

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V.K CHOPRA, WHOLE TIME MEMBER

WTM/VKC/1D-7/17/06

UNDER SECTION 11 (4) READ WITH 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 1995 AGAINST MS. ADITI DALAL IN THE MATTER OF IRREGULARITIES IN THE TRADING OF THE SHARES OF M/S. ROOFIT INDUSTRIES LTD.

DATE OF HEARING 19.09.2006

APPEARANCES

FOR NOTICEE:

1. Mr Milan Dalal – Authorised Representative

FOR SEBI

1. Mr Sanjeev Dutt, CGM, SEBI
2. Mr Jitendra Kumar, Manager, SEBI
3. Mr Mohamed Rahaz. P.M, Legal Officer, SEBI

ORDER

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to in short as 'the Board') conducted a detailed investigation in the scrip of M/s. Roofit Industries Ltd. (hereinafter referred to in short as 'Roofit'). The said investigation was initiated on the basis of a sudden spurt in volume of the shares traded on NSE during the period October 6, 1999 to December 12, 1999. Further, the Board received a complaint dated January 19, 2001 from one Shri Michael D'Silva alleging that the entire shareholding in Roofit is controlled directly or indirectly by the management and that the said shareholding is being used to manipulate the volume and price of the scrip.
- 1.2 The Board directed NSE and BSE to conduct further investigations at their end. NSE submitted their investigation report for the period November 8, 2000 to February 6, 2001 vide their letter dated December 31, 2001 and for the period February 7, 2001 to May 8, 2001 vide letter dated September 11, 2002. BSE submitted their report for the period January 22, 2001 to May 4, 2001 on September 26, 2001 and for the period October 10, 1999 to December 12, 1999 vide letter dated May 24, 2002. Considering the above, the Board conducted investigation for the period October 06, 1999 to December 12, 1999 and November 08, 2000 to May 08, 2001.
- 1.3 The investigation revealed that Ms Aditi Dalal (hereinafter referred to as the Noticee) who is related to the trading member M/s CFL Securities Ltd (hereinafter referred to as "CFL"). The member, CFL was churning the shares in the market by buying in it's a/c. and then selling it to Noticee through off market deal, who in turn transferred these shares to the counter party broker M/s. DGP Securities Ltd (hereinafter referred to as "DGP") with whom CFL was matching its transactions. Hence, the investigating Authority of SEBI found that the Noticee has aided and abetted the trading member M/s. CFL in misutilising the stock exchange mechanism and using the system to meet its funding requirement and thus, has acted in concert with the trading member in creating of false and misleading appearance of trading in the market, execution of transactions that are not genuine trade transactions and intended to inflate or cause fluctuations in the market price of the security.

2.0 SHOW CAUSE NOTICE

- 2.1 A show cause notice dated December 23, 2003 was issued to the Noticee to show cause as to why appropriate action under Section 11(4) read with Section 11B of the Securities and Exchange Board of India Act, 1992 including restraining the Noticee from accessing the securities market and prohibiting her to buy, sell or deal in securities for an appropriate period of time, should not be passed against her for the violations of the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets), Regulations, 1995.

3.0 REPLY TO SHOW CAUSE NOTICE

- 3.1 The Noticee replied to the show cause notice vide letter dated January 05, 2004. In the said reply, it is inter alia stated as follows;
 - The Noticee along with their associate CFL have entered in to series of transactions with M/s Ashadevi Beriwalla whose counter broker was D.G.P in the scrip of Roofit, with an intention only to arrange temporary funds to meet with NSE pay in obligation of CFL Securities Ltd from time to time.
 - The Noticee along with the group associates were passing through severe financial hardship during the period under consideration and that they had to resort to the aforesaid methodology as part of their survival.

- In spite of all their efforts to survive their NSE (CFL Securities) and BSE (Tropical Securities & Investment Private Ltd) terminals, it had been deactivated in the month of November/December 2001 and the notice is out of business since that time.
- While entering into the transaction, their intention was not to create artificial volumes, price fluctuations, false market or misleading appearance of trading in the market.

4.0 HEARING

- 4.1 In the said reply dated January 05, 2004, the Noticee requested for a personal hearing. Accordingly, personal hearing had been fixed on September 19, 2006 at 02.30 pm before me. The authorised representative of noticee Mr Milan Dalal attended the hearing.

5.0 CONSIDERATION OF ISSUES

- 5.1 I have carefully considered the show cause notice, submissions of Noticee and other materials on record.
- 5.2 I find that Roofit was incorporated on February 18, 1982 as a Private Limited Company in the name and style of M/s. Ratnagiri Asbestos Private Ltd. Subsequently it changed its name to M/s. Ratnagiri Building Products Ltd. on October 21, 1987 and later to M/s. Roofit Industries Ltd. in 1996. The shares of Roofit were permitted to be traded on the National Stock Exchange (hereinafter referred to as "NSE") on August 23, 1995 and later listed on NSE on December 13, 2001. The shares are also listed on the Stock Exchange, Mumbai (hereinafter referred to as "BSE"), Delhi Stock Exchange and Ahmedabad Stock Exchange.
- 5.3 The investigation reveals the involvement of 2 broking entities viz. CFL and DGP among other entities. These 2 entities have traded for their related clients. CFL a member of NSE and a stock broker registered with SEBI had entered into several matching transactions with DGP, a member of NSE and a stock broker registered with SEBI. Details of the trades 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 Beriwal	12:00:07
23-Mar-01	2001012	12:00:13	107.70	200	S. Ramdas	12:00:13	Ashadevi Beriwal	12:00:07
23-Mar-01	2001012	12:00:34	107.50	400	S. Ramdas	12:00:33	Ashadevi Beriwal	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 Beriwala	13:39:47
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 Beriwal	11:53:02
28-Mar-01	2001013	11:53:13	112.80	650	CFL Trading Account	11:53:13	Ashadevi Beriwal	11:53:12
28-Mar-01	2001013	11:53:19	112.80	100	CFL Trading Account	11:53:19	Ashadevi Beriwal	11:53:12
28-Mar-01	2001013	12:54:49	112.50	750	CFL Trading Account	12:54:49	Ashadevi Beriwal	12:54:49
28-Mar-01	2001013	12:54:59	112.20	700	CFL Trading Account	12:54:59	Ashadevi Beriwal	12:54:58
28-Mar-01	2001013	12:55:03	112.20	50	CFL Trading Account	12:55:03	Ashadevi Beriwal	12:54:58
28-Mar-01	2001013	15:05:34	112.50	1000	CFL Trading Account	15:05:34	Ashadevi Beriwal	15:05:34
28-Mar-01	2001013	15:05:45	112.20	950	CFL Trading Account	15:05:45	Ashadevi Beriwal	15:05:45
28-Mar-01	2001013	15:05:53	112.20	50	CFL Trading Account	15:05:53	Ashadevi Beriwal	15:05:45
9-Apr-01	2001014	13:55:52	107.80	1000	CFL Trading Account	13:55:52	Ashadevi Beriwal	13:55:51
9-Apr-01	2001014	13:56:07	107.70	1000	CFL Trading Account	13:56:06	Ashadevi Beriwal	13:56:07
9-Apr-01	2001014	14:02:40	107.00	500	CFL Trading Account	14:02:38	Ashadevi Beriwal	14:02:40
9-Apr-01	2001014	14:02:50	106.95	1500	CFL Trading Account	14:02:50	Ashadevi Beriwal	14:02:50
9-Apr-01	2001014	14:08:03	107.20	1500	CFL Trading Account	14:08:02	Ashadevi Beriwal	14:08:03
9-Apr-01	2001014	14:08:16	106.70	500	CFL Trading Account	14:08:16	Ashadevi Beriwal	14:08:16
9-Apr-01	2001014	14:16:13	106.50	1000	CFL Trading Account	14:16:12	Ashadevi Beriwal	14:16:13
19-Apr-01	2001016	13:13:38	108.50	1900	CFL Trading Account	13:13:38	Ashadevi Beriwal	13:13:37

19-Apr-01	2001016	13:13:49	108.85	100	CFL Trading Account	13:13:49	Ashadevi Beriwal	13:13:48
20-Apr-01	2001016	10:58:13	111.00	5000	CFL Trading Account	10:58:10	Ashadevi Beriwal	10:58:13
20-Apr-01	2001016	10:58:27	110.50	5000	CFL Trading Account	10:58:27	Ashadevi Beriwal	10:58:27
20-Apr-01	2001016	11:36:00	111.00	5000	CFL Trading Account	11:35:59	Ashadevi Beriwal	11:36:00
20-Apr-01	2001016	11:36:09	111.00	5000	CFL Trading Account	11:36:08	Ashadevi Beriwal	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

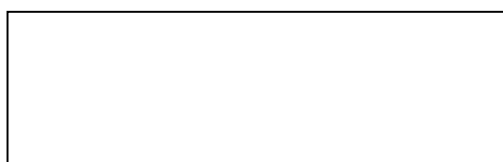
3-May-01	2001018	12:07:09	106.80	5000	CFL Trading Account	12:07:09	Ashadevi Beriwal	12:07:08
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- 5.4 I find from the above table that CFL has executed 126 structured deals with DGP amounting to 143,560 shares. The orders were placed at the same price and at approx. the same time. I observe that CFL acted as a buyer and DGP acted as a seller through out the deals and the shares were purchased for the noticee as well as CFL Trading Account.
- 5.5 CFL was purchasing the shares on behalf of its related client Mr. S.Ramdas and on self account. The counter party broker for these purchases was DGP who was executing these sale transactions on behalf of Ms. Ashadevi Beriwal, who in turn has been found to be related to the director of trading member M/s. DGP.
- 5.6 I have examined the demat statement of Noticee and CFL. Demat statement reveals that for the sales made by DGP on behalf of Ms. Ashadevi Beriwal, the shares were being received from the account of the Noticee. On payout, on receipt of the shares, CFL was entering into an off market deal with the Noticee and transferring the shares into the account of the Noticee on the payout day. The Noticee was in turn transferring these shares to the account of DGP, who was ostensibly selling these shares for Ms. Ashadevi Beriwal.

I note that in Settlement No. 2001007, M/s. CFL bought 47,000 shares for S.Ramdas. Demat statement of the member reveals that these shares were credited into the Noticee's account instead of S.Ramdas's account.

I also note that in Settlement No. 2001013, 2001014, 2001016 and 2001017 CFL purchased shares on its own account. Demat statement of the member reveals that these shares which were to be credited into CFL's account were credited into the Noticee's account.

- 5.9 From the demat account, I find the following flow of shares;



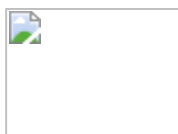
CFL
bought
shares
for



S.Ramdas
and for
CFL from
DGP. Sold
shares to
Aditi
Dalal
through
off
market
deal.

Aditi Dalal bought shares from CFL – off market.

Transferred these shares into M/s. DGP's a/c.



DGP sold shares for Ashadevi to CFL.

Ashadevi received shares from Aditi Dalal which were sold through DGP.

- 5.10 From the above flow of shares, it is clear that circular movement of shares was taking place with the shares moving from the account of CFL to the Noticee to DGP and thereafter again back to the noticee.
- 5.11 I note that the Noticee admitted the aforesaid transactions vide reply dated January 05, 2004. In the said reply, it is stated that the aforesaid transactions were carried out with an intention only to arrange temporary funds to meet with NSE pay in obligation of CFL from time to time and they had to resort to the aforesaid methodology as part of their survival since the Noticee along with the group associates were passing through severe financial hardship during the period under consideration. Similar submission was made by Shri Milan Dalal in his statement dated January 30, 2003 before the investigating officer.
- 5.12 I find that Shri Milan Dalal is a director of M/s. CFL and Proprietor of M/s. S Ramdas and relative of the Noticee. Shri Milan Dalal himself admitted that the Noticee is the wife of his younger brother. I also note that the said Shri Milan Dalal appeared before me for hearing and also filed written submission dated September 19, 2006. During the course of hearing and the said written

submission, he never denied the aforesaid relationship and the aforesaid transactions. What he submitted before me is the same stand which he has submitted before the investigating authority in his statement dated January 30, 2003. The extract of the said statement of Shri Milan Dalal is reproduced hereunder

- *"The purpose behind doing these transactions was to raise temporary funds for meeting the pay-in obligations with the NSE. The methodology used by us was that we had a block of shares of M/s. Roofit taken on loan by Ms. Aditi Dalal and instead of selling them in the open market and creating the liquidity. We had arranged funding through Ms. Aditi Dalal who in turn arranged spot funding from Ms. Asha Beriwalwa and she in turn sold these shares as a client through M/s. DGP. M/s. DGP sold on the terminal and the same were purchased by M/s. CFL".*
- *"The fund routing was like this: Ms. Asha Beriwalwa issued cheque to Ms Aditi Dalal for the spot sales made by Aditi Dalal to Asha Beriwalwa. Ms. Aditi Dalal in turn, issued cheques to M/s. CFL for meeting the pay-in obligations. As explained above, these shares were being purchased by us and to our belief; the counter-party broker was M/s. DGP".*

5.13 Apart from the above, Shri Milan Dalal during the course of hearing as well as his written submission dated September 19, 2006 submitted inter alia that the price fluctuation as per the investigation is in the period October to December 1999 whereas their transactions were in March 2001. This is not correct. As I stated above in the first paragraph, the Board conducted investigation for the period October 06, 1999 to December 12, 1999 and November 08, 2000 to May 08, 2001 wherein the period of transactions of the Noticee are also included.

Further, it is submitted that this matter is a case of financing through exchange mechanism done by their associates CFL, a member of NSE and the said associate has already served a period of 2 months suspension in October, 2004. On the basis of the said penalty which their associate had already undergone, the Noticee who were acted as a client of the said associate CFL requested for exoneration. I don't find any merit on the said submission. It is very strange to see such plea of a wrongdoer requesting to exonerate him/her from the charge on the ground that the accomplice has already undergone the sentence.

Further, the stand taken by the Noticee in the entire proceeding is that they have no intention to manipulate the price and volume of Roofit. I am of the view that whatever may be the purpose and intention, wrong is wrong only and the said wrong can not be rectified by saying that the said wrong has been committed with a good intention. I find that the Noticee has taken a stand in the entire proceeding that the purpose behind doing these transactions was to raise temporary funds for meeting the pay-in obligations with the NSE. It is a kind of undue benefit derived from the aforesaid transactions.

Before coming to the conclusion, I felt it necessary to see the counter transactions of DGP vis-à-vis Ashadevi Beriwalwa. I find that the client Ms. Ashadevi is related to the member DGP. Ms. Ashadevi is the mother of Mr. Mukund Beriwalwa who is the Chief Executive Officer of M/s. DGP and the registered office address of Ms. Ashadevi is the same as that of member DGP. Thus, client Ms. Ashadevi is related to the member DGP. I also note that SEBI had initiated enquiry proceedings against DGP and a final order had been passed against them whereby DGP has been suspended for two months. DGP appealed to Hon'ble Securities Appellate Tribunal against the said order and SAT has reduced the suspension from two months to one month.

5.17 I find that during the investigation Ms. Ashadevi Beriwalwa was asked to explain the trades executed by her. Shri Mukund Beriwalwa, Chief Executive Officer of DGP and son of Smt. Ashadevi Beriwalwa replied the following

- *"In the shares of M/s. Roofit, Mrs. Asha Devi Beriwalwa was purchasing from M/s. Aditi Dalal. These transactions were at all points of time spot transactions. The payment for these transactions were being made by Mrs. Asha Devi Beriwalwa to M/s. Aditi Dalal within a varying time period ranging from one day to four-five days as was agreeable between the two parties. The payments to M/s. Aditi Dalal were coming from the credit balance of Asha Devi Beriwalwa at M/s. DGP and/or her own bank a/c. The shares which were purchased by Asha Devi Beriwalwa from Aditi Dalal on spot basis were transferred by Aditi Dalal to the account of M/s. DGP under instructions of Asha Devi Beriwalwa. These shares were being transferred within a few days of the date of transaction. The objective of doing the above mentioned transactions was to make a trading profit by buying at a lower rate and trying to sell the same at a higher rate on the NSE".*

5.18 Reading of the aforesaid statement of Ms Asha Devi Beriwalwa together with the statement of the Noticee clearly proved the circular movement of shares. At this juncture I note that the said transactions are a kind of structured deals. In a structured deal, synchronization of trade will always be there. A synchronized trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. In the instant case, I find that the Noticee carried out the structured trade in Roofit. The Noticee never disputed the said transaction. The explanation given by the Noticee has already been considered in the preceding paragraphs. I don't find any acceptable explanation from the Noticee. On the other hand, I find that the Noticee has gained unlawfully which is evident from the admission of Noticee. The Noticee admitted that the purpose behind doing these transactions was to raise temporary funds for meeting the pay-in obligations with the NSE. From this statement, it is clear that the Noticee's intention was to raise money by executing the said structured trades. Raising money by executing circular trades and structured deals and thereby creating a false market is very serious. I find that large volumes had been created by the aforesaid entities. The said transactions are not at all a genuine transactions and the same will no doubt influence the price. It may be pertinent to note that such transactions are highly irregular and defeat the purpose of normal order matching system in the price discovery process in the exchanges.

5.19 I am of the view that the standard of proof required in a proceeding of this nature is at variance with the standard of proof required in criminal cases. It is sufficient if the preponderance of probabilities suggests towards the indulgence of the delinquent in the misconduct. The strict rules of Evidence Act and proof beyond reasonable doubt are not applicable to a proceeding of this nature. Considering this well settled legal principle and in view of above findings, it is established that the Noticee along with her related broker have transacted in the scrip of Roofit with a view to create artificial volumes and that the Noticee along with her related trading member, CFL, misutilised the stock exchange mechanism and used the system to meet funding requirement. It is also established that the Noticee is responsible for creating false market and misleading appearance of trading in the market, executed transactions which are not genuine trade transactions and executed them with intention to inflate or cause fluctuations in the market price of the security. It is therefore, proved that the Noticee has violated the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets), Regulations, 1995.

6.0 ORDER

6.1 Therefore, taking into consideration of the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) and 11B of SEBI Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain the Noticee, Ms Aditi Dalal from buying, selling and dealing or accessing the securities market in any manner for a period of six months from the date of this order.

6.2 This order shall come into force with immediate effect.

Mumbai

November 29, 2006.

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA