

SECURITIES AND EXCHANGE BOARD OF INDIA

DR. K.M. ABRAHAM, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST PARSOLI CORPORATION LIMITED

1. Parsoli Corporation Limited (hereinafter referred to as the Company) is a company having its registered office at 402-403, 4th Floor, 325, Amba Sadan, Linking Road, Khar (West), Mumbai-400052. The shares of the company are listed on Bombay Stock Exchange Limited (hereinafter referred to as BSE). The company is also registered with Securities and Exchange Board of India (hereinafter referred to as SEBI) as a stock broker and depository participant. The main promoters of the company are Mr. Zafar Sareshwala (Chairman and Managing Director) and Mr. Uves Sareshwala. The company appointed Pinnacle Shares Registry Private Limited (hereinafter referred to as Pinnacle) as its Share Transfer Agent during June 2001 for electronic connectivity and thereafter in April 2003, for physical share transfer. The details of promoters/promoter group of the company as on March 31, 2008 (as revealed from the database of BSE), is shown below:

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of total No. of Shares
1	Mr. M Yunus M Habib Sareshwala	20,01,000	7.43
2	Mr. Talha Yunus Sareshwala	15,03,700	5.58
3	Mr. Zafar Yunus Sareshwala	50,00,000	18.57
4	Mr. Uves Yunus Sareshwala	16,84,800	6.26
5	Ms. Saleha Yunus Sareshwala	148,200	0.55
6	Mr. Habib Zafar Sareshwala	78,800	0.29

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of total No. of Shares
7	Ms. Asiya Zafar Sareshwala	74,090	0.28
8	Ms. Taskeen Uves Sareshwala	72,100	0.27
9	Ms. Vajiha Talha Sareshwala	72,350	0.27
10	Ms. Aaliya Abrar Sareshwala	51,550	0.19
11	Mr. Umar Uves Sareshwala	62,200	0.23
12	Ms. Asma Uves Sareshwala	59,900	0.22
13	Mr. Juveria Ashfaq Puthawala	75,540	0.28
14	Ms. Qudsiya Talha Sareshwala	53,100	0.20
15	Mr. Sumaiya Talha Sareshwala	48,000	0.18
16	Master Ahmed Zafar Sareshwala	44,000	0.16
17	Ms. Khadija Zafar Sareshwala	39,700	0.15
18	Ms. Fatema Uves Sareshwala	20,200	0.08
	Total	11,089,230	41.19

2. SEBI received complaints from the shareholders of the company *inter alia* about the rejection of their demat/share transfer requests. Details of one such complaint (received from one Javed Sonalkar) in brief are as follows:

The complainant was holding 1000 shares of the company under folio no. J00287 and as per his complaint, the company had not been converting the shares to dematerialized form for almost two years. When the shares were submitted for dematerialization by him, the same were rejected by Pinnacle/company on various grounds. The details of Dematerialization Requests Forms (DRF) and reasons for its rejection (as mentioned in the complaint) are summarized as under;

DRF No.	Details of Rejection Memo(No.)	Reason for Rejection	Compliance by Share Holder
No. 1003811 dated 19.07.2006	PINNACLE/PAR/2006 /113 dated 17.02.2007	Specimen Signature differs	Signature verified Branch Manager of Central Bank
No. 1027563 dated 27.06.2007	PINNACLE/PAR/2007 /15 dated 31.12.2007	DRF late receipt from NSDL	Fresh DRF generated
No. 838661 dated	PINNACLE/PAR/2007	Duplicate shares	Never applied for

29.01.2008	/77 dated 25.03.2008	issued	
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3. Primarily, in view of the dubious manner in which the demat requests were *inter alia* rejected and on the basis of the above complaint, SEBI carried out an inspection of the records in respect of the share transfer activities and processing of demat requests of the shareholders of the company from June 25, 2008 to June 28, 2008 and again from July 11, 2008 to July 16, 2008. While the inspection focused on all aspects of the share transfer activity of the company, an investigation into the affairs of the company was also simultaneously ordered by SEBI vide order dated July 10, 2008. The inspection conducted by SEBI *inter alia* observed the following:

- a. There were large number of instances wherein there was a marked difference between the actual signature of investors as available on the IPO signature card/transfer deed used for genuine purchase by the investor and the signature on the transfer deed used for fraudulent transfer of shares. It was observed that the investors hailed from various places outside Ahmedabad whereas the transfer deeds suggesting fraudulent transfers were purchased from Ahmedabad and had almost continuous serial numbers. All such transfers took place in off market trades from various investors account. The above mentioned share transfers were approved by the transfer committee of the company consisting of the representatives belonging to the promoter group of the company.
- b. The promoters of the company had obtained shares transferred to themselves in an apparently fraudulent manner from the shareholders who were allotted shares in the IPO and also in the secondary market. Although the signature on the transfer deed were at variance with the signature of investors available with the company as per its records, all such transfers were approved by

the company and the transfer committee appointed by the company despite mismatch of the signature of the investor on the transfer deed as aforesaid.

- c. Although Pinnacle was appointed as share transfer agent for maintenance at a single point all matters relating to records of signatures, issuance of duplicate share certificates were not handed over to Pinnacle, in terms of Regulation 53A of Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 (hereinafter referred to as the DP Regulations) read with SEBI circular dated December 27, 2002.
- d. The company had rejected requests for dematerialization of shares from many investors on the ground that the shares were already dematted in the system. However, at the same time, the company had carried out off market transactions to the account of the shareholders on the ground that their requests appeared to be genuine. The company further compensated such investors from accounts belonging to the promoter group/related entities.
- e. The company had consistently furnished reasons such as “certificate received is already stands dematted in our system. Please contact company for further details”. Whereas, in the rejection memo issued by Pinnacle, the reason has been stated as “original certificates presented are those for which the duplicates have already been issued” There were no records suggesting that duplicate certificates had been issued to the investors after following the required procedure.
- f. Fraudulent transfers which had taken place in the name of promoters/promoter group and which were subsequently

dematerialized were those cases wherein the dematerialization requests of the genuine investors was rejected by Pinnacle under the instruction of the company for the reason that “original certificates present are those for which the duplicate certificates already issued”. It was observed that the certificate number mentioned in the DRF (of the genuine investor) and the certificate number on the transfer deed used for fraudulent transfer was the same in many cases, implying that no duplicate certificate in the normal course was issued.

- g. The company had ratified the transfer of shares into accounts held in the names of promoter group/entities linked to the promoter group without ensuring that requisite procedure is followed.
- h. The company had delayed the processing of the demat requests of the shareholders beyond the specified time.

4. Mr. Mohamed Zafar Sareshwala–Managing Director of the company in his statement to SEBI on July 11, 2008 to SEBI stated that the instances of fraudulent transfers had occurred due to a fraud that was committed in his office by some employees. However, he also stated that the management of the company had not taken any steps to inform the Police authorities. SEBI, vide letter dated July 30, 2008 had also forwarded to the company, a complaint (dated July 19, 2008) received on behalf of one Ibrahim Ahmed in respect of the alleged fraud regarding 7,78,000 shares of the company.

5. The aforesaid acts of the company are prima facie in violation of the provisions of Regulations 3(a), 3(c) and 3(d), 4(1), 4(2) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the FUTP Regulations, Regulation 53A, 54(5) of the DP

Regulations and circular of SEBI dated December 27, 2002. Accordingly, a notice dated August 22, 2008 was issued to the company asking it to show cause why appropriate directions under Section 11B, 11(1) and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the said Act) should not be issued against it pending enquiry and other proceedings.

6. MZM Legal (Advocates & Legal Consultants) vide letter dated October 10, 2008 filed reply on behalf of the company. It is *inter alia* stated that, to avoid the problem of bad delivery, the company used to write to the share holders regarding the signature mismatch and wherever no complaints are received, the company transferred the said shares. The company admitted that the register containing signature of the shareholders was in its possession. Further, the company had refuted the allegation that irregular and fraudulent transfers had been done by its promoters. According to the company, no complaint of any fraudulent transfer by the so called genuine investor has been made to SEBI, except for one Mr. Javed Sonalkar, who is an ex-employee of the company and who was removed from employment by the company for his misdeeds. The company stated that the shares which have been transferred to the so called front entities are those which have been purchased when the share price was around Rs. 1 to Rs. 3. It is the case of the company that, just because the shares were transferred in the name of the promoters, does not necessarily imply that the shares were transferred fraudulently. The company stated that it had only transferred the shares which came for transfer before the transfer committee. According to the company, some of its employees decided to give shares on off market basis to those people who had sent their shares for transfer. It also added that it had initiated an internal enquiry in relation to the forged share certificates and had also filed police complaint on September 8, 2008 in this regard. The company further contended that there has been no forged transfer of shares in relation to the transfer of shares to the minor children of

Mr. Talha Sareshwala, Mr. Uves Sareshwala and Mr. Zafar Sareshwala, promoters of the company. According to the company, it had not issued any duplicate shares certificate in contravention of rules and regulations. Regarding dichotomy of the reasons given by the company and Pinnacle while rejecting demat requests, the company stated that Pinnacle used to give a letter on its own and without the company's knowledge. The company further added that it had rejected the transfer as the shares were already dematted in the system and the compensation was a measure of 'peace offering'. According to it, if the company had stopped transferring the shares citing the doubt about their authenticity, then the situation have been more chaotic and would have caused more complication to the SEBI, investors and to the stock exchange. Regarding cases pointed out where transfer of shares have been registered without following due procedure, the company has stated that it is the duty of Pinnacle not to send these shares for transfer to the transfer committee, if any defects are found. It is only after receiving the statement under good faith from the Pinnacle that the company used to complete those transfers. Regarding the complaint of Mr. Ibrahim Ahmed, the company stated that it had already sent a detailed reply vide letter dated July 28, 2008. Thus, according to the company, it has not violated the provisions of various Regulations as alleged in the show cause notice.

7. In the meanwhile, the company had applied for consent order, in terms of SEBI circular dated April 20, 2007. The consent application of the company was examined by SEBI and the same was rejected considering the seriousness of the matter. Subsequently, the company was granted an opportunity of hearing on December 15, 2008. However, the said hearing was adjourned to January 7, 2009, in view of the request of the company. On January 7, 2009, the authorized representative of the company, Mr. Deepak Mehra appeared before me and requested for an adjournment, stating that the company had filed an appeal before the Hon'ble Securities Appellate Tribunal (SAT) against the letter of SEBI rejecting its consent

application. I have carefully examined the matter. I note that SEBI had already allowed an earlier request of the company for adjournment of the hearing. Further, on a specific question to the representative of the company, whether Hon'ble SAT has issued any stay in the matter, the reply was in the negative. Considering the seriousness of the allegations leveled against the company and taking into account the interest of the investors in the securities market, I do not consider it necessary and proper to grant a further opportunity to the company. Moreover, the reply filed on behalf of the company is on record. I note that sufficient opportunities were provided by SEBI to the company in compliance of the principles of natural justice, so that they could make their submissions/explanation, on the issues in the show cause notice. Nothing prevented the company from making its submission, though it had filed its replies (as mentioned above) to the show cause notices issued by SEBI. In view of the above, as SEBI has given sufficient opportunities to the company to explain its case against the show cause notices, I am of the opinion that no purpose would be served in giving another opportunity of hearing to them. In the sequence of events as mentioned above, it is evident that the company was buying time under some pretext or other. Such a request for further adjournment appears as nothing but a dilatory tactics to delay the proceedings. Further, no prejudice has been caused to the company. The reply filed by MZM Legal (Advocates & Legal Consultants) on behalf of the company is on record. In view of the above, I proceed further with the matter on the basis of the show cause notice issued to the company, reply filed on its behalf and other materials available on record. In the facts and circumstances, the issues for consideration are whether the company prima facie violated :

- a) Regulation 53A, 54(5) of the DP Regulations read with SEBI Circular dated December 27, 2002.
- b) the provisions of Regulations 3(a), 3(c), 3(d), 4(1) and 4(2) of the FUTP Regulations.

8. Regulation 53A of the DP Regulations specifies that “*all matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board*”. However, the company had not complied with said Regulations. The said requirement is also reiterated by SEBI, vide circular dated December 27, 2002. In the present case, admittedly, the company retained signature records even after the appointment of Pinnacle as its share transfer agent. Consolidation of documents at one single point is vital as the dematerialization/rematerialisation requests cannot be rejected on flimsy grounds and that such requests could be rejected only on valid and proper grounds and supported by relevant documents.

9. I further note that the company, vide its letter dated August 16, 2005 had refused to hand over the specimen signature records to Pinnacle citing the reason that they were in a torn condition. However, I find from the records that when SEBI officials visited the company, the signature records were observed to be in good condition. This is also evident from the photocopies of the signature records that the SEBI officials obtained from the company. It *prima facie* appears to me that the company had refused to hand over the signature records to Pinnacle on flimsy grounds and to enable them to register the fraudulent transfers from the accounts of genuine investors to the accounts of the promoters/front entities as explained above. I, therefore, note the submissions made by the company for not handing over the signature records to their registrar and transfer agent to be unacceptable and hold the company *prima facie* guilty of violating the provisions of Regulation 53 A of the DP Regulations and SEBI circular no. D&CC / FITTC/Cir-15/2002 dated December 27, 2002.

10. I note that the inspection conducted by SEBI observed marked difference between the actual signature of investors as available on the

Initial Public Offer signature card/transfer deed for genuine purchase by the share holder and the signature on the transfer deed used for fraudulent transfer of shares. Large number of irregular and fraudulent transfers and dematerialization of shares of the company were observed in the names of promoters, associates and relatives mostly during 2005. The inspection team found enough evidence to suggest that fraudulent share transfers have been registered in the names of the persons belonging to the promoter group of the company and also into other accounts. These fraudulent share transfers were registered despite gross variation seen in the signature of the sellers on the transfer deeds. In several cases, the seller's signature as per the company records was in Gujarati, whereas the forged signature as per the transfer deed was in English. Yet, such share transfers were processed by the share transfer committee of the company. One such instance is explained herein below:

Shares of the company belonged to one Dipika Hasmukh Gandhi (allotted pursuant to the IPO of the company in 1995) were transferred to one Mohammed A. Kothawala in the year 2005. This transfer appears to be fraudulent as there is apparent difference between the signature on the transfer deed and that available on the signature card (as per the signature cards post IPO allotment obtained from the company). Mr. Mohammed A Kothawala subsequently dematerialized the shares, thus transferred to him (vide DRN No. 224314 dated July 6, 2005). Since the original share certificate was in the possession of Ms. Dipika Hasmukh Gandhi, it can be presumed that Mr. Mohammed A. Kothawala had surrendered fake share certificates for the purpose of dematerialization/transfer of the shares. Ms. Dipika Hasmukh Gandhi (who would not have been aware of the fraudulent transfer) applied for dematerialization of her shares vide DRN No. 279344 dated April 17, 2008. Ms. Dipika Hasmukh Gandhi received a letter dated May 30, 2008, from the company stating that it had rejected the demat request stating that certificate received already stands dematted. However, the company credited the shares into the demat account of Ms. Dipika Hasmukh Gandhi through an off-market credit from the account of Mr. Mohammed A. Kothawala. There is also a letter addressed by the

company to Ms. Dipika Hasmukh Gandhi in this regard. It is noted that, subsequently, Pinnacle sent a rejection memo dated June 3, 2008, to M/s Pravin Ratilal Share and Stock Broker Limited (depository participant of Ms. Dipika Hasmukh Gandhi) conveying the rejection of her demat request on the ground “original *certificates present are those for which the duplicates have already been issued*”. It was further observed that Ms. Dipika Hasmukh Gandhi’s name was not figuring in the list of persons who had received dividend in the year 2007. This would clearly establish the role of the company in transferring the shares in a fraudulent manner.

11. It was also observed that the shares held by genuine investors of the company were *prima facie* fraudulently transferred to accounts of persons belonging to the promoter group of the company and also to various other persons apparently connected to the promoter group of the company (hereinafter referred to as the front entities) by forging the signatures of the genuine investors on the transfer deeds. SEBI observed approximately 450 such instances. Details of all such transfers were communicated to the company along with the show cause notice dated August 22, 2008. The said transfers were all off market transactions as seen from the transfer deeds. These share transfers were *prima facie* found to be fraudulent on account of the fact that the signature on the transfer deeds that were used to transfer the shares of genuine investors did not match with the specimen signatures available as per the company records (i.e the record of the specimen signature cards that were available with the company viz. Initial Public Offer (IPO) signature records, signatures of the genuine investors on the transfer deed documents etc). Details of some persons to whom shares were fraudulently transferred, along with their relationship with the directors/promoters of the company are given below:

Sr No	Name	Relationship with the company/promoters
1	Mr. Zafar Yunus Sareshwala/ Mr. Talha Yunus Sareshwala/ Mr. Uves Yunus Sareshwala	Brothers and promoter of the company

2	Mr. Mohammed Yunus Sareshwala	Belong to promoter group of the company and father of persons at Sr. No.1
3	Smt Saleha Y Sareshwala	Belong to promoter group of the company and mother of persons at Sr. No.1
4	Master Habib Zafar Sareshwala, Master Ahmed Zafar Sareshwala and Miss Khadija Zafar Sareshwala (Minors)	Belong to Promoter group of the company and the children of Mr. Zafar Yunus Sareshwala –
5	Master Umar Uves Sareshwala, Miss Fatema Uves Sareshwala and Miss Asma Uves Sareshwala (minors)	Belong to the promoter group of the company and children of Mr. Uves Yunus Sareshwala – Minor
6	Miss Sumaiya Talha Sareshwala and Miss Qudsiya Talha Sareshwala	Belong to the promoter group of the company and daughters of Mr. Talha Yunus Sareshwala – Minor
7	Mr. Mansuri Iftekar M Yusuf	Admittedly, an ex - employee of the company
8	Mr. Aslamkhan R Pathan	Admittedly, an ex - employee of the company
9	Mr. Mohammed Alibhai Kothawala	Admittedly, Ex–Munim of the company. He has also compensated genuine investor wherein the fraudulent transfer had taken place in the name of Mr. Talha Sareshwala
10	Mr. A Hameed Gaffar Memon	Compensated by Mr. Mohammad Alibhai Kothawala
11	Miss Fatema M Kothawala	Compensated by Mr. Mohammed Alibhai Kothawala
12	Mr. Mukhtar Y Kothawala	Compensated by Mr. Mohammed Alibhai Kothawala
13	Mr. Maksud Y Kothawala	Compensated by Mr. Mohammed Alibhai Kothawala
14	Mrs Amena M Kothawala	Compensated by Mr. Mohammed Alibhai Kothawala
15	Mr. Yusuf U Kothawala	Compensated by Mr. Mohammed Alibhai Kothawala
16	Miss Mariyam Y Kothawala	Related to Mr. Yusuf U Kothawala and having the same address as Mr. Yusuf U Kothawala; Compensated by Mr. Mohammad Alibhai Kothawala
17	Mr. Nasir Malik	Neighbor of Mr. Zafar Sareshwala
18	Mr. Gulam Rasul Bombaywala	Compensated by Mr. Mohammad Alibhai Kothawala
19	Ms. Shirin T Sareshwala	Shares transferred jointly with Ms. Mariyam Y Kothawala

12. The alleged fraudulent transfers involving the aforesaid persons are mentioned below:

- a. In Serial No. 1 and 4- Mr. Zafar Sareshwala had signed as guardian on behalf of his minor son (Master Habib Zafar Sareshwala) and fraudulently transferred 100 shares (Transfer Deed No. 130127) of Mr. Bipinchandra G Patel on August 4,

2005 and dematerialised the same on September 21, 2005 (DRN No. 370579). When Mr. Bipinchandra G Patel (who was not aware of the fraudulent transfer) applied for dematerialization of his shares, his demat request (DRN No. 9571) was rejected by Pinnacle on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company).

b. Similarly, serial no. 1- Mr. Talha Yunus Sareshwala fraudulently transferred 600 shares (Transfer Deed No. 129917) of Mr. Hajimohammed M Rinchniwala on July 19, 2005 and dematerialized the same on August 13, 2005. When Mr. Hajimohammed M Rinchniwala (who was not aware of the fraudulent transfer) applied for dematerialization of his shares, his demat request (DRN No. 1780942) was rejected by Pinnacle on March 9, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company).

c. For example, in Serial No. 1 and 5- Mr. Uves Sareshwala had signed as guardian on behalf of his minor son (Master Umar Uves Sareshwala) and fraudulently transferred 300 shares (Transfer Deed No. 129905) of Mr. Has Mukh Rasiklal Gandhi on July 19, 2005. and dematerialized the same on August 26, 2005 (DRN No. 367123). When Mr. Has Mukh Rasiklal Gandhi (who was not aware of the fraudulent transfer) applied for dematerialization of his shares, his demat request (DRN No. 279345) was rejected by Pinnacle on June 4, 2008 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company).

d. Similarly, in Serial no. 9, Mr. Mohammed A Kothawala fraudulently transferred 100 shares (Transfer Deed No. 304620) of Smt Urmila M Kachhapatel and Mr. Madhusudan M

Kachhapatel on August 30, 2005 and dematerialized the same (DRN No. 236298) on October 13, 2005. When Smt Urmila M Kachhapatel and Mr. Madhusudan M Kachhapatel (who was not aware of the fraudulent transfer) applied for dematerialization of his shares, his demat request (DRN No. 266978) was rejected by Pinnacle on March 23, 2006 and he was compensated through an off-market transfer from the account of Mr. Talha Yunus Sarehwala (promoter of Company).

e. Mr. A Hameed A Gaffar Memon (Serial no. 10) fraudulently transferred (Transfer Deed No. 372328) 100 shares on September 20, 2005 held in the name of Mr. Paresh S Barot and dematerialized (DRN No. 239198) the same on October 22, 2005. When Mr. Paresh S Barot (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 1118832) of his shares, the said request was rejected by Pinnacle on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex-employee of the company).

f. Similarly, Serial no. 11 and 12- Smt Fatema M Kothawala and Mr. Mukhtar Y Kothawala fraudulently transferred 200 shares (Transfer Deed No. 105723) of Mr. Vikas Shah on July 19, 2005 and dematerialized (DRN No. 228641) the same on August 20, 2005. When Mr. Vikas Shah (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 3867826) of his shares, the said request was rejected by Pinnacle on March 9, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex-employee of the company).

g. In Serial no. 12- Mr. Mukhtar Y Kothawala fraudulently transferred 500 shares (Transfer Deed No. 130035) of Mr.

Kamlesh Ambalal Patel on July 29, 2005 and dematerialized (DRN No. 231777) the same on September 14, 2005. When Mr. Kamlesh Ambalal Patel (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 22948) of his shares, his demat request was rejected by Pinnacle on June 9, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

h. Similarly, in Serial no. 13- Mr. Maksud Y Kothawala fraudulently transferred 300 shares (Transfer Deed No. 130106) of Mr. Sachin Arvindbhai Soni on August 04, 2005 and dematerialized (DRN No. 233352) the same on September 21, 2005. When Mr. Sachin Arvindbhai Soni (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 14996) of his shares, his demat request was rejected by Pinnacle on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

i. Serial no. 13 and 14- Smt. Amena M Kothawala and Mr. Maksud Y Kothawala fraudulently transferred 400 shares (Transfer Deed No. 105744) of Mr. Mool Singh on July 19, 2005 and dematerialized (DRN No. 228640) the same on August 20, 2005. When Mr. Mool Singh (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 985939) of his shares, his demat request was rejected by Pinnacle on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

j. Serial no. 15&16- Mr. Yusuf U Kothawala and Smt Mariyam Y Kothawala fraudulently transferred 600 shares (Transfer Deed No. 130046) of Mr. Bhavesh Vasantlal Dalal on July 29, 2005 and dematerialized (DRN No. 231780) the same on September 14, 2005. When Mr. Bhavesh Vasantlal Dalal

(who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 759) of his shares, his demat request was rejected by Pinnacle on February 09, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

k. Serial no. 16 and 19- Smt Mariyam Y Kothawala and Ms. Shirin T Sareshwala fraudulently transferred (Transfer Deed No. 105705) 200 shares of Mr. Roopkumar Issrani on July 19, 2005 and dematerialized (DRN No. 228642) the same on August 20, 2005. When Mr. Roopkumar Issrani (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 3807081) of his shares, his demat request was rejected by Pinnacle on February 17, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

l. Serial no. 17- Mr. Nasir Malik fraudulently transferred 1000 shares (Transfer Deed No. 449130) of Mr. B.J. Patel on June 6, 2005. These certificates so fraudulently transferred were then dematerialized by Mr. Nasir Malik vide DRN No. 223643 on July 14, 2005. Further, perusal of the transfer register indicates that Mr. Nasir Malik's address is 11 - A Faize Mohammedi Society, Narayannagar Road Paldi , Ahmedabad - 380007. It is noted that Mr. Zafar Sareshwala's address is 6 Faize Mohammedi Society, Narayannagar Road Paldi, Ahmedabad – 380007.

m. Serial no. 18, Mr. Gulamrasul M Bombaywala fraudulently transferred 200 shares (Transfer Deed No. 105667) of Mr. Dipak Kumar Rashiklal Shah on June 28, 2005 and dematerialized (DRN No. 224618) the same on July 22, 2005. When Mr. Dipak kumar Rashiklal Shah (who was not aware of the fraudulent transfer) applied for dematerialization

(DRN No. 3650988) of his shares, his demat request was rejected by Pinnacle on February 17, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex-employee of the company).

13. Besides, it is also noted that in some cases, the shares were fraudulently transferred to certain persons such as Mr. Mohammad Alibhai Kothawala (ex-employee of the company) and the compensation to the investors have also gone from the same account. The same is illustrated as under:

Mr. Mohammed A Kothawala fraudulently transferred 100 shares (Transfer Deed No. 251225) of Mr. Dipakbhai S Shah on August 30, 2005 and dematerialized (DRN No. 236298) the same on October 13, 2005. When Mr Dipakbhai S Shah (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 23756) of his shares, his demat request was rejected by Pinnacle on June 9, 2006 and he was compensated through an off-market transfer from the account of Mr Mohammad Alibhai Kothawala.

14. From the above cited instances, a clear nexus can be seen between the persons into whose account the shares were fraudulently transferred and the persons who were compensating the affected investors. It is also observed that although persons such as Mr. A Hameed Gaffar Memon, Mr. Mansuri Iftekar M Yusuf, Mr. Aslamkhan R Pathan, Mr. Mohammed Alibhai Kothawala, Mr. Nasir Malik, Mr. Gulam Rasul Bombaywala etc. referred to in the above table do not directly belong to the promoter group as declared by the company, they are front entities, since they are acting at the behest of the promoters and the same is evident from the instances cited above. The very fact that the shares are credited back to the affected shareholders by way of compensation from the account of the above mentioned people is

sufficient enough to justify the conclusion that they were acting at the behest of the promoters of the company. These fraudulent transfers took mostly in 2005. These transfers were also approved by the transfer committee of the company. The above instances clearly demolishes the contention of the company that there was no fraudulent transfer in respect of the shares of the company. Similarly, the shares were transferred to the names of the minor children of the promoters of the company and in this regard, the promoter directors of the company had signed on the transfer deeds as guardians against the names of the minors. For eg: Mr. Uves Sareshwala and Mr. Zafar Sareshwala had signed on the transfer deeds on behalf of their minor children. The above serious observations apart from indicating the direct involvement of the promoters of the company in such unethical activities, also goes to prove that these fraudulent share transfers have occurred with their knowledge and consent, as one of the promoter Mr. Uves Sareshwala was present in the transfer committee which accorded approval for such share transfers. As already brought out above, there were also share transfers (appears to be fraudulent) registered in the names of persons mentioned in the promoter group of the company viz. Mr. Talha Sareshwala, Mr. Mohammad Yunus Sareshwala, Smt Saleha Sareshwala etc.

15. Besides, a perusal of the Share Transfer Register (as submitted by Pinnacle to the inspection team for the period between June 2003 till June 2008) indicated that shares were transferred in the names of the following persons who belonged to the promoter group and to the 'front entities' acting on behalf of the promoter group:

FolioNo	Name of Holder	NO of TDS	NO OF SHARES
003161	Mr. A Hameed A Gaffar Memon	1	500
003162	Mr. A Hameed A Gaffar Memon	2	200
003206	Mr. A Hameed A Gaffar Memon	104	12900
003158	Mr. Abdulhamed A Gaffar Memon	1	300
003210	Mr. Abdulhameed A Gaffar Memon	1	100

FolioNo	Name of Holder	NO of TDS	NO OF SHARES
003147	Mr. Abdulhameed Abdulgaffar Memon	35	20100
003177	Mr. Abdulsamad A Gaffar Memon	1	500
003009	Mr. Ahmed Zafar Sareshwala	26	9600
003170	Smt. Amena M Kothawala	29	13400
003192	Mr. Aslamkhan R Pathan	114	18200
003208	Mr. Aslamkhan R Pathan	6	600
003104	Mr. Aslamkhan Rehmatkhan Pathan	144	67700
003172	Ms. Asma Uves Sareshwala	22	5200
003171	Ms. Fatema M Kothawala	30	9700
003174	Ms. Fatema Uves Sareshwala	24	6500
003209	Mr. Gulamrasul M Bombaywala	122	27600
003153	Mr. Gulamrasul Mohiuddin Bombaywala	49	20700
003175	Mr. Habib Zafar Sareshwala	26	8900
003152	Mr. Iftekhar M Yusuf Mansuri	69	31500
003176	Ms. Khadija Zafar Sareshwala	24	7500
003169	Mr. Maksud Y Kothawala	61	18700
003207	Mr. Mansuri Iftekhar M Yusuf	125	24900
003168	Ms. Mariyam Y Kothawala	28	10300
003073	Mr. Mohammed A Kothawala	243	71000
003128	Mr. Mohammed Alibhai Kothawala	1	2300
003029	Mr. Mukhtar Kothawala	4	2200
003151	Mr. Nasir Malik	6	10000
003038	Ms. Qudsiya Talha Sareshwala	46	54000
Q00107	Ms. Qudsiya Talha Sareshwala	1	200
000005	Ms. Saleha Y Sareshwala	50	171900
003037	Ms. Sumaiya Talha Sareshwala	55	38900
003163	Mr. Talha Sareshwala	70	43800
003205	Mr. Talha Yunus Sareshwala	1	200
003173	Master Umar Uves Sareshwala	25	7700
003145	Mr. Uves Sareshwala	14	127400
003178	Mr. Yusuf U Kothawala	11	3400
	Total	1571	8,48,600

16. Apart from the above, it was also observed that large number of shares were transferred in the name of Mr. Yunus Habib Sareshwala (promoter director of the company) who is also the father of Mr. Zafar Yunus Sareshwala. It was observed that around 2,81,300 shares were transferred

in his name during the above referred period. Thus, it can be seen that around 11.3 lakh shares have been transferred in the names of the persons mentioned above. The major transfers have taken place mostly during the period 2003 to 2005, incidentally it was during the year 2005 that most of the fraudulent transfers had taken place from accounts of genuine investors. Admittedly, the company was in possession of the signature records. The demat requests were processed i.e. confirmed/rejected by Pinnacle based on the instructions received from the company.

17. I also note that there were glaring deficiencies on the part of the company while processing transfer requests which appears to be fraudulent. In the illustrations cited below, the buyers name in the transfer deeds are the persons belonging to the promoter group or the “front entities” of the promoters. This goes to prove that despite deficiencies in the transfer deeds and other related documents, the company went ahead with confirming such transfer request of the buyers, since these were obviously fraudulent transfers registered in the names of promoters and the “front entities” as buyers. Instances can be seen as under:

Deficiency observed	TD details
Transfer deed without signature of the buyer	TD no.105794 of seller Mr. Prabhudas P Prajapati – Buyer – Mr.Mohammad Alibhai Kothawala TD no.251129 of seller Mr. Himatlal Gafurbhai Ruparelia- Buyer Mr. Ghulam Rasool Bombaywala
The folio belongs to joint holders, whereas TD bearing forged signature shows name and signature of one holder.	Folio no – V00223 TD no. 304572 of seller Mr. Vijaykumar T Shah- Buyer Mr. Aslam Khan R Pathan
TD does not have signature and / or address details of witness	TD no.251138 of seller Mr. Hitesh N Shah- Buyer Mr. Mansoori Iftakar Yusuf TD no.105708 of seller Rajudevi H Jain – Buyer

	Mariam Y Kothawala and Shirin T Sareshwala. TD no.105709 of seller Mr. Ramesh A Patel- Buyer – Ms Mariam Y Kothawala and Shirin Sareshwala
Different Signature – Against the name of Mr. Mohammed A Kothawala, the sign of Mr. Gulam Rasul Bombaywalla appears on the physical transfer deed. However, the same has been dematerialized under the name and signature of Mr. Mohammed A Kothawala.	TD no. 304888 (not clearly visible) of seller Mr. A D Mistry – Buyer Mr. Mohammad Kothawala TD no. 304534 of seller Mr. Bhavin M Khamar

18. As already stated, Pinnacle sends the transfer/demat requests to the company for confirmation. They have also ignored these deficiencies before forwarding such requests to the company. Interestingly, it was noted that the demat requests of genuine investors were rejected by the company/Pinnacle by citing 'flimsy reasons'. As indicated above, the transfers (which appears to be fraudulent) unearthed by the inspection team were all off market transactions. There was also no evidence whatsoever to suggest that the promoters of the company had purchased these shares from the affected genuine investors, as contended by the company. Generally, when frauds of such scale takes place, complaints are lodged by the management of the issuer company with the appropriate authorities. It was observed during the course of the inspections that no such complaints in respect of the fraudulent activities were filed with any authority by the company and its management. The reasons given by the company for not filing any complaint is difficult to accept. I note that, the inspecting officials visited eight shareholders based in Ahmedabad from whose accounts shares were apparently transferred in a fraudulent manner. The transfer deeds indicating fraudulent transfers were shown to the investors and it was specifically ascertained from them if they have signed in the place as sellers and also if they had sold the shares to

the persons shown as buyers i.e Mr. Mohammad Kothawala, Ms Qudsiya Talha Sareshwala etc. The eight investors were unanimous in their reply and affirmed that they had not signed in the transfer deed as sellers and that they have not sold the shares to the persons shown as buyers i.e the persons belonging to the promoter group of the company and the “front entities”. The inspection team also recorded the statement of the investors in this regard and a copy of the statement was furnished to the company along with the show cause notice dated August 22, 2008. The details of the eight investors are as under:

SL No.	Name of the Investor	Name of the Transferee	Transfer Deed No. bearing forged signature
1	Mr. Amitaben Narayan Bhai Parmar	Mr. A. Hameed A Gaffar Memon	304657
2	Mr. Narayanbhai Kanjibhai Parmar	Mr. A. Hameed A Gaffar Memom	304553
3	Mr. Rajesh Jashwantlal Gandhi	Mr. Umar Uves Sareshwhwala	129292
4	Mr. Bhavesh V. Dalal	Mr. Yusuf U. Kothawala / Mariyam Kothawala	130046
5	Smt Laxmiben R. Panchal	Mrs Qudsiya Talha Sareshwala	130177
6	Smt Shantaben D. Patel	Mr. Maksood Bhai Kothawala	130102
7	Smt Shantaben Shah	Mr. Mohammed A. Kothawala	372367
8	Mr. Dipak R. Shah	Mr. Gulamrasul M. Bombaywala	105667

19. I note certain additional instances wherein the company had rejected the demat requests of the genuine investors on the ground of “signature mismatch”, whereas at around the same time (i.e a few days before or after date of demat request received from the genuine investors), the company had registered the fraudulent transfer in favour of the promoters/front entities. Comparison of the signatures indicates that while the company had registered the fraudulent transfer in spite of gross signature difference between the specimen signature and the signatures affixed on the transfer

deed used for fraudulent transfers, the company had rejected the demat requests of genuine investors on flimsy grounds, even though the signature on the demat requests was in accordance with the specimen signature.

Sample instances are given below:

Sl No.	Date of Demat Request Recd.	DRN No.	Qty of Shares	1st Holder Name(genuine investor)	Date of fraudulent transfer	No of shares	Name of the promoter of Company/fr ont entity	Date of confirmation of demat by transferor(pr omoter/front entity)	Date of Demat Request Rejected(genuine investor)	Demat Rejection Reason
1	14-Jul-2005	109283	1500	Mr. Arbab Ahmed Bharuchi	19-July-2005	1500	Talha Sareshwala	13-Aug-2005	17-Aug-2005	Signature mismatch
2	14-July-2005	2618801	300	Mr. Maimuna Mohd Siddiq Chaus	14-June-2005	300	Mohammed Alibhai Kothawala	07-July-2005	20-Aug-2005	Signature mismatch
3	08-Aug-2005	21960	100	Mr. Dipak Shankarlal Shah	30-Aug-2005	100	Mohammed Alibhai Kothawala	13-Oct-2005	07-Sep-2005	Signature mismatch

In serial No. 1 above, on July14, 2005, the company received the demat request of Mr. Arbab Ahmed Bharuchi and the same was rejected on August 17, 2005 for reason “signature mismatch”. However, it was observed that the shares were fraudulently transferred to Mr. Talha Sareshwala (a promoter of Company) on July 19, 2005 and were also dematerialized on August 13, 2005. Thus, on August 13, 2005, the company knew very well that the shares referred to in the demat request of Mr. Arbab Bharuchi were already dematerialized in the name of Mr. Talha Sareshwala. However, the demat request of Mr. Arbab Ahmed Bharuchi was rejected citing reasons as “signature mismatch”. Therefore, the reason for rejection “signature mismatch” ascribed by the company in the case of Mr. Arbab Bharuchi is incorrect in view of the fact that as on the date when the demat request of Mr. Arbab was rejected i.e on August 17,

2005, these shares were already transferred fraudulently from the account of Mr. Arbab and were actually lying in the name of Mr. Talha Sareshwala in demat form. Incidentally, it is observed that these investors who were not aware of the fraud played on them once again submitted their demat requests and these requests were again rejected by the company. It is pertinent to note here the fact that Pinnacle as the R&T agent who had issued the rejection memos to the investors citing such wrong rejection reasons appears to have aided and abetted the management of the company in such activities.

20. Further indicators to such fraudulent share transfers can also be seen from the fact that although some of the genuine investors were residing at different places in the country like Indore, Mumbai, Rajkot etc, the transfer deeds used for registering the fraudulent transfers were consistently purchased and issued from one place i.e Ahmedabad. It appeared that the transfer deeds were purchased in bulk and the same was evident from the manner in which the transfer deeds bore almost continuous serial numbers. It can be dismissed as a coincidence if it happened in one or two instances. However, no reasonable person will accept any contention that large number of people belonging to different parts of State of Gujarat and outside the State (as shown below in the table) purchases TDs from Ahmedabad.

Sl. No.	TD No.	Place of Purchase of TD	Place where investor belongs to
1	105712	Ahmedabad	Mehsana
2	105717	Ahmedabad	Rajkot
3	105723	Ahmedabad	Rajkot
4	105725	Ahmedabad	Tharad (Gujarat)
5	105742	Ahmedabad	Mumbai
6	105794	Ahmedabad	Baroda
7	129267	Ahmedabad	Jamnagar
8	129275	Ahmedabad	Patan
9	129276	Ahmedabad	Rajkot
10	129294	Ahmedabad	Mumbai
11	129907	Ahmedabad	Baroda
12	129950	Ahmedabad	Mumbai

13	129977	Ahmedabad	Mumbai
14	130167	Ahmedabad	Mumbai
15	130182	Ahmedabad	Mumbai
16	251104	Ahmedabad	Surat
17	251107	Ahmedabad	Jamnagar
18	251112	Ahmedabad	Surat
19	251113	Ahmedabad	Baramati (Pune)
20	251122	Ahmedabad	Baroda
21	251124	Ahmedabad	Gondal
22	251126	Ahmedabad	Bhanvad
23	251129	Ahmedabad	Amreli
24	251131	Ahmedabad	Surat
25	251139	Ahmedabad	Dakor (Gujarat)
26	251151	Ahmedabad	Surat
27	251160	Ahmedabad	Baroda
28	251315	Ahmedabad	Mumbai
29	251335	Ahmedabad	Mumbai

21. Several instances of delay in processing the demat requests of investors were also observed suggesting that the company had failed to dematerialize the shares in time. However, there was generally no delay in confirming the demat requests of those persons who fraudulently got the shares transferred from accounts of genuine investors i.e demat requests of Mr. Mohammad Kothawala, Mr. Talha Sarehwala etc. These details were communicated to the company in the show cause notice dated August 22, 2008. SEBI had forwarded a complaint dated July 19, 2008 received on behalf of Mr. Ibrahim Ahmed on the alleged fraud regarding 7,78,000 shares vide letter dated July 30, 2008. It was observed that even as on the date of the show cause notice dated August 22, 2008, the company had not redressed the grievance of the investor.

22. The company has *inter alia* replied that in order to avoid the problem of bad delivery they used to write to the shareholders regarding the signature mismatch and in the event of no complaint being received from such shareholders, they transferred the said shares to the buyers, in compliance with the requirements of Clause 12A of the Listing Agreement. I am unable

to accept this contention of the company for the following reasons. I note that Clause 12A (1) of the Listing Agreement specifies as under:

“The company agrees that when proper documents are lodged for transfer and there are no material defects in the document except minor differences in signature of the transferor(s),

(i) then the company will promptly send to the first transferor an intimation of the aforesaid defect in the documents and inform the transferor that objection, if any, of the transferor supported by valid proof , is not lodged with the company within fifteen days of receipt of the company’s letter, then the securities will be transferred;

(ii) if the objection from the transferor with supporting documents is not received within the stipulated time, the company shall transfer the securities provided that the company does not suspect fraud or forgery in the matter”

23. It is important to note here that the said Clause 12A pertains to cases only where there is a minor mismatch of signatures and such transfers shall take place after due intimation to the transferor following due procedure provided that the company does not suspect fraud or forgery in the matter. The company could not produce any record of intimations sent to transferors in this regard, which are required to be followed pursuant to Clause 12A of the Listing Agreement. In any case, Clause 12A is not applicable in this case in view of the following observations:

There was gross mismatch and signature difference of the sellers when the transfer deeds were compared with the specimen documents i.e on the transfer deed used for fraudulent transfer of shares from genuine investors account and the specimen signature records available with the company. For example, in some cases mentioned below, it was even observed that the signature on the transfer deed used for fraudulent transfer was in

a different language from what was available as per the specimen signature records. The details can be seen as under:

Serial No.	Name of the Investor	No of Shares	Transferee Name	TD No.
1	MR. HIRALAL BHIKHRAMDAS PATEL	200	MR. A HAMEED A GAFFAR MEMON	105641
2	MR. MOHANLAL K JAIN	200	MS. ASMA UVES SARESHWALA	129267
3	SMT. MEETA A GANDHI/ MR. ASHOK KUMAR N GANDHI	200	MS. ASMA UVES SARESHWALA	129275
4	MR. VIKRAM BABULAL ADANI	200	MS. FATEMA M KOTHAWALA / MR. MUKHTAR Y KOTHAWALA	105725
5	MR. HANIF OSMAN NALBANDH	100	MR. GULAMRASUL M BOMBAYWALA	251124
6	MR. HIMATLAL GABHARUBHAI RUPARELIA	100	MR. GULAMRASUL M BOMBAYWALA	251129
7	MR. PRAKASHKUMAR KRUSHNAKANT BHATT	100	MR. GULAMRASUL M BOMBAYWALA	251139
8	SMT. AAMENABIBI A AKHUNJI/ MR. ABDUL KARIM ALI MOHAMMAD AKHUNJI	300	MR. HABIB ZAFAR SARESHWALA	130191
9	SMT. SHUSHILABEN P SHAH/ MR. PRAVIN CHANDRA R. SHAH	100	MR. MANSURI IFTEKHAR M YUSUF	251160
10	MR. RAJESHREE NITIN ANDHARIA	500	MS. MARIYAM Y KOTHAWALA / MS. SHIRIN T SARESHWALA	105710
11	MR. ROHITKUMAR GANESHBHAI PRAJAPATI	300	MS. MARIYAM Y KOTHAWALA / MS. SHIRIN T SARESHWALA	105712
12	MR. PRABHUDAS P PRAJAPATI	300	MR. MOHAMMED A KOTHAWALA	105794
13	MR. UDYAN ARVINDBHAI PANDYA	100	MR. MOHAMMED A KOTHAWALA	251122

Many more such instances were pointed out to the company alongwith the show cause notice issued to them by SEBI. It is evident that such gross difference in signatures (including that in the language itself) cannot by any stretch of imagination be termed

as minor in nature (as envisaged in the procedures mentioned in the aforesaid clause of the Listing Agreement).

24. In several cases, it was observed that the beneficiaries of these fraudulent transfers were the promoters and/or their minor children and also the 'front entities' of the promoters. Besides, clause 12A of the listing agreement *inter alia* stipulates that the company will promptly send to the first transferor an intimation of the aforesaid defect in the documents and inform the transferor that if objections in this regard are not received from the investors within 15 days of the date of receipt of such letter by the investor, the company would proceed with the transfer request. In other words, in cases of minor signature mismatch (where there is no case of fraud or forgery), the company has to wait for a minimum period of fifteen days from the date of receipt of the letter by the investor before proceeding to transfer the shares. However, it was observed that in many cases, the company has registered the transfer of shares in the names of promoters/front entities before the completion of the 15 day period, as required under aforementioned clause of the Listing Agreement. The table below explains the instances of share transfers registered by the company within 15 days of the request for such transfers. Further, the transfers mentioned below were also registered by the company despite noticing gross difference between the specimen signature and the signature available on the transfer deed used for fraudulent transfer.

Serial No.	TD No.	Date of the trade as shown on the TD	Date of transfer	Time taken for transfer (in days)	Name of transferee	Language of specimen signature	Language of signature on Transfer Deed bearing forged signature
A	B	C	D	E	F	G	H
1	105641	16-Jun-2005	28-Jun-2005	12	Mr. A. Hameed A Gaffar Memon	Gujarati	English
2	304660	18-Aug-2005	30-Aug-2005	12	Mr. Mohammed A Kothawala	Gujarati	English

Serial No.	TD No.	Date of the trade as shown on the TD	Date of transfer	Time taken for transfer (in days)	Name of transferee	Language of specimen signature	Language of signature on Transfer Deed bearing forged signature
3	372333	6-Sep-2005	20-Sep-2005	14	Mr. A. Hameed A Gaffar Memon	English	English
4	372354	5-Sep-2005	20-Sep-2005	15	Mr. Mansuri Iftekhar M Yusuf	English	English
5	372205	5-Sep-2005	20-Sep-2005	15	Mr. Mansuri Iftekhar M Yusuf	English	Hindi
6	372303	5-Sep-2005	20-Sep-2005	15	Mr. Mansuri Iftekhar M Yusuf	English	English
7	372352	5-Sep-2005	20-Sep-2005	15	Mr. A. Hameed A Gaffar Memon	English	Hindi
8	372394	5-Sep-2005	20-Sep-2005	15	Mr. Mansuri Iftekhar M Yusuf	English	English
9	372301	5-Sep-2005	20-Sep-2005	15	Mr. A. Hameed A Gaffar Memon	English	English
10	372358	5-Sep-2005	20-Sep-2005	15	Mr. Mansuri Iftekhar M Yusuf	English	English
11	372306	5-Sep-2005	20-Sep-2005	15	Mr. A. Hameed A Gaffar Memon	English	English
12	372389	6-Sep-2005	20-Sep-2005	14	Mr. Gulam Rasul M. Bombaywala	English	English
13	372356	5-Sep-2005	20-Sep-2005	15	Mr. Aslamkhan R Pathan	English	English
14	372357	6-Sep-2005	20-Sep-2005	14	Mr. Gulam Rasul M. Bombaywala	Gujarati	English
15	372395	6-Sep-2005	20-Sep-2005	14	Mr. Mohammed A Kothawala	English	English
16	372206	5-Sep-2005	20-Sep-2005	15	Mr. Mohammed A Kothawala	English	English
17	372304	5-Sep-2005	20-Sep-2005	15	Mr. Mohammed A Kothawala	English	English
18	372353	6-Sep-2005	20-Sep-2005	14	Mr. Gulam Rasul M. Bombaywala	English	English
19	384379	8-Sep-2005	20-Sep-2005	12	Mr. Mohammed A Kothawala	English	Gujarati
20	304664	17-Aug-2005	30-Aug-2005	13	Mr. Mansuri Iftekhar M Yusuf	English	English
21	304354	17-Aug-2005	30-Aug-2005	13	Mr. Aslamkhan R Pathan	Gujarati	English
22	372203	5-Sep-2005	17-Sep-2005	12	Mr. A. Hameed A Gaffar Memon	Gujarati	Hindi

Serial No.	TD No.	Date of the trade as shown on the TD	Date of transfer	Time taken for transfer (in days)	Name of transferee	Language of specimen signature	Language of signature on Transfer Deed bearing forged signature
23	372204	6-Sep-2005	17-Sep-2005	11	Mr. GulamRasul M. Bombaywala	English	English

25. I note from the comparison of the two dates i.e mentioned in column C and D of the table above, that all the transfers were registered within a span of 15 days, suggesting that the company has coined a false story on their compliance with the provisions of Clause 12 A of the Listing agreement before registering such share transfers. Further, it was observed in serial nos. 1, 2, 5, 7, 14, 19, 21 and 22 of the above table that the specimen signatures were in a language different from the language of the forged signature. Yet, such share transfers were processed by the share transfer committee of the company without raising any objection. Thus, I am not inclined to accept the reply of the company that they have written to the Transferors before lodgment of such transfers. On the contrary, from the aforementioned observations, I am prima facie of the view that these fraudulent share transfers were registered by the management of the company, despite noticing the serious inconsistencies mentioned above. Further, I also note that the investors from whose account shares were fraudulently transferred and with whom the SEBI inspection team interacted have confirmed that they have not signed on the transfer deed used for the fraudulent investors. The company has contended that many of the shares which have been transferred to the front entities/promoters are purchases made by the promoters when the share price was hovering around Rs 1 to Rs 3 and that the said shares were purchased legally. The contention of the company is not tenable because of the following reasons:

- a) In large number of cases, I have noted that there was a gross and obvious difference between the signature present on the transfer deed used for fraudulent transfer and the specimen signature available as per company records. I have no hesitation in concluding that such significant difference observed in several cases defy all valid explanation and would not have been there had the purchases of those shares been made legally.
- b) All the transfer deeds where the inspecting team has found evidence of fraudulent transfer appear to be off market transfers as there was no stamp of the broker on the reverse of the transfer deed (which would have been evident in case of market purchases). Most of these transfers took place in the year 2005 when the scrip price of the company was hovering in the range of Rs. 20 to Rs 35. I fail to understand why investors (that too in such large numbers hailing from different places) would sell off their holdings to the promoters at Rs 1 to Rs 3 when the market price was much more than that. I further note from the transfer deeds and specifically upon examination of the stamp duty charges paid that such stamp charges appeared to have been paid against the consideration in the range of Rs 20 to Rs 35 being the prevailing price at that point in time. Therefore, the argument put forth by the management of the company that they had bought these shares in the range of Rs 1 to Rs 3 is baseless and not acceptable.
- c) Further, I note that Mr. Zafar Sareshwala, Managing Director of the company in his statement dated July 11, 2008 had stated that the promoter family and its associates had purchased shares from investors off market. However, this was contradicted by the company in its subsequent letter dated August 11, 2008 where it had stated that the company or the promoters have not bought any shares off market. These statements are contradictory.

- d) The company while compensating the genuine investors from the accounts of promoters/front entities has itself admitted the demat request raised by the investors as genuine. If the promoters had legally purchased the shares, then the demat requests made by the investors would not by any stroke of imagination, be declared genuine.
- e) The fact that the company was compensating such investors on a regular basis when such investors lodged their demat requests itself indicates that the promoters had not purchased the shares from those investors. Even for argument's sake, if it were to be accepted that the promoters of the company had purchased the shares from the genuine investors, I cannot figure out any valid reason as to why would the promoters compensate the same investor from whom they had bought the shares.

26. In view of the above observations, I find these submissions made by the company to be prima facie unacceptable and misleading. I note from the circumstances mentioned above that the company has concocted a false story on the purchases made by them from various investors when the share price was around Rs 1 to Rs 3.

27. With reference to list of certain investors pointed out by SEBI, Mr. Zafar Sareshwala – Managing Director of the company in his statement furnished to SEBI on July 11, 2008 stated that the promoters and their associates had purchased the shares of these investors by way of off-market transfer and these shares were submitted to the company for transfer. The company further stated that while processing the transfer of these shares, these shares were stolen by their earlier employees around 2000-01. He also contended that these stolen shares retraced to its root back to the original shareholders. It was admitted by the company that the management of the company had not taken any appropriate steps to inform the Police

authorities. I am unable to accept this contention of the company for the following reasons:

- The fraudulent share transfers brought out during the course of inspection had taken place mostly in 2005 and the beneficiaries of these fraudulent transfers were the persons belonging to the promoter group of the company such as Mr. Talha Yunus Sareshwala and also the minor children of the promoters of the company viz. Mr. Zafar Sareshwala and Mr. Uves Sareshwala, wherein the above said promoters had signed as guardians on the transfer deeds bearing forged signature. It is obvious that if a theft of some shares is committed by employees of the company, there is no plausible reason why these shares should be transferred to the accounts of the promoters/their minor children. Further, these signatures were clearly forged as can be seen from the gross difference between the specimen signature and the signature on the transfer deed bearing the forged signature.
- Furthermore, all the investors with whom SEBI inspecting officials interacted were unequivocally replied that they had not signed on the transfer deed used for such fraudulent transfer of shares where the beneficiaries were the promoters and their 'front entities'.

28. The company has denied the role of the promoters / its management in the fraudulent transfer of shares pointed out by the inspection team. However, I have noted that there were numerous instances of such fraudulent transfers which were registered in the names of the persons belonging to the promoter group. The inspections conducted had brought out many cases of fraudulent transfer to accounts of Mr. Talha Sareshwala and minor children of Mr. Zafar Sareshwala and Mr. Uves Sareshwala, where Mr. Zafar Sareshwala and Mr. Uves Sareshwala had signed as guardians. The signatures of the buyers into whose account shares were fraudulently transferred are not disputed by the management of the company. The

fraudulent transfers are evident from the gross and striking difference between the seller's signature that was affixed on the transfer deed used for the fraudulent transfer and the specimen signature of the sellers available as per the company records. Sample instances in this regard are given below:

Serial No.	Name of the Investor	No of Shares	Transferee Name	TD No.
1	Mr. Mohanlal K Jain	200	Ms. Asma Uves Sareshwala	129267
2	Smt. Meeta A Gandhi	200	Ms. Asma Uves Sareshwala	129275
3	Smt. Aamenabibi A Akhunji	300	Master Habib Zafar Sareshwala	130191
4	Smt. Kunjbala Brahmhatt	500	Mr. Talha Yunus Sareshwala	129978
5	Mr. Jadeja Bhupendrasinh Ajitsinh	200	Mr. Talha Yunus Sareshwala	130150
6	Mr. Jagdish K Parikh	400	Mr. Talha Yunus Sareshwala	130157
7	Mr. Bipinchandra G Patel	100	Master Habib Zafar Sareshwala	130127
8	Mr. Chetan Dixit	500	Ms. Asma Uves Sareshwala	129256

In some of the above cases, even the signature of the genuine investor was forged in a language different from those on the specimen signature records. From the above cited observations, I am of the prima facie view that the promoters of the company were directly involved in such fraudulent transfers. I further note that these fraudulent share transfers were approved by a share transfer committee comprising of members belonging to the promoter group of the company.

29. From the facts and circumstances of the case as stated above, it would clearly follow that the company has prima facie printed fake share certificates to register the share transfers in respect of the shares that were

fraudulently transferred from the accounts of various genuine investors to the accounts of promoters/front entities. This is because the genuine investors who were not aware of the fraudulent transfer were still holding the physical share certificates at the time when these shares were fraudulently transferred. Since there is a necessity to enclose share certificate along with the DRF form when an investor makes a demat request with their DP, it is inferred that the promoters/front entities would have printed fake share certificates and submitted the same to their DP for dematerialization of the shares after registering the fraudulent share transfers. In the instant case, I note from the observations made above that the promoters /related “front entities” who had fraudulently transferred shares from accounts of genuine investors also immediately got their shares dematerialized. Ample instances in this regard have been brought out in the paragraphs stated above and more particularly, in the show cause notice issued to the company by SEBI.

30. Admittedly, the transfer committee consisted mainly by the promoters of the company as stated below:

S.No	Name	Period
1.	Mr. Yunus Sareshwala, Director	From January 2004 to December 2004
2.	Mr. Uves Sareshwala, Director	From January 2004 to March 2008
3.	Mr. Mohd Iqbal Hawa, Director	From January 2004 to March 2008
4.	Mr. Sanjay Shah, Director	From January 2005 to March 2008

31. Further, as per the company’s letter dated July 19, 2008, S/Mr. Uves Sareshwala and Yunus Sareshwala are mentioned in the list of the main promoters of the company and they were also the members present in the Transfer committee, which had approved the fraudulent share transfers. As already stated, there were fraudulent share transfers that were registered into their accounts of the promoters (also the part of the transfer committee) of the company as well. This suggests that the directors / promoters of the

company who were representing the Share Transfer Committee and who have accorded approval for such fraudulent share transfers were very much aware of the transfers that had taken place as all these transfers were approved by them. Further, it was observed that all the physical transfer requests were verified by the officials of the company by affixing their stamp and signature against the signature of the seller, signifying that these transfers had the authorization of the company.

32. Subsequent to the aforesaid fraudulent transfers, these shares were sent for dematerialization by the 'buyers' (who are either 'front entities' of the promoters of the company or in some cases persons directly belonging to the promoter group of the company). The demat requests were made through their respective DP's who in turn forwarded the same to Pinnacle / company. These shares were then dematerialized. Since the original share certificates were actually held by the genuine share holders, it is inferred that the management of the company would have printed fake share certificates, which would have been forwarded by those persons for transfer and subsequently through their DPs for dematerialization. It is quite possible that fake certificates might have been printed, as otherwise, it would not have been possible for the persons to get their shares dematerialized after the fraudulent transfers in their respective names, as at the time of dematerialization of these shares, the DPs would not have entertained the demat request of the buyers without the share certificates along with the DRF form.

33. It was observed that the demat request is received from the investors either by Pinnacle or the company from the DPs. In case Pinnacle receives the demat request, it is forwarded by them to the company for signature verification as the signature cards are with the company. It is only upon receiving confirmation from the company that Pinnacle takes a decision to confirm or reject the demat requests.

34. Since the scrip of the company (which was not very active for a substantial period of time since its listing on exchanges) witnessed buoyancy from mid 2004 onwards, the genuine investors who were originally holding the shares post IPO allotment and the ones who purchased the shares from the secondary market were sending the shares to Pinnacle / the company to have them dematerialized so that they could sell them in the market. As and when the genuine investor would send the physical certificates along with Demat request form (DRF) to company / Pinnacle (registrar) for dematerialization through their DP, the company / share transfer agent rejected the demat request with the reason “duplicate certificates already issued”. The original share certificates received from the genuine investors were retained by the company. While rejecting the demat requests of the investors, the company sends a letter (printed in the company letter head) to the genuine investor stating inter alia the following :

“above referred DRN has been rejected by our R &T under code -13 misc. –“certificate received is already stands demated in our system. Please contact company for further details”.

We have taken necessary steps to compensate you considering that your request seems to be genuine. We have already credited above referred accounts by off-market transactions. Xerox copy of delivery slips is enclosed and request you to verify with your DP. Hence your problem is resolved”.

35. Subsequently, Pinnacle sends a rejection memo to the DP with reason “original certificates present are those for which the duplicates have already been issued”. In other words, Pinnacle was rejecting the demat request for a reason different from that cited by the company. Therefore, there is a clear dichotomy in the reasons for rejections stated by the company and Pinnacle in the matter, which misleads the common investors

about the status of their shares submitted for dematerialization. No records were available with Company suggesting that duplicate share certificates were issued by them to the investors by following the requisite procedures such as indemnity bond, FIR etc (except in the case of two instances as admitted by Pinnacle, the R & T agent of Company). Thus, there were only two cases of duplicate certificates that were issued by Company conforming to the requirements mentioned above. However, Pinnacle, the R&T agent of Company had rejected hundreds of demat request of the genuine investors, citing reasons "original certificates present are those for which the duplicates have already been issued".

36. This apart, there is another way to ascertain whether the issuer company had indeed issued duplicate share certificates to investors. Generally, while issuing duplicate certificates, a fresh certificate has to be printed and the same is issued under a new certificate number. Further, other procedures relating to issuance of duplicate certificates, such as execution of indemnity bond who has sought issuance of duplicate certificate, advertisements issued by company in this regard etc, have to be complied with before issuing the duplicate certificate. These records were not available with both Company and Pinnacle. The SEBI inspecting team verified records of certain investors i.e, DRF forms(of genuine investor), transfer deed used for fraudulent transfer, to compare the certificate number mentioned on the DRF form of the genuine investor with that on the DRF form of the transferee (through fraudulent transfer). It was observed that the certificate numbers mentioned therein were same, suggesting that no duplicate certificate was issued by the company i.e. Company. On the contrary, it prima facie appeared to the inspection team that fake certificates have been printed and issued by Company to register the fraudulent transfers and subsequently to dematerialize these shares in the name of the promoter group (transferee).

Several such instances observed have been illustrated in the Show Cause Notice dated August 22, 2008 issued to Company by SEBI.

37. Company had adopted a stand of rejecting the shares of investors on the ground that their shares were already dematerialized in the system. However, it was consistently observed that Company had chosen to compensate the investors by way of off-market transactions when they make a complaint or when they lodge their demat requests. While compensating these investors, Company affirmed through letters addressed to such investors that their demat request are genuine. Thus, Company had taken a two faced stand on the demat requests of investors i.e. on the one hand rejecting their requests stating reasons as mentioned above and on the other hand, compensating the investors by way of off market transactions. It appears that Company had chosen to compensate the investors to camouflage the fraud perpetrated by their management.

38. It was observed during the course of the inspection that whenever genuine investors lodge the demat requests and/or file a complaint, the rejection notice would be also accompanied by a letter on the Company letter head along with the remarks mentioned above. Along with the letter of Company, there would also be a Delivery Instruction Slip (DIS) suggesting that the genuine investor/complainant has been credited the requisite quantity of shares by way of off-market transaction. It was observed that the off-market transfers mostly took place from the accounts of the promoters of Company and/or from accounts of persons termed as "front entities" to the promoters of Company. The above procedure followed by Company was to silence the complainant from taking up the matter further. The contents of the letter of Company addressed to the investors wherein Company admits the requests of investors as genuine coupled with the fact that the affected investors are compensated through off-market credit of the shares from the promoters account, brings to light the fraud played by the company on the unsuspecting investors. Separate proceedings against Pinnacle for its role in

the fraud perpetrated by the company are being initiated for their role in such matters.

39. The genuine investors holding shares in physical form are not aware of the fraud that has been played on them. Since, the genuine shareholders are compensated only when they apply for dematerialization of shares; it is possible that many shareholders who have not yet applied for dematerialization or not yet lodged any complaint have not been compensated, even though their shares have been fraudulently transferred by persons linked to promoters. It is also interesting to note that most of the investors were compensated from the accounts of Mr. Mohammad Alibhai Kothwala and Mr. Talha Sareshwala. Mr. Talha Sareshwala's name appears in the list of the promoter group of Company.

40. Inspection conducted has brought out about 252 instances wherein the genuine investors were compensated by the management of Company by way of off-market transfer of shares as described above. In view of the above fraud and in order to study how the genuine investors were disbursed the cash corporate benefits by the company, details of cash corporate benefits in the form of dividend declared by Company were ascertained. Company stated that they first declared and disbursed the dividend for the year 2006-07 and 2007-08. It was observed that the names of the genuine shareholders did not appear in the register of members as a result of fraudulent transfers that had taken place in their accounts. It is clear therefore that the genuine shareholders were also deprived of dividend and other corporate benefits.

41. It is also interesting to note that while the demat requests submitted by the genuine investors are rejected by Pinnacle / Company with reasons "duplicate already issued", the demat requests of the 'buyers' into whose

account the shares were fraudulently transferred viz. Mr. Mohammad Kothwala, Mr. Ghulam Rasul Bombaywala, Mr. Aslam Pathan etc, are generally not rejected, even though inspection brought out inconsistencies in their transfers/ demat records. As already brought out above, Pinnacle forwards the demat requests of investors to Company for the purpose of signature verification. Invariably, thus, the management of Company ensures the registration of the transfer/demat requests of investors belonging to the category of promoter group and/or the persons related to the promoter group.

42. Company had also made certain statements dated July 11, 2008, July 12, 2008, July 19, 2008, August 5, 2008 and August 11, 2008 to the SEBI officials. The salient submissions made by Company in the statements are as follows:

- a) As per statement dated July 11, 2008 made by Mr. Zafar Sareshwala (Response to Question No 8), all shares of investors such as Smt. Deepika Hasmukh Gandhi, S/Mr. Pravin K Shah, Hafiza Putawala, Vallabhai D Savalia etc were purchased by the promoter family and their associates by way of off market transactions and were submitted to Company for transfer. While processing the transfer request of these shares, the share certificates were stolen. These shares were stolen around 2000-01 and some of Company's earlier employees were involved and they were stolen from Mumbai (Chakala Street, Off Mohammad Ali Road which was the registered office at that time) where Company had a rented room as well as the office from Ahmedabad. These shares 'reached back to the respective parties'. Since Company's internal staff was 'involved in this stolen activity, they reached back to the original shareholder whose name was in the register. Since between 2001-2003, due to the earthquake in Ahmedabad and communal riots of 2002, we were in extraordinary situation

where Company could not even resort to take legal and criminal action nor could Company report the matter to the police’.

- b) However, as per letter dated August 11, 2008 sent by Company to SEBI, it was stated that the company or the promoters have not bought any shares off market. As they have not purchased, there is no seller involved.

43. I note that the inspections had brought out several cases where transfer of shares was registered in the names of the buyers without following requisite procedure. Company has ratified transfer of shares in several cases for instance, where

- a. transfer deed is without signature of the buyer,
- b. the folio belongs to joint holders whereas the forged transfer deed indicated the name and signature of one holder,
- c. transfer deed does not have signature and address details of witness etc.

44. In its reply to the above mentioned observations, Company has stated that it was the duty of their R & T agent viz. Pinnacle to not send the shares for transfer to the transfer committee if defects were found. Undoubtedly, Pinnacle has failed in their duty to exercise due diligence as expected from a prudent share transfer agent. However, the company is much more culpable in its respect for the following reasons

- a) Company as per its own admission possessed the signature records and all transfer deeds along with share certificates were sent to Company for ratification of signature. Therefore, registering the transfer in cases where glaring deficiencies were observed such as, transfer deeds without signature, transfer deed does not have signature of the buyer and address details of witness etc indicates that the promoters of Company were intent on registering the fraudulent transfers in the names of the front entities. In doing

so, they even ignored the basic procedures that were required for registering transfer of shares.

- b) In this context, I note that the demat requests of genuine investors were rejected by the company by citing flimsy reasons. Several instances in this regard have been mentioned in the paragraphs above.
- c) It is further noted that the transfer committee included promoters/directors and such glaring deficiencies and the inconsistencies these share transfers were approved.

45. I note from the specific instances cited in Paragraphs 2 and 19 that Company was guilty of misleading the genuine investors from whose account shares were fraudulently transferred. It appeared that when the demat requests were raised by the genuine investors, the reasons such as “*signature mismatch*” while rejecting their demat requests were furnished by Company. However, at around the same time (a few days before or after date of demat request received from the genuine investors), Company had registered the fraudulent transfer in favour of the promoters/front entities. Since the company admittedly had the signature records with them, it implies that Company had rejected the demat requests of the genuine investors on flimsy grounds. Company subsequently had also admitted that the demat requests of these investors were genuine while compensating them. It can only be inferred, from the instances cited in paras 2 and 19 that Company had deliberately tried to mislead the mindset of genuine and unsuspecting investors camouflaging their fraudulent activities.

46. There cannot also be a valid explanation as to why the investors hailing from places other than Ahmedabad should register their physical share transfers by purchasing the transfer deeds from Ahmedabad. A few such instances may be possible, but when these recur all too frequently, i.e. transfer deeds purchased in bulk from Ahmedabad so as to register the transfer of shares to the accounts of buyers belonging to the promoter group

from the accounts of the genuine investors located in cities/towns other than Ahmedabad, these share transfers can be only viewed with suspicion (particularly when all the transfers are by way of off market transactions, gross variation in sellers signature were being observed, the buyers being the same set of party etc.) The inspections conducted had brought out that the transfer deeds were purchased in bulk for registering the fraudulent share transfers and the documents almost bore continuous serial numbers, as disused earlier. I am of the considered view that these transfer deeds were purchased in bulk by the promoters/front entities residing in Ahmedabad and were used for registering such fraudulent transfers.

47. Further, from the fact that the certificate numbers on the DRFs of the genuine investor and that used for fraudulent transfer were same as brought out in the inspection report, I am convinced that no duplicate certificates in the ordinary course were issued by the company apart from the two instances, which Pinnacle admittedly have in its records. Company in its letter dated October 10, 2008 has also admitted that no duplicate certificates had actually been issued to those shareholders who were being compensated by it. However, the R & T agent of Company viz. Pinnacle continuously rejected the demat requests of investors stating the reasons as "duplicate certificates issued". Hence, the reason given by Company's agent, Pinnacle Shares Registry Pvt. Ltd. is misleading.

48. Company was not able to produce any satisfactory reply (in the sample instances brought out by SEBI) to explain the delay in processing of requests for dematerialization. The instances of delay in dematerialization have been forwarded to Company along with the Show Cause Notice dated August 22, 2008. It is an admitted fact that Company possessed the signature records and had not handed over the same to Pinnacle, which resulted in the violation of Regulation 53A of the SEBI (Depositories and Participants) Regulations, 1996. Further, it is seen from the NSDL web-site that DPs were required to send certificates for dematerialization to the

address of Company at Ahmedabad. Therefore, I conclude that Company has delayed the process of dematerializing the securities of genuine investors specifically in the instances pointed out by the SEBI officials, in violation of Regulation 54(5) of the SEBI (Depositories and Participants) Regulations, 1996.

49. As regards the contention of Company that no complaint except for one Mr. Javed Sonalkar has been received, I note that certain complaints had been received by SEBI in this connection. In any case, it is evident from the sequence of events that the absence of large number of complaints merely indicates that the genuine, unsuspecting investors were not aware of the fraudulent transfer and hence they had not lodged any complaint with any authority. Moreover, Company was compensating the investors who had applied for dematerialization of their shares to silence them, who would otherwise have complained to the appropriate authorities. Quite obviously, in the specific case of fraudulent transfer of shares from various investors account, it is absurd to expect complaints from unsuspecting investors who were not even aware of the fraud that were played on their holdings by the management of Company.

50. Regarding the complaint of Mr. Ibrahim Ahmed, Company had stated that it has sent a reply dated July 28, 2008. It is observed that the letter dated July 28, 2008 was in response to SEBI's letter dated July 18, 2008 forwarding complaint made by M/s Rajeev Sawant and Associates on behalf of Mr. Ibrahim Ahmed. However, SEBI had received another letter dated July 19, 2008 from M/s Divya Shah and Associates which also had been forwarded to Company vide letter dated July 30, 2008. While Company had responded to SEBI's letter dated July 18, 2008, no response has been received by SEBI regarding SEBI's letter dated July 30, 2008. However, on perusal of the letters from M/s. Rajeev Sawant and Associates and M/s.

Divya Shah and Associates, it appears that the issues raised are substantially the same and it appears that the matter is being examined by the Company Law Board. Since the issue is already being examined by the appropriate forum, viz. Company Law Board, I am not inclined to make any observations in this regard.

51. As regards the statements of investors taken by the SEBI officials, Company has questioned the inaction on the part of the said investors in not filing any police complaint for forgery in the transfer deed. I note from the response of Company that they have displayed a totally callous attitude about the plight of the hapless investors. I further note that the response of Company in this regard is not convincing as many of the investors were not even aware of the fraudulent transfers that were registered by Company and its management. Therefore, I am of the view that the investors clearly would not be in a position to file any police complaint. It was only when SEBI officials showed them the transfer deed depicting the fraudulent transfers that the investors confirmed that they had not signed on these documents as sellers. In view of the fact that significant difference in signature of the sellers were noticed on comparison of the transfer deeds used for the fraudulent transfers and the specimen signature records available with Company and also taking into account the fact that all the eight investors (with whom the SEBI inspection team interacted) categorically confirmed that the signature on the TD used for fraudulent transfer was not theirs, I am of the view that the transfers registered from these eight investors were fraudulent in nature.

52. In conclusion, in the present case, the typical ingredients which are necessary to prove fraudulent transfer of securities are obvious. Numerous factual findings, supported by hard and irrefutable evidence and documents that were collected from various sources by the inspection team during the course of inspections, as mentioned in the Show Cause Notice

communicated to Company were examined by me. This is a case of this kind, where the import of the violation is heinous. Had it not been for action of SEBI in the matter, the investors would have continued to be cheated out of their money. I have no hesitation in agreeing with the findings of the inspection team on the fraudulent transfer of shares from the accounts of genuine investors. From the facts and circumstances stated above, I am of the prima-facie opinion that the shares of genuine investors were fraudulently transferred to the accounts of the promoters of Company and other related entities linked to the promoter group. These fraudulent acts committed by the company have only served to shatter the confidence of several genuine and unsuspecting investors in the integrity and safety of the market.

53. By means of the carefully coordinated artifice that has been outlined in the preceding paragraphs, the promoters/front entities of Company could fraudulently transfer securities of innocent and unsuspecting investors. Therefore, in the instant case, a severe deterrent action is necessary to be taken against Company in the interest of fostering investor confidence and also to save the investors from possibility of any continuing wrongdoing by Company and its associated entities. Thus, the Company has prima facie violated the provisions of Regulations as stated in the show cause notice dated August 22, 2008. I am of the considered view that appropriate directions which are preventive and remedial in its application need to be passed against Company.

54. Therefore, in exercise of the powers delegated to me in terms of section 19 read with sections 11(1), 11B and 11(4) of the Securities and Exchange Board of India Act, 1992, I hereby restrain Parsoli Corporation Limited, its whole time directors namely Mr. Zafar Saershwala and Mr Uves Sareshwala and its associates/group companies from accessing the securities market, till further orders. They are also prohibited from buying,

selling or dealing in securities in any manner directly or indirectly, till further orders.

55. In doing so, the directions above to Parsoli Corporation Limited, in so far as it relates to its activities as a stock broker and depository participant shall be restricted to the extent of not permitting the addition of any new clients in such capacities and their activities in regard to the existing clients may continue unhindered, pending further orders. A copy of this order is endorsed to National Stock Exchange of India Limited, Bombay Stock Exchange Limited, National Securities Depository Limited, Central Depository Services (India) Limited.

56. Parsoli Corporation Limited is also directed to remove Pinnacle Shares Registry Private Limited as its Registrar and Transfer Agent and is directed to appoint another Registrar and Transfer Agent within a period of six months from the date of this order.

57. Further, I also direct Parsoli Corporation Limited to conduct a secretarial audit which should inter alia establish the identity of the actual shareholders and reconcile the differences between their records of shareholders and the depository accounts, taking into account any pending request for dematerialization and appoint a qualified company secretary for this purpose.

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

**K.M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

Place: Mumbai

Date: February 20, 2009