

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

IN THE MATTER OF SOFTRAK TECHNOLOGY EXPORT LIMITED

**IN RESPECT OF SHRI DASHRATH K. KHATRI, SHRI KIRAN K. KHATRI, SHRI
PURSHOTAM KHATRI, SHRI GANPAT K. KHATRI AND
SHRI HIMANSHU PANDYA (PAN. ASSPP0802D)**

Date of hearing: January 22, 2010

Appearances:

For Noticees:

Shri Dashrath K. Khatri:	Shri Dashrath K. Khatri
Shri Kiran K. Khatri:	Shri Kiran K. Khatri
Shri Purshotam Khatri:	Shri Purshotam Khatri
Shri Ganpat K. Khatri:	Shri Ganpat K. Khatri
Shri Himanshu Pandya:	Shri Himanshu Pandya

For SEBI:

Shri Biswajit Choudhury, Deputy General Manager
Ms. Vasudha Goenka, Legal Officer
Shri Siddharth Dachalwal, Manager

ORDER

**UNDER SECTION 11 AND SECTION 11B OF SECURITIES AND EXCHANGE
BOARD OF INDIA, ACT, 1992.**

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into the trading in the scrip of Softrak Technology Export Limited (hereinafter referred to as 'STEL') for the period January 1, 2002 to July 31, 2002 (hereinafter referred to as the 'investigation period'), *inter alia*, to ascertain whether there had been any violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
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 including Shri Dashrath K. Khatri, Shri Kiran K. Khatri, Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya (hereinafter collectively referred to as 'the noticees'). Allotments were allegedly also made to

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 fabricated documents. The shares of STEL so allotted were fraudulently dematerialized using an in-principle listing approval from ASE. 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. It was alleged that Shri Dashrath K. Khatri, Shri Kiran K. Khatri, Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya too offloaded unlisted shares of STEL in the market and thus created artificial volume and perpetrated fraud upon the investors.

3. Accordingly a common notice dated January 1, 2009 (hereinafter referred to as 'SCN') was issued to Shri Dashrath K. Khatri, Shri Kiran K. Khatri, Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya (hereinafter referred to as 'the noticees') alleging that the acts of the noticees were in violation of Section 12A of the SEBI Act read with 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') and Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a) of (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 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 said SCN was delivered to Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya, but could not be delivered to Dashrath K. Khatri and Kiran K. Khatri. A reminder dated April 21, 2009 was sent to Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya to reply to the said SCN. A notice was published in the Gujarat Samachar and Hindustan Times for Undelivered Show Cause Notice on August 9, 2009 and August 13, 2009 respectively. Shri Dashrath K. Khatri, Shri Kiran K. Khatri, Shri Purshotam Khatri and Shri Ganpat K. Khatri replied to the SCN. However, Shri Himanshu Pandya did not reply to the same.

5. An opportunity of hearing before me was provided to all the said noticees on November 13, 2009. However, none of the noticees appeared for the hearing. Subsequently, another opportunity of personal hearing was granted before me on January 22, 2010 at Ahmedabad. The same was availed of by the all the aforementioned noticees.
6. Dashrath Khatri, Kiran Khatri, Ganpat Khatri and Purshotam Khatri, *inter alia*, submitted as under:
 - a. They are tailors.
 - b. They have no knowledge of the securities market.
 - c. Their names were misused and signatures were forged.
 - d. They were introduced by one Rajesh M. Ranka to Sunil Gaglani, the Managing Director of STEL.
 - e. Sunil Gaglani was a customer at their tailoring shop and hence knew their addresses.
 - f. They *may* have given their photographs to Sunil Gaglani.

Himanshu Pandya made the following submissions:

- a. He worked in STEL, helping in the repair and maintenance of computers.
 - b. He was not familiar with trading in securities and had never dealt in shares.
 - c. He knew Sunil Gaglani by virtue of his job in STEL.
7. I have carefully considered the SCN, the replies of the noticees and the other relevant material on record.
8. I note that the paid up capital of the company 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 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 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. The first preferential (swap) allotment of 5,00,000 equity shares was made by STEL to each of the following entities

1	Rajesh M Jain	8	Varsha K Vakharia	15	Param S Shah
2	Dashrat K Khatri	9	Nitin Shah	16	Mahesh C Shah
3	Ganpat P Khatri	10	Naisharg Vakharia	17	Himanshu Pandya
4	Bharat M Jain	11	Manjulaben R Shah	18	Rajendra U Patel
5	Kiran K Khatri	12	Dilip Gajjar	19	Sunil P Shah
6	Rajiv Acharya	13	Bharat Desai	20	Annu S Shah.
7	Kirit Vaghela	14	Dhirajlal P Mehta		

10. The second preferential issue was made to the following entities, with each entity receiving 10,00,000 equity shares.

1	Pankaj Jain	8	Rajesh Mehta	15	Pradip Jain
2	Dinesh Shah	9	Ronak Mehta	16	Sandeep Shah
3	Hitesh Shah	10	Naresh mehta	17	Pagnesh Tiwari
4	Purushotham Khatri	11	Rakesh Shah	18	Amul Patel
5	Sanjay Khatri	12	Vinod Jain	19	Rajendra Dhariwal
6	Ashok Jain	13	Kiran Mehta	20	Mahavir Shah
7	Nayan Jain	14	Deepak Shah		

11. From the above, I note that the noticees had received unlisted shares of STEL by way of preferential allotment.

12. I note that after the first preferential allotment STEL filed an application for listing of the said 1,00,00,000 equity shares. The Ahmedabad Stock Exchange gave the in-principle approval on December 20, 2001 (hereinafter referred to as 'ASE'). As a part of the listing formalities, the Bombay Stock Exchange (hereinafter referred to as '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 failed to furnish this information. Following this, BSE vide letter dated December 28, 2002 issued a notice to the company to show cause as to why the action of withdrawing permission to dealings in the company's securities on the Exchange should not be taken. On not receiving any reply from STEL, BSE 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.
13. 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.
14. 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.
15. I observe that during the investigation period the major selling clients sold shares amounting to several times the total listed capital of the company. They, however, had not made any major purchases in the scrip. On analyzing the demat accounts of these selling clients it was seen that their delivery obligations were met by one Shri Gautam Jhaveri, the proprietor of

M/s. Rajesh N. Jhaveri. Gautam Jhaveri, in turn, had received shares from a certain Rajesh Ranka. I note that Rajesh Ranka being a preferential allottee himself held around 5 lakh shares of STEL, and further received 71,81,980 shares from preferential allottees of the first allotment and 1,90,00,000 shares from preferential allottees of the second allotment

16. I note that on February 2, 2002, Ganpat Khatri transferred 3,40,000 shares of STEL to Rajesh M. Jain's (also known as Rajesh Ranka) account. Further, 5,00,000 shares of STEL were transferred from accounts of Himanshu Pandya as well as Kiran Khatri to the demat account of Rajesh Ranka on the same date. These shares were then transferred to Gautam Jhaveri by Rajesh Ranka. On April 5, 2002, Purshotam Khatri transferred 10,00,000 to Rajesh Ranka's demat account. Further, on May 1, 2002 Dashrath Khatri transferred 5,00,000 shares to the said Gautam Jhaveri and on January 24, 2002 and January 29, 2002 Ganpat Khatri transferred 1,00,000 and 41,510 shares of STEL respectively to Gautam Jhaveri's demat account. These unlisted shares were then offloaded into the market and passed onto unsuspecting and unwary investors using the BSE platform through certain entities. As mentioned before, delivery obligations of these selling clients were met by Shri Gautam Jhaveri.

17. On further examinations of the demat accounts of the preferential allottees in the scrip it was seen that:

- i. The accounts were opened in close proximity to each other and were opened just about the time of the allotment. All the demat accounts were opened using the employee ID cards of a certain Cybersoft Infotech and one Ranka Finance, which had the same address as that of the aforementioned Rajesh Ranka.
- ii. The summonses/ letters sent to these entities at the address mentioned in the demat accounts were returned by Rajesh Ranka claiming that he had nothing to do with these accounts. The summonses were also sent to these entities at the addresses as filed by the company with the exchange for getting listing permission, which came back undelivered. ASE also reported that none of these addresses are correct and some other persons are residing at those addresses for quite some time.
- iii. The Bank account numbers obtained from the KYC filed for opening the demat accounts of these allottees were also found to be non-existent. Some of the banks

submitted that they don't even have the serial numbers of the bank accounts as mentioned in the Demat account opening forms.

- iv. Several irregularities were observed. In one case Demat accounts were opened for the same person (same photo) in different names, both using the employee ID card of the same company i.e. Cybersoft Infotech.
- v. Of these demat accounts, 16 were opened during December 15 to December 18, 2001. Nine of these accounts openings were witnessed by one person. The transaction charges for 16 demat accounts were paid by one cheque (No.045477 for Rs.3990/-) drawn on Standard Chartered Bank. On examining the copy of the account opening form submitted by The Standard Chartered Bank vide its letter dated April 8, 2005 it is observed that the cheque was issued from the account of one Shri Bharat Desai and the account was introduced by Rajesh Ranka.

18. Therefore, considering the above referred facts and circumstances, I find that the scheme of manipulation in the scrip of STEL involved the issue of shares through two preferential allotments to entities such as the noticees herein within a gap of two months, opening of the DP accounts using fictitious names, addresses and bank accounts, dematerializing the shares by obtaining conditional permission from ASE and off-loading these unlisted shares in BSE through web of off-market transfers and third party deliveries, with the intent to defraud innocent and gullible investors.

19. I, however, note from the submissions of the noticees that they have no knowledge of the securities market and that their names have been misused and signatures have been forged. Further, from the above discussions it appears that the noticees' were used as front entities by certain other parties to carry out a greater plan of manipulation. When questioned about how Sunil Gaglani obtained their photographs, Dashrath Khatri, Kiran Khatri, Ganpat Khatri and Purshotam Khatri replied that they may have given the same to Sunil Gaglani. Thus, it appears that the entities could have been more cautious which would not have made it easy to misuse their names in the said scheme of manipulation.

20. Now therefore, I in exercise of the powers conferred upon me under Section 19, read with Sections 11, 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent & Unfair Trade

Practices relating to Securities Market) Regulations, 1995 read with Regulation 13 of Securities and Exchange Board of India (Prohibition of Fraudulent & Unfair Trade Practices relating to Securities Market) Regulations, 2003, hereby warn Shri Dashrath K. Khatri, Shri Kiran K. Khatri, Shri Purshotam Khatri, Shri Ganpat K. Khatri and Shri Himanshu Pandya to be cautious in their future dealings and exercise due care and diligence in the conduct of their affairs in the securities market. Further, any future instance of violation or non-compliance by them with the SEBI Act and Rules and Regulations framed there under shall be dealt with stringently.

Date: July 28, 2010

Place: Mumbai

PRASHANT SARAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA