

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. PG/AO- 72/2010]**

**UNDER RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA
(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY
ADJUDICATING OFFICER) RULES, 1995**

**In respect of
M/s. Parklight Investment Pvt. Limited
Broker, Bombay Stock Exchange Ltd.,
(SEBI Registration No. INB 011037836)
(PAN.N.A)
in the matter of Alka India Ltd.**

FACTS OF THE CASE IN BRIEF

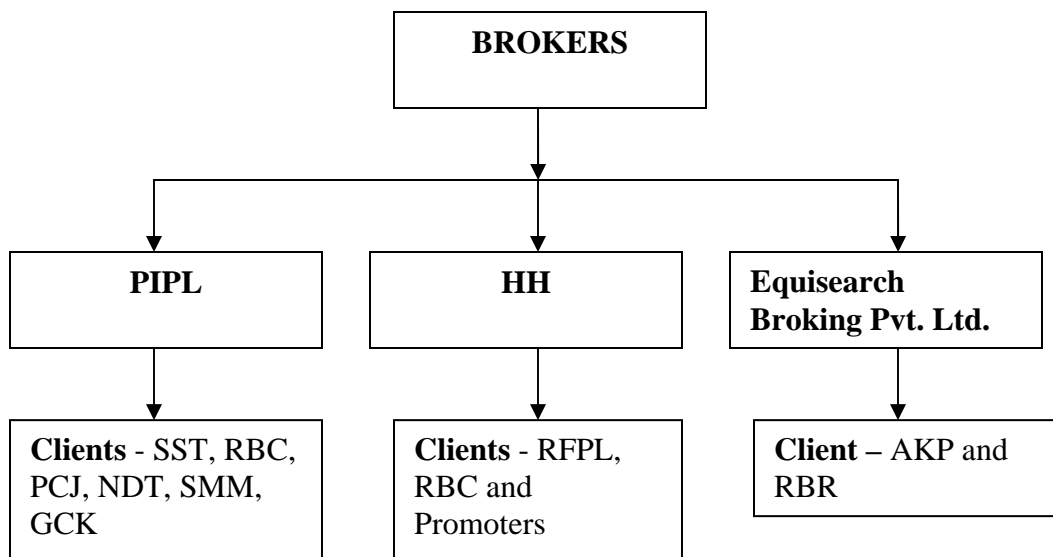
1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation in the trading in the scrip of Alka India Limited (hereinafter referred to as “**AIL/Company**”) for the period from August 14, 2003 to March 26, 2004 (hereinafter referred to as “**investigation period**”).
2. The shares (face value – Re. 1/- per share) of the Company are listed on Bombay Stock Exchange Ltd. (hereinafter referred to as “**BSE**”), Ahmedabad Stock Exchange (hereinafter referred to as “**ASE**”), Saurashtra Kutch Stock Exchange, Rajkot (hereinafter referred to as “**SKSE**”) and Jaipur Stock Exchange (hereinafter referred to as “**JSE**”). It was observed that no transaction in the said scrip was reported at ASE, SKSE and JSE during the investigation period. Hence, for the purpose of investigation the trades done at BSE were considered.

3. As per information available on the BSE website, the paid up capital of ALL as on June 30, 2003 and December 31, 2003 was Rs. 25 crores divided into 25,00,00,000 shares of Rs 1/- each. This information is available in public domain. Satish Panchariya, Arun Panchariya, Ramswaroop B Panchariya & Ashok R Panchariya are the promoters and Kailashben J Patel & Durgaram Dudi are the Persons Acting in Concert (PACs) of ALL.
4. The price of the shares of ALL decreased gradually over the period of 8 months from Rs.2.34 (August 14, 2003) to Re. 0.28 (March 23, 2004), in 157 trading days at BSE.
5. M/s Parklight Investment Pvt. Ltd., SEBI Registration No. INB 011037836) is a broker of BSE, having its address at R-530, Rotunda Bldg., 5th floor, Bombay Samachar Marg, Fort, Mumbai – 400023.
6. It was alleged that certain corporate announcements including better quarterly results along with some other premature misleading positive announcements like acquisition of units, export orders, dividend, preferential allotment, etc., were made with an intent to allure the investors and create liquidity in the scrip so that the Promoters/ related entities and other entities could off-load shares in the market. Certain brokers, viz., Parklight Investment Pvt. Ltd. (hereinafter referred to as “**Noticee**”) and M/s Harikishan Hiralal, presently known as M/s. Shreehari Hira Stock Broking (P) Limited, also assisted the promoter/ related entities/other entities to offload shares by creating artificial demand in the scrip by placing large buy orders at very low prices and later deleting them.

7. The entities involved in the said alleged manipulation are as under:

S. No	Abbreviation	Names	Category
1.	PIPL	Parklight Investments Pvt. Ltd.	Broker
2.	HH	Harikishan Hiralal	Broker
3.	SRP	Satish Ramswaroop Panchariya	Promoter
4.	AP1	Arun R Panchariya	Promoter
5.	AP2	Ashok R B Panchariya	Promoter
6.	RP1	Ramswaroopji B Panchariya	Promoter
7.	RP2	Radha S Panchariya	Promoter
8.	SP1	Saritadevi Panchariya	Promoter
9.	SP2	Shantadevi R Panchariya	Promoter
10.	DUD	Durgaram Umaram Dudi	PAC
11.	KJP	Kailashben J Patel	PAC
12.	CSL	Cavalier Securities Ltd.	Promoter related entity
13.	PTIL	Panchariya Textile Industries Ltd.	Promoter related entity
14.	NVS	Nilesh Vinodchandra Sheth	Other entity
15.	HCM	Hitendra Chaturbhai Makwana	Other entity
16.	RBC	Ratnaram Bhavraram Choyal	Other entity
17.	RBR	Ratnaram B Rabari	Other entity
18.	PCJ	Pravin C Jain	Other entity
19.	SMM	Shivram Motilal Meena	Other entity
20.	GCK	Giridharbhai Chaiturao Karu	Other entity
21.	AKP	Ashwin K Patel	Other entity
22.	RVJ	Rajput Vikramsingh Jaggusingh	Other entity
23.	SST	Sanjay Shankarlal Thakkar	Other entity
24.	NDT	Narendra D Tiwari	Other entity
25.	RFPL	Right Finstock Pvt. Ltd	Other entity

8. The aforesaid entities have traded amongst one another on off-market basis in the shares of AIL. Amongst the aforesaid entities following entities have traded in the shares of AIL at BSE.



9. The findings of the investigation led to the allegation that the Noticee had violated regulation 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) and clauses A(1), A(2), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II read with regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as “**Brokers Regulations**”) and was therefore liable for monetary penalty under sections 15HA and 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”).

APPOINTMENT OF ADJUDICATING OFFICER

10. Mr. V S Sundaresan was appointed as Adjudicating Officer vide order dated October 10, 2008 under section 15 I of SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the ‘**Rules**’) to inquire into and adjudge the abovementioned violations of PFUTP Regulations and Brokers Regulations under sections 15HA and 15HB of the SEBI Act. Consequent upon the transfer of Mr. V S Sundaresan, the undersigned

has been appointed as the Adjudicating Officer vide Order dated November 12, 2009.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

11. Show Cause Notice No. EAD-5/VSS/TZ/153792/2009 dated February 10, 2009 (hereinafter referred to as “**SCN**”) was issued to the Noticee under rule 4 of the Rules to show cause as to why an inquiry should not be held against the Noticee and penalty be not imposed under sections 15HA and 15HB of SEBI Act for the alleged violations specified in the said SCN. The Noticee did not submit any reply to the SCN.
12. Vide SEBI communication dated May 4, 2009 it was informed that the Noticee had filed for consent and accordingly the adjudication proceedings were kept in abeyance. Thereafter, vide SEBI communication dated July 31, 2009, it was informed that the said proceedings may be revived.
13. In the interest of natural justice and in order to conduct an inquiry in terms of rule 4(3) of the Rules, the Noticee was granted an opportunity of personal hearing on November 26, 2009, vide notice dated November 13, 2009. The Noticee vide its letter dated November 23, 2009 submitted that it wanted to file for consent proceedings and requested to adjourn the hearing until the conclusion of same. No intimation in this regard was received.
14. Vide letter dated December 2, 2009, the Noticee was advised to file for consent within 10 days, failing which another opportunity of hearing was granted to the Noticee on November 13, 2009. The Noticee neither appeared nor made any submissions.
15. Vide notice dated March 17, 2010, one more opportunity of hearing was granted to the Noticee on April 12, 2010. The Noticee vide its letter dated April 07, 2010 requested to further adjourn the hearing. Accordingly, the

- Noticee was granted another opportunity of hearing on April 16, 2010 vide notice dated April 7, 2010. However, the Noticee vide its letter dated April 14, 2010 once again submitted that it would like to apply for consent proceedings.
16. Vide letter dated April 19, 2010, the Noticee was advised to apply for consent on or before April 30, 2010. However, no intimation with regards to application for consent proceedings by the Noticee was received.
 17. I find that several opportunities of hearing have been granted to the Noticee; however the Noticee has not availed the same. Further, the Noticee had stated that it wanted to once again apply for consent proceeding vide its letter dated November 23, 2009, the same was once again submitted by the Noticee vide its letter dated April 14, 2010, however, no intimation with regard to the consent application filed by the Noticee was received. This indicates that the Noticee has been merely using delaying tactics to prolong the adjudication proceedings.
 18. The Noticee has been given substantial time and numerous opportunities to make its submissions but has not utilised the same. I am therefore constrained to proceed with the matter on the basis of documents available on record.

CONSIDERATION OF ISSUES AND FINDINGS

19. The issues that arise for consideration in the present case are :
 - a. Whether the Noticee had violated regulation 4(1) and 4(2)(a) of PFUTP Regulations?
 - b. Whether the Noticee had violated Clauses A(1), A(2), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Brokers Regulations?

- c. Does the non-compliance, if any, attract monetary penalty under sections 15HA and 15HB of SEBI Act?
 - d. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?
20. Before moving forward, it is pertinent to refer to the provisions of regulation 4(1) and 4(2)(a) of PFUTP Regulations and Clauses A(1), A(2), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II read with regulation 7 of Brokers Regulations, which read as under:-

PFUTP Regulations, 2003

“4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*
 - (a) *indulging in an act which creates false or misleading appearance of trading in the securities market;”*

Brokers Regulations

“Stock-Brokers to abide by Code of Conduct

- 7. *The stock-broker holding a certificate shall at all times abide by the Code of Conduct as specified at Schedule II.”*

“SCHEDULE II

Code of Conduct For Stock Brokers

A. GENERAL

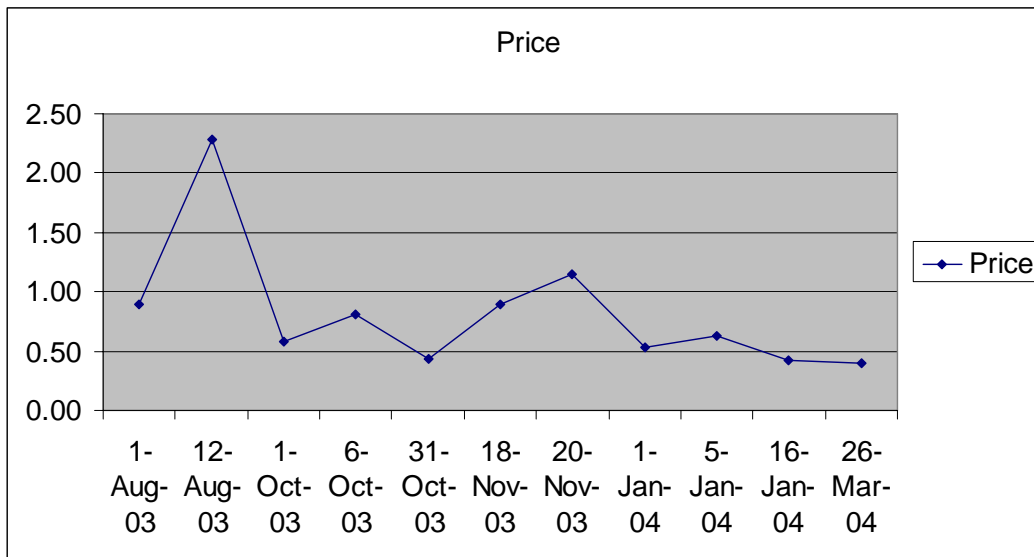
- (1) *INTEGRITY: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
- (2) *EXERCISE OF DUE SKILL AND CARE: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.*
- (3) *MANIPULATION: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.*
- (4) *MALPRACTICES: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*
- (5) *COMPLIANCE WITH STATUTORY REQUIREMENTS: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.”*

21. Upon perusal of the documents available on record, I find the following :

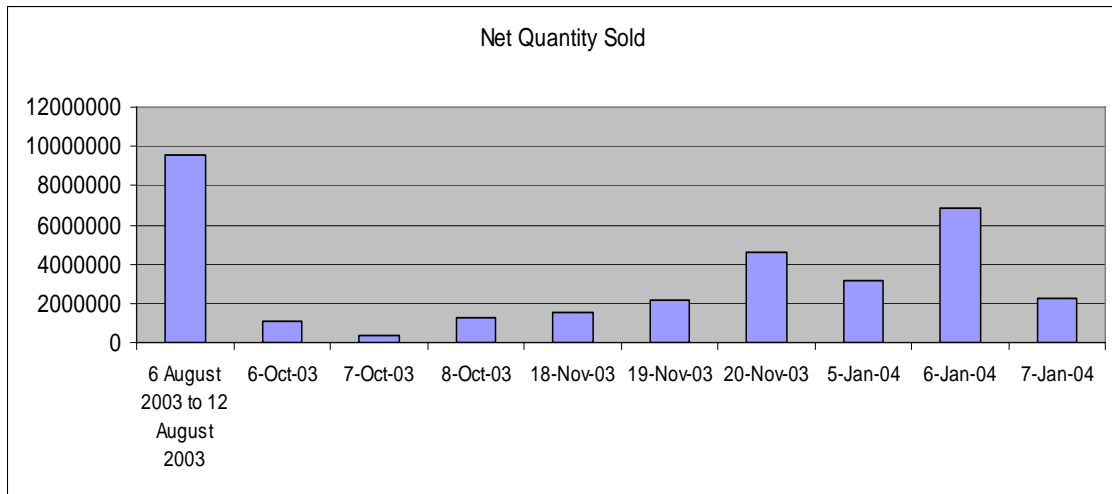
- (a) The promoter group entities, RFPL, RBC traded in the said scrip through broker HH. The others, viz., SST, RBC, PCJ, NDT, SMM, GCK traded through the Noticee. AKP and RBR traded through broker Equisearch Broking Pvt. Ltd. The summary of their market transactions is as under:

Names	Shares Bought	Shares Sold
SST	170539	17594964
PCJ	142800	33602273
NDT	30491	33832531
SMM	5815919	13987416
GCK	360210	51753963
Total for PIPL	65,19,959	15,07,71,147
Promoter Group	0	26906111
RFPL	1000	501000
RBC	61700	0
AKP	620154	6871434
Grand Total	72,02,813	18,50,49,692

- (b) There was sudden/temporary spurt in the price of shares of AIL immediately after every corporate announcement was made by AIL. This temporary rise in price during such corporate announcements is graphically depicted below:



- (c) As regards AIL making misleading announcements, the same has been established vide Adjudication Order No. VSS/AO- 189/2009 dated November 13, 2009 passed in respect of Satish Ramswaroop Panchariya in the matter of Alka India Ltd.
- (d) It was during such occasions when the price of shares of AIL rose temporarily, that the promoters/their related entities / PACs / other entities offloaded their shares of AIL in the market. The details of shares sold by the entities during such temporary rise is graphically depicted below:



- (e) The details of these transactions made by the promoters/their related entities/PACs/other entities vis a vis the said corporate announcements are as under:

Trading vis a vis misleading announcements

Sr. No	Date	News text	Implication on price of the scrip	Trading by major entities on BSE	Off market transactions
1	Informed to exchange on August 2, 2003. Published in Economic times on August 5, 2003 with caption "Another	Results for the quarter ended June 2003: The Board of Directors of Alka Spinners Ltd at their meeting held on July	Price of the scrip started rising on from next trading day of August 4, 2003 (opening price of Rs.1.06) reached a high of	Vikramsingh J Rajput sold 9525000 shares on Aug 6, 7, 8,11 12 2003	Vikramsingh J Rajput had received 30,00,000 shares from Panchariya Textiles Industries Ltd (having the same address as Alka India Ltd) in off-market on

	textile turns around"	30, 2003 has approved the results for the quarter ended June 2003.	Rs.2.82 on August 12, 2003 and closed at Rs.2.19 on August 13, 2003. Previous close was Rs.0.89 on August 1, 2003		August 12, 2003
		Total income and net profit of the company had shown sudden rise during the quarter ended June 30, 2003 as compared to the quarter ended March 31, 2003. Total income and net profit were Rs.25.8 crore and Rs.3.77 crore respectively during the quarter ended June 30, 2003 as compared to total income of Rs.1.91 crore and net loss of Rs.31.8 lakh during the quarter ended March 31, 2003.		Ashwin Kanjibhai Patel sold 2915677 shares on Aug 8 and 12 2003	Ashwin Kanjibhai Patel had received 1,15,69,000 shares from Cavalier Securities Ltd (had common director with Alka India Ltd) on August 7, 2003
2	Informed to Exchange on October 6, 2003	Results for the quarter ended September 2003:	On 6 th October 2003, the scrip opened at Re. 0.73 and touched its applicable upper circuit rate (20%) of Re. 0.81 (previous close was Re. 0.68).	Girdharbhai Chaiturao Karu Sold 3827959 on 4 days during 06/10/2003 to 14/10/2003	Girdharbhai Chaiturao Karu had received 50,00,000 shares from Ashwin Patel on October 10, 2003, 5,00,000 shares from Cavalier Securities Ltd on October 9, 2003, 25,00,000 shares from Ratnaram B Rabari on September 9, 2003 and 5580000 shares from Nilesh Vinodchandra Sheth on September 29, 2003
		The Board of Directors of Alka Spinners Ltd at their meeting held on October 6, 2003 has approved the results for the quarter ended September 2003. The company has registered a net profit of Rs 3.44 crore for	Thereafter on 8 th , 10 th and 13 th October 2003 also, price of the scrip has touched its applicable upper circuit limit.	Sanjay Thakkar sold 799551 on Oct 13, 2003	Sanjay Thakkar had received 50,00,000 shares from Giridharbhai Chaiturao Karu on October 9, 2003

		the quarter ended September 2003, as against a net profit of Rs 2.43 lacs in the same period last year.			
		The net profit for the previous quarter ended June 2003 was 3.77 crores.		Narendra Tiwari sold 3343056 shares on Oct 9 and 15, 2003	Narendra Tiwari received 25,00,000 shares from Hitendra Makwana on October 9, 2003, 17,37,000 shares from Sarojkanwar Shekhawat on October 9, 2003, 1084896 from Vikramsingh Rajput and 725576 shares from Shivram Motilal Meena on October 20, 2003. He also received shares from other entities around this period.
				Pravin C jain sold 3153134 shares on Oct 10 and 16, 2003	Pravin C Jain received 5500000 shares from Ashwin Patel on October 10, 2003, 4,00,000 shares from Shivram Motilal Meena on October 20, 2003 and 9644000 shares from Lila Laboratories Ltd in September 2003
3	Informed to Exchange on November 18, 2003	Alka Spinners Board declares Results for Year ended September 2003 and dividend:	On 18 th November 2003, the scrip opened at Re. 0.9 and touched its intra day high of Re. 0.92 (8.64% higher as compared to previous close of Re. 0.86).	Narendra Tiwari sold 7943246 shares on Nov 18, 19 and 20, 2003	Narendra Tiwari received 4032000 shares from Nilesh V Sheth on Nov 20, 2003, 1900000 shares from Sanjay Thakkar and 1200000 shares from Pravin Jain on Nov 21, 2003

	12:15:50 PM	The Board of Directors of Alka Spinners Ltd at their meeting held on November 18, 2003 has approved the results for the year ended September 2003. The company has registered a net profit of Rs 4.47 crore for the year ended September 2003, as against a net profit of Rs 2 lacs in the same period last year.	On 19 th November 2003, the scrip opened at Re. 1.06 and touched its applicable upper circuit rate (20%) with first trade (previous close was Re. 0.89).	Girdharbhai Chaiturao Karu Sold 30792540 on 16 days during 21/11/2003 to 15/12/2003	Girdharbhai Chaiturao Karu received 2,79,95,000 shares from Right Finstock during Nov 27 to Dec 12, 2003, 3300000 shares from Dharamveer Shekhawat on Nov 25, 2003. Right Finstock received 8,57,22 743 shares from various entities including persons acting in concert with the promoters during Nov 27 2003 to Feb 3, 2004 and transferred 8,52,20,150 shares to Giridhar Karu, Narendra Tiwari, Shivram Meena and Pravin Jain during Nov 27, 2003 to Feb 4, 2003.
		The Board of Directors also have recommended a dividend of 15% for the financial year ended September 30, 2003 for the approval of shareholders at AGM.		Ratanaram Rabari sold 1000000 shares on Nov 18, 2003	Ratanaram Rabari received 9300600 shares from Panchariya Textiles Industries Ltd on August 13, 2003 and 2500000 shares from Giridharbhai C Karu on Sept 3, 2003
4	Informed to Exchange on January 3, 2004	Alka Spinners - Outcome of AGM:	On 5 th January 2004 (next trading day after 3 rd January 2004), the scrip opened at Re. 0.6 and touched its intra day high of Re. 0.65 (14.04% higher as compared to previous close of Re. 0.57).	Pravin C jain sold 3176511 shares on Jan 5, 2004	Pravin C jain received 19036500 shares from Right Finstock Pvt Ltd Dec 16, 2003 to January 6, 2004
	12:13:16 PM	Alka Spinners Ltd has informed BSE that at the Annual General Meeting held on December 31, 2003, the shareholders have approved the following business matters:		Narendra D Tiwari sold 13539286 shares on Jan 6, 7 and 8, 2004 and sold 4403600 shares on Jan 20 and 22, 2004	Narendra D Tiwari received 37409350 shares from Right Finstock Pvt Ltd during Jan 7-21 2004, 1618000 shares from Cavalier Securities on Jan 7, 2004

		<p>1. Increase in Authorised Share Capital of the company from Rs 250 million to Rs 1000 million.</p> <p>2. To issue and allot in one or more lots on preferential or as Right Issue basis not exceeding 25,00,00,000 equity shares of Rs 1/- at a price not less than Re 1/- per share.</p> <p>3. Issue of Non-Cumulative Redeemable 6% Preference Share of Rs 100/- each not exceeding Rs 250 million</p>	Price of the scrip reached a high of Rs.0.68 on January 6, 2004 and started falling after that and closed at Rs. 0.35 on January 15, 2004.	Panchariya group entities sold 26906111 shares on 6 days during Jan 9 to 16, 2004	Total pay in for settlement number 206 (due on 20th January 2004), on account of sale transactions of promoter group was for 15,40,485 shares, for which altogether 6,98,088 shares were received in member Harikishan Hiralal's pool account from them and remaining 8,42,397 shares were credited to members pool account from demat account number 10013034 which belongs to Narendra Tiwari to meet the entire pay in obligation of promoter group
				Cavalier Securities Ltd. sold 18,09,804 shares (9,92,761 shares on 15th January 2004 and 8,17,043 shares on 3rd February 2004)	Had off-market transaction with Panchariya group entities in May- June 2004. Had also off-market transactions with various entities throughout the investigation period
5	Informed to Exchange on March 24, 2004	Alka Spinners Board to consider Scheme of Amalgamation:	On 25 th March 2004, the scrip opened at Re. 0.31 and touched its intra day high of Re. 0.34 (17.24% higher as compared to previous close of Re. 0.29).		
	5:10:50 PM	Alka Spinners Ltd has informed BSE that a meeting of the BoD of the company will held on March 26, 2004 to transact the following business:			
		1. To consider the proposal of amalgamation of Janice Textiles Ltd with the Company.			
		2. To consider and approve the Scheme of Amalgamation.			

6	Informed to Exchange on 3/26/2004 6:00:57 PM	<p>Alka Spinners Board approves proposal of amalgamation of Janice Textiles with the Company: Alka Spinners Ltd has informed BSE that the Board of Directors at its meeting held on March 26, 2004 has approved the proposal of amalgamation of Janice Textiles Ltd with the Company pursuant to the Companies Act, 1956 and subject to approval of the shareholders and that of the Hon'ble High Courts of Gujarat & Mumbai.</p>	On 26 th March 2004, the scrip opened at Re. 0.36 and touched its intra day high of Re. 0.40 (17.65% higher as compared to previous close of Re. 0.34).		
		The share exchange ratio was 25 equity shares of Alka India Ltd. of Re. 1 each in exchange of one equity share of Rs. 10 each fully paid up of Janice textiles Ltd.	On 29 th March 2004 (next trading day after 26 th March 2004), the scrip opened at Re. 0.46 and touched its applicable upper circuit rate (20%) for Re.0.48 (previous close was Re. 0.40).		

22. It was alleged that the Noticee was linked to the promoter group/PACs & other entities and assisted other entities to offload shares after the publication of misleading announcements made by the Company by creating artificial demand in the AIL shares by placing buy orders aggregating to 49,66,31,000 shares on behalf of the aforesaid clients at very low prices and later deleting them. Details of some of the large buy orders placed by Noticee with the code 407 and placed buy orders are as under:

Ordid	Trdid	Rate	Qty	Date	Time	Err	Client	Deleted qty	Executed qty	Time deleted	Diff
40702800000019549	28	1.1	500000	8/29/2003	12:53:25	0	Z100	700000	0	13:46:06	0:52:41
40702800000019550	28	1.1	1000000	8/29/2003	12:55:34	0	Z100	1000000	0	13:46:06	0:50:32
40702800000019770	28	0.9	1000000	9/2/2003	10:06:46	0	S500	1000000	0	14:23:16	4:16:30
40702800000020133	28	0.8	200000	9/5/2003	15:19:53	0	S500	0	9601	#N/A	#N/A
40702800000020136	28	0.8	500000	9/5/2003	15:26:32	0	S500	0	0	#N/A	#N/A
40702800000020137	28	0.8	400000	9/5/2003	15:26:42	0	S500	0	0	#N/A	#N/A
40702800000020138	28	0.8	1000000	9/5/2003	15:27:04	0	S500	0	0	#N/A	#N/A
40702800000020264	28	0.7	200000	9/8/2003	15:00:13	0	S500	0	13682	#N/A	#N/A
40702800000020266	28	0.7	240000	9/8/2003	15:00:39	0	S500	240000	0	15:21:37	0:20:58
40702800000020267	28	0.7	300000	9/8/2003	15:00:49	0	S500	300000	0	15:21:37	0:20:48
40702800000020268	28	0.7	500000	9/8/2003	15:00:59	0	S500	500000	0	15:21:38	0:20:39
40702800000020269	28	0.7	600000	9/8/2003	15:01:05	0	S500	600000	0	15:21:39	0:20:34
40702800000020270	28	0.7	700000	9/8/2003	15:01:13	0	S500	700000	0	15:21:40	0:20:27
40702800000020271	28	0.7	900000	9/8/2003	15:01:20	0	S500	900000	0	15:21:41	0:20:21
40702800000020435	28	0.5	400000	9/10/2003	9:58:02	0	S500	0	0	#N/A	#N/A
40702800000020437	28	0.4	2000000	9/10/2003	10:01:21	0	S500	0	0	#N/A	#N/A
40702800000020438	28	0.5	1000000	9/10/2003	10:01:30	0	S500	0	0	#N/A	#N/A
40702800000020439	28	0.5	200000	9/10/2003	10:02:00	0	S500	0	0	#N/A	#N/A
40702800000020449	28	0.6	200000	9/10/2003	10:32:31	0	S500	0	0	#N/A	#N/A
40702800000020511	28	0.6	300000	9/10/2003	13:12:35	0	N039	300000	0	13:32:35	0:20:00
40702800000020775	28	0.6	500000	9/11/2003	9:59:39	0	N039	0	0	#N/A	#N/A
40702800000020776	28	0.6	2000000	9/11/2003	9:59:49	0	N039	0	0	#N/A	#N/A
40702800000020777	28	0.6	180000	9/11/2003	9:59:59	0	N039	0	0	#N/A	#N/A
40702800000020830	28	0.7	300000	9/11/2003	12:43:21	0	N039	0	0	#N/A	#N/A
40702800000020978	28	0.8	100000	9/12/2003	11:25:17	0	P040	100000	0	11:36:10	0:10:53
40702800000020979	28	0.8	1028000	9/12/2003	11:35:54	0	P040	1002200	25800	13:25:54	1:50:00
40702800000021002	28	0.7	1000000	9/12/2003	13:26:08	0	P040	0	0	#N/A	#N/A

23. I find that the Noticee placed 494 large buy orders on 91 days i.e. from August 29, 2003 to January 14, 2004 totaling 49,66,31,000 shares of AIL. Out of these 494 large buy orders 436 orders were deleted by the Noticee.

24. It is further observed that on 29/08/2003, the Noticee placed buy orders for 5000000 and 1000000 shares of AIL at a price of Rs. 1.1. Upon perusal of the details of market transactions in the shares of AIL, I find that the prevailing price on that day was between Rs.1.8 to Rs.1.35. The order

was placed lower than the prevailing market price and was thereafter deleted. On 08/09/2003, transactions in AIL shares were done between price of Rs.0.65 to Rs. 0.91. On this day the Noticee placed 7 buy orders totaling 34,40,000 shares of AIL at price of Rs.0.7; however it deleted the said buy orders before the execution of trade. This clearly depicts that the intention of the Noticee was not to execute genuine trades but to create an artificial demand in the market for the said scrip. Similar pricing and deletion pattern has been observed for the remaining orders as well.

25. Further, upon perusal of the off-market trading details also provided to the Noticee as annexure to the SCN, I find that the Noticee had executed off-market transactions in the scrip of Alka India Ltd. The off market transaction details of the Noticee are as under:

Details of AIL shares transferred by NDT in off market mode			
Source Client	Target Client/ receiver	Date	Qty
PARKLIGHT INVESTMENT PVT. LTD.	SHIVRAM MOTILAL MEENA	1/12/2003	6700
	SHIVRAM MOTILAL MEENA	10/10/2003	81100
	SHIVRAM MOTILAL MEENA	12/11/2003	60798
	SHIVRAM MOTILAL MEENA	13/10/2003	21001
	SHIVRAM MOTILAL MEENA	14/10/2003	22100
	SHIVRAM MOTILAL MEENA	15/10/2003	58000
	SHIVRAM MOTILAL MEENA	16/10/2003	16000
	SHIVRAM MOTILAL MEENA	17/10/2003	83801
	SHIVRAM MOTILAL MEENA	17/11/2003	8800
	SHIVRAM MOTILAL MEENA	17/12/2003	5000
	SHIVRAM MOTILAL MEENA	18/11/2003	36000
	SHIVRAM MOTILAL MEENA	2/12/2003	27800
	SHIVRAM MOTILAL MEENA	20/11/2003	38500
	SHIVRAM MOTILAL MEENA	21/10/2003	16564
	SHIVRAM MOTILAL MEENA	21/11/2003	1000
	SHIVRAM MOTILAL MEENA	22/12/2003	500
	SHIVRAM MOTILAL MEENA	24/11/2003	17400
	SHIVRAM MOTILAL MEENA	25/11/2003	38692
	SHIVRAM MOTILAL MEENA	27/11/2003	138988
	SHIVRAM MOTILAL MEENA	28/11/2003	6006

	SHIVRAM MOTILAL MEENA	3/11/2003	5500
	SHIVRAM MOTILAL MEENA	3/12/2003	26300
	SHIVRAM MOTILAL MEENA	4/12/2003	26070
	SHIVRAM MOTILAL MEENA	5/12/2003	60500
	SHIVRAM MOTILAL MEENA	7/10/2003	1000
	SHIVRAM MOTILAL MEENA	7/11/2003	15000
	SHIVRAM MOTILAL MEENA	9/12/2003	1000
	KARU GIRDHARBHAI CHAITURAO	10/10/2003	142550
	PARKLIGHT INVESTMENT PVT. LTD. PARKLIGHT	12/1/2004	74000
	RATNARAM BHAWARAM CHOYAL	15/1/2004	37000
	PRAVIN JAIN	1/10/2003	18500
	PRAVIN JAIN	22/9/2003	1700
	SUKUMAR MAHNOT	29/8/2003	12000
	NARENDRA TIWARI	20/9/2003	9491
	SANJAY SHANKARLAL THAKKAR	8/9/2003	2000
	PARK LIGHT INVESTMENT PRIVATE LIMITED	3/10/2003	1000
	MANOHAR S JETHANI	8/9/2003	500
Total			1118861

26. Upon perusal of the aforesaid trading details, I find that the Noticee has transferred the shares of AIL to its clients viz. SMM, KGC, SST, RBC, PCJ, NDT, GCK in off market. The aforesaid clients were linked to the promoters/PAC's of AIL and further offloaded the said shares in the market taking advantage of the misleading announcement made by AIL.
27. Off market transactions are mutual transactions and can happen only between known entities as there is no ready mechanism to ensure their settlement. It logically follows that these entities who did huge transactions in AIL shares were known / linked to each other.
28. As regards violation of PFUTP Regulations, it has been alleged that the Noticee had assisted the promoter group / PACs in offloading the shares

in market by creating artificial demand in the scrip of AIL. This was done by the Noticee by placing large buy orders at low prices on behalf of its aforesaid clients and later deleting them. Further, the Noticee had transferred AIL shares from its own account to its clients in off market mode, who further offloaded the said shares in the market taking advantage of the misleading announcements made by the Company. Therefore, I am of the view that the Noticee has not only aided and abetted its clients in the said fraudulent activity but has also actively participated in the same. In view of the above, the allegation against the Noticee for violation of regulation 4(1) and 4(2)(a) of PFUTP Regulations hereby stands established.

29. I find that these entities related to the promoters/PAC's of AIL sold more than 15 crore shares of AIL through the Noticee. Selling of such large quantities should have alerted the Noticee to enquire about the source of shares and to seek further details about the clients. Brokers are expected to show integrity in their activities to comply with the regulatory requirements and to prevent fraudulent and market manipulation activities. Further, I find that the Noticee itself has transferred shares of AIL in off-market mode to its clients and the said clients have strategically offloaded the shares on market taking advantage of the misleading announcements made by AIL. In view of the foregoing, I am of the view that the noticee has not only shown lack of integrity on its part as a broker but has also actively indulged in the said manipulative activity by trading in the said scrip in off market mode and has thus violated Clauses A(1), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II read with regulation 7 of Brokers Regulations.

LEVY OF PENALTY

30. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) held that *“In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...”*.
31. Thus, the violation of regulation 4(1) and 4(2)(a) of PFUTP Regulations and Clauses A(1), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II read with regulation 7 of Brokers Regulations by the Noticee makes it liable for penalty under section 15HB of SEBI Act, 1992 which reads as follows:

“Penalty for contravention where no separate penalty has been provided 15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.]”*.

32. While determining the quantum of penalty under 15HB, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

“15J Factors to be taken into account by the adjudicating officer *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

- (a) *the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) *the amount of loss caused to an investor or group of investors as a result of the default;*

(c) *the repetitive nature of the default.”*

33. The material available on record indicates that the Noticee by placing large buy orders lower than the prevailing market price and thereafter deleting the same created artificial demand in the market when the promoter/Its related entities/PAC/ other entities were interested in offloading shares of AIL in the market. The said activity would have misled the general investors into believing that there is substantial demand for the AIL shares thereby alluring them to buy the said shares. Thus Noticee by indulging in such activity has not only aided and abetted the promoters/ related entities/other entities in the said manipulation but it has also shown lack of integrity as a broker and has failed to comply with the code of conduct as stipulated in the Brokers Regulation. While it is possible that investors may have been misled by the buy orders placed by Noticee on behalf of its clients as aforesaid, it is not possible to ascertain the loss caused to the investors due to said action of Noticee. Further, said action can be considered to be repetitive to the extent of number of orders placed and deleted.

ORDER

34. In terms section 15I of SEBI Act, I hereby impose a penalty of ₹1,50,000 (Rupees One Lakh fifty thousand only) under section 15HA and ₹2,00,000/- (Rupees Two Lakhs only) under section 15HB of SEBI Act, {i.e. a total penalty of ₹ 3,50,000/- (Rupees Three Lakhs Fifty thousand only)} on the Noticee which will be commensurate with the violation of regulation 4(1) and 4(2)(a) of PFUTP Regulations and Clauses A(1), A(3), A(4) and A(5) of Code of Conduct for Stock Brokers as specified in Schedule II read with regulation 7 of Brokers Regulations committed by it.

35. The Noticee shall pay the said amount of penalty by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to Mrs. Medha Sonparote, Deputy General Manager, Investigations Department – 1, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.
36. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: **December 31 , 2010**

Place: **Mumbai**

Piyooosh Gupta
Adjudicating Officer