

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

**IN THE MATTER OF RAVALGAON SUGAR FARMS LIMITED
AND SHRENUJ & COMPANY LIMITED**

In respect of Aditi A. Dalal

(SEBI Registration No. INB 20494511)

Date of hearing: November 19, 2010

For Noticee: Mr. Bhupen Dalal, Advocate
Mr. Milan Dalal, Authorized Representative
Mr. Deepak Sheth, Authorized Representative

For SEBI: Mr. Kinjal Ghose, Presenting Officer
Mr. Aliasgar Mithwani, Deputy General Manager
Mr. Pradeep Kumar, Legal Officer

ORDER

Under Regulation 28(2) read with Regulations 38 (2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. The Securities and Exchange Board of India (hereinafter referred to as the 'SEBI') had conducted investigation into the dealings in the scrip of Ravalgaon Sugar Farms Limited (hereinafter referred to as 'Ravalgaon') for the period of May 04, 2001 to June 29, 2001 and in the scrip of Shrenuj & Co. Limited (hereinafter referred to as 'Shrenuj') for the period of May 02, 2001 to June 19, 2001. During the period of investigation, the scrip of Ravalgaon was listed at the Bombay Stock Exchange (hereinafter referred to as 'BSE') and the National Stock Exchange (hereinafter referred to as 'NSE'). The scrip of Shrenuj was listed at BSE, NSE and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').
2. On an analysis of the trading details in the scrips, it was revealed that during the period of investigation, the price of the scrip of Ravalgaon at NSE increased from ₹3,220 on May 23, 2001 to ₹4,565 on June 19, 2001 after

touching a high of ₹5,550 on June 4, 2001. The total traded quantity on NSE for the period of investigation was 1,978 shares.

As regards Shrenuj, the total traded quantity on NSE for the period of investigation was 3,52,104 shares. Investigations revealed that comparatively large volumes were traded on three days i.e. May 14, 2001, June 04, 2001 and June 15, 2001 for 40,000 shares, 61,000 shares and 52,000 shares respectively between two brokers namely CFL and DGP.

3. It was *inter alia* found that Aditi Asim Dalal (hereinafter referred to as 'noticee'), registered with SEBI as stock broker, bearing registration no. INB 20494511, while trading as a client through broker SPS Shares and Stock Brokers Pvt. Ltd. (hereinafter referred to as 'SPS') at BSE had matched orders with the counter party broker, Tropical Securities & Investments Pvt. Ltd. (hereinafter referred to as Tropical) which is an associate entity of the noticee. Further, it was revealed that noticee had acted as a conduit while trading in the scrips of Ravalgaon and Shrenuj, for the purpose of transfer of funds/ shares and thereby created artificial volumes in the said scrips.
4. Based on the findings of investigations, SEBI initiated enquiry proceedings against the noticee in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of the Enquiry Regulations vide two separate orders both dated January 21, 2004. The Enquiry Officer was appointed to enquire into the alleged violation of provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') and the Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). The Enquiry Officer submitted his Report dated July 23, 2004, in terms of Regulation 13(1) of the Enquiry Regulations recommending thereby a penalty of suspension for a period of six months to the noticee for violating the

provisions of Regulation 4 (b), (c) and (e) of PFUTP Regulations and Clauses A(1), (2), (3) and (4) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of the Broker Regulations.

5. Subsequently, a Show Cause Notice dated August 04, 2004 (hereinafter referred as SCN') under Regulation 13(2) of the Enquiry Regulations was issued by SEBI to the noticee for the scrips of Ravalgaon and Shrenuj, asking it to show cause as to why action as may be considered appropriate should not be imposed. The noticee was advised to reply to the SCN, within fifteen days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.
6. The noticee replied to the SCN vide its letter dated August 19, 2004 and requested for an opportunity of personal hearing. The noticee also made submissions vide letter dated February 24, 2007, pursuant to a hearing before my predecessor. In the meantime, the noticee filed an application for settlement of proceedings through the consent mechanism in accordance with the SEBI Circular dated April 20, 2007. Subsequently, the proceedings initiated under the SCN were revived as the application for consent was rejected by SEBI. Accordingly, an opportunity of personal hearing was granted to the noticee on November 19, 2010. On the date fixed for personal hearing, Mr. Milan B. Dalal, Mr. Deepak Sheth (both authorized representatives of noticee) and Mr. Bhupen D. Dalal, Advocate appeared and made oral submissions. The noticee had sought one week's time to file the written submissions which was granted to it. The noticee filed its written submissions vide its letter dated November 23, 2010, which have been taken on record.
7. I have carefully considered the Enquiry Report, reply of the noticee, written submissions and the material available on record. The submissions of the noticee, in brief, are:

- a. It was involved in raising finance for the group associates CFL and Tropical with a view to arrange temporary funding to meet NSE/ BSE pay-in obligations from time to time.
 - b. It had no intention at any point of time to create artificial volumes and to make any benefit out of it.
 - c. Volumes were created unintentionally and due to the repeated transaction done for the purpose of funding.
 - d. They are passing through severe hardships, bearing heavy losses and out of the business for about three years.
 - e. Since the noticee has been penalized by SEBI in the same case and same set of transactions of Ravalgaon and Shrenuj for six months as per SEBI order dated August 31, 2004, a lenient view may be taken.
 - f. Have already been penalized by SEBI in the same case and the same set of transactions of Ravalgaon and Shrenuj for six months vide order dated August 31, 2004. Hence it is a case of '*Res Judicata*' and liable to be dismissed on the ground of double jeopardy.
8. I note that the noticee has not disputed the transactions in the scrips of Ravalgaon and Shrenuj as brought out in the Enquiry Report. The noticee has submitted that it was involved in raising of finance for its group associates CFL and Tropical with a view to arrange temporary funding for meeting NSE/ BSE pay-in obligations. It is seen that the proprietor of the noticee is the wife of Mr. Asim B. Dalal, director, CFL. Further, Asim B. Dalal is the brother of Mr. Milan B. Dalal, director, Tropical.
9. I have seen the trading details of the noticee in the scrip of Ravalgaon at BSE wherein it has traded through the broker SPS Shares and Stock Brokers Private Limited. A few instances thereof have been brought out below:-

Table A

Date	Buy					Sell					Trade			% to market gross
	Broker	Client	Qty	Time	Rate	Broker	Client	Qty	Time	Rate	Time	Qty.	Rate	
31/05/01	Tropical	Harbin ger	300	10:34:03 AM	5075	SPS	Aditi Dalal	300	10:34:02 AM	5075	10:34:06 AM	300	5075	88.75
18/06/01	Tropical	Own	450	02:28:33 PM	4700	SPS	Aditi Dalal	450	02:28:34 PM	4700	02:28:34 PM	450	4700	92.54

22/06/01	Tropical	Own	100	03:13:06 PM	4025. 65	SPS	Aditi Dalal	100	03:12:55 PM	4025. 65	03:13:06P M	100	4025. 65	93.69
28/06/01	Tropical	Globex	550	02:33:34 PM	3950	SPS	Aditi Dalal	550	02:33:36 PM	3950	02:33:36P M	550	3950	57.90

From the above table A, I note that the orders were entered simultaneously within close proximity of each other for the same price and quantity which ensured matching of orders of the seller with a specific buyer.

At NSE, I note that CFL had purchased 1,100 shares of Ravalgaon from DGP Securities Limited during the period of investigation in the said scrip. The details of the same have been brought out below:

Table B

Date	Buy Broker	Buy Client	Sell Broker	Sell Client	No. of trades	Qty.	% to market gross
11/06/01	CFL	Own	DGP	Ashadevi Beriwal	1	310	35.23
15/06/01	CFL	Own	DGP	Ashadevi Beriwal	4	790	30.84
Total						1,100	

I note that the delivery for pay-in for these trades was made from the account of the noticee even when the selling client was Ms. Ashadevi Beriwal and the shares were bought by the broker CFL as seen in the table B above. Further, it is seen that the shares were credited to the account of the noticee instead of the account of CFL. Also, the amount due to Ms. Ashadevi Beriwal on account of the said trades of 1,100 shares was also credited to the account of the noticee.

- 10.** In the scrip of Shrenuj, I note that the noticee had traded in the scrip through CFL, Tropical and SPS for 18,100 shares on BSE and 1,53,000 shares on NSE. It is seen from the Enquiry Report that the trades executed by CFL in its own account and on behalf of the noticee had accounted for 45.97% of the gross quantity traded in the scrip during the period of investigation in the said scrip.

Further, the delivery for pay-in towards the above trades was made available from the account of the noticee even when the selling client was Ms. Ashadevi Beriwal and the shares were bought by the broker CFL. Also the

shares were credited to the account of the noticee instead of the account of CFL. Similarly, the amount due to Ms. Ashadevi Beriwala on account of the above trades in which she bought 1,53,000 shares was also credited to the account of the noticee.

11. From the above discussion, I find that the noticee had acted in a manner detrimental to the interest of the securities market in violation of the provisions of Regulation 4(b), (c) and (e) of the PFUTP Regulations. However, I note that the noticee herein had only acted as a client in the scrips of Ravalgaon and Shrenuj. The noticee has made a submission that this was done for the purpose of arranging temporary funding in order to meet with the NSE/ BSE pay-in obligations of its associates CFL and Tropical. I note that noticee by entering in such transactions have put the entire system at risk.
12. I note the submission of the noticee that she has already been penalized by SEBI for the same set of trades vide separate orders both dated August 31, 2004, in the respective scrips. Having considered this, I am of the view that imposition of further penalty is not necessary. Considering the totality of the case, in the interest of justice and equity, I dispose of the present proceedings, as ordered below:
13. I note that pursuant to the notification of the SEBI (Intermediaries) Regulations, 2008, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the SEBI (Intermediaries) Regulations, 2008, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of SEBI (Intermediaries) Regulations, 2008.
14. Taking into consideration, the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby warn the noticee, Ms. Aditi A. Dalal, member Ahmedabad Stock

Exchange Ltd. (SEBI Registration No. INB 20494511) (PAN: AAIPD 4286B)
to be careful and cautious in the conduct of her business and to adhere to
and comply with all the statutory provisions while carrying out activities in the
securities market.

Date: 24/FEB/2011
Place: Mumbai

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA