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

IN THE MATTER OF SOFTRACK TECHNOLOGY EXPORT LTD

In respect of M/s Rajesh N. Jhaveri (Prop. Gautam N. Jhaveri)
SEBI Registration No. INB 020123415-ASE (PAN: ADAPJ5993J)
Sub-broker of ASE Capital Markets Ltd.

Date of hearing: September 9, 2011

Appearances

For Noticee: Mr. Deepak Shah, Advocate

For SEBI: Mr. Biswajit Choudhury, Deputy General Manager
Ms. Anitha Anoop, Deputy Legal Adviser
Mr. Rajeev Rastogi , Assistant Legal Adviser
Ms.Vasudha Goenka, Assistant Legal Adviser
Mr. Siddharth Dachalwal, Manager

ORDER

Under Regulation 28(2) read with Regulation 38 (2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation in the trading in the scrip of M/s Softrack Technology Exports Limited (hereinafter referred to as 'STEL' / 'Company') during the period from January 01, 2002 to July 31, 2002. The shares of STEL are listed on Bombay Stock Exchange (hereinafter referred to as 'BSE') and Ahmedabad Stock Exchange (hereinafter referred to as 'ASE'). 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. Further, it was seen that immediately prior to allotment, several fictitious

demat accounts were opened using forged and fictitious documents. The shares allotted on preferential basis were found to have been transferred, in some instances, to such fictitious accounts. Following this, the said shares were routed through various entities and finally offloaded onto unsuspecting investors at BSE, even though BSE had refused listing permission for these additional shares.

2. Pursuant to the said investigation, it was alleged that one of the entities, viz., M/s Rajesh N. Jhaveri (hereinafter referred to as 'RNJ'/ 'the noticee'), received unlisted shares of STEL from various entities in off market transactions and thereafter transferred these shares to brokers who then offloaded the unlisted shares on the market.

3. Based on the findings of investigation, SEBI initiated enquiry proceedings as against the noticee in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of Enquiry Regulations vide order dated April 7, 2008 to enquire into the alleged violation of the provisions of Regulations 3, 4(b),(c) and 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations, 1995') read with Regulations 3(a),(c),(d) 4(1),(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations, 2003') and Clauses A(1), (2) and D (1), (4) and (5) of Code of Conduct as stipulated in Schedule II under Regulation 15 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as 'Brokers Regulations'). As the Enquiry Regulations were repealed with the notification of SEBI (Intermediaries) Regulations, 2008, the Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated November 23, 2009, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008, recommending thereby that the certificate of registration of the noticee be suspended for a period of **six months.**

4. Subsequently notices dated December 29, 2009 and June 09, 2010 (hereinafter referred to as the 'SCN') under Regulation 28 of SEBI (Intermediaries) Regulations, 2008, were issued to the noticee, asking it to show cause as to why action as recommended by the Enquiry Officer or a higher penalty should not be imposed on the noticee. The noticee was advised to reply to the SCN, within twenty one days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.

5. An opportunity of personal hearing was granted to the noticee before me on December 16, 2010. However, the noticee did not appear for the said hearing citing health reasons. The noticee replied to the SCN vide letter dated December 22, 2010. Subsequently, one more opportunity of hearing was granted to the noticee on September 9, 2011. On the scheduled date, Deepak Shah, Advocate, appeared before me as the authorized representative of M/s Rajesh N Jhaveri and made submissions. The noticee has, *inter alia,* submitted as under:

i. The noticee was holding these shares in trust for the allottees.
ii. The shares were not unlisted shares.

6. I have carefully considered the Enquiry Report, the SCN issued to the noticee along with the submissions of the noticee and other material available on record. Thus, the issue that arises for my consideration is whether the noticee had violated Regulations 3, 4(b),(c), and 6 (a) of PFUTP Regulations, 1995 read with Regulations 3(a),(c),(d) and 4(1),(2)(a) of PFUTP Regulations, 2003 and Clauses A(1), (2) and D (1), (4) and (5) of the Code of Conduct as stipulated in Schedule II under Regulation 15 of the Brokers Regulations.

7. 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). The shares of the preferential allotment remained

unlisted at BSE. Hence, the submission of the noticee that the shares were not unlisted is without merit.

8. I note that the major brokers/sub brokers and their clients who had traded during the investigation period are as under:

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
		Nrupesh C Shah*			1988023	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	Saumil Bhavnagari (S11)*			2003700	4.16
	Rajesh Jhaveri	Nrupesh C Shah*	31928	0.07	49982	0.10
		Rajesh N Jhaveri (Gautam Jhaveri)	34948	0.076	38054	0.076
	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
		Kishore Corporation*		0.00	1050000	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%

9. As it was observed that a few clients who were the major sellers had sold more than the listed capital of the company, while their purchases were comparatively less as stated above, demat accounts of these clients including Ankit Jhaveri, Nrupesh Shah, Yogesh Bhavnagari, Rajesh N Jhaveri and Saumil Bhavnagari, Kishore Corporation were analyzed to find out the source of their acquisition. Analysis of their demat statements revealed the following:

i. The preferential allottees had dematerialised the shares they had received in the allotments and had transferred these shares to Rajesh Ranka and Gautam Jhaveri (proprietor of M/s Rajesh N Jhaveri, the noticee herein).

ii. Rajesh Ranka was holding 5 lakh shares from the preferential allotment and further received 71,81,980 shares from the preferential allottees of Cybersoft and 1,90,00,000 shares (on a single day) from the allottees of Pushpam.

iii. Rajesh Ranka (alias Rajesh Jain) transferred 2,33,72,565 shares to Gautam Jhaveri. Gautam Jhaveri also received 11,09,556 shares from some of the other preferential allottees in the scrip during the Investigation period.

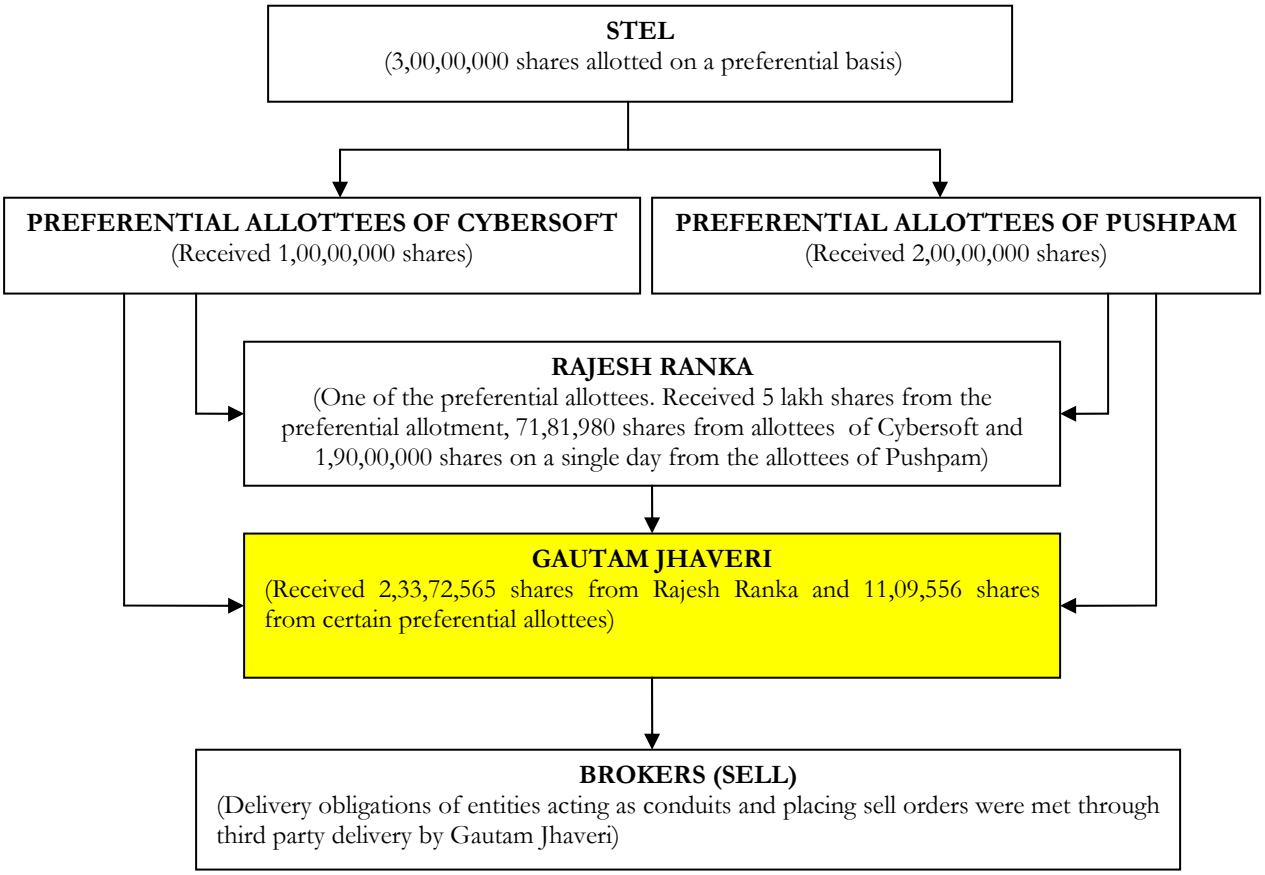
10. Subsequently, the noticee delivered these shares to the brokers/sub brokers, details of which are stated below. The shares were sold in the market by these brokers/ sub-brokers.

Name of the Broker/Sub broker	No. of shares
Parklight Investment Pvt. Ltd.(PIPL)	2,05,34,963
ASE Capital Markets Ltd.(ASECML)	20,00,000
Shree Parshwa Fianace (SPF)	12,68,286

The aforesaid shares were unlisted. Thus, it is alleged that the noticee aided and abetted the allottees in off loading the shares which they received in the preferential allotment.

11. I note that none of the aforementioned entities who traded in the scrip, except Gautam Jhaveri (proprietor of M/s Rajesh N Jhaveri), 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 Shri Gautam Jhaveri (Rajesh N Jhaveri).

12. The scheme of manipulation in the scrip of STEL can be represented diagrammatically as under:



13. Thus, I note from the above that the noticee was part of the manipulation in the scrip of STEL as it received shares from the allottees in the preferential allotment through off-market and subsequently transferred to the brokers/sub-brokers for sale through the market.

14. I further note that Shree Parshwa Finance, one of the entities to whom the noticee transferred the unlisted shares, is related to the noticee. While the noticee has denied that Piyush Jhaveri, the proprietor of Shree Parshwa Finance is his cousin, I note that the telephone No.6308555 registered in the name of RNJ, is allotted to the address 113, Kamdhenu Complex, Opp. Shahjanand College, Ambawadi. I note that this is the same address as that of Shree Parshwa Finance.

15. I also note that 1,83,957 shares were sold by M/s Parklight Investment Pvt. Ltd. on behalf of RNJ as client, but contract notes were issued in the name of Ankit Jhaveri. The noticee, during the proceedings before the Enquiry Officer, admitted that the

transaction was on behalf of Ankit Jhaveri, and submitted that the same was due to an error and has been rectified.

16. From the above, I find that the noticee has not only received the shares in off-market from Rajesh Ranka and other preferential allottees but also transferred the same to PIPL, ASECML and SPF, who in turn sold them in the market. By doing so, the noticee has aided and abetted the preferential allottees, brokers/sub-brokers and clients in offloading the unlisted shares in the market.

17. In view of the facts and circumstances of the case, the violation of Regulations 3, 4(b), 4(c), 6(a) of PFUTP Regulations, 1995 read with Regulation 3(a),(c),(d) 4(1),(2)(a) of PFUTP Regulations, 2003 and Clauses A(1) (2) and D (1) (4) (5) of Code of Conduct for Stock Brokers as stipulated in Schedule II under Regulation 15 of the Brokers Regulations stands established.

18. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby state that the certificate of registration of the noticee, **M/s Rajesh N. Jhaveri (Prop. Gautam N. Jhaveri) (SEBI Registration No. INB 020123415-ASE) (PAN: ADAPJ5993J)** be suspended for a period of six (6) months from the date of this order.

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

DATE : - APRIL 26, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA