shares). Though, the details of trades were mentioned in the Enquiry Report, no specific effort was taken by the stock broker to controvert the observations made therein. The main submission of the stock broker is that since the violation was of the year 1995, it was unable to produce the records. I am unable to accept such a plea. I also note that the some of the records (as mentioned above) were submitted to SEBI by the stock broker itself. Further, during the personal hearing on December 18, 2009, the stock broker was shown the records provided by him to SEBI. In the facts and circumstances, I do not have any hesitation to hold that the stock broker had violated Clause A (5) of the Code of Conduct for stock brokers specified in the provisions of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 and Rule 4(b) of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Rules, 1992, applicable during the relevant period, as observed by the Enquiry Officer. However, considering the case in its totality, I consider that a warning against the stock broker would meet the interest of justice. Accordingly, the present proceeding is disposed of in terms of the provisions of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as ordered hereinunder.

4. In view of the foregoing, 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, the stock broker, M/s Ravi Gupta & Co [Registration Number– INB 120309212.], Member, Ludhiana Stock Exchange Limited, is warned for the violations committed by it.

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

PLACE: MUMBAI
DATE: DECEMBER 29, 2009