

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

AGAINST M/S DGP SECURITIES LIMITED, MEMBER, NATIONAL STOCK EXCHANGE INDIA LTD, IN THE CASE OF ROOFIT INDUSTRIES LTD.

BACKGROUND

1. M/s. Roofit Industries Ltd. was incorporated on February 18, 1982 as a private limited company in the name and style of M/s. Ratnagiri Asbestos Private Limited. Its name was changed to M/s. Ratnagiri Building Products Limited on October 21, 1987. In December 1988, the company started commercial production under the 'Roofit' brand. In 1996, the name of the company was further changed to M/s. Roofit Industries Ltd. (hereinafter referred to as "Roofit") During 1986, the Motwani Group acquired the controlling interest in the company. One of the group companies of Roofit is M/s. Sun Earth Ceramics Limited. The company is listed at Delhi Stock Exchange (DSE), National Stock Exchange (NSE), The Stock Exchange, Mumbai (BSE) and The Stock Exchange, Ahmedabad (ASE).
2. A case was initiated by SEBI on March 22, 2000, based on the investigation report submitted by NSE for the time period 06.10.99-03.12.99, to examine the reasons behind the sudden spurt in the price and the trading volume of Roofit. At the same time, SEBI had received a compliant to the effect that the entire shareholding of the captioned company was directly/indirectly controlled by the management of the company and that it is being used to rig the share price. NSE was requested to carry out another investigation. In response, NSE submitted another investigation report on December 31, 2001, for the time period 08.11.2000 to 06.02.2001. Further, NSE conducted an investigation for

- the time period 07.02.2001 to 08.05.2001 and submitted its report on September 11, 2002.
3. Since the scrip was also listed and traded on The Stock Exchange, Mumbai (BSE), BSE was requested to investigate the matter and submit its report to the Securities and Exchange Board of India. BSE conducted investigations for the periods 10.10.99-12.12.99 and 22.01.01-04.05.01 and submitted its investigation reports on September 26, 2001 and May 24, 2002, respectively.
 4. Thus, cumulatively, the investigations by NSE and BSE, in the scrip of Roofit covered the following time periods
 - a. 06.10.99 to 12.12.99
 - b. 08.11.2000 to 06.02.2001 and
 - c. 07.02.2001 to 08.05.2001.
 5. Based on the identification of brokers by NSE and BSE in their reports, the trading details of 16 brokers, including M/s DGP Securities Ltd., (hereinafter referred to as 'DGP') were examined.

ENQUIRY REPORT AND FINDINGS

6. Based on the above, an enquiry was initiated into the involvement of DGP in trading in the shares of Roofit. The Enquiry Officer had submitted his report on the above matter on 13.02.04. The violations, as put forth by the Enquiry Officer in his report, are as follows:
 - a. *DGP had entered into structured transactions on 126 occasions, over a period starting from March 22, 2001 to May 03, 2001.*
 - b. *Ms. Ashadevi Beriwalla has misutilised/put to risk the stock exchange mechanism (safeguarding her interests by settlement guarantee fund of the exchange) by transferring / mirroring her off the market financing transactions, on to the exchange system.*
 - c. *In addition, she created artificial volumes in the market.*

d. DGP has aided and abetted as well as acted in concert with its related client Ms. Ashadevi Beriwalla and thus had violated the provisions of Regulation 4(b) and 4(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets), Regulations, 1995 and Clause A(1) and A(4) coming under Regulation 7 of the SEBI (Stock Brokers and Sub Brokers Rules and Regulations), 1992.

In view of the above findings, the Enquiry Officer had recommended suspension of certificate of registration of DGP for a period of two months.

SHOW CAUSE NOTICE AND REPLY

7. Pursuant to the above, a notice dated 27.02.04, revised further by a notice dated 04.03.04, was issued to DGP, asking them to show cause as to why their certificate of registration should not be suspended for a period of two months. DGP had replied vide its letter dated 12.03.04 to the said show cause notice and submitted further documents vide letter dated 22.03.04 in support of its reply. The primary contentions put forth by DGP in its reply were as follows:

- a. The transactions carried out in Roofit were all delivery based transactions, carried out at the prevailing market price.
- b. Over the period of month and a half under consideration, they had transacted in the scrip only for a period of 10 trading days.
- c. They had no link to the promoters of Roofit and had no ulterior motive in doing the said transactions in the shares.
- d. In transactions of similar nature in earlier matters of VXL Instruments Limited and CEAT Limited, there was only a warning issued to them to be more cautious in the future.
- e. They were already penalized by SEBI since their application for the derivatives segment has been put on hold due to the investigation in the matter of Roofit.
- f. They had inadvertently violated certain provisions of SEBI regulations but without any malafide intention and requested that this be treated in a manner similar to the other cases as mentioned above.

ISSUES FOR CONSIDERATION

8. The following table details the transactions of DGP on behalf of Ms. Ashadevi Beriwal, with CFL Securities Ltd., another member of NSE (hereinafter referred to as 'CFL'):

Sett No.	Client Name	Buy Qty	Sell Qty	Gross	Net
2001012	Ashadevi Beriwal	0	47000	47000	-47000
2001013	Ashadevi Beriwal	0	5000	5000	-5000
2001014	Ashadevi Beriwal	0	7000	7000	-7000
2001016	Ashadevi Beriwal	0	47200	47200	-47200
2001017	Ashadevi Beriwal	0	5000	5000	-5000
2001018	Ashadevi Beriwal	0	35000	35000	-35000

9. The details of the trades between DGP and CFL are as under.

Date	SN	Trd Time	Trd Pr	Trd Qty	Buy Client Name	Buy Order Entry Time	Sell Client Name	Sell Order Entry time
22-Mar-01	2001012	10:37:42	112.00	3000	S. Ramdas	10:37:42	Ashadevi Beriwal	10:37:42
22-Mar-01	2001012	12:56:41	111.00	2000	S. Ramdas	12:56:41	Ashadevi Beriwal	12:56:41
22-Mar-01	2001012	14:36:55	109.00	2000	S. Ramdas	14:36:55	Ashadevi Beriwal	14:36:55
23-Mar-01	2001012	10:50:48	109.00	500	S. Ramdas	10:50:48	Ashadevi Beriwal	10:50:47
23-Mar-01	2001012	10:51:04	108.50	499	S. Ramdas	10:51:04	Ashadevi Beriwal	10:51:04
23-Mar-01	2001012	10:51:10	108.50	1	S. Ramdas	10:51:10	Ashadevi Beriwal	10:51:04
23-Mar-01	2001012	10:51:26	108.80	475	S. Ramdas	10:51:26	Ashadevi Beriwal	10:51:26
23-Mar-01	2001012	10:51:31	108.80	25	S. Ramdas	10:51:31	Ashadevi Beriwal	10:51:26
23-Mar-01	2001012	11:23:06	108.20	400	S. Ramdas	11:23:06	Ashadevi Beriwal	11:23:06
23-Mar-01	2001012	11:23:12	108.20	100	S. Ramdas	11:23:12	Ashadevi Beriwal	11:23:06
23-Mar-01	2001012	11:23:28	108.10	450	S. Ramdas	11:23:28	Ashadevi Beriwal	11:23:28
23-Mar-01	2001012	11:23:34	108.10	50	S. Ramdas	11:23:34	Ashadevi Beriwal	11:23:28
23-Mar-01	2001012	11:23:50	108.40	300	S. Ramdas	11:23:50	Ashadevi Beriwal	11:23:50
23-Mar-01	2001012	11:23:55	108.40	200	S. Ramdas	11:23:55	Ashadevi Beriwal	11:23:50
23-Mar-01	2001012	11:59:46	107.60	250	S. Ramdas	11:59:46	Ashadevi Beriwal	11:59:45
23-Mar-01	2001012	11:59:51	107.60	250	S. Ramdas	11:59:51	Ashadevi Beriwal	11:59:45
23-Mar-01	2001012	12:00:07	107.70	300	S. Ramdas	12:00:07	Ashadevi	12:00:07

							Beriwala	
23-Mar-01	2001012	12:00:13	107.70	200	S. Ramdas	12:00:13	Ashadevi Beriwala	12:00:07
23-Mar-01	2001012	12:00:34	107.50	400	S. Ramdas	12:00:33	Ashadevi Beriwala	12:00:34
23-Mar-01	2001012	12:00:39	107.50	100	S. Ramdas	12:00:39	Ashadevi Beriwala	12:00:34
23-Mar-01	2001012	12:40:06	108.50	700	S. Ramdas	12:40:06	Ashadevi Beriwala	12:40:06
23-Mar-01	2001012	12:40:11	108.50	50	S. Ramdas	12:40:11	Ashadevi Beriwala	12:40:06
23-Mar-01	2001012	12:40:25	108.10	600	S. Ramdas	12:40:23	Ashadevi Beriwala	12:40:25
23-Mar-01	2001012	12:40:29	108.10	150	S. Ramdas	12:40:29	Ashadevi Beriwala	12:40:25
23-Mar-01	2001012	13:24:16	109.00	500	S. Ramdas	13:24:16	Ashadevi Beriwala	13:24:14
23-Mar-01	2001012	13:24:29	109.10	500	S. Ramdas	13:24:29	Ashadevi Beriwala	13:24:28
23-Mar-01	2001012	13:24:44	108.80	400	S. Ramdas	13:24:44	Ashadevi Beriwala	13:24:43
23-Mar-01	2001012	13:24:49	108.80	100	S. Ramdas	13:24:49	Ashadevi Beriwala	13:24:43
23-Mar-01	2001012	14:40:36	108.50	1200	S. Ramdas	14:40:35	Ashadevi Beriwala	14:40:36
23-Mar-01	2001012	14:40:41	108.50	50	S. Ramdas	14:40:41	Ashadevi Beriwala	14:40:36
23-Mar-01	2001012	14:40:58	108.20	1200	S. Ramdas	14:40:58	Ashadevi Beriwala	14:40:57
23-Mar-01	2001012	14:41:04	108.20	50	S. Ramdas	14:41:04	Ashadevi Beriwala	14:40:57
23-Mar-01	2001012	14:56:13	108.50	750	S. Ramdas	14:56:13	Ashadevi Beriwala	14:56:13
23-Mar-01	2001012	14:56:29	108.40	750	S. Ramdas	14:56:29	Ashadevi Beriwala	14:56:28
23-Mar-01	2001012	15:16:06	108.50	750	S. Ramdas	15:16:06	Ashadevi Beriwala	15:16:06
23-Mar-01	2001012	15:16:21	108.45	750	S. Ramdas	15:16:21	Ashadevi Beriwala	15:16:20
23-Mar-01	2001012	15:29:33	109.00	750	S. Ramdas	15:29:06	Ashadevi Beriwala	15:29:33
26-Mar-01	2001012	10:19:04	109.50	750	S. Ramdas	10:19:04	Ashadevi Beriwala	10:19:03
26-Mar-01	2001012	10:19:22	109.00	750	S. Ramdas	10:19:22	Ashadevi Beriwala	10:19:22
26-Mar-01	2001012	11:08:04	108.50	700	S. Ramdas	11:08:04	Ashadevi Beriwala	11:08:04
26-Mar-01	2001012	11:08:09	108.50	50	S. Ramdas	11:08:09	Ashadevi Beriwala	11:08:04
26-Mar-01	2001012	11:08:21	108.80	650	S. Ramdas	11:08:21	Ashadevi Beriwala	11:08:20
26-Mar-01	2001012	11:08:26	108.80	100	S. Ramdas	11:08:26	Ashadevi Beriwala	11:08:20
26-Mar-01	2001012	11:45:13	108.80	650	S. Ramdas	11:45:13	Ashadevi Beriwala	11:45:12
26-Mar-01	2001012	11:45:18	108.80	100	S. Ramdas	11:45:18	Ashadevi Beriwala	11:45:12
26-Mar-01	2001012	11:45:27	108.70	700	S. Ramdas	11:45:27	Ashadevi Beriwala	11:45:27
26-Mar-01	2001012	11:45:33	108.70	50	S. Ramdas	11:45:33	Ashadevi Beriwala	11:45:27
26-Mar-01	2001012	12:08:18	108.50	500	S. Ramdas	12:08:18	Ashadevi Beriwala	12:08:16
26-Mar-01	2001012	12:08:24	108.50	250	S. Ramdas	12:08:24	Ashadevi Beriwala	12:08:16
26-Mar-01	2001012	12:08:38	108.80	700	S. Ramdas	12:08:38	Ashadevi Beriwala	12:08:38
26-Mar-01	2001012	12:08:43	108.80	50	S. Ramdas	12:08:43	Ashadevi Beriwala	12:08:38
26-Mar-01	2001012	12:31:48	110.50	500	S. Ramdas	12:31:48	Ashadevi Beriwala	12:31:48

26-Mar-01	2001012	12:31:55	110.50	250	S. Ramdas	12:31:55	Ashadevi Beriwala	12:31:48
26-Mar-01	2001012	12:32:03	110.40	700	S. Ramdas	12:32:03	Ashadevi Beriwala	12:32:03
26-Mar-01	2001012	12:32:09	110.40	50	S. Ramdas	12:32:09	Ashadevi Beriwala	12:32:03
26-Mar-01	2001012	12:53:10	109.50	750	S. Ramdas	12:53:10	Ashadevi Beriwala	12:53:10
26-Mar-01	2001012	12:53:22	109.80	750	S. Ramdas	12:53:22	Ashadevi Beriwala	12:53:21
26-Mar-01	2001012	13:28:06	110.50	750	S. Ramdas	13:28:06	Ashadevi Beriwala	13:28:05
26-Mar-01	2001012	13:28:15	110.20	700	S. Ramdas	13:28:15	Ashadevi Beriwala	13:28:15
26-Mar-01	2001012	13:28:23	110.20	50	S. Ramdas	13:28:23	Ashadevi Beriwala	13:28:15
26-Mar-01	2001012	14:28:33	110.50	750	S. Ramdas	14:28:32	Ashadevi Beriwala	14:28:33
26-Mar-01	2001012	14:29:05	110.40	700	S. Ramdas	14:29:05	Ashadevi Beriwala	14:29:05
26-Mar-01	2001012	14:29:10	110.40	50	S. Ramdas	14:29:10	Ashadevi Beriwala	14:29:05
26-Mar-01	2001012	14:54:42	111.00	750	S. Ramdas	14:54:42	Ashadevi Beriwala	14:54:42
26-Mar-01	2001012	14:54:52	110.80	700	S. Ramdas	14:54:52	Ashadevi Beriwala	14:54:52
26-Mar-01	2001012	14:54:58	110.80	50	S. Ramdas	14:54:58	Ashadevi Beriwala	14:54:52
26-Mar-01	2001012	15:23:43	111.50	750	S. Ramdas	15:23:43	Ashadevi Beriwala	15:23:42
26-Mar-01	2001012	15:23:55	111.40	700	S. Ramdas	15:23:55	Ashadevi Beriwala	15:23:53
26-Mar-01	2001012	15:24:01	111.40	50	S. Ramdas	15:24:01	Ashadevi Beriwala	15:23:53
27-Mar-01	2001012	10:18:46	111.00	750	S. Ramdas	10:18:46	Ashadevi Beriwala	10:18:46
27-Mar-01	2001012	10:18:56	111.50	700	S. Ramdas	10:18:56	Ashadevi Beriwala	10:18:56
27-Mar-01	2001012	10:19:06	111.50	50	S. Ramdas	10:19:06	Ashadevi Beriwala	10:18:56
27-Mar-01	2001012	10:39:33	110.80	750	S. Ramdas	10:39:33	Ashadevi Beriwala	10:39:32
27-Mar-01	2001012	10:39:49	110.40	700	S. Ramdas	10:39:49	Ashadevi Beriwala	10:39:48
27-Mar-01	2001012	10:39:54	110.40	50	S. Ramdas	10:39:54	Ashadevi Beriwala	10:39:48
27-Mar-01	2001012	11:10:18	108.50	750	S. Ramdas	11:10:18	Ashadevi Beriwala	11:09:47
27-Mar-01	2001012	11:10:53	107.50	700	S. Ramdas	11:10:53	Ashadevi Beriwala	11:10:53
27-Mar-01	2001012	11:10:59	107.50	50	S. Ramdas	11:10:59	Ashadevi Beriwala	11:10:53
27-Mar-01	2001012	11:33:52	107.80	750	S. Ramdas	11:33:52	Ashadevi Beriwala	11:33:52
27-Mar-01	2001012	11:34:05	107.50	700	S. Ramdas	11:34:05	Ashadevi Beriwala	11:34:05
27-Mar-01	2001012	11:34:11	107.50	50	S. Ramdas	11:34:11	Ashadevi Beriwala	11:34:05
27-Mar-01	2001012	12:07:12	108.20	750	S. Ramdas	12:07:12	Ashadevi Beriwala	12:07:12
27-Mar-01	2001012	12:07:22	107.80	700	S. Ramdas	12:07:22	Ashadevi Beriwala	12:07:22
27-Mar-01	2001012	12:07:27	107.80	50	S. Ramdas	12:07:27	Ashadevi Beriwala	12:07:22
27-Mar-01	2001012	12:52:19	106.80	750	S. Ramdas	12:52:19	Ashadevi Beriwala	12:52:19
27-Mar-01	2001012	12:52:30	106.70	700	S. Ramdas	12:52:30	Ashadevi Beriwala	12:52:29
27-Mar-01	2001012	12:52:35	106.70	50	S. Ramdas	12:52:35	Ashadevi Beriwala	12:52:29
27-Mar-01	2001012	13:39:47	107.80	750	S. Ramdas	13:39:47	Ashadevi	13:39:47

							Beriwala	
27-Mar-01	2001012	13:39:58	107.40	650	S. Ramdas	13:39:58	Ashadevi Beriwala	13:39:57
27-Mar-01	2001012	13:40:03	107.40	100	S. Ramdas	13:40:03	Ashadevi Beriwala	13:39:57
28-Mar-01	2001013	11:53:03	113.50	750	CFL Trading Account	11:53:03	Ashadevi Beriwala	11:53:02
28-Mar-01	2001013	11:53:13	112.80	650	CFL Trading Account	11:53:13	Ashadevi Beriwala	11:53:12
28-Mar-01	2001013	11:53:19	112.80	100	CFL Trading Account	11:53:19	Ashadevi Beriwala	11:53:12
28-Mar-01	2001013	12:54:49	112.50	750	CFL Trading Account	12:54:49	Ashadevi Beriwala	12:54:49
28-Mar-01	2001013	12:54:59	112.20	700	CFL Trading Account	12:54:59	Ashadevi Beriwala	12:54:58
28-Mar-01	2001013	12:55:03	112.20	50	CFL Trading Account	12:55:03	Ashadevi Beriwala	12:54:58
28-Mar-01	2001013	15:05:34	112.50	1000	CFL Trading Account	15:05:34	Ashadevi Beriwala	15:05:34
28-Mar-01	2001013	15:05:45	112.20	950	CFL Trading Account	15:05:45	Ashadevi Beriwala	15:05:45
28-Mar-01	2001013	15:05:53	112.20	50	CFL Trading Account	15:05:53	Ashadevi Beriwala	15:05:45
9-Apr-01	2001014	13:55:52	107.80	1000	CFL Trading Account	13:55:52	Ashadevi Beriwala	13:55:51
9-Apr-01	2001014	13:56:07	107.70	1000	CFL Trading Account	13:56:06	Ashadevi Beriwala	13:56:07
9-Apr-01	2001014	14:02:40	107.00	500	CFL Trading Account	14:02:38	Ashadevi Beriwala	14:02:40
9-Apr-01	2001014	14:02:50	106.95	1500	CFL Trading Account	14:02:50	Ashadevi Beriwala	14:02:50
9-Apr-01	2001014	14:08:03	107.20	1500	CFL Trading Account	14:08:02	Ashadevi Beriwala	14:08:03
9-Apr-01	2001014	14:08:16	106.70	500	CFL Trading Account	14:08:16	Ashadevi Beriwala	14:08:16
9-Apr-01	2001014	14:16:13	106.50	1000	CFL Trading Account	14:16:12	Ashadevi Beriwala	14:16:13
19-Apr-01	2001016	13:13:38	108.50	1900	CFL Trading Account	13:13:38	Ashadevi Beriwala	13:13:37
19-Apr-01	2001016	13:13:49	108.85	100	CFL Trading Account	13:13:49	Ashadevi Beriwala	13:13:48
20-Apr-01	2001016	10:58:13	111.00	5000	CFL Trading Account	10:58:10	Ashadevi Beriwala	10:58:13
20-Apr-01	2001016	10:58:27	110.50	5000	CFL Trading Account	10:58:27	Ashadevi Beriwala	10:58:27
20-Apr-01	2001016	11:36:00	111.00	5000	CFL Trading Account	11:35:59	Ashadevi Beriwala	11:36:00
20-Apr-01	2001016	11:36:09	111.00	5000	CFL Trading Account	11:36:08	Ashadevi Beriwala	11:36:09

20-Apr-01	2001016	12:17:09	111.00	5000	CFL Trading Account	12:17:09	Ashadevi Beriwal	12:17:08
20-Apr-01	2001016	12:17:23	111.00	5000	CFL Trading Account	12:17:23	Ashadevi Beriwal	12:17:23
20-Apr-01	2001016	13:46:15	109.00	4100	CFL Trading Account	13:46:15	Ashadevi Beriwal	13:46:13
20-Apr-01	2001016	13:47:23	109.00	4100	CFL Trading Account	13:47:23	Ashadevi Beriwal	13:47:22
20-Apr-01	2001016	13:47:57	108.95	5200	CFL Trading Account	13:47:57	Ashadevi Beriwal	13:47:56
30-Apr-01	2001017	15:04:16	107.00	2410	CFL Trading Account	15:04:16	Ashadevi Beriwal	15:04:15
30-Apr-01	2001017	15:04:37	106.00	2500	CFL Trading Account	15:04:37	Ashadevi Beriwal	15:04:37
3-May-01	2001018	11:01:27	107.50	5000	CFL Trading Account	11:01:27	Ashadevi Beriwal	11:01:27
3-May-01	2001018	11:23:07	107.80	5000	CFL Trading Account	11:23:07	Ashadevi Beriwal	11:23:07
3-May-01	2001018	11:29:38	107.10	5000	CFL Trading Account	11:29:38	Ashadevi Beriwal	11:29:38
3-May-01	2001018	11:44:40	106.95	5000	CFL Trading Account	11:44:40	Ashadevi Beriwal	11:44:40
3-May-01	2001018	11:56:06	107.00	5000	CFL Trading Account	11:56:06	Ashadevi Beriwal	11:56:06
3-May-01	2001018	12:06:54	107.00	5000	CFL Trading Account	12:06:54	Ashadevi Beriwal	12:06:54
3-May-01	2001018	12:07:09	106.80	5000	CFL Trading Account	12:07:09	Ashadevi Beriwal	12:07:08

10. An analysis of the transactions in the scrip of Roofit as detailed in the tables above shows that :

- a) DGP had executed 126 structural deals with CFL, amounting to 143,560 shares.
- b) CFL had acted as a buyer and DGP acted as a seller through out the above structural deals.
- c) The orders were placed at the same price and at approx. the same time.

11. Analysis of the trading details and the demat statement revealed the following:

- (i) DGP was ostensibly selling on behalf of client Ms. Ashadevi Beriwal. However, analysis of the relevant demat statements revealed that the shares for pay-in of these transactions were

being received by DGP from one Ms. Aditi Dalal and not from Ms. Ashadevi Beriwal. Ms. Aditi Dalal was not a client of DGP. Instead, Ms Aditi Dalal was the wife of one of the directors of CFL, the counter party broker for all the above matched transactions.

- (ii) Post pay-out, on receipt of the shares, CFL used to enter into off market deals with Ms. Aditi Dalal and transfer the shares into her account on the same day. As brought out earlier, Ms. Aditi Dalal in turn transferred these shares to the account of DGP, for delivery against the pay-in of the next such series of transactions. Therefore, circular movement of shares was taking place, with the shares moving from the account of CFL to Ms. Aditi Dalal to DGP and thereafter again back to Ms. Aditi Dalal.

- 12. I have observed that DGP had stated that the above transactions were all delivery based and that they had not sought to influence the price of the scrip. I have noted that it is not SEBI's case that DGP had influenced the price of the scrip. I have also noted the submissions made by CFL, the counterparty buying broker to the above matched transactions, who had stated that CFL was in need of funds for their pay-in obligations to the exchange and in order to fund their requirements, they had used a block of shares of Roofit available with them. Instead of selling the shares in the open market, they had arranged for spot funding, by selling the said shares on spot basis to M/s Asha Beriwal, who would in turn sell the shares right back to CFL, through DGP, on the exchange, thereby creating an obligation on the part of CFL to return the monies lent. In addition, I have also noted that DGP had not denied the above transaction and had also admitted having violated the Regulations of SEBI in this regard.

- 13. In view of the above, I find that:

- a) DGP had executed a series of matched trades with CFL, on behalf of client Mrs. Ashadevi Beriwal (who was found to be the mother of the

CEO of CFL), thereby selling the shares bought on spot/off market basis from M/s Aditi Dalal. In having indulged in such structured transactions and having circulated the same set of shares in the market repeatedly, Mrs. Ashadevi Beriwal had created artificial volumes in the scrip.

- b) Mrs Ashadevi Beriwal had also misutilised /put to risk the stock exchange mechanism by transferring/mirroring her off the market financing transactions, on to the exchange system.
- c) Demat statement furnished by DGP indicated that though it had ostensibly sold the shares on the behalf of its client Mrs Ashadevi Beriwal, the shares were actually received from Ms. Aditi Dalal's account, thus indicating that the same set of shares were being circulated in the market.

14. I am of the view that DGP, having acted for its client M/s Ashadevi Beriwal, in the manner explained above, has aided, abetted and acted in concert with its client, who happened to be related to it and has thus violated the provisions of Regulations 4(b) and (c) of the SEBI (prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, which read as under:

"No person shall-

- a)*
- b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;*
- c) indulge in any act, which results in reflection of prices of securities based on transactions that are not genuine trade transactions ;*
- d)"*

15. I also note that Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 reads as under:

"Repeal and savings

13. (1) *The Securities and Exchange Board of India ((Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 is hereby repealed.*
- (2) *Notwithstanding repeal of the Securities and Exchange Board of India ((Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.*
- (3) *Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations."*
16. Regulation 7 of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 provides that the stock broker holding the certificate of registration shall at all times abide by the Code of Conduct as specified in Schedule II. Further, Schedule II Clause A provides that
- 1) *A stock broker shall maintain high standard of integrity, promptitude and fairness in the conduct of all his business.*
 - 2) *.....*
 - 3) *.....*
 - 4) *A Stock Broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock broker shall not involve himself in excessive speculative business in the market beyond*

reasonable levels not commensurate with his financial soundness.

17. In view of the findings detailed in the above paragraphs, I conclude that DGP is guilty of having violated,
- (a) the provisions of Regulations 4(b) and (c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and
 - (b) the provisions of clauses A(1) and (4) of the Code of Conduct as specified in Schedule II read with Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.

Thus, the said broker is liable for action under regulation 13(1)(a) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002.

18. Under section 11 of the SEBI Act, SEBI can take measures to protect the interests of investors and to regulate the securities market inter alia by registering and regulating the working of stock brokers. The directives contained in the SEBI circulars are the measures for regulating the working of the stock brokers. Further, the Code of Conduct specified in Schedule II of the said Regulations also provides for the minimum standards for the working of the stock brokers. I find that DGP has been involved in creation of artificial volumes in the shares of Roofit, in having circulated the same set of shares through a series of matched transactions with CFL. In addition, DGP has misused the stock exchange mechanism, by having mirrored its transactions with Ms Aditi Dalal for funding CFL, onto the exchange, ostensibly with the dual purpose of creating an obligation on the part of CFL to return the funds lent and also to avail of the comfort provided by the settlement guarantee mechanism of the exchange. DGP has not taken due care and diligence in observance and compliance of the statutory requirement in conduct of its business as a stock broker. I have further observed that DGP had indulged in similar transactions in

the case of M/s Surya Roshni Ltd., on account of which their registration as member of NSE was suspended for a period of one month.

19. Looking into the violations committed by DGP, I am satisfied that it is necessary to secure the proper management of the stock broker and that a penalty of suspension of certificate of registration for a period of two months, as recommended by the enquiry officer, is reasonable.

ORDER

20. Therefore, in exercise of the powers conferred upon me by virtue of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulations 13 (4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby order that the certificate of Registration of M/s. DGP Securities Ltd., member, National Stock Exchange, be suspended for a period of two months.
21. This order shall come into force on expiry of three weeks from the date of the order.

Place: Mumbai

Date: October 18th, 2004

**A K Batra
Whole Time Member
Securities and Exchange Board of India**