

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF PRUDENTIAL PHARMACEUTICALS LIMITED

In respect of Clip Securities & Finance Private Limited and its directors Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram

Date of hearing: May 07, 2010

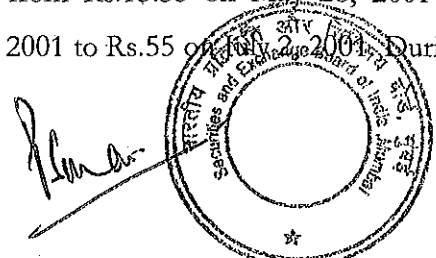
For Noticee: None appeared

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

ORDER

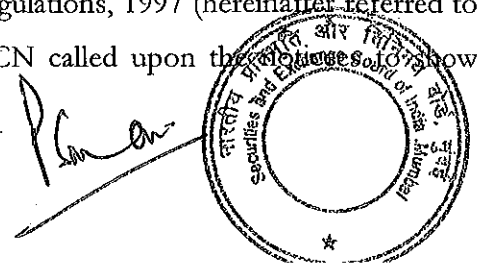
UNDER SECTION 11B READ WITH 11 (4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992 AND REGULATION 44 OF THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997

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" and "ASE" respectively).
2. During the period of investigation, the price of the scrip rose from Rs.11.85 on March 5, 2001 to Rs.21.25 on March 16, 2001. The price of scrip had gone up by more than 7% each day during the aforesaid period. Again, it went up from Rs.15.35 on May 28, 2001 to Rs.42.05 on June 15, 2001 and from Rs.44 on June 25, 2001 to Rs.55 on July 2, 2001. During



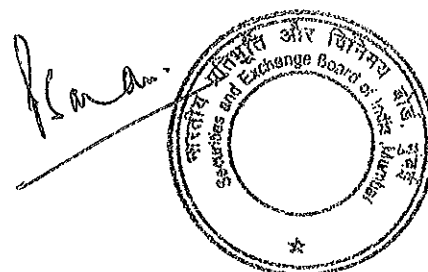
the relevant period, the scrip traded with daily volume of over 1,00,000 shares on 4 days i.e. on June 6, June 11, June 18 and June 26, 2001 with large quantity traded between only two brokers, namely, M/s SPS Share Brokers Pvt. Ltd (hereinafter referred to as "SPS") & M/s Tropical Securities and Investments Pvt. Ltd (hereinafter referred to as "Tropical"). Most of the buy orders were placed by M/s Naman Securities and Finance Pvt. Ltd (hereinafter referred to as "Naman") on behalf of M/s Clip Securities and Investments Pvt. Ltd. (hereinafter referred to as "Clip"). Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram were the directors of Clip during the relevant period (Clip and its directors Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram are singularly referred to by their names and collectively as "the noticees").

3. Investigations revealed that the directors of Clip transferred a large number of shares into the accounts of Ms Aditi Dalal and Tropical which were later used for the purpose of market manipulation in the scrip. Thus, Clip and its directors had facilitated Tropical in creating a false or misleading appearance of trading in the market in the scrip of Prudential.
4. On completion of the investigations, Notices dated July 31, 2009 (hereinafter referred to as "SCN") were issued to Clip and its directors Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram under Section 11(4) and Section 11B of the SEBI Act, 1992 alleging that the act of Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram in transferring shares of Prudential to Ms Aditi Dalal and Tropical aided and abetted the manipulation of the scrip by the related entities and the act of Clip in raising the price of Prudential by placing buy orders consistently at higher prices was in violation of the provisions of Regulation 4(a), 4(b), 4(c), 4(d) and 4(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to as "PFUTP Regulations, 1995") read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations, 2003"). Further, as per Clip's demat statement account its shareholding in Prudential increased to 29.71% of the paid up capital without complying with the provisions of Regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as the "Takeover Regulations"). Accordingly, the SCN called upon the noticees to show



cause as to why suitable directions under Sections 11 and 11(4) of SEBI Act read with Regulation 44 of Takeover Regulations including debarring them from accessing the capital market and prohibiting them from buying, selling or dealing in securities in any manner should not be issued against them.

5. I note that the SCNs could not be served on the noticees at the last known address. The envelopes were returned with the noting "office always closed". Thereafter, by way of a newspaper announcement carried out on the Hindustan Times and Sakal on October 04, 2009, the noticees were intimated that the SCNs had been made available on the website of SEBI. The noticees were further advised that if they wished to avail personal hearing in the matter or want to make any submissions in relation to the same, they were to write to SEBI within 15 days of the publication of the advertisement, failing which, the matters would be decided *ex-parte*. No representation was received from any of the noticees. Letters of hearing issued to the entities on April 19, 2010 were also returned undelivered and the same has since been physically pasted at the last known address of the entities. However, no one appeared at the said date of hearing. In view of the peculiar nature of the matter, I am constrained to proceed with the matter *ex parte*.
6. I have carefully considered the various documents on record and the SCN dated July 31, 2009 and find that the issues under consideration in this matter are as follows:
 - a. Whether the act of Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram in transferring shares to Ms Aditi Dalal and Tropical aided and abetted the manipulation of the scrip;
 - b. Whether Clip raised the price of Prudential by placing buy orders consistently at higher prices; and
 - c. Whether Clip violated Regulation 10 of the Takeover Regulations.
7. I note that during the period of investigation dealings, as illustrated hereinafter, involving misuse of stock exchange mechanism for the settlement of private financing arrangement crystallized outside the exchange came to light.



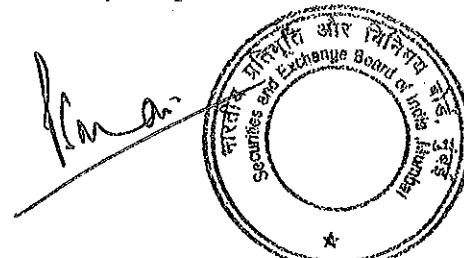
8. I note that Ms. Aditi A. Dalal is the wife of Shri Asim B. Dalal. Shri Asim B. Dalal is the brother of Shri Milan B. Dalal, Director of Tropical. Thus, it is apparent that Ms. Aditi A. Dalal is related to Tropical. Ms. Aditi A. Dalal purchased 7,17,400 of Prudential shares off-market from Tropical as per details given below:

Date of Purchase as per bill	Quantity	Rate (Rs.)	Remarks
09.04.2001	6,17,400	15.30	Tropical vide bill no. GP49/249001 dated 14.04.2001
26.06.2001	1,00,000	45.22	Tropical vide bill no. GC74/374001 dated 30.06.2001
	7,17,400		

9. I note that out of these 7,17,400 shares, Ms. Aditi A. Dalal sold 6,00,000 shares to SPS in off-market deals as per details given in the table below. The 6,00,000 shares were again bought by Tropical in a matched deal from SPS. The said sale of the shares to Tropical on the Exchange was through synchronized transactions where the order quantity, price and time were matched.

Date of receipt of shares in demat account of SPS	Date of sale	Quantity	Rate	Remarks
27.04.2001	09.04.2001	2,50,000	15.40	M/s Aditi Dalal's bill no. GP03/203007 dated 14.04.2001
17.05.2001	08.05.2001	3,50,000	15.40	M/s Aditi Dalal's bill no. GP07/207006 dated 12.05.2001
		6,00,000		

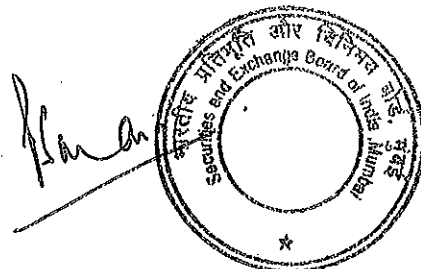
10. Further, 1,00,000 shares were sold by Ms. Aditi A. Dalal in the market dealing through SPS on June 26, 2001 at the rate of Rs.45.27 in settlement No.14/2001. The said 1,00,000 shares sold by Ms. Aditi A. Dalal through SPS were purchased back by Tropical in a matched deal on its own account in settlement no. 14.



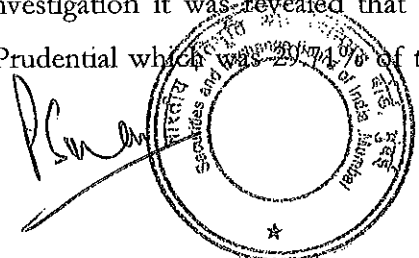
11. The sale proceeds so realized by Ms. Aditi A. Dalal were transferred to Tropical for meeting its pay-in requirements on account of its purchase of these shares when SPS was selling these shares in the market. This cycle was repeated in settlement after settlement, thereby creating artificial volumes. The stock exchange mechanism was thus misused for the settlement of private financing arrangements entered into outside the exchange.
12. I note that the shares used for manipulation were received by Ms. Aditi A. Dalal and Tropical through certain entities, including Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram (noticees herein), that were acting as a conduit for the transfer of shares.
13. From perusal of demat accounts of the noticees I note that Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram had transferred several shares of Prudential to various persons during the relevant period, in the following manner:

Sl. No.	Name	Details of Transfer
1.	Shri Claud Monsurate	Dematerialized 2,00,000 on March 17, 2001 and transferred to Naman on March 29, 2001.
2.	Shri Arshad Afzal Khan	- Dematerialized 2,00,000 shares on March 23, 2001 and transferred to Aditi A Dalal on the same date. - Dematerialized 1,00,000 shares on July 10, 2001 and transferred to Tropical on July 11, 2001.
3.	Ms. Rachana Bhandaram	- Dematerialized 2,00,000 shares on March 17, 2001 and transferred to Aditi A Dalal. - Dematerialized 1,00,000 shares on July 10, 2001 and transferred 25,000 shares to Tropical on July 21, 2001.

The shares transferred in the manner illustrated above were used by the entities for the purpose of market manipulation in the scrip.



14. Further, I note from the investigation report that Clip's office address is the same as that of one Pallav Sheth. Pallav Sheth, in turn is well known to Milan Dalal, Director of Tropical. This has been admitted by Milan Dalal and by Pallav Sheth's wife, Ushma Sheth in their respective statements. Moreover, Ms. Aditi A. Dalal is the wife of Shri Asim B. Dalal, who is the brother of Shri Milan B. Dalal. In the absence of any reply or representation from the noticees herein, the relation between the entities set out in the investigation report must be accepted.
15. Moreover, on March 7, 2001 the scrip opened and stayed at the upper circuit limit Rs.12.75 throughout the entire trading session in the day. Clip through Naman was the only buyer in the day with 13 trades taking place. On March 8, 2001 the scrip opened at Rs.11.75. It reached the upper circuit filter limit of Rs.13.75. The scrip ended the day at the said limit. Once again, Clip through Naman was the only buyer in the day. The next day, that is, March 9, 2001 the scrip opened and stayed at Rs.14.80 through out the trading session. Six trades took place on the said date and Clip through its broker Naman was the only buyer on that day. Similar patterns were observed on other days, wherein the price in the scrip rose and it was seen that Clip/ Naman were the only buyers or accounted for a large percentage of the total purchases. Thus, Clip repeatedly placed buy orders in the scrip which was instrumental in raising the price of the scrip as they were continuously placed above the last traded price.
16. From the above discussion I find that the act of Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram in transferring shares to Ms Aditi Dalal and Tropical for aiding and abetting the manipulation of the scrip by the related entities and the act of Clip in raising the price of Prudential by placing buy orders consistently at higher prices is in violation of the provisions of Regulation 4(a), 4(b), 4(c), 4(d) and 4(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003.
17. Further, as per the demat statement account no. 10073236 of Clip, it was holding 2300 shares of Prudential as on March 31, 2001. During investigation it was revealed that on March 31, 2002 Clip was holding 15,30,514 shares of Prudential which was 25.14% of the



paid up capital of Prudential. Regulation 10 of the Takeovers Regulations provides that *No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen per cent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the regulations.* I note that Clip's shareholding in Prudential increased from 0.04% on March 31, 2001 to 29.71% on March 31, 2002. Such acquisition was made without making a public announcement under the said Regulation.

18. Hence, I conclude that Clip violated the provisions of Regulation 10 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.

19. Therefore, taking into account the aforesaid 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 and Regulation 44(e) of the Takeover Regulations, I hereby restrain Clip Securities & Finance Private Limited, Shri Claud Monsurate, Shri Arshad Afzal Khan and Ms. Rachana Bhandaram from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of 3 months.

20. The order shall come into force with immediate effect.

Date: 15/December/2010

Place: Mumbai



Prashant Saran

PRASHANT SARAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA