

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

IN THE MATTER OF JAGSONPAL PHARMACEUTICALS LIMITED

**In respect of Tropical Securities and Investment Private Limited
(SEBI Registration No. INB010993738)**

Date of hearing: April 25, 2011

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

For SEBI: Mr. G. Ramar, General Manager
Mr. Jagannath Das, Assistant General Manager
Mr. Pradeep Kumar, Assistant Legal Adviser

ORDER

**Under Regulation 28(2) of the Securities and Exchange Board of India
(Intermediaries) Regulations, 2008**

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the dealings in the scrip of Jagsonpal Pharmaceuticals Limited (hereinafter referred to as 'Jagsonpal') for the periods of August, 2000 to December, 2000 (hereinafter referred to as 'first period') and July, 2001 to October, 2001 (hereinafter referred to as 'second period'). During the period of investigation, the scrip of Jagsonpal was listed at National Stock Exchange (hereinafter referred to as 'NSE') and Bombay Stock Exchange (hereinafter referred to as 'BSE').
2. The trading details of the persons who had traded in the scrip were analyzed along with the data of the volumes contributed. During the first period of investigation, the price of the scrip at NSE increased from ₹599 as on August 18, 2000, touched a high of ₹700 as on September 11, 2000 to ₹660 as on November 01, 2000. During the second period of investigation, the price of the scrip at NSE fell from ₹319.20 to ₹129.50.

3. Investigation *inter-alia* revealed that Tropical Securities and Investments Private Limited (hereinafter referred to as 'noticee'), registered with SEBI as a stock broker, bearing registration no. INB 010993738, while trading in the scrip of Jagsonpal entered structured/ synchronized trades as well as financing deals and created artificial volume in the scrip, thereby affecting the price of the scrip significantly. Further, during the second period of investigation, the noticee appeared as the major buyer at BSE accounting for 91.36% of the gross purchase.
4. Based on the findings of investigations, SEBI initiated enquiry proceedings against the noticee in terms of the 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 the Enquiry Regulations vide order dated December 14, 2004. The Enquiry Officer submitted his Report dated August 29, 2005, in terms of Regulation 13(1) of the Enquiry Regulations recommending thereby a penalty of suspension for a period of two months to the noticee for violating the provisions of Regulation 4(a), (b), (c), (d) and (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') and Clauses A(1), (3) and (4) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of the SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations').
5. Subsequently, a Show Cause Notice dated September 01, 2005 (hereinafter referred as SCN') under Regulation 13(2) of the Enquiry Regulations was issued by SEBI to the noticee, asking it to show cause as to why action as recommended by Enquiry Officer should not be taken against it. The noticee was advised to reply to the SCN, within twenty-one 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. 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 February 04, 2011. Before proceeding further, an opportunity of personal hearing was granted to the noticee on April 25, 2011. On the date fixed for personal hearing, Mr. Milan B. Dalal, the director of the noticee, Mr. Deepak Sheth, authorized representatives of the noticee and Mr. Bhupen D. Dalal, Advocate appeared and made oral submissions. The noticee also filed written submissions dated April 08, 2011, which have been taken on record.
7. I have carefully considered the Enquiry Report, the reply of the noticee, written submissions and the material available on record. The submissions of the noticee, in brief, are:
 - a. The transactions are of almost 9 years old and the noticee is not operating on the exchange since then.
 - b. The transactions were in the nature of raising money.
 - c. It had resorted to spot funding on the floor of the exchange in the year 2000-2001 solely for the purpose of meeting its pay-in obligations.
8. I note that the noticee has not disputed the transactions in the scrip of Jagsonpal as brought out in the Enquiry Report. The noticee has submitted that it had executed the transaction for arranging the temporary funding. The noticee has submitted that it had not resorted to any violation except that of excessive volume in illiquid scrip.
9. I have seen the trading details of the noticee, instances of which have been brought out below:

Date	Member	Client	B/S	Qty.	Time	Member	Client	B/S	Qty.	Time
31/08/2000	Pawankumar Parmeshwarlal	Not entered	S	1000	14:44:25	Tropical Securities	Harbinger Trading	B	1000	14:44:28
31/08/2000	Pawankumar Parmeshwarlal	Not entered	S	1600	14:44:42	Tropical Securities	Harbinger Trading	B	1600	14:44:43
31/08/2000	Pawankumar Parmeshwarlal	Not entered	S	400	14:45:10	Tropical Securities	Harbinger Trading	B	400	14:45:11
21/09/2000	Pawankumar	Not entered	S	3000	13:26:25	Tropical	Harbinger	B	3000	13:26:28

	Parmeshwarlal					Securities	Trading			
5/10/2000	Pawankumar Parmeshwarlal	Not entered	S	350	12:26:53	Tropical Securities	Harbinger Trading	B	350	12:26:53
5/10/2000	Pawankumar Parmeshwarlal	Not entered	S	1850	12:27:29	Tropical Securities	Harbinger Trading	B	1850	12:27:33

From the above details, I note that the orders were entered simultaneously within close proximity of each other for the same quantity, which ensured matching of the orders. It is seen that the noticee had entered only buy trades in the scrip of Jagsonpal. Having considered this, I agree with the findings of the Enquiry Officer that the noticee had executed structured trades and is guilty of creating artificial volumes in the scrip of Jagsonpal.

10. Further, I note from the Enquiry Report that there was an arrangement wherein the sell-side clients (at the exchange) bought the shares in spot deals from the buy-side clients (at the exchange) or their associates with an assurance that the buy-side clients or their associates would buy those shares back at the exchange.
11. Considering the above 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 note that the 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 scrip of Jagsonpal had contravened the provisions of Clauses A(1),(2),(3) and (4) of the Code of Conduct prescribed for the Stock Brokers in Schedule II under Regulation 7 of the Broker Regulations.
12. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008, the Enquiry Regulations have been repealed and in

terms of Regulation 38(2) of the SEBI (Intermediaries) Regulations, 2008, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of SEBI (Intermediaries) Regulations, 2008.

13. 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 and Investment Private Limited (SEBI Registration No. INB010993738), [PAN: AAAC 1670N], for a period of two months.
14. I note that SEBI has already suspended the certificate of registration of the Tropical Securities and 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.
15. This order shall come into force on expiry of twenty one days from the date of this order.

Date: 09/JUNE/2011

Place: Mumbai

**PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**