

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. IVD-ID5/PPD/AO/DRK/SS/EAD3-37/2009]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5(1) OF SECURITIES AND EXCHANGE
BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING
PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

Against
Minal Finances Private Limited
(PAN – AAACM4282D)

FACTS OF THE CASE IN BRIEF

1. Investigation had been conducted by Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') into the dealing in the shares of Prime Property Development Corporation Limited (hereinafter referred to as '**PPD / Company**') on the Bombay Stock Exchange Limited (hereinafter referred to as '**BSE**') during the period July 2005 to September 2005 (hereinafter referred to as the '**investigation period**').

2. The share price of PPD had increased from Rs.30/- in June 2005 to Rs.310/- in September 2005. This jump of around 900% was over a period of about 60 trading days. The traded volume also rose sharply from 500 shares on June 20, 2005 to touch 389,866 shares on August 03, 2005. The average traded volume continued to be above 100,000 shares per day. During this time, the Company issued a flurry of favorable price announcements detailing proposed business plans and completion of projects as well as changes in the equity structure. The absence of widespread investor interest in the shares till June 2005, a sudden

increase in share price and volume since August 2005, sudden jump in profits, transactions by the auditor related entities coupled with a flurry of corporate announcements including announcements on dividend / change in equity structure and about the proposal to implement new projects & purchase of plots of land in prime location and simultaneous off loading of promoters' own holdings in the market appeared to be a careful strategy and orchestration of a plan by the promoters and auditors of the company to make personal gains at the expense of investors by inducing them to participate in the trading of the shares of the company.

3. BSE conducted an investigation from July 1, 2005 (Rs.33.75/-) to August 26, 2005 (Rs.253.15/-). It showed a 650% rise in 39 trading days. In total 72,66,277 shares were traded on a gross basis and 22,00,477 shares on a net basis between July 01, 2005 to August 26, 2005. If BSE's report from July 01, 2005 to September 12, 2005 is observed it is seen that on September 12, 2005, the price of the share of PPD was Rs.308.25/- i.e. a rise of 813.33% in 49 trading days. Average trading volume from July 01, 2005 to September 12, 2005, was 175,430 shares and the highest quantity was on August 03, 2005, of 389,866 shares. The scrip was in the "S" group till July 14, 2005, thereafter it was transferred to the "TS" group from July 15, 2005.
4. During this period, it was observed that PPD had made many announcements relating to declaration of dividend, completion of projects, Board meeting to discuss increase in authorized share capital, split in equity, etc.
5. BSE also revealed that from January 01, 2005 to February 27, 2006 around 69 announcements were made, out of which PPD made announcements of project completion and acquisition of new property on only 3 occasions i.e. on July 14, 2005, September 02, 2005 & September 12, 2005. Announcements ended with the common refrain – "the company is in advanced stage of negotiation and finalizing a few more properties in prime localities of Mumbai."

6. During this investigation period, it was observed that Minal Finances Private Limited (hereinafter referred to as the '**noticee**') had bought 69,030 shares at an average rate of Rs.184.76/- and sold 382,048 shares at an average rate of 214.53/-, through the stock-broker S. M. Shah, thus resulting in a change of more than 2% in its shareholding in PPD, without making the necessary disclosure to PPD within 4 (four) working days, in violation of Regulation 13(3) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as the '**PIT Regulations**').

APPOINTMENT OF ADJUDICATING OFFICER

7. I was appointed as the Adjudicating Officer (subsequent to transfer of the previous Adjudicating Officers) vide order dated February 24, 2009, under Section 15I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the '**SEBI Act**'), read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Section 15A(b) of SEBI Act, the violation of Regulation 13(3) of the PIT Regulations, alleged to have been committed by the noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

8. A Show Cause Notice EAD4/ADJ/DSR/EIF-65/125812/2008 dated May 15, 2008 (hereinafter referred to as '**SCN**') was served in terms of the provision of Rule 4(1) of the Adjudication Rules, seeking reply of the noticee as to why an inquiry should not be held against it in respect of the violations alleged to have been committed by the noticee.

9. In the SCN it was alleged that, the noticee, Midas Jewels P. Ltd., Minal Agencies Pvt. Ltd. and Madhusudan Securities Ltd., were all linked with Shri Mayur A. Vora, a Partner of Vora & Associates, Auditors of PPD. The total purchases and sale of these four entities accounted for 2% and 8.68% of the total market volume of 8596,083 shares, respectively, as reflected in the table below:

Entities connected / related to the Auditors of PPD, Vora & Associates

Name	Member	Buy Quantity	Average Rate	Sell Quantity	Average Rate
Minal Agencies Pvt. Ltd.	Manoj Javeri St. Br. Pvt. Ltd.	47,100	53.92	4,545	81.96
	S. M. Shah	-	-	25,000	112.80
Midas Jewels Pvt. Ltd.	Manoj Javeri St. Br. Pvt. Ltd.	-	-	285,000	215.2
Minal Finance Pvt. Ltd.	S. M. Shah	69,030	184.76	382,048	214.53
Madhusudhan Securities Ltd.	S. M. Shah	55,000	93.28	50,000	105.03
	Total	171,130	119.35	746,593	203.23

10. It was observed that the clients, the noticee, Minal Agencies Pvt. Ltd., and Midas Jewels Pvt. Ltd. (appearing under the category of Private Corporate Body (PCB) as per the shareholding pattern of PPD), appeared to be connected to the Auditors of PPD i.e. Vora & Associates, as the same telephone number was registered in the name of Vora & Associates.

11. It was also alleged that the noticee was holding 850,000 shares (8.50%) and Midas Jewels P. Ltd. was holding 499,999 shares (5%), of PPD, as observed from the share holding pattern for the quarter ending June 2005. The shareholding pattern for the quarter ending September 2005 showed that the noticee's holding reduced to 526,941 shares (5.27%) and that of Midas Jewels P. Ltd. reduced to 199,999 shares (2%). It was alleged that from July 01, 2005 to September 16, 2005, the noticee had bought 69,030 shares and sold 382,048 shares, while Midas Jewels P. Ltd. had sold 285,000 shares; though both had failed to make the requisite disclosure to the Company in Form C about the change in shareholding of above 2%,

within 4 (four) working days as required under Regulation 13(3) of the PIT Regulations.

12. The SCN also included the relevant extracts of the statement of Shri Mayur A. Vora, Professional Director of Midas Jewels Pvt. Ltd. and Minal Agencies Pvt. Ltd. and Partner, Vora & Associates, Auditors of PPD, which had been recorded on January 09, 2007. According to his statement, Shri Ramesh B. Vora and Shri Rajesh B. Vora were the promoter directors of the Midas Jewels Pvt. Ltd. holding 100% shareholding with their relatives. Shri Mayur was not a relative of any of the promoter directors of Midas Jewels Pvt. Ltd. It was stated by Shri Mayur that Midas Jewels Pvt. Ltd. was not connected to the noticee for any business or otherwise except, Shri Rajesh B. Vora being a common director and sharing the office. Shri Mayur had stated that he knew the chief accountant and board members of PPD.

13. It was also observed that:

- i. The noticee had bought 69,030 shares in the range of Rs.34.78/- to Rs.257.27/- and sold 382,048 shares in range of Rs.47.99/- to Rs.298.16/- and was still holding 536,982 shares.
- ii. Midas Jewels Pvt. Ltd. had sold 285,000 shares from August 17 to 26, 2005 at a price range of Rs.179/- to Rs.250/- and was still holding 214,999 shares.
- iii. Minal Agencies Pvt. Ltd. had bought 47,100 shares during July 04 to September 01, 2005 at a price of Rs.39/- to Rs.257/- (for about Rs.46 lakhs) and sold 29,545 shares during July 29 to September 14, 2005 in the range of Rs.102/- to Rs.299/- (for about Rs.36 lakhs). As on September 16, 2005 it was still holding 107,055 shares.
- iv. Madhusudan Securities Ltd. had bought 57,000 shares in the range of Rs.60.81/- to Rs.257.54/- and sold 56,500 shares in the range of 96.57/- to 291.98/-.

14. The noticee vide its letter dated June 06, 2008 requested for extension of time to reply to the SCN by two weeks. The noticee replied to the SCN vide its letter dated June 16, 2008. It was submitted by the noticee that:

- i. It did not accept or accept anything in the SCN, except what was being submitted by them in the reply.
- ii. It submitted the following table detailing the purchase and sale of shares of PPD by the noticee during the period July 1, 2005 to September 12, 2005:

Date Of Transactions	Purchase		Sale		Closing Balance	
	No. of Shares	% to total Capital*	No. of Shares	% to total Capital*	No. of Shares	% to total Capital*
June 30, 2005	-	-	-	-	850,000	8.50%
July 1, 2005	1,100	0.01%	-	-	851,100	8.51%
July 6, 2005	-	-	20,000	0.20%	831,100	8.31%
July 7, 2005	-	-	5,000	0.05%	826,100	8.26%
Aug. 11, 2005	-	-	11,000	0.11%	815,100	8.15%
Aug. 16, 2005	-	-	20,000	0.20%	795,100	7.95%
Aug. 18, 2005	-	-	49,000	0.49%	746,100	7.46%
Aug. 19, 2005	5,000	0.05%	30,000	0.30%	721,100	7.21%
Aug. 23, 2005	-	-	7,500	0.08%	713,600	7.14%
Aug. 24, 2005	-	-	30,000	0.30%	683,600	6.84%
Aug. 25, 2005	-	-	49,000	0.49%	634,600	6.35%
Aug. 26, 2005	-	-	25,000	0.25%	609,600	6.10%
Aug. 29, 2005	-	-	49,500	0.50%	560,100	5.60%
Aug. 31, 2005	17,930	0.18%	2,230	0.02%	575,800	5.76%
Sept. 1, 2005	45,000	0.45%	-	-	620,800	6.21%
Sept. 5, 2005	-	-	48,818	0.49%	571,982	5.72%
Sept. 6, 2005	-	-	10,000	0.10%	561,982	5.62%
Sept. 9, 2005	-	-	14,000	0.14%	547,982	5.48%
Sept. 12, 2005	-	-	11,000	0.11%	536,982	5.37%

* of PPD

- iii. It was submitted that its holding in PPD was 850,000 shares (8.50%) and 536,982 shares (5.37%) on June 30, 2005 and September 12, 2005, respectively. It was submitted that the change in its shareholding in PPD exceeded 2% on August 25, 2005. The disclosure regarding the change of the noticee's shareholding was there in the public domain since PPD being in compliance with the listing agreement had disclosed the same in their quarter ending September 30, 2005 filing with the stock exchange.
- iv. It was submitted that the alleged non compliance was procedural and the same was inadvertent and unintentional. Only on receipt of the SCN, the noticee became aware of such non disclosure under

Regulation 13(3) of the PIT Regulations. Accordingly, it filed the requisite disclosures with PPD on June 06, 2008.

- v. It is submitted that as a result of the alleged non disclosure the noticee had not made any disproportionate gain or gained unfair advantage or caused any loss to investors or group of investors.
- vi. The noticee also requested for a personal hearing in the matter.

15. The noticee vide its letter dated June 23, 2008, submitted that it wanted to avail the consent scheme. The consent application was rejected by the High Powered Advisory Committee (HPAC) as the settlement terms proposed by the noticee were not commensurate with the gravity of the allegations made against it.

16. Vide letter dated March 19, 2009, the noticee requested for a personal hearing. Accordingly, an opportunity of personal hearing was scheduled on June 18, 2009 vide a personal hearing notice A&E/PPD/DRK/SS/164369/09 dated May 25, 2009. The same was sent by Hand Delivery Acknowledgment Due, but came back undelivered with the remark 'always closed.' However, the same was affixed on June 10, 2009, at the same last known address of the noticee. In the meantime, the noticee vide its letter dated June 09, 2009, had again requested for a personal hearing. The noticee's letter had the same address from which the personal hearing notice had come back undelivered and had been affixed subsequently.

17. Vide its letter dated June 16, 2009, the noticee informed that its Director, Shri Rajesh B. Vora would be representing the Company on the date of the hearing.

18. On the scheduled date, the noticee's authorized representative, Shri Rajesh B. Vora, Director, and Shri Kumar Girishchandra, Accountant,

appeared for the hearing. Shri Vora accepted violation of Regulation 13(3) of the PIT Regulations by the noticee. He further stated that he did not know any of the directors of PPD. He only knew Shri Mayur Vora. He has also submitted that the shares of PPD had been purchased because of a boom in the real estate market at that time. He had undertaken to submit:

- i. details of the shares purchased and sold of PPD along with the date and the rates at which the shares were purchased and sold,
- ii. details of other company shares, the noticee may have bought or sold during the investigation period,
- iii. a brief background of Minal Finances Private Limited and
- iv. the latest balance sheets of Minal Finances Private Limited and PPD.

Shri Rajesh Vora had undertaken to submit the above and any other submissions he may have by June 25, 2009. The noticee made the above submissions on June 25, 2009, as undertaken, and the same have been taken on record.

CONSIDERATION OF EVIDENCE AND FINDINGS

19. I have taken into consideration the facts and circumstances of the case, the submissions made by the noticee and the material made available on record.

20. The allegation against the noticee in the SCN was that it was in violation of Regulation 13(3) of the PIT Regulations since its actions had resulted in non-disclosure of change in shareholding of more than 2%, within 4 (four) working days.

21. It was observed that the noticee's shareholding in PPD as on June 30, 2005 was 850,000 shares, i.e. 8.50%. It had purchased 69,030 shares and had sold shares 382,048 shares of PPD during the period July 01, 2005 to September 12, 2005. Its shareholding as on September 12, 2005

was 536,982 shares i.e. 5.37% as submitted by the noticee. Its shareholding in PPD, had decreased by 3.13%, i.e. more than 2%, during the period from June 30, 2005 to September 12, 2005. However, the noticee failed to make the necessary disclosure as required under Regulation 13(3) of the PIT Regulations.

22. The noticee has admitted that it was in violation of the PIT Regulations. However, it also submitted that it was not aware of such non-disclosure under Regulation 13(3) of the PIT Regulations, and the same was inadvertent and unintentional. The noticee submitted that it became aware of any such violation on its part, only after the receipt of the SCN, and after the receipt of the SCN, it made the disclosure to PPD on June 06, 2008.

23. In view of the above admissions / acceptance of violation by the noticee and the findings of investigation as discussed in pre-paragraphs, it can be concluded that the noticee has violated Regulation 13(3) of the PIT Regulations. The provisions of the said regulation is as hereinafter:

“Continual disclosure.

13(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.”

24. The violation mentioned in the above paragraphs make the noticee liable to penalty under Section 15A(b) of the SEBI Act. The relevant text of the section is stated hereinafter:-

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor 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];

25. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Rules require that while adjudging the quantum of penalty, 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”**

26. It is also to be noted that the Investigation Report has not quantified the profit / loss for the nature of violation committed by the noticee and no quantifiable figures are made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of the non-disclosure by the noticee.

27. Considering the violations committed by the noticee, I hereby impose a penalty of Rs.3,00,000/- (Rupees Three Lakhs only), on the noticee, which is appropriate in the facts and circumstances of the case.

ORDER

28. In exercise of the powers conferred under Section 15 I of the Securities and Exchange Board of India Act, 1992, and Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I, impose a penalty of Rs.3,00,000/- (Rupees Three Lakhs only), on Minal Finances Private Limited, having its address 302 - Madhuvan, 9 JVPD Scheme, Road No.1, Vile Parle (West), Mumbai - 400049 in terms of the provisions of Section 15A(b) of the Securities and Exchange Board of India Act, 1992 for its failure to abide by the provisions of Regulation 13(3) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. In the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the violations committed by the noticee.

29. The penalty shall be paid by way of 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 the General Manager, IVD, Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

30. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this order are being sent to Minal Finances Private Limited, and to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai
Date: July 30, 2009

D. RAVI KUMAR
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER