

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SEC. 11B OF SEBI ACT, 1992 READ WITH REG 12 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST SHRI SUHAS PATIL, IN THE MATTER OF SOUNDCRAFT INDUSTRIES LTD

Sound Craft Industries Ltd. (herein after referred to as SIL) was incorporated on 22.01.1985 with Registered and Corporate Office at Narayan Building, 23, Lakhamshi Napoo Road, Dadar (East), Mumbai – 400 014. As per the Annual Report and other records submitted by the company, it has been stated that SIL is mainly engaged in the business of exporting diamonds, precious stones, granites, computer software and hardware (CD Roms), electronics etc., to the Middle East, West Asian and African Countries. Shri Rajkumar Chairai Basantani (hereinafter referred to as "Shri Basantani") is the chief promoter of SIL along with his wife Ms Seema Basantani. SIL was earlier known as Sound Craft Marketing Products and Finance Limited.

Shri Basantani is also the sole proprietor of M/s Rajkumar Chainrai Basantani, (hereinafter referred to as "the Member") individual trading member operating on the Capital Market Segment of the National Stock Exchange of India with effect from 05.10.1995 and has been operating from Mumbai and has no branches.

As a part of market surveillance operations, NSE observed phenomenal rise in price and traded volumes in the scrip of SIL during the period December 1998 to July 1999. The closing price as on 22.12.1998 was Rs. 265/- with average volume of 6, 171 shares. The scrip price moved upwards to touch Rs. 291 as on 31.12.1998. For the period 01.01.1999 to 09.02.1999, the price moved in the narrow band of Rs. 290 to Rs. 309. Thereafter, there was a steady movement in the scrip price and as on 05.03.1999, the closing price of SIL recorded at NSE was Rs. 339/-. At NSE, the scrip was in No Delivery from settlements 1999016N to 1999018N (i.e., from 21.04.1999 to 11.05.1999). SIL had come out with a 1:3 bonus during April 1999. The ex-bonus date for the scrip was 21.04.1999 and the record date for the bonus was fixed on 20.05.1999.

For the period 22.12.1998 to 31.12.1998 the average traded volume in the scrip at NSE was 6, 171 shares. For the period 01.01.1999 to 09.02.1999 the average traded volume in the scrip was 5, 896 shares. Thereafter, the volumes in the scrip suddenly showed increasing trend and as on 18.02.1999 the traded volumes in the scrip was 12, 100 shares. For the period February 1999 to March 1999, the average traded volume was in the range of 12, 000 shares. The volumes subdued during the 3rd week of March 1999 and for the period 10.03.1999 to 20.04.1999 the average traded volume in the scrip was 6, 165 shares. The volumes once again started increasing from the last week of April 1999 and to the later part of May 1999.

At BSE, there has been corresponding increase in the scrip price and volume during the above-referred period. The scrip of SIL was in a no-delivery period at BSE from 26.04.1999 to 14.05.1999. The price, which was in the range of Rs.274/- as on the first week of December 1998, touched a high of Rs. 350/- during April 1999. The volumes too increased substantially between the period December 1998 to June 1999.

It can therefore be seen from the above that the scrip of SIL witnessed movement both in terms of price and volume during the period December 98 to July 99 and this was observed uniformly at both the exchanges viz. BSE and NSE.

In light of the above, an investigation was ordered to be conducted by SEBI into the affairs relating to dealing in the shares of SIL vide Order dated 31.08.2000.

A detailed investigation was conducted and the investigation report dated 29.12.2000 was submitted. In the said report it was found that Shri Basantani along with Shri. Dinesh Patel, Shri Nagraj Kundar, Shri Suhas Patil (hereinafter referred to as Shri Patil), and Shri. Yogesh Panchal had indulged in manipulating the trading of the scrip. A show cause notice dated 18.12.2001 was issued to Shri Patil asking him as to why action should not taken against him for violating regulation 4 (a), (b) and (d) Securities and Exchange Board of India (Fraudulent and unfair trade practices relating to capital Market) Regulations, 1995 (hereinafter referred to as "the Regulations") under S.11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "the Act"). The letter was returned undelivered. One again show cause notice was sent on 08.03.02 which was also returned undelivered.

A personal hearing was fixed for 19.07.2002 and was informed to Shri Patil vide letter dated 04.07.2002. Shri Patil did not attend the hearing held on 19.07.2002.

Based on the investigation I find that -

Shri Patil, residing at No 1, Cosmos Building, Khar (W), Mumbai traded through DGP Securities. Ltd., NSE and M/s M.P. Vora Shares & Securities Ltd., BSE. As per the information furnished by M/s DGP Securities. Ltd and M. P. Vora Shares and securities Pvt. Ltd., Shri Patil was the only client who has traded in the scrip of SIL through them during the period under investigation. Therefore, the total transactions of the above brokers in SIL can be treated as the transactions of Shri Patil.

Shri Rajesh Sharma introduced Shri Patil to M/s DGP Securities Ltd, NSE. As per the statement given by Shri Basantani to the investigating team, Shri Rajesh Sharma is the key employee of M/s Rajkumar Chainrai Basantani, Member, NSE.

Shri Patil had issued cheques from his bank account (maintained with Vysya Bank Bandra West Branch) against the debit balances of Shri Dinesh Patel with M/s Sharedeal Financial Consultants, BSE. Similarly, Shri Dinesh Patel had issued cheques to M/s M.P. Vora Shares and Securities Pvt. Ltd. against the debit balance of Shri Patil. A perusal of the respective accounts of Shri Patil and Shri Dinesh Patel revealed payments / transfers from the account of the Member prior to the transactions made by them. This indicated the relation ship of Shri Patil with Shri Dinesh Patel. and also the fact that the Member is ultimately interested in the transactions of both Shri Patil and Shri Dinesh Patel.

Shri Patil had received payments and also issued cheques to the Member through his bank account maintained with Vysya Bank, Bandra West Branch. A perusal of this account indicated that Shri Patil had received credits from the account of the Member and simultaneously, he issued cheques to various members / entities / individuals who have dealt in the scrip of SIL during the period under investigation. Instances of such fund transfers received from the account of the Member and simultaneous payments made by Shri Patil to various brokers /entities etc are explained as under:

Cheques Recd. By Suhas Patil From Rajkumar C Basantani	Amount (in Rs.)	Corresponding Cheques Issued by Suhas Patil to various entities	Cheque No.	Amount (in Rs.)
40655	20,000	Keynote Capitals Ltd.,	80804	20,000
42385	2,00,000	Ramila Jain	80805	2,00,000
43958	60,000	Sharedeal Financial Con.	80814	61,000
43960	25,000	DPG Securities	80815	23,691
45055	1,30,000	M.P. Vora Shares and securities	80819	1,30,070
46136	1,40,000	DGP Securities	86141	1,40,000
45091	36,000	M.P. Vora Shares	86144	36,000
45097	50,000	Subecha Securities	86145	55,000

Shri Patil had received the following cheques from M.P. Vora Shares and Securities (presumably after the pay out at BSE) and the same was passed on to the Member and other entities.

Cheques Recd. By Suhas Patil From various entities	Amount (in Rs.)	Corresponding cheques Issued by Suhas Patil to Various entities	Cheque no.	Amount (in Rs.)
M.P. Vora Shares & Sec. Pvt. Ltd.	9,33,312	Subecha Secs P L	80807	55,000
		Jain Investments	80808	83,330
		Rajkumar C Basantani	80809	8,00,000
M.P. Vora Shares & Securities..	6,48,574	Rajkumar C Basantani	80811	6,00,000

The above transactions clearly explains the role played by Shri Patil and his relation ship with the Member. It also indicates that funds were transferred from the account of the Member to the account of Shri Patil who in turn made payments to various other entities who dealt in SIL to meet the pay in obligation of these entities. Some instances were also noticed wherein the Member used to issue cheques to M.P. Vora Shares & Sec. P Ltd. directly against the debit balance of Shri Patil, the details of which are furnished below:

Cheque issued by RCB to M.P. Vora DIRECTLY against the debit balance of Suhas Patil Cheque No.	Date	Amount
43872	31/03/1999	250000
43979	15/04/1999	981.5
43990	15/04/1999	600000

Shri Patil did not have any serious intentions of making an investment in the scrip of SIL. Shri Patil has furnished his contact telephone number as 6481355. This telephone number incidentally is also the telephone number of the Member. Even in their acknowledgement given to the courier authorities in respect of the letters / Summons issued to them, these clients chose to furnish this number as their contact reference.

Shri Patil had his account with the same bank / branch as SIL and the Member. Shri Patil had traded in the scrip of SIL during the stated period, in which Shri Basantani is interested.

The connection of Shri Patil with Shri Basantani was evident from the manner in which funds flow had taken place from the account of Shri Basantani to Shri Patil's account and the bank records revealed that Shri Patil has transferred the funds to the account of Shri Basantani after he received the pay out proceeds from the brokers. The study of the funds flow / bank account submitted by Shri Patil revealed that the real destination of the payments / receipts in respect of their dealings in the scrip of SIL have come from an account of Shri Basantani. A few instances of fund transfers that had taken place from the account of the Member (CA 385) to the account of Shri Patil are enumerated as under:

- On 22.01.1999 an amount of Rs 20, 000 was transferred from CA 385 (of Shri Basantani) to SB A/c 16799 maintained by Shri Patil with M/s Vysya Bank, Bandra. On the same day, Shri Patil issued a cheque for Rs 20, 000 favoring M/s Key note Capitals Ltd. against the pay in towards the dealings in the scrip of SIL of Shri Nagraj Kunder (client of Keynote Capitals)
- On 05.04.1999 an amount of Rs 60, 000 was transferred from CA 385 to SB A/c 16799 of Shri Patil. Shri Patil issued a cheque for Rs 61, 000 favoring M/s Shareddeal Consultants, BSE member (towards the dealings of Shri Dinesh Patel in the scrip of SIL)
- On 10.05.1999 an amount of Rs 1, 30, 000 was transferred from the account of Shri Basantani (CA 385) to the account of Shri Patil (SB 16799). On the same day Shri Patil issued a cheque for Rs 1, 30, 070 favoring M/s MP Vora Securities Ltd (towards his dealings in the scrip of SIL with MP Vora Securities). Shri Patil was a client of M/s MP Vora Securities, BSE and had dealt in the scrip through the BSE member.
- Shri Patil has issued the following cheques from his bank account maintained with Vysya Bank, Bandra West Branch to M/s Share Deal Financial & Consultants Pvt. Ltd., BSE against the debit balances of Shri Dinesh Patel. The cheques issued from the account of Shri Patil favouring M/s Shareddeal Consultants are as under:

DATE	CHEQUE NO.	AMOUNT (Rs.)
14.12.1998	70739	20000
07.01.1999	70740	70000
24.03.1999	80812	26000

- The top traded brokers / members of BSE and NSE confirmed that in respect of SIL they had accepted third party cheques on a few occasions. As per the ledger statement of Shri Dinesh Patel, furnished by the Member the credit balance standing against the name of Shri Dinesh Patel was adjusted against the debit balance of Shri Suhas Patil with other brokers. In other words, cheques were seen issued by the Member to Shri Patil against the credit balance of Shri Dinesh Patel e.g., the following instances

Date	CHEQUE NO.	AMOUNT (Rs.)
22/01/1999	40655	20000
04/05/1999	45043	39000

- The pay in obligations of Shri Patil was met by Shri Basantani in the above manner. The fund transfers also took place directly between the Member and Shri Patil.

In light of above fund transfers that have taken place, the role played by Shri Patil is clear.

On perusal of bank records/statements submitted by Shri Nagraj Kunder, it appeared that Shri Patil made payments on behalf of Shri Nagraj Kunder during the period under consideration. The following are the instances wherein Shri Patil had issued cheques to M/s Keynote Capitals Ltd. and M/s Subecha Sec. Pvt. Ltd. against the debit balance (s) of Shri Nagraj Kunder.

DATE	CHEQUE NO.	AMOUNT (in Rs.)	Chques issued by Shri Suhas Patil against the debit balance of Shri Nagraj Kunder- issued to
22/01/1999	80804	20, 000	KEYNOTE
20/04/1999	80816	3, 2709	-DO-
24/05/1999	80820	4, 39, 000	-DO-
15/06/1999	80807	55, 000	SUBECHEA SECURITIES

The account statement of Shri Patil revealed that Shri Patil had received equivalent payments from the Member prior to issuing these cheques to Keynote Capitals and Subecha securities.

Shri Patil had played a crucial role in facilitating Shri Basantani in the exercise of creating / generating artificial volumes in the scrip.

In view of the facts and circumstances stated above, I come to a conclusion that Shri Patil has violated the provisions of Regulation 4 (a), (b) and (d) of the Regulations.

Shri Patil has acted hand-in-glove with the Member in the manipulative practices and it was patently noticeable from the scrutiny of the bank account of the Member that fund flow had taken place consistently to the accounts of these clients prior to the placement

of transactions in the scrip. The involvement of Shri Patil in concert with Shri Basantani in the Price manipulation of the scrip of SIL is, therefore, detrimental to the interest of the investors and the securities market.

Adequate opportunity was given to Shri Suhas Patil to rebut the charges. He neither replied to the show cause nor attended the hearing. In view of the same, no further opportunity is warranted.

Therefore, in the interest of the investors and the securities market and in exercise of the powers conferred upon me under sub section (3) of section 4 of the SEBI Act, 1992 read with sec 11B and regulation 12 of the said Regulations, I hereby direct Shri Suhas Patil to restrain from dealing in securities for a period of 3 years.

PLACE: MUMBAI

DATE: 16th September, 2002

GN BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA