

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

**IN THE MATTER OF RAVALGAON SUGAR FARMS LIMITED
AND SHRENUJ & COMPANY LIMITED**

In respect of Tropical Securities & Investments Private Limited

(SEBI Registration No. INB 010993738)

Date of hearing: November 19, 2010

For Noticee: Mr. Milan Dalal, Director
Mr. Deepak Sheth, Authorized Representative
Mr. Bhupen Dalal, Advocate

For SEBI: Mr. Kinjal Ghose, Presenting Officer
Mr. Aliasgar Mithwani, Deputy General Manager
Mr. Pradeep Kumar, Legal Officer

ORDER

Under Regulation 28(2) read with Regulations 38 (2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had conducted investigation into the dealings in the scrip of Ravalgaon Sugar Farms Limited (hereinafter referred to as 'Ravalgaon') for the period of May 04, 2001 to June 29, 2001 and in the scrip of Shrenuj & Co. Limited (hereinafter referred to as 'Shrenuj') for the period of May 02, 2001 to June 19, 2001. During the period of investigation, the scrip of Ravalgaon was listed at Bombay Stock Exchange (hereinafter referred to as 'BSE') and National Stock Exchange (hereinafter referred to as 'NSE'). The scrip of Shrenuj was listed at BSE, NSE and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
2. On an analysis of the trading details in the scrips mentioned above, it was revealed that during the period of investigation, the price of the scrip of

Ravalgaon at NSE increased from ₹3,220 on May 23, 2001 to ₹4,565 on June 19, 2001 after touching a high of ₹5,550 on June 4, 2001. The total traded quantity on NSE for the period of investigation was 1,978 shares.

The total traded quantity on NSE in the scrip of Shrenuj, for the period of investigation was 3,52,104 shares. Investigations revealed that comparatively large volumes were traded on three days i.e. May 14, 2001, June 04, 2001 and June 15, 2001 for 40,000 shares, 61,000 shares and 52,000 shares respectively between two brokers namely CFL and DGP.

3. It was *inter alia* found that Tropical Securities & Investments Private Limited (hereinafter referred to as 'noticee'), registered with SEBI as stock broker, bearing registration no. INB 010993738, while trading in the scrips of Ravalgaon and Shrenuj had aided and abetted its client Aditi Asim Dalal and the counterparty broker CFL in the creation of artificial volumes in the scrips of Ravalgaon and Shrenuj.
4. Based on the findings of investigations, SEBI initiated enquiry proceedings against the noticee in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of Enquiry Regulations vide two separate orders both dated January 21, 2004. SEBI appointed the Enquiry Officer, to enquire into the alleged violation of provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') and the Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). The Enquiry Officer submitted his Report dated July 05, 2004, in terms of Regulation 13(1) of the Enquiry Regulations recommending thereby a penalty of suspension for a period of six months to be imposed on the noticee for violating the provisions of Regulation 4 (b), (c) and (e) of PFUTP Regulations

and Clauses A(1), (2), (3) and (4) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of Broker Regulations.

5. Subsequently, a Show Cause Notice dated July 20, 2004 (hereinafter referred as SCN') under Regulation 13(2) of the Enquiry Regulations was issued by SEBI to the noticee for the scrips of Ravalgaon and Shrenuj, asking it to show cause as to why action as may be considered appropriate should not be imposed. The noticee was advised to reply to the SCN, within fifteen days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.
6. The noticee replied to the SCN vide its letter dated July 30, 2004. The noticee also made submissions vide letter dated March 26, 2007, pursuant to a hearing before my predecessor. In the meantime, the noticee filed an application for settlement of proceedings through the consent mechanism in accordance with the SEBI Circular dated April 20, 2007. Subsequently, the proceedings initiated under the SCN were revived as the application for consent was rejected by SEBI. Accordingly, an opportunity of personal hearing was granted to the noticee on November 19, 2010. On the date fixed for personal hearing, Mr. Milan B. Dalal, the director of the noticee, Mr. Deepak Sheth, authorized representative of the noticee and Mr. Bhupen D. Dalal, Advocate appeared and made oral submissions. The noticee had sought one week's time to file the written submissions which was granted to it. The noticee filed its written submissions vide its letter dated November 23, 2010, which have been taken on record.
7. I have carefully considered the Enquiry Report, reply of the noticee, written submissions and the material available on record. The submissions of the noticee, in brief, are:

- Tropical had executed couple of transactions in the scrip of Ravalgaon and Shrenuj with its group associates and clients only to make temporary funding arrangements to meet NSE/ BSE pay-in obligations.
 - It had no intention to create artificial volumes and that the volumes created were incidental due to the repeated transactions done for the purpose of funding.
 - Tropical had used the payment received from Adit A. Dalal and Harbinger Trading Company Private Limited for the purpose of BSE pay in from time to time.
 - It is suffering several hardships and their NSE/ BSE terminals have already been deactivated since October/ November, 2001. Have not gained anything from the transaction.
 - The transactions in the present case are almost nine years old and they have not been operating in any stock broking business whatsoever for the last nine years.
 - Tropical has no connection with the company or its directors or its associates.
8. I note that the noticee has not disputed the transactions in the scrip of Ravalgaon and Shrenuj as brought out in the Enquiry Report. It is seen that the client of the noticee is the wife of Mr. Asim B. Dalal, director, CFL. Further Mr. Milan B. Dalal, director of the noticee is the brother of Asim B. Dalal. The noticee has submitted that it had executed transaction with its group associates and clients for arranging temporary funding for meeting NSE/ BSE pay-in obligation. The noticee has submitted that it had not resorted to any violation except that of excessive volumes in illiquid scrips. Having considered the submission of the noticee, I note that the noticee and its related entities had sold the shares to various entities and received the consideration without delay.
9. I have seen the trading details of the noticee in the scrip of Ravalgaon at BSE. I note that the noticee had entered into structured/ matched transactions with its counter party brokers, SPS Shares Brokers Private Limited, Rosy Blue Securities Private Limited and Lallubhai Ranchodas Share

Brokers Private Limited. A few instances thereof have been brought out below:

Date	Buy					Sell					Trade			% to mark et gross
	Broker	Client	Time	Qty.	Price	Broker	Client	Time	Qty.	Price	Time	Qty.	Price	
31/05/01	Tropical	Harbinger	10:34:03AM	300	5075	SPS	Aditi	10:34:02AM	300	5075	10:34:06AM	300	5075	88.75
18/06/01	Tropical	Own	02:28:33PM	450	4700	SPS	Aditi	02:28:34PM	450	4700	02:28:34PM	450	4700	92.54
28/06/01	Tropical	Globex	02:33:34PM	550	3950	SPS	Aditi	02:33:36PM	550	3950	02:33:36PM	550	3950	57.90

From the table above, I note that the orders were entered simultaneously within the close proximity of each other for the same price and quantity which ensured matching of orders. Having considered this, I agree with the findings of the Enquiry Officer that noticee had executed structured trades and is guilty of creation of artificial volume in the scrip of Ravalgaon.

10. I have also seen the trading details of the noticee in the scrip of Shrenuj at BSE, instances of which have been brought out below:

Trade Date	Trade Time	Trade Qty	Trade Price	Buy Member Code	Buy Order Time	Buy Client Name	Sell Member Code	Sell Order Time	Sell Client Name	Time Diff
03.05.01	11:14:33	1000	40.25	Noticee	11:14:32	Harbinger	Lallubhai	11:14:26	Harbinger	0:00:06
03.05.01	11:52:48	2800	40.30	Noticee	11:52:48	Harbinger	Lallubhai	11:52:43	Harbinger	0.00.05
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
03.05.01	12:21:48	4500	40.30	Noticee	12:21:46	Harbinger	Rosy Blu	12:21:48	Tropical	0.00.02
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	14:29:13	1000	33.00	Noticee	14:29:12	Harbinger	SPS	14:29:13	Aditi Dalal	0.00.01
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00
27.06.01	15:10:51	1000	32.50	Noticee	15:10:50	Harbinger	SPS	15:10:50	Aditi Dalal	0.00.00

From the above table, I note that the orders were entered simultaneously within the close proximity of each other for the same price and quantity which ensured matching of orders. Having considered this, I agree with the findings of the Enquiry Officer that noticee had executed structured trades and is guilty of creation of artificial volume in the scrip of Shrenuj.

- 11.** I note that the pattern followed by the noticee had safeguarded it and its counterparty as the trades were covered by the settlement guarantee fund of the stock exchange. It is noted that the cycle of trading by noticee was continued settlement after settlement during the period of investigation in the scrips of Ravalgaon and Shrenuj.
- 12.** Considering the above discussion and the admission of the noticee, I find that the noticee indulged in acts calculated to create a false and misleading appearance of trading on the securities market. Such acts of the noticee resulted in reflection of prices of securities based on transactions that were not genuine and entered into purchase and sale of securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to manipulate market price of the securities. I agree with the findings of the Enquiry Officer that creation of the volumes whether for the purpose of temporary funding arrangement or otherwise is in violation of the provisions of Regulation 4(b), (c) and (e) of the PFUTP Regulations. Further, the noticee by indulging in the acts discussed above in the scrips of Ravalgaon and Shrenuj had contravened the provisions of Clauses A(1),(2),(3) and (4) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of Broker Regulations.
- 13.** I note that pursuant to the notification of the Intermediaries Regulations, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the Intermediaries Regulations, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been

commenced under the corresponding provisions of Intermediaries Regulations.

14. Taking into consideration, the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certificate of registration of the stock broker, Tropical Securities & Investments Private Limited, (SEBI Registration No. INB 010993738) (PAN: AAAC1670N) for a period of two months.
15. I note that SEBI has already suspended the certificate of registration of the Tropical Securities & Investments Private Limited, vide an order dated December 07, 2009, till the time it pays the outstanding fees to the SEBI. In view of the same, it is clarified that this order shall run concurrently with the aforesaid order.
16. This order shall come into force on expiry of twenty one days from the date of this order.

Date: 24/FEB/2011
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA