

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. PKB/AO- 50/2011]**

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**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  
Prudential Stock and Securities Ltd.**

**In the Matter of  
Gennex Laboratories Ltd.**

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**BRIEF FACTS OF THE CASE**

1. Investigation into the affairs relating to buying and selling or dealing in the shares of Gennex Laboratories Limited (hereinafter referred to as 'GLL' or 'the company') was made to ascertain whether any provision of the SEBI Act, 1992 and various rules and regulations made there under have been violated. The main focus of the investigation was to ascertain whether there was any violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations ('SAST Regulations'), 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992 ('PIT Regulations') during the period of April 30, 2007 to November 18, 2008 (hereinafter referred to as the 'Investigation Period').
2. GLL was incorporated in 1985 as a private limited company and became public limited in 1994. It was originally promoted by Pharmasia Ltd. Later, Mr. Vinod Baid & Associates acquired a controlling stake in 1994 for setting up facilities for manufacture of Bulk Drugs and Drug Intermediates. It came out with public issue of 14, 00,000 equity shares of ₹ 10 each aggregating to ₹ 1.40 Crore in

February 1996. The name of the company was changed to Gennex Laboratories Ltd. w.e.f. September 19, 2007.

3. During April 2007–December 2007, it is noted that the shareholding of promoters had changed from 54, 42,836 shares (53.62% of the paid up capital) to 25, 08,800 shares (24.72%) which includes 25 lakh shares pledged with Bank of India. Thus, there is change of 29,34,036 shares (28.90%) wherein all the promoters except the Vinod Baid, L Lalitha, L Vithal Rao and Prudential Investments Ltd. had sold/transferred their shares. As per shareholding pattern, the major selling promoters were the Mercury Fund Management Co. Ltd. ('MFMCL') (16, 36,036 shares) and Roopshri Finvest (3, 32,000 shares). During the period of investigation i.e. April 30, 2007 – November 18, 2008, MFMCL had sold 29, 94,394 shares and Roopshri sold 9, 08,025 shares. On analyzing the demat statement of MFMCL, it was noted that 2,95,300 shares were received in off market from another promoter Prudential Stocks & Securities Limited (hereinafter referred to as 'the Noticee') (client ID 14872936) since November 10,2007. From these shares, only 34,700 shares were sold in the market during November 12-29, 2007 and balance 2, 60,600 shares were transferred to his another BO ID 1201090001221636.
4. The transaction statement of MFMCL, for the period April 1,2006 to April 30,2007, states that it had received 9336 shares in off market from the Noticee on June 7, 2006 and 20,02,700 shares on June 14, 2006. It is also noted that the Noticee has also received 20,00,000 shares from company named Global Telenet Limited (GTL) on May 3,2006 and GTL has received these shares (physical) from 10 promoter entities on April 28,2006.
5. While acquiring 20, 00,000 shares (19.70% of the capital), it is alleged that the Noticee has neither made disclosures under Regulation 7 (1) of SEBI (SAST) Regulations, 1997 & regulation 13(1) of SEBI (PIT) Regulations, 1992 nor went for open offer under regulation 10 of SEBI (SAST) Regulations, 1997. Similarly, when it transferred 20, 02,700 shares to MFMCL on June 14, 2006, it has not made disclosure under regulation 13(3) of SEBI (PIT) Regulations, 1992.

6. Summons were issued to the Noticee to provide information with regard to its dealings in the scrip of the company and the disclosures made by it in that regard. It has been alleged that the Noticee did not comply with the summons.
7. As aforesaid, the Noticee was asked about the details of the acquisition & transfer of shares in off market with reasons and receipt/payment of consideration thereof. Since the Noticee failed to produce any document evidencing payment/receipt of consideration for off market transfer between itself & MFMCL, it has been alleged that this transfer was in violation of Section 2(i) read with Section 13 of Securities Contracts (Regulation) Act, 1956.
8. In view of the aforesaid, it was alleged that the Noticee had violated the provisions of Regulations 7 (1) and 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Regulations 13(1) and 13 (3) of SEBI (Prohibition of Insider Trading) Regulations, 1992 , Sections 11 C (2), 11C (3) read with 11 C (6) of the SEBI Act, 1992 and Section 2 (i) read with Section 13 of Securities Contracts (Regulation) Act, 1956 ('SCRA') .

#### **APPOINTMENT OF ADJUDICATING OFFICER**

9. The undersigned was appointed as Adjudicating Officer ('AO') vide order dated March 29, 2011 under Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred as 'Rules') to enquire into and adjudge upon the alleged violations committed by the noticee under sections Section 15 H, 15 A (a) and 15 A (b) of the SEBI Act, 1992 as well as Section 23 H of the SCRA, 1956.

#### **SHOW CAUSE NOTICE, REPLIES AND HEARING**

10. A show cause notice (SCN) dated May 23, 2011 was issued to the Noticee. The SCN was duly delivered and the proof of delivery is available on record. The Noticee, vide letter dated June 13, 2011, submitted his reply to the SCN in which it barely stated that it had provided information to SEBI as and when required and did not deal with all the allegations made out in the SCN.

11. After considering the submissions of the Noticee, I considered it appropriate to conduct an enquiry. Accordingly, the Noticee was granted an opportunity to be heard before the undersigned on July 21, 2011. The Noticee did not attend the hearing, nor did it communicate with SEBI in any manner regarding the same. To meet the ends of justice and to adhere to the principles of natural justice, the Noticee was provided another opportunity to appear before the undersigned on August 12, 2011. The Noticee, vide letter dated August 10, 2011, requested to be granted a hearing at SEBI's Kolkata office. The request was considered and accordingly, the Noticee was granted a hearing at Kolkata on September 7, 2011. Vide letter dated September 6, 2011, the Noticee expressed its inability to attend the hearing because the person authorised to attend the hearing was unwell and would join office fifteen days later. The Noticee's plea was once more accepted and the fourth opportunity of hearing was scheduled at Kolkata on September 30, 2011. Vide letter dated September 27, 2011, the Noticee stated that the person looking after the assignment was out of town and requested to be given a hearing in the second week of October. In spite of the obvious delaying tactics employed by the Noticee, the undersigned granted it a fifth opportunity of being heard on October 13, 2011, in the interests of natural justice. The hearing was attended by Mr. Sandeep Kumar Daga, Authorised Representative of the Noticee. During the course of hearing the charges contained in the SCN were explained to the representative of the Noticee and was also informed that its reply dated June 13, 2011 does not cover all the allegations made against the Noticee. Accordingly, the Noticee was asked to make submissions on all the allegations made against the Noticee. However, the representative of the Noticee maintained that he has nothing to add to the submissions made earlier. I note from the above that the Noticee has been given sufficient opportunities to present its case and principles of natural justice have been complied with in all respects. Hence I proceed with this enquiry on the basis of the material available on record.

## ISSUES FOR CONSIDERATION

12. On perusal of the SCN, Noticee's submissions and other material available on record, I have the following Issues for consideration, viz.,

- Whether the Noticee violated the provisions of Regulations 7 (1) and 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ('SAST Regulations'), Regulations 13(1) and 13 (3) of SEBI (Prohibition of Insider Trading) Regulations, 1992 ('PIT Regulations')?
- Whether the Noticee violated the provisions of Sections 11C (2) and 11C (3) read with 11 C (6) of the SEBI Act, 1992?
- Whether the Noticee violated the provisions of Section 2 (i) read with Section 13 of Securities Contracts (Regulation) Act, 1956?
- Whether the Noticee is liable for monetary penalty under Section 15 H, 15 A (a) and 15 A (b) of the SEBI Act, 1992 as well as Section 23 H of the SCRA, 1956?
- If found guilty, what should be the quantum of penalty imposed upon the Noticee in accordance with the principles of Section 15 J of the SEBI Act?

## FINDINGS

13. On careful perusal of the material available on record, I proceed to discuss the Issues for Consideration and my findings are recorded as under:

*ISSUE 1: Whether the Noticee violated the provisions of Regulations 7 (1) and 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ('SAST Regulations'), Regulations 13(1) and 13 (3) of SEBI (Prohibition of Insider Trading) Regulations, 1992 ('PIT Regulations')?*

14. It is alleged that the Noticee violated the provisions of Regulations 7 (1) and 10 of SAST Regulations and Regulations 13(1) and 13 (3) of PIT Regulations, which read as below:

**Acquisition of 5 per cent and more shares or voting rights of a company**

7. (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.

**Acquisition of fifteen per cent or more of the shares or voting rights of any company**

10. No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen per cent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the regulations.

**Disclosure of interest or holding by directors and officers and substantial shareholders in a listed companies - Initial Disclosure**

13. (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.

**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.

15. It has been observed that the Noticee has received 20,00,000 shares of GLL( 19.70% of the capital) from company named Global Telenet Limited (GTL) on May 3,2006 and GTL has received these shares (physical) from 10 promoter entities on April 28,2006. Subsequently on June 14, 2006 the noticee transferred 20, 02,700 shares of GLL (19.73% of the capital) to MFMCL. Sequence of these transactions is detailed below:

Transferor	Date	Transferee	Date	Transferee	Date	Transferee
J M Apartments Pvt. Ltd. (2, 00,000 shares), Baid Properties Pvt. Ltd. (4, 00,000 shares), Arpita Towers Pvt. Ltd. (200000 shares), Premier	April 28,2006	Global Telenet Ltd. (20,00,000 shares)	May 3,2006	Prudential Stock & Securities Ltd. (20,00,000 shares –	June 14,2006	Mercury Fund Management Pvt. Ltd.

Corporate Services & Finvest Pvt. Ltd. (200000 shares), Arihant Business Services Pvt. Ltd. (200000 shares), Premier Fiscal Services Pvt. Ltd. (200000 shares), Prudential Business Services Pvt. Ltd. (200000 shares), Prudential Mercantiles. Ltd. (200000 shares), Prudential Properties Pvt. Ltd. (200000 shares)				19.70%#)		(20,02,700 shares - 19.73%#)
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16. I also note that the Noticee is not shown as promoter in the shareholding pattern for quarters ending March 2006 & June 2006. Since the Noticee was not a promoter at the time of these off-market transfers in 2006, it can be stated that these transactions were not promoter’s inter-se transfers & thus, exemption under Regulation 3(1) (e) of SEBI (SAST) Regulations, 1997 is not available. The notice has also not claimed that these transactions were among the promoters.
17. Hence it has been alleged that while acquiring 20, 00,000 shares (19.70% of the capital), the Noticee did not make the requisite disclosures under Regulation 7 (1) of SEBI (SAST) Regulations, 1997 & regulation 13(1) of SEBI (PIT) Regulations, 1992 nor did it make an open offer under regulation 10 of SEBI (SAST) Regulations, 1997. Similarly, when it transferred 20, 02,700 shares (19.73% of the capital) to MFMCL on June 14, 2006, it did not make disclosure under regulation 13(3) of SEBI (PIT) Regulations, 1992.
18. The Noticee has nowhere denied the allegations levelled against it and has placed nothing on record to refute the allegation that it had not made the disclosures or open offer as mentioned above. The entire disclosure regime is meant to facilitate the free flow of information in the market and to maintain transparency so that the acts of individuals do not expose the market to risks. Therefore, taking a casual or negligent approach to question of disclosures is not

just improper but a breach of law that needs to be dealt with seriously. Moreover, not making an open offer under Regulation 10 of SAST Regulations is a serious breach of law that deprives investors of their right to exit a company upon substantial takeover of the shares of the same.

19. In view of the above, I find the Noticee guilty for the violation of under Regulations 7 (1) and 10 of SAST Regulations and Regulations 13(1) and 13 (3) of PIT Regulations.

***ISSUE 2: Whether the Noticee violated the provisions of Sections 11C (2) and 11C (3) read with 11 C (6) of the SEBI Act, 1992?***

20. It is alleged that the Noticee violated the provisions of Sections 11C (2) and 11C (3) read with 11 C (6) of the SEBI Act, 1992, which read as below:

***Investigation***

**11 C (2)** *Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.*

**(3)** *The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

**(6)** *If any person fails without reasonable cause or refuses –*

*(a) to produce to the Investigating Authority or any person authorised by it in this behalf any book, register, other document and record which is his duty under sub-section (2) or sub-section (3) to produce; or*

*(b) to furnish any information which is his duty under sub-section (3) to furnish; or*

*(c) to appear before the Investigating Authority personally when required to do so under sub-section (5) or to answer any question which is put to him by the Investigating Authority in pursuance of that sub-section; or*

*(d) to sign the notes of any examination referred to in sub-section (7),*

*he shall be punishable with imprisonment for a term which may extend to one year, or with fine, which may extend to one crore rupees, or with both, and also with a further fine which may extend to five lakh rupees for every day after the first during which the failure or refusal continues.*



21. Summons dated August 16, 2010 was issued to the to provide the following information:

*It is observed that Prudential Stock and Securities Limited (PSSL) has received 20,00,000 shares of Gennex Laboratories Ltd. in off market on 03.05.06 and transfer 20,02,700 shares to Mercury Fund Management Company Limited in off market on 14.06.06. With the acquisition, PSSL has acquired 19.70% of the capital and thus, exceeds the limit of 15%, as specified under Regulation 10 of SEBI (Substantial Acquisition of Shares & Takeovers) Regulation, 1997. In this regard, please inform about the following:*

- a. Whether open offer was made by PSSL, post acquisition of 19.70 of the capital?*
- b. Name of the entity with contact details from whom shares were received in off market on 03.05.06.*
- c. Reasons for receiving shares in off market.*
- d. Payment of consideration for the aforesaid receipt of shares. The copy of Bank Statement evidencing the said payment may be furnished.*
- e. Whether disclosure was made was made under Regulation 13(3) read with Regulation 13(5) of SEBI (PIT) Regulations, 1992 to the company i.e. Gennex Laboratories Ltd. after transfer of 20,02,700 shares in off market on 14.06.06? If yes, provide acknowledged copy of the said disclosure.*
- f. Reasons for transferring shares in off market.*
- g. Receipt of consideration for the aforesaid transfer of shares. The copy of Bank Statement evidencing the said receipt may be furnished.*

22. Vide letter dated August 22, 2010 the Noticee confirmed receipt of the summons and requested three weeks' time to file reply because the person looking after the concerned matters was on leave and was expected to join in the second week of October. However, the Noticee did not file reply to the summons, even after the expiry of the said three weeks.

23. The Noticee, in his reply dated June 13, 2011, has submitted that it had provided information to SEBI as and when required. However, no documentary evidence in support of this submission was provided. Hence, the submission cannot be

accepted as it is evident from the material on record that the Noticee did not submit a reply to the summons dated August 16, 2010.

24. In view of the above, I find the Noticee guilty of violating the provisions of Sections 11C (2) and 11C (3) read with 11 C (6) of the SEBI Act, 1992.

***ISSUE 3: Whether the Noticee violated the provisions of Section 2 (i) read with Section 13 of Securities Contracts (Regulation) Act, 1956?***

25. It is alleged that the Noticee has violated the provisions of Section 2 (i) read with Section 13 of Securities Contracts (Regulation) Act, 1956, which read as below:

*2. In this Act, unless the context otherwise requires, –*

- (i) “spot delivery contract” means a contract which provides for, –*
  - (a) actual delivery of securities and the payment of a price therefor either on the same day as the date of the contract or on the next day, the actual period taken for the despatch of the securities or the remittance of money therefor through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;*
  - (b) transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository;*

***Contracts in notified areas illegal in certain circumstances***

*13. If the Central Government is satisfied, having regard to the nature or the volume of transactions in securities in any State or States or area that it is necessary so to do, it may, by notification in the Official Gazette, declared this section to apply to such State or States or area, and thereupon every contract in such State or States or area] which is entered into after the date of the notification otherwise than between members of a recognised stock exchange or recognised stock exchanges in such State or States or area or through or with such member shall be illegal :*

***Provided*** that any contract entered into between members of two or more recognised stock exchanges in such State or States or area, shall –

- (i) be subject to such terms and conditions as may be stipulated by the respective stock exchanges with prior approval of Securities and Exchange Board of India;*

*(ii) require prior permission from the respective stock exchanges if so stipulated by the stock exchanges with prior approval of Securities and Exchange Board of India.*

26. It has been observed that the Noticee has received 20,00,000 shares of the company in off market on May 03, 2006 from Global Telenet Ltd. and transferred 20, 02, 700 shares of the company to MFMCL in off market on June 14, 2006. In this regard, during the course of the investigation, the Noticee was asked to provide, inter alia, the following information:

- (a) Reasons for receiving shares in off market
- (b) Payment of consideration in the receipt of shares alongwith the copy of bank statement evidencing the said payment
- (c) Reason for transferring shares in off market
- (d) Receipt of consideration for the transfer of shares alongwith the copy of bank statement evidencing the said receipt.

27. However, no information was provided by the Noticee to the Investigating Authority. During the course of the proceedings also the Noticee had not furnished any information in this regard.

28. As the Noticee has failed to produce any document evidencing payment/receipt of consideration for these off market transfers, I am constrained to infer that these transactions were not in the nature of a spot contract and was therefore in violation of Section 2(i) read with Section 13 of Securities Contracts (Regulation) Act, 1956.

***ISSUE 4: Whether the Noticee is liable for penalty under Section 15 H, 15 A (a) and 15 A (b) of the SEBI Act, 1992 and Section 23 H of the SCRA?***

29. The Noticee has been found guilty of violating the provisions of Regulations 7 (1) and 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Regulations 13(1) and 13 (3) of SEBI (Prohibition of Insider Trading) Regulations 1992, Sections 11 C (2), 11C (3) read with 11 C(6) of the SEBI Act, 1992 and Section 2 (i) read with Section 13 of the Securities Contracts (Regulation) Act, 1956 and is therefore liable for penalty under Sections 15 H, 15

A (a) and 15 A (b) of the SEBI Act, 1992 and Section 23 H of the SCRA, 1956, which read as below:

***Penalty for non-disclosure of acquisition of shares and takeovers***

**15H.** If any person, who is required under this Act or any rules or regulations made thereunder, fails to, –

(i) disclose the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate; or

(ii) make a public announcement to acquire shares at a minimum price; or

(iii) make a public offer by sending letter of offer to the shareholders of the concerned company; or

(iv) make payment of consideration to the shareholders who sold their shares pursuant to letter of offer,]

he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.

**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) to furnish any document, return or report to the Board, fails to furnish the same, 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;

(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;

***Penalty for contravention where no separate penalty has been provided***

**23H.** Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.

**ISSUE 5: What should be the quantum of penalty imposed upon the Noticee in accordance with the principles of Section 15 J of the SEBI Act?**

30. While imposing monetary penalty it is important to consider 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.”*

31. It is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the default. Further, the amount of loss caused to an investor or group of investors also cannot be quantified on the basis of the available facts and data. However, non-compliance with SEBI's disclosure regime and non-cooperation with investigative authorities leads to delay in the unraveling of unfair market practices, which results in the erosion of investor confidence in the market. In the foregoing paragraphs it is now established that the Noticee, Prudential Stock and Securities Ltd., failed to make requisite disclosures under the Takeover Regulations and Insider Trading Regulations and thereby compromised the integrity of the securities market. The Noticee also failed to make an open offer in accordance with the provisions of the Takeover Regulations. The Hon'ble Securities Appellate Tribunal in the matter of Mr. Ranjan Verghese Vs. Securities Exchange Board of India in the Appeal No. 177 of 2009 dated April 08, 2010 has observed that *"The fact that the appellants acting in concert with each other had made the acquisitions which triggered the Takeover Code, it was incumbent upon them to make a public announcement which, admittedly, they have failed to do so. This failure has seriously prejudiced the public investors/ shareholders of the company who have been deprived of their valuable right to exit by offering their shares to the acquirer. We cannot lose sight of the fact that one of the primary objects of the Takeover Code is to allow the public shareholders an exit route when the target company is either taken over by an acquirer or an acquirer makes a substantial acquisition therein."* Therefore, the violation of the Noticee constitutes a serious breach of law.

32. The Noticee also failed to provide complete information to the Investigating Authority of SEBI in response to the summons issued in terms of Section 11(3) of the SEBI Act, 1992. The said information was very relevant and important in the whole investigation process. By not providing this crucial information which could have unraveled serious manipulative or fraudulent practices on the part of the company or entities related to it, the Noticee seriously crippled the investigative process. Thereby, it is established beyond doubt that Noticee tried to elude the Investigating Authority, which hampered the investigation process. In this regard, I refer to the observation of the Hon'ble Securities Appellate Tribunal in Appeal No. 184 of 2010 (Mr. Jalaj Batra vs. SEBI, decided on 06-12-

2010); wherein it was held that - “.....Having regard to the circumstances of this case, we are more than satisfied that the summons had in fact been received by the appellant and that he failed to respond to the same. We have observed time and again that it is of utmost importance that market players like the appellant should fully cooperate with the investigations that are carried out by the Board, the watchdog of the securities market. If market players and intermediaries avoid appearing before the investigating officer or furnish the necessary information sought from them, the Board as a market regulator will not be able to carry out its statutory functions and duties of protecting the integrity of the securities market and the investigations would be grossly hampered. Non co-operation with the market regulator has to be viewed seriously. We do not know what else would have come to light if the appellant had appeared before the investigating officer or if he had furnished the requisite information that was sought from him.....”

33. Considering the facts and circumstances of the case and the violations committed by Noticee, I am of the view that imposing a penalty of ₹ 10, 00,000/- (Rs. Ten Lakhs only) under Section 15 H (ii), a penalty of ₹ 2, 00,000/- (Rs. Two Lakhs Only) under Section 15 A (a), a penalty of ₹ 3, 00,000/- (Rs. Three Lakhs Only) under Section 15 A (b) read with Section 15 H (i) and a penalty of ₹ 2, 00,000/- (Rs. Two Lakhs Only) under Section 23 H of SCRA on Prudential Stock and Securities Ltd. would be commensurate with the violations of Regulation 10 of SAST Regulations, Sections 11 C (2), 11C (3) read with 11 C (6) of the SEBI Act, Regulation 7 (1) of the SAST Regulations, Regulations 13(1) and 13 (3) of PIT Regulations and Section 2 (i) read with Section 13 of the SCRA, 1956 respectively by the Noticee.

**ORDER:**

34. Considering the facts and circumstances of the case, in terms of the provisions of Sections 15 H, 15 HA, 15 A (a) and 15 A (b) of the SEBI Act, 1992 , Section 23 H of the SCRA and Rule 5(1) of the Rules, I hereby impose a penalty of ₹ 10, 00,000/- (Rs. Ten Lakhs only) under Section 15 H (ii), a penalty of ₹ 2, 00,000/- (Rs. Two Lakhs Only) under Section 15 A (a), a penalty of ₹ 3, 00,000/- (Rs. Three Lakhs Only) under Section 15 A (b) read with Section 15 H (i) and a penalty of ₹ 2, 00,000/- (Rs. Two Lakh Only) under Section 23 H on Prudential Stock and Securities Ltd. i.e. a total penalty of ₹ 17,00,000 (Rs. Seventeen Lakhs

Only) for violating the provisions of Regulation 10 of SAST Regulations, Sections 11 C (2), 11C (3) read with 11 C(6) of the SEBI Act, Regulation 7 (1) of the SAST Regulations, Regulations 13(1) and 13 (3) of PIT Regulations and Section 2 (i) read with Section 13 of the SCRA, 1956.

35. 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 Shri Ashish Kumar, DGM, Investigation Department, Securities and Exchange Board of India, Plot No. C4-A, ‘G’ Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

36. In terms of the provisions of Rule 6 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this order are sent to the noticee and also to Securities and Exchange Board of India.

**Date: October 21, 2011**

**Place: Mumbai**

**P. K. Bindlish**

**Adjudicating Officer**