BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. EAD/SR/SM/AO/54/2018-19]

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

In respect of

Seema Securities Ltd.
(PAN: AACCS7683Q)

In the matter of M/s Pipavav Defence & Offshore Engineering Company Ltd., M/s Parsvanath Developers Ltd., M/s Glodyne Technoserve Ltd. and M/s Tulip Telecom Ltd.

BACKGROUND

1. A Department (**OD**) of Securities and Exchange Board of India (hereinafter referred to as the **SEBI**) conducted an investigation regarding trading/dealing in the scrip of M/s Pipavav Defence & Offshore Engineering Company Ltd., M/s Parsvanath Developers Ltd., M/s Glodyne Technoserve Ltd. and M/s Tulip Telecom Ltd. pursuant to downward movement of share price in the said scrips. The companies were listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) during the investigation. During the course of investigation it was observed by Investigating Authority (**IA**) of SEBI that Seema Securities Ltd. (hereinafter referred to as **Noticee**), a stock broker carried out unauthorized transactions in the account of one Ramkripa Securities Private Ltd. in the scrip of M/s Glodyne Technoserve Ltd (Glodyne/GTL) and has violated the provisions of clauses A(1), A(2) and B(1) of the Code of Conduct as prescribed under Schedule II read with (r/w) regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as **Stock Brokers and Sub-Brokers, Regulations, 1992**) and regulations 4(1) and 4(2)(m) of SEBI (Prohibition of

Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **PFUTP Regulations, 2003**).

APPOINTMENT OF ADJUDICATING OFFICER

2. Based on the said investigation, SEBI initiated adjudication proceedings against the Noticee, to inquire into and adjudge under sections 15HA and 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **the SEBI Act, 1992**) for alleged violations of provisions clauses A(1), A(2) and B(1) of the Code of Conduct as prescribed under Schedule II read with (r/w) regulation 9 of Stock Brokers and Sub-Brokers, Regulations, 1992 and regulations 4(1) and 4(2)(m) of PFUTP Regulations, 2003. The adjudication proceedings were approved by the Competent Authority. Shri Jayanta Jash was appointed as the Adjudicating Officer (AO) under section 15-I of the SEBI Act, 1992 r/w rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **Adjudication Rules, 1995**) to inquire into and adjudge under sections 15HA and 15HB of the SEBI Act, 1992 for the said alleged violation of the provisions under Stock Broker and sub-broker, Regulations, 1992 and PFUTP Regulations, 2003. On transfer of Shri Jayanta Jash, the Adjudication Proceedings was transferred to Shri S.V. Krishnamohan and later transferred to Shri Nagendraa Parakh. Subsequently, the matter was transferred to me and I was appointed as AO vide AO order dated July 10, 2017.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A Show Cause Notice no. EAD/NP/JS/OW/5694/5/2016 dated February 26, 2016 (hereinafter referred to as **SCN**) was issued to the Noticee in terms of rule 4 of the Adjudication Rules, 1995 requiring the Noticee to show cause as to why an inquiry should not be held against it for the alleged violations of provisions under clauses A(1), A(2) and B(1) of the Code of Conduct as prescribed under Schedule II read with (r/w) regulation 9 of Stock Broker and sub-broker, Regulations, 1992 and regulations 4(1) and 4(2)(m) of PFUTP Regulations, 2003 and why penalty be not imposed on the

Noticee under sections 15HA and 15HB of the SEBI Act, 1992 for the alleged violations as specified in the SCN. The SCN was sent to the Noticee through speed post acknowledgement due (SPAD). Noticee also replied vide letter dated March 04, 2016 to the said SCN.

4. It was alleged in the SCN that on the day of the price fall in Glodyne i.e. July 26, 2012, Ramkripa Securities Private Ltd. (Ramkripa) sold substantial quantity of the stock on both BSE and NSE. In this regard, Ramkripa stated that order for these impugned trades were unauthorized and placed by their brokers i.e. A. G. Shares & Stock Brokers Ltd. and Seema Securities Ltd (Noticee). By executing the unauthorized trades in the account of Ramkripa, Noticee has done fraudulent transactions in the scrip of Glodyne and did not inform its client of the same and hence failed to exercise due skill and care while dealing with its client. Therefore, Noticee failed to adhere to clauses clauses A(1), A(2) and B(1) of the Code of Conduct as prescribed under Schedule II r/w regulation 9 of Stock Brokers and Sub-Brokers, Regulations, 1992 and also violated regulations 4(1) and 4(2)(m) of PFUTP Regulations, 2003.

5. Noticee vide its letter dated April 13, 2016 submitted reply to the SCN. In the interest of natural justice, vide hearing notice EAD/NP/JS/OW/31049/7/2016 dated November 15, 2016, an opportunity of personal hearing was granted to the Noticee on November 29, 2016. The authorized representative (AR) on behalf of the Noticee attended the hearing scheduled on November 29, 2016 before the earlier AO and the AO asked the AR to submit additional information in this regard. Hearing minutes are on record. Subsequent to my appointment as AO in the said matter, vide hearing notice dated November 22, 2017, the Noticee was granted personal hearing on December 12, 2017. The Noticee vide its letter dated December 01, 2017 submitted reply referring to the hearing notice dated November 22, 2017 and also stated that the said replies to be considered for the hearing scheduled on December 12, 2017.

6. Noticee vide letter dated April 13, 2016 submitted that Ramkripa was acquitted vide Whole Time Member (WTM), SEBI order no. WTM/PS/16/IVD/ID-10/JUNE 2014 dated June 26, 2014 for the transactions made in its account in the scrip of Glodyne. Noticee also submitted a copy of WTM order dated June 26, 2014 passed by the WTM, SEBI in respect of Ramkripa and others in the matter of trading of certain entities in the scrip of Glodyne Technoserve Ltd and other scrips under sections 11(1), 11(4) and 11B of the SEBI Act, 1992 r/w regulation 11 of PFUTP Regulations, 2003.

7. From the material available on record, I noted that Ramkripa was the client of the Noticee during the investigation period and during the price fall in Glodyne, Ramkripa sold shares of Glodyne, for which 11B proceedings were initiated against Ramkripa for the violation of regulations 3 and 4 of PFUTP Regulations, 2003. OD initiated the instant adjudication proceedings against the Noticee for the said unauthorized trades of Ramkripa in the scrip of Glodyne. Ramkripa had traded the impugned shares of Glodyne through the Noticee. I note from the WTM order dated January 18, 2013 that with regard to the alleged trading through Noticee, Ramkripa has submitted that it had been cheated by the broker i.e. the Noticee and the alleged shares were sold by the broker without its permission and it had complained to the respective stock exchanges for the illegal actions of brokers. However, WTM SEBI vide order dated January 18, 2013 had not acceded to the submission of Ramkripa on the ground that Ramkripa has not produce any evidence in support of its claim that those trades were carried out in its accounts by the Noticee without its instruction/permission. Further, I observe from the material available on record that no evidence had been submitted by IA that the Noticee carried out unauthorized trade for its client Ramkripa except the reply of Ramkripa to OD vide letter dated February 09, 2014. Also, I observe from the order dated June 26, 2014 passed by the WTM, SEBI that Ramkripa had been given benefit of doubt as no adverse observation could be found in the investigation.

8. In view of the above, I am inclined to give benefit of doubt to the Noticee in light of the WTM, SEBI orders dated January 18, 2013 and June 26, 2014.

ORDER

9. In view of the above paragraphs, I hereby dispose of the Adjudication Proceedings initiated against the Noticee i.e. Seema Securities Ltd. vide SCN dated February 26, 2016 without imposing any monetary penalty.

10. In terms of the rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Noticee at its last known address and also to Securities and Exchange Board of India.

Date: August 14, 2018
Place: Mumbai

SANGEETA RATHOD
ADJUDICATING OFFICER