BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO.: SD/AO/19/2009)

UNDER SECTION 15I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

Against

JAGRUTI SECURITIES LIMITED

PAN:AAACJ1217D

BRIEF FACTS OF THE CASE:

1. On August 2, 2004, there was an article that was published in 'The Financial Express' which cited that a lot of bulk deals were executed in the scrip of JIK Industries Limited (hereinafter referred to as 'JIKIL') on BSE and which interalia referred to circular trading and legalizing unaccounted money. Subsequently, the matter was referred to BSE for investigation by SEBI. BSE had submitted its report on October 11, 2004. Later, even the NSE was asked to initiate investigation for the same period in the dealings of the scrip, which submitted its report on March 16, 2005.

2. After a preliminary investigation at 02 level, the case was approved for initiating formal investigation at 03 level on January 9, 2006. The following paragraph was quoted in the Investigation Report (hereinafter referred to as the 'said report') as a reason for converting the case to 03 level: *'…….. due to lack of cooperation from JIKIL, its promoters/directors, Jagruti Securities Limited (JSL) and the major clients, it has not been possible to collect first hand information regarding the dealings in the scrip of JIKIL. Therefore, in the present circumstances it is not possible to make any definite inferences about the connivance between the promoters/directors and the other entities.'* Thus, so as to gather information regarding circumstances of the deals and conclude the case with more evidences and records, it became imperative to issue summons to JIKIL, its promoters/directors, Jagruti Securities Limited (hereinafter referred to as the 'Noticee'), the clients and the related entities. Therefore, it was proposed to take up the case for formal investigations.

3. The period of investigation was June 1, 2004 to August 3, 2004 (hereinafter referred to as the 'said period').

4. JIKIL is a BSE and NSE listed company, which has its registered office at Pada No.3, Balkum Village, Thane (W) and its administrative office at 16, Gundecha Chambers, Ground Floor, Nagindas Master Road, Fort, Mumbai. It was incorporated way back in 1990, as part of the JIK Industries Group and it is an outcome of a merger between two companies viz., Krishna Finstock Ltd and its subsidiary Brown Bull Industries Limited. JIKIL is engaged in financial services and is a registered money changer with RBI. In 1997, it diversified into waste recycling by setting up a chemical waste recycling plant located at Thane district in Maharashtra.

5. According to the Exchange Reports, the directors of the Company are Rajendra G Parikh (Chairman), M P Thakker (Director), C H Gosalia (Director), G S Salian (Director) and S D Bhurke (Company Secretary).

6. From the Price Volume Statement for the said period, which is annexed as Annexure B1 and B2 to the said Report in the file, it can be noticed that the scrip has attracted fluctuations in volume though there is no major movement in the price of the scrip.

7. The total traded quantity in the scrip during the period under investigation was 92,42,277 shares at NSE. During the said period the scrip fell from Rs.4 to Rs. 2.80. While at BSE, the total traded quantity in the scrip during the said period was 2,34,85,753 shares. The price fell from Rs.3.95 to Rs.2.80 during the said period.

8. The said Report cites the conclusion in the BSE Report, which reads thus: '*…….. it appears that the Trading member of the Exchange, JSL was in financial crisis and it appears from the number of on and off market transactions that the Director of JIKIL, Mr. Rajendra Parikh along with persons acting in concert with promoters viz., Jagruti R Parikh and JSL may have entered into financial transactions with lots of parties……'.*

9. The said Report also cites the conclusion in the NSE Report: *'The client Jagruti Parikh is part of persons acting in concert of the company and was holding 21.62% shares as on June 30, 2004 in JIKIL. Shareholding of Jagruti Parikh was 14.15% as on September 30, 2004 and as on December 31, 2004 was 12.20%. The company has not submitted any disclosures, to the stock exchange under the provisions of SEBI Insider Trading Regulations, regarding change in shareholding. The Exchange vide letter dated October* 8, 2004 *has intimated the company regarding non compliance with the provisions of the listing agreement.'*

10. The last traded price (LTP) analysis done for the said period showed that there was no consistent pattern established and the price fall could not be attributable to any single trading member.

11. After taking into account the Exchange Reports, information was called from the depositories, the company, its promoters/directors, major brokers and clients, both on-market and off-market. Thus, the information acquired from various sources was analyzed to get to the conclusion.

12. As regards the issue of bulk deals, BSE has reported 32 instances of bulk deal reporting in the scrip during the said period. The Exchange has disseminated the same vide its notices. The 0.50% limit for the bulk deal disclosures in the scrip is 1.95 lakh shares. The list of all such bulk deals reported by the BSE trading members as per SEBI directive to the Exchange is annexed as Annexure D to the said Investigation report. Based on such number of bulk deals reported during the said period, investigation was focused on the clients who had traded for more than 0.5% capital of the company during the period with a single counterparty. The client wise summary along with counterparty client details only for those clients where the number of shares traded amongst clients during the entire period had been equal to or exceeded 0.5% of the share capital of the company which is annexed as Annexure E to the said Report.

13. During the said period, these clients had traded amongst themselves 1,25,02,949 shares out of total volume of 2,34,85,753 shares traded which attributes to 53% of the total volume during the said period as can be inferred from the said report. It can be observed that the names of these clients do not appear in the list of shareholders who are holding more than 1% of the equity capital of the company as on June 30, 2004.

14. As regards the issue of off-market deals, the Exchanges in their reports had specified that a lot of off-market transactions were observed among the promoter/persons acting in concert (hereinafter referred to as the 'PAC entities') and the persons who were actively trading in the market. A number of on and off market transactions were entered into between the director of JIKIL, Mr. Rajendra G Parikh, along with persons acting in concert with promoters, viz., Jagruti Parikh and Jagruti Securities Limited (JSL or the 'Noticee') with lots of other parties.

15. On this account, the demat transaction statements of the entities who had entered into off-market transactions with the promoter/PAC entities were called from the depositories. Following are the demat accounts and their beneficiary owners who were found to be involved in

the off-market transactions with the promoter/PAC entities as also amongst themselves:

S. No	D P Name	BO Id	Client Name
1	Standard Chartered Bank	10264251	RAJENDRA GULABRAI PARIKH
2	Standard Chartered Bank	10299348	RAJENDRA G PARIKH
3	Standard Chartered Bank	10264235	JAGRUTI RAJENDRA PARIKH
4	Standard Chartered Bank	10444857	JAGRUTI R PARIKH
5	Stock Holding Corporation of India Ltd	16250083	JAGRUTI SECURITIES LTD
6	ABN AMRO Bank N. V.	10100536	AMEET PARIKH
7	Action Financial Services (India) Ltd	10112300	ASHOK BHAGAT
8	Action Financial Services (India) Ltd	10113394	RAJESH JAGANNATH PANCHAL
9	Action Financial Services (India) Ltd	10113409	RAVI BHAGWANDAS PANCHAL
10	Action Financial Services (India) Ltd	10113847	PRASHANT M. NARVEKAR
11	Action Financial Services (India) Ltd	10112406	PRAKASH A. D'SOUZA
12	Action Financial Services (India) Ltd	10112022	PRASAD SAKHARAM TANDEL
13	Action Financial Services (India) Ltd	10116136	RAJESH S TALEKAR
14	Action Financial Services (India) Ltd	10121628	SICORP FINLEASE LTD
15	Action Financial Services (India) Ltd	10000990	ENPEE ENTERPRISES PVT. LTD.
16	Global Trust Bank Ltd	10078939	SMITA JANAK THACKER
17	HDFC Bank Ltd	40058004	MAHENDRA KUMAR PATODIA
18	Infrastructure Leasing & Financial Services Ltd	10756957	SAYED MUSTAFA
19	Sahara India Financial Corporation Ltd	10045185	RAMESH CHANDRA K. JAIN
20	Sahara India Financial Corporation Ltd	10080087	VIPUL R. JAIN
21	Sahara India Financial Corporation Ltd	10080126	VIKAS GOURIHAR NARNAVAR
22	Sodhani Securities Ltd	10112676	VIKAS GOURIHAR NARNAVAR
23	Standard Chartered Bank	10286017	PRISTINE MARKETING PVT. LTD

16. It is observed from the transaction statements of the said report, that on NSDL a total of 28342084 shares were transferred in the 142 off market transactions amongst parties during June and July 2004. The Investigation Report also noted that there was no off market transaction executed on CDSL. However, it was observed that there were few inter depository transfer entries on CDSL. The details of the off-market transactions executed on NSDL which have been taken from the said Report are as follows:

Off-market transactions

Execution Date	Source Client Name	Target Client Name	No. of securities
11-Jun-04	SMITA JANAK THACKER	JAGRUTI R PARIKH	100000
11-Jun-04	AMEET PARIKH	JAGRUTI SECURITIES LTD	109134
11-Jun-04	RAJENDRA G PARIKH	PRASHANT M NARVEKAR	125000
11-Jun-04	RAJENDRA G PARIKH	ASHOK BHAGAT	125000
11-Jun-04	RAJENDRA G PARIKH	PRASAD SAKHARAM TANDEL	125000
11-Jun-04	RAJENDRA G PARIKH	RAJESH JAGANNATH PANCHAL	125000
11-Jun-04	JAGRUTI R PARIKH	RAMESH CHANDRA K JAIN	300000
14-Jun-04	SMITA JANAK THACKER	JAGRUTI R PARIKH	100000
14-Jun-04	RAMESH CHANDRA K JAIN		125000
14-Jun-04	RAJENDRA G PARIKH	RAJESH JAGANNATH PANCHAL	131000
14-Jun-04	RAMESH CHANDRA K JAIN		175000
14-Jun-04	JAGRUTI SECURITIES LTD	ASHOK BHAGAT	200000
14-Jun-04	ASHOK BHAGAT		200000
14-Jun-04	SMITA JANAK THACKER	JAGRUTI R PARIKH	300000
15-Jun-04	RAJESH JAGANNATH PANCHAL	PRASHANT M NARVEKAR	100000
15-Jun-04	RAJESH JAGANNATH PANCHAL	SICORP FINLEASE LTD	100000
15-Jun-04	JAGRUTI SECURITIES LTD	RAJESH JAGANNATH PANCHAL	200000
15-Jun-04	JAGRUTI SECURITIES LTD	ASHOK BHAGAT	200000
15-Jun-04	ASHOK BHAGAT		200000
15-Jun-04	AMEET PARIKH	JAGRUTI SECURITIES LTD	400000
15-Jun-04		RAMESH CHANDRA K JAIN	500000
16-Jun-04	RAJESH JAGANNATH PANCHAL	ASHOK BHAGAT	100000
16-Jun-04	RAJESH JAGANNATH PANCHAL	PRASAD SAKHARAM TANDEL	100000
16-Jun-04	RAMESH CHANDRA K JAIN	VIPUL R JAIN	100000
16-Jun-04	ASHOK BHAGAT		300000
16-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	500000
17-Jun-04	JAGRUTI R PARIKH	PRAKASH A D'SOUZA	150000
17-Jun-04	RAVI BHAGWANDAS PANCHAL	ASHOK BHAGAT	200000
17-Jun-04	PRASHANT M NARVEKAR	ASHOK BHAGAT	200000
17-Jun-04	ASHOK BHAGAT		200000
17-Jun-04	ASHOK BHAGAT		200000
17-Jun-04		RAVI BHAGWANDAS PANCHAL	200000
17-Jun-04		RAMESH CHANDRA K JAIN	300000
17-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	500000
18-Jun-04	PRAKASH A D'SOUZA	RAJESH JAGANNATH PANCHAL	100000

