

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under Sections 11(1), 11(4) and 11B of the Securities And Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003.

In the matter of Pipavav Defence and Offshore Eng. Limited, Parsvnath Developers Limited, Tulip Telecom Limited and Glodyne Technoserve Limited

In respect of M/s Milestone Shares and Stock Broking Pvt. Ltd. (PAN AAFCM7386P)

Appearances:

For Noticee:

1. Mr. Vinay Chauhan, Advocate
2. Mr. Balbeer Chaudhary, Consultant

For SEBI:

1. Mr. Santosh Kumar Shukla, Joint Legal Adviser
2. Mr. Manoj Kumar, General Manager
3. Mr. Amitesh Kumar, Assistant Legal Adviser
4. Mr. Rajudeen Khan, Manager
5. Mr. Manish Kumar Gupta, Assistant Manager

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1. Securities and Exchange Board of India ('SEBI'), being alerted by its surveillance systems, on July 26, 2012, noticed a downward movement in the prices of four scrips namely Pipavav Defence and Offshore Eng. Limited ('*Pipavav*'), Parsvnath Developers Limited ('*Parsvnath*'), Tulip Telecom Limited and Glodyne Technoserve Limited ('*Glodyne*') as compared to their closing prices on July 25, 2012 at the National Stock Exchange of India ('NSE') and Bombay Stock Exchange Limited ('BSE'). It was also observed that the prices of the said four scrips had seen a sharp downward movement within the time from 09:15 to 09:49 on July 26, 2012. During 15 days prior to July 26, 2012, no corporate announcements/price sensitive information was disclosed to the stock exchanges by the aforesaid companies which could have impacted prices of their shares negatively.

2. In the above background, SEBI, vide an *ad interim ex-parte* order dated August 03, 2012, amongst others, restrained M/s Milestone Shares and Stock Broking Private Limited ('noticee') from accessing the securities market and further prohibited it from buying, selling or dealing in securities in any manner whatsoever, till further directions.
3. Pursuant to the aforesaid *interim* order, the noticee made submissions/ objections vide its letters dated September 08, 2012. Opportunity of personal hearing was granted to the noticee on November 01, 2012 and November 07, 2012 when Mr. Vinay Chauhan, Advocate, appeared and made submissions on behalf of the noticee. The noticee vide its email dated November 12, 2012 filed written submissions. The submissions made by noticee are as under:
 - (a) The noticee has denied all the charges and allegation in the *interim* order.
 - (b) The noticee is a company, engaged in the business of securities trading and trade in scrips after its own appraisal, analysis and research on the basis of fundamentals of the company.
 - (c) It has been trading through various brokers and also has availed margin funding facilities from various NBFC's (viz; JM financial Products Ltd.)
 - (d) With regards to the allegation that noticee had sold 32,275 shares and purchased 22,275 shares of *Parsvnath* during the price fall patch on July 26, 2012, the noticee has submitted that as on July 25, 2012 it had only 10,000 shares of *Parsvanath* in its account with its broker M/s Guinness Securities Limited ('Guinness') and *Guinness*, might have, by mistake sold excess shares from its account and when *Guinness* realised its error, it covered the excess from the market. All the trades were carried out by its broker, without its consent, knowledge or information. The decision on time of sale, the number of shares to be sold, the price at which the shares are to be sold, the mode and manner of order placement, etc. were that of *Guinness* and the noticee had no role to play in the same. *Guinness* had sold those shares due to margin shortfall in noticee's account with the broker.
 - (e) Relying upon an email dated September 06, 2012 from *Guinness* and its statement of account with *Guinness*, the noticee has stated that it had only 10,000 shares of *Parsvnath* in its account with *Guinness* as on July 25, 2012 and *Guinness* had confirmed that the sell transactions were undertaken by it on July 26, 2012 due to margin shortfall.
 - (f) With regards to the allegation that the noticee was a counter party seller of 50,000 shares to the buy orders of Neelanchal Mercantile Pvt. Ltd.(Neelanchal) in the scrip of *Pipavan*, the noticee has submitted that it had placed a buy order

for 50,000 shares when the price of the scrip was falling. The noticee has further submitted that the fact of purchase of 50,000 shares of *Pipavav* during the morning (i.e. during the price fall period as set out in the order) is antithesis to the allegation that noticee is part of any price depressing exercise in the scrip.

- (g) *Guinness* had sold 1, 20,000 shares of *Pipavav* on July 26, 2012 due to margin shortfall in noticee's account out of which allegedly 50,000 shares of noticee matched with the buy trade of Neelanchal. Noticee has further submitted that this trade had allegedly matched after a gap of about an hour and forty five minutes, therefore, nothing ulterior should be read into such matching.
- (h) Additionally, noticee submitted that due to price fall and volatility in the scrip *Pipavav*, their 120,000 shares held by it were liquidated as a result of margin shortfall and the same has caused a huge loss to them. Noticee has contended that if it was related to entities who were interested in depressing the price, it would not have bought the shares in the morning at higher prices only to get the shares liquidated at lower prices. Noticee submitted they are victims of price fall and not the other way round as implied in the *interim* order. Noticee has submitted a copy of the contract notes from its broker *Guinness* for the trades on July, 26, 2012.
- (i) With regard to its relation with other entities as mentioned in Para 17 & 18 of *interim* order , the noticee has submitted that :
 - The noticee and Neelanchal are related as holding and subsidiary companies.
 - The phone no 9832052577, on the basis of which relationship of the noticee with Mr. Manish Agarwal and Mr. Ajit Kumar Jain has been alleged in the order does not belong to the noticee. This number was wrongly recorded by Motilal Oswal Securities Ltd. ('MOSL') in KYC. As soon as the same came to its notice, Milestone vide its letter dated August 12, 2011 requested MOSL for rectification which was done by MOSL on or around August 12, 2011. When noticee approached MOSL for a written confirmation in this regard, it has expressed difficulty in giving the same, but has orally confirmed that the record was modified on August 12, 2011.
 - Noticee had opened another account with MOSL during the relevant time and the same error had happened in the KYC form. Noticee again pointed out the mistake to MOSL and same was rectified by them. In support of its submission, the noticee has submitted copy of two

statements of its accounts for the months of July, 2011 and November, 2011 from MOSL which bears the correct phone no. i.e. 8820113433.

- The email ID ashok@steptwo.in as mentioned in the *interim* order belongs to Mr. Ashok Kumar Sharma, Chartered Accountant of the Neelanchal. The Annual Return of the Neelanchal for the year ended March 31, 2011 was filed with MCA by Mr. Ashok Kumar Sharma in his professional capacity and thus drawing any relationship on that basis is not appropriate.
- Noticee has furnished a confirmation letter dated November 08, 2011 from Mr Ashok Kumar Sharma that he is involved with the Neelanchal in his professional capacity and he does not have any business relationship with it.
- As per the MCA portal the registered office address of Step Two Corporation Ltd is 21, Hemanta Basu Sarani, 5th floor, room No. 507, PS Hare Street, Kolkotta, West Bengal, 700 013 and not C/o. Ms. Finflow Investment Pvt. Ltd., A-206 Phoenix house, 2nd Floor, Senapati Bapatmarg, Lower parel, Mumbai - 13 as alleged in the order. Thus, the observation that Umang Nemani and Step Two Corporation Ltd. are connected and therefore Neelanchal is related to the Umang Nemani and further noticee is related to Umang Nemani is erroneous.
- Therefore, entire basis of clubbing the noticee with other entities mentioned in the *interim* order is fallacious.

(j) With regard to its financial details mentioned in Para 19 of the *interim* order, the noticee has submitted that its net worth was ₹ 6.23 Crore for the year 2009-10, ₹ 6.24 Crore was for year 2010-11 and ₹ 6.25 Crore was for year 2011-12.

(k) Stocks worth ₹ 8.92 crores are lying frozen in its demat account and the stock lying therein has been bought by it by obtaining margin financing. The value of that stock is zero from the perspective of lenders/NBFC and as a result its interest burden on the outstanding amount is mounting on daily basis which is causing grave loss to it.

4. I have considered the written and oral submissions of the noticee and the relevant material available on record. The limited issue to be considered in this order is to decide whether, based on the available material on record and after considering the submissions made by the noticee, the directions issued by vide *ad interim ex-parte* order

need to be continued, revoked or modified in any manner, in so far as it relates to the noticee.

5. From the statement of account, showing closing balance of shares in noticee's account with *Guinness* for the period July 16, 2012 to July 26, 2012, I note that noticee had following shares in its account on July 25, 2012 and July 26, 2012 :

Date	Name of the Scrip	Closing Quantity
25.07.2012	Glodyn	28647
25.07.2012	Parsvnath	10000
25.07.2012	Pipavav	70000
25.07.2012	Unisys Soft	3500
26.07.2012	Glodyn	28647

6. From the above statement of account it is clear that, as on July 25, 2012, the noticee had only 10,000 shares of *Parsvnath* in its account with *Guinness*. Further, from the contract notes with regard to these transactions, I note that initially 32275 shares of *Parsvnath* were sold during the period 9:35:07-9:35:50 a.m. and later 22,275 shares were bought during the period 9:37:57 - 9:40:04. I note that, the buy transaction was undertaken within a gap of approx. 2 minutes and the net sale from the noticee's account was only for 10,000 shares i.e. the same number of shares it was holding on July 25, 2012. I, therefore, find that the preponderance of probability has *prima facie* tilted in favour of the noticee at this stage.
7. Noticee has claimed that orders for selling and buying of shares in the scrip *Parsvnath* on July 26, 2012 were executed by the broker, *Guinness* due to margin shortfall. I note that by the email dated September 06, 2012, *Guinness* had informed the noticee that - "*stock of Milestone Shares & Stock Broking Pvt Ltd had been squared off on July 26, 2012 due to margin shortfall*". From the above statement of account, I note that the shares of all the scrips, except *Glodyn*, available in noticee's account on July 25, 2012, had been sold off on July 26, 2012. Thus, though the e-mail from *Guinness* does not mention the amount that *Guinness* had to recover from noticee for margin shortfall and the particular scrip and quantity sold by *Guinness* to recover the shortfall, the cumulative reading of the e-mail and the above statement of account *prima facie* suggests that the sell orders for 10,000 shares of *Parsvnath* were placed by *Guinness* pursuant to margin shortfall.

8. I note from the contract note submitted by noticee that it had bought 50,000 shares of *Pipavav* during the period 9:16:55 to 9:17:35 i.e. the period during the price fall patch with regard to this scrip. Since, the *interim* order is mainly in relation to sale of shares in four identified scrips in a fraudulent manner consequent to which there was fall in price of respective scrips, I find that this purchase of 50,000 shares of *Pipavav* by the noticee cannot be linked to the price fall in the scrip of *Pipavav*.
9. With regard to the allegation that, noticee was counter party seller for 50,000 shares of *Pipavav* for the buy orders of Neelanchal. From the contract note and statement of account submitted by the noticee, I note that as on July 26, 2012 the noticee was having total 1, 20,000 shares of *Pipavav* in its account with *Guiness*. I further note that these 1, 20,000 shares of *Pipavav* were sold from the account of the noticee during the day, out of which 50,000 shares matched with buy orders of Neelanchal at around 13:54:28 PM i.e. after a gap of one hour and forty five minutes from the time of order placed by the noticee. It is apparent that these orders were placed much after the identified price fall patch. I further note that while the noticee had bought 50,000 shares of *Pipavav* at an average price of ₹ 77/- per share in the morning during the price fall patch, the 1, 20,000 shares of *Pipavav* were sold from account of the noticee at an average price of ₹ 66/- per share. I find merit in submission of the noticee that if it would have been instrumental in the price fall of the scrip of *Pipavav*, it would not have bought the shares in the morning at a high price and sold it a lower price later on. I note that these facts, *prima facie*, support the submissions of the noticee that it has itself not executed the alleged trades and said transaction were done on the behest of *Guiness* on account of margin shortfall.
10. I also *prima facie* find merit in the submissions of the noticee denying the connection with Mr. Ajit Kumar Jain and Mr. Manish Agarwal. It is observed that the directions issued vide *ad interim ex-parte* order against noticee were *interim* in nature and were issued on the basis of *prima facie* findings. In my view, the noticee is able to make out a *prima facie* case in its favour at this stage. In the facts and circumstances of the case, I find that the balance of convenience is also in favour of the noticee. It is noted that the noticee has already undergone restraint for more than four months pursuant to the *interim* order. I note that the investigation in the matter is going on. A final view with regard to the role of the noticee, if any, in the matter, can be taken on the completion of the investigation.

11. The facts and circumstances of the case relating to the noticee do not suggest any emergent or urgent reasons to continue with the directions issued against the noticee vide the *ad interim* order at this stage. I am therefore, of the considered view that the directions issued against the noticee vide the *ad interim* order need not continue in the matter.
12. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby revoke the directions issued against M/s Milestone Shares and Stock Broking Pvt. Ltd.(PAN AAFCM7386P).
13. It is, however, made clear that this order is without prejudice to any enforcement action that SEBI may deem necessary against the aforesaid noticee in the matter, on completion of the investigation.
14. A copy of this order shall be served on all the recognized stock exchanges and depositories for necessary action.
15. This order shall come into force with immediate effect.

DATE: December 20th, 2012
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA