

UNDER SECTIONS 11B AND 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF
KONKAN TYRES LTD.

WTM/GA/16/ISD/9/05

Background

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 Konkan Tyres Ltd. (hereinafter referred to as 'KTL' or 'the company').

During the period March 1, 2005 to September 21, 2005, the price of the share of KTL on BSE on which the share is listed since 1994, opened at Rs.5.70 and closed at Rs.18.80. This represents a rise of about 230% in 143 trading days. During the above period, there was substantial variation in the daily traded quantity. On April 4, 5 and 18, 2005 only 100 shares (1 trade) were traded daily while on August 11, 2005, there were 1051 trades with a traded quantity of 3,63,738 shares. The average daily traded quantity during the relevant period works out to about 41,510 shares. In terms of trading value, shares valuing Rs.80.90 lakhs were traded August 11, 2005 and shares valuing Rs.65.07 lakhs were traded on August 12, 2005.

The price volume movement of the share on BSE in the past eight years since January 1997 is in complete contrast with the trading pattern during the seven months of the current year between March – September 2005. During the 8 year period between January 1, 1997 and February 28, 2005, the price of the share ranged between Re.1/- and Rs.8.50 touching the highest value of Rs.8.50 on January 10, 1997 and the lowest value of Re.1/- on February 26, 1999. The average daily traded volume during the period January 1997 to February 2005 works out to about 2000 shares. The highest value of shares traded on any trading day was Rs.3.41 lakhs on November 16, 2004. From the above, it is seen the rise in price and trading interest in the share of KTL during the period beginning March 1, 2005 is unprecedented.

BSE has categorized the share as 'Z' group share. The share is not listed on other stock exchanges. In view of the steep increase in price of the 'Z' group share and wide variation in the daily traded quantity, as detailed above, a preliminary examination of the dealings in the share was conducted. The major findings of the preliminary examination are given below:

Preliminary FindingsCompany, the Board of Directors, Shareholding Pattern

KTL was incorporated in 1983 and has its corporate office at 419 Hind Rajasthan Bldg., Dada Saheb Phalke Rd. Dadar, Mumbai 400 014. The shares of the company are listed only on BSE.

The shareholding pattern of the company as on March 31, 2005 is given below:

Table 1 – Shareholding Pattern of the Company as on March 31, 2005

Shareholders	No of Shares	% Share Holding
NRI	10400	0.33
Institutions	100	0
Other Bodies Corporates (Non Promoters)	1265658	39.87
Indian Promoters	518180	16.33
Public	1360205	42.85
Others	19557	0.62
Totals	3174100	100

Source: Capitaline

From the above it is seen that the promoters held only 16.33% of the equity capital of the company. Corporate Bodies held 39.87% of the equity and public held 42.85%.

Comparing the shareholding pattern of the company for the two successive quarters ended March and June 2005, as furnished by BSE, it is seen that several entities related / connected to the company appear both under the promoter category as well as non-promoter category. For example, Esskay Rubber Industries Pvt. Ltd. is holding 4.56 % and 2.42 % under Promoters and Private Corporate Bodies respectively. The Promoter himself Shri Omprakash Soni is shown as holding 2.11 % under promoter's category as well as 3.15 % under Indian Public Category. It thus appears that the shareholding pattern of the company submitted to the BSE is inaccurate and does not reflect the genuine promoter holding in the company.

From the data obtained from BSE, it is seen that the share is in 'Z' group and trading is compulsorily in dematerialized form and only 35.65% of the equity capital of KTL representing 11,31,420 shares are in dematerialized form. The balance 20,42,680 shares are in physical form and hence not available for trading. This shows that the shares available for trading are limited in number.

Board of Directors of the Company

The list of directors of the company, are as below:

Table 2 – Board of Directors

Name	Designation
O G Soni	Chairman
Sunil Kumar Menon	Additional Director
Ramesh Kumar Putta	Director
Fateh Singh Solanki	Director
Narayan N Iyer	Additional Director

Source: Capitaline

Financial Performance of the Company

A brief summary of the quarterly financials of the company is given below:

Table 3 – Financial Performance

(figures in Rs. crores)

Type	UnAudited	UnAudited	UnAudited	UnAudited
Quarter Ended	31 Mar 05	31 Dec 04	30 Sep 04	30 Jun 04
Net Sales	2.2	7.5	-	-
Total Income	2.2	7.5	-	-
Expenditure	-2.3	-7.7	-1.3	-1.4
Operating Profit	-0.1	-0.2	-1.3	-1.4
Interest	-	-	-	-0.8
Gross Profit	-0.1	-0.2	-1.3	-2.2
Depreciation	-	-	-	-0.3
Profit before Tax	-0.1	-0.2	-1.3	-2.5
Profit after Tax	-0.1	-0.2	-1.3	-2.5
Net Profit	-0.1	-0.2	-1.3	-2.5
Equity Capital (no. of shares)	0.32	0.32	0.32	0.31

Source: Capitaline

From the above it is seen that the company has all along been a loss making company. The company is financially in dire straits as may be seen from the director's report of KTL for the year 2003-04 wherein it is mentioned that the company was undergoing labour problems and financial crunch due to which the company had suspended operation in the second half of the year ended March 31, 2004. Since the operation of the company was suspended, the bank had taken action under securitization and taken possession of all the properties and collateral securities including factory building, plant, machinery and stock. The auditor's report has mentioned that the company has defaulted in repayment of dues to the bank and the account has become NPA.

In sharp contrast to the record of turnover and profitability of the company in the past 8 years the quarterly unaudited results for the quarter ended June 30, 2005 as furnished by the company to BSE, showed a sudden significant turnaround in the performance of the company. The company which was loss making till the financial year ended March 2005 and as such did not declare any dividend, showed a net profit of Rs. 64 lakhs during the quarter ended June 30, 2005, as compared to a net loss of Rs. 25 lakhs in June 30, 2004 quarter. Since the operation of the company was suspended during the second half of the year ended March 31, 2004 and the bank had taken possession of all the moveable and immoveable properties of the company indicating as already highlighted earlier the dire financial straits of the company, the sudden improvement in financial performance during the quarter ended June 2005 does not appear to be credible.

Corporate Announcements

Some of the latest corporate announcements by the company, as obtained from BSE, include the following:

Date / Publication	&	Corporate Announcement
24-05-2005 Informed Exchange at 01:20:24 P.M.	to at	Konkan Tyres Board Meeting on May 30, 2005: Konkan Tyres Ltd has informed BSE that a meeting of the Board of Directors of the Company will be held on May 30, 2005 to discuss about how to go aggressively in Company's on going tyre business & expansion in other Automobile Industrial Products to take advantage of on going boom in Automobile Industry. Further the Company has informed that it will discuss about Export Business opportunity in Tyre Business.
30-05-2005 Informed Exchange at 02:02:23 P.M.	to at	Konkan Tyres - Outcome of Board Meeting: Konkan Tyres Ltd has informed BSE that the Board of Directors of the Company at its meeting held on May 30, 2005 , inter alia, has decided the following:- 1. The Board has decided to raise Rs 100 million for requirement of expansion and acquisition in the on going business. Raising of Rs 100 million by way of issuing any debt instrument in Overseas or Domestic Market. For that Mr O G Soni is given power to negotiate better terms and conditions and do the needful. 2. The Board of Directors has decided to go very aggressively in grabbing Export opportunity for that the Company is going to open Marketing Offices in Overseas which will help the Company to grow rapidly. 3. The Board has decided to acquire the production facility from the existing Unit for meeting the Targetted Growth Plan and Mr O G Soni has been authorised to the needful for the best of the Company.
06-06-2005 Informed Exchange at 11:31:21 A.M.	to at	Konkan Tyres secures export order from Mirador Traders, Dubai: Konkan Tyres Ltd has informed BSE that the Company has received an order from Mirador Traders, Dubai, UAE for the supply of 20 Containers of Procured Tread Rubber having appx. value of Rs 32.50 million. The order has to be executed for the period of 3 months. Further the Company has informed that this is the first major break through Export Order of the Company. This is the result of the Company's decision of focusing Potential Export Market for the Rubber Industries. In near future the Company has decided to open its marketing outlay in some other countries like Gulf Countries, Australia and UK, which is the part of Company's aggressive marketing position. Further the Company is looking far better growth in near future. The Company is expecting for more business from the Overseas & the Domestic Market.
21-06-2005 Informed Exchange at 12:16:32 P.M.	to at	Konkan Tyres - Expansion Program: Konkan Tyres Ltd has informed BSE that after seeing the growing demand in Tyre Industries & rapid growth of Automobile Industries, the Company has decided to workout Expansion Program for grasping maximum opportunity & achieve rapid growth. In first phase the Company has decided to work on its 100% capacity within next two months and in the second phase the Company will increase its capacity to two times then present capacity by investing money in acquisition tie-up and taking over existing unit for that the Company will finalise the way of resourcing very soon. Further the Company has informed that it has already taken steps towards

		aggressive Overseas Marketing for getting Export Opportunity. Resulting that the Company has already got the Export Order worth Rs 32.5 million of M/s. Mirador Traders from Dubai, U.A.E.
11-07-2005	Informed to Exchange at 06:47:56 P.M.	Kokan Tyres to further expand its Tyre Manufacturing unit: Kokan Tyres Ltd has informed BSE that after completion of its first Phase by working with 100% capacity in its manufacturing plant at Chiplun, Maharashtra. The Company has now decided to further expand its Tyres Manufacturing Unit with upgradation of Plant & Machinery, with double capacity of production which will enhance the Sales Turnover as well as Profitability to the great extent. The Company has already tied up with raw material supplier for its requirement. The above expansion comes in the view of the growing demand in Tyre enquiry in Indian Market. The Company is also in negotiation with many big players in the Tyre industry in Indian Market to act as an agent for the supply of its product by getting very healthy commission. The Company had already established its position in the International Market by securing an order worth Rs 32 million.
04-08-2005	Informed to Exchange at 02:07:31 P.M.	Konkan Tyres starts remoulding of tyres at its Chiplun manufacturing unit: Konkan Tyres Ltd has informed BSE that after completion of its first Phase by working with 100% capacity and also with upgradation of Plant & Machinery at its Chiplun Manufacturing Plant the Company now starts Remoulding work of Tyres at its Chiplun Unit. By Remoulding the life of Tyres would go upto 3 years time. The Remoulded tyres are in heavy demand in Overseas Market like Iran, Iraq and other developing Countries. The Company is planning to concentrate more on Remoulding Sector which will give good profit. With the current demand in Automobile Industry company plans to meet every satisfactory need for its Customer following the huge demand in Foreign Country, the Company is currently concentrating on Overseas Market for big orders. Recently the Company bagged the order from Dubai worth Rs 32 million. But viewing the future in local market the Company had started the work of Remoulding which would develop a very healthy relations with its Customer. Company is also in negotiation with many Big Players in Tyres Industry in the Indian Market to act as an agent for supply of its Product getting a good commission.
11-08-2005	Informed to Exchange at 10:40:31A.M.	Konkan Tyres fixes Book Closure Konkan Tyres Ltd has informed BSE that the Register of Members & Share Transfer Books of the Company will remain closed from September 23, 2005 to September 30, 2005 (both days inclusive) for the purpose of 13th Annual General Meeting of the Company to be held on September 30, 2005.

The tabulation of a flurry of corporate announcements demonstrates aggressive advertisement of the future plans of the company which inter alia include expansion into other Automobile Industrial Products, raising Rs 100 million by way of issuing any debt instrument in Overseas or Domestic Market for requirement of expansion and acquisition in the on going business, opening Marketing Offices in Overseas, acquiring the production facility, receipt of order from Mirador Traders, Dubai, UAE for the supply of 20 Containers of Procured Tread Rubber having appx. value of Rs 32.50 million, increasing the plant capacity by 100% in 2 months etc.

In the light of the past poor track record of the company till March 2005, which included the company's account being declared as an NPA during the financial year 2003-04, the sudden holding out of hope and promise of a bright future through aggressive public announcements in the past 4-5 months appears to have more of conjuror's touch to it. Such announcements coupled with the rise in the price and trading volume of the share during the same period, as analysed in the succeeding paragraphs, accentuates the gnawing doubt in regard to the sincerity of the promoters and the credibility of the announcement.

Impact of Public Announcements on Share Price

The corporate announcements, as above, were made between May 24, 2005 and August 11, 2005. During the period March 1, 2005 to May 23, 2005, the price of the share of KTL on BSE opened at Rs. 5.70 and closed at Rs.9.00 i.e. an increase of 58% in 58 trading days. Thereafter, during the period May 24, 2005 to August 11, 2005, the price of the share opened at Rs. 9.51 and closed at Rs.23.84 i.e. an increase of 151% in the next 58 trading days. The average daily traded quantity has increased from 7922 shares

during the pre-announcement period to 64,432 shares during the period of announcement. The coincidence between the steep rise in price and trading volumes and the flurry of favourable corporate announcements is intriguing leading to the inevitable conclusion that both the price and volume are artificial, driven by such announcements.

To verify the factual position the following information from KTL by e-mail on September 24, 2005 was sought:

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1. Background of the company.
2. Is the company present engaged in business activity? If yes, what is the nature of activity e.g. manufacturing, trading etc., mention the product names and other details.
3. What was the turnover of the company during the years 2003-04 and 2004-05?
4. Has the company received export order to the tune of Rs.3.25 crore from Mirador Traders, Dubai during June 2005? Has the company opened Letter of Credit for the above transaction? If yes, give the date of LC, validity period and the name of bank and branch where LC has been opened?
5. As per the annual report of the company for the year 2003-04, all the assets of the company has been taken possession of by the Bank and the loan account of the company is an NPA. In the light of the above, how does the company propose to fulfill the export order?
6. In view of the precarious financial position of the company, it does not appear that the company would be able to fulfill the export order. Please comment.
7. Does the company have any manufacturing facilities that are presently operational?
8. If the company proposes to execute the export order through purchase from the market, furnish the name and address of the supplier from whom the material is proposed to be procured from, the purchase cost and how the company proposes to make the necessary payment for the same?”

KTL was advised to furnish its reply by September 26, 2005. Although the questions afforded replies which the company could have easily responded to, no reply has been received as yet.

Surveillance action by Stock Exchange

In view of the artificial price rise in the share, BSE has taken surveillance measures in respect of trading in the share. The surveillance actions in the share taken by BSE during the relevant period were reduction in circuit filter applicable to the share from 20% to 10% on May 18, 2005 and further reduction in circuit filter to 5% on June 30, 2005.

Trading in the share by major clients between March 1, 2005 and September 21, 2005

The trading by major clients brings out several curious findings. It is seen that there has been substantial trading, both buying and selling of the shares of the company by the promoters and its associate entities, resulting in a net sale of 2,79,504 shares during the period when the price of the share was artificially jacked up. Besides the details of dematerialized holdings of major shareholders during this period includes holdings by several brokers. The table below giving the major trading clients in the share during the relevant period indicates that the net sales by these clients during this period was 9,78,964 shares. The trading by the promoters was mainly done through three major broking firms namely, Bhupendra M Bheda, DSE Securities Ltd. and Unique Brokers Ltd., all members of BSE. The major trading clients in the share during the relevant period are as below:

Table 4 – Dealings by major clients

S.No.	Name of Broker	Name of client	Purchase Qty	Sale Qty	Net Qty
1	DSE Securities Ltd.	Anil Khanna	87257	75251	12006
2	DSE Securities Ltd.	Madan Mehta	44051	32798	11253
3	DSE Securities Ltd.	Sunayna Bhel	22500	12800	9700
4	DSE Securities Ltd.	Bhupinder Singh Sawhney	11892	106925	-95033
5	DSE Securities Ltd.	Fathesingh Solanki *	52414	226733	-174319
6	DSE Securities Ltd.	Indu Soni	43125	85969	-42844
7	DSE Securities Ltd.	Konkan Capfin Ltd and Olympic Agro Industries (Director Omprakash Soni)	23771	176081	-152310
8	ARJ Securities Pvt. Ltd.	Ashit Shah	21500	11500	10000
9	Mahesh Kothari Shares & Stock Brokers Pvt. Ltd.	Drishti Securities Pvt. Ltd.	0	174101	-174101
10	Active Finstock Pvt. Ltd.	Pragnesh Patel	54900	57400	-2500

11	Active Finstock Pvt. Ltd.	Hiren Shah	0	12812	-12812
12	B. M. Gandhi Securities Pvt. Ltd.	Gandhi Securities Pvt. Ltd. (Narendra Gandhi)	25000	16000	9000
13	B. M. Gandhi Securities Pvt. Ltd.	Rajeshwari Gandhi	27650	29650	-2000
14	Peninsular Capital Market Ltd.	Savitha Panwar	99350	98850	500
15	Bhupendra M Bheda	Konkan Capfin Ltd	23771	176081	-152310
16	Unique Brokers Ltd.	Olympic Agro Industries	900	51675	-50775
17	Bhupendra M Bheda	Indu Soni	43125	85969	-42844
18	UNIQUE STOCKBROKER LTD.	Indu Soni	2000	35575	-33575
19	India Broking Ltd.	Jaysingh Desai	800	39800	-39000
20	Jash Securities Pvt. Ltd. and Sumat P. Jain	Hariom Investment (Bhavesh Pabari)	0	57000	-57000
	Total		584006	1562970	-978964

* - The entity at sr.no.5 above, has received 1,00,000 shares in off market from Konkan Capfin Ltd (director Shri Omprakash G Soni apparently the chairman of the company).

From the above, it is seen that the major clients have together bought 5,84,006 shares and sold 15,62,970 shares on gross basis and were net sellers to the extent of 9,78,964 shares. Out of the above, Konkan Capfin Ltd and Olympic Agro Industries (having a common Director Shri Omprakash Soni apparently the Chairman of KTL) and Smt. Indu Soni (having the same address as that Shri Omprakash Soni, apparently the Chairman of KTL) are related to each other and also related to KTL in view of common directorship / address with Shri Omprakash Soni apparently the Chairman of KTL. They altogether bought 69,796 shares and sold 3,49,300 shares accounting for 1.18% and 5.88 % respectively of the total market volume. Thus, the promoter related entities have together sold 2,79,504 shares on net basis.

In addition to the promoter entities' own sales, Konkan Capfin Ltd., an entity related to the promoter of the company has made an off-market transfer of one lakh shares to Shri Fateh Singh Solanki who in turn was a net seller to the tune of 1,74,319 shares. The share of KTL is in 'Z' group of BSE and hence all trades need to be settled by delivery and no square off is permitted. It can be inferred that the off-market transfer by Konkan Capfin Ltd. was done to enable Shri Fateh Singh Solanki to meet his delivery obligations for the shares sold by him.

Details of major account holders in the depositories

The details of top 25 shareholders of KTL as per the dematerialized account holdings at NSDL and CDSL as on June 30, 2005, July 31, 2005, August 31, 2005 and September 21, 2005 were examined. The dematerialized holdings by the major shareholders as on the above dates is summarized below:

Table 5 – Major account holders in the depositories

Name of holder	30-Jun-05	31-Jul-05	31-Aug-05	21-Sep-05
OMPRAKASH G SONI	100000	0	58400	66800
NIMESHA OMPRAKASH SONI	50000	0	0	0
INDU SONI	26238	0	19386	19386
FATEH SINH SOLANKI	25000	4800	0	0
BHUPINDER SINGH PREHLADSINGH SAWHNEY	25000	55825	0	0
KEVAL SHARE BROKING P LTD	0	58145	0	0
NIRMIT SHARES BROKING PVT Ltd	0	32190	0	0
SSKI INVESTOR SERVICES PVT LTD - DEBIT TRF	0	28350	10595	13495
SHRI PARASRAM HOLDINGS PVT.LTD.	0	16401	0	0
MARWADI SHARES AND FINANCE PVT. LTD.	0	0	29980	32030
VISHNUKUMAR KHANDELWAL	0	15600	21100	21100
ANAGRAM STOCKBROKING LTD	0	0	21000	22200
DHAVAL R KOTHARI	0	0	16000	20700
ESSKEY RUBBER INDUSTRIES PVT LTD ESSKEY	144800	0	78000	5600

Name of holder	30-Jun-05	31-Jul-05	31-Aug-05	21-Sep-05
BHUPENDRA MEGHJI BHEDA B.M.BHEDA	51456	15064	0	0
ANGEL BROKING LIMITED. ANGEL	16658	15749	17858	25492
KLASSIC TYRES PVT LTD. KLASSIC	10806	0	0	0
MANGAL KESHAV SECURITIES LTD B-GOKUL(JAIPUR)	10500	19750	0	0
PRAGNESH VASANTBHAI PATEL	0	46200	0	0
SKSE SECURITIES LTD A/C. 64 SKSESL	0	25295	0	9750
LAURIE KERSI CHINOY	0	20000	0	4000
GANDHI SECURITIES PVT LTD GANDHI SEC P Ltd	0	17500	5850	0
SYKES & RAY EQUITIES (I) LTD. SRE189 BENEFICIARY	0	0	55900	19770
MOHAN CHUGH SECURITIES PVT. LTD .	0	0	41328	33747
ANGEL INFIN PRIVATE LIMITED M.BNL	0	0	10800	10500
VSE STOCK SERVICES LTD VSEL	0	0	0	11498

From the above, it is seen that during July 2005, the dematerialized holdings of the entities which is apparently a part of the promoter group viz. Shri Omprakash G Soni, Smt. Nimesha Omprakash Soni and Indu Soni have declined to zero. During August 2005, the dematerialized account holdings of Shri Omprakash G Soni and Indu Soni increased by 77786 shares and there was no holding by Smt. Nimesha Omprakash Soni. During Sep. 2005 (till Sep. 21, 2005), the holding of Shri Omprakash G Soni increased by 8400 shares and there were no changes in holdings by Smt. Nimesha Omprakash Soni and Indu Soni.

The dematerialized account holding in KTL shares by Esskey Rubber Industries Pvt Ltd which is categorized as a person acting in concert with promoter has reduced by 1,44,800 shares during July 2005.. The trading data of the top 25 clients furnished by BSE includes transactions by the clients who have made gross sales of 37575 shares or more. The reduction in dematerialized holding of Esskey Rubber is higher than the 37,575 shares threshold. However, Esskey Rubber does not appear amongst the major trading clients identified by BSE. This leads to the inference that Esskey Rubber may have indulged in off-market transaction. However, the report of off-market transfer of one lakh shares and more during the month of July 2005 does not reveal any transfers by Esskey Rubber and hence the off-market transfers might have been done in small quantities (less than 1 lakh shares) to one or more entities.

Conclusion

During the period from March 1, 2005 to September 21, 2005, the price of the share of KTL on BSE has increased from Rs.5.70 to Rs.18.80 representing a rise of about 230% in 143 trading days. In particular on August 11, 2005 the total value of trades was as much as Rs.80.90 lakhs compared to the maximum value of trade on any day between January 1997 and February 2005 which was only Rs.3.41 lakhs on November 16, 2004. The increase in price and trading interest in the share is unprecedented when compared to the price during the last 8 years or so. Besides the trading volume which was very low during that period suddenly showed a significant rise during the past few months in this year when as much as 41,000 shares were traded daily.

The sudden price rise and spurt in trading volume in the share does not pass muster in the light of the past performance of the company till the financial ending March 31, 2005 and is apparently sought to be propped up through aggressive public announcements which conjured up a rosy picture of the company, to beguile the investors at large. The beneficiaries of these steps are the promoters and associate entities who have been continuously selling their holdings while at the same time the company is going on making positive announcements aggressively. The methodology appears to be trite and well tried out as is evident in several other similar cases in which SEBI has already taken action.

Besides attempting to benefit from artificial propped up prices, the promoters of the company also attempted to mislead the public by classifying some of the promoter holding as public holding. The effect of this misclassification is that when the promoters sell their shares which are classified in the public category, the same would not reflect in the reduction in the promoter holding and the investors will be kept in dark regarding the off-loading by promoters.

The price rise and increased trading interest has enabled the promoters to sell some of their holdings. If this state of affairs is allowed to continue, it is apprehended that innocent investors would be lured to invest in the shares of the company at the apparently inflated price and thereby providing an opportunity to the present promoters / substantial share holders of the company to offload their holding with unjust gains.

All the above 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.

The findings of preliminary enquiry as detailed above bring 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.

Order

Therefore, in view of the grave emergency and to save the investors and the securities market from further acts of the concerned entities, 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

The promoters and directors of KTL namely, S/ Shri O G Soni, Sunil Kumar Menon, Ramesh Kumar Putta, Fateh Singh Solanki, Narayan N Iyerare, Smt Indu Omprakash Soni, Konkan Capfin Ltd, Olympic Agro Industries and Esskey Rubber Industries Pvt Ltd. are hereby directed not to buy, sell, pledge or deal in securities of KTL, directly or indirectly, till further directions in this regard. KTL is directed not to issue any equity shares or any other instrument convertible into equity shares or alter its capital structure in any manner till further directions in this regard.

That the brokers of BSE namely, Bhupendra M Bheda, Unique Stock Brokers Ltd. and DSE Securities Ltd. through whom the promoter entities have dealt are hereby directed not to buy, sell or deal in securities of KTL on behalf of the above-mentioned promoters and directors, directly or indirectly, till further directions in this regard.

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: 29-9-2005

G

ANANTHARAMAN

WHOLE-TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA