

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

IN THE MATTER OF JAGSONPAL PHARMACEUTICALS LIMITED

In respect of Har Sai Investments Limited, Alaknanda Capital Services Private Limited and HB Stockholdings Limited.

Date of hearing: April 25, 2011

Appearances:

For Noticees: Mr. Praveen Gupta for Har Sai Investments Limited
Mr. Atul Aggarwal, Chartered Accountant for Alaknanda Capital Services Pvt. Limited
Ms. Banmala Jha, Vice President (Legal) and Mr. Prashant Mishra, Advocate for HB Stockholdings Limited

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

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. SEBI analyzed the trading details along with the data of the volumes

contributed by the persons who had traded in the scrip of Jagsonpal. 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. An irregular pattern in volumes were also observed, wherein the volume varied between 39,200 shares as on October 31, 2000 to only 5 shares as on August 18, 2000. At BSE, the scrip witnessed comparatively lesser trading volume. At both the exchanges, volume in the scrip was observed mainly on those days when select individuals/ entities had traded in the scrip.

3. During the second period of investigation, the price of the scrip at NSE fell down from ₹319.20 as on July 02, 2001 to ₹129.50 as on October 31, 2001. The volume in the scrip of Jagsonpal again varied between 1 share as on October 08, 2001 to 18,985 shares as on July 16, 2001 at NSE. At NSE, on 48 days out of total 65 trading days, the volumes are less than 1,000 shares. On 28 days out of total 65 trading days, volumes are less than 100 shares.
4. On completion of the investigation, SEBI *inter alia* issued a common show cause notice (hereinafter referred to as the 'SCN') dated September 02, 2005 under Section 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 to Har Sai Investments Limited (hereinafter referred to as 'Har Sai'), Alaknanda Capital Services Private Limited (hereinafter referred to as 'Alaknanda') and HB Stockholdings Limited (hereinafter referred to as 'HB') (hereinafter collectively referred to as the 'noticees' and individually by their respective names). The investigations *prima facie* found that the noticees had indulged in structured/ synchronized trades in the scrip of Jagsonpal with each other and one Gloria investment Limited (hereinafter referred to as 'Gloria') during the period of investigation at NSE and Delhi Stock Exchange (hereinafter referred to as 'DSE'). The SCN asked the noticees to show cause for the alleged violation

of the provisions of Regulation 4 (a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations').

5. Two among the noticees, HB and Alaknanda vide their separate letters dated September 16, 2005 and September 26, 2005 asked for certain documents. SEBI replied to HB and Alaknanda on November 24, 2005 and it was explained that all the documents relied upon in the instant proceedings have already been provided to HB along with the SCN. Thereafter, HB and Alaknanda replied to the SCNs vide their separate letters dated December 10, 2005 and December 08, 2005 respectively.

Har Sai, the other noticee also replied to the SCN vide its letter dated December 09, 2005.

6. Subsequently, opportunities for personal hearing were given to all three noticees on October 27, 2006. On the date fixed, the authorized representative Mr. U.C. Lakhwani, Advocate appeared for the noticees namely Har Sai and HB. Mr. U.C. Lakhwani vide separate applications, both dated October 27, 2006 requested for supply of certain documents. It is seen that the list of documents as sought by the representative on behalf of these two noticees, i.e., Har Sai and HB is almost identical.

The noticee namely Alaknanda also appeared for the personal hearing through its authorized representative Mr. Suchitta Koley, Company Secretary and filed an application dated October 27, 2006 for the supply of certain documents.

7. Further, Har Sai and HB vide their separate letters both dated October 10, 2006 (*sic*) received by SEBI on November 20, 2006 raised certain preliminary issues and again requested SEBI for documents that were relied upon. Subsequent to this, these noticees have requested SEBI to read the date of

their letters as November 10, 2006 instead of October 10, 2006.

8. Further opportunities were granted to the noticees on April 25, 2011, due to change in the Competent Authority. On the said date, Mr. Praveen Gupta, Director of Har Sai; Ms. Banmala Jha, Vice President (Legal) and Prashant Mishra, Advocate on behalf of HB Stockholdings and Mr. Atul Aggarwal, Chartered Accountant on behalf of Alaknanda appeared and made oral submissions. During the course of personal hearing, the noticees namely Har Sai and HB requested SEBI to provide them with the documents showing order time and quantity of their trades alleged to have been executed in the scrip of Jagsonpal and also sought other documents that were relied upon by SEBI. Considering the request, SEBI provided legible copies of all the documents and the relevant trade details that were relied upon by SEBI.

Thereafter, the copies of all the annexures to the SCN and the statements showing date-wise time, quantity and price of orders were forwarded to Har Sai and HB vide letters dated May 10, 2011. Pursuant to the same, Har Sai and HB filed their additional replies vide their letters dated May 28, 2011 and May 27, 2011 respectively, which were taken on record.

9. I have carefully considered the SCN issued to the noticees, replies of the noticees, written submissions filed by the noticees and the material available on record. The submissions of the noticees are almost similar. They are summarized below:
- The transactions were carried out on the screen of the exchange and they gave deliveries and made all payments. The trades were carried out on the market price existing at the time of the trade.
 - All their trades happened during the period October 25, 2000 to November 21, 2000 i.e., much after the high and low as per the SCN.
 - Har Sai bought 53,610 equity shares of Jagsonpal and sold 30,100 shares at prevailing market price. The said transaction on gross basis was 20.86% of the trade volume of 4,01,178 shares, 5.86% on the net basis during the

relevant period. Har Sai had executed 43 impugned trades. In many settlements, there were order quantity differences of upto 50%. 39 of the said 43 impugned trades were through Fincap Portfolio Limited. There was no reversal of trades and all deliveries were made and payments made/ received in all transactions.

- Alaknanda bought 56,821 shares and sold 51,300 shares at prevailing market price. The said transaction on gross basis was 26.95% of the trade volume of 4,01,178, 1.37% on the net basis during the relevant period.
- HB bought 19,200 equity shares of Jagsonpal and sold 39,700 shares at prevailing market price. The said transaction on gross basis was 14.68% of the trade volume of 4,01,178 shares, 5.11% on the net basis during the relevant period. HB has submitted that 58 of the 75 impugned trades have either order quantity difference or order price difference or both and cannot be said to be structured. The balance 17 impugned trades have time difference of about 4 minutes. There was no reversal of trades and all deliveries were given and payments made/ received in all transactions.
- The trades of the noticees fall within the first period of investigation. A computation of the average daily volume of five months prior to August, 2000 establishes that there was a decline from the daily average volume subsequently.
- They are independent entities and it is unjustifiable to say that the entities are related because they have common director or address. Alaknanda had no relationship with Har Sai. Alaknanda was appearing in the list of promoters of HB. Merely by showing interconnection without demonstrating any collusion or common objective for manipulating or fraudulent intent in market is of no avail.
- The trades by HB were carried over a period of only 3 days and 6 days in the case of Har Sai during the entire investigation period and hence cannot be termed as manipulative under Section 11(4) and 11B of SEBI Act, 1992.
- SCN is grossly time barred and the proceedings cannot commence after repeal of the law. The law under which the SCN was issued was not in force

at the time of alleged commission of offences. Further, without saving any proceedings under the PFUTP Regulations, no proceedings under the new SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 can be carried.

- Regulation 7 of the PFUTP Regulation empowers the SEBI Board alone to order investigation. The order of investigation is bad and inconsistent with the spirit of the PFUTP Regulations. Further, the mandatory requirement of giving notice before issuing order of investigation not complied with.
- There was neither any intention nor the position of the noticee to inflate, depress or cause fluctuations in the prices of the scrip. The scrip was irregularly traded even before and after the period under investigation.
- The SCN has failed to disclose the cause, facts, circumstances, source and reason of investigation. The SCN has not brought out correlation between the nature of the transactions and the price movement. The contents and figures given are misleading.
- The copies of various documents have not been supplied to them and the details provided are not complete but only an extract.
- It has also been submitted that as per the provisions of Section 11B of the SEBI Act, SEBI's power to issue directions is limited to a certain class of persons.
- No action has been taken against the counterparties.

- 10.** At the outset, I note the submission of the noticees that they have not been supplied with necessary data and various documents. However, I have seen that all the documents relied upon by SEBI have already 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. As regards the submission of the noticee regarding delay in the proceedings, I note that neither there any time line fixed for such cases nor can the delay justify exoneration. Further, it is not necessary that SEBI initiates an investigation, only upon receipt of a complaint. SEBI is obliged to act when it is cognizant

about any kind of irregularity in the securities market.

11. Before proceeding further, it is necessary to consider the preliminary objections raised by the noticees in their respective replies. I note that the PFUTP Regulations were repealed and replaced by the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 with effect from July 17, 2003. Regulation 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 reads as under:

“Repeal and savings

13. (1) *The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 is hereby repealed.*

(2) *Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.*

(3) *Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations.”*

A reading of the above regulation makes it clear that the procedure for conducting the investigation shall be in accordance with SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Hence, I find no infirmity about the procedure adopted in the present proceedings. Further, as regards the requirement of notice before the order of investigation, I note that the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 has dispensed with the requirement of notice.

I note that none of the noticees has denied their trading in the scrip of Jagsonpal. Their only objection on this count seems to be that all of them had

traded only during the first period of investigation. Therefore, I note that all the noticees are persons associated with the securities market and within the scope of Sections 11B and 11(4) of the SEBI Act. In this regard, I place my reliance on the judgment of the Hon'ble High Court of Gujarat in the matter of Karnavati Fincap vs. SEBI (1996) 10 SCL 5 (GUJ) which has held -

"..... In ordinary meaning, the persons associated with the securities market would include all and sundry who have something to do with the securities market. The words "persons associated with the securities market" are of much wider import than intermediaries. It is inconceivable to think that a buyer or seller of a scrip is not a person associated with securities market, where or through which he transacts his business, whether as trader or as investor, of selling or buying the required scrip."

The words "all and sundry" above would include the noticees who has traded in the scrip during the period of investigation. After correlating the facts of the case with the above judgment, it is very clear that the noticees are persons associated with the securities market, within the scope of Section 11B of the SEBI Act.

- 12.** After having addressed the preliminary objections raised by the noticees, I proceed to the core issue: Whether the noticees had acted in collusion and created artificial liquidity/ false market in the scrip of Jagsonpal?
- 13. Whether the noticees had acted in collusion and created artificial liquidity/ false market in the scrip of Jagsonpal?**
 - a.** I note that the noticees had traded in the scrip of Jagsonpal only during the first period of investigation. I have seen the allegations leveled in the SCN that the noticees had executed structured/ synchronized trades in the scrip of Jagsonpal with each other and one Gloria Investment Limited. I note that Gloria Investment Limited had traded through broker HB Securities Limited in the scrip of Jagsonpal.
 - b.** I note that allegation that the noticees were related to each other and to the

broker, HB Securities Limited. The basis for this relationship is the list of group entities that was submitted by the noticees namely HB and Har Sai to SEBI during the investigations. Further, I note that the name of the noticee namely Alaknanda appears in the list of the promoters of HB. The noticees in their respective replies have denied the allegation and submitted that they all are independent entities. The noticees have also submitted that merely by showing interconnection and without demonstration of any collusion for manipulation no case can be made out as against them.

I have considered the argument of the noticees and note that the noticee namely Har Sai had the same address as the head office of HB Securities Limited. Further, one Mr. Sanjeev Kumar is the common link between HB and Harsai. Considering this and the trading pattern of the noticees wherein the orders of one noticee matched with another in a synchronized manner and repeated nature of such trades reveals a definite nexus amongst the noticees. However, to arrive at a conclusion, it is important to see the trading pattern of the noticees. For the same, trades of the noticees have been discussed below:

- c. I note that HB was trading in the scrip of Jagsonapl through two brokers namely HB Securities Limited and UTI Securities Limited. The summary of the trading of HB is given below:

Table A

Traded through broker	Settlement No.	Buy	Sell	Gross	Market Gross	% to Market Gross	Net Buy or (Sell)
HB Securities	2000044	19,200	0	19,200	85,420	22.48%	19,200
UTI Securities	2000045	0	19,700	19,700	93,558	21.06%	(19,700)
UTI Securities	2000047	0	20,000	20,000	1,14,856	17.41%	(20,000)
Total		19,200	39,700	58,900	2,93,834	20.05%	(20,500)

The noticee namely Har Sai had traded in the scrip of Jagsonapl through brokers namely HB Securities Limited and Fincap Portfolio Limited. The summary of the trading of Har Sai through these brokers is as under:

Table B

Traded through broker	Settlement No.	Buy	Sell	Gross	Market. Gross	% to Market Gross	Net Buy or (Sell)
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HIB Securities	2000044	10	10,000	10,010	85,420	11.72%	(9,990)
Fincap Portfolio	2000044	20,000	0	20,000	85,240	23.46%	20,000
Fincap Portfolio	2000045	0	20,000	20,000	93,558	21.38%	(20,000)
Fincap Portfolio	2000046	20,346	0	20,346	44,972	45.24%	20,346
Fincap Portfolio	2000047	12,480	0	12,480	1,14,856	10.87%	12,480
Total		52,836	30,000	82,836	4,24,046	19.53%	22,836

Alaknanda had traded in the scrip of Jagsonpal through broker namely HB Securities Limited. The summary of the trading of Alaknanda is given below:

Table C

Traded through broker	Settlement No.	Buy	Sell	Gross	Market. Gross	% to Market. Gross	Net Buy or (Sell)
HIB Securities	2000044	0	10,000	10,000	85,420	11.71%	(10,000)
HIB Securities	2000045	40,634	0	40,634	93,558	43.43%	40,634
HIB Securities	2000046	70	19,800	19,870	44,972	44.18%	(19,730)
HIB Securities	2000047	16,072	21,500	37,572	1,14,857	32.71%	(5,428)
Total		56,776	51,300	1,08,076	3,38,807	31.90%	5,476

- d. An analysis of the table A above, shows that the noticee namely HB had traded for 58,900 shares on gross basis and made net sale of 20,500 shares. HB in total bought 19,200 shares and sold 39,700 shares on 4 trading days in settlement numbers 44, 45 and 47. This quantity was 14.68% of the traded volume of 4,01,178 shares and 5.11 % of net trading volume during the investigation period.

The analysis of table B above, shows that HB had traded for 82,836 shares on gross basis and made net purchase of 22,836 shares. Har Sai in total bought 52,836 and sold 30,000 on 6 trading days in settlement numbers 44, 45, 46 and 47. This quantity was 20.86% of the traded volume of 4,01,178 shares and 5.86% of the net trading volume, during the investigation period.

It is seen from the table C above, the noticee namely Alaknanda had traded for 1,08,076 shares on gross basis and made net purchase of 5,476 shares. Har Sai in total bought 56,776 and sold 51,300 on 7 trading days in settlement numbers 44, 45, 46 and 47. This quantity was 26.95% of the traded volume of 4,01,178 shares and 1.37% of the net trading volume,

during the investigation period.

e. It has been alleged in the SCN that the trades of the noticee were synchronized in nature with the related entities.

- The details of such synchronized trades executed by HB have been brought out below for reference:

Table D

	Sell Client				Total	
	Gloria Investments		HB			
Buy Client	Synchronized Qty.	No. of trades	Synchronized qty.	No. of trades	Synchronized trade qty.	No. of trades
Alkananda	0	0	34,570	63	34,570	63
Harsai	0	0	4,844	8	4,844	8
HB	19,200	4	0	0	19,200	4
Total	19,200	4	39,414	71	58,614	75

From table above, I note that HB executed 75 trades in all, which were of synchronized nature, for a quantity of 58,614 shares with the related entities. I do not agree with the submission of HB that there were 17 trades where the time difference is more than 4 minutes. I observe that there are only 5 trades out of total 75 trades, where the time difference is more than 4 minutes and the total trading quantity of these 5 trades was very miniscule, which altogether accounted for 30 shares out of total synchronized trades for 58,614 shares.

- The details of synchronized trades executed by Har Sai have been brought out below for reference:

Table E

	Sell Client							
	Alkananda		Harsai		HB		Total	
Buy Client	Synchronized Qty.	No. of trades	Synchronized Qty.	No. of trades	Synchronized Qty.	No. of trades	Synchronized Qty	No. of trades
Alkananda	0	0	20,000	4	0	0	20,000	4
Harsai	32,300	22	10,000	4	3,755	5	46,055	31
Total	32,300	22	30,000	8	3,755	5	66,055	35

I note that Har Sai executed 35 trades of synchronized nature in all, for a quantity of 66,055 shares with the related entities. It is seen that Har Sai

had also executed self trades in the scrip of Jagsonpal during the period of investigation.

- The details of synchronized trades executed by Alakananda have been brought out below of reference:

Table F

	Sell Client							
	Alkananda		Harsai		HB Stockholdings Ltd.		Total	
Buy Client	Synchronized Qty.	No. of trades	Synchronized Qty.	No. of trades	Synchronized Qty.	No. of trades	Synchronized Qty.	No. of trades
Alkananda	0	0	20,000	4	34,570	63	54,570	67
Gloria	14,000	71	0	0	0	0	14,000	71
Harsai	37,300	27	0	0	0	0	37,300	27
Total	51,300	98	20,000	4	34,570	63	1,05,870	165

I note that Alakananda executed 165 trades of synchronized nature in all, for a quantity of 1,05,870 shares with the related entities.

- f. Having seen the trading details of the noticees in the scrip of Jagsonpal, it is now relevant to see the trading pattern of these. The same has been brought out below on sample basis:

Table G

Trade					Buy					Sell					Difference between		
Date	Sett No	Time	Qty.	Price	Member	Client	Price	Vol.	Time	Member	Client	Price	Vol.	Time	Time	Price	Qty.
31-Oct-00	2000044	11:41:34	5000	649	HB Securities	HB	649	5000	11:41:34	HB Securities	Gloria	649	5000	11:41:25	0:00:09	0	0
31-Oct-00	2000044	11:42:01	5000	649	HB Securities	HB	649	5000	11:42:01	HB Securities	Gloria	649	5000	11:41:53	0:00:08	0	0
31-Oct-00	2000044	11:42:57	5000	649	HB Securities	HB	649	5000	11:42:57	HB Securities	Gloria	649	5000	11:42:48	0:00:09	0	0
31-Oct-00	2000044	11:44:08	4200	649	HB Securities	HB	649	4200	11:44:08	HB Securities	Gloria	649	4200	11:44:00	0:00:08	0	0
31-Oct-00	2000044	14:22:47	2500	640	Fincap	Har Sai	640	2500	14:22:47	HB Securities	Har Sai	640	2500	14:22:41	0:00:06	0	0
31-Oct-00	2000044	14:22:56	2500	640	Fincap	Har Sai	640	2500	14:22:56	HB Securities	Har Sai	640	2500	14:22:55	0:00:01	0	0
31-Oct-00	2000044	14:23:04	2500	640	Fincap	Har Sai	640	2500	14:23:04	HB Securities	Har Sai	640	2500	14:23:04	0:00:00	0	0
31-Oct-00	2000044	14:23:15	2500	642	Fincap	Har Sai	642	2500	14:23:10	HB Securities	Har Sai	642	2500	14:23:15	0:00:05	0	0
31-Oct-00	2000044	14:23:37	2500	640	Fincap	Har Sai	640	2500	14:23:37	HB Securities	Alkananda	640	2500	14:23:34	0:00:03	0	0
31-Oct-00	2000044	14:23:48	2500	641	Fincap	Har Sai	641	2500	14:23:48	HB Securities	Alkananda	641	2500	14:23:47	0:00:01	0	0
31-Oct-00	2000044	14:24:00	2500	641	Fincap	Har Sai	641	2500	14:24:00	HB Securities	Alkananda	641	2500	14:23:57	0:00:03	0	0
31-Oct-00	2000044	14:24:10	2500	640	Fincap	Har Sai	640	2500	14:24:10	HB Securities	Alkananda	640	2500	14:24:10	0:00:00	0	0
1-Nov-00	2000045	12:56:47	4857	689	HB Securities	Alkananda	689	5116	12:56:47	UTI Securities	HB	689	5000	12:56:46	0:00:01	0	116
1-Nov-00	2000045	12:57:11	143	689	HB Securities	Alkananda	689	143	12:57:11	UTI Securities	HB	689	5000	12:56:46	0:00:25	0	4857
1-Nov-00	2000045	12:57:38	5000	689	HB Securities	Alkananda	689	5000	12:57:38	UTI Securities	HB	689	5000	12:57:38	0:00:00	0	0
1-Nov-00	2000045	12:57:55	5000	689	HB Securities	Alkananda	689	5000	12:57:55	UTI Securities	HB	689	5000	12:57:54	0:00:01	0	0
1-Nov-00	2000045	12:58:15	4700	689.00	HB Securities	Alkananda	689	4700	12:58:15	UTI Securities	HB	689	4700	12:58:14	0:00:01	0	0
21-Nov-00	2000047	10:22:16	500	680	Fincap	Har Sai	680	500	10:22:16	HB Securities	Alkananda	680	500	10:22:16	0:00:00	0	0
21-Nov-00	2000047	10:26:23	500	690	Fincap	Har Sai	690	500	10:26:23	HB Securities	Alkananda	690	500	10:25:49	0:00:34	0	0
21-Nov-00	2000047	11:02:16	500	680	Fincap	Har Sai	680	500	11:02:15	HB Securities	Alkananda	680	500	11:02:16	0:00:01	0	0
21-Nov-00	2000047	11:30:15	1000	680	Fincap	Har Sai	680	1000	11:30:15	HB Securities	Alkananda	680	1000	11:30:12	0:00:03	0	0

The trade details as reproduced above show that the orders for the trades were entered simultaneously. A perusal of these trades shows that these were in the nature of synchronization.

- g. I note that unknown persons can not trade continuously by putting orders in the above pattern and contribute to the total volumes in the market. The trades of the noticees appear to be executed with a pre-determined plan to match with a specific counterparty. I note that even though the screen based trading system is faceless in nature and it maintains anonymity of the counterparty broker/ client; it is also an established fact that two parties with prior intent can match their trades with each other by placing orders simultaneously at the same price. The Hon'ble SAT in the matter of *Ketan Parekh Vs. Securities and Exchange Board of India* vide its Order dated July 14, 2006 *inter alia* observed as follows:

"Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

- h. At this stage, I note that in the present case there was an existing direct connection between the noticees namely HB, Har Sai and Alaknanda. I observe the argument of the noticees that all these are independent entities. In this regard, the following observation of Hon'ble Supreme Court in the matter of *Delhi Development Authority Vs Skipper Construction Co. Pvt. Limited* (AIR 1996 SC 2005) is relied upon:

"The concept of corporate entity was evolved to encourage and

promote trade and commerce but not to commit illegalities or to defraud people. Where, therefore, the corporate character is employed for the purpose of committing illegality or defrauding others, the court would ignore the corporate character and will look at the reality behind the corporate veil so as to enable it to pass appropriate orders to do justice between the parties concerned. The fact that an individual and members of his family have created several corporate bodies would not prevent the court from treating all of them as one entity belonging to and controlled by that individual and family. If it is found that these corporate bodies are merely cloaks behind which lurks the individual and /or members of his family and that the device of incorporation was really a ploy adopted for committing illegalities and/ or to defraud people" (underlining supplied).

In view of the above, I do not find any merits in the argument of the noticees and note that they had acted in collusion with each other to match the trades in the scrip of Jagsonpal. As regards, the entity namely Gloria Investments, I note that the material available on record falls short of making out any connection with the noticees except for synchronized trading.

- i. I note the submission of the noticees that they had taken delivery and made payments for the trades executed by them. From the available records, I note that in few instances the transactions by Har Sai and Alaknanda were squared off. It is seen that the noticee namely Har Sai had executed self trades on October 31, 2000 while trading through two brokers as discussed above. The details of these trades shows that the orders were matched within a few seconds of each other. I note that Har Sai in its reply has not explained the objective of such trading pattern. This pattern of trading of Har Sai is explicitly manipulative in nature.
- j. The SCN has alleged that the orders for the trades were entered at consistently higher price than the previous day's close price. I have seen the data on record and find no major variation in the price of the scrip of Jagsonpal. Further, it is not clear from the data on record that these trades had impacted the price of the scrip in some way.
- k. As discussed above, the increase in the volume in the scrip can be attributed

to the trades executed by the noticees. Thus, from the aforesaid acts of noticees, I am of the view that the charge of violation of provisions of Regulations 4(a) and (b) of the PFUTP Regulation stands established.

14. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11B and 11(4)(b) of the Securities and Exchange Board of India Act, 1992, do hereby restrain the noticees, Har Sai Investments Limited [PAN: AABCH 2348L], Alaknanda Capital Services Private Limited [PAN: AAACA 7499Q] and HB Stockholdings Limited [PAN: AAACH 0637F] from buying, selling or dealing in the securities market whatsoever or accessing the securities market, directly or indirectly, for a period of two years from the date of this order.
15. 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.
16. 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 14 above.
17. This order shall come into force with immediate effect.

Date: May 9th, 2012
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA