

BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI

**Appeal No. 105 of 2011**

**Date of decision: 27.07.2011**

Samradha Finstock Pvt. Ltd.  
703, Gaurav Villa,  
Mahavir Nagar,  
Kandivali (W),  
Mumbai – 400 067.

..... Appellant

Versus

Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C-4A, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400 051.

..... Respondent

Mr. Deepak Dhane, Advocate for the Appellant.

Mr. Kumar Desai, Advocate with Ms. Harshada Nagare,  
Advocate for the Respondent

CORAM : Justice N.K. Sodhi, Presiding Officer  
P. K. Malhotra, Member  
S.S.N. Moorthy, Member

Per : Justice N.K. Sodhi, Presiding Officer (Oral)

The appellant before us is a trader in the securities market. It has been trading, among others, in the scrip of Tasc Pharmaceuticals Ltd. (hereinafter called the company). A show cause notice dated November 24, 2009 was issued to the appellant alleging that it had through its broker executed circular trades by synchronizing them with the buy/sell orders placed by a group of other brokers who were acting on behalf of their respective clients. Investigations revealed that the appellant and some other traders including Pritam Mohite, Chirag Tanna, Manoj Barola and Sunil Purohit joined hands in executing trades in the scrip of the company through their respective brokers and traded in a circular fashion by executing synchronized/matched trades on the trading platform of the stock exchange. Adjudication proceedings were initiated against the appellant and

others. The appellant did not file any reply to the show cause notice. The adjudicating officer after holding an enquiry concluded that the charge against the appellant and other traders stood established and by separate orders monetary penalties were imposed on these traders and their respective brokers. By order dated March 31, 2011 a penalty of Rs.2,50,000/- has been imposed on the appellant for the aforesaid illegalities and this order is now under challenge in this appeal with which we are concerned.

2. We have heard the learned counsel for the parties. The learned counsel appearing for the respondent Board has placed before us in the form of charts the trades executed by the appellant with other traders which are not in dispute though the appellant disputes that they are circular in nature. It is clear from the record that on 18<sup>th</sup> September, 2003 the appellant sold 5,000 shares of the company to Pritam Mohite at 10:06:32 hrs. and an equal number of shares were purchased by it from Pritam Mohite on the same day between 13:14:24 to 13:47:10 hrs. It is, thus, clear that the appellant executed reverse trades. This is not a solitary instance. Several trades in a similar manner were executed by the appellant not only with Pritam Mohite but also with Chirag Tanna, Majoj Barola and Sunil Purohit all of whom had placed orders through their respective brokers. Similarly, we have on record the pattern of circular trades executed by the appellant with other named entities who formed a group. On October 30, 2003 one Chirag Tanna sold 2,000 shares of the company to Pritam Mohite at 10:34:43 hrs. Pritam Mohite sells 2000 shares on the same day to the appellant at 10:53:06 hrs. The appellant then sells those shares to Chirag Tanna at 12:43:15 hrs. In other words, the shares which started from Chirag Tanna came back to him through Pritam Mohite and the appellant. These trades are fictitious and circular as they do not transfer the beneficial ownership in the traded scrip and only create artificial volumes on the trading screen of the exchange and are meant to attract/lure the lay investors. Such trades are manipulative and are prohibited by the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. The circle referred to above is not a solitary instance and we have a

number of such circles. We are, therefore, satisfied that the charge of circular trading and executing reverse trades as levelled against the appellant stands established. In this view of the matter, no fault can be found with the impugned order levying a nominal penalty of Rs.2.5 lacs.

In the result, the appeal fails and the same is dismissed with no order as to costs.

Sd/-

Justice N. K. Sodhi  
Presiding Officer

Sd/-

P. K. Malhotra  
Member

Sd/-

S.S.N. Moorthy  
Member

27.7.2011

Prepared and compared by-ddg