

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11B AND 11(4)(b) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF IFSL LTD. (FORMERLY INTERLINK FINANCIAL SERVICES LTD).**1. Background**

1.1 Sudden spurt in price and trading volume of certain companies in a short period of time, often referred to as "mid cap" or "small cap" companies have been engaging the attention of SEBI and the stock exchanges for some time. Such trading has been under the surveillance of SEBI and the stock exchanges to determine whether the trading volumes and price rise have been the result of unfair trade practices or market manipulation. One such company whose shares have shown a significant increase in prices as well as trading volumes in a short period of time is IFSL Ltd. (the company), formally known as Interlink Financial Services Ltd. which was listed on BSE in September 1996 as a company solely engaged in the business of trading in securities, but suddenly proposed to diversify its activity in 2005 to a totally unrelated business of implementing power projects through the acquisition of a company called San-Infra Trading Pvt. Ltd. (San Infra) about which no details have been made available by the company to the market as yet. The database of the filings with the Department of Company Affairs interestingly describes San Infra as a company registered only in 2002 and engaged in "retail trade not classified elsewhere". The share holding pattern of the company (IFSL) as on June 30, 2005 shows that while the promoting company held only 17% of the share capital, the non-promoter holding included a few broking firms including Fortis Securities, Fortis Finvest Ltd., Prowess Financial Services Pvt. Ltd., India Bulls Financial Services Ltd. and K & A Securities Pvt. Ltd.

1.2 The trading history of the shares of the company showed that while there was very limited trading in the shares till December 2003 when the shares were quoted in the range of Rs.10.60 to Rs.16.75 and trading took place only on 49 days. The share languished without any trading for seven months between January 2004 and August 2004. The share price thereafter moved by quantum jumps from range of Rs.15 to Rs.18 in September 2004 to around Rs.233 in June 2005 in around 200 trading days. The company went through a share split on July 1, 2005 when a Rs.10 share was split into Rs.1 and consequently the number of paid up shares of the company increased to 8 crore from 80 lakh at the time of incorporation. The share price which was at Rs.26.70 on July 1, 2005 after the split rose to Rs.33.65 on September 13, 2005. Interestingly the average daily trading volume in the shares was around 70 lakh between August 1, 2005 to August 18, 2005 which accounted for only around 10% of the equity capital of the company. The very low turnover ratio clearly demonstrated lack of widespread investor interest in this share till that time. There was then a sudden spurt in average daily trading volume to around 177 lakh during the period August 19, 2005 to September 13, 2005. What was intriguing was the coincidence of this spurt in trading volume with the trading in the share of the company by the promoters through off market transactions, as well as by the entities to whom the promoters transferred nearly 12% of the total share capital of the company.

1.3 In view of the circumstances under which the price and trading volume of the shares of the company increased and the manner in which the promoters transacted in the shares of the company, warranted an immediate investigation by SEBI.

1.4 While the investigation is still in progress, the preliminary findings are given in the following paragraphs.

2. Preliminary FindingsThe company – business, board of directors, shareholding pattern

2.1 The registered office of IFSL Ltd (hereinafter also referred to as "the company") is located at 202-C, 'Kanchan Sagar' 18/1, Old Palasia, A.B.Road, Indore-452 003 (Madhya Pradesh) and corporate office is at D-708, Crystal Plaza, New Link Road, Andheri (West), Mumbai-53. The scrip of the company is listed at BSE, MPSE and ASE. The company had changed its name from Interlink Financial Services Ltd to IFSL Ltd in the EGM held on June 9, 2005. The company was engaged in trading in shares and securities and is a corporate member of Madhya Pradesh Stock Exchange (MPSE) since 13th December 1994. In June 2005 the company, whose single segment of business till that time was trading in shares and securities decided to diversify into a completely unrelated line of implementing power projects.

2.2 As per the shareholding pattern filed by the company for the quarter ended June 2005, the total equity capital of the company was Rs. 8 crores comprising of 80 lacs shares of Rs. 10/- each and promoter entity Sonal Fincap Private Ltd was holding 13,50,000 representing around 17% of the equity capital of IFSL Ltd. The face value of shares was split from Rs. 10/- each to Rs. 1/- each and the price was adjusted for stock split w.e.f. July 1, 2005. After stock split, the total equity capital of the company has become 8 crore shares of Rs. 1/- each and holding of promoter entity Sonal Fincap Private Ltd become 1.35 crore shares. Interestingly among non promoters who hold more than 1% of the share capital are several broking firms namely Fortis Securities, Prowess Financial Services Ltd., Fortis Finvest Ltd., India Bulls Financial Services Ltd. and K & A Securities Pvt. Ltd. During the period when there was increase in share price and trading volume in July 2005 and August 2005, and the off market transfers by the promoters to some entities took place, two of the above mentioned broking firms namely Fortis and Indiabulls were found to have dealt significantly in the share of this company on behalf of the same clients.

2.3 The Board of Directors of the company as on June 14, 2005 is as follows:

Prem Kumar Singh	Managing Director
Ramdas Kshisagar	Director
Mukesh Vora	Director
Dilip Kulkarni	Director
Rishi Vashist	Director
N.Narendra	Director
Rakesh Singhvi	Director

Financial performance of the company

2.4 The annual results filed by the company for the last four years are given below:

(Amount in Rs Crores)

Particulars	Audited	Un-Audited	Un-Audited	Un-Audited
Date Begin	1-Apr-04	1-Apr-03	1-Apr-02	1-Apr-01
Date End	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02
Interest Earned, Operating Income	46.55	14.92	1.25	1.16
Other Income	8.35	0.02	0.04	-
Total Income	54.89	14.93	1.29	1.16
Operating Expenses	-46.43	-14.91	-1.28	-1.16
Operating Profit	8.47	0.02	0.01	-
Profit before Tax	8.47	0.02	0.01	-
Tax	-1.80	-0.01	0.00	-
Profit after Tax	6.66	0.01	0.01	-
Prior Period Items	-	-	0.00	-
Net Profit	6.66	0.01	0.01	-
Equity Capital	8.00	8.00	6.70	5.25
Reserves	6.95	-	-	-
EPS	8.33	-	-	-

Nos. of Shares - Non Promoters	6637500	-	-	-
Percent of Shares – Non Promoters	82.97	-	-	-

2.5 The above table on financial performance of the company leads to several important conclusions about the manner in which the company is disclosing its financial results. For example during the financial year ended March 31, 2002 the company's accounts showed no profit or loss. This delicate balancing act was achieved by the company by showing total income equal to the operating expenses. The annual report for the year further shows that what has been shown under the head of "operating expenses" is largely the cost of purchase of shares and correspondingly the income is shown largely as the sale proceeds. This modus operandi has been used by the company in all the years while disclosing the financial results. Normally in a brokerage business, the main income arise out of the broking charges and differences between purchase and sale of shares can be either capital gains or business income as the case may be.

2.6 By the above accounting feat the company showed a meagre profit of a couple of lakhs in the financial years ending March 2003 and March 2004. But for the financial year ending March 31, 2005 the net profit soared to Rs.6.66 crores, stated to be on account of profits realized as a result of disposal of unquoted shares which according to the company's balance sheet have been valued strangely on the basis of "negotiated price between the buyer and the company at an arm's length transaction", which is not in sync with the accepted accounting practice for valuing quoted and unquoted shares. On the basis of above financial results for the year 2004-05 the company even declared a dividend of 10%.

2.7 The attempt by the company to show higher profit during the financial year ended March 31, 2005 was followed by an increase both in share price and trading volume as well as a spurt in off-market transactions by the promoters and subsequent transactions in the market by the clients to whom the promoter's shares were transferred. These events are of great import, not to be dismissed as fortuitous, signifying careful planning and execution, with a view to encouraging and inveigling investors to trade in these shares. This view is further strengthened by the flurry of announcements by the company delineated in the following paragraphs.

2.8 The major corporate announcements of the company during the period May 9, 2005 to September 27, 2005 are as follows :

Date & time	Major Announcements
May 09, 2005 1:21:13 PM	A meeting of the Board of Directors of the Company will be held on May 16, 2005, inter alia, to consider split up/subdivision of Equity Shares.
June 03, 2005 1:38:28 PM:	A meeting of the Board of Directors of the Company will be held on June 10, 2005, inter alia, to consider the following: 1. The Acquisition of M/s San-Infra Trd Pvt Ltd, a solid waste to energy Power Company. San-Infra proposes to enter into a power purchase agreement for generation of power out of waste material for the state electricity board. 2. Appointment of a valuer to value M/s San-Infra Trd Pvt Ltd.
June 09, 2005 10:53:07 AM:	The members of the Company at the Extra Ordinary General Meeting (EGM) held on June 07, 2005, inter alia, have approved the following: 1. Split of the equity shares of the nominal value of Rs 10/- each in the capital of the Company fully paid-up into 10 (ten) equity shares of Rs 1/- each fully paid-up. 2. Alteration in the capital clause V of the Memorandum of Association of the Company. 3. Alteration of Article 3 of the Articles of Association of the Company. 4. Change of name from 'Interlink Financial Services Ltd' to 'IFSL LTD Ltd' subject to the approval of Central Government.
June 14, 2005 10:35:07 AM:	The Board of Directors of the Company at its meeting held on June 10, 2005, inter alia, has : 1. Appointed M/s Deloitte Haskins & Sells as valuer to value M/s. San Infra Trd Pvt Ltd. 2. Acquisition of M/s San Infra Trd Pvt. Ltd, a power company will be considered on the basis of valuation report to be submitted by M/s. Deloitte Haskins & Sells, the valuers. 3. Appointment of following persons as Additional Directors: a) Mr. Dilip Kulkarni b) Mr. Mukesh Vora
June 29, 2005 6:36:15 PM	IFSL Board recommends a dividend of 10 % on the Equity Shares.
July 05, 2005 1:28:20 PM:	The Company is in the process of developing Rs 800 Million Renewable Energy Power Project with Kalyan Dombiwali Municipal Corporation. This will be the prestigious power project to be developed by the Company thus adding another milestone in its rapid expansion. Today, the Company is poised to become India leading private sector power utility, with a reputation for reliability. It will soon have a presence in the field the power business system - generation (Thermal, Hydro and Solar) transmission and distribution. The proposed Power Station of the company is located at Kalyan in the state of Maharashtra. The Company besides undertaking several projects in generation and transmission is exploring opportunities for growth in all area of the power value chain. Thus, the organizational transformation in establishing the Company as a national player has begun to take a clearly defined shape. The ongoing process involved in project implementation in generation including efforts for reducing cost and enhancing reliability have started to yield encouraging results. The Company will develop the said Power Station through its wholly owned subsidiary San Infra Pvt Ltd.
July 19, 2005 1:13:48 PM	The Company in association with M/s. ENTEC Biogas GMBH, Austria has received a letter of Intent to execute 1000 TPD MSW energy project at Jakarta, Indonesia on turnkey basis from M/s. Metra Impex Co LLC, Dubai, issued on behalf of M/s. Indoenviro Waste Management Co, Jakarta. Indoenviro Waste Management Co is promoted by BOSAWA and KODEL group of Indonesia. BOSAWA and KODEL group are engaged in shipping and conventional energy plants, hydel electricity, cement, fabrication and other activities. The plant is designed to produce 12 MW Electricity and 250 TPD Bio Fertilizer after blending with other green wastes. The order value is around Rs 2250 mn. The

	project construction will start in October 2005 and it is expected that the electricity generation will start in the beginning of the next fiscal.
Aug 19, 2005	The board of directors has decided to issue of equity shares on private placement basis and further issue of shares in the form of Indian securities/ ADR / GDR/FCCB/Convertible Bonds or any other form of securities convertible in to equity shares upto US \$ 100 million.
Aug 29, 2005:	i) IFSL LTD secures an 8 MW power project at Kalyan: ii) The company would gain Rs. 1600 million on the Carbon Credit advantage on the Kyoto protocol. iii) Gross expected revenue from the project to be in the region of Rs.4000 million over the project life cycle etc.
Aug 31, 2005	The register of members & share transfer Books of the Company will remain closed from September 24, 2005 to September 30, 2005 (both days inclusive) for the purpose of Payment of Dividend and 19th Annual General Meeting of the Company to be held on September 30, 2005.
Sept 27, 2005 11:19:45 AM	IFSL Ltd has announced that the Company has signed a MoU with FAHLKE Control Systems GMBH for jointly executing a 1000 TPD Municipal Solid Waste to Energy Project in Canada. The Company's share of the project is valued at an estimated at USD 37 million. The Company is one of the very few participants in the waste-to-energy space in India. This sector has more than 1700 MW of potential according to the Ministry of Non conventional Energy Sources (MNES). This translates into a revenue potential of almost Rs 50000 million. Besides, the sale of carbon credits under the Clean Development Mechanism (CDM), this sector also offers significant revenue potential. Commenting on the agreement, the Chief Executive Officer of the Company, Mr. Dilip Kulkarni said, "This agreement enables us to extend our foot print beyond India and Asia., where IFSL already enjoys a significant presence. The entry into Europe will pave the way for similar projects elsewhere in that geography.

2.9 From the announcements made by the company it is observed that:

- The company has proposed to acquire M/s San-Infra Trd Pvt Ltd. at Andheri, Mumbai and has appointed valuer to prepare a valuation report. All the company's so called future plans of venturing into the power project which was expected to generate large revenue for the company, is contingent upon the acquisition of San-Infra (P) Ltd. which is expected to be the wholly owned subsidiary of the company. But strangely there is still an ambiguity about whether the company has actually acquired San-Infra Trd Pvt Ltd or not as there is no announcement to that effect made by the company. This proposal to acquire San Infra and the reliance placed by the company on San Infra for generating future revenue stream, becomes curiouse and curiouse when it is noted from the data base of company filings maintained by the Department of Company Affairs(DCA) that San Infra itself was registered only in 2002 with registered office in Andheri and is in the business of "retail trade not elsewhere classified". Certainly power generation or trading cannot be considered as retail trade in the nature in which retail trade is commonly understood. The announcements without actual implementation of course serves the purpose of painting a rosy picture about the company's future plans and thus perhaps draws investors to trade in the shares of the company. One normally expects that the promoters who are on a much vaunted and ambitious course of diversification of the company with the kind of succulent announcements as they have made would stay with the company, keeping their holdings intact thereby inducing and inspiring confidence in the minds of the public who want to share the results and growth with the company. On the contrary, one is confronted with a piquant situation in this case with the promoters off-loading shares in the market while playing the pied piper *vis-à-vis* the market. The apparent contradiction seeks to suggest that the promoters know well where the bread is buttered while selling the dreams of growth story to the investing public at large. Such an ambivalence in the conduct of promoters is a key to their manipulative intent designed to enrich themselves at the cost of the public which is evident in various corporate announcements they have made, the purport of which can be anybody's guess.
- Power project was never a business activity of the company and it is not clear whether the company at all possesses the necessary experience, expertise and skill set to handle power projects. All the announcements relating to power projects indicates that company's venture in the power project is at a preliminary stage. As per the annual report for the year 2004-05, the much hyped project with KDMC is expected to be operational from October 2006. Vide its announcement to BSE Ltd. on August 29, 2005, the company has made projections that "Gross expected revenue from the project to be in the region of Rs.4000 million over the project life cycle". The company, without highlighting the risk factors involved in such projects made positive announcement.
- The data available on the BSE's website on the company (IFSL) shows that the company had never declared dividend and it was only on June 29, 2005 that the company announced the payment of dividend 10 % on the equity shares for the first time. It appears that the company proposed to pay this dividend from the profit generated from liquidating its investments. However, the announcement of the payment of dividend coincides with company's several other announcements relating to its venture in power project, essentially with an eye on the market for obvious manipulation.
- On September 27, 2005 the Chief Executive Officer (CEO) of the Company, Mr. Dilip Kulkarni made another announcement on the BSE website that, "IFSL signs MoU with German Company for turnkey projects in Canada and this agreement enables us to extend our foot print beyond India and Asia, where IFSL already enjoys a significant presence". This statement of the CEO of the company again is open to question, because till the date of the announcement, the company has not done any business other than buying and selling shares of domestic listed companies as well as shares in unquoted companies in India.
- The company is further projecting that it is already in the business of processing Solid Waste to Energy. However, as per the annual report for the year 2004-05, the first project of the company with Kalyan and Dombivali Municipal Corporation is expected to be operational from October 2006. This is proposed to be done through San Infra about which it is not clear whether the company has acquired San Infra itself or whether San Infra's expertise is ubiquitous ranging from power projects to solid waste management, in the light of the description of the company given in the database of DCA mentioned in paragraph 2.9 (a) above.

Trading history of the shares of the company

2.10 The scrip was not traded at BSE during the period 10th December 2003 to 26th August 2004. During the period 27th August 2004 to June 30, 2005, the price has risen from Rs. 16 to Rs. 233.05. The price was adjusted for stock split w.e.f. 1st July 2005. Thereafter the price has increased from Rs. 22 (opening price on 1st July 2005) to Rs. 26.70 (intra day high on 18th August 2005). The scrip was shifted to "T" group on 4th October 2004 and was shifted back to group "B2" w.e.f. 8th April 2005.

During the period under investigation between August 19, 2005 to September 13, 2005, the price of the scrip has increased from Rs. 25.90 to Rs. 33.65 resulting in a rise of 30%.

Analysis of trades

2.11 The analysis of the trade data and of the trading details of the top brokers dealing in the shares during the aforesaid period revealed that:

- Trades of broker Orbis Securities (P) Ltd. (Clg.No.907) accounted for 15.42% (4,66,99,349 shares), 20.67% (6,25,53,537 shares), 48.14% (1,58,54,188 shares) respectively in terms of Gross Purchase, Gross Sales and Net Sales quantity.
- Trades of broker Insight Share Brokers (P) Ltd.(Clg.no.946) accounted for 12.37% (3,74,42,095 shares) and 12.81% (3,87,78,667 shares) respectively terms of gross purchase and gross sales.

iii. Trades of broker ABN Amro Asia Equities (India) Ltd. (Clg.no.278) was having a concentration of 12.0% (39,50,000 shares) in net purchase.

iv. Analysis of trading by the clients of the top brokers during the aforesaid period revealed that some of the clients were either having linkage with promoter entity or were connected to each other. The details of such clients and their linkages is given below:

Sr. No.	Client Name	Address	Contact number	Linkages with promoter
1.	New Leader Trading Co. (P) Ltd. (Dir.Ramdas Kshirsagar),	B/708-Crystal, Plaza-Andheri Link Road, Opp. Fame Adlabs	022- 56546668	- Common Director with IFSL - Received Shares through off market deal from promoter company - Phone no of clients mentioned at Sl No 1, 5 and 11 are common
2.	Sharpline Trading Co Pvt Ltd (Dir. Ramdas Krishsagar),	B Wing Flat No 2 2nd Floor Monami Apartment Juhu Mumbai	022-56546666	- Common Director with IFSL - Received Shares through off market deal from promoter company - Phone no of clients mentioned at Sl No 2, 4, 6, 7, 8, 9, 10 and 12 are common.
3.	Right Star Trading Co.(P) Ltd.	B/102, Padmavati Palace, Nanda Patkar Road, Vile Parle (east), Mumbai	022-55731000	The contact person Dattu Abhay Shitole received off market shares from promoter company
4.	Stockholm Mercantile Co Pvt Ltd. (R Singh)	C / 18 Asha Building Dixit Road Mumbai	022-2256546666	- Received Shares through off market deal from promoter company - Phone no of clients mentioned at sl no 2, 4, 6, 7, 8, 9, 10 and 12 are common.
5.	White Moon Mercantile Co.(P) Ltd.	B/708-Crystal, Plaza-Andheri Link Road, Opp.Fame Adlabs	022-56546668	- Same address as of client mentioned as sl no 1. - Phone no of clients mentioned at Sl No 1, 5 and 11 are common.
6.	Amar Adhav	Saroj Hiralal Bldg Koldongari Gali No 1 sahar Road Andheri(E) Mumbai	022-56546666	Phone no of clients mentioned at sl no 2, 4, 6, 7, 8, 9, 10 and 12 are common.
7.	Deepak Narvekar	No-5 Gr Flr Kalpataru Chambe Nanik Motwani Lane Opp HDFC Bank Fort Mumbai	022-56546666	- Received Shares through off market deal from promoter company - Phone no of clients mentioned at Sl No 2, 4, 6, 7, 8, 9, 10 and 12 are common.
8.	Umesh Choukekar	No-5 Gr Flr Kalpataru Chambe Nanik Motwani Mg Opp HDFC Bank Fort Mumbai	022-56546666	Phone no of clients mentioned at Sl No 2, 4, 6, 7, 8, 9, 10 and 12 are common
9.	Ganesh Raut	O No-5 Grd Flr Kalpataru Cbrs Nanik Motwani Laneopp HDFC bank Fort Mumbai	022-56546666	- Phone no of clients mentioned at sl no 2, 4, 6, 7, 8, 9, 10 and 12 are common. - Received Shares through off market deal from promoter company
10.	Deepak Todkar	Ono-5 Gr Flr Kalpataru Chamnanik Motwani Laneopp HDFC Bank Fort Mumbai	022-56546666	Phone no of clients mentioned at Sl No 2, 4, 6, 7, 8, 9, 10 and 12 are common

Sr. No.	Client Name	Address	Contact number	Linkages with promoter
11.	Rajkishore Singh	Kalpataru Chambers Ground Floor Nanik Motwani Lane Mumbai	022-56546668	• Phone no of clients mentioned at SI No 1, 5 and 11 are common
12.	Prakash Yadav	Chowl No 15, Gaikwad Nagar, Py Torath Marg, Chembur, Mumbai	022-56546666	• Phone no of clients mentioned at SI No 2, 4, 6, 7, 8, 9, 10 and 12 are common.
13.	Jay Shah	1134 Girdharilal No Khancho Khadia Ahmedabad	9824025952	• Received Shares through off market deal from promoter company
14.	Vishalkumar Pvt Ltd Vishal Kumar Textiles P Ltd	D-102, Padmavati Palace, Nanda Patker Road, Vileparle(E), Mumbai	56546670	• Received Shares through off market deal from promoter company • Same building address as of client mentioned at SI No 3
15.	Jayesh Waghela	Gautamnagar, Dadashaeb Phalke Road, Room no.28, Bldgno. 1 Dadar, Mumbai	2256546669	• Received Shares through off market deal from promoter company

2.12 It is seen from the above that:

- The clients viz., Sharpline Trading Co Pvt Ltd and New Leader Trading Co. (P) Ltd. are directly connected to the company as Shri Ramdas Kshirsagar, who is the Director of these two companies, is also a director of IFSL Ltd. These clients have also received shares through off market deals from the promoter company M/s Sonal Fincap Pvt Ltd.
- The clients viz., M/s Stockholm Mercantile Co. Pvt. Ltd., Shri Deepak A. Narvekar, Shri Ganesh Raut Shri Jay Shah, M/s Vishalkumar Pvt Ltd. and Mr Jayesh Waghela received shares through off market deals from the promoter company M/s Sonal Fincap Pvt Ltd.
- The other clients are related to the clients mentioned at para i) and ii)

Off-Market transfers by promoter of IFSL LTD

2.13 It was seen that Sonal Fincap Private Ltd, the promoter of IFSL Ltd had opened a depository account on June 26, 2005. The promoter had submitted request for dematerialization of its shareholding of 1.35 crore shares on June 27, 2005 and the shares were dematerialized and credited in its account on July 4, 2005. Immediately after dematerialization of shares, Sonal Fincap Private Ltd made following transfers through Off Market deals during the period from July 11, 2005 to August 31, 2005.

Execution Date	Source Client Name	Target Client Name	No of securities
11-Jul-05	Sonal Fincap Private Ltd.	Jagdish Uttam Parab	140000
11-Jul-05	Sonal Fincap Private Ltd	Shah Jay	300000
11-Jul-05	Sonal Fincap Private Ltd	Ganesh S.Raut	465315
12-Jul-05	Sonal Fincap Private Ltd	Dattu Aba Shitole	154000
15-Jul-05	Sonal Fincap Private Ltd	Ranjan Mandal	155059
21-Jul-05	Sonal Fincap Private Ltd	Jayesh Waghela	244813
26-Jul-05	Sonal Fincap Private Ltd	Jayesh Waghela	333926
08-Aug-05	Sonal Fincap Private Ltd	Sharpline trading co. Pvt. Ltd.	200000
09-Aug-05	Sonal Fincap Private Ltd	Sharpline trading co. Pvt. Ltd.	1000000
11-Aug-05	Sonal Fincap Private Ltd	Surekha h. Sanghvi	100000
11-Aug-05	Sonal Fincap Private Ltd	Sharpline trading co. Pvt. Ltd.	200000
17-Aug-05	Sonal Fincap Private Ltd	Ritedeal trading co. Pvt. Ltd.	100000
17-Aug-05	Sonal Fincap Private Ltd	Sharpline trading co. Pvt. Ltd.	200000
22-Aug-05	Sonal Fincap Private Ltd	Newleader Trading Co. Pvt. Ltd.	3000000
22-Aug-05	Sonal Fincap Private Ltd	Deepak a. Narvekar	100000
23-Aug-05	Sonal Fincap Private Ltd	Stockholm Mercantile Co. Pvt. Ltd.	300000
23-Aug-05	Sonal Fincap Private Ltd	Sharpline Trading Co. Pvt. Ltd.	600000
23-Aug-05	Sonal Fincap Private Ltd	Shah Jay	1000000
24-Aug-05	Sonal Fincap Private Ltd	Sharpline Trading Co. Pvt. Ltd.	500000
26-Aug-05	Sonal Fincap Private Ltd	Stockholm Mercantile Co. Pvt. Ltd.	217387
27-Aug-05	Sonal Fincap Private Ltd	Stockholm Mercantile Co. Pvt. Ltd.	212442
27-Aug-05	Sonal Fincap Private Ltd	Jayesh Waghela	125719
31-Aug-05	Sonal Fincap Private Ltd	Vishal Kumar Textiles Pvt. Ltd.	253000

Execution Date	Source Client Name	Target Client Name	No of securities
		Total	99,01,661

2.14 Thus by the end of August 31, 2005, the promoter of IFSL Ltd viz. Sonal Fincap Private Ltd. had transferred 99.01 lakh shares of the company accounting for 12.37% of the total number of shares of the company to various entities whose details are given in the above table. These entities in turn have sold and dealt in the shares of the company during the period under investigation often through brokers who were also shareholders of the company holding more than 1% of the share capital of the company. With the transfer of 99.01 lakh shares the holding of the promoter M/s Sonal Fincap Private Ltd is reduced to 35,98,339 shares representing for only 4.49% of total equity capital. The analysis of holding statement of Sonal Fincap for the subsequent period upto September 26, 2005 as gathered from DP showed that their holding is reduced to 2,17,809 share representing 1.6% only of the total number of shares of the company.

2.15 Clearly while on the one hand the company went on making various kinds of positive announcements about the company including the proposal to enter into the power business by tying up with a company located in Andheri which is otherwise in the sui generis business of retail trade not elsewhere classified, the promoters of the company on the other hand went on offloading their stake through off market transactions thereby reducing their shareholding in the company. These two strains of disparate activities are dichotomous and contradictory, clearly indicating what could be the underlying intentions as far as the market is concerned.

2.16 Apart from seeking to mislead investors the company has also violated the Regulation 13(3) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 which requires that any person, who holds more than 5% of total shareholding, shall disclose to the company about the change, if such change results in shareholding falling below 5%, within 4 days and the company shall then disclose such information to all the stock exchanges where it is listed. In this regard the BSE Ltd. informed that the company has not filed any such disclosures regarding change in share holding of the promoters.

Trading by above clients during August 19, 2005-September 13, 2005.

2.17 The trading details of the abovementioned clients connected to the promoter entity are given below:

MEMBER NAME	Client Name	Total Buy Qty	Total Sell Qty	Nett Qty
Orbis Securities Pvt Ltd.	Right Star Trading Co.(P) Ltd.-(Dittu Abhay Shotole)	49089	3600000	-3550911
Orbis Securities Pvt Ltd.	Deepak Todkar	13597123	16939497	-3342374
Orbis Securities Pvt Ltd.	Amar Adhav	5800109	8290719	-2490610
Insight share brokers	Sharpline Trading Co Pvt Ltd (Ramdas Krishsagar)	36599675	37956047	-1356372
Fortis Securities Ltd.	Rajkishore Singh	623584	1814311	-1190727
Orbis Securities Pvt Ltd.	Deepak Narvekar	0	1068835	-1068835
Joindre Capital Services Ltd.	Stockholm Mercantile Co Pvt I. (R Singh)	2457655	3475628	-1017973
Orbis Securities Pvt Ltd.	White Moon Mercantile Co.(P) Ltd.	0	1000000	-1000000
India Infoline Securities Pvt. Ltd.	Jay Shah	2908168	3908168	-1000000
Ruchiraj shares & Stock Brokers Pvt. Ltd.	Vishal Kumar Textiles P Ltd	6791716	7704180	-912464
Orbis Securities Pvt Ltd.	Ganesh Raut	0	645149	-645149
Peninsular capital market Ltd.	Jayesh Waghela	4295468	4680725	-385257
Orbis Securities Pvt Ltd.	Umesh Choukekar	8993198	9313405	-320207
Orbis Securities Pvt Ltd.	New Leader Trading Co. (P) Ltd. (Dir. Ramdas Shirsagar)	13746532	14036346	-289814
Archi shares & stk. - ahe	Prakash Yadav	3555306	3574096	-18790
	Total	99417623	118007106	-18589483

It is seen that transactions of above clients accounted for around 33% (9.94 crores shares) and around 39% (11.80 crores shares) in Gross Purchase & Gross Sales respectively of the market volume of 30.26 crores shares during the said period. Their net sales by these clients were 1.85 crore shares, which represented around 56% of market net quantity during the said period. From the above analysis it is observed that the transactions of these clients were significant enough to create large volume in the overall trading in the scrip. Sudden rise in volume by the clients connected to the promoter were adequate enough to induce the investors to deal in the shares of IFSL Ltd.

Mis-statement in EGM notice

2.18 On August 31, 2005, BSE had received the copy of the notice of 19th Annual General Meeting of the Company to be held on September 30, 2005. The notice mentioned the promoter's holding at 16.88% of holding, while investigation revealed that promoter had transferred almost entire holding through off-market transactions between July 11, 2005 to August 31, 2005. This therefore is a mis-statement and concealment of fact by the company/promoter about the promoter holding in AGM notice to shareholders and exchange. The company has thus violated regulation 3(d) of SEBI (FUTP) Regulations, 2003

2.19 In the notice of the company dated September 02, 2005 to the shareholders, the company proposes to issue 80 lakhs equity shares of Rs 1/- each, equally to Core Projects & Technologies Pvt Ltd and Man-N-San Infotech Pvt Ltd on a preferential allotment on private placement basis at a price of Rs 30 each. The company has mooted this resolution for approval of shareholders in the AGM to be held on September 30, 2005. It is observed that the existing promoter Sonal Fincap Pvt Ltd has already diluted its shareholding from 1,35,00,000 shares (16.8 % of the total equity) to 2,17,809 share representing 1.6% only of the total number of shares of the company. It is apprehended that Core Projects & Technologies Pvt Ltd and Man-N-San Infotech Pvt Ltd may be the related entities to the promoters and the promoters after diluting its existing holding in the company, again perhaps wants to regain their stake in the company through these preferential allotments. It appears that the company has proposed these preferential allotments to the said entities to avoid the provisions of guideline 13.3.1(h) of SEBI (Disclosure and Investor Protection) Guidelines, 2000 which inter-alia provides "where the shares are issued on preferential basis the shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis".

3. Conclusion

3.1 The absence of wide spread investor interest in the share of the company since the share was listed in 1996, the sudden increase in share price and volume since August 2005, the attempt by the company to show profits by taking into account sale of unquoted shares resulting in a quantum jump in profit, coupled with a flurry of corporate announcements including announcements on dividend and about the proposal to implement power projects and solid waste management through the acquisition of a company which does not appear to have any track record either in power projects or in solid waste management, with simultaneous off loading of promoters own holdings through off market transactions to clients who in turn sold the shares in the market clearly indicates a careful designing and orchestration of a plan by the promoters to make personal gains at the expense of investors by enticing them to participate in the trading of the shares of the company. Besides the company is also violative of some of the provisions of the various regulations of SEBI through non-disclosure of dilution of promoters' holdings and concealment of reduction in the share holding of promoters.

3.2 The preliminary findings as detailed above brings out a prima facie case of violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003. SEBI is initiating formal investigations into the matter. In the meantime, in view of the disconcerting developments as above impacting the market and to save the investors and the securities market from further acts of the concerned entities which brooks no delay, it is highly essential to issue an interim order.

Order

4.1 Therefore, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the Securities and Exchange Board of India Act 1992 read with Section 11B and 11(4)(b), pending investigation and passing final order, I hereby issue the following directions, by way of ad interim, ex-parte order

- 4.2 That the promoter of IFSL Ltd. viz. Sonal Fincap Pvt Ltd and directors of IFSL Ltd. viz. P.K.Singh, Ramdas Kshisagar, Mukesh Vora, Dilip Kulkarni, Rishi Vashist, N.Narendra and Rakesh Singhvi are hereby directed not to buy, sell or deal in securities of IFSL Ltd, directly or indirectly, till further directions in this regard and IFSL Ltd is further directed that it shall not issue any equity shares or any other instrument convertible into equity shares, in any manner, or shall not alter its capital structure in any manner, till further directions in this regard.
- 4.3 That the clients viz. New Leader Trading Co. (P) Ltd., Sharpline Trading Co Pvt Ltd., Right Star Trading Co.(P) Ltd., Stockholm Mercantile Co Pvt Ltd, White Moon Mercantile Co.(P) Ltd., Amar Adhav, Deepak Narvekar, Umesh Choukekar, Ganesh Raut, Deepak Todkar, Rajkishore Singh, Prakash Yadav, Jay Shah, Vishalkumar Textiles Pvt Ltd., and Jayesh Waghela are hereby directed not to buy, sell or deal in securities of IFSL LTD, directly or indirectly, till further directions in this regard.
- 4.4 That the Stock Brokers viz., Indiabulls Securities Ltd. (formerly Orbis Securities Pvt Ltd), Insight Share Brokers Pvt. Ltd., Fortis Securities Ltd, Joindre Capital Services Ltd., India Infoline Securities Pvt. Ltd., Ruchiraj Share Stock Broker, Penninsular Capital Market Ltd., Archi Shares & Stock Brokers Pvt. Ltd. are hereby directed not to buy, sell or deal in securities of IFSL Ltd. on behalf of the promoters, directors and clients mentioned at para No.4.2 and 4.3 hereinabove, directly or indirectly, till further directions in this regard.
- 4.5 Further the entities/persons against whom this direction is issued may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court B wing, Nariman Point, Mumbai 400 021 on a date and at a time to be fixed on a specific request, to be received in this behalf from the entities/persons within 15 days from the date of this order.

This order shall come into force with immediate effect.

Place: Mumbai
Date: September 28, 2005

G ANANTHARAMAN
WHOLE-TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA