

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER
IN THE MATTER OF PRUDENTIAL PHARMACEUTICALS LIMITED**

In respect of Ms Ushma P. Sheth

Date of hearing: May 07, 2010

For Noticee: Shri Pallav Sheth

For SEBI: Shri Suresh Gupta, Chief General Manager
Shri Kirti Kumar Jadhav, Presenting Officer
Shri Santanu Mitra, Legal Officer
Ms. Vasudha Goenka, Legal Officer

ORDER

UNDER SECTION 11B READ WITH 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992

1. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted investigations into the alleged irregular transactions and price manipulation in the scrip of M/s Prudential Pharmaceuticals Limited (hereinafter referred to as "Prudential") for the period March 5, 2001 - July 6, 2001 (hereinafter referred to as the "period of investigation"). Prudential was listed at Bombay Stock Exchange, Hyderabad Stock Exchange, Calcutta Stock Exchange and Ahmedabad Stock Exchange (hereinafter referred to as "BSE", "HSE", "CSE" and "ASE" respectively).

2. During the period of investigation, the price of the scrip rose from Rs.11.85 on March 5, 2001 to Rs.21.25 on March 16, 2001. The price of scrip had gone up by more than 7% each day during the aforesaid period. Again, it went up from Rs.15.35 on May 28, 2001 to Rs.42.05 on June 15, 2001 and from Rs.44 on June 25, 2001 to Rs.55 on July 2, 2001. During the relevant period, the scrip traded with daily volume of over 1, 00,000 shares on 4 days i.e. on June 6, June 11, June 18 and June 26, 2001 with large quantities traded between only two brokers, namely, M/s SPS Share Brokers Pvt. Ltd (hereinafter referred to as “SPS”) & M/s Tropical Securities and Investments Pvt. Ltd (hereinafter referred to as “Tropical”). Investigations further revealed Shri Vinod Baid, Chairman, Prudential and his group holding company Premier Fiscal Services Limited transferred 15,00,000 shares of Prudential. Out of these, Ushma P. Sheth received 3,00,000 shares. Ushma P. Sheth transferred the said 3,00,000 shares to one Ms. Aditi Dalal and Tropical which were used for the purpose of price/market manipulation. Thus, Ms. Ushma P. Sheth had aided and abetted Ms. Aditi Dalal and Tropical in creating a false market and indulged in acts calculated to create a false or misleading appearance of trading in the market in the scrip of Prudential.

3. On completion of the investigations, a Notice dated July 31, 2009 (hereinafter referred to as “SCN”) was issued to Ms. Ushma P Sheth (hereinafter referred to as the “noticee”) under Section 11(4) and Section 11B of the SEBI Act, 1992 alleging that the noticee facilitated Tropical in creating a false market and indulged in acts calculated to create a false or misleading appearance of trading in the market in the scrip of Prudential, thus contravening the provisions of Regulations 4(b), 4(d) and 4(e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to as “PFUTP Regulations, 1995”) read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations, 2003”). Accordingly, the SCN called upon the noticee to show cause as to why suitable directions under Sections 11 and 11(4) of SEBI Act, including debarring her from accessing the capital market and prohibiting her from buying, selling or dealing in securities in any manner, should not be issued against her.

4. I note that despite repeated reminders, the noticee has not replied to the SCN. An opportunity of personal hearing was granted to Ms. Ushma P. Sheth on May 07, 2010 wherein Shri Pallav Sheth, husband of Ms. Ushma P. Sheth appeared before me and made submissions on behalf of the noticee. It has been, *inter alia*, stated that:
 - i. The noticee had advanced money as a loan to Shri Vinod Baid, a friend, and in lieu of the same Shri Vinod Baid had transferred the shares of Prudential to Ms. Ushma P. Sheth.
 - ii. Subsequently, the said shares were sold in the market as Shri Vinod Baid was unable to repay the loan amount. The noticee incurred losses due to this.
 - iii. The noticee is not in possession of any of the documents relating to the period under investigation as they were seized during an income tax raid in the year 2004.
5. I have carefully considered the various documents on record including the SCN dated July 31, 2009 and the submissions of the noticee. I find that the issue under consideration in this matter is as follows:
 - a. Whether Ms Ushma P Sheth facilitated Tropical in creating a false market and indulged in acts calculated to create a false or misleading appearance of trading in the market in the scrip of Prudential.
6. I note that during the period of investigation dealings, as illustrated hereinafter, involving misuse of stock exchange mechanism for the settlement of private financing arrangement crystallized outside the exchange came to light.
7. I note that Ms. Aditi A. Dalal is the wife of Shri Asim B. Dalal. Shri Asim B. Dalal is the brother of Shri Milan B. Dalal, Director of Tropical. Thus, it is apparent that Ms. Aditi A. Dalal is related to Tropical. Ms. Aditi A. Dalal purchased 7,17,400 of Prudential shares off-market from Tropical as per details given below:

| Date of Purchase as per bill | Quantity | Rate (Rs.) | Remarks |
|------------------------------|-----------------|------------|---|
| 09.04.2001 | 6,17,400 | 15.30 | Tropical vide bill no. GP49/249001 dated 14.04.2001 |
| 26.06.2001 | 1,00,000 | 45.22 | Tropical vide bill no. GC74/374001 dated 30.06.2001 |
| | 7,17,400 | | |

8. I note that out of these 7,17,400 shares, Ms. Aditi A. Dalal sold 6,00,000 shares to SPS in off-market deals as per details given in the table below. The 6,00,000 shares were again bought by Tropical in a matched deal from SPS. The said sale of the shares to Tropical on the Exchange was through synchronized transactions where the order quantity, price and time were matched.

| Date of receipt of shares in demat account of SPS | Date of sale | Quantity | Rate | Remarks |
|---|--------------|-----------------|-------|---|
| 27.04.2001 | 09.04.2001 | 2,50,000 | 15.40 | M/s Aditi Dalal's bill no. GP03/203007 dated 14.04.2001 |
| 17.05.2001 | 08.05.2001 | 3,50,000 | 15.40 | M/s Aditi Dalal's bill no. GP07/207006 dated 12.05.2001 |
| | | 6,00,000 | | |

9. Further, 1,00,000 shares were sold by Ms. Aditi A. Dalal in the market dealing through SPS on June 26, 2001 at the rate of Rs.45.27 in settlement No.14/2001. The said 1,00,000 shares sold by Ms. Aditi A. Dalal through SPS were purchased back by Tropical in a matched deal on its own account in settlement no. 14.
10. The sale proceeds so realized by Ms. Aditi A. Dalal were transferred to Tropical for meeting its pay-in requirements on account of its purchase of these shares when SPS was selling

these shares in the market. This cycle was repeated in settlement after settlement, thereby creating artificial volumes. The stock exchange mechanism was thus misused for the settlement of private financing arrangements entered into outside the exchange.

11. I note that the shares used for manipulation were received by Ms. Aditi A. Dalal and Tropical through certain entities that were acting as a conduit for the transfer of shares. Ushma P. Sheth, the noticee herein, is one such entity.

12. I note that Shri Vinod Baid, Chairman, Prudential and his group holding company Premier Fiscal Services Limited transferred 3,00,000 shares of Prudential to Ushma P. Sheth. From perusal of demat account of the noticee it is seen that she had transferred 3,00,000 shares of Prudential to Ms. Aditi Dalal and Tropical during the relevant period, in the following manner:

| Sl. No. | Name | Details of Transfer |
|---------|------------------|---|
| 1. | Ms Ushma P Sheth | <ul style="list-style-type: none">• Transferred 2,00,000 shares between April 26, 2001 to May 17, 2001 to Ms. Aditi Dalal• Transferred 1,00,000 shares to Tropical on July 11, 2001. |

The shares transferred in the manner illustrated above were then used by Ms. Aditi Dalal and Tropical for the purpose of market manipulation in the scrip.

13. Further, I note from the investigation report that Ushma Sheth is the wife of Pallav Sheth. Pallav Sheth, in turn is well known to Milan Dalal, Director of Tropical. This has been admitted by Milan Dalal and by Pallav Sheth's wife, Ushma Sheth in their respective statements. Moreover, Ms. Aditi A. Dalal is the wife of Shri Asim B. Dalal, who is the

brother of Shri Milan B. Dalal. Moreover, the noticee has also admitted that Vinod Baid was a friend. Thus, it is clear that the entities are related.

14. I thus find that Ms. Ushma P. Sheth facilitated the manipulation in the scrip of Prudential when she transferred the shares received by her from Shri Vinod Baid, Chairman, Prudential to Aditi A. Dalal and Tropical. The shares were subsequently used to manipulate the scrip. Hence, I find that Ms. Ushma P. Sheth facilitated the creation of a false market and indulged in acts calculated to create a false and misleading appearance of trading in the market in the scrip of Prudential.
15. From the foregoing, I have no difficulty in holding that Ms. Ushma P. Seth violated the provisions of Regulations 4(b), 4(d) and 4(e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 read with Regulation 13(2) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003.
16. I note that the noticee has contended that she had advanced money as a loan to Shri Vinod Baid and in lieu of the same he had transferred the shares of Prudential to her. These shares were sold by the noticee as Shri Vinod Baid was unable to repay the loan amount. Even if the above contention is accepted, the fact remains that the noticee has, wittingly or unwittingly, assisted the scheme of manipulation in the scrip. Considering the totality of the case, in the interest of justice and equity, I dispose of the present proceedings, as ordered below.
17. Therefore, taking into account the facts and circumstances of the case and in exercise of the powers vested in me by Section 19 of the SEBI Act, 1992 read with Section 11B and 11(4) of the SEBI Act, 1992 hereby warn Ms. Ushma P. Sheth to be cautious in her future dealings and exercise due care and diligence in the conduct of her affairs as a securities market

participant. Further, any future instance of violation or non-compliance by her with the SEBI Act and Rules and Regulations framed there under shall be dealt with stringently.

Date: December 15, 2010

Place: Mumbai

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