

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SEC.11B OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REG 12 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST SHRI DINESH PATEL, IN THE MATTER OF SOUNDCRAFT INDUSTRIES LTD

Sound Craft Industries Ltd. (herein after referred to as SIL) was incorporated on 22.01.1985 with Registered and Corporate Office at Narayan Building, 23, Lakhamshi Napoo Road, Dadar (East), Mumbai – 400 014. As per the Annual Report and other records submitted by the company, it has been stated that SIL is mainly engaged in the business of exporting diamonds, precious stones, granites, computer software and hardware (CD Roms), electronics etc., to the Middle East, West Asian and African Countries. Shri Rajkumar Chairai Basantani (hereinafter referred to as "Shri Basantani") is the chief promoter of SIL along with his wife Ms Seema Basantani. SIL was earlier known as Sound Craft Marketing Products and Finance Limited.

Shri Basantani is also the sole proprietor of M/s Rajkumar Chainrai Basantani, (hereinafter referred to as "the Member") individual trading member operating on the Capital Market Segment of the National Stock Exchange of India with effect from 05.10.1995 and has been operating from Mumbai and has no branches.

As a part of market surveillance operations, NSE observed phenomenal rise in price and traded volumes in the scrip of SIL during the period December 1998 to July 1999. The closing price as on 22.12.98 was Rs. 265/- with average volume of 6, 171 shares. The scrip price moved upwards to touch Rs. 291 as on 31.12.1998. For the period 01.01.1999 to 09.02.1999, the price moved in the narrow band of Rs. 290 to Rs. 309. Thereafter, there was a steady movement in the scrip price and as on 05.03.1999, the closing price of SIL recorded at NSE was Rs. 339/-. At NSE, the scrip was in No Delivery from settlements 1999016N to 1999018N (i.e., from 21.04.1999 to 11.05.1999). SIL had come out with a 1:3 bonus during April 1999. The ex-bonus date for the scrip was 21.04.1999 and the record date for the bonus was fixed on 20.05.1999.

For the period 22.12.1998 to 31.12.1998 the average traded volume in the scrip at NSE was 6, 171 shares. For the period 01.01.1999 to 09.02.1999 the average traded volume in the scrip was 5, 896 shares. Thereafter, the volumes in the scrip suddenly showed increasing trend and as on 18.02.1999 the traded volumes in the scrip was 12, 100 shares. For the period February 1999 to March 1999, the average traded volume was in the range of 12, 000 shares. The volumes subdued during the 3rd week of March 1999 and for the period 10.03.1999 to 20.04.1999 the average traded volume in the scrip was 6, 165 shares. The volumes once again started increasing from the last week of April 1999 and to the later part of May 1999.

At BSE, there has been corresponding increase in the scrip price and volume during the above-referred period. The scrip of SIL was in a no-delivery period at BSE from 26.04.1999 to 14.05.1999. The price, which was in the range of Rs. 274/- as on the first week of December 1998, touched a high of Rs. 350/- during April 1999. The volumes too increased substantially between the period December 1998 to June 1999.

It can therefore be seen from the above that the scrip of SIL witnessed movement both in terms of price and volume during the period December 98 to July 99 and this was observed uniformly at both the exchanges viz. BSE and NSE.

In light of the above, an investigation was ordered to be conducted by SEBI into the affairs relating to dealing in the shares of SIL vide Order dated 31.08.2000.

A detailed investigation was conducted and the investigation report dated 29.12.2000 was submitted. In the said report it was found that Shri Basantani along with Shri. Dinesh Patel, (herein after referred to as "Shri Patel") Shri Nagraj Kundar, Shri Suhas Patil, and Shri. Yogesh Panchal had indulged in manipulating the trading of the scrip. A show cause notice dated 18.12.2001 was issued to Shri Dinesh Patel asking him as to why action should not taken against him for violating regulation 4 (a), (b) and (d) of Securities and Exchange Board of India (Prohibition of Fraudulent and unfair trade practices relating to securities Market) Regulations, 1995 (hereinafter referred to as "the Regulations") under sec 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "the Act") read with regulations 11 and 12 of the Regulations. The letter was returned undelivered. Once again show cause notice was sent on 8.3.02, which was also returned undelivered.

A personal hearing was fixed for 19.07.2002 and was the informed to Shri Patel vide letter dated 04.07.2002. Shri Patel did not attend the hearing held on 19.07.2002.

Based on the investigation I find that -

Shri Patel, residing at Roopalane, Chandanwadi, Kalbadevi, Mumbai – 02 was registered as a client of the Member and M/s Share deal Consultants Pvt Ltd., Member, BSE. He dealt in the scrip through the aforesaid two members. As per the details furnished by the Member, Shri Patel is the only client for whom they had traded in scrip of SIL during the referred period.

On perusal of Shri Patel's bank accounts, it was observed that he had issued cheques from his Corporation Bank A/c (Khar West Branch) to Shri Basantani during the month of March 1999. The details of these cheques issued are as follows:

DATE	CHEQUE NO.	AMOUNT (Rs.)
04.03.1999	746399	150000
06.03.1999	783321	200000
20.03.1999	789322	125000

The details of the above cheques were not appearing in the Ledger statement of Shri Patel in the books of the Member which suggests that these cheques have been issued by Shri Patel to Shri Basantani after he received the proceeds (after pay out at BSE) from M/s Sharedeal Consultants of BSE. From the records submitted by M/s Sharedeal Consultants that they had made payments to Shri Patel against his credit balance, which was utilised by Shri Patel to issue cheques to Shri Basantani.

Shri Patel has issued a cheque for Rs. 1, 60, 000 (from his Corporation Bank account, Khar west) to M.P. Vora Shares & Secs. Pvt. Ltd., against the debit balance of Shri Suhas Patil (who was a client of MP Vora). Similarly, Shri Suhas Patil has issued the following cheques from his bank account maintained with Vysya Bank, Bandra West Branch to M/s Share Deal Financial & Consultants Pvt. Ltd., BSE against the debit balances of Shri Patel.

DATE	CHEQUE NO.	AMOUNT (Rs.)
14.12.1998	70739	20000
07.01.1999	70740	70000
24.03.1999	80812	26000

The brokers of BSE and NSE confirmed that in respect of SIL they had accepted third party cheques on a few occasions. As per the ledger statement of Shri Patel, furnished by the Member, the credit balance standing against the name of Shri Patel was adjusted against the debit balance of Shri Suhas Patil with other broker. In other words, cheques were seen issued by the Member to Shri Suhas Patil against the credit balance of Shri Patel. The following instances may be seen.

Date	CHEQUE NO.	AMOUNT (Rs.)
22/11/1999	40655	20000
04/05/1999	45043	39000

In respect of the cross deals executed from the terminal of the Member wherein both buy member and sell member was the same party and the client for this transaction was Shri Patel. Shri Patel was thus a party to these unbusinesslike activities and aided Shri Basantani in the creation of artificial market.

As per the records submitted by the company, Shri Patel was eligible for bonus shares in the bonus issue announced by SIL during April, 1999. It is clear that Shri Patel only acted as front to the Member as regards dealings in the scrip of SIL.

Shri Patel has acted hand-in-glove with the Member in the manipulative practices and it was patently noticeable from the scrutiny of the bank account of the Member that fund flow had taken place consistently to the accounts of these clients prior to the placement of transactions in the scrip. The involvement of Shri Patel in concert with Shri RC Basantani in the Price manipulation of the scrip of SIL is, therefore, detrimental to the interest of the investors and the securities market.

In the facts and circumstances stated above, I come to a conclusion that Shri Patel has violated the provisions of Regulation 4 (a), (b) and (d) of the Regulations.

Adequate opportunity was given to Shri Dinesh Patel to rebut the charges. He neither replied to the show cause nor attended the hearing. In view of the same, no further opportunity is warranted.

Therefore, in the interest of the investors and the securities market and in exercise of the powers conferred upon me under sub section (3) of section 4 of the SEBI Act, 1992 read with sec 11B and regulation 12 of the said Regulations, I hereby direct Shri Dinesh Patel to restrain from dealing in securities for a period of 3 years.

PLACE: MUMBAI

DATE: 16th September, 2002

GN BAJPAI

CHAIRMAN

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