

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKETS) REGULATIONS, 2003 READ WITH SECTION 11 AND 11B OF THE SEBI ACT, 1992 IN THE MATTER OF V.B. DESAI FINANCIAL SERVICES LTD. AGAINST M/s JALARAM ENTERPRISES.

1.0 SEBI had asked BSE to look into the trading pattern of certain NBFCs whose share prices showed movement in the secondary market. BSE inter alia conducted investigation into the trading of the scrip of VB Desai Financial Services Ltd (VB Desai) and submitted its report. BSE reported that fundamentals of the scrip i.e., its profits and EPS do not justify the price rise and the buyers/sellers in the scrip are connected to the company as their names appear as top share holders/Directors of the company.

1.1 Based on this preliminary information, detailed investigation was conducted by SEBI to look into the affairs relating to buying, selling and dealing in the shares of M/s. V B Desai Financial Services Ltd. (hereinafter referred to as "VB Desai") for the period October 04, 1999 to May 31, 2000.

1.2 Investigations revealed that Shri Kamlesh Jitendra Shroff (KJS), son of Shri Jitendra Ratilal Shroff of VB Desai and nephew of Shri Pradip Ratilal Shroff, promoter and Managing Director of VB Desai was the main person behind the trading activity in the scrip throughout all the settlements during the investigation period. He had used a number of brokers, sub brokers (both registered and unregistered) as well as acquaintances to buy and sell the scrip of VB Desai in the market, thereby creating illusion of trading, artificial volume and price rise in the scrip. M/s Jalaram Enterprises, a registered sub-broker, had dealt essentially on behalf of its client Shri Kamlesh Shroff (KJS)

SHOW CAUSE NOTICE FOR THE ALLEGED VIOLATIONS OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995

2.0 A show cause notice dated July 22, 2003 was issued to M/s Jalaram Enterprises ("Jalaram") whereby the findings of investigations and the alleged violation of Regulation 4(a) to (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and also Clauses A(2), B(5), and D(5) of Code of Conduct for Sub brokers prescribed under Regulation 15 of SEBI (Stock Brokers and Sub Brokers) Rules and Regulations, 1992 were communicated. Vide the aforesaid Show Cause Notice, M/s Jalaram Enterprises was asked to show cause as to why appropriate direction under Regulation 11 and 12 of the Regulations read with Section 11B of Securities and Exchange Board of India Act, 1992, prohibiting it from buying, selling or dealing in the securities market in any manner for a particular period should not be passed.

REPLIES TO SHOW CAUSE NOTICES.

3.0 A reply dated September 23, 2003 was sent by Shri Sanjay Damani, proprietor, Jalaram, whereby he denied the violations alleged against him in the show cause notice. He submitted that all the transactions were done by him in the normal course of business and were carried out by him on account of "KJS". He also denied having any intention of manipulation when the transactions were done. He also denied having any nexus with "KJS" as alleged in the show cause notice. In view of his submissions, he requested SEBI not to prohibit him from buying, selling or dealing in securities.

HEARING AND WRITTEN SUBMISSIONS.

4.0 An opportunity of hearing was granted to Jalaram in adherence to principles of natural justice. The hearing was initially scheduled on October 01, 2003, which was communicated to him vide letter dated September 22, 2003. Since the other persons / entities had sought for adjournment, the matter was heard on October 29, 2003 at 5.00 p.m. Jalaram was represented by Mr. Sanjay Damani. He submitted that he had nothing to say more than what was stated in the statements recorded during investigation.

FINDINGS

5.0 I have carefully considered the findings of investigations as communicated in the show cause and the reply and submissions of Jalaram, a registered sub broker of Shilpa Stock Brokers Pvt. Ltd., I find that Jalaram had dealt in the scrip from settlement 36 to 53 of 1999-2000 and from settlement 7 to 9 of 2000-01 on account of KJS and has in all purchased approximately 2,96,200 shares and sold 1,15,200 shares. Settlement wise dealings of Jalaram are given below:

Client	Sett.No.	Buy	Sell	Net
Kamlesh J Shroff	36	100	50000	-49900
Kamlesh J Shroff	37	65500	0	65500
Kamlesh J Shroff	38	10300	5500	4800
Kamlesh J Shroff	39	26200	26200	0
Kamlesh J Shroff	40	10000	0	10000
Kamlesh J Shroff	41	2700	2200	500
Kamlesh J Shroff	42	16700	5000	11700
Kamlesh J Shroff	43	4200	0	4200
Kamlesh J Shroff	45	33000	0	33000
Kamlesh J Shroff	46	36600	16900	19700
Kamlesh J Shroff	47	13200	900	12300
Kamlesh J Shroff	48	1800	0	1800

Kamlesh J Shroff	49	25300	6900	18400
Kamlesh J Shroff	50	14200	0	14200
Kamlesh J Shroff	51	17600	0	17600
Kamlesh J Shroff	52	10800	0	10800
Kamlesh J Shroff	53	7500	0	7500
Kamlesh J Shroff	7	0	500	-500
Kamlesh J Shroff	8	500	500	0
Kamlesh J Shroff	9	0	600	-600
Total		296200	115200	181000

5.1 I find that Shri Sanjay Damani had stated during the investigation that since he was involved in the procurement of applications for public issues, he had known Manoj Shroff, brother of "KJS". Shri Damani had admitted to be aware of connection between "KJS" and V B Desai. Despite knowing the close connection between his client and the company in whose shares his client was dealing, he had put through transactions which are not apparently genuine transactions as is evidenced by the fact that the sales by his client in the scrip equaled almost 50% of his purchase transactions, which indicated that this was nothing but an attempt to create artificial volume in the scrip. Further, from the inward delivery details, it was obvious that the shares received by Jalaram from the market were in the name of KJS and his associates. This should have further alerted Jalaram that the shares being bought by KJS were being sold by KJS only on the other end. This is corroborated by the fact that Jalaram had received payment directly from other sub brokers on account of KJS and had also made payments to other sub brokers who had dealt for KJS.

5.2 In spite of all these indications and also the fact that KJS was not in a position to meet his payment obligations, I find that Jalaram had continued to execute transactions in the scrip on account of KJS. All these point to close nexus between KJS and Jalaram and that Jalaram was apparently aware of manipulative designs/intentions of KJS.

5.3 It is apparent that Jalaram acting in concert with his client KJS had indulged in acts which were calculated to create a false and misleading appearance of trading in the scrip of V B Desai resulting in artificial increase of the price of the scrip based on transactions which are not genuine trade transactions. He and his client are therefore guilty of violating Regulation 4(a) to (d) of SEBI (Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995.

5.4 Further, Jalaram has failed to exercise due diligence, continued to execute orders for a client who had failed to fulfill his commitments and acted in concert with and aided and abetted his client KJS in creating false market and thus has violated clause A (2), B (5) and D (5) of Code of Conduct for Sub Brokers prescribed under Regulation 15 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992. I note that Jalaram Enterprises is no longer a registered intermediary.

6.0 Therefore, in exercise of the powers conferred upon me in terms of Section 19 of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent And Unfair Trade Practices Relating To Securities Markets) Regulations, 2003 and Section 11 And 11B of the SEBI Act, 1992, I hereby prohibit M/s Jalaram Enterprises and its proprietor Shri Sanjay Damani from dealing in securities for a period of one year.

6.1 This order shall come into force with immediate effect.

A.K.BATRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

Place : Mumbai

Date : February 11th, 2004