

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

CO/58/ISD/10/2004

Order under Section 11(4)(b) and 11B read with Section 4(3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 against New Vision Ltd., against Dinesh Dalmia Technology Trust, Softec Corporation Trust, New Vision Investment Private Ltd, DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, Mrs. Radha Dalmia, DSQ Industries Ltd. Dr Suryanil Ghosh, Trustee, Softec Corporation and Technology Trust in the matter of DSQ Software Limited

1. Background

1. DSQ Software Ltd., formerly known as Square D Software Ltd., (hereinafter 'the company') is a company engaged in Software business. The company was originally incorporated on 6.3.1992 under the name and style of M/s. Square D Software Limited with its registered office at Calcutta. The company later on changed its registered office effective from 16.8.1994 from Calcutta to Chennai and its registered office is at G R Complex, 407-408, Mount Road, Nandanam, Chennai 600 035. Effective from 1.4.1997, the company, changed its name from Square D Software Limited to DSQ Software Limited. The shares of the company are listed on the Stock Exchanges, Mumbai (BSE), National Stock Exchange (NSE), The Calcutta Stock Exchange (CSE), Madras Stock Exchange, Delhi Stock Exchange and Ahmedabad Stock Exchange.
2. As per the Prospectus filed with SEBI for its public issue during 1993, the promoters of the company were Shri Dinesh Dalmia and his group concerns viz.,
 - a. Ganapati Commerce Ltd.,
 - b. Ganapati Combines Ltd.,
 - c. Lexus Exports (P) Ltd., and
 - d. Square D Exports

Lexus Exports (P) Ltd., one of the promoter companies later changed its name to Lexus Exports Ltd, and thereafter again to DSQ Industries Ltd and is presently known as Jardine Overseas Ltd (for the purpose of this order the said entity shall hereafter be referred to as 'DSQ Industries'). DSQ Industries has its registered office address at 11/1A, Chowringhee Terrace, Calcutta – 700 020 and corporate office address at 407-408, G.R. Complex, Anna Salai Nandanam, Chennai – 600 035. The address of the corporate office of DSQ Industries is the same as that of DSQ Software Ltd.

M/s. Powerflow Holding & Trading Co., Pvt., Ltd. (hereinafter referred to as "Powerflow"), M/s. DSQ Holdings Ltd (hereinafter referred to as "DSQ Holding") and Radha Dalmia wife of Dinesh Dalmia were also shown as promoters by the company vide its letter dated 07.08.2001 to SEBI since the share holdings of the said entities as on 31.03.1999, 31.03.2000 and 30.06.2000 were shown under promoters' share holding. The registered original addresses of Powerflow was given as 11/1A, Chowringhee Terrace, Calcutta – 700020 and the other addresses are 2B, Grant Lane, 4th Floor, Calcutta – 700 012 which are same that of DSQ Industries Ltd and Flat No.7, 106 B, North Avenue, Srinagar Colony, Saidapet, Chennai – 600 015. The address of DSQ Holdings Ltd was given as "407/408, Anna Salai, Nandanam, Chennai 600 035" which is same that of DSQ Software Ltd.

It was also observed from the promoter's share holding details submitted vide company's letter dated 09.05.2001 to SEBI that share holdings of M/s Hulda Properties & Trades (hereinafter referred to as "Hulda Properties") as on 29.03.2001 were shown under Promoter's share holding. The registered office address of Hulda Properties & Trades is at 11/1A, Chowringhee Terrace, Calcutta – 700 020 which is the same that of the Regd. Office of DSQ Industries and Shri Manoj Kumar Balothia, the director of M/s. Hulda Properties is also the director of Powerflow Holding.

Thus DSQ Industries Ltd, Powerflow Holdings & Trading Co. Pvt. Ltd, DSQ Holdings Ltd, Radha Dalmia and Hulda Properties and Trades, being entities associated with Dinesh Dalmia are also promoters of the company.

1.3 New Vision Investment Ltd., UK: is a company incorporated in the UK 08.03.2000 with issued share capital of Sterling (£).one only. The lone share was held by Hitendra Naik (Nominee) at 66, Montpellier Rise, Wembley, Middlesex, U.K. which is also the address of the New Vision Investment Ltd., UK. DSQ Software vide its letter dated April 30, 2001 informed BSE that the name and address of the directors of New Vision Investment Ltd., UK is "Company Directors Ltd., 788-790, Finchley Road, London NW 117TJ".

Dinesh Dalmia Technology Trust is a trust constituted under trust deed dated 3.10.2000 and the names of Shri Dinesh Dalmia, Shri Pawan Kumar and Shri Suryanil Ghosh were indicated as the trustees. Upon perusal of the Demat account opening form it was found that the address of Dinesh Dalmia Technology Trust was shown as 407, Anna Salai, G.R. Complex, Nandanam, Chennai – 600035 which is the same as the registered office address of DSQ Software Ltd. It was further seen that the authorized signatory to the account was Shri Dinesh Dalmia.

DSQ Employees Stock Option Trust is a trust constituted under trust deed dated 24.10.2000 and in the said deed, the trust was called Softec Corporation and Shri Dinesh Dalmia, Shri Pawan Kumar and Dr. Suryanil Ghosh were shown as the trustees. On perusing the Demat account opening form and the Trust Deed, it was found that the address of the Trust was 407, Anna Salai, G. R. Complex, Nandanam, Chennai – 600 035 which was the same as the registered office address of DSQ Software Ltd. The authorised signatory to the account was Shri Dinesh Dalmia.

As per the copy of the Trust deed filed with Depositary Participant the address of Dinesh Dalmia Technology Trust and Softec Corporation trust is No.407/408, G. R. Complex, Mount Road, Anna Salai, Nandanam, Chennai – 600 035. (Same that of DSQ Software Ltd.). Dinesh Dalmia is the Authorized signatory to these trusts and other trustees are 1. Pawan Kumar S/o.Indersen Garg, A-3, Ashok Aishvaryam, No.3, Bazullah Road, T. Nagar, Chennai 600 017. and 2. Dr. Suryanil Ghosh, S/o.Sushil Chandra Ghosh, B.S. 115, Salt Lake Sector 1, Calcutta 700 064.

New Vision Investments Pvt. Ltd., Delhi is located at 207, Paras Apartments, Madhu Vihar, Pratapganj, New Delhi. The authorized signatory to this account was one Mr. A. K. Sen.

Inquiries were then made with Registrar of Companies, Delhi regarding the company New Vision Investments Pvt. Ltd. From the Certificate of Incorporation furnished by ROC it was found that the company named N.E.W. Investments Pvt. Ltd. was incorporated on 11/10/2000 having (1) Rathesh Kumar residing at 207, Paras Apartments, Madhu Vihar, Pratapganj, Delhi – 110 092, (2) Ashit Kumar Sen residing at C-1, Sapta Parni Apartments, 63/28 Dum Dum Road, Calcutta – 700 074 and (3) Deepali Sen also residing at

C-1, Sapta Parni Apartments, 63/28 Dum Dum Road, Calcutta – 700 074. It was also found that the directors Ashit Kumar Sen and authorized signatory A. K. Sen as indicated in demat account opening form were same. Letter / summons sent to the address of Ashit Kumar Sen at Calcutta were also returned unaccepted. It is also noticed that address of director Ratnesh Kumar is the same as that stated to be the address of New Vision Investment Private Ltd.

4. A sharp fluctuation in the price of the scrip of the company was noted during the period October 1999 to March 2001. The price of the scrip increased from Rs.250/- in October 1999 to Rs.2,631/- in March 2000, but by March 2001, the price had fallen to a level of Rs.150/-. The said movements in price were also accompanied by large volumes (at times touching daily average volume of 10, 00,000 shares) on BSE, NSE and CSE.

In the light of the above fluctuation in price and volumes, Securities and Exchange Board of India (hereinafter referred to as "SEBI") initiated an investigation into the trades in the scrip of DSQ Software for the above periods vide order dated March 29, 2001. Based on *prima facie* findings of certain irregularities in the acquisition of Fortuna Technologies Inc., USA by the company, by allocating 1.40 crore shares on share swap basis, the following directions were passed by SEBI vide order dated July 20, 2001:

1. DSQ cancel the acquisition of Fortuna Technologies being done on swap basis after following the procedure laid down under the Companies Act.
2. DSQ be prohibited from accessing capital market for a period of one year or completion of investigation and action thereupon whichever is later.
3. Shri Dinesh Dalmia, Managing Director, of the company be debarred from dealing in securities for a period of one year or completion of investigation and action thereupon whichever is later.

Subsequently, SEBI vide order dated December 20, 2001 confirmed the aforesaid actions after giving reasonable opportunity of hearing.

4. Further Investigations by SEBI revealed irregularities in the allotment of shares by the company, irregularities in the dematerialization of the shares so allotted, irregularities in the sale of the shares so allotted by several brokers and entities associated with the promoters of the company. The following are the findings of investigation:

(a) It was observed from the listing application, dated February 26, 2001, submitted by the company to the Stock Exchanges that 1.70 crore shares were allotted to the following entities:

Date of allotment	No. of shares	Distn. Nos	Name of allottees
20-05-2000	30,00,000	30250001-33250000	New Vision Investment Ltd.
12-01-2001	1,40,00,000 (60,00,000) (40,00,000) (40,00,000)	33250001-47250000	Pref. allotment to shareholders of Fortuna technologies Inc. USA viz: 1. Technology Trust., Mauritius 2. Softec Corporation Ltd., Mauritius 3. New Vision Investment Ltd., Mauritius

However, the investigation revealed that the company had allotted 1.30 crore shares in a dematerialized form to the following entities in the year 2000 as given below:

Name of Entities	Allotted on	Dematerialized on	Distinctive Nos.	Remarks
30 Lakh shares to New Vision Investment Ltd, UK	20/05/2000	30/05/2000	30250001 – 33250000	Pref. allotment
30 Lakh shares to Dinesh Dalmia, Trustee, Technology Trust	05/10/2000	17/10/2000	33250001 – 36250000	Pref. allotment
40 Lakh shares to Dr.Suryanil Ghosh, Trustee, Softec Corporation	24/10/2000	31/10/2000	36250001 - 40250000	Pref. allotment
30 Lakh shares to Dinesh Dalmia, Trustee, Technology Trust	14/12/2000	19/12/2000	40250001 – 43250000	ESOP

Further, in 2001, 40 lakh shares were allotted by the company in physical form as given below:

Name of Entities	Allotted on	Distinctive Nos.	Remarks
40 Lakh shares to New Vision Investment Pvt. Ltd, New Delhi	12/01/2001	43250001 - 47250000	Pref. allotment

(b) The shares allotted to New Vision Investment Ltd, UK, Dinesh Dalmia, Trustee, Technology Trust & Dr. Suryanil Ghosh, Trustee, Softec Corporation were subsequently transferred/ sold by these entities in the market without listing / obtaining listing permission, at the stock exchanges. It was revealed that around 52.12 lakh of shares were transferred from these entities to the demat a/c of DSQ Holding Ltd, around 15.25 lakh shares were transferred to the demat a/c of Powerflow Holding & Trading P. Ltd., around 3.75 Lakh shares were transferred to the demat a/c of Hulda Properties & Trades Ltd., and around 58.70 lakh shares transferred to various brokers' pool accounts and beneficiary accounts during May 2000 to January 2001.

(c) On examination of the demat account of New Vision Investment UK, it was revealed that all the 30,00,000 shares allotted to it in May 2000 were sold by it till December 2000. It is noteworthy that that partly paid up shares were dematerialized as fully paid up and sold in the market as "good delivery", although at the time of the sale of the shares on the BSE / NSE, the shares were not listed. The sale was done in the following manner:

From the demat statement of New Vision Investment, UK it was observed that of the 30,00,000 shares credited to the demat account on 31.5.00, 50% i.e. 15,00,000 shares were credited to the demat account of Mehta & Ajmera, a member of CSE and a stock broker on the same day itself. Subsequently also on 1.6.2000, another 5,00,000 shares were transferred to the DP account of Mehta and Ajmera. Thus 20,00,000 shares of the company were transferred to the account of Mehta and Ajmera within one day of being credited. It was also observed that these shares were in turn credited into the account of New Vision from Mehta and Ajmera. 5,00,000 shares were credited on 1.6.2000, another 1,25,000 shares were credited on 5.7.2000 then 1,00,000 shares were credited on 7.7.2000 and finally another 1,00,000 shares were credited on 12.7.2000.

A total of 11,50,000 shares were transferred to pool account of broker Dresdner Kleinwort Benson Securities Ltd. (DKB). After these shares were transferred to pool account of DKB, they were then sold by DKB on behalf of their clients DSQ Holdings and Hulda Properties & Trades Ltd. It was also seen that on 6.6.2000, 1,00,000 shares were transferred to the account of M/s Khandwala Finance Ltd. (Khandwala). It was stated by Khandwala that shares were given to them by DSQ Holdings by way of advance delivery. It was also stated that the shares were not sold or any payment made but were transferred to their beneficiary account. Khandwala further stated that the shares were transferred back to DSQ Holdings on 1.7.2000 as per their client's instructions.

A total number of 3,25,000 shares were received by Mehta & Ajmera from New Vision Investment, UK and transferred to the account of DSQ Holdings Ltd., having Client ID No.10257027. These 3,25,000 shares were then sold by DSQ Holdings Ltd. through DKB and other brokers. Therefore, 30,00,000 partly paid up shares of Rs.10/- each at a premium of Rs.970/- were fraudulently allotted to New Vision Investment Ltd. U.K. The shares were then dematted and either sold in the market through brokers or transferred to demat account of other brokers and DSQ Holdings & Hulda and sold thereafter.

Thus it was observed that a majority of these shares allotted on a preferential allotment basis to New Vision Ltd., were used to meet the pay-in obligation of DSQ Holdings and Hulda Properties & Trades Ltd. The shares which were not listed on the exchanges were sold on the terminals of the exchanges by entities which belong to DSQ group – DSQ Holdings and Hulda Properties & Trades Ltd. and delivered at the time of pay-in obligations as good delivery knowing that the shares were not listed.

(d) It was also observed that the 30,00,000 shares allotted to New Vision on 20.5.2000 were allotted to New Vision Ltd., UK on a partly paid up basis; however, in its application to the depository – National Securities Depository Limited (NSDL) for dematerialization, the company had indicated that the shares were fully paid-up and consequently, the partly paid up shares were dematerialized by the depository as fully paid up and given the same ISIN in which the shares issued earlier were credited. Shares were then sold by promoter associated entities. All the shares were thus offloaded by December 2000 itself i.e. within 7 months and the listing application was made afterwards to the Stock Exchanges in January 2001 (i.e. after 8 months) for these shares. Moreover, it was seen from the Board resolution of the company passed on 29.3.2001, that the 30,00,000 partly paid up shares were later forfeited by the company on account of non-payment of call money by New Vision Ltd., UK.

In this regard, on examination of details of the demat transaction statement and account opening form of New Vision Investments Ltd., UK with NSDL, it was seen that one Mr. Hitendra Naik was the authorized signatory to the account. Upon inquiry with the Depository Participant (DP) Integrated Enterprises (India) Limited, regarding local contact person / address, it was noted that that one Mr. Gopalkrishnan at 407, Anna Salai Nandanam, G. R. Complex, Chennai – 600 035 used to interact with the DP Integrated Enterprises Ltd. It was further observed that Mr. Gopalkrishnan was Director in DSQ Holdings Ltd. and DSQ Industries Ltd. Further, the address of Mr. Gopalkrishnan is the same as that of the registered office of DSQ Software Ltd.

(e) The company allotted 30,00,000 equity shares to Dinesh Dalmia Technology Trust on preferential allotment basis on 5.10.2000. On perusing the account opening form and the Trust Deed, it was found that the address of the Trust was 407, Anna Salai, G. R. Complex, Nandanam, Chennai – 600 035 which is the registered Office address of the company. The Trust Deed was made on 03.10.2000 appointing Shri Dinesh Dalmia, Shri Pawan Kumar and Dr. Suryanil Ghosh as the trustees of the DSQ Employees Stock Option Trust and calling the Trust as Technology Trust. The authorized signatory to the account was Shri Dinesh Dalmia. On detailed scrutiny of the demat transaction statement of Dinesh Dalmia Technology Trust revealed that these 30,00,000 shares were subsequently credited to the demat account of DSQ Holdings Ltd. from the demat account of Dinesh Dalmia Technology Trust A/c in the following manner: 15,00,000 shares on 17.10.2000, 10,00,000 shares on 18.10.00 and 5,00,000 shares on 19.10.00. Detailed investigations brought out that majority of these shares were sold by DSQ Holding Ltd., in the market.

It was observed from the demat statement that when the 30,00,000 shares were credited into the demat account Dinesh Dalmia Technology Trust on 17/10/00, on the same day itself i.e. 17/10/00, as much as 15,00,000 shares (50%) were credited to the demat account of DSQ Holding Ltd. Thereafter, within 1-2 days i.e. on 18/10/00 and

19/10/00, the remaining 15,00,000 shares were credited to the demat account of DSQ Holding Ltd., resulting in a nil balance in the account by 19/10/00.

DSQ Holdings Ltd, transferred these shares to the pool account of brokers like Dresdner, Harish Biyani, Titan Stock Broking, SMIFS and others. In this connection, Harish Biyani stated that he had never heard of Dinesh Dalmia Technology Trust and it was not its client. He further stated that the shares were received by them (broker) from Hulda Properties against their pay in obligations. As regards the 4,00,000 shares (out of 5,00,000 shares) credited on 19/10/00 by Dinesh Dalmia Technology Trust to DSQ Holdings Ltd., and then to Radha Dalmia and to SMIFS. It was stated by SMIFS that Radha Dalmia was never their client and the shares were received by SMIFS from Powerflow (320000 shares) and Hulda (80000 shares). SMIFS submitted a letter in this regard. Perusal of the letter shows that shares are indicated to have been transferred on account of Maya Trade links Ltd. When SMIFS was confronted with this, it was stated by it that the shares might have been given by Hulda and Powerflow on behalf of Maya Trade Links.

It was further observed from the demat statement of Dinesh Dalmia Technology Trust that another 30,00,000 shares of the company were credited to this account on 19.12.2000. These shares ostensibly issued under ESOP scheme and allotted in electronic form bore the same ISIN as that of the shares of the company. These shares were not given listing permission by BSE and NSE. It was also observed that a total of 12,75,000 shares moved out on 20/12/00.

Hulda properties delivered these shares in the pool account of the brokers Prabhudas Lilladhar and Investmart. The client of both Prabhudas Lilladhar and Investmart was DSQ Holdings for aforesaid sales. The delivery was effected from demat account of Hulda. As regards credit of 21,00,000 shares to DSQ Holdings, investigation brought out that a major portion of these shares were in turn credited to 4 major demat accounts with following Calcutta based entities.

Date	Client Id	Name	No. of Shares
20/12/00	10046063	D K Singhanian	611250
20/12/00	10035286	Doe Jones	76250
22/12/00	10000706	Maya Trade Links	200000
22/12/00	10012722	Himanshu Ajmera	230000
Total			1117500

Apart from the above, Shares were also transferred to pool account of following brokers against the pay-in obligations of either Hulda Properties or DSQ Holdings

Date	Name of the Broker	No. of Shares
20/12/00	Harish Chandra Biyani	12,500
27/12/00		5,00,000
04/01/01		2,00,000
08/01/01	Dresdner Kleinwort Benson	1,00,000
03/01/01	Dinesh Kumar Singhanian & Co.	1,50,000

As regards movement of shares in the demat account of Powerflow, the examination of said demat account revealed that Powerflow then

delivered these shares to the pool account of the broker Investmart on 27/12/00. These shares were sold by DSQ Holdings through the broker Investmart on NSE.

Therefore, it was observed that 60,00,000 shares were credited by the company to Dinesh Dalmia Technology Trust with shares purportedly allotted on a preferential allotment basis and ESOP. Out of these 60,00,000 shares DSQ holdings was credited with 51,00,000 shares, Hulda was credited with 3,75,000 shares and the remaining 5,25,000 shares went to Powerflow holdings. A major portion of these shares were either sold in the market directly or indirectly through entities associated with the promoters of the company or were transferred to related entities and certain brokers. It was also observed that these entities – DSQ Holdings, Powerflow and Hulda used to deliver shares for obligations of associated entities. DSQ Holdings delivered shares for delivery obligations of Powerflow / Hulda and vice versa. All these shares which were sold in the market were not listed shares. This increased the supply of the shares in the market as more shares were traded in the market than actually issued and paid-up capital of the company and listed on a stock exchange.

(f) On perusing the demat transaction statement of Dr. Suryanil Ghosh Trustee Softec Corporation, it was observed that on 31/10/2000, 40,00,000 shares of the company were credited to this account. These shares were fraudulently issued and allotted by the company on preferential allotment basis. These shares were allotted to Dr. Suryanil Ghosh Trustee Softec Corporation on 24/10/2000 in electronic form under the existing ISIN of the company. These shares were not given listing permission by BSE/NSE.

It was observed from the demat account that out of these 40,00,000 shares, 26,50,000 shares were transferred to the pool account of brokers, 10,00,000 shares were transferred to beneficiary account of Powerflow, 1,12,000 shares were transferred to beneficiary account of DSQ Holdings and 2,20,000 shares were transferred to other beneficiary accounts. There was a balance left of 18,000 shares in the account. 10,00,000 shares which were transferred to the account of Powerflow Holding & Trading Co. on 31/10/2000 were subsequently transferred to the pool account of the broker Dresdner Kleinwort Benson Securities. These shares were then sold through the broker by DSQ Holdings and Hulda Properties & Trades. 26,50,000 shares were transferred to pool account of various brokers such as Harish Biyani, DKB and SMIFS etc.

In this connection, Broker - Harish Biyani in his statement to SEBI stated that he had never heard of Softec Corporation and that they were not their client. He further stated that the shares were received by them (broker) from Hulda Properties against their pay in obligations. Regarding credit of 2,00,000 shares, it was stated by SMIFS that the shares were received by SMIFS from Hulda. SMIFS submitted a letter in this regard. Perusal of this letter shows that shares were indicated to have been transferred on account of Maya Trade links Ltd. When SMIFS was confronted with this, it was stated that the shares might have been given by Hulda on behalf of Maya Trade Links. No other explanation was given by SMIFS.

Thus, it was observed that shares were transferred against the sales affected by entities belonging to the DSQ group through these brokers. 1,12,000 shares transferred to DSQ Holdings were pledged by it with ILFS. 50,000 shares transferred to Maya Trade Links were sold by it through SMIFS Securities. From the above findings, it appears that 1,00,00,000 shares were fraudulently allotted by the company - 60,00,000 shares to Dinesh Dalmia Technology Trust and 40,00,000 shares to Dr. Suryanil Ghosh Trustee Softec Corporation. These shares were not listed on BSE and NSE. These shares were sold in the market by entities associated with the DSQ group i.e. DSQ Holdings, Powerflow Holding and Hulda Properties. These shares were delivered in the market knowingly that the shares did not have the listing permission. In both the trust Shri Dinesh Dalmia (Managing Director of the company) was the trustee and authorized signatory. These shares were then brought into the market by either delivering them directly to pool account of brokers against the sales by group entities or indirectly by first transferring the shares to account of group entities and then selling them into the market. Some of the shares were also transferred to beneficiary account of certain brokers and other entities.

(g) Subsequently, 40,00,000 shares were also fraudulently allotted to New Vision Investment Ltd., New Delhi in physical form. Personal visit of SEBI official to the address No.207 Paras Apartments, Madhu Vihar, Pratapganj, New Delhi, which was given in the demat account opening form, revealed no evidence of any company existing at that address. Investigations revealed that there was promoter-broker nexus between Shri Dinesh Dalmia and the broker, Biyani Securities for the 10,00,000 shares. It was brought out that out of 40,00,000 shares, 10,00,000 shares were given to broker - Biyani Sec in physical form for tidying over his payment crisis and were then deposited by Biyani Sec with the Calcutta Stock Exchange. The broker admitted that it spoke to Shri Dinesh Dalmia who said he would try to help him and shares in the name of New Vision Investment Private Ltd. were given to it. The balance 30 lakh shares were not traceable as New Vision Investments Pvt. Ltd was not available at the registered address as stated earlier.

(h) During the investigation it was also found that the company allotted 1.70 crore of shares to various entities in a fraudulent manner. It was also found that the company entered into an agreement on June 28, 2001 with Shri Ashok Thummalachetty and Fortuna Technologies Inc., a US based company for acquiring the shares of Fortuna Technologies Inc. in a non transparent manner. There were lot of irregularities and different versions of the above deal were given by Shri Dinesh Dalmia and Shri Ashok Thummalachetty. There were two sets of agreements with different dates namely November 27, 2000 and June 28, 2000 supposedly entered between the above parties were submitted. The consideration for the above deal also varies in the agreements. In one of the agreement it was stated that the deal was on shares swap basis and in another agreement it was stated that the deal was on 100% cash basis.

(i) Shri Dinesh Dalmia, the Managing Director of the company, while furnishing information to SEBI on oath on July 16, 2001 stated that he could not recall the name and address of the common custodian where the shares have been kept. In this regard, it was observed that:

- a. Shri Dinesh Dalmia as a managing Director himself has written to the Registrar and NSDL about this allotment and applied for Demat credit
- b. Out of 1.70 crore shares, 60 lakh shares allotted Dinesh Dalmia Technology Trust and 40 lakh shares allotted to Dr. Suryanil Ghosh Trustee Softec Corporation. As one of the trustees to these two trusts, Shri Dinesh Dalmia opened the Demat account in these two names by entering into the client agreement with DPs, Signed Demat account opening form with DPs etc.

Therefore, the statement on oath given by Dinesh Dalmia was false and intended to mislead the investigation.

1.6 In view of the above, it was *inter alia* alleged that the following violations were committed by the directors of company

a The company did not inform the stock exchanges where the company was listed about the allotments of 1.30 crore shares. 30 lakh shares allotted to New Vision Investment Ltd., UK on 20-05-2000 are partly paid (10% of allotment money) and 90% of allotment money has not been paid. However these shares were introduced into market as fully paid shares and without listing. There is no evidence to suggest that the company received any consideration for allotment of 60 lakh shares to Technology trust and 40 lakh shares to Softec Corporation. However these shares were also introduced into market as fully paid shares and without listing.

b The company vide letter dated December 15, 2000 to NSDL submitted a certified true copy of the extract of the resolution passed at the allotment committee meeting of the company held on December 14, 2000. As per the said resolution the company allotted 30 lakh equity shares to Dinesh Dalmia, trustee, Technology Trust, against Employees Stock Option Scheme. However, these shares were transferred to various entities other than the employees and without any lock-in period. The said trust was operated by Shri Dinesh Dalmia, Managing Director of the company.

c. Shri Dinesh Dalmia, Managing Director of the company is the authorized signatory and one of the trustees in both the above mentioned trusts viz. Technology Trust and Softec Corporation Trust. It was also noted that none of the allottees were traceable in their given addresses. The said 1.30 crore shares which were allotted by the company to various associated entities as mentioned above were not listed on the stock exchanges; however, the allottees sold the said shares through the trading system of the exchange misrepresenting the same as listed shares on the stock exchange with the assistance of entities such as DSQ Holdings Ltd., Hulda Properties and Trades Ltd., Mehta & Ajmera, Powerflow Holdings Ltd., Radha Dalmia, Himanshu Ajmera, Maya Trade Links Ltd., Mittal Securities, Khandwala Finance Ltd., Dinesh Singhania and Doe Jones Investments & Consultants P. Ltd.

d. The company knowingly gave false information to the Stock Exchanges vide its letter dated February 26, 2001 that they had received full moneys due from the applicants towards allotment of 30 lakh shares allotted to New Vision Investment Ltd. Further they knowingly gave false information to the Stock Exchanges vide its letter dated February 26, 2001 that they had received the entire application money from the allottees for consideration other than cash towards allotment of 1.40 crore shares allotted on January 12, 2001 to New Vision Investment Ltd.(Mauritius), Softec Corporation Ltd.(Mauritius) and Technology Trust (Mauritius).

e. The company knowingly gave wrong information of allottees and date of allotments to the Stock Exchanges. They gave the same distinctive numbers which were already allotted to different entities and were already sold/introduced in to the market/system before listing. Due to the company's non-disclosure of the allotments of 1.30 crore shares to the various entities during the year 2000 to the Stock Exchanges the company has defrauded innocent investors who bought unlisted shares during the year 2000.

f. The company through its associate/front entities sold/introduced around 1.30 crore unlisted demat shares of the company in to the market/system. By this act, fraud was perpetuated on the investors who bought the said shares. As the company concealed the material facts pertain to above allotments from its shareholders, fraud was also perpetuated on them.

g. The company advanced moneys to DSQ Holdings Ltd. amounting to Rs.15 crore, Rs.54 crore to Mehta & Ajmera, Rs.25 crore to Accord Capital Ltd., and Rs.20 crore to Wood Stock Securities Pvt., Ltd. It was observed that among others these entities entered into synchronized trades to create the artificial volume in the shares of DSQ Software and also to sell the unlisted demat shares of the company into the market/system through associated / front entities.

2. Show Cause Notice and Personal Hearing

2.1 In the light of the above findings of investigation, show cause notice dated 30.10.2003 was issued to New Vision Ltd., Dinesh Dalmia Technology Trust, Softec Corporation Trust, New Vision Investment Private Ltd, DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, Mrs. Radha Dalmia, DSQ Industries Ltd. Dr Suryanil Ghosh, Trustee, Softec Corporation and Technology Trust enumerating the above findings of investigation and also advising them to show cause why action including prohibiting them from accessing the capital markets and dealing in securities for a period of 10 years should not be taken against them.

The said entities were also given an opportunity of personal hearing and inspection of documents on the following dates:

Name of the Persons	Dates of Hearing	Date of Inspection
DSQ Industries Ltd.	22/11/2003 17/12/2003 27/01/2004 04/03/2004	16/01/2004 11/02/2004 17/02/2004
DSQ Holdings Ltd	22/11/2003 17/12/2003 27/01/2004 04/03/2004	16/01/2004 11/02/2004 17/02/2004
Hulda Properties & Trades Ltd.,	22/11/2003 17/12/2003 27/01/2004 04/03/2004	16/01/2004 11/02/2004 17/02/2004
Powerflow Holdings Ltd	22/11/2003 17/12/2003 27/01/2004	16/01/03
Mrs. Radha Dalmia	22/11/2003 17/12/2003 27/01/2003 04/03/2003	16/01/2004 11/02/2004 17/02/2004
Dr Suryanil Ghosh	22/11/2003	Inspection not sought for
New Vision Ltd., UK	22/11/2003	- do -
Technology Trust	22/11/2003	- do -
Softec Corporation Trust	22/11/2003	- do -
	22/11/2003	- do -

(a) Hulda Properties and Traders Ltd, DSQ Holdings and DSQ Industries

These entities have not submitted any reply to the allegations leveled against them in the show cause notice dated 07/10/2003. These entities were represented by M/s. Hariani & Co., (along with DSQ Software, Dinesh Dalmia, Radha Dalmia and Powerflow holding) on 27/11/2003. M/s. Hariani & Co sought an adjournment of the hearing to submit their reply. Accordingly another date of hearing was granted on 17/12/2003. However, M/s. Hariani & Co., who appeared on 17/12/2003 on behalf of these entities, once again sought adjournment of the hearing for 3 more weeks to submit their reply to the show cause notice. Accordingly another date of hearing was granted on 14/01/2004, but the hearing was postponed to 27/01/2004. M/s. Hariani & Co., the representative of these entities vide their letter dated 29/12/2003 had sought inspection of documents relied upon by SEBI to frame the charges against them. As requested, the inspection of documents was provided on 16/01/2004. However, these entities did not turn up for the inspection. For the hearing of 27/01/2004, these entities were represented by another representative as under:

Name of the entities	Represented by
1. DSQ Industries Ltd.	M/s.Yatin R Shah
2. DSQ Holdings Ltd.	M/s.Yatin R Shah
3. Hulda Properties Ltd.	M/s. S. M Associates

In the course of hearing on 27.1.2004, the above said representatives sought for one more date for inspection and adjournment of the hearing for one month. However, the representatives were informed that they have to provide a list of documents they wanted to inspect whereupon they submitted that they would furnish a list of documents they wanted to inspect within a day or two and as requested, another date of hearing was granted on 04/03/2004. They were also informed that the next hearing would be the final hearing. Inspection of documents that were relied by SEBI to issue the show cause notice dated 07/10/2003 were provided to the representative of these entities on 11/02/2004 and 17/02/2004 and copies of documents that were opted for by their representatives were also furnished to them.

However, in the course of final hearing on 04/03/2004 also, these entities or their representatives did not submit any reply to the allegations leveled against them in the show cause notice dated 07/10/2003 and instead they sought inspection of SEBI's investigation reports and documents relied upon by SEBI to pass the orders dated 20/07/2001 and 20/12/2001 against the company and Dinesh Dalmia for which no appeal was filed by the company or Dinesh Dalmia. They were advised that all relevant documents were provided to them and no more inspections or adjournments would be provided since it appeared that repeated inspections and adjournments were sought with the object of prolonging the proceedings.

The said entities submitted their replies vide letters dated 4.3.2004 and 19.3.2004.

In their letter dated 4.3.2004, they submitted that:

- They are merely submitting an interim reply on the point of inspection of documents; they had sought inspection and supply of various documents vide letters dated 29.12.2003, 5.1.2004, 21.1.2004 and 31.1.2004.
- They challenge the decision of SEBI vide letter dated 17.2.2004 declining to furnish them the documents for inspection more particularly the investigation report.

In their letter dated 19.3.2004, they submitted that:

- The show cause notice was not being replied to on merits in view of the fact that inspection of all material documents relied upon in the show cause notice as well as the report of the investigating authority was not granted to them.
- In paragraph 13 of the show cause notice there was a bare allegation against them that they entered into synchronized trades without providing them with the basis of such allegation
- The action proposed to be taken viz. banning them for 10 years was a perverse one and was a blanket ban on all entities irrespective of the charge against them. The same was also an extreme step in view of the fact that they have already been banned by SEBI vide orders dated 20.7.2001 and 20.12.2001 for period of one year or completion of investigation, whichever is later.

a. Powerflow Holdings Ltd

Powerflow did not submit any reply to the allegations leveled against them vide the show cause notice dated 07/10/2003. Powerflow was represented by M/s. Hariani & Co., (along with DSQ Software, Dinesh Dalmia, Radha Dalmia, DSQ Holding, DSQ Industries and Hulda Properties) on 27/11/2003. M/s. Hariani & Co, sought an adjournment of the hearing to submit their reply. Accordingly another date of hearing was granted on 17/12/2003. However, M/s. Hariani & Co., who appeared on 17/12/2003 on behalf of Powerflow, once again sought the adjournment of the hearing for 3 more weeks to submit their reply to the show cause notice. Accordingly another date of hearing was granted on 14/01/2004 however, the hearing was adjourned to 27/01/2004. M/s. Hariani & Co., the representative of Powerflow vide its letter dated 29/12/2003 had sought inspection of documents relied upon by SEBI to frame the charges against them. As requested, the inspection of documents was provided on 16/01/2004. However, Powerflow or its representative did not turn up for the inspection. Powerflow did not appear for the hearing granted to them on 27/01/04 and did not submit any further reply to the show cause notice.

b. Radha Dalmia

Radha Dalmia, wife of Dinesh Dalmia submitted vide letter dated 29.10.2003 that her business transactions are looked after by her husband and since he is out of the country, she is not in a position to give a reply.

Radha Dalmia was represented by M/s. Hariani & Co., (along with DSQ Software, Dinesh Dalmia, DSQ Holding, DSQ Industries, Hulda Properties and Powerflow Holding) on 27/11/2003. M/s. Hariani & Co, sought an adjournment of the hearing to submit their reply. Accordingly another date of hearing was granted on 17/12/2003. However, M/s.Hariani & Co., who appeared on 17/12/2003, once again sought the adjournment of the hearing for 3 more weeks to submit their reply to the show cause notice. Accordingly another date of hearing was granted on 14/01/2004 however the hearing was adjourned to 27/01/2004. M/s.Hariani & Co., vide its letter dated 29/12/2003 sought inspection of documents relied upon by SEBI to frame the charges against Radha Dalmia. As requested, the inspection of documents was provided on 16/01/2004. However, neither Radha Dalmia nor her representative turned up for the inspection. However, in the hearing of 27/01/2004, M/s.Hariani & Co. sought one more date for inspection and adjournment of the hearing for one month. They informed that they would have to provide a list of documents they want to inspect and they assured to submit a list of documents they wanted to inspect within a day or two. As requested, another date of hearing was granted on 04/03/2004 and Radha Dalmia was informed that the next hearing would be the final one. Inspection of documents that are relied by SEBI to issue the show cause notice dated 07/10/2003 were provided to M/s.Hariani & Co., the representative of Radha Dalmia on 11/02/2004 and 17/02/2004 and copies of documents that were opted for by the representative were also furnished to them.

Thereafter, vide letter dated 19.3.2004, she submitted that:

- i. The show cause notice was not being replied to on merits in view of the fact that inspection of all material documents relied upon in the show cause notice as well as the report of the investigating authority was not granted to them.
- ii. In paragraph 13 of the show cause notice there was a bare allegation against them that they entered into synchronized trades without providing them with the basis of such allegation
- iii. The action proposed to be taken viz. banning them for 10 years was a perverse one and was a blanket ban on all entities irrespective of the charge against them. The same was also an extreme step in view of the fact that they have already been banned by SEBI vide orders dated 20.7.2001 and 20.12.2001 for period of one year or completion of investigation, whichever is later.

The other entities mentioned in the show cause notice did not file any separate replies.

Notices to New Vision Ltd., UK, Dinesh Dalmia Technology Trust, Softec Corporation Trust, New Vision Investment Private Ltd, Dr Suryanil Ghosh, Trustee, Softec Corporation and Technology Trust were returned undelivered and the Notices were also pasted at the available address of Dinesh Dalmia Technology Trust and Softec Corporation Trust. None of these entities submit any replies. The address of Dr. Suryanil Ghosh is found to be incorrect.

3.0 Consideration of issues

I have considered the facts of the matter, the findings of investigation, the submissions of the company and its directors and other material on record. I find that the following issues arise for consideration:

a. Whether the allotment and dematerialization of the 1.30 crore shares issued on a preferential basis by the company on 20.5.2000, 5.10.2000, 24.10.2000, and 14.12.2000 and 40 lakh shares issued on 12.01.2001 were done in an irregular manner?

It is alleged that the allotments were done without following the procedures prescribed in the Companies Act, 1956 as amended from time to time and without receiving adequate consideration from the allottees.

It is also alleged that the shares were dematerialized and introduced in the secondary market in a fraudulent and irregular manner. I shall deal with each allotment separately hereunder.

(i) New Vision Investment, UK.

I note that the company had allotted 30,00,000 shares of Rs.10/- each at a premium of Rs.970/- per share on a preferential allotment basis to New Vision Investment Ltd. UK on 20.5. 2000. The said shares were allotted on a partly paid up basis. At the time of issue of the shares, application money @ Rs.98/- per share was to be collected which was Re.1 towards share capital and Rs.97/- towards share premium. The balance call money of Rs.882/- per share was to be collected in three calls. I also note that the Board of the company vide resolution passed on 29.3.2001 forfeited the shares on account of non-payment of call money.

However, at the time of application for listing, the company showed the said shares as fully paid up. The said shares were subsequently dematerialized with the same ISIN number as the listed shares of the company and transferred to the demat accounts of stock brokers and to entities associated with/controlled by the promoters of the company such as DSQ Holdings and Hulda Properties & Trades Ltd. Moreover, in its application to NSDL, the company falsely represented that the shares had been fully paid up. Thus, I find that the said shares were dematerialized in an irregular manner and by misrepresenting facts to the depository viz. NSDL.

I also note that listing application for 30,00,000 shares allotted on 20.5.2000 was made on 26.2.2001 i.e. after 9 months and importantly after all these shares were earlier declared as fully paid and sold in the market till December 2000 after demat credit was given.

(ii) Dinesh Dalmia Technology Trust

I note that the company allotted 30,00,000 equity shares to Dinesh Dalmia Technology Trust (hereinafter referred to as "the Trust") on preferential allotment basis on 5.10.2000. I further observe that another 30,00,000 shares of the company were credited to the account of Dinesh Dalmia Technology Trust on 19.12.2000. These shares ostensibly issued by the company under ESOP scheme.

With regard to 30,00,000 shares allotted to Dinesh Dalmia Technology Trust on 5.10.2000, I also note that vide letter dated 9.10.2000, the company had informed NSDL that the allotment committee had in its meeting held on 5.10.2000 allotted 30,00,000 shares to the Trust. However, vide letter dated 9.10.2000, the company intimated Registrars to the Issue - MCS that the allotment committee of the company in its meeting held on 20.4.2000 have allotted 30,00,000 shares to the Trust. The company later confirmed that the allottee was Dinesh Dalmia Technology Trust; however, the discrepancy in dates of allotment as mentioned in both the letters remained.

Out of these 60,00,00 shares, DSQ holdings was credited with 51,00,000 shares, Hulda Properties & Trades Ltd. was credited with 3,75,000 shares and the remaining 5,25,000 shares went to Powerflow Holdings. A major portion of these shares were either sold in the market directly or indirectly through entities associated with the promoters of the company or were transferred to related entities and stock brokers. It was also observed that these entities - DSQ Holdings, Powerflow and Hulda used to deliver shares for obligations of associated entities. DSQ Holdings delivered shares for delivery obligations of Powerflow / Hulda and vice versa. All these shares which were sold in the market were not listed shares. This increased the float of the shares in the market as more shares were traded in the market than actually issued and paid-up capital of the company.

(iii) Dr. Suryanil Ghosh Trustee Softec Corporation

I note that on 31.10.2000, 40,00,000 shares of the company were credited to the demat account of Dr. Suryanil Ghosh Trustee Softec Corporation. These shares were issued and allotted by the company on preferential allotment basis. These shares were allotted in dematerialized format under the existing ISIN of the company.

From the above findings, it is apparent that one crore shares were fraudulently allotted by the company - 60,00,000 shares to Dinesh Dalmia Technology Trust and 40,00,000 shares to Dr. Suryanil Ghosh, Trustee Softec Corporation. These shares were allotted in electronic form and under the same ISIN under which the existing shares were being traded. These shares were issued without following procedure laid down under the Company Law. These shares were issued without receipt of consideration. These shares were sold in the market by entities associated with the DSQ group i.e. DSQ Holdings, Powerflow Holding and Hulda Properties without being listed on any stock exchange. These shares were delivered in the market knowingly that the shares did not have the listing permission. Since the shares were issued under the same ISIN, it was considered as good delivery by investors because distinctive numbers of the shares could not be traced in the dematerialized form. Taking advantage of the provisions that the company can allot further shares under the same ISIN, the company allotted the above shares to the aforesaid trusts. In both the trusts Shri Dinesh Dalmia (Managing Director of the company) was the trustee and authorized signatory. These shares were then brought into the market by either delivering them directly to pool account of brokers against the sales by group entities or indirectly by first transferring the shares to account of group entities and then selling them into the market. Some of the shares were also transferred to beneficiary account of certain brokers and other entities

(iv) New Vision Investment Private Ltd., Delhi

I note that 40,00,000 shares were allotted to New Vision Investment Ltd., New Delhi on 12/01/2001. The shares were allotted in physical form since NSDL did not credit these shares in demat account of allottee. Personal visit of SEBI official to the address No.207 Paras Apartments, Madhu Vihar, Pratapganj, New Delhi, which was given in the demat account opening form, revealed no evidence of any company existing at that address. Investigations revealed that there was promoter-broker nexus between Shri Dinesh Dalmia and the broker, Biyani Securities for the 10,00,000 shares. It was brought out that out of 40,00,000 shares, 10,00,000 shares were given to broker - Biyani Sec in physical form for tiding over his payment crisis and were then deposited by Biyani Sec with the Calcutta Stock Exchange. The broker admitted that it spoke to Shri Dinesh Dalmia who said he would try to help him and shares in the name of New Vision Investment Private Ltd. were given to it. The balance 30 lakh shares were not traceable as New Vision Investments Pvt. Ltd was not available at the registered address as stated earlier.

From the above I find that the company has allotted shares to entities connected with its promoters, dematerialized the shares and thereafter caused the shares so dematerialized to circulate in the market through stock brokers and other entities without obtaining listing permission from BSE or NSE. Further, I note that the company has failed to inform the stock exchanges about allotment of 1.30 crore shares in the year 2000 and provided stock exchanges with false information regarding allotment of shares. I find that they have thus played a fraud upon investors in the securities market. I further find that the said allotment of 1.30 crore shares was not included in the Annual Report of the unlisted share for the year 2000-01. I further find that in respect of the said allotments, no consideration has been received by the company, rather, the proceeds of sale of the shares valued at around Rs.630 crore have gone to the entities associated with the company and controlled by Dinesh Dalmia. This amount has been calculated on basis of prevalent market price on date of transfer of shares to demat account of other brokers / entities, details of which are as under :-

Entity	Net outflow Qnty	Net value
New Vision UK	30,00,000	2,40,57,92,500
Dinesh Dalmia Technology Trust	60,00,000	2,33,55,05,625
Softec Corporation	39,82,000	1,55,94,67,650
Total	1,29,82,000	6,30,07,65,775

Thereby, the shareholders of the company and investors were defrauded by the company.

I further note that the listing application filed by the company with stock exchanges mentioned that 1.70 crore shares were allotted to the following entities:

Date of allotment	No. of shares	Distn. Nos	Name of allottees

20-05-2000	30,00,000	30250001-33250000	New Vision Investment Ltd.
12-01-2001	1,40,00,000 (60,00,000) (40,00,000) (40,00,000)	33250001-47250000	Pref. allotment to shareholders of Fortuna technologies Inc. USA viz: 1. Technology Trust., Mauritius 2. Softec Corporation Ltd., Mauritius 3. New Vision Investment Ltd., Mauritius

However, I also note that the company had allotted 1.30 crore shares to the following entities in the year 2000 itself as given below

Name of Entities	Allotted on	Dematted on	Distinctive Nos.	Remarks
30 Lakh shares to New Vision Investment Ltd, UK	20/05/2000	30/05/2000	30250001 – 33250000	Pref. allotment
30 Lakh shares to Dinesh Dalmia, Trustee, Technology Trust	05/10/2000	17/10/2000	33250001 – 36250000	Pref. allotment
40 Lakh shares to Dr.Suryanil Ghosh, Trustee, Softec Corporation	24/10/2000	31/10/2000	36250001 - 40250000	Pref. allotment
30 Lakh shares to Dinesh Dalmia, Trustee, Technology Trust	14/12/2000	19/12/2000	40250001 – 43250000	ESOP

In 2001, 40 lakh shares were allotted in physical form as given below

Name of Entities	Allotted on	Dematted on	Distinctive Nos.	Remarks
40 Lakh shares to New Vision Investment Pvt. Ltd, New Delhi	12/01/2001	Not dematerialized	43250001 - 47250000	Pref. allotment

From the above, I note that the distinctive numbers of the shares allotted by the company on 12.1.2001 are the same as that of the shares allotted during the period May to December 2000. Further, the shares allotted in year 2000 had been sold by the allottees in the market much before the allotment on 12.1.2001

In this regard, I note that DSQ Software had entered into an agreement with one Shri. T.C. Ashok on 27.11.2000 to acquire M/s. Fortuna Technologies Inc. of USA (hereinafter referred to as "Fortuna"). The proposed acquisition was to be funded through a share swap i.e. shares of DSQ Software were to be issued on a preferential basis to three Overseas Corporate bodies viz. Technology Trust Ltd, Softec Corporation Ltd and New Vision Investments Ltd. These Overseas Corporate bodies owned by T.C. Ashok were registered in Mauritius and held the entire capital of Fortuna. I also note that DSQ Software and T.C. Ashok had entered into an agreement to the above effect on 27.11.2000 wherein DSQ Software agreed to allot 14 million equity shares to the three OCB's at Rs.685/- per share on a non-repatriable basis. The shares were to be allotted to the OCBs in a dematerialized form. It was also observed that DSQ Software in Extra ordinary General meeting held on 11.12.2000 had resolved to issue and allot 1.50 crore equity shares on preferential basis to various foreign nationals, foreign companies, non-residential Indians, OCB's etc and that the equity shares so issued were to rank pari passu with the existing equity shares of the company. Accordingly, the Board of Directors in their meeting held on 12.1.2001 had allotted 1.40 crore shares at a premium of Rs.675/- per share on a non-repatriable basis in demat form to the following entities.

Technology Trust Ltd., Mauritius 60,00,000 shares

Softee Corporation Ltd., Mauritius 40,00,000 shares

New Vision Investment Ltd., Mauritius 40,00,000 shares

I have already mentioned supra that the allotments made in the year 2000 were without receipt of adequate consideration and these shares had been dematerialized without obtaining listing permission. Read in this context, I find that the allotments made on 12.1.2001 were not genuine and were intended to regularize the allotments made during the period May to December, 2000 in a fraudulent manner.

In this regard I note that vide order dated July 20, 2001 the then Chairman of SEBI passed the following directions: -

1. *DSQ cancel the acquisition of Fortuna Technologies being done on swap basis after following the procedure laid down under the Companies Act.*
2. *DSQ be prohibited from accessing capital market for a period of one year or completion of investigation and action thereupon whichever is later.*
3. *Shri Dinesh Dalmia, Managing Director, of the company be debarred from dealing in securities for a period of one year or completion of investigation and action thereupon whichever is later.*

Subsequently, SEBI vide order dated December 20, 2001 confirmed the said order.

I note that Regulation 3 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995 (hereinafter referred to as the "FUTP Regulations, 1995") provided that no person shall buy, sell or deal in securities in a fraudulent manner. I find that by its actions as outlined above, the company has acted in a fraudulent manner and thus violated the said regulation.

a. Whether DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, DSQ Industries Ltd, Mrs. Radha Dalmia, New Vision Investments UK, New Vision Investment Pvt. Ltd and the trusts viz. Dinesh Dalmia Technology Trust and Softec Corporation are liable for the fraudulent acts of the company as found in (a) above and also for other fraudulent and unfair trade practices

At the outset, I note that the said entities have not co-operated with SEBI during the investigation. They have not furnished complete and requisite information despite repeated summons and have failed to also appear before the investigating authority.

I further note that the associated entities have facilitated the transmission of the 1.30 crore unlisted shares into the market. I find that the movement of the said shares from the accounts of the allottees to the associated entities was as follows:

- a. 30,00,000 shares credited to the demat account of New Vision Investment UK on 31.5.2000. Of these, 3,25,000 shares were transferred to the account of DSQ Holdings which then sold it through DKB Securities. A further 11,50,000 shares were transferred to DKB's pool account and these were later sold by DSQ Holding and Hulda Properties and Trades Ltd. through DKB.
- b. 30,00,000 shares were credited to the account of Dinesh Dalmia Technology Trust on 17.10.2000. 30,00,000 shares were transferred to DSQ Holdings. Of these, 4,00,000 shares were transferred to Radha Dalmia who in turn transferred the same to the pool account of SMIFS Securities Ltd on 19.10.2000. These shares were then delivered on behalf of Hulda Properties and Powerflow Holdings. 80,000 shares were transferred to Himanshu Ajmera. 10,00,000 shares were sold by DSQ Holdings through DKB Securities on 18.10.2000. Of the remaining 15,00,000 shares, 10,00,000 shares were sold by DSQ Holdings through DKB, 1,00,000 were sold through Harish Chandra Biyani, 25,000 were sold through Titan Securities and 2,25,000 were transferred to Agbros Securities on 17.10.2000. Of the balance of 1,70,000 shares, 36,000 were sold through United Credit Securities Ltd. on 18.10.2000, 50,000 through Harish Biyani on 20.10.2000, 50,000 through Titan Stock Broking on 21.10.2000 and 30,000 through DKB on 25.10.2000.
- c. 30,00,000 shares were credited into the demat account of Dinesh Dalmia Technology Trust on 19.12.2000. Of these, 3,75,000 were transferred to the account of Hulda Properties on 20.10.2000 and these were transferred by them to the pool accounts of Prabhudas Lilladher & Investmart on 20.10.2000. 21,00,000 shares were transferred to the demat account of DSQ Holdings on 20.10.2000, 27.12.2000 and 4.1.2001. These shares were then transferred to the pool accounts of Harish Biyani, Dinesh Singhania and DKB. Shares were also transferred to the beneficiary accounts of Dinesh Singhania, Doe Jones, Maya Tradelinks and Himanshu Ajmera. 5,25,000 shares were transferred to the demat account of Powerflow Holdings on 23.12.2000 by the trust. These were transferred by Powerflow Holdings to the pool account of Investmart on 27.12.2000.
- d. 40,00,000 shares were credited to the demat account of Dr. Suryanil Ghosh, Trustee Softec Corporation on 31.10.2000. Of these, 10,00,000 shares were transferred to the demat account of Powerflow Holding on 31.10.2000 and these were further transferred by Powerflow to the pool account of DKB on the same date. The shares were then sold in the market. 26,50,000 shares were transferred by Softec Corporation to brokers pool accounts on 1st, 2nd, 6th, 13th, 14th, 16th and 27th of November, 2000. The remaining shares were transferred to the beneficiary accounts of DSQ Holdings, Himanshu Ajmera, Mittal Securities and Maya Tradelinks on 06.11.2000, 10.11.2000, 13.11.2000 and 16.11.2000

Thus, the associated entities had facilitated the movement of shares from the allottees to the brokers who then sold these shares in the market.

I also note that thereafter, the associated entities had entered into synchronized and circular deals wherein the buy order and sell orders were inputted in the trading system at the same time for same rate and same quantity. While one of the associated entities was selling, other entities were buying shares. By entering into such synchronized deals, they have facilitated trades where effectively there was no change in beneficial ownership and there was creation of artificial market. The details of above trades done by these entities are given below:

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
8-Dec-99	199912080438936	12:16:09	586.50	90000	12:16:10	DSQHOLD	199912080438956	12:16:10	90000	586.50	DSQHOLD

2. Buy Member:Woodstock Broking Sell Member: Prabhudas Lilladher - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
1-Dec-99	199912010039392	10:07:47	458.00	36000	10:07:48	HULDA	199912010039497	10:07:48	36000	458.00	DSQHOLD
1-Dec-99	199912010613184	14:15:26	461.25	14000	14:15:27	HULDA	199912010613219	14:15:27	14000	461.25	DSQHOLD
10-Dec-99	199912100200480	11:02:59	630.50	25000	11:02:59	HULDA	199912100200470	11:02:59	25000	630.50	DSQHOLD
13-Dec-99	199912130219750	11:47:38	626.25	25000	11:47:39	HULDA	199912130219769	11:47:39	25000	626.25	DSQHOLD
13-Dec-99	199912130220265	11:47:53	626.25	25000	11:47:53	HULDA	199912130220271	11:47:53	25000	626.25	DSQHOLD
13-Dec-99	199912130221146	11:48:18	627.25	25000	11:48:18	HULDA	199912130221125	11:48:17	25000	627.25	DSQHOLD
13-Dec-99	199912130221909	11:48:39	626.50	15000	11:48:39	HULDA	199912130221884	11:48:39	15000	626.50	DSQHOLD
1-Mar-00	200003010590951	14:32:37	1781.90	20000	14:35:16	HULDA	200003010594412	14:35:16	20000	1781.90	DSQHOLD
1-Mar-00	200003010590951	14:32:37	1781.90	20000	14:35:27	HULDA	200003010594655	14:35:27	20000	1781.90	DSQHOLD

3. Buy Member:Biyani Sec Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
18-Apr-00	200004180023777	9:59:34 AM	1460.00	50	9:59:39	Chand Ratn Bagree	200004180024035	9:59:37 AM	1457.00	20000	DSQHOLD
03-May-00	200005030512412	1:50:03 PM	690.05	200	13:50:03	Bishwanath Khemka	200005030176861	10:59:23 AM	690.05	25000	DSQHOLD
19-Jun-00	200006190183797	10:29:48 AM	1042.50	25000	10:29:53	Harish C. Biyani	200006190184119	10:29:53 AM	1042.50	25000	HULDA
19-Jun-00	200006190352538	11:17:09 AM	1052.50	25000	11:17:11	Harish C. Biyani	200006190352609	11:17:11 AM	1052.50	25000	HULDA
19-Jun-00	200006190355338	11:18:07 AM	1049.50	15000	11:18:08	Harish C. Biyani	200006190355371	11:18:08 AM	1049.50	15000	HULDA
19-Jun-00	200006190370567	11:23:30 AM	1049.00	10000	11:23:32	Harish C. Biyani	200006190370653	11:23:32 AM	1049.00	10000	HULDA

21-Jun-00	200006210042818	10:01:23 AM	1046.00	25000	10:01:26	HULDA	200006210043115	10:01:26 AM	1046.00	25000	HULDA
21-Jun-00	200006210046235	10:01:59 AM	1046.50	15000	10:02:00	HULDA	200006210046312	10:02:00 AM	1046.50	15000	HULDA
28-Jun-00	200006280156796	10:30:47 AM	982.75	25000	10:30:48	Self	200006280156847	10:30:48 AM	982.75	25000	HULDA
28-Jun-00	200006280164230	10:32:51 AM	983.00	25000	10:32:53	Self	200006280164326	10:32:53 AM	983.00	25000	HULDA
28-Jun-00	200006280166407	10:33:33 AM	981.00	25000	10:33:33	Self	200006280165960	10:33:24 AM	981.00	25000	HULDA
28-Jun-00	200006280167488	10:33:54 AM	975.10	100	10:34:01	Anup Saboo	200006280164326	10:32:53 AM	983.00	25000	HULDA
28-Jun-00	200006280169602	10:34:33 AM	978.00	25000	10:34:34	Self	200006280169641	10:34:34 AM	978.00	25000	HULDA
28-Jun-00	200006280169602	10:34:33 AM	978.00	25000	10:34:56	Self	200006280165960	10:33:24 AM	981.00	25000	HULDA
28-Jun-00	200006280543878	1:36:16 PM	977.50	25000	13:36:17	Self	200006280543915	1:36:17 PM	977.50	25000	DSQHOLD
28-Jun-00	200006280544396	1:36:35 PM	977.50	25000	13:36:36	Self	200006280544408	1:36:36 PM	977.50	25000	DSQHOLD
28-Jun-00	200006280716345	3:06:43 PM	984.50	25000	15:06:44	Self	200006280716390	3:06:44 PM	984.50	25000	DSQHOLD
28-Jun-00	200006280717725	3:07:09 PM	984.25	25000	15:07:10	Self	200006280717817	3:07:10 PM	984.25	25000	DSQHOLD
05-Jul-00	200007050098705	10:12:06 AM	1078.50	25000	10:12:06	Hulda - 520 shares & Harish Biyani - 24480 shares	200007050098656	10:12:05 AM	1078.50	25000	HULDA
05-Jul-00	200007050100650	10:12:28 AM	1078.00	25000	10:12:28	Harish Biyani - 23000 sh, Emkeyss Inv - 1500 sh & Soni Inv. - 500 sh	200007050100690	10:12:28 AM	1078.00	25000	HULDA
05-Jul-00	200007050102645	10:12:51 AM	1077.50	10000	10:12:52	Hulda- 9480 sh, Harish Biyani - 520 sh	200007050102694	10:12:52 AM	1077.50	10000	HULDA
06-Jul-00	200007060076746	10:07:44 AM	991.25	25000	10:07:44	Harish Biyani	200007060076798	10:07:44 AM	991.25	25000	DSQHOLD
06-Jul-00	200007060078731	10:08:06 AM	989.75	25000	10:08:06	Harish Biyani	200007060078790	10:08:06 AM	989.75	25000	DSQHOLD
06-Jul-00	200007060078858	10:08:07 AM	990.00	100	10:08:07	Ashok Tiwari	200007060078790	10:08:06 AM	989.75	25000	DSQHOLD
12-Jul-00	200007120098311	10:16:07 AM	980.00	25000	10:16:07	Self	200007120098351	10:16:07 AM	980.00	25000	HULDA
	200007120099134		980.00	25000	10:16:21	Self	200007120099180		980.00	25000	HULDA

12-Jul-00		10:16:20 AM						10:16:21 AM			
12-Jul-00	200007120100249	10:16:39 AM	980.25	25000	10:16:39	Self	200007120100270	10:16:39 AM	980.25	25000	HULDA
12-Jul-00	200007120099134	10:16:20 AM	980.00	25000	10:16:58	Self	200007120101417	10:16:58 AM	980.25	25000	HULDA
12-Jul-00	200007120101412	10:16:58 AM	980.25	25000	10:16:58	Self	200007120101417	10:16:58 AM	980.25	25000	HULDA
12-Jul-00	200007120134076	10:25:51 AM	991.25	25000	10:25:52	Self	200007120134108	10:25:52 AM	991.25	25000	HULDA
12-Jul-00	200007120135894	10:26:20 AM	989.50	25000	10:26:22	Self	200007120136023	10:26:22 AM	989.50	25000	HULDA
13-Jul-00	200007130100302	10:11:51 AM	1016.50	25000	10:11:51	Self	200007130100276	10:11:51 AM	1016.50	25000	HULDA
13-Jul-00	200007130103367	10:12:29 AM	1015.75	25000	10:12:30	Self	200007130103428	10:12:30 AM	1015.75	25000	HULDA
13-Jul-00	200007130106125	10:13:03 AM	1014.75	20000	10:13:03	Self	200007130106131	10:13:03 AM	1014.75	20000	HULDA
18-Jul-00	200007180109597	10:20:10 AM	892.50	25000	10:20:12	Self	200007180109691	10:20:12 AM	892.50	25000	HULDA
18-Jul-00	200007180113113	10:21:07 AM	890.50	25000	10:21:07	Self	200007180111698	10:20:45 AM	890.50	25000	HULDA
18-Jul-00	200007180124752	10:24:33 AM	889.00	20000	10:24:33	Self	200007180124754	10:24:33 AM	889.00	20000	HULDA
20-Jul-00	200007200018723	9:58:26 AM	817.00	30000	9:58:27	Harish Biyani	200007200018804	9:58:27 AM	817.00	30000	HULDA
25-Jul-00	200007250115848	10:19:41 AM	621.50	30000	10:19:42	Self	200007250115908	10:19:42 AM	621.50	30000	HULDA
01-Aug-00	200008010179663	10:39:03 AM	652.45	25000	10:39:04	Self	200008010179731	10:39:04 AM	652.45	25000	HULDA
01-Aug-00	200008010181732	10:39:41 AM	652.25	25000	10:39:41	Harish Biyani - 2000 & Self -23000	200008010181772	10:39:41 AM	652.25	25000	HULDA
01-Aug-00	200008010184408	10:40:33 AM	649.50	20000	10:40:33	Self	200008010184434	10:40:33 AM	649.50	20000	HULDA
19-Oct-00	200010190205675	10:39:32 AM	305.15	25000	10:39:33	Harish Biyani	200010190205724	10:39:33 AM	305.15	25000	DSQHOLD
19-Oct-00	200010190207021	10:39:55 AM	305.60	25000	10:39:55	Harish Biyani - 13833 shares & Self - 11167 shares	200010190206775	10:39:51 AM	305.60	25000	DSQHOLD
19-Oct-00	200010190209865	10:40:45 AM	303.25	25000	10:40:47	Harish Biyani	200010190209966	10:40:47 AM	303.25	25000	DSQHOLD

19-Oct-00	200010190210693	10:41:00 AM	303.00	25000	10:41:02	Harish Biyani – 1167 shares & Self - 23833 shares	200010190210791	10:41:02 AM	303.00	25000	DSQHOLD
19-Oct-00	200010190212598	10:41:32 AM	301.50	25000	10:41:32	Self	200010190212616	10:41:32 AM	301.50	25000	DSQHOLD
19-Oct-00	200010190213625	10:41:47 AM	301.75	25000	10:41:47	Self	200010190213623	10:41:47 AM	301.75	25000	DSQHOLD
31-Oct-00	200010310143255	10:27:28 AM	357.50	30000	10:27:28	Self	200010310143256	10:27:28 AM	357.50	30000	DSQHOLD
08-Jan-01	200101080443636	11:14:35 AM	388.75	50000	11:14:35	Harish Biyani	200101080443627	11:14:35 AM	388.75	50000	HULDA
08-Jan-01	200101080446384	11:15:10 AM	388.50	50000	11:15:11	Harish Biyani	200101080446501	11:15:11 AM	388.50	50000	HULDA
07-Feb-01	200102070813245	12:33:47 PM	437.60	49000	12:33:48	Harish Biyani	200102070813293	12:33:48 PM	437.60	49000	DSQHOLD
12-Feb-01	200102121227368	3:13:45 PM	422.75	50000	15:13:46	Self	200102121227490	3:13:46 PM	422.75	50000	DSQHOLD
12-Feb-01	200102121230094	3:14:20 PM	423.10	50000	15:14:21	Self	200102121230142	3:14:21 PM	423.10	50000	DSQHOLD
12-Feb-01	200102121271487	3:23:09 PM	421.40	50000	15:23:09	Self	200102121271451	3:23:09 PM	421.40	50000	DSQHOLD
12-Feb-01	200102121290475	3:27:20 PM	421.25	50000	15:27:21	Self	200102121290530	3:27:21 PM	421.25	50000	DSQHOLD

4. Buy Member:Smifs Securities Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
16-Jun-00	200006160787564	2:34:34 PM	971.00	20000	14:34:34	HULDA	200006160787569	2:34:34 PM	971.00	20000	HULDA
16-Jun-00	200006160788519	2:34:58 PM	971.00	20000	14:34:58	HULDA	200006160788384	2:34:54 PM	971.00	20000	HULDA
16-Jun-00	200006160789478	2:35:23 PM	971.00	10000	14:35:23	HULDA	200006160789457	2:35:22 PM	971.00	10000	HULDA
19-Jun-00	200006190023009	9:58:41 AM	1026.00	25000	9:58:41	HULDA	200006190022808	9:58:39 AM	1026.00	25000	HULDA
19-Jun-00	200006190025415	9:59:04 AM	1027.00	25000	9:59:04	HULDA	200006190025379	9:59:03 AM	1027.00	25000	HULDA
28-Jun-00	200006280117840	10:19:35 AM	999.00	25000	10:19:37	HULDA	200006280117912	10:19:37 AM	999.00	25000	HULDA
28-Jun-00	200006280119191	10:19:58 AM	1001.00	25000	10:19:59	HULDA	200006280119246	10:19:59 AM	1001.00	25000	HULDA
28-Jun-	200006280120062	10:20:13 AM	999.00	25000	10:20:14	HULDA	200006280120117	10:20:14 AM	999.00	25000	HULDA

[illegible]

02-Nov-00	200011020617259	1:26:51 PM	375.50	50000	13:26:52	Powerflow	200011020617277	1:26:52 PM	375.50	50000	DSQHOLD
08-Nov-00	200011080821417	1:37:21 PM	448.35	50000	13:37:21	Powerflow	200011080821390	1:37:20 PM	448.35	50000	DSQHOLD
08-Nov-00	200011080824138	1:38:26 PM	447.60	50000	13:38:26	Powerflow	200011080824137	1:38:26 PM	447.60	50000	DSQHOLD
08-Nov-00	200011080828396	1:40:13 PM	445.70	50000	13:40:14	Powerflow	200011080828430	1:40:14 PM	445.70	50000	DSQHOLD
08-Nov-00	200011080831819	1:41:35 PM	446.35	50000	13:41:38	Powerflow	200011080831933	1:41:38 PM	446.35	50000	DSQHOLD
14-Nov-00	200011140655771	1:24:45 PM	399.30	25000	13:24:45	Mackertich Consultancy	200011140655751	1:24:45 PM	399.30	25000	DSQHOLD
23-Nov-00	200011230054533	10:02:30 AM	448.75	50000	10:02:30	Powerflow	200011230054446	10:02:29 AM	448.75	50000	DSQHOLD
23-Nov-00	200011230056028	10:02:43 AM	448.25	50000	10:02:43	Powerflow	200011230055957	10:02:42 AM	448.25	50000	DSQHOLD

5. Buy Member:Smifs Securities Sell Member:DKB - BSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
28-Feb-00	709030002	10:39:02	1801	25000	10:39:03	HULDA	276020044	10:39:03	1801	25000	HULDA
28-Feb-00	709030003	10:39:40	1801	25000	10:39:41	HULDA	276020045	10:39:41	1801	25000	HULDA
26-Apr-00	709030009	9:58:34	977	45000	09:58:34	HULDA	276020307	9:58:33	977	45000	DSQHOLD
17-Oct-00	70900300010001519	12:21:14	392.5	50000	12:21:14	Powerflow	27600200010013906	12:21:13	392.5	50000	DSQHOLD
17-Oct-00	70900300010001520	12:21:47	392.25	75000	12:21:47	Powerflow	27600200010013907	12:21:46	392.25	75000	DSQHOLD
18-Oct-00	70900300010001538	11:57:44	338.25	55000	11:57:44	Powerflow	27600200010014194	11:57:44	338.25	55000	DSQHOLD
18-Oct-00	70900300010001539	11:58:02	338.25	50000	11:58:02	Powerflow	27600200010014195	11:58:01	338.25	50000	DSQHOLD
24-Oct-00	70900300010001587	13:16:44	327.5	50000	13:16:48	Powerflow	27600100010000111	13:16:48	327.5	50000	DSQHOLD
24-Oct-00	70900300010001588	13:17:18	326.5	50000	13:17:20	Powerflow	27600100010000112	13:17:19	326.5	50000	DSQHOLD
16-Nov-00	70900400010007684	13:13:20	441	200000	13:13:20	Powerflow	27600100010000599	13:13:20	441	200000	DSQHOLD

6. Buy Member:Mittal Sec Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
16-Jun-00	200006160675328	1:45:00 PM	968.75	25000	13:45:00	HULDA	200006160675292	1:44:59 PM	968.75	25000	HULDA
16-Jun-00	200006160676797	1:45:46 PM	968.85	25000	13:45:49	HULDA	200006160676930	1:45:49 PM	968.80	25000	HULDA
19-Jun-00	200006190081345	10:08:39 AM	1027.50	25000	10:08:39	HULDA	200006190081383	10:08:39 AM	1027.25	25000	HULDA
19-Jun-00	200006190084064	10:09:09 AM	1028.50	25000	10:09:09	HULDA	200006190084029	10:09:09 AM	1028.50	25000	HULDA
18-Oct-00	200010180329597	11:15:56 AM	343.60	20000	11:15:56	HULDA	200010180329592	11:15:56 AM	343.60	20000	DSQHOLD
18-Oct-00	200010180337070	11:18:46 AM	344.15	10000	11:18:51	HULDA	200010180337215	11:18:51 AM	344.15	10000	DSQHOLD
18-Oct-00	200010180385187	11:40:35 AM	342.60	10000	11:40:36	HULDA	200010180385209	11:40:36 AM	342.60	10000	DSQHOLD
18-Oct-00	200010180385881	11:40:58 AM	342.50	20000	11:40:58	HULDA	200010180385870	11:40:57 AM	342.50	20000	DSQHOLD
18-Oct-00	200010180386593	11:41:21 AM	343.10	20000	11:41:22	HULDA	200010180386615	11:41:22 AM	343.10	20000	DSQHOLD
06-Nov-00	200011060112250	10:12:27 AM	395.75	55000	10:12:28	HULDA	200011060112378	10:12:28 AM	395.75	55000	DSQHOLD

7. Buy Member:Woodstock Brok Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
02-Feb-00	200002020357086	11:51:26 AM	1438.50	25000	11:51:27	HULDA	200002020357088	11:51:27 AM	1438.50	25000	DSQ INDS
02-Feb-00	200002020357741	11:51:45 AM	1438.25	25000	11:51:46	HULDA	200002020357770	11:51:46 AM	1430.00	25000	DSQ INDS
03-Feb-00	200002030238074	11:03:15 AM	1383.50	25000	11:03:16	HULDA	200002030238089	11:03:16 AM	1383.50	25000	DSQ INDS
03-Feb-00	200002030238863	11:03:31 AM	1383.50	25000	11:03:31	HULDA	200002030238858	11:03:31 AM	1383.50	25000	DSQ INDS
03-Feb-00	200002030240051	11:03:57 AM	1381.00	25000	11:03:57	HULDA	200002030239975	11:03:55 AM	1381.00	25000	DSQ INDS
03-Feb-00	200002030241107	11:04:19 AM	1381.50	25000	11:04:19	HULDA	200002030241120	11:04:19 AM	1381.50	25000	DSQ INDS
03-Feb-00	200002030367444	11:58:03 AM	1382.00	25000	11:58:05	HULDA	200002030367521	11:58:05 AM	1382.00	25000	DSQ INDS
03-Feb-00	200002030368155	11:58:21 AM	1382.00	25000	11:58:22	HULDA	200002030368181	11:58:22 AM	1382.00	25000	DSQ INDS

03-Feb-00	200002030393832	12:11:57 PM	1382.50	25000	12:11:57	HULDA	200002030393757	12:11:55 PM	1382.50	25000	DSQ INDS
03-Feb-00	200002030394655	12:12:19 PM	1382.00	25000	12:12:20	HULDA	200002030394676	12:12:20 PM	1382.00	25000	DSQ INDS
17-Feb-00	200002170305188	11:34:00 AM	1679.00	25000	11:34:00	HULDA	200002170305191	11:34:00 AM	1679.00	25000	HULDA
17-Feb-00	200002170306210	11:34:26 AM	1687.00	25000	11:34:28	HULDA	200002170306290	11:34:28 AM	1687.00	25000	HULDA
17-Feb-00	200002170309099	11:35:44 AM	1685.00	25000	11:35:44	HULDA	200002170309105	11:35:44 AM	1685.00	25000	HULDA
17-Feb-00	200002170309709	11:36:01 AM	1687.50	25000	11:36:01	HULDA	200002170309693	11:36:01 AM	1687.50	25000	HULDA
23-Feb-00	200002230071408	10:18:14 AM	2210.00	25000	10:18:19	HULDA	200002230071772	10:18:19 AM	2210.00	25000	HULDA
23-Feb-00	200002230073411	10:18:41 AM	2212.00	25000	10:18:41	HULDA	200002230073372	10:18:40 AM	2212.00	25000	HULDA
09-Mar-00	200003090059636	10:09:32 AM	2583.00	25000	10:09:32	HULDA	200003090059627	10:09:32 AM	2583.00	25000	DSQHOLD
09-Mar-00	200003090062235	10:10:12 AM	2595.00	25000	10:10:12	HULDA	200003090062147	10:10:11 AM	2595.00	25000	DSQHOLD
02-Jun-00	200006020202008	10:41:52 AM	859.75	25000	10:41:52	Suresh Jajoo	200006020201900	10:41:50 AM	859.75	25000	DSQHOLD
02-Jun-00	200006020203468	10:42:16 AM	859.75	25000	10:42:16	Suresh Jajoo	200006020203483	10:42:16 AM	859.75	25000	DSQHOLD
02-Jun-00	200006020205359	10:42:45 AM	858.75	25000	10:42:45	Suresh Jajoo	200006020205307	10:42:44 AM	858.75	25000	DSQHOLD
02-Jun-00	200006020207894	10:43:29 AM	858.50	25000	10:43:29	Suresh Jajoo	200006020207845	10:43:28 AM	858.50	25000	DSQHOLD
02-Jun-00	200006020209170	10:43:53 AM	858.05	25000	10:43:53	Suresh Jajoo	200006020209118	10:43:52 AM	858.05	25000	DSQHOLD
02-Jun-00	200006020210456	10:44:18 AM	858.05	25000	10:44:18	Suresh Jajoo	200006020210427	10:44:18 AM	858.05	25000	DSQHOLD
02-Jun-00	200006020211570	10:44:41 AM	857.15	25000	10:44:41	Suresh Jajoo	200006020211575	10:44:41 AM	857.15	25000	DSQHOLD
02-Jun-00	200006020213091	10:45:09 AM	856.15	25000	10:45:09	Suresh Jajoo	200006020212987	10:45:07 AM	856.15	25000	DSQHOLD
14-Jun-00	200006140635034	1:31:51 PM	929.00	25000	13:31:51	HULDA	200006140635009	1:31:50 PM	929.00	25000	HULDA
14-Jun-00	200006140635493	1:32:10 PM	929.50	25000	13:32:10	HULDA	200006140635480	1:32:10 PM	929.50	25000	HULDA
14-Jun-00	200006140635493	1:32:10 PM	929.50	25000	13:32:27	HULDA	200006140635888	1:32:27 PM	929.50	25000	HULDA
14-Jun-00	200006140635912	1:32:27 PM	929.50	25000	13:32:27	HULDA	200006140635888	1:32:27 PM	929.50	25000	HULDA
14-Jun-00	200006140636248	1:32:41 PM	929.50	25000	13:32:43	HULDA	200006140636289	1:32:43 PM	929.50	25000	HULDA
14-Jun-00	200006140635034	1:31:51 PM	929.00	25000	13:32:59	HULDA	200006140636289	1:32:43 PM	929.50	25000	HULDA
01-Nov-00	200011010080402	10:05:06 AM	385.50	50000	10:05:06	Panther Fincap	200011010080338	10:05:05 AM	385.50	50000	DSQHOLD
01-Nov-00	200011010081802	10:05:18 AM	384.50	50000	10:05:18	Panther Fincap	200011010081803	10:05:18 AM	384.50	50000	DSQHOLD
01-Nov-00	200011010084377	10:05:42 AM	384.00	25000	10:05:42	Panther Fincap	200011010084414	10:05:42 AM	384.00	25000	DSQHOLD

8. Buy Member:C.Mackertich Sec Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
28-Jun-00	200006280523054	1:23:10 PM	984.50	25000	13:23:10	DSQHOLD	200006280523024	1:23:09 PM	984.50	25000	DSQHOLD
28-Jun-00	200006280523979	1:23:46 PM	983.50	25000	13:23:47	DSQHOLD	200006280523983	1:23:47 PM	983.50	25000	DSQHOLD
28-Jun-00	200006280524559	1:24:08 PM	983.50	25000	13:24:08	DSQHOLD	200006280524543	1:24:08 PM	93.50	25000	DSQHOLD
28-Jun-00	200006280525280	1:24:36 PM	982.50	25000	13:24:36	DSQHOLD	200006280525190	1:24:33 PM	982.50	25000	DSQHOLD
14-Nov-00	200011140659004	1:26:14 PM	398.25	50000	13:26:14	Self	200011140658981	1:26:13 PM	398.25	50000	DSQHOLD

9. Buy Member:C.Mackertich Sec Sell Member:DKB - BSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
07-Nov-00	3300200010000446	10:30:42	403.35	100000	10:30:42	Self	27600100010000511	10:30:42	403.35	100000	DSQHOLD
14-Nov-00	3300200010000502	12:23:13	395.75	50000	12:23:15	Self	27600200010015509	12:23:14	395.75	50000	DSQHOLD
14-Nov-00	3300200010000504	13:06:30	396.75	50000	13:06:31	Self	27600200010015532	13:06:29	396.75	50000	DSQHOLD
14-Nov-00	3300200010000505	13:07:05	397	50000	13:07:06	Self	27600200010015533	13:07:05	396.75	50000	DSQHOLD
14-Nov-00	3300200010000511	15:03:36	418.25	50000	15:03:45	Self	27600200010015602	15:03:34	418.25	50000	DSQHOLD

10. Buy Member:Khandwala Finance Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
21-Feb-00	200002210620449	2:12:23 PM	2029.75	25000	14:12:23	Khandwala Secu	200002210620418	2:12:22 PM	2029.75	25000	DSQHOLD
21-Feb-00	200002210621029	2:12:48 PM	2029.75	25000	14:12:49	Vicco Products	200002210621040	2:12:49 PM	2029.75	25000	DSQHOLD
21-Feb-00	200002210621947	2:13:29 PM	2029.75	25000	14:13:29	Khandwala Secu	200002210621942	2:13:29 PM	2029.75	25000	DSQHOLD
21-Feb-00	200002210622480	2:13:52 PM	2029.75	25000	14:13:55	Khandwala Secu & Vicco Products	200002210622568	2:13:55 PM	2029.75	25000	DSQHOLD
17-Oct-00	200010170495311	12:49:25 PM	365.50	50000	12:49:26	Khandwala Secu	200010170495368	12:49:26 PM	365.50	50000	DSQHOLD
17-Oct-00	200010170499269	12:50:54 PM	361.50	25000	12:50:55	Khandwala Secu	200010170499306	12:50:55 PM	361.50	25000	DSQHOLD
17-Oct-00	200010170500689	12:51:24 PM	360.75	25000	12:51:24	Khandwala Secu	200010170500713	12:51:24 PM	360.75	25000	DSQHOLD
17-Oct-00	200010170501771	12:51:50 PM	360.25	20000	12:51:52	Khandwala Secu	200010170501838	12:51:52 PM	360.25	20000	DSQHOLD
22-Nov-00	200011220164658	10:19:33 AM	479.70	50000	10:19:34	DSQHOLD	200011220164727	10:19:34 AM	479.70	50000	DSQHOLD

11. Buy Member:Woodstock Securities Sell Member:DKB - BSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
23-Dec-99	753010044	10:03:15	826.50	50000	10:03:16	HULDA	276020254	10:03:16	826.5	50000	HULDA
23-Dec-99	753010045	10:04:17	832.00	25000	10:04:17	HULDA	276020255	10:04:17	832	25000	HULDA
27-Dec-99	753010012	10:50:40	888.00	25000	10:50:40	HULDA	276020006	10:50:37	888	25000	HULDA
27-Dec-99	753010013	10:51:10	888.50	25000	10:51:10	HULDA	276020007	10:51:10	888.5	25000	HULDA
28-Dec-99	753010017	10:13:52	869.00	50000	10:13:52	HULDA	276020017	10:13:52	869.00	50000	HULDA
28-Dec-99	753010018	10:23:58	868.50	50000	10:23:58	HULDA	276020018	10:23:58	868.50	50000	HULDA
05-Jan-00	753010071	10:32:45	955.00	25000	10:32:46	HULDA	276020318	10:32:45	955	25000	HULDA
25-Jan-00	753010031	10:18:45	1162.00	10000	10:18:45	HULDA	276020132	10:18:45	1162	10000	HULDA
15-Feb-00	753010038	11:14:07	1529.00	50000	11:14:07	HULDA	276020307	11:14:07	1529	50000	HULDA
15-Feb-00	753010039	11:14:26	1529.00	50000	11:14:27	HULDA	276020308	11:14:27	1529	50000	HULDA
22-Feb-00	753010025	11:40:32	2000.00	35000	11:40:34	HULDA	276020071	11:40:33	2000	35000	HULDA
23-Feb-00	753010042	10:21:46	2198.00	20000	10:21:47	HULDA	276020124	10:21:46	2198	20000	HULDA
23-Feb-00	753010045	10:26:41	2205.00	25000	10:26:42	HULDA	276020126	10:26:41	2205	25000	HULDA
24-Feb-00	753010060	11:33:46	2112.00	25000	11:33:46	HULDA	276020252	11:33:45	2112	25000	HULDA
29-Feb-00	753010020	11:41:12	1768.00	22000	11:41:13	HULDA	276020239	11:41:12	1768	22000	HULDA
08-Mar-00	753010069	13:46:08	2492.00	25000	13:46:09	HULDA	276020245	13:46:08	2492	25000	DSQHOLD
08-Mar-00	753010070	13:46:51	2485.00	25000	13:46:52	HULDA	276020247	13:46:52	2485	25000	DSQHOLD
08-Mar-00	753010071	13:47:22	2486.00	10000	13:47:22	HULDA	276020248	13:47:22	2486	10000	DSQHOLD
08-Mar-00	753010072	13:48:07	2493.00	15000	13:48:08	HULDA	276020250	13:48:07	2493	15000	DSQHOLD

09-Mar-00	753010080	10:05:35	2582.00	25000	10:05:35	HULDA&PILLAYAR	276020283	10:05:32	2582	25000	DSQHOLD
13-Mar-00	753010005	10:44:05	2686.00	17500	10:44:06	HULDA	276020084	10:44:06	2686	17500	HULDA
26-Apr-00	753010023	10:26:14	994.85	30000	10:26:14	HULDA	276020319	10:26:13	994.85	30000	DSQHOLD
02-Jun-00	75300100000000166	10:37:19	862.25	49000	10:37:20	JAJOO SURESH	27600300000000161	10:37:20	862.25	50000	DSQHOLD
02-Jun-00	75300100000000167	10:39:06	857.00	50000	10:39:06	JAJOO SURESH & SEPPRA	27600300000000163	10:39:06	857	50000	DSQHOLD
02-Jun-00	75300100000000168	10:46:23	854.00	23035	10:46:27	HULDA&SURESH	27600300000000166	10:46:27	854	23035	DSQHOLD
14-Jun-00	75300100000000360	13:33:34	927.50	50000	13:33:35	HULDA	276002000000005169	13:33:34	927.50	50000	HULDA

12. Buy Member:Millenium Securities Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
23-Dec-99	140010014	10:05:10	833.00	25000	10:05:11	HULDA	276020256	10:05:11	833	25000	HULDA
27-Dec-99	140010001	10:37:07	894.50	21000	10:37:07	HULDA	276020002	10:37:06	894.5	21000	HULDA
05-Jan-00	140010015	10:33:24	952.50	25000	10:33:24	HULDA	276020319	10:33:21	952.50	25000	HULDA
25-Jan-00	140010023	10:19:50	1165.50	40000	10:19:50	HULDA	276020133	10:19:50	1165.50	40000	HULDA
10-Feb-00	140010039	11:44:30	1438.00	15000	11:44:32	HULDA	276020104	11:44:31	1438	15000	HULDA
10-Feb-00	140010040	11:44:49	1438.00	15000	11:44:51	HULDA	276020105	11:44:51	1438	15000	HULDA
15-Feb-00	140010014	11:15:54	1530.00	25000	11:15:54	HULDA	276020310	11:15:54	1530	30000	HULDA
22-Feb-00	140010025	11:41:36	2002.00	25000	11:41:37	HULDA	276020073	11:41:37	2002	25000	HULDA
24-Feb-00	140010056	11:36:38	2110.00	15000	11:36:40	HULDA	276020257	11:36:39	2110	15000	HULDA
09-Mar-00	140010024	10:06:36	2594.00	25000	10:06:37	HULDA	276020284	10:06:37	2594	25000	DSQHOLD
13-Mar-00	140010001	10:45:19	2676.00	17500	10:45:19	HULDA	276020087	10:45:19	2676	17500	HULDA
13-Apr-00	140010001	10:01:12	1481.00	25000	10:01:12	HULDA	276020024	10:01:12	1481	25000	DSQHOLD
13-Apr-00	140010002	10:01:42	1476.00	25000	10:01:42	HULDA	276020025	10:01:41	1476	25000	DSQHOLD
13-Apr-00	140010003	10:02:02	1482.00	25000	10:02:02	HULDA	276020026	10:02:01	1482	25000	DSQHOLD
13-Apr-00	140010004	10:02:25	1478.00	25000	10:02:25	HULDA	276020027	10:02:18	1478	25000	DSQHOLD
26-Jun-00	14000100000000219	10:51:43	949.00	50000	10:51:44	HULDA & SURESH	276002000000006238	10:51:43	949	50000	DSQHOLD

26-Jun-00	14000100000000220	10:51:59	949.00	50000	10:52:00	SURESH JAJOO	27600200000006239	10:51:59	949	50000	DSQHOLD
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13. Buy Member:Omega Equities Sell Member:DKB - NSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
28-Dec-99	163010008	11:02:52	866.00	25000	11:02:52	HULDA	276020025	11:02:52	866	25000	HULDA
28-Dec-99	163010009	11:03:08	866.00	25000	11:03:09	HULDA	276020026	11:03:09	866	25000	HULDA
05-Jan-00	163010027	10:32:16	956.00	25000	10:32:17	HULDA	276020317	10:32:17	956	25000	HULDA
10-Feb-00	163010135	11:43:43	1438.00	15000	11:43:46	HULDA	276020102	11:43:46	1438	15000	HULDA
10-Feb-00	163010136	11:43:59	1438.00	15000	11:44:01	HULDA	276020103	11:44:01	1438	15000	HULDA
15-Feb-00	163010031	11:15:19	1529.00	35000	11:15:19	HULDA	276020309	11:15:18	1529	35000	HULDA
22-Feb-00	163010045	11:41:05	2001.00	25000	11:41:06	HULDA	276020072	11:41:06	2001	25000	HULDA
24-Feb-00	163010080	11:36:03	2107.00	10000	11:36:04	HULDA	276020256	11:36:03	2107	10000	HULDA
28-Feb-00	163010001	09:59:00	1810.00	25000	09:59:01	HULDA	276020003	09:59:00	1810	25000	HULDA
28-Feb-00	163010002	09:59:38	1811.00	25000	09:59:39	HULDA	276020004	09:59:39	1811	25000	HULDA
28-Feb-00	163010013	10:52:46	1774.00	25000	10:52:47	HULDA	276020050	10:52:47	1774.00	25000	HULDA
28-Feb-00	163010027	12:50:16	1786.00	25000	12:50:17	HULDA	276020133	12:50:16	1786	25000	HULDA
29-Feb-00	163010083	11:40:43	1764.50	25000	11:40:44	HULDA	276020238	11:40:44	1764.50	25000	HULDA
08-Mar-00	163010030	13:47:40	2487.00	25000	13:47:40	HULDA	276020249	13:47:40	2487	25000	DSQHOLD
13-Mar-00	163010002	10:44:45	2683.00	15000	10:44:46	HULDA	276020086	10:44:45	2683	15000	HULDA
13-Apr-00	163010008	9:59:51	1465.00	25000	09:59:51	HULDA	276020020	9:59:51	1465	25000	DSQHOLD
13-Apr-00	163010009	10:00:10	1463.00	25000	10:00:11	HULDA	276020021	10:00:10	1463	25000	DSQHOLD
13-Apr-00	163010010	10:00:27	1465.00	25000	10:00:27	HULDA	276020022	10:00:27	1465	25000	DSQHOLD
13-Apr-00	163010011	10:00:44	1465.00	25000	10:00:44	HULDA	276020023	10:00:43	1465	25000	DSQHOLD

02-Jun-00	16300100000000211	10:40:02	857.00	50000	10:40:02	SURESJAJOO	27600300000000164	10:40:02	857	50000	DSQHOLD
14-Jun-00	16300100000000383	13:34:39	929.00	50000	13:34:40	HULDA	276002000000005170	13:34:40	929.00	50000	HULDA

14. Buy Member:Jayantilal Khandwala Sell Member:DKB - BSE

Trade date	Buy Order No.	Buy order time	Buy order price	Buy order qty.	Trade time	Buy Client	Sell Order No.	Sell order time	Sell order qty.	Sell order price	Sell Client
04-Jul-00	32900100000001428	11:23:59	975.00	250000	11:24:02	Khandwala Sec-200000 & DSQ Holding - 50000	276002000000006571	11:24:02	975	250000	DSQHOLD
16-Nov-00	32900100010003067	10:23:24	441.90	100000	10:23:24	DSQHOLD	27600200010015652	10:23:22	441.9	100000	DSQHOLD

I further note that as a result of such synchronization, immediate funds were also made available to the associated entities by brokers like DKB and Prabhudas Lilladhar. Funds were made available on the date of sale itself instead of awaiting pay out date.

3.2 I have already noted above that Shri Dinesh Dalmia was the trustee and authorized signatory of Dinesh Dalmia Technology Trust and Dr. Suryanil Ghosh, Trustee Softec Corporation. I also note from the records of the Depository Participants that Dinesh Dalmia had signed the client agreement forms and opened the demat account. I also note that the addresses of Dinesh Dalmia Technology Trust and Dr. Suryanil Ghosh, Trustee Softec Corporation are that of the company. Therefore, I find that Dinesh Dalmia was in fact the controlling mind of the said entities and the actual beneficiary of the allotments done by the company.

3.3 I further note that the entities to which the allottees transferred the shares viz. Hulda Properties, Powerflow Holdings, DSQ Holdings and DSQ Industries were also controlled by Dinesh Dalmia. In this regard, I note that Shri Dalmia is the Chairman of DSQ Industries and a director on the Board of DSQ Holdings. He is the husband of Radha Dalmia and she has delivered the unlisted shares on behalf of Hulda Properties and Powerflow Holdings to SMIFS. I further note from the statement of stock brokers such as SMIFS, Prabhudas Lilladhar, C. Mackertich, DKB, Mehta & Ajmera that it was Shri Dalmia who introduced Hulda Properties, Powerflow Holdings and DSQ Holdings to them. They have further submitted that the orders on behalf of the said entities were placed by employees of the company.

I also note that the registered office of DSQ Industries and Hulda Properties are the same, I also note that the address of the corporate office of DSQ Industries is the same as the address of DSQ Software.

I find that the said entities have not co-operated with the investigation or provided SEBI with details sought from them. However, from the above and based on available records, I find that Dinesh Dalmia was actually in control of the said entities and that these entities had facilitated Dinesh Dalmia and the company to defraud the investors and shareholders of the company.

In the light of the above, I find that these entities have also violated Regulation 3 of the FUTP Regulations, 1995.

3.4 I also note that DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, Mrs. Radha Dalmia, DSQ Industries Ltd., have not appeared in person before me, rather, they made appearance through a common representative initially and sought for adjournments. After obtaining two adjournments through a representative, Powerflow Holdings did not appear for the third hearing and also not submitted any reply to the allegation leveled against them in the show cause notice. I also note that DSQ Holdings Ltd, Hulda Properties & Trades Ltd., DSQ Industries Ltd, and Mrs. Radha Dalmia made appearance through representatives and made submissions. The said submissions are not on the merits of the findings of investigation as communicated vide show cause notice dated 7.10.2003. It is only contended that they have not been furnished by the copy of the investigating report and that SEBI has no power to issue directions mentioned in the show cause notice. In this regard, in the course of hearing, the authorized representatives of these entities and Radha Dalmia had repeatedly sought adjournments seeking inspection of documents. Three adjournments were granted to them and it was observed that they were on a roving enquiry seeking inspection of separate documents during each such inspection. It was felt that this roving enquiry by the representative of these entities and Radha Dalmia was intended to delay the process of hearing and therefore of proceeding with action, if any, rather than expediting the process. These entities and Radha Dalmia have been granted reasonable opportunity of making submission in respect of the allegation made against them.

These entities and Radha Dalmia have sought the documents relied on by SEBI while passing the order in respect of the acquisition of Fortuna Technologies. I find that the Order dated 20/07/2001 was passed keeping in view the emergent requirement of preventing further harm to the market and the Order dated 20/12/2001 confirmed the same after a post-decisional hearing. Inspection of documents was not sought by the aggrieved parties then and both Orders were also not challenged by the parties. These orders were passed for the prima facie findings of certain irregularities in the alleged acquisition of Fortuna Technologies Inc., USA by the company by allotting 1.40 crore shares on share swap basis on 12.1.2001. The present show cause notice was issued for the irregularities in the allotment of 1.30 crore shares in the year 2000 and 40 lakh shares on 12.1.2001, and introduction of the said 1.30 crore shares into the secondary market without listing.

I also note that the Directions issued by SEBI vide orders dated 20.7.2001 and 20.12.2001 were not against these entities and Radha Dalmia as stated in their reply,

In view of the above, I find that no prejudice is caused to these entities and Radha Dalmia by not separately furnishing those documents and that there has been no violation of the principles of natural justice.

3.5 I note that none of these entities have denied the allegations leveled against them. I also note that these entities have not co-operated for the investigation by not providing the required information. Further the allottees viz., New Vision Investment Ltd, UK, Dr. Suryanil Ghosh Trustee Softec Corporation, Dinesh Dalmia Trustee Technology Trust and New Vision Investment Pvt., Ltd., are also not available at their registered address.

3.6 I note that a total of 1.70 crore shares were fraudulently allotted by the company during the period 2000-01. Of these shares, 1.30 crore shares were allotted in dematerialized form and 40 lakh shares were allotted in physical form. I find that the 1.30 crore worth Rs.630 crore shares allotted in the dematerialized form were introduced by entities associated with DSQ Software and its promoters into the market. In this regard, I also find that out of the said 1.30 crore shares except for 18,000 shares in the account of Dr. Suryanil Ghosh Trustee Softec Corporation, all other shares were transferred and sold in the market. I further note that the sale proceeds which were credited to the accounts of entities associated with the company and controlled by Dinesh Dalmia as a result of such transactions was to the extent of approximately Rs. 630 crore. As regards the 40 lakh shares allotted in the physical form, 10 lakh shares were given as security to CSE by Biyani Securities to tide over the payment crisis. The balance 30 lakh shares remain untraceable. However, since the scrip of DSQ Software is under compulsory demat trading and these 30 lakh shares are in physical form, they are not in circulation in the market.

In view of the above, I find that the New Vision Ltd., Dalmia Technology Trust, Softec Corporation Trust, New Vision Investment Private Ltd, DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, DSQ Industries Ltd and Mrs. Radha Dalmia have aided and abetted the company and its promoters in their fraudulent activities and violated Regulation 3 of the FUTP Regulations, 1995.

3.7 I also find that DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd and DSQ Industries Ltd have indulged in synchronized transactions that seek to defeat the transparency of the trading mechanism of stock exchanges and violated Regulation 4 of the FUTP Regulations, 1995 which provide that no person shall indulge in acts that are calculated to create a false and misleading appearance of trading and which result in reflection of prices based on transactions that are not genuine trades.

3.8 In respect of Dr. Suryanil Ghosh, I find that although his name was mentioned as one of the trustees of Dinesh Dalmia Technology Trust and Softec Corporation, there is no documentary or other evidence directly implicating Dr. Suryanil Ghosh. In view of above, I give him the benefit of doubt. In respect of the other trustee viz. Pawan Kumar no penalty is being imposed since benefit of doubt has been given to him vide earlier order dated 09.09.2004.

3.9 In the light of the above, I find that the DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, DSQ Industries Ltd and Mrs. Radha Dalmia have acted to the detriment of investors and the safety and credibility of the securities market. They have indulged in activities that are fraudulent and unfair and manipulative. I find that it is necessary in the interest of investors and the safety of the securities market, that the associated entities are prohibited from accessing the securities market and from dealing in securities.

I have also noted the role of the allottees of the shares in the preferential issue viz. New Vision Investment-UK, Dinesh Dalmia Technology Trust and Softec Corporation which have acted as conduits for the shares to be funneled into the market. In this regard, I note that the 40,00,000 shares allotted to New Vision Investment Pvt. Ltd; New Delhi were not dematerialized however, an attempt was made by the company to introduce 40 lakh shares into secondary market through New Vision Private Ltd., without listing. As NSDL did not credit the shares in their demat account, these shares were issued in physical form and out of which 10 lakh shares were given to broker – Biyani Sec in physical form for tiding over his payment crisis and were then deposited by Biyani Sec with the Calcutta Stock Exchange. I note that as these 10 lakh shares were not listed, the same cannot be traded and therefore CSE could not recover its dues from Biyani securities. It is also necessary to prohibit these entities from accessing the market and from dealing in securities.

10. I further note that DSQ Holding has been prohibited from being associated with the securities market and from dealing in securities for a period of 5 years w.e.f.27.02.2003 vide order of even date in the matter of insider trading in the scrip of DSQ Biotech.
11. I note that separate orders had been passed against the company and its directors including Dinesh Dalmia and separate orders are being passed against the stock brokers and other entities involved in the fraudulent transactions.

4.0 Order

Therefore, I, in exercise of powers conferred on me vide Section 4 (3) and Section 11 and 11B of the SEBI Act read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, do hereby direct that Dinesh Dalmia Technology Trust, Softec Corporation Trust, New Vision Investment UK, New Vision Investment Private Ltd, DSQ Holdings Ltd, Hulda Properties & Trades Ltd., Powerflow Holdings Pvt. Ltd, Mrs. Radha Dalmia, DSQ Industries Ltd be prohibited from accessing the securities market and dealing in securities for a period of 10 years.

This order shall come into effect immediately.

Place: Mumbai

Date: 4th Oct. 2004

G.N. Bajpai

Chairman

Securities and Exchange Board of India