

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

In the matter of 1) Sun Infoways Ltd. 2) Shri Anil Pujari 3) Shri Tanvir Zaki 4) Shri Pravin Sonalkar 5) Shri Prakash Pangarkar 6) Shri Sanjay P Muthe 7) Shri Arif Mithani 8) Shri Umesh Gowda 9) Shri Hozefa Vohra, 10) Shri Kuldeep Handoo 11) Shri Suman Pandit 12) Shri Ajay Bohra 13) Shri S. Sunil Saxena, 14) Shri Iqbal Rupani, 15) Shri Ashok Kumar Chaudhary 16) Shri Rajesh Kumar Chaudhary 17) Great Eastern Mercantile Pvt. Ltd. 18) Act React Holdings Pvt. Ltd. 19) Adinath Propcon Pvt. Ltd. 20) Apoorva Fincap Pvt. Ltd.. 21) Concept Institute Pvt. Ltd. 22) Laxmi Securities 23) Neha Fincap Pvt. Ltd. 24) Sai Investments 25) Telefinlease Pvt. Ltd. 26) Saksham Financial Services Ltd. 27) Shri Sandip Bohra 28) Shri Rajender Rai

In the scrip of Sun Infoways Ltd.

DATES OF HEARING: 08.06.2007, 29.10.2007 and 15.01.2008

APPEARANCES:

FOR NOTICEES:

1. Shri Sanjay P Muthe
2. Shri Prakash Pangarkar

FOR SEBI

1. Mrs Barnali Mukherjee, DGM.
2. Shri Deepesh M.U, Manager
3. Shri Mohamed Rahaz. P.M, Legal Officer

Order

Under Sections 11 & 11B of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995

1. Sun Infoways Limited (hereinafter referred to as "SIL") promoted by Shri Shrikant Vasant Joglekar and Shri Sujit Shrikant Joglekar was incorporated on June 29, 1994 as Best Mulyankan Consultants Pvt. Ltd. The main object of the company was to render consultancy services for valuation of assets such as land, building, machinery, agricultural land etc. This company was subsequently converted into a public company on June 21, 1995. The name Sun Infoways Ltd. was adopted by the company with effect from May 11, 2000.

2. The shares of SIL were listed on Bombay Stock Exchange (BSE) on May 16, 1996, after the public issue. It was observed that on February 09, 2000, only one trade for 100 shares was executed in the SIL scrip at a price of Rs.10/- per share for total value of Rs.1000/-. However, thereafter the price of the SIL scrip continued to rise and reached to a level of Rs 697/- on September 11, 2000 with volume of 24,800 shares. Considering this sudden spurt in price and volume of SIL shares, Securities and Exchange Board of India (hereinafter referred to as "SEBI") initiated investigations into the possible manipulation in the trading of SIL shares between February 2000 and November 2000.

3. Investigation revealed that Shri Joglekar and his family members sold their stake in SIL (98% of the total equity capital of SIL) in January 2000 to Shri Anil Pujari, Shri Tanvir Zaki, Shri Pravin Sonalkar and Ms Hafeza Vohra for a total consideration of Rs.98,34,659/-. All of them were introduced to Shri Joglekar & his family members by Shri Manish Marwah. Shri Hemant Damodar Mehta, a consultant, introduced Shri Manish Kumar Marwah to Shri Joglekar and his family members. While acquiring 98% of shareholdings from Shri Joglekar's family and relatives (erstwhile promoters of SIL), it was alleged that Shri Anil Pujari, Shri Tanvir Zaki, Shri Pravin Sonalkar and Shri Hafeza Vohra (the acquirers) did not comply with the requirements of Regulations 8(1), 8(2), 10, 11(1) and 11(2) of SEBI (Substantial Acquisition of Shares & Takeover) Regulations 1997 (hereinafter referred to as 'Takeover Regulations').

4. SIL and Zap Infotech Pvt. Ltd. (hereinafter referred to as 'Zap') agreed to merge and in consideration of which SIL issued Rs.55,88,200/- shares of Rs.10.00/- each at a premium of Rs.840/- per share to the promoters of Zap. It was reported to BSE that the Board of Directors of SIL was considering acquisition of Zap in the meeting of Board of Directors dated August 16, 2000. It was further observed from BSE bulletin dated August 17, 2000 that the MOU was approved in this regard.

5. Investigation revealed that the new promoters of SIL and the promoters of Zap namely Shri Arif Mithani and Shri Abbas Mithani valued Zap exorbitantly and unrealistically and ultimately merged a bogus unlisted company, Zap, with SIL. By

this merger, the new promoters of SIL manipulated the books of accounts of SIL as also its share prices through issue of shares at an unrealistic consideration of Rs. 475/- crores whereas the annual accounts of the company ZAP for the year ending March 31, 2000 revealed that the total income of the company was Rs.4.52 crores and a net profit of merely Rs.5 lakhs. Further, it had total assets of only Rs.64 lakhs as on March 31, 2000 out of which fixed assets were only Rs.3 lakhs and balance constituted mainly of sundry debtors. S.S Kothari & Co. had valued Zap to the extent of Rs.359.00 crores as on March 31, 2000 and Rs.790.00 crores as on March 31, 2001. This valuation was exorbitant and done through connivances of SFS who was authorized by Zap to deliver information and clarifications in the matter. SFS also helped S S Kothari & Co Chartered Accountants to over-value Zap.

6. After acquiring SIL shares, the new acquirers/directors who acted in concert with the related entities viz Act React Holdings Pvt. Ltd.(ARH) and its director Kuldeep Handoo, Apoorva Fincap Pvt. Ltd. (AFL) and its director Shri S. Sunil Saxena, Great Eastern Mercantile Pvt. Ltd.(GEM) and its director Shri Iqbal Rupani, Neha Fincap Pvt. Ltd and its director Shri Suman Pandit, Concept Institute Pvt. Ltd (CIP) and its director, Shri Sandip Bohra, Adinath Propcon Pvt. Ltd (APP), Telefinlease Pvt. Ltd (TPL), Saksham Financial Services Ltd (SFS), Laxmi Securities, Sai Investments, Shri Rajender Rai, Shri Ashok Kumar Chaudhary, Shri Rajesh Kumar Chaudhary, Shri Ajay Bohra (SIL, its directors and these entities/persons are hereinafter collectively referred to as 'the Noticees' and singularly by their individual name) entered into large volume of trading in the scrip of SIL which resulted in the rise in price of shares from Rs.10/- to Rs.700/- during period February 2000 - September 2000.

7. Accordingly, Show cause notices dated June 08, 2006 were issued to all the aforesaid Noticees advising them to show cause as to why appropriate action under Section 11 B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') including restraining them from accessing the securities market in any manner should not be taken against them for the alleged violations of Regulations 3, 4(a), (b), (c), (d), (e) and 6(d) of SEBI Prohibition of Fraudulent and Unfair Trade

Practices Regulations 1995 (hereinafter referred to as “PFUTP Regulations”). Further, Noticees viz Shri Anil Pujari, Shri Hozefa Vohra, Shri Tanvir Zaki, Shri Pravin Sonalkar and Shri Kuldeep Kumar Handoo were also called upon to show cause as to why directions under Section 11B of the SEBI Act, 1992 read with Regulations 8(1), 8(2), 10, 11(1) & 11(2) of SEBI (Substantial Acquisition of Shares & Takeover) Regulations 1997 should not be passed against them.

8. Shri Asok Kumar Choudhary vide letter dated July 14, 2007 submitted that orders put by him in SIL incidentally matched with the orders put up by Shri Rajender Rai and Shri Rajesh Kumar Choudhary and he had no intention to manipulate the scrip of SIL. He further stated that he never went to the place i.e. 19 A, Arjun Nager, Safdarjung Enclave, New Delhi to meet Kuldeep Handoo or anyone else.

9. Shri Rajesh Kumar Chaudhary vide his letter dated November 30, 2007 stated that he traded in SIL as per the advice of his brother Shri Asok Kumar Choudhary. He also stated that he had made investments in the shares of Reliance, TISCO, HFCL nad Satyam etc. He further stated that he was doing jobbing transactions at the relevant time and his transactions with his brother were only a coincidence while trading through the stock exchanges.

10. Shri Sunil Saxena vide his letter dated October 18, 2007 replied to the show cause notice in his individual capacity and also on behalf of AFL stating that they had made investment in SIL as per the advise of Shri Dhanajay who is a Chartered Accountant. He further stated that they had no relationship with any other entities.

11. SFS while denying the charges levelled against them vide letter dated June 22, 2006, submitted that they had never met any of the directors of Zap / SIL as alleged in the show cause notice. SFS stated that they were never associated with Zap/ SIL in anyway. They further stated that they did not know any of the promoters / directors of SIL and never helped, facilitated or influenced S. S. Kothari & Co., Chartered

Accountants, in any way to enable them to do valuation of Zap as alleged in the show cause notice. They also stated that they have never purchased or sold any SIL shares.

12. Shri Sandeep Bohra vide his letter dated June 23, 2006 replied to the show cause notice stating therein that he had resigned from AFL w.e.f August 31, 1998 and furnished Form 32 in this regard.

13. Shri Ajay Bohra vide letter dated June 23, 2006 replied to the show cause notice stating therein that his transactions in the scrip of SIL were normal market transactions and his traded volume, together with his family members' traded volume was meagre when compared to the total listed capital of SIL. He further stated that he had no connection with the promoters of SIL.

14. Shri Prakash Pangarkar vide letter dated June 22, 2006 replied to the show cause notice stating therein that he had resigned from SIL in 2000 and furnished Form 32 to establish this fact.

15. Shri Sanjay P Muthe vide his letter dated May 17, 2007 replied to the show cause notice stating therein that he had resigned from SIL on February 2, 2000 and also furnished a copy of his resignation letter. He also stated that his resignation was accepted by SIL who filed Form 32 with the Registrar of Companies, Mumbai.

16. Opportunities of personal hearing were given to the Noticees on March 20, 2007 and June 8, 2007. Shri Sanjay P Muthe and Shri Prakash Pangarkar attended the hearing and submitted that they had resigned from SIL in the month of February 2000. Shri Rajesh Kumar Chaudhary was given an opportunity of hearing on January 15, 2008 and his advocate attended the hearing.

17. I have noted that show cause notice was issued to Shri Dilip Nabera, Smt Sadhana Nabera and Adhunik Finance Ltd who have filed consent applications in terms of SEBI Circular No- EFD/Cir-1/2007 dated April 20, 2007. In view of the same, I am not

passing any direction against Shri Dilip Nabera, Smt Sadhana Nabera and Adhunik Finance Ltd. at this stage. However, it would remain open to SEBI to pass appropriate direction/order against them in accordance with law as and when necessary/appropriate.

18. I have carefully examined the Investigation Report, Show Cause Notices, Replies of the Noticees and submissions made at the time of hearing and other materials available on record.

19. I note that the new promoter group purchased 98% of the total equity capital of SIL in January 2000 for a consideration of Rs. 98,34,659/-. It was further observed from the documents filed by SIL at the time of opening of bank accounts with HDFC Bank that Shri Kuldeep Handoo was mentioned as a director of SIL. It is also noted that after acquiring the shares, the new promoters i.e. Anil Pujari, Hozefa Vohra, Tanvir Zaki and Pravin Sonalkar with the help of related entities had entered into large volume of structured / matched deals in SIL shares at considerable higher prices.

20. I observe that consequent to change in shareholding of SIL during January 2000, large scale volumes accompanied with price rise were witnessed in the trading of SIL scrip. The price and volume in the scrip of SIL as on February 09, 2000 were only Rs 10 and 100 shares respectively which reached to Rs 697/- and 24,800 shares as on September 11, 2000. In the circumstances of the case, the rise in price and volume in the scrip of SIL can be attributed only to the trades executed by the new promoters and their front entities. The trading details of each of the entity are discussed in the succeeding paragraphs.

21. Shri Rajesh Kumar Chaudhary executed trades in the scrip of SIL through Growing Securities, a sub broker of NC Jain. Shri Himanshu Kalra, the proprietor of Growing Securities had furnished a list of all the clients who traded through his trading terminal which included the name Shri Rajesh Kumar and Shri. R.K. Chaudhary. On examination, it was found that both are the same person by the name of Shri Rajesh

Kumar Choudhary. Shri Rajesh Kumar Chaudhary inter-alia stated that he was given tip by his brother Shri Ashok Kumar Chaudhary to invest in the scrip of SIL.

22. Examination of the trades conducted by Shri Rajesh Kumar Chaudhary revealed that the counter party to majority of his trades was Shri Rajender Rai. Shri Rajender Rai was a front entity of Shri Kuldip Handoo who in turn is a friend of Shri Ashok Kumar Chaudhary, brother of Shri Rajesh Kumar Chaudhary. From 14.07.2000 to November 10, 2000, Shri Rajesh Kumar Chaudhary purchased 36000 shares from Shri Rajender Rai. Similarly, in the other leg of transactions, Shri Rajesh Kumar Chaudhary purchased 43100 shares during the period July 13, 2000 to November 08, 2000 through the sub broker CompuAction Securities Private Ltd. (hereinafter referred to as "CompuAction"). Their total trades in the scrip of SIL were approximately 1.5% of the total trades during the period under investigation. I note that their trades were in the nature of structured deals and did not end with delivery and they reversed their transactions i.e. buying and selling on both sides for almost the same number of shares on the same day. This reversal in positions of the trades of Shri Rajender Rai (RR) through the sub-broker CompuAction (main broker IKM Investment Services Ltd.) and Shri Rajesh Kumar Chaudhary (Raj2) brother of Shri Ashok Kumar Chaudhary, through the broker N C Jain, during the period under investigation is brought out in the table below:

Date of transaction	Buy member	Sell member	Buy client	Sell client	Total trades
28.07.00	IKM	N C Jain	RR	RAJ2	2000
	N C Jain	IKM	RAJ2	RR	2000
18.08.00	IKM	N C Jain	RR	RAJ2	100
	N C Jain	IKM	RAJ2	RR	2900
22.08.00	IKM	N C Jain	RR	RAJ2	1600
	N C Jain	IKM	RAJ2	RR	200
23.08.00	IKM	N C Jain	RR	RAJ2	2500
	N C Jain	IKM	RAJ2	RR	2500
24.08.00	IKM	N C Jain	RR	RAJ2	2000
	N C Jain	IKM	RAJ2	RR	2000
06.09.00	IKM	N C Jain	RR	RAJ2	2000
	N C Jain	IKM	RAJ2	RR	2000

Date of transaction	Buy member	Sell member	Buy client	Sell client	Total trades
08.09.00	IKM	N C Jain	RR	RAJ2	1000
	N C Jain	IKM	RAJ2	RR	1000
11.09.00	IKM	N C Jain	RR	RAJ2	1300
	N C Jain	IKM	RAJ2	RR	900
12.09.00	IKM	N C Jain	RR	RAJ2	400
	N C Jain	IKM	RAJ2	RR	400
13.09.00	IKM	N C Jain	RR	RAJ2	1400
	N C Jain	IKM	RAJ2	RR	1300
14.09.00	IKM	N C Jain	RR	RAJ2	1400
	N C Jain	IKM	RAJ2	RR	1300
15.09.00	IKM	N C Jain	RR	RAJ2	1200
	N C Jain	IKM	RAJ2	RR	1200
18.09.00	IKM	N C Jain	RR	RAJ2	500
	N C Jain	IKM	RAJ2	RR	500
19.09.00	IKM	N C Jain	RR	RAJ2	1300
	N C Jain	IKM	RAJ2	RR	1700
20.09.00	IKM	N C Jain	RR	RAJ2	700
	N C Jain	IKM	RAJ2	RR	700
21.09.00	IKM	N C Jain	RR	RAJ2	200
	N C Jain	IKM	RAJ2	RR	200
22.09.00	IKM	N C Jain	RR	RAJ2	100
	N C Jain	IKM	RAJ2	RR	100
26.09.00	IKM	N C Jain	RR	RAJ2	1000
	N C Jain	IKM	RAJ2	RR	1000
27.09.00	IKM	N C Jain	RR	RAJ2	3400
	N C Jain	IKM	RAJ2	RR	3400
03.10.00	IKM	N C Jain	RR	RAJ2	800
	N C Jain	IKM	RAJ2	RR	4000
04.10.00	IKM	N C Jain	RR	RAJ2	4000
	N C Jain	IKM	RAJ2	RR	4000
05.10.00	IKM	N C Jain	RR	RAJ2	4000
	N C Jain	IKM	RAJ2	RR	5500

Date of transaction	Buy member	Sell member	Buy client	Sell client	Total trades
08.11.00	IKM	N C Jain	RR	RAJ2	200
	N C Jain	IKM	RAJ2	RR	200

23. It is observed from the above table that that Shri Rajender Rai and Shri Rajesh Kumar Chaudhary had done reversal of positions without actual change in beneficial ownership. The same number of shares were bought and sold i.e. positions were merely reversed on the same day. These transactions were spread across July to November 2000 i.e. well within the period of investigation and gave a misleading appearance of trading resulting in the creation of an artificial market and volumes, thus enhancing liquidity in the otherwise illiquid scrip of SIL.

24. Apart from the above trades, I note that Shri Rajesh Kumar Chaudhary had sold 1200 SIL shares to his brother Shri Ashok Kumar Chaudhary on June 11, 2000 (4 trades – price Rs 329.7) June 29, 2000 (2 trades -price Rs 358.5) and September 04, 2000 (1 trade - price Rs 602). Likewise, Shri Ashok Kumar Chaudhary had sold 800 shares to Shri Rajesh Kumar Chaudhary on April 24, 2000 (price Rs 7), May 18, 2000 (price Rs 130.8), June 21, 2000 (price Rs 318.6) and September 18, 2000 (3 trades – price Rs 560).

25. The trading details of Shri Ashok Kumar Chaudhary through the sub-broker, CompuAction shows that he had started trading in the scrip from settlement no. 47/1999-00 (February 07, 2000 – February 11, 2000) at a price of Rs. 11.34. In the first five settlements he had built up positions at a very low price and then gradually started offloading these shares in small number while at the same time buying some shares of SIL. The total buy and sell position of Shri Ashok Kumar Chaudhary through CompuAction was 60600 shares and 53400 shares respectively during the relevant period. Almost in all these settlements, there were trades done by Shri Ashok Kumar Chaudhary which influenced the price of the scrip of SIL.

26. I note that Shri Ashok Kumar Choudhary purchased 6100 shares from TPL and sold 12900 shares to TPL through an unregistered sub broker, R.S. Investments. The directors of TPL were Shri Suman Pandit, Shri Anil Raina and Shri Manish Marwah.

TPL was introduced to the said sub-broker by Shri Ashok Kumar Chaudhary, who admitted to have traded in the scrip based on information received from Shri Sudesh Kumar Marwah whose son Shri Manish Kumar Marwah himself had traded in SIL scrip.

27. I also note that Shri Ashok Kumar Choudhary sold 9500 shares on August 04, 2000 (8 trades – price 570) and 11.08.2000 (16 trades – price 462) to Shri Rajender Rai through R.S Investments.

28. I further note that in all the transactions executed by Shri Ashok Kumar Choudhary through R. S. Investments, the counterparty sub broker was CompuAction, who was buying on behalf of Shri Rajender Rai, a front entity of Shri Kuldip Handoo. Similarly, there were instances where the buyer was TPL transacting through R. S. Investment and the sellers were Shri Ashok Kumar Chaudhary and Shri Rajender Rai transacting through CompuAction. Shri Rajender Rai and Shri Ashok Kumar Choudhary had sold 1600 shares and 1400 shares respectively to TPL.

29. I note that Shri Sanjay Gupta, partner in R.S. Investments stated on January 11, 2002 before the Investigating Officer that both Shri Ashok Kumar Chaudhary and Shri Manish Kumar Marwah were friends and they used to place orders for each other as well as receive and give deliveries on each other's behalf. Shri Sanjay Gupta further stated that Shri Ashok Kumar Chaudhary and TPL had traded in the scrip of SIL only during the investigation period. This shows that both Shri Ashok Kumar Chaudhary and Shri Manish Kumar Marwah were acting in concert to artificially raise the price of the scrip of SIL.

30 I note that Shri Ashok Kumar Chaudhary while giving the statement before the Investigating Officer on January 07, 2002 admitted that he had heard some news about SIL scrip from Shri Sudesh Kumar Marwah when the price was hovering around Rs.11/. Shri Sudesh Kumar Marwah is father of Shri Manish Kumar Marwah who was associated with the directors of SIL and he helped them to acquire SIL from Joglekar

family. This suggests the dissemination of information from the directors of SIL to Shri Manish Kumar Marwah and then to Shri Ashok Kumar Chaudhary. Trading details of Shri Ashok Kumar Choudhary shows that except 1000 shares, all other shares of SIL were offloaded by him in the market. He made substantial gain of Rs. 1767797/- (approximate) in the scrip of SIL by virtue of his connection with Shri Manish Kumar Marwah and Shri Kuldip Handoo. It is also pertinent to mention here that Shri Ashok Kumar Chaudhary had even encouraged his brother Shri Rajesh Kumar Chaudhary to invest in this scrip and accordingly he also traded in SIL in the name of Shri R. K. Chaudhary and Shri Rajesh Kumar.

31. The trading details show that Shri Ashok Kumar Chaudhary, Shri Rajesh Kumar Choudhary, Shri Sudesh Kumar Marwah and Shri Rajender Rai had traded in the scrip of SIL through the sub broker CompuAction. While examining their nexus with SIL, I find that Shri Ashok Kumar Chaudhary had introduced Shri Sudesh Kumar Marwah and Shri Rajesh Kumar Choudhary to the sub broker. Shri Rajinder Rai was introduced to the sub broker by Shri Dilip Nabera, auditor of SIL. Shri Asok Choudhary or Shri Manish Kumar Marwah had placed orders and taken deliveries on behalf of Shri Rajender Rai. To the contrary, Shri Rajinder Rai in his statement on August 07, 2002 denied making any investment in any scrip and stated that he was working as a peon in one of the Chartered Accountant firms namely Dhanajay & Co for the last three years. However, Shri Rajinder Rai had not filed any complaint before the concerned authority on receipt of the information that his name was misused by someone. Further, he even admitted that he had signed few cheques and client agreement form as per the instruction of Shri Dhananjay Kumar. He further admitted that he used to work at 19A, Arjun Nagar, Safdarganj Enclave, New Delhi, where Shri Ashok Kumar Choudhary used to meet Shri Kuldeep Handoo.

32. I note that the other Noticees namely ARH and its director Shri Kuldip Handoo had traded through JV Portfolio Private Ltd, an unregistered sub broker of TCP Stock Brokers Ltd. and also through another sub-broker Shreepati Holdings Pvt. Ltd. I also

find that ARH was introduced to Shreepati by the auditor of SIL, whose address and telephone number were found to be same as those of ARH.

33. The director of JV Portfolio Private Ltd, Shri Sanjiv Dhavan stated that Shri Kuldeep Handoo was his regular client and had been trading through him for almost four years. All the orders pertaining to ARH and that of Shri Kuldeep Handoo in his individual capacity had been given by Shri Kuldeep Handoo over telephone. It was also found that the introduction of Shri Kuldeep Handoo was witnessed by the staffs of JV Portfolio Private Ltd i.e. by Shri Suresh Parida, Shri Satish Sharma and Shri Deepak and ARH was introduced to this sub broker by the auditor of SIL.

34. An examination of the client registration applications maintained by JV Portfolio Private Ltd. revealed that Laxmi Securities and Sai Investment were found to be the associate/group company of Shri Kuldeep Handoo as they had the common address at 19 A, Arjun Nagar, Opposite B extension, Safdarjung Enclave, New Delhi. Shri Kuldeep Handoo had dealt on behalf of Laxmi Securities in the scrip of SIL. The Proprietor of Sai Investment was Shri Sudesh Kumar Marwah, who had substantially traded in the scrip of SIL through the sub-broker CompuAction. I also note that neither Shri Kuldeep Handoo nor Shri Sudesh Kumar Marwah co-operated with the investigations and never attended any proceedings on summons issued many from time to time.

35. Dilip Nabera (HUF) and the wife of auditor of SIL and her company and GEM were the clients of Shreepati Holdings & Finance Private Ltd, sub brokers of JCL Securities Pvt. Ltd and SMK Share & Stock Broking Pvt. Ltd. The wife of the auditor had executed structured trades through the sub broker Shreepati Holdings Pvt. Ltd and her orders were matched with the orders put up by Shri Rajender Rai who traded through the sub broker CompuAction. Of the total volume of 32,600 shares traded, 19200 shares were matched in 89 trades executed by Shri Rajender Rai and the wife of the auditor of SIL in 18 trading days, which represented 59% of the total trades between them. I find those trades as structured deals, since otherwise there was no possibility of such perfect matching of quantity and price, etc. The exact matching of price and quantity in as many

as 89 trades are only possible if the trades are put in the system with prior understanding between the parties. In such cases prices and quantities are negotiated outside the system and orders are executed simultaneously.

36. As on June 16, 2000, there were 112 trades out of which 84 trades were initiated by the related entities. This comes to 75% of the number of trades on that day; (the auditor of SIL bought 10000 shares which accounted for 47 trades; wife of the auditor bought 5000 shares which accounted for 14 trades; Shri Sudesh Kumar Marwah bought 2900 shares and accounted for 21 trades. In terms of volume, these trades accounted for approximately 39% of the trades of the day.

37. On April 24, 2000, there were total 38 trades for 17700 shares, out of which 13200 shares (approx. 75%) were bought by the related entities viz. (wife of the auditor 7900; the auditor 200; Shri Ashok Kumar Chaudhary 3000 and Shri Rajesh Kumar Chaudhary 2100 shares). Shri Sudesh Kumar Marwah sold 5100 shares which accounted for 9 trades during the day. In all 16600 shares were traded by the auditor and associates, i.e. total of approx. 94% of the trades were executed by these persons. In one instance, 2000 shares sold by Shri Sudesh Kumar Marwah were bought by Shri Rajesh Kumar Chaudhary. This was one of the rarest case, as in very few cases in this scrip, such a huge quantity was executed in one go.

38. GEM sold 4500 shares (4000 shares at Rs 200.90 in settlement No 11 of 2000 and 500 shares at Rs 249.08 in settlement No 12 of 2000) through Shreepati Holdings Pvt. Ltd. GEM also sold 7500 shares through JCL Securities Private Ltd (1500 at Rs 171.40 in settlement No 10 of 2000, 4500 shares at Rs 228.70 in settlement No 11 of 2000 and 1500 shares at Rs 257.30 in settlement No 12 of 2000).

39. GEM was introduced by the auditor of SIL to the broker and the Telephone Number (2010488/523) mentioned in the client member agreement form of Shreepati Holdings & Finance Pvt. Ltd, belongs to the company in which wife of the auditor of SIL is a director. From the analysis of Bank Statements of SIL, it is found that funds' transfer had taken place with GEM. Further, the shares sold by GEM were the preferential shares issued to the promoters. Moreover, the auditor's office was in the same room. The client

member agreement form submitted by both SMK Stock Brokers and JCL Securities would show that Shri Iqbal Rupani and Haider Ali Rupani are the directors of GEM. However this is not reflected in the records of Registrar of Companies.

40. I have also observed instances of trades where GEM was selling and the counter party buyer was APP, the details thereof are given hereunder:

<i>DATE</i>	<i>TIME</i>	<i>MEMBER</i>	<i>QTY</i>	<i>PRICE</i>	<i>B/S</i>	<i>CPCODE</i>	<i>CLIENT CODE</i>	<i>Counter Client</i>
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
13/06/2000	1:49:35 PM	D0216	100	252	S	D0608	GREAT	ADINATH
		TOTAL	1000					

41. ARH, APP, AFL, CIP, Neha Fincap Pvt. Ltd, Ajay Bohra and Sandeep Bohra had traded through the sub brokers viz Portfolio Equity Services and Bhansali Securities whose main broker was TJ Stock Broking Services Pvt. Ltd.

42. Smt Savita Bhansali, Proprietor of Portfolio Equity Services on August 06, 2002 stated before the Investigating Officer that the orders pertaining to ARH was given mostly by Shri Kuldip Handoo and on some occasions, orders were given by Shri Sunil Saxena, who was a director in AFL. The trades of ARH through Portfolio Equity Services are given in the table below:

<i>Sett. No.</i>	<i>Quantity Bought</i>	<i>Price</i>	<i>Quantity Sold</i>	<i>Price</i>
05/2000-01	0	0	2000	72.64
06	0	0	1200	83.06
08	0	0	1000	124.79
09	700	163.47	0	0
12	0	0	4000	245.90
13	900	339.87	0	0
15	0	0	2200	269.64
18	0	0	1500	394.61

<i>Sett. No.</i>	<i>Quantity Bought</i>	<i>Price</i>	<i>Quantity Sold</i>	<i>Price</i>
TOTAL	1600		11900	

43. There were also instances of trade where ARH was both the buyer as well as seller as shown in the table below:

Instances where ARH is both buyer and seller through Noticee via JCL and SMK								
<i>DATE</i>	<i>TIME</i>	<i>MEMBER</i>	<i>QUANTITY</i>	<i>PRICE</i>	<i>B/S</i>	<i>CPCODE</i>	<i>CLIENT CODE</i>	<i>Counter Client</i>
5/5/2000	3:17:56 PM	D0216	500	92.35	B	D0777	ACT	ACT
5/5/2000	3:18:25 PM	D0216	500	92.35	B	D0777	ACT	ACT
		TOTAL	1000					

44. Though the aforesaid trades were only for 1000 shares of SIL where ARH was appearing on both sides of the trade, the execution of such cross deals itself shows that they were also part of the game plan to create artificial volume and to show liquidity in the scrip of SIL. In this context, I observe that the Hon'ble SAT while upholding the findings of Adjudicating Officer in deciding similar issue in Appeal No 100 of 2006 (Ask Holdings Private Limited Vs SEBI), observed as follows.

The buyer and the seller were the appellants themselves and these trades were executed primarily with a view to artificially increase the trading volumes in the scrip of the Company. Artificial increase in the volumes of a scrip has the adverse effect on the innocent investors of the market who get induced to buy the shares because they seldom have knowledge about the scrip and follow the herd mentality while trading.

45. The directors of APP were Shri J. L. Raina and Shri Anil Raina and they traded through Portfolio Equity Services, the details of which are given hereunder:

<i>Sett. No.</i>	<i>Quantity Bought</i>	<i>Price</i>	<i>Quantity Sold</i>	<i>Price</i>
10/2000-01	11000	183.75	0	
13	2500	335.88	0	
14	3200	333.91	0	
16	1700	331.30	0	
17	2500	369.64	2500	392.44
18	700	438.84	0	
20	700	481.67	0	
TOTAL	22300		2500	

46. Shri J. L. Raina in his statement denied his directorship in APP. He submitted that since Shri Kuldip Handoo was residing with him at 106, Community Centre, there was a strong possibility that Shri Kuldip Handoo might have put his name as one of the directors. Shri Kuldip Handoo and Shri J. L. Raina worked together at Magnum Business Services, East of Kailash till 1994. Shri Raina also stated that both Shri Suman Pandit and Shri Kuldip Handoo had been residing at 106, Community Centre, Baljit Nagar, West Patel Nagar, New Delhi.

47. AFL had net buy position in the scrip of SIL and it also started buying almost during the same period when the other client/associates of Shri Kuldeep Handoo and Shri Dilip Nabera started trading in the scrip. The office address of both AFL and APP was once same at C-63-A, Sarojini Marg, C- Scheme, Jaipur - 302 001 which shows the connection between AFL and APP. The trade details of AFL through Portfolio Equity Services are given hereunder:

Sett. No.	Quantity Bought	Price	Quantity Sold	Price
03/2000-01	500	56.36	0	0
04	400	64.58	0	0
05	400	70.47	1000	67.24
07	5000	100.18	3500	104.27
10	0	0	1000	189.73
12	2700	263.64	2700	282.93
13	1400	323.02	1900	328.80
15	1000	328.09	1000	327.21
18	0	0	200	427.43
19	0	0	100	562.22
20	2300	549.42	0	0
24	600	615.60	0	0
27	1200	492.12	1000	507.39
TOTAL	15500		12400	

48. I observe that CIP and AFL are related to each other since Shri Sandip Bohra was a common director in both the entities. CIP purchased 1700 SIL shares on June 22, 2000 by multiple order for Rs 331.3.

49. The details of trade done by Neha Fincap Pvt. Ltd (Director Suman Pandit) through Portfolio Equity Services are given hereunder:

Sett. No.	Quantity Bought	Price	Quantity Sold	Price
02/2000-01	6600	46.42	700	47.68
04	0	0	1000	62.07
13	500	338.86	0	0
16	300	330.27	0	0
17	2000	387.79	0	0
18	1000	439.26	500	484.76
19	0	0	300	562.22
20	1000	528.94	0	0
22	600	459.74	600	464.23
24	2400	647.95	2400	588.24
27	1000	513.37	1000	507.40
TOTAL	15400		6500	

50. As is evident from the above table, the gross buy from Neha Fincap Pvt. Ltd was much more than gross sale. Like all other Noticees, Neha Fincap Pvt. Ltd also took position in the very beginning of the period under investigation, i.e. when there was hardly any information about SIL in the market. Smt. Savita Bhansali in her statement stated that in case of Neha Fincap Pvt. Ltd., orders were placed by Shri Sunil Saxena. She further stated that Shri Sunil Saxena is a professional colleague of Shri Kuldip Handoo, Shri Suman Pandit and Shri Anil Raina who were all directors in ARH. Thus, the association of Neha Fincap Private Limited is established with ARH., AFL and APP.

51. I observe that SFS while denying the charges levelled against them submitted that they did not trade in the scrip of SIL. In this regard, I find that SFS had purchased 3500 shares and sold 8200 shares through the brokers IKM and TCP. Out of this, they purchased 5900 shares and sold 3500 shares during the investigation period.

52. Shri Ajay Bohra, one of the clients of Portfolio Equity Services, had the highest volume of trade in the scrip of SIL among the clients of the said sub-broker. Further, Shri Ajay Bohra had executed trade not only for himself but had also encouraged his family members such as his wife, mother and brother to trade in the scrip as is evident from the details given hereunder:

Sett. No.	Quantity Bought	Price	Quantity Sold	Price
02/2000-01	200	44.58	0	0
03	200	54.10	0	0
04	400	60.75	0	0
07	700	102.04	600	105.84
08	0	0	200	135.21
09	1000	152.80	500	158.24
10	600	182.21	1100	186.89
11	8100	221.11	8100	228.85
12	200	262.26	200	266.58
13	2700	323.34	2700	330.74
15	100	277.28	100	269.43
16	500	322.10	300	302.83
18	200	445.45	300	459.19
19	0	0	400	531.48
20	300	474.08	0	0
21	100	455.46	100	465.03
24	600	635.76	500	650.53
25	100	528.43	600	547.07
26	400	672.42	0	0
27	200	421.58	100	389.68
TOTAL	16600		15800	

53. Shri Ajay Bohra started trading in the scrip from settlement no. 2 (03.04.00 – 07.04.00), i.e. when there was hardly any news in the market about the scrip. Shri Ajay Bohra in his statement dated August 05, 2002 submitted that he came to know about SIL through one of his professional colleagues. This is further corroborated by his associations with Shri Sunil Saxena, who used to place orders for Shri Kuldip Handoo's entities. Moreover, the fact that his brother Shri Sandip Bohra, his wife Chitra Bohra and his mother Smt. Meena Bohra traded in the scrip further supports his involvement in the scrip of SIL. Moreover, one common strategy followed by all the persons acting in concert with Shri Kuldip Handoo/Shri Dilip Nabera was to buy the scrip in the beginning of the manipulation and then to offload the same at a substantially higher price in the market.

54. It is further found that Sandeep Bohra was director in AFL as well as CIP. Shri Sandeep Bohra submitted that he had resigned from AFL on August 31, 1998 and produced Form 32. However, he has not stated any thing about his role in CIP. I find that he had traded in the scrip of SIL through his company CIP and no explanation was

given in this regard. Hence, he is responsible for the manipulative trades executed by CIP in the scrip of SIL.

55. I have also examined the role of each of the directors of SIL. Shri Prakash Pangarkar and Shri Sanjay P.Muthe submitted that they have resigned from SIL in February 2000 and produced Form 32. On examination of the Annual Report of SIL during the year 1999 – 2000, I find that Shri Anil Pujari was the Managing Director, Shri Hozefa Vohra was the Whole Time Director and Shri Umesh Gowda, Shri Tanvir Zaki and Shri Praveen Sonalkar were other Directors. Hence, it is clear that Shri Prakash Pangarkar, Shri Sanjay P.Muthe, and Arif Mithani were not directors during the period of investigation and I do not find any other cogent evidence against them to prove any of their involvement in the instant matter.

56. On the other hand, sufficient evidence is available against SIL and its directors viz Anil Pujari, Shri Hozefa Vohra, Shri Umesh Gowda, Shri Tanvir Zaki, Shri Praveen Sonalkar who with the help of SFS had merged Zap. Subsequent to the merger, Shri Arif Mitani became director in SIL. I find from the documents submitted by SIL for opening bank account with HDFC Bank that Shri Kuldeep Handoo is also named as a director of SIL. Thereafter, the aforesaid directors intended to create artificial volume and price in SIL scrip for which they acted in concert with their auditor and Shri Kuldeep Handoo. They along with their associated and related entities namely ARH and its director Kuldeep Handoo, AFL and its director Shri S. Sunil Saxena, GEM and its director Shri Iqbal Rupani, Neha Fincap Pvt. Ltd and its director Shri Suman Pandit, CIP and its director, Shri Sandip Bohra, Adinath Propcon Pvt. Ltd (APP), Telefinlease Pvt. Ltd (TPL) Saksham Financial Services Ltd (SFS) Laxmi Securities, Sai Investments, Shri Rajender Rai, Shri Ashok Kumar Chaudhary, Shri Rajesh Kumar Chaudhary and Shri Ajay Bohra had entered into large volume of trading in the shares of SIL in structured manner.

57. The total quantity traded by Noticees and associates during the entire period through various brokers is given below. Overall this constitutes 23% of buy side transactions, 27% of sell side transactions and 25% of gross volume. As illustrated on

previous pages most of these trades were among these set of people who were operating for creation of artificial volume and price.

CLIENTS	BROKER	BUY	SELL	GROSS	REMARK
ACT REACT HOLDING	JCL	6100	7500	13600	ACT
ACT REACT HOLDING	SMK	0	9000	9000	ACT
ACT REACT HOLDING	TJ STOCK (Portfolio)	1600	11900	13500	N/A
ADHUNIK	JCL	49800	33000	82800	4015,4024, 3001 , 9A033
ADHUNIK	JOINDRE	3400	3000	6400	ADHU, ADHUNIK, ADUNIK
ADHUNIK	SMK	1100	1200	2300	AD
ADINATH	TJ STOCK (Portfolio)	22300	2500	24800	N/A
AJAY BOHRA	TJ STOCK (Portfolio)	16600	158000	174600	N/A
APOORV	SHILPA	0	1200	1200	APOORV
APOORV	TJ STOCK (Portfolio)	16600	12400	29000	N/A
ASHOK K CHAUDHARY	IKM	58300	69700	128000	A
ASHOK K CHAUDHARY	JHUNJHUNWALA	6100	12900	19000	N/A
AVINASH GANJOO	TJ STOCK (Portfolio)	0	300	300	AVINASH
CHITRA BOHRA	TJ STOCK (Portfolio)	1600	1000	2600	N/A
CONCEPT	SHILPA	0	1700	1700	CONCEPT
CONCEPT	TJ STOCK (Portfolio)	12700	10400	23100	N/A
DILIP NABERA	JCL	2300	3800	6100	DILIP
DILIP NABERA	SHILPA	200	0	200	DILIP
DILIP NABERA	SMK	12000	4500	16500	DILIP, DILIP NAB
GREAT EASTERN	JCL	0	7500	7500	GREAT
GREAT EASTERN	SMK	0	4500	4500	N/A
HEERACHAND SALECHA	JOINDRE	9100	8800	17900	H006
MEENA BOHRA	TJ STOCK	1800	1300	3100	N/A

CLIENTS	BROKER	BUY	SELL	GROSS	REMARK
	(Portfolio)				
NEHA FINCAP	TJ STOCK (Portfolio)	15400	6500	21900	N/A
RAJENDER RAI	IKM	252700	259400	512100	RR, 99
RAJENDRA RANKA	JCL	5700	0	5700	N/A
RAJESH K CHAUDHARY	NC JAIN	66700	63000	129700	RAJ2
SADHNA NABERA	IS JAIN	5000	0	5000	SADHNA
SADHNA NABERA	JCL	7900	500	8400	SADANA, SADHNA
SADHNA NABERA	SMK	0	500	500	SADHNA
SAKSHAM FIN	IKM	3500	8200	11700	ZSAF1,ZSAF2
SAKSHAM FIN	TCP	5900	3500	9400	N/A
SANDEEP BOHRA	TJ STOCK (Portfolio)	2300	2100	4400	N/A
SK MARWAH	IKM	35400	14300	49700	SKM
TELEFINLEASE P/L	JHUNJHUNWALA	68350	102050	170400	N/A
TOTAL		690450	826150	1516600	
PERCENTAGE	3007937	22.95427	27.465668	25.209969	

58. On analyzing all the trades executed by the Noticees, I find that almost all deals evidence the fact that there was a matching of the buy and the sell quantity as well as the price. The proximity in the placing of orders at the same price and for the same quantity which resulted in getting them matched, indicates structured deals. One could accept it as a coincidence in case of a solitary incident or two but not in case where transactions have taken place on regular basis. The continuous regularity leads one to conclude, that these transactions were structured and synchronised. The structured nature of trades is evidenced by the exact matching of price and quantity of shares, resulting in the matching of trades almost on every occasion between themselves, even when there were few thousand of investors spread over more than 300 cities in the country. Frequency of such trades ensured consistent matching of the orders, where one entity got themselves as the sellers and vice versa. It is clear that the buy and sell orders were matched at the same price, purely for the purpose of projection of the volumes of the shares of SIL in a

way (which were not market determined volumes), to induce other persons to invest in the said scrip.

59. In view of what has been explained herein above, I find that that the Noticees misused stock exchange mechanism by executing manipulative trades in the nature of structured and cross deals. I also find that the price and volumes in the scrip increased manifold and this type of artificial volume creation gives wrong message to the investors and induces them to trade in the shares. The dealings of the Noticee in the scrip of SIL abetted in creating artificial volumes and false market in the said scrip and thus the Noticees violated the provisions of Regulation 3, 4 and 6(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations 1995.

60. As regards the show cause notice for the violations of Regulations 8(1), 8(2), 10, 11(1) & 11(2) of SEBI (Substantial Acquisition of Shares & Takeover) Regulations 1997, I find that Adjudication proceedings initiated against the Noticees namely Shri Anil Pujari, Shri Hozefa Vohra, Shri Tanvir Zaki, Shri Pravin Sonalkar and Shri Kuldeep Handoo for these violations have been concluded and monetary penalty was imposed against them. In my view, the penalty imposed is a sufficient deterrent and therefore no direction is being passed against the aforesaid noticees in this regard.

61. Therefore, taking into consideration facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11 & 11B of SEBI Act 1992 read with Section 19 of SEBI Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, for the reasons stated above, I hereby dispose of the show cause notice issued to Shri Prakash Pangarkar and Shri Sanjay P. Muthe without any direction. At the same time, I hereby restrain the Noticees viz. Sun Infoways Ltd (PAN No AAACB4343C), Shri Tanvir Zaki (PAN No AABPZ0577A), Shri Umesh Gowda (PAN No AEIPG9490C), Shri Suman Pandit (PAN No AMUPP9041N), Shri Ajay Bohra (PAN No ABPPB2613Q), Shri S. Sunil Saxena (PAN No AHUPS8133R), Shri Iqbal Rupani (PAN No AABPR8746F), Saksham Financial Services Ltd. (PAN No AABCS2797N), Shri Sandip Bohra (PAN No

ACQPB8396J), Shri Hozefa Vohra (PAN No AAEPV4669E), Shri Anil Pujari, Shri Pravin Sonalkar, Shri Arif Mithani, Shri Kuldeep Handoo, Shri Ashok Kumar Chaudhary, Shri Rajesh Kumar Chaudhary, Great Eastern Mercantile Pvt. Ltd., Act React Holdings Pvt. Ltd, Adinath Propcon Pvt. Ltd., Apoorva Fincap Pvt. Ltd., Concept Institute Pvt. Ltd., Laxmi Securities, Neha Fincap Pvt. Ltd., Sai Investments, Telefinlease Pvt. Ltd., and Shri Rajender Rai from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever for a period of two years.

62. This order shall come into force with immediate effect.

Date: March 03, 2008

Place: Mumbai

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA