

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER

IN THE MATTER OF DSQ BIOTECH LTD. (DSQBL), SHRI DINESH DALMIA, CHAIRMAN (DSQBL), SHRI K GOPALKRISHNAN, MANAGING DIRECTOR (DSQBL), SHRI M.G. ANANT KUMAR, EXECUTIVE DIRECTOR (DSQBL), SHRI S. GANAPATHY SUBRAMANIAM, DIRECTOR (DSQBL), SHRI P.S. BALASUBRAMANIAM, DIRECTOR (DSQBL), SHRI VASUDEV SUBANTHORE, DIRECTOR (DSQBL), AND DSQ BIOTECH LTD. GROUP ENTITIES NAMELY, M/s. DSQ HOLDING LTD., M/s. POWERFLOW HOLDINGS AND TRADING PRIVATE LTD., M/s. HULDA PROPERTIES & TRADES LTD., M/s. COOLTEX COMMODITIES PVT. LTD., M/s. BERRAL TRADING & INVESTMENT CO. PVT. LTD., M/s. ARUN POLYMERS (P) LTD. AND M/s. ASPOLIGHT BARTER.

IN THE SCRIP OF DSQ BIOTECH LTD.

ORDER

DIRECTIONS UNDER SECTIONS 11B AND 11(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995

1. The Securities and Exchange Board of India (hereinafter referred to as 'the SEBI' or 'the Board') conducted investigation into the dealings in the scrip of DSQ Biotech Ltd. (hereinafter referred to as "DSQ Biotech or "DSQBL" or "the Company") for the period between December 1999 and January 2001 (hereinafter referred to as "investigation/relevant period"). The investigations were conducted to find out any possible irregularity in the preferential allotment of shares by the

company, price manipulation in the scrip and the subsequent off-loading of unlisted shares in the market by DSQ Biotech and related entities during the relevant period.

2. The shares of the company at the time of the investigation were listed on the Bombay Stock Exchange Ltd. (BSE), the Ahmedabad Stock Exchange of (ASE), the Calcutta Stock Exchange Association Ltd. (CSE), the Delhi Stock Exchange Ltd. (DSE), the Madras Stock Exchange (MSE) and the National Stock Exchange of India Ltd. (NSE). The scrip was suspended from trading on the NSE with effect from June 27, 2001 due to non compliance with the provisions of the Listing Agreement entered into with the exchange. The company is now called “Origin Agrostar Limited” with effect from September 25, 2001.
3. The investigations conducted by the SEBI revealed the following;
 - a. The company had increased its share capital by making a preferential issue during September, 2000. In the preferential issue the company had allotted 52,00,000 shares to Greenfield Investments Ltd. and 28,30,000 shares to A. J. Finance Ltd.. The shares so allotted were partly paid up since only 10% of the application money was paid to the company. The above said shares were not listed at any of the recognized stock exchanges.
 - b. The allotted shares were dematerialized on the instructions of the company and credited to the demat accounts of the allottees (Greenfield and A J Finance). During September / October 2000, the shares were transferred by the allottees to the demat account of DSQ Holdings Ltd. (group entity of DSQ Biotech). DSQ Holdings then transferred the shares to various brokers of the NSE and BSE, which were subsequently off-loaded in the market to the detriment of the investors and the securities market as the shares were partly paid and unlisted. It was alleged that the brokers to whom the shares were

transferred had connived with the DSQ Group to trade and offload unlisted preferential shares into the market.

- c. The investigations also observed that prior to and after the period of the issue i.e. between December 1999 and January 2001, abnormal activity was noticed in the trading in the shares of the company at the NSE and BSE. It was also revealed that there were large number of structured deals wherein the buy and the sell clients happened to be related entities.
- d. The investigations further revealed that between December 1999 and April 2000 at the NSE, the scrip was traded on 16 days in the rolling period. Cross deals were also noticed and the major clients involved in those cross deals were found to be DSQ Biotech related entities. These entities were seen to be major buyers till February 23, 2000 and then seen to be consistent and heavy sellers from February 24, 2000.
- e. At the BSE, for the same period, 12 brokers were found to be involved in synchronized trades for their clients, who were the entities related to the DSQ group. These synchronized trades accounted to nearly 68.29% of the market volume during the period, and the percentage of these trades to the particular day's trading was in the range of 21%- 100%.
- f. It was noticed that for the period between September 2000 and January 09, 2001, at the NSE, top 15 brokers had traded on behalf of the entities related to the DSQ Group. Those entities had accounted for a sizable portion upto 62% of the gross quantity traded and net quantity traded in the scrip ranging from 34% on the buy side and 97% on the sell side during the aforesaid period. Further, 7.24% of the gross traded quantity during the aforesaid period was by way of cross deals and structured deals executed between these brokers during the aforesaid period.

- g. The investigations attributed the large volumes in the scrip during the investigation period to the synchronised and fictitious trades executed by the entities through their accommodating brokers. It was also observed that certain brokers had made payments (sale consideration) to their clients even before the pay-out was made by the exchange.
- h. The findings indicated that the company, Shri Dinesh Dalmia and other directors had allotted partly paid unlisted shares to two related entities viz., Greenfield and A J Finance, who subsequently off-loaded those shares in the securities market to lay investors thereby reaping unjust gains. The related entities like DSQ Holding Ltd. (DSQ Holding), Powerflow Holdings & Trading Pvt. Ltd. (Powerflow), Hulda Properties & Trades Ltd. (Hulda), Arun Polymers, Aspolight Barter, Cooltex Commodities Pvt. Ltd., & Berral Trading & Investments Ltd. (Berral) had connived with the company in respect of the above irregularities and in the subsequent offloading of unlisted shares in the market through various brokers and also in the creation of artificial market by employing unfair and fraudulent practices.
- i. In view of the above, it was alleged that DSQ Biotech, Shri Dinesh Dalmia, Chairman, Shri K Gopal Krishnan, Managing Director, Shri M. G. Anant Kumar, Executive Director, Shri S. Ganapathy Subramaniam, Shri P. S. Balasubramaniam and Shri Vasudev Subanthore along with entities related to the DSQ Group i.e. DSQ Holding Ltd., Powerflow Holdings & Trading Pvt. Ltd., Hulda Properties & Trades Ltd., Arun Polymers, Aspolight Barter, Cooltex Commodities Pvt. Ltd., & Berral Trading & Investments Ltd. were guilty of violating the provisions of Regulation 3 and clauses (b), (c) and (d) of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 1995, (hereinafter referred to as “PFUTP Regulations”).

4. Accordingly, show cause notices dated October 28, 2005 were issued to M/s. DSQ Biotech Ltd., Shri Dinesh Dalmia, Chairman, DSQBL, Shri K Gopalakrishnan, MD, DSQBL, Shri M G Anant Kumar, ED, DSQBL, Shri S Ganapathy Subramaniam, Director, DSQBL, Shri P S Balasubramaniam, Director, DSQBL, Shri Vasudev Subanthore, Director, DSQBL, DSQ Holdings Ltd., Powerflow, Hulda, Cooltex Commodities Pvt. Ltd., Berral, Arun Polymers P Ltd. and Aspolight Barter. For the sake of brevity, all the above mentioned entities/persons are collectively referred to as 'noticees' and individually by their respective names. The show cause notice required the entities/persons to show cause as to *why suitable directions including directions restraining them from buying, selling or dealing in securities for a specified period under Section 11 and 11 B of the SEBI Act, 1992 read with Regulations 11 and 13 of SEBI (PFUTP) Regulations, 2003*, should not be issued against them. The show cause notice also required DSQ Holding Limited and Shri Dinesh Dalmia to show cause as to why they should not be directed to :
- (i) *buy back 80.30 lakh shares of DSQ Biotech from the market,*
 - (ii) *to deposit Rs. 122.19 crore in an escrow account for the above purpose,*
 - (iii) *to credit the remainder of the amount out of Rs.122.19 crore after buy back of the shares, to the Investor Protection Fund and*
 - (iv) *further directions to DSQ Biotech to extinguish/cancel the shares so bought back by DSQ Holding Ltd. and Shri Dinesh Dalmia.*
5. The above show cause notices were issued to the entities/persons at their last address available with the SEBI. The show cause notice was received by the DSQBL and its directors. In case of DSQ Holdings, though the show cause notice returned undelivered, still the entity replied to the show cause notice seeking extension of time. In the case of Powerflow, Hulda, Cooltex Commodities Pvt.Ltd., Berral, Arun Polymers P Ltd. and Aspolight Barter., the show cause notices returned undelivered and so were pasted at their last available address. Letters of SEBI regarding hearing to the above entities had also been pasted at their last available address.

6. Though no reply to show cause notice was received, a letter dated December 01, 2005 was received from M/s. Vaidyanathan Associates, Advocates on behalf of their clients, viz., DSQ Biotech, Shri Dinesh Dalmia, Chairman, DSQBL, Shri K Gopalakrishnan, MD, DSQBL, Shri M G Anant Kumar, ED, DSQBL, Shri S Ganapathy Subramaniam, Director, DSQBL and DSQ Holdings seeking extension of time to file their replies. Another letter dated December 14, 2005 was received from M/s Vaidyanathan Associates, Advocoates seeking further extension of time to file the reply to the show cause notices. Another letter dated January 05, 2006 was received from Mr. Shreenivasan of M/s Origin Agrostar Ltd. (formerly DSQBL) on behalf of the company, the directors and other officers of the company seeking inspection of documents relied upon during investigation proceedings. An opportunity to inspect the documents was provided to them vide SEBI letter dated February 16, 2006 on February 24, 2006 at SEBI office, Mumbai. Despite giving further opportunities to file replies and the inspection of the case documents, the entities/persons neither came for the inspection of documents nor filed their reply to the show cause notice.
7. An opportunity of hearing was granted to the above entities before me on May 10 -11, 2006. Letter for intimation of the date for the said hearing before me was sent to these entities at the same address at which the show cause notices were sent and were also received by DSQBL and the directors. Also this was the same address from where the request for inspection of documents was received. However, the letters to the company and all the directors except one of the directors (Shri M G Anant Kumar) returned undelivered with the remark "*not claimed/returned to sender*". The Executive Director of DSQBL, Mr. M G Anant Kumar received SEBI letter and replied seeking fresh date for inspection of documents and for hearing before me. The letter head of Mr. M G Anant Kumar bore the same address at which the letters were sent to other directors of DSQBL. Also, SEBI letter intimating the hearing to Powerflow, Hulda, Cooltex

Commodities Pvt.Ltd., Berral, Arun Polymers P Ltd. and Aspolight Barter were pasted at their last available address.

8. Another opportunity of hearing was given to all the 14 entities on September 12, 2006. However, none of the 14 entities attended the hearing on the said date. Also, no communication was received from either of the 14 entities indicating their intention to attend the hearing or for seeking adjournment. Meanwhile, a letter dated September 08, 2006 was received by SEBI on September 13, 2006, i.e. a day after the scheduled date of hearing from Shri M G Anant Kumar, former Executive Director, DSQBL who again requested inspection of documents relied upon during investigation. Considering the request, in the interest of justice, final opportunity of inspection of documents was given to Shri M G Anant Kumar vide SEBI letter dated September 25, 2006 on September 29, 2006. Though the letter was received on September 27, 2006 itself, still Shri Kumar did not appear for the inspection of documents. Also, SEBI did not receive any correspondence from Shri Kumar in this regard. Shri Kumar vide SEBI letter dated October 03, 2006 was called upon to appear before me for hearing on October 09, 2006. However Shri Kumar again did not appear for the hearing.
9. From the facts mentioned above, the delaying tactics of the entities involved in the case are quite evident. Neither did they submit replies to the show cause notice nor did they avail the opportunity of inspection of documents which was afforded to them time and again on their request. Also, the directors of DSQBL did not claim SEBI letters though one of the directors had received the SEBI letter and had replied from the same address. Besides, the show cause notices were received by these entities at the same address. Further, I note that they had corresponded from this address only in as late as January 2006. No change in the address has been communicated to the SEBI. Besides, one of the EDs is still corresponding from the same address. I note that inspite of the numerous opportunities; the noticees have neither replied to the show cause notice nor appeared before me to make their submissions in the matter. In these

circumstances, I am of the view that affording further opportunities would only delay the proceedings and would serve no useful purpose. I, therefore, consider it fit to proceed with the case ex-parte based on the materials on record.

10. I have carefully perused the show cause notices issued to the persons/entities concerned, various correspondence exchanged with the noticees and other material on record. Before considering the case, I find that the noticees did not comply with the summonses/notices that were issued to them during investigations. I note that while some entities did not respond, few others had provided scanty information which was not adequate for any useful analysis by SEBI. The investigations were severely hampered due to the non-cooperative and callous approach adopted by the entities. Investigations had to heavily rely on the information submitted by the exchanges and some brokers. Relevant material collected against the noticees by the Enforcement Directorate were also utilised by the SEBI. I, therefore strongly disapprove the conduct of the entities for their non-cooperation with the investigations and in the present quasi-judicial proceedings before me.
11. From the facts of the case, I find that the following issues arise for consideration:
 - a. *Whether there was any irregularity in the preferential allotment of shares by the company and its directors?*
 - b. *Whether the company, its directors and related entities had fraudulently off-loaded the shares in the market?*
 - c. *Whether there was any violation of the provisions of Regulation 3 and clauses (b), (c) and (d) of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 1995?*
 - d. *If the violations are proved, what would be the necessary directions that need to be issued against the noticees in the present case?*

I proceed to consider the issues involved in the case, in-seriatim.

12. **Whether there was any irregularity in the preferential allotment of shares by the company and its directors?**

A notice of an Extra-ordinary General Meeting (EGM) of the company was sent to all the shareholders on February 16, 2000, to discuss the proposal to allot shares on “preferential basis” to select entities. As per the said notice, it was proposed to allot 1,50,00,000 equity shares on preferential basis to OCBs, NRIs, private equity funds, pension funds, etc. I also note that the company in its board meeting on February 28, 2000 resolved to allot 80,30,000 shares to following four entities as per the details in the table below:

Sr. No.	Name of allottee	No. of shares	% of capital post (issue)	Distinctive num allotted
1	Deutsche Bank Custodial Services Ltd. (FII)	22,00,000	9.775	14476381-16676380
2	Society Generale, Paris(FII)	11,00,000	4.888	16676381-17776380
3	A J Finance Ltd., Singapore (OCB)	30,00,000	13.330	17776381-20776380
4	Greenfield Investment Ltd., Mauritius (OCB)	17,30,000	7.687	20776381-22506380
	Total	80,30,000	35.68%	

These shares were priced at Rs.275/- with a premium of Rs.265/- per share. The shares were partly paid up upto 10% with a face value of Re.1/- of the total face value of Rs.10 per share. This preferential allotment had increased the capital of the company from 1,44,76,380 shares to 2,25,06,380 shares which is a increase by 55.5% over the pre issue capital. It is **pertinent to note that the company did not file necessary applications for listing of the above said shares with any of the recognized exchanges where its shares were listed.**

13. I note that SEBI had called for the payment details regarding the preferential allotment from the company. Summons under section 11C (3) of the SEBI Act,

1992 was issued to the company to obtain this information. However, I note that the company failed to respond to the above summons in total disregard for the market regulator. I find that AJ Finance and Greenfield (two of the allottees) had also failed to respond to the summonses issued to them during investigations. Despite such non-cooperation from the parties, information regarding the alleged irregular preferential allotment was obtained from the Enforcement Directorate which had investigated the said transactions/allotment. I note that in the absence of cooperation from the company and its related entities, SEBI investigations relied on various other material obtained from relevant entities/authorities including the Enforcement Directorate.

14. I note that during the investigations, information was also called for, from the other two allottees, viz., Deutsche Bank Custodial Services Ltd. (FII) and Society Generale, Paris (FII) and its custodians about the preferential allotment by the company. In this regard, **Deutsche Bank stated that none of their sub-accounts had invested in any preference/ placement of shares of the company. Society Generale stated that it had applied for the preferential issue of the company vide application form dated March 09, 2000 and had remitted the money** amounting to Rs.3,02,50,000 vide cheque no. 4870 dated March 09, 2000. Their custodian stated that pursuant to the payment of the money to the company, the shares that were intimated to be allotted to them were not dispatched. I note that DSQBL in its communication justified the non-dispatch of the certificates on the ground that the company was awaiting RBI's approval for the allotment of preferential shares to it. The custodian further stated that after rigorous follow up with the company, it was insisted that atleast a copy of the share certificate be issued to it. A copy of the 'share certificate' was submitted to the SEBI by the custodian.
15. I also note that Shri Dinesh Dalmia in his statement on December 30, 2002 before the Enforcement Directorate stated that since the company was in need of funds, he approached his friend Shri Praveen Goonawala of Greenfield Investment Ltd.

and his brother-in-law Shri Anil Jhunjhunwala of A. J. Finance Ltd. to render financial assistance to the company. Shri Dinesh Dalmia further stated that he asked the two to make investments in DSQ Biotech by subscribing to preferential issue by the company. Against this preferential issue, A. J. Finance Ltd. remitted foreign exchange equivalent to Rs.8,25,00,311/- and Greenfield Investment Ltd. remitted foreign exchange equivalent to Rs.24,92,68,688/-. I note that Shri Gopalkrishnan, Managing Director of the company, in his deposition before the Enforcement Directorate dated April 29, 2002 stated that as per the terms of the preferential allotment, 10% of the money was payable on application and the remainder 90% within 30 days of allotment. I, find that the above said entities paid only 10% of the application money to the company against the preferential allotment of shares and as such no further money was paid by them to the company. Thus, in effect the **shares allotted to the above entities on preferential basis were partly paid up** which was in violation of the SEBI (Disclosure and Investor Protection) Guidelines ('Guidelines'). As already mentioned, the **shares allotted on the preferential basis were not listed on any of the stock exchanges.**

16. I further note that Shri Dalmia had stated before the Enforcement Directorate that the company received US \$1.4 million from Deutsche Bank Custodial Services Ltd. (FII) on March 6, 2000 and foreign exchange to the tune of Rs.3,02,50,000/- from Society Generale, Paris (FII) on March 9, 2000 as application money towards the proposed allotment of the shares of DSQ Biotech. As stated above, Deutsche denied having invested in the shares of DSQ Biotech and Society Generale were not dispatched shares that were allotted to it. Therefore, no shares were allotted to Deutsche and Society Generale. Investigations found that A J Finance Ltd. used the portfolio investment scheme of these 2 banks to invest in the shares of DSQBL and therefore the names of these two FIIs appeared in the list of allottees in the preferential allotment. **This would have been done (the act of having the names of two FIIs as allottees) to keep the investment by A J Finance Ltd. below 15% and thus escape the eyes of the exchange.**

17. I note that Shri Dinesh Dalmia in his statement dated October 17, 2002 before the Enforcement Directorate stated/admitted that the share certificates were not issued to the allottees. He further stated that since the original allottees could not remit the remainder of the subscription money, he arranged to get money from his group entities. Shri Dalmia further stated that three of his group companies i.e. Continental Filaments Ltd., Uniforge Steel and Athena Software made the payment for the remainder 90% of the shares. I note that the company vide its letter dated August 06, 2002 addressed to the Enforcement Directorate disclosed that as regards the balance amount of 90% of the consideration, except M/s. Greenfield Investments, the company had received the following sum of money from Indian companies instead of the original allottees:

Sr. no	Name of the allottees	Name of the payer	Amount	Receipt
1.	Deutsche International Custodial Services Ltd	Continental Filaments Pvt. Ltd., Delhi	54,40,72,000	March 29, 2001 March 30, 2001
2.	Society Generale	Uniforge Steel Workshop Pvt. Ltd., Delhi	27,22,56,000	March 29, 2001 March 30, 2001
3.	A J Finance	Athena Software, Bangalore	74,24,99,690	March 29, 2001 March 30, 2001
		Total	155,88,27,690	

18. I note that M/s Continental Investment Ltd. (Continental) had paid an amount of Rs.54,40,72,000/- on behalf of Deutsche. I find that Continental was incorporated in 1989 by Shri S. S. Agarwal and his family members but could not undertake any commercial activities and remained defunct. On March 19, 2001, Continental was transferred to a representative of the DSQ Group for a consideration of Rs.82,200/- and after that date Continental was exclusively controlled by the DSQ Group. This was also confirmed by Shri Dinesh Dalmia in his statement before the Enforcement Directorate on October 17, 2002, October 18, 2002 and December 30, 2002.

19. I note that M/s Uniforge Steel Workshop Pvt. Ltd. (Uniforge) had paid a consideration of Rs.27,22,56,000/- on behalf of Society General (for whom shares were not despatched). Uniforge was formed in the year 1990 by Shri Vipin Ramani and his family members. However the above company could not engage in any business activity and remained inoperative. On March 19, 2001, Shri Vipin Ramani transferred Uniforge to a representative of DSQ Group for consideration of Rs.40,740/- and after that date Uniforge was exclusively controlled by the DSQ Group. This was also confirmed by Shri Dinesh Dalmia, MD of DSQBL in his statement before the Enforcement Directorate on October 17, 2002 and October 18, 2002. I also note that Athena Software which made a payment of Rs. 74,24,99,690/-, belonged to DSQ Software Ltd., a group company of DSQ Biotech Ltd.. I note that the MD of DSQBL revealed that the demat accounts in the name of the above paying companies did not exist and thus there was no question of credit of shares into their accounts.
20. I note that the investigations revealed that the money was shown to have come from the accounts of Continental, Uniforge and Athena maintained with the Indian Overseas Bank, Bhavanipore Branch, Kolkatta. I further note that all these accounts were opened in March 2001. It would be pertinent to note that it was agreed and acknowledged by Shri Dalmia that **“physically there were no credits”** and that **no fresh funds came into the company.**
21. I, further find that in the distribution schedule as on June 21, 2000, the shares allotted on preferential basis, were reflected as partly paid up shares which amounted to around 35.67% of the post issue share capital of the company. The distribution schedule reflects that these shares were allotted to the above entities as paid up shares only to the extent of Re.1/-. I also note that in the Director’s Report at page 9 of the Annual Report of the company for the year 1999-2000, it was stated that the shares were issued at a premium of Rs.265/- per share and that 10% of the amount was received along with the application and that the balance was expected before July 12, 2000. It also stated that the objective of the

preferential issue was to utilize the proceeds to make the company debt free, to meet the cost of projects and to provide additional margin for working capital. However, after careful perusal of the distribution schedule as on October 23, 2000, I find that the distribution schedule does not reflect the partly paid shares. Further, the shareholding of the Foreign Institutional Investors (FIIs) was shown as nil. From the above set of facts, it is inferred that in the intervening period i.e. between March 2000 and October 2000, the partly paid shares were made as fully paid up and that the FIIs had divested their entire stake in the company.

22. I note that the Managing Director of DSQBL in his statement before the Enforcement Directorate stated that the company had called for the remainder of the money from the preferential allottees. It was further stated that the allottees requested for further time to make the payment which was considered by DSQBL and was granted to them from time to time. This by itself would be irregular as the **Guidelines** (in **clause 13.4.2**) prescribes that the equity shares and securities convertible into equity shares at a later date, **shall be made fully paid up at the time of their allotment.**
23. Thus, from the above, I find the following irregularities w.r.t. the preferential allotment by the company:
 - a. The company and Shri Dinesh Dalmia did not allot shares to Society Generale and Deutsche, though their names were fraudulently used for the allotment;
 - b. The money for the allotment were shown to have come from their group entities on behalf of the original allottees;
 - c. The shares so allotted were partly paid up - [SEBI DIP Guidelines – clause 13.4.2 prescribes that the equity shares and securities convertible into equity shares at a later date, allotted in terms of the above said resolution (resolution u/Sec. 81 (1A) of the Companies Act) shall be made fully paid up at the time of their allotment.];

- d. The partly paid up shares in the preferential issue which were then shown as fully paid up shares by showing fictitious bank account entries and where no actual moneys were received from the entities to whom the allotment was made;
 - e. 80,30,000 shares of the company were dematerialized and credited to the demat accounts of A J Finance and Greenfield Investment Ltd.
 - f. The said 80.30 lakh shares were not listed in any of the recognised stock exchanges, thus not eligible for being traded at the stock exchanges
24. From the aforesaid findings with regard to the “preferential allotment”, I conclude that the company had committed serious irregularity in its preferential allotment of 80.30 lakh shares made during the year 2000. The preferential allotment is in violation of the relevant provisions of the SEBI (DIP) Guidelines, 2000 and the PFUTP Regulations. The directors/executives who were at the helm of the affairs of the company at the relevant time are thus responsible for such irregularities.
25. After having found that the preferential allotment was irregular, done in contravention of the provisions of the SEBI (DIP) Guidelines and PFUTP Regulations, the next issue would be to find out if the shares fraudulently placed with A. J. Finance Ltd. and Greenfield Investment Ltd. had been off-loaded by the company/related entities, into the market.
26. As noted above, 80,30,000 shares were dematerialized and credited in the demat accounts of A J Finance and Greenfield Investment. In the demat account of A. J. Finance Ltd. (Client ID 10961686), 30,00,000 shares of DSQBL were dematerialized on September 28, 2000. Another 11,00,000 shares were dematerialized on October 5, 2000. These shares were transferred to Greenfield Investment Ltd. (Client ID 20139051) from where they were transferred to DSQ Holdings Ltd. (Client ID 10257027). Similarly, 10,00,000 shares were dematerialized in the account of Greenfield Investment Ltd. (Client ID 20139051) on September 21, 2000. Another 7,30,000 shares were dematerialized on

September 28, 2000 and 22,00,000 shares were dematerialized on October 14, 2000. Also, another 12,70,000 shares were transferred from A J Finance Ltd. (Client ID 109616866). All these shares (amounting to 80.30 lakh shares) were transferred to DSQ Holdings Ltd. (Client ID 10257027) on various dates. The following extract from the demat statement of DSQ Holdings Ltd. (Client ID 102570270) would indicate the said transfers:

Transfer to DSQ Holdings		
Date	From	Quantity
25.09.2000	Greenfield	725000
26.09.2000	Greenfield	275000
28.09.2000	Greenfield	2000000
28.09.2000	A J Finance	1730000
10.10.2000	A J Finance	1100000
14.10.2000	Greenfield	2200000
Total		80,30,000

Therefore, it becomes evident that the irregularly allotted shares (80,30,000 shares) on preferential basis had been transferred to DSQ Holdings Ltd. Such a transfer would be another contravention of the SEBI (DIP) Guidelines, as clause 13.3.1 (c) of the said guidelines prescribes that in addition to the requirements for lock in of instruments allotted on preferential basis to promoters/ promoter group (and the shares allotted to such promoter / promoter group pursuant to exercise of options attached to warrants issued on preferential basis) as per clause 13.3.1 (a) and (b), *the instruments allotted on preferential basis to any person including promoters/ promoters group shall be locked-in for a period of one year from the date of their allotment.*

27. I find that the shares so transferred to DSQ Holdings (by A J Finance and Greenfield) were then transferred to some of the brokers of NSE and BSE. The date wise details of the transfers to these brokers are as under:

Details of the transfers from DSQ Holdings to various brokers		
Date	To (Broker)	Quantity
25.09.2000	H C Biyani	725000
26.09.2000	Prabhudas Lilladher	275000
28.09.2000	Khandwala Finances	1500000
28.09.2000	Prabhudas Lilladher	1300000
28.09.2000	Dalmia Securities	300000
29.09.2000	HDFC Bank Ltd.	100000
9.10.2000	Prabhudas Lilladher	530000
10.10.200	UTI Sec.	600000
10.10.200	DK Benson	200000
10.10.200	Prabhudas Lilladher	300000
14.10.2000	CDS/126	400000
16.10.2000	DK Benson	200000
16.10.2000	Prabhudas Lilladher	600000
16.10.2000	UTI Sec.	500000
16.10.2000	UTI Sec.	500000
Total		8030000

From the above table, I observe that in all 30.05 lakh shares were transferred to Prabhudas Lilladher Pvt. Ltd., 16 lakh shares were transferred to UTI Securities Ltd. (UTI Securities), 15 lakh shares to Khandwala Finances Ltd., 7.25 lakh to Harish C. Biyani and the rest to four other brokers and banks. The demat statement of DSQ Holdings (a group entity of DSQ Biotech) clearly shows that the shares so allotted on preferential basis had been transferred to DSQ Holdings. From it, the shares were transferred to various brokers/banks etc.

28. I note that DSQ Holdings was very active in the market trading through multiple brokers at both the exchanges namely, NSE and the BSE in the scrip of DSQ Biotech. The investigations found that the trading by the clients associated with DSQ Biotech including DSQ Holdings contributed to approx. 90% to 99% of the total trading in the scrip during the period under reference at the two exchanges.

From the shareholding pattern submitted by the company (DSQBL) to the exchange, I observe that DSQ Holdings was one of the promoters of DSQBL and was holding 21.37% of the issued capital of the company as on March 31, 2000. The table below illustrates the transactions of DSQ Holdings in the shares of DSQ Biotech for the period between July 2000 and January 2001 at NSE and BSE:

Brokers	Exchange/ period	buy	sell	Gross trade	Net buy
Khandwala Securities Ltd.	NSE Period December 1999 to April 2000	425000	0	425000	425000
SMIFS Securities Ltd.		159000	0	159000	159000
UTI Securities Ltd.		0	157000	157000	-157000
UTI Securities Ltd.	BSE -July 2000 to November 2000	0	1570000	1570000	-1570000
Prabhudas Lilladhar Pvt. Ltd.		0	1375000	1375000	-1375000
Jayantilal Khandwala & Sons Pvt. Ltd.		275000	0	275000	275000
SMIFS Securities Ltd.		0	233000	233000	-233000
Dresdner Kleinwort Benson Securities Ltd.		0	220000	220000	-220000
Prabhudas Lilladhar Pvt. Ltd.	NSE - September 2000 to January 2001	0	2950000	2950000	-2950000
Khandwala Securities Ltd.		625000	225000	850000	400000
Dresdner Kleinwort Benson Securities Ltd.		0	150000	150000	-150000

29. The above table clearly speaks that the entity has sold heavily as compared to its purchases. DSQ Holdings had acquired 80,30,000 shares which were only partly paid up and transferred the same to the demat accounts of various entities for fulfillment of the sales obligations. The investigations revealed that the shares so offloaded in the market were either picked up (purchased) by DSQ Holdings Ltd., DSQ Industries Ltd,

Square D Textiles and Exports Ltd.,
Powerflow Holdings & Trading Pvt. Ltd.,
Hulda Properties & Trades Ltd.,
Palliyar Pattiyar Textiles Ltd.,
Berral Trading & Investments Ltd.,
Arun Polymers Pvt. Ltd.,
Cooltex Commodities Pvt. Ltd. and
Aspolight Barter [aforesaid entities hereinafter referred to as '**Group-A Entities**']

or

Classic Share and Stock Broking Services Ltd. (Own Account),
NH Securities (Own Account),
Panther Fincap & Management Services Ltd.,
Classic Credit Limited, Luminant Investments Pvt. Ltd.,
Aroma Securities,
Essel International,
Khemka Capital,
Mackertich Consultancy Services Pvt. Ltd. and
Pinnacle Trades & Invest Ltd. [said entities hereinafter referred to as '**Group-B Entities**'] as clients on the buy side by way of synchronized trades with the broker where DSQ Holdings has sold the shares.

30. The role of related entities namely, DSQ Biotech Ltd. its Chairman, Shri Dinesh Dalmia, Managing Director, and other related entities namely DSQ Holdings Ltd., Powerflow Holdings & Trading Pvt. Ltd., Hulda Properties & Trades Ltd., Arun Polymers, Aspolight Barter, Cooltex Commodities & Berral Trading & Investments Ltd. have been dealt with in the ensuing paragraphs.

TRANSACTIONS OF DSQ HOLDINGS LTD.

31. With regard to the trades entered into by DSQ Holdings, I note that
- a. DSQ Holdings sold shares of the company through various brokers.

- b. 21,96,973 shares sold by DSQ Holdings were picked by various entities of Group-A & B. Entities at Group A purchased 16,52,574 shares and entities in Group-B had picked up 4,94,599 shares.
- c. 2,25,000 shares sold by DSQ Holdings through Prabhudas were bought by DSQ Holdings itself through another broker, Khandwala Finance Ltd. in a structured deal on October 04, 2000.
- d. 7,47,605 shares were bought by Powerflow through SMIFS Securities in structured deals with Prabhudas
- e. Similarly, 3,79,969 were bought by Hulda again through SMIFS Securities. The remainder shares were purchased by the clients related to each other in structured deals through brokers who were also related to the clients. The details are as under:

Buyer	Name of broker	Amount of shares
KFL	KFL	49800
MCSPL	SMIFS	99999
Brokers' own account	Classic Shares & Stock Broking Services Ltd.	394600
Svan	SMC Global Securities	300000

- f. It was also seen that shares transferred by DSQHL to Haresh C. Biyani were sold through Prabhudas under the client name Berral Trading & Investments Ltd.
- g. Further, I note that the client was also dealing through multiple brokers. The purpose was to enter into trades which were not genuine in nature as there was no transfer of the beneficial interest in the security. The purpose was to draw finance from the entities through the exchange system and then enter into transactions on the exchange with the purpose of guaranteeing the return of the money through the institutionalized trading, clearing and settlement mechanism of the stock exchanges.

- h. I note that at NSE on April 28, 2000 there were three structured deals between brokers SMIFS and UTI Securities for 1,55,000 shares. The client on both the sides was the same i.e. DSQ Holdings. The details of the said trades are as per the table below:

Trd Time	Trade No	Trd Pr	Trd Qty	Buy Order Entry Time	Buy Orig. Vol.	Buy Limit Price	Buy Member Name	Sell Member Name	Sell Order Entry time	Sell Orig. Vol.	Sell Limit Price	Trd Qty as % of Mkt Gross for SN	Trd Qty as % of Mkt Gross for the period
11:27:24	149599	313.75	7000	11:27:24	7000	313.75	SMIFS	UTI SL	11:27:24	7000	313.75	1.87	0.19
10:53:23	103352	319	75000	10:53:22	75000	319	SMIFS	UTI SL	10:53:23	75000	319	20.03	1.99
10:51:26	99990	320	73000	10:51:25	75000	320	SMIFS	UTI SL	10:51:26	75000	320	19.5	1.94

Thus, the net effect of the transaction for the client was zero and the client received the sale proceeds in advance from the broker UTI Securities. In the ordinary course of settlement, the amount would be paid by the broker to the client only after the pay-out was declared by the exchange, while on the buy side the payment for the buy position has to be made before the pay-in, which always precedes the pay out. By employing this mechanism, DSQHL was able to enter into fictitious transactions without involving its own money which it would have to arrange if it had not got the advance payment from the selling brokers.

- i. I find that DSQ Holdings was availing of advance payment from the brokers through whom it was selling the shares. Most of the time the brokers would pay DSQHL on the same date of the transaction or immediately next day but definitely before the declared payout of the exchange. Some of the instances of the advance payment by the brokers to the client are as under:

Details of the trades and the advance payment – NSE

Clients name	Sales			Date of payment to client	Pay-out date of exchange
	Date	Sale qty	Amount		
Prabhudas Lilladher Pvt. Ltd.	28.09.00	10,80,000	16,82,96,400.00	28.09.00	09.10.00
Prabhudas Lilladher Pvt. Ltd.	04.10.00	6,20,000	832,53,160.00	04.10.00	16.10.00
Prabhudas Lilladher Pvt. Ltd.	10.10.00	4,00,000	404,22,452.50	10.10.00	16.10.00
Prabhudas Lilladher Pvt. Ltd.	11.10.00	3,00,000	377,86,261.15	11.10.00	23.10.00
Prabhudas Lilladher Pvt. Ltd.	13.10.00	50,000	36,92,875.00	13.10.00	23.10.00
Prabhudas Lilladher Pvt. Ltd.	18.10.00	5,00,000	315,00,000.00	18.10.00	30.10.00
UTI Securities Ltd	28.4.00	1,57,000		02.05.00	10.05.00
Dresdner Kleinwort Benson Securities India Ltd	13.10.00	150000	11173500	13.10.00	

- j. It was seen that large amounts of such funding arrangements were also prevalent on the BSE, during the period July 2000 to November 2000.
- k. It was seen that in Settlement No.29, 15 lakh shares were sold by the DSQ Holdings through the broker UTI Securities (14 lakh) and Prabhudas (1 lakh) and another 4 lakh were sold by Hulda through Dresdner Kleinwort Benson Securities India Ltd. (DKB). These shares were bought through various brokers by related entities viz., Powerflow (6 lakh through SMIFS) and Panther Fincap (11,98,800 shares) through 6 brokers. All these trades were done through synchronised transactions.
- l. The details of some of the instances of the advance payments taken by the client for the sales in the scrip is as mentioned below:

Details of the trades and the advance payment – BSE

Broker name	Sale			Date of payment	Pay-out date
	Date	Sale Qty	Amount		
Prabhudas Lilladher Pvt. Ltd.	26.09.00	2,75,000	428,31,250.00	26.09.00	05.10.00
Prabhudas Lilladher Pvt. Ltd.	03.10.00	2,00,000	271,30,000.00	03.10.00	12.10.00
Prabhudas Lilladher Pvt. Ltd.	09.10.00	1,00,000	105,55,000.00	09.10.00	19.10.00
Prabhudas Lilladher Pvt. Ltd.	24.10.00	8,00,000	529,20,000.00	24.10.00	02.11.00
UTI Securities Ltd	9.10.00	6,00,000	Not available	9.10.2000	20.10.00
UTI Securities Ltd	9.10.00	2,00,000	Not available	10.10.2000	20.10.00
UTI Securities Ltd	30.10.00	6,00,000	Not available	30.10.2000	10.11.00
Dresdner Kleinwort Benson Securities India Ltd	24.10.00	200000	13428000	24.10.2000	2.11.00

m. I find that in some instances shares were also arranged from various parties for the purpose of obtaining advance payout from brokers. Some of the shares that were utilized in this manner were from the lot of the preferential allotment and the others were arranged from various other conniving entities. The following table provides the details of the sales and the source from where the shares were obtained:

NSE Period September 2000 to January 2001

Sr. No	Broker name	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1	Prabhudas Lilladher Pvt. Ltd.	28.09.00	DSQ Holdings Ltd.	10257027	13,00,000	1,00,000	10,80,000
2	Prabhudas Lilladher Pvt. Ltd.	04.10.00	Khandwala Finances Ltd.	-	6,00,000	6,00,000	6,20,000

Sr. No	Broker name	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
3	Prabhudas Lilladher Pvt. Ltd.	10.10.00	DSQ Holdings Ltd.	10257027	5,30,000	4,00,000	4,00,000
4	Prabhudas Lilladher Pvt. Ltd.	11.10.00	DSQ Holdings Ltd.	10257027	3,00,000	3,00,000	3,00,000
5	Prabhudas Lilladher Pvt. Ltd.	13.10.00	Khandwala Securities Ltd.	10129130	2,50,000	50,000	50,000
6	Prabhudas Lilladher Pvt. Ltd.	18.10.00	DSQ Holdings Ltd.	10257027	6,00,000	5,00,000	5,00,000

BSE – July 2000 to November 2000

Sr. No	Name of client	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1	Prabhudas Lilladher Pvt. Ltd.	26.09.00	Integrated Enterprises India P L	10257027	2,75,000	2,75,000	2,75,000
2	Prabhudas Lilladher Pvt. Ltd.	03.10.00	DSQ Holdings Ltd.	10257027	13,00,000	2,00,000	2,00,000
3	Prabhudas Lilladher Pvt. Ltd.	09.10.00	DSQ Holdings Ltd.	10257027	5,30,000	1,00,000	1,00,000
4	Prabhudas Lilladher Pvt. Ltd.	24.10.00	SMIFS Securities Ltd.	DP A/c. of C Mackertich Ltd.	8,00,000	8,00,000	8,00,000
5	Powerflow Holding & Trd P Ltd	26.09.00	Mittal Securities P Ltd	10064364	1,00,000	1,00,000	1,00,000

n. I observe that during the period July 2000 to November 2000, DSQ Holdings, Powerflow, Hulda and Berral (promoter entities of companies in DSQ Group) have done matched/synchronized trades amongst themselves of 70,63,690 shares.

o. I also find that DSQHL had sold 2.75 lakh shares through Prabhudas and had bought the same through Jayantilal Khandwala by way of synchronised transaction.

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)
Clg.No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg.No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code		

329	2458	13:23:11 PM	275000	158.05	KSL	564	6753	13:23:10	275000	158.05	DSQBIO	13:23:12	158.05
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- p. In another instance about 10 lakh shares were sold by DSQHL through Prabhudas Lilladher Pvt. Ltd. (8 lakh) and DKB (2.2 lakh) and same were bought by a related entity Powerflow through SMIFs Securities.

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)
Clg.No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg.No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code		
709	1228	10:07:31	800000	67	P	564	5970	10:07:32	800000	67	15D281	10:07:32	67
709	1230	10:10:50	200000	67.7	P	276	12	10:10:51	200000	67.7	41020	10:10:51	67.7

- q. During the above period, I observe that 93% of the transactions on behalf of DSQ Holdings total trading on the NSE through various brokers were synchronised in nature.
- r. Further I note that at BSE, UTI Securities (Clg. No. 767) sold 14 lakh shares in settlement number 29 on October 10, 2000 for DSQ Holdings. For the 8 lakh shares, the buying brokers were SMIFS (Clg. No. 709)(6 lakh for Powerflow Holdings Ltd.), C J Dalal (1 lakh for Panther Fincap) and Milan Mahendra (1 lakh) the details of which are as under:

BUYER MEMBER						SELLER MEMBER						Execute d Time	Execu ted Rate (Rs.)	Prior Trad e (Rs.)	Subse quent Trade (Rs.)
Clg. No	Buy Ord er ID	Buy Order Time	Qty	Rate (Rs)	Clie nt cod e	Clg. No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Clie nt cod e				
709	3487	15:18:05	600000	106.8	-	767	4479	15:18:09	600000	106.8	-	15:18:09 matched 599950	106.8	106.8	106.8
85	2286	15:53:41	100000	106.5	-	767	4526	15:53:44	100000	106.5	-	15:53:44 matched 99900	106.5	106.5	106.5

BUYER MEMBER						SELLER MEMBER						Execute d Time	Execu ted Rate (Rs.)	Prior Trad e (Rs.)	Subse quent Trade (Rs.)
Clg. No	Buy Ord er ID	Buy Order Time	Qty	Rate (Rs)	Clie nt cod e	Clg. No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Clie nt cod e				
460	655	15:54:12	10000 0	106.5	-	767	4526, 4527	15:53:44 15:54:12	100 99900	106.5	-	15:54:13	106.5	106.5	105.7

- s. For balance 6 lakh shares, the buying counterparties were Triumph Securities (Clg No. 372) (4 lakh for Panther Fincap) and Woodstock Securities clearing no. (Clg. No. 753) (2 lakh again for Panther Fincap)

BUYER MEMBER						SELLER MEMBER						Execute d Time	Execu ted Rate (Rs.)	Prior Trade (Rs.)	Subse quent Trade (Rs.)
Clg. No	Buy Ord er ID	Buy Order Time	Qty	Rat e (Rs)	Client code	Clg. No	Sal e Ord er ID	Sell Order time	Qty	Rat e (Rs)	Clie nt cod e				
372	172 0	14:48:18	40000 0	98	-	767	455 0	14:48:22	40000 0	98	-	14:48:22 matched 399800	98	98.05	98
753	160 2	14:49:07	20000 0	98	P039	767	455 1	14:49:08	20000 0	98	-	14:49:09	98	98	98.25

- t. Another 1.7 lakh shares were sold by UTI Securities for DSQ Holdings Ltd. in settlement no. 32, on October 30, 2000 where the buying counterparty to the trade was SMIFS Securities.

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)
Clg.No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg.No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code		
709	1234	12:05:53	170000	77.75	P	767	4669	12:05:55	170000	77.75	DSQ HOLD	12:05:55	77.75

I observe that at BSE the above 15.7 lakh shares were traded in matched transactions where the buy and sell order time was very less.

- u. At NSE, I observe that UTI Securities sold 1.55 lakh shares in three trades on April 28, 2000 for DSQ Holdings Ltd. and the same was picked up by the counterparty buying broker SMIFS for its client DSQ Holdings Ltd. which is a fictitious trade.

Trd Time	Trade No	Trd Price	Trd Qty	Buy Order Entry Time	Buy Orig. Vol.	Buy Limit Price	Buy Member Name	Sell Member Name	Sell Order Entry time	Sell Orig. Vol.	Sell Limit Price	Trd Qty as % of Mkt Gross for SN	Trd Qty as % of Mkt Gross for the period
11:27:24	149599	313.75	7000	11:27:24	7000	313.75	SMIFS	UTI SL	11:27:24	7000	313.75	1.87	0.19
10:53:23	103352	319	75000	10:53:22	75000	319	SMIFS	UTI SL	10:53:23	75000	319	20.03	1.99
10:51:26	99990	320	73000	10:51:25	75000	320	SMIFS	UTI SL	10:51:26	75000	320	19.5	1.94

32. From the above facts, I find that DSQ Holdings had indulged in fictitious transactions without any intent to transfer the beneficial ownership of shares. These transactions were in the nature of synchronized trades/matched orders/structured trades which ensured matching of orders of seller with a specific buyer. These orders were put simultaneously or within close proximity of each other for same price and quantity. Hence it becomes obvious that DSQ Holdings traded solely to create an impression of liquidity and volume in the market which induced/ influenced the ordinary investors in trading in the scrip. Further the entity had mis-utilised and abused the exchange trading platform and the settlement system by taking advance payment from the broker.

**TRANSACTIONS OF POWERFLOW HOLDINGS & TRADING PVT.
LTD. (POWERFLOW)**

33. I note that Powerflow is one of the promoters of the companies in the DSQ Group. From the distribution schedule, I observe that Powerflow's name was appearing in the list of Other Corporate Bodies (OCBs) and was holding over 1% of the shares of the company as on June 21, 2000. Shares on behalf of Powerflow have been delivered by other promoter associated entities. Further, it was alleged that Powerflow had entered into synchronised and circular deals wherein the buy order and sell orders have been put in the trading system at the same time for same rate and same quantity. The trading details of Powerflow during the period July 2000 to January 2001 at both the exchanges is as under:

Name of broker	Exchange/ Period	Buy	Sell	Gross	Net
SMIFS Securities Ltd.	BSE- July 2000 to November 2000	1970000	0	1970000	1970000
Prabhudas Lilladhar Pvt. Ltd.		0	100000	100000	-100000
SMIFS Securities Ltd.	NSE –September 2000 to January 2001	1300000	80000	1380000	1220000
Prabhudas Lilladhar Pvt. Ltd.		0	100000	100000	-100000

34. Further, from the trading details furnished by the exchanges, I find that Powerflow was a consistent buyer of 32.70 lakh shares during the entire period under scrutiny barring a few exceptions for sales of 2.8 lakh shares. Thus Powerflow is a net buyer of 29.90 lakh shares which is more than 20% of the issued capital of the company at that time excluding the preference issue of March 2000. In the table given below are the details of the sales by the clients, the source from which the shares were obtained from.

NSE (Period September 2000 to January 2001)

Sr. No	Broker name	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1	Prabhudas Lilladhar Pvt. Ltd.	26.09.2000	Mittal Securities P Ltd	10064364	1,00,000	1,00,000	1,00,000

BSE – July 2000 to November 2000

Sr. No	Name of client	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1	Prabhudas Lilladher Pvt. Ltd.	26.09.2000	Mittal Securities P Ltd	10064364	1,00,000	1,00,000	1,00,000

35. I also observe that the entity had drawn advance from the system by realizing the proceeds of the sales on the date of the sale transaction itself rather than on the scheduled pay-out of the exchange. Some of the instances where the entity has drawn advance from the system are as under:

Details of advance payment received from brokers at NSE

BROKER	DATE	SALE QTY	AMOUNT	DATE OF PAYMENT TO CLIENT	PAY OUT DATE
Prabhudas Lilladher Pvt. Ltd.	27.09.00	1,00,000	156,35,000.00	27.09.00	09.10.00

Details of advance payment received from brokers at BSE

Broker name	Sale			Date of payment	Pay-out date
	Date	Sale qty	Amount		
Prabhudas Lilladher Pvt. Ltd.	26.09.00	1,00,000	158,36,250.00	26.09.00	05.10.00

Most of the trading by Powerflow was in the nature of purchases and that Powerflow had been the buying counterparty for the sales executed by the related entity i.e. DSQ Holdings Ltd. Most of the purchases have been made by the entity through the broker SMIFS Securities Ltd. It was observed that all these purchases were made in synchronise/ structured transactions between the related entities through their respective brokers.

36. During the relevant period, at NSE, SMIFS had executed 4 cross deals for its clients Powerflow and Hulda on December 01, 2000 amounting to 199408 shares during SN 2000049. The orders for these trades were placed at approximately the same time, same price and for the same quantity.

SN	Trade date	Trade price	Trade qty	BO Time	BO Origin	BO Limit Prc	Buy user ID	Buy Client Code	SO Time	SO Origin	SO Limit Prc	Sell user ID	Sell Client Code	Time diff	Orig vol diff	Price diff
2000049	01/12/2000	181.75	50000	11:51:41	50000	181.75	3586	Hulda Properties & Trades Ltd.	11:51:41	50000	181.75	3343	Powerflow Holding & trade Pvt. Ltd.	0:00:00	0	0.00
2000049	01/12/2000	181.40	50000	11:55:18	50000	181.40	3586	Powerflow Holding & trade Pvt. Ltd.	11:55:18	50000	181.40	3343	Powerflow Holding & trade Pvt. Ltd.	0:00:00	0	0.00
2000049	01/12/2000	181.75	49408	11:52:03	50000	181.75	3586	Hulda Properties & Trades Ltd.	11:52:04	50000	181.75	3343	Powerflow Holding & trade Pvt. Ltd.	0:00:01	0	0.00
2000049	01/12/2000	181.40	50000	11:54:30	50000	181.40	3586	Powerflow Holding & trade Pvt. Ltd.	11:54:30	50000	181.40	3343	Hulda Properties & Trades Ltd.	0:00:00	0	0.00

37. In Sett.No.28 (03/10/2000 to 06/10/2000) on October 3, 2000 there were instances of matched trades of large quantities between SMIFS buying 200000 shares for Powerflow and DSQ Holdings as client for the counterparty Prabhudas Lilladher. The trades are as under:

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)	Prior Trade (Rs.)
Clg. No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg. No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code			
709	3400	11:05:55	200000	137.75	-	564	7000	11:05:55	200000	137.75	DSQ	11:05:56	137.75	138

38. In another settlement [Sett.No.29 – from 09/10/2000 to 13/10/2000] the broker bought 600000 shares for its client DSQ Holdings against UTI Securities for its client Powerflow.

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)	Prior Trade (Rs.)	Subsequent Trade (Rs.)
Clg No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg. No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code				
709	3487	15:18:05	600000	106.8	-	767	4479	15:18:09	600000	106.8	-	15:18:09 matched 599950	106.8	106.8	106.8

39. In Sett.No.31 (23/10/2000 to 27/10/2000) on October 24, 2000, there were instances of matched trades for large quantities between SMIFS buying 1000000 shares for its client Powerflow and counterparty broker Prabhudas Lilladher selling 800000 shares and another counterparty broker DKB selling 200000 shares, both for DSQ Holdings. The details of the trades are as given under :

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)	Prior Trade (Rs.)	Subsequent Trade (Rs.)
Clg No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg No	Sale Order ID	Sell Order time	Qty	Rate (Rs)	Client code				
709	1228	10:07:31	800000	67	P	564	5970	10:07:32	800000	67	15D281	10:07:32	67	67	67
709	1230	10:10:50	200000	67.7	P	276	0012	10:10:51	200000	67.7	41020	10:10:51	67.7	67.7	67.05

From the above table, I observe that there were matched trades for 10,00,000 shares out of total volume of 11,94,500 which contributed to around 83.72% of total shares traded during the day.

40. From the ledger accounts of SMIFS Securities of its clients, Hulda, DSQ Holdings and Powerflow, I observe that these clients were rotating the funds between the various promoter entities to finance their transactions. I note that

Powerflow is a promoter entity associated with DSQ Group and has the same address as that of DSQ Industries. Powerflow has transacted in large quantities in the shares of DSQ Bio-Tech Ltd. on the stock exchanges. Shares on behalf of Hulda Properties have been delivered by other promoter associated entities such as DSQ Holdings and Powerflow Trading.

41. As seen above, Powerflow had entered into synchronised and circular deals wherein the buy order and sell orders have been put in the trading system at the same time for same rate and quantity. It is seen that Powerflow was one of the major buying counterparties for the sales made by the associated entities. It is also seen that the associates who had sold had availed of the finance from the brokers. This could not have been possible if there would not have been a buyer on the opposite side. Thus there was no change in beneficial ownership and as a result of such transactions there was creation of artificial market. It was also observed from order log and trade log of the exchanges that there was almost exact matching in the quantity, rate and proximity in the time of putting buy and sell orders. I find that these transactions were in the nature of synchronisation of trades / matched orders/ structured trading which ensured matching of orders of seller with a specific buyer. These orders were put simultaneously or within close proximity of each other for same price and quantity. While one or two such transactions can be considered as coincidence, the large number of such transactions suggests that it cannot be a mere coincidence that every time, the client managed to sell or buy from the same counterparty client and/ or related/ associated client.
42. I also find that in the ordinary course of settlement, the sale proceeds would be paid by the broker to the client only after the pay-out is made by the exchange. In this case, it is seen that Powerflow was receiving advance payments even before the exchange announced the pay-outs. Because of this immediate funding availed by the associated/related clients in this manner, the same were used by DSQ

group to buy more shares of DSQ Bio-Tech and build up concentrated positions in the scrip during the relevant period.

TRANSACTIONS OF HULDA PROPERTIES & TRADES LTD. ('HULDA')

43. From the distribution schedule of DSQBL, I observe that as on June 21, 2000 Hulda was one of the corporate bodies holding 7.56% in DSQBL. It is a related entity of DSQBL and it was widely acknowledged by the brokers through whom the client was dealing that common persons used to operate their trading accounts and that the client was an entity of Shri Dinesh Dalmia.

44. It was seen that the entity was one of the largest sellers in scrip and was also the biggest beneficiary of the advance payment facility extended by the various brokers, primarily Dresdner Klienwort Benson Securities Ltd. (DKB). The trading details of the client with the various brokers across the two exchanges and the various time periods is as under:

Member Name	Exchange	Buy	Sell	Gross	Net
Dresdner Klienwort Benson Securities Ltd.	BSE July 2000 to November 2000	0	800000	800000	-800000
SMIFS Securities Ltd.		520700	0	520700	520700
Dresdner Klienwort Benson Securities Ltd.	NSE Period	0	3663925	3663925	-3663925
SMIFS Securities Ltd.	September 2000	570000	200000	770000	370000
C Mackertich Ltd.	to January 2001	80000	0	80000	80000
Woodstock Broking Pvt. Ltd.	NSE period December 99 to April 2000	37100	5000	42100	32100

45. The date of sale, payment received from the broker and the date of exchange pay-out is tabulated below, which would indicate that Hulda was receiving advance payments from its broker.

BSE - July 2000 to November 2000

Account Name	Trx Date	Trade Qty.	Market Rate	Trade Amt.	Date of Payment	Exchange settlement
DKBSIL	24/7/2000	400000	185.00	732522000	24/7/2000	5/8/2000
DKBSIL	9/10/2000	400000	106.5	42192000	10/10/2000	20/10/2000
DKBSIL	26/12/2000	400000	139.67	55416000	26/12/2000	5/1/2001
DKBSIL	1/1/2001	400000	170.04	67408000	1/1/2001	12/1/2001
DKBSIL	8/1/2001	500000	182.93	90705000	8/1/2001	18/1/2001

NSE (September 2000 to January 2001)

Client name	Transaction date	Traded Qty.	Market Rate	Amount	Date of by broker to the client Payment
DKBSIL	11/10/2000	100000	91.78	9081000	11/10/2000
DKBSIL	12/10/2000	150000	84.75	12603000	12/10/2000
DKBSIL	01/12/2000	100000	182.50	18078000	1/12/2000
DKBSIL	8/12/2000	270000	188.16	50371200	8/12/2000
DKBSIL	11/12/2000	500000	206.62	102575000	12/12/2000
DKBSIL	12/12/2000	500000	241.22	106450000	13/12/2000
DKBSIL	15/12/2000	387625	198.45	76408640	18/12/2000
DKBSIL	18/12/2000	200000	190.25	37796000	18/12/2000
DKBSIL	18/12/2000	1300	199.00	257088	19/12/2000
DKBSIL	22/12/2001	600000	179.77	106992000	22/12/2000
DKBSIL	2/1/2001	130000	167.60	21661900	3/1/2001
DKBSIL	3/1/2001	50000	166.7	8256500	4/1/2001
DKBSIL	4/1/2001	175000	180.8	31356000	4/1/2001
DKBSIL	4/1/2001	200000	177.12	35106000	4/1/2001
DKBSIL	9/1/2001	10000	166.51	16542000	9/1/2001
DKBSIL	9/1/2001	175000	160.37	2789500	10/1/2001
DKBSIL	9/1/2001	25000	160.37	3985000	10/1/2001

DKBSIL = DKB

46. Further, I find that almost all the transactions on behalf of the client were synchronized in nature. These trades were synchronized with respect to time, quantity and price. The details of such synchronised / matched trades are as follows:

47. In Sett.No.18 (from 24/07/2000 to 28/07/2000) on July 24, 2000, instances of matched and fictitious trades of large quantities between SMIFS Securities and

DKB were observed where SMIFS had bought 4 lakh shares for its client Hulda.

The trades are as under:

BUYER MEMBER						SELLER MEMBER						Execute d Time	Execu ted Rate (Rs)	Prior Trade (Rs.)	Subse quent Trade (Rs.)
Clg. No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Clie nt code	Clg. No	Sale Orde r ID	Sell Order time	Qty	Rat e (Rs)	Client code				
709	548	10:08:09	20000 0	185	-	276	938 9	10:08:0 9	20000 0	185	41017	10:08:10	185	First trade	185
709	549	10:08:24	20000 0	185	-	276	939 0	10:08:2 4	20000 0	185	41017	10:08:24	185	185	199

48. I find that 8 structured deals amounting to 3,79,969 shares have been executed by the DKB on behalf of Hulda with counterparty Prabhudas for its client DSQ Holdings Ltd.

49. I note that at NSE, during the period September 2000 to January 2001 out of 36,63,925 shares sold for the client Hulda, 26,99,894 shares were traded in synchronized trades with the counterparty member SMC Global Securities Ltd. which is almost 75% of the shares traded by the broker DKB for Hulda Properties & Trades Ltd.. The details of such trades are as under:

Trade date	Trade time	Trade price	Trade qty	Buy Order Time	Buy Order Origina l Volume	Buy Order Limit Price	Buy TM name	Buy Client Name	Sell Order Time	Sell Order Origin al Volu me	Sell Order Limit Price	Sell TM nam e	Sell Client name
11- Dec-00	15:17:43	206.75	99400	15:17:43	100000	206.75	SMCGSL	Arun Polymers	15:17:43	100000	206.75	DKB	Hulda Propertie s Ltd.
11- Dec-00	15:18:19	206.75	70	15:18:19	100000	206.75	SMCGSL	Arun Polymers	15:17:43	10000 0	206.75	DKB	Hulda Propertie s Ltd.

Trade date	Trade time	Trade price	Trade qty	Buy Order Time	Buy Order Original Volume	Buy Order Limit Price	Buy TM name	Buy Client Name	Sell Order Time	Sell Order Original Volume	Sell Order Limit Price	Sell TM name	Sell Client name
11-Dec-00	15:18:20	206.75	98930	15:18:19	100000	206.75	SMCGSL	Arun Polymers	15:18:20	100000	206.75	DKB	Hulda Properties Ltd.
11-Dec-00	15:18:56	206.25	98905	15:18:56	100000	206.25	SMCGSL	Arun Polymers	15:18:41	100000	206.25	DKB	Hulda Properties Ltd.
11-Dec-00	15:19:23	206.50	100000	15:19:22	100000	206.5	SMCGSL	Cooltex Commodities	15:19:23	100000	206.5	DKB	Hulda Properties Ltd.
11-Dec-00	15:19:42	206.85	99825	15:19:42	100000	206.85	SMCGSL	Aspolight Barter	15:19:42	100000	206.85	DKB	Hulda Properties Ltd.
12-Dec-00	12:12:03	214.00	99848	12:12:03	100000	214	SMCGSL	Cooltex Commodities	12:12:02	100000	214	DKB	Hulda Properties Ltd.
12-Dec-00	12:12:30	214.20	99877	12:12:30	100000	214.2	SMCGSL	Cooltex Commodities	12:12:28	100000	214.2	DKB	Hulda Properties Ltd.
12-Dec-00	12:12:47	214.30	99876	12:12:46	100000	214.3	SMCGSL	Cooltex Commodities	12:12:47	100000	214.3	DKB	Hulda Properties Ltd.
12-Dec-00	12:13:09	214.50	99094	12:13:09	100000	214.5	SMCGSL	Aspolite Barter	12:13:09	100000	214.5	DKB	Hulda Properties Ltd.
15-Dec-00	15:21:54	197.00	99104	15:21:48	100000	197	SMCGSL	Aspolite Barter	15:21:54	100000	197	DKB	Hulda Properties Ltd.
15-Dec-00	15:22:25	198.00	99599	15:22:25	100000	198	SMCGSL	Aspolite Barter	15:22:20	100000	198	DKB	Hulda Properties Ltd.
15-Dec-00	15:22:53	199.00	98169	15:22:52	100000	199	SMCGSL	Aspolite Barter	15:22:51	100000	199	DKB	Hulda Properties Ltd.
15-Dec-00	15:24:19	200.00	87575	15:24:16	100000	200	SMCGSL	Cooltex Commodities	15:24:19	100000	200	DKB	Hulda Properties Ltd.

Trade date	Trade time	Trade price	Trade qty	Buy Order Time	Buy Order Original Volume	Buy Order Limit Price	Buy TM name	Buy Client Name	Sell Order Time	Sell Order Original Volume	Sell Order Limit Price	Sell TM name	Sell Client name
18-Dec-00	10:39:53	190.00	94528	10:39:53	100000	190	SMCGSL	Cooltex Commodities	10:39:49	100000	190	DKB	Hulda Properties Ltd.
18-Dec-00	10:40:38	190.50	90588	10:40:32	100000	190.5	SMCGSL	Cooltex Commodities	10:40:38	100000	190.5	DKB	Hulda Properties Ltd.
18-Dec-00	10:41:08	190.50	1000	10:41:08	10000	190.5	SMCGSL	Svan Securities Ltd.	10:40:38	9382	190.5	DKB	Hulda Properties Ltd.
18-Dec-00	10:41:08	190.50	4675	10:41:08	10000	190.5	SMCGSL	Svan Securities Ltd.	10:40:38	9382	190.5	DKB	Hulda Properties Ltd.
18-Dec-00	10:41:36	190.50	901	10:41:36	5000	190.5	SMCGSL	Svan Securities Ltd.	10:40:38	9382	190.5	DKB	Hulda Properties Ltd.
18-Dec-00	10:41:36	190.50	2707	10:41:36	5000	190.5	SMCGSL	Svan Securities Ltd.	10:40:38	9382	190.5	DKB	Hulda Properties Ltd.
22-Dec-00	10:22:59	180.10	98385	10:22:59	100000	180.1	SMCGSL	Arun Polymers	10:22:59	100000	180.1	DKB	Hulda Properties Ltd.
22-Dec-00	10:23:14	180.00	99120	10:23:13	100000	180	SMCGSL	Arun Polymers	10:23:14	100000	180	DKB	Hulda Properties Ltd.
22-Dec-00	10:23:31	179.70	99950	10:23:31	100000	179.7	SMCGSL	Arun Polymers	10:23:31	100000	179.7	DKB	Hulda Properties Ltd.
22-Dec-00	10:23:50	179.60	100000	10:23:50	100000	179.6	SMCGSL	Aspolight Barter	10:23:50	100000	179.6	DKB	Hulda Properties Ltd.
22-Dec-00	10:24:03	179.60	99660	10:24:03	100000	179.6	SMCGSL	Aspolight Barter	10:24:03	100000	179.6	DKB	Hulda Properties Ltd.
22-Dec-00	10:24:21	179.65	99610	10:24:20	100000	179.65	SMCGSL	Arun Polymers	10:24:21	100000	179.65	DKB	Hulda Properties Ltd.
2-Jan-01	12:31:41	167.60	129915	12:31:41	130000	167.6	SMCGSL	Arun Polymers	12:31:39	130000	167.6	DKB	Hulda Properties

Trade date	Trade time	Trade price	Trade qty	Buy Order Time	Buy Order Original Volume	Buy Order Limit Price	Buy TM name	Buy Client Name	Sell Order Time	Sell Order Original Volume	Sell Order Limit Price	Sell TM name	Sell Client name
													s Ltd.
3-Jan-01	15:05:30	166.70	49800	15:05:30	50000	166.7	SMCGSL	Arun Polymers	15:05:29	50000	166.7	DKB	Hulda Properties Ltd.
4-Jan-01	10:13:20	180.80	90953	10:13:09	100000	180.8	SMCGSL	Cooltex Commodities	10:13:20	100000	180.8	DKB	Hulda Properties Ltd.
4-Jan-01	10:13:34	180.80	6669	10:13:09	100000	180.8	SMCGSL	Cooltex Commodities	10:13:34	75000	180.8	DKB	Hulda Properties Ltd.
4-Jan-01	10:13:34	180.80	67081	10:13:24	75000	180.8	SMCGSL	Cooltex Commodities	10:13:34	75000	180.8	DKB	Hulda Properties Ltd.
9-Jan-01	10:19:45	166.50	90480	10:19:45	100000	166.5	SMCGSL	Cooltex Commodities	10:19:44	100000	166.5	DKB	Hulda Properties Ltd.
9-Jan-01	14:15:34	159.30	49995	14:15:34	50000	159.3	SMCGSL	Cooltex Commodities	14:15:33	50000	159.3	DKB	Hulda Properties Ltd.
9-Jan-01	14:15:47	159.30	5	14:15:34	50000	159.3	SMCGSL	Cooltex Commodities	14:15:47	50000	159.3	DKB	Hulda Properties Ltd.
9-Jan-01	14:15:56	159.30	43745	14:15:56	50000	159.3	SMCGSL	Cooltex Commodities	14:15:47	50000	159.3	DKB	Hulda Properties Ltd.
9-Jan-01	14:18:34	161.50	49825	14:18:34	50000	161.5	SMCGSL	Cooltex Commodities	14:18:33	50000	161.5	DKB	Hulda Properties Ltd.
9-Jan-01	14:19:05	161.40	50000	14:19:05	50000	161.4	SMCGSL	Cooltex Commodities	14:19:04	50000	161.4	DKB	Hulda Properties Ltd.

SMC Global Securities Ltd SMCGSL

DRESDNER KLE. BEN SEC (I)

DKB

I find that DKB executed 37 structured deals for its client Hulda with SMC Global Securities Ltd. as a buyer amounting to 26,99,864 shares. Most of the orders placed for these deals have been placed at approximately the same time, same price and for the same quantity. I find that the sales executed by DKB for its client Hulda of 26,99,864 shares have been bought by related clients such as Aspolight Barter (6,95,451 shares), Arun Polymers (8,74,085 shares) Cooltex Commodities (11,25,045 shares) in structured deals.

50. I note that at NSE, another 1,99,922 shares were matched with Khandwala Securities Ltd. which was buying on its own account, as per the table below:

Trade date	Trade time	Trade price	Trade qty	Buy Order Time	Buy Order Original Volume	Buy Order Limit Price	Buy TM name	Buy Client Name	Sell Order Time	Sell Order Original Volume	Sell Order Limit Price	Sell TM name	Sell client Name	% variation to LTP	Prev close	% variation to prev close
12/10/00	14:36:43	84.75	30000	14:36:42	30000	84.75	KFPL	KFPL	14:36:43	30000	84.75	DKB	Hulda Properties Ltd.	(0.18)	89.05	(4.83)
12/10/00	14:37:07	84.75	50000	14:37:05	50000	84.75	KFPL	KFPL	14:37:07	50000	84.75	DKB	Hulda Properties Ltd.	(0.18)	89.05	(4.83)
12/10/00	14:37:33	84.75	50000	14:37:32	50000	84.75	KFPL	KFPL	14:37:33	50000	84.75	DKB	Hulda Properties Ltd.	(0.29)	89.05	(4.83)
12/10/00	14:37:48	84.75	20000	14:37:47	20000	84.75	KFPL	KFPL	14:37:48	20000	84.75	DKB	Hulda Properties Ltd.	(0.29)	89.05	(4.83)
13/10/00	14:10:21	75.10	372	14:10:03	50000	75.1	KFPL	KFPL	14:10:21	50000	75.1	DKB	Hulda Properties Ltd.	(0.53)	86.40	(13.08)
13/10/00	14:10:22	75.10	49550	14:10:22	50000	75.1	KFPL	KFPL	14:10:21	50000	75.1	DKB	Hulda Properties Ltd.	0.00	86.40	(13.08)

KSL Khandwala Securities Ltd
DKB DRESNER KLE. BEN SEC (I)

51. At BSE, instances of the structured deals were noticed combined with the advance payout of the sales proceeds given by the broker to the client for its sales. On July

24, 2000, there were instances of matched and fictitious trades of large quantities with SMIFS Securities Ltd buying 4 lakh shares for Hulda and DKB selling for Hulda. The trades are as under:

BUYER MEMBER						SELLER MEMBER					
Clg No.	Buy Order ID	Buy Order Time	Qty	Rate (Rs)	Client code	Clg. No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code
709	548	10:08:09	200000	185	-	276	9389	10:08:09	200000	185	41017
709	549	10:08:24	200000	185	-	276	9390	10:08:24	200000	185	41017

52. On October 9, 2000 DKB sold 2,00,000 shares for Hulda which were bought by Hem Securities (Clg. 248) for its client Panther Fincap in a synchronized fashion.

BUYER MEMBER						SELLER MEMBER						Executed Time	Executed Rate (Rs.)
Clg.No	Buy Order ID	Buy Order Time	Qty	Rate (Rs.)	Client code	Clg.No	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Client code		
248	877	15:58:19	100000	106.5	-	276	21066	15:58:20	100000	106.5	41017	15:58:20	106.5
248	878	15:58:36	100000	106.5	-	276	21067	15:58:36	100000	106.5	41017	15:58:37	106.5

53. Further there were also instances of trades between Pravin V Shah Stock Broking Pvt. Ltd. (Clg.No.558) who had bought 100000 shares (99500 shares) and Milan Mahendra (Clg.No.460) who had bought 50000 shares for Panther Fincap & Mgt. Ltd. and Chandravadan Dalal (Clg.No.85) who had bought 50000 shares for Panther Fincap & Mgt. Ltd against the sell order of DKB (Clg.No.276) for 1,99,500 shares for its client Hulda during on the same day. The details of which are as under :

BUYER MEMBER						SELLER MEMBER						Execute d Time	Exec uted Rate (Rs.)	Prior Trad e (Rs.)	Subse quent Trade (Rs.)
Clg. No	Buy Ord er ID	Buy Order Time	Qty	Rate (Rs.)	Clie nt cod e	Clg.N o	Sale Order ID	Sell Order time	Qty	Rate (Rs.)	Clie nt code				
248	877	15:58:19	10000 0	106.5	-	DKB	21066	15:58:2 0	10000 0	106.5	4101 7	15:58:20	106.5	105.7	106.5
248	878	15:58:36	10000 0	106.5	-	DKB	21067	15:58:3 6	10000 0	106.5	4101 7	15:58:37	106.5	106.5	106.2
558	319 1	15:59:20	10000 0	106.2	-	DKB	21068	15:59:1 9	99500	106.2	4101 7	15:59:20	106.2	106.5	106.5
460	656	15:59:42	50000	106.5	-	DKB	21068 21069	15:59:1 9 15:59:4 2	500 49500	106.5	4101 7	15:59:42	106.5	106.5	106.5
85	228 7	16:00:11	50000	106.5	-	DKB	21069 21070	15:59:4 2 16:00:1 2	450 49550	106.5	4101 7	16:00:12	106.5	106.5	106.5

54. From the ledger accounts with SMIFS Securities of its clients Hulda, DSQ Holdings and Powerflow, it is observed that these clients were rotating the funds between the various promoter entities to finance their transactions.

55. I find that when SMIFS Securities was accosted with the ledger account of Hulda and queried about the nature of the fund transfers from the BSE account to another NSE account, it explained that where the client was dealing in multiple exchanges, their credit balances lying with it at the other exchanges are adjusted by way of journal entries against their debit balances. It was stated by the broker that it was done with the express permission of the client. The broker stated that transfer of credits is done solely on the advice of the clients. The broker further stated that it was not a general practice to transfer/ adjust the funds from one client account to another client account. In some cases if one client had a debit balance and other client had a credit balance and if the client who has the credit balance mandates us to transfer/ adjust their balance against client account who

has a debit balance, such requests are entertained with a view to ensure risk management and timely pay-in to the exchange or to other clients. The broker further stated that Hulda had a debit balance against their purchases and instead of making payment towards their obligations, they asked SMIFS to adjust the same against the credit balance of DSQ Holdings. This is another evidence to link Hulda and DSQ Holdings.

56. I further note that Hulda is a promoter associated entity of DSQ Group and has same address as that of DSQ Industries and Powerflow. Shares on behalf of Hulda have been delivered by other promoter associated entities such as DSQ Holdings and Powerflow.
57. I find that the orders on behalf of Hulda were synchronised with the corresponding orders of related entities. These transactions were not genuine sale and purchase transaction and had the effect of creating artificial volumes in the shares of DSQ Bio-Tech Ltd. Since these entities were availing immediate funds from DKB and Prabhudas Liladhar before pay-out of exchange, it is inferred that these transactions are in the nature of financing transactions. This had resulted in the abuse of the trading and settlement mechanism of the stock exchanges.

TRANSACTIONS OF ARUN POLYMERS, ASPOLIGHT BARTER, COOLTEX COMMODITIES & BERRAL TRADING & INVESTMENTS LTD.

58. I note that another set of clients namely Cooltex Commodities, Berral Trading & Investments Ltd., Arun Polymers and Aspolight Barter were observed to be the major buyers in the scrip at the exchange during the period under consideration. It was also observed that they were also the buyer counterparties to the synchronized deals (except Berral) for the sales made by the promoter group entities through the various brokers at the exchanges.

59. I note that as per the information submitted by the exchanges the trading details of these entities is as under :

Cooltex Commodities	buy	Sell	Gross	Net
SMC Global Securities Ltd.	1195000	0	1195000	1195000
Investsmart India Ltd.	0	130000	130000	-130000

Berral Trading & Investments Ltd.	buy	Sell	Gross trade	Net
Prabhudas Lilladher Pvt. Ltd.	0	375000	375000	-375000
Prabhudas Lilladher Pvt. Ltd.	0	575000	575000	-575000

Client	Gross Buy	Gross Sell	Gross Trade	Net Buy	%	Broker
Arun Polymers Pvt. Ltd.	720000	0	720000	720000	0.34	SMC Global
Aspolight Barter	710000	0	710000	710000	0.33	SMC Global

60. In view of the trading activity of the above entities, summonses were issued to them during the investigations for the purposes of obtaining additional details. I find that information regarding the trading strategies could not be obtained from the entities and therefore the conclusions were based on the information made available by other entities and those available in the record.
61. I find that Cooltex, Arun Polymers and Aspolight were the major buyers through the broker SMC Global and had net purchased 11,95,000 shares during the period between September 2000 and January 2001 at the NSE. The sell client was Hulda (a related entity of the DSQ Group), which was selling through DKB. The details of such synchronised trades have already been tabulated under Para 49 above. From the said table, I observe that the clients, Arun, Aspolight and Cooltex

bought shares through SMC Global from Hulda. I note that Arun, Cooltex and Aspolight were introduced to SMC Global by DSQ Holdings. I observe that Hulda who was selling through DKB had on the date of the sale itself availed of the finance from the broker upto the extent of the sales proceeds and not on the date of the scheduled pay-out by the exchange. I also observe that for a securities transactions the DSQ Group entities also acted as the buyers and towards this end they also enrolled other entities as buyer counterparties (Arun Polymers, Aspolight Barter, and Cooltex Commodities) for their synchronised trades.

62. With respect to Berral, I find that Berral received shares from Harish Biyani. Harish Biyani was a broker to whom shares were transferred by DSQ Holdings. The tables below would show the details of the 'sell' by Berral.

National Stock Exchange of India Ltd. Period September 2000 to January 2001

Sr. No	Name of client	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1.	Berral Trading & Investments Co. P Ltd.	07.12.2000	Harish Chandra Biyani	10043026	3,00,000	3,00,000	3,00,000
2.	Berral Trading & Investments Co. P Ltd.	15.12.2000	Harish Chandra Biyani	10043026	1,00,000	1,00,000	1,00,000
3.	Berral Trading & Investments Co. P Ltd.	05.01.2001	Biyani Securities P Ltd	10028807	85,000	85,000	85,000

The Stock Exchange, Mumbai – July 2000 to November 2000

Sr. No	Name of client	Date of letter	Transferred from		Amount of shares	Instruction to sale- no.	No of shares sold
			Name	A/c no			
1.	Berral Trading & Investments Co. P Ltd.	14.08.2000	Dinesh Kumar Singhania	10002325	2,98,500	2,98,500	2,50,000
2.	Berral Trading & Investments Co. P Ltd.	21.08.2000	Harish Chandra Biyani	10043026	75,000	75,000	75,000
3.	Berral Trading & Investments Co. P Ltd.	22.08.2000	Biyani Securities P Ltd.	10028807	25,000	25,000	25,000
4.	Berral Trading & Investments Co. P Ltd.	29.08.2000	Biyani Securities P Ltd.	10028807	25,000	25,000	25,000

63. Therefore, from the above discussions, I find that:
- 80.30 lakh shares credited to the accounts of by A J Finance and Greenfield were transferred to DSQ Holdings
 - DSQ Holdings transferred the said shares to various brokers of the NSE and BSE

- c. Clients along with their respective brokers indulged in synchronised trading and structured deals. As a result the partly paid up and unlisted shares of DSQ Biotech were introduced in the market
 - d. The brokers were making advance payments for the sale of shares through them even before the pay -out was announced by the concerned exchange. Thus, the clients received funds before the exchange pay-out.
 - e. The synchronised trades/structured deals created artificial market in the scrip
 - f. The entities like Powerflow, Hulda etc were related to the DSQ group. Entities like Arun, Cooltex etc were also utilised for the fraudulent and unfair trade practices
64. DSQ Biotech had issued 80.30 lakh shares on preferential basis, which were only partly paid up and unlisted. The said shares were not allotted to the entities so preferred but were allotted to others (A J Finance and Greenfield). Subscription amount for the allotment of 80.30 shares came from entities like Continental, Uniforge and Athena which were again related entities of the DSQ group. The shares which should have been fully paid up and listed before they are alienated. But in the present case, the shares were introduced in the market and heavily traded by entities none other than the entities related to the DSQ group. Therefore, the company, its Chairman and other directors have played a serious fraud and thus violated Regulation 3 of the PFUTP Regulations, 1995.
65. DSQ Holdings, Powerflow, Hulda, Cooltex, Berral, Arun and Aspolight have entered into transactions which created false/misleading appearance of trading in the market. Their trades did not involve any beneficial change in the ownership of shares. The relevant provisions of the PFUTP Regulations have been reproduced below for easy reference.

“Prohibition of certain dealings in securities

3. No person shall buy, sell or otherwise deal in securities in a fraudulent manner.

Prohibition against Market Manipulation

4. No person shall -

-----;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

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By indulging in false and misleading transactions, DSQ Holding Ltd., Powerflow Holdings & Trading Pvt. Ltd., Hulda Properties & Trades Ltd., Arun Polymers, Aspolight Barter, Cooltex Commodities & Berral Trading & Investments Ltd. are guilty of market manipulation. They are thus guilty of violating the provisions of Regulation 3, 4(b), (c), (d) of the SEBI(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 1995 for their fraudulent and unfair trade practices in securities as explained above.

66. After having concluded that the entities have contravened the relevant provisions of the PFUTP Regulations, the next step would be to arrive at suitable directions that needs to be issued to them. As mentioned earlier, 80.30 lakh shares of the company which were partly paid and unlisted were allotted by DSQ Bio-Tech to A J Finance and Greenfield, which were transferred to DSQ Holdings. The same shares were sold/introduced into the system at various dates by DSQ Holding Ltd through various entities. It is estimated that 80.30 lakh unlisted shares were sold in the market from September 2000 onwards to January 2001. I note that trading in the shares of the company has been suspended by the NSE. In order to remedy the situation and to give an exit option to the entrapped lay investors, it would be just and necessary to direct that shares to the tune of 80.30 lakh be purchased from the market and then be cancelled. For arriving at an estimate of the sales

proceeds realised by the DSQ group entities by offloading these shares in the market, the average price of scrip during the period has been taken to be Rs151.17. The amount for 80.30 shares works to be Rs.122.19 crore. This is the direct benefit to Shri Dinesh Dalmia and DSQ Holdings Ltd. which has been acquired from the sale of these 80.30 lakh unlisted partly paid up shares in the market.

67. Further, it also becomes necessary in the interest of the securities market and the investors in securities to keep such person/entities who have acted in a manner affecting its sanctity, from accessing or dealing in the securities market/securities for a reasonable period.
68. Now therefore, I, in exercise of powers conferred upon me under Section 19 of the SEBI Act, 1992 read with Sections 11 and 11B of the same Act and further read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby issue the following directions:
- i. M/s. DSQ Biotech Ltd., its directors namely Shri Dinesh Dalmia (Chairman), Shri K. Gopalakrishnan (Managing Director), Shri M G Anant Kumar (Executive Director), Shri S Ganapathy Subramaniam, Shri P S Balasubramaniam and Shri Vasudev Subanthore shall not access the securities market, or buy, sell or deal in securities in any manner whatsoever, directly or indirectly for a period of ten years.
 - ii. M/s. DSQ Holdings Ltd., Powerflow Holdings and Trading Pvt. Ltd., Hulda Properties and Trades Ltd., Cooltex Commodities Pvt. Ltd., Berral Trading & Investment Co. Pvt. Ltd., Arun Polymers (P) Ltd. and Aspolight Barter shall not access the securities market, or buy, sell or deal in securities in any manner whatsoever, directly or indirectly for a period of ten years.
 - iii. Shri Dinesh Dalmia and DSQ Holdings Ltd. shall offer to purchase an equivalent amount of 80,30,000 shares of DSQ Biotech Ltd. from the entrapped

- shareholders. The promoters and related entities of the promoters shall not be allowed to participate in the said offer.
- iv. Shri Dinesh Dalmia and DSQ Holdings Ltd. are directed to deposit Rs.122.19 Crore in an escrow account for the said purchase of shares as directed above. The remaining amount, if any, lying with the above referred escrow account after the purchase, shall be credited to the Investor Protection Fund.
 - v. The offer through public announcement by DSQ Holdings Ltd. and Shri Dinesh Dalmia shall be made within a period of 45 days from the date of this order and the consideration shall be paid within a period of 90 days from the date of the public announcement. The provisions of the SEBI (Buyback of Securities) Regulations, 1998 shall, so far as may be, apply to and shall be complied with in respect of, such offer.
 - vi. The shares so purchased by Shri Dinesh Dalmia and DSQ Holdings Ltd. shall be kept in a separate demat account. Pursuant to such purchase of shares, DSQ Biotech Ltd. would take necessary steps to extinguish / cancel the shares so bought back and report compliance to the SEBI.
 - vii. It is clarified that the restraint order as directed in (i) & (ii) above shall not preclude Shri Dinesh Dalmia and DSQ Holdings Ltd. from buying shares from the market.
 - viii. The above said directions shall come into force with immediate effect. .

DATE: 13.01.2009

PLACE: MUMBAI

Dr. T.C. NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA