

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11B OF SEBI ACT, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 AGAINST HEMENDRA V SHAH IN THE MATTER SURYADEEP SALTS, REFINERY & CHEMICALS WORKS LTD.

CO/ /2003/IES/FUTP

1.0 Investigations were conducted by SEBI into the alleged price manipulations and irregularities in the public issue of M/s Suryadeep Salts, Refinery & Chemicals Works Ltd. (hereinafter as "SSRCL").

1.1 SSRCL had come out with a public issue of 58,50,000 equity shares at par. The issue had opened for subscription on 06/03/1996 and closed on 09/03/1996. The issue was found to have been subscribed to the extent of 94.52% from the statutory reports filed with SEBI. Although 48,80,000 equity shares, out of a total 55,29,900 was seen allotted to the public, only 8 applicants' namely, i.e., Surendra Somani, Rakesh Naval, Chandra M Singhi, Raj Basantani, Seema Basantani, Madhukar Patil, Ajay Verma and Kewal Verma were seen in the records.

2.0 Investigations also brought out that that the issue was not genuinely subscribed and the same was shown to have been fully subscribed by way of financing arrangement. In the market manipulation of SSRCL, Shri Hemendra Shah was found to have allowed his terminal to be used in the creation of false market. Therefore, a show cause notice dated February 12, 2003 was issued against him. Vide the aforesaid show cause notice he was required to show cause as to why suitable directions, including directions debarring him from dealing in the securities market, under Sec. 11B of SEBI Act, 1992 should not be issued against him.

2.1 A reply dated 1.03.2003 was received by Shri Hemendra Shah wherein he had stated that the detailed history of SSRCL came to his knowledge only after he had received SEBI's notice. He also stated that the promoters, listing department and the brokers who had allowed the clients to sell without shares alone could be responsible for the manipulation of the price. He said that he had not violated any rules of SEBI and that the transactions were done by him at the prevailing market price. He also denied having allowed any client to create false market at his terminal. He mentioned that his intentions were bonafide and as a broker he had done the transaction for the brokerage.

3.0 An opportunity of hearing was granted to Shri Hemendra V Shah on 30th April 2003, which was communicated vide letter dated April 07, 2003. No one represented him.

4.0 I have carefully examined the findings of the investigation and on an examination of the trading pattern in the scrip, the prices of scrip of SSRCL was found to have been manipulated. Large quantity of shares were found being available with the promoters i.e., 48,80,000 shares out of total 55,29,900 shares allotted to the public, through M/s YES Investments. By this, a condition of artificial scarcity had been created. This cornering by the promoters is found to have facilitated price manipulations of the share of SSRCL.

4.1 It is found that YES Investment had started trading in SSRCL shares through various brokers at the instructions of promoters of the company, SSRCL in order to corner the shares. The shares were found to have been transacted in the name of Aash Infin & Agrowth Pvt. Ltd., Scallop Investment and Allbless Trading. The analysis of trades by these entities show that trading done by these entities had affected the prices of the scrip which touched a high of Rs.41 per share. I have noticed that when the BSE Sensex was falling, share price of SSRCL was showing upward movement. The company had not even started production then and there is no justification for rise in price to the extent of Rs.41 for the maiden issue.

4.2 Further, I find that on account of the cornering of large number of shares by promoters, approximately 90,000 shares only were rotating in the market. These very shares were found to have been purchased time and again by Aash Infin & Agrowth Pvt. Ltd. (hereinafter referred to as 'AIAPL'), Scallop, Allbless and their associates at the counters of different brokers. It was evident from the fact that shares having distinctive numbers (20671-28970, 30071-45070, 85071-110070, 70071-82470, 82571-85070, 61171-69570, 137071-147570) were being either bought or sold by these entities during various settlements. The shares, which had been sold by AIAPL during the settlement no.6, 7 & 8 were in the names of Kaveriben Mehta, Narharlal Bhatt, Samir Dholkia, Doshi Ashish, Nagin Waghela and Shital Desai. The shares which had been received by AIAPL during settlement no.9 & 12 bears the same distinctive numbers as was delivered by them during aforesaid previous settlements (Settlement no.10 & 11 being no-delivery period, the actual delivery of shares were taken during Settlement no.12).

4.3 On account of the no delivery period, the shares delivered in settlement no:12 had to be accompanied by a new transfer deed and I find that shares were duly transferred in the name of seller. In the case of SSRCL, it is found that the shares that had been received at the end of book closure, were in the name of persons who had actually sold those shares during settlement no:7., which show that buyers and sellers were either same entities or they had been acting in concert and that the same shares were being routed in the market through various counters. The nexus between the promoters of SSRCL and their associate 'Yes' Investment on one hand and above mentioned buyers and sellers on the other hand is also evident from the fact that out of these buyers, Shri Ashok Parmar (of Aash Infin and Agrowth Pvt Ltd) and out of these sellers, Shri Nagin Waghela being the power of attorney holder of YES Investment, had received the delivery of shares from 8 financiers (Somani, Basantanis, Vermas etc.) pursuant to the buy back arrangement.

4.4 Thus it has been found that the 90,000 shares which had been rotating from one broker to other were from the promoter's lot which were held by them prior to the public issue. On an analysis of the trading details at The Stock Exchange, Mumbai, it was found that Shri Hemendra Shah was one among those brokers who had traded substantially in the scrip of SSRCL. The details of the transactions done by Shri Hemendra Shah are given below :

Settlement No:	Net position
6	-600
7	-53000
9	10800

10	30800
11	53900

4.5 Shri Hemendra Shah has allowed the use of his terminal to help in the creation of false market in the scrip of SSRCL. Further, the correspondence with BSE has revealed that he has been declared as a defaulter by the exchange administration w.e.f 23/11/1998.

4.6 Therefore, having found Shri Hemendra Shah guilty of aiding the creation of false market in the scrip of SSRCL, in the exercise of powers conferred upon me under Section 4(3) read with Section 11 B of SEBI Act as also Regulations 11 and 12 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, I hereby direct Shri Hemendra Shah not to access the capital markets or deal in securities for a period of two years. This order shall come into force with immediate effect.

Place : Mumbai

Date : July 16, 2003

G N Bajpai

Chairman

Securities and Exchange Board of India