

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF SOFTRAK TECHNOLOGY EXPORTS LTD.

**In respect of Saumil Bhavnagari, Nrupesh Shah (PAN no. AVMP6287L) and
Kishore Corporation**

1) Date of hearing: November 13, 2009

Appearances:

For Mr. Saumil Bhavnagari: Mr. Ashish Kharidia
For Kishore Corporation: None Appeared

For SEBI: Mr. Biswajit Choudhury, Deputy General Manager
Mr. Siddharth Dachalwal, Manager
Mr. Jai Parkash, Legal Officer
Ms. Vasudha Goenka, Legal Officer

2) Date of hearing: January 22, 2010

Appearances

For Mr. Nrupesh Shah : Mr. Nrupesh Shah

For SEBI: Mr. Biswajit Choudhury, Deputy General Manager
Ms. Vasudha Goenka, Legal Officer
Mr. Siddharth Dachalwal, Manager

ORDER

**Under Sections 11 & 11B of Securities and Exchange Board of India Act, 1992 read with
Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating
To Securities Market) Regulations, 2003.**

1. Securities and Exchange Board of India (hereinafter referred as 'SEBI') had conducted investigation into the dealings in the shares of Softrak Technology Exports Ltd. (hereinafter referred as 'STEL') for the period January 1, 2002 to July 31, 2002. During the period of

investigations the scrip of STEL was listed on Bombay Stock Exchange (hereinafter referred to as 'BSE') and on Ahmedabad Stock Exchange (hereinafter referred to as 'ASE').

2. Investigations, *inter alia*, revealed that STEL, which had a paid up capital of Rs.3,60,00,000 comprising 36 lakh shares, issued 3 crore additional shares to certain entities, allegedly including several fictitious entities for non-cash considerations. These shares were swapped for the shares of two companies, namely M/s. Cybersoft Infocomm Ltd. (hereinafter referred to as 'Cybersoft') and M/s. Pushpam Infotech Ltd (hereinafter referred to as 'Pushpam'). Further, it was alleged that several fictitious demat accounts were opened using forged and fictitious documents. The shares of STEL so allotted were fraudulently dematerialized using an in-principle listing approval from ASE. The Managing Director of STEL, Shri Sunil Gaglani had represented the company before the exchanges for this purpose. Following this, the said shares were routed through various entities and finally offloaded using the BSE platform, even though BSE had refused listing permission for these additional shares. Saumil Bhavnagari, Nrupesh Shah and Kishore Corporation (hereinafter referred to as 'Noticees') acted as said conduits through which unlisted shares of STEL were offloaded using the BSE platform.
3. Accordingly, a notice dated January 1, 2009 (hereinafter referred to as 'SCN') was issued to Saumil Bhavnagari, Nrupesh Shah and Kishore Corporation alleging that the acts of the noticees were in violation of Section 12A of SEBI Act, 1992 and Regulation 3, 4 (b), 4(c) and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') read with Regulation 3 (a) to 3(d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003 (hereinafter referred to as 'FUTP Regulations'). The SCN called upon the noticees to show cause as to why suitable directions under Sections 11 and 11B of SEBI Act read with Regulation 11 of FUTP Regulations including restraining them from accessing the capital market and prohibiting from buying, selling or dealing in securities in any manner should not be issued against them.

4. The SCN was delivered to the Saumil Bhavnagari and Nrupesh Shah, but was not delivered to the Kishore Corporation. Saumil Bhavnagari replied to the SCN vide letter dated January 23, 2009 and requested for certain documents. A reminder vide letter dated April 21, 2009 was sent to the noticees to reply to the said Show Cause Notice. The documents requested by Saumil Bhavnagari were sent to him along with the reminder. Following this a notice was published in the Gujarat Samachar and Hindustan Times for Undelivered Show Cause Notice for, *inter alia*, Kishore Corporation on August 9, 2009 and August 13, 2009 respectively. The noticee was informed that it should reply within fifteen days, failing which the matter would be decided ex-parte. No reply was received from Nrupesh Shah.
5. An opportunity of personal hearing was granted to Saumil Bhavnagari and Nrupesh Shah before me on November 13, 2009. Shri Ashish Kharidia appeared on behalf of Saumil Bhavnagari and made oral submissions. The said noticee was, on request, granted 15 days to file written submissions. Vide letter dated November 28, 2009 Saumil Bhavnagari filed written submissions. Saumil Bhavnagari, *inter alia*, submitted that due to the delay in investigation he does not have records relating to the impugned transactions, and hence his right to defend himself is prejudiced.
6. Nrupesh Shah, however, did not appear for the said hearing. I thought it fit to grant another opportunity of personal hearing to the entity. Nrupesh Shah appeared before me on January 22, 2010 at Ahmedabad and, *inter alia*, submitted that he purchased the shares of STEL from Shri Rajesh Jain. He received the shares without making any payment. Thereafter, the shares were sold by him and with the proceeds he paid Rajesh Jain after retaining 2-3 paise per share. He further submitted that he has not been operating in the securities market for the past five years.
7. In the absence of any submission/reply to the newspaper notice from Kishore Corporation, we may proceed in the matter, ex-parte, having complied with the principles of natural justice.

8. I have carefully considered the SCN and other material available on record. I note that the paid up capital of STEL as on January 1, 2002 was Rs.33,60,00,000/- (3,36,00,000 shares of Rs.10/-). The above capital of the company consisted of 3,00,00,000 shares allotted on a preferential basis (swap for consideration other than cash) as follows:
- i. A resolution under Section 81(1A) of the Companies Act, 1956 was passed by the company on November 24, 2001, by which 1,00,00,000 equity shares were allotted to certain shareholders of M/s Cybersoft Infocomm Ltd. (hereinafter referred to as 'Cybersoft') on December 11, 2001, and
 - ii. A resolution under Section 81(1A) of the Companies Act, 1956 was passed by the company on January 31, 2002, by which 2,00,00,000 shares were allotted to certain shareholders of M/s Pushpam Infotech Ltd (hereinafter referred to as 'Pushpam') on February 14, 2002.

These shares were not listed. Thus, the listed capital of the company during the investigation period was just 36,00,000 shares.

9. I note that after the first preferential allotment STEL filed an application for listing of the said 1,00,00,000 equity shares. The ASE gave the in principle approval on December 20, 2001. As a part of the listing formalities, BSE sought certain additional information from STEL. In the meantime, NSDL informed BSE that the company has dematerialized unlisted shares using the in-principle approval from ASE. BSE advised the company to furnish the details of the dematerialized shares. However, the company did not furnish this information. Following this, BSE vide its letter dated December 28, 2002 issued a notice to the company show cause as to why the action of withdrawing permission to dealings in the company's securities on the Exchange not be taken. On not receiving any reply from STEL, the Exchange suspended trading in the securities of the company with effect from January 29, 2003. The listing of the preferential issue of the company of 100,00,000 equity shares of the company was rejected by the Listing Committee of the exchange on the above grounds.

10. Similarly, for the second preferential issue STEL filed listing application with BSE on January 8, 2003. The BSE vide letter dated February 4, 2003 informed the company about the listing formalities to be complied with for the second issue. STEL did not reply to the same. Hence, the said shares were also not listed since the company did not complete the listing formalities.
11. I observe that during the investigation period the price of the scrip increased from Rs. 1.80, the opening price on January 1, 2002 to a high of Rs. 2.30 on January 7, 2002 and then gradually fell down to Rs. 0.70 on January 23, 2002, which is a fall of 69% in 13 trading days. The average volumes of shares traded during this period was 77176 shares. The price of the scrip decreased from Rs.0.70/- on April 3, 2002 to Rs.0.40/- on April 11, 2002, which is a 42.85% fall in 7 trading days. The average volumes of shares traded during this period were 241134 shares.
12. The major brokers and the clients who traded during the investigation period are as given below:

Member Broker	Sub-Broker	Major Ultimate Client	Gross Purchase		Gross Sales	
			Shares	%	Shares	%
Park light Investments Pvt. Ltd.		Ankit Jhaveri*	285053	0.59	14927712	31.21
		<u>Nrupesh C Shah*</u>			<u>1988023</u>	4.13
		Yogesh Bhavnagari*			3454658	7.18
		Yash Corporation			274313	0.57
	Total trading by broker		296023	0.62%	20691706	43.00%
ASE Capital Markets	Vasudev Gordhandas Dapki	Rajesh N Jhaveri (R006)*			892000	1.85
	Jaswantlal Vadilal Shah	<u>Saumil Bhavnagari (S11)*</u>			<u>2003700</u>	4.16
	Rajesh Jhaveri	<u>Nrupesh C Shah*</u>	31928	0.07	<u>49982</u>	0.10
		Rajesh N Jhaveri (Gautam Jhaveri)	34948		38054	
	Total trading by broker		518930	1.08%	3305629	6.87%
P. Suryakant	Shree Parshwa Finance (Prop: Piyush Jhaveri)	Ashish P Shah	10000	0.02	260500	0.54
		Fenil M Shah	1004011	2.09	1004976	2.09
		<u>Kishore Corporation*</u>		0.00	<u>1050000</u>	2.18
		Trading account	1071504	2.23	1091952	2.27
		Nrupesh C Shah*	146314	0.30	812586	1.69

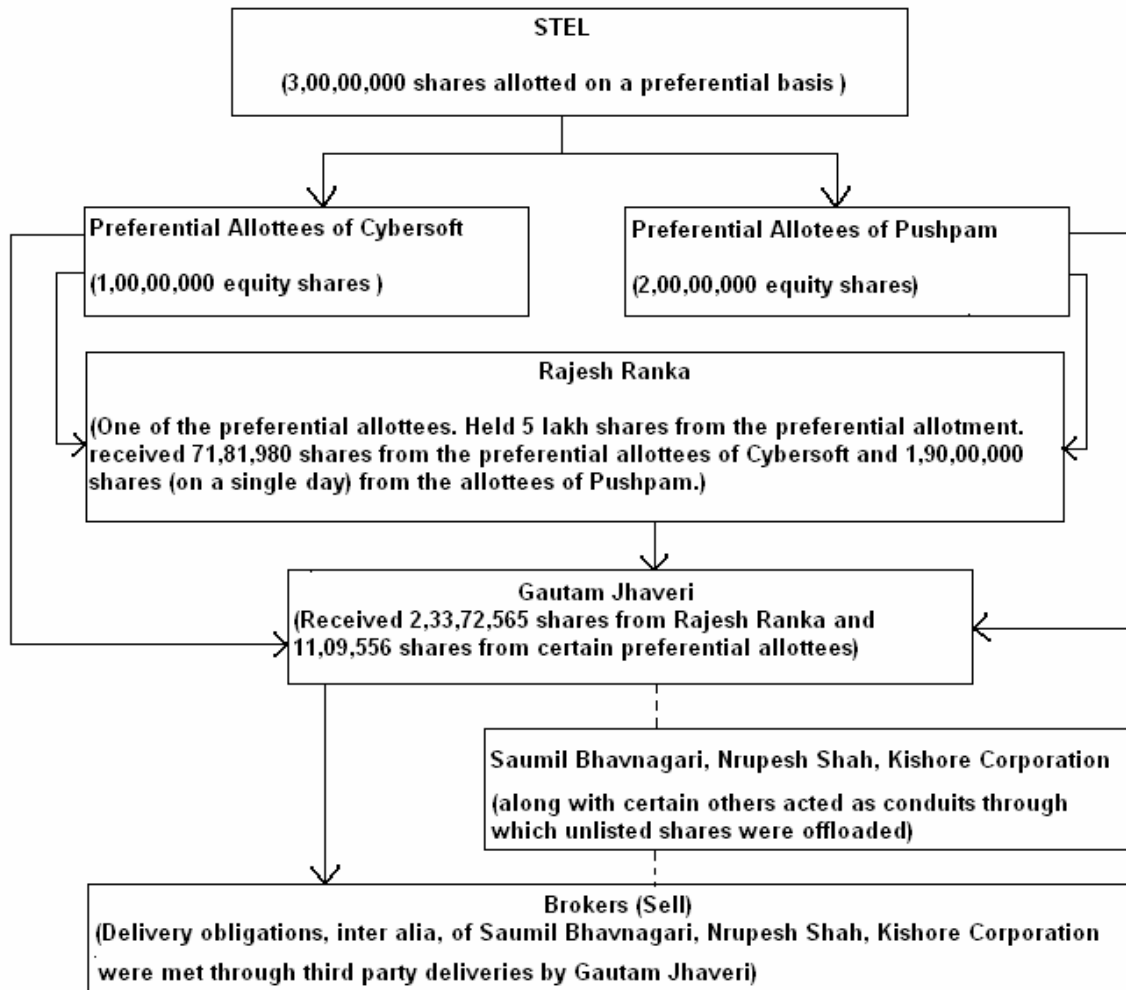
	Total trading by broker		2529550	5.26%	4452659	9.25%
ICICI Webtrade		Total 273 clients.	10827004	22.50%	6555277	13.62%
Total traded quantity			48116275	100%	48116275	100%

*Shares were delivered by Gautam Jhaveri to the broker/ sub broker on behalf of their clients.

*183957 shares were sold by Parklight Investment Pvt. Ltd. in the client code of Rajesh N Jhaveri but contract notes were issued in the name of Ankit Jhaveri

13. The trading of the members that had more than 15 % counter party concentration was analyzed. I observe that while the selling was concentrated among a few clients and brokers, buying was scattered. Though the broker ICICI web trade had over 22.5% concentration on the buy side it is seen that the buying clients were scattered among 273 clients.
14. I further observe from the table above that the major selling clients while having sold shares amounting to many times the total listed capital of the company had not made any major purchases in the scrip. The major sellers like Ankit Jhaveri had sold around 1.47 crore shares of STEL, however had bought just 2.85 lakh shares. Similarly other major clients like the noticees Saumil Bhavnagari, Nrupesh Shah and Kishore Corporation also did not buy any major quantity of shares while had sold large number of shares whereas only 36 lakh shares are listed in the exchanges.
15. I note that a few clients who were the major sellers had sold more than the listed capital of the company while purchases were comparatively less as stated above. Hence, demat accounts of major sellers, including *inter alia* the noticees Saumil Bhavnagari, Nrupesh Shah and Kishore Corporation were analyzed to find out the source of their acquisition. Analysis of demat statements revealed that neither of the noticees had received any shares through off-market transfers, nor had they delivered any shares to the respective brokers. Their delivery obligations were met through third party delivery by a certain Gautam Jhaveri (Rajesh N Jhaveri). Gautam Jhaveri, in turn, received 2,33,72,565 shares from Rajesh Ranka (alias Rajesh Jain, one of the preferential allottees) and 11,09,556 shares from certain preferential allottees during the Investigation period.

16. Thus, it appears that the noticees acted as conduits through which unlisted shares of STEL were released into the market. The noticees seem to be a part of the machinery that was responsible for 3 crore unlisted shares of STEL being offloaded and passed on to unwary and unsuspecting investors. The movement of the unlisted shares can be traced as under.



17. Thus, I observe that while during the investigation period Saumil Bhavnagari and Kishore Corporation sold 20,03,700 and 10,50,000 shares of STEL respectively, they did not make any purchases in the scrip. Similarly, Nrupesh Shah purchased a far lesser number of shares than he sold (as evident from the table at paragraph 12). This seem even more suspect when it is considered that during the investigation period the listed capital of the company was just 36,00,000 shares. Moreover, their delivery obligations were met by third parties. It is evident

that the said selling was not of a genuine nature, and that the noticees acted as front entities for the release of unlisted shares of STEL into the market.

18. I find from the above facts that the noticees aided the offloading of unlisted shares of STEL. Delivery obligations for the same were met by certain third parties that were involved in the scheme of manipulation in the scrip of Softrak Technology Exports Ltd. Therefore, Saumil Bhavnagari, Nrupesh Shah and Kishore Corporation are in violation of Section 12A of SEBI Act, 1992 and Regulation 3, 4 (b), 4(c) and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 3 (a) to 3(d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003.

19. Therefore, taking into consideration facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 19 of the SEBI Act read with Sections 11(4) and 11B of SEBI Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, do restrain the abovementioned entities from buying, selling or dealing in securities and from associating in securities market in any manner whatsoever for a period of 2 years.

20. This order shall be served on all recognized stock exchanges and depositories to ensure that the Noticees are not allowed to undertake transactions as prohibited in Para 19 above.

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

DATE :JULY 28, 2010
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA