

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11 AND 11 B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT 1992, READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 2003

AGAINST MS. ADITI DALAL, IN THE MATTER OF SHRENUJ & CO. LTD.

WTMN/201/IVI

1.0 BACKGROUND

- 1.1 Shrenuj & Co. Ltd. (SCL) is an importer of rough diamonds mainly from the Diamond Trading Company (DTC), London, and gets them cut, processed and polished in India and exports them to international markets. The company exports diamonds and precious stones to many international markets, mainly Japan, the US, France, Belgium, Hong Kong, New Zealand and Germany. SCL is listed on the National Stock Exchange of India Ltd. (NSE). The Stock Exchange, Mumbai (BSE) and Ahmedabad Stock Exchange (ASE).
- 1.2 The price of the shares of SCL rose from Rs. 39 on May 04, 2001 to Rs. 43.70 on May 14, 2001. During the period May 02, 2001 to June 19, 2001, high volumes were observed especially on the days i.e. May 14, 2001, June 04, 2001 and June 15, 2001. It was observed that two brokers viz., CFL Securities Ltd. and DGP Securities Ltd. (both members of NSE) synchronised their orders to place and sell orders in the scrip of SCL, with little time gap.

2.0 INVESTIGATION

- 2.1 The scrip was infrequently traded. Observing large volumes in the scrip during the above mentioned period, investigation was conducted and the brokers and the clients were called for ascertaining the reason of trading in comparatively large quantities.
- 2.2 It was observed that Ms. Aditi Dalal executed trades for 1,53,000 shares of SCL on NSE through CFL Securities Ltd and DGP Securities Ltd. The counter party client in all these cases was one Ms. Ashadevi Beriwal who traded through DGP Securities Ltd.. Ms. Aditi Dalal is also a broker member of ASE. These trades were undertaken to enable her to fund the amounts to meet the financial obligation of the broker, CFL Securities Ltd. The total number of shares traded in the scrip on NSE during the period was 3,52,104. It is observed that the trades undertaken by them created a volume of 43.45% of the scrip.
- 2.3 It is observed that Ms. Aditi Dalal is the wife of Shri Asim B Dalal, who is one of the directors of CFL Securities Ltd.

Ms. Aditi Dalal bought 1,53,000 shares through CFL Securities Ltd. in three settlements, the details of which are hereunder:

S.No.	No. of shares sold	% of shares bought to Mkt. Net
2001019	40000	90.47
2001022	61000	98.96
2001024	52000	97.52

The above trades were executed by her through matched transactions in 13 structured deals with Ms. Ashadevi Beriwal, involving 1,53,000 shares during the period.

SN	CFL Securities Ltd.					DGP Securities Ltd.				
	Client Name	Buy Qty	Sell Qty	Client Net Qty	Shares transferred to	Client Name	Buy Qty	Sell Qty	Client Net Qty	Shares transferred from
2001019	CFL Sec. Own A/c	40000	0	40000	Entire 40,000 shares recd. As pay-out transferred to Aditi Dalal's A/c	Ashadevi Beriwal	0	40000	(40000)	Entire 40,000 shares transferred from Aditi Dalal's A/c
2001022	CFL Sec. Own A/c	61000	0	61000	Out of 61,000 shares recd as pay-out 46,000 shares transferred to Aditi Dalal's A/c	Ashadevi Beriwal	0	61000	(61000)	Entire 61,000 shares transferred from Aditi Dalal's A/c
2001024	CFL Sec. Own A/c	52000	0	52000	Entire 52,000 shares recd as pay-out transferred to Aditi Dalal's A/c	Ashadevi Beriwal	0	52000	(52000)	Entire 52,000 shares transferred from Aditi Dalal's A/c

The orders for these trades were placed at the same price and at approximately the same time. In the above trades the broker of Ms. Aditi Dalal, CFL Securities Ltd. had been on the buy side and Ashadevi Beriwal's broker DGP Securities Ltd. had been on the sell side.

The shares sold by Ms. Ashadevi Beriwal were delivered in the market from the demat account of Ms. Aditi Dalal, instead of Ms. Ashadevi Beriwal's demat A/c.

- 2.4 I further observe that the demat statements of both the above brokers i.e. CFL Securities Ltd. and DGP Securities Ltd., that all the shares sold on behalf of Ms. Ashadevi Beriwal were being transferred to the broker's pool account from the beneficiary account of Ms. Aditi Dalal – A/c No. 10405081 – UTI Bank Ltd.
- 2.5 I further observe that the above Ms. Ashadevi Beriwal is the mother of the Shri Mukund Beriwal, CEO of DGP Securities Ltd.
- 2.6 I observe that these transactions were not genuine transactions and that Ms. Ashadevi Beriwal had undertaken these transactions with Ms. Aditi Dalal only with a view to finance the business of CFL Securities Ltd. and later she had taken the money from the broker back, through the above trades executed in the market.

3.0 SHOW CAUSE NOTICE AND HEARING

- 3.1 In light of the findings of investigation, show cause notice dated 31.05.04 was issued to Ms. Aditi Dalal, directing her to show cause as to why appropriate directions including directions under section 11 B of the SEBI Act, 1992 and Regulation 11 of the FUTP Regulations, 2003, restraining her from the securities market for a particular period should not be issued against her.
- 3.2 I note that in reply to the said show cause notice was Ms. Aditi Dalal, vide her letter dated 09.06.04 made the following submissions:

That they along with their group associates, CFL Securities Ltd and Tropical Securities Ltd. had entered into series of transactions in the scrip of SCL with Ashadevi Beriwal whose counter broker was DGP Securities Ltd. and with SPS Share Brokers Pvt. Ltd. with an intention to arrange temporary funding to meet the NSE/BSE pay-in obligations of CFL Securities Ltd. and Tropical Securities Ltd., from time to time. As the group was passing through severe financial hardships during that period, they had to resort to this methodology as part of survival and as directed by the associates CFL Securities Ltd. and Tropical Securities & Inv Pvt. Ltd. In spite of all their efforts to survive, the NSE and BSE terminals were deactivated since October/November 2001 and they are out of business since then. Needless to mention that they are out of business since then.

It was further submitted that while entering into these transactions, their intention was not to create artificial volumes or price fluctuations or to violate the provisions of SEBI and to make an investor suffer by doing so. A violation, if any that had occurred from their side, was totally unintentional and requested for condonation of the same.

- 3.3 A hearing was given to Ms. Aditi Dalal on 24.06.04. She authorized Shri Milan Dalal, to appear on her behalf.

4.0 CONSIDERATION OF ISSUES

- 4.1 I have gone through the show cause notice, the replies filed by Ms. Aditi Dalal and submissions made by her representative during the course of hearing.

The only issue that arises is that whether Ms. Aditi Dalal in concert with Ms. Ashadevi Beriwal indulged in any fraudulent and unfair trade practices.

- 4.2 On analyzing the demat statements of both the brokers stated above, it was observed that all the shares sold on behalf of Ms. Ashadevi Beriwal were being transferred to the broker's pool account from the beneficiary account of Ms. Aditi Dalal – A/c 10405081 – UTI Bank Ltd. It was further observed that Ms. Aditi Dalal is wife of Shri Asim B. Dalal who is one of the directors of the broker CFL Securities Ltd.

Following are the details of flow of moneys which were due to Ms. Ashadevi Beriwal and were transferred by Ms. Aditi Dalal's broker DGP Securities Ltd. to Aditi Dalal's Account:

Date	Client	Credit (Rs)	Debit (Rs)
22-May-01	Ashadevi Beriwal	--- NIL---	70,00,000
23-May-01	Ashadevi Beriwal	--- NIL---	18,15,000
06-Jun-01	Ashadevi Beriwal	--- NIL---	89,70,000
12-Jun-01	Ashadevi Beriwal	--- NIL---	85,00,000
13-Jun-01	Ashadevi Beriwal	--- NIL---	3,046
26-Jun-01	Ashadevi Beriwal	--- NIL---	95,00,000
27-Jun-01	Ashadevi Beriwal	--- NIL---	20,85,000

- 4.3 As per the statement of Milan Dalal, one of the directors of CFL Securities Ltd., Ms. Aditi Dalal sold 1,53,000 shares to Ms. Ashadevi Beriwal in 3 off-market deals. They were in need of money their pay-in obligation at that time and they used to receive money through Ms. Aditi Dalal from Ms. Ashadevi Beriwal. They received the sale proceed at an average rate of Rs. 39. The same shares they received through the market and it was done by matching their orders with those of M/s DGP Securities Ltd. Ms. Ashadevi Beriwal advised on doing this deal through the market and the orders were matched for this trade to take place so that they could get the shares from Ms. Aditi Dalal only and the money should have been paid to Ms. Aditi Dalal only through market mechanism.
- 4.4 On May 14, 2001, June 04, 2001 and on June 15, 2001 during the settlements 2001019, 2001022 and 2001024 Ms. Aditi Dalal bought 40,000 shares, 61000 shares and 52000 shares respectively through CFL Securities Ltd., the said shares were sold by Ms. Ashadevi Beriwal through DGP Securities Ltd. The said transactions were synchronised.
- 4.5 As stated by Shri Milan Dalal their basic requirement at that time was only to obtain funds for their NSE pay-in obligation and if any transaction was found matched it was unintentionally happened.
- 4.6 Shri Milan Dalal stated that they had placed buy orders on May 14, 2001, June 04, 2001 and on June 15, 2001 for the major quantity of 1,53,000 shares and they had placed buy orders for quantities ranging from 250 shares to 4177 shares accumulating to 8345 shares and sold 500 shares during the settlements 2001018 to 2001023.
- 4.7 On behalf of Ms. Aditi Dalal, her authorised representative Shri Thomas Abraham, appeared on November 27, 2003 and submitted his replies to the questions put to him. As per the said statement Aditi Dalal had traded in the scrip of Shrenuj & Company Ltd. during the period May - June, 2001 as a counter party client to Ms. Ashadevi Beriwal.
- 4.8 Shri Mukund Beriwal, Chief Executive Officer of DGP Securities Ltd. in his statement dated 16/10/03 stated that they had traded in the scrip of SCL during the period May - June, 2001, on Ms. Ashadevi Beriwal's behalf and admitted that on her instructions they had on occasions issued cheques favouring third parties.
- 4.9 On May 14, 2001, June 04, 2001 and on June 15, 2001 during the settlements 2001019, 2001022 and 2001024 DGP Securities Ltd., on Ms. Aditi Dalal's behalf, sold 40,000 shares, 61000 shares and 52000 shares respectively. The trades were placed with very little time gap of few seconds so that the order matches with that of CFL Securities Ltd.
- 4.10 From the foregoing it is observed that the broker i.e. DGP Securities Ltd. sold the shares for Ms. Ashadevi Beriwal and received the shares from the Account of Ms Aditi Dalal who was the buying broker of DGP Securities Ltd.'s counter party broker CFL Securities Ltd. for the 13 trades executed by DGP Securities Ltd. on May 14, 2001, June 04 & 15, 2001 and DGP Securities Ltd. was directly credited with the sale proceeds in this regard to the account of Ms Aditi Dalal. This is in violation of Regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 4.11 I therefore find that Ms. Aditi Dalal executed matched transactions for 1,53,000 shares on NSE with the counter party client Ms. Ashadevi Beriwal which enabled Ms. Aditi Dalal to fund the amount to meet the financial obligations of the broking firm of her group viz., CFL Securities Ltd. - Broker (NSE) and thereby violated regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 4.12 Regulation 4 under Chapter II of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 inter-alia provides as follows:

Prohibition against Market Manipulation

4. No person shall –

- effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing sale or purchase of securities by any person;
- indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;
- indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;
- enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuation in the market price of securities;
- pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities."

- 4.13 In view of the above, I find that the Ms. Aditi Dalal has acted in violation of Regulation 4 (a), (c) and (d) of the FUTP Regulations, 1995. and has created an artificial market for the scrip of Shrenuj & Company Ltd. and also admittedly entered into spot deals thereby manipulating the price of the scrip during the period May 02, 2001 to June 19, 2001.
- 4.14 I note that Ms. Aditi Dalal has acted in such a manner that has placed the interest of investors at risk and also jeopardized the trust of investors in the safety and integrity of the securities market. In the interest of investors in the securities market, it is necessary to restrain entities/persons such as Ms. Aditi Dalal from being associated with the securities market.
- 4.15 I further note that similar violations have been committed by Ms. Aditi Dalal in the scrip of Ravalgaon Sugar Farm Ltd. also and appropriate orders are being passed for the same.

5.0 Order

- 5.1 Therefore, I, in exercise of powers conferred on me vide Sections 11(4) and 11B read with Section 19 of the SEBI Act and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, do hereby direct Ms. Aditi Dalal to disassociate herself from the securities market and not to deal in securities for a period of six months.

This Order shall come into effect immediately.

Mumbai

Date:31.08.04

T M Naik

Whole Time Member

Securities and Exchange Board of India