

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF SURYA ROSHNI LIMITED

IN RESPECT OF PNR SECURITIES LIMITED

Date of hearing: January 20, 2010

Appearances:

For Noticee: Dr. B.B. Suri

For SEBI: Shri Suresh Gupta, General Manager,
Shri Sunil Kumar, Manager,
Shri Kirtikumar Jadav, Presenting Officer and
Ms. Vasudha Goenka, Legal Officer

ORDER

UNDER SECTION 11B, SECTION 11D AND SECTION 11 (4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 READ WITH REGULATION 13 OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into the trading in the scrip of Surya Roshni Limited (hereinafter referred to as 'Surya Roshni') for the period of May 17, 2000 to September 5, 2000, *inter alia*, to ascertain whether there had been any violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as the 'FUTP Regulations') and SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as the 'Broker Regulations').

2. Investigations revealed that M/s PNR Securities Limited (hereinafter referred to as 'the noticee') had traded in the shares of Surya Roshni and that it had aided and abetted its client M/s. Tropical Securities and Investment Pvt. Ltd. (hereinafter referred to as 'Tropical') and its associates in creating artificial volumes in the scrip. The associates of Tropical are M/s CFL Securities Limited (hereinafter referred to as 'CFL'), a trading member of National Stock Exchange (hereinafter referred to as 'NSE') and M/s. Harbinger Trading Co. Pvt. Ltd. (hereinafter referred to as 'Harbinger') a client of CFL. Accordingly, it was proposed in the investigation report that an appropriate order may be passed under Section 11D of the SEBI Act, 1992.
3. Accordingly a notice dated May 26, 2003 (hereinafter referred to as 'SCN') was issued to the noticee asking it to show cause as to why in the interest of the investors and the orderly development of the Securities market, appropriate direction(s) as provided under Section 11(4) and Section 11B of the SEBI Act, 1992 including directions to desist from entering into matched transactions under Section 11D of the SEBI Act, 1992 should not be passed against it.
4. The noticee replied to the said SCN vide its letter dated June 9, 2003 wherein it, *inter alia*, stated that it had in the normal course of its business dealt directly with Tropical as its client. It did not carry out any transactions for CFL, Harbinger or any other associate or client of Tropical. Further it had executed only two delivery based transactions in the shares of Surya Roshni for Tropical involving 2,55,000 shares.
5. An opportunity of personal hearing was granted to the noticee on April 20, 2004 before the then Whole Time Member, SEBI, Late Shri A. K. Batra, which was availed by the noticee. However, I find that the case could not be proceeded with as Late Shri A. K. Batra had laid down office before completion of the proceedings. When the case was entrusted to me for consideration, I thought it fit to issue a fresh notice for hearing. Therefore, an opportunity of personal hearing was granted before me on January 20, 2010 where the noticee was represented by Dr. B. B. Suri, Director of the noticee. He stated that the reply of the noticee had already been brought on record vide its reply dated June 9, 2003 to the SCN. Further, he stated that the sole purpose of the noticee entering into the transactions in question was to earn brokerage. It was also stated that in order to safeguard its own interest, it had insisted

on the delivery of the shares before the trades could be executed. It was admitted that the noticee had given an early pay out to Tropical in order to retain the client and to earn brokerage.

6. I have carefully considered the SCN, the reply of the noticee and the other relevant material on record. The issue that arises for my consideration is whether the noticee had created false and misleading appearance of trading in the market and mis-utilised and put to risk the stock exchange mechanism by transferring and mirroring its off-market financing transactions on the exchange.
7. I note that during the course of investigation it was observed that the noticee was entering into spot/off-market deals with Tropical, which was associated/related with CFL and Harbinger. I note that CFL and Tropical had a common director, Shri Milan Dalal. Harbinger is an associate company of CFL and Tropical. I note that the noticee acquired shares from Tropical on an off market basis and immediately made payment for those acquisitions. These shares were thereafter sold by the noticee in the market. I further note that the buying brokers for these sales in the market were Tropical and its associates who had transferred these shares to avail finance from the noticee. I note that the transactions executed by the noticee are as follows:

Name of client	Sett. No.	Buy Qty.	Sell Qty.	Net Qty.
Tropical Sec. & Invest. P. Ltd.	NSE 29	0	1,55,000	-1,55,000
	BSE 18	0	1,00,000	-1,00,000
Total		0	2,55,000	- 2,55,000

8. I note from the trade and order log analysis that the trades executed on July 13, 2000 by the noticee were matched/structured with Tropical and its related entities, who had sold the shares to the noticee. I note that the matched /structured transactions are as follows:

Order Date	Trade No.	Qty	Buy Order Time	Order No.	Buying TM	Buy Order Volume	Price (Rs.)	Sell Order Time	Sell order No.	Selling TM	Sell order Volume	Sell Order Price (Rs.)
13/7/00	42391	55,000	10:06:33	200007130071981	CFL	55,000	20.00	10:06:33	200007130072015	PNR	55,000	20.00
13/7/00	43335	1,00,000	10:06:50	200007130073687	CFL	1,00,000	20.00	10:06:50	200007130073694	PNR	1,00,000	20.00
Total		1,55,000				1,55,000					1,55,000	

9. From the above chart, I note that the noticee had entered into two structured/matched transactions with CFL. Further, I note that these orders were placed at approximately at the same time, for the same price and for the same quantity. I also note that Harbinger was the ultimate client of CFL for both the transactions.

10. I also note that on July 25, 2000 the noticee had entered into seven structured/matched transactions with Tropical amounting to a total of 1,00,000 shares. The details of the same are as follows:

Date	Buy				Sell				Trade	
	Mem	Time	Order Qty	Rate (Rs.)	Mem	Time	Order Qty	Rate (Rs.)	Time	Qty
7/25/2000	650	10:02:05	10,000	18.00	474	10:02:09	10,000	18.00	10:02:09	10,000
	650	10:02:32	10,000	17.90	474	10:02:33	10,000	17.90	10:02:33	10,000
	650	10:02:48	10,000	18.10	474	10:02:49	10,000	18.10	10:02:49	10,000
	650	10:03:03	10,000	18.00	474	10:03:04	10,000	18.00	10:03:04	10,000
	650	10:03:19	10,000	18.00	474	10:03:20	10,000	18.00	10:03:20	10,000
	650	10:25:12	25,000	18.00	474	10:25:13	25,000	18.00	10:25:13	25,000
	650	10:25:33	25,000	18.00	474	10:25:34	25,000	18.00	10:25:34	25,000
Total			1,00,000				1,00,000			1,00,000

(Member Code 650- Tropical and Member Code 474-PNR)

11. I find from the above referred facts and circumstances that the noticee executed transactions for Tropical and matched the same with CFL / Tropical on the floor of the exchange and the same were mirroring off market financing made available by the noticee to Tropical. I further find that to safeguard the financial interest of the noticee (financing against the purchase of shares on an off market basis), the noticee had immediately sold these shares on the market.

12. From the above discussion, I find that the noticee was responsible for creating false and misleading appearance of trading in the -market and had also mis-utilized and put to risk the stock exchange mechanism by transferring and mirroring the off-market financing transactions of the noticee on to the exchange. However, I also note that such transactions were executed by the noticee on 2 days and their volume when compared to the market volume on gross basis was less than 3% .

13. Now therefore, I in exercise of the powers conferred upon me under Section 19, read with Sections 11, 11B and Section 11D of the Securities and Exchange Board of India Act, 1992 hereby direct the noticee M/s PNR Securities Limited (PAN No. AABCP1641A) to be cautious in its future dealings and exercise due care and diligence in the conduct of its affairs as a securities market intermediary. Further, any instances of violation or non-compliance with the SEBI Act and Rules and Regulations framed thereunder by it in future shall be dealt with stringently.

Date: 30/MARCH/2010

Place: Mumbai

PRASHANT SARAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA