WTM/PS/78/IVD/ID-06/ MARCH/12

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 Rakesh M Ranka (PAN no. ACUPR5574J)

(Address: C-8, Sunrise Park, Girdhar Nagar,Shahibaugh,Ahmedabad – 380 004)

(Address: A/103, Anmol Towers Opp. Sujatha Flat, Shahibaugh,Ahmedabad – 380 004)

ORDER

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

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had conducted an investigation into the dealings in the shares of Softrak Technology Exports Ltd. (hereinafter referred as 'the company'/ 'STEL') for the period January 1, 2002 to July 31, 2002 (hereinafter referred to as the 'period of investigation'/ 'investigation period') , *inter alia*, to ascertain whether there had been any violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. During the period of investigation, STEL was listed on the Bombay Stock Exchange (hereinafter referred to as 'BSE') and on the 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 additional shares to the tune of 3 crores on a preferential basis to certain entities. These shares were issued by STEL to the shareholders 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') on swap basis. 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. Further, it was seen that immediately prior to the allotment, several fictitious demat accounts were opened using forged and fictitious documents. The shares allotted on a preferential basis were found to have been transferred to such fictitious accounts, in certain instances. Following this, the shares that were transferred, were routed through various entities and finally offloaded onto unsuspecting

investors at BSE, even though BSE had refused listing permission for these additional shares. Rakesh M Ranka (hereinafter referred to as 'the noticee'), was alleged to be manipulating the order book to create an artificial buying pressure in the scrip and thereby facilitating the offloading of unlisted shares in the market.

3. Accordingly, a common notice dated January 1, 2009 (hereinafter referred to as 'SCN') was issued to Rakesh M Ranka amongst others, alleging that the acts of the noticee was in violation of Section 12A of the **Securities And Exchange Board Of India, Act, 1992** (the SEBI Act, 1992) read with Regulations 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, 1995') and Regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations, 2003'). The SCN called upon the noticee to show cause as to why suitable directions under Sections 11 and 11B of the SEBI Act, 1992 including restraining him from accessing the capital market and prohibiting him from buying, selling or dealing in the securities in any manner should not be issued against him.

4. The said SCN could not be delivered to Rakesh M Ranka. Accordingly, a notice was published in the newspapers Gujarat Samachar and Hindustan Times for 'Undelivered Show Cause Notice' on August 9, 2009 and August 13, 2009 respectively. Further, an addendum Show Cause Notice dated June 21, 2011 (hereinafter referred to as the 'addendum SCN') was issued to the noticee pertaining to charge of manipulation of order book. The said addendum SCN was delivered to Rakesh M Ranka.

5. An opportunity of hearing was granted before me to the noticee on October 20, 2011. However, the noticee did not appear for the hearing. Subsequently, another opportunity of personal hearing was granted before me on January 20, 2012. The noticee failed to appear for the hearing on this date as well.

6. I have carefully considered the SCN and the other relevant material on record.

7. 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 (swapped for consideration other than cash) on two occasions. The details are mentioned below:

    i. First preferential issue: 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 Cybersoft on December 11, 2001.
    ii. Second preferential issue: 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 Pushpam on February 14, 2002.

    However, these shares were not listed. The listed capital of the company during the investigation period was just 36,00,000 shares.

8. I note that subsequent to the first preferential allotment, STEL filed an application before BSE and ASE for the listing of 1,00,00,000 equity shares. The ASE gave an in principle approval for the same on December 20, 2001. BSE sought certain additional information from STEL, in order to complete the listing formalities. In the meantime, NSDL informed BSE that the company had dematerialized its unlisted shares using the in-principle approval from ASE. Again, BSE advised the company to furnish the details of the dematerialized shares. However, the company did not furnish the information requested by the BSE. Following this, the BSE, vide its letter dated December 28, 2002, issued a notice to the company to show cause as to why an action of withdrawing permission to the dealings in the company's securities on BSE, should not be taken. STEL did not reply. Subsequently, 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 1,00,00,000 equity shares of the company was also rejected by the Listing Committee of the BSE.

9. 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 preferential issue. STEL did not

reply to the same. The second lot of shares was also not listed as the company had not completed the listing formalities.

10. 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 fell to Rs. 0.70 on January 23, 2002, which amounts to a fall of 69% in 13 trading days. The average volume of the 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, i.e. a 42.85% fall in 7 trading days. The average volumes of the shares traded during this period were 241134 shares.

11. I observe that the major selling clients during the investigation period sold large number of shares, which were in the multiples of 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 the preferential allottees of the first allotment and 1,90,00,000 shares from preferential allottees of the second allotment

12. I observe that Parshwa Finance, a sub- broker trading through the broker, P Suryakant had placed majority of the buy orders (i.e., over 69% of buy orders) during the investigation period. The sub- broker placed 613 buy orders for a quantity of 38,42,43,114 shares during the investigation period which accounted for 50% of the total ordered quantity, 11.2% of the total deleted order quantity and 4.62% of the total updated order quantity of the buy orders in the market. It was further observed that the major client of the sub-broker, Parshwa Finance, who had placed the aforementioned huge quantity of buy orders was a particular client with client code R002. **This client was placing huge buy orders, often multiple times of the total listed capital of the company, and was also consistently updating/modifying huge orders to zero or to negative.** At one instance, this client had placed a single order for 90,00,000 shares, which was punched down to zero. Instances of order book manipulation are illustrated below:

MEMBER ID	CLIENT ID	DATE	TIME	ORDER ID	AUD	RATE	TOTAL QUANTITY
792	R002	2/13/2002	10:19:55	79201300000026319	A	0.6	300000
			10:59:10	79201300000026360	A	0.6	100000
			12:37:28	79201300000026360	U	0.6	0
			12:37:32	79201300000026319	U	0.6	0
			12:37:48	79201300000026319	U	0.6	100000
			12:38:00	79201300000026319	U	0.6	0
			13:02:36	79201300000026319	U	0.6	0
			13:37:22	79201300000026319	U	0.6	0
			13:55:24	79201300000026319	U	0.6	0
			14:11:45	79201300000026319	U	0.6	0
			14:14:52	79201300000026319	U	0.6	200000
			14:40:03	79201300000026319	U	0.6	0
			14:49:16	79201300000026319	U	0.6	0
			15:00:58	79201300000026319	U	0.6	0
			15:14:56	79201300000026466	A	0.75	200
			15:21:28	79201300000026469	A	0.75	200
			15:23:29	79201300000026319	U	0.6	0

13. The above table depicts how, on one occasion, i.e., on February 13, 2002, the client R002 placed large orders and continually updated the quantity to zero. I note from the annexure to the addendum SCN that there were several such instances on numerous days. From the Know Your Client (KYC) form submitted by the sub- broker, Parshwa Finance, I note that the client code R002 pertained to Rakesh M Ranka. I further note that the address of the noticee as per the KYC form is the same as that of Rajesh Ranka, who was instrumental in the market manipulation involved in the scrip of STEL, and against whom an order was passed under Sections 11 and 11B of the SEBI Act, 1992 on July 28, 2010.

14. I also observe from the DP statements that there were off- market transfers between the noticee and Shri Piyush Jhaveri, the proprietor of Parshwa Finance which indicates a nexus between the noticee and the sub-broker.

15. Therefore, considering the above referred facts and circumstances, I find that the noticee, while he was repeatedly updating and modifying the orders, that too for large quantity of

shares, and even reducing them to zero, indulged in the manipulation of the order book, which gave a misleading appearance of trading in the scrip of STEL. The acts of the noticee were in violation of Section 12A of the SEBI Act, 1992 read with Regulations 3, 4(b), 4(c), and 6(a) of the PFUTP Regulations, 1995 and Regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a) of the PFUTP Regulations, 2003.

16. 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 restrain Rakesh M Ranka from buying, selling or dealing in securities and from associating with the securities market in any manner whatsoever for a period of two (2) years.

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

Date: March 16, 2012 **PRASHANT SARAN**

Place: Mumbai **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA