



**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**ORDER**  
**UNDER SECTION 11B AND 11(4)(b) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF KARUNA**  
**CABLES LTD.**

WTM/GA/28/ISD/11/05

**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. Karuna Cables Ltd. (the company) is one such 'small cap' company whose shares witnessed a sharp price variation during the period February 10, 2005 to September 16 2005. The share price of the company went up from Rs. 22.4 on February 10, 2005 to Rs. 159.5 on September 16 2005 in 153 trading days representing a rise of 636%. The company had made a public issue during August 1996 and the shares of the company were listed at BSE on August 3, 1996. At the time of listing of shares on BSE, only 60,76,000 shares (48% of the issued shares) of the company were fully paid and remaining 66,95,800 (52 % of the issued shares) were partly paid. Out of the partly paid shares, the company converted 54,54,600 shares (43% of the issued shares) to fully paid shares during the year 2004-05, after a gap of almost 8-9 years. The shares of the company were also listed at the National Stock Exchange Ltd, however, the trading the scrip was suspended w.e.f. October 6, 1999 for non-compliance of listing agreement. As per the annexure to the Auditors' Report to the Annual Report for the year ending March 2004, the auditors have commented that the company is a Sick Industrial Companies within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and the company is continuing to be a sick company since the carry forward losses are there. As per the Profit and Loss statement as on March 31, 2005 the company has shown a net profit of Rs 67.61 lakhs, however, the company is still carrying forward huge accumulated loss to the tune of Rs 4.05 crores in their Balance Sheet.

1.2 The company made a public issue of 75.70 lakh equity shares of Rs 10 each at par during May 1996. Trading in the shares of the company commenced on August 5, 1996 at BSE. On the opening day the shares were traded between the price range of Rs 10.80 to Rs 12.50 and the total quantity of shares traded were 29100 only. The trading history of the shares of the company showed that subsequent to the listing of the company on August 1996 the scrip was infrequently traded till June 2000 within the price range of Rs. 4.00 to Rs. 13.55. The share languished without any trading during the period from June 2000 and May 2003. During the period from June 2003 till February 2005, the shares quoted prices ranging from Rs 2.96 to Rs 18.00 where the average monthly volume was around 6,64,910 shares. During the period February 2005 to September 2005, the share price of the company went up from Rs. 22.4 on February 10, 2005 to Rs. 159.5 on September 16, 2005 in 153 trading days representing a rise of 636% and the average monthly volume of the shares during this period was around 42,50,555 shares.

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 company converted its shares from partly paid to fully paid, warranted an immediate investigation by SEBI.

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

**2. Preliminary Findings**

**The company-business, board of directors, shareholding pattern**

2.1 M/s Karuna Cables Ltd. (the company) was incorporated in the year 1984 with registered office at: 102, Sanjay Chambers, V.P. Road, Choubal Lane, Opera House, Mumbai-400004, Maharashtra. The company is into the business of manufacturing aluminum sheets / wires / coils, etc. belonging to metal industry. The company is listed on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange, Mumbai (NSE).

2.2 As per the Annual Report of the company for the year ending March 2005 the following are the directors of the company

- a) Dr Mahendra C Shah Chairman & Managing Director
- b) Shri Kirti C Shah Promoter & Non-Executive Director
- c) Shri Jaswant C Shah Promoter & Non-Executive Director
- d) Shri N S Ranganath Independent and Non-executive Director
- e) Shri C V V Prasad Independent and Non-executive Director
- f) Shri Pawan Kr Sanwaram Independent and Non-executive Director

2.3 The shareholding pattern of the company as on December 31, 2004, March 31, 2005 and June 30, 2005 is as under:

| Category           | Mar 2004           |                    | Mar 2005           |                    | Jun 2005           |                    |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                    | No. of Shares Held | % of Share Holding | No. of Shares Held | % of Share Holding | No. of Shares Held | % of Share Holding |
| Promoter's Holding | 931635             | 7.29               | 931635             | 7.29               | 931635             | 7.29               |
| Inst. Investors    | 1003150            | 7.85               | 1003150            | 7.85               | 1003150            | 7.85               |
| Pvt. Corp. Bodies  | 3398856            | 26.6               | 5965112            | 46.71              | 5965112            | 46.7               |
| Indian Public      | 7430359            | 58.2               | 4863788            | 38.08              | 4863788            | 38.1               |
| NRIs/OCBs          | 7800               | 0.06               | 8115               | 0.06               | 8115               | 0.06               |
| Grand Total        | 12771800           | 100                | 12771800           | 100                | 12771800           | 100                |

2.4 As per the data provided by the company, subsequent to the public issue in 1996, M/s Ceetee Trading and Leasing Pvt Ltd (Ceetee) was the major shareholder with the holding of 11.09 lakh shares accounting around 5% of the total listed capital. The scrutiny of the DP Account Opening Form of Ceetee revealed that Shri Mahendra C Shah and Ms Hasu Mahendra Shah were the first directors of the company M/s Ceetee Trading and Leasing Pvt Ltd. Subsequently, on June 14, 2003, the company authorized its directors Ms Hasu M Shah and Shri Sanjay B Shah to operate the Depository account. This clearly indicates that M/s Ceetee Trading and Leasing Pvt Ltd is a promoter entity and therefore, their shareholding should be shown under the Promoter's Holding category. However, the quarterly shareholding report to BSE for the quarter ended March 2004 shows the holding of M/s Ceetee Trading and Leasing Pvt Ltd (479500 shares) and Shri Sanjay B Shah (373900 shares) in the non promoter category. From the shareholding pattern from March 2004 to September 2005, it is observed that there is no change in promoter's holding; however, by not disclosing the holding of M/s M/s Ceetee Trading and Leasing Pvt Ltd and Shri Sanjay B Shah in the promoter's category the company has provided inaccurate disclosures with regard to the promoter's holding to the investors. It is suspected that there could be many more entities which are connected to the promoters and acting in concert with promoters and have not been correctly disclosed in the shareholding statements which are filed with BSE on quarterly basis.

**Share Capital History**

2.5 The authorized capital of the company was Rs. 14.00 Crores representing 1.4 crores shares of Rs 10 each. The company came out with a public issue in the year 1996. As on the date of public issue, the pre-issue equity of the company was Rs. 2.17 crores representing 21.71 lakh shares. The total issue size was Rs. 10.60 crores representing 106.00 lakhs shares, out of which 30.30 lakhs shares were reserved for firm allotment to the promoters, directors, relatives, friends and business associates of the company. The public issue was made for 75.70 lakhs shares of Rs 10 each. On August 3, 1996, 127.72 lakh shares were listed on BSE. Subsequent to the public offer, out of the total issued capital of the company, 60,76,000 shares were fully paid and 66,95,800 shares were kept as partly paid shares. Against the partly paid shares the company received Rs 2.50 per shares toward share application money and the allotment money of Rs 7.50 was outstanding.

2.6 The analysis of partly paid shares data provided by company revealed that some applicants, who were having different names, had common address. Some of the instances noticed are given below:

| Address                                                                              | No. of Applicants | No. of shares applied |
|--------------------------------------------------------------------------------------|-------------------|-----------------------|
| 1 Dharmendra Society G Flr, Haji Babu Road Malad (E), MUMBAI 400096                  | 40                | 20,000                |
| 1/1/60/7 Azamabad, Hyderabad, 500020                                                 | 8                 | 30,000                |
| 1-18 Narayan Bldg, Dubhash Lane V P Road, Bombay - 400004                            | 229               | 1,14,500              |
| 10 Indian Mercantile Mansion, 1st Floor Opp Regal Cinema, S P Chowk, Bombay - 400039 | 24                | 12,000                |
| 104 Dayal Bhavan, 2nd Floor, R No 6, New Chinch Bunder, Mumbai - 400009              | 40                | 20,000                |
| 13/B Shanti Nagar, 2nd Sector, Sama Sadan, Borivali (E), Bombay - 400092             | 104               | 52,000                |
| 188 Mansukhnivas, B/5, 1st Flr, Khetwadi Back Road, Opp 11th Lane Mumbai - 400004    | 39                | 19,500                |
| 19 Zankadi Bhadawani Street, Vardham Complex, Bhavnagar - 364001                     | 44                | 44,000                |
| 2/10 Vidhya Villa, Old Nagardas Road, Andheri (E), Bombay - 400069                   | 80                | 43,700                |

- 2.7 The allotment of shares to the multiple applicants, who were having same addresses, suggests that the company appears to have allotted shares to these fictitious or benami applicants apparently to fulfill the requirement of minimum subscription.
- 2.8 It is pertinent to mention that although the company was having two categories of shares i.e. partly paid and fully paid, it had listed all its shares in single category with a single ISIN number. All of a sudden during the year 2004-05, the company converted 54,54,600 (43%) partly paid shares to fully paid shares; however, it did not make any specific announcement to BSE. The company informed that the quarterly results submitted to the exchanges included the information regarding increase in the share capital of the company. It is indeed curious that the loss making company should be able to make a call on a large number of partly paid shares after 8-9 year and get it subscribed without much ado.
- 2.9 The company was asked to provide the bank statements indicating the amount received towards call money against partly paid shares. As per the information submitted by the company, the details of amount received towards call money is as below:

| Bank Name                      | Account No   | Date      | Amount (Rs)         |
|--------------------------------|--------------|-----------|---------------------|
| Bank of Baroda                 | 1421         | 19-Apr-04 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 14-May-04 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 14-May-04 | 20,000.00           |
| <b>Total (Qtr end June 04)</b> |              |           | <b>80,000.00</b>    |
| Citibank                       | 0-100291-557 | 23-Sep-04 | 500,000.00          |
| <b>Total (Qtr end Sept 04)</b> |              |           | <b>500,000.00</b>   |
| Punjab & Sindh Bank            | 951          | 8-Oct-04  | 35,000.00           |
| Bank of Baroda                 | 1421         | 12-Oct-04 | 200,000.00          |
| Bank of Baroda                 | 1421         | 14-Oct-04 | 200,000.00          |
| Punjab & Sindh Bank            | 951          | 19-Oct-04 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 19-Oct-04 | 35,000.00           |
| Punjab & Sindh Bank            | 951          | 19-Oct-04 | 35,000.00           |
| Punjab & Sindh Bank            | 951          | 20-Oct-04 | 27,000.00           |
| Punjab & Sindh Bank            | 951          | 20-Oct-04 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 20-Oct-04 | 25,000.00           |
| Bank of Baroda                 | 1421         | 14-Dec-04 | 100,000.00          |
| Bank of Baroda                 | 1421         | 15-Dec-04 | 190,000.00          |
| Bank of Baroda                 | 1421         | 17-Dec-04 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 22-Dec-04 | 20,000.00           |
| Punjab & Sindh Bank            | 951          | 22-Dec-04 | 25,000.00           |
| <b>Total (Qtr end Dec 04)</b>  |              |           | <b>1,352,000.00</b> |
| Punjab & Sindh Bank            | 951          | 8-Jan-05  | 300,000.00          |
| Punjab & Sindh Bank            | 951          | 11-Jan-05 | 300,000.00          |
| Punjab & Sindh Bank            | 951          | 13-Jan-05 | 300,000.00          |
| Punjab & Sindh Bank            | 951          | 15-Jan-05 | 300,000.00          |
| Punjab & Sindh Bank            | 951          | 20-Jan-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 22-Jan-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 27-Jan-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 29-Jan-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 1-Feb-05  | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 3-Feb-05  | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 4-Feb-05  | 450,000.00          |
| Punjab & Sindh Bank            | 951          | 7-Feb-05  | 15,000.00           |
| Punjab & Sindh Bank            | 951          | 8-Feb-05  | 7,500.00            |
| Punjab & Sindh Bank            | 951          | 8-Feb-05  | 22,500.00           |
| Punjab & Sindh Bank            | 951          | 8-Feb-05  | 33,750.00           |
| Punjab & Sindh Bank            | 951          | 8-Feb-05  | 15,000.00           |
| Punjab & Sindh Bank            | 951          | 8-Feb-05  | 15,000.00           |
| Punjab & Sindh Bank            | 951          | 9-Feb-05  | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 10-Feb-05 | 7,500.00            |
| Punjab & Sindh Bank            | 951          | 10-Feb-05 | 15,000.00           |
| Punjab & Sindh Bank            | 951          | 10-Feb-05 | 22,500.00           |
| Punjab & Sindh Bank            | 951          | 11-Feb-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 14-Feb-05 | 26,250.00           |
| Punjab & Sindh Bank            | 951          | 15-Feb-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 17-Feb-05 | 450,000.00          |
| Punjab & Sindh Bank            | 951          | 19-Feb-05 | 500,000.00          |
| Punjab & Sindh Bank            | 951          | 22-Feb-05 | 235,000.00          |
| Punjab & Sindh Bank            | 951          | 22-Feb-05 | 265,000.00          |
| Citibank                       | 0-100291-557 | 23-Feb-05 | 4,404,000.00        |
| Citibank                       | 0-100291-557 | 23-Feb-05 | 4,362,000.00        |
| Citibank                       | 0-100291-557 | 23-Feb-05 | 420,750.00          |
| Citibank                       | 0-100291-557 | 23-Feb-05 | 350,250.00          |
| Punjab & Sindh Bank            | 951          | 23-Feb-05 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 23-Feb-05 | 30,000.00           |
| Punjab & Sindh Bank            | 951          | 23-Feb-05 | 20,000.00           |
| Citibank                       | 0-100291-557 | 24-Feb-05 | 2,982,750.00        |
| Punjab & Sindh Bank            | 951          | 24-Feb-05 | 400,000.00          |
| Punjab & Sindh Bank            | 951          | 24-Feb-05 | 25,000.00           |
| Punjab & Sindh Bank            | 951          | 24-Feb-05 | 25,000.00           |
| Punjab & Sindh Bank            | 951          | 24-Feb-05 | 30,000.00           |
| Citibank                       | 0-100291-557 | 25-Feb-05 | 4,437,750.00        |
| Citibank                       | 0-100291-557 | 25-Feb-05 | 490,500.00          |
| Punjab & Sindh Bank            | 951          | 25-Feb-05 | 28,000.00           |
| Punjab & Sindh Bank            | 951          | 25-Feb-05 | 27,500.00           |
| Punjab & Sindh Bank            | 951          | 25-Feb-05 | 22,500.00           |

| Bank Name                            | Account No   | Date      | Amount (Rs)          |
|--------------------------------------|--------------|-----------|----------------------|
| Punjab & Sindh Bank                  | 951          | 26-Feb-05 | 400,000.00           |
| Punjab & Sindh Bank                  | 951          | 26-Feb-05 | 22,500.00            |
| Punjab & Sindh Bank                  | 951          | 26-Feb-05 | 21,000.00            |
| Citibank                             | 0-100291-557 | 28-Feb-05 | 1,612,500.00         |
| Punjab & Sindh Bank                  | 951          | 28-Feb-05 | 30,370.00            |
| Punjab & Sindh Bank                  | 951          | 28-Feb-05 | 45,000.00            |
| Punjab & Sindh Bank                  | 951          | 28-Feb-05 | 8,698.00             |
| Citibank                             | 0-100291-557 | 1-Mar-05  | 3,750,000.00         |
| Citibank                             | 0-100291-557 | 2-Mar-05  | 3,000,000.00         |
| Punjab & Sindh Bank                  | 951          | 2-Mar-05  | 9,286.00             |
| Punjab & Sindh Bank                  | 951          | 3-Mar-05  | 39,700.00            |
| Punjab & Sindh Bank                  | 951          | 3-Mar-05  | 45,350.00            |
| Punjab & Sindh Bank                  | 951          | 3-Mar-05  | 2,750.00             |
| Punjab & Sindh Bank                  | 951          | 3-Mar-05  | 13,167.00            |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 18,700.00            |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 11,972.00            |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 2,246.00             |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 21,090.00            |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 6,296.00             |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 1,168.00             |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 13,464.00            |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 3,769.00             |
| Punjab & Sindh Bank                  | 951          | 4-Mar-05  | 7,502.00             |
| Punjab & Sindh Bank                  | 951          | 7-Mar-05  | 125,000.00           |
| Punjab & Sindh Bank                  | 951          | 12-Mar-05 | 200,000.00           |
| HDFC Bank                            | 602020001292 | 16-Mar-05 | 300,000.00           |
| Punjab & Sindh Bank                  | 951          | 16-Mar-05 | 17,600.00            |
| Punjab & Sindh Bank                  | 951          | 23-Mar-05 | 120,000.00           |
| Punjab & Sindh Bank                  | 951          | 23-Mar-05 | 120,000.00           |
| Punjab & Sindh Bank                  | 951          | 28-Mar-05 | 20,750.00            |
| Punjab & Sindh Bank                  | 951          | 28-Mar-05 | 7,500.00             |
| Punjab & Sindh Bank                  | 951          | 28-Mar-05 | 16,750.00            |
| Punjab & Sindh Bank                  | 951          | 28-Mar-05 | 39,000.00            |
| Punjab & Sindh Bank                  | 951          | 29-Mar-05 | 100,000.00           |
| Punjab & Sindh Bank                  | 951          | 29-Mar-05 | 127,000.00           |
| Punjab & Sindh Bank                  | 951          | 29-Mar-05 | 127,000.00           |
| Punjab & Sindh Bank                  | 951          | 30-Mar-05 | 200,000.00           |
| Punjab & Sindh Bank                  | 951          | 30-Mar-05 | 200,000.00           |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 125,000.00           |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 150,000.00           |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 100,000.00           |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 125,000.00           |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 73,000.00            |
| Punjab & Sindh Bank                  | 951          | 31-Mar-05 | 73,000.00            |
| <b>Total (Qtr end Mar 05)</b>        |              |           | <b>36,419,128.00</b> |
| <b>Total Amt recd during 2004-05</b> |              |           | <b>38,351,128.00</b> |

2.10 The scrutiny of the bank statement also revealed that:

- The company has not deposited the receipt of the call money in a separate bank account.
- The company received allotment money in cash on February 3, 2005 (Rs 4,00,000) and on February 7, 2005 (Rs 15,000).
- The scrutiny of the bank statements for the quarter Jan-Mar, 2005 revealed that immediately on receipt of the allotment money the company has transferred around Rs Rs. 30.50 lakhs to HRK Fabricators and Rs. 15.47 lakhs to RJ Corporation.
- The company has shown the transfer of funds of Rs 37.50 lacs from its own bank account located at Hyderabad on March 1, 2005 towards receipt of call money and immediately on March 2, 2005 it had transferred Rs. 30.00 lakhs to a company viz. Keystone Commercial Pvt Ltd.
- On March 2, 2005 bank account of the company shows a receipt of Rs 30.00 lakhs, however, immediately on March 3, 2005 the company transferred Rs 26.50 lakhs to a company viz. Sanskruti Fin Pvt Ltd. Incidentally, Sanskruti Fin Pvt Ltd. has also dealt in the shares of Karuna Cables Ltd as a client through the broker Angel broking Ltd.
- During the period December 14, 2005 to December 20, 2005 the bank account of the company has shown Rs 6.90 lakhs as receipt of call money however, the entire amount was withdrawn as cash during the same period.

The immediate transfer of funds to other entities, cash withdrawals, non maintenance of separate bank account for receipt of call money and receipt of call money in cash, together suggests that the company may be recycling the same funds to show the bank entries towards receipt of call money.

2.11 The analysis of the quarterly results submitted to BSE by the company shows the following change in the share capital during the period April 2004 to March 2005

| Quarter             | Share Capital            |                    | Net increase in the share capital |
|---------------------|--------------------------|--------------------|-----------------------------------|
|                     | Beginning of the Quarter | End of the quarter |                                   |
| April 04 to June 04 | 754.9                    | 783.5              | 28.6                              |
| July 04 to Sep 04   | 783.5                    | 914.2              | 130.7                             |
| Oct 04 to Dec 04    | 914.2                    | 926.6              | 12.4                              |
| Jan 05 to Mar 05    | 926.6                    | 1162.6             | 236.0                             |

It is noted that the company received majority of the allotment money during the Quarters July-Sept, 2004 and Jan-Mar, 2005.

2.12 The table showing the difference between the increase in the share capital reported through quarterly results and the actual receipts of money as per the bank statements is given below:

| Quarter | Increase in the share capital as per | Actual receipts as per bank | Difference |
|---------|--------------------------------------|-----------------------------|------------|
|---------|--------------------------------------|-----------------------------|------------|

(Rs in Lakhs)

|                     | Quarterly Reports | statements | (Actual amount received – Amount shown in Quarterly reports) |
|---------------------|-------------------|------------|--------------------------------------------------------------|
| April 04 to June 04 | 28.6              | 0.80       | -27.8                                                        |
| July 04 to Sep 04   | 130.7             | 5.0        | -125.7                                                       |
| Oct 04 to Dec 04    | 12.4              | 13.52      | 1.12                                                         |
| Jan 05 to Mar 05    | 236.0             | 364.19     | 128.19                                                       |

- 2.13 The comparison of the increase in the share capital as per the quarterly results filed with the Stock Exchange vis-à-vis actual amount received by the company in each quarter shows that during the quarter April-June, 2005 and July-Sept, 2005, the company converted the partly paid shares amounting to Rs 27.8 lakhs and Rs 125.7 lakhs respectively to fully paid shares without actually receiving the allotment money.

Financial Performance of the Company

- 2.14 The quarterly results filed by the company at BSE are given below:

| Sr. No. | Particulars                        | Quarter Ending |            |          |            |            |
|---------|------------------------------------|----------------|------------|----------|------------|------------|
|         |                                    | June 2005      | March 2005 | Dec 2004 | March 2005 | March 2004 |
| 1       | Net Sales / Income from Operations | 9.12           | 4.50       | 6.89     | 17.13      | 8.00       |
| 2       | Other Income                       | 0.002          | -          | -        | 0.0027     | 2.31       |
| 3       | Total Income                       | 9.13           | 4.50       | 6.89     | 18.76      | 10.56      |
| 4       | Net Profit / (Loss)                | 0.62           | 0.37       | 0.09     | 0.68       | 2.27       |
| 5       | Equity                             | 11.93          | 11.63      | 9.27     | 11.92      | 7.84       |
| 6       | EPS (Rs.) (Annualized)             | 2.08           | 1.28       | 0.40     | 0.59       | 0.83       |

Rs. in Crore

- 2.15 The Net Sales / Income from Operations has reduced from Rs. 6.89 crores during the quarter ended December 2004 to Rs. 4.50 crores during the quarter ended March 2005 which is a decrease by 35% (Rs. 2.39 crores). The Net Sales / Income from Operations for the quarter ended June 2005 has significantly increased by 103% (Rs. 4.62 crores) as compared to the quarter ended March 2005.

Corporate Announcements / News:

- 2.16 The announcements made by the company during the year 2005 are given below:

| Date & Time                             | Major Announcements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monday, March 07, 2005<br>10:53:31 AM   | The Company has bagged orders of 75 million (Orders worth Rs 48.70 million (approx) from Central Distribution Power Ltd (CPDCL) and further orders of Rs. 30 million (approx) from Northern Power Distribution Ltd). This was possible because of very conducive climate & potential growth in power sector. Continuing the same climate company expects orders of Rs 250-300 million for current financial year.<br>Further the Company has informed that to complement to the orders Company is considering its expansion plans of acquiring new machinery & renovation of the old machinery for that negotiation are on with couple of Banks for capital investment & Working Capital requirement & Company expects to receive financial assistance for the same from the Bank.<br><br>The present manufacturing activities are carried out at its plant at Hyderabad. The Company is also thinking of setting-up a plant in the state of Maharashtra considering the potential in the power sector & the growth prospects for the year 2006-2007. |
| Tuesday, July 12, 2005<br>11:13:46 AM   | Karuna Cables Ltd has informed BSE on the order position that, out of 3 orders the Company had received two orders -from Northern Power Distribution Company Ltd (NPDCL) and from Eastern Power Distribution Company Ltd (EPDCL) respective is being executed. The other one from Central Power Distribution Company Ltd (CPDCL) has been cancelled since the company could not arrange the required working capital when required. However the Company is continuing its efforts for arranging the requisite funds for executing the said orders. The Company is confident that as soon as the requisite funds are arranged it shall be able to procure the orders once again from CPDCL                                                                                                                                                                                                                                                                                                                                                             |
| Saturday, August 13, 2005 2:16:45 PM    | Karuna Cables Board to consider stock split<br><br>Karuna Cables Ltd has informed BSE that a meeting of the Board of Directors of the Company will be held on August 18, 2005, inter alia, to consider split up / sub-division of Equity shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Tuesday, August 16, 2005<br>6:07:49 PM  | Karuna Cables fixes Book Closure<br><br>Karuna Cables 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 Annual General Meeting of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Saturday, August 20, 2005 11:17:28 AM   | Karuna Cables Ltd has informed BSE that the Board of Directors of the Company at its meeting held on August 18, 2005, has considered and approved the proposal of split-up / Sub-division of equity shares of the Company subject to the approval of the members at the General Meeting of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Tuesday, August 30, 2005<br>10:33:20 AM | Karuna Cables Ltd has informed BSE that a meeting of the Board of Directors of the Company will be held on September 05, 2005, inter alia, to :<br><br>1. Consider the Increasing Authorised Share Capital and Reclassification of Equity Share Capital.<br>2. Decide the ratio of Splitting shares of the Company.<br>3. Make Preferential Allotment of equity shares to the Promoters of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Monday, September 12, 2005 11:46:32 AM  | Karuna Cables - Outcome of Board Meeting<br><br>Karuna Cables Ltd has informed BSE that the Board of Directors of the Company at its meeting held on September 05, 2005, inter alia, has approved the following:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Date & Time | Major Announcements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|             | <ol style="list-style-type: none"> <li>To sub-divide 1 equity shares of Rs 10/- each into 5 equity shares of Rs 2/- each.</li> <li>To reclassify the authorized capital of the Company from Rs 14,00,00,000/- divided into 1,40,00,000 equity share of Rs 10/- each to Rs 14,00,00,000/- divided into 7,00,00,000 equity shares of Rs 2/- each.</li> <li>To increase the authorized capital of the Company from Rs 14,00,00,000/- divided into 7,00,00,000 equity shares of Rs 2/- each to Rs 30,00,00,000/- equity shares of Rs 2/- each by addition of 8,00,00,000 equity shares of Rs 2/-</li> <li>To amend the Memorandum and Articles of Association in respect of the Capital clause.</li> <li>Further the Company informed that the Board has deferred the allotment of equity share on preferential basis to the promoters for the time being.</li> </ol> |

- 2.17 From the BSE website it is noticed that the company had made two announcements in the year 2003 and one announcement in the year 2004 regarding settlement of dues to SBI. In contrast to the pattern followed in the previous two years it is seen that the company has made a total of 7 announcements till September 2005. It seems a bit unusual that the company which had been lying dormant should make so many announcements in a short span of time. It is also observed from the announcements made during March 2005 that the company has received orders from two power distribution companies which is not related to its existing line of business at that point of time and appears that the company is venturing into new business activities. The company appears to have diversified its areas of business or changed its line of business and has not notified its shareholders in the announcements to BSE. It is also seen that out of the three orders one major order has been cancelled reportedly due to non arrangement of working capital. The announcement, which was a major one, was first made and then withdrawn possibly to generate investor interest in the scrip. The chain of events described above suggests that the company made a misleading and premature announcement with the possible motive of shoring up its stock and to generate investor interest in the scrip.

Price movement and analysis of member concentration

- 2.18 During the period February 10, 2005 to July 7, 2005, broker Galaxy Broking Ltd (513) had the highest concentration of around 10% and around 12% in terms of gross purchases and gross sales respectively. Broker Accord Capital Markets Ltd. (212) had concentration of around 9% both in terms of gross purchases and gross sales. In terms of net purchase, Broker B. Lodha Securities Ltd. (379) had the highest concentration of around 12% whereas in terms of net sale, Brokers CSL Stock Broking Pvt. Ltd. (323) and SVS Securities Pvt. Ltd. (747) had concentration of around 21% and 16% respectively.
- 2.19 During the period July 8, 2005 to September 16, 2005, broker Indiabulls Securities Ltd. (907) had the highest concentration of around 21% in terms of gross purchases followed by broker Fortis Securities Ltd. (3004) was having concentration of around 14%. In terms of gross sales, member, B. Lodha Securities Ltd. (379) had the highest concentration of around 11%.

The entities connected to the promoters

- 2.20 The scrutiny of the DP Account Opening Forms and analysis of the off-market transactions suggests linkages of some of the entities with the promoters. The details are given below:

| Sl  | Entity                                                                                                                                                         | Connection with the                                                                                                                                 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Ceetee Trading and Leasing Pvt. Ltd<br>7 Rajniketan, 24/B Ridge Road<br>Malbar Hill, Mumbai- 400006                                                            | Mahendra C. Shah and Hasu M Shah are the promoters of the company.                                                                                  |
| 2.  | Richtone Fintrade & Investment Pvt. Ltd.<br>541/B Gajjar Niwas, Block No 7/8, 2nd Floor, Dr A B Road, King Circle, Mumbai- 400019                              | Transactions through off market deals with Akshit Shah and Mit Shah, promoters of the company                                                       |
| 3.  | Vinayak Trimbak Sarkhot, 3/14, Parijat, Parimal Society, Vishnu Nagar, Dombivali West. Mumbai 421202                                                           | Director of the company Richtone Fintrade & Investment Pvt. Ltd.                                                                                    |
| 4.  | Pradnya Sarkhot<br>3/14, Parijat, Parimal Society, Vishnu Nagar, Dombivali West. Mumbai 421202                                                                 | Pradnya Sarkhot and Vinayak Sarkhot have common contact address.                                                                                    |
| 5.  | Bipin Shah<br>Devji Dharsi Building, Shahad, Dist Thane 421103                                                                                                 | Transactions through off market deals with Ceetee Trading and Leasing Pvt. Ltd and Richtone Fintrade & Investment Pvt. Ltd.                         |
| 6.  | Bhavana Bipin Shah<br>Devji Dharsi Building, Shahad, Dist Thane 421103                                                                                         | Bipin Shah and Bhavana Bipin Shah have common contact address<br>Transactions through off market deals with Richtone Fintrade & Investment Pvt. Ltd |
| 7.  | N.G.Builders & Developers (Prop. : Narendrapal Gupta<br>C/O R N A Builders, N G Raja Bahadur Bldg, 1st Floor 28, Mumbai Samachar Marg, Opp S B I, Mumbai 40002 | Transactions through off market deals with Richtone Fintrade & Investment Pvt. Ltd                                                                  |
| 8.  | Manju Gupta<br>C/O R N A Builders, N G Raja Bahadur Bldg, 1st Floor 28, Mumbai Samachar Marg, Opp S B I, Mumbai 40002                                          | Narendrapal Gupta and Manju Gupta have common contact address<br>Transactions through off market deals with Bipin Shah                              |
| 9.  | Vijay Bhagwandas Shah<br>E-13 Kings Acare, 3rd Floor, Tagore Road, Mumbai, 400054<br>112 A 1st Floor, P J Tower, Dalal Street Stock Exchange, Mumbai, 400023   | Transactions through off market deals with Ceetee Trading and Leasing Pvt. Ltd and Richtone Fintrade & Investment Pvt. Ltd.                         |
| 10. | Vintel Securities Pvt. Ltd<br>102, Blue Moon Chamber, 1st Floor, 27/33, N. M. Road, Mumbai - 400 023.                                                          | Transactions through off market deals with Richtone Fintrade & Investment Pvt. Ltd.                                                                 |

Dealing in shares by promoters and entities connected to them

- 2.21 Dealing of some of the entities connected to the promoters is given below:
- Vijay Bhagwandas Shah (1202700100001472) has received 50000 shares from Vinayak Sarkhot on March 16, 2005, 91316 shares from Vintel Securities Pvt. Ltd. on July 20, 2005, 406300 shares from Ceetee Trading and Leasing Pvt. Ltd., on March 16, 2005 and March 21, 2005, 292500 shares from Richtone Fin Trade and Investment Pvt. Ltd. on March 21, 2005. Vijay Bhagwandas Shah transferred 501000 shares through off-market deals to various entities on March 16, 2005, March 17, 2005 and March 18, 2005 and these entities have subsequently sold these shares in the market.
  - Richtone Fin Trade and Investment Pvt. Ltd. have transferred 532500 shares to Vintel Securities Pvt. Ltd. on March 22, 2005 and March 24, 2005. Vintel Securities Pvt. Ltd., while dealing through the broker Galaxy Broking Ltd has bought 3,89,826 and sold 5,04,089 shares and while dealing through the broker Indiabulls Securities Ltd has bought 57,810 shares and sold 1,44,640 shares in the market.

- c) The promoters / directors of the company – Mit Shah and Akshat Shah has transferred 292500 shares to Richtone Fin Trade and Investment Pvt. Ltd. on March 21, 2005, who has in turn transferred the same quantity of shares to Vijay Bhagwandas Shah on March 21, 2005 . On March 22, 2005 Richtone Fin Trade and Investment Pvt. Ltd. has transferred the same quantity of shares to the promoters / directors of the company - Mit Shah and Akshat Shah.
- d) Vinayak Sarkhot has transferred 90000 shares in off market to Arvind B. Makwana on May 19, 2005 and June 04, 2005 and received 310215 shares in off market from Alliance Intermediaries and Network P. Ltd. during the period from January 08, 2005 to April 29, 2005, 1500 shares from Kamal Paste having the same residential address as that of the promoters on March 15, 2005, 3900 shares on July 12, 2005 from Pradnya Sarkhot and 10000 shares from Sheetal Gogate on March 05, 2005. The entities Kamal Paste, Pradnya Sarkhot and Sheetal Gogate are not appearing as major clients in market. Vinayak Sarkhot has purchased 97300 shares in market during the period from March 30, 2005 to July 13, 2005 and sold 36300 shares during the period April 20, 2005 to July 13, 2005
- e) Narinder Pal Gupta transferred 450000 shares in off market to Bhavana Bipin Shah on March 21, 2005. Narinder Pal Gupta has dealt in market in the name of N.G.Builders & Developers (Prop. : Narendrapal Gupta (HUF)) and purchased 631512 shares from market during the period from February 25, 2005 to April 01, 2005 and sold 622287 shares in market during the period from March 11, 2005 to August 31, 2005. Also Manju Gupta connected / related to Narendra Pal Gupta, (Prop: N G Builders & Developers) has transferred 450000 shares on March 21, 2005 to Bipin Shah in off market. Neither Manju Gupta nor Bipin Shah and his connected entity, Bhavana Bipin Shah are appearing as major clients in the market. It was also observed that Bhavana Bipin Shah and Bipin Shah have transferred 4,50,000 shares each to Richtone Fintrade & Investment Pvt. Ltd. on March 22, 2005. Richtone Fintrade & Investment Pvt. Ltd. in turn have transferred 147500 shares to Mit Shah and 1,45,000 shares to Akshat Shah, promoters of the company on March 22, 2005.
- f) Interestingly, it is also noticed that on September 30, 2004, the three entities connected to the promoters viz. Ceetee Trading and Leasing Pvt. Ltd., Richtone Fin Trade and Investment Pvt. Ltd. and Vinayak Sarkhot rematerialized around 0.76 lakhs, 11.21 lakhs and 3.73 lakhs shares of the company respectively. The rematerialization of shares appears very unusual and appears to have been carried out with intent to circulate and offload their holding without getting detected or to avoid audit trail.
- g) The company paid Rs 5.00 lakhs each on March 14, 2005 and March 15, 2005 to Bipin Shah. It is also noticed that during the month of March 2005, Bipin Shah was engaged in large number of off-market deals with the promoters and the entities connected to the promoters in March 2005. This suggests that Bipin Shah is connected to the promoters and appears to have dealt in the shares of the company at their behest.

Dealing in shares of the company by interconnected entities

- 2.22 It is noticed that some of the interconnected clients who had dealt in the shares of IFSL Ltd. (IFSL) or Mega Corporation Ltd. (Mega) and against whom action under Section 11B and 11(4) (b) of SEBI Act 1992 was taken, have also dealt in the shares of Karuna Cables Ltd. The details of their trading is given below:

| Sl | Broker              | Name of clients                                                                                                                                                                             | Buy Qty. | Sell Qty. | Net Qty. | Also dealt in the shares of |
|----|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|----------|-----------------------------|
| 1. | Galaxy Broking Ltd. | RITEDEAL TRADING COMPANY PVT LTD (AJIT SURYAVANSHI, SANTOSH ROHIDAS JAGTAP)<br>B-Wing, Flat No.11, 2nd Floor, Monani Apartment, Near Chandan Talkies, Juhu, Mumbai - 400 049                | 21235    | 5000      | 16235    | Mega                        |
| 2. | Indiabulls Sec Ltd. | NEW LEADER TRADING CO. PVT. LTD. (DIRECTORS : RAMDAS KSHIRSAGAR, UMESH CHOUKEKAR)<br>B/708-Crystal, Plaza-Andheri Link Road, Opp. Fame Adlabs                                               | 606072   | 0         | 606072   | IFSL                        |
| 3. | Indiabulls Sec Ltd. | RIGHTSTAR TRADING COMPANY PVT. LTD. (DIRECTOR : DATTU SHITOLE, SANTOSH JAGTAP)<br>B-102 Padmavati Palace, Nanda Patkar Road, Vile Parle (East), Mumbai                                      | 175479   | 6818      | 168661   | Mega & IFSL                 |
| 4. | Indiabulls Sec Ltd. | AMAR ADHAV<br>• Sani Dayas Chawl Andheri East Mumbai<br>• Saroj Hiralal Bldg Koldongari Gali No 1 Sahar Road Andheri(E) Mumbai<br>• Sadevbind Hiralal Chawl Koldongri Andheri (East) Mumbai | 132500   | 132500    | 0        | Mega & IFSL                 |
| 5. | Indiabulls Sec Ltd. | UMESH CHOUKEKAR<br>No-5 Gr Flr Kalpataru Chambe Nanik Motwani Mg Opp Hdfc Bank Fort Mumbai                                                                                                  | 56190    | 56190     | 0        | Mega & IFSL                 |

| Sl | Broker                 | Name of clients                                                                                                      | Buy Qty. | Sell Qty. | Net Qty. | Also dealt in the shares of |
|----|------------------------|----------------------------------------------------------------------------------------------------------------------|----------|-----------|----------|-----------------------------|
| 6. | Fortis Sec. Ltd.       | RAJKISHORE SINGH<br>No-5gr Flr Kalpataru<br>Chambe Nanik<br>Motwani Lane Opp<br>Hdfc Bank Fort<br>Mumbai             | 59353    | 0         | 59353    | Mega & IFSL                 |
| 7. | Fortis Sec. Ltd.       | SANTOSH PAWAR<br>8devraj Jagmohan<br>Chawl Kaldongri Rd<br>No 1sahar Rd<br>Andheri(E) Mumbai                         | 725745   | 159641    | 566104   | Mega                        |
| 8. | CSL Stock Bro. P. Ltd. | VIJAY SURYAVANSHI<br>Room 4 Jagadhari<br>Yadav Chawl<br>Koldongri Sahar<br>Road Lane No1<br>Andheri (East)<br>Mumbai | 32964    | 0         | 32964    | Mega                        |

2.23 From the above it is evident that the promoters, the entities connected to them and interconnected entities indulged in large number of off-market deals, who in turn dealt heavily in the market and thereby contributed to the sudden rise in trading volumes and the corresponding price rise.

#### Conclusion

3.1 The preliminary analysis revealed that:

- Considering that the allotment of shares was made to the multiple entities having the same address it appears that these shares were allotted to benami or fictitious entities.
- Partly paid shares were converted to fully paid shares after a gap of 8-9 years, and that too without receiving the allotment money at the time of conversion of partly paid shares to fully paid shares.
- The company made wrong and misleading disclosure of promoter's holding in the company to BSE
- The entities connected to the promoters rematerialized large quantity of shares of the company possibility to circulate and offload their holding without getting detected or to avoid audit trail.
- There was absence of wide spread investor interest in the share of the company since June 2000 to January 2005, followed by sudden increase in share price and volume since February 2005,
- The company made misleading and premature corporate announcements (such as receipt of big orders of Rs 48.70 million from Central Distribution Power Ltd (CPDCL) and then cancellation of this order) to BSE .
- The promoters, the entities connected to them and interconnected entities indulged in large number of off-market deals, who in turn dealt heavily in the market and thereby contributed to the sudden rise in trading volumes and the corresponding price rise

The above findings clearly indicate a careful designing and orchestrated execution 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 and with a view to offload their holdings which were not disclosed as part of promoter's holding, as it seems.

3.2 The preliminary findings 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. 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

- 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 of final order, I hereby issue the following directions, by way of ad interim, ex-parte order
- That the promoters of the company viz, Mahendra C. Shah, Hasu M Shah, Mit Shah, Akshat Shah, Kirti C. Shah, Jaswant C. Shah, Sanjay B Shah, Ceetee Trading and Leasing Pvt. Ltd and the non-executive independent directors of the company N. S. Rangnath, C. V. V. Prasad and Pavankumar Sanwarmal are hereby directed not to buy, sell or deal in securities of Karuna Cables Ltd, directly or indirectly, till further directions in this regard and Karuna Cables Ltd is further directed that it shall not issue any equity shares or any other instruments convertible into equity shares, in any manner, or shall not alter its capital structure in any manner, till further directions in this regard.
- That the clients viz., Richtone Fintrade & Investment Pvt. Ltd., Vinayak Trimbak Sarkhot, Pradnya Sarkhot, Bipin Shah, Bhavana Bipin Shah, N. G. Builders & Developers, Narendrapal Gupta, Manju Gupta, Vijay Bhagwandas Shah and Vintel Securities Pvt Ltd are hereby directed not to buy, sell or deal in securities of Karuna Cables Ltd, directly or indirectly, till further directions in this regard.
- The clients Ritideal Trading Company Pvt Ltd, Ajit Suryavanshi, Santosh Rohidas Jagtap, New Leader Trading Co. Pvt. Ltd., Ramdas Kshirsagar, Umesh Choukekar, Rightstar Trading Company Pvt. Ltd., Dattu Shitole, Amar Adhav, Rajkishore Singh, Santosh Pawar and Vijay Suryavanshi have already come to SEBI's adverse notice in the cases of IFSL Ltd and Mega Corporation Ltd. and are hereby directed not to buy, sell or deal in any securities directly or indirectly, till further directions in this regard.
- That the Stock Brokers viz. Galaxy Broking Ltd., Accord Capital Markets Ltd., B. Lodha Securities Ltd., CSL Stock Broking Pvt. Ltd., SVS Securities Pvt. Ltd. Indiabulls Securities Ltd., and Fortis Securities Ltd., are hereby directed not to buy, sell or deal in securities of Karuna Cables Ltd., directly or indirectly, for the entities mentioned in para. 4.2, 4.3 and 4.4 till further directions in this regard.
- The Depositories shall not give effect to any transfer of shares of Karuna Cables Ltd. lying in the beneficial owner accounts of the entities mentioned in para 4.2, 4.3 and 4.4.
- All the above directions shall take effect immediately and shall be in force until further orders
- 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: 29-11-2005

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