18-Jun-04	PRAKASH A D'SOUZA	PRASAD SAKHARAM TANDEL	100000
18-Jun-04	JAGRUTI R PARIKH	ASHOK BHAGAT	200000
18-Jun-04	ASHOK BHAGAT		200000
18-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	500000
21-Jun-04		PRASAD SAKHARAM TANDEL	100000
21-Jun-04	RAJENDRA G PARIKH	ASHOK BHAGAT	200000
21-Jun-04		RAMESH CHANDRA K JAIN	200000
21-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	300000
21-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	500000
22-Jun-04	RAJENDRA G PARIKH	PRAKASH A D'SOUZA	100000
22-Jun-04	JAGRUTI R PARIKH	PRAKASH A D'SOUZA	100000
22-Jun-04	PRAKASH A D'SOUZA	ASHOK BHAGAT	100000
22-Jun-04	ASHOK BHAGAT		100000
22-Jun-04		RAMESH CHANDRA K JAIN	100000
22-Jun-04	PRASAD SAKHARAM TANDEL	ASHOK BHAGAT	200000
22-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	200000
22-Jun-04	ASHOK BHAGAT		200000
22-Jun-04	ASHOK BHAGAT		200000
22-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	400000
23-Jun-04	PRAKASH A D'SOUZA	PRASHANT M NARVEKAR	100000
23-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	100000
23-Jun-04	JAGRUTI SECURITIES LTD	RAJESH JAGANNATH PANCHAL	200000
23-Jun-04		RAMESH CHANDRA K JAIN	300000
24-Jun-04	ASHOK BHAGAT	PRASHANT M NARVEKAR	100000
24-Jun-04	RAMESH CHANDRA K JAIN		275000
24-Jun-04		RAMESH CHANDRA K JAIN	425000
25-Jun-04	RAVI BHAGWANDAS PANCHAL	ASHOK BHAGAT	100000
25-Jun-04	RAJESH S TALEKAR	ENPEE ENTERPRISES PVT. LTD	100000
25-Jun-04	RAMESH CHANDRA K JAIN		100000
25-Jun-04	ASHOK BHAGAT	Sayed Mustafa	200000
25-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	200000
25-Jun-04		RAMESH CHANDRA K JAIN	350000
28-Jun-04	RAMESH CHANDRA K JAIN		100000
28-Jun-04		RAMESH CHANDRA K JAIN	100000
28-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	300000
28-Jun-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	500000
29-Jun-04	PRASAD SAKHARAM TANDEL	ASHOK BHAGAT	100000
29-Jun-04	ASHOK BHAGAT		100000
29-Jun-04	RAMESH CHANDRA K JAIN		100000
29-Jun-04	PRASAD SAKHARAM TANDEL	PRAKASH A D'SOUZA	200000

29-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	225000
29-Jun-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	300000
30-Jun-04	ASHOK BHAGAT		100000
30-Jun-04	RAMESH CHANDRA K JAIN		100000
30-Jun-04		RAJESH JAGANNATH PANCHAL	200000
1-Jul-04	ASHOK BHAGAT	Sayed Mustafa	100000
1-Jul-04	RAJESH JAGANNATH PANCHAL	PRASAD SAKHARAM TANDEL	100000
1-Jul-04	RAJESH JAGANNATH PANCHAL	ASHOK BHAGAT	100000
1-Jul-04	ASHOK BHAGAT		100000
2-Jul-04	PRASAD SAKHARAM TANDEL	ASHOK BHAGAT	100000
2-Jul-04	ASHOK BHAGAT	Sayed Mustafa	200000
2-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	200000
2-Jul-04		RAMESH CHANDRA K JAIN	400000
3-Jul-04	JAGRUTI SECURITIES LTD	PRISTINE MARKETING PVT LTD	100000
3-Jul-04	ASHOK BHAGAT		100000
3-Jul-04	PRISTINE MARKETING PVT LTD	RAMESH CHANDRA K JAIN	150000
3-Jul-04		RAMESH CHANDRA K JAIN	200000
3-Jul-04	RAJENDRA G PARIKH	SMITA JANAK THACKER	400000
5-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	150000
6-Jul-04	ASHOK BHAGAT	Sayed Mustafa	100000
6-Jul-04	RAJESH JAGANNATH PANCHAL	PRAKASH A D'SOUZA	100000
6-Jul-04	PRISTINE MARKETING PVT LTD	RAMESH CHANDRA K JAIN	100000
6-Jul-04	RAMESH CHANDRA K JAIN	VIPUL R JAIN	100000
6-Jul-04	ASHOK BHAGAT		100000
6-Jul-04		RAMESH CHANDRA K JAIN	124800
6-Jul-04	RAJESH JAGANNATH PANCHAL	ASHOK BHAGAT	200000
6-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	235000
6-Jul-04	PRISTINE MARKETING PVT LTD	RAMESH CHANDRA K JAIN	250000
7-Jul-04	ASHOK BHAGAT	Sayed Mustafa	100000
7-Jul-04	RAJESH JAGANNATH PANCHAL	PRAKASH A D'SOUZA	100000
7-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	100000
7-Jul-04	RAMESH CHANDRA K JAIN	VIPUL R JAIN	100000
7-Jul-04	ASHOK BHAGAT		100000
7-Jul-04	ASHOK BHAGAT		100000
8-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	100000
8-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	150000
8-Jul-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	250000

