

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11B, 11D AND 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF

ELTROL LTD.

WTM/GA/21/ISD/10/05

1.0. Background

- 1.1. Sudden spurt in price and trading volume of certain companies in a short period of time, often referred to as "mid cap" or "small cap" companies have been engaging the attention of SEBI and the stock exchanges for some time. Such trading has been under the surveillance of SEBI and the stock exchanges to determine whether the trading volumes and price rise have been the result of unfair trade practices or market manipulation. One such company whose shares have shown a significant increase in prices as well as trading volumes in a short period of time is Eltrol Ltd. (hereinafter referred to as 'Eltrol' or 'the company').
- 1.2. During the period from March 1, 2005 to September 23, 2005, the price of the share of Eltrol (face value Re.1/-), duly adjusted for corporate actions, on BSE, on which the share is listed since July 1995, opened at Rs.0.47 touched a high of Rs. 3.52 on September 1, 2005, a low of Rs. 0.43 on March 2, 2005 and closed at Rs.1.85 on September 29, 2005. Thus, during the 128 trading days from March 1, 2005 to September 1, 2005, the price of the share on BSE has shown a rise of 649%.
- 1.3. During the period March 1, 2005 to September 29, 2005, there was substantial variation in the daily traded quantity. On July 1, 2005 only 1 share was traded while on August 26, 2005, 1,36,70,180 shares (i.e. about 1.37 crores shares) were traded. The average daily traded quantity during the relevant period works out to about 7,84,847 shares. In terms of trading value, as per data obtained from BSE, shares valuing Re.1/- was traded July 1, 2005 and shares valuing Rs.299.62 lakhs were traded on August 26, 2005.
- 1.4. The price volume movement of the share on BSE in the past about ten years since July 1995 is in complete contrast with the trading pattern during the seven months of the current year between March – September 2005. During the 10 year period between July 1995 and February 28, 2005, the average daily traded volume was about 32,238 shares. The highest number of shares traded on any trading day was 13,00,200 shares on October 26, 2004 as compared to over 1.36 crore shares traded on August 26, 2005. From the above, it is seen the rise in the trading interest in the share of Eltrol during the period beginning March 1, 2005 is unprecedented.
- 1.5. BSE has placed the share in Trade-for-Trade (TT) segment as a surveillance measure. The share is not listed on other stock exchanges. In view of the steep increase in price of the TT Segment share and the unprecedented increase in trading interest, as detailed above, a preliminary examination of the dealings in the share was conducted. The major findings of the preliminary examination are given below:

2.0. Company Background

- 2.1. Eltrol was incorporated in the year 1991 and has its registered office at 28 Raja Badur Mansion 4th Flr, R N 21 B S Marg Fort, Mumbai – 400 023. The shares of the company are listed only on BSE.

Shareholding Pattern, The Board of Directors and Financial Performance

- 2.2. The shareholding pattern of the company as on March 31, 2005 is given below:

Table 1 – Shareholding Pattern of the Company as on March 31, 2005

Shareholders	No of Shares	% Share Holding
Private Corporate Bodies	8394206	19.75
Indian Public	33289492	78.31
NRIs/OCBs	33350	0.08
Clearing Members	792952	1.87
Grand Total	42510000	100.00

Source: BSE

- 2.3. All the above entities are in the 'Non-promoter' category. It is seen that the promoters did not hold any shares in the company. Private Corporate Bodies held 19.75% of the equity and public held 78.31%.

- 2.4. The Private Corporate Bodies which held more than 1% of the equity capital of Eltrol, as on June 30, 2005, are as below:

Table 2 – Major Shareholders as on June 30, 2005

Sr.No.	Name of Holder	Number of Shares Held	% of Share Holding
1.	Shreerath Marketing P Ltd.	1700000	4.00
2.	Amit Easy Finance Ltd.	1700000	4.00
3.	Bakliwal Financial Services India	1205750	2.84
4.	Harsiddhi Man Power Services P Ltd.	1200000	2.82
5.	Lila Laboratories India Ltd.	653560	1.54
	Total	6459310	15.20

Source: BSE

- 2.5. Shri Laxmanram Umaramji Duddi holding 19,49,797 shares representing 4.59% of the capital of Eltrol was the single largest shareholder under the public category.

- 2.6. The details of top five holders of Dematerialized account in the depository system, as on September 30, 2005, as obtained from National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) are as below:

Table 3 – Top 5 dematerialized account holders in NSDL as on September 30, 2005

Sr.No.	First Holder	Address	No of Shares held by investors having a/cs in NSDL
1	N N M SECUTRITIES PVT LTD	1111 , 11TH FLOOR, P J TOWER, DALAL STREET MUMBAI 400023	692750
2	LALIT C JAIN	41 JAYKAR SMRUTI, AAREY ROAD, GOREGAON WEST	625000

Sr.No.	First Holder	Address	No of Shares held by investors having a/cs in NSDL
		MUMBAI 400062	
3	TRILOK R SACHDEVA	41 JAYKAR SMRUTI, AAREY ROAD GOREGAON WEST MUMBAI 400062	625000
4	FORTIS SECURITIES LTD	19 Nehru Place, New Delhi 110019	413501
5	KARVY STOCK BROKING LIMITED	529 , ROAD NO 10, BANJARAHILLS, HYDERABAD 500034	395118
	Total		2751369

Source: NSDL

Table 4 – Top 5 dematerialized account holders in CDSL as on September 30, 2005

Sr.No.	First Holder	Address	No of Shares held by investors having a/cs in CDSL
1.	ANGEL BROKING LIMITED. ANGEL	47, TAMRIND LANE, RAJABAHADUR MANSION, 2ND FLOOR, FORT, MUMBAI MAHARASHTRA INDIA 400001	772993
2.	KISHOR BASTIMAL JAIN	705, 7TH FLOOR, B WING N.H.ROAD NO.7 MUMBAI MUMBAI MAHARASHTRA INDIA 400009	450000
3.	SHRIAM FINANCIAL PVT. LTD.	CHUGH MANSION OPP. D R M OFFICE BIKANER RAJASTHAN INDIA 334001	230500
4.	SHILPA STOCK BROKER PVT LTD. 19	3,NATWAR CHAMBER 1ST FLOOR, 94 NAGINDAS MASTER FORT MUMBAI MAHARASHTRA INDIA 400023	205551
5.	DIMENSIONAL SECURITIES P. LTD. MISC	CITY ICE BUILDING 4TH FLOOR, 298,PERIN NARIMAN STREET, FORT MUMBAI MAHARASHTRA INDIA 400001	204000

Source: CDSL

2.7.From the two tables above, it is seen that none of the major private corporate bodies or Shri Laxmanram Umaramji Duddi who were amongst the major shareholders in Eltrol as on June 30, 2005 appear in the major dematerialized account holders. Hence, it appears that all the major shareholders as on June 30, 2005 have sold their holdings during the quarter July – September 2005. The high average daily trading volumes of 29,26,265 shares during the period from August 5, 2005 to September 23, 2005, as against the average daily trading volume of less than 1,20,000 shares during the period March 1, 2005 to August 4, 2005, also supports this view.

Board of Directors of the Company

2.8.The list of directors of the company, as furnished by BSE, are as below:

1. Shri Chittarmal Sharma
2. Shri Deepak Rathod
3. Shri Sanjay G Tripathi
4. Shri Niraj Sanghvi

The above directors do not appear as major shareholders (holding more than 1%).

2.9.As per the information furnished by BSE, the original promoter group of Eltrol mainly represented by Mr P.M. Rao, D.G. Bhanushali, and Eltrol Engg.(P) Ltd. have been steadily exiting their controlling interest in the company over the past two years. However no new group has been re-classified as promoters of the company. The current management team of four directors of the company claims to be a professional management with no controlling stake in the company. The directors of the company were neither aware of the antecedents of the company nor were they conversant with the business structure of the company. During May 2005, the company has applied to BSE for recording the change in name from Eltrol to "Shree Mahaganga Sugar Mills Ltd." and has, during July 2005, entered into an agreement with the shareholders of Nirani Sugars Ltd. for taking over the company. The Directors do not seem to be qualified or have enough domain knowledge to venture into the sugar business. Some of the directors seem to be engaged in the courier business such as Mr Sanjay Tripathi (Managing Director of the company) (associated with Tripathi Courier in Kalbadevi) and Mr. Chittarmal Sharma (Director) (associated with Track On Courier Services). The telephone numbers 22012121 and 25904249 purportedly belonging to Eltrol is in fact situated at the offices of Track On Courier Services and Tripathi Courier, respectively.

2.10. From the above, it is seen that there is no identifiable promoter holding substantial stake in Eltrol. The antecedents of the directors of the company who claim that the company is professionally run also are such as do not inspire confidence in the management or future business prospects of the company. The name change appears to be merely a ruse to associate the name of the company which originally claimed to be in Engineering business with Sugar industry for better "face value".

Financial Performance of the Company

2.11. A brief summary of the quarterly financials of the company is given below:

Table 5 – Financial Performance

(figures in Rs. Million)

Type	Unaudited	Audited	Audited
Year Ended	31 Mar 05	31 Mar 04	31 Mar 03
Net Sales	28.8	20.92	1.01
Other Income	1.91	1.15	2.42
Total Income	30.71	22.07	3.43
Expenditure	-29.19	-21.81	-3.3
Operating Profit	1.52	0.25	0.13
Gross Profit	1.52	0.25	0.13
Profit before Tax	1.52	0.25	0.12
Tax	-0.15	-0.07	-0.04
Profit after Tax	1.37	0.17	0.08
Net Profit	1.37	0.17	0.08
Equity Capital	42.51	42.51	42.51
Reserves	130	0.03	0.03

EPS	0.03	-	-
Nos. of shares – Non Promoters	-	35960000	1860400
% of shares – Non Promoters	100	84.59	43.76

Note: '-' indicate that no data is available for that that period.

Source: BSE

2.12. From the above, it is seen that during the year 2004-05 the company had a net sales of Rs.288 lakhs (Rs. 209.20 lakhs during 2003-04) and a net profit of Rs.13.70 lakhs (1.70 lakhs during 2003-04 and Rs.8 lakhs during 2002-03).

2.13. In sharp contrast to the record of turnover and profitability of the company in the past 3 years the quarterly unaudited results for the quarter ended June 30, 2005 as furnished by the company to BSE, showed a sudden significant turnaround in the performance of the company. The company which was making nominal profit till the financial year ended March 2005, had a large accumulated loss and as such did not declare any dividend, showed a net sales of Rs. 781.40 lakhs during the quarter ended June 30, 2005 (Rs.104.10 lakhs during the quarter ended June 30, 2004) and a net profit of Rs. 45.20 lakhs during the quarter ended June 30, 2005 as compared to a net profit only Rs.9 lakhs during the quarter ended June 30, 2004.

2.14. In the director's report of the company for the year 2003-04 it is inter alia mentioned that the carry forward losses of the company as on March 31, 2004 stood at Rs.50.66 lakhs while the equity capital of the company was Rs.425.10 lakhs. It is further mentioned that the company has discontinued its production activities and the company is exploring entering into new areas such as trading, marketing, general hardware, edible oil, chemicals and iron & steel. As per the available information, the company has not declared any dividend for the past 3 years.

2.15. In the light of the past poor financial performance, as detailed above, the sudden improvement in financial performance during the quarter ended June 2005 does not appear to be credible. On the contrary, the projected turnaround excites suspicion.

3.0. Corporate Developments

Some of the latest corporate developments relating to the company, as obtained from BSE, include the following:

Table 6 – Corporate Developments

Date	Development
22nd March 2005	Company gives notice of EGM for change in its name and issue of preference shares.
28th March 2005	Company allots preference shares of Re 1/- each at premium of Rs. 6.5/- per share.
31 st March 2005	Financial year closure.
28th April 2005	Announcement of 3:1 bonus
30th May 2005	Company files Name Change Application
31st May 2005	AGM of shareholders for approving the Bonus Issue
1st July 2005	Record date for Bonus Issue
9th July 2005	Company submits a copy of the agreement entered into it with M/s Nirani Sugars Ltd.
20th July 2005	Company files Listing Application for Bonus Shares

The observations relating to the major corporate announcements are given below:

Proposal to change name of the company

3.1.The company has changed its object from Engineering to Sugar business on 11th April 2005. Hence as per the stated objective of the company its main line of business for the past one-year had to be engineering but the company has not disclosed to BSE how much it has earned from the stated new line of business (sugar business) in the past one year.

3.2.As noted earlier, during May 2005, the company has applied to BSE for recording the change in name from Eltrol to "Shree Mahaganga Sugar Mills Ltd.". With regard to the name change BSE has informed SEBI that the company has not been complying with the SEBI Circular SMDRP/POLICY/CIR-8/99 dated April 26 1999 with regard to the disclosure of turnover and income, etc, from new activities separately in the quarterly/annual results. Hence the name change has not been effected by BSE.

Preferential allotment

3.3.During March 2005, the company has made preferential allotment of 2,00,00,000 preference shares at a premium of Rs.6.50 per share. The above-mentioned shares were allotted to two private bodies corporate Oudh Finance & Investment Private Limited & Basmati Securities Pvt. Ltd. both of which the company claims are registered with the RBI as NBFC's. The directors of Oudh Finance & Investment Private Limited, namely Shri Dharamveer Singh Shekhawat and Shri Magan Singh Shekhawat and the directors of Basmati Securities Pvt. Ltd. namely, Shri Ajay Singh Karni and Shri Vijay Singh Karni have the same office address in Mumbai "1/1, Kothari House, 1st Floor, Oaklane Fort, Mumbai - 400023." and all these four directors are based in Ahmedabad indicating that the allottees are apparently related to each other.

3.4.BSE examined the bank statements of the company with HDFC Bank (account number – 0602050004973) to ascertain whether the funds/subscriptions was truly/genuinely received by the company against the issue of preference shares. The bank statement revealed a deposit of Rs.13,00,00,000/- (Thirteen Crores Only/-) in the company's account. The company had reported to the stock exchange that the funds so received were invested in assets of the company. However from the bank statement submitted by the company it was observed by BSE that the money has been basically paid to brokers as mentioned below:

- a) Bakliwal Financial Services (India) Private Limited (Member BSE & NSE) b) SS Corporate Securities Private Limited (Member NSE)
- c) SSJ Holdings Private Limited (Member NSE)
- d) Insight Share Stock Brokers Private Limited (Member NSE)

3.5.Other than the payment to those parties stated above the company has also made payments for bullion trade and also some payments to other brokers. The main objects of the company is Engineering business and during April 2005, the company has changed its objects to Sugar business. The above payment to the stock brokers and bullion traders does not fall within the purview of Engineering business or Sugar business and thus the claim of the company that the preferential issue proceeds were invested in the assets of the company appears to be patently false and misleading. It is an extravagant fib meant to be a value-booster in the market.

Announcement of Bonus

3.6.During April 2005, the company announced a bonus issue of 3:1. Bonus is generally a reward, by way of distribution of profits of a company for the good performance of a company to its shareholders. Eltrol has no profits or reserves out of its business operations. Also the company does not have a significant jump in its reserve position on account of its business profits to justify any bonus. The company has utilised the securities premium account arising on account of the issue of 2,00,00,000 6% Non Cumulative Preference Shares of Re. 1/- each issued at price of Rs. 7.5/- per share (issued on 28th March 2005). Pursuant to this issue the reserves of the company grew to Rs.13,00,00,000/- (Rupees Thirteen Crore Only/-). Other than this, the company has no other reserve out of which it can distribute bonus. In this context, it is noted that the company has not declared any dividend or bonus issue during the past three years in view of the poor financial performance of the company.

Acquisition of controlling stake in Nirani Sugars Ltd.

3.7.The company has, during July 2005, intimated BSE that Eltrol has entered into an agreement with the share holders of the Nirani Sugars Limited to take over their company by acquiring 90% of the shares of the said company. Some of the important financial data regarding the company being taken over, as obtained from BSE, are given below:

- Accumulated losses and preliminary expenses amounting to Rs. 11,80,24,108.31
- Outstanding Debt of approximately Rs. 9,50,00,000 and a adverse debt equity ratio.
- Negative net current asset position of Rs. 3,35,86,678.30

3.8.When questioned by BSE about the basis for identifying the M/s Nirani Sugars Limited the representatives of Eltrol stated that the company was proposed to be acquired as the managements of both the companies were acquainted to each other. Post acquisition of 90% of the shares of M/s Nirani Sugars Limited, it would become a subsidiary of M/s Eltrol Limited. However the investors may come to know the adverse financial position of the subsidiary and its proper impact on the listed company only at the end of the financial year when the consolidated financials are presented. Thus, the details relating to Nirani Sugars are very vague and the issue of how the purchase consideration was arrived at, the mode of payment (cash, share issue etc.), the compliance with the relevant regulatory requirements etc. require further probe. There is total opaqueness as far as the proposed acquisition is concerned.

3.9.In view of the above yawning gulf between the flurry of apparently favourable announcements made by the company painting a rosy picture for the future and the factual position, BSE has kept in abeyance the listing of bonus shares and redeemable preference shares

4.0. Surveillance action by Stock Exchange

In view of the artificial price rise in the share, BSE has taken surveillance measures in respect of trading in the share by reducing the applicable circuit filter in the share as below:

Table 7 – Surveillance action by Stock Exchange

Date	Applicable Circuit Filter
Till January 27, 2005	10%
Revised on January 28, 2005	20%
Revised on February 18, 2005	5%

5.0. Trading in the share by major clients

January 3, 2005 to September 29, 2005

5.1.For the period January 3, 2005 to September 29, 2005, the details of top 50 trading clients on gross basis were furnished by BSE. Out of these, the trading details of the top 10 trading clients are summarized below:

Table 8 – Top 10 trading clients during Jan. 3, 2005 to Sep. 29, 2005

Client Name	Member Name	Address	Buy Qty	Sell Qty	Net Qty	Gross Qty
PRIYAM SECURITIES (PREMSUKH KANDELWAL)	SANCHAY FINCOM	541,CHANDRA CHAWK, 7TH LANE M.J.MKT, MUMBAI	9092570	9092570	0	18185140
PRAVINKUMAR JAIN (MAARS SOFTWARE INTERNATIONAL LTD.)	BAKLIWAL FINANCIAL SERVIC	2ND FLOOR, EAST COAST CHAMBERS, 92 G.N.CHETTY ROAD T.NAGAR CHENNAI	5748891	5548891	200000	11297782
ANIL SOLANKI	M/S. HARIKISHAN HIRALAL	PREM NAGAR NO. 8,MANDPESHWAR ROAD, BORIVALI (WEST) MUMBAI	5387453	5387453	0	10774906
MAHESH VORA (JMP SECURITIES PVT Ltd)	JMP SEC PVT LTD	101 TO 105 FORT FOUNDATION,KALAGODA FORT,MUMBAI MUMBAI	3835655	3921655	-86000	7757310
NAVIN PATEL	P.J.CHAUDHARY	FLAT NO 30, PATEL BUILDING, 3RD FLOOR, 8/16, M K AMIN MARG, BORA STREET, FO RT, MUMBAI	2947728	4127276	-1179548	7075004
AMIT SAHITA FINANCE PVT. LTD.	AMIT SAHITA FINANCE PVT.	PG-15, ROTUNDA BLDG, GROUND FLOOR, STOCK EXCHANGE TOWERS, DALAL STRE ET, FORT MUMBAI	2192592	2192592	0	4385184
BHAGWANDAS JAJU	M R SHARE BROKER LTD	10/354,SARVODAYA NAGAR LANE-3 ICHALKARANJI ICHALKARNJI	2010050	2010050	0	4020100
JAYESHKUMAR SHAH	P.J.CHAUDHARY	PATE BUILDING, FLAT NO.30, 3RD FLOOR, 8/16, M K AMIN MARG, FORT, MUMBAI	1938295	1069900	868395	3008195
SHAILESH NISSAR	S.M.NISSAR	611 P.J.TOWER, STOCK EXCHANGE, DALAL STREET, FORT, MUMBAI	1574558	1574558	0	3149116
NARESH JAIN	NCJ SHARE & STOCK BROKERS	83,VEER NAGAR JAIN COLONY G.T KARNAL ROAD DELHI	1269146	1279246	-10100	2548392
Total			35996938	36204191	-207253	72201129

5.2.From the above it is seen that the top 10 clients had together purchased 3,59,96,938 shares and sold 3,62,04,191 shares. Thus, they had sold on net basis 2,07,253 shares of Eltrol. Some of the major trading clients such as Shri Navin Patel and Shri Jayesh Shah have indulged in off-market transactions in the shares of Eltrol and the same is discussed in the later portion of this order.

January 5, 2005 and June 14, 2005

5.3.During the period from January 5, 2005 to June 14, 2005, the price of the share on BSE showed a sharp increase. During this period the share price opened at Rs.0.80 and touched a high of Rs. 6.97 on June 14, 2005. This represents a rise of 771% in 110 trading days. The average daily trading volume during this period was about 93,000 shares. The trading by major clients brings out several curious findings.

5.4.Clients found to be belonging to the Mahesh Mistry/ Ramniklal Patel Group (who are found to have acted together in dealings in shares of various other companies and where telephone numbers of some of these clients are found to be in the name of Mahesh Mistry) are found to be dealing through the major members in the scrip during this period as given below.

Table 9 - Dealings by connected entities during Jan. 5, 2005 to Jun. 14, 2005

MemberName	Name	Address	TotBQty	TotSQty	NettQty
P.J.CHAUDHARY	DALSUKHBHAI PATEL	8/16, A K AMIN MARG, PATEL BUILDING,ROOM NO. 30, 3RD FLOOR, FORTMUMBAI	77550	0	77550
P.J.CHAUDHARY	VINOD PATEL	8/16, M.K. AMIN MARG, OFFICE NO.30,3rd FLOOR,PATEL BUILDING BORA STREET,FORT,MUMBAI	147498	0	147498
P.J.CHAUDHARY	NAVIN PATEL	FLAT NO 30, PATEL BUILDING, 3RD FLOOR,8/16, M K AMIN MARG, BORA STREET, FORT,MUMBAI	686598	0	686598
P.J.CHAUDHARY	JAYESHKUMAR SHAH	PATE BUILDING, FLAT NO.30, 3RD FLOOR,8/16, M K AMIN MARG, FORT,MUMBAI	1826995	591100	1235895
M/S. HARIKISHAN HIRALAL	RAMNIKAL PATEL	8/16 M.K. AMIN MARG PATEL BLDG.3RD. FLOOROFFICE NO.30 FORTMUMBAI	75000	0	75000
ADOLF PINTO	VIKAS NAKNAVAR	C-151 SHASTRI NAGAR VIBHOG-C SIONKOLIWADA MUMBAI 400022	130000	0	130000
INDUS PORTFOLIO PVT LTD	VIKAS BENGANI	MUMBAI	241520	50	241470
Total			3185161	591150	2594011
% to the total market volume			31.13	5.78	25.35
% to the total share capital of the company			7.49	1.39	6.10

5.5.DALSUKHBHAI PATEL, VINOD PATEL and RAMNIKAL PATEL have a common address and hence are apparently related to each other. As discussed in the succeeding paragraphs, many of the above mentioned major trading clients have made off-market transfers to common entities.

6.0. Observation on the off- market transactions

6.1.Based on examination of major off-market transactions in the shares of the company furnished by BSE, the following observations emerge:

- Entities belonging to Mahesh Mistry/ Ramniklal Patel group are heavily dealing in the off market amongst themselves and certain entities with Ahmedabad addresses. From client registration forms, it was seen that most of them have residential addresses, which is of Gujrat.
- Also, certain Ahmedabad based entities were found to have dealt in off market. One Anil Shah who has dealt in the market was found to be same as Anil Kantilal Shah who has dealt in off market with its related entities.
- Ramdas Kshirsagar director of IFSL Ltd., against which company SEBI has passed directions during September 20005, has transferred shares of Eltrol in off-market in one single transaction.
- Charu Niraj Sanghvi having the same address as the company's erstwhile address of Mulund (E), is apparently the wife of Niraj Sanghavi (Director of the company). She has dealt in off market and transferred about 7,56,800 shares to certain Gujarat based entities whose identity could not be ascertained.
- Shri Vikas Bengani and Shri Vikas Naknavar who are amongst the major trading clients in the share have indulged in off-market transactions. Shri Vikas Bengani has made off-market transfer of 2,41,520 shares to one Shri Vikram Singh Rajput. On April 21, 2005, Shri Vikas Naknavar has made off-market transfer of 1,34,000 shares to Shri Shivaram Motilal Meena.
- On April 1, 2005, Shri Jayesh Shah has made off-market transfer of 8,44,244 shares to Shri Shivaram Motilal Meena. Shri Jayesh Shah has also made off-market transfer of 3,16,625 shares to Shri Vikram Singh Rajput on April 21, 2005.
- On April 20, 2005, Shri Vinod Patel and Shri Navin Patel, who were amongst the major trading clients on BSE, have also made off-market transfer to Shri Vikaram Singh Rajput.
- Since Shri Jayesh Shah, Shri Vikas Bengani, Shri Vinod Patel and Shri Navin Patel have all made off-market transfer to Shri Vikaram Singh Rajput and Shri Shivaram Motilal Meena, it can be inferred that these entities are related to each other and have probably acted as a front for Shri Vikarm Singh Rajput and Shri Shivaram Motilal Meena by making market purchases in their own name and subsequently transferring the shares in off-market transactions to Shri Vikarm Singh Rajput and Shri Shivaram Motilal Meena.
- Smt. Kusum Deepak Rathod having her address as 41 SHIV SHANKAR ESTATE, ZAVER ROAD, MULUND WEST, MUMBAI-400080 which is the same as that of Shri Deepak Rathod, one of the directors of Eltrol, has made off-market transfers to T H VAKIL SHARES AND SECURITIES PVT Ltd. (Vakil Shares). Vakil Shares has also received shares of Eltrol from other entities, namely, Mangalaben A Doshi, Ashwin D Doshi, Viral C Shah, Jignesh P. Lakhani Navin Trikamdas Thakkar, Tarun V. Shah and Shilpa P Sakpal. Vakil Shares has in turn transferred these shares to Amit Easy Finance Limited, Harsiddhi Man-Power Services Pvt Ltd, Shreerath Marketing Private Limited, Lila Laboratories (India) Ltd, Hitendra Chaturbhai Makwana and Karni Ajaysingh Jagdishsingh Rathore.

7.0. Dealings by Eltrol on NSE

7.1.Eltrol is not listed on NSE. It is found to be dealing in both cash and derivative segment of NSE as a trading client through seven brokers of NSE as below:

1. SS CORPORATE SECURITIES LIMITED
2. INDUS PORTFOLIO (P) LTD.
3. INDIABULLS SECURITIES LTD.
4. INSIGHT SHARE BROKERS PVT. LTD.
5. BAKLIWAL FINANCIAL SERVICES (INDIA) P.LTD.
6. SSJ HOLDINGS PRIVATE LIMITED
7. INSIGHT SHARE BROKERS PVT. LTD.

7.2.The trading activity of Eltrol at NSE are summarized below:

Eltrol has traded in 23 underlyings on the F&O segment during the period June 7, 2005 to September 9, 2005 accounting for a gross traded value of Rs. 801.33 crores. Trading activity of Eltrol Ltd in the Top 10 underlyings on gross value basis on the F&O segment is given below:

Table 10 – Dealings in F&O segment of NSE by Eltrol

(Value in Rs. Crores)

Name of Share	Buy Value	Sell Value	Gross Value
NIFTY	145.57	136.10	281.68
SBIN	106.98	108.01	214.99
TISCO	36.19	37.95	74.14
HINDALCO	20.66	21.19	41.84
RELCAPIT AL	20.00	20.55	40.55
TATAMOTORS	22.19	16.13	38.31
INFOSYSTCH	19.04	13.12	32.16
VDOCONINTL	19.65	7.18	26.83
ONGC	8.78	8.79	17.57
RELIANCE	7.08	6.94	14.03

Source: NSE

7.3.On September 9, 2005, Eltrol Ltd had built significant long positions in VDOCONINTL futures. Of the total trading in VDOCONINTL on the F&O segment, 71.72% has been done during the period September 1, 2005 to September 9, 2005.

7.4.Eltrol Ltd has traded in 19 scrips on the cash market during the period April 12, 2005 to September 9, 2005 accounting for a gross traded value of Rs. 77.33 crores. Trading activity of Eltrol Ltd on the cash market is given below:

Table 11 – Dealings in Cash segment of NSE by Eltrol

(Value in Rs. Crores)

Sr. No.	Name of Share	Buy Value	Sell Value	Gross Value
1.	TELEDATAIN	10.748	12.437	23.186
2.	RUCHINFRA	8.571	8.928	17.499
3.	RANASUG	8.974	5.511	14.485
4.	VDOCONINTL	5.396	1.242	6.638
5.	TISCO	1.814	4.102	5.915
6.	HINDALCO	2.150	1.651	3.802
7.	SHOPERSTOP	0.464	2.248	2.712
8.	ESCORTS	0.347	0.346	0.693
9.	SOMATEX	0.344	0.305	0.649
10.	SCI	0.216	0.388	0.605
11.	YESBANK	0.156	0.158	0.314
12.	RELCAPIT AL	0.118	0.109	0.228
13.	SURYAROSNI	0.107	0.106	0.213
14.	JSWSTL	0.088	0.084	0.172
15.	RUCHISOYA	0.079	0.079	0.158
16.	MRTIDRUGS	0.013	0.014	0.027
17.	GSFC	0.009	0.009	0.019
18.	SURYAPHARM	0.005	0.005	0.011
19.	MARUTI	0.002	0.002	0.004

Source: NSE

7.5.From the above it is seen that Eltrol has been actively indulging in stock market transactions at NSE. The market dealings of Eltrol on NSE has apparently commenced only since April 2005. In this context it is pertinent to note that the company had made preferential allotment of shares to two NBFCs viz. Oudh Finance & Investment P Ltd. and Basmati Securities P Ltd. and had received Rs.13 crores towards preferential issue proceeds during March 2005. Since, as discussed earlier, the company has not been financially performing well in the past, it is apparent that the above market dealings at NSE since April 2005 has been made by diverting the funds raised

through the preferential allotment for purposes other than the routine business activities, if any, of the company. The issue of working capital funds belonging to corporates being diverted for stock market operations which activity is not in consonance with the regular business activities of corporates has been a major concern for SEBI in the recent past. The activities of Eltrol as detailed above confirm the concerns of SEBI in this regard. In view of the poor financial condition of Eltrol and considering that its core business is engineering or alternately sugar industry, its active dealings in cash and F&O segment of the stock market definitely need detailed examination.

8.0. Conclusion

- 8.1. In the recent past, there was an unprecedented increase in price and trading interest in the share of Eltrol on BSE. During the period from March 1, 2005 to September 23, 2005, the price of the share of Eltrol (face value Re.1/-), duly adjusted for corporate actions, on BSE, opened at Rs.0.47 touched a high of Rs. 3.52 on September 1, 2005, a low of Rs. 0.43 on March 2, 2005 and closed at Rs.1.85 on September 29, 2005. Thus, during the 128 trading days from March 1, 2005 to September 1, 2005, the price of the share on BSE has shown a rise of 649%.
- 8.2. During the period March 1, 2005 to September 29, 2005, there was substantial variation in the daily traded quantity. On July 1, 2005 only 1 share was traded while on August 26, 2005, 1,36,70,180 shares (i.e. about 1.37 crores shares) were traded. The average daily traded quantity during the relevant period works out to about 7,84,847 shares. In terms of trading value, as per data obtained from BSE, shares valuing Re.1/- was traded July 1, 2005 and shares valuing Rs.299.62 lakhs were traded on August 26, 2005.
- 8.3. During the past 10 years when the share is listed on BSE, the maximum number of shares traded on any day has never been more than about 13 lakhs shares. In complete contrast, on August 26, 2005 more than 1.36 crore shares were traded. The above increase in price and trading interest has occurred despite the share being placed by BSE in Trade-for-Trade segment and applying lower circuit filter.
- 8.4. There is no identifiable promoter of Eltrol. The directors of the company who claim to be professional directors do not appear to have any knowledge about the industry in which the company is purportedly operating. The directors of the company are engaged in courier business which has no apparent relation with engineering or sugar business that Eltrol is purportedly engaged in.
- 8.5. The past financial performance of the company has been dismal and the company has accumulated losses. The company has not declared any dividend for the past many years. The company has discontinued production activities and is purportedly exploring entering into new business areas. In this background, the apparent improvement in financial performance during the quarter ended June 2005 as announced by the company in its unaudited quarterly results does not appear to be genuine and appears to be merely a ruse to attract investor attention. The proposed name change of the company to "Shree Mahaganga Sugar Mills Ltd." also falls in the same category since the company or its directors, prima facie, do not have any domain knowledge or experience / skill in sugar business.
- 8.6. Also, it is not clear as to what is the exact business of the company and from what commercial operations did it generate the purported sales income and net profit. The company has not made any reporting of segmentwise operations to BSE as required by the regulations.
- 8.7. Thus the entire case history of the company, at once chequered and intriguing, bristles with perplexities and contradictions, raising basic question as to what is the core business and wherefrom the serial corporate activities are getting funded. Hardly, there is any reporting to the Exchange in real time, while finer details remain arcane in the slew of gasconades coming from the company as if it were in a fit of insuppressible volubility of self assertion. The protean business profile of the company marked with changing of tack with metronomic regularity may betoken a bouquet of diverse business interests, but given the corporate history of the company, there is hardly anything to suggest that kind of versatility, more so when the present set of directors are from a totally unrelated background, with no established pretensions to the new domain they are required to pitchfork. That being so, the entire projected transformation amidst frenetic corporate announcements and activities may be a rootless wonder, lacking tangibility and permanence. Also there are suggestions of large scale diversion of funds into stock market, as against the avowed objective of using them in business.
- 8.8. In a move that is likely to further worsen the financial situation and which fact would be known to the public only towards the end of the current financial year, the company has proposed to acquire the shares in Nirani Sugars Ltd. whose financial position appears to be even more precarious than that of Eltrol. The acquisition of shares from the management of Nirani is sought to be done merely because the managements of Eltrol and Nirani are known to each other.
- 8.9. The company has made preferential allotment to two NBFCs at a premium of Rs.6.50 per share (face value of Re.1/-). The source of funds of these NBFCs is not known and probably these NBFCs have taken Fixed Deposits from the public, the repayment of which could be imperiled by the unwise if not blatantly manipulative action of the promoters / management of these NBFCs. In any case, the rationale for the two NBFCs to invest in Eltrol shares at such a huge premium needs further probe. That apart, Eltrol has apparently diverted the money received through preferential allotment to stock brokers for indulging in stock market operations and has tried to hide this fact by claiming that the funds have been invested in the assets of the company.
- 8.10. It is apparent that the significant market dealings at NSE by Eltrol since April 2005 has been made possible by diverting the funds raised through the preferential allotment for purposes other than the routine business activities, if any, of the company. The issue of working capital funds belonging to corporates being diverted for stock market operations which activity is not in consonance with the regular business activities of corporates has been a major concern for SEBI in the recent past. The activities of Eltrol as detailed above confirm the concerns of SEBI in this regard. In view of the poor financial condition of Eltrol and considering that its core business is engineering / sugar industry, its active dealings in cash and F&O segment of the stock market need detailed examination.
- 8.11. Eltrol has utilized the premium received for the above preferential allotment for making 3:1 bonus issue. Since the business operations of the company, if any, has not resulted in any significant surplus warranting a bonus issue and in view of the fact that the preferential issue proceeds have been diverted to stock brokers for dealing in cash and F&O segment of NSE, BSE has kept in abeyance the proposal for listing of preference shares and bonus shares. The announcement of bonus issue, despite the company not having earned any significant profits could be a ruse to allure the investors. This view is strengthened by the fact that the company has neither declared any dividend nor any bonus issue in the past many years apparently due to poor financial performance.
- 8.12. Some of the major buyers in the scrip on BSE have indulged in off-market transfers to certain individuals such as Shri Vikram Singh Rajput and Shri Shivaram Motilal Meena. It appears that the major trading clients at BSE were acting as merely front entities for the above two buyers. A relative of Shri Deepak Rathod, a director of Eltrol namely Smt Kusum Deepak Rathod has made off-market transfer to T H Vakil Shares and Securities P Ltd. Vakil Shares has also received shares from various other entities in off-market deals. Vakil Shares has transferred the shares so received in off-market transactions to Amit Easy Finance Limited, Harsiddhi Man-Power Services Pvt Ltd, Shreerath Marketing Private Limited, Lila Laboratories (India) Ltd, Hitendra Chaturbhai Makwana and Karni Ajaysingh Jagdishsingh Rathore, many of which appear amongst the major shareholders of Eltrol as on June 30, 2005. These entities in turn have either sold these shares in the market subsequently in the market or have made further off-market transfers as evidenced by the fact that these entities do not appear amongst the major dematerialized account holders as on September 30, 2005. Thus, a large portion of dealing in the scrip does not appear to be genuine market trading but merely sham transactions or transactions with ulterior motive such as creation of artificial trading interest in the share.
- 8.13. The company by making various apparently unjustified corporate announcements, as detailed above, has supported the unhealthy market practices of the above entities. The price rise and increased trading interest has enabled the major shareholders to sell some of their holdings. If this state of affairs is allowed to continue, it is apprehended that innocent investors would be lured to invest in the shares of the company at the apparently inflated price and thereby providing an opportunity to the present substantial share holders of the company to offload their holding with unjust gains.
- 8.14. The findings of preliminary enquiry as detailed above bring out a prima facie case of violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003. SEBI is initiating formal investigations into the matter.

9.0. Order

9.1. Therefore, in view of the grave emergency and to save the investors and the securities market from further acts of the concerned entities, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the Securities and Exchange Board of India Act 1992 read with Section 11B, 11D and 11(4)(b), pending investigation and passing final order, I hereby issue the following directions, by way of ad interim, ex-parte order

9.2. The directors of Eltrol namely, Shri Chittarmal Sharma, Shri Deepak Rathod, Shri Sanjay G Tripathi and Shri Niraj Sanghvi are hereby directed not to buy, sell, pledge or deal in securities of Eltrol, directly or indirectly, till further directions in this regard. Eltrol is directed not to issue any equity shares or any other instrument convertible into equity shares or alter its capital structure in any manner till further directions in this regard.

9.3. The following top 10 trading clients at BSE are directed not to buy, sell or deal in securities of Eltrol, in any manner, directly or indirectly, till further directions in this regard:

1. PRIYAM SECURITIES (PREMSUKH KANDELWAL)
2. PRAVINKUMAR JAIN (MAARS SOFTWARE INTERNATIONAL LTD.)
3. ANIL SOLANKI
4. MAHESH VORA (JMP SECURITIES PVT Ltd)
5. NAVIN PATEL
6. AMIT SAHITA FINANCE PVT. LTD.
7. BHAGWANDAS JAJU
8. JAYESHKUMAR SHAH
9. SHAILESH NISSAR
10. NARESH JAIN

9.4. The following entities who are apparently connected with / related to each other are directed not to buy, sell or deal in securities of Eltrol, in any manner, directly or indirectly, till further directions in this regard:

1. DALSUKHBHAI PATEL
2. VINOD PATEL
3. RAMNIKLAL PATEL
4. VIKAS NAKNAVAR
5. VIKAS BENGANI
6. ANIL KANTILAL SHAH
7. RAMDAS KSHIRSAGAR, DIRECTOR OF IFSL LTD.
8. CHARU NIRAJ SANGHVI
9. SHRI VIKRAM SINGH RAJPUT
10. SHRI SHIVARAM MOTILAL MEENA
11. SMT. KUSUM DEEPAK RATHOD
12. T H VAKIL SHARES AND SECURITIES P LTD.
13. MANGALABEN A DOSHI
14. ASHWIN D DOSHI
15. VIRAL C SHAH
16. JIGNESH P. LAKHLANI
17. NAVIN TRIKAMDAS THAKKAR
18. TARUN V. SHAH
19. SHILPA P SAKPAL
20. AMIT EASY FINANCE LIMITED
21. HARSIDDHI MAN-POWER SERVICES PVT LTD
22. SHREERATH MARKETING PRIVATE LIMITED
23. LILA LABORATORIES (INDIA) LTD
24. HITENDRA CHATURBHAI MAKWANA
25. KARNI AJAYSINGH JAGDISHSINGH RATHORE

9.5. That the following brokers of BSE are hereby directed not to buy, sell or deal in securities of Eltrol, directly or indirectly, till further directions in this regard:

1. SANCHAY FINCOM Ltd.
2. BAKLIWAL FINANCIAL SERVICES (INDIA) P Ltd.
3. M/S. HARIKISHAN HIRALAL
4. JMP SEC PVT Ltd
5. P.J. CHAUDHARY
6. AMIT SAHITA FINANCE PVT.
7. M R SHARE BROKER LTD
8. S.M. NISSAR
9. NCJ SHARE & STOCK BROKERS
10. ADOLF PINTO
11. INDUS PORTFOLIO P Ltd.

9.6. That the following brokers of NSE are hereby directed not to buy, sell or deal in securities on behalf of Eltrol, directly or indirectly, till further directions in this regard:

1. SS CORPORATE SECURITIES LIMITED
2. INDUS PORTFOLIO (P) LTD.
3. INDIABULLS SECURITIES LTD.
4. INSIGHT SHARE BROKERS PVT. LTD.
5. BAKLIWAL FINANCIAL SERVICES (INDIA) P.LTD.
6. SSJ HOLDINGS PRIVATE LIMITED
7. INSIGHT SHARE BROKERS PVT. LTD.

9.7. Eltrol is directed to cease dealings in the securities market in any manner, directly or indirectly, till further directions.

9.8. The major stock exchanges viz. BSE and NSE and the depositories viz. NSDL and CDSL are directed to ensure that all the above directions are strictly enforced.

9.9. Further the entities/persons against whom this direction is issued may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court B wing, Nariman

Point, Mumbai 400 021 on a date and at a time to be fixed on a specific request, to be received in this behalf from the entities/persons within 15 days from the date of this order.

This order shall come into force with immediate effect.

Place : Mumbai

Date : 05th Oct, 2005

G.ANANTHARAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA