

ORDER UNDER SECTION 11 AND 11B OF THE SEBI ACT AGAINST PROMOTERS OF KOLAR BIOTECH LTD. AND OTHERS

SEBI had received complaints from various entities regarding massive fraud alleged to have been committed by the company viz. Kolar Biotech Ltd. The complainants had stated that the promoters of the company have committed a fraud on a large scale. The other companies belonging to the Group being Soundcraft Industries Ltd. and Adam Comsof Ltd. Complainant has further stated that company had announced a bonus issue of 2:1 and also advertised in the 'Economic Times' regarding their ADR issue. Further, in the Economic Times there was also a sale notice by BOI regarding the property of Shri Raj Basantani who is the main promoter of Kolar Biotech Ltd.. The complainant had also mentioned that the registered office of Kolar has been sealed by various banks, yet the company has advertised regarding its meeting to consider GDR issue.

Subsequently, SEBI had advised BSE to examine the matter and submit the report to SEBI. BSE had submitted a brief report on investigation conducted by the exchange covering the period July 26, 2004 to August 17, 2004 in case of Kolar Biotech Ltd. and Soundcraft Industries Ltd. and February 09, 2004 to August 10, 2004 in case of Adam Comsof Ltd.

The findings of the investigations conducted by BSE were as given below ::

1. Kolar Biotech Ltd.

After the declaration of the bonus issue by the Board of Directors of the company on August 04, 2004, the average daily volumes surged by around 540 % as compared to the average daily volumes registered immediately prior to the announcement. The price also increased from Rs.1.04 to Rs.2.12 from August 04, 2004 to August 10, 2004.

The Greater Bombay Co-operative Bank had received recovery certificate on July 27, 2004 and registered office of the company had been sealed by Special Recovery and Sales officer of the bank. The company did not intimate the exchange regarding such adverse developments. However, it intimated the exchange vide its letter dated July 29, 2004 stating that a Board meeting for considering a bonus issue is fixed at its Registered Office on August 03, 2004. However, the venue of the said Board meeting was already sealed before the date of communication by the company. Thus the company has misrepresented to the stock exchange.

After the announcement of the bonus issue, the entities related to the company had sold 3.45 crore shares (34.54 % of the share capital) which constituted around 30% of the total trading volume.

The company vide its letter August 12, 2004 informed the Exchange that it would hold its Board meeting to consider the issue of GDR in its registered office, which as per the information available was sealed. The company had also advertised the notice of the Board meeting at the registered office in the Economic Times dated August 13, 2004,. Thus it appeared prima facie that company had issued an advertisement on August 13, 2004 to hold its Board meeting at its registered office even when it was fully aware of the fact that the said premises were sealed w.e.f. July 28, 2004 on account of recovery action by the Greater Bombay Co-operative Bank.

BSE had stated that the events depicted above seem to suggest that entities connected to the company may have possessed the information about recovery action by Greater Bombay Co-operative Bank Ltd., which was not available to the investors at large and SEBI may examine any violations with regard to SEBI Prohibition of Insider Trading Regulations 1992 (as amended from time to time), with regard to transactions executed by the entities connected to the company / promoters.

The exchange had transferred the said scrip to 'Z' group (trade to trade basis) w.e.f. August 24, 2004

2. Soundcraft Industries Ltd.

Although no major spurt in price and volume was observed in the scrip, it was observed that some banks are net sellers in the scrip during the period under investigation which might be on account of invoking the collaterals

The exchange had transferred the scrip to 'Z' group w.e.f. August 24, 2004 and a show cause letter was issued to the company for violating certain clauses of the listing agreement.

3. Adam Comsof Ltd.

The price of the scrip fell from Rs.22.50 to Rs.2.16 during the period of examination despite announcement by the company to issue bonus shares. However, it appears that the two Board Meetings proposed to be held for approval of bonus issue were not held, and also no communication in this respect was sent to the exchange by the company. The second Board Meeting was proposed to be held at the registered office of the company on August 23, 2004, although the said office was already sealed on July 28, 2004 by the leading bank of Soundcraft Industries Ltd. (group company having the same registered office).

A sharp fall in the profit and turnover of the company was observed in the March 2004 quarter compared to the December 2003 quarter. The member Kolar Sharex Pvt. Ltd. having the same registered office address as that of the company had the maximum concentration in sales (32.74% in gross sales and 51.08% in net sales). This member had mainly dealt for clients connected to the company and these clients were net sellers for around 20% of the capital of the company.

Shri Rajkumar Basantani, the erstwhile director of the company (who had resigned from the Board of Directors on November 25, 2003) was a net seller for 11,29,502 shares during the period of examination.

Subsequent to the period of examination, the client Cavelier Securities (dealing through the member Ruchiraj Securities) purchased 15,31,773 shares of the company and then sold around 12,33,887 shares of which 11,63,000 shares were

purchased by Million Investrade Ltd. (dealing through the member Kolar Sharex Pvt. Ltd.), a client connected to the company.

Thus, it appeared that there was a transfer of holdings between entities connected to the company, by first offloading to the market and then acquisition by Cavelier Securities from the market, who in turn offloaded the shares to other entities connected to the company.

In view of the above, BSE had forwarded the report to SEBI for information and further investigation / necessary action regarding violation, if any of the SEBI (Substantial Acquisition and Takeover) Regulations, 1997 or the SEBI (Prohibition of Insider Trading), Regulations, 2002 by the clients dealing in the scrip.

The scrip was transferred to the 'Z' group w.e.f. August 24, 2004 as a surveillance measure.

Since the announcement of bonus issue by Kolar Biotech Ltd. was after the adverse development which was not disclosed to the stock exchange, the possibility of creating investor interest in the scrip (by way of announcement of bonus) and insider trading to facilitate exit by the promoters could not be ruled out.

In light of the various above mentioned irregularities and after considering the recommendations of BSE, SEBI has decided to undertake full fledged investigation in all the three scrips.

The limited purpose of the present order is to prevent the promoters/ directors of the said companies and other persons related to them from indulging in further price manipulation and other irregularities to circumvent the provisions of SEBI Act and regulations etc or acting in any manner that may be detrimental to the interest of the securities market and the investors pending completion of the investigation. Such preventive action is necessary in order to refrain the promoters/ directors of the said companies and other persons related to them from dealing in the shares of the group companies pending completion of investigation.

In view of the emergent situation, it is necessary to ensure that no further harm or detriment is caused to the market or that investors are not adversely affected. Hence after taking into consideration the above mentioned facts and circumstances of the case, in exercise of the powers conferred upon me under section 11(4) (b) of the SEBI Act, 1992, read with Sections 11 and 11B of the SEBI Act, 1992, I hereby direct the following entities (being either promoters, directors, major shareholders of these companies or major sellers in the said scrips during the period of investigations by BSE and the entities related to them) not to buy, sell or deal in any other manner the shares of Kolar Biotech Ltd. Soundcraft Industries Ltd. and Adam Comsof Ltd. till the investigations are completed. During the said period, the following entities shall not buy, sell or transfer, pledge or dispose off or deal in any other manner the shares of these companies, directly or indirectly.

Sr. No.	Name of the Entity
1.	Sh. Rajkumar C. Basantani – major shareholder, Soundcraft Industries Ltd.
2	Smt. Seema R. Basantani – major shareholder, Soundcraft Industries Ltd.
3	Sh. Rajkumar C. Basantani (HUF) – major shareholder, Soundcraft Industries Ltd.
4	Exclusive Impex Ltd. – major shareholder, Soundcraft Industries Ltd.
5	Balwan Exports Pvt. – major shareholder, Soundcraft Industries Ltd.
6	Xenia Properties Pvt. – major shareholder, Soundcraft Industries Ltd.
7	Reshma Plastics Pvt. Ltd.- – major shareholder, Kolar Biotech Ltd.
8	Sh. Vinod R. Hingorani – major shareholder, Adams Comsof Ltd..
9	RVSK Information Technology Ltd.- major shareholder, Adams Comsof Ltd
10	Glorious Investrade P. Ltd. - major shareholder, Adams Comsof Ltd
11	Sh. Pradeep Rathi – Promoter, Adam Comsof Ltd.
12	Sh. Indramal S. Jain - Promoter, Adam Comsof Ltd.
13	Sh. Nazir N. Desai - Promoter, Kolar Biotech Ltd..
14	Sh. Maqbool A.G. Matwankar - Promoter, Kolar Biotech Ltd
15	Sh Rajesh Agarwal - Promoter, Soundcraft Industries Ltd.
16	Sh. Lahar Chand Kochar - Promoter, Soundcraft Industries Ltd
17	Sh. Shambhoo Prasad Sharma - Promoter, Soundcraft Industries Ltd
18	Manorama Trading Ltd. - Promoter, Kolar Biotech Ltd.
19	Adsul Trading Pvt. Ltd.- Major selling client
20	Sangam Infotech Pvt. Ltd. - Major selling client
21	Smt. Aarti Rajkumar - Major selling client
22	Sh.Rajesh Durgalal - Major selling client
23	Cavelier Securities Ltd. – Major selling client
24	Sh. Girdhar Karu - Major selling client
25	Sh. Mahesh Mistry - Major selling client
26	Adam Comsof Ltd. - Major selling client

Sr. No.	Name of the Entity
27	Structure Hsg. & Fin. P. Ltd. - Major selling client
28	Million Investrade Ltd. - Major selling client
29	Mastermind Mercantile Co-op Ltd. - Major selling client
30	Jugnu Securities P. Ltd. - Major selling client
31	Albeli Trading Co. P. Ltd. - Major selling client
32	Sh. Kiran Bansal - Major selling client
33	Steel Traders P Ltd. - Major selling client
34	M/s Shree Satyanand Investments (Shyam Sunder Jhunjhunwala) - Major selling client
35	M/s Subhlaxmi (Ramkishore Jhunjhunwala) - Major selling client
36	Sh Nirmal N Kotecha - Major selling client

37	Suvik Finvest & Cons P Ltd. - Major selling client
38	Sh. Vikas Seth – Director, Kolar Biotech Ltd.
39	Sh. R.K.Maheswari – Director, Kolar Biotech Ltd.
40	Sh. Aspi B. Bhesania – Director, Kolar Biotech Ltd.
41	Sh. Babu Basan – Director, Soundcraft Industries Ltd.
42	Sh. Vishnu Basan – Director, Soundcraft Industries Ltd
43	Sh. Ramesh Verma – Director, Soundcraft Industries Ltd
44	Sh. Raja Yadav – Director,
45	Sh. Umesh R. Khariwala – Director, Kolar Biotech Ltd.
46	Sh. Nooman Usmani – Director
47	* Sh. Pushpa Mahadik – Director, Kolar Biotech Ltd.
48	* Sh. Prithvijit Debnath – Director, Kolar Biotech Ltd.
49	* Sh. Anil Bhaskar Tambe – Director, Kolar Biotech Ltd.
50	* Sh. Jayendra Pragji Thakkar – Director, Kolar Biotech Ltd.
51	Sindhu Securities Pvt. Ltd.
52	Sh Nitin Namdev, Director, Structure Hsg. & Fin. P. Ltd. major selling client
53	Sh. Mahesh Ramdas Adsul, Director, Adsul Trading Pvt. Ltd., major selling client
54	Sh. Hiralal Yadav, Director, Million Investrade Ltd. major selling client
55	Sh. Vithal Patil, Director, Mastermind Mercantile Co-op Ltd. , major selling client
56	Sh. Janba Chowgule, Director, Albeli Trading Co. P. Ltd. , major selling client
57	Rajkumar C. Basantani, Member, NSE
58	Kolar Sharex Pvt. Ltd., Member , BSE

* resigned on the next day of appointment in June 2003

Post decisional hearings are being given to these entities before me during October 18th ,2004. These entities may appear through any of their representatives for the hearing and make submissions in respect of this order and show cause as to why the above order should not be continued and or an appropriate order should not be passed under the provision of the SEBI Act and the Rules & Regulations made there under.

This order comes into effect forthwith

Place : Mumbai

Date : September 30, 2004

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G.N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

CO/151/ISD/02/2005

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11B AND 11(4) OF SEBI ACT, 1992, IN THE MATTER OF TRANSACTIONS IN THE SCRIP OF KOLAR BIOTECH LTD. AND OTHERS

1.0 Upon receipt of complaints that Kolar Biotech Ltd. and its promoters have committed serious irregularities in the securities market, SEBI vide its order dated September 30, 2004, restrained 58 entities from dealing in the securities of Kolar Biotech Ltd (KBL), Soundcraft Industries Ltd (SIL) and Adam Comsoft Ltd (ACL) till investigations are complete. The 58 entities as mentioned below, against whom the interim orders were issued, were either promoters, or directors or major shareholders of KBL, SIL and ACL who were major sellers in the scrip during the relevant period.

Sr. No.	Name of the Entity
1.	Sh. Rajkumar C. Basantani – major shareholder, Soundcraft Industries Ltd.
2.	Smt. Seema R. Basantani – major shareholder, Soundcraft Industries Ltd.
3.	Sh. Rajkumar C. Basantani (HUF) – major shareholder, Soundcraft Industries Ltd.
4.	Exclusive Impex Ltd. – major shareholder, Soundcraft Industries Ltd.
5.	Balwan Exports Pvt. – major shareholder, Soundcraft Industries Ltd.
6.	Xenia Properties Pvt. – major shareholder, Soundcraft Industries Ltd.
7.	Reshma Plastics Pvt. Ltd.- – major shareholder, Kolar Biotech Ltd.
8.	Sh. Vinod R. Hingorani – major shareholder, Adams Comsof Ltd.
9.	RVSK Information Technology Ltd.- major shareholder, Adams Comsof Ltd
10.	Glorious Investrade P. Ltd. - major shareholder, Adams Comsof Ltd
11.	Sh. Pradeep Rathi – Promoter, Adam Comsof Ltd.
12.	Sh. Indramal S. Jain - Promoter, Adam Comsof Ltd.
13.	Sh. Nazir N. Desai - Promoter, Kolar Biotech Ltd.
14.	Sh. Maqbool A.G. Matwankar - Promoter, Kolar Biotech Ltd

15.	Sh Rajesh Agarwal - Promoter, Soundcraft Industries Ltd.
16.	Sh. Lahar Chand Kochar - Promoter, Soundcraft Industries Ltd
17.	Sh. Shambhoo Prasad Sharma - Promoter, Soundcraft Industries Ltd
18.	Manorama Trading Ltd. - Promoter, Kolar Biotech Ltd.
19.	Adsul Trading Pvt. Ltd. - Major selling client
20.	Sangam Infotech Pvt. Ltd. - Major selling client
21.	Smt. Aarti Rajkumar - Major selling client
22.	Sh. Rajesh Durgalal - Major selling client
23.	Cavelier Securities Ltd. - Major selling client
24.	Sh. Girdhar Karu - Major selling client
25.	Sh. Mahesh Mistry - Major selling client
26.	Adam Comsof Ltd. - Major selling client
27.	Structure Hsg. & Fin. P. Ltd. - Major selling client
28.	Million Investrade Ltd. - Major selling client
29.	Mastermind Merchantile Co-op Ltd. - Major selling client
30.	Jugnu Securities P Ltd.- Major selling client
31.	Albeli Trading Co. P. Ltd. - Major selling client
32.	Sh. Kiran Bansal- Major selling client
33.	Steel Trades P Ltd.
34.	M/s Shree Satyanand Investments (Shyam Sunder Jhunhunwala)- Major selling client
35.	M/s Shubhlaxmi (Ramkishore Jhunhunwala) - Major selling client
36.	Sh. Nirmal N Kotecha - major selling client
37.	Suvik Finvest & Cons P Ltd. - Major selling client
38.	Sh. Vikas Seth - Director, Kolar Biotech Ltd.
39.	Sh. R.K.Maheswari - Director, Kolar Biotech Ltd.
40.	Sh. Aspi B. Bhesania - Director, Kolar Biotech Ltd.
41.	Sh. Babu Basan - Director, Soundcraft Industries Ltd.
42.	Sh. Vishnu Basan - Director, Soundcraft Industries Ltd
43.	Sh. Ramesh Verma - Director, Soundcraft Industries Ltd
44.	Sh. Raja Yadav - Director,
45.	Sh. Umesh R. Khariwala - Director, Kolar Biotech Ltd.
46.	Sh. Nooman Usmani - Director
47.	* Sh. Pushpa Mahadik - Director, Kolar Biotech Ltd.
48.	* Sh. Prithvijit Debnath - Director, Kolar Biotech Ltd.
49.	* Sh. Anil Bhaskar Tambe - Director, Kolar Biotech Ltd.
50.	* Sh. Jayendra Pragji Thakkar - Director, Kolar Biotech Ltd.
51.	Sindhu Securities Pvt. Ltd.
52.	Sh. Nitin Namdev, Director, Structure Hsg. & Fin. P. Ltd. major selling client
53.	Sh. Mahesh Ramdas Adsul, Director, Million Investrade Ltd. major selling client
54.	Sh. Hiralal Yadav, Director, Million Investrade Ltd. major selling client
55.	Sh. Vithal Patil, Director, Mastermind Merchantile Co-op Ltd., major selling client
56.	Sh. Janba Chowgule, Director, Albeli Trading Co. P. Ltd., major selling client
57.	Rajkumar C. Basantani, Member, NSE
58.	Kolar Sharex Pvt. Ltd., Member, BSE

* resigned on the next day of appointment in June 2003.

2.0 Since the said order dated 18.09.2004 was returned undelivered in respect of entities at Sr. No. 1 to 11,13 to 18,21,27,30,0138 to 52 and 57 (total 37 entities), a public notice was issued through Indian Express(6 Editions), New Indian Express (12 Editions) and Financial Express (4 Editions) on 16.10.04 intimating the passing of Order dated 30.09.2004 and also advising the said entities to avail the opportunity of Post Decisional Hearing before the Chairman, SEBI on or before 02.11.2004. Sh. Kiran Bansal(Sr.No.32), Steel Tradesr Pvt Ltd(Sr.No.33), M/s Satyanand investments(Sr.No.34) and M/s Subbahalakshmi(Sr.No.35) made their submissions pursuant to the order dated 30.09.2004(total 4 entities). The Order was hand delivered to entities at Serial Numbers 19, 22, 25, 28, 28, and 53 to 55(total 8 entities).Order was served on entities at Serial numbers 57 and 58 through BSE and NSE respectively (total 2 entities). In the case of Nirmal N Kotacha (Sr.No 36) the Order was served through Registered Post and Acknowledgement dated 25.10.2004 is received. Similarly in respect of the remaining entities at Sr.Nos.12, 20, 23, 24 and 37, the Order was duly served through registered post (total 7 entities).

3.0 I note that out of the 58 entities only following entities made their written submissions on the Order dated 30.09.2004 as described below;

1) **Rajesh Durgalal, Selling client**

Shri Rajesh Durgalal submitted vide letter dated October 9, 2004 that he had sold only 9592 shares of Adam Comsof Ltd. during the relevant period. He had not bough or sold any shares of Kolar Biotech and Soundcraft Industries Ltd during the relevant period.

2) **Indramal S. Jain, Promoter, Adam Comsof Ltd.**

Shri Indramal Jain submitted that he has no relationship whatsoever with KBL or SIL. He ceased to be a Director of the ACL with effect from September 23, 1996 and does not hold any shares of the company since February - March, 2000 except for 10 shares which were sold some time in the year 2003-04. He has no connection with Mr. Rajkumar Basantani or any of the promoters of the company. He had no connection of any nature either as a director or promoter since 1996.

3) **Girdhar Karu, Selling Client**

Vide letter dated October 14, 2004 it was submitted that he is no relationship whatsoever with KBL or its promoters or directors. The transactions were very few which were done in the normal course of investing in shares.

4) **Kiran Bansal**

Vide letter dated October 16, 2004, he stated that he is neither a buyer nor a seller in the scrip Kolar Biotech Ltd and had only undertaken arbitrage which is his normal business and incurred a loss of around Rs. 25,000/-. In SIL he was a net buyer for 3885 shares only.

5) **Steel Traders Pvt. Ltd.**

Vide letter dated October 18, 2004, it was submitted that they had purchased the shares during 2003-04 @ average cost of Rs. 5.29 per share. It had also complained to the company on 12th July 2004 for non receipt of Dividend, Bonus Shares and Balance Sheet, but till now it had not received the acknowledgement from the company and it had no relationship whatsoever with the management of the company.

6) **M/s Shubhlaxmi**

Vide letter dated November 01, 2004, it was stated that it has dealt in the scrip of Sound Craft Industries Ltd (SIL) only. There has not been any major spurt in the price and volume of SIL during the investigation period and whatever little has been observed is the outcome of banks being the net sellers of SIL. Its dealings in SIL mainly have been confined to trading / arbitrage.

7) **M/s Sh. Satyanand Investment**

Vide letter dated November 02, 2004 it was stated that it has dealt in the scrip, Kolar Biotech Ltd. Its dealings in Kolar Biotech Ltd mainly have been confined to trading and investment.

8) **Cavalier Securities Ltd.**

Vide its letter dated November 06, 2004, Cavalier Securities Ltd. submitted that the company or any of its Directors is not connected or related to Adam Comsof Ltd and / or its Promoters and Directors. It was further submitted that in its trading, the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 have not been violated.

It was submitted that between 10/8/2004 to 20/08/2004 Cavalier Securities Ltd bought about 13,76,147 shares of Adam Comsof Ltd. at the rates ranging between Rs.2.54 and Rs6.41 and sold on 24/8/2004 12,33,887 shares at the rate of Rs.3.42 per share which resulted into a loss of about Rs.13 lacs. It was denied that they have purchased 1531773 shares of Adam Comsof Ltd. through Ruchiraj Securities as alleged. On account of online trading it is not possible to know who is the buyer and seller of the scrip. It has for the first time come to know that the shares sold by it were purchased by Million through BSE member Kolare Share Pvt Ltd. It is therefore improper and incorrect to allege that Cavalier Securities Ltd sold the shares to client connected to the company. It is also incorrect to allege that there was a transfer of holding between entities connected to the companies by first offloading to the market and then acquisition by Cavalier Securities Ltd. from the market who in turn offloaded the shares to the other entities connected to the companies.

The company had furnished the written submission dated November 29, 2004 through its Chartered Accountant stating, inter alia, that the reasons for buying and selling in the shares of Adam Comsof and Kolar Biotech Ltd. was that in the month of July, the prices of scrip of these companies had substantially declined and they were quoted at about Rs.2.50 and Rs.0.50 respectively. There were rumours about the good working results for the quarter ended on 30/06/04 and declaration of dividend / bonus. Subsequently, when the shares were shifted to Z category by the exchange, it had offloaded the shares.

It was further submitted that they are not related in any manner with the promoters, directors of the companies involved and even their transactions were not made during the sensitive period. Their purchases in the scrip of

KBL and ACL are within the permissible limits under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

- 4.0 I have carefully examined the aforesaid submissions. It is further noticed that investigations are still in progress. Hence, at this stage, it is neither desirable nor there are any good and sufficient grounds to lift the ad-interim order dated September 30, 2004.
- 5.0 Therefore, the order dated September 30, 2004 restraining these 58 entities from buying selling or dealing in any manner the shares of Kolar Biotech Ltd., Soundcraft Industries Ltd. and Adam Comsof Ltd. and further prohibiting them from buying, selling or transferring, pledging or disposing off or deal in any other manner the shares of these companies, directly or indirectly, shall continue until further orders.

G N BAJPAI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date : 18th February, 2005