8-Jul-04	RAJENDRA G PARIKH	RAJESH JAGANNATH PANCHAL	350000
8-Jul-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	500000
9-Jul-04	ASHOK BHAGAT	Sayed Mustafa	100000
9-Jul-04	PRAKASH A D'SOUZA	PRASHANT M NARVEKAR	100000
9-Jul-04	RAMESH CHANDRA K JAIN	VIPUL R JAIN	100000
9-Jul-04	PRAKASH A D'SOUZA	RAVI BHAGWANDAS PANCHAL	125000
9-Jul-04	RAJENDRA G PARIKH	ASHOK BHAGAT	200000
9-Jul-04	JAGRUTI R PARIKH	RAJENDRA G PARIKH	408000
9-Jul-04	RAJENDRA G PARIKH	SMITA JANAK THACKER	1500000
10-Jul-04	RAJESH JAGANNATH PANCHAL	PRAKASH A D'SOUZA	125000
15-Jul-04	SMITA JANAK THACKER	JAGRUTI R PARIKH	500000
16-Jul-04	JAGRUTI R PARIKH	MAHENDRA KUMAR PATODIA	100000
16-Jul-04	SMITA JANAK THACKER	RAMESH CHANDRA K JAIN	100000
16-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	100000
16-Jul-04	SMITA JANAK THACKER	JAGRUTI R PARIKH	200000
16-Jul-04	JAGRUTI R PARIKH	MAHENDRA KUMAR PATODIA	200000
16-Jul-04	JAGRUTI R PARIKH	MAHENDRA KUMAR PATODIA	400000
17-Jul-04	SMITA JANAK THACKER	RAJENDRA G PARIKH	250000
19-Jul-04	RAMESH CHANDRA K JAIN	VIKAS GOURIHAR NARNAVAR	200000
19-Jul-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	250000
19-Jul-04	SMITA JANAK THACKER	RAJENDRA G PARIKH	350000
20-Jul-04	SMITA JANAK THACKER	RAJENDRA G PARIKH	400000
21-Jul-04	SMITA JANAK THACKER	RAJENDRA G PARIKH	100000
21-Jul-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	200000
22-Jul-04	MAHENDRA KUMAR PATODIA	RAJENDRA G PARIKH	100000
23-Jul-04	MAHENDRA KUMAR PATODIA	RAJENDRA G PARIKH	100000
24-Jul-04	RAJENDRA G PARIKH	RAMESH CHANDRA K JAIN	100000
26-Jul-04	MAHENDRA KUMAR PATODIA	RAJENDRA G PARIKH	100000
28-Jul-04	MAHENDRA KUMAR PATODIA	JAGRUTI SECURITIES LTD	100000
31-Jul-04	RAJAN MAHENDRA SHAH	DHANSUKHRAI N MEHTA	109150
		Total	28342084

17. As regards the dealings of the promoters/persons acting in concert, Rajendra G Parikh is the promoter/director of JIKIL, Jagruti R Parikh is the wife of Mr. Rajendra Parikh and one among the PAC entities. Also, she is one of the directors of the trading member, the Noticee, M/s. Jagruti Securities Limited. Further, both Rajendra G Parikh and Jagruti Parikh have traded heavily in the scrip of JIKIL both through on-market and off-market mechanisms. Details regarding their trades were called from them.

18. It is observed in the said Report that after several summons and reminders, the Noticee submitted only part information on the pretext

that their hard disk had crashed and that their records were either lost or damaged in the floods that hit Mumbai city. And the other two promoter entities viz., Rajendra Parikh and Jagruti R Parikh had employed delaying tactics. Thus the findings of the investigation are based on the information available.

19. Due to the non-availability of complete information, the depositories were asked to submit more information on the deals both on and off-market. As per the details, the three promoter/PAC entities viz., the Rajendra Parikh, Jagruti Parikh and Noticee have the following five demat accounts, all with NSDL:

S. No	Client Name	DP Name	BO Id
1	RAJENDRA G PARIKH	Standard Chartered Bank	10299348
2	RAJENDRA GULABRA PARIKH	Standard Chartered Bank	10264251
3	JAGRUTI R PARIKH	Standard Chartered Bank	10444857
4	JAGRUTI RAJENDRA PARIKH	Standard Chartered Bank	10264235
5	JAGRUTI SECURITIES LTD	Stock Holding Corporation of India Ltd	16250083

20. The details of the credit/debit entries for the market, off-market and the total transactions done by the three entities as culled out from their demat statements are annexed as Annexure H to the said report in the file, the gist of which is as follows:

Market Transactions					
Name	**Credit**	**Debit**	**Gross**	**Net debit**	**Particulars**
Rajendra G Parikh	0	1377572	1377572	1377572	Chairman of JIK Industries
Jagruti R Parikh	0	284492	284492	284492	Person Acting in concert as per Shareholding pattern filed with the Exchange
Jagruti Securities Ltd	668868	425812	1094680	-243056	Person Acting in concert as per Shareholding pattern filed with the Exchange
Total	668868	2087876	2756744	1419008	
Off- Market Transactions					
Name	**Credit**	**Debit**	**Gross**	**Net debit**	**Particulars**

Rajendra G Parikh	1808000	5417977	7225977	3609977	Chairman of JIK Industries
Jagruti R Parikh	1234977	1938000	3172977	703023	Person Acting in concert as per Shareholding pattern filed with the Exchange
Jagruti Securities Ltd	687284	1016775	1704059	329491	Person Acting in concert as per Shareholding pattern filed with the Exchange
Total	3730261	8372752	12103013	4642491	
Total Transactions					
Name	**Credit**	**Debit**	**Gross**	**Net debit**	**Particulars**
Rajendra G Parikh	1808000	6795549	8603549	4987549	Chairman of JIK Industries
Jagruti R Parikh	1234977	2222492	3457469	987515	Person Acting in concert as per Shareholding pattern filed with the Exchange
Jagruti Securities Ltd	1356152	1442587	2798139	86435	Person Acting in concert as per Shareholding pattern filed with the Exchange
Total	4399129	10460628	14859757	6061499	

21. As regards the off-loading of shares by promoters, the findings of the said Report states that the shares have been initially transferred in off-market by the three promoter entities viz., the Noticee, Rajendra G Parikh and Jagruti Parikh to other entities who have off-loaded the shares in the market. In some cases the entities who have received the shares in off market from promoters have first transferred the shares in off market to other entities, who have ultimately off-loaded the shares in the market. The details of such off-market deals as extracted from the said Report are as follows:

Rajendra Parikh

Date	From	To	Quantity
11-Jun-04	10299348	10113394	125000
11-Jun-04	10299348	10112300	125000
11-Jun-04	10299348	10113847	125000
11-Jun-04	10299348	10112022	125000
12-Jun-04	10113394	10112300	25000

12-Jun-04	10113847	10112300	50000
12-Jun-04	10113847	10112022	75000
12-Jun-04	10113394	Market	100000
12-Jun-04	10112022	Market	200000
14-Jun-04	10112300	Market	200000
12-Jun-04	10299348	10444857	24977
14-Jun-04	10444857	Market	24977
12-Jun-04	10299348	10045185	50000
14-Jun-04	10045185	Market	50000
14-Jun-04	10299348	10113394	131000
15-Jun-04	10113394	10113847	100000
15-Jun-04	10113394	10121628	100000
15-Jun-04	10113847	Market	100000
15-Jun-04	10121628	Market	100000
21-Jun-04	10299348	10112300	200000
22-Jun-04	10112300	Market	200000
22-Jun-04	10299348	10112406	100000
22-Jun-04	10112406	10112300	100000
22-Jun-04	10112300	Market	100000
28-Jun-04	10264251	10045185	500000
28-Jun-04	10045185	10080126	300000
28-Jun-04	10045185	Market	100000
28-Jun-04	10045185	Market	50000
28-Jun-04	10045185	Market	50000
28-Jun-04	10080126	Market	150000
28-Jun-04	10080126	Market	150000
8-Jul-04	10264251	10045185	500000
8-Jul-04	10045185	10080126	150000
8-Jul-04	10045185	10080126	100000
8-Jul-04	10045185	10080087	50000
8-Jul-04	10045185	10080087	50000
8-Jul-04	10045185	Market	20000
8-Jul-04	10045185	Market	62000
8-Jul-04	10045185	Market	5000
8-Jul-04	10045185	Market	50000
8-Jul-04	10080126	Market	100000
9-Jul-04	10080126	Market	100000
9-Jul-04	10080126	Market	50000
9-Jul-04	10080087	Market	100000
9-Jul-04	10264251	10112300	200000
9-Jul-04	10112300	10756957	100000
9-Jul-04	10112300	10756957	50000

9-Jul-04	10756957	Market	100000
9-Jul-04	10756957	Market	100000
9-Jul-04	10112300	Market	50000
9-Jul-04	10299348	10045185	62000
9-Jul-04	10045185	10080087	100000
9-Jul-04	10080087	Market	100000
19-Jul-04	10264251	10045185	250000
19-Jul-04	10045185	10080126	200000
19-Jul-04	10045185	Market	20000
19-Jul-04	10080126	Market	100000
20-Jul-04	10080126	Market	100000
20-Jul-04	10045185	Market	22130
21-Jul-04	10264251	10045185	200000
21-Jul-04	10045185	10080126	80171
22-Jul-04	10045185	Market	100000
22-Jul-04	10045185	Market	34699
22-Jul-04	10080126	Market	80171
24-Jul-04	10264251	10045185	100000
24-Jul-04	10045185	10080126	23580
26-Jul-04	10045185	Market	75920
26-Jul-04	10080126	Market	23580

Jagruti Parikh

Date	From	To	Quantity
11-Jun-04	10444857	10045185	300000
14-Jun-04	10045185	Market	125000
14-Jun-04	10045185	Market	175000
12-Jun-04	10444857	10286017	50000
14-Jun-04	10286017	Market	50000
17-Jun-04	10444857	10112406	150000
18-Jun-04	10112406	10113394	100000
18-Jun-04	10112406	10112022	100000
18-Jun-04	10113394	Market	100000
18-Jun-04	10112022	Market	100000
18-Jun-04	10444857	10112300	200000
18-Jun-04	10112300	Market	200000
22-Jun-04	10444857	10112406	100000
22-Jun-04	10112406	10112300	100000
22-Jun-04	10112300	Market	100000

23-Jun-04	10444857	10286017	10000
23-Jun-04	10286017	Market	10000
9-Jul-04	10264235	10264251	408000
9-Jul-04	10264251	10112300	200000
9-Jul-04	10112300	10756957	100000
9-Jul-04	10112300	10756957	50000
9-Jul-04	10112300	Market	50000
9-Jul-04	10756957	Market	100000
9-Jul-04	10756957	Market	100000

Jagruti Sec.

Date	From	To	Quantity
14-Jun-04	16250083	10112300	200000
14-Jun-04	10112300	Market	200000
15-Jun-04	16250083	10112300	200000
15-Jun-04	10112300	Market	200000
15-Jun-04	16250083	10113394	200000
15-Jun-04	10113394	10113847	100000
15-Jun-04	10113394	10121628	100000
15-Jun-04	10113847	Market	100000
15-Jun-04	10121628	Market	100000
23-Jun-04	16250083	10113394	200000
25-Jun-04	10113394	10112022	50000
25-Jun-04	10113394	Market	150000
25-Jun-04	10112022	Market	100000
3-Jul-04	16250083	10286017	100000
3-Jul-04	10286017	10045185	150000
5-Jul-04	10045185	10080126	150000
5-Jul-04	10080126	Market	100000
5-Jul-04	10080126	Market	50000
5-Jul-04	16250083	10045185	25000
5-Jul-04	10045185	Market	25000

22. The list of entities who have been found to be involved in the cartel to facilitate offloading by promoter entities as set out in the said report is as follows:

S. No	BO Id	Client Name
1	10113394	RAJESH JAGANNTH PANCHAL
2	10112300	ASHOK BHAGAT
3	10113847	PRASHANT M. NARVEKAR

4	10112022	PRASAD SAKHARAM TANDEL
5	10045185	RAMESH CHANDRA K. JAIN
6	10121628	SICORP FINLEASE LTD
7	10112406	PRAKASH A. D'SOUZA
8	10080126	VIKAS GOURIHAR NARNAVAR
9	10080087	VIPUL R JAIN
10	10756957	SAYED MUSTAFA
11	10286017	PRISTINE MARKETING PVT. LTD.

23. It is found from the details given on page 10 of this Order and from the findings of the said Investigation Report that it has been the endeavor of the three promoter entities to offload their holdings while concealing their identity firstly to escape the surveillance net of the exchanges and secondly, to protect the price of the scrip from falling drastically than from what it had already fallen during the said Investigation period from Rs.4 to 2.80 at NSE and from Rs.3.95 to 2.80 at BSE during the said period, in case the information of off-loading by the promoters had been known to the general investors. It is also pertinent to note keeping in view the fact that the disclosures about bulk deals do not indicate that it was the promoters of the company who were off loading the shares, thus misleading the general investors. It is further noticed from the demat statements of the above entities that the opening and closing balances in their accounts were zero. However, during the said period, their accounts showed huge transactions in the scrip owing to transfer of shares from the three promoter entities for subsequent transfer to other entities or for off-loading them in the market which clearly establishes that these entities did not have any genuine interest in the scrip and that they were just roped in by the promoter entities in bailing them out for off-loading their holding in the market and also to conceal their identity.

24. Hence, it is clear that the three promoter entities including the Noticee, have offloaded their holdings while concealing their identity firstly to escape the surveillance net of the exchanges and secondly, to protect the price of the scrip from falling drastically than from what it had already fallen during the said Investigation period, in case the information about the off-loading by the promoters had been known to the general investors. And thus, all the three promoter entities including the Noticee have violated the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the PFUTP Regulations).

25. From the information available on record, the said findings of the Investigation Report state that the promoters/directors of JIKIL including the noticee acted hands in glove with several other entities and have offloaded their holdings.

26. As the Noticee, JSL or Jagruti Securities Limited has allegedly violated Regulations 3 (a), (c) and 4 (1) of the said PFUTP Regulations, the Noticee is allegedly liable for monetary penalty under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act').

APPOINTMENT OF THE ADJUDICATING OFFICER

5. The undersigned has been appointed as the Adjudicating Officer vide order of SEBI dated March 17, 2008 under Section 15I of the SEBI Act read with Rule 3 of the SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the 'Adjudication Rules') to inquire into and adjudge under Section 15HA of the SEBI Act, the violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

NOTICE, REPLY AND PERSONAL HEARING

6. After an investigation was conducted by the SEBI team during June, 2004 to August, 2004 a notice communicating the findings observed by SEBI, has been sent to the Noticee.

7. A Show Cause Notice dated August 14, 2008 was issued under Rule 4 of the Adjudication Rules to the Noticee asking as to why an inquiry should not be held against the Noticee and penalty imposed under Section 15HA of the SEBI Act for their violation of the SEBI PFUTP Regulations. The Noticee has filed a detailed reply vide letter dated November 14, 2008 and requested for a personal hearing as well.

8. Subsequently, the undersigned had given an opportunity of personal hearing on January 21, 2009. On the scheduled date of hearing, Advocate Simil S Purohit, appeared on behalf of the Noticee and made detailed submissions reiterating what has been stated in their Reply.

WRITTEN SUBMISSIONS/ CONTENTIONS RAISED BY THE NOTICEE:

9. The Noticee, vide its reply dated November 14, 2008 had made submissions. Further submissions were made during the personal hearing held on January 21, 2009. The extracts of submissions made by the Noticee along with the contentions so raised, *inter alia* are stated below:

- At the outset, the Noticee had denied violating any provisions of the said PFUTP Regulations in its dealings in the scrip of JIKIL.
- Firstly, the Noticee contended that the notice is vague.
- That the relevant material based on which the notice has been issued has not been provided which is in gross violation of natural justice principles.
- That the said Notice has been issued after more than four years from the period of investigation.
- That the figures mentioned in Para 2 of the Notice are based on the data collected by SEBI, which is not available to them.
- That the alleged fluctuations in the volumes of the JIKIL scrip cannot be attributed to the Noticee alone. That the volume details mentioned therein are a matter of record and thus, does not call for any comments.
- That the Noticee is neither aware nor in a position to establish that the so called 'other entities' who were found to have off loaded the shares of JIKIL in the market. Furthermore, the Noticee stated that the term 'heavily' mentioned in the para is undefined and devoid of interpretation. Moreover, that the manipulative intent as impliedly alleged in the Notice is a serious charge and needs to be established beyond reasonable doubt.
- The Noticee denies that the promoters of JIKIL were involved in the alleged cartel to facilitate the alleged offloading by promoter entities and denies the very existence of any cartel as was alleged in the Notice.
- That the figures mentioned in Paras 5 & 6 are misleading and that all the cumulative sales figures cannot be attributed to the Noticee alone.
- That the Noticee denied that it concealed its identity to escape the surveillance net of the exchanges as was alleged in the notice. And that such an allegation is untenable. In this regard, it was stated that as the screen based trading itself mandates anonymity whereby the seller and buyer do not know each other, even in the market trades, the identity is not known. Prima facie the charge under PFUTP Regulations must fail.
- With regard to the table in para 5 of the Notice which contains the details of credit/debit entries for the market, off-market and total transactions done by the Noticee, it is stated that the Noticee had transferred 425812 shares in market transactions and 1016775 shares in off market transactions, aggregating to 1442587 shares, whereas in para 6 of the Notice it is alleged that the Noticee had concealed its identity and tried to escape the surveillance of the exchange while offloading its holdings and that the details of the alleged transactions where the Noticee had allegedly concealed its identity are produced

in Annexure 1 annexed to the Notice, from which it is evident that such transactions pertained only to 925000 shares. And that as stated earlier, the Noticee had transferred 1442587 shares in all, however the allegation of concealing identity is only with respect to 925000 shares. And that there is no reason for concealing identity only with respect to the transactions of 925000 shares, while with respect to the transactions of 517587 shares the Noticee did not conceal its identity. And therefore the Noticee stated that allegations regarding concealing of identity with respect to some transactions is absolutely baseless. And that such an allegation displays non application of mind of the investigating officer in as much as the said proposition indirectly accepts the logic that the balance 517587 shares were traded without the intent of concealing identity. And that this prima facie establishes the fact that the Noticee was aware that it could have executed certain trades by concealing identity and that if that be the reasoning , it could have very well concealed identity for all the trades. Therefore this conclusion arrived by investigation is itself based on a fallacy and needs to be set aside.

- That the entire method of arriving at the figures is faulty and the third party actions, in the absence of any collusion, cannot be attributed to the Noticee.
- And that in the absence of any enrichment of any nature whatsoever, the PFUTP Regulations are not applicable.

CONSIDERATION OF THE ISSUES AND FINDINGS THEREOF

10. I have carefully perused the written and oral submissions and documents available on record. The issues that arise for consideration in the present case are:

A. Whether the Noticee has violated the provisions of Regulations 3 (a), (c) and 4 (1) of the SEBI PFUTP Regulations of 2003 by acting hands in glove with other entities and by offloading its holdings by concealing identity and trying to escape the surveillance net of the exchanges?

B. Whether the aforesaid issues after consideration call for monetary penalty?

And

If so, what would be the quantum of penalty that could be imposed taking into consideration various factors relating to their violations?

<u>Issues under the SEBI PFUTP Regulations of 2003:</u>

11. *Regulation 3 of the PFUTP Regulations, 2003 reads thus,* ***Prohibition of certain dealings in securities:*** *'No person shall directly or indirectly- (a) buy, sell or otherwise deal in securities in a fraudulent manner; (b)…….; (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

12. *Regulation 4 read thus,* ***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.*

13. During the personal hearing of the Noticee, Advocate Simil Purohit, on behalf of the Noticee referring to the term 'initial transfer' in para 3 of the show cause notice had stated that subsequent transfers by the purchasers cannot be attributed to the Noticee or the cumulative transactions of all entities cannot be attributable to the Noticee. If we look at the table given on pages 5 to 8 containing the details of the off-market transactions, the name of the noticee appears at many places in the table and therefore it is not just the initial transfer which is done by the Noticee. Furthermore, looking at the table containing the off market deals, it appears that the Noticee/PAC entities have entered into off-market deals amongst themselves and also with persons actively trading in the market. A total of 28342084 shares were transferred in the 142 off market transactions amongst parties during June and July 2004. The list of entities who are involved in the cartel to facilitate offloading by the promoter entities is given on pages 13-14 of this order. Therefore the fluctuations in the volume of the scrip are clearly to be attributed to the Noticee, other promoter entities and the persons actively trading in the market.

14. The shares have been initially transferred in off-market by the three promoter entities viz., the Noticee, Jagruti Parikh and Rajendra Parikh to other entities who have off-loaded the shares in the market. The details of the off-loading of shares done by the three promoter entities have been separately contained in the tables on pages 10-13 of this Order. Thus, the Noticee's contention about the same does not hold good simply because of the above reasoning and even assuming they have done only the initial transfers, they roped in the other entities to do rest of the off-market transactions, who acted hands in glove with the Noticee and the PAC entities as is clear from the various tables showing the details which are reproduced in this order.

15. Based on number of bulk deals reported during the said period, investigation was focused on the clients who had traded for more than 0.5% capital of the company during the period as stated earlier.

16. On a general note, the off market deals are not considered transparent and are not helpful to the price discovery process on the stock exchange mechanism as the price of the scrip might have sudden increase or decrease, which is harmful to the investors' interests. In order to protect the interest of the investors in securities and the capital market by taking suitable measures, it is necessary to inform the stock exchange and make necessary disclosures in the case of such off-market deals, which did not take place in the instant matter.

17. The Advocate on behalf of the Noticee further contended during the personal hearing held on January 21, 2009, that a promoter being a shareholder can trade in shares and that trading on principal to principal basis is valid, which is not being disputed but the above would be correct in law only when necessary disclosures to that effect are made under the relevant Regulations by the promoter and investors know about the same, which again did not take place in the instant matter. A promoter has the right to enter the market, trade in securities, make all the necessary disclosures and inform the investors. But in the instant matter, the promoters engaged other entities who were actively trading in the market to do the off-market deals, which was not known to the investors. The Noticee did not disclose its identity so as to not let the prices of the scrip fall drastically than from what it had already fallen during the said Investigation period from Rs.4 to 2.80 at NSE and from Rs.3.95 to 2.80 at BSE during the said period.

18. Clearly, it has been the endeavor of the three promoter entities to offload their holdings while concealing their identity firstly to escape the surveillance net of the exchanges and secondly, to protect the price of the scrip from falling drastically than from what it had already fallen during the said Investigation period, in case the information of off-loading by the promoters had been known to the general investors, thereby manipulated the price of the scrip. It is also pertinent to note keeping in view the fact that the disclosures about bulk deals do not indicate that it was the promoters of the company who were off loading the shares, thus misleading the general investors.

19. As regards the Noticee's reply to the para 5 of the show cause notice, I am unaware as to how the Noticee arrived at the figure 925000 shares in Annexure I wherein in the alleged transactions the Noticee tried to conceal its identity, however, it appears that it is a cumulative figure of the market transactions which are not done from the Noticee's Id viz.,

16250083. It is pertinent to note that the Noticee has concealed its identity with regard to 1016775 shares which are off-market transactions and are given in the table containing credit/debit entries. Thus, the plea is not valid.

20. Thus, the above activity of the Noticee does constitute dealings done in fraudulent and manipulative manner by employing a device or scheme to defraud with regard to dealing in securities and thus same would be an unfair trade practice under PFUTP Regulations. Further, when the Noticee was asked to produce bank statements at the time of investigation, it did not produce; neither did it answer the issues relating to consideration received for the off-market deals. The said deals have been done with a manipulative intent by roping in other entities who facilitated the off-loading in the scrip and thus, hid the identity and thus manipulated the price of the scrip, which has been established beyond reasonable doubt as is obvious from the various details reproduced in this Order in table forms. Thus, the Noticee had chosen this route to offload their holdings.

21. Further, in the reply dated November 14, 2008, the Noticee contends that the Notice is vague. However, the notice is in clear with the violations specified elaborately and supported by tables containing the details of the various off-market deals. Further, the show cause notice contains the relevant data based on which the charges are framed and thus, there was no need at all for additional information to be provided.

22. Furthermore, the Noticee in his reply contended that the term 'heavily' is undefined and devoid of interpretation, however, the expression is open to discussion always and differs from person to person and in the instant matter from the perspective of a lay person, the trading done by the Noticee and other two promoter entities in the scrip does seem heavy as out of total volume of 2,34,85,753 shares at BSE, their total market transactions are in 27,56,744 shares which is taken from the table containing credit/debit entries and which attributes to approximately more than 10% of the total volume during the period. Therefore, the same contention doesn't hold good.

23. I have perused all the documents forwarded along with the written submissions. However, I do not find any merit in the same. Though the Noticee had argued taking the plea that it is not aware of the other entities with whom the deals have been made, however, it is obvious from the relevant tables put forth in this Order that the Noticee, other promoter entities who are PAC entities along with other entities have traded amongst themselves in off-loading the shares of JIKIL and by not revealing their identity and tried to escape the surveillance net of the

exchanges as has been reasoned out in the previous paragraphs, thus the plea is not valid as the same has been done with manipulative intent so as to protect the price of the scrip and not letting investors know about the same and thus harmful to the interests of investors. And their total trading volume during the said Investigation period constituted 53% of the total volume.

24. These facts I can not overlook and in fact viewed it seriously.

25. Therefore, these facts give me enough strength to impose penalty for violating Regulations 3 (a), 3 (c) and 4 (1) of the PFUTP Regulations of 2003.

26. The Hon'ble Supreme Court of India in the matter of *SEBI vs. Shri Ram Mutual Fund*[1] held that *"once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow."*

27. Thus, the aforesaid violations by the Noticee make it liable for penalty u/s. 15HA of the SEBI Act, 1992 which reads thus:

15HA. Penalty for fraudulent and unfair trade practices.
If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

28. While determining the quantum of penalty u/s. 15HA, it is important to consider the factors stipulated in S.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 S.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.

29. In a case of this nature, it is not exactly possible to arrive at definite figures to calculate the gain made by the Noticee, who is the trading member and a registered intermediary bearing SEBI Registration no.

[1] (2006) 68SCL 216 (SC)

INB 230638336 and loss caused to the investors, however, the intention of the Noticee in executing off-market deals along with other promoter entities and persons actively trading in the market by concealing the identity is to not let the prices of the scrip fall drastically than from what it had already fallen during the said Investigation period from Rs.4 to 2.80 at NSE and from Rs.3.95 to 2.80 at BSE during the said period and did not let investors know about the same and thus other entities were roped in to off-load holdings. Assuming the average price of the share during the said period was Rs.3/- then on multiplying such amount with number of shares offloaded by the Noticee, it certainly tells us that the Noticee would have gained hefty amounts by not letting the price of the scrip fall further while off-loading through PACs. Considering the fact that the Noticee is a registered Intermediary, the gravity of the situation here is higher and thus the Noticee deserves a strict punishment.

As regards the loss caused to investors, had the Noticee offloaded directly, the investors would have known about the same and because there were other entities who were off-loading the shares, the investors did not come to know and probably, they would not have bought the shares had they known the promoters were offloading the shares. Thus, it is certainly a loss to the investors not knowing about the same. Thus, these factors need to be considered in imposing monetary penalty.

ORDER:

30. After taking into consideration all the facts and circumstances of the case I come to conclusion that this is a fit case for imposing the monetary penalty against the aforesaid Noticee. I impose a penalty of Rs. 25,00,000/- (Rupees Twenty Five lakhs only) on the Noticee viz., M/s. Jagruti Securities Limited in terms of Section 15HA of the SEBI Act, 1992 exercising the powers conferred upon me u/s 15- I (2) of the SEBI Act for violation of Regulations 3 (a), 3 (c) & 4 (1) of the PFUTP Regulations, 2003. I am of the view that the said penalty is commensurate with the violation committed by the Noticee.

31. The penalty shall be paid by way of a duly crossed demand draft drawn 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 shall be forwarded to Shri G Ramar, Deputy General Manager, Investigation Department-3 (IVD-ID3), Securities and Exchange Board of India, Plot no.C4-A, 'G' Block, Bandra Kurla Comlex, Bandra (E), Mumbai- 400 051.

32. In terms of the Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee viz., M/s. Jagruti Securities Limited and also to the Securities and Exchange Board of India. The matter is disposed of accordingly.

DATE: February 24, 2009 **SANDEEP DEORE**

PLACE: Mumbai **ADJUDICATING OFFICER**