

In Re: the Scrip of Kolar Biotech

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Court : SEBI Securities and Exchange Board of India or Securities Appellate Tribunal SAT

Decided On : Feb-18-2005

Judge : G Bajpai

Appellant : In Re: the Scrip of Kolar Biotech

Judgement :

1. Upon receipt of complaints that Kolar Biotech Ltd. and its promoters have committed serious irregularities in the securities market, SEBI vide its order dated September 30, 2004, restrained 58 entities from dealing in the securities of Kolar Biotech Ltd (KBL), Soundcraft Industries Ltd (SIL) and Adam Comsoft Ltd (ACL) till investigations are complete. The 58 entities as mentioned below, against whom the interim orders were issued, were either promoters, or directors or major shareholders of KBL, SIL and ACL who were major sellers in the scrip during the relevant period.-----Sr.

Name of the EntityNo.1.

Sh. Rajkumar C. Basantani - major shareholder, Soundcraft Industries Ltd.2.

Smt. Seema R. Basantani - major shareholder, Soundcraft Industries Ltd.3.

Sh. Rajkumar C. Basantani (HUF) - major shareholder, Soundcraft Industries Ltd.4.

Exclusive Impex Ltd. - major shareholder, Soundcraft Industries Ltd.5.

Balwan Exports Pvt. - major shareholder, Soundcraft Industries Ltd.6.

Xenia Properties Pvt. - major shareholder, Soundcraft Industries Ltd.7.

Reshma Plastics Pvt. Ltd.- - major shareholder, Kolar Biotech Ltd.34.

Shree Satyanand Investments (Shyam Sunder Jhunjhunwala)- Major selling client35.

Shubhlaxmi (Ramkishore Jhunjhunwala) - Major selling client52.

Sh. Nitin Namdev, Director, Structure Hsg. & Fin. P. Ltd. major selling client53.

Sh. Mahesh Ramdas Adsul, Director, Million Investrade Ltd. major selling client54.

Sh. Hiralal Yadav, Director, Million Investrade Ltd. major selling client55.

Sh. Vithal Patil, Director, Mastermind Merchantile Co-op Ltd., major selling client56.

Sh. Janba Chowgule, Director, Albeli Trading Co. P. Ltd., major selling client58.

Kolar Sharex Pvt. Ltd., Member ,
BSE----- 2. Since the said order dated 18.09.2004 was returned undelivered in respect of entities at Sr. No. 1 to 11,13 to18,21,27,30,0138 to 52 and 57 (total 37 entities), a public notice was issued through Indian Express(6 Editions), New Indian Express (12 Editions) and Financial Express (4 Editions) on 16.10.04 intimating the passing of Order dated 30.09.2004 and also advising the said entities to avail the opportunity of Post Decisional Hearing before the Chairman, SEBI on or before 02.11.2004. Sh. Kiran Bansal(Sr.No.32), Steel Tradesr Pvt Ltd(Sr.No.33), M/s Satyanand investments(Sr.No.34) and M/s Subbahalakshmi(Sr.No.35) made their submissions pursuant to the order dated 30.09.2004(total 4 entities). The Order was hand delivered to entities at Serial Numbers 19, 22, 25, 28, 28, and 53 to 55(total 8 entities).Order was served on entities at Serial numbers 57 and 58 through BSE and NSE respectively (total 2 entities). In the case of Nirmal N Kotacha (Sr.No 36) the Order was served through Registered Post and

Acknowledgement dated 25.10.2004 is received. Similarly in respect of the remaining entities at Sr.Nos.12, 20, 23, 24 and 37, the Order was duly served through registered post (total 7 entities).

3. I note that out of the 58 entities only following entities made their written submissions on the Order dated 30.09.2004 as described below; Shri Rajesh Durgalal submitted vide letter dated October 9, 2004 that he had sold only 9592 shares of Adam Comsof Ltd. during the relevant period. He had not bought or sold any shares of Kolar Biotech and Soundcraft Industries Ltd during the relevant period.

Shri Indramal Jain submitted that he has no relationship whatsoever with KBL or SIL. He ceased to be a Director of the ACL with effect from September 23, 1996 and does not hold any shares of the company since February - March, 2000 except for 10 shares which were sold some time in the year 2003-04. He has no connection with Mr. Rajkumar Basantani or any of the promoters of the company. He had no connection of any nature either as a director or promoter since 1996.

Vide letter dated October 14, 2004 it was submitted that he is no relationship whatsoever with KBL or its promoters or directors. The transactions were very few which were done in the normal course of investing in shares.

Vide letter dated October 16, 2004, he stated that he is neither a buyer nor a seller in the scrip Kolar Biotech Ltd and had only undertaken arbitrage which is his normal business and incurred a loss of around Rs. 25,000/-. In SIL he was a net buyer for 3885 shares only.

Vide letter dated October 18, 2004, it was submitted that they had purchased the shares during 2003-04 @ average cost of Rs. 5.29 per share. It had also complained to the company on 12th July 2004 for non receipt of Dividend, Bonus Shares and Balance Sheet, but till now it had not received the acknowledgement from the company and it had no relationship whatsoever with the management of the company.

Vide letter dated November 01, 2004, it was stated that it has dealt in the scrip of Sound Craft Industries Ltd (SIL) only. There has not been any major spurt in the price and volume of SIL during the investigation period and whatever little has been observed is the outcome of banks being the net sellers of SIL. Its dealings in SIL mainly have been confined to trading / arbitrage.

Vide letter dated November 02, 2004 it was stated that it has dealt in the scrip, Kolar Biotech Ltd. Its dealings in Kolar Biotech Ltd mainly have been confined to trading and investment.

Vide its letter dated November 06, 2004, Cavalier Securities Ltd. submitted that the company or any of its Directors is not connected or related to Adam Comsof Ltd and / or its Promoters and Directors.

It was further submitted that in its trading, the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 have not been violated.

It was submitted that between 10/8/2004 to 20/08/2004 Cavalier Securities Ltd bought about 13,76,147 shares of Adam Comsof Ltd. at the rates ranging between Rs.2.54 and Rs6.41 and sold on 24/8/2004 12,33,887 shares at the rate of Rs.3.42 per share which resulted into a loss of about Rs.13 lacs. It was denied that they have purchased 1531773 shares of Adam Comsof Ltd. through Ruchiraj Securities as alleged. On account of online trading it is not possible to know who is the buyer and seller of the scrip. It has for the first time come to know that the shares sold by it were purchased by Million through BSE member Kolare Share Pvt Ltd. It is therefore improper and incorrect to allege that Cavalier Securities Ltd sold the shares to client connected to the company. It is also incorrect to allege that there was a transfer of holding between entities connected to the companies by first offloading to the market and then acquisition by Cavalier Securities Ltd. from the market who in turn offloaded the shares to the other entities connected to the companies.

The company had furnished the written submission dated November 29, 2004 through its Chartered Accountant stating, inter alia, that the reasons for buying and selling in the shares of Adam Comsof and Kolar Biotech Ltd. was that in the month

of July, the prices of scrip of these companies had substantially declined and they were quoted at about Rs.2.50 and Rs.0.50 respectively. There were rumours about the good working results for the quarter ended on 30/06/04 and declaration of dividend / bonus. Subsequently, when the shares were shifted to Z category by the exchange, it had offloaded the shares.

It was further submitted that they are not related in any manner with the promoters, directors of the companies involved and even their transactions were not made during the sensitive period. Their purchases in the scrip of KBL and ACL are within the permissible limits under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

4. I have carefully examined the aforesaid submissions. It is further noticed that investigations are still in progress. Hence, at this stage, it is neither desirable nor there are any good and sufficient grounds to lift the ad-interim order dated September 30, 2004.

5. Therefore, the order dated September 30, 2004 restraining these 58 entities from buying selling or dealing in any manner the shares of Kolar Biotech Ltd., Soundcraft Industries Ltd. and Adam Comsof Ltd. and further prohibiting them from buying, selling or transferring, pledging or disposing off or deal in any other manner the shares of these companies, directly or indirectly, shall continue until further orders.

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