

SECURITIES AND EXCHANGE BOARD OF INDIA ORDER

WTM/GA/147/ISD/2/07

UNDER SECTION 11B, 11(1) AND 11(4)(b) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF ATLANTA LTD.

1. Background

- a. Atlanta Ltd (hereinafter referred to as “the company”) came out with an Initial Public Offer (IPO) of 43,00,000 shares through Book Building route (start date : 01/09/2006 and close date: 07/09/2006). The shares of the company were listed on BSE and NSE on September 25, 2006. On the day of listing, the price of the shares opened at around Rs. 170/- i.e. a 13.33% premium over its offer price of Rs 150/- and the close price was around Rs. 192/-. The price of the scrip started rising from October 3, 2006 onwards and touched a high of Rs 1329 on December 12, 2006. The price of the scrip increased by 681% in 55 trading days. As at 13/2/2007 the price of the scrip is trading at Rs. 1134(NSE) after having peaked at Rs 1446 on 17/1/2007.
- b. During the above period of price rise, it was observed that an announcement was made on 25/10/06 about the decision to enter into a joint venture with Thakural Constructions for new real estate projects and to raise funds through a preferential issue of convertible 27 lacs warrants to the promoters and other strategic investors. It was seen that on 2/11/2006, within 40 days of IPO issue date, the company announced a proposal to raise funds by issuing convertible warrants at Rs. 317.50 each to the tune of Rs 85.72 crore, being 136% of the funds raised in the IPO (market price of Rs. 386). Upon conversion within 18 months, this would result in issue of additional 27 lacs shares, which works out to around 62% of the total issue size of IPO. The concentration of holding in the hands of the promoters and strategic partners would thereby increase even beyond the post IPO holdings of 73.01% approx.
- c. Further, it was also observed that Shri Rajoo Bbarot, Managing Director of the company had disclosed price sensitive news to a newspaper, Business Standard, on 5/1/07 before the same was reported to the Stock Exchange. It was seen that the company had not notified the Stock Exchange about its future plans as disclosed in the media and upon verification made by the Stock Exchange, the company denied having finalised the said news.
- d. In the first week of January 2007, the company announced its financial results for the quarter ended December 2006 which showed a substantial increase in the income and profits of the company as compared to previous quarter ended September 2006. Further the company proposed to alter the capital structure of the company by effecting a stock split whereby a five fold increase would accrue to existing shareholders. The EGM of 16th February 2007, while approving the stock split also approved future raising of funds through a FCCB.
- e. In view of the astronomical price rise in the scrip from the listing price of around Rs. 170 within a short span of time coupled with a slew of corporate announcements, SEBI advised NSE and

BSE to jointly conduct an analysis of trading in the scrip of Atlanta Ltd. The exchanges submitted their preliminary findings in dealings in the scrip of the company for the period from September 25, 2006 to December 12, 2006. The reported indicated that the connected clients of three groups viz. Manish Marwah/Dilip Nabera Group, Atul Shah Group and Nirmal Kotecha Group made large net purchases in the scrip of Atlanta Ltd during this period of price rise. It was also indicated that employees of the company who were allotted shares in IPO had immediately transferred the shares through off-market transactions, including to persons connected with the company.

- f. In the course of preliminary verification details were called for from the Company regarding issue of warrants and financial results to Stock Exchanges and as circumstances in which announcements were not notified to the Stock Exchange. Relevant documents on the basis of which Shri Rajoo Bbarot, Managing Director of the company had made announcements in the media and details of projects that contributed to the increase in the income of the company during the said period, in view of reports of high growth in income/profits, were received.
- g. During the course of preliminary verification of documents/evidence gathered, it prima facie appeared that funds collected through warrants and proceeds of IPO are being misused by the company as compared to the stated proposal for utilisation of funds in the IPO prospectus. As indicated by exchanges transactions of employees of Atlanta Ltd, who were allotted shares in the IPO upon deployment of substantial funds, established linkages with company connected persons.
- h. KYC documents received from Stock Exchanges and Depositories revealed that certain entities involved in trading were prima facie found to be connected to each other through common addresses and/or common director and also connected to the company as strategic investors. Details with regard to addresses and paid-up capital of the said entities were downloaded from the website of Department of Company Affairs.
- i. Preliminary prima facie findings of the same are given in the following paragraphs.

2. Preliminary prima facie findings

The company, its business and the board of directors

- 2.1 The company was incorporated under the name of "Atlanta Construction Company (India) Pvt Ltd" pursuant to a Certificate of Incorporation on January 17, 1984. The name was changed to "Atlanta Construction Company (India) Ltd." on April 4, 1991 on being deemed a public company. The name was changed to "Atlanta Infrastructure Ltd" on February 2, 1997 and to "Atlanta Ltd" on December 16, 2004. The major business activity of the company is construction of roads, bridges, tunnels etc. The Registered Address of the company is 101, Shree Amba Shanti Chambers, Andheri-Kurla Road, Andheri East.

2.2 Following are the directors of the company:

Sr. No.	Name	Designation
1.	Mr. G. Viswanathan	Chairman, Non-Executive and Independent
2.	Mr. Rajhoo Bbarot	Managing Director
3.	Mr. Rikiin Bbarot	Executive Director (Projects)
4.	Mr. G. Radhakrishnan	Executive Director (Finance)
5.	Dr. Samir Degan	Non Executive Director
6.	Mr. Arpan Brahmhatt	Independent Director

Shri Sachin Jain is a DGM (Legal) and the Company Secretary.

IPO Issue, Subscription Details And Pre & Post IPO Shareholding details:

- 2.3 The company came out with the initial public offer for issue of 43,00,000 equity shares of Rs. 10 each for cash at a price band of Rs. 130-150 per equity share aggregating Rs. 5590-6450 lakhs through the Book Building Route in September 2006. Out of these 43,00,000 equity shares, the net offer to the public was 41,00,000 equity shares and 2,00,000 equity shares were reserved for the employees of the company. These 43,00,000 shares along with originally allotted 1,20,00,000 shares (1.20 crs) totalling to 1,63,00,000 equity shares of Rs. 10/- each fully paid-up were listed and admitted to dealings on the Exchange w.e.f. September 25, 2006. Issue price was Rs. 150 per share (face value of Rs. 10/- and premium of Rs. 140). The entire pre-issue of 1,20,00,000 shares is under lock-in for 1 year out of which 33.48 lakh shares held by promoters are under 3 years lock in period. The details of number of times the issue was subscribed under each category is as given below:

Scrip	Overall	Retail Portion	HNI Portion	QIB Portion
Atlanta Limited	9.45	12.27	17.61	8.19

- ? **Discrepancies in the report of basis of allocation :** It was observed from a comparison of actual IPO allotment details (excel spreadsheet provided by exchange) with the report of basis of allocation submitted to SEBI, that the number of QIBs to whom shares were allocated was overstated in the latter report. In this report, number of allotments to QIBs was reported as 27 and that from Mutual funds as 13, whereas the actual allotment in QIB category was made to only 27 QIBs, including 14 Mutual Funds. It prima facie appears that misreporting of QIB data was done in order to announce their response to the IPO as more favourable than what may actually be true. This may allow the listing price to be imbued by such news that is perceived to be positive to the market. This requires further examination.
- ? **Allotments made to entities without bank name:** It was further observed, in the excel file containing IPO allotment, that bank details were blank in respect of following 439 applicants who had applied shares in IPO across various bid amounts, amounting to Rs 3.47 crore. The above allotments require further examination as to how the refund amounts, adding up to Rs. 3.11 crore, were paid by the RTI to the respective applicants in the absence of bank accounts or were these applications managed by certain group(s) in order to gather a greater allotment in the IPO. The

level of monitoring by the RTI is also called in to question. This requires further examination.

2.4 The shareholding of the company prior and post of IPO is as given below.

Name of the Shareholders	Pre-Issue Equity Capital		Post-Issue Equity Capital	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoters				
Rajhoo Bbarot	2,806,700	23.39	2,806,700	17.22
Rikiin Bbarot	3,972,150	33.10	3,972,150	24.37
Sub- Total	6,778,850	56.49	6,778,850	41.59
Promoter Group				
Bhavana Bbarot	3,339,960	27.83	3,339,960	20.49
Ridhima Doshi	939,440	7.83	939,440	5.76
Rajendra Barot (HUP)	280,740	2.34	280,740	1.72
Ambalal P Barot (HUF)	161,000	1.34	161,000	0.99
Mitul Doshi	10	0.00	10	0.00
Sub Total	4,721,150	39.34	4,721,150	28.96
Others				
Him Realty Private Limited	250,000	2.08	250,000	1.53
Neol Eq Research Private Ltd	100,000	0.83	100,000	0.61
Essix Bio Sciences Limited	100,000	0.83	100,000	0.61
Eden Realty Private Limited	50,000	0.42	50,000	0.31
Sub Total	500,000	4.17	500,000	3.07
Employees (pursuant to this Issue)	..	..	200,000	1.23
Public (pursuant to this Issue)	..	..	4,100,000	25.15
Grand Total	1,20,00,0000	100.00	16,300,000	100.00

The company had stated in the prospectus for IPO that it had issued shares to four non-promoter entities in the last twelve months before the date of the prospectus at lower than the IPO issue price, the details of which are as given under:

Allottees	Date of Allotment	Issue Price (Rs.)	No of Equity Shares	Subscription amount	Paid-up capital (Rs)
Him Realty Private Limited	December 20, 2005	120	250,000	Rs. 3 crores	20,540
Neol Equity Research Private Limited	January 4, 2006	120	100,000	Rs. 1.2 crores	100,000
Essix Biosciences	January 4,	120	100,000	Rs. 1.20 crore	na

Limited	2006				
Eden Realty Private Limited	January 4, 2006	120	50,000	Rs. 0.60 crores	13,810
			500,000	Rs. 6 crores	

It was prima facie found that the above entities, except Essix Biosciences Ltd, are connected with Manish Marwah/ Dilip Nabera group as per the supporting details given in the subsequent paragraph on group linkages. As per the details obtained from Registrar of Companies (ROC), it was observed that the paid-up capital of Him Realty Private Limited, Neol Equity Research Private Limited and Eden Realty Private Limited is Rs. 20,540, Rs. 100000, and Rs. 13,810, respectively, which is minuscule as compared to the amount of Rs. 6 cr which was required to be paid by them for subscribing the shares of Atlanta Ltd. Hence, the source of funds of the above companies with dates of deposit of the same into the company accounts needs to be examined in detail.

Announcements made by the company to the Stock Exchange

- 2.5 The Stock Exchange had received following announcements/news from the company during the period September 25, 2006 to January 16, 2007. The table below also contains details of verification made by the Stock Exchange with company in respect of price sensitive news appeared in the newspaper and reply received from the company on the same.

SL	Date	Announcements
1.	16/10/2006	Board meeting on October 23, 2006 to consider and enter into joint venture for undertaking new real estate projects and to discuss means of finance for the joint venture i.e. shares/warrants on preferential basis.
2.	19/10/2006	The Mumbra bypass BOT Project of the company shall be completed in the month of January 2007 and toll collection will also commence in January 2007.
3	25/10/2006	The Board at its meeting held on 23/10/2006 has decided ? To enter into joint venture with Thakural Constructions for new real estate projects and approved the joint venture agreement. ? Preferential issue of warrants for 27 lac convertible into equity shares to the promoters and other strategic investors and ? To convene an extraordinary meeting of the members of the company on 23/11/2006 for seeking approval of the members for the preferential issue of warrants.
4.	02/11/2006	Atlanta – EGM on November 23, 2006 EGM of the members of the company will be held on 23/11/2006 to increase the authorized share capital of the company, to issue, offer and allot upto 27 lac warrants out of which 18 lac warrants are being issued and allotted to promoter group and the balance 9 lac warrants to domestic / foreign investors and / or bodies corporate (the Preferential Shareholders) on preferential basis convertible into 27 lac equity shares of Rs. 10/- each at a price of Rs. 316/- per share (Rs. 10/- face value + Rs. 306 premium) wherein the names of the proposed allottees is as follows : Promoters : a) Mr. Rajhoo Bbarot : 9 lac maximum no. of warrants to be allotted. b) Mr. Rikiin Bbarot : 9 lac maximum no. of warrants to be allotted Non Promoter Body Corporate : a) Winstar ecom Pvt. Ltd. – 4 lac maximum no. of warrants to be allotted

SL	Date	Announcements
		b) Spotlight Securities Pvt. Ltd - 3 lac maximum no. of warrants to be allotted c) Ellis Equity Advisors Pvt. Ltd.–2 lac maximum no. of warrants to be allotted
5.	24/11/2006	News verification by the Exchange: With reference to the news item appearing in the media entitled “Atlanta bags Rs. 520 cr. real estate projects”, the company clarified that the company does not have any knowledge about the claims made in the news regarding securing the orders worth Rs. 520 crores for constructing commercial complexes in Hyderabad and Mumbai. The fact of the matter is that the company is in process of acquiring land in Hyderabad and Mumbai for development and is in the process of bidding for the parking plaza project in Mumbai. The estimated cost of all these projects will be around Rs. 520 crores.
6	28/11/2006	The company informed BSE that the members at the EGM held on 23/11/2006, inter alia, have accorded to the following : a) Authority to Board to issue, offer and allot upto 27 lac warrants out of which 18 lac warrants are being issued and allotted to promoter group and the balance 9 lac warrants to domestic / foreign investors and / or bodies corporate (the Preferential Shareholders) on preferential basis convertible into 27 lac equity shares of Rs. 10/- each at a price of Rs. 316/- per share (Rs. 10/- face value + Rs. 306 premium) wherein the names of the proposed allottees is as follows : Promoters : a) Mr. Rajhoo Bbarot : 9 lac maximum no. of warrants b) Mr. Rikiin Bbarot : 9 lac maximum no. of warrants Non Promoter Body Corporate : a) Winstar ecom Pvt. Ltd. – 4 lac maximum no. of warrants b) Spotlight Securities Pvt. Ltd. : 3 lac maximum no. of warrants c) Ellis Equity Advisors Pvt. Ltd. – 2 lac maximum no. of warrants b) Increase in authorized share capital of the company. c) Alteration in article 3(a) of Articles of Association of the Company.
7	12/12/2006	Atlanta – Outcome of Board Meeting The company informed BSE that the Board of Directors at its meeting held on 08/12/2006 has transacted following business : a) Revision of the price of 27 lac warrants convertible into 27 lac equity shares of Rs. 10/- each which were resolved to be issued at a price of Rs. 316 per warrant (Rs. 10/- face value + Rs. 306/- premium) to Rs. 317.50 per warrant (Rs. 10/- face value + Rs. 307.50 premium). b) Allotment of 27 lac warrants convertible into 27 lac equity shares of Rs. 10/- each issued at a price of Rs. 317.50 per share (Rs. 10/- face value + Rs. 307.50 premium) to the following applicants : ? Mr. Rajhoo Bbarot (Promoter) – 9 lac no. of convertible warrants ? Mr. Rikiin Bbarot (Promoter) - 9 lac no. of convertible warrants ? Winstar ecom Pvt. Ltd. (Non Promoter Body corporate) – 4 lac no. of convertible warrants ? Spotlight Securities Pvt. Ltd. (Non Promoter Body corporate) – 3 lac no. of convertible warrants ? Ellis Equity Advisors Pvt. Ltd. (Non Promoter Body corporate) - 2 lac no. of convertible warrants

SL	Date	Announcements
8	26/12/2006	Atlanta Limited has informed the Exchange that "the Company has entered into a Memorandum of Understanding with NG Realty Private Limited, Ahmedabad for setting up a Special Economic Zone at Village Rajoda & Vasna Chacharwadi, Taluka Bavla in Ahmedabad district. The SEZ Company has acquired 230 hectares of land and entails an investment of Rs. 1000 crores. The Company will acquire 50% shareholding of NG Realty Private Limited."
9	8/1/2007	News Verification by the Stock Exchange: The Business Standard had reported on January 05, 2007 that Atlanta Limited is planning to dilute 15% of its promoters' stake to fund expansion projects. Further, the company is also planning a foray into airport maintenance and related services. The Exchange, in order to verify the accuracy or otherwise of the information reported in the media and to inform the market place so that the interest of the investors is safeguarded, had written to the officials of the company. Atlanta Limited has vide its letter inter-alia stated, "We would like to clarify that, in an interview with the media, we have told only about our business plans which we are considering and possible means of finance for those plans. We have not yet finalised anything reported in the news item."
10	9/1/2007	Atlanta Limited has informed the Exchange that Meeting of the Board of Directors of the Company was held on 9th January, 2007 and interalia transacted the following business (1) Took on record the Unaudited Financial Results (Provisional) for the third quarter ended 31st December, 2006. (2) Ratified the decision of the Management Committee of Board to enter into Memorandum of Understanding with N.G. Realty Private Limited."
11	16/01/2007	Atlanta Limited has informed the Exchange that: "Meeting of the Board of Directors of the Atlanta Limited was held today 16th January, 2007 on scheduled time at 2.30 p.m. and concluded at 5.30 p.m. and interalia transacted the following business: 1) Approve the split of the face value of the shares of the company from Rs.10/- share to Rs.2/- share. 2) Increase of Authorised Capital from Rs. Twenty three Crores to Rs. Thirty Crores. 3) Further fund raising to finance the business expansion plans. 4) To call an Extra Ordinary General Meeting of the shareholders of the Company on Friday, 16th February, 2007 to accord necessary approvals for the above matters".

Verification of announcements by SEBI:

- 2.6 It was observed from the above that the company had made a slew of announcements to Stock Exchange regarding future business plans. Further, it was observed from the verification made by the exchange that Business Standard (BS) in its edition 5/1/2007 carried news related to the future business plans of Atlanta Ltd, which BS claimed to have obtained during an interview with Shri Rajoo Bbarot, Managing Director of the company. It was reported in the newspaper that Atlanta Limited is planning to dilute 15% of its promoters' stake to fund expansion projects and that the company is also planning a foray into airport maintenance and related services for which it will be investing Rs. 200 cr each for projects of SEZ, road constructions, car parking plazas, airport maintenance and real estate. It was also reported that Atlanta is exploring the options of raising Rs. 300 crore by way of securitization of revenues from the Mumbai by- pass BOT project and the company is planning to develop a Rs. 1200 crore food processing SEZ in Gujarat with a joint

venture partner. It was found that the Shri Rajoo Bbarot, Managing Director of the company had disclosed the price sensitive news to newspaper "Business Standard" and the same was not notified to the Stock Exchange. However, upon verification by the Stock Exchange, the company admitted to not having finalised the said plans. But this clarification to the Exchange had not been disseminated to the press and therefore the investors were left with a false impression of the company's prospects.

2.7 In view of the above, SEBI vide letter dated 17/01/2007 advised the company to clarify as to why the said announcements were not notified to the Stock Exchange and to submit the relevant documents on the basis of which Shri Rajoo Bbarot, Managing Director of the company had made the announcements in the media. In reply, the company vide letter dated 22/01/2007 to SEBI admitted that in an interview with the reporter of Business Standard, they had made only general discussions regarding the new opportunities/ventures which the company is looking at and possible means of finance for undertaking these opportunities. The company further stated that the Stock Exchanges in this case were not notified since in the past they had advised the company to make declaration of only those events and plans which have been finalized by the company. Accordingly, they did not inform the matter, which appeared in the Business Standard, to the Stock Exchange as nothing was finalized in the matter. In this regard, the company had enclosed a copy of letter to BSE which shows that it had withdrawn announcements made to the Stock Exchange on 26/10/06 regarding initiation of discussion with foreign companies for forming joint venture in the mining sector, as the plans were not finalized.

2.8 Further, the company has furnished copies of documents viz. advertisements issued by Brihanmumbai Mahanagarpalika (BMC), newspaper reports and MOUs to show the basis for the announcements made by Shri Rajoo Bbarot regarding the plans to foray into airport maintenance and related services and road constructions, car parking plazas, airport maintenance, SEZ projects and real estate. On perusal of the documents furnished by the company, following is observed:

? Car parking plazas: The Company has furnished a copy of BMC advertisement that appeared in Times of India dated 1/11/06 inviting sealed offer for construction of underground car parks. It is observed that the last date for submission of tender was 30/11/06 whereas the interview of Shri Bbarot was made on 5/1/07 regarding company's plans for foray in car parking plazas.

? Airport maintenance: The Company has furnished a copy of unnamed newsletter dated 8/6/06 which is citing a UNI report that the approval had been granted by a committee on infrastructure for modernization of 35 non-metro airports. It was observed from the said newsletter that there was no mention of any specific project or receipt of bids.

? Special Economic Zone: The company has furnished a copy of MOU dated 25/12/06 entered into by the Company with NG Realty Private Ltd (10th Floor, Astron Tech Park, Satellite Cross Road, Ahmedabad-380015) which showed that Atlanta Ltd will hold 50% stake in NG Realty Pvt Ltd (NG) which is setting up a Special Economic Zone (SEZ), Gallops SEZ, near Ahmedabad for engineering units spread over 230 hectares and acquisition of land for the SEZ is completed by NG. It was stated in MOU that some approval for setting of the SEZ is already taken by NG and formal approval from Govt of India is expected to be received by end of January 2007. Further, on perusal of further documents furnished by the company vide letter dated 24/1/2007 showed that NG had *only received "in-principal"* approval on 7/4/06 from Govt of India to the proposal for setting up a SEZ. Further, it was noted that the NG had made a

proposal dated 16/9/06 to Govt of India for enhancement in the land area of SEZ from 127 hectares to 230 hectares.

2.9 Hence, from the above, it is seen that despite the stock exchange's advice, the company and its Managing Director had continued to make announcements in the media about the future plans of the company, which had neither been finalized by the company nor received approval of relevant authorities. As admitted by the company, it was making announcements of unverified events in the media, which were only in the realm of probability and it was forced to withdraw the same as the stock exchange did not accept such announcements. Further, upon verification of documents for making such announcements, the company could not produce any documents other than copy of newsletter and advertisements issued in the newspaper. The above details prima facie show that the company and its Managing Director disingenuously created and employed every opportunity to project a rosy picture of the company's performance and prospects by making misleading and premature announcements, which was possibly done to generate investor interest in the scrip and to shore up its stock price. This appears even more plausible given the further announcement of a proposed stock split, which was to be approved in a board meeting scheduled for 16th February 2007.

2.10 Hence, the statements/announcements made by company prima facie appear fraudulent in nature with an intention to mislead and deceive the general investor public.

Financial performance of the company

2.11 The company announced its financial results for the quarter ending December 2006 on 6/1/2007. The details are given below:

Particulars	01-Oct-2005 to 31-Dec-2005 (Rs.lakhs)	01-Jul-2006 to 30-Sep-2006 (Rs.lakhs)	01-Oct-2006 to 31-Dec-2006 (Rs.lakhs)
Net Sales	3916.69	2148.30	9351.53
Other Income	25.85	1.30	11.42
Gross Income	3942.54	2149.60	9362.95
Increase/Decrease in Stock	15.67	-178.21	76.81
Consumption of Raw Materials	2914.52	1470.95	4745.88
Staff Cost	97.94	102.62	98.66
Total Expenditure (Excluding Other Expenditure)		1395.36	4921.35
Other Expenditure	82.69	90.24	125.32
Total Expenditure	3110.82	1485.60	5046.67
Interest	336.75	229.85	92.86
Profit(+)/Loss(-) Before Depreciation & Taxes	336.50	434.15	4223.42
Depreciation	158.47	143.15	143.14
Profit(+)/Loss(-) Before Tax	178.03	291.00	4080.28
Provision for Taxation	140.64	62.79	382.44
Other Provisions		0.00	0.00

Particulars	01-Oct-2005 to 31-Dec-2005 (Rs.lakhs)	01-Jul-2006 to 30-Sep-2006 (Rs.lakhs)	01-Oct-2006 to 31-Dec-2006 (Rs.lakhs)
Misc Expd. w/o		0.00	0.00
Net Profit(+)/Loss(-)	195.86	228.21	3697.84

2.12 The company while announcing the quarterly results ended December 2006 had also made following announcements in the media:

- ? Growth of 139% in Net sales, 419% in operating profits and 1788% in net profit for the three months ended December 2006 as compared to previous year Quarter ended December 2005.
- ? Toll-based Mumbra Bypass to be operational by February 2007
- ? Setting up on engineering SEZ on the outskirts of Ahmedabad Spread over on area of 230 hectares
- ? Executing coal contract mining project for Mahanadi Coal Fields at two mines in Orissa.
- ? Developing commercial complexes and mini residential townships in Mumbai and its outskirts.

Verification of financial results:

2.13 It is observed that the company had reported a very high growth of 139% in Net sales and 1788% in Net profit in the financial results declared for the quarter ended December 2006 as compared to quarter ended December 2005. On the basis of details furnished on projects that contributed to the increase in the income of the company during the said period, viz. project and contract value along with date of award/commencement/completion of contract, it prima facie appears that certain projects which commenced a few years back have suddenly generated substantial revenue in Oct-Dec, 2006 quarter. In respect of certain other projects, which are in the initial stage of implementation, the company stated to have generated revenue of around 30% of the contract value. Verification revealed that Balaji Tollways-Nagpur Project with a contract value of Rs. 207.63 cr, which commenced on 25/9/2006, contributed Rs. 59.71 to the quarterly income of Atlanta Ltd. It was observed that an income of Rs. 59 crore was shown as received from the Balaji Tollways-Nagpur Project. This income could not be authenticated from statements received across two different banks; receipts of around Rs. 42 crore in one account were traced to the IPO funds of the company and receipts of 7 crore in the other were only transfers of funds from the first account at most they constitute receipts and not income as projected. This latter account lends itself to certain intrigue since it appears to be a temporary account commencing with a zero balance on 27/9/2006 (stock listing was on 25/9/2006) and entries found only for the period up to 13th October 2006. Alternatively, Rs 57.1 crore of grants receivable from National highway Authority of India, as stated in the prospectus, may have been a possible source of receipts. Hence, the accounting policies and practices followed by the company need to be independently examined to ascertain whether they reflect the true and fair position of the company's financial statements or whether the company has employed different revenue recognition methods for different projects in order to show higher revenue in order to hoodwink lay investors.

- 2.14 **Major clients who have made large net purchases in the scrip of Atlanta Ltd.:** The report submitted by NSE and BSE Exchanges indicated that the connected clients of three groups viz. Manish Marwah/Dilip Nabera Group, Atul Shah Group and Nirmal Kotecha Group have mainly made large net purchases in the scrip of Atlanta Ltd during the period September 25, 2006 to December 12, 2006.

The clients were prima facie found to be connected to each other by having common address and/or common directors as per the KYC documents and earlier analysis obtained from Stock Exchanges and Depositories. Further, details with regard to addresses and paid-up capital of the said clients, which are incorporated as companies, were downloaded from the website of Department of Company Affairs. The details of such clients are given below:

A. Entities connected with Manish Marwah/Dilip Nabera group:

1. Dilip Nabera
2. Manish Marwah
3. Sadhana Dilip Nabera
4. Adhunik Finance Private Ltd
5. Emerging Capital Advisors Limited
6. Hem Kanak Mercantile Private Ltd
7. Mayrose Capfin Private Limited
8. Samradha Finstock Private Limited
9. Strategic Research Intelligence Limited
10. Sparkline Mercantile Co. Private Ltd
11. Neol Equity Research Private Limited
12. Eden Realty Private Limited
13. Him Realty Private Limited
14. Ellis Equity Advisors Private Limited
15. Spot Light Securities Private Limited
16. Winstar E-Com Private Limited

B. Atul Shah group

1. Giraben Shah
2. Amiben Shah
3. Rajshah Enterprise Pvt. Ltd
4. V K TRADING CO. (Vikram Kalubhai Chavda
5. Charmi Investments
7. M N Consultancy (Maheshbhai Narottam Patel)

C. Nirmal Kotecha group:

1. Nirmal Kotecha
2. M. D. Kotecha
3. Shweta Nirmal Kotecha

D. Jain Orna Pvt Ltd: Address of the clients is at A/3, Image Flats, Near Lavanya society, Vasna, Ahmedabad. As per ROC details, paid-up capital of the company shown as Rs. 49.53 lacs. Following persons are directors of the company:

- ? Rakshit Bhupatrai Lotia, A/3, Image Flats, Near Lavanya society, Vasna, Ahmedabad-7
- ? Mukeshbhai Manubhai Shah, 702, Samrajya Tower, Memnagar Dricve In Road, Ahmedabad-57.
- ? Bhagwatiben Rohitkumar Shah, 16k, Haripark Flats, Near Ankur Bus stop, Naranpura Ahmedabad-13
- ? Trishul Rohitkumar Shah, 16k, Haripark Flats, Near Ankur Bus stop, Naranpura, Ahmedabad-13

E. Volga International Ltd: Address of the clients is at SA/4, Arjun Complex, Opp. Jai Shefali Raw Houses Ahmedabad. As per ROC details, paid-up capital of the company shown as Rs. 1 lacs. Following persons are directors of the clients are:

- ? Pranav Ashwinbhai Sheth, 2805, Zaveri Ni Pole, Relief Road, Ahmedabad-1
- ? Shital Manubhai Sheth, 4/B, Anand Dham Society, Kiran Park, New Vadaj, Ahmedabad

Price-volume movements in the shares of the company

- 2.15 The shares of the company on NSE and BSE listed on September 25, 2006 and opened on NSE and BSE at Rs. 175.55 and Rs. 170.00 respectively against the issue price of Rs. 150/-. At NSE, the price of the scrip closed at Rs. 192.30 before touching a high of Rs. 208.65 with a traded volume of 1,28,67,315 shares on the day of listing. Similarly at BSE the price of the scrip closed at Rs. 192.30 before touching a high of Rs. 209.50 with a traded volume of 1,12,03,665 shares on the day of listing. The combined volume traded at NSE and BSE was 2,40,70,980 shares which represented 559.79% of the total number of shares issued in IPO (43 lakhs shares).

At NSE, it was observed that price of scrip had then declined to Rs 186.50 in the next 4 trading days i.e. 26/9/2006 to 29/9/2006 with an average daily traded quantity of 17,12,758 shares. The price then started rising from Rs. 187 on October 3, 2006 to reach Rs. 407.90 on November 7, 2006. During this period, the average daily traded quantity was 32,30,615 shares. The price of scrip continue to rise in the subsequent period i.e. it went up from Rs. 409 on November 8, 2006 to reach a high of Rs. 1329.15 on December 12, 2006 before closing at Rs. 1202.65. It was observed that average trading volume was only 4,88,017 during the price rise of Rs. 920 during November 8, 2006 to December 12, 2006.

Similar price and volume trend was observed in BSE. During Period-I i.e. period September 25, 2006 to November 07, 2006, the price increased by around 150% in 30 trading days with erratic volumes wherein the average daily volume of shares traded were 29,77,578 shares. During Period II i.e. period November 08, 2006 to December 12, 2006, the price increased by around 228% in 25 trading days with erratic volumes wherein the average volume of shares traded were 3,96,219 shares.

- 2.16 **Top 15 clients on net basis in the shares of Atlanta Ltd at NSE and BSE:** As per analysis of trading by Stock Exchange, following clients were the top net buyer and net sellers in the scrip of Atlanta Ltd for period I and Period II at NSE and BSE:

- ? during the period-I (i.e. September 25, 2006 to November 7, 2006), entities connected with Manish Marwah/Dilip Nabera group were top purchasers with a net purchase quantity of around 7.4 lacs shares (combined quantity at NSE and BSE). Other buyers were entities connected to Atul Shah group (399640 shares), Jain Orna Pvt Ltd (634102 shares) and Volga International Ltd. (346145). During this period the sellers were mainly QIBs from their allotments in the IPO issue, as detailed in next paragraph.
- ? during the period-II (i.e. November 8, 2006 to December 12, 2006), Nirmal Kotecha group were the top purchasers with a net purchase quantity of around 6.6 lacs shares (combined quantity at NSE and BSE). Other buyers were entities connected to Atul Shah group (49895 shares) and entities connected with Manish Marwah/Dilip Nabera group. Sellers were Volga International Ltd (545254 shares), Jain Orna Pvt Ltd (309641 shares), Kothari (100000 shares) and entities connected with Manish Marwah/Dilip Nabera group (54500 shares).

2.17 Dealing by QIBs, MFs and HNIs: Analysis of report and trading data submitted by NSE and BSE indicated that the QIBs, MFs and HNIs, who were allotted shares in IPO issue, were the top net sellers on first two days of listing day i.e. 25/9/2006 and 26/9/2006. In view of above dealings of QIBs in the Stock Exchanges, data obtained from depositories was analyzed to ascertain the extent of off-loading of shares by QIBs. Concomitantly, purchase of shares on the same days by the above mentioned groups of investors/clients was also gathered and analysed. It is prima facie observed that QIBs/MFs have collectively sold around 1066000 shares and HNIs/NILs have sold around 66000 shares on the first two days of trading. By September 30, 2006 i.e. within six days of listing QIBs who were allotted 20,50,000 shares in IPO were holding only 1,05,174 shares i.e. about 5% of their total allotment. It was prima facie observed that the investor groups/clients, including Manish Marwah/Dilip Nabera group entities, were the net buyers 10,56,165 shares during the period when the QIBs sold their shares with an amount invested of Rs 20.63 Crores.

2.18 It is also observed that the value of the delivery taken by the above clients in the scrip of Atlanta Ltd is many times more than the income shown by these clients in the KYC forms. Details of purchases and financial capacity are given below. As per the details obtained from Registrar of Companies (ROC), the paid-up capital of the above individual company is minuscule as compared to large delivery taken in the scrip of Atlanta Ltd, e.g value of delivery of shares taken by certain entities of Marwah/Nabera group ranged from Rs 0.96 Crores to Rs 6.42 Crores. Hence, the source of funds for taking such large delivery of shares of the company needs to be looked into in detail. The details of deliveries taken by the entities vis-à-vis their income declared in the Know Your Client (KYC) form is as given below:

Trading Date	Client Name	Broker	Net pur (shares)	Closing price for the day in Rs.	Value of Shares bought Rs. Cr	Declarations regarding Income etc in KYC	KYC document dated
6-Dec-06	Rajshah Enterprises Pvt Ltd	Indiabulls Sec	58700	1093.4	6.42	Net worth of 249.92 lacs at March 31, 2006	20-Sep-06
11-Dec-06	Nirmal N Kotecha	Indiabulls Sec	46000	1265.85	5.82	30 lacs	30-Nov-04
28-Sep-06	Mayrose Capfin Pvt Ltd	Navratan Capital & Sec	200000	188.3	3.77	Loss as per BS dated 31 Mar 2004	30-Sep-04

Trading Date	Client Name	Broker	Net pur (shares)	Closing price for the day in Rs.	Value of Shares bought Rs. Cr	Declarations regarding Income etc in KYC	KYC document dated
6-Dec-06	V & U Caplease Pvt Ltd	Indiabulls Sec	29000	1093.4	3.17	0.30 lac profit	31-Mar-02
6-Dec-06	M D Kotecha	Kotak Sec	27737	1093.4	3.03	No declarations	11-Oct-01
25-Sep-06	Jain Orna Pvt Ltd	Indiabulls Sec	130000	192.3	2.50	Loss as per BS dated 31 Mar 2005	19-Feb-06
9-Nov-06	V. B. Investment		50300	432.45	2.18	5 to 10 Lac	KYC not dated
25-Sep-06	Volga International Ltd	Religare Sec	100000	192.3	1.92	Paid up capital of Rs. 5 Lac. as on 31/05/05 still to start operations	1-Nov-06
11-Oct-06	Emerging Capital Advisors Ltd	Insight Shares	60000	283.85	1.70	No declarations	Not dated
3-Oct-06	Samradha Finstock Pvt Ltd	Aryan Shares	50000	192.15	0.96	1 to 5 Lacs	19-Sep-05

It prima facie appears that the monitoring of risk levels of clients by the trading members is inadequate or the documentation maintained by them with respect to their clients' financial position is outdated, since the trading and delivery positions of clients are disproportionate with their respective stated financial capacities. Further, in value of transactions inconsistent with the financial standing of the client, it needs to be examined as to whether the concerned brokers/depository participants have reported such suspicious transaction to Financial Intelligence Unit-India (FIU-IND) in terms of SEBI circular no. ISD/CIR/RR/AML/1/06 dated 18/1/2006 and ISD/CIR/RR/AML/2/06 dated 20/3/2006. This may require detailed examination by the concerned stock exchanges and depository participants, both of which serve as levels of screening of capacity and activities of clients.

- 2.19 Manish Marwah/Dilip Nabera group entities as detailed in above paragraphs had purchased substantial quantity of shares in the market as compared to total market net purchase quantity. Certain of its group entities were already holding shares of the company even prior to the public issue in their role as 'strategic investors'. Data obtained from Depositories was analyzed to identify the holdings of entities belonging to the Manish Marwah/Dilip Nabera group for the period September to December 2006, as per the details given below:

Sole / First Holder Name	Depository	DP Id	Client Id	As on 30/09/06	As on 31/10/06	As on 30/11/06	As on 31/12/06
Emerging Capital Advisors Ltd	NSDL	IN302927	10052704	206456	356456	381451	371451
Emerging Capital Advisors Ltd	CDSL		1203840000038038			35518	35518
Emerging Capital Advisors Ltd	CDSL		1203330000007514				10000
Samradha Finstock Private Limited	CDSL		1203900000004040		123000	162900	160900
Mayrose Capfin Pvt Ltd	NSDL	IN301604	10027529				166931

Mayrose Capfin Pvt Ltd	CDSL		1201060000422381		99915	48913	4913
Adhunik Finance Private Limited	CDSL		12038600000000751		25000	25000	17000
Sparkline mercantile co. Pvt. Ltd	CDSL		12032300000027678		20000	10000	
V And U Caplease Private Limited	CDSL		12029900000539968				19369
Him Realty Private Limited.	Physical	Pre-IPO		250,000	250,000	250,000	250,000
Neol Equity Research Private Limited	Physical	Pre-IPO		100,000	100,000	100,000	100,000
Eden Realty Private Limited	Physical	Pre-IPO		50,000	50,000	50,000	50,000
				606456	1024371	1063782	1186082
			Voting Rights (%)	3.72	6.28	6.52	7.27

It is seen from the above that the group entities which were holding **606456** shares representing around 13% of the issue size and floating stock in the market (43 lakhs shares) as at 30th September, had raised their holdings to **1186082** on 31st December 2006. It was observed that shareholding of Emerging Capital Advisors Ltd, who was allotted 56,456 shares in IPO, steeply increased to 206,456 shares by September 30, 2006 and that none of the remaining entities were allotted shares in the IPO issue. From the above, it prima facie appears that entities connected with Manish Marwah/Dilip Nabera had cornered major quantity of floating stock of Atlanta Ltd. The cornering of shares by entities connected with Manish Marwah/Dilip Nabera, the slew of announcements made by the company and its Managing Director, which were misleading and premature in nature and the proposed plans for stock split, prima facie appears to have been made with an intention to induce purchases of share of Atlanta Ltd. Hence, it may not be coincidental that the price of the scrip had shot up during the same period.

2.20 The entities connected with Manish Marwah/Dilip Nabera group were holding 400000 shares (shares are under lock-in upto September 2007) which were placed with them six months prior to the IPO issue by Atlanta Ltd. The said shareholding of 400000 shares represented around 2.5% of voting rights of total post-issue capital of the company. Subsequently, in the IPO issue, one of the group entity viz. Emerging Capital Advisors Ltd had received 56456 shares in the HNI/NII category. Thereafter, once shares were listed and traded on the Stock exchange, Manish Marwah/Dilip Nabera group entities as detailed in above paragraphs had purchased substantial quantity of shares in the market as compared to total market net purchase quantity. The details of aggregate holding of the said group as at the end of each month starting from September, 2006 to December 2006 are as given in the table above shows that voting rights held by the entities connected with Marwah/Nabera group (termed as acquirer) had amounted to more than 5% of the voting rights of the company since October 31st 2006. In terms of Regulation 7 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulation 1997, the acquirer and the company are required to disclose to the Stock exchanges, the holdings of acquirer upon their crossing of the threshold of 5% of voting rights. The acquirer and the company had failed to comply with this disclosure norm.

In view of firstly, the pre-IPO placement of shares amounting to 2.46% to Marwah/Nabera group entities, secondly, the company announcement labelling these entities as 'strategic investors', thirdly, the data of stock exchanges revealing the intent of the group through its purchase and cornering of substantial number of shares and finally, the company issuing convertible warrants to other entities of the same group, within two months of the IPO, at an attractive price as compared to that prevailing in the market, it prima facie appears that Manish Marwah/Dilip Nabera group are linked to company and promoters and are acting in concert. Hence, when holding of entities of the Marwah/Nabera group (7.27%) is combined with that of the promoters (70.55%), then public

holding in the company falls below 25% of the total capital, which is a minimum statutory requirement under Securities Contract (Regulation) Rules, 1957 for purpose of a company to remain listed on the stock exchange. Therefore, shares of the company are not eligible to continue to be listed on the Stock Exchange in terms of Rule 19 of SC(R)R, 1957. This would require promoters to buy back the shares from the public under SEBI SAST Regulations.

2.21 **Allotment of convertible warrants -- post IPO**

The Board of Atlanta in its meeting held on 23/10/2006 decided upon a preferential issue of 27 lac warrants convertible into equity shares to the promoters and other strategic investors. Accordingly, approval for issue of warrant was obtained in the EGM held on 23/11/2006. On December 8, 2006, the company had issued 27 lac warrants out of which 18 lac warrants were allotted to promoter group and the balance 9 lac warrants to 3 non-promoter body corporate. The company while applying for in-principal approval for listing of 27 lakhs shares with the Stock Exchange had confirmed that it had complied with the SEBI guidelines on preferential for the above issue of convertible warrants. The 27 lac warrants can be converted into 27 lac equity shares of Rs. 10/- each at a price of Rs. 317.50 per share (Rs. 10/- face value + Rs. 307.50 premium) within 18 months of allotment of warrants. It was also stated that a sum equivalent to Rs.31.60 per warrant (10% of warrant price) as per SEBI (Disclosures and Investor Protection) Guidelines 2000 will be received on or before the date of allotment of said warrants and balance amount would be received at the time of conversion of warrants into equity shares. The names of the allottees are as follows:

Promoters:

Allottees	Issue Price (Rs.)	No of warrants	Subscription amount : 10% of Issue price at time of allotment of warrants @Rs. 31.75	Balance Amount to be paid on conversion
a. Mr. Rajhoo Bbarot	317.50	9 lac	Rs. 2.8575 crores	Rs. 25.71 crores
b. Mr. Rikiin Bbarot	317.50	9 lac s	Rs. 2.8575 crores	Rs. 25.71 crores

Non-Promoter Body Corporate (Entities connected with Manish Marwah/Dilip Nabera)

Allottees	Issue Price (Rs.)	No of warrants	Subscription amount: 10% of Issue price at time of allotment of warrants (@Rs. 31.75.	Balance Amount to be paid on conversion	Paid-up capital as ROC details
c. Winstar ecom Pvt. Ltd.	317.50	4 lac	Rs. 1.27.00 cr	Rs. 11.43 cr	Rs 10 lacs
d. Spotlight Securities Pvt. Ltd	317.50	3 lac	Rs. 95. 25 Lakhs	Rs 8.5725 cr	Rs. 49.90 lacs
e. Ellis Equity Advisors Pvt. Ltd	317.50	2 lac	Rs. 63.50 Lakhs	Rs. 5.71 cr	Rs. na

2.22 As per the explanatory statement in notice for EGM called for getting the approval of the shareholders for the issue of convertible warrants, it was stated by the company that in view of growth opportunity in real estate business the management has decided to form a joint venture with Thakural Constructions, Mumbai in which 75% stake will be held by Atlanta and 25% will be of Thakural Constructions, Mumbai. The company needs around Rs.12 crores for acquiring land, starting construction, etc. and out of this Atlanta share will be around Rs.9 crores. In view of this, they have proposed to issue warrants of the company on preferential basis to the above mentioned persons.

2.23 It was seen that the company decided to raise funds to the tune of R 85.72 crore, being 136% of the funds raised in the IPO, within two months of an IPO by issuing warrants on a preferential

basis. Upon conversion within 18 months this would result in issue of additional 27 lacs shares, which works out to around 62% of the total issue size of IPO. Further, it was observed that preferential issue of warrants were priced at Rs.316 on 2/11/2006, but by the time the initial financial commitment of 10% was collected on 8th December 2006, the market price of the scrip had risen to Rs 1204. It was also noted that out of the 27 lacs warrants, 9 lacs were issued to three entities all of which are connected with Manish Marwah / Dilip Nabera Group as per the details given earlier in the table indicating linkages of different entities. In view of low floating stock as confirmed in preceding paragraphs, continued price spiral accompanying an issue of convertible warrants followed by a proposal for a stock split, an analysis of flow of funds related to the allotment of warrants revealed the following:

2.24 Company received around Rs. 8.55 crores during December 6-8, 2006 in "Atlanta Limited Escrow Account" No.0612012806 opened with Development Credit Bank Limited (DCB) (Andheri East Branch). The funds were received from the allottees in the following manner:

- ? Shri Rajhoo Bbarot transferred Rs.2.8575 crores on 8/12/2006 from his bank account No.061111745 maintained with DCB Andheri Branch. On 6/12/2006 the account received a credit of Rs.3.75 crores, from Jagdambe Entertainment Limited from their bank account (No.1232002100031788) maintained with Punjab National Bank, Nariman Point Branch. It was also noticed that on the same date itself, Rajhoo Bbarot had received a credit of Rs.3.75 lacs from Atlanta Limited and the same amount was transferred to Jagdambe Entertainment Ltd, which prima-facie appears to be a commission paid to Jagdambe Entertainment Ltd for possible loan of funds.
- ? Shri Rikiin Bbarot transferred Rs.2.8575 crores on 8/12/2006 from his bank account No.061111727 maintained with same DCB Andheri Branch. The account had received funds from following entities:
 - ✍ On 8/12/2006, Rs.1.06 crores received from Rajhoo Bbarot (promoter) from his above mentioned DCB Andheri Branch account.
 - ✍ On 7/12/2006, Rs.30 lacs received from Prakash Motiram Ahuja from his bank account (No.444302010006134) maintained with Union Bank of Baroda, Ambedkar Road, Bandra West Branch. It was observed that in turn, Prakash Motiram Ahuja had received Rs.30 lacs on 10/10/2006 from Atlanta Limited from their DCB Andheri Branch bank account.
 - ✍ On 6/12/2006, Rs.50 lacs received from Kishore P.Thakural from bank account (No.369101010021034) maintained with Union Bank of India, Juhu Tara Road Branch.
 - ✍ On 7/12/2006, Rs.50 lacs received from Smita Doshi (connected to promoter Doshi) from her bank account (No.04200100009288) maintained with Bank of Baroda, Ville Parle West Branch.
 - ✍ On 7/12/2006, Rs.40 lacs received from Mukund C.Doshi (connected to Doshi promoter) from his bank account maintained with HSBC Ville Parle Branch, Mumbai.
 - ✍ On 7/12/2006, Rs.10 lacs received from Mukund C.Doshi (connected to promoter Doshi) from his bank account maintained with HDFC Andheri West Branch.

? Entities connected with Manish Marwah/Dilip Nabera viz. Winstar E-com Pvt. Limited, (A/c No.01500200016542 – UTI Bank, New Delhi Palam Branch), Spotlight Securities Pvt. Ltd, (A/c No.1300000009270 – HDFC Bank, New Delhi Palam Branch), Ellis Equity Advisors Pvt. Ltd, (A/c.No.053073383 – HSBC Mumbai Branch) had paid Rs.1.27 Crores, Rs.95.25 lakhs and Rs.63.50 lakhs respectively to the company. It was observed that on the previous day to its payment to the company, Spotlight Securities Pvt. Ltd had received its funds from Winstar E-com, which in turn had received funds from Second Realtors Pvt Ltd. Source of funds of Second Realtors Pvt Ltd (a Delhi based entity) needs to be examined in detail. It was also seen that Ellis Equity had received Rs. 65 Lakhs from Parmanand Khandwala from their HDFC Bank A/c, Ahmedabad, though routed through another group entity, Him Realty Ltd. Shri Parmanand Khandwala is the Chairman of Khandwala Integrated Financial Services Ltd. Reasons for funding Manish Marwah entity by Khandwala group needs further examination. As per the details obtained from Registrar of Companies (ROC), it was observed that the paid-up capital of Winstar ecom Pvt. Ltd., Spotlight Securities Pvt. Ltd and Ellis Equity Advisors Pvt. Ltd is minuscule as compared to funds which were required to be paid by them for getting the allotment of shares of Atlanta Ltd.

Utilisation of funds received in Atlanta Escrow Account

- 2.25 Atlanta Escrow Account received Rs. 8.55 crores from the allottees and transferred it to the bank account of Atlanta-Thakural Constructions-JV (A/c No.061215116) maintained with DCB Andheri Branch.

Utilisation of funds received in Atlanta-Thakural Constructions-JV

- 2.26 It was observed that the JV account also received Rs. 2.83 crores through inward RTGS on 23/12/2006 from the bank account A/c of Balaji Tollways Ltd maintained with Punjab National Bank (PNB), Ilaco House, Mumbai, which were confirmed to be from the Atlanta IPO Proceeds maintained with PNB. Out of Rs.11.38 crores received in the account of Atlanta-Thakural Constructions, it was noticed that Rs.5.47 crores was transferred to Atlanta Limited in their bank account No.0612012097 maintained with DCB Andheri Branch on various dates between 11/12/2006 to 05/01/2007. The remaining account of Rs. 6 cr was transferred to the bank account no. 31161 of Neptune Wire Pvt. Limited maintained with Dena Bank, Ville Parle Branch. Thus the funds received in JV account were emptied in a manner that aroused suspicion since every outflow was matched by yet another funds movement on the very same day to entities connected to promoter or the promoter itself. The reason for completely depleting the JV account may not be in consonance with the avowed objectives of setting it up nor with the announcements made by the company to its investors.

Utilisation of funds received in Atlanta Ltd from Atlanta Thakural Constructions-JV

- 2.27 It was observed that out of the funds of Rs. 5.47 crores received by Atlanta Limited, it had utilised the funds in following manner:

? On 05/01/2007, Rs. 3.74 crores was transferred to the promoter, Rajhoo Bbarot, who in turn returned the money to Jagdambe Entertainment Ltd. on the same day. This confirms the temporary loan facility, for which interest of Rs. 3.75 lacs was also paid, and the

promoter prima facie appears to have utilised the funds of Atlanta Ltd for paying his allotment money for the warrants as also the interest amount to m/s Jagdambe. This ensured a book entry for the contribution of the promoter in the records of the joint venture of Atlanta Thakural Constructions.

? On 11/12/2006, Atlanta Ltd transferred funds to two entities apparently owned by the promoters-Gopi Mercantile Pvt. Limited which received Rs. 28.26 lacs and Muni Trade Pvt. Limited which received Rs.29 lacs. On the same day, both the entities had transferred these funds to the bank a/c no. 319801010020480 of Jorss Bullion maintained with Union Bank of India (UB), Zaveri Bazar Branch. Jorss Bullion in turn had transferred the funds on 11/12/2006 to the bank account no. 319804040023854 of Puspak Bullion Pvt Ltd (same UBI branch) which was apparently used to buy Gold of Rs 57.26 lacs.

? Atlanta Ltd. also transferred Rs.61 lacs to Kalpana Agencies, which belong to Doshi promoters since they had also part-financed the allotment money.

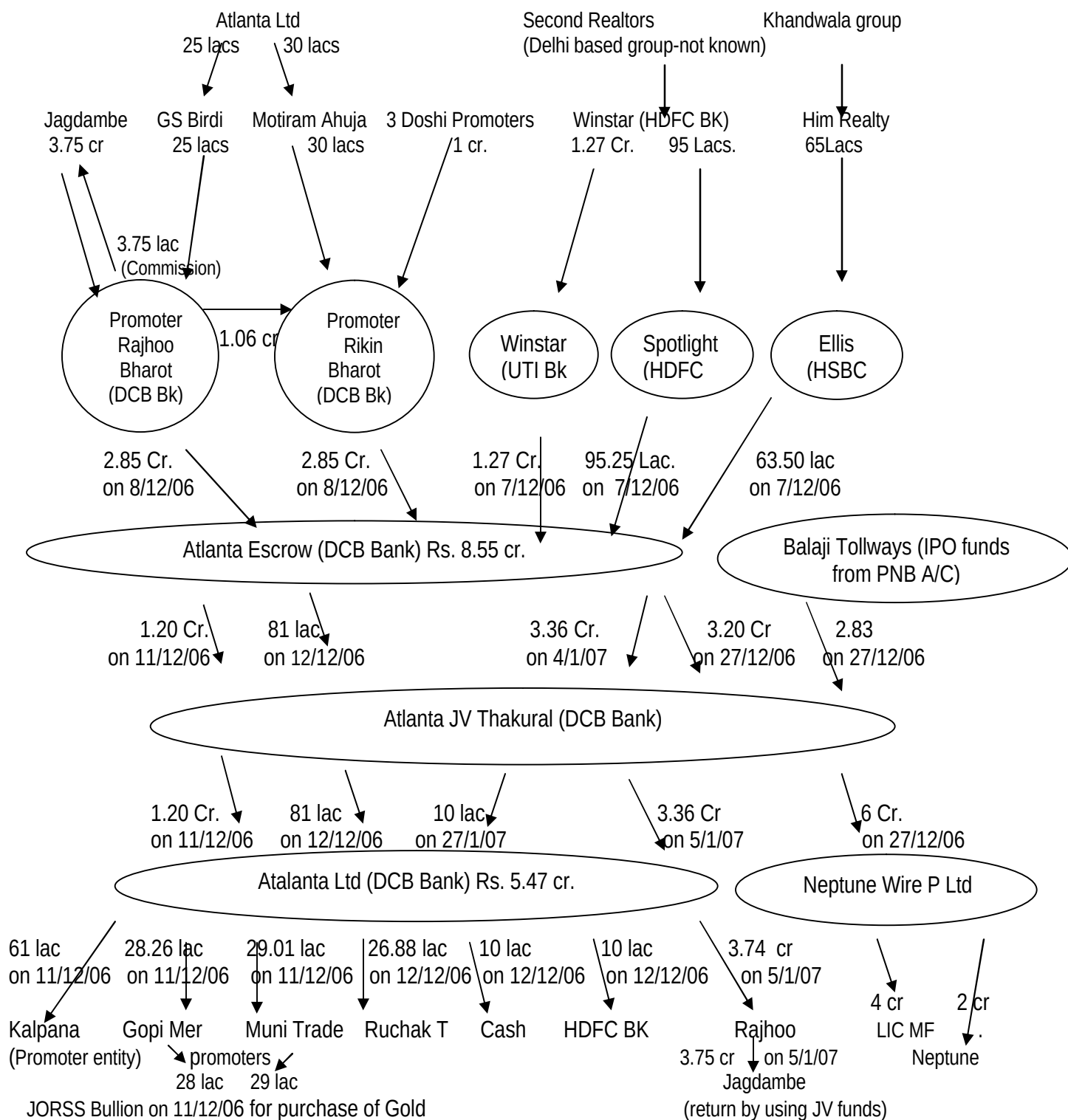
? Ruchak Trading Company Ltd. received Rs.28.88 lacs,

? Alang shipbreakers received two tranches of Rs 25 lacs each; company is part of the Jagdambe group and has earlier received funds from Atlanta Ltd.

? RTGS to HDFC Bank for Rs.10 lacs and cash withdrawal of Rs.10 lacs. Details of utilisation need to be examined further.

2.28 It was observed that out of the Rs. 6 cr. received by Neptune Wire Pvt. Ltd from bank account of Atlanta Thakural Constructions-JV, Rs.4 crores was invested in LICMF Liquid Fund and the remaining amounts of Rs. 2 cr were transferred to group entities and to family members of the directors of Neptune Wire Pvt. Limited. The address of Neptune Wire Pvt. Limited is at 112, Sonawala Road, Goregaon East, Mumbai-400063. Directors are Mr. Hasmukh R. Mehta-Managing Director and Mr. Devendra H. Mehta-Director. A mix of IPO and warrants funds transferred from Atlanta Thakural Constructions-JV to Neptune Wire Pvt. Ltd require further examination since the purpose of raising funds was for new projects.

A pictorial representation of the above fund flow is given in the following page:



Hence from the above, it is seen that the funds received by the company on account of issue of warrants were first registered in the rightful account only to be surreptitiously transferred back to various entities including those from whom the promoters had obtained funds for subscribing the warrants. Further, the above analysis of bank account shows that promoters deceived the public shareholders to obtain shares without making payments from their own funds. From the above, it prima facie appears that the company has not utilized the funds for the stated purpose of issue of warrants as claimed by company in EGM notice i.e. for acquiring land, starting construction through the joint venture with Thakural. Hence, it prima facie appears that purpose and urgency to make preferential issue of convertible warrants immediately after IPO issue was to grant a right/option to the promoters and Marwah/Nabera entities to acquire 18 lacs shares and 9 lacs shares respectively at a future date (within 18 months of allotment) at a price of Rs. 317.50 when the ruling share price of the company on 28/11/2006 was around Rs. 815 with further expectation of price increase (share quoted at 1446 on January 2007). The financial statements of and announcements by the company prima facie appear to be misleading in nature with an intention to deceive the general investor public and misuse the market mechanism for self aggrandisement.

Probable mis-use of proceeds of IPO funds

- 2.29 It was prima-facie revealed that the company had used the IPO proceeds to fund the financiers of the promoter by routing the money through web of bank accounts. In view of this, information received was compared with stated utilisation of IPO proceeds as found in the prospectus for IPO, which indicated deployment of IPO funds was for the following purposes:

(Rs in million)		
Sr. No.	Particulars	Fund Requirement
1.	Investment in BOT Project	429.20
2.	Purchase of plant and machinery for Mining activities	80.74
3.	Real Estate Projects	50.00
4.	Purchase of plant and machinery for construction and real estate business	54.90
5.	Repayment of high cost debt	100.00
6.	Incremental working capital requirement	100.00
7.	Issue Expenses	51.16
	Total Fund Required	866.00

Utilisation of funds kept in "IPO Proceeds Monitoring A/c Atlanta Ltd."

- 2.30 It was gathered that Rs. 64.50 cr of IPO proceeds were kept in a separate account in Punjab National Bank (PNB) named as "IPO Proceeds Monitoring A/c Atlanta Ltd.". On 26/9/2006,
- ? Rs. 42.92 crores was transferred to the PNB account of Balaji Tollways Ltd
 - ? Rs 3.4 cr were transferred to account of Atlanta Ltd with PNB
 - ? Rs 3.1 cr. and Rs 5.0 cr. were transferred through RTGS for repayment of debt
 - ? Rs. 2.83 was transferred to the DCB account of Atlanta-Thakural Constructions on 23/12/2006, which was utilised along with funds received through warrants for making payments to various entities.

The details of utilisation of IPO funds transferred in the PNB account of Balaji Tollways Ltd and Atlanta Ltd is as given below:

Utilisation of funds received in the PNB account of Balaji Tollways Ltd

- 2.31 Out of 42.92 cr of IPO funds received by Balaji Tollways, Rs. 20.76 cr was immediately transferred to the current account of Atlanta Ltd maintained with PNB on 26/9/06. Further, on 28/9/06, Balaji Tollways transferred Rs. 6.3 cr to its another account opened in DCB bank, which prima facie appears to be a temporary account opened (on 27/9/2006) for a circular routing of funds since payments were immediately made to other accounts of Atlanta and this account had no transaction after 13/10/2006. The prospectus of company indicates that an amount of Rs 42.9 crore was to be infused in an SPV, Balaji Tollways for increase of company holding to 74% from the existing 34% for which company's existing contribution was at Rs 1.29 crore. Payment of this amount for an additional holding of 40% in the SPV and reasons for the money to be immediately transferred out from the SPV back to Atlanta accounts, require detailed examination.
- 2.32 Utilisation of IPO funds received in DCB account of Balaji Tollways Ltd. from PNB account
Analysis of DCB account of Balaji Tollways Limited (DCB A/c no. 061215204) which had received IPO funds of Rs 6.3 cr on 28/9/06 from its PNB account shows that funds were transferred immediately on 28/9/06 to Atlanta Ltd in their DCB A/c (Rs. 3.20 cr), Atlanta Ltd (Rs. 1.65 cr) and HDFC Bank A/c of Atlanta (Rs. 1.45 cr).

Hence, from the above, it is seen that IPO funds which were transferred to Balaji Tollways as per the purpose stated in the prospectus was routed to several accounts of Atlanta Ltd maintained in DCB and PNB. The need for circuitous routing of funds through Balaji Tollways requires to be examined. The details of utilisation of IPO funds from various accounts of Atlanta Ltd is as given below

Utilisation of funds received in PNB account of Atlanta Ltd from IPO Proceeds Monitoring A/c Atlanta Ltd and Balaji Tollways.

- 2.33 It was seen that PNB account of Atlanta Ltd had received IPO funds of Rs. 20.67 cr on 26/9/06 and Rs. 1.65 cr on 28/9/2006. It was seen that out of the said IPO funds, PNB account of Atlanta Ltd had made various payments including RTGS transfers to the tune of 15.16 crore to various entities, including Rs 1.0 crore to 'Self' and Rs. 60 lacs to its own account in DCB Bank. Utilisation of transfers of Rs. 15.16 requires further examination. Further, various payments aggregating to Rs. 2.14 cr were made to its own account in DCB Bank.
- 2.34 Further, other than IPO funds, Atlanta Ltd had transferred funds to Alang Shipbreaker for amounts summing up to around Rs 3.75 crore; this is an entity of the group belonging to Bansal family that owns Jagdambe Entertainment Ltd and Zoom trade Pvt Ltd and from whom the promoters received Rs 3.75 crore for making payments to the Atlanta Ltd for subscribing the warrants.

Utilisation of IPO funds received in DCB account of Atlanta Ltd.

- 2.35 The proceeds of supposedly IPO funds received in DCB A/c of Atlanta Ltd were prima facie found to be used in the following manner.

? Rs. 34.53 lacs were transferred on 4/10/06 to Ideal Toll Road Investments & Operations Pvt. Ltd (a subsidiary of Atlanta Ltd DCB A/c no. 0612012080) who in turn had transferred

Rs.34.37 lacs on 5/10/06 to family members of the promoter directors viz. Dhaval Barot (DCB A/c no. 061109193), Rekha Barot (DCB A/c no 06111722), Atul Barot (DCB A/c no. 06111772), Rajoo Bbarot (DCB A/c no. 06111745) who in turn had transferred funds to Bharat Infrastructure and Engineering Pvt Ltd (DCB A/c no. 06120122 and 061240273). Bharat Infrastructure and Engineering Pvt Ltd is yet another company of the promoters, which prima facie acts routes funds to both Ideal Toll Road and family members who in turn deal with accounts of the promoters. Further, Rikiin Bbarot (DCB A/c no. 06111727) and Bhavana Barot (DCB A/c no. 06111736), who received funds from Ideal Tollways, have then paid around Rs. 30 lacs on 6/10/06 to Dedhia Jewellers apparently for purchase of gold.

- ? Rs. 43 lacs was transferred to another SBI account of Atlanta A/c. Utilisation of which requires further examination.
- ? Funds were transferred to Shri Tejas Shah (Rs. 10 lacs) on 6/10/06, details of which requires further examination
- ? Company had withdrawn Rs.1.55 Crores in cash from the said account with the largest single withdrawal of 70 lacs on 4/10/06, details of which requires further examination

Hence, it may be seen that IPO funds were routed through Balaji Tollways and deposited in several accounts of Atlanta in DCB and PNB to be utilised in the manner described above. The need for circuitous routing of funds through Balaji Tollways requires to be examined. Hence, it prima facie appears that the company has diverted the IPO proceeds other than the purpose stated in the prospectus.

- 2.36 **Allotment of shares to employees of Atlanta Ltd:** As per the list of shares allotted in the public issue obtained from the Registrar to the Issue and as per the basis of allocation of shares, the company had allotted 200000 shares to 17 employees, the details of which are mentioned below:

1. SACHIN JAIN
2. BHARAMU SIDDAPPA KORIGERI
3. SHASHIKANT DESAI
4. MINAL LALIT KAKU
5. BHARATI S SHETTY
6. RAJENDRA KUMAR KHATRI
7. UTTAM KRISHNA SAWANT
8. LILLY JACOB
9. IDA WILSON PINTO
10. ARPAN MANHAR BRAHMBHATT
11. BRINDA VISHAL SHAH
12. ULHAS NATHU Bhole
13. RADHAKRISHNAN GOVINDA PILLAI
14. SIDHU RAJARAM SABLE
15. KUNDLIK BHAPKAR
16. VILAS VISHNU MANE
17. MAHADEV DATTATRAY SHINDE

- 2.37 Analysis of the off-market data obtained from depositories revealed that above employees have mainly transferred shares through off-market and majority of transfers were made to the entities connected with the company including one of promoter-director of the company. The details of which are as given below:

Name of person to whom Employees transferred the shares	Category	Qty
KISHORE PITAMBERDAS THAKUREL	Company connected person	20514
KISHORE THAKURAL (second variant of same name)	Company connected person; Funded four employees (Desai , Kaku etc)for Rs 189000; received 1700 shares and Rs 15090 in return	1700
MUKUND C DOSHI (first variant of same name)	Connected to promoter Funded employee khatri for Rs 444,250; received 1700 shares and Rs 23370 in return	5726
MUKUND CHIMANLAL DOSHI (second variant of same name)	Connected to promoter	5726
SMITA DOSHI	Connected to promoter Funded employee khatri for Rs 444,250	5714
MUKUND DOSHI (third variant of same name)	Connected to promoter	5712
MITUL MUKUND DOSHI	Connected to promoter Funded employee 'Desai for Rs 344,250	5666
KUBER CAPITAL SERVICES PVT LTD	Connected to promoter(address same) Funded employee Jacob and Pinto and received 4296 shares and Rs 631440 in return	4296
SHADILAL CHOPRA	Director of associate company Funded 10 employees to the tune of Rs 9 lac each written out on 5/9/06 from cheque no.914280 to 914289; received shares and return of funds from employees.	52036
VIKRAM KUMAR JAIN	Received shares from Sachin Jain, company secretary.	17440
PINE TREE CONSULTANTS PVT LTD .	Received shares from Sachin Jain, company secretary. Funded employee Sachin Jain and received 8725 shares and Rs 600,000 in return	8725
JAY THAKURAL	Company connected person Funded employee Khatri and Pinto and received 2168 shares and Rs 26,400 in return	2168
		135423

- 2.38 Perusal of bank statement of employees shows that all employees or persons allotted shares under employee quota have received funds from one among the members of Doshi family, Kishore or Jay Thakural, Shri Shadilal Chopra, which was then utilized to make payments towards subscribe money in the IPO issue. The shares received under the employees' quota were then transferred back to the financiers through off-market transactions. The compliance officer of the company Shri Sachin Jain also indulged in the same practice. A few cases are illustrated below:

- ? Minal Lailit Kaku has made a payment of around Rs.26.39 Lakhs for subscription amount. It had received Rs 9 lakhs from Shadilal Chopra, Rs.1.55 Lakhs from Harpreet Singh Sablok, Rs. 2.43 Lakhs from Mahesh Khanna, Rs.1.48 Lakhs from Sunita Khanna.

Subsequently an amount of Rs.0.64 Lakhs was transferred back to Harpreet Singh Sablok, Rs.0.83 Lakhs to Mukund C.Doshi (Promoter of the company). All these financiers received off-market transfers from Minal Kaku.

- ? Shasikant Champaklal Desai has made a payment of around Rs.27.74 Lakhs for subscription amount. It had received Rs.3.44 Lakhs from Mitul M.Doshi, Rs. 9.00 Lakhs from Shadilal Chopra, Rs.1.89 Lakhs from Kishore Thakural. Subsequently an amount of Rs.0.28 Lakhs was transferred back to Mitul M.Doshi, Rs.0.45 Lakhs to the escrow account as late as 6th October 2006, Rs 0.15 lakh to Kishore Thakural and Rs 0.73 lakh to Shadilal Chopra.

- 2.39 It was observed that of the 2 lacs shares allotted through employees' quota, 1.35 lacs shares were transferred to promoter entities or connected persons who had financed the purchase by the employees. This was done in a premeditated manner to the extent that balance funds were also paid back to the financiers alongside the share transfer, which prima facie appears to be with the connivance of the company. This appears more plausible given the behaviour of the company secretary Shri Sachin Jain who also indulged in the above apparently orchestrated exercise. It was prima facie found that Doshi family, Kishore or Jay Thakural, Shri Shadilal Chopra, have then sold some of the shares in the market.
- 2.40 It prima facie appears that the employee quota in IPO issue was misused through a web of transactions whereby the entities connected with promoter, director of associate company and other company connected persons could obtain shares of the company and profit by selling in the market. This was in the backdrop of shares having been cornered by Manish Marwah/Dilip Nabera group entities, as well as other known market groups, favourable announcements made by the company and the close links established between the company and Manish Marwah/Dilip Nabera group prior to the IPO itself.

3. Prima facie observations

- 3.1 The company had come out with an initial public offer for issue of 43 lacs equity shares of Rs. 10 each for cash at a price band of Rs. 130-150 per equity share aggregating Rs. 5590-6450 lakhs through the Book Building Route in September 2006. The issue constituted 26.38% of the post-issue capital of the company, since the existing holdings (locked in for a year) were 1.20 crore shares with the promoters (70.55%) and 500000 shares privately placed with by four non-promoter entities (3.07%). The said non-promoter entities were allotted shares at Rs.120 in December 2005 and January 2006. Out of these 43 lacs equity shares, the net offer to the public of 41 lacs equity shares were allotted to Qualified Institutional Buyers (QIBs) - 20.50 lacs shares, Non-institutional investors - 6.15 lacs shares and Retail investors - 14.35 lacs shares, representing 50%, 15% and 35% of the net public offer respectively and 2 lacs (1.23% of post issue capital) equity shares were reserved for the employees of the company. Therefore at the outset itself the issue was designed such that the 'net public holding' (at 25.15%) was just skirting the prescribed minimum threshold of 25% for the company to become eligible for listing.
- 3.2 The shares of the company were listed on BSE and NSE on September 25, 2006. On the day of listing, the price of the shares opened at around Rs. 170/- i.e. at 13.33% premium over its offer price of Rs 150/- and the close price was around Rs. 192/-. The price of the scrip started rising from October 3, 2006 onwards and touched a high of Rs 1329 on December 12, 2006. The price of the scrip increased by 681% in 55 trading days. During the period from September 25, 2006 to November 7, 2006 (Period-I), the price of scrip increased from Rs. 170 to Rs. 407.90 and the average daily traded quantity was 32,30,615 shares. During the period November 8, 2006 to December 12, 2006 (Period-II), the price of scrip continued to rise i.e. from Rs. 409 on November 8, 2006 to Rs. 1329.15 on December 12, 2006 before closing at Rs. 1202.65 with average trading volume at only 4,88,017 shares.
- 3.3 It was revealed that during the period-I, QIBs, who were allotted 20.50 lacs in IPO, collectively sold around 1066000 shares on the first two days of trading and by September 30, 2006 i.e. within six days of listing, QIBs were holding only 1.05 lac shares i.e. about 5% of their total allotment. It was observed that shares were mainly purchased by the connected clients of three groups viz. Manish Marwah/Dilip Nabera Group, Atul Shah Group and Nirmal Kotecha Group during the period from September 25, 2006 to December 12, 2006.
- 3.4 It was found that the entities connected with Manish Marwah/Dilip Nabera group were holding 400000 shares (shares are under lock-in up to September 2007) which were privately placed with them six months prior to the IPO issue by Atlanta Ltd. The said shareholding of 400000 shares represented around 2.5% of voting rights of total post-issue capital of the company. Subsequently, in the IPO issue, one group entity viz. Emerging Capital Advisors Ltd had received 56456 shares in the HNI/NII category. Upon listing, Manish Marwah/Dilip Nabera group entities had additionally purchased substantial quantity of shares in the market as compared to total market net purchase quantity, such that aggregate holding of the said group and their equivalent voting rights had moved up to 7.27% by December 27, 2006. It is prima facie inferred that entities connected with Manish Marwah/Dilip Nabera had cornered a significant quantity of an already narrow floating stock of Atlanta Ltd., whilst already in possession of 4 lacs shares or 2.5% of the post issue capital that had been privately placed with them prior to the public issue. In terms of Regulation 7 of SEBI

(Substantial Acquisition of Shares and Takeovers) Regulation 1997, an acquirer and the company are required to disclose to the Stock exchanges, the holdings of acquirer upon their crossing of the threshold of 5% of voting rights. It prima facie appears that the entities constituting the group under the combined control of Shri Manish Marwah and Shri Dilip Nabera as well as the company had failed to comply with this disclosure norm.

- 3.5 It further transpired that the company had made a preferential issue of 27 lacs warrants on December 8, 2006 (at Rs. 317.50) to 2 promoter entities (9 lac warrants each) and 9 lacs warrants to three non-promoter body corporate, which were also found to be entities under the control of Manish Marwah/Dilip Nabera group. In view of this action of the company, in conjunction with the findings from trading data as also the company's announcement of 25/10/2006 labelling these beneficiary entities as 'strategic investors', it prima facie appears that Manish Marwah/Dilip Nabera group are linked to company/promoters and acting in concert. Hence, when holding of entities connected with Marwah/Nabera group is combined with the promoters holding of 70.55%, the public holding in the company falls below the minimum statutory requirement of 25% of the total capital for the purpose of a company to remain listed on the stock exchange, under provisions of Securities Contract (Regulation) Rules, 1957. Hence, it prima facie appears that shares of the company are not eligible to continue to be listed on the Stock Exchange which would require the promoters to buy back shares from the public under SEBI SAST Regulations.
- 3.6 It was found that when the entities connected with Marwah/Nabera group were cornering the shares, the company and its Managing Director made statements/announcements which prima facie appear to be misleading in nature with an intention to deceive the general investor public. Announcements were made about the future plans of the company, which had neither been finalized by the company nor received approval of relevant authorities. Despite advice of the stock exchange not to make premature announcements, the company chose to go directly to the media with all kinds of futuristic announcements without any satisfying or tangible basis. This prima facie showed that the company and its Managing Director disingenuously created and employed every opportunity to project a rosy picture of the company's performance and prospects by making misleading and premature announcements, which was possibly done to generate investor interest in the scrip and to shore up its stock price. This prima facie appears even more plausible given a further announcement of a proposed stock split and therefore it may not be coincidental that the price of the scrip had shot up during the same period.
- 3.7 Further, it was observed that the company had reported a very high growth of 139% in Net sales and 1788% in Net profit in the financial results declared for the quarter ended December 2006 as compared to quarter ended December 2005. On the basis of details furnished on projects that contributed to the increase in the income of the company during the said period, it prima facie appears that certain projects which commenced a few years back suddenly generated substantial revenue in Oct-Dec, 2006 quarter. In respect of certain other projects, which are in the initial stage of implementation, the company stated to have generated revenue of around 30% of the contract value. Verification revealed that Balaji Tollways-Nagpur Project with a contract value of Rs. 207.63 cr, which commenced on 25/9/2006, contributed Rs. 59.71 to that very quarterly income of Atlanta Ltd. This income could not be authenticated from statements received across two different banks; receipts of around Rs. 42 crore in one account were traced to the IPO funds of the company and receipts of Rs. 7 crore in the other were only transfers of funds from the first account at most they constitute receipts and not income as projected. This latter account lends itself to certain intrigue

since it appears to be a temporary account commencing with a zero balance on 27/9/2006 (stock listing was on 25/9/2006) and entries found only for the period up to 13th October 2006. Alternatively, Rs 57.1 crore of grants receivable from National highway Authority of India may have been a possible source of receipts. The accounting policies and practices followed by the company need to be independently examined in detail to verify whether the company has employed different revenue recognition methods for different projects in order to show higher revenue in order to hoodwink lay investors.

- 3.8 It was stated by the company that in view of a growth opportunity in real estate business the management had decided to form a joint venture with Thakural Constructions, Mumbai in which 75% stake will be held by Atlanta and 25% will be of Thakural Constructions, Mumbai. The company needed around Rs.12 Crores for acquiring land, starting construction, etc. and out of this Atlanta share will be around Rs.9 Crores. On December 8, 2006, the company invited the funds arising from issue of 18 lac warrants to promoter group and 9 lac warrants to 3 entities as described in 'E' above. Perusal of bank statements revealed that the funds received by the company were immediately transferred back to various entities, including promoter entities, from whom the promoters had obtained funds for subscribing the warrants. It appears that the promoters have deceived the public shareholders in order to hike own shareholding in the company, at a low price compared with the market price, without making payment from their own funds, in seeming compliance. It prima facie appears that the company has not utilized the funds for the stated purpose of issue of warrants, as these were diverted to various entities. The purpose and urgency for the preferential issue of convertible warrants, immediately after an IPO issue, appears to be to grant a right/option to the promoters and Marwah/Nabera entities to acquire 18 lacs shares and 9 lacs shares respectively, within 18 months of allotment, at a price of Rs. 317.50 (when share was quoted at Rs 815) with further expectation of price increase (share quoted at Rs. 1446 on January 17, 2007). This action lends itself to increasing concentration of shares in the hands of promoters and persons acting in concert with it, thereby constituting an abuse of the stock exchange mechanism and its listing process at the cost of lay investors.
- 3.9 Further, it was revealed that out of the Rs. 64.50 crores raised in the public issue, the company transferred Rs. 42.50 crore to Balaji Tollways Ltd. in order to enable the company to enhance its holding to 74% of the shares of Balaji Tollways. Yet, it was found that around Rs. 20.92 crores were immediately transferred to the account of Atlanta Ltd. and Rs. 6.3 crores were transferred to another account of Balaji Tollways Ltd. maintained with Development Credit Bank (Andheri). It was further found that from both these accounts funds were routed to several accounts of Atlanta Ltd. maintained with Punjab National Bank and DCB. Payments from these accounts were made to several entities including promoters, other promoter entities and financiers of the promoters. Hence, IPO funds which were transferred to Balaji Tollways, as per the purpose stated in the prospectus, were then diverted to various accounts of Atlanta Ltd. only to be further transferred for prima facie unauthorised purposes, which require detailed investigation.
- 3.10 Further, it was prima facie revealed that the employee quota of the IPO issue was misused through a web of transactions whereby entities connected with promoter and other company connected persons, contrived together the funding of application money to employees in return for off-market transfer of shares to themselves. This enabled them to profit by selling in the market or hold on to the shares for expected future gains.

- 3.11 Hence, it prima facie appears that the company, promoters, their strategic investors and other related entities of Marwah/Nabera group have abused the stock exchange mechanism, the listing agreement, and regulations related to preferential issue of securities to unfairly maximize their wealth at the cost of the lay investor. The above prima facie findings shows that company, its promoters and entities connected with them seems to have violated Regulation 2(1)(c)(9), Regulation 3 and Regulation 4 of SEBI (Prohibition of Unfair Trade Practices) Regulations, 2003 and SEBI (Disclosure and Investor Protection) Guidelines, 2000.
- 3.12 SEBI is initiating formal investigations into the matter. Hence, in the meanwhile, having regard to the finding of the preliminary analysis as above, if the entities as discussed above are allowed to continue in the market, the same is fraught with possible abuse of exchange and trading mechanism and misuse of funds raised through the issue of securities, to their unjust advantage at the cost of investing public. This is all the more plausible in view of the decision made by the company to further alter its capital structure through a stock split in the ratio of 1:5 and by proposing to issue FCCBs of \$ 200 million to Foreign Institution Investors. SEBI being the regulator has the responsibility to take proactive measures to prevent such persons from committing further such acts. Accordingly having regard to the materiality of circumstances of the case immediate action is warranted to safeguard the interests of the investing public and market.

4. Order

- 4.1 Therefore, in order to protect the interest of investors and the integrity of the securities market, I, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the Securities and Exchange Board of India Act 1992 read with Sections 11(1), 11B and 11(4)(b), pending investigation and passing of final order, I hereby issue the following directions, by way of ad interim, ex-parte order that:
- 4.2 The following promoters and entities connected with the company/directors/company secretary of the company are directed not to buy, sell or deal in securities of Atlanta Ltd, directly or indirectly, till further directions in this regard
1. Rajhoo Bbarot,
 2. Rikin R Bbarot,
 3. Bhavana R Bbarot,
 4. Ridhima M Doshi,
 5. Rajendra A Bbarot,(HUF)
 6. Ambalal P Barot (HUF),
 7. Mitul M Doshi,
 8. Shri Mukund Doshi, the company connected person
 9. Ms Smita Doshi, the company connected person
 10. Shri Sachin Jain, Company Secretary ,
 11. Shri Kishore Thakural, partner in Atlanta Thakural Constructions
 12. Jay Thakural, partner in Atlanta Thakural Constructions
 13. Shri Shadilal Chopra, director of associate company
 14. Kuber Capital Services Pvt Ltd
 15. Vikram Kumar Jain

16. Pine Tree Consultants Pvt Ltd

4.3 Further, Atlanta Ltd is directed that it shall not issue any equity shares or any other instruments convertible into equity shares, in any manner, or shall not give effect to any alteration in its capital structure in any manner till further directions in this regard.

4.4 Manish Marwah, Dilip Nabera and following entities connected with them are directed not to buy, sell or deal in securities of Atlanta Ltd Ltd, directly or indirectly, till further directions in this regard

1. Sadhana Dilip Nabera
2. Adhunik Finance Private Ltd
3. Emerging Capital Advisors Limited
4. Hem Kanak Mercantile Private Ltd
5. Mayrose Capfin Private Limited
6. Samradha Finstock Private Limited
7. Strategic Research Intelligence Limited
8. Sparkline Mercantile Co. Private Ltd
9. Neol Equity Research Private Limited
10. Eden Realty Private Limited
11. Him Realty Private Limited
12. Ellis Equity Advisors Private Limited
13. Spot Light Securities Private Limited
14. Winstar E-Com Private Limited

4.5 Further, the exchanges are directed to, not approve the listing of convertible warrants and listing of shares issued on conversion till further directions.

4.6 Further, the depositories are directed not to dematerialize the convertible warrants and shares issued upon conversion and not to give effect to the stock split, till further directions.

4.7 The Depositories shall not give effect to any transfer of shares of Atlanta Ltd. lying in the beneficial owner accounts of the entities mentioned above at para no. 4.2 and 4.4.

4.8 The above order shall take effect immediately. However, the entities/persons against whom this order is issued may file their objections, if any, to this order within 15 days from the date of this order at the Securities and Exchange Board of India, SEBI Bhavan, C4-A, G-Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051.

Place : Mumbai

Date : 22/2/2007

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