

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECITON 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 YOGESH PANCHAL, 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 22.12.98 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 Patil, Shri Nagraj Kundar, Shri Suhas Patil, and Shri. Yogesh Panchal (hereinafter referred to as "Shri Panchal") had indulged in manipulating the trading of the scrip.

A show cause notice dated 18.12.2001 was issued to Shri Panchal asking him as to why action should not taken against him for violating regulation 4 (a), (b) and (d) of Securities and Exchange Board of India (Prohibition of Fraudulent and unfair trade practices relating to Market) Regulations, 1995 (hereinafter referred to as "the Regulations") under sec.11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "the Act") read with Regulations 11 and 12 of the Regulations. The letter returned undelivered for reason "Person Not Available". Another opportunity was provided to Shri Yogesh Panchal vide Show Cause Notice dated 08.03.02. The letter was returned undelivered.

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

Based on the investigation I find that -

Shri Panchal residing at B.N. Shukla Chawl, No.1, Room No. 10, Subash Nagar, Jogeswari, Mumbai, had traded in the scrip through M/s Subecha Sec. Pvt. Ltd. a sub-broker of M/s Betala Stock Broking Ltd., NSE. The following instances of fund transfers were noted from his bank account maintained with Vysya Bank, Bandra Branch to Shri Basantani.

DATE	CHEQUE NO	AMOUNT (IN RS.)
05/06/1999	76221	93,000
29/06/1999	76222	4,53,000

As per the details submitted by M/s Subecha Sec. Pvt. Ltd., Shri Panchal had offered shares in auction and he has not traded regularly in the scrip of SIL during the period under consideration.

As per the bank records of Vysya Bank Bandra West Branch, Shri Vinod Hingorani, the director of M/s Soundcraft Industries Ltd, introduced the account of Shri Panchal to the bank. The Savings Bank A/c was opened on 27.08.1998 i.e. just before the spurt in volumes and price was witnessed.

Shri Nagraj Kunder who has traded substantially in the scrip of SIL introduced Shri Panchal to M/s Subecha Sec. Pvt. Ltd. As per the report submitted by NSE, Shri Panchal had dealt with the Member and had stopped trading through him from March, 1997.

In light of the above, it is clear that Shri Panchal had clear nexus with the directors of SIL and was acting as front entity to Shri Basantani and Shri Vinod Hingorani. It appeared that he was enrolled as a client to exclusively offer the shares of SIL in the auctions.

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

Shri Panchal 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 Panchal in concert with Shri RC 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 Yogesh Panchal 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 Yogesh Panchal to restrain from dealing in securities for a period of 3 years.

PLACE: MUMBAI

DATE: 16th September, 2002

GN BAJPAI

CHAIRMAN

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