

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

IN THE MATTER OF JAGSONPAL PHARMACEUTICALS LIMITED

**In respect of Ms. Aditi Dalal, Harbinger Trading Company Private Limited,
Shriya Capital Services Private Limited, Globex Financial Services Limited**

Date of hearing: April 25, 2011

Appearances

For Noticee: Mr. Milan Dalal, Authorized Representative
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 Sections 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulations 11 and 13(3) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003

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 Ms. Aditi Dalal, Harbinger Trading Company Private Limited (hereinafter referred to as 'Harbinger'), Shriya Capital Services Private Limited (hereinafter referred to as 'Shriya'), Globex Financial Services Limited (hereinafter referred to as 'Globex') *prima facie* related to each other, while, trading in the scrip of Jagsonpal had entered into structured/ synchronized trades. Off-market transactions were also found to have been executed between Ms. Aditi Dalal, Harbinger, Shriya and Globex (hereinafter all collectively referred to as 'noticees'). During the period of investigation, Harbinger traded through brokers Lallubhai Ranchhoddas Share Brokers Pvt. Limited, CFL Securities Limited (hereinafter referred to as 'CFL') and Tropical Securities & Investment Pvt. Limited (hereinafter referred to as 'Tropical'). One among the noticees, namely Ms. Aditi Dalal had traded through brokers Rosy Blue Securities Limited and SPS Share Brokers Pvt. Limited. Globex traded through CFL, Tropical and Ventura Securities Limited. Shriya had traded through brokers Tropical and Guru Holding Private Limited.
4. On completion of the investigation, SEBI issued a common show cause notice (hereinafter referred to as 'SCN') dated September 02, 2005 to the noticees under Sections 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulations 11 and 13(3) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The SCN alleged that the noticees had entered into structured/ synchronized trades and financing deals to help CFL and Tropical to avoid payment obligation crises to the respective exchanges, which created artificial volume and price rise in the scrip. The SCN, therefore, alleged that the acts of noticees were in violation of Regulations 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'). Accordingly, the SCN called upon the noticees to show cause as to why appropriate action under Section 11(4)(b) of the SEBI Act should not be initiated against them.

5. Ms. Aditi Dalal vide her letter dated September 19, 2005 replied to the SCN and requested for a personal hearing. Globex replied to the SCN vide its letter dated September 28, 2005 and also requested for a personal hearing. The noticees namely Harbinger and Shriya replied to the SCN vide their letters dated February 04, 2011. Before proceeding further, an opportunity of personal hearing was granted to the noticees on April 25, 2011. On the scheduled date Mr. Bhupen Dalal, Advocate and Mr. Milan Dalal and Mr. Deepak Seth the authorized representatives for the noticees namely Ms. Aditi Dalal, Harbinger and Shriya appeared and made submissions. The noticee namely Globex did not turn up for the personal hearing. However, Globex submitted a letter dated April 25, 2011, through its authorized person and preferred to rely on its reply.
6. I have carefully considered the SCN, the replies received and the submissions made by the noticees. The submissions of the noticees in brief are:
 - a. Ms. Aditi Dalal vide her letters dated September 19, 2005, February 04, 2011, April 08, 2011, Harbinger vide its letter dated February 04, 2011 and Shriya vide its letter dated February 04, 2011 made almost similar submissions:
 - Ms. Aditi Dalal, Harbinger and Shriya are associated to CFL and Tropical.
 - The transactions were carried out in the normal and ordinary course of business.
 - From the rise/ fall in the share price of Jagsonpal no gain/ benefit was

derived.

- They had not acted in concert with others and there is no other violation except excessive volumes in ill-liquid scrips.

b. Globex vide its letter dated September 28, 2009 submitted as under:

- It has denied carrying out structured/ synchronized deals or off-market transactions in the scrip of Jagsonpal.
- It was not part of the group. The only relationship with Tropical is that of client-broker.
- It had carried out arbitrage transactions during the said settlement.
- During the relevant settlement, it had sold the shares of Jagsonpal in the normal course, when the prices were falling continuously.
- Investigation report in the matter has not been provided.

7. At the outset, I note the submission of the noticee namely Globex that it has not been supplied with certain documents. It is seen that all the documents relied on by SEBI have been provided to the noticees. However, I note that no document, which has not been provided to the noticees, is being relied upon in the present proceedings. I observe that none of the noticees has disputed any of the trades as stated in the SCN. I also note the admitted relationship of Ms. Aditi Dalal, Harbinger, Shriya with Tropical and CFL.

8. I have seen the annexure to the SCN showing the trading pattern in the scrip of Jagsonpal and find that the trading by Harbinger in the nature of structured/ synchronized trades. The orders were entered at almost the same price and quantity with very little time difference. The noticees namely Ms. Aditi Dalal, Harbinger and Shriya have submitted that the trades were executed for the purpose of creating temporary funding arrangements to meet the NSE/ BSE pay-in obligations of their associates namely CFL and Tropical. I have also seen the admission of Mr. Milan B. Dalal in his statement before the Investigating Authority (made in the capacity of Chairman and Managing Director of Tropical; Director of CFL and the

authorized representative of Ms. Aditi Dalal) that the trades were entered for raising temporary funds. I note that there was no real change in the beneficial ownership of the shares and the same was being done to facilitate the group companies to tide over the financial crisis and by indulging in such trades, the noticees have put the entire trading system at risk.

9. As regards Globex, I note that during the relevant period, Globex had traded through three brokers namely Tropical, CFL and Ventura. Globex has denied any relationship with Tropical except that of broker-client. However, Globex has not given any specific reason for choosing to trade in a less liquid scrip of Jagsonpal where its order matched with the counterparty broker at almost the same time and quantity. I have seen the pattern of trades of Globex, instances of the same has also been brought out below:

Date	Price	Sell				Buy			
		Member	Client	Qty.	Time	Member	Client	Qty.	Time
30/10/2000	579	Ventura	Globex	2500	14:51:46	Tropical	Harbinger	2500	14:51:48
30/10/2000	581	Ventura	Globex	2500	14:52:10	Tropical	Harbinger	2500	14:52:10
30/10/2000	580	Ventura	Globex	2500	14:52:31	Tropical	Harbinger	2500	14:52:31
30/10/2000	583	Ventura	Globex	2500	14:52:49	Tropical	Harbinger	2500	14:52:49
30/10/2000	585	Ventura	Globex	2500	14:53:04	Tropical	Harbinger	2500	14:53:05

From the above and other instances as seen from the SCN, it is observed that there was almost exact matching of the quantity, rate and also proximity in the timings of entering orders by Globex. Such matching of trades cannot be termed as mere coincidence that every time, Globex managed to sell to/ buy from the same counterparty client/ broker.

10. I note that noticees had chosen the scrip of Jagsonpal which was less liquid so as to ensure that the trades get completely executed with the intended counterparties. Further, I note from the SCN 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. None of the noticees except Globex has

denied this kind of an arrangement, which can be taken as their admission.

- 11.** From the above discussion, the admission of Mr. Milan B. Dalal and considering the nature of the trades, I note that noticees had indulged in the pattern of trades in the scrip of Jagsonpal which were not genuine, but manipulative and detrimental to the interest of the securities market. Thus, it is inferred that these transactions were not genuine sale-purchase transaction and had the effect of creating artificial volume. Having considered this, I am of the view that the charge of the violation of the provisions of Regulation 4(a),(b),(c) and (d) of the PFUTP Regulation stands established as against the noticees.
- 12.** Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11B and 11(4)(b) of the SEBI Act, 1992 read with Regulation 11 and 13(3) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby issue following directions:

 - a.** Ms. Aditi Dalal [PAN: AAIPD 4286B], Harbinger Trading Company Private Limited [AAACH 2481B] and Shriya Capital Services Private Limited [AACCS 3880M] are restrained from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of two years from the date of this order.
 - b.** Globex Financial Services Limited is restrained from buying, selling or dealing in securities market whatsoever or accessing the securities market, directly or indirectly, for a period of six months from the date of this order
- 13.** The stock exchanges are hereby directed to permit the respective members to square off their existing open positions, if any, at the earliest in Futures and Options segment.

14. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticees are not allowed to undertake transactions as prohibited in para 12 above.
15. This order shall come into force with immediate effect.

Date: August 2, 2011
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA