

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM : V. K. CHOPRA, WHOLE TIME MEMBER

**Against M/s Century Consultants Ltd. in the
matter of M/s. Cyberspace Ltd.**

ORDER

Under Section 11 (4) read with Section 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

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 (hereinafter referred to in short as "Cyberspace") on observing unusual movement in the shares of the Cyberspace. M/s Century Consultants Ltd (hereinafter referred to in short as "Noticee") is one of the group company of Cyberspace, which is a member of NSE (SEBI Registration no. INB 230637934), BSE (SEBI Registration no. INB 010637950) and OTCEI (SEBI Registration no. INB 200558831). The directors of Noticee are Shri G.N Johari, Shri A.K Johari, Shri A.M Johari and J.C Verma. Among the said four persons, the first three persons are common directors of Cyberspace and Noticee.
- 1.2 Shares of the Cyberspace 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 Cyberspace. 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 Cyberspace. 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.
- 1.3 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.
- 1.4 The investigation revealed that the scrip of the Cyberspace 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, Noticee, Member of BSE, NSE and OTCEI of which Cyberspace is a promoter, defaulted and the price of the scrip started crashing by 16% on daily basis.
- 1.5 The Board had issued an ad-interim order under Section 11 and Section 11B of Securities and Exchange Board of India Act, 1992 on April 06, 2001 restraining the Noticee (Member NSE and BSE), Shri Arvind Johari, 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 the aforesaid entities which they did not attend. Considering the entire facts and circumstances of the matter, the Board confirmed the aforesaid interim order vide order dated May 18, 2001.
- 1.6 The directors of the Noticee were not traceable in March 2001. Despite repeated attempts made by NSE, it was not possible to contact them and the employees of the said member refused to provide any information. No telephone calls were answered subsequently. Since there was no co-operation from the Noticee / employees of the Noticee, the details with respect to clients etc could not be obtained by the stock exchanges. Investigation proceedings were therefore carried out by BSE and NSE based on the past records available with them to the extent they were relevant for the proceedings.

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 of 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 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 Securities Market) Regulations, 1995 (hereinafter referred to in short as "PFUTP Regulations").
- 2.2 The said show cause notice was affixed at the premises 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 Noticee along with the promoters of Cyberspace and related / associated entities had transacted in the scrip of Cyberspace with a view to create artificial volumes and manipulating / maintaining the price. The promoters of Cyberspace and Noticee had opened shell companies in the name of their employees and these companies traded heavily in the shares of Cyberspace by rotating the shares in the market in a circular manner with the funds provided by the said promoters with a view to create artificial market. Thus, they have violated provisions of Regulation 3 and Regulation 4(a) to (d) of PFUTP Regulations 1995.
- 3.2 I find that the Noticee is one of the group companies of Cyberspace which is a member of NSE, BSE and OTCEI. The dominant promoters of the Noticee are Cyberspace, 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, Cyberspace was holding 18,63,425 shares of Noticee representing 47.22% of the paid up capital of Noticee. At the same time, Noticee was holding 21% of the paid up capital of Cyberspace. With regard to the company Cyberspace, it 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 Cyberspace were 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 Cyberspace 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 Cyberspace.
- 3.3 The scrip of Cyberspace was listed on the National Stock Exchange on February 25, 2000. The scrip was traded in the Equity (EQ) segment during the period February 25, 2000 to May 9, 2000 and in the Rolling (BE) segment during the period May 10, 2000 till the date of suspension i.e. April 30, 2001.
- 3.4 The price of the scrip of Cyberspace had gone down during the period under investigation with the price on February 25, 2000 being Rs. 1422/- and the closing price on September 22, 2000 being Rs. 843.40. On September 25, 2000 there was a stock split in respect of the said scrip. The face value of the share was split from Rs 10/- to Rs 2/-. The price of the scrip continued to move in the downward direction with the price on September 25, 2000 being Rs. 174.10 and the closing price on November 10, 2000 being Rs.131.75. However, there was an irregular pattern in the volumes traded during the period under scrutiny [(25-02-2000 to 06-10-2000) and (09-10-2000 to 10-11-2000)]. During this period, the quantity traded on the high side was 288805 shares on October 25, 2000 and on low side, it was 2 shares on May 5, 2000.
- 3.5 The scrip of Cyberspace was also listed on the Stock Exchange Mumbai (BSE). In BSE, the scrip was transferred to rolling settlements with effect from May 8, 2000. The scrip opened at Rs.899 on September 18, 2000, the beginning of the investigation period. The price touched a low of Rs.860.25 before closing at Rs.869.80 on that day. The price movement was more or less between Rs.900 and Rs.830 till September 25, 2000. With effect from September 26, 2000, the stock was split in the ratio 1:5. By the end of September 2000, the price of the scrip had gone down to Rs.177. The volumes in the scrip from September 26, 2000 had increased five-fold because of the stock split. After touching a high of Rs.189 on October 9, 2000, the price fell to Rs.135 by the end of October, 2000. The month of October, 2000 saw a daily average volume of 1,91,288 shares. The highest volume of 4,39,234 shares was recorded on October 23 and the lowest volume of 4,854 shares was recorded on October 26, 2000. In the month of November 2000, the price touched a high of Rs.146.90 (30-11-2000) and a low of Rs.129 (10-11-2000) before closing at Rs.145.75 at the end of November 2000. The daily average volume was 2,60,047 shares with the highest volume of 4,85,670 shares on November 16, 2000 and the lowest volume of 57,180 shares on November 10, 2000. During the first half of December 2000, the price was range bound between Rs.150 and Rs.140. The average daily volume in the first half of December 2000 was 2,37,139 shares. The highest volume was seen on December 5, 2000 (4,36,457 shares) and the lowest on December 6, 2000 (1,28,523 shares). During the period from September 18, 2000 to December 15, 2000, the price (adjusted for the split) was in the range of Rs.190 (27/9/2000) to Rs.129 (10/11/00).
- 3.6 The scrip opened at Rs.148.95 on December 18, 2000. The price of the scrip was in the range of Rs.149 to Rs.139 for the rest of December 2000. The average daily volume in the second half of December was 1,99,259 shares. In the first week of January 2001, the price was in the range of Rs.155 to Rs.142. By the end of the first half of January 2001, the price had gone up to Rs.169. In the second half of January 2001, the price was hovering around Rs.160-170. The average daily volume in the month of January 2001 was 2,13,279 shares. The price range in the month of February 2001 was between Rs.150 to Rs.170. The average daily volume in the month of February 2001 was 2,53,447 shares. Till the 7th of March 2001, the price had come down to Rs.110. The average daily volume for the first week of March 2001 till March 7, 2001 was 3,69,665 shares. During the period from December 18, 2000 to March 7, 2001, the price was mainly in the range of Rs.179.25 (20/2/2001) to Rs.109.
- 3.7 Thereafter, I find that trading in the scrip of the Cyberspace had been suspended from April 30, 2001 on NSE and from April 19, 2001 on BSE. The said suspension is still in force.

TRADING OF NOTICEE

- 3.8 I find that Noticee had heavily traded in the scrip of Cyberspace on NSE and BSE and created huge volume in the said scrip on the said exchanges during the period under consideration. The quantity traded by Noticee on NSE as per trade log and its comparison to the total traded quantity in the market is as under:

Sett No	Qty bought	Qty sold	Gross Qty	Total traded quantity	% of Gross Qty to Total traded quantity
2001045	178558	3865	182423	765556	23.83
2001046	281700	0	281700	861600	32.69
2001047	236760	0	236760	894150	26.48
2001048	305072	1627	306699	879718	34.86
2001049	359680	0	359680	946396	38.01
2001050	433802	0	433802	872926	49.70
2001051	64061	0	64061	140532	45.58

- 3.9 I find from the beneficiary account of Noticee i.e. GTB 10222248 that there was transfer of 86,763 shares of the said scrip on March 14, 2001 to the DP account of Jugalkishor Barasia (Indbank 10022732), a major client who have purchased on spot basis. I further find that the said beneficiary account of the Noticee i.e. GTB 10222248 was analyzed by the investigating authority which proved that there have been transfers of the said scrip to the above account from the demat accounts of the following clients:

Date	Transferred from	Qty transferred
8/3/2001	Sipra Educational Career Foundation P Ltd	5000
8/3/2001	Sipra Educational Career Foundation P Ltd	587
8/3/2001	Octopus Soft Tel P Ltd	325
8/3/2001	Shivam Multi Services Ltd	2597
8/3/2001	Amit Inter Chem P Ltd	12111
8/3/2001	Country Informtech P Ltd	5300
14/3/2001	Ramesh Shah	30300
14/3/2001	Amit Inter Chem P Ltd	4995
14/3/2001	Octopus Soft Tel P Ltd	6000

- 3.10 I also find from the statements of the employees, clients and sub-brokers of Noticee that Shri Arvind Johari who is the common director of Noticee and Cyberspace, used to trade on behalf of the related entities who were not aware of the trade details. The details of linkage of the said entities are discussed in the succeeding paragraphs. I also find that Shri Arvind Johari also have financed these trades and around 69% of the purchase in the market was done through Noticee during March 5, 2001 to March 14 2001. The following table shows a consolidated view of trading pattern by Noticee:

Date	NSE +BSE Volume	Century buy	% of Volume	Century sale	Others Buy	% of Volume	Other Sale	% of Volume
08/03/01	844462	463907	55	Negl	317850	38	664962	79
09/03/01	963182	672479	70		181110	19	904595	94
12/03/01	843798	632830	75		193185	23	786150	93
13/03/01	762023	692370	91		44500	6	724260	95
14/03/01	452242	395323	87		38500	9	348135	77

- 3.11 Apart from the aforesaid trading of Noticee at NSE, I find that Noticee has also purchased 40,85,516 shares representing 11.11% of the total traded volumes on BSE. In addition, Noticee sold 11, 54,166 shares representing 3.14% of the traded volumes on BSE.

LINKAGES AMONG NOTICEE, CYBERSPACE, ITS PROMOTERS AND OTHER ENTITIES

- 3.12 I find that Noticee is a group / associated company of Cyberspace having three common directors namely Shri G. N. Johari, Shri. A. K. Johari and Shri A. M. Johari. As per the annual report of Cyberspace for the year 1999-2000, Cyberspace was holding 18,63,425 shares of Century representing 47.22% of the paid up capital of Noticee. At the same time, Noticee was holding 21% of the paid up capital of Cyberspace. Hence, it is conclusively established that Cyberspace and Noticee are related with each other.
- 3.13 I find that Noticee, Cyberspace 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 Ramesh Shah, Country Informtech Services P. Ltd., Shivam Multi Services P. Ltd., Rosewood Tradelinks P. Ltd., Arvind Johari, S.G. Badani, Jugal Kishore Barasia, Pradeepak Finance & Mgmt Consultants P. Ltd., Delta Investments, M.S. Badani, Arihant Investments, Amit Interchemicals P. Ltd., Octopus Soft-Tel P. Ltd., A M Johari & Co, Century Consultants, Vandana Srivasthav, Tirupati Share Registry P. Ltd., Kamal Infosys Ltd. and Shreeji Investments are related and traded in the scrip with the funds provided by the Noticee, Cyberspace and its promoters.

- 3.14 I find that Central Bureau of Investigation had also identified the aforesaid twenty entities which were related to Noticee, who received funds for trading in the shares of Cyberspace. I also find that CBI had also frozen the pay outs with regard to the aforesaid entities.
- 3.15 I find that the Noticee, Cyberspace 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, Cyberspace and Noticee is given below:

Name of the Client	Signatories / directors	Relationship with Noticee / Cyberspace
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 Noticee. The address of the witness (R P Tewari) appearing in the MOA is same as that of the Lucknow branch office of Noticee. 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 Noticee.
Pradeepak Fin and Mgt Cons Pvt Ltd	Shri Harshad Shah and Shri Rajendra Menta – Directors	Unregistered sub-broker of Noticee, doing trading through Noticee. Shri Arvind Johari used this as a front company.
Shreeji Investments	Shri Rohit Shah – Proprietor	Employee of Noticee. 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 Shri Sachin Agrawal	Shri Amit Singh as well as Shri Sachin Agrawal are employees of Noticee. 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 Noticee, doing trading through Noticee. 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 Noticee.
Ramesh Shah	Individual	Sub broker of Noticee 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 Noticee and Rohit Shah is the employee of Noticee. 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 Noticee 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 Noticee Shri Arvind Johari used this as a front company.
Shri Hitesh Ambalal Shah	Individual	Employee of Noticee Shri Arvind Johari used him as a front.
Vinpark Securities	Shri Parthiv Parekh	Client of Noticee and applied for sub-broker under Noticee. Shri Arvind Johari used this as a front company.
Shri Ashsih G Shah	Individual	Employee of Noticee. Sri Arvind Johari used him as a front.

Name of the Client	Signatories / directors	Relationship with Noticee / Cyberspace
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 Noticee. 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 Noticee.
Delta Investments	Shri Mahesh Mistry	Employee of Noticee. Sri Arvind Johari used this as a front company.
Neelam Consultancy	Shri Vijay Samat	As a client traded through Noticee and also Noticee became a client of this sub-broker of Shri R V Vakil to trade in the scrip of Cyberspace. 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 Noticee, doing trading through Noticee. Shri Arvind Johari used this as a front company.
Shri Jugal Kishore Barasia	Individual	Client of Noticee only purchased through them mostly on spot basis. Financed Noticee by spot payments in many cases.
Shri S G Badani	Individual	Friend of Shri J K Barasia. Client of Noticee.
Mangla Capital Services Pvt Ltd	Shri Vinod Gupta	All the clients are related to Noticee and acted through the middleman related to Noticee. Financed the clients by channelling HDFC Instacash facility.
Shri Ajay Gupta	Individual	Middleman between Noticee and Prabodh Arth Sanchay . Not traded in the scrip.

TRADING DETAILS OF THE ABOVE MENTIONED RELATED ENTITIES

3.16 The details of dealings of these entities in the scrip of Cyberspace 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 Noticee	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. Con. 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

Sl.No.	Name	Buy Position		Sale Position	
		Shares	%	Shares	%
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.	Noticee	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

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

	NSE (March 5 to 14, 2001)					BSE (March 8 to 16, 2001)				
	Gross market Volume	Purchase	(b) as % of (a)	Sales	(c) as % of (a)	Gross market Volume	Purchase	(g) as % of (f)	Sales	(i) as % of (f)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Trades through Noticee	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%

3.18 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 Noticee in the period January to March, 2001. 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 Noticee.

- 3.19 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, Noticee purchased 1905546 shares of Cyberspace 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

- 3.20 I find 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.

- 3.21 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
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

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
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
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

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
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
09/03		V Devendrakumar(B)		
		Nikko Stock (B)	15000	118200
12/03		V Devendrakumar(B)		
		Mangla Capital (N)	20000	79800
13/03		V Devendrakumar(B)	15000	
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

Date of the year 2001	Name of the Client	Broker	Qty Bought	Qty Sold
05/03	Clients	Noticee (N)	178558	3865
07/03		Noticee (N)	281700	0
08/03		Noticee (N)	236760	0
		Noticee	227147	
09/03		Noticee (N)	305072	1627
		Noticee (B)	367407	
12/03		Noticee (N)	359680	0
		Noticee (B)	273150	
13/03		Noticee (N)	433802	0
		Noticee (B)	258568	
14/03		Noticee (N)	64061	
		Noticee (B)	331262	
16/03		Noticee (B)	448012	

(B = BSE, N = NSE)

FUND TRANSFERS AMONG RELATED ENTITIES

3.22 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 Cyberspace 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 Cyberspace 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 Noticee 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 Noticee 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 Noticee on March 13, 2001

- 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 Noticee on March 13, 2001.

3.23 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.

3.24 Thus, I find that there have been several instances of payments / receipts made to A.M Johari (Director of Cyberspace) and Cyberspace and also amongst the clients. The above clearly establishes that Cyberspace 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 Cyberspace.

TRANSFER OF SECURITIES AMONG THE RELATED ENTITIES

3.25 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
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 Noticee on BSE	54540
2001050	Arihant Investments	150000	Ramesh Shah	37650
			Octopus	61000
			ILFS 6244	11604
			Nucleus	25500
			Mkt Del Noticee on NSE	8000
2001050	Calculus Soft Tel P Ltd		Mkt Del Noticee on BSE	62500
2001046	Shivam Multi Services P Ltd	167000	Sipra	5045
			Arihant	7100
			Delta	21500

Settlement No	Name of the client	Deliverable Position	Name of the transferor	Qty Transferred
			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 Noticee on NSE	34673
			Sipra	20327
2001048	Octopus Soft Tel P Ltd	56400	Mkt Del from Noticee NSE	28754
			Mkt Del from Noticee 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 Noticee 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 Noticee BSE	15980
			Amit Inter	1384
			Delta Investment	68141
			Rosewood	27372
2001046	Nucleus Soft Tel P Ltd	50350	Mkt, DEL- BSE- Noticee	4170
			Mkt DEL BSE- Others	28500
			Mkt Del Others-NSE	36900
			Ramesh Shah	35000
			Delta Investments	8965
			Sipra	7000
			Shivam	98523
			Amit	23500
			Octopus	11750
			Country	5500
2001047	Nucleus Soft Tel P Ltd	69200	Mkt Del From Noticee	69200
			Mkt Del Others	18400
			Mkt Del BSE	9500
2001048	Nucleus Soft Tel P Ltd	64400	Mkt Del From Noticee	64400
			Mkt Del BSE	10500
2001049	Nucleus Soft Tel P Ltd	60700	Mkt Del From Noticee	60700
2001049	Amit Inter Chem P Ltd	79800	Mkt Del Noticee NSE	51256
			Mkt Del BSE Others	23500
			Mkt Del NSE Others	5000
			Delta	9535
2001050	Country Informtech Serv P Ltd	15700	Mkt Del Noticee BSE	10864
			Octopus	13050
			Amit Inter	5000
			Arihant	6786

FLOW OF SHARES AMONG RELATED CLIENTS:

3.26 I find that the investigating authority had analysed the DP statements of the clients and the pool account (GTB 10002866) and beneficiary account (GTB 10222248) of Noticee and found that there have been transfers of the said scrip within the clients and also from the Beneficiary account of Noticee to the client accounts. There have also been transfers of the said scrip from the pool account of Noticee to the clients pertaining to earlier settlements (upto SN 2001044W). Further, investigating authority on analysing the beneficiary account of Noticee (GTB 10222248), found that there have been transfers of the said scrip to the above account during the settlements under scrutiny from the following clients:

Date	Transferred from	Qty transferred
8/3/2001	Sipra Educational Career Foundation P Ltd	5000
8/3/2001	Sipra Educational Career Foundation P Ltd	587
8/3/2001	Octopus Soft Tel P Ltd	325
8/3/2001	Shivam Multi Services Ltd	2597

8/3/2001	Amit Inter Chem P Ltd	12111
8/3/2001	Country Informtech P Ltd	5300
14/3/2001	Ramesh Shah	30300
14/3/2001	Amit Inter Chem P Ltd	4995
14/3/2001	Octopus Soft Tel P Ltd	6000

- 3.27 The Beneficiary account of Noticee (GTB 10222248) also revealed that there was transfer of 86763 shares of the said scrip on 14/3/2001 to the DP account of Jugalkishor Barasia (Indbank 10022732). I have also examined the above aspect and satisfied with the said findings. Further, I also find the following:
- 3.28 **Nuclues Soft tel P Ltd.** - The client is a front company of Noticee. The connection of the client with other similar clients is evident from the pattern of share flows. I have noted that on March 7 2001, the client's deliverable position was met by other clients. The client also received shares from other clients like from Sipra on March 07,2001 (35000 shares). From the CDSL A/c of the clients it appears that the majority of the credit entries are relating to purchases made. There are some off-market transfers from Pratik Shah, Sipra Education and Kamal Infosys. There is one transfer of securities from the Pay-in A/c of Noticee. The debit entries are for sales made. There were off-market transfers made to Arihant Investments & Rosewood Tradelink. Also from NSDL A/c it has been found that the majority of the credit entries are on account of purchases made. There are off-market transfers from Amit Interchemicals, Pratik Shah, Shivam Multi Services, Kamrao Plastique, Delta Investments, Octopus Soft-Tel, A M Johari and Country Informtech. Nucleus Soft-Tel has sold shares through Mayur Kothari (Clg. No.443). Apart from the sales made, the majority of transfers from the account are to Vinod Gupta. Off-market transfers have also been made to Pratik Shah, Beneficiary A/c of Noticee, Arihant Investments, Calculus Soft-Tel, Delta Investment, Pradeepak Finance and Octopus Soft-Tel.
- 3.29 **Calculus Soft Tel P Ltd.** - The client is as mentioned earlier, a front company of Noticee again. From the CDSL A/c it appears that the majority of the credit entries in the account are for purchases made. The purchases are made from Samindra Ratilal Shah (member ASE). There are off-market transfers from Delta Investments. There are off-market transfers to Pratik Shah, Prabodh Arth Sanchay, Delta Investments and to HDFC Bank. From NSDL A/c it appears that majority of the credit entries in the account are for purchases made. There are off-market transfers from Amit Interchemicals, Kamrao Plastique, Nucleus Soft-Tel and Arihant Investments. The majority of the off-market transfers have been to Vinod Gupta, Kamrao Plastique, Beneficiary A/c of Noticee, Arihant Investments, Amit Interchemicals and Pratik Shah. The shares have also been transferred to Param Broking whose details could not be ascertained from any source.
- 3.30 **Pratik R Shah** - The client is son of Sri Ramesh Shah, sub-broker of Noticee and another example of front of Noticee. Pratik Shah's CSDL A/c shows credit entries for purchases made as well as off-market transfers. The off-market transfers are from Rajnikant Shah, Calculus Soft-Tel, Pay-in A/c of Noticee, Delta Investments, Sipra Education and Kamal Infosys. The debit entries are mainly off-market transfers to Prabodh Arth Sanchay, Sipra Education, Nucleus Soft-Tel, Arihant Investments, Pay-in A/c of Noticee and for sales made. From the NSDL A/c it also appears that credit entries are for purchases made as well as for off-market transfers. The off-market transfers are from Rajnikant Shah, Beneficiary A/c of Noticee (Clg. No.81), Amit Interchemicals, Delta Investments, Calculus Soft-Tel, Ramesh Shah, Country Informtech, Kamrao Plastique and Nucleus Soft-Tel. The majority of the debit entries are off-market transfers to Prabodh Arth Sanchay. The other transfers are to Vinod Gupta, Beneficiary A/c of Noticee (Clg. No.81), Nucleus Soft-Tel, Arihant Investments. There are also entries for sales made.
- 3.31 **Amit Inter Chemicals P Ltd** - The Client is also used to act as a front of Noticee as stated earlier. It appears from CDSL A/c that the majority of the credit entries are for purchases made. There are off-market transfers made from Kamal Infosys, Delta Investments, Pay-in and Pay-out A/c of Noticee. The majority of the transfers are off-market to A/c no.1301190000004229. The other off-market transfers are to Vinod Gupta, Pay-in A/c of Noticee, Sipra Education and Arihant Investments. The NSDL A/c also shows that majority of the credit entries are for purchases made. There are off-market transfers from Beneficiary A/c of Noticee (Clg. No.81), Arihant Investments, Delta Investments, Shivam Multi Services and Calculus Soft-Tel. The main debit entries are for sales made and for off-market transfers to Vinod Gupta. The off-market transfers are to Pratik Shah, Nucleus Soft-Tel, Pradeepak Finance, Calculus Soft-Tel, Delta Investments, Country Informtech, Octopus Soft-Tel, Kamrao Plastique and Beneficiary A/c of Noticee (Clg. No.81).
- 3.32 **Kamrao Plastique P Ltd.** - The client is also a front of Noticee. The client has made few transactions in this period. The client has only sold through Mangla Capital. The shares were transferred from the entities like Shivam, Pradeepak, Sipra etc.
- 3.33 **Sipra Educational Career Foundation P Ltd.** - From CDSL A/c it appears that all the credit entries are off-market transfers. Among others off-market transfers are received from Amit Interchemicals, Octopus Soft-Tel and Pratik Shah. The majority of the debit entries are for sales made. There are off-market transfers to Prabodh Arth Sanchay and Nucleus Soft-Tel. From NSDL A/c it also found that the majority of the credit entries are for purchases made. There are also off-market transfers from Kamrao Plastique, Amit Inter-chemicals, Octopus Soft-Tel and Nucleus Soft-Tel. The majority of the debit entries are off-market transfers. Off-market transfers have been made to Delta Investments, the Beneficiary A/c of Noticee, Octopus Soft-Tel, Shivam Multi Services, Nucleus Soft-Tel and Vinod Gupta.
- 3.34 **Arihant Investments** - The client, a front of Noticee, has made few transactions in this period. From the CDSL A/c it appears that except for one purchase made through V. Devendrakumar (Clg. No.685), all the credit entries in the demat a/c are off-

market transfers. The shares have been received from Delta Investments, Nucleus Soft-Tel, Pratik Shah, Amit Inter-chemicals and Shivam Multi Services. The majority of shares have been transferred off-market from this account to the demat account of Prabodh Arth Sanchay P Ltd. From NSDL A/c it appears that It has purchased shares on BSE & NSE. There are off-market transfers from Octopus Soft-Tel (majority), Calculus Soft-Tel, Nucleus Soft-Tel, Kamal Infosys, Pratik Shah and Kamrao Plastique. The majority of shares have been transferred off-market from this account to the demat account of Vinod Gupta. The shares have also been transferred to the Beneficiary A/c of Noticee (Clg. No.81), Amit Interchemicals, Country Informtech, Calculus Soft-Tel, Delta Investments, Pradeepak Finance and Shivam Multi Services.

- 3.35 **Rosewood Tradelink P Ltd.** - The client, one of the three entity of Sri Rajendra Mehta, is also used as a front. The CDSL A/c analysis shows that the credit entries are transfers from Pay-out A/c and Pay-in A/c of Noticee and from Nucleus Soft-Tel. All the debit entries are for sales made. From NSDL A/c it appears that the credit entries in the account are for purchases made. There is a off-market transfer from Beneficiary A/c of Noticee (Clg. No.81). The debit entries are for sales made. There are two off-market transfers to Pradeepak Finance.
- 3.36 **Prabodh Arth Sanchay P Ltd.** - The Pune based client was used to buy shares from Noticee and its front entities, often on spot at less than market rate (as stated by the client) through a middleman and used to sell them through other brokers. From the CDSL A/c it appears that there are no credit entries for any purchases made. The majority of the credit entries are for off-market transfers from Pratik Shah. The other off-market transfers are from Beneficiary A/c of Noticee (Clg. No.81), Sipra Education, Delta Investments, Octopus Soft-Tel, Calculus Soft-Tel and Arihant Investments. All the debit entries are for sales made except for one entry which is a transfer to its NSDL A/c. From the NSDL A/c it is found that except for some purchases made, the majority of the credit entries are transfers from Pratik Shah. The other off-market transfers are from Octopus Soft-Tel, Beneficiary A/c of Noticee (Clg. No.81), Ramesh Shah and Delta Investments. All the debit entries are for sales made.
- 3.37 **Ramesh Shah** - The sub-broker of Noticee had also lent his account to be handled by Noticee as per his statement. It is observed that Ramesh Shah who is one of the major buyer in the said scrip has transferred shares to other clients who have been sellers through various TMs during the settlements under scrutiny such as transferring to Pratik Shah (66000 shares on 12/03), Arihant Investments (37650 shares on 12/03), Prabodh Arth Sanchay (87025 on 5/3, 52425 on 7/3, 7715 on 8/3 and 119800 on 9/3). From the NSDL A/c it appears that all the credit entries are for purchases made. The debit entries are off-market transfers to Pratik Shah, Prabodh Arth Sanchay, Vinod Gupta and for sales made.
- 3.38 **Shivam Multi Services P Ltd** - The major credit entries are off-market transfers from Kamal Infosys. The other credit entries are for purchases made. The majority of the debit entries are transfers to a broker for sales made in CDSL. From NSDL A/c it appears that the majority of the credit entries are for purchases made. There are off-market transfers from Pradeepak Finance, Arihant Investments, Delta Investments, Country Informtech, Kamrao Plastique and Sipra Education. The major debit entries in the account are for sales made and transfers made to Vinod Gupta. The other off-market transfers are to Amit Inter-chemicals, Beneficiary A/c of Noticee and Nucleus Soft-Tel.
- 3.39 **Jugalkishore Barasia** - The client is also a major seller in this period. It appears that he also used to purchase from Noticee on spot basis. From the NSDL A/c it appears that the client has received shares from the Beneficiary A/c of Noticee (Clg. No.81) and Pay-in A/c of Noticee as well as purchased the shares. The debit entries are for sales made.
- 3.40 **Country Informtech Services P Ltd.** - This is also a front entity of Noticee. From the NSDL A/c it is found that the majority of the credit entries are for purchases made. There are some off-market transfers from Amit Inter-chemicals, Arihant Investments and Octopus Soft-Tel. The majority of the debit entries are off-market transfers to Vinod Gupta. The other off-market transfers are to Octopus Soft-Tel, Pratik Shah, Shivam Multi Services, Nucleus Soft-Tel, Beneficiary A/c of Noticee (Clg. No.81) and Param Broking.
- 3.41 **Pradeepak Finance & Management Consultants P Ltd** - From the NSDL A/c it appears that the majority of the credit entries are for purchases made. The other off-market transfers are from Nucleus Soft-Tel, Kamrao Plastique, Octopus Soft-Tel, Rosewood Tradelink, Delta Investments and Arihant Investments. The majority of the debit entries are for sales made and transfers to Vinod Gupta. The other off-market transfers are made to Arihant Investments, Beneficiary A/c of Noticee (Clg. No.81) and Shivam Multi Services.
- 3.42 **Octopus Soft-Tel P Ltd** - From CDSL A/c it appears that the majority of the credit entries are received from Samindra Ratilal Shah (member – ASE). There are also off-market transfers from Kamal Infosys and A/c no13011900000011268. There are debit entries for sales made. The transfers are made to the Pay-in A/c of Noticee. There are off-market transfers to Sipra Education, Delta Investments, Prabodh Arth Sanchay and Arihant Investments.
- 3.43 The NSDL A/c shows that the majority of the credit entries are for purchases made. The purchases have been made on BSE as well as NSE. There are some off-market transfers from Sipra Education, Nucleus Soft-Tel, Amit Inter-chemicals and Delta Investments. There are no debit entries for sales made. All the debit entries are off-market transfers. Off-market transfers have been made to Prabodh Arth Sanchay, Pradeepak Finance, Arihant Investments, Delta Investments, Sipra Education, Vinod Gupta, the Beneficiary A/c of Noticee and Nucleus Soft-Tel.
- 3.44 **Kamal Infosys Ltd.** - This is one of the group or associate company of Cyberspace based in Lucknow. The CDSL A/c shows that the majority of the credit entries are off-market transfers from A.K. Johari. Off-market transfers have also been received

from Lalji Kapoor and Noticee, Lucknow A/c (1201410000002537 – 428000 shares & 1201790000001574 – 25000 shares). There are a few transfers to the Pay-in A/c of Noticee. Other debit entries are off-market transfers to Amit Interchemicals, Pratik Shah, Octopus Soft-Tel, Shivam Multi Services, Prabodh Arth Sanchay, Noticee at Lucknow and Nucleus Soft-Tel.

From NSDL A/c it appears that there are a few credit entries for purchases made but the majority of the transfers are off-market transfers from Shivam Multi Services, Delta Investments, Calculus Soft-Tel, Country Informtech and Century Homefin. Except for one sale entry all the debit entries are off-market transfers to Pratik Shah, Rosewood Tradelink, the Beneficiary A/c of Noticee and Arihant Investments. 240000 shares were pledged on February 19, 2001 and the pledge was cancelled on March 3, 2001.

- 3.45 **Shashikant Badani – NSDL** - The credit entries are purchases made on NSE and transfers from the Beneficiary A/c of Noticee. All the debit entries are for sales made.

OBSERVATIONS ON THE DEMAT TRANSACTION STATEMENT

- 3.46 Prabodh Arth Sanchay P Ltd was the major seller during the period of investigation and he hardly purchased any shares from the market in this period. He purchased shares from Noticee (around 30% on spot) in the earlier period.
- 3.47 Pratik Shah has transferred the majority of the shares lying with him to Prabodh Arth Sanchay P Ltd in off-market deals.
- 3.48 On going through the CDSL A/c of Shivam Multi Services, it is observed that it has received the majority of shares from Kamal Infosys (group company of the Joharis), which in turn has received the shares from A.K. Johari.
- 3.49 Nucleus Soft-Tel P Ltd., Calculus Soft-Tel P Ltd., Amit Inter-chemicals P Ltd, Country Informtech Services P Ltd. and Octopus Soft-Tel P Ltd are the major purchasers. These entities have then transferred the shares to the sellers through various entities. Nucleus Soft-Tel and Amit Inter-chemicals have also made sales in the market.
- 3.50 It also has been found that some of the entities like Prabodh Arth, Noticee. Beneficiary a/c, Noticees' non-house beneficiary a/c, and A K Johari have pledged the shares in their account from March 10 onwards and number of shares pledged is around 6 lacs and out of that 2.67 lacs were pledged by Prabodh Arth Sanchay on 21 & 27 March 2001. It is also observed that from the NSE A/c of NSDL of Noticee, on March 13, 2001 there were 5 off-market transfers of 7000 shares each to Mr. Rakesh Gandhi, Ms. Bijal P Shah, Mr. Ashish Shah, Mr. Hitesh Patel and Mr. Amit Singh. All these are employees of Noticee.

SECURITY FLOW

- 3.51 I find that that there was inter client transfer of shares and often spot deals were made. Often the shares were transferred to clients to make their pay-in obligations.
- **Century Homefin Ltd.:** 4,34,000 shares were converted into demat form and were transferred to the Pay-in A/c of Noticee (2,80,000 shares) and Kamal Infosys (1,54,000 shares).
 - **A.K. Johari – NSDL:** The shares received from Lalji Kapoor, Noticee at Lucknow and A.K. Johari were pledged with Federal Bank.
 - **A.M. Johari – NSDL:** The shares purchased through Samindra Shah (member – ASE) were transferred to the Beneficiary A/c of Noticee and Nucleus Soft-Tel.
 - **Noticee – Beneficiary A/c – NSDL:** Except for some purchases, all the credit entries are off-market transfers. Off-market transfers are from Noticee s' Pay-in A/c (CDSL), Nucleus Soft-Tel, Pratik Shah, Pradeepak Finance, Sipra Education, Kamrao Plastique, Calculus Soft-Tel, Kamal Infosys, Rohit Shah, Octopus Soft-Tel, Shivam Multi Services, Amit Interchemicals, Country Informtech, Delta Investments, A.M. Johari, Arihant Investments, Himanshu Pandya and Kishore Shah. The majority of the debit entries are off-market transfers to Shashikant Badani and Jugal Kishore Barasia. There are other off-market transfers to Pratik Shah, Amit Interchemicals, Rosewood Tradelink and Prabodh Arth Sanchay. The balance of 93956 shares was pledged with Bank of India on March 15, 2001.
 - **Noticee – Pay-in A/c (Principal A/c) – CDSL:** The Pay-in A/c of a member is used for making pay-in of securities to the clearing house. In addition to that it is the member's own account. The credit entries will be shares received from its clients for the purpose of making pay-in as well as its own transfers. The debit entries will be transfers to the clearing house for making pay-in of securities as well as its own transfers. The Noticee has received shares from many entities but the majority are those belonging to its own group viz. Nucleus Soft-Tel, Octopus Soft-Tel, Delta Investments, Kamal Infosys, Amit Interchemicals, Pratik Shah and the Pay-out A/c of Noticee. There are no entries for making pay-in of securities to the clearing house. All the debit entries are transfers to various entities viz. Shashikant Badani, Manjula S. Badani, Jugalkishore Barasia, the Beneficiary A/c of Noticee, Prabodh Arth Sanchay, Rosewood Tradelink, Pratik Shah, Amit Interchemicals and Nucleus Soft-Tel.
 - **Noticee – Pay-out A/c (Pool A/c) – CDSL:** The member receives shares purchased on BSE in this account and transfers the shares to its clients who have purchased shares through the member. All the credit entries are shares

received from the clearing house. The debit entries are transfers to the Pay-in A/c of Noticee (majority), Amit Interchemicals, Pratik Shah and Rosewood Tradelink.

- Noticee – **BSE A/c- NSDL**: All the credit entries are for purchases made (received from the clearing house). The debit entries are transfers to various entities viz. Manjula Badani, Pratik Shah, Arihant Investments, Delta Investments, Jugalkishore Barasia, Pradeepak Finance, Prabodh Arth Sanchay, Amit Interchemicals, Nucleus Soft-Tel, Calculus Soft-Tel, Country Informtech and the Beneficiary A/c of Noticee.
- Noticee – **NSE A/c- NSDL**: All the credit entries are for purchases made (received from the clearing house). The debit entries are transfers to various entities viz. the Beneficiary A/c of Noticee, Country Informtech, Delta Investments, Arihant Investments, Jugalkishore Barasia, Shashikant Badani, Prabodh Arth Sanchay, Nucleus Soft-Tel, Octopus Soft-Tel, Amit Interchemicals. Then there is a transfer of 35000 shares to 5 employees (7000 each) and of 32000 shares to 4 employees (8000 each). It is suspected that the shares were transferred to the employees so that they could pledge the shares in order to get a loan against shares.
- Noticee – **Non house beneficiary – with UTI Bank – NSDL**: The credit entries are transfers from the Beneficiary A/c of Noticee, Calculus Soft-Tel and Kamrao Plastique. The shares received have been pledged with UTI Bank (77900 shares).
- Noticee **at Lucknow – CDSL**: The credit entries are transfers from Kamal Infosys and Malay Finvest. The debit entries are transfers to Kamal Infosys and one unknown account (Client ID – 10056336 with IN 301516).

- 3.52 I find that the shares have been transferred from one entity to another before delivering the same to the Noticee for meeting pay-in obligations. Prabodh Arth Sanchay used to receive shares in off-market transfers from various entities belonging to Noticee and this way facilitates them to make its Pay-in obligations. Jugal Kishore Barasia and Shashikant Badani made spot purchases from Noticee and Noticee or its clients used to meet their pay-in obligations by these spot transactions. The shares have originally come from Mr. A.K. Johari who has transferred the shares to Kamal Infosys, which in turn has transferred the shares to various group entities.
- 3.53 On examining the trading pattern and the statements given by the clients and based on all other relevant material, I find that Sri Arvind Johari used his own employees or clients or sub-brokers of Noticee to act as his front entities. The addresses of the clients matched with the addresses of the group companies of the Sri Arvind Joharis. As per the statements of these entities, Sri Arvind Johari took their signatures on various documents including blank cheques and demat instruction slips and started trading in their names (or through the companies created on behalf of them). with the addresses of the group companies Johari or Noticee themselves used to trade and finance the trades on behalf of these entities. These transactions made by Noticee created artificial increase in the volume in the scrip of Cyberspace. This common set of clients have bought and sold large quantities in the said scrip during the period under investigation through different Trading Members of BSE and NSE in a circular manner.
- 3.54 I find that the collusion between large buyers and large sellers is clearly established. In fact, around 93 % (NSE) and 93% (BSE) of the gross buys, and 83 % (NSE) 92% (BSE) of gross sales during the period under investigation has been effected by the same set of entities/individuals associated with the promoters or who have played an active part in the irregular activity. Also almost 80-90% of the purchase was done through Noticee only while the shares were sold mostly through other brokers especially through Mangla Capital who provided spot payments. Prabodh Arth Sanchay and Jugal Kishore Barasia also made spot purchases to give the much needed finance to Noticee who in turn used to purchase the shares on regular basis from the market. Noticee or Sri Arvind Johari is found to have acted through middlemen to push the shares to these two entities. As per the statement of Prabodh Sanchay, they were not contacted by Noticee but they were trading through the middlemen in the scrip.
- 3.55 I find that Mangla Capital is found to be the crucial financier to help Noticee to continue the loop. The director of Mangla Capital took the insta-cash facility of HDFC Bank to finance the clients of Mangla Capital (these clients are mostly related to Noticee); Mangla Capital used to issue two contract notes for each trade done, one to the clients and the other to Shri Vinod Gupta who in turn used to produce them to HDFC Bank pretending as client executing the trades and fraudulently took the benefit of insta-cash for the trades not done by him. The payments by HDFC Bank were then diverted to the clients for commission/ brokerage. Prabodh Arth Sanchay is also a major client in the market who also made spot purchases from the set of clients related to Noticee. Jugal Kishore Barasia and S G Badani appear to have made spot purchases from Noticee also.
- 3.56 I find that the Noticee, Shri Arvind Johari, and the associate Company of Cyberspace, through the aforesaid related entities, have created a false, misleading or artificial market volume and their intention was to support the price Cyberspace, for vested purpose. Some members of the market have financed the trades of these clients related to Noticee.
- 3.57 I find that Shri Arvind Joharis had opened many shell companies in the names of employees of Noticee and had traded in their names in the shares of Cyberspace. The employees had no knowledge about the operation of these firms.
- 3.58 I also find that Shri Arvind Johari and his employees were approaching investors to lure them to invest in the shares of Cyberspace by promising high returns and instant liquidity. Further, Shri Arvind Johari exercised his influence to get his front

firms registered as clients with other brokers. I find that there were two types of financiers. The first type consists of the brokers and the second type consists of the sellers. The broker-financiers have paid their clients money on the day of the sale itself. The other types of financiers are the clients of the members who sold the shares, which were received, from the Shri Arvind Joharis in off-market deals. They sold the shares on behalf of the Shri Arvind Joharis and it is suspected that they may have paid Shri Arvind Joharis on the day of the sale of shares.

- 3.59 I find that the promoters of Cyberspace and Noticee opened shell companies in the names of their employees and these companies traded heavily in the shares of Cyberspace Infosys Limited. The whole operation was being carried out by the promoters of Cyberspace and Noticee, while the employees were being kept in dark. The promoters also induced some of its investors to trade in the shares of Cyberspace Further, they also carried out transactions on their behalf and financed these trades.
- 3.60 I find the employees of Noticee allured investors to invest in the shares of Cyberspace promising them of high return. They used to advise clients about the quantity to be sold and the time at which they should be sold. Noticee, Cyberspace and the entities closely connected with them have traded significantly in a circular manner in Cyberspace It appears that the intention of the member and its associated entities was to create a false & misleading appearance of activity in the scrip and a false market momentum in order to evoke interest in the scrip from investors and profit from the same.
- 3.61 In view of the above clear findings, it is proved that the promoters of Cyberspace and Noticee opened shell companies in the names of their employees and these companies traded heavily in the shares of Cyberspace. The whole operation was being carried out by the promoters of Cyberspace and Noticee, while the employees were being kept in dark. The promoters also induced some of its investors to trade in the shares of Cyberspace. Further, they also carried out transactions on their behalf and financed these trades. The employees of Noticee allured investors to invest in the shares of Cyberspace promising of high return. They used to advice clients about the quantity to be sold and the time at which they should be sold. Noticee, Cyberspace and the entities closely connected with them have traded significantly in a circular manner in Cyberspace. The intention of the Noticee and its associated entities was to create a false and misleading appearance of activity in the scrip and a false market momentum in order to evoke interest in the scrip from investors and profit from the same. Hence, it is clearly established that Noticee/Directors of Noticee along with related/linked/associated entities have transacted in the scrip of Cyberspace with a view to creating artificial volumes and manipulating/maintaining the price. Further, Noticee/Directors of Noticee were rotating the shares in the market to create artificial volumes by using the names of various entities and thus held to be responsible for creating false or misleading appearance of trading in the market and also entering into trades that are not genuine trade transactions. Therefore, 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. 62 At this juncture, I observe that the Board had issued an ad-interim order under Section 11 and Section 11B of Securities and Exchange Board of India Act, 1992 on April 06, 2001 restraining the Noticee from undertaking any fresh business as brokers. Further, the Board confirmed the aforesaid interim orders vide order dated May 18, 2001 which is still in force.

4.0 ORDER

- 4.1 Taking into consideration the facts and circumstances of the case, I find that this is a fit case to impose a major punishment. I also observe that the Noticee had already been restrained from undertaking any fresh business as brokers with effect from April 06, 2001 as stated above. Considering the said fact, 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 impose a major penalty of suspension of certificates of registration of the Noticee, M/s Century Consultants Ltd, as broker in the stock exchanges viz. NSE (SEBI Registration no. INB 230637934), BSE (SEBI Registration no. INB 010637950) and OTCEI (SEBI Registration no. INB 200558831) for a further period of two years from the date of this order.
- 4.2 This order shall come into force with immediate effect.

Mumbai
December 15, 2006

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