

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF BAFFIN ENGINEERING PROJECTS LTD.

In respect of Paragon Investments Pvt. Ltd.

Date of hearing: September 11, 2009

Appearances

For Noticee: Mr. Rajni Padalia, Director, Paragon Investments Pvt. Ltd.

For SEBI: Mr. Priyam Ray, Presenting Officer
Mr. G. Ramar, Deputy General Manager
Mr. Lamber Singh, Manager
Mr. Pradeep Kumar, Legal Officer

ORDER

Under Section 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigations into the buying, selling or dealings in the scrip of Baffin Engineering Projects Ltd. (hereinafter referred to as 'Baffin') for the period January 15, 2001 to August 31, 2001. During the time of investigation the scrip of Baffin was listed on Bombay Stock Exchange (hereinafter referred to as 'BSE') and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
2. The trading details of the persons who had traded in the scrip were collected and analyzed along with the data of the volumes contributed by entities traded during the relevant period. During the period of investigation the price of the scrip had increased from Rs.61/- on January 17, 2001 to Rs.215/- on March 14, 2001.
3. On completion of the investigations, SEBI issued Show Cause Notice dated October 19, 2006 (hereinafter referred to as 'SCN') to Paragon Investments

Pvt. Ltd. through Mr. Rajni M. Padalia, Director (hereinafter referred to as 'noticee') under Section 11, 11B and 11(4) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations'). The SCN alleged that the noticee was found to have actively traded in the shares of Baffin during the relevant period by placing buy orders through one broker as well as sell order through another broker. Noticee was observed to have executed self trades through two different brokers viz. M/s El Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. It was alleged that the noticee thereby created artificial volumes in the scrip and also contributed to the price rise in the scrip of Baffin. The SCN, therefore, alleged that the acts of the noticee were in violation of Regulation 4(1), 4(2) (a), (b), (e), (g) and (n) of PFUTP Regulations. Accordingly, it called upon the noticee to show cause as to why suitable directions under Section 11, 11B and 11(4) of SEBI Act read with Regulation 11 of PFUTP Regulations, including restraining it from accessing the capital market and prohibiting from buying, selling or dealing in securities in any manner or whatsoever for a particular period should not be issued against it.

4. Noticee vide its letter dated November 02, 2006 replied to the SCN and sought a personal hearing. Accordingly, an opportunity of personal hearing was granted to the noticee before me on September 11, 2009. On the date fixed Mr. Rajni Padalia appeared before me for personal hearing and made submissions on behalf of the noticee. The noticee during the hearing admitted to have traded through broker El-Dorado Guarantee Ltd. as a client. I note that this submission of noticee was contrary to the written reply dated November 02, 2006, wherein it stated that the transactions were on behalf of some of its clients.
5. Pursuant to availing of the opportunity of personal hearing, the noticee applied for settlement of the proceedings through a consent order in terms of SEBI Circular dated April 20, 2007. In view of this, the present proceedings were kept

on hold. SEBI, however, did not agree to settle the proceedings by consent as the terms offered by the noticee were not adequate and finally rejected the application on March 02, 2010. Pursuant to such rejection, the present proceedings have been revived from the stage where these were kept on hold.

6. I have carefully considered the SCN, reply of the noticee dated November 02, 2006. There is no dis-agreement as regards the transactions entered by the noticee in the scrip of Baffin. The noticee in its reply has also admitted that the trades were executed through brokers M/s El Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. The noticee further submitted through its reply that the alleged trades were done by it on behalf of few other clients for brokerage/ commission purposes.
7. I note that the noticee was not registered as a sub-broker with the brokers viz. M/s El Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. but as per its own submission vide letter dated November 02, 2006, it was trading through these brokers for brokerage/ commission purposes. I find that there was no corporate development news in the scrip of Baffin and the company had posted only a profit of Rs.1.5 lakh on equity of Rs.7.9 crore for the year ended March 31, 2000 and a net profit of Rs.1.47 lakh for the quarter ended September 30, 2000, during the period of investigations. All this points that there was no justified reason of such sharp rise in the scrip of Baffin i.e. till January 23, 2001 the price of the scrip had increased from Rs.61 to Rs.87 thereafter from February 27, 2001 to March 14, 2001 the price again increased from Rs.88.25 to Rs.127.90.
8. After having examined this, the issue arises for my consideration is: Whether the noticee was indulged in creating artificial volumes by entering non-genuine trades, leading to increase in prices of the scrip?
9. Whether the noticee was indulged in creating artificial volumes by entering non-genuine trades, leading to increase in prices of the scrip?

- a. The investigations have found that the noticee was actively trading through M/s El. Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. during the investigation period. I note that the trades were perfectly matching with negligible time difference. The noticee had major concentration in both sales and purchases during the period of investigations through the said brokers. These brokers had more than 65% concentration in the scrip of Baffin during the relevant period of time. The orders entered by the noticee were limit orders, the price and quantity of the buy and sell orders were found matching. Table A below is the consolidated trading details of the trades executed on behalf of the noticee through M/s El. Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. during the relevant period of time:

Table A

Date	El Dorado Guarantee Ltd.			Sanghavi Brothers Brokerage Ltd.			Total Gross Qty.	Total Qty. traded	Total Gross Qty. of Paragon as % of total qty. traded.
	Gross Purchase	Gross Sale	Net Qty	Gross Purchase	Gross Sale	Net Qty.			
16/1/2001		500	-500	500		500	500	3100	16.13%
17/1/2001	1,000	1,300	-300	1,300	1,000	300	2,300	2,900	79.31%
18/1/2001	1,200		1,200		1,200	-1,200	1,200	2,900	41.38%
19/1/2001	900	1,300	-400	1,300	900	400	2,100	2,400	87.50%
22/1/2001	300		300		300	-300	300	700	42.86%
23/1/2001	1,500	1,000	500	1,000	1,500	-500	2,500	2,600	96.15%
24/1/2001	600	2,100	-1,500	2,100	600	1,500	2,700	2,700	100.00%
25/1/2001	700		700		700	-700	700	22,600	3.10%
30/1/2001	1,100	1,300	-200	1,300	1,100	200	2,400	3,100	77.42%
1/2/2001	1,900	1,600	300	1,600	1,900	-300	3,700	4,000	92.50%
2/2/2001	1,200	1,300	-100	1,300	1,200	100	2,500	3,400	73.53%
5/2/2001	400	2,000	-1,600	2,000	400	1,600	2,800	3,600	77.78%
6/2/2001	500	300	200	300	500	-200	800	800	100.00%
8/2/2001	800		800		800	-800	800	800	100.00%
9/2/2001	800		800		800	-800	800	1,800	44.44%
12/2/2001	600	600		600	600		1,200	1,200	100.00%
13/2/2001		100	-100	100		100	100	100	100.00%
14/2/2001	100	100		100	100		200	200	100.00%
15/2/2001	100	100		100	100		200	200	100.00%
16/2/2001	100		100		100	-100	100	200	50.00%
19/2/2001	300		300		300	-300	300	400	75.00%
20/2/2001		300	-300	300		300	800	1,200	66.67%
22/2/2001	400		400		400	-400	400	400	100.00%
23/2/2001	300	300		300	300		600	600	100.00%
26/2/2001	1,800	500	1,300	500	1,800	-1,300	2,300	2,600	88.46%
27/2/2001		100	-100	100		100	100	100	100.00%
28/2/2001	1,000		1,000		1,000	-1,000	1,000	4,500	22.22%
1/3/2001		700	-700	700		700	700	700	100.00%
2/3/2001		1,100	-1,100	1,100		1,100	1,100	1,500	73.33%
5/3/2001	300	1,800	-1,500	1,800	300	1,500	2,100	2,100	100.00%
7/3/2001		300	-300	300		300	300	500	60.00%
8/3/2001	1,800	100	1700	100	1,800	-1,700	1,900	2,000	95.00%
9/3/2001	200		200		200	-200	200	400	50.00%
13/3/2001	600	600	-100	600	500	100	1,100	1,600	68.75%
14/3/2001	1,500	1,500	0	1,500	1,500	0	3,000	3,200	93.75%

Total	10,200	10,300	-100	10,300	10,200	100	43,800	81,100	65.38

- b. From the price volume data of the scrip, I observe that on January 17, 2001, the scrip of Baffin had opened at Rs.61 and closed at Rs.71.10 (i.e. 8% upper circuit limit), the total quantity traded was 2,900 shares comprising of 29 trades. The trade details shows that that the majority of orders were placed by brokers M/s El. Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. while trading for the noticee.

Further, on January 23, 2001, the scrip was traded between Rs.84.50 and Rs.90.75. The total quantity traded for this day was 2,600 shares, between brokers M/s El. Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. I note that the time difference for these trades were varying from 37 to 55 seconds. On March 05, 2001, the scrip was traded between Rs.99 (opening price) and Rs.105.15 (closing price) (i.e. 8% upper circuit limit). The total quantity traded for this day was 2,100 shares and the entire trading was between the brokers, M/s El. Dorado Guarantee Ltd. and Sanghavi Brother Brokerage Ltd. and a reversal trade of 2,100 shares was also executed on this day.

- c. I note that some of the trades executed by the noticee were in the nature of self trades, effecting no change of ownership in shares. For all the trades as shown in Table A, noticee was acting as ultimate client by placing buy orders through one broker as well as sale orders through another broker. It is noted that such trades were also executed in a manner giving rise to reversal of these trades without any change in the beneficial ownership.
- d. A few instances of self trades executed by the noticee through the broker El. Dorado Guarantee Ltd. have been tabled as under:

Table B

Order No.	Member Code	Counter Party Code	Qty.	Price	Trade Date	Client Code	Buy Order Time	Sell Order Time	Time Diff.
6101300010018464	D0061	D0061	100	91.00	28-Feb-01	P0009	12:53:56	12:04:58	0:48:58
6101300010018464	D0061	D0061	100	91.00	28-Feb-01	P0009	12:53:56	12:04:58	0:48:58
6101300010018464	D0061	D0061	100	90.75	28-Feb-01	P0009	12:53:56	12:04:53	0:49:03

6101300010018464	D0061	D0061	100	90.75	28-Feb-01	P0009	12:53:56	12:04:53	0:49:03
6101300010018464	D0061	D0061	100	90.50	28-Feb-01	P0009	12:53:56	12:04:47	0:49:09
6101300010018464	D0061	D0061	100	90.50	28-Feb-01	P0009	12:53:56	12:04:47	0:49:09
6101300010018481	D0061	D0061	300	93.00	28-Feb-01	P0009	14:06:11	13:22:43	0:43:28
6101300010018481	D0061	D0061	200	92.50	28-Feb-01	P0009	14:06:11	13:22:39	0:43:32
6101300010018481	D0061	D0061	100	92.25	28-Feb-01	P0009	14:06:11	12:54:48	1:11:23
6101300010018481	D0061	D0061	100	92.25	28-Feb-01	P0009	14:06:11	12:54:48	1:11:23
6101300010018481	D0061	D0061	100	92.00	28-Feb-01	P0009	14:06:11	12:54:37	1:11:34
6101300010018481	D0061	D0061	100	92.00	28-Feb-01	P0009	14:06:11	12:54:37	1:11:34
6101300010018485	D0061	D0061	300	93.25	28-Feb-01	P0009	14:29:42	13:22:49	1:06:53
6101300010018901	D0061	D0061	100	116.50	13-Mar-01	P0009	15:27:23	15:24:33	0:02:50
6101300010018959	D0061	D0061	100	128.10	14-Mar-01	P0009	15:59:18	15:58:11	0:01:07
6101300010018959	D0061	D0061	100	128.10	14-Mar-01	P0009	15:59:18	15:58:11	0:01:07

e. I have seen that the noticee has executed 185 trades for 43,200 shares accounting for 65.38% of the gross traded quantity on days when such trades were observed. These trades had taken place on 35 days. Out of these, on 12 days the trading volume of noticee was 100% of the total volume traded in the market, which shows that on these days it was the only trader in the market.

f. I note that the trades entered by the noticee through above said two brokers were matching in terms of price and quantity on 35 days during the investigation period. The table below shows the pattern of trading of the noticee on sample basis in the scrip of Baffin:

Table C

Trade date	Buy					Sell					Trade Time	Time Diff.
	Memb er Code	Client Code	Qty .	Price	Time	Counte r party Code	Client Code	Qty.	Price	Time		
17-Jan-01	D0061	Paragon	100	61	9:56:53	D0141	Paragon	100	61	9:57:22	09:57:22	0:00:29
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	71.1	10:11:36	D0061	Paragon	100	71.1	10:13:35	10:13:36	0:01:59
17-Jan-01	D0141	Paragon	100	69	9:59:20	D0061	Paragon	100	69	10:07:58	10:07:58	0:08:38
17-Jan-01	D0141	Paragon	100	68	9:59:17	D0061	Paragon	100	68	10:08:29	10:08:30	0:09:12
17-Jan-01	D0141	Paragon	100	67	9:57:57	D0061	Paragon	100	67	10:08:56	10:08:57	0:10:59
17-Jan-01	D0061	Paragon	100	71.1	14:01:26	D0141	Paragon	100	71.1	14:18:54	14:18:54	0:17:28
17-Jan-01	D0061	Paragon	100	71.1	14:01:26	D0141	Paragon	100	71.1	14:18:54	14:18:54	0:17:28
17-Jan-01	D0061	Paragon	100	71.1	14:01:26	D0141	Paragon	100	71.1	14:18:54	14:18:54	0:17:28
17-Jan-01	D0061	Paragon	100	71.1	14:01:26	D0141	Paragon	100	71.1	14:18:54	14:18:54	0:17:28
17-Jan-01	D0061	Paragon	100	71.1	10:28:36	D0141	Paragon	100	71.1	11:37:32	11:37:32	1:08:56
17-Jan-01	D0061	Paragon	100	71.1	10:28:36	D0141	Paragon	100	71.1	11:37:32	11:37:32	1:08:56
17-Jan-01	D0061	Paragon	100	71.1	10:28:36	D0141	Paragon	100	71.1	11:37:50	11:37:50	1:09:14

17-Jan-01	D0061	Paragon	100	71.1	10:28:36	D0141	Paragon	100	71.1	11:37:50	11:37:50	1:09:14
17-Jan-01	D0061	Paragon	100	71.1	10:28:36	D0141	Paragon	100	71.1	14:18:54	14:18:54	3:50:18
24-Jan-01	D0141	Paragon	100	84.75	15:45:01	D0061	Paragon	100	84.75	15:45:31	15:45:32	0:00:30
24-Jan-01	D0061	Paragon	100	84.75	14:27:58	D0141	Paragon	100	84.75	14:28:39	14:28:39	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:20	D0061	Paragon	100	84.75	15:43:39	15:44:21	0:00:41
24-Jan-01	D0141	Paragon	100	84.75	15:44:34	D0061	Paragon	100	84.75	15:43:39	15:44:35	0:00:55
24-Jan-01	D0141	Paragon	100	84.75	15:44:34	D0061	Paragon	100	84.75	15:43:39	15:44:35	0:00:55
24-Jan-01	D0141	Paragon	100	84.75	15:44:34	D0061	Paragon	100	84.75	15:43:39	15:44:35	0:00:55
24-Jan-01	D0141	Paragon	100	84.75	15:44:34	D0061	Paragon	100	84.75	15:43:39	15:44:35	0:00:55
24-Jan-01	D0141	Paragon	100	84.75	15:44:34	D0061	Paragon	100	84.75	15:43:39	15:44:35	0:00:55
24-Jan-01	D0061	Paragon	100	84.75	14:27:58	D0141	Paragon	100	84.75	14:29:14	14:29:15	0:01:16
24-Jan-01	D0061	Paragon	100	84.75	14:27:58	D0141	Paragon	100	84.75	14:29:14	14:29:15	0:01:16
24-Jan-01	D0061	Paragon	100	84.75	14:27:58	D0141	Paragon	100	84.75	14:29:39	14:29:39	0:01:41
24-Jan-01	D0061	Paragon	100	84.75	14:27:58	D0141	Paragon	100	84.75	14:29:39	14:29:39	0:01:41
24-Jan-01	D0141	Paragon	100	87	11:50:27	D0061	Paragon	100	87	12:09:34	12:09:35	0:19:07
24-Jan-01	D0141	Paragon	100	87	11:50:27	D0061	Paragon	100	87	12:10:07	12:10:07	0:19:40
24-Jan-01	D0141	Paragon	100	86.5	11:50:21	D0061	Paragon	100	86.5	12:45:14	12:45:14	0:54:53
24-Jan-01	D0141	Paragon	100	86	11:50:14	D0061	Paragon	100	86	12:45:37	12:45:37	0:55:23
24-Jan-01	D0141	Paragon	100	86	11:50:14	D0061	Paragon	100	86	12:45:53	12:45:54	0:55:39
24-Jan-01	D0141	Paragon	100	85.5	11:50:06	D0061	Paragon	100	85.5	12:46:21	12:46:21	0:56:15
24-Jan-01	D0141	Paragon	100	85.5	11:50:06	D0061	Paragon	100	85.5	12:46:39	12:46:39	0:56:33
24-Jan-01	D0141	Paragon	100	85	11:50:00	D0061	Paragon	100	85	12:47:01	12:47:01	0:57:01
24-Jan-01	D0141	Paragon	100	85	11:50:00	D0061	Paragon	100	85	12:47:17	12:47:17	0:57:17
24-Jan-01	D0061	Paragon	100	85	12:48:09	D0141	Paragon	100	85	14:28:39	14:28:39	1:40:30

From this table, it is seen that the positions in the scrip were squared off so that there would not be any obligation of delivery. It is further observed that the orders limit price and quantity of both buy and sell orders were exactly matching. There was continuous reversal of trades on 16 days of trading. I note that the two brokers had major concentration on behalf of their client i.e. noticee in both sales and purchases during the period under consideration. On most of the days the brokers had more than 65% concentration as can be seen from table A above.

10. From the above discussion, I find that the increase in the volume in the scrip can primarily be attributed to the trades done by the noticee. Noticee had entered trades by placing orders at the very same time, same quantity and rate through two different brokers. Such pattern of trading leads to the reasonable conclusion that the transactions were carried out with the intention of creating artificial volume and to impact the prices of the scrip on the basis of

transactions which were not genuine. I note that such transactions give an impression to others that the scrip is being traded actively at prevailing prices as genuine prices, but actually this was not the case.

11. Thus from the aforesaid, I am of the view that the charges against noticee of violation of provisions of Regulation 4(1), 4(2) (a), (b), (e), (g) and (n) of PFUTP Regulations read with Regulation 13 of PFUTP Regulations stands established.
12. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11, 11B and 11(4) of SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain noticee, Paragon Investments Pvt. Ltd. (PAN: AHSPP 9704F) from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of two years from the date of this order.
13. The stock exchanges are hereby directed to permit the respective members to square off its existing open positions, if any, at the earliest in Futures and Options segment.
14. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticee is not allowed to undertake transactions as prohibited in Para 12 above.
15. This order shall come into force with immediate effect.

DATE : 07/04/2010
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

WTM/PS/05/IVD/ID-03/APRIL/2010

SECURITIES AND EXCHANGE BOARD OF INDIA

IN THE MATTER OF BAFFIN ENGINEERING PROJECTS LTD.

In respect of Paragon Investments Pvt. Ltd.

Under Section 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003

CORRIGENDUM TO ORDER NO. WTM/PS/03/IVD/ID-03/APRIL/2010

- 1.** Vide Order dated April 07, 2010, Paragon Investments Pvt. Ltd. been restrained from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly, for a period of two years.
- 2.** In the said order, PAN of Paragon Investments Pvt. Ltd. shall be read as AACCP 0431B instead of AHSP 9704F.
- 3.** This corrigendum shall come into force with immediate effect.

DATE : APRIL 08, 2010
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA