

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: Dr. T.C.NAIR, WHOLE TIME MEMBER

IN THE MATTER OF M/s. NOKIA FINANCE INTERNATIONAL PVT. LTD., MEMBER THE AHMEDABAD STOCK EXCHANGE LIMITED, SEBI REGN NO. 021117735 IN THE SCRIP OF ACCURATE EXPORTS LTD.

Date of hearing : February 15, 2008

Appearances:

For Noticees : Shri Samir Shah, Director, Nokia Finance International Pvt. Ltd.

For SEBI : Shri P.K.Bindlish, Chief General Manager
Shri Bibhudutta Samal, Manager
Ms. Kshama Wagherkar, Legal Officer

ORDER

UNDER REGULATION 28(2) OF SEBI (INTERMEDIARIES) REGULATIONS, 2008

- 1.1 Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the buying, selling and dealing in the scrip of Accurate Exports Ltd. (hereinafter referred to as "AEL" / "the company") for the period January 1, 2001 to March 31, 2002. During investigations, it was observed that certain clients offloaded huge quantity of shares of AEL through select brokers. It was observed that company issued and dematerialized huge quantity of shares in excess of authorized capital during the financial year 2001-2002. The authorized capital of the company was 2.1 crore however, issued and dematerialized capital is around 15.19 crore. Hence the company had issued around 13 crore shares during the financial year 2001-2002 in excess of authorized capital of the company. These shares were issued to various entities including entities related to Directors of the company who in turn transferred these shares to other entities who ultimately offloaded it in the market through select brokers.

- 1.2 It was alleged that M/s. Nokia Finance International Pvt. Ltd. (hereinafter referred to as "Nokia") was holding shares three times more than the listed share capital of the company. The transactions done through Nokia constituted substantial quantity of the total transaction. It was further alleged that Nokia colluded with the clients and other entities in dealing in fraudulently issued shares on the stock exchange and thereby violated Regulation 6 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 2.1 In view of the findings of investigations, an Enquiry Officer was appointed in terms of the then SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalties) Regulations, 2002 (hereinafter referred to as "Enquiry Regulations") to enquire into the violations / contraventions alleged to have been committed by Nokia vide order dated July 16, 2004. The Enquiry Officer conducted the enquiry in terms of Enquiry Regulations and found that by holding shares of AEL 3 times more than the listed capital of the company, Nokia was found to be connected to the promoter entities and guilty of off loading the issued shares of AEL fraudulently in huge quantities. The Enquiry Officer submitted report dated June 30, 2005 recommending a penalty of suspension of certificate of registration for a period of six months.
- 2.2 A copy of the enquiry report along with show cause notice dated July 12, 2005 was forwarded to Nokia, in terms of Regulation 13 (2) of the Enquiry Regulations advising it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed upon it. However Nokia did not reply to the said show cause notice.
- 3.1 An opportunity of personal hearing was granted to Nokia before me on February 15, 2008 wherein Shri Samir Shah, Director of Nokia appeared before me and reiterated the submissions made before the Enquiry Officer.
- 4.0 I have carefully considered the Enquiry Report and the show cause notice issued to Nokia, its submissions and other material on record. I note that though the Enquiry Regulations were repealed with effect from the notification of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, anything done and any action taken

under the said enquiry regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. My findings are as under:

- 4.1 The company, AEL had authorised share capital of 2,10,00,000 shares. However the company had issued and dematerialized 15,19,10,650 shares. Thus, the company had fraudulently issued and dematted 13,09,10,650 shares in excess of authorised capital. These shares were then transferred to other entities and offloaded in the market without being listed on the exchange. The company had allotted shares without actual receipt of allotment money from the allottees.
- 4.2 I note that the directors of the company were Shri Hemant Gupta, Shri Dinesh Sharma, Smt. Meeta Kapoor, Shri Vijay Dinanath Khanduja and Shri Dinanath Khanduja. During their tenure as directors of AEL, huge quantity of shares were fraudulently issued and dematerialized.
- 4.3 In this regard, I also note that Smt. Meeta Kapoor, one of the director of the company and her husband Shri Pradeep Kumar Kapoor, have fraudulently issued shares of AEL much more than the authorised capital of the company to their related entities, namely, Sanidhya Holiday Resorts and Estate Development Ltd., Shri Dinanath Khanduja, Shri Vijaykumar Dinanath Khanduja, Shri Kunal Vijaykumar Khanduja and Shri Darshan J Dave and then dematerialized these shares in the depository system. These shares have then been transferred to various clients mainly through the account of Rajesh C Talsania and were then traded in the market by the ultimate beneficiaries.
- 4.4 From the demat statements of other clients, it was observed that Nokia had received 1,55,67,000 shares from the related entities of AEL namely, Sanidhya Holiday Resorts, Pradeep Kumar Kapoor and Kunal Vijaykumar Khanduja. The above clients were found to be closely related to each other. Smt. Meeta Kapoor, director of AEL is the wife of Pradeep Kapoor. The address of Sanidhya Holiday Resorts is the same as that of Meeta Kapoor. Further the ROC records revealed that Vijay Khanduja was one of the directors of AEL.

- 4.5 From the above, I find that Nokia itself was holding shares 3 times more than the listed capital of AEL which were fraudulently issued and dematerialised by the company. Such substantial holding of shares which were fraudulently issued and dematerialised cannot be possible without the knowledge of Nokia. Off loading of these shares in the market have resulted in operating as fraud on others. I agree with the findings of the Enquiry Officer that the act of Nokia operated as fraud upon other persons in connection with the dealings of Nokia in the shares of AEL.
- 4.6 From facts and circumstances of the case, it is evident that the Nokia colluded with the entities of AEL and has thus violated the provisions of Regulation 6 (a) of PFUTP Regulations. I am of the view that for a person to violate Regulation 6 (a), it has to be inter alia shown that he has knowingly engaged in any act which would operate as fraud on other person. In the instant matter, Nokia had knowledge of excess dematerialisation of shares and therefore I find that Nokia has knowingly engaged in dealing in the shares of AEL on behalf of clients and on personal account which is in violation of Regulation 6 (a) of PFUTP Regulations. This clearly indicates the nexus of Nokia with other entities who dealt in shares which were fraudulently issued and dematerialised in excess of authorised share capital. The action of Nokia led to a situation which has eroded the credibility and posed a threat to the integrity of the securities market. It is necessary in the interest of the securities market that a person particularly an intermediary who indulged in such fraudulent and manipulative practices be dealt firmly. I am of the view that the act committed by Nokia has to be viewed seriously and therefore a penalty of suspension of certificate of registration for a period of six months would meet the ends of justice.
- 5.1 Now, therefore, in exercise of powers conferred upon me in terms of section 19 of SEBI Act, 1992 read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, I hereby suspend the certificate of registration of M/s. Nokia Finance International Pvt. Ltd. SEBI Registration No. 021117735 for a period of six months.

- 5.2 This order shall come into effect on expiry of 21 days from the date of this order.

DATE: 09.01.2009

PLACE: MUMBAI

T. C. NAIR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA