

WTM/PS/ 57 /IVD/ID-05/DEC /10

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

IN THE MATTER PRUDENTIAL PHARMACEUTICALS LIMITED

In respect of Shri Prabhat Kumar Jhunjunwala, Shri Tara Chand Jalan, Shri Amod Kumar Khandelwal, M/s. S.K. Jhunjunwala and Lexus Shares & Stock Brokers Pvt. Ltd.

Date of hearing: June 04, 2010

Appearances

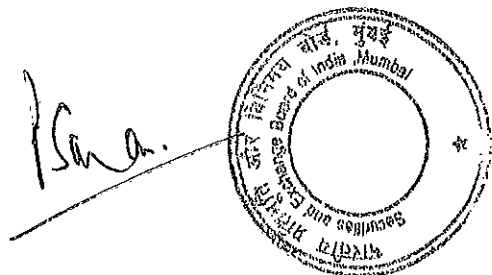
For Noticees: Shri Kalidas Patra for Shri Prabhat Kumar Jhunjunwala
Shri Yogesh Jalan for Shri Tara Chand Jalan
Shri Ashish Maheshwari for Lexus Shares & Stock Brokers Pvt. Ltd.
Shri Amod Kumar Khandelwal

For SEBI: Shri Suresh Gupta, Chief General Manager
Shri Santanu Mitra, Legal Officer
Ms. Vasudha Goenka, Legal Officer

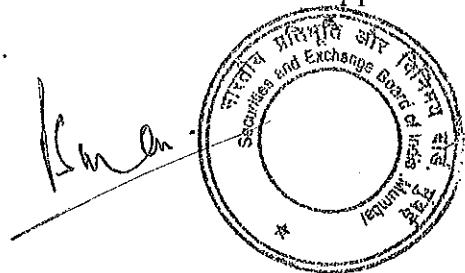
ORDER

**UNDER SECTION 11B READ WITH SECTION 11 (4) OF SECURITIES AND EXCHANGE
BOARD OF INDIA, ACT, 1992**

1. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted investigations into the alleged irregular transactions and price manipulation in the scrip of M/s. Prudential Pharmaceuticals Limited (hereinafter referred to as "Prudential") for the period March 5, 2001 - July 6, 2001 (hereinafter referred to as the "period of investigation"). Prudential was listed at Bombay Stock Exchange, Hyderabad Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange (hereinafter referred to as "BSE", "HSE", "CSE", "ASE" respectively).



2. Investigations revealed that Shri Prabhat Kumar Jhunjunwala, Shri Tara Chand Jalan, M/s. S.K. Jhunjunwala, Lexus Shares & Stock Brokers Pvt. Ltd. and Shri Amod Kumar Khandelwal (hereinafter singularly referred to by their names and collectively as "the noticees") while dealing in the scrip for others through M/s. A. Chhotaria & Co. acted as unregistered sub brokers in violation of Section 12(1) of the SEBI Act, 1992 and Rule 3 of the SEBI (Stock Brokers and Sub Brokers) Rules, 1992.
3. Accordingly, SEBI issued a combined notice dated July 31, 2009 (hereinafter referred to as "SCN") to Shri Prabhat Kumar Jhunjunwala, Shri Tara Chand Jalan, M/s. S.K. Jhunjunwala, Lexus Shares & Stock Brokers Pvt. Ltd. and Shri Amod Kumar Khandelwal alleging that they acted as unregistered sub-brokers while dealing in the scrip in violation of the provisions of the Section 12(1) of the SEBI Act, 1992 and Rule 3 of the SEBI (Stock Brokers and Sub-Brokers) Rules, 1992 (since rescinded) read with Regulation 11(1) of the SEBI (Stock Brokers and Sub-brokers) Regulation, 1992.
4. I note that all noticees other than Lexus Shares & Stock Brokers Pvt. Ltd. had replied to the SCN. An opportunity of personal hearing was granted to the noticees on May 7, 2010 in Mumbai, which was subsequently rescheduled to Kolkata on June 4, 2010 at the request of the noticees. I note that all noticees, other than M/s. S. K. Jhunjunwala, appeared before me and made submissions. Shri Raj Kumar Choudhary, Proprietor, M/s. S. K. Jhunjunwala vide letter dated June 4, 2010 wherein he stated that he was suffering from dilated cardiomyopathy and that he had already submitted his reply. Lexus Shares and Stock Brokers Pvt. Ltd and Shri Amod Kumar Khandelwal were provided ten days time during the hearing to produce any further document to support their claim. No such documents have been received.



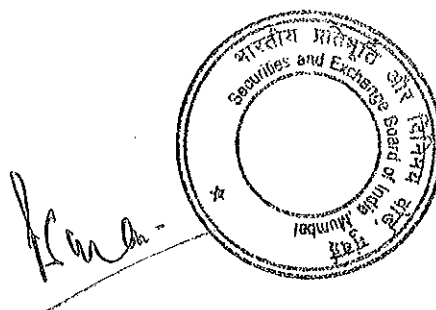
- Shri Prabhat Kumar Jhunjunwala, Shri Tara Chand Jalan and M/s. S. K. Jhunjunwala stated that they were not aware of the provisions of the SEBI Act and had violated the provisions due to ignorance and not intentionally. Further, they had no mala fide intention while dealing in the scrip.
 - M/s. Lexus Shares and Stock Brokers Pvt. Ltd. and Shri Amod Kumar Khandelwal stated that they had sold the shares on their own account and hence not acted as unregistered sub-broker.
5. I have carefully considered the various documents on record and the SCN dated July 31, 2009. I note that M/s. Umesh Basudeo Dharnidharka (hereinafter referred to as "Umesh"), Broker of BSE had bought 300 shares and sold 1,70,675 shares of Prudential during relevant period. Umesh was a net seller of 1,70,375 shares which accounted for 11.71% of the total market sales on net basis during the period. Umesh carried out the trades mainly for M/s. A. Chhotaria & Co. (hereinafter referred to as "Chhotaria"), a member of the CSE and a registered sub-broker of Umesh. The proprietor of Chhotaria, Shri Ashok Kumar Chhotaria was related to Umesh as he was married to the cousin sister of Umesh.
6. Out of the shares sold through Chhotaria, about 1.3 lakh shares were delivered in physical form and the remaining in demat form. Chhotaria dealt on behalf of several CSE brokers namely Shri Prabhat Kumar Jhunjunwala, Shri Tara Chand Jalan, M/s. S. K. Jhunjunwala, M/s. Lexus Shares & Stock Brokers Pvt. Ltd. and Shri Amod Kumar Khandelwal.
7. I note that Shri Prabhat Kumar Jhunjunwala, acted as an unregistered sub broker when Kumari Neha Jalan sold 49,000 shares of Prudential, Shri Bharat Kumar Jalan sold 25,000 shares of Prudential, M/s. H.R. Global Finance Ltd. sold 37,200 shares of Prudential and M/s. Dhruv Tara Co. Ltd. sold 28,500 shares of

[Handwritten Signature]



Prudential, through him. Shri Prabhat Kumar Jhunjunwala had taken KYC forms and executed broker-client agreements with the above clients in his capacity as a CSE broker. He did not furnish any evidence to show that he was authorized to trade as a sub broker on behalf of others on BSE. The details of trades done by Shri Prabhat Kumar Jhunjunwala on behalf of its clients is as follows:

Date	Quantity
Client : Neha Jalan	
19.03.2001 to 23.03.2001	20,400
26.03.2001 to 06.04.2001	10,200
31.03.2001 to 06.04.2001	100
09.04.2001 to 12.04.2001	1,000
16.04.2001 to 20.04.2001	13,700
23.04.2001 to 27.04.2001	3,600
	49,000
Client : Bharat Kumar Jalan	
19.03.2001 to 23.03.2001	25,000
	25,000
Client : H R Global	
12.03.2001 to 17.03.2001	30,000
19.03.2001 to 23.03.2001	6,200
23.04.2001 to 27.04.2001	500
04.06.2001 to 08.06.2001	500
	37,200
Client : Dhruv Tara Co. Ltd.	
19.03.2001 to 23.03.2001	28,500



	28,500
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8. I note that Shri Tara Chand Jalan acted as an unregistered sub broker when he sold 2,000 shares on behalf of his clients Shri Manoj Chindalia and Shri Baboolal Chindalia during the period.

Date	Quantity
Client : Manoj Kumar Chindalia	
19.03.2001 to 23.03.2001	100
31.03.2001 to 06.04.2001	500
09.04.2001 to 12.04.2001	500
	1,100
Client : Baboolal Chindalia	
19.03.2001 to 23.03.2001	900
	900

9. I note that M/s. S. K. Jhunjhunwala acted as an unregistered sub broker when he sold 6,600 shares for his client Shri Rama Shankar Agarwal.

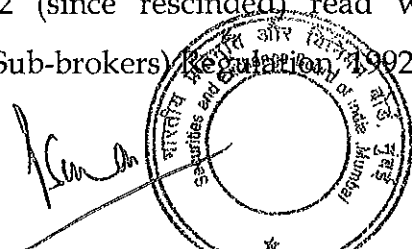
Date	Quantity
Client : Rama Shanker Agarwal	
12.06.2001	3,326
12.06.2001	1,574
19.06.2001	1,000
19.06.2001	500
27.06.2001	100
27.06.2009	100

Rama



	6,600
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10. I note that it is alleged that the Lexus Shares and Stock Brokers Pvt Ltd. acted as an unregistered sub broker when he sold 12,500 shares through Chhotaria during the period of investigation and also that Shri Amod Kumar Khandelwal, while dealing in the scrip for others through Chhotaria, acted as an unregistered sub broker.
11. I find from the various documents on record and the admission made by Shri Prabhat Kumar Jhunjhunwala, Shri Tara Chand Jalan and M/s. S.K. Jhunjhunwala in their respective replies to the SCN as also during the course of the hearing granted before me, that the said entities had acted as unregistered sub-brokers while dealing in the scrip of Prudential. Hence, I have no difficulty in holding that they had acted as unregistered sub-brokers.
12. However, I take note of the submissions of Lexus Shares and Stock Brokers Pvt. Ltd and Shri Amod Kumar Khandelwal that they had acted on their own behalf and not on behalf of some other clients. Considering the facts and circumstances of the case, the documents on record and the submissions of the noticees, I find there is not enough evidence to establish that Lexus Shares and Stock Brokers Pvt. Ltd and Shri Amod Kumar Khandelwal dealt in the scrip of Prudential as unregistered sub-brokers.
13. In view of the forgoing, I find that Shri Prabhat Kumar Jhunjhunwala, Shri Tara Chand Jalan and M/s. S. K. Jhunjhunwala had acted as unregistered sub-brokers while dealing in the scrip of Prudential Pharmaceuticals Limited in violation of the provisions of the Section 12(1) of the SEBI Act, 1992 and Rule 3 of the SEBI (Stock Brokers and Sub-Brokers) Rules, 1992 (since rescinded) read with Regulation 11(1) of the SEBI (Stock Brokers and Sub-brokers) Regulation, 1992.

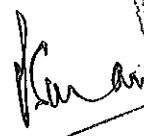
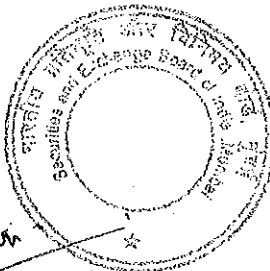


14. Therefore, taking into account the facts and circumstances of the case and in exercise of the powers vested in me by Section 19 of the SEBI Act, 1992 read with Section 11B and 11(4) of the SEBI Act, 1992 I hereby warn Shri Prabhat Kumar Jhunjhunwala, Shri Tara Chand Jalan and M/s. S.K. Jhunjhunwala to be cautious in their future dealings and exercise due care and diligence in the conduct of their affairs as securities market participants. Any future instance of violation of or non-compliance with the SEBI Act and Rules and Regulations framed there under shall be dealt with stringently.

15. Further, for the reasons stated above, I dispose of the Show Cause Notice dated July 31, 2009 as against Lexus Shares & Stock Brokers Pvt. Ltd. and Shri Amod Kumar Khandelwal without any further directions.

Date: 15/12/2010

Place: Mumbai



PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA