

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SECTION 11B READ WITH SECTION 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST MS. ASHA PATEL IN THE MATTER OF SHREE RAMA MULTI-TECH LIMITED.

BACKGROUND

1. Shree Rama Multi-Tech Limited (hereinafter referred to as SRMTL) was formed as a partnership firm in the name of Shree Rama Packaging in the year 1986 and was subsequently incorporated as a Public Limited Company on 17th December, 1993. SRMTL manufactures and deals in laminated web material, lamitubes, flexible tubes and all types of films, multi-layer films, sheets, containers, bags, pouches and articles made by using such web material, films or sheets. SRMTL is also an integrated packaging solutions provider to the fast moving consumer goods industry with focus on Plastic Laminated Tubes, labels/stickers and specialty packaging and plastic products.
2. The registered office of SRMTL is located at Ram Nivas -1, Khanpur, Ahmedabad – 380001 with administrative offices at Bangalore, Delhi and Bombay.
3. SRMTL was initially promoted by Mr. Vikram Patel, Mr. Sharad Patel, Vimpsan Investments Pvt. Ltd. and Sanket Estates and Finance Pvt. Ltd. Vimpsan Investments Pvt. Ltd. and Sanket Estates and Finance Pvt. Ltd. are investment arms of Vikram Patel and Sharad Patel. From 1994 onwards SRMTL raised its capital from time to time and allotted shares to FIIs like HSBC Pvt. Equity India Fund Ltd. (HPEIF), CDC Financial Services (Mauritius) Ltd. (CDCFSL), Nippon Investment and Finance Co. Ltd. (NIFCL) and South Asia Regional Fund, etc.
4. SRMTL came out with a public issue to the tune of 80,55,750 equity shares and an offer for sale to existing major shareholders to the tune of 55,92,000 equity

shares on 15.01.2000 through book building process. The total issue of equity shares was for Rs. 1,36,47,750 crores of Rs.5 each at a premium of Rs.115 aggregating Rs.163.77 crores. Paid-up capital of SRMTL after the public issue stood at Rs.26.50 crores divided into 5.3 crore equity shares of Rs.5 each. Allotments were made to the associate entities of SRMTL in the aforesaid issue. Lead Managers to the above issue were Khandwala Securities Ltd. (hereinafter referred to as KSL), and IDBI.

5. The scrip of SRMTL is listed at NSE, BSE and ASE. At NSE, the newly issued shares were listed close to the issue price of Rs.120 in the month of March, 2000. After listing, price of the scrip came down to around Rs. 50 by May, 2000. The scrip, which was quoting around Rs. 55 on 1st June, 2000 with traded volume of 41,700 shares, gradually moved up to Rs.88.90 as on 8th September, 2000 with a volume of 1,51,000 shares. The highest volume recorded was 2,69,600 shares on 20.06.2000 with the closing price Rs. 69.40. The net traded value from Settlement No. 36 to 37 between 30.08.00 and 06.09.00 increased by 142.0% and the number of shares traded by 116.0%. Later, the scrip came down to the level of Rs. 52 with a volume of 16,000 shares as on 13th October, 2000. The price movement of the scrip at BSE and ASE was also in tandem with that at NSE.
6. Based on the above, an investigation was initiated into the dealings in the shares of SRMTL. The following were the main findings:
 - Major concentration of dealings in the scrip was observed with the brokers, Khandwala Finance Ltd., (hereinafter referred to as KFL) at NSE and Jayantilal Khandwala and Sons Ltd., (hereinafter referred to as JKSL) at BSE. Their contribution towards gross volume was 39.74% and towards net volume was 78.66%. Cross deals amounting to 4.26 lakh shares were observed in 148 trades by the above brokers. KFL was an associate entity of KSL, one of the lead managers to the issue.

- Common clients to the brokers, East West Polyart Ltd., (hereinafter referred to as EWPL) Ideal Petro Products Ltd., (hereinafter referred to as IPPL) Satellite Management Services Ltd., (hereinafter referred to as SMSPL) Shree Rama Polysynth (P) Ltd., (hereinafter referred to as SRPL) and Shree Developers Pvt. Ltd. (hereinafter referred to as SDPL) were associate entities of SRMTL.
7. Ms. Asha Patel had traded extensively in the scrip of SRMTL during the period of investigation and was acting as a common client to KFL and JKSL having huge net buy position at NSE and huge net sell position at BSE.

SHOW CAUSE NOTICE AND HEARING

8. Pursuant to the investigation, a notice dated 21.10.03 was issued to Ms. Asha Patel asking her to show cause as to why suitable directions including directions debarring/prohibiting her from buying and selling in securities for a specified period under section 11B and 11(4) of the SEBI Act, 1992 read with Regulations 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, should not be issued. It was also mentioned that if she failed to submit any reply within the stipulated period of 15 days then, it would be presumed that she had no explanations to give in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations.
9. As requested by Ms. Asha Patel vide her letters dated 04.11.03 extension of time till 20.11.03 was granted for furnishing her reply to the show cause notice. A reply was submitted by Ms. Asha Patel on 18.11.03.
10. Thereafter, in the interest of natural justice, an opportunity was granted to Ms. Asha Patel for personal hearing before me on 22.03.04. However at the request of Ms. Asha Patel the hearing was rescheduled for 10.04.04 and later to 17.04.04 when the representatives of Ms. Asha Patel appeared before me and

reiterated the written submissions made by them earlier. Ms. Asha Patel had also produced a further submission vide her letter dated 22.04.04.

11. The following are the submissions made by Ms. Asha Patel in response to the show cause notice:

- Ms. Asha Patel has been dealing with JKSL for 15-20 years and KFL for 6-7 years. She had dealt in more than 15 scrips and the volumes in the scrip of SRMTL during the year was only 6.0% of the total volume of their dealings
- The scrip of SRMTL was quoting below the issue price and seemed to have a potential for going up
- From an extract of the demat statements annexed, it is clear that deliveries have been taken for the purchases made and thereby the question of not taking delivery of shares as alleged in the show cause notice does not arise
- Purchase and sale transactions were made through the brokers and since the requirement was in large quantities, there was a need for a small sacrifice in the price considering the volatility prevalent in the market at the time of dealing in the shares of SRMTL
- Since the transactions being entered into were through the screen-based trading system of the stock exchanges, there was no possibility even for the brokers to identify the counter-party to the trade that was being executed
- There was no net selling position of 80,000 shares at any point of time as alleged in the show cause notice and there was only net buy position during certain points of dealing in the scrip of SRMTL.

CONSIDERATION OF ISSUES

12. It is observed that Ms. Asha Patel had extensively traded in the scrip of SRMTL through KFL and JKSL as brought out in the table below:

Name of the Trading Member	Purchases	Sales	Gross	Net
Total position	12,60,052	13,40,790	26,00,842	-80,738
Jayantilal Khandwala & Sons, BSE	6,18,332	9,12,696	15,31,028	-2,94,364
Khandwala Finance Ltd., NSE	6,41,720	4,28,094	10,69,814	2,13,626

Ms. Asha Patel was having huge net buy position at NSE and huge net sell position at BSE. Though squaring up transactions were observed at both NSE and BSE, deliveries were mainly taken at NSE only.

13. From the records submitted by KFL, it was observed that the trading members allowed Ms. Asha Patel huge debit balance on the trades executed by them. It was also observed that Ms. Asha Patel was not regular in meeting the pay-in obligation especially at NSE with KFL. It was observed that Ms. Asha Patel started purchasing in the scrip of SRMTL in the last week of August 2000. However, no payments were made against these purchases till 20.09.2000. Moreover, Ms. Asha Patel was not getting pay-out of funds regularly at BSE. Investigations revealed that the pay-out proceeds from JKSL were directly adjusted by Cheque against the debit balance of KFL. The following instances were noticed in the books of the trading members in relation to the adjustments made in your accounts:

Cheque No.	Date	Cheque Issued to	Cheque given by	Name of Bank/Branch	Amount in Rs.
775309	20.09.00	KFL	JKSL	Bank of India, branch	40,00,000
775318	21.09.00	KFL	JKSL	-do-	78,57,801
775327	22.09.00	KFL	JKSL	-do-	60,00,000

On most of the occasions the purchases made by Ms. Asha Patel contributed to substantial rise in the scrip of SRMTL. The purchase orders many a time were at a price quite higher than the ruling price/last traded price. The following examples give a clear idea about your transactions:

At BSE:

On 07.09.2000 the scrip was trading at Rs.81.60 at 10:13:08. However, JKSL on behalf of Ms. Asha Patel, vide Order No. 32900200010003851 at 10:19:30 for a quantity of 25,000 shares swept the orders from Rs.82.50 to Rs.89.40. In rupee terms the scrip shot up by Rs.6.90 within 31 seconds. In percentage terms this works out to around 8.0% from the last traded price.

At NSE:

On 13.09.2000 at 12:50:31 the price was quoting at Rs.83. KFL on behalf of Asha Patel, swept the sell orders from Rs.83 to Rs.88.90 vide Order Nos. 200009130569079 for 5000 shares (12:51:12) and 200009130569488 for 10000 shares (12:51:22). Within 51 seconds the price was influenced by Rs.5.90 and in percentage terms 7.0%.

Ms. Asha Patel was not regular in taking the deliveries of shares after payout. It was observed that the payout of the shares was kept with the trading member level itself and the shares were subsequently delivered in the subsequent settlements.

14. From the records submitted, it can be seen that Ms. Asha Patel was having a net sell position of around 80,000 shares. However, her demat settlements do not show any holdings in the scrip as on 01.09.2000. Hence, it is not clear how delivery obligations with the trading members were met. It seems the JKSL and KFL adjusted the deliveries internally.

Further on many occasions the purchase orders entered by JKSL and KFL on behalf of Ms. Asha Patel got matched with the sell orders entered by other trading members within a few seconds. The following are some of such deals:

At NSE:

Order Date	Order Time	Order No.	TM Code	Client Code	Nature of order (B/S)	Order Quantity	Order Price	Time at which order got executed (if any)	Trade No. (Wherever Applicable)

18/09/2000	15:22:13	200009180899521	6000	CLI	S	200000	77.00	15:22:16	622022
18/09/2000	15:22:16	200009180899704	6443	CLI	B	200000	77.00	15:22:16	622022
15/09/2000	12:58:15	200009150579191	6000	CLI	S	200005*	82.50	12:58:16	340051
15/09/2000	12:58:16	200009150579219	6443	CLI	B	200000	82.50	12:58:16	340051

*100994 shares were on behalf of Asha Patel

At BSE:

Memb	Trd_id	S	Type	rate	Qty	Avq. Qty	Aud	Time	Ord_id	Client
329	2	S	L	89	200000	20000	A	11-09-2000:15:23:03	32900200010004153	
4	1	B	L	89	200000	22222	A	11-09-2000:15:23:04	400100010000249	USCHIL
329	2	S	L	83	200000	20000	A	14-09-2000:15:08:18	32900200010004477	
4	1	B	L	83	200000	22222	A	14-09-2000:15:08:24	400100010000278	U2
4	1	B	L	89	200000	22222	A	2000-09-08:14:53:13	400100010000237	USCHIL
329	2	S	L	89	200000	20000	A	2000-09-08:14:53:13	32900200010004000	P000018
329	2	S	L	76	205000	22500	A	2000-09-20:14:43:44	32900200010004700	
301	1	B	L	76	200000	200000	A	2000-09-20:14:43:42	30100100010005600	IUA1

Investigations reveal that these were the only orders for such huge sell quantities during the period under consideration.

15. The submissions of Ms. Asha Patel that she had been dealing in other scrips as well during the period under investigation and that there has been only a small proportion of dealings in the scrip of SRMTL, cannot be accepted since the demat statements evidence the holdings to be mainly concentrated in the scrip of SRMTL only. Also, considering the fact that, she had huge exposures in SRMTL scrip in relation to the exchange volumes affirms the fact that the intent to deal in the scrip was manipulative and not otherwise.

16. I observe that the information regarding non-meeting of pay-in obligations and non-receipt of pay-out of funds in the scrip of SRMTL has remained unanswered by Ms. Asha Patel in the replies. This goes to prove the fact that there has been internal adjustment and internal financing of deals by the brokers JKSL and KFL.

17. The price movements in the scrip of SRMTL by virtue of the trades carried out on behalf of Ms. Asha Patel have influenced the price to the extent of 3.0-4.0% in many occasions and have at times been close to the day's permissible high

of 8.0% in the stock exchange. This goes to negate the submission by Ms. Asha Patel that there was a minor sacrifice made to attain the requisite quantity of shares in SRMTL, since an increase of 8.0% can by no stretch of imagination be termed a minor change in the price of a scrip.

18. An observation of the dealings in the scrip of SRMTL by Ms. Asha Patel during the period when there was an allegation of matching of trades, it can be seen that the quantity, frequency and the number of trades involved is not non-descript to accept the contentions put forth by Ms. Asha Patel that these trades were entered through the stock exchange mechanism thereby removing the possibility of identifying the counter party. The trades suggest a considerate attempt on the part of the brokers on behalf of Ms. Asha Patel to match trades and influence the price of SRMTL.

19. In terms of the provision of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995

No person shall, inter-alia

(a) 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 the sale or purchase of securities by any person;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market.

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

20. There is preponderance of evidence to show that Ms. Asha Patel is guilty of violating the aforesaid regulatory provisions.

ORDER

21. Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby direct that Ms. Asha Patel be restrained from accessing the securities market and prohibited from buying, selling or dealing in securities, directly or indirectly, for a period of three years. This direction shall come into force with immediate effect.

Place : Mumbai
Date : 06.09.2004

T. M. NAGARAJAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA