

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11B, 11(4) (b) AND 11 D OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF M/S BALLARPUR INDUSTRIES LTD

WTM/GA/ /ISD/ /07

1 Background

- 1.1 Surveillance systems of the regulator constantly scan across the spectrum of trading in order to identify possible violations in the course of operations in the capital markets. The dynamics of the market keeps changing, so too the market practices in myriad ways. Some of the practices may not be conducive to the market discipline and call for an insightful analysis of all its intricate details. Any such practice which interferes with the price and order matching mechanism and upsets the price discovery by tilting the balance in favor of a group of players/entities, is an abhorrent market practice and needs to be curbed lest it should pose a threat to the integrity of the market. The market appears to have moved away from some of the trite methods of influencing the market, through volume building and retaining the concentration artificially through structured deals in concert with certain select intermediaries or identified clients. Of late, there seems to be a shift in favor of dispersing the concentration and trading through certain intermediaries with greater sophistication in layering the transactions, wherein it may not be easy to establish immediate nexus. Therefore, it becomes well-nigh difficult to pick on certain trends in the market which on the face of it may appear to be in order. Consistent with the changing trends in the market, the surveillance also turns its focus on certain sets of common clients or brokers who are present across the market. There is a sense of déjà vu in the market place which manifests itself in a continuing streak of intractableness.
- 1.2 Surveillance strives to ferret out such elements in the market and seeks to establish their connection with market abuse. Naturally it has to deal with different typologies in different cases. In the instant case, important price sensitive

information in the hands of a responsible market intermediary has been shared with other intermediaries and their chosen clients in what appears to be a '*customized front running*'. As a matter of fact there is a lurking suspicion whether the identified clients are genuine or whether they represent the odd people in an odd ensemble in an odd place coming together at the behest of market intermediaries. Definitely there is nothing prima facie to indicate that such identified clients have cut their teeth on the nuances of the market. In such a scenario the present ad interim order seeks to prima facie appreciate the materials available on record, to unravel the quintessence of what happened behind the façade of a routine buy and sell transaction in the market.

- 1.3 While analyzing the abnormal trading pattern in the shares of Ballarpur Industries Ltd (BILT) during the period November 01, 2006 to June 13, 2007, it was noticed that a set of clients, all of whom are registered with the broker M/s Emkay Shares and Stock Brokers Pvt. Ltd., as also a director of another broking firm, M/s Prayas Securities Pvt. Ltd. were found to be dealing in the shares of BILT around the time of large sell orders by a foreign institutional investor (FII) viz. Nederlandse FMO NV. The FII was observed to be selling its holdings in BILT, through M/s UTI Securities Ltd. on different dates within this period. On each of these dates a few from amongst these identified clients sold prior to the FII sale and bought an identical quantity after the sell order was placed on behalf of the FII. The extent to which these clients served as counterparty to the FII sale was found to be progressively on the increase, reaching up to about 90% over the period of examination. This trading strategy adopted by these clients appears to be in the nature of '*customised front running*', wherein a bunch of hand picked clients has become surrogates for the broker in a well crafted camouflage. Front running is an activity in which a trader takes a position of unfair advantage in advance of a large buy or sell order that the trader knows will move the price of that equity in a predictable fashion.
- 1.4 The manner in which these clients repeatedly and accurately timed their dealing in the shares of BILT prior to and after the large orders by an institutional investor called for an immediate verification by SEBI. Both the question of information flow

to them and nexus, if any, in execution of their orders required to be examined. The preliminary prima facie findings are set out in the following paragraphs.

2 Dealing in shares of BILT by Nederlandse FMO

2.1 Nederlandse FMO NV, (FMO for short) an FII registered with SEBI held 35,44,141 shares of BILTas on October 20, 2006. These shares were allotted on part conversion of FCCBs of value USD 6750000, which had been issued by Ballarpur Industries Ltd. in November 2003. It was observed that the Committee of Directors of BILT had, at its meeting held on February 01, 2007, further allotted 34,77,581 shares to FMO. FMO executed its trades through UTI Securities Limited and sold a total of 60,04,100 shares during November 01, 2006 to June 13, 2007.

2.2 It was observed from the details submitted by M/s UTI Securities Ltd. that their dealer, Shri. Raajeev Kasat, was the point of contact between the trading member and FMO, which used to convey its orders by emails that specified a limit price and quantity for the sales to be carried out. Whenever the price moved above the specified threshold price, UTI Securities would sell the shares and send a confirmation by email. FMO did not specify a particular period during which the shares were to be sold. The mails sent by FMO and the corresponding sales made by UTI Securities Ltd. on behalf of its client are presented below in a tabular format:

Table 1: Dealing in shares of BILT by Nederlandse FMO N.V.-FCCB

Date of email from FMO to UTI	Trades Executed by UTI on behalf of Nederlandse FMO		
	Date	Sell Qty	Value (Rs. Lacs)
14-Nov-06 17-Nov-06	21-Nov-06	790000	950.67
21-Nov-06	22-Nov-06	385000	463.21
22-Nov-06	23-Nov-06	58394	70.08
23-Nov-06 27-Nov-06 29-Nov-06 30-Nov-06	05-Dec-06	199920	224.45
05-Dec-06	7-Dec-06	49330	56.43
07-Dec-06 08-Dec-06 13-Dec-06	14-Dec-06	455000	484.22
14-Dec-06 15-Dec-06	15-Dec-06	530000	568.71

Date of email from FMO to UTI	Trades Executed by UTI on behalf of Netherlandse FMO		
	Date	Sell Qty	Value (Rs. Lacs)
18-Dec-06			
19-Dec-06	20-Dec-06	25000	26.77
20-Dec-06	28-Dec-06	697251	744.69
	2-Jan-07	328000	351.53
02-Jan-07	3-Jan-07	26246	28.9
19-Feb-07	22-Feb-07	80000	90.53
20-Feb-07			
23-Feb-07	19-Mar-07	30000	31.67
28-Feb-07			
02-Mar-07			
19-Mar-07	20-Mar-07	30000	32.06
20-Mar-07	21-Mar-07	85000	90.57
21-Mar-07	22-Mar-07	145000	154.96
	30-Mar-07	21000	22.56
02-Apr-07	5-Apr-07	166718	178.58
	9-Apr-07	420675	453.39
	10-Apr-07	114725	124.15
	12-Apr-07	14627	15.95
	13-Apr-07	22042	24.03
	20-Apr-07	12000	13.10
	23-Apr-07	70000	76.40
	25-Apr-07	760587	823.01
	26-Apr-07	279931	326.14
27-Apr-07	3-May-07	10000	11.76
01-May-07	16-May-07	165143	190.27
	23-May-07	13817	15.65
	13-Jun-07	18694	21.27

- 2.3 It is observed that there is a substantial time gap between some of the orders placed by the client and its execution by M/s UTI Securities Limited. It prima facie appears that Shri Raajeev Kasat has used his discretion in respect of the timing of the sell orders on behalf of FMO.

3 Dealing in share of BILT by clients prior to and after the sell orders by FMO

- 3.1 It is noticed that all dealings in the shares of BILT by the identified clients, as listed below in Table 2, have been carried out through a single broker, M/s Emkay Shares and Stock Brokers Pvt. Ltd., except in the case of Shri Manish Innani, who dealt through the broker M/s Prayas Securities Pvt. Ltd in which he is a director. Further, it is noticed that all the orders were routed through the Andheri office of M/s

Emkay Shares and Stock Brokers Pvt. Ltd. and executed on a single trading terminal allotted to a dealer, Shri Gyanchand Jain.

Table 2: Dealing in shares of BILT by the identified clients

Note: - Time 1 is when order was placed and Time 2 is when 80% of the sell order of FMO was executed.
- Time of buy of clients is when 80% of the order is executed.

Netherlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
21-Nov-06	15:02:04 15:29:08	790000	Manish Innani	15:05:15		110000		122.5- 123
21-Nov-06			Manish Innani	15:26:06	110000		119.8	
21-Nov-06			R.P. Shroff HUF	14:58:23		100000		121.5
21-Nov-06			R.P. Shroff HUF	15:26:06	100000		119.8	
22-Nov-06	10:50:23 10:56:57	385000	Asha Pankaj Dedhia	10:38:29		111000		122.5
22-Nov-06			Asha Pankaj Dedhia	10:56:57	111000		120.2	
22-Nov-06			Pankaj L Dedhia HUF	10:53:19		25000		121.5- 121.75
22-Nov-06			Pankaj L Dedhia HUF	10:56:57	25000		120.2	
22-Nov-06			Pankaj L Dedhia	10:04:53		21000		124
22-Nov-06			Pankaj L Dedhia	10:56:57	21000		120.2	
5-Dec-06	15:28:19 15:28:19	199920	Pankaj L Dedhia HUF	15:25:42		53519		113.1- 113.4
5-Dec-06			Pankaj L Dedhia HUF	15:28:19	53519		112.1	
7-Dec-06	13:14:50 15:29:29	49330	Pankaj L Dedhia HUF	11:23:31		10000		116- 116.2
7-Dec-06			Pankaj L Dedhia HUF	11:29:16	10000		115.4	
14-Dec-06	9:59:15 15:25:49	455000	Manish Innani	14:36:43		90000		107.2- 110.65
14-Dec-06			Manish Innani	15:25:49	90000		106.3	
14-Dec-06			Paras Sirohia HUF	14:37:39		61228		107- 110
14-Dec-06			Paras Sirohia	15:25:49	61228		106.2	

Nederlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
			HUF					
14-Dec-06			Tejas Dhirendra Sangoi	13:22:29		30000		
14-Dec-06			Tejas Dhirendra Sangoi	15:25:49	30000		106.2	
14-Dec-06			Shreyas D Sangoi	13:58:38		21000		108.65-110.85
14-Dec-06			Shreyas D Sangoi	15:25:49	21000		106.2	
15-Dec-06	14:31:44 14:31:44	530000	Manish Innani	13:00:04		133000		108.1-110.65
15-Dec-06			Manish Innani	14:31:44	133000		107.1	
15-Dec-06			Roshan Sirohia	11:13:41		80000		110.5-110.65
15-Dec-06			Roshan Sirohia	14:31:44	80000		107.1	
15-Dec-06			Simrankaur R Chadha	14:01:42		50000		108.25-109.35
15-Dec-06			Simrankaur R Chadha	14:31:44	50000		107.25	
15-Dec-06			S Madasamy	12:20:45		120000		110.1-111
15-Dec-06			S Madasamy	14:31:44	120000		107.15	
15-Dec-06			Japan Haresh Shah	12:10:59		10000		110.6-110.7
15-Dec-06			Japan Haresh Shah	14:31:44	10000		107.2	
15-Dec-06			Naresh Kumar HUF	11:48:07		25000		110.5
15-Dec-06			Naresh Kumar HUF	14:31:44	25000		107.05	
15-Dec-06			Naresh Kumar	11:20:08		25000		110.4-110.75
15-Dec-06			Naresh Kumar	14:31:44	25000		107.2	
28-Dec-06	15:27:40 15:27:40	697251	Nutan H Dhanki	15:22:05		75000		108.1-108.7
28-Dec-06			Nutan H Dhanki	15:27:40	75000		106.35-106.40	
28-Dec-06			S Madasamy	15:20:31		30000		108.1-109

Nederlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
28-Dec-06			S Madasamy	15:27:40	30000		106.45	
28-Dec-06			Urmila P Savla	14:33:37		233437		108- 109.2
28-Dec-06			Urmila P Savla	15:27:40	233437		106.4	
28-Dec-06			Sandeep Naresh Kumar	15:25:50	43272			108- 108.65
28-Dec-06			Sandeep Naresh Kumar	15:27:40		43272	106.4	
2-Jan-07	15:21:58 15:28:07	328000	Nutan H Dhanki	13:57:05		27000		110- 110.25
2-Jan-07			Nutan H Dhanki	15:29:07	27000		108.2- 109.25	
2-Jan-07			Anil L Nagpal	15:22:35		89884		108.1- 109.1
2-Jan-07			Anil L Nagpal	15:28:07	89884		106.65- 109.25	
2-Jan-07			Pushpa Vinod Savla	14:35:22		25000		109.65- 110.15
2-Jan-07			Pushpa Vinod Savla	15:28:07	25000		106.6	
2-Jan-07			Ghanshyam Vinaykant Shroff Huf	15:07:39		30000		109.5- 109.9
2-Jan-07			Ghanshyam Vinaykant Shroff Huf	15:28:07	30000		106.7	
2-Jan-07			Nikhil Shroff HUF	15:17:46		30000		109- 109.55
2-Jan-07			Nikhil Shroff HUF	15:28:07	30000		106.65	
2-Jan-07			Deepali G Shroff	14:50:29		9000		109.95
2-Jan-07			Deepali G Shroff	15:28:07	9000		106.75	
21-Mar-07	15:24:07 15:24:07	85000	Dhwaja Securities & Services Pvt. Ltd	15:22:27		34339		108
21-Mar-07			Dhwaja Securities & Services Pvt. Ltd	15:24:07	34339		106.35- 106.4	

Nederlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
21-Mar-07			P. R. Shroff	11:14:35		5000		107.9-108
21-Mar-07			P. R. Shroff	15:24:07	5000		106.55-107.25	
21-Mar-07			Ketan P Shroff	10:47:36		25000		108.8-109
21-Mar-07				15:24:07	25000		106.3	
22-Mar-07	15:28:25 15:28:25	145000	Dolar Valia	15:20:04		100000		107-109
22-Mar-07				15:28:25	100000		106.7-106.85	
5-Apr-07	14:59:36 14:59:36	166718	Malini P Shroff	11:38:10		82000		109
5-Apr-07			Malini P Shroff	14:59:36	82000		107.1-107.5	
5-Apr-07			Pravin G. Shroff	11:42:52		10000		108.75-109.3
5-Apr-07			Pravin G. Shroff	14:59:36	10000		107.1-107.25	
9-Apr-07	15:16:11 15:16:11	420675	S Madasamy	15:06:20		150000		108.25-108.35
9-Apr-07			S Madasamy	15:16:11	150000		107.55-107.6	
9-Apr-07			Malini P Shroff	13:38:43		43000		110.1-110.5
9-Apr-07			Malini P Shroff	15:16:11	43000		107.65	
9-Apr-07			Sneha Arvind Valia	13:33:42		35692		107.1-110.4
9-Apr-07			Sneha Arvind Valia	15:16:11	30000		107.55-107.6	
9-Apr-07			Nishith N Cheksey HUF	14:55:41		48434		108.4-110.4
9-Apr-07			Nishith N Cheksey HUF	15:16:11	48434		107.55-107.6	
9-Apr-07			Purvi Choksey	13:58:38		44240		109-110.4
9-Apr-07			Purvi Choksey	15:16:11	44240		107.6-107.65	

Nederlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
9-Apr-07			P. R. Shroff	15:00:42		25000		118.5- 108.85
9-Apr-07			P. R. Shroff	15:16:11	25000		107.55- 107.6	
10-Apr-07	15:28:31 15:28:31	114725	Manish Innani	15:14:46		75000		108.55- 109.45
10-Apr-07			Manish Innani	15:28:31	90000		108.15	
12-Apr-07	13:33:07 15:25:39	188751	Sneha Arvind Valia	10:09:34		25000		110.9- 111.4
12-Apr-07			Sneha Arvind Valia	15:25:29	25000		108.2- 108.3	
12-Apr-07			Purvi Choksey	15:11:14		65000		109.25- 111.4
12-Apr-07			Purvi Choksey	15:25:29	65000		108- 108.25	
12-Apr-07			Nishith Choksey	15:24:33		50050		109.1- 111.2
12-Apr-07			Nishith Choksey	15:25:29	50050		108.25- 110.7	
23-Apr-07	15:22:07 15:22:07	12000	Sanjay M Dujodwala	13:04:06		9099		109.6- 109.85
23-Apr-07			Sanjay M Dujodwala	15:22:07	9099		109.1	
25-Apr-07	15:23:27 15:23:27	70000	Sanjay M Dujodwala	14:36:03		60000		110.05- 110.75
			Sanjay M Dujodwala	15:23:27	60000		109.1- 109.35	
26-Apr-07	15:06:12 15:28:20	760587	Sunil M Dujodwala	15:16:03		225969		108.5- 109.5
26-Apr-07			Sunil M Dujodwala	15:28:20	225969		108.05- 108.2	
26-Apr-07			Manish Innani	14:48:25		200222		108.6- 109.75
26-Apr-07			Manish Innani	15:28:20	200222		108.05- 108.25	
3-May-07	15:09:27	279931	Sanjay M	15:06:59		155000		118.75-

Nederlandse FMO N.V.- FCCB			Dealing by identified clients					
Date	Time 1/ Time 2	Sell Qty	Name	Time	Qty		Price	
					Buy	Sell		
	15:27:27		Dujodwala					119.1
3-May-07			Sanjay M Dujodwala	15:27:27	155000		116.1- 116.2	
3-May-07			Sunil M Dujodwala	15:18:35		81094		117.65- 119
3-May-07			Sunil M Dujodwala	15:27:27	81094		116.25	
23-May-07	15:26:25 15:26:25	165143	S Madasamy	12:41:20		100757		117.2- 118.4
23-May-07			S Madasamy	15:26:25	100757		115.1- 116	
23-May-07			Sanjay M Dujodwala	15:02:20		50249		116- 117
23-May-07			Sanjay M Dujodwala	15:26:25	50249		115.1- 115.25	
13-Jun-07	15:28:22 15:28:22	18694	Murarilal R Dujodwala	12:12:41		16953		115- 115.1
13-Jun-07			Murarilal R Dujodwala	15:28:22	16953		113.75	

3.2 The analysis of the trading pattern of the identified clients and FMO revealed that:

3.2.1 In all the cases, the individual clients first sold and then purchased identical quantities during the day.

3.2.2 In all the above prima facie customized trades, the individual sell orders were placed and executed before the FMO sell order was executed and most buy orders were executed alongside the completion of the FMO sell orders. The identified clients were counterparties to FMO's sell orders on most occasions, with clients' share as counterparties burgeoning over the period, as brought out later.

3.2.3 The sell orders of FMO were not put through the 'DQ' or disclosed quantity route and were fully revealed in one instance. This would generate a downward trend in the market price of BILT since there would be a relative paucity in demand with respect to the revealed supply, consistent with the rationale underlying demand

and supply. Normally large orders are disclosed in tranches of ten percent in order to avoid possible sharp changes in price that may visit such a large order to the obvious disadvantage of seller.

- 3.2.4 In some instances individual buy orders with a limit price were placed before the FMO sell orders came through. These client orders were modified around the time the FMO sell orders were being executed. Apparently the clients were on cue and the same helped in faster reversal of the earlier trades.
- 3.2.5 The total sell (and buy) quantity of all clients never exceeded the sell quantity of FMO on any trade day.
- 3.2.6 It is unusual that clients, mostly dabblers with a history of infrequent trading in paltry volumes, were found indulging in short selling followed by short covering, which is a characteristic of day traders. This may only be explained if such trading was done on the back of a firm assurance that large selling orders would enter the trading system later in the day, thereby allowing the short selling clients to purchase and square up their initial transactions.
- 3.2.7 The chronological sequence in the client space is characterized by a passing pageantry with one group being replaced by another in metronomic regularity. The changing ensemble brought arcane flavors to the market. The changing mosaic was meant to be a veneer to obviate any attention, which a set of common clients with a constant presence would have compelled.

4 Gains made by identified clients while dealing in the shares of BILT

- 4.1 The apparent design of the clients is to benefit from the natural dip in the price of BILT resulting from the large sale order of FMO, which could be predicted by an experienced investor or intermediary. Easy gains were almost assured by selling the scrip at a higher price well before the entry of such a large order and then cleverly timing the buy order at a lower price in order to square the transaction, as was done by these identified clients. The gains made through such transactions are indicated in the table presented below:

Table 3: Gains made by identified clients dealing in the shares of BILT

Name of client	Buy value (in Rs. Lacs)	Sell value (in Rs. Lacs)	Gains (in Rs. Lacs)	Gains family wise (in Rs. Lacs)
Anil L Nagpal	95.86	97.74	1.88	1.88
Asha Pankaj Dedhia	133.42	134.9	1.48	
Pankaj L Dedhia HUF	101.58	102.41	0.83	
Pankaj Laxmichand Dedhia	25.24	25.87	0.63	3.04
Deepali Ghanshyam Shroff	9.61	9.89	0.28	
Ghanshyam Vinaykant Shroff Huf	32.01	32.88	0.87	1.15
Dhwaja Securities & Services Pvt. Ltd	36.52	36.98	0.46	0.46
Dolar Valia	106.79	108.43	1.64	1.64
Japan Haresh Shah	10.72	11.06	0.34	0.34
Ketan P Shroff	26.58	27.02	0.44	
Malini P Shroff	134.07	137.02	2.95	
R.P.Shroff HUF	119.8	122.24	2.44	
P. R. Shroff	32.23	32.57	0.34	
Pravin G. Shroff	10.72	10.93	0.21	6.38
Manish Innani#	667.45	679.74	12.29	12.29
Naresh Kumar	26.8	27.64	0.84	
Naresh Kumar HUF	26.76	27.63	0.87	
Sandeep Naresh Kumar	46.04	46.77	0.73	2.44
Nikhil Shroff HUF	32	32.73	0.73	0.73
Nishith N Cheksey Huf	52.1	52.84	0.74	
Purvi Choksey	47.61	48.54	0.93	1.67
Nutan H Dhanki	109.14	110.82	1.68	1.68
Paras Sirohia HUF	65.02	65.84	0.82	
Roshan Sirohia	85.68	88.43	2.75	3.57
S Madasamy	437.91	446.49	8.58	8.58
Simrankaur R Chadha	53.63	54.34	0.71	0.71
Sneha Arvind Valia	93.31	94.35	1.04	1.04
Sunil M Dujodwala	338.59	342.74	4.15	
Murarilal R Dujodwala HUF	19.28	19.5	0.22	
Sanjay M Dujodwala	313.27	318.87	5.6	9.97
Tejas Dhirendra Sangoi	31.86	33.24	1.38	
Shreyas Dhirendra Sangoi	22.88	23.86	0.98	2.36
Urmila P Savla	248.38	253.55	5.17	5.17
Pushpa Vinod Savla	26.65	27.5	0.85	0.85

The entire quantity was not squared off by the client. The profit calculation is to the extent of the quantity squared off.

5 Connection of Shri Raajeev Kasat with the identified clients

- 5.1 It is noticed that all the clients except Shri Manish Innani, dealt in the shares of BILT by placing orders through the trading terminal of Shri Gyanchand Jain located at the Andheri office of the broker M/s Emkay Shares and Stock Brokers Pvt. Ltd.
- 5.2 Shri Rajeev P. Shroff is a registered sub-broker of M/s Emkay Shares and Stock Brokers Pvt. Ltd. at NSE and operates from the same place where the trading terminal allotted to the dealer Shri Gyanchand Jain is located. He is stated to be attached to the Andheri office of the broker. He was earlier an authorized person of M/s Emkay for their business at NSE and remains its remissier at BSE.
- 5.3 Mr. Rajeev P. Shroff appeared to be connected to clients, P.R Shroff, Ketan P. Shroff, Malini P. Shroff and Pravin G. Shroff by way of common address and telephone number as indicated in the KYC forms maintained by the broker.
- 5.4 It is prima facie gathered that Shri Raajeev Kasat knew Shri Rajeev Shroff and was almost regularly in touch with him. It is further noticed that Mr. Rajeev Shroff was contacted a number of times at a number that belongs to the office of the broker, M/s Emkay Shares and Stock Brokers Ltd.
- 5.5 Shri Raajeev Kasat also knew Shri Manish Innani, the largest beneficiary of the above prima facie violation of front running. Shri Kasat's wife was registered as a secondary market client with Shri Manish Innani's broking firm, Prayas Securities Pvt. Ltd. It was observed that Shri Raajeev Kasat was frequently in touch with Shri Manish Innani over the period of examination.
- 5.6 It was informed that in connection with dealing in BILT Shri Raajeev Kasat made phone calls to two groups of clients, viz. Mr. Manish Innani or Mr. Rajeev Shroff. Several such calls were made after the date of intimation of the intention of sale by FMO as also before and/or after the time of actual trades on the dates of trade as can be seen from the tables below.

Table 4: Details of phone calls between Shri Raajeev Kasat and Shri Manish Inani

Date of Email from FMO to UTI	Date of sale by FMO/trades by Shri Manish Inani	Date of phone calls
Nov. 17, 2006	Nov 21, 2006	Nov 15, 2006
Dec 07, 2006 and Dec 13, 2006	Dec 14, 2006	Dec 12, 2006
Dec 14, 2006	Dec 15, 2006	Dec 14, 2006
April 05, 2007 and April 09, 2007	April 10, 2007	April 10, 2007
April 05, 2007 and April 09, 2007	April 26, 2007	April 10, 2007

Table 5: Details of phone calls between Shri Raajeev Kasat and Shri Rajeev Shroff/ Shroff Group

Date of Email from FMO to UTI	Date of sale by FMO/trades by the Shroff Group	Date of phone calls
Nov 13, 2006, Nov 14, 2006, Nov 17, 2006 and Nov 21, 2006	Nov 21, 2006	Nov 15, 2006, Nov 16, 2006 and Nov 21, 2006,
March 19, 2007	March 21, 2007	March 14, 2007, March 06, 2007, March 07, 2007, March 09, 2007
March 19, 2007	March 21, 2007	March 14, 2007 March 06, 2007, March 07, 2007, March 09, 2007
April 02, 2007	April 05, 2007	March 29, 2007, March 25, 2007, March 27, 2007
April 02, 2007	April 05, 2007	March 27, 2007, March 25, 2007, March 29, 2007
April 05, 2007	April 09, 2007	April 06, 2007
April 05, 2007	April 09, 2007	April 06, 2007

6 Observations from the KYCs of the clients

6.1 Some clients were related to each other by way of common address as listed below.

- ? Pankaj L Dedhia HUF, Pankaj Laxmichand Dedhia and Asha Pankaj Dedhia (Dedhias);
- ? Paras Sirohia HUF and Roshan Sirohia (Sirohias);
- ? Tejas Sangoi and Shreyas Dhirendra Sangoi (Sangois);
- ? Naresh Kumar, Naresh Kumar HUF and Sandeep Naresh Kumar (Kumars);
- ? Deepali Ghanshyam Shroff, Ghanshyam Vinaykant Shroff HUF and Nikhil Vinaykant Shroff HUF (Shroffs 1);
- ? P. R. Shroff, Ketan P. Shroff, Malini P. Shroff and Pravin G. Shroff (Shroffs 2);
- ? Dolar Valia and Sneha Arvind Valia (Valias);

- ? Purvi Choksey and Nishith N. Choksey HUF (Chokseys);
- ? Sanjay M Dujodwala, Sunil M Dujodwala and Murarilal R Dujodwala HUF (Dujodwalas).

6.2 The common introducer for the Dedhia family, the Sangoi family, Dolar Valia, Dujodwala family is Mr. Arvind Narayan Shingte. Similarly, for Anil L. Nagpal, Nutan Dhanki, Roshan Sirohia, Urmila Savla, Dhawaja Securities Pvt. Ltd. the introducer is common and is Mr. Rajesh D. Ambre.

6.3 Analysis of the KYC details revealed that the following clients have opened their accounts with M/s Emkay either just prior to the date of first trade or even after the first trade as given below:

Table 6: Date of Opening of Account vis-à-vis Date of Trading

Name of the entity	Date of opening account	Date of first trade in BILT
Anil L Nagpal	December 20, 2006	January 02, 2007
Dhawaja Securities & Services Pvt. Ltd	February 12, 2007	March 21, 2007
Roshan Sirohia	December 16, 2006	December 15, 2006
S Madasamy	December 26, 2006	December 15, 2006
Sunil M Dujodwala	March 05, 2007	April 26, 2007
Murarilal R Dujodwala HUF	March 01, 2007	June 13, 2007
Sanjay M Dujodwala	March 01, 2007	April 23, 2007
Urmila P Savla	December 27, 2006	December 28, 2006
Pushpa Vinod Savla	December 18, 2006	January 02, 2007
Japan Haresh Shah	November 11, 2006	December 15, 2006
Nutan H Dhanki	December 20, 2006	December 28, 2006

For the clients, Roshan Sirohia and S. Madasamy it was observed that the dates of trades preceded the date of opening of account with the broker. The manner in which client accounts were opened and operated close on heels, either way, engenders the prima facie impression that the clients might have been cast in a role play as fillers rather than for anything qua client.

6.4 The clients of the trading member Emkay Shares and Stock Broking Pvt. Ltd. were residing at different locations across the city like Borivali, Malabar Hill, Andheri and Kandivali as well as in different cities like Tirunelveli in Tamilnadu and

Ahmedabad in Gujarat. However, all these clients were observed to have executed the trades in BILT through a single dealer, Gyanchand Jain located at the Andheri office of the trading member. Only in a couple of trades was an alternate terminal in the same office used for execution. Further, the user ID assigned to this dealer did not have a CTCL or internet trading facility that could allow clients to trade from different or remote locations. It is something strange that a smattering of clients from different and remote locations across the market converge in unison on a single terminal at Andheri branch without the CTCL/internet facility and the same cannot be consistent with anything other than a command performance deftly managed. Only a detailed investigation would bring out the necessary clarity.

7 Nature of dealing in shares by the identified clients in other securities

- 7.1 The trading pattern of the identified clients does not indicate that they were regularly dealing in shares as seen from their ledgers maintained at the broking firm, which are very sparsely populated and contain entries only around the dates of transactions in BILT. The client groups Sirohia, Dujodwala and Shroff as also clients Pankaj Laxmichand Dedhia, Roshan, Urmila P. Savla, Tejas Dharendra Sangoi, Sandeep Naresh Kumar and Sneha Arvind Valia had no other secondary market dealing except in the instant case of BILT over the period from November 01, 2006 to June 30, 2007. This suggests that these clients appear to have lent their names to Rajeev Shroff, who in turn, appeared to have planned and executed the orders placed around the sales by FMO.
- 7.2 The clients Dedhia, Valia, Choksey, Nutan H. Dhanki, Ghanshyam Vinaykant Shroff HUF, Nikhil H. Shroff, Pushpa Vinod Savla, S. Madasamy, Simrankaur R. Chaddha, Japan Haresh Shah, Naresh Kumar (& HUF), Anil L. Nagpal, P.R. Shroff, Ketan P. Shroff, and S. Madaswamy dealt in less than five scrips with quantities that were insignificant as compared to their trades undertaken in BILT.
- 7.3 The client, Manish Innani dealt in several scrips and most of the trades were in the nature of squaring off transactions with those in BILT constituting the largest percentage of his trading portfolios over the period of examination. It was observed that except for a couple of securities in which the client has traded during the

period, the volume and close out difference observed in the case of trades executed in BILT was significantly higher than in the other trades executed by the client.

- 7.4 The client, R.P. Shroff HUF, Dhawaja Securities Pvt. Ltd. and Murarilal R. Dujodwala dealt in quite a few scrips, but only the trades in BILT were in the nature of squaring off transactions. The quantities of the other trades were insignificant when compared to the trades carried out in BILT.
- 7.5 Overall, the abnormal trading pattern of the identified clients in the shares of BILT prima facie, pointed towards a possibility of prior knowledge of FMO orders leading to '*customised front running*'.

8 Short selling by the identified clients

- 8.1 Having appreciated the intermittent or cautious nature of trading of the identified clients, it is more than curious that the identified clients have short sold large quantity of shares of BILT. The details of the quantity sold by FMO and the identified clients and their percentage of short sold quantity on various dates are given below:

Table 7: Quantity sold by FMO and the identified clients

Date	Sell Qty by Netherlandse	Dealing by connected clients		% of short sell qty
		Short Sell Qty	Buy Qty	
21-Nov-06	790000	210000	210000	26.58
22-Nov-06	385000	157000	157000	40.78
23-Nov-06	58394	480	480	0.82
5-Dec-06	199920	53519	53519	26.77
7-Dec-06	49330	10000	10000	20.27
14-Dec-06	455000	202228	202228	44.45
15-Dec-06	530000	443000	443000	83.58
28-Dec-06	697251	338437	338437	48.54
2-Jan-07	328000	210884	210884	64.29
21-Mar-07	85000	64339	64339	75.69
22-Mar-07	145000	100000	100000	68.97
5-Apr-07	166718	143308	149000	85.96
9-Apr-07	420675	346366	340674	82.34
10-Apr-07	114725	75000	90000	65.37
12-Apr-07	188751	140050	140050	74.20

Date	Sell Qty by Nederlandse	Dealing by connected clients		% of short sell qty
		Short Sell Qty	Buy Qty	
23-Apr-07	12000	9099	9099	75.83
26-Apr-07	760587	426191	426191	56.03
3-May-07	279931	236094	236094	84.34
23-May-07	165143	151006	151006	91.44
13-Jun-07	18694	16953	16953	90.69

8.2 It is seen from the above table that on majority of days the percentage of short sell quantity of the identified clients has been more than 60% of the quantity sold by FMO, which is seen to be a far cry from the small numbers of the early days. The growing number is a measure of how the key players have mastered the strategy over time and made it really work with consummate ease and aplomb by carving out a space in the market in a seamless alignment. Overtime the entrenchment of customized front running is visible with the clients absorbing up to 90% of the sales by FMO. It is neither abnormal nor a coincidence that these clients have traded only on the days when FMO has traded, first selling large quantities and then buying back the entire quantity after the sell order by FMO. The fact, that on none of the dates did the total quantity of the trades exceed the quantity sold by FMO, suggests that the clients were aware of the exact quantity that was to be sold in order to complete the second leg of their transaction through the liquidity generated by the sale made by FMO. This suggests that their trades were tailor made.

8.3 Short selling is a strategy used by players with considerable flair for trading and is not commonly observed for clients who trade a maximum of five times over a period of half a year. That the sale order by FMO was well within the knowledge of the clients or their chosen dealer is apparent from the fact that majority of these clients who normally have indulged in squaring off transactions in small quantities have short sold huge quantities and then bought it back. This trading pattern of the identified clients suggests that they were not only aware of the time of the sell order by FMO but also the quantity to be sold by it, since a majority of buy orders of the identified clients have matched with significant portion of FMO sales through the trading mechanism of the exchange. The whole arrangement is made to order triggering matching responses in a perfect fit.

9 Other institutional dealings by Shri Raajeev Kasat

? It was observed that Shri Kasat had dealt on behalf of the institutional entities like UTI Mutual Fund, JM Mutual Fund, Kotak International U.K. as purchasers for BILT from the sale order of FMO. Such transactions have been carried out in a normal way keeping the interest of the institutional clients in mind. In that view, a trading member would normally not disclose the entire order to the market to fetch the best price for his clients lest the same should have an unfavorable and sharp impact on the price. Accordingly, Shri Kasat did not disclose the entire order quantity in the case of such institutional clients but while dealing for FMO there was a deviation from norms. In a curious about turn, Shri Kasat turned his back on such norms with regard to the sale of FMO in relation to the identified clients, since such a strategy served the interests of the identified group of clients dealing through M/s Emkay, as detailed supra. He disclosed the entire sell volume of FMO's order in one instance thereby ensuring that it had maximum market impact and disclosed the buy quantity of other institutions only in tranches, thereby facilitating maximum possible spreads and monetary gains to the front running clients.

10 Conclusion

10.1 Nederlandse FMO N.V, an FII, trading through M/s UTI Securities Limited sold a total of 6004100 shares of BILT during November 01, 2006 to June 13, 2007.

10.2 Prima facie there appears to be a clear pattern in which Shri Raajeev Kasat, dealer of M/s UTI Securities Limited is seen to be passing information to Shri Manish Innani at Prayas Securities Pvt. Ltd. and Shri Rajeev Shroff at Emkay Shares and Stock Brokers Pvt. Ltd. Shri Innani has dealt in his individual account to garner illegal profits by misusing the confidential information. Shri Rajeev Shroff in turn appears to have used the information from Shri Kasat to set up a group of clients including entities apparently connected to him that have participated in what appears to be '*customised front running*'. The pattern of order placement by the clients at Emkay and the manner in which the orders were updated and deleted indicates that the timing of FMO orders was well within the knowledge of the

identified clients who were observed to be '*customised front running*'. That these clients, who have previously dealt in quantities of a few thousand shares or dealt in a maximum of five scrips, have short-sold shares running to quantities of nearly a lakh or more, clearly demonstrates a level of confidence which can spring only from prior knowledge of huge institutional sales coming through that would enable them to square off their initial transactions. The quantity traded by identified clients in the shares of BILT was also among the highest in respective portfolios. In view of this, Shri Raajeev Kasat, Shri Rajeev Shroff and the identified clients who have dealt in the shares of BILT or induced to deal in a fraudulent manner in the said share, appear to have prima facie violated the following sections of Sections 12 A (a), (b) and (c) of SEBI Act, 1992.

10.3 The abovementioned individuals have also been found to have prima facie violated regulations 3 (a) to (d) and regulation 4 (q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003:

10.4 The brokers M/s UTI Securities Ltd and M/s Emkay Shares and Stock Brokers Pvt. Ltd. were observed to be lacking in adequate internal controls to prevent market abuse and the misuse of their trading system. In the case of M/s UTI Securities Ltd., it is prima facie noticed that their dealer shared confidential information about the dealing of an institutional client in the shares of BILT with other clients, who in turn capitalized on this to deal in the same shares a manner apparently abusive of the market mechanism. In the case of M/s Emkay Shares and Stock Brokers Pvt. Ltd. one of their sub-brokers, Shri Rajeev Shroff received confidential information through calls on the telephone lines installed in its office and then dealt in the shares of BILT through its trading terminals in a manner apparently abusive of the market mechanism. In the entire scheme of market regulations, significant responsibilities are entrusted upon registered market intermediaries to maintain market integrity thereby enhancing their role to protect the interest of investors. It is imperative that all market intermediaries maintain high standards of integrity, promptitude and fairness in the conduct of their business, besides exercising due skill and care. The role of the broking companies, Shri Manish Innani and the dealer needs to be investigated in depth for any connivance on their part.

10.5 It is noticed that Shri Kasat shares a close acquaintance with Shri Shroff and Shri Innani and thus far they have succeeded in their artifice by adopting the above mentioned trading strategy that is abusive of the market. If unchecked without any prompt remedial action it is likely that these persons may extend such devious designs to other scrips, which needs to be prevented at the earliest, in the interest of integrity of the market and the investors. Detailed investigation has been ordered but in the meantime I feel that immediate action is called for in the interest of the investing public. Unauthorized purveying of confidential information for collateral gains, directly or indirectly, is an act of breach of trust. Since capital markets rely on punctilious observance of fiduciary responsibilities, it is imperative that cases as the instant one are dealt with firmly in the incipient stage, thereby sending appropriate signals in the market.

11 Order

11.1 Therefore, 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, 11(4)(b) and 11D, I hereby, by way of ad interim, ex-parte order, direct:

11.1.1 Shri Raajeev Kasat and Shri Rajeev Shroff are hereby directed not to buy, sell or deal in any securities, directly or indirectly till further directions in this regard.

11.1.2 the following identified clients to cease and desist from indulging in any such trading activity, directly or indirectly, which amounts to violation of Section 12A (a), (b) and (e) of the SEBI Act, 1992 or Regulations 3 (a) to (d) and Regulation 4(q) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

Name of the Identified Entity	PAN No
Anil L Nagpal	AADPN8477F
Asha Pankaj Dedhia	AAEPD2994E
Pankaj L Dedhia HUF	AACHP7264B
Pankaj Laxmichand Dedhia	AAAPD6051G
Deepali Ghanshyam Shroff	AAEPS1835K

Name of the Identified Entity	PAN No
Ghanshyam Vinaykant Shroff HUF	AAAHG0665B
Dhwaja Securities & Services Pvt. Ltd	AACCD1313L
Japan Haresh Shah	BFYPS0402Q
Ketan P Shroff	AQRPS2946J
Malini P Shroff	AAQPS6945L
R.P.Shroff HUF	AAIHR3277E
P. R. Shroff	AABPS7369D
Pravin G. Shroff	AAHPS2840K
Naresh Kumar	AACPK3384K
Naresh Kumar HUF	AAAHN7694B
Sandeep Naresh Kumar	AGCPK5965E
Nikhil Shroff HUF	AAAHN3266P
Nishith N Choksey Huf	AAEHN3868F
Purvi Choksey	AFHPS6489K
Nutan H Dhanki	AACPD9254B
Paras Sirohia HUF	AAAHS4037H
Roshan Sirohia	BDAPS5667R
S Madasamy	AKQPM0855R
Simrankaur R Chadha	AGKPC4087H
Sneha Arvind Valia	ADEPV8100D
Dolar Valia	ALAPV0906G
Sunil M Dujodwala HUF	AAPHS5793B
Murarilal R Dujodwala HUF	AAAHM2024C
Sanjay M Dujodwala	AAIHS8904D
Tejas Dharendra Sangoi	AFZPS2274N
Shreyas Dharendra Sangoi	AFBPS0727G
Urmila P Savla	AGPPS8295J
Pushpa Vinod Savla	AGTPS1609Q
Manish Innani	AABPI42129C

11.1.3 the clients listed in Para 11.1.2 above to deposit the profits made by them, as per the calculations shown in Table 3 of this ad-interim order, with the National Stock Exchange of India Ltd (NSE) within 15 days from the date of issue of this order. NSE shall keep this amount in their custody till further directions from SEBI. Failure to deposit the amount by the identified clients within the prescribed time would result in further actions against these clients as may be deemed fit.

11.1.4 M/s UTI Securities Limited and M/s Emkay Shares and Stock Brokers Pvt. Ltd. to conduct an internal enquiry into the above matter and initiate

appropriate actions against their employees or agents named in this order and submit an action taken report within 30 days of this order to SEBI. I further direct M/s UTI Securities Limited and M/s Emkay Shares and Stock Brokers Pvt. Ltd. to take steps to ensure that their trading systems, client information and other facilities are not misused to the detriment of their clients or market integrity and that they fulfill their fiduciary obligations to their clients. I also direct them to exercise due diligence in supervising their dealers and other employees to the above end.

- 11.2 I also take this opportunity to advise all the market intermediaries to strengthen their existing systems and internal controls to avoid occurrence of any such violations by their employees, agents, etc.
- 11.3 The above order is without prejudice to any other action that may be initiated against the said violations.
- 11.4 The above order shall take effect immediately. However, the entities/persons against whom this order is issued may file their objections, if any, to this order within 15 days from the date of this order treating this order as a show cause notice, at the Securities and Exchange Board of India, SEBI Bhavan, C4-A, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

Place: Mumbai
Date: 01.10.2007

G ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA