

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V.K CHOPRA, WHOLE TIME MEMBER

WTM/VKC/ID-7/15/06

ORDER AGAINST M/S CYBERSPACE LTD. UNDER SECTION 11 (4) READ WITH 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 1995 IN THE MATTER OF IRREGULARITIES IN THE TRADING OF THE SHARES OF M/S. CYBERSPACE LTD.

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to in short as "the Board") had conducted an investigation into the affairs relating to buying, selling and dealing in the shares of M/s Cyberspace Ltd (The Company M/s Cyberspace Ltd is hereinafter referred to in short as 'Noticee') on observing unusual movement in the shares of the Noticee. Shares of the Noticee were listed on the Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE), Delhi Stock Exchange (DSE) and Uttar Pradesh Stock Exchange (UPSE). Shri Arvind Johari, Shri A.M Johari and his family members are the promoters of the Noticee. BSE, on a preliminary enquiry found that the promoters seem to be involved in activities, which may have contributed towards manipulating the price in the scrip of Noticee. There were media reports indicating some problem in relation to the scrip as also in the settlement relating to trades in the scrip. Subsequently, BSE and NSE withheld the payouts in the scrip for the settlement No. 242-246 and W 47-W50 respectively.
- 1.2 Both BSE and NSE have conducted investigation into the price movement of the scrip and forwarded their investigation reports to the Board. Based on the said investigation reports and taking into account the general movement in the price of the scrip, the Board conducted investigation for the period from October 1999 to March 2001.
- 1.3 The investigation revealed that the scrip of the Noticee was trading at around Rs. 1200/- prior to split in September, 2000 and the price was proportionally reduced to Rs. 186/- on September 26, 2000. The price moved in the range of Rs. 190/- to Rs. 147/- till February 2001. Thereafter, M/s. Century Consultants Ltd. (hereinafter referred to in short as 'CCL'), Member of BSE, NSE and OCTEI of which Noticee is a promoter, defaulted and the price of the scrip started crashing by 16% on daily basis.
- 1.4 The Board had issued interim orders under Section 11 and Section 11B on April 06, 2001 restraining the directors of Noticee namely Shri Arvind Johari and his associate companies namely CCL, M/s. A K Johari & Co. (Member UPSE) and M/s. A. M. Johari & Co., member DSE from undertaking any fresh business as brokers. The Board had given an opportunity of post decisional hearing to Shri Arvind Johari and the aforesaid entities. Considering the entire facts and circumstances, Board confirmed the aforesaid interim orders vide order dated May 18, 2001.

2.0 SHOW CAUSE NOTICE & HEARING

- 2.1 A show cause notice dated April 06, 2005 was issued to the Noticee to show cause as to why appropriate action under Section 11(4) read with Section 11 B Securities and Exchange Board of India Act, 1992 including restraining Noticee from accessing the securities market and prohibiting Noticee to buy, sell or deal in securities, should not be passed against them for the violations specified above.
- 2.2 The said show cause notice was affixed at the premise of entity i.e 25, Babar Road, New Delhi – 110001 after complying with due process of law. I find that no reply to the said show cause notice has been received. However, I have granted an opportunity of hearing on September 20, 2006 at 11 a.m before passing the final order and directed Noticee to attend the hearing vide letter dated September 05, 2006. The said notice was also affixed at the premises of the entity at 25, Babar Road, New Delhi – 110001 after complying with due process of law. Neither any person has appeared on behalf of Noticee on September 20, 2006 nor any request for adjournment has been received from Noticee. Hence, I have decided to pass the final order on merit.

3.0 CONSIDERATION OF ISSUES

- 3.1 I have carefully examined all the materials on record. I find that the charge against Noticee is that the promoters of the Noticee along with related / associated entities have transacted the scrip of Noticee with a view to create artificial volumes and manipulating / maintaining the price. The said promoters were rotating the shares in the market to create artificial volumes by using the names of various entities and thus were responsible for creating false or misleading appearance of trading in the market. Thus, they have violated provisions of Regulation 3 and Regulation 4(a) to (d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations 1995.
- 3.2 I find that the Noticee company was originally incorporated in 1984 with name M/s Greenfield Leasing and Holdings Limited and renamed as M/s Century International Finance Ltd. in 1994. Thereafter, in 1998 the company again changed its name

as M/s Cyberspace Infosys Ltd. which is presently known as M/s Cyberspace Ltd. The company came out with a public issue in December 1994 and its total equity of Rs 5.74 crores was divided into 57,40,000 equity shares of Rs 10 each. The equity shares of the Noticee company are listed on DSE, UPSE, BSE and NSE. The scrip was traded in compulsory rolling settlement. As per the distribution schedule dated May 31, 2000, the promoters and group companies are holding 42.73% and public holding is 42.88%. The Noticee has been promoted by Shri Rajendra Kumar Mohta, Shri Arjun Kumar Agarwal and Shri Anil Kumar Beejawat. In 1993-94, Shri A.K Johari and Shri A.M. Johari had taken over the Noticee company.

- 3.3. The Noticee Company diversified its business into the business of software development and exports and claimed to have business partners such as Microsoft, Oracle and Nortel in India and tied up with Lotus International Development Corporation for setting up of National Authorised Support Centre for Lotus International Development Corporation at the Company's Mumbai Office. In 2000, the company issued 49,30,000 shares of Rs 2/- each at a premium of Rs 184/- on preferential basis inter alia to Financial Institutions such as UTI, GIC and others.

LINKAGES AMONG NOTICEE, ITS PROMOTERS, CCL AND OTHER ENTITIES

- 3.4 I find that CCL is a group / associated company of Noticee having three common directors namely Shri G. N. Johari, Shri. A. K. Johari and Shri A. M. Johari. As per the annual report of Noticee for the year 1999-2000, Noticee was holding 18,63,425 shares of Noticee representing 47.22% of the paid up capital of CCL. At the same time, CCL was holding 21% of the paid up capital of Noticee. Hence, it is conclusively established that Noticee and CCL are related with each other.
- 3.5 I find that Noticee, CCL and its promoters had acted in concert with each other along with related entities and transacted in the scrip with a view to raise the price of the scrip artificially and thereby created false market, which culminated into the present proceedings. I have examined the relationship of the entities who transacted in the scrip to create artificial volume and find that the entities namely Kamarao Plastique Ltd., Octopus Softel Pvt Ltd, Pradeepak Finance Manufacturing & Consultancy Services Pvt. Ltd., Shreeji Investments, Nucleus Soft Tel Pvt Ltd, Shivam Multi Services Pvt Ltd, Amit Inter Chemicals Pvt Ltd, Ramesh Shah, Pratik R Shah, Arihant Investments, Country Informtech Services Pvt Ltd, Shri Hitesh Ambalal Shah, Vinpark Securities, Shri Ashsih G Shah, Sipra Education Career Foundation Pvt Ltd., Calculus Soft Tel Pvt Ltd, Delta Investments, Kamal Infosys, Neelam Consultancy and Rosewood Tradelinks Pvt Ltd are related and traded in the scrip with the funds provided by Noticee, CCL and its promoters.
- 3.6 I find that the Noticee and its promoters along with other associated/related/connected entities were mainly responsible for creating artificial volumes in the scrip. The table bringing out the linkages among the said entities and the Noticee and CCL is given below:

Name of the Client	Signatories / directors	Relationship with CCL/ Noticee
Kamarao Plastique Ltd.	Shri Chetan Patel – Director Signatories to MOA Shri Rajiv Kumar Nagia and Shri Ajay Prakash Witness to MOA is Shri R.P Tewari	Shri Chetan Patel is an employee of CCL. The address of the witness (R P Tewari) appearing in the MOA is same as that of the Lucknow branch office of CCL. Shri Arvind Johari used this as a front company.
Octopus Softel Pvt Ltd	Shri Anil Tambe –Director. Signatories to MOA Shri Pradeep Gupta and Smt. Sangeeta Gupta. The witness to the MOA is Shri Sachin Agrawal	Shri Anil Tambe and Shri Sachin Agrawal are employees of CCL.
Pradeepak Fin and Mgt Cons Pvt Ltd	Shri Harshad Shah and Shri Rajendra Menta – Directors	Unregistered sub-broker of CCL, doing trading through CCL. Shri Arvind Johari used this as a front company.
Shreeji Investments	Shri Rohit Shah – Proprietor	Employee of CCL. Shri Arvind Johari used this as a front company.
Nucleus Soft Tel Pvt Ltd	Shri Amit Singh – Director Signatories to MOA Shri Pradeep Gupta and Smt. Sangeeta Gupta. The witness to the MOA is Shri Sachin Agrawal	Shri Amit Singh as well as Shri Sachin Agrawal are employees of CCL. Amit Singh was personal assistant to Shri Arvind Johari
Shivam Multi Services Pvt Ltd	Shri Harshad shah and Shri Rajendra Mehta – Directors	Unregistered sub-broker of CCL, doing trading through CCL. Sri Arvind Johari used this as a front company.
Amit Inter Chemicals Pvt Ltd	Shri Gaurav Shah – Director Signatories to MOA Shri Shamsunder Shri Verma, Shri Ashok Verma, Shri Anil Verma, Shri Ajai Verma, Shri Arun Verma.	Shri Gaurav Shah is an employee of CCL.

Name of the Client	Signatories / directors	Relationship with CCL/ Noticee
Ramesh Shah	Individual	Sub broker of CCL on BSE. Shri Arvind Johari used him as a front.
Pratik R Shah	Individual	Son of Shri Ramesh Shah. Shri Arvind Johari used him as a front.
Arihant Investments	Shri Rakesh Giriya – Propreitor. Witness to the Member Constituent agreement is Rohit Shah	Shri Rakesh Giriya is a client of CCL and Rohit Shah is the employee of CCL. Sri Arvind Johari used this as a front company.
Country Informtech Services Pvt Ltd	Shri Raju Kapur - director. Signatories to MOA Shri Rakesh Tandon Raju Kapoor Prabal Mall	1. Shri Raju Kapur is an employee of CCL and Shri Rakesh Tandon is a relative of Shri Raju Kapoor 2. The address of the witness (Shri R P Tewari) appearing in the MOA is same as that of the Lucknow branch office of CCL Shri Arvind Johari used this as a front company.
Shri Hitesh Ambalal Shah	Individual	Employee of CCL Shri Arvind Johari used him as a front.
Vinpark Securities	Shri Parthiv Parekh	Client of CCL and applied for sub-broker under CCL. Shri Arvind Johari used this as a front company.
Shri Ashsih G Shah	Individual	Employee of CCL. Sri Arvind Johari used him as a front.
Sipra Education Career Foundation P Ltd.	Shri Anand Nathani – Director Signatories to MOA S/ Shri Amarendra Kumar Srivastava, Srinivas Kumar Verma Amarkumar Sinha	Employee of CCL. Shri Arvind Johari used this as a front company.
Calculus Soft Tel Pvt Ltd	Shri Kalanath Jha – Director- Signatories to MOA Shri Pradeep Gupta and Smt. Sangeeta Gupta. The witness to the MOA is Shri Sachin Agrawal	Shri Kalanath Jha as well as Shri Sachin Agrawal are employees of CCL.
Delta Investments	Shri Mahesh Mistry	Employee of CCL. Sri Arvind Johari used this as a front company.
Neelam Consultancy	Shri Vijay Samat	As a client traded through CCL and also CCL became a client of this sub-broker of Shri R V Vakil to trade in the scrip of Noticee. Shri Arvind Johari used this as a front company.
Prabodh Artha Sanchay Pvt Ltd	Shri Mohan Chimanlal Gujrati, Shri Ramachandra Sadashiv Dimble,	No apparent relationship but financing the other clients by spot purchase of shares. Traded through a middleman.
Rosewood Tradelinks Pvt Ltd	Shri Rajendra Mehta – Director Signatories to MOA Shri Dilip Gupta Shri Pradeep Gupta	Unregistered sub-broker of CCL, doing trading through CCL. Shri Arvind Johari used this as a front company.
Shri Jugal Kishore Barasia	Individual	Client of CCL only purchased through them mostly on spot basis. Financed CCL by spot payments in many cases.
Shri S G Badani	Individual	Friend of Shri J K Barasia. Client of CCL.
Mangla Capital Services Pvt Ltd	Shri Vinod Gupta	All the clients are related to CCL and acted through the middleman related to CCL. Financed the clients by channelling HDFC Instacash facility.
Shri Ajay Gupta	Individual	Middleman between CCL and Prabodh Arth Sanchay . Not traded in the scrip.

TRADING DETAILS OF THE ABOVE MENTIONED RELATED ENTITIES

3.7 The details of dealings of these entities in the scrip of Noticee both at BSE and NSE during the period of investigation are given in the table below:

Sl.No.	Name	Buy Position		Sale Position	
		Shares	%	Shares	%
1.	Purchases/Sales through CCL	40,85,516	11.11	1,39,269	0.38
2.	Ramesh C. Shah	28,90,011	7.86	2,32,600	0.63
3.	Rosewood Tradelinks P. Ltd.	12,70,325	3.45	12,50,800	3.41
4.	Shivam Mutli-Services P. Ltd.	11,06,750	3.01	10,50,200	2.86
5.	Tirupati Shares Registry P. Ltd.	10,45,001	2.84	9,26,608	2.52
6.	Country Informtech Services P. Ltd.	9,76,345	2.65	89,075	0.24
7.	Vandana Srivasthva	9,71,796	2.64	4,29,824	1.17
8.	Amit Interchemicals P. Ltd.	9,19,297	2.50	8,04,675	2.19
9.	Pradeepak Finance & Mgmt. Consultants P. Ltd.	8,53,300	2.32	7,99,100	2.17
10.	Delta Investments	7,30,305	1.99	4,62,550	1.26
11.	Nucleus Soft-Tel P. Ltd.	6,32,100	1.72	6,24,586	1.70
12.	Calculus Soft-Tel P. Ltd.	6,16,740	1.68	75,455	0.21
13.	A.M. Johari & Co.	5,67,862	1.54	8,09,536	2.20
14.	Octopus Soft-Tel P. Ltd.	4,65,100	1.26	55,000	0.15
15.	Pratik R. Shah	3,42,015	0.93	27,08,408	7.36
16.	Kamal Infosys Ltd.	3,34,677	0.91	6,92,285	1.88
17.	Arihant Investments	3,22,700	0.88	3,63,300	0.99
18.	Shreeji Investments	3,08,050	0.84	44,800	0.12
19.	Arvind Johari	3,02,260	0.82	70,550	0.19
20.	Rajnikant Shah	2,44,565	0.66	72,500	0.20
21.	S.G. Badani	1,98,100	0.54	3,67,250	1.00
22.	Jugal Kishore Barasia	1,71,755	0.47	7,22,800	1.97
23.	Sipra Educational Career Foundation	1,58,000	0.43	1,75,804	0.48
24.	M.S. Badani	1,40,780	0.38	6,56,278	1.78
25.	Prabodh Arth Sanchay P. Ltd.	1,25,100	0.34	22,02,350	5.99
26.	CCL.	90,000	0.24	11,54,166	3.14
27.	Kamrao Plastique	42,600	0.12	37,000	0.10
	TOTAL	1,99,11,050	54.14	1,70,18,769	46.27

3.8 The following table shows a consolidated picture of the trades done by the entities related to CCL in this period.

NSE (March 5 to 14, 2001)						BSE (March 8 to 16, 2001)				
Gross market	Purchase	(b) as	Sales	(c) as		Gross market	Purchase	(g) as	Sales	(i) as %

	Volume		% of (a)		% of (a)	Volume		% of (f)		of (f)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Trades through CCL	2680439	1859633	69%	5492	Negl	2496619	1905546	77%	6950	Negl
Trades through other members		634710	24%	2219405	83%		414850	16%	2306877	92%
Total Trades		2445343	93%	2494343	83%		2320396	93%	2313827	92%

3.9 I find that Prabodh Arth Sanchay purchased 41,02,320 shares out of which 13,40,300 (i.e. 32% of total purchase) were on spot basis from the clients related to CCL in the period January to March, 2001. The rest is through CCL though apparently there seemed to be no link between the CCL and Prabodh Arth Sanchay. It can be seen from the above that most of the selling clients are also appearing on the buying side dealing through various brokers. Thus the same set of clients were found to be buying as well as selling in the said scrip constituting 93% (NSE & BSE) of the gross buy and 83%(NSE) and 92%(BSE) of gross sell. It is observed that the majority of the clients or directors/proprietor of the clients are either employees or clients or sub-brokers of CCL.

3.10 I find that there was inter client transfer of shares and often spot deals were made. Often the shares were transferred to clients to meet their pay-in obligations. It has been found that in the period under investigation i.e. March 8 to 16, 2001, CCL purchased 1905546 shares of Noticee and sold 6950 shares as per details given below:-

Date	Purchase	Sales	Gross	Market Volume	Trade as % of market volume
Mar 8 2001	227147	0	227147	397387	29
Mar 9 2001	367407	3450	363957	523323	35
Mar 12 2001	273150	500	272650	370600	37
Mar 13 2001	258568	2500	256068	325560	39
Mar 14 2001	331262	500	330762	381976	43
Mar 15 2001				4535	0
Mar 16 2001	448012	0	448012	493238	45

3.11 I find that CCL only purchased and sold very negligible quantity of shares. It is also found that the broker off-set its position by spot sales and by transferring the shares to its different front entities and then sold them through other broker.

3.12 The following table shows client wise buy and sell positions for the period of March 5, 2001 to March 16, 2001 at both BSE and NSE investigation.

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
05/03	Ramesh Shah	India Infoline(N)	40000	
07/03		India Infoline(N)	50000	
08/03		India Infoline(N)	50000	
08/03		Toshniwal & Co(N)	5000	
09/03		India Infoline(N)	50010	
12/03		India Infoline(N)	50500	
13/03		Monarch Project(N)		2160
14/03		Monarch Project(N)		5000
16/03		India Infoline (B)		240000
08/03	Pratik Shah	Kaynet (B)		67437
12/03		Mangla Capital (N)		140000

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
05/03	Sipra Educational Career Foundation Pvt Ltd	Parikh and Shah Fin (N)	42500	
07/03		Angel Capital (N)	10000	
07/03		Parikh and Shah Fin (N)	5100	
08/03		Parikh and Shah Fin (N)	42600	
08/03		ASL Capital (N)	50000	
09/03		Parikh and Shah Fin (N)	15000	
12/03		Parikh and Shah Fin (N)	30000	
13/03		Mangla Capital (N)		72500
05/03	Arihant Investments	The Omniscient(N)	15500	
07/03		The Omniscient(N)	18500	
08/03		The Omniscient(N)	15000	
08/03		The Omniscient(B)	17500	
09/03		The Omniscient(B)	20000	
12/03		The Omniscient(N)	9000	
12/03		The Omniscient(B)	5500	
13/03		Mangla Capital (N)		150000
05/03	Rosewood Tradelinks P Ltd	Anagram Securities (N)	50000	
08/03		Kaynet (B)	25000	
08/03		VVL Securities(B)	16550	
09/03		VVL Securities(B)	20000	
12/03		VVL Securities(B)	30000	
14/03		Anagram (B)		70000
16/03		Anagram (B)		50000
05/03	Calculus Soft Tel P Ltd	Betala Stock (N)	7000	
		Hi-Groeth(N)	7000	
07/03		Betala Stock (N)	10000	
		Hi-Groeth(N)	10000	
08/03		Hi-Groeth(N)	7500	
		G R Pandya (B)	25500	
		Betala Stock (N)	15000	
09/03		Hi-Groeth(N)	7500	
		G R Pandya (B)	25200	
		Betala Stock (N)	10000	
12/03		Hi-Groeth(N)	5000	
		G R Pandya (B)	15000	
		Betala Stock (N)	7000	
13/03		Mangla (N)		62500
07/03	Shivam Multi Services P Ltd	Mangla Capital(N)		167000
08/03		Prabhudas Liladhar(N)		110000
		Prabhudas Liladhar(B)		110000
09/03		Prabhudas Liladhar(N)		160000
		Prabhudas Liladhar(B)		91500
14/03		Anagram(B)		50000
16/03		Anagram(B)		80000

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
05/03	Prabodh Arthsanchaya P Ltd	Sajag Securites(N)		53700
07/03		Sajag Securites(N)		55175
08/03		Sajag Securites(N)		34325
		Kaynet (B)		25000
08/03		Kaynet (N)		50000
		Shailesh L Shah(B)		50000
09/03		Sajag Securites(N)		87195
		Kaynet (B)		156100
		Shailesh L Shah(B)		65000
12/03		Sajag Securites(N)		90000
		Kaynet (B)		147000
		Kaynet (N)		35000
13/03		Sajag Securites(N)		130000
		Kaynet (B)		245000
14/03		Kaynet (B)		157000
16/03		Kaynet (B)		83000
05/03	Kamrao Plastique P Ltd	Mangla Capital (N)		94900
08/03		Mangla Capital (N)		43800
09/03		Mangla Capital (N)		51000
05/03	Octopus Soft Tel P Ltd	Mangla Capital (N)		14500
07/03		Mangla Capital (N)		55000
09/03		Mangla Capital (N)		56400
12/03		Mangla Capital (N)		23800
05/03	Pradeepak Fin and Mgt Cons P Ltd	Mangla Capital (N)		177600
05/03	Shreeji Investments	Mangla Capital (N)		8700
07/03	Nucleus Soft Tel P Ltd	Mangla Capital (N)		60700
08/03		Mangla Capital (N)		64400
09/03		Mangla Capital (N)		69200
12/03		Mayur M Kothari (B)		123100
12/03		Mangla Capital (N)		50350
13/03		Mayur M Kothari (B)	19500	46400
		The Omniscient (B)	10000	
		G r Pandya (B)		
14/03		The Omniscient (B)	19000	
08/03	Amit Inter Chem P Ltd	Nikko Stock (B)	30000	110000
		V Devendrakumar(B)		
09/03		Nikko Stock (B)	15000	118200
		V Devendrakumar(B)		
12/03		Mangla Capital (N)	20000	79800
		V Devendrakumar(B)		
13/03		V Devendrakumar(B)	15000	

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
14/03		V Devendrakumar(B)	19500	
08/03	Country Informtech Serv P Ltd	Sonpankhi (B)	18200	
09/03		Sonpankhi (B)	18400	
12/03		Sonpankhi (B)	16400	
13/03		Mangla Capital (N)		15700
12/03	Delta Investment	PSJ Securities(N)	4785	
09/03	Jugal Kishore Barasia	The First Custodian(N)		50000
12/03				27100
12/03		ACK Capital (B)		70000
14/03		Nikko Stock(B)		65000
07/03	S G Badani	Nikko Capita (N)		78000
14/03				1135
05/03	Clients	CCL (N)	178558	3865
07/03		CCL (N)	281700	0
08/03		CCL (N)	236760	0
		CCL	227147	
09/03		CCL (N)	305072	1627
		CCL (B)	367407	
12/03		CCL (N)	359680	0
		CCL (B)	273150	
13/03		CCL (N)	433802	0
		CCL (B)	258568	
14/03		CCL (N)	64061	
		CCL (B)	331262	
16/03		CCL (B)	448012	

(B = BSE, N = NSE)

- 3.13 I find that in NSE and BSE most of the clients buying and selling in the said scrip during the settlements under scrutiny were related to CCL. Some entities like Prabodh Arth Sanchay, Jugal Kishore Barasia, S. G. Badani and M. S. Badani appeared to have indulged in circuitous trading of shares of the Noticee.
- 3.14 The records revealed that Noticee and its promoters were not only transacting in the market for creating artificial volumes but also providing finance to connected entities like Rosewood Tradelink Pvt. Ltd., Pradeepak Finance & Management Consultants Pvt. Ltd., Shivam Multi-Services Ltd., Shri Ramesh Shah, Shri Pratik Shah etc. I also observe that Noticee and its promoters have provided securities to various entities.

FUND TRANSFERS AMONG RELATED ENTITIES

- 3.15 I find on perusal of the bank statements of the client accounts maintained with Bank of India (Stock Exchange Branch), Mumbai that a number of instances are there showing payments/ receipts of funds from / to Noticee and its director(s) by the clients mentioned below. Inter-client transfers were also observed between the said client accounts. Some of the instances noticed by investigating team are given as under:

Nuclues Soft tel P Ltd.

- Payment of Rs.17,50,000/- and Rs.75,000/- made to Noticee on January 01, 2001 and January 06, 2001.
- Receipt of Rs. 81,00,000/- from Shivam Multi-Services on 05/01/2001

- Receipt of Rs. 25,00,000/- from Octopus Softel Pvt. Ltd. on 24/01/2001
- Payment of Rs. 44,00,000/- to CCL on 13/03/2001

Calculus Soft Tel P Ltd.

- Payment of Rs. 2,75,000/- to A M Johari on March 01, 2001
- Receipt of Rs. 42,92,000/- from Octopus on 27/02/2001

Pratik R Shah

- Payment of Rs. 5,00,000/- to A M Johari on January 08, 2001
- Payment of Rs. 29,00,000/- to A M Johari on January 22, 2001
- Payment of Rs. 83,000/- to A M Johari on February 05, 2001
- Payment of Rs. 43,50,000/- to A M Johari on February 06, 2001

Amit Inter Chemicals P Ltd

- Payment of Rs. 4,00,000/- to A M Johari on March 01, 2001
- Payment of Rs. 10,50,000/- to A M Johari on March 08, 2001
- Payment of Rs. 3,25,000/- to CCL on March 12, 2001.

Kamarao Plastique P Ltd.

- Payment of Rs. 38,20,000/- and Rs. 7,75,000/- to Sipra Education Career Foundation P. Ltd. on March 05, 2001
- Payment of Rs. 46,00,000 to CCL on March 13, 2001

Sipra Educational Career Foundation P Ltd.

- Receipt of Rs. 38,20,000 from Kamarao Plastique P Ltd. on March 05, 2001
- Payment of Rs. 20,00,000/- to A M Johari on March 13, 2001.
- Payment of Rs. 20,00,000/- to CCL on March 13, 2001.

3.16 I find from some of the above cases of fund transfer that the buying of securities by the entity is immediately after its receipt of funds from other related entity. e.g. Receipt of Rs.38,20,000 by Sipra Educational Career Foundation P Ltd from Kamarao Plastique P Ltd. on March 05, 2001 is accompanied with purchase of 42500 shares on the same date, the value being approximately the same. Similarly Calculus Softtel Pvt. Ltd. had received an amount of Rs.42,92,000/- from Octopus on February 27, 2001 which was followed by purchases by Calculus Softtel Pvt. Ltd.

3.17 Thus, I find that there have been several instances of payments / receipts made to A.M Johari (Director of Noticee) and Noticee and also amongst the clients. The above clearly establishes that Noticee and its directors have not only used their employees to float companies and traded in their name but also have opened shell companies in different names to manipulate the scrip of Noticee.

TRANSFER OF SECURITIES AMONG THE RELATED ENTITIES

3.18 I observe that there have been the following transfers of securities among related entities which have been made to meet the delivery obligations of other clients on NSE.

Settlement No	Name of the client	Deliverable Position	Name of the transferor	Qty Transferred
2001049	Pratik Shah	140000	Nucleus Soft Tel P Ltd	69100
2001050	Sipra Educational Career Foundation P Ltd	72500	Nucleus Soft Tel P Ltd	17960
2001050	Arihant Investments	150000	Octopus Soft Tel P Ltd	61000
			Nucleus Soft Tel P Ltd	25500

Settlement No	Name of the client	Deliverable Position	Name of the transferor	Qty Transferred
2001046	Shivam Multi Services P Ltd	167000	Delta Investments	21500
			Country Informtech Services P Ltd	5400
			Pradeepak Fin and Mgt Cons P Ltd	41000
2001045	Prabodh Arthasanchay	53700	Delta Investments	60400
2001048	Octopus Soft Tel P Ltd	56400	Nucleus Soft Tel P Ltd	4491
			Amit Inter Chem P Ltd	4491
2001045	Pradeepak Fin and Mgt Cons P Ltd	177600	Amit Inter Chem P Ltd	1384
			Delta Investments	68141
			Rosewood Tradelinks P Ltd	27372
2001046	Nucleus Soft Tel P Ltd	50350	Delta Investments	8965
			Shivam Multi Services P Ltd	98523
			Amit Inter Chem P Ltd	23500
			Octopus Soft Tel P Ltd	11750
			Country Informtech Services P Ltd	5500
2001049	Amit Inter Chem P Ltd	79800	Delta Investments	9535
2001050	Country Informtech Services P Ltd	15700	Octopus Soft Tel P Ltd	13050
			Amit Inter Chem P Ltd	5000
			Arihant Investments	6786
2001049	Pratik Shah	140000	Ramesh Shah	66000
			Nucleus Soft Tel P Ltd	69100
2001050	Sipra Educational Career Foundation Pvt Ltd	72500	Nucleus Soft Tel P Ltd	17960
			Mkt Del from CCL on BSE	54540
2001050	Arihant Investments	150000	Ramesh Shah	37650
			Octopus	61000
			ILFS 6244	11604
			Nucleus	25500
			Mkt Del CCL on NSE	8000
2001050	Calculus Soft Tel P Ltd		Mkt Del CCL on BSE	62500
2001046	Shivam Multi Services P Ltd	167000	Sipra	5045
			Arihant	7100
			Delta	21500
			Country	5400
			Pradeepak	41000
			Recd in earlier Settl. from Pradeepak	92000
2001045	Octopus Soft Tel P Ltd	14500	Mkt Del from others on NSE	14500
2001046	Octopus Soft Tel P Ltd	55000	Mkt Del from CCL on NSE	34673
			Sipra	20327
2001048	Octopus Soft Tel P Ltd	56400	Mkt Del from CCL NSE	28754
			Mkt Del from CCL on BSE	23155
			Mkt Del on BSE from others	6000
			Nucleus	4491
			Amit Inter	4491
2001049	Octopus Soft Tel P Ltd	23800	CDSL Account No 4670	6550
			Mkt Del from CCL on NSE	13309
			Mkt Del on NSE from others	5200
			Mkt Del on BSE from Others	13050
2001045	Pradeepak Fin and Mgt Cons P Ltd	177600	Mkt Del Others NSE	30000
			Mkt Del Others BSE	53500
			Mkt Del CCL BSE	15980
			Amit Inter	1384
			Delta Investment	68141
			Rosewood	27372
2001046	Nucleus Soft Tel P Ltd	50350	Mkt, DEL- BSE-CCL	4170
			Mkt DEL BSE- Others	28500
			Mkt Del Others-NSE	36900
			Ramesh Shah	35000
			Delta Investments	8965

Settlement No	Name of the client	Deliverable Position	Name of the transferor	Qty Transferred
			Sipra	7000
			Shivam	98523
			Amit	23500
			Octopus	11750
			Country	5500
2001047	Nucleus Soft Tel P Ltd	69200	Mkt Del From CCL	69200
			Mkt Del Others	18400
			Mkt Del BSE	9500
2001048	Nucleus Soft Tel P Ltd	64400	Mkt Del From CCL	64400
			Mkt Del BSE	10500
2001049	Nucleus Soft Tel P Ltd	60700	Mkt Del From CCL	60700
2001049	Amit Inter Chem P Ltd	79800	Mkt Del CCL NSE	51256
			Mkt Del BSE Others	23500
			Mkt Del NSE Others	5000
			Delta	9535
2001050	Country Informtech Serv P Ltd	15700	Mkt Del CCL BSE	10864
			Octopus	13050
			Amit Inter	5000
			Arihant	6786

STATEMENTS AND ADMISSIONS OF RELATED ENTITIES.

- 3.19 Further, I have examined the statements of the entities recorded by the investigating authority and am fully satisfied that that the said entities are related with Noticee, CCL and its promoters. I find that the details of the said statements had been explained in the Show Cause Notice and copies of the said statements were furnished along with the said Show Cause Notice. Further, I find that some of these entities have admitted in their statement that the securities as well as the funds were provided by Noticee for manipulating the scrip. In some cases, the directors/partners/proprietors of these entities have admitted that their names were used by Noticee for transacting in the market. The said statements and some of such admissions by these related entities are explained in the succeeding paragraphs.
- 3.20 Shri Chetan Patel, Director of Kamarao Plastique Ltd. appeared before the investigating authority and his statement was recorded on May 04, 2001. I find that he was only 25 years at the time of recording this statement. He admitted that he was an employee of CCL since 1999 and also stated that his company itself had been floated by Shri Arvind Johari. He also informed the investigating authority that he was not aware of any transaction in the scrip of Noticee except the fact that he bought 10 shares of Noticee in February 2001. He also informed that Shri Johari used to trade on behalf of the firm. He also stated that he has no idea about trading done for his company, Kamarao Plastique Ltd. and also added that Shri Arvind Johari used to do the trading for the firm and whenever required he was told to sign the papers and blank cheques and not allowed to read the papers also.
- 3.21 The statement of Shri Anand Nathani, Director of Sipra Education Career Foundation P Ltd. was recorded on April 30, 2001. He admitted that he was working with CCL since 2000 as a trainee for NSE terminal operator for a salary of Rs 6,000/-. I find that he was 28 years at the time of recording the statement. He also admitted that he had not traded in his personal capacity and the trading in his name was executed by Shri Arvind Johari himself and his key staff.
- 3.22 Shri Ramesh Shah in his statement before the investigating authority recorded on May 03, 2001 stated that Shri Arvind Johari provided finance to the tune of Rs 6 crores in October / November, 2000 for the transactions done in his son's name. He also admitted that he had not invested single paise for trading the scrip of Noticee
- 3.23 Shri Mahesh Mistry, Director of M/s. Delta Investment, who was employed with Noticee group company – CCL. – as back office staff, informed investigating authority in his statement recorded on April 30, 2001 that he was not aware of any transactions in the scrip of Noticee and that he was forced to sign blank cheques and various other documents.
- 3.24 Similarly, Shri Rohit Shah, Proprietor of Shreeji Investment in his statement recorded on May 02, 2001 has stated that he had joined Noticee group company – CCL – as Branch In-charge in September, 2000 and sometime in December 2000, he was asked to be proprietor of Shreeji Investments to deal in shares. Later on, Noticee asked him to sign blank cheques.
- 3.25 Shri Rajendra Mehta, Director of Rosewood Tradelink Pvt. Ltd., Pradeepak Finance & Management Consultants Pvt. Ltd. and Shivam Multi-Services Ltd. has admitted in his deposition recorded on April 30, 2001 that the funds used to come from the companies belonging to Mr. A. M. Johari (Director of Noticee) viz. Tirupati Share Registry Ltd., A. M. Johari & Co. Ltd., CCL etc.. He has further admitted that Noticee used to give orders on behalf of the companies in which Shri Rajendra Mehta is a director. He has also stated that his companies were used as front entities by Noticee.
- 3.26 Admissions of all the individuals/ entities are summarised in the Table below:

Name of the Clients	Remarks
Kamarao Plastique Ltd.	Not aware of the trades. Shri Arvind Johari used his name.
Octopus Softel Pvt Ltd	Not appeared.
Pradeepak Fin and Mgt Cons Pvt. Ltd.	Not aware of the trades. Shri Arvind Johari used his name.
Shreeji Investments	Not aware of the trades. Shri Arvind Johari used his name.
Nucleus Soft Tel Pvt Ltd.	Not appeared
Shivam Multi Services Pvt Ltd.	Not aware of the trades. Shri Arvind Johari used his name.
Amit Inter Chemicals Pvt. Ltd.	Not appeared.
Shri Ramesh Shah (Sub-broker)	Not aware of the trades. Shri Arvind Johari used his name.
Shri Pratik R Shah	Not aware of the trades. Shri Arvind Johari used his name.
Arihant Investments	Not aware of the trades. Shri Arvind Johari used his name.
Country Informtech Services Pvt Ltd.	Not appeared
Calculus Soft Tel Pvt. Ltd.	Not appeared
Sipra Education Career Foundation P Ltd.	Not aware of the trades. Shri Arvind Johari used his name.
Delta Investments	Not aware of the trades. Shri Arvind Johari used his name.
Neelam Consultancy	Not aware of the trades through Mangla Capital but aware about other trades. Allowed Shri Arvind Johari to trade in his name for brokerage.
Shri Hitesh Ambalal Shah	Not aware of the trades. Shri Arvind Johari used his name.
Vinpark Securities	Not aware of the trades. Shri Arvind Johari used his name.
Kamal Infosys	Not appeared
Shri Ashsih G Shah	Not aware of the trades. Shri Arvind Johari used his name.
Shri Jugal K. Barasia	Traded through middleman, done spot transactions (purchase) through CCL.
Shri S G Badani	Not appeared. Traded through middleman.
Prabodh Sanchay	Traded through middleman, Spot purchase from CCL.
Rosewood Tradelinks Pvt. Ltd.	Not aware of the trades. Shri Arvind Johari used his name.

3.27 All the entities, who appeared before the investigating team, stated that they had transacted in the shares of Noticee at its promoter's request/coercion. It appeared that since the directors of these entities were employed with Noticee /other companies in the same group, Noticee were in a position to force/coerce them to sign the papers for opening as well as operating bank and demat accounts and for carrying out transactions in the scrip of Noticee

3.28 With regard to the trading of related/ associated entities, I find that in both NSE and BSE most of the clients buying and selling the said scrip during the settlements under scrutiny were related to CCL. Some persons like Prabodh Arth Sanchay, Jugal Kishore Barasia, etc. had done large scale transactions and appeared to have made spot purchases during the period under investigation. From these trades, it appears that a majority of the trades were done by the entities related to CCL only.

ROLE OF NOTICEE /DIRECTORS IN FINANCING THE TRADES:

3.29 I find that the Noticee and its directors and associates had financed entities/individuals for trading in the scrip. The details of such instances are given hereinunder:

1. Shri Pratik Shah

- Shri Pratik Shah had traded in the scrip of Noticee through different brokers. Upon investigation, it was observed that Shri Shah is a 20 year old individual in whose names trades were executed in the scrip since October, 2000.
- As per the statement of Shri Shah, his father, Shri Ramesh Shah, was associated with Shri Arvind Johari, who told him to take computer training in the organization. Subsequently, he told him to trade in the scrip of the Noticee and to learn about the market.
- Shri Shah claimed that Shri Arvind Johari had asked him to do some trading in the stock market for learning purposes. Later on Shri Johari commenced trading in the scrip of the Noticee by using his name. He was kept

totally in dark about these transactions and the financing of these trades. He was asked to sign cheques or other documents as per the instructions of Shri Johari, promoter/director of Noticee.

- Shri Johari had introduced him to the brokers and had instructed his staff to trade on his behalf. On October 18, 2000, Shri Shah's bank account was credited with Rs. 34.50 lakh by Shri Johari and on October 25, 2000 his account was again credited by Rs. 34 lakhs.

2. Shivam Multi Services Pvt. Ltd. / Rosewood Tradelinks Pvt. Ltd. and Pradeepak Finance Manufacturing & Consultancy Pvt. Ltd.

- Shri Rajendra Mehta, director of above referred companies stated that transactions in the shares of noticee were executed at the request of Shri Johari. These companies had commenced trading through different brokers in the month of July, 2000. The funding of purchases to the tune of Rs. 1 crore was made by the group companies of Johari. After sometime, the trading activity increased manifold and Shri Johari again financed them to the tune of Rs. 1.5 crores.
- In the middle of December, 2000 these companies started selling the shares on spot payment basis to meet their pay-in liability. These spot transactions were also arranged by the promoters of Noticee through different brokers of BSE/NSE. Shri Mehta informed that the fund flow was also organized and managed by Shri A. M. Johari and the office staff of CCL.

3. Shri Rohit Shah:

- The promoters of Noticee have also provided the funds to their employees to trade in the scrip. Shri Rohit Shah, marketing manager, was asked to be proprietor of Shreeji Investments to deal in the market by promising him good bonus in March, 2001. Shri Shah has claimed that he was not aware about any transactions executed in the firm. Shri Johari had opened the bank account and used to operate the same on behalf of the firm. Shri Shah's role was limited to signing blank cheques and signing the documents as per instructions of the promoters. Shri Shah could not give transaction details, cash flow, DP account statement etc. as they were said to be maintained by promoters of Noticee.

4. Shri Ramesh C. Shah

- As per the oral submissions of Shri Ramesh C. Shah, promoters of Noticee used to provide finance through Noticee, CCL and other associate entities. The promoters also financed the transactions of his son, Shri Pratik Shah. Shri Johari and his staff used to place orders in the scrip and used to manage the funds.
- Shri Johari had provided finance to the tune of Rs. 6 crores in October/November, 2000 for the transactions done in his son's name. Shri Johari built up purchase position in the scrip of noticee in his son's name and then started selling through different brokers. The funds raised by spot sales in his son's name were transferred to his account to fulfill his pay-in obligations. Shri Shah stated that he had not invested his money for the trades executed in the scrip of Noticee. Instead all the fund requirements were met by promoters of Noticee.

5. Shri Arvind Nathani

- Shri Arvind Nathani was working with CCL since September, 2000 as trainee for NSE terminal operator for a salary of Rs. 6000/- p.m. In December, 2000, Shri Johari asked to see him with a copy of Ration Card and Passport/driving license along with 20 passport size photographs. He was forced to sign some papers and was told that he had become director of Sipra Education Career Foundation Pvt. Ltd. A bank account was opened in the name of the company and Shri Nathani was made to sign blank cheques and DP account opening form.
- Shri Nathani also informed that following employees of Shri Johari were forced to trade in the scrip by using different entities:
 - i) Chetan Patel (Director- Kamarao Plastique),
 - ii) Anil Tambe (Accountant and Director – Octopus Softel)
 - iii) Rohit Shah (Director – Shreeji Investments, Arihant Investments),
 - iv) Amit Singh (PA to Arvind Johari and employee, Director – Nucleus Softel),
 - v) Gaurav Shah (Accountant and Director – Amit Inter-Chemicals)
 - vi) Kalnath Jha (Employee, Director – Calculuas Softel)
 - vii) Mahesh Mistry (Employee, Director – Delta Investment)

6. Shri Ashish G. Shah

- Shri Ashish G. Shah was employed with CCL as Back Office In-charge since December, 1997. Upon examination he confessed that he had never traded in the scrip of Noticee but trades were executed in his name by Shri Johari and associates. Shri Johari had deposited Rs. 40 lakh in his personal savings account and asked him to sign cheques for this amount in the name of brokers.
- He also informed that Shri Johari used to trade in the shares on behalf of most of the employees of corporate office of CCL and Noticee.

7. Shri Hitesh Ambalal Patel

- Shri Hitesh A. Patel was working with CCL for a salary of Rs. 10,000/- p.m. In the course of investigation, it was observed that he had transacted in huge volumes through M/s. Mangla Capital Services Ltd. However, Shri Patel denied trading through M/s. Mangla. Instead, he informed that sometime in October – November 2000, Shri Johari had forced him to sign some documents for trading in the scrip of Noticee, on his behalf and he was told that any refusal may lead to his losing the job.

- 3.30 I find that Noticee and its group company CCL etc. have transacted in the scrip in a fraudulent manner which is evident from the fact that CCL, has not been able to meet the pay-in obligations of the exchange.
- 3.31 I find one of the observation of Central Bureau of Investigations (CBI) in the matter to the effect that "the entire amount of approx. Rs. 32.09 crore released by UTI was not utilized for business as was stipulated in the offer document by Noticee, but the same was diverted to stock exchange through a circuitous route, involving large number of Banks and Bank accounts, to meet the obligations of Group Companies of Noticee, as well as for purchase of shares of Noticee, by different entities of the Johari Group i.e. Promoters of Noticee, to maintain the share price of Noticee, at higher level with a view to dispose the shares in future at a profit thus, subjecting the investors to loss."
- 3.32 I find that the above facts establish that Noticee and its directors along with related/linked/associated entities have transacted in the scrip of Noticee with a view to create artificial volumes and manipulating/maintaining the price. I also find from the records that Noticee and its directors were rotating the shares in the market to create artificial volumes by using the names of various entities. In view of these, it is clearly proved that Noticee is responsible for creating false or misleading appearance of trading in the market and also entering into trades that are not genuine trade transactions. Hence I find that Noticee had violated provisions of Regulation 3 and Regulation 4 (a), 4 (b), 4 (c) and 4 (d) of SEBI (Prohibition of Fraudulent & Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 3.33 I find that trading in the scrip of the Noticee has been suspended from April 30, 2001 on NSE and from April 19, 2001 on BSE. The said suspension is still in force. I further find that after March 2001, the Noticee has also not accessed the securities market.

4.0 ORDER

- 4.1 Taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) read with 11B of Securities and Exchange Board of India Act, 1992 do hereby restrain the company M/s Cyberspace Ltd (Noticee) from buying, selling and dealing or accessing the securities market in any manner for a period of two years from the date of this Order.
- 4.2 This order shall come into force with immediate effect.

Mumbai
November 23, 2006

V. K. CHOPRA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA