

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: M. S. SAHOO, WHOLE TIME MEMBER**

In the matter of Parsoli Corporation Limited

Date of Hearing: May 25, 2010

Appearances:

For Noticee: 1) Mr. Zafar Sareshwala, Managing Director & CEO, Parsoli
2) Mr. J. B. Chinai, Senior Advocate
3) Ms. Sonal, Advocate, and
4) Mr. S. Venkateshwar, Advocate.

For SEBI: 1) Ms. Geeta G., Dy. Legal Advisor (Presenting Officer)
2) Dr. (Ms.) Pradnya Saravade, Executive Director
3) Ms. Kshama P. Wagherkar, Asstt. Legal Advisor
4) Mr. Rajesh Gujjar, Asstt. General Manager, and
5) Mr. Nikhil Bhiwapurkar, Manager.

ORDER

**Under Sections 11(4) and 11B of the Securities and Exchange Board of India Act,
1992 against Parsoli Corporation Limited**

1. Based on an investigation into the dealings in the shares of Parsoli Corporation Limited (Parsoli) for the period March 11, 2005 to July 18, 2005, SEBI issued a Show Cause Notice (SCN) dated December 02, 2009 alleging that Parsoli violated the provisions of Section 21 of the Securities Contracts (Regulation) Act, 1956 read with Clause 35 of the Listing Agreement, Regulations 3, 4(1), 4(2)(e) and 4(2)(f) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations), and Sections 11C(2) and 11C(3) of the SEBI Act, 1992. The SCN called upon Parsoli to show cause as to why directions under Section 11 (4) and 11B of the SEBI Act, 1992, including debarment for an appropriate period, should not be issued.
2. Parsoli is a stock broker of NSE and BSE. It is also a Depository Participant of CDSL. Its shares are listed on BSE. It replied to the SCN vide its letter dated January 12, 2010 and availed the opportunity of personal hearing on May 25, 2010. It made an unsigned additional written submission at the time of hearing. In the meantime, it sought settlement of the proceedings through the consent procedure. SEBI, however, declined to settle the proceedings on the terms proposed by Parsoli. On closure of the consent procedure, I am disposing of the proceedings on merits.

3. I have carefully considered the SCN, the reply to the SCN, oral and written submissions of Parsoli and other material available on records. The SCN alleges the following violations by Parsoli:
 - a. The promoters of Parsoli transferred 9,61,600 shares. Parsoli was aware of this transfer, but did not disclose the same as required under the Listing Agreement.
 - b. The Board of Directors recommended dividend for the financial year 2004-05. This corporate announcement was never honoured.
 - c. Parsoli did not co-operate with the investigation and made misleading / contradictory statements.
4. A summary of the submissions made by Parsoli is as under:
 - a. Since promoters did not inform the company of the transfer of shares, Parsoli could not make further disclosure. It, however, did not make disclosure promptly on being aware of the transfer from depositories.
 - b. The Board of Directors of Parsoli had decided to recommend dividend in its meeting on July 4, 2005. It reversed the decision in its meeting on November 18, 2005. The AGM held on December 31, 2005 adopted the same. The decisions of the Board as well as of the AGM with regard to dividend were communicated to BSE.
 - c. It has fully cooperated with the investigation and provided correct information and documents.
5. I proceed to deal with each of the charges seriatim:
 - 5.1 Parsoli admitted during the hearing that the shares were transferred between March 14 and June 17, 2005 and it came to know of this transfer from the beneficial account statements received from depositories immediately thereafter. However, it did not make the disclosure promptly on being aware of this transfer. By its own admission, Parsoli clearly failed to discharge the obligations under the Listing Agreement and thereby violated the provisions of Section 21 of the Securities Contracts (Regulation) Act, 1956 read with Clause 35 of the Listing Agreement.
 - 5.2 At the time of hearing, Parsoli produced the minutes of its AGM held on December 31, 2005 to indicate that the decision of the Board to recommend dividend had been reversed and hence the fulfillment of the corporate announcement did not arise. I note from the said minutes that the Board had initially decided to recommend

dividend, and later on reversed the same, which was subsequently adopted by the AGM. I find from the records that Parsoli had informed BSE of its Board's initial decision to recommend dividend. It, however, did not inform the change of decision by the Board in its meeting on November 18, 2005. It even did not inform the adoption of the changed decision by the AGM on December 31, 2005. This is evident from Parsoli's letter dated January 2, 2006 to BSE which informed the outcome of AGM. Thus, Parsoli announced the decision of the Board to recommend dividend. It did not fulfill the announcement. Nor did it announce the change of decision by the Board or the adoption of changed decision by the AGM. Since the investors did not have the information about the change of decision and they did not receive dividend, the corporate announcement was never fulfilled. A Board decision to recommend dividend affects the share prices and investment decisions. Such decisions and change in decisions are not made lightly and are communicated to market as and when these are made. By not fulfilling the announcement and not communicating the change in decision by the Board and adoption of the changed decisions by the AGM, Parsoli violated the provisions of Regulations 3, 4(1), 4(2)(e) and 4(2)(f) of PFUTP Regulations.

5.3 I find that Parsoli has strenuously argued - before investigation and through written submissions - that the promoters had pledged the shares. It, however, did not produce any evidence of pledge in the records of depositories. Contrary to that, investigation provided the evidence of transfer of these shares. On being confronted with facts, Parsoli changed its stance and stated before me that it was not aware if promoters had actually pledged or transferred the shares. Similarly, Parsoli argued that it was not aware of transfer because the promoters did not inform it. I, however, find that it was aware of transfer from beneficial accounts statements received from depositories. Further, Parsoli stated before me that it had informed BSE the decisions of its Board and AGM regarding dividend. I find from records that it did not do so. I also find that it did not provide the details - copy of the minutes of the AGM, the rectified shareholding pattern, recipients of advances, etc. – sought by the investigation. These clearly demonstrate extreme non-cooperation of Parsoli and its serious attempt to mislead the investigation and the proceedings. Therefore, Parsoli failed to discharge the obligations under Section 11C (2) and (3) of the SEBI Act.

6. In light of the above findings, I find that Parsoli has violated the provisions of Section 21 of the Securities Contracts (Regulation) Act, 1956 read with Clause 35 of the Listing Agreement, Regulations 3, 4(1) and 4(2) (e) and (f) of PFUTP Regulations

and Sections 11C(2) and 11C(3) of SEBI Act, 1992. This assumes further significance since Parsoli is a SEBI registered intermediary and, therefore, a partner in the regulation of securities market.

7. 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 Sections 11(4) and 11B thereof, hereby restrain Parsoli Corporation Ltd. (Permanent Account Number: AABCP9030F) from buying, selling or dealing in securities market in any manner whatsoever or accessing the securities market directly or indirectly for a period of one year from the date of this Order. This would, however, not restrain Parsoli, as a broker or a depository participant, from servicing its existing clients. This would also not restrain Parsoli from squaring up its open positions, if any, in equity derivatives market.
8. A copy of this Order shall be served on all recognized stock exchanges and depositories to ensure that the directions given in Para 7 above are strictly complied with. A copy shall also be served on NSE, BSE, and CDSL of which Parsoli is a member or depository participant, as the case may be.
9. This Order shall come into force with immediate effect.

PLACE: MUMBAI
DATE: June 28, 2010

M. S. SAHOO
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA