

**BEFORE THE SECURITIES APPELLATE TRIBUNAL  
MUMBAI**

**Appeal No. 143 of 2011**

**Date of Decision : 28.11.2011**

Ms. Aditi Dalal  
Ground Floor,  
Bhupen Chambers,  
Dalal Street,  
Mumbai 400 001.

...Appellant

Versus

Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C-4A, G-Block,  
Bandra-Kurla Complex, Bandra (East),  
Mumbai – 400 051.

...Respondent

Mr. P.N. Modi, Advocate with Mr. Ajai Achuthan, Advocate for the Appellant.

Dr. (Mrs.) Poornima Advani, Advocate with Mr. Ajay Khaire, Advocate for the Respondent.

CORAM : Justice N.K. Sodhi, Presiding Officer  
P.K. Malhotra, Member  
S.S.N. Moorthy, Member

Per : Justice N.K. Sodhi, Presiding Officer (Oral)

This order will dispose of three Appeals no. 143, 147 and 148 of 2011 in which similar questions of law and fact arise.

2. One of the reasons why the impugned order in this set of three appeals needs to be modified and the appellants given only a warning is because of the inordinate delay in issuing directions under sections 11 and 11B of the Securities and Exchange Board of India Act, 1992. The alleged manipulation of six scrips in question is said to have taken place in the year 1999-2000 and proceedings against the appellants were initiated only in the year 2005 in respect of one of the scrips and a common impugned order came to be passed only in August, 2011 debarring the appellants from accessing the capital market for a period of two years. Apart from the inordinate delay, we are otherwise satisfied that the merits of the case also require that the appellants to be only warned in the circumstances of the present case.

3. The Securities and Exchange Board of India (for short the Board) carried out investigations and found that the scrips of as many as six companies namely, Ravalgon Sugar Farms Limited (Ravalgon), Shrenuj & Co. Limited (Shrenuj), Roofit Industries Limited (Roofit), Prudential Pharmaceuticals Limited (Prudential), VXL Instruments Limited (VXL) and Jagsonpal Pharmaceuticals Limited (Jagsonpal) had been manipulated by several entities including the appellants herein during the period from 1999-2001. The Board also found that the three appellants before us were connected entities and that they along with others had manipulated the scrips. The Board further found that the modus operandi adopted by each of the delinquents including the appellants herein was the same. Separate but similar show cause notices came to be issued to different entities alleging violation of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Separate enquiries were held against each of the delinquents for each of the scrips and this is where the problem arose. In the matter of Ravalgon and Shrenuj, the whole time member by his two separate orders both dated August 31, 2004 debarred the appellants from accessing the capital market for a period of six months and the period was to run concurrently. The period of debarment is long over. When dealing with the scrip of Roofit, another whole time member by his order dated November 29, 2006 debarred the appellants for a period of six months from the date of the order. In Appeal no. 148 of 2006 this Tribunal reduced the period to two months after hearing the counsel for the parties who then agreed that it was not necessary for us to record reasons. Then in the scrip of Prudential, Shri Prashant Saran, the whole time member by his order dated November 11, 2010 warned the appellants to be careful in future and exercise due care and diligence in the conduct of their affairs in the securities market. While giving them a warning, the whole time member had taken note of the previous orders by which the appellants for similar manipulations in other scrips during the same period had been kept out of the market. He also took note of our order in Appeal no. 148 of 2006 by which we had reduced the period of debarment from six months to two months. While giving a warning to the appellants the whole time member observed in his order dated November 11, 2010 as under :-

“I observe that the abovementioned violations pertain to time periods similar to the investigation period therein. 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 enquiry, I dispose of the present proceedings, as ordered below.

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.”

Enquiries in regard to the scrip of VXL were conducted by a different whole time member (Dr. K.M. Abraham) and he by his order dated January 17, 2011 debarred the appellants from accessing the capital market for a period of two months from the date of the order. In the scrip of Ravalgon and Shrenuj, Shri Prashant Saran by his order dated February 24, 2011 again warned the appellants to be careful and cautious in future expressly observing that they had already been penalised by the Board for the same set of trades by separate orders dated August 31, 2004 though in a different capacity. He was of the view that imposition of further penalty was not necessary. Enquiries were also conducted by Shri Prashant Saran in the scrip of Jagsonpal and by his order dated August 2, 2011 he has debarred the appellants from accessing the capital market for a period of two years from the date of the order without noticing his earlier orders by which he had warned the appellants on the ground that they had earlier been debarred. This order has been impugned in these appeals. As already observed, the period during which the manipulation is said to have taken place is the same, the modus operandi adopted by the appellants in this scrip as well as in the scrip of Ravalgon and Shrenuj was also the same, we see no reason why he should have debarred the appellants for two years when they have already been warned earlier on the ground that they have undergone debarment by earlier orders referred to above. If all the enquiries had been conducted simultaneously, the appellants would not have found themselves in a situation in which they are today. Just as in case of orders dated August 31, 2004, the period of debarment was allowed to run

concurrently, any period for which the appellants would have been debarred for other scrips would have also run concurrently then. The problem has arisen because different whole time members at different points of time conducted enquiries pertaining to the same investigation period where the modus operandi adopted by the delinquents for the alleged manipulation of the scrips was the same. Having debarred the appellants by the earlier orders, the same whole time member by his subsequent orders dated November 11, 2010 and February 24, 2011 gave them warning. It is obvious that he was not consistent in his approach. He did not take notice of his previous orders in the order now impugned before us. Even assuming that the appellants were guilty of alleged manipulation, all that was required was another warning to the appellants as was done previously. Consequently, we do not think it necessary to go into the merits of the charge pertaining to manipulation. In this view of the matter, we are of the view that the ends of justice would be adequately met if the appellants before us are given a warning to be careful and cautious in future. The impugned order stands modified accordingly.

These appeals stand disposed of as above. No costs.

Sd/-  
Justice N.K. Sodhi  
Presiding Officer

Sd/-  
P.K. Malhotra  
Member

Sd/-  
S.S.N. Moorthy  
Member

28.11.2011

Prepared and compared by:

msb