

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: V. K. CHOPRA, WHOLE TIME MEMBER

In the matter of Irregularities in the Buyback of Shares by Shalibhadra Infosec Ltd. and Creation of Artificial Volumes and Offloading of Unlisted Shares of Shalibhadra Infosec Ltd. by Santosh Gayakwad, Mukesh Vadecha, Ashit Vora, Vinod Desai, Tushar Jhaveri, Maulik Patwa, Pankaj C. Patel and Mahesh Shah

DATES OF HEARING: 29.03.2007, 23.04.2007 and 09.05.2007

APPEARANCES:

FOR THE NOTICEES:

1. Shri Deepak Shah and Shri Gaurang Joshi for Shri Santosh Gayakwad and Shri Mukesh Vadecha on 09.05.2007
2. Ms. Chaitra Rao for Shri Ashit Vora and Shri Maulik Patwa on 09.05.2007

FOR SEBI:

1. Mrs Barnali Mukherjee, DGM, SEBI
2. Shri Naveen Sharma, AGM, SEBI
3. Shri Mohamed Rahaz P. M., Legal Officer, SEBI

ORDER

(Under Section 11(4) read with Section 11 and Section 11B of the SEBI Act, 1992 and with Regulation 11 and 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003)

1. Shalibhadra Infosec Ltd. (hereinafter referred to as “SIL”) was incorporated on April 25, 1994 as a private limited company. It became a public limited company in January 1995. The Directors of SIL as on June 12, 2002 were Raju B. Shah (Chairman), Jitendra R. Doshi, Santosh Gayakwad and Mukesh Vadecha. On January 16, 2002 the company acquired 10,00,000 shares of M/s. Jaisha Holdings Ltd. (hereinafter referred to as “JHL”) and in return issued 3,00,00,000 equity shares of Rs. 10 each of SIL at par on preferential basis to the shareholders of JHL (swap ratio - 30:1).

2. While the issued capital of SIL is 3,50,00,500 shares, only 50,00,500 shares of SIL are listed on the Stock Exchange, Mumbai (“BSE”), Ahmedabad and Vadodara Stock Exchanges. The shares issued on a preferential basis to shareholders of JHL were not listed. Since SIL did not respond to the various Show Cause Notices issued by the BSE on January 9, 2003 it’s application for listing 3,00,00,000 shares issued on a preferential basis was rejected by the BSE. Nevertheless, SIL proceeded to dematerialize the 3,00,00,000 unlisted shares issued on a preferential basis, without obtaining in-principle approval from the stock exchange. NSDL vide its letter dated December 17, 2002 informed BSE that the company had dematerialized unlisted shares without taking in-principle approval from the Exchange. The scrip had been transferred to trading and settlement on a trade-to-trade basis w.e.f. July 15, 2002 and finally trading in the scrip was suspended by the BSE with effect from January 13, 2003 since SIL had dematerialized unlisted shares without obtaining approval from the Exchange.

3. SIL published a series of advertisements regarding a proposed buyback of 10% of the share capital (3.5 million shares) of SIL at Rs. 10 per share which were published in Business Standard (on 19.6.02), Financial Express (on 19.6.02), Business Line (on 20.6.02), The Economic Times (on 19.6.02 & 24.6.02) and Bombay Samachar (on 20.6.02). The advertisement stated that the Board of Directors of SIL would meet on July 1, 2002 to consider the abovementioned buyback. The Board of Directors met on July 1, 2002 and decided not to go for the buyback without assigning any reasons whatsoever. However, no advertisement with respect to discarding the buyback proposal was issued.

4. SIL, along with its Chairman, Directors and Manager, is charged with having issued misleading and unsubstantiated advertisements regarding buyback of shares, when

the company was not performing well with a view to create investor interest in the scrip. The results for the quarter ended June 2002 showed a net profit of as less as Rs. 0.48 million on sales of only Rs. 1.22 million. Having regard to the financial performance of the company, SIL just did not have sufficient resources to meet the buyback obligations. Besides the Rs. 35 million required for the buyback it would have had to spend a considerable amount on merchant banking charges, printing and distribution of offer documents etc. As discussed subsequently in para. 21 of this Order, the Board of Directors itself admitted that SIL did not have adequate reserves to carry out the buyback and that the Articles of Association do not provide for the same. Even the findings of the independent Chartered Accountant appointed by the BSE (discussed in para. 7 of this Order) lead to the conclusion that SIL had no funds for the buyback. The SCN alleges that SIL violated Regulation 5(1) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the 'FUTP Regulations') by issuing a misleading advertisement about proposed buy-back of shares by the company, although the company did not fulfil the statutory requirements regarding buyback of shares.

5. While declaring results for the Quarter ended March 31, 2002 SIL stated, *inter alia*, the following:

- a) The company has obtained confirmed export order to the tune of Rs. 172.20 million to be executed within the next 6 months, and is also in negotiation at an advanced stage with one Australia-based company for an export order of Rs. 152 million. Hence, performance in the ensuing years is likely to be better.
- b) The Board of Directors has recommended 18% dividend
- c) The company is diversifying into the media and biotechnology sectors

6. The aforesaid "confirmed" export order was not executed. The cancellation of the order and reasons for non-payment of dividend were not adequately disclosed in the Annual Report or information given to the BSE. Although much hype was created on announcements relating to the company's diversification into media and biotechnology sectors, it did not materialize. This is what is also seen in the case of the buyback

announcements mentioned earlier. No efforts were made to disclose to the stock exchanges or investors at large the fact that these announcements had not materialized.

7. For valuation of JHL, SIL valued goodwill at Rs. 30 crores. The valuation report was prepared by Chartered Accountants M/s. Ingit C. Modi and Associates. BSE did not allow listing of the 3 crore preferential shares as it found from JHL's balance sheet that there was no justification for such valuation. The BSE appointed independent Chartered Accountants to verify the fairness of the valuation of JHL. The Chartered Accountants appointed by the BSE reported that the sales estimates made by JHL for the next five years were not feasible since JHL *had not generated any revenues during 2001-02, income from operations was nil* and software products on whose strength the projections were made were under development as on the date of valuation. It reported that there was no justification for the projected values and it was not possible to assign any value to the goodwill of JHL.

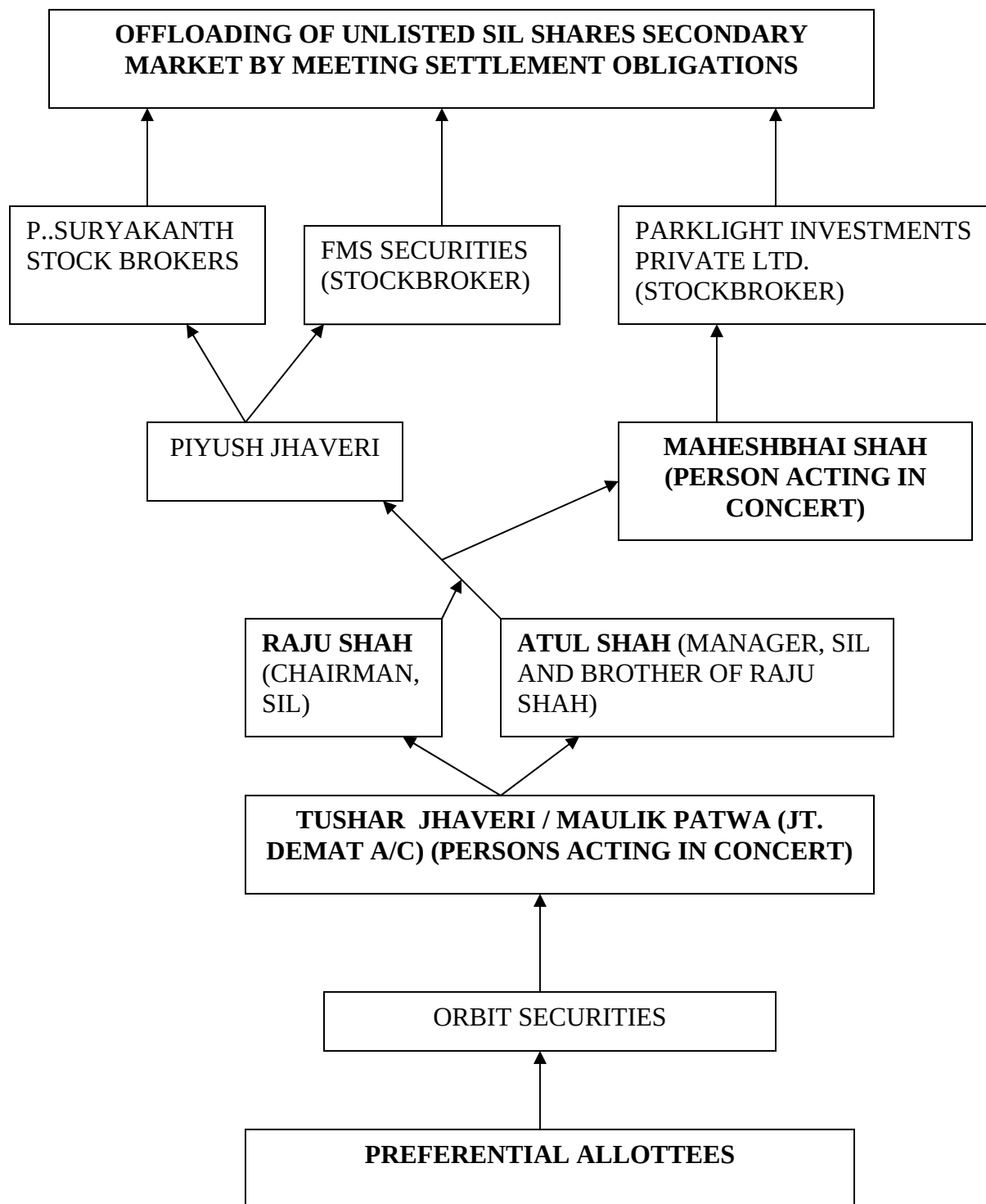
8. During April 2002 (before the issuance of the advertisements on the proposed buyback of shares in June and after the company had issued an additional 3 crore equity shares on preferential basis in January 2002) the Chairman of SIL (Shri Raju B. Shah) and the Manager of SIL (Shri Atul B. Shah) who is also the brother of Raju Shah acquired more than 94 lakh shares of SIL in off-market deals, at a time when only around 50 lakh shares of SIL were listed. The shares of SIL were offloaded in the market by promoters and entities related to promoters, in the process creating artificial volumes in the scrip of SIL. Raju Shah and his brother Atul Shah and other promoter-associated entities have allegedly off-loaded more than one crore unlisted shares of SIL through the entities M/s. Parshwa Finance, Shri Tushar Jhaveri, Ms. Harsha Jhaveri, Shri Pankaj Patel, Shri Vinod Desai, Shri Mahesh Shah, Shri Ashit Vora, Shri Maulik Patwa and Shri Mukesh Vadecha in the secondary market to the gullible and unsuspecting public.

9. Details of off-market transactions of Raju Shah and Atul Shah show that during April 2002 these two brothers acquired 94,45,000 shares (26.99% of voting capital) from 11 different entities including Vinod Ambalal Shah, who was allotted 270,000 shares in the preferential allotment in January 2002, and transferred all the allotted shares on April 6, 2002 to Atul Shah. The demat accounts of Raju Shah and Atul Shah were credited

indirectly with the preferential allotment shares routed through various other entities such as Tushar Jhaveri, Orbit, Jay Shah, Jagdish Savaji etc. For instance, Orbit Securities was transferred 24,93,000 shares of SIL on April 12, 2002 from Kirit Mehta and Mehul Panchighar and it transferred all these shares to the joint account of Tushar Jhaveri /Maulik Patwa the next day. Tushar Jhaveri/Maulik Patwa transferred 21,18,000 SIL shares to Raju Shah and Atul Shah in separate transactions on June 12, 2002. From the off-market transactions of Tushar Jhaveri and related entities it was known that Jay Shah bought 15,50,000 shares of SIL from Mukesh Vadecha (a Director of SIL and noticee in the instant case) on April 12, 2002 and transferred 45,86,000 of these shares to the joint account of Tushar Jhaveri/Vinod Desai on April 15, 2002. Chauhan Jagdish Savaji transferred 34,60,000 shares of SIL to Raju B. Shah/Tushar Jhaveri on April 13, 2002. On June 12, 2002 Rajesh Bachubhai Shah/Tushar Jhaveri transferred all these shares in separate transactions to Atul Shah (14,60,000 shares), Vinod Desai (10,00,000 shares) and Raju Shah (10,00,000 shares).

10. Large quantities of shares were then transferred by Atul Shah and Raju Shah to their other joint demat accounts with certain other entities and to other persons acting in concert like Piyush Jhaveri and Maheshbhai Shah. The latter offloaded these unlisted shares into the secondary market through brokers. During May 2002 Raju Shah and Atul Shah transferred 5.45 lakh shares to Piyush Jhaveri and 5 lakh shares to Shah Maheshbhai M. Piyush Jhaveri in turn, off-loaded these shares through 2 brokers viz., P Suryakant Share & Stock Brokers Pvt. Ltd. & FMS Securities Ltd, as settlement obligations for Settlement Nos. 28, 32, 36, 38, 39 & 43. Shah Maheshbhai M, in turn transferred the aforesaid 5 lakh shares to Parklight Invt. Pvt. Ltd, as part of its settlement obligations for settlement nos. 33 & 36 (noticed from demat account no. 10006362 of Mahesh Shah). The brokers delivered these shares in the market on behalf of entities like Vinod Desai, Shah Maheshbhai, Pankaj C Patel and Mukesh Gajjar. The persons acting in concert include – Tushar Jhaveri, Atulbhai Bachubhai Shah, Rajesh Bachubhai Shah, Vinodbhai N Desai, Maulik Prafulchandra Patva & Mukesh Bachubhai Vadecha.

11. A diagrammatic representation of the flow of securities through Raju Shah, Atul Shah and others as discussed above is as under :-



12. The price of the scrip of SIL fell from Rs. 1.20 (opening price on June 3, 2002) to Rs. 0.50 (closing price on August 30, 2002). High percentages of traded volumes to total listed shares were also observed during the said period, with high variation in the volume of shares traded on certain days as compared to other days. SEBI initiated a formal investigation vide order dated September 11, 2002 for the period May 1, 2002 to July 31, 2002.

13. Show Cause Notices (hereinafter referred to as SCNs) dated February 9, 2005 were issued to SIL, Shri Raju Shah, Shri Santosh Gayakwad, Shri Mukesh Vadecha, Shri Atul Shah, Shri Vinod Desai, Harsha Jhaveri, Pankaj Patel, Mahesh Shah, Ashit Vora, Tushar Jhaveri and Maulik Patwa (hereinafter collectively referred to as the 'Noticees'). Santosh Gayakwad, Mukesh Vadecha, Ashit Vora, Pankaj Patel and Maulik Patwa submitted interim replies and sought inspection of documents. Vide letter dated June 7, 2006 the Noticees were given an opportunity for inspection of documents on June 21, 2006 but none of them availed the same. Further opportunities for inspection were given vide letters dated June 30, 2006 and September 14, 2006 but these were also not availed despite a reminder dated October 20, 2006. Opportunity for hearing was granted to Mukesh Vadecha, Santosh Gayakwad, Pankaj Patel, Ashit Vora and Maulik Patwa on March 29, 2007, April 23, 2007 and May 9, 2007. On May 9, 2007 all entities except Pankaj Patel appeared.

14. Mahesh Shah, Tushar Jhaveri, and Vinod Desai did not reply to the SCN despite reminders. Opportunity of hearing was afforded to these persons on August 8, 2007 but none of them availed the same.

15. Atul Shah, Raju Shah, Shalibhadra Infosec Ltd. and Harsha Jhaveri have applied for consent (in terms of SEBI Circular EFD/ED/Circular 1/2007 dated 20.04.2007) vide Application Nos. 39/2007 (dated July 17, 2007), 34/2007, 168/2007 and 124/2007 respectively for the SCN dated February 9, 2005.

16. In the instant case SIL along with its Chairman, Directors and its Manager Atul Shah (who is the brother of the Chairman of SIL, Raju Shah) is alleged to have disseminated false and misleading information with a view to induce and sustain artificial demand in the scrip of the company, such that they would be able to off-load their shares

in the company to the unsuspecting public which is further supplemented by irregular allotment and dematerialization of unlisted shares of SIL.

17. The Directors of SIL namely Shri Mukesh Vadecha and Santosh Gayakwad, were charged for violation of the following Regulations/Circulars:

- (i) Regulations 5(1) and 6 (a) of SEBI (FUTP) Regulations, 1995,
- (ii) SEBI Circular SMD/POLICY/CIR-1/02 dated 2.1.2002 read with Clause 20 (c) of the listing agreement and
- (iii) SEBI Circular SMDRP/POLICY/CIR-15/2001, dated 8.3.2001.

18. The relevant provisions are reproduced below:-

Regulation 5 (1) of SEBI (FUTP) Regulations, 1995:-

No person shall make any statement, or disseminate any information which –

- (a) Is misleading in a material particular; and*
- (b) Is likely to induce the sale or purchase of securities by any other person or is likely to have the effect of increasing or depressing the market price of securities, if when he makes the statement or disseminates the information-*
 - (i) He does not care whether the statement or information is true or false; or*
 - (ii) He knows, or ought reasonably to have known that the statement or information is misleading in any material particular.*

Regulation 6 (a) of SEBI (FUTP) Regulations, 1995:-

No person shall –

In the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities;

Clause 20 (c) of the Listing Agreement (after incorporating the relevant amendments of SEBI Circular SMD/POLICY/CIR-1/02 dated 02.01.2002) states as follows:

The company will, immediately on the date of the meeting of its Board of Directors held to consider or decide the same, intimate to the Exchange within 15 minutes of the closure of the Board Meetings by Letter/fax, (or, if the meeting be held outside the City of Mumbai, by fax/ telegram)---

- a. ...*
- b. ...*
- c. The decision on Buyback of Securities.*

SEBI Circular SMDRP/POLICY/CIR-15/2001 dated 08.03.2001 states as follows:

"The Company agrees to obtain 'in-principle' approval for listing from the exchange before issuing further shares or securities."

19. SIL and its Directors issued an advertisement proclaiming that the company would consider a proposal to buyback 10% of the share capital of the company at Rs. 10 per share, and informed the stock exchanges to disseminate through their notice boards, information which is misleading in several material particulars. The terms used in the advertisements such as “Development, Achievement & Growth” are grossly misleading

and the graph depicted in the advertisement exhibiting a consistent record of profits by the company is false. Such an advertisement is likely to induce purchase of securities of the company by gullible investors especially since the market price at the time of advertisement was Re. 1 and the proposed buyback price was Rs. 10. The hype created in the media with advertisements released in different leading newspapers and the announcements regarding huge export orders and diversification plans etc. had provided the much needed trigger to the otherwise dormant scrip which was languishing at Re. 1/- level. As expected there was immense activity in the scrip pursuant to these advertisements in terms of number of shares traded and the prices.

20. The company had a total staff strength of thirteen, of which one only one staff is stated to be a software engineer, yet claims were made by SIL and its Directors that SIL is to diversify into technology-intensive areas like software.

21. The buy back proposal was claimed to have been rejected by the Board of Directors of SIL based on a legal opinion by their in-house legal counsel that the Articles of Association of the company did not provide for the same and that SIL did not have adequate reserves for the same. This is basic information which ought to be verified by the Directors before it decides to go for a buyback of shares to ensure that the company has the necessary financial strength to meet the obligations that would arise on account of the proposal and as to whether the company complies with Section 77A of the Companies Act, 1956 to meet its requirements. Despite this a series of advertisements was published luring the gullible public.

22. Apart from the provisions discussed above which have allegedly been violated by Santosh Gayakwad and Mukesh Bachubhai Vadecha (Directors of SIL during the relevant period) Mukesh Bachubhai Vadecha has also been charged for violation of Regulations 3 and 4(b) of the SEBI (FUTP) Regulations, 1995, Regulation 10 of the Takeover Regulations, and Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992 as amended in 2003.

23. These additional charges are discussed and the provisions are reproduced below:-

Prohibition of certain dealings in securities

3. No person shall buy, sell or otherwise deal in securities in a fraudulent manner

Prohibition against Market Manipulation

4. No person shall -

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

Regulation 10 of Takeover Regulations, 1997 states as follows:

“No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen percent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the Regulations.”

Regulation 13 of SEBI (Insider Trading) (Amendment) Regulations, 2002 states as under:

1. *Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company, the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of:-*

a. The receipt of intimation of allotment of shares; or

b. The acquisition of shares or voting rights, as the case may be.

2. ...

3. *“Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings*

from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.”

24. Mukesh Vadecha vide letter dated July 5, 2005 submitted his reply to the Show Cause Notice. Santosh Gayakwad submitted his reply vide letter dated June 29, 2005.

25. The off-market transfers of shares of SIL of Mukesh Bachubhai Vadecha in the scrip of SIL during the relevant period are as under:-

Demat 10172288 (Mukesh Bachubhai Vadecha)		From		To	
Date	Shares	Name	Client ID	Name	Client ID
12-Apr-02	1550000	Mukesh Bachubhai Vadecha	10172288	Jay Shah	10018499
12-Jun-02	1500000	Vinodbhai N Desai	10039717	Mukesh Bachubhai Vadecha	10172288
27-Jun-02	706660	Mukesh Bachubhai Vadecha	10172288	Piyush Jhaveri	15943616
11-Jul-02	95836	Mukesh Bachubhai Vadecha	10172288	Jyotish Bhogilal	10003797
22-Jul-02	283767	Swati Ashlesh Shah	10105053	Mukesh Bachubhai Vadecha	10172288
23-Jul-02	559504	Swati Ashlesh Shah	10105053	Mukesh Bachubhai Vadecha	10172288

26. Mukesh Bachubhai Vadecha met the delivery obligations of Harsha Jhaveri, Pankaj C Patel and Shah Maheshbhai through sub-brokers Piyush Jhaveri and Jyotish Bhogilal. By virtue of being a director of SIL, he is reasonably expected to know about the unlisted nature of the shares and yet introduced these unlisted shares through Piyush Jhaveri & Jyotish Bhogilal into the market. Mukesh Vadecha being the Director of SIL alongwith the Chairman, Manager and other promoter-related entities offloaded unlisted shares of SIL in the secondary market to unsuspecting investors in violation of Regulations 3, 4(b), 5(1) and 6(a) of the SEBI (FUTP) Regulations, 1995.

27. The phone number provided by Mukesh Vadecha for his demat account as observed from his NSDL records is registered in the name of Chauhan Ashokbhai Chinubhai and is in common with Raju B. Shah (Chairman of SIL). In the instant case, it was found that Mukesh Vadecha along with persons acting in concert with him (namely, Shri Raju Shah - Chairman of SIL, Shri Atul Shah – brother of Raju Shah, Shri Tushar Jhaveri, Shri Maulik Patwa and Shri Vinod Desai) acquired the shares of the company in excess of the stipulated limits (as detailed subsequently in paras. 41 -44 of this Order) without disclosing to the company and the stock exchanges and without making a public offer in accordance with the Takeover Regulations.

28. Santosh Gayakwad and Mukesh Vadecha (Directors of SIL) in their replies dated June 29, 2005 and July 5, 2005 contend that an independent Chartered Accountant prepared the valuation report and recommended the swap ratio. They argued that if SIL itself cannot be held guilty of fraud, no Director or Manager of SIL can be found guilty. As already discussed earlier the swap ratio of 30:1 based on valuation of goodwill at 30 crores of a company which had no creditable track record is irrelevant as found subsequently by BSE appointed Auditors. However, it maybe noted that action was initiated separately against SIL vide SCN's dated February 9, 2005 and June 12, 2006, and the Directors of the company. In response to the charge of violating SEBI Circular SMDRP/POLICY/CIR-15/2001 dated 08.03.2001 on obtaining in-principle approval of exchanges for listing before issuing any further shares it was submitted that SIL had obtained listing permission from VSE on 22.01.2002 and from ASE on 22.03.2002 and that it had admittedly made the allotments while the application with the BSE was still pending. Mere submission of Application to the BSE is not sufficient. Obtaining in-principle approval from the stock exchange is a condition precedent before issuance of any further shares. Clearly this has not been complied with which is a serious violation. The problem is further compounded because the dematerialised shares are fungible in electronic form and cannot be differentiated. The Hon'ble Supreme Court in Rishyashringa Jewellery Ltd. v. The Stock Exchange, Bombay and Others (1995) 6 SCC 714 held that where a company claims in its prospectus that applications for listing have been made in more than one stock exchange, allotment made in pursuance of the prospectus would be valid only if permission from all such exchanges has been obtained

within the prescribed period. There is no reason to deviate from this principle laid down by the Supreme Court merely because it is a case of further issue of shares and not an Initial Public Offer (IPO).

29. It has been admitted by both Mukesh Vadecha and Santosh Gayakwad (Directors of SIL) that there was a delay in communicating the decision of the Board of Directors to the Stock Exchanges, in violation of Clause 20 (c) of the Listing Agreement incorporating amendments brought about by SEBI Circular SMD/POLICY/CIR-1/02 dated 02.01.2002 on the issue of informing Stock Exchanges with respect to the decision of the Board of Directors not to proceed with buyback.

30. It is thus found that SIL and its Directors have fraudulently disseminated false and misleading information regarding the proposal to consider buyback of shares of SIL at a price of Rs. 10 per share as against the then market price of Re. 1 per share to generate investor interest and later did not disseminate the information regarding rejection of the proposal. The Directors of the company cannot claim to be ignorant of such an elementary matter as the need for the Articles of Association of the company to allow buyback of shares by the company, especially when their actions have the potential to mislead several thousand genuine investors. Various claims made in the advertisement regarding the richness of its intellectual capital (“fuelled with brain”) and technological prowess are patently false. The advertisement and other information disseminated by the company regarding its performance and profits have been examined by an independent Chartered Accountant and found to be false and misleading and BSE did not grant approval for further listing but the company dematerialized these shares.

31. Santosh Gayakwad and Mukesh Vadecha have violated the provisions of the SEBI (FUTP) Regulations and the SEBI Circulars mentioned and discussed in the preceding paragraphs. In addition, Mukesh Vadecha has violated Regulations 3 and 4 (b) of the FUTP Regulations, Regulation 10 of the Takeover Regulations by acquiring shares (alongwith persons acting in concert) of SIL in excess of 15% without making any public announcement in accordance with the Takeover Regulations, and Regulation 13 (3) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended in 2003 by not

disclosing changes in shareholding in excess of 5% of the shares of SIL and changes in his shareholding in excess of 2% of the total shareholding/voting rights of SIL

32. I now proceed to discuss the charges leveled against Maulik Patwa, Tushar Jhaveri, Vinod Desai, Pankaj Patel, Mahesh Shah and Ashit Vora who have allegedly acted in concert to acquire and offload unlisted shares of SIL in the secondary market. Maulik Patwa has allegedly acted in concert with persons associated with the Chairman and Manager of SIL, namely the brothers Raju Shah and Atul Shah to offload unlisted shares of SIL in the secondary market to the unsuspecting investors. Vide SCN dated February 9, 2005 Shri Maulik Patwa has been charged with violation of :- (1) Regulations 3 and 6(a) of the SEBI (FUTP) Regulations, 1995, (2) Regulation 10 of the SEBI Takeover Regulations, 1997 and (3) Regulation 13 (3) of the SEBI (Insider Trading) (Amendment) Regulations, 2002.

33. Maulik Prafulchandra Patwa has a joint demat account (IN 301485 – 10039709) with Tushar S. Jhaveri. The address on this joint demat account also appears on the joint demat account of Tushar Jhaveri with Raju B.Shah (the Chairman of SIL). Maulik Patwa has a common phone number in the joint demat account with Pankaj C. Patel (another Noticee). There are joint demat accounts connecting Tushar Jhaveri , Raju Shah, Atul Shah, Vinod Desai and Maulik Patwa. From a perusal of the securities flow between Maulik Patwa and others it is clear that the former dealt in huge quantities of shares of SIL between April 12, 2002 and June 12, 2002, buying and selling a substantial quantity of shares of SIL in association with related entities, through joint demat accounts with the other Noticees as detailed earlier.

34. The movement of shares of SIL in the account of Maulik Patwa is as below:-

Date	Shares	From		To	
		Name	Client ID	Name	Client ID
12-Apr-02	1651000	Maulik Prafulchandra Patwa	10146527	Tushar Jhaveri (PAC)	10009289
13-Apr-02	1625000	Vinod N Desai	10039063	Maulik Prafulchandra Patwa/Tushar S. Jhaveri (PAC's)	10039709
13-Apr-02	2493000	Orbit Securities Pvt Ltd	10009271	Maulik Prafulchandra Patwa/Tushar S. Jhaveri (PAC's)	10039709
12-Jun-02	1118000	Maulik	10039709	Raju Bachubhai Shah	10105447

		Prafulchandra Patva / Tushar S Jhaveri		(Chairman, SIL)	
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S Jhaveri	10039709	Atulbhai Bachubhai Shah (Manager, SIL and brother of Chairman, SIL)	10013448
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S Jhaveri	10039709	Shah Maheshbhai M	10025435
13-Jun-02	1000000	Atul B Shah	10040133	Maulik Prafulchandra Patva (PAC)	10146527
24-Jun-02	51000	Maulik Prafulchandra Patva	10146527	Ashish P Shah	10003169
25-Jun-02	50000	Maulik Prafulchandra Patva	10146527	Ashish P Shah	10003169
25-Jun-02	249201	Maulik Prafulchandra Patva	10146527	Piyush Jhaveri	15943616
26-Jun-02	7800	Maulik Prafulchandra Patva	10146527	Jyotish Bhogilal	10003797
26-Jun-02	209375	Maulik Prafulchandra Patva	10146527	Piyush Jhaveri	15943616
27-Jun-02	11000	Maulik Prafulchandra Patva	10146527	Ashish P Shah	10003169
08-Jul-02	420754	Maulik Prafulchandra Patva	10146527	Piyush Jhaveri	15943616
12-Jun-02	1000000	Maulik Prafulchandra Patva	10039709	Swati Ashlesh Shah	10105053

36. Maulik Patwa met share delivery obligations of other entities like Mukesh Gajjar, Maheshbhai Shah, Pankaj Patel and Vinod Desai.

37. Shri Maulik Patwa contended that he is in no way associated with the promoters, Directors or other management of the company. He states that he has not sold any of his shareholding during the relevant period and that the charges are based on conjecture and surmises. However, he did not explain satisfactorily the existence of a number of joint demat accounts he had with promoter-related entities including those with Raju Shah and Atul Shah (Chairman and Manager of SIL) as detailed earlier at para.33 and offloading of large volumes of shares from these accounts at the relevant time as indicated in the Table at para. 34.

38. Maulik Patwa bought and sold a substantial quantity of shares from and to related counterparty clients like Tushar Jhaveri and Raju Shah (Chairman, SIL). It was observed in the course of investigation that the major net sellers in the scrip of SIL during the relevant period were Harsha Jhaveri and Shri Parshwa Finance. It is noted from the securities flow of trades done by Harsha Jhaveri that Piyush Jhaveri (proprietor of sub-broker Shri Parshwa Finance) met delivery obligations for major selling clients like Harsha Jhaveri apparently assisted by Atul Shah, Maheshbhai Shah, Vinod N. Desai, Raju B. Shah, Maulik Patwa, Mukesh Vadecha and Ashit Vora. Thus, Maulik Patwa has assisted the persons acting in concert in offloading unlisted shares of SIL in the secondary market to the gullible public.

39. Details of securities flow for trades by Harsha Jhaveri which substantiate the above are as follows:-

Date	Nett	Broker	Delivery by	Ultimate source
03-Jun-02	-17500	FMS Secs	Shri Parshwa Finance	Intersettlement rpt
05-Jun-02	-140000	FMS Secs	Shri Parshwa Finance	Atul Bachubhai Shah
10-Jun-02	-449701	FMS Secs	Shri Parshwa Finance	Shah Maheshbhai M & Atulbhai Bachubhai Shah
12-Jun-02	-52340	FMS Secs	Shri Parshwa Finance	Vinod N Desai
13-Jun-02	156249	FMS Secs	Purchases	
09-Jun-02	-365000	FMS Secs	Shri Parshwa Finance	Shah Maheshbhai M & Atulbhai Bachubhai Shah
20-Jun-02	-233101	FMS Secs	Shri Parshwa Finance	Raju B Shah
21-Jun-02	-150000	FMS Secs	Shri Parshwa Finance	Shah Maheshbhai M
24-Jun-02	-50000	FMS Secs	Shri Parshwa Finance	Maulik Prafulchandra Patwa
26-Jun-02	-454900	FMS Secs	Shri Parshwa Finance	Mukesh Bachubhai Vadecha
28-Jun-02	5000	FMS Secs	Purchases	
01-Jul-02	-250000	FMS Secs	Shri Parshwa Finance	Atulbhai Bachubhai Shah
02-Jul-02	-500000	FMS Secs	Shri Parshwa Finance	Shah Maheshbhai M & Ashit Haribhai Vora
05-Jul-02	-500000	FMS Secs	Shri Parshwa Finance	Raju Bachubhai Shah & Maulik Prafulchandra Patwa
11-Jul-02	-700000	FMS Secs	Shri Parshwa Finance	Atulbhai Bachubhai Shah
Total	-3701293			

40. Maulik Patwa along with persons acting in concert with him (namely, Shri Raju Shah, Shri Atul Shah, Shri Tushar Jhaveri, Shri Vinod Desai and Shri Mukesh Vadecha) has allegedly acquired shares of SIL in excess of the stipulated limits without disclosing

to SIL or the Exchanges and without making a public offer in accordance with the Takeover Regulations. The details of violation of the Takeover Regulations by Maulik Patwa, Mukesh Vadecha and other persons acting in concert (including Director of SIL Mukesh Vadecha) are discussed in the following paragraphs.

41. There are several joint demat accounts between the Shah family, directors of the company and Tushar Jhaveri. There are a number of such joint demat accounts amongst the persons in the group which has acted in concert to acquire and offload unlisted shares of SIL in the secondary market. For instance, Tushar Jhaveri has a joint demat account with each of the brothers, one with Vinod Desai and Maulik Patva and similarly for the Shah Family. To this extent, these entities have acted in concert.

42. As held by the Hon'ble Supreme Court in the case of CIT v. East Coast Commercial Co. Ltd. (AIR (1967) SC 768), even when there is no evidence of any overt act showing that entities are acting in concert, their conduct and common interest maybe used to infer that they must be acting together. In the words of the Apex Court, this is sufficient to show that the entities have acted in concert. Since evidence of actual acting in concert is difficult to obtain, it is not insisted on. The facts and circumstances discussed, the nearness of relationship, the flow of securities amongst the related entities including promoters, the opening of joint demat accounts and the surrounding circumstances including the hype created for the proposed buyback and major expansion plans, and the trading in securities of SIL at the relevant time all suggest the preponderance of probabilities and establishes the misconduct of the Noticees.

43. Substantial securities flows have been observed in the various joint demat accounts mentioned above over the period of investigation. Tushar Jhaveri, Atulbhai Bachubhai Shah, Rajesh Bachubhai Shah, Vinodbhai N Desai, Maulik Prafulchandra Patva and Mukesh Bachubhai Vadecha acquired shares of SIL in excess of 15% of the voting capital of the company without making announcement of public offer. Details of the 13 demat accounts of these persons are:-

1. Maulik Patva / Tushar (demat a/c 10039709)
2. Maulik Patva (10146527)
3. Tushar Jhaveri (10009289)
4. Vinod/Tushar Jhaveri (10039717)
5. Vinod N Desai (10039063)

6. Mukesh B Vadecha (10172288)
7. Atul B'bhai Shah (10013448)
8. Atul B'bhai Shah (10040133)
9. Atul B'bhai Shah (10105220)
10. Rajesh B'bhai Shah / Tushar (10039694)
11. Raj' B'bhai Shah/Anil B Shah(10013456)
12. Raj' B'bhai shah (10040818)
13. Raj' B'bhai shah (10105447)

44. The consolidated datewise shareholding and acquisition by these abovementioned entities acting in concert is as below:-

Date	Pre-acquisition		Acquisition	Post-acquisition	
	Shares	%	Shares	Shares	%
1.4.02	4,041,504	11.55	0	4,041,504	11.55
2.4.02	4,041,504	11.55	15,000	4,056,504	11.59
3.4.02	4,056,504	11.59	1,230,000	5,286,504	15.10
13.4.02	5,071,504	14.49	5,953,000	11,024,504	31.50
15.4.02	11,024,,504	31.50	45,585,000	15,609,504	44.60

45. Thus it is seen that entities connected through joint demat accounts acquired shares in excess of 15% of the voting capital of SIL on April 3 and 13, 2002 in clear violation of Regulation 10 of the Takeover Regulations. The entities have individually also been holding shares in excess of 5% of the voting capital of SIL and been acquiring as well as selling shares in excess of 2% of the voting capital of SIL during the period April to July 2002 in violation of Regulation 13(3) of the SEBI (Insider Trading) Regulations, 1992 which requires a person holding more than 5% shares/voting rights in a listed company to disclose to the company the number of shares/voting rights held and any change in such shareholding or voting rights which exceeds 2% of the total shareholding/voting rights in the company.

46. Details with respect to the Noticees which violated the Takeover Regulations, 1997 and the SEBI (Insider Trading) Regulations, 1992 on the given dates are as below:-

S. No.	Date	Entities	No. of Shares Acquired/Offloaded	% of voting capital of SIL owned post acquisition/offloading	Provisions Allegedly Violated
1.	03.04.2002	Tushar Jhaveri and PAC's ¹	12,30,000 (acquired)	15.10%	Regulation 10 of SAST
2.	15.04.2002	PAC's	4,55,85,000 shares (acquired)	44.6%	Reg. 10 of the SAST (since the PAC's held 31.5% of share capital of SIL before acquisition)
3.	12.06.2002	Tushar Jhaveri and PAC's	59,53,000 (acquired)	31.5%	Regulation 13 (3) of SEBI (Insider Trading) Regulations, 1992 (Tushar Jhaveri and the PAC's already held 14.49% of the share capital of SIL before this acquisition)

47. Tushar S Jhaveri (s/o Shri Sharadbhai R.Jhaveri) is the sole proprietor of Jhaveri Securities which is a major client of broker Parklight Investment Private Ltd. The SCN dated February 9, 2005 has charged Tushar Jhaveri with violation of Regulations 3 and 6 (a) of the SEBI (FUTP) Regulations, 1995, Regulation 10 of the SEBI Takeover

¹ Atulbhai Bachubhai Shah, Rajesh Bachubhai Shah, Vinodbhai N Desai, Maulik Prafulchandra Patva & Mukesh Bachubhai Vadecha are the Persons Acting in Concert ('PAC's) since they are connected through a series of Joint Demat Accounts.

Regulations, 1997 and Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992. There is no response to the SCN by Tushar Jhaveri.

48. It is noticed that Tushar Jhaveri has joint demat accounts with Vinodbhai N. Desai, Maulik Patwa, Atul Shah (manager of SIL and brother of the Chairman of SIL) and Raju B. Shah (Chairman of SIL).

49. The off-market transactions of Tushar Jhaveri with related entities are depicted below:-

Date	Shares	From		To	
		Name	Client ID	Name	Client ID
12-Apr-02	100000	Tushar Jhaveri	10009289	Parklight Invt P Ltd	10000230
12-Apr-02	500000	Tushar Jhaveri	10009289	Equisearch Broking	30202236
12-Apr-02	1231000	Atulbhai Bachubhai Shah	10105220	Tushar Jhaveri(PAC)	10009289
12-Apr-02	1651000	Maulik Prafulchandra Patva	10146527	Tushar Jhaveri(PAC)	10009289
12-Apr-02	1550000	Mukesh Bachubhai Vadecha	10172288	Jay Shah	10018499
12-Apr-02	877000	Dharmendra Solanki	12043884	Jay Shah	10018499
12-Apr-02	1079000	Nilesh J Modi	12043892	Jay Shah	10018499
12-Apr-02	1080000	Ramesh Iswarbhai Gandhi	12043796	Jay Shah	10018499
12-Apr-02	1013000	Kirit Induprasad Mehta	12043989	Orbit Securities Pvt Ltd	10009271
12-Apr-02	1480000	Mehul K Panchighar	12043964	Orbit Securities Pvt Ltd	10009271
13-Apr-02	2493000	Orbit Securities Pvt Ltd	10009271	Maulik Prafulchandra Patva / Tushar S. Jhaveri(PAC's)	10039709
13-Apr-02	3460000	Chauhan Jagdish Savaji	10023331	Rajesh Bachubhai Shah / Tushar S Jhaveri (PAC's)	10039694
13-Apr-02	1625000	Vinod N Desai	10039063	Maulik Prafulchandra Patva / Tushar S. Jhaveri(PAC's)	10039709
15-Apr-02	4586000	Jay Shah	10018499	Vinodbhai N. Desai / Tushar S. Jhaveri(PAC's)	10039717
17-Apr-02	150000	Tushar Jhaveri	10009289	Shilvy Securities	10008325
20-Apr-02	10000	Piyush Jhaveri	15943616	Tushar Jhaveri(PAC)	10009289
24-Apr-02	480000	Vinod N Desai	10039063	Atul B. Shah / Tushar S. Jhaveri	10040133
24-Apr-02	1180000	Ashit Haribhai Vora	10110927	Atul B. Shah / Tushar S. Jhaveri	10040133

Date	Shares	From		To	
		Name	Client ID	Name	Client ID
25-Apr-02	2260000	Nokia Finance (director – Tushar Jhaveri)	10010658	Atul B. Shah / Tushar S. Jhaveri	10040133
29-Apr-02	20000	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
01-May-02	25000	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
03-May-02	4500	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
04-May-02	40500	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
09-May-02	305000	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
16-May-02	29249	Tushar Jhaveri	10009289	Piyush Jhaveri	15943616
21-May-02	29249	Piyush Jhaveri	15943616	Tushar Jhaveri(PAC)	10009289
30-May-02	239000	Equisearch Broking	30202236	Tushar Jhaveri(PAC)	10009289
04-Jun-02	1000000	Tushar Jhaveri	10009289	Atulbhai Bachubhai Shah	10105220
06-Jun-02	10000	Atulbhai Bachubhai Shah	10013448	Tushar Jhaveri(PAC)	10009289
12-Jun-02	1460000	Rajesh Bachubhai Shah / Tushar S Jhaveri	10039694	Atulbhai Bachubhai Shah	10105220
12-Jun-02	1000000	Rajesh Bachubhai Shah / Tushar S Jhaveri	10039694	Vinod N Desai(PAC)	10039063
12-Jun-02	1000000	Rajesh Bachubhai Shah / Tushar S Jhaveri	10039694	Raju B Shah (Chairman, SIL)	10040818
12-Jun-02	1118000	Maulik Prafulchandra Patva / Tushar S. Jhaveri	10039709	Raju Bachubhai Shah(Chairman, SIL)	10105447
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S. Jhaveri	10039709	Atulbhai Bachubhai Shah	10013448
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S. Jhaveri	10039709	Shah Maheshbhai M	10025435
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S. Jhaveri	10039709	Swati Ashlesh Shah	10105053
12-Jun-02	1500000	Vinodbhai N. Desai / Tushar S. Jhaveri	10039717	Raju (alies) Anil B Shah	10013456
12-Jun-02	1500000	Vinodbhai N. Desai / Tushar S. Jhaveri	10039717	Mukesh Bachubhai Vadecha (Director, SIL)	10172288
12-Jun-02	1586000	Vinodbhai N. Desai / Tushar S. Jhaveri	10039717	Santosh P Gaykwad (Director, SIL)	10008379
13-Jun-02	1920000	Atul B. Shah / Tushar S. Jhaveri	10040133	Shah Maheshbhai M	10006362
13-Jun-02	1000000	Atul B. Shah /	10040133	Maulik Prafulchandra	10146527

Date	Shares	From		To	
		Name	Client ID	Name	Client ID
		Tushar S. Jhaveri		Patva (PAC)	
13-Jun-02	1000000	Atul B. Shah / Tushar S. Jhaveri	10040133	Ashit Haribhai Vora (PAC)	10110927

50. Details of off-market transactions between April 12 and 14, 2002 reveal that Tushar Jhaveri (alongwith other entities like Jay Shah and Orbit Securities) received around 1.05 crore unlisted shares (representing 28.5% of the voting capital of SIL) on April 12, 2002 (subsequent to infusion of additional unlisted and dematerialized shares by SIL) and subsequently transferred around 1.608 crore shares from his various joint demat accounts as detailed earlier to demat accounts of Raju B. Shah, Atul B. Shah, Mukesh Vadecha ((Director of SIL), Santosh Gayakwad (Director of SIL), Vinod Desai, Shah Maheshbhai, Swati Ashlesh Shah, Maulik Patwa and Ashit Vora. It is noted that from June 19, 2002 (when the advertisement regarding consideration of buyback was published) onwards the shares in the above individual accounts were transferred to the accounts of sub-brokers Jyotish Bhogilal and Parshwa Finance. Delivery obligations for sales made by Tushar Jhaveri on June 5, 2002 were met by Atul Shah (manager of SIL and brother of the Chairman of SIL).

51. The Chairman of SIL, Directors of SIL and Manager of SIL received shares from the various demat accounts of Tushar Jhaveri on June 12, 2002 when it was decided to consider buyback. From June 19, 2002 onwards (date of issue of advertisement), the shares in the aforesaid demat accounts, were transferred to the accounts of sub-brokers viz., Jyotish Bhogilal and Shri Parshwa Finance (Proprietor Shri Piyush Jhaveri), who then delivered these shares on behalf of various clients including Harsha Jhaveri, Mahesh Shah, Vinod Desai, Mukesh Gajjar, Ashit Vora and Pankaj C Patel.

52. Tushar Jhaveri who acted in the aforesaid manner and transferred a large number of unlisted shares of SIL in off-market deals, has assisted the promoters and Directors of SIL including the Shah Family in committing a fraud on the securities market, thereby violating the provisions of Reg. 3 and Reg. 6(a) of SEBI (Prohibition of Fraudulent & Unfair trade practices relating to securities markets) Regulations, 1995. In addition, there

has been violation of Regulation 10 of the Takeover Regulations and Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992.

53. Vinod Desai has also been selling shares of SIL through sub-broker Jyotish Bhogilal Stock Brokers Pvt. Ltd. during the relevant period. Vinod N Desai and Maheshbhai Shah are the only clients on behalf of whom Jyotish Bhogilal Stock Brokers have traded during the relevant period and both the aforesaid clients have been selling shares of SIL. The office telephone number provided by Vinod Desai is registered in the name of Santosh Gayakwad who was a Director of SIL during the relevant period. It has also been found that Vinod Desai has authorized Jyotish Bhogilal to receive shares of SIL from Raju B Shah, Shah Mahesh M, Maulik Prafulchandra Patva and Ashit Vora on his behalf. Vinod Desai sold shares of SIL worth Rs. 75 lakhs through sub-broker Jyotish Bhogilal and received payments thereto. Vinod Desai has made payment of Rs. 2,50,000 to Santosh P. Gayakwad.

54. The securities flows resulting from Vinod Desai's transactions in the scrip of SIL reveal that most of the 22.3 lakh shares delivered in the name of Vinod Desai have come from the demat accounts of Raju B Shah, Shah Maheshbhai M, Maulik Prafulchandra Patva, Atulbhai Bachubhai Shah and Ashit Haribhai Vora.

55. Trading details supporting the above are reproduced here:-

Date	Nett	Delivery Through	Ultimate source of delivery
18-Jun-02	-25000	Jyotish Bhogilal	Vinod N Desai
19-Jun-02	-124453	Jyotish Bhogilal	Vinod N Desai
20-Jun-02	-322000	Jyotish Bhogilal	Raju B Shah
21-Jun-02	-9100	Jyotish Bhogilal	Shah Maheshbhai M
25-Jun-02	-7800	Jyotish Bhogilal	Maulik Prafulchandra Patwa
1-Jul-02	-500000	Jyotish Bhogilal	Atulbhai Bachubhai Shah
2-Jul-02	-699064	Jyotish Bhogilal	Ashit Haribhai Vora
3-Jul-02	-4000	Jyotish Bhogilal	Raju B Shah
4-Jul-02	-31444	Jyotish Bhogilal	Vinod N Desai
5-Jul-02	-509000	Jyotish Bhogilal	Shah Maheshbhai M & Raju Bachubhai Shah
Total	-2231861		

56. Vinod Desai has been the major source for accumulation of shares in the joint account of Tushar Jhaveri and Maulik Prafulchandra Patva.

57. Vinod Desai has also not responded to the SCN dated February 9, 2005. For the reasons stated above and taking into account the transactions in the scrip of SIL, his joint demat accounts with other persons acting in concert and the securities flow as discussed it is clearly established that Vinod Desai has violated Regulations 3 and 6(a) of the SEBI (FUTP) Regulations, 1995, alongwith Regulation 10 of the Takeover Regulations and Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992.

58. Regulation 10 of the Takeover Regulations, 1997 has also been violated by Vinod Desai. Vinod Desai in association with other persons acting in concert acquired shares of SIL in excess of 15% on April 3, 2002. Later, on April 13, 2002 and April 15, 2002 he acquired shares of SIL in concert with other entities as discussed earlier to take his holdings alongwith those of persons acting in concert to 31.5% and 44.6% respectively.

59. As already discussed in preceding paragraphs, individually too, the persons acting in concert have been holding shares in excess of 5% of the voting capital of SIL and been acquiring as well as selling shares in excess of 2% of the voting capital of SIL during the period April to July 2002. Thus, there is a violation of Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992.

60. Ashit Vora, Pankaj Patel and Mahesh Shah have been charged with violation of Regulation 3 and 6 (a) of the SEBI (FUTP) Regulations, 1995 by SCN dated February 9, 2005. They allegedly created artificial demand in the scrip of SIL by trading huge volumes of unlisted shares of SIL. They are also charged with having assisted the promoters of the company in off-loading more than one crore unlisted shares of SIL in the market by creating artificial volumes, and for perpetrating fraud on the shareholders.

61. Pankaj C. Patel and Maulik Patwa have the same phone number according to the NSDL records for the demat account of Pankaj C. Patel. Pankaj Patel was introduced to the sub-broker Shri Parshwa Finance by Atul B. Shah (Manager, SIL and brother of Raju Shah) and Raju B. Shah (Chairman, SIL). As per the material on record Pankaj Patel was a net seller of 24.4 lakh shares of SIL between June 3, 2002 and July 3, 2002.

62. Transactions executed on behalf of Pankaj C. Patel are now examined through the securities flows generated by him between June 3, 2002 and July 3, 2002. The table is reproduced below:-

Date	Nett	Delivery given by	Ultimate Source for delivery
3-Jun-02	83749	Purchases	
4-Jun-02	-65329		Purchases made on Jun 3, 02
5-Jun-02	-22688		Purchases made on Jun 3, 02
6-Jun-02	-45101	Piyush Jhaveri	Atulbhai Bachubhai Shah
7-Jun-02	-11301	Piyush Jhaveri	Atulbhai Bachubhai Shah
10-Jun-02	-18973	Piyush Jhaveri	Atulbhai Bachubhai Shah
11-Jun-02	11003	Purchases	
12-Jun-02	-615341	Piyush Jhaveri	Vinod N Desai
13-Jun-02	78398	Purchases	
14-Jun-02	38701	Purchases	
17-Jun-02	37093	Purchases	
18-Jun-02	-9301	Piyush Jhaveri	Raju B Shah
19-Jun-02	-160800	Previous Purchases	
20-Jun-02	-366650	Piyush Jhaveri	Raju B Shah
20-Jun-02	-251760	Piyush Jhaveri	Mukesh Bachubhai Vadecha
21-Jun-02	-219699	Piyush Jhaveri	Shah Maheshbhai M
24-Jun-02	-199201	Piyush Jhaveri	Maulik Prafulchandra Patwa
25-Jun-02	-209375	Piyush Jhaveri	Maulik Prafulchandra Patwa
27-Jun-02	-17998	Piyush Jhaveri	Atulbhai Bachubhai Shah
28-Jun-02	56946	Purchases	
1-Jul-02	-206852	Piyush Jhaveri	Atulbhai Bachubhai Shah
2-Jul-02	-301901	Piyush Jhaveri	Ashit Haribhai Vora & Shah Maheshbhai M
3-Jul-02	-25300	Piyush Jhaveri	Vinod N Desai
Total	-2441680		

63. An analysis of the securities flow resulting from the above trades of Pankaj C. Patel reveals that deliveries were ultimately sourced to demat accounts of Atulbhai Bachubhai Shah, Raju B Shah, Shah Maheshbhai M, Ashit Haribhai Vora, Mukesh Bachubhai Vadecha, Maulik Prafulchandra Patwa, and Vinod N Desai. None of the shares came from the demat account of Pankaj C Patel. It is also noted that the shares delivered by the aforesaid entities were the shares that had originated from the various joint accounts of Tushar Jhaveri. Atul B Shah, Raju B Shah, Shah Maheshbhai M, Vinod Desai and Ashit Haribhai Vora were also registered with Shri Parshwa Finance as clients but they offloaded shares of SIL through persons acting in concert like Pankaj C. Patel and Mukesh Gajjar to avoid detection. Pankaj C Patel has assisted the promoters of the

company in the serious irregularities and thereby violated the provisions of Regulation 3 read with Reg. 6(a) of SEBI (FUTP) Regulations, 1995.

64. Pankaj C. Patel did not respond to the summons dated May 2, 2003 (returned undelivered with reason 'refused to accept') and May 8, 2003 issued to him by the Investigating Authority at the addresses provided by his sub-broker Shri Parshwa Finance and NSDL. Summons for personal appearance dated January 24, 2004 were also sent through his Depository Participant Standard Chartered Bank. This delivery was effected by Standard Chartered Bank at the address contained in the NSDL records and an acknowledgement copy was forwarded to SEBI. Despite this, Pankaj Patel did not respond.

65. Later, in his reply dated August 29, 2005 Pankaj Patel made a bold statement claiming that he is in no way associated with SIL or its promoters/Directors and had no knowledge of any violation of securities laws. This is not correct in the light of the facts discussed above.

66. Mahesh (Mohanlal) Shah is another selling client apart from Vinod Desai for sub-broker Jyotish Bhogilal in the scrip of SIL during the period June and July 2002. As per records Vinod Desai used to collect cheques due to Mahesh Shah from sub-broker Jyotish Bhogilal. His net sales of SIL shares during the abovementioned period are 467517 shares. Delivery for these shares sold by Mahesh Shah came from the demat accounts of Atul Shah, Ashit Haribhai Vora, Vinod Desai, Mukesh Bachubhai Vadecha and Raju B Shah.

67. The securities flow details for Mahesh Shah shown below:-

Date	Nett	Delivery by	Ultimate source of delivery
8-Jul-02	224164	Purchase	
9-Jul-02	-6500	Jyotish Bhogilal	Atulbhai Bachubhai Shah(3340), Ashit Haribhai Vora(2011), Vinod N Desai (1149)
10-Jul-02	-320000	Jyotish Bhogilal	Mukesh Bachubhai Vadecha(95836), Mahesh M Shah (224164)
11-Jul-02	-300273	Jyotish Bhogilal	Raju (alies) Anil B Shah
12-Jul-02	-20000	Jyotish Bhogilal	Raju (alies) Anil B Shah
17-Jul-02	10242	Purchase	
18-Jul-02	-45150	Jyotish Bhogilal	Atulbhai Bachubhai Shah

19-Jul-02	-10000	Previous purchase	Mahesh M Shah (for pur made on 17/7)
Total	-467517		

68. Maheshbhai Shah received 38.80 lakh shares and transferred 16.19 lakh shares to other entities as detailed in the table on off-market transactions of Mahesh Shah in the next paragraph. These shares were received from demat accounts of Atulbhai Bachubhai Shah, Maulik Prafulchandra Patva / Tushar S Jhaveri. These shares were delivered to Piyush Jhaveri and Jyotish Bhogilal. Shah Maheshbhai was introduced to Piyush Jhaveri by Raju B Shah (Chairman,SIL) and his brother Atul B Shah.

69. Details of Mahesh Shah's off-market transactions are reproduced below:-

Date	Shares	Name	Client ID	Name	Client ID
14-May-02	500000	Atulbhai Bachubhai Shah	10013448	Shah Maheshbhai M	10006362
31-May-02	297726	Shah Maheshbhai M	10006362	Piyush Jhaveri	15943616
03-Jun-02	145960	Shah Maheshbhai M	10006362	Piyush Jhaveri	15943616
03-Jun-02	10179	Atulbhai Bachubhai Shah	10105220	Shah Maheshbhai M	10025435
06-Jun-02	200000	Atulbhai Bachubhai Shah	10013448	Shah Maheshbhai M	10006362
11-Jun-02	149953	Shah Maheshbhai M	10006362	Piyush Jhaveri	15943616
12-Jun-02	1000000	Maulik Prafulchandra Patva / Tushar S. Jhaveri	10039709	Shah Maheshbhai M	10025435
13-Jun-02	1920000	Atul B Shah	10040133	Shah Maheshbhai M	10006362
20-Jun-02	250000	Atulbhai Bachubhai Shah	10013448	Shah Maheshbhai M	10006362
22-Jun-02	369699	Shah Maheshbhai M	10006362	Piyush Jhaveri	15943616
22-Jun-02	9100	Shah Maheshbhai M	10006362	Jyotish Bhogilal	10003797
03-Jul-02	501901	Shah Maheshbhai M	10006362	Piyush Jhaveri	15943616
08-Jul-02	145303	Shah Maheshbhai M	10006362	Jyotish Bhogilal	10003797

70. It is evident that Mahesh Shah has violated Regulations 3 and 6 (a) of the FUTP Regulations by assisting the Chairman, Directors and manager of SIL in offloading unlisted shares of the company in the secondary market to the gullible and unsuspecting public.

71. Ashit Vora has offloaded unlisted shares of SIL in the secondary market. He is stated to have been introduced to Piyush Jhaveri (in his capacity as broker) by Atul B Shah (Manager, SIL and brother of Chairman) and Raju B Shah (Chairman). The securities flow details for Ashit Vora are reproduced below:-

Date	Shares	From		To	
		Name	Client ID	Name	Client ID
24-Apr-02	1180000	Ashit Haribhai Vora	10110927	Atul B Shah	10040133
8-May-02	274548	Ashit Haribhai Vora	10110927	Piyush Jhaveri	15943616
16-May-02	21340	Ashit Haribhai Vora	10110927	Piyush Jhaveri	15943616
13-Jun-02	1000000	Atul B Shah	10040133	Ashit Haribhai Vora	10110927
3-Jul-02	699040	Ashit Haribhai Vora	10110927	Jyotish Bhogilal	10003797
3-Jul-02	300000	Ashit Haribhai Vora	10110927	Piyush Jhaveri	15943616
10-Jul-02	1037	Ashit Haribhai Vora	10110927	Piyush Jhaveri	15943616
10-Jul-02	2011	Ashit Haribhai Vora	10110927	Jyotish Bhogilal	10003797

72. From the above it can be seen that, on 24.4.02, Ashit Haribhai Vora has sold 11,80,000 shares of SIL to Atul B. Shah and purchased 10,00,000 shares from Atul B. Shah on 13.6.02.

73. Ashit Vora submitted his reply dated August 29, 2005 which is identical to the reply submitted by Pankaj C. Patel. Another reply dated July 9, 2005 was also submitted. It contends that it is in no way connected with the Directors or SIL. This is not a satisfactory response in the face of the serious charges levelled against him and in the light of the material available on record as discussed above.

74. Under the facts and circumstances as discussed, it is concluded that SIL had issued prominent notices in various newspapers for the proposed buyback of shares at Rs. 10/- per share without having the necessary funds to support such a proposal in terms of Section 77A of the Companies Act, 1956 and without appointing a compliance officer as required under the SEBI (Buyback of Securities) Regulations, 1998 with a view to create investor interest in the scrip which was languishing at Re. 1/-. It has announced huge export orders and diversification plans which did not materialize. It created favourable conditions for persons acting in concert to operate in the market in the backdrop of such advertisements and sell these irregularly issued (three crore preferentially allotted) shares of SIL which were allotted and dematerialized without BSE's approval, to the gullible

public thereafter. In doing so, the Directors (Mukesh Vadecha and Santosh Gayakwad) have violated the provisions of the SEBI (FUTP) Regulations, 1992 discussed in preceding paragraphs.

75. I find that the Directors of SIL, Santosh Gayakwad and Mukesh Vadecha, have misused their positions on the Board of SIL to indulge in acquisition and offloading of unlisted shares of SIL. They have admittedly violated provisions of SEBI Circular SMD/POLICY/CIR-1/02 dated 02.01.2002 by not informing the stock exchanges of the decisions made in meeting of the Board of Directors where it was decided to reject the buyback proposal. They have also violated Clause 20 (c) of the Listing Agreement incorporating amendments made by SEBI Circular SMDRP/POLICY/CIR-15/2001 dated 08.03.2001 by dealing in unlisted shares of their company and offloading them in the secondary market without obtaining in-principle approval from the stock exchange (BSE).

76. Ashit Vora, Mahesh Shah and Pankaj Patel have created artificial demand in the scrip of SIL by trading huge volumes of unlisted shares of SIL and have assisted the promoters of the company in acquiring and off-loading more than one crore unlisted shares of SIL in the market to the unsuspecting public, thereby violating Regulations 3 and 6 (a) of the SEBI (FUTP) Regulations, 1992. Vinod Desai, Maulik Patwa and Tushar Jhaveri have actively assisted the Chairman, Directors and Manager of SIL in misleading genuine investors in the secondary market and the existing shareholders of SIL. They have transferred huge quantities of unlisted shares of SIL in off-market deals in concert with persons associated with the Chairman and Manager of SIL (namely the brothers Raju Shah and Atul Shah) and offloaded unlisted shares of SIL in the secondary market to the unsuspecting investors, thereby violating Regulation 10 of the Takeover Regulations and Regulation 13 (3) of the SEBI (Insider Trading) Regulations, 1992 in addition to the SEBI (FUTP) Regulations, 1992.

ORDER

Now, therefore, in exercise of powers under Section 11B read with Section 11(4) of the SEBI Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade practices relating to securities market) Regulations, 2003 I hereby restrain Ashit Vora (PAN No. ACJPV1280C), Mahesh Shah and Pankaj Patel from accessing the securities market, buying, selling or dealing in securities or associating with the securities market in any manner whatsoever for a period of one year. Since Ashit Vora has already been restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing or associating with the securities market in any manner for a period of two years, vide SEBI Order dated February 18, 2008, the present Order restraining Ashit Vora from buying, selling or dealing in securities for a period of one year will run concurrently.

Vinod Desai, Tushar Jhaveri (PAN No. AACPZ7827J) and Maulik Patwa (PAN No. AGAPP4919R) are also hereby restrained from accessing the securities market, buying, selling or dealing in securities or associating with the securities market in any manner whatsoever for a period of one year. Since Tushar Jhaveri and Maulik Patwa were earlier restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing or associating with the securities market in any manner for a period of two years, vide SEBI Orders dated February 19, 2008 and February 18, 2008 respectively, the present Order restraining Tushar Jhaveri and Maulik Patwa from buying, selling or dealing in securities for a period of one year will run concurrently.

Santosh Gayakwad and Mukesh Bachubhai Vadecha are hereby restrained from accessing the securities market buying, selling or dealing in securities or associating with the securities market in any manner whatsoever for a period of two years since being Directors of Shalibhadra Infosec Ltd. they have acted in breach of their obligations to the company and its shareholders, besides violating SEBI (Insider Trading) Regulations, 1992 as discussed, the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and non-compliance with the SEBI Circulars SMD/POLICY/CIR-1/02 dated 02.01.2002 and SMDRP/POLICY/CIR-15/2001 dated 08.03.2001. Since Mukesh

Bachubhai Vadecha had already been restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing or associating with the securities market in any manner for a period of two years vide SEBI Order dated February 18, 2008, the present Order restraining Mukesh Vadecha from buying, selling or dealing in securities for a period of two years will run concurrently.

This Order will come into force with immediate effect.

Place: Mumbai

Date: March 03, 2008

V. K. CHOPRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA