

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. PG/AO- 57/2010]

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

In respect of

Cavalier Securities Ltd.

205, Sahajanand,

Shahibaug Road,

Shahibaug,

Ahmedabad - 380004

(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 into the trading in the scrip of Alka India Limited (hereinafter referred to as “**AIL/Company**”) during the period 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 (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 AIL 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 AIL.
4. The price of the shares of AIL 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. However, there were intermittent spurts in AIL share price during the period.
5. 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/its related entities including Cavalier Securities Ltd. (hereinafter referred to as “**Noticee / CSL**”) and other entities could off-load shares of AIL in the market. Certain brokers, viz., Parklight Investment Pvt. Ltd. and M/s Harikishan Hiralal (Now known as Shree Hari Hira Stock Broking (P) Limited) broker-BSE,

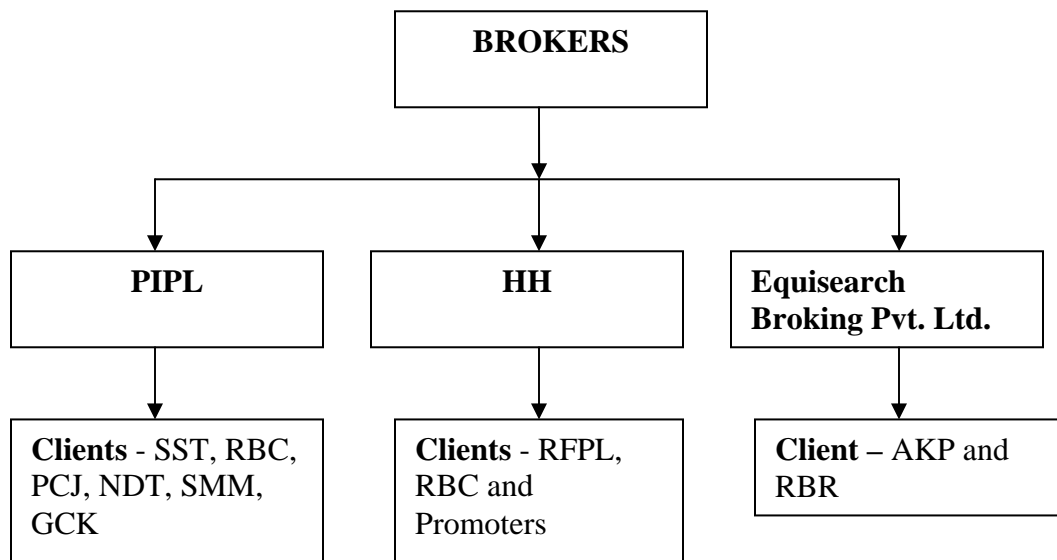
also assisted the promoter/related entities/other entities to offload shares by creating artificial demand in the scrip by placing large buy orders at very low prices and later canceling them. Therefore it was alleged that the Noticee had violated Regulations 3(a), (b), (c) & (d) and 4(1) & 4(2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) and consequently was liable for monetary penalty under 15 HA of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”). Further, it was alleged that the Noticee has also violated regulations 13(3) and 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as “**PIT Regulations**”) and consequently was liable for monetary penalty under 15 A (b) of the SEBI Act.

6. The entities involved in the 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 Bhavaram 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

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



APPOINTMENT OF ADJUDICATING OFFICER

8. Mr. V S Sundaresan was appointed as Adjudicating Officer vide order dated October 10, 2008 under section 15 I of the 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 under sections 15A (b) and 15HA of the SEBI Act. Consequent upon the transfer of Mr. V.S. Sundaresan, the undersigned was appointed as the adjudicating officer vide Order dated November 12, 2009.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

9. Show Cause Notice No. EAD-5/VSS/TZ/155422/2009 dated February 25, 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 15A (b) and 15HA of SEBI Act for the alleged violations specified in the said SCN. However, the same returned undelivered with the remark ‘left’. Accordingly, an advertisement regarding the aforesaid SCN was published in the newspapers, Hindustan Times, Sakal, Damini & Sandesh on April 10, 2010. It was informed in the newspapers that the SCN has been made available on the SEBI website (www.sebi.gov.in) under the heading “Unserved Summons/Notice”. Moreover, the Noticee was also given an option to collect the same from SEBI, Head office, Mumbai.
10. Thereafter, the Noticee was granted an opportunity of personal hearing vide notice dated May 7, 2010 on June 17, 2010. The said notice was sent to the Noticee through Speed post, published in national newspaper and was made available on SEBI website (www.sebi.gov.in) under the heading “Unserved Summons/Notice”. Further, the Noticee was also given an option to collect the same from SEBI, Head office, Mumbai.
11. The Noticee neither appeared for the aforesaid hearing nor made any submissions. However, in the interest of natural justice one more opportunity of hearing was granted to the Noticee vide notice dated October 4, 2010 on October 26, 2010. The same was delivered to the Noticee through affixture.

12. I am of the view that ample opportunities have been given to the Noticee to explain his case. As per rule 4(7) of the Rules, if any person fails neglects or refuses to appear as required by sub-rule (3) before the Adjudicating Officer, he may proceed with the inquiry in the absence of such person after recording the reasons therefor. Despite having been given ample opportunities as stated above, the Noticee has failed to make any submissions or avail the opportunity of personal hearing. I am, therefore, compelled to proceed with the matter *ex-parte* based on the material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

13. The issues that arise for consideration in the present case are :
- a. Whether the Noticee attracted the disclosure requirements under regulations 13(3) read with 13(5) of PIT Regulations and if so, whether complied or not?
 - b. Does the non-compliance, if any, attract monetary penalty under section 15A (b) of SEBI Act?
 - c. Whether the Noticee had violated regulation 3 (a), (b), (c) & (d) and 4(1) and 4(2) (a) of PFUTP?
 - d. Does the non-compliance, if any, attract monetary penalty under section 15HA of SEBI Act?
 - e. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?
14. **ALLEGED VIOLATION OF REGULATION 13(3) READ WITH REGULATION 13(5) OF PIT REGULATIONS**
- (a) The provisions of regulations 13(3) and 13(5) of PIT Regulations read as under:

“13...

Continual disclosure.

(3) Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(4).....

(5) The disclosure mentioned in sub-regulations (3) and (4) shall be made within 4 working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be.”

(b) In terms of regulations 13(3) read with regulation 13(5) of PIT Regulations, any person who holds more than 5% of shares or voting rights in a listed company is required to disclose to the company the number of shares or voting rights held and change in shareholding or voting rights under the circumstances as mentioned below:

- If such change results in shareholding falling below 5%:
- If there has been change in such holdings from the last disclosure made under regulation 13(1) or under regulation 13(3) and such change exceeds 2% of total shareholding or voting rights in the company.

(c) **Shareholding Pattern of AIL**

The shareholding pattern with more than 1% shareholding of the Company on quarter ended June, September, December 2003 and March 2004 are as under:

	30-Mar-04		31-Dec-03		30-Sep-03		30-Jun-03	
Category	Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)
Indian-Promoters:	7564089	3.03	34477200	13.79	34633200	13.85	34685200	13.87
Persons acting in concert:	1243000	0.50	12568700	5.03	17762200	7.1	17762200	7.1
Kailashben J Patel	0	0	5544200	2.22	10544200	4.22	10544200	4.22
Durgaram Dudi	0	0	3377500	1.35	3377500	1.35	3377500	1.35
Non-Promoters:								
Banks, FIs	47000	0.02	47000	0.02	47000	0.02	67000	0.03
Private Corp Bodies	27979841	11.19	35619393	14.25	46421227	18.57	71324196	28.53
Indian Public	212526930	85.01	166495967	66.6	1.51E+08	60.37	126062404	50.42
NRIs/OCBs	639140	0.28	791740	0.32	302480	0.12	99000	0.04
Total	250000000	100	250000000	100	250000000	100	250000000	100

15. As per investigation report, CSL was holding 1, 73, 87,488 shares aggregating to 6.95 % of the paid up equity share capital of AIL as on quarter ended June 2003. However, the same was not appearing in the shareholding pattern for the quarter ended September, 2003 on the BSE web site, indicating that either CSL disposed off its entire holdings or the same might have been reduced below 1%.
16. An analysis of the transaction data which was provided to the Noticee reveals that CSL both acquired as well as transferred large quantities of AIL shares during the period July 2003 onwards thus bringing down its holding substantially.
17. The obligation to disclose the shareholding under regulation 13 (3) read with 13 (5) of PIT Regulations is to the company. There is no evidence on record to indicate that CSL has not fulfilled its obligation under the above regulations. The fact that the name of CSL does not appear in the list of large shareholders of AIL in the filing made to BSE by AIL indicates that the requisite filings have been made to the company by CSL. Thus the charge of violation of regulation 13 (3) read with 13 (5) of PIT Regulations by the noticee is not established.

18. **ALLEGED VIOLATION OF PFUTP REGULATIONS**

19. Before moving forward, it is pertinent to refer to the provisions of Regulations 3 (a), (b), (c) & (d) and 4(1) and 4(2)(a) of PFUTP Regulations which reads as under:-

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly-

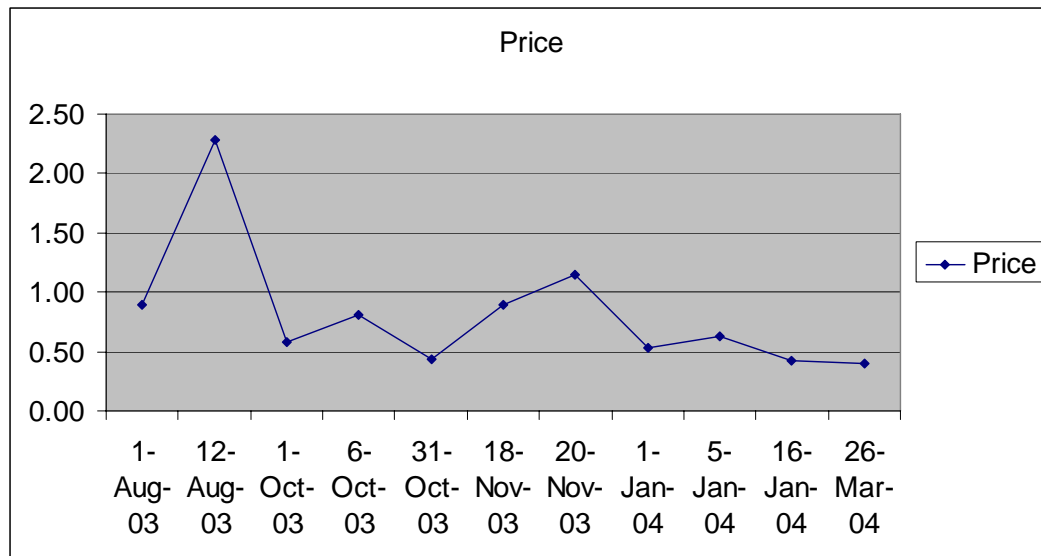
- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (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;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

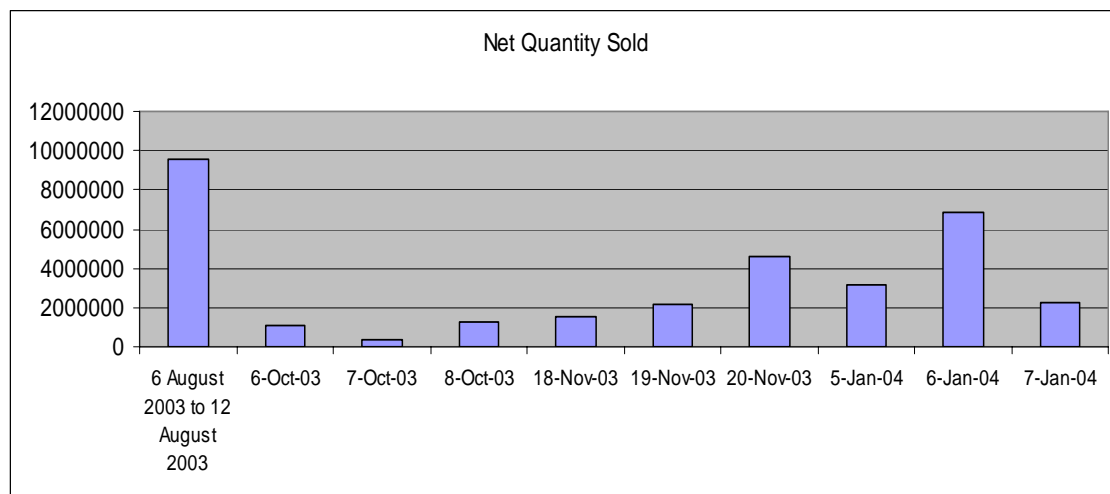
- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;”

20. Upon perusal of the documents available on record, I find the following:
21. There was sudden/temporary spurt in the price of shares of AIL immediately after every corporate announcement was made by the Company. This temporary rise in price during such corporate announcements is graphically depicted below:



22. As regards AIL making misleading announcements, 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.
23. It was during such occasions when the price of shares of AIL rose temporarily, that the promoters / their related entities including the Noticee / PACs / other entities directly or indirectly offloaded their shares of AIL in the market. The details of shares sold by the entities during such temporary rise is graphically depicted below:



24. 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 textile turns around"	Results for the quarter ended June 2003: The Board of Directors of Alka Spinners Ltd at their meeting held on July 30, 2003 has approved the results for the quarter ended June 2003.	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 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	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 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		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

		crore and net loss of Rs.31.8 lakh during the quarter ended March 31, 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 the quarter ended September 2003, as against a net profit of Rs 2.43 lacs in the same period last year.	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 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.	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:	0.6 and touched its intra day high of Re. 0.65 (14.04% higher as compared to previous close of Re. 0.57).	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
		<ol style="list-style-type: none"> 1. Increase in Authorised Share Capital of the company from Rs 250 million to Rs 1000 million. 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. 3. Issue of Non-Cumulative Redeemable 6% Preference Share of Rs 100/- each not exceeding Rs 250 million 	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:			
		<ol style="list-style-type: none"> 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	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.	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).		

Trading Details

25. The Noticee transferred / sold shares of AIL to Mahesh K Mehta, Ummedsingh Shekhawat, Sarojkanwar Shekhawat, Patel Rasila Ashwinkumar, Narendra Singh Shekhawat, Nilesh Vinodchandra Sheth, Sanjay Shankarlal Thakkar, Girdharbhai Chaiturao Karu, Hitendra Chaturbhai Makwana, Seema Jain, Inder B Jain, Alka Ramesh Purohit, Amit Kabra, Narendra Tiwari and Ashwin Kanjibhai Patel in off market transactions.

26. Amongst the aforesaid entities, Narendra Tiwari, Girdharbhai Chaiturao Karu and Ashwin Kanjibhai Patel further offloaded shares of AIL, taking advantage of certain misleading positive announcements made by the Company.
27. Further the Noticee had also acquired shares of AIL from Ashwin Kanjibhai Patel, Mahesh K Mehta, Umedsingh Shekhawat, Sarojkanwar Shekhawat, Sohankanwar Shekhawat, Patel Rasila Ashwinkumar, Narendra Singh Shekhawat through off market transactions.
28. The details of off- market transactions done by the Noticee are as under:

<u>Details of shares acquired by CSL in off market transactions</u>			
Target Client Name	Source Client Name	Date	Total
CAVALIER SECURITIES LTD	ASHWIN KANJIBHAI PATEL	30/7/2003	11569000
	MAHESH K MEHTA	29/7/2003	4364700
	UMMEDSINGH SHEKHAWAT	30/7/2003	1745000
	SAROJKANWAR SHEKHAWAT	30/7/2003	1737000
	SOHANKANWAR SHEKHAWAT	30/7/2003	1715000
	PATEL RASILA ASHWINKUMAR	30/7/2003	1689000
	NARENDRA SINGH SHEKHAWAT	30/7/2003	945708
	RUPESHKUMAR HARILAL THAKKAR	23/9/2003	1100000
	NARENDRA TIWARI	16/2/2004	36000
	ASHOK PANCHARIYA	24/5/2004	161000
	RAMSWAROOP BHANWARLALJI PANCHARIYA	24/5/2004	37000
	ARUN RAMSWAROOP PANCHARIYA	24/5/2004	1670000
	ARUN RAMSWAROOP PANCHARIYA	2/6/2004	1500000
	RADHADEVI PANCHARIYA	2/6/2004	300700
	ASHOK PANCHARIYA	2/6/2004	300000

	RAMSWAROOP BHANWARLALJI PANCHARIYA	2/6/2004	1502000
	SHANTADEVI PANCHARIYA	28/6/2004	400000
Total			30772108

<u>Details of shares transferred by CSL in off market transactions</u>			
Source Client Name	Target Client Name	Date	Total
CAVALIER SECURITIES LTD	MAHESH K MEHTA	6/8/2003	4364700
	UMMEDSINGH SHEKHAWAT	6/8/2003	1745000
	SAROJKANWAR SHEKHAWAT	6/8/2003	1737000
	SOHANKANWAR SHEKHAWAT	6/8/2003	1715000
	PATEL RASILA ASHWINKUMAR	6/8/2003	1689000
	NARENDRA SINGH SHEKHAWAT	6/8/2003	945708
	ASHWIN KANJIBHAI PATEL	7/8/2003	11569000
	NILESH VINODCHANDRA SHETH	12/8/2003	5580000
	SANJAY SHANKARLAL THAKKAR	12/8/2003	4807488
	GIRDHARBHAI CHAITURAO KARU	12/8/2003	4500000
	HITENDRA CHATURBHAI MAKWANA	12/8/2003	2500000
	SHETH NILESH VINODCHANDRA	29/9/2003	1500000
	SEEMA JAIN	9/9/2003	1500000
	INDER B JAIN	9/9/2003	500000
	KARU GIRDHARBHAI CHAITURAO	9/10/2003	500000
	ALKA RAMESH PUROHIT	6/11/2003	82000
	NARENDRA TIWARI	7/1/2004	1618000
	AMIT KABRA	16/2/2004	36000
Total			46888896

Link amongst the Noticee, promoters, persons acting in concert, promoter related entities, other entities and brokers.

29. The promoter group offloaded 11.48% holding in the Company immediately after the AGM held on December 31, 2003. This group traded on six trading days during the period from January 9, 2004 to January 16, 2004 and altogether sold 2, 69,06,111 shares at an

average rate of Re.0.42 aggregating to 86.41% of market volume on those six days. It is also observed that total pay in for settlement No. 206 (due on 20th January 2004), on account of sale transactions of promoter group was 15,40,485 shares, for which 6,98,088 shares were received in member Harikishan Hiralal's pool account from them and remaining 8,42,397 shares were credited from demat account No.10013034 which belongs to Narendra Tiwari (one of the major sellers in the market). The fact that Narendra Tiwari transferred shares off market to meet delivery obligation of the promoter group indicates that he is related to them. It is also noted that Narendra Tiwari is one of the entities who had received AIL shares from the Noticee in off market mode.

30. Shivram Motilal Meena, Sanjay Thakkar, Ashwin Kanjibhai Patel, Giridharbhai C Karu, Rajput Vikramsingh Jaggusingh, Pravin C. Jain, Narendra Tiwari and Ratnaram B Rabari also sold substantial quantity of AIL shares after the aforesaid announcements. These clients had received shares from the Noticee, Right Finstock Pvt. Ltd. (other entity), Panchariya Textile Industries Ltd (promoter related entity), Nilesh Vinodchandra Sheth (other entity) and Hitendra Chaturbhai Makwana (other entity) in the off-market transactions just before the sale of shares. These clients also transacted in off-market mode with one another around the same period.
31. 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.

32. Ashok Panchariya who was a Director of the Noticee was also one of the promoters of AIL. It can thus be said that the Noticee is also a promoter group company. Further, Panchariya Textile Industries Ltd was having the same address as AIL. This indicates that these major sellers in the market and in off-market transactions were connected to the promoters of AIL.
33. The broker, M/s Parklight Investments Pvt. Ltd. (**Parklight**) had major concentration in order book on both buy and sell side while trading for aforesaid clients and promoter related entities. M/s Harikishan Hiralal had traded on behalf of the promoters and promoter related entities of AIL and accounted for 9.28% of gross sales and 15% of net sales in the market. The buying pressure was created by large buy orders placed by member Parklight (49,66,31,000 shares) and Harikishan Hiralal (2,52,50,000 shares) on behalf of aforesaid clients and Ratnaram Bhavaram Choyal respectively. However, most of the aforesaid orders were not executed as they were placed at lower rates in comparison to available sell orders, and many of them were deleted subsequently.
34. In view of above, I find that the Company made various announcement viz. better quarterly results along with some other premature misleading positive announcements like acquisition of units, export orders, dividend, preferential allotment just to allure the investors and create liquidity in the scrip so that promoters/ related entities could off-load shares in the market directly or through some front entities and thus acting fraudulently. The Noticee had acquired / received 2,37,65,408 shares of AIL from various entities through off market deals. In turn, the noticee transferred 4,68,88,896 shares to various entities in off market mode during the investigation period. These entities further offloaded the

shares in the market in the wake of premature / misleading announcements being made by AIL's management.

35. In view of the forgoing, I am of the view that the Noticee had acted as a conduit for the promoters/ related entities/PACs in order to enable them to indirectly offload shares of AIL in market and take advantage of the misleading announcement made by AIL. Had the promoters/PACs themselves offloaded such substantial quantity of shares of AIL in the market, the same would have adversely impacted the price of the shares. Hence, I find that the Noticee had aided and abetted the promoters/its related entities/PACs in the aforesaid fraudulent act by transferring shares of AIL in off market to some of the front entities/ promoter related entities viz. Narendra Tiwari, Girdharbhai Chaiturao Karu and Ashwin Kanjibhai Patel, , who thereafter offloaded the shares in the market. The Noticee, by acting as a conduit, had aided and abetted the promoters/PACs/promoter related entities in indirectly offloading shares of AIL in the market taking advantage of the misleading announcements made by AIL and thereby contributed in misleading the general investors and has thus violated regulation 3(a), (b), (c), (d) & 4 (1), 4(2)(a) of PFUTP Regulations.

36. **LEVY OF PENALTY**

The provisions of section 15A (b) and 15 HA of SEBI Act are reproduced hereunder:

“15A. Penalty for failure to furnish, information , return etc.

If any person, who is required under this Act or any rules or regulations made thereunder, -

(a)...

(b) to file any return or furnish any information, books or other documents within the time specified therefore in the regulations, fails to file return or furnish the same within the time specified therefore in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.”

“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.”

37. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216 (SC) 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*”.

38. In view of the foregoing, I am convinced that it is a fit case to impose monetary penalty only under section 15 HA of the SEBI Act.

39. While determining the quantum of monetary penalty under section 15 HA, I have considered 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.”*

40. The Noticee has aided and abetted the promoters/ PACs and has thereby misled the general investors. The general investors could not know identity of the actual entity behind the sale of substantial quantity of shares offloaded in the market and were thus, misled. However, it is possible to ascertain the loss to the investors. Further, since the Noticee has executed many transactions of this kind, this violation can be considered to be repetitive in nature.

ORDER

41. In view of the foregoing, I impose a penalty of Rs. 2,50,000/- (Rupees Two lakh Fifty only) under section under section 15HA of the SEBI Act on the Noticee which will be commensurate with the violations committed by it.
42. 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.
43. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: **October 29, 2010**
Place: **Mumbai**

PIYOOSH GUPTA
ADJUDICATING OFFICER