

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER PRUDENTIAL PHARMACEUTICALS LIMITED

IN RESPECT OF MS. ADITI A. DALAL

Date of hearing: June 28, 2010

For Noticee: Shri Bhupen Dalal, Advocate
Shri Deepak Sheth

For SEBI: Shri Suresh Gupta, Chief General Manager
Shri Jainendra Shandilya, Assistant General Manager
Shri Kirtikumar Jadhav, Presenting Officer and
Ms. Vasudha Goenka, Legal Officer

ORDER

**UNDER SECTION 11B READ WITH SECTION 11 (4) OF SECURITIES AND
EXCHANGE BOARD OF INDIA, ACT, 1992**

1. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted investigations into the alleged irregular transactions and price manipulation in the scrip of M/s Prudential Pharmaceuticals Limited (hereinafter referred to as "Prudential") for the period March 5, 2001 - July 6, 2001 (hereinafter referred to as the "investigation period"). The scrip was listed at Bombay Stock Exchange, Hyderabad Stock Exchange, Calcutta Stock Exchange, and Ahmedabad Stock Exchange (hereinafter referred to as "BSE", "HSE", "CSE", "ASE" respectively).
2. During the investigation period, the price of the scrip rose from Rs.11.85 on March 5, 2001 to Rs.21.25 on March 16, 2001. The price of scrip had gone up by more than 7 % each day during the aforesaid period. It went up from Rs.15.35 on May 28, 2001 to Rs.42.05 on June 15, 2001 and from Rs.44 on June 25, 2001 to Rs.55 on July 2, 2001.

3. Investigation revealed that during the relevant period, a large volume of over 1,00,000 shares of Prudential were traded daily on 4 days i.e. on June 6, June 11, June 18 and June 26, 2001 with large quantity traded between only two brokers, namely, M/s SPS Share Brokers Pvt. Ltd (hereinafter referred to as “SPS”) & M/s Tropical Securities and Investments Pvt. Ltd (hereinafter referred to as “Tropical”). Majority of the trades were found to match in terms of order price, quantity and time. Synchronization of the kind described above interfered with the normal order matching and price discovery of the exchange mechanism and therefore was highly irregular and fraudulent. Investigations further revealed that Ms. Aditi A. Dalal (proprietor of M/s Aditi A. Dalal) has aided and abetted Tropical in the creation of artificial volumes. She has acted as a conduit for transfer of funds and shares. Her dealings involved misuse of stock exchange mechanism for the settlement of private financing arrangement crystallized outside the exchange.
4. On completion of investigations, a Show Cause Notice (SCN) dated July 31, 2009 was issued to Ms. Aditi A. Dalal alleging that Ms. Aditi A. Dalal had aided and abetted Tropical in the creation of artificial volumes and acted as a conduit for transfer of funds and shares for Tropical and others. It was also alleged that Ms. Aditi A. Dalal had indulged in acts calculated to create a false or misleading appearance of trading on the securities market, acts which resulted in reflection of prices of securities based on transactions that were not genuine trade transactions and entered into purchase and sale of 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. Therefore, it was alleged that Ms. Aditi A. Dalal had dealt in the scrip in violation of the provisions of Regulation 4(b), 4(c) and 4 (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 (hereinafter referred to as “PFUTP Regulations, 1995”) read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations, 2003”).
5. Ms. Aditi A. Dalal, on receiving the SCN, vide letter dated August 31, 2009 made certain submissions. However, in the said letter the entity did not address the charges put forth in the SCN. Subsequently, an opportunity of personal hearing was granted to her on May 07,

2010. An adjournment was requested by her on the grounds that she was out of the country. Considering the same, another opportunity of personal hearing was granted on June 07, 2010 which was again rescheduled to June 28, 2010 at the request of her counsel, Shri Bhupen Dalal. On June 28, 2010, Shri Bhupen Dalal and Shri Deepak Sheth appeared before me on behalf of Ms. Aditi A. Dalal and made oral submissions. On request, Ms. Aditi A. Dalal was provided 14 days time to submit her written reply, if any, in the matter. Subsequently, written submissions were filed vide letter dated July 15, 2010. The entity has, *inter alia*, submitted as under:

- a. The violations had not been intentional on the part of Ms. Aditi A. Dalal and she was not involved in the manipulation of the price of the scrip.
 - b. Ms. Aditi A. Dalal was involved in raising finance for the Milan B. Dalal group. The transactions were for the purpose of spot funding, as the group was in financial crisis at the relevant time.
 - c. Since Ms. Aditi A. Dalal had been debarred earlier for various other violations and as she is no longer functioning as a stock broker, a lenient view may be taken.
6. I have carefully considered the various documents on record, the SCN dated July 31, 2009 and the submissions made at the time of hearing and find that the issues under consideration in this matter are as follows:
 - a. Whether Ms. Aditi A. Dalal aided and abetted Tropical in the creation of artificial volumes and acted as a conduit for transfer of funds and shares for Tropical and others?
 - b. Whether Ms. Aditi A. Dalal had indulged in acts calculated to create a false or misleading appearance of trading on the securities market, acts which resulted in reflection of prices of securities based on transactions that were not genuine trade transactions and entered into purchase and sale of 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?
7. I note that Ms. Aditi A. Dalal is the wife of Shri Asim B. Dalal. Shri Asim B. Dalal is the brother of Shri Milan B. Dalal, Director of Tropical. Thus, it is apparent that Ms. Aditi A. Dalal is related to Tropical.

8. I note that Ms. Aditi A. Dalal purchased in off-market 7,17,400 of Prudential shares from Tropical as per details given below:

Date of Purchase as per bill	Quantity	Rate (Rs.)	Remarks
09.04.2001	6,17,400	15.30	Tropical vide bill no. GP49/249001 dated 14.04.2001
26.06.2001	1,00,000	45.22	Tropical vide bill no. GC74/374001 dated 30.06.2001
	7,17,400		

9. I note that out of these 7,17,400 shares, Ms. Aditi A. Dalal sold 6,00,000 shares to SPS in off-market deals as per details given in the table below. The 6,00,000 shares were again bought by Tropical in a matched deal from SPS. The said sale of the shares to Tropical on the Exchange was through synchronized transactions where the order quantity price and time were matched.

Date of receipt of shares in demat account of SPS	Date of sale	Quantity	Rate	Remarks
27.04.2001	09.04.2001	2,50,000	15.40	M/s Aditi Dalal's bill no. GP03/203007 dated 14.04.2001
17.05.2001	08.05.2001	3,50,000	15.40	M/s Aditi Dalal's bill no. GP07/207006 dated 12.05.2001
		6,00,000		

10. I note that another 1,00,000 shares were sold by Ms. Aditi A. Dalal in the market dealing through SPS on June 26, 2001 at the rate of Rs.45.27 in settlement No.14/2001. The above 1,00,000 shares sold by Ms. Aditi A. Dalal through SPS were purchased back by Tropical in a matched deal on its own account in settlement no. 14.

11. The sale proceeds so realized by Ms. Aditi A. Dalal were transferred to Tropical for meeting its pay-in requirements on account of its purchase of these shares when SPS was selling these shares in the market. This cycle was repeated in settlement after settlement, thereby creating artificial volumes. In this manner, I find that the stock exchange mechanism was misused for the settlement of private financing arrangements entered into outside the exchange. Also, I find that Ms. Aditi A. Dalal had aided and abetted Tropical in the process of circulating these shares in the market thereby leading to manipulation and acted as a conduit for transfer of funds and shares for Tropical and others.
12. From the above discussion, I find that Ms. Aditi A. Dalal had aided and abetted Tropical in the creation of artificial volumes and had indulged in acts calculated to create a false and misleading appearance of trading on the securities market, acts which resulted in reflection of prices of securities based on transactions that were not genuine trade transactions and entered into purchase and sale of securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to manipulate market price of the securities. Therefore, I find that Ms. Aditi A. Dalal had dealt in the scrip in violation of the provisions of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 read with Regulation 13(2) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003.
13. I note that the Ms. Aditi A. Dalal had been debarred from dealing in securities for six months vide SEBI's order dated August 31, 2004 for trading in the scrip of Ravalgon Sugar Farms Ltd for violating Regulation 4 (a), (c) & (d) of PFUTP Regulations, 1995, vide another order dated August 31, 2004, she was debarred from dealing in the securities for a period of six months for trading in the scrip of M/s. Shrenuj & Co. Ltd. for violating Regulation 4 (b), (c) & (d) of PFUTP Regulations, 1995 and vide order dated November 29, 2006, she was debarred from dealing in the securities for a period of six month for trading in the scrip of M/s. Roofit Industries Ltd for violating Regulation 4 (b), (c) & (d) of PFUTP Regulations, 1995. The Hon'ble SAT vide order dated December 21, 2006 reduced the period of debarment from six months to two months with respect to the entity's dealings in the scrip of M/s. Roofit Industries Ltd.

14. I observe that the abovementioned violations pertain to time periods similar to the investigation period herein. I believe that the imposition of further debarment for the said violations in the same period is not necessary in this matter. Considering the totality of the case, in the interest of justice and equity, I dispose of the present proceedings, as ordered below.

15. Therefore, taking into account the facts and circumstances of the case and in exercise of the powers vested in me by Section 19 of the SEBI Act, 1992 read with Section 11B and 11(4) of the SEBI Act, 1992 hereby warn Ms Aditi A Dalal to be cautious in her future dealings and exercise due care and diligence in the conduct of her affairs as a securities market participant. Further, any future instance of violation or non-compliance by her with the SEBI Act and Rules and Regulations framed there under shall be dealt with stringently.

Date: 11/11/2010

Place: Mumbai

**PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**