

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. PG/AO- 08/2010]

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

Right Finstock Pvt. Ltd.

Broker-Ahmedabad Stock Exchange

(SEBI Registration NO INB 020916939)

(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.
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 and other entities including Right Finstock Pvt. Ltd. (hereinafter referred to as “Noticee / RFPL”) 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

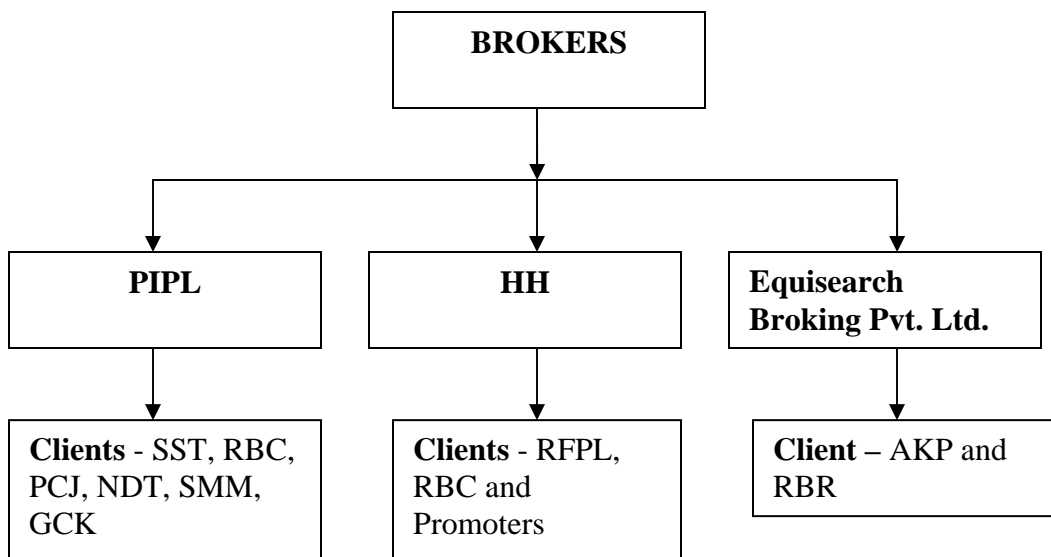
shares by creating artificial demand in the scrip by placing large buy orders at very low prices and later canceling them. It was observed that RFPL had acquired 1,35,57,593 shares aggregating to 5.42 % of the paid up equity share capital of AIL as on December 5, 2003.

6. Right Finstock Pvt. Ltd., (hereinafter referred to as '**Noticee/RFPL**') is a broker of Ahmedabad Stock Exchange (SEBI Registration No. INB 020916939) and has its office at C/161, Kamdhenu Complex, Panjrapole, Ahmedabad – 380 015.
7. As the Noticee had acquired more than 5% shares/voting rights in AIL on December 5, 2003, it was under obligation to make disclosure under regulation 7(1) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as "**SAST Regulations**") to the Company and to the Stock Exchange. However, it has been observed that no disclosures have been made by the Noticee in this regard.
8. Further, it was alleged that, subsequently, the Noticee sold shares aggregating to 3.68% of equity share capital of AIL during the period from December 8 to December 12, 2003. However, the Noticee failed to make any disclosure as stipulated vide regulations 13(3) and 13(5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as "**PIT Regulations**").

9. 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 Bhavraram Choyal	Other entity
17.	RBR	Ratnaram B Rabari	Other entity
18.	PCJ	Pravin C Jain	Other entity
19.	SMM	Shivram Motilal Meena	Other entity
20.	GCK	Giridharbhai Chaiturao Karu	Other entity
21.	AKP	Ashwin K Patel	Other entity
22.	RVJ	Rajput Vikramsingh Jaggusingh	Other entity
23.	SST	Sanjay Shankarlal Thakkar	Other entity
24.	NDT	Narendra D Tiwari	Other entity
25.	RFPL	Right Finstock Pvt. Ltd - Noticee	Other entity

10. 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.



11. The findings of the investigation led to the allegation that the Noticee had violated regulation 3 (a), (b), (c) & (d) and 4(1) & 4(2) (a) of (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”), regulation 7(1) read with regulation 7(2) of SAST Regulations and regulation 13 (1), 13 (3) and 13(5) of PIT Regulations, and was therefore liable for monetary penalty under sections 15HA and 15A(b) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”).

APPOINTMENT OF ADJUDICATING OFFICER

12. 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

13. Show Cause Notice No. EAD-5/VSS/TZ/155426/2009 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. Although the SCN was delivered, no reply was submitted by the Noticee.
14. In the interest of natural justice and in order to conduct an inquiry in terms of rule 4(3) of the Rules, the Noticee was granted an opportunity of personal hearing on November 30, 2009, vide notice dated November 16, 2009. Mr. Purvesh Vishnubhai Parikh, son of Mr Vishnubhai Sundarlal Parikh, Director, RFPL, appeared on behalf of the Noticee. During the hearing, Mr Purvesh Parikh submitted that *“As I have misplaced SCN dated February 25, 2009, I request you to provide a copy of the same in order to submit my reply to the SCN. I will submit the reply within one week.”* The copy of SCN along with annexures as sought were given to him during the hearing. However, the Noticee did not submit any reply within the time period as sought by it. Vide letter dated January 21, 2010, the noticee was informed that it had not submitted any reply and a further time till February 04, 2010 was also given but the noticee did not make any submissions.

CONSIDERATION OF ISSUES AND FINDINGS

15. The issues that arise for consideration in the present case are :
- a. Whether the Noticee attracted the disclosure requirements under regulations 7(1) and 7(2) of SAST Regulations and if so, whether it had complied or not?
 - b. Whether the Noticee attracted the disclosure requirements under regulation 13(1) of PIT Regulations and if so, whether complied or not?
 - c. 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?
 - d. Does the non-compliance, if any, attract monetary penalty under section 15A(b) of SEBI Act?
 - e. Whether the Noticee had violated regulation 3 (a), (b), (c) & (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
 - f. Does the non-compliance, if any, attract monetary penalty under section 15HA of SEBI Act?
 - g. If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

16. **ALLEGED VIOLATION OF REGULATION 7(1) READ WITH REGULATION 7(2) OF SAST REGULATIONS**

- (a) The provisions of regulation 7(1) and 7(2) of SAST Regulations read as under:

“7. Acquisition of 5 per cent or more shares or voting rights of a company
(1) Any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than five per cent or ten per cent or fourteen per cent or fifty four per cent or seventy four per cent shares or voting rights in a

company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the target company are listed.

(1A).....

(2) The disclosures mentioned in sub-regulations (1) and (1A) shall be made within two days of,—

(a) the receipt of intimation of allotment of shares; or

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

(b) I find that regulation 7(1) read with regulation 7(2) of SAST Regulations deal with disclosure of number and percentage of shares/voting rights to the company by an acquirer who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than 5% shares or voting rights in a company, in any manner whatsoever, within two days of the receipt of intimation of allotment of shares or the acquisition of shares or voting rights, as the case may be.

(c) In the instant case, I find that the Noticee had acquired 1,35,57,593 shares of AIL as on December 5, 2003 which was 5.42 % of AIL's share holding/voting rights. This was more than the 5% threshold specified in regulation 7(1) of SAST Regulations. As per regulation 7(2) of SAST Regulations, the Noticee was under obligation to disclose its shareholding to the Company and to the stock exchanges where shares of AIL were listed, within 2 days from the date of acquisition. However, the Noticee had failed to make the said disclosure. The Noticee has also not disputed this fact. Therefore, the allegation of violation of regulation 7(1) read with 7(2) of SAST Regulations stands established.

17. **ALLEGED VIOLATION OF REGULATION 13(1) OF PIT REGULATIONS**

(a) The provisions of regulation 13(1) of PIT Regulations read as under:

“13. Disclosure of interest or holding by directors and officers and substantial shareholders in a listed company – Initial Disclosure

(1) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of :—

(a) the receipt of intimation of allotment of shares; or

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

(b) In terms of regulation 13(1) 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 by such within 4 working days of (i) the receipt of intimation of allotment of shares, (ii) the acquisition or sale of shares or voting rights, as the case may be.

(c) In the instant case, I find that the Noticee had acquired 1,35,57,593 shares as on December 5, 2003 which was 5.42 % of AIL's share holding / voting rights. This was more than the 5% threshold specified in regulation 13(1) of PIT Regulations. As per regulation 13(1) of PIT Regulations, the Noticee was under the obligation to disclose its shareholding to the Company within 4 working days from the date of acquisition. However, the Noticee had failed to make the said disclosure. The Noticee has also not disputed this fact. Therefore the violation of regulation 13(1) of PIT Regulations is established.

18. **ALLEGED VIOLATION OF REGULATION 13(3) READ WITH
REGULATION 13(5) OF PIT REGULATIONS**

(d) 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 receipt of intimation of allotment of shares, or

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

(e) 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.

(f) In the instant case, the Noticee had sold 92,01,000 shares constituting 3.68% of equity share capital of the company during the period from December 8 to December 12, 2003

(g) I find that with the sale of 92,01,000 shares from December 8 to December 12, 2003, the cumulative sale of the Noticee crossed the limit of 2% of paid up capital of AIL as specified in the aforesaid regulations. The Noticee had not made the requisite disclosure. It has not disputed this fact. Therefore, the violation of regulations 13(3) read with 13(5) of PIT Regulations stands established.

19. **ALLEGED VIOLATION OF PFUTP REGULATIONS**

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*

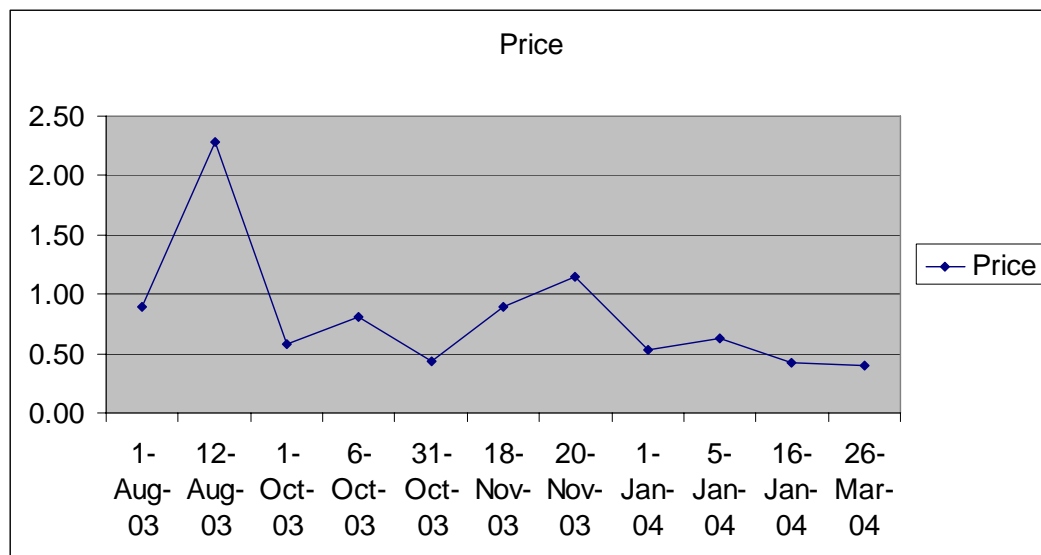
any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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;”*

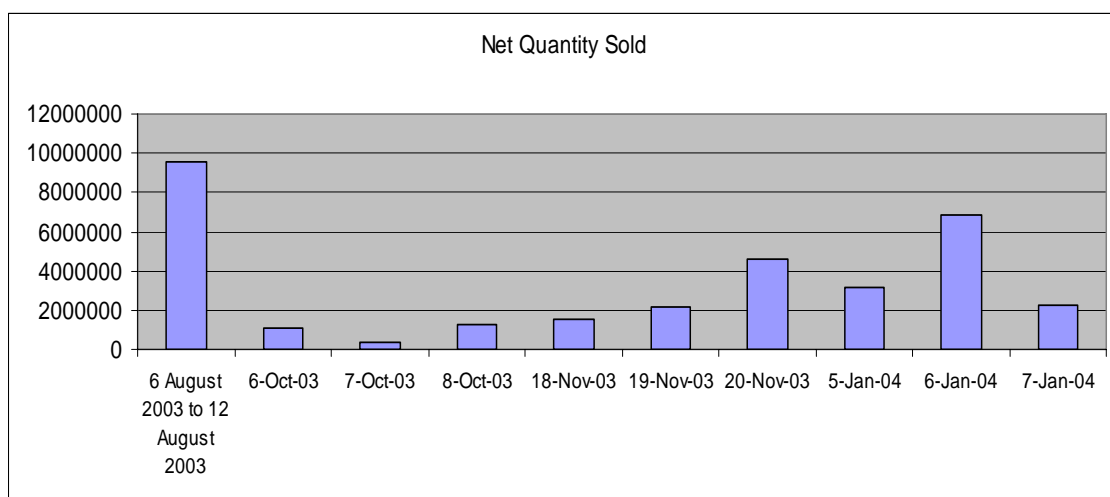
Upon perusal of the documents available on record, I find the following:

- (a) 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:



(b) 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.

(c) It was during such occasions when the price of shares of AIL rose temporarily, that the promoters / their related entities / PACs / other entities including the Noticee offloaded their shares of AIL in the market. The details of shares sold by the entities during such temporary rise is graphically depicted below:



(d) 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 crore and net loss of Rs.31.8 lakh during the quarter ended March 31, 2003.		Ashwin Kanjibhai Patel sold 2915677 shares on Aug 8 and 12 2003	Ashwin Kanjibhai Patel had received 1,15,69,000 shares from Cavalier Securities Ltd (had common director with Alka India Ltd) on August 7, 2003
2	Informed to Exchange on October 6, 2003	Results for the quarter ended September 2003:	On 6 th October 2003, the scrip opened at Re. 0.73 and touched its applicable upper circuit rate (20%) of Re. 0.81 (previous close was Re. 0.68).	Girdharbhai Chaiturao Karu Sold 3827959 on 4 days during 06/10/2003 to 14/10/2003	Girdharbhai Chaiturao Karu had received 50,00,000 shares from Ashwin Patel on October 10, 2003, 5,00,000 shares from Cavalier Securities Ltd on October 9, 2003, 25,00,000 shares from Ratnaram B Rabari on September 9, 2003 and 5580000 shares from Nilesh Vinodchandra Sheth on September 29, 2003

		<p>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.</p>	<p>Thereafter on 8th, 10th and 13th October 2003 also, price of the scrip has touched its applicable upper circuit limit.</p>	<p>Sanjay Thakkar sold 799551 on Oct 13, 2003</p>	<p>Sanjay Thakkar had received 50,00,000 shares from Giridharbhai Chaiturao Karu on October 9, 2003</p>
		<p>The net profit for the previous quarter ended June 2003 was 3.77 crores.</p>		<p>Narendra Tiwari sold 3343056 shares on Oct 9 and 15, 2003</p>	<p>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.</p>
				<p>Pravin C Jain sold 3153134 shares on Oct 10 and 16, 2003</p>	<p>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</p>
3	<p>Informed to Exchange on November 18, 2003</p>	<p>Alka Spinners Board declares Results for Year ended September 2003 and dividend:</p>	<p>On 18th 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).</p>	<p>Narendra Tiwari sold 7943246 shares on Nov 18, 19 and 20, 2003</p>	<p>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</p>

	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 Girdhar Karu, Narendra Tiwari, Shivram Meena and Pravin Jain during Nov 27, 2003 to Feb 4, 2003.
		The Board of Directors also have recommended a dividend of 15% for the financial year ended September 30, 2003 for the approval of shareholders at AGM.		Ratanaram Rabari sold 1000000 shares on Nov 18, 2003	Ratanaram Rabari received 9300600 shares from Panchariya Textiles Industries Ltd on August 13, 2003 and 2500000 shares from Giridharbhai C Karu on Sept 3, 2003
4	Informed to Exchange on January 3, 2004	Alka Spinners - Outcome of AGM:	On 5 th January 2004 (next trading day after 3 rd January 2004), the scrip opened at Re. 0.6 and touched its intra day high of Re. 0.65 (14.04% higher as compared to previous close of Re. 0.57).	Pravin C jain sold 3176511 shares on Jan 5, 2004	Pravin C jain received 19036500 shares from Right Finstock Pvt Ltd Dec 16, 2003 to January 6, 2004
	12:13:16 PM	Alka Spinners Ltd has informed BSE that at the Annual General Meeting held on December 31, 2003, the shareholders have approved the following business matters:		Narendra D Tiwari sold 13539286 shares on Jan 6, 7 and 8, 2004 and sold 4403600 shares on Jan 20 and 22, 2004	Narendra D Tiwari received 37409350 shares from Right Finstock Pvt Ltd during Jan 7-21 2004, 1618000 shares from Cavalier Securities on Jan 7, 2004

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

6	Informed Exchange 3/26/2004 6:00:57 PM to on	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).		

20. Trading Details

It was alleged that the Noticee had transacted in the scrip of AIL both on and off market. It had sold shares of AIL through broker M/s Harikishan Hiralal on BSE. As regards market transactions, on December 9, 2003, the Noticee sold 5,01,000 shares of AIL and purchased 1,000 shares (Net sale of 5,00,000 shares). Details of the same are as under:

Name & Address	Sett. No.	Date	Purchases		Sales		Net	Cum. Net
			Qty	Rate(Rs.)	Qty	Rate(Rs.)	Qty	Qty
Right Finstock Pvt Ltd	179	09/12/03	1000	0.84	119000	0.81	-118000	-118000
C/161. Kamdhenu Complex ,	179	09/12/03	0	0	60000	0.82	-60000	-178000
Panjrapol Ahmedabad	179	09/12/03	0	0	80000	0.83	-80000	-258000
Director: Sanket Haresh Shah	179	09/12/03	0	0	91000	0.84	-91000	-349000
Client Code :- 4970	179	09/12/03	0	0	151000	0.85	-151000	-500000

21. The Noticee sold substantial quantity of AIL shares to Pravin Jain, Shivram Motilal Meena Girdharbhai Chaiturao Karu and Narendra Tiwari in off market transactions.
22. The aforesaid entities further offloaded shares of AIL taking advantage of certain misleading positive announcements made by the Company.
23. Further the Noticee had also acquired shares of AIL from Kailashben Jayendra Patel, Dharmveersingh Magansingh Shekhawat, Shreerath Marketing Private Limited, Harsiddhi Man-Power Services Pvt Ltd, Jivan Singh Rathore, Ratnaram b. Rabari, Durgaram Umaram Dudi, Ashwin Patel, Bhagwan Ghanshyam Panchariya, Sanjay Thakkar, Sheth Nilesh Vinodchandra, Hitendra Chaturbhai Makwana, Laxmanram Umaramji Duddi, Ratnaram Bhawaram Choyal, Rajput Vikramsingh Jaggusingh, Radheshyam Tiwari, Udayram Jummaji Gadri, Kishanlal Udayram Gadri, Ambalal C Sharma, Pravin Jain, Shivram Motilal Meena Girdharbhai Chaiturao Karu and Narendra Tiwari through off market transactions.
24. The details of off- market transactions done by the Noticee are as under:

<u>Details of purchases made by RFPL in off market transactions</u>			
Target Client Name	Source Client Name	Date	Total
RIGHT FINSTOCK PVT. LTD	MEENA SHIVRAM MOTILAL	25/11/2003	5350000
		27/11/2003	2100000
		5/12/2003	3863000
	MEENA SHIVRAM MOTILAL Total		11313000
	KAILASHBEN JAYENDRA PATEL	31/12/2003	5000000
		2/1/2004	2500000
		5/1/2004	2500000
		8/1/2004	544200
	KAILASHBEN JAYENDRA PATEL Total		10544200
	DHARMVEERSINGH MAGANSINGH SHEKHAWAT	27/11/2003	1600000
		2/12/2003	3000000
		4/12/2003	5420708
	DHARMVEERSINGH MAGANSINGH SHEKHAWAT Total		10020708
	SHREERATH MARKETING PRIVATE LIMITED	3/12/2003	2000000
		12/12/2003	7000000
		20/12/2003	563000
	SHREERATH MARKETING PRIVATE LIMITED Total		9563000
	HARSIDDHI MAN-POWER SERVICES PVT LTD	24/12/2003	7472000
	HARSIDDHI MAN-POWER SERVICES PVT LTD Total		7472000
	JIVAN SINGH RATHORE	29/12/2003	5488000
	JIVAN SINGH RATHORE Total		5488000
	RATNARAM B. RABARI	4/12/2003	4947885
	RATNARAM B. RABARI Total		4947885
	DURGARAM UMARAM DUDI	1/1/2004	3377500
	DURGARAM UMARAM DUDI Total		3377500
	ASHWIN PATEL	4/12/2003	771000
		5/1/2004	500000
		21/1/2004	2000000
	ASHWIN PATEL Total		3271000

	BHAGWAN GHANSHYAM PANCHARIYA	3/1/2004	2374000
	BHAGWAN GHANSHYAM PANCHARIYA Total		2374000
	KARU GIRDHARBHAI CHAITURAO	7/1/2004	2000000
		9/1/2004	175000
	KARU GIRDHARBHAI CHAITURAO Total		21,75,000
	SANJAY THAKKAR	7/1/2004	2004563
		19/1/2004	200
	SANJAY THAKKAR Total		2004763
	SHETH NILESH VINODCHANDRA	7/1/2004	2000000
	SHETH NILESH VINODCHANDRA Total		2000000
	HITENDRA CHATURBHAI MAKWANA	21/1/2004	2000000
	HITENDRA CHATURBHAI MAKWANA Total		2000000
	LAXMANRAM UMARAMJI DUDDI	20/12/2003	1737000
	LAXMANRAM UMARAMJI DUDDI Total		1737000
	RATNARAM BHAWARAM CHOYAL	7/1/2004	565800
		9/1/2004	139000
		15/1/2004	915400
		19/1/2004	62000
	RATNARAM BHAWARAM CHOYAL Total		1682200
	SANJAY SHANKARLAL THAKKAR	7/1/2004	1000000
	SANJAY SHANKARLAL THAKKAR Total		1000000
	RAJPUT VIKRAMSINGH JAGGUSINGH	1/1/2004	893577
	RAJPUT VIKRAMSINGH JAGGUSINGH Total		893577
	ASHWIN KANJIBHAI PATEL	1/1/2004	756863
	ASHWIN KANJIBHAI PATEL Total		756863
	RADHESHYAM TIWARI	3/2/2004	570164
	RADHESHYAM TIWARI Total		570164
	UDAYRAM JUMMAJI GADRI	13/1/2004	500000
	UDAYRAM JUMMAJI GADRI Total		500000
	KISHANLAL UDAYRAM GADRI	20/1/2004	500000

	KISHANLAL UDAYRAM GADRI Total		500000
	AMBALAL C SHARMA	13/1/2004	500000
	AMBALAL C SHARMA Total		500000
	NARENDRA TIWARI	20/12/2003	490000
	NARENDRA TIWARI Total		490000
	RAJPUROHIT CHANDANSINGH	5/1/2004	245000
	RAJPUROHIT CHANDANSINGH Total		245000
	HIREN GIRISHCHANDRA TRIVEDI	27/12/2003	100000
	HIREN GIRISHCHANDRA TRIVEDI Total		100000
	MALTIBEN GIRISHCHANDRA TRIVEDI	27/12/2003	100000
	MALTIBEN GIRISHCHANDRA TRIVEDI Total		100000
	MINABEN DILIPBHAI PATEL	26/12/2003	75000
	MINABEN DILIPBHAI PATEL Total		75000
		7/1/2004	12393
	SHIVRAM MOTILAL MEENA	19/1/2004	9000
	SHIVRAM MOTILAL MEENA Total		21393
	PRAVIN JAIN	7/1/2004	490
	PRAVIN JAIN Total		490
RIGHT FINSTOCK PVT. LTD Total	Grand Total		85722743

<u>Details of sales made by RFPL in off market transactions</u>			
Source Client Name	Target Client Name	Date	Total
RIGHT FINSTOCK PVT. LTD	KARU GIRDHARBHAI CHAITURAO	1/12/2003	2500000
		2/12/2003	1795000
		4/12/2003	5500000
		8/12/2003	2000000
		10/12/2003	700000
		11/12/2003	6000000
		12/12/2003	3000000
		27/11/2003	5300000
		29/11/2003	1200000
		1/1/2004	3000000
		2/1/2004	2970000
		3/1/2004	3704000

	KARU GIRDHARBHAI CHAITURAO Total		3,76,69,000
		16/12/2003	6000000
		19/12/2003	1500000
		20/12/2003	545000
		30/12/2003	5000000
	PRAVIN JAIN	1/1/2004	2825000
		6/1/2004	3166500
	PRAVIN JAIN Total		19036500
	NARENDRA TIWARI	7/1/2004	6920000
		8/1/2004	715950
		9/1/2004	4143900
		12/1/2004	175000
		15/1/2004	1918000
		21/1/2004	4500000
		4/2/2004	641800
	NARENDRA TIWARI Total		19014650
	SHIVRAM MOTILAL MEENA	24/12/2003	2300000
		26/12/2003	3500000
		27/12/2003	2500000
		30/12/2003	1200000
	SHIVRAM MOTILAL MEENA Total		9500000
RIGHT FINSTOCK PVT. LTD Total			85220150

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

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 altogether 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.

26. 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, Cavalier Securities Ltd (promoter related 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 with one another around the same period.
27. The Noticee and Cavalier Securities Ltd. together sold 15,03,42,926 shares (around 60% of the equity capital) from 6 August, 2003 to 22 January, 2004 on BSE. Out of these, 8,62,29,364 shares were sold within few days of the aforesaid announcements when the price of AIL shares went up.
28. Further, the Noticee had received shares from Durgaram Umaram Dudi and Kailashben J Patel (persons acting in concert as per shareholding pattern) as well as from other entities in off market deals.

29. 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.
30. Ashok Pancharia who was promoter of AIL was also director of Cavalier Securities Ltd. 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.
31. The broker, M/s Parklight Investments Pvt. Ltd. (**Parklight**) had major concentration in order book on both buy and sell sides 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 Bhavraram 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.
32. 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 8,57,22,743 shares of AIL from various entities including 1,39,21,700 shares from Durgaram Umaram Dudi and Kailashben J Patel (persons acting in concert as per shareholding pattern) through off market deals. In turn, the noticee sold 8,52,20,150 shares to various entities in off market mode and only a net quantity of 5,00,000 shares through market transactions 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.

33. In view of the forgoing, I am of the view that the Noticee had acted as a conduit for the promoters/its 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 Pravin Jain, Shivram Motilal Meena Girdharbhai Chaiturao Karu and Narendra Tiwari, some of the front entities/ promoter related entities, 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 and thereby contributed in misleading the general investors and has thus violated regulation 3(a), (c), (d) and 4(1) of PFUTP Regulations.
34. Moreover, brokers Parklight and Harikishan Hiralal also assisted the promoter/ its related entities to offload shares by creating

artificial demand in the scrip by placing large buy orders at very low prices and later deleting them.

35. **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.”

36. 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*”.
37. In Appeal No. 66 of 2003 - *Milan Mahendra Securities Pvt. Ltd. Vs SEBI* – Order dated April 15, 2005 the Hon'ble SAT has observed that, “*the purpose of these disclosures is to bring about transparency in*

the transactions and assist the Regulator to effectively monitor the transactions in the market.”

38. In view of the foregoing, I am convinced that it is a fit case to impose monetary penalty under sections 15A(b) and 15 HA of the SEBI Act.
39. While determining the quantum of monetary penalty under sections 15A (b) and 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 object of the PIT Regulations and SAST Regulations mandating disclosure of acquisition/sale beyond certain quantity is to give equal information and opportunity to all shareholders and protect their interests. To translate this objective into reality, measures have been taken by SEBI to bring about transparency in the transactions and it is for this purpose that dissemination of full information is required. The acquisition of 1,35,57,593 shares representing 5.42% of the paid up capital of AIL assumes significance inasmuch as the same was not known to the public. Since the transactions had taken place off market, it is all the more important for the Noticee to have disclosed the same in a timely manner to the company and the stock exchange, so that it could have brought it to the knowledge of the public in time. It may not be

possible to ascertain the exact monetary loss to the investors on account of default by the Noticee. With the sale of 92,01,000 shares by Noticee, its individual shareholding has come down by 3.68%. The said sale by Noticee was also of importance from the point of view of outside shareholders / other investors. It would, however, be difficult to come to a firm conclusion as to how the general investors would have reacted on knowing the aforesaid transactions. By virtue of the failure on the part of the Noticee to make the necessary disclosures on time, the fact remains that the general investors were deprived of the important information at the relevant point of time. The Noticee failed to disclose the acquisition as well as the sale, both done at different points of time. This reflects the repetitive nature of default by it.

41. In addition to the violations of SAST and PIT the Noticee has aided and abetted the promoters/ PACs and have thereby mislead 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, mislead. 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.
42. Moreover, as the Noticee is a registered market intermediary being a broker of Ahmedabad Stock Exchange, it is expected that it would be well aware of the regulatory obligations relating to securities market as stipulated vide various regulations.

ORDER

43. In view of the foregoing, I impose a penalty of Rs. 5,00,000/- {Rs.2,00,000/- (Rupees two lakh only) under section 15A (b) of

SEBI Act and Rs.3,00,000/-(Rupees three lakh only) under section 15HA of the SEBI Act} on the Noticee which will be commensurate with the violation committed by it.

44. 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.
45. In terms of rule 6 of the Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: **February 26, 2010**
Place: **Mumbai**

Piyoosh Gupta
ADJUDICATING OFFICER