

**DEPUTY GENERAL MANAGER
INVESTIGATION DEPARTMENT**

IVD/ID-1/MS/NK/SLIL/ /2011
November 24, 2011

<i>Company (Somplast Leather Industries Limited) and its Directors:</i>	
1. Somplast Leather Industries Ltd. (Company) IOL House, Near Swati Apartment, Ambawadi Bazar Ahmedabad– 380006	2. Mr. N. R. Vekaria (Director) Yamuna , Gokul Nagar, Junagadh - 362001 Gujarat
3. Mr. R.N. Vekaria (Director) Yamuna , Gokul Nagar, Junagadh - 362001 Gujarat	4. Mr. Ramanlal Hathi (Director) Apurva Hathi & Associates 308 Gayatri Chamber, Race Course Road, Baroda – 390 011
5. Mr. R.D. Patel (Director) C/o Samir R Patel, 401, Vidyakunj Main Road, Mayur Nagar, Snowhill Apartment Rajkot - 360001	6. Mr. Bhagawati Shah (Director) A-1, Navrang, Parekh Gali, Kandivali West Mumbai - 400067
7. Mr. S.N. Vekaria (Director) Yamuna , Gokul Nagar, Junagadh - 362001 Gujarat	8. Mr. Sanjay Patel (Director) 46-B, Saujanya Society, Isanpur, Ahmedabad – 382 443 Gujarat
9. Mr. Girish Shah. (Director) 16, Shreyas Society Opp. Jail Road, Mehsana Ahmedabad - 362001 Gujarat	10. Ms. Yogini Vyas (Director & Preferential Allottee) B-19, Brindavan Vihar Flats, Parekh Vasna , Ahmedabad - 380007
<i>Preferential Allottees:</i>	
11. Indocare Pharmaceuticals Limited IOL House, Near Swati Apartment, Ambawadi Bazar Ahmedabad– 380006	12. Shalin Resorts Limited F-29, Harisiddh Complex, Income Tax Circle, Ashram Road, Ahmedabad-380 015
13. Omega Avenues Limited 201 S R House, Naminath Nagar Society, Near Bank of India, S M Road, Ahmedabad,	14. Growth Agro Industries Limited 38, Radha Vallabh Colony, Jawahar Chowk, Maninagar, Ahmedabad-380 008

Gujarat – 380 015	
15. Gujarat Fun N Water Park Ltd Near Swati Apartment, Opp Central Bank Lane, Ambawadi Bazar, Ambawadi, Ahmedabad, Gujarat-380015	16. Sofitel Finstock Chandra Nagar Society, Nr, Sardar Patel High School, Bhairavnagar Raod, Ahmedabad
17. Shree Corporation Sarda Nagar Society, New Virar Gruh Palace, Ahmedabad	18. G Bhavsar & Co 1477, Vinoba Bhawe Nagar, Vinzol, Ahmedabad-5831470
19. Jayesh Mehta A/5/9 Godavari Flat, Part II, B/H Anjali Cinema, Vasna, Ahmedabad-7	20. Noopur Kansara 'A'Block, Sukruti Flat, Near Manekbaug, Ambawadi , Ahmedabad
21. Ashok Choksi Chandra Nagar Society, Nr, Sardar Patel High School, Bhairav Nath Road, Maninagar, Ahmedabad-5831470	22. Indian Shelters Limited 0/7, Maruti Towers, Satellite Road, Ahmedabad, Gujarat-380 015
23. Gopal Potedar 4, Maruti Complex, Satellite Road, Umiya Vijay, Ahmedabad	24. Dharmendra Barot Nilkamal Society B/H Rajkamal Petrol Pump, Mehsana, Ahmedabad
25. Gaurang Joshi 5, Gokulesh Society, Bhasurnath Road, Maninagar, Ahmedabad-380 028	26. Tushar Majumdar 2 Hasubhai Bungalows, Rajpath H'way, Ahmedabad- 380 015

Sub: Show Cause Notice under Sections 11 and 11B of the SEBI Act, 1992 read with Regulation 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 13(2) and Regulation 3 & 4 (1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 read with Section 12 A (a), (b) and (c) of SEBI Act, 1992.

1. On the basis of the investigation report dated May 22, 2003 forwarded by Bombay Stock Exchange (hereinafter referred to as 'BSE') for the period of January 2, 2002 to October 1, 2002, SEBI conducted investigation, into the preferential issue of 2.425 crores equity shares of Rs. 10 each, which were dematerialized without taking in principle approval from BSE, by Somplast Leather Industries Ltd. (hereinafter referred to as "Noticee no. 1"), a public limited

company which was listed on BSE and Ahmedabad Stock exchange (hereinafter referred to as 'ASE'). The said BSE report was based on a complaint filed by Rajkot Investment Trust Ltd. alleging that Noticee no. 1 is not dematerializing their shares under the pretext that the shares were stolen. The trading in the scrip of Noticee No. 1 was suspended by BSE w.e.f Feb 27, 2003, due to non-compliance of formalities for listing its preferential issue.

2. Subsequently, SEBI investigation indicated that Noticee No. 1 and its directors; i.e. Noticees no. 2 to 10 have violated Clause 24(a) of the listing agreement with the exchange and in turn violated SEBI circular SMDRP/Policy/ Cir-15/2001 dated March 8, 2001. In view of this, SEBI initiated 11B proceedings against Noticee No. 1 and its directors mentioned at nos. 2 to 10. Accordingly a show cause notice dated September 23, 2005 was issued to them. However the Noticees did not respond to the SCNs. Opportunity of personal hearings were granted to the noticees on July 10, 2009 and January 29, 2010.
3. The Whole Time Member, SEBI, Dr. K.M. Abraham observed that the requirement of obtaining 'in-principle' approval was incorporated in Clause 24(a) of the listing agreement, pursuant to the directive of SEBI, vide Circular dated March 8, 2001. Accordingly, Clause 24(a) of the listing agreement was amended *inter alia* requiring a company to obtain 'in-principle' approval from the stock exchanges having nationwide trading terminals where it is listed, before issuing further shares or securities. In the present case, as per the Company, the resolution for the purpose of allotment of preferential shares was passed on April 4, 2000 and that the shares were subsequently allotted on July 24, 2000. As the Company had allotted shares prior to the aforesaid circular which requires a company to obtain in-principle approval for listing before issuing further shares, it would not be reasonable, in the interest of justice, to hold it guilty for violating the aforesaid SEBI Circular read with the listing agreement. In view of the above, the WTM in exercise of the powers conferred upon him under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(4) and 11B thereof, disposed of the show cause notice dated September 23, 2005 issued to Somplast Leather Industries Limited, Mr. N.R. Vekaria, Mr. R.N. Vekaria, Mr. S.N. Vekaria, Mr. R. D. Patel, Mr. M.P. Shah (alias Mr. Bhagwati Shah), Mr. Ramanlal Hathi, Mr. Girish Shah Ms. Yogini Vyas, and Mr. Sanjay Patel in the matter of Somplast Leather Industries Limited, without any directions.
4. During the afore-mentioned personal hearing before SEBI, Noticee no 10, one of the directors of Noticee No. 1; viz; Yogini Vyas submitted that she was a lower level employee of one Dr. Amit Shah and was appointed as the director of Noticee No. 1 by Dr. Amit Shah. She also informed that Dr. Amit Shah appoints his employees and relatives as directors in various companies controlled and managed by him and that she was not aware of the preferential allotment made by the noticee No. 1. Similarly, other directors of the Noticee No. 1 were also granted opportunity of hearing. Noticee No 7, Mr. S.N.Vekaria appeared on behalf of self and Noticee Nos. 2 & 3. Mr. Sanjay Patel and Mr. Girish Shah appeared in self. The Noticees submitted that they were not involved in the preferential allotment since they had resigned as directors of the Noticee No. 1 well before the preferential allotment by the Noticee No. 1; that 3.2 Lacs shares of Noticee No. 1 were transferred to Dr. Amit Shah on the date of execution of

the MOU dated 16/09/1995 and that Noticee No. 1 was controlled and managed by Dr. Amit Shah during the relevant point of time. During hearing, Noticee No 10, Yogini Vyas furnished a copy of an MOU dated September 11 and 16, 1995, entered into between Dr. Amit Shah and Noticee no 2, (Mr. N.R.Vekaria CMD of Noticee No. 1), which stated that Dr. Amit Shah agreed to buy controlling stake in Noticee No. 1 from the Vekarias i.e. shares, assets etc. hereto annexed as **Annexure- 1** is a copy of the said MOU dated September 11 and 16, 1995 as furnished by Noticee No 10. They also submitted certain payment receipts received from Dr. Amit Shah. Hereto annexed as **Annexure -2** are the copies of the money receipts. Other directors namely; Mr. Sanjay Patel (Noticee No 8 and Mr. Girish Shah (Noticee No 9) also stated that they were appointed by Dr. Amit Shah and that he is in charge of Noticee No. 1 and that it was sold to Dr. Amit Shah in September 1995 and all instructions would come from Dr. Amit Shah. Hereto annexed as **Annexure – 3 to 7** are copies of the said statements given by above said Noticees (Directors- Mr. Girish Shah, Mr. Sanjay Patel, Mr. S N Vekaria, Mr. Apurva Hathi (on behalf of Raman Lal Hathi) and Ms. Yogini Vyas.

5. In the meanwhile, SEBI investigated, inter alia, into the preferential allotment made by Noticee No. 1, the role of Noticees Nos. 2 to 10 in the said allotment as the directors of Noticee No. 1, and the role of other preferential allottees including Noticees No.10 and 11 to 26 in the entire scheme, as the allottees of the preferential issue of the Noticee No. 1.
6. It was found from the MOA filed with ROC, Ahmedabad on October 19, 1983, that the promoters of Noticee No. 1 were Mr. Surendra Kr. Karia and Mr. Prakash Kr. Kakkad and as per the latest shareholding available with BSE i.e. of December 2001 it was observed that Mr. Jayesh Mehta (Noticee No. 19) and Ms. Yogini Vyas (Noticee No. 10) were the only persons appearing in the promoters' category and together held about 9.6%. In the non promoters category, private corporate bodies held 58% of the share capital of the company and the remaining 32.40% of the share capital was held by individuals including Noticee Nos. 20 & 21 holding about 4.80% and 4.40% respectively of the share capital.

The following table shows the share holdings as on December 2001 is as under:-

TABLE - 1

	CATEGORY	NO. OF SHARES HELD	% of SHARE HOLDIN G
A	Promoters Holding		
	-Yogini Vyas (12,00,000- 4.80%) - Jayesh Mehta (12,00,000-4.80%)	24,00,000	9.60%
	Sub Total	24,00,000	9.60%
B	Non-Promoters Holding		
A	Private Corporate Bodies -Indocare Pharmaceutical Ltd., Multi Media Software Ltd, Shalin Resorts Ltd, Sarlee Fabric Exports Ltd, Omega Avenues Ltd, Growth Agro Industries Ltd, Gujarat Fun N Water Park Ltd. Sofitel Finstock, Manna	1,45,00,000	58.00%

	Glass Tech Industries Ltd., G Bhavasar & Co, Manna Exports Ltd., - Shree Corporation.		
B	Indian Public -Ashok Choksi (1200000- 4.80%) -Nupur Kansara (1100000- 4.40%)	8100000	32.40%
	Sub-Total	2,26,00,000	90.40%
	Total	2,50,00,000	100%

7. Investigation found that all the entities mentioned in the above table, indicating the share holding pattern of Noticee No. 1 as on December 2001, are among allottees in the preferential issue (Noticees No.10 to 26). Investigations further revealed that the above-mentioned 21 preferential allottees (include Noticees No. 10 to 26), including Noticee No. 10 (Yogini Vyas), one of the directors of Noticee No. 1 and Noticee No. 19 (Jayesh Mehta) one of the promoter entities of Noticee No 1, had applied in the preferential issue of Noticee No. 1, out of the money received either from Noticee No. 1 itself or from the entities, which were connected to Dr. Amit Shah, who is alleged to have been controlling and managing Noticee No. 1. The details regarding the control of Noticee no. 1 by Dr. Amit Shah are mentioned in the forthcoming Para.

(The connection between Somplast and Indocare Pharmaceuticals Limited (Indocare) is established from the fact that Mr. Noopur Kansara an accountant with Somplast was the authorised signatory to the bank accounts of Indocare. It may also be noted that G Bhavsar & Co was funded by Somplast & Indocare Pharmaceuticals Ltd for applying in preferential allotment in the year 2000.

8. The resolution of the EOGM for the preferential issue of 2.425 Crores equity shares was passed on May 4, 2000 and the shares were issued on July 24, 2000 to 21 allottees. The issue price was fixed at Rs. 10 per share payable as Rs. 5 on application. It is observed from the said resolution of the EOGM, the main objective of the preferential allotment was to finance working capital requirements, to reduce interest burden and to implement expansion and modernization schemes. Hereto annexed as **Annexure 8** is a copy of the said resolution passed by Somplast. Further, it is observed that the entire shares were allotted to the 21 preferential allottees as shown in the Table below:-

TABLE - 2

Sr. No.	Name of the allottees	Category	No of shares
1	Yogini Vyas (Noticee no. 10)	Promoter/director	12,00,000
2	Indocare Pharmaceuticals Ltd (Noticee no.11)	Non-promoter	12,00,000
3	Multi Media software Ltd	Non-promoter	12,00,000
4.	Shalin Resorts Ltd (Noticee no. 12)	Non-promoter	12,00,000
5.	Sarlee Fabric Exports Ltd.	Non-promoter	12,00,000
6.	Omega Avenues Ltd (Noticee no.13)	Non-promoter	12,00,000
7.	Growth Agro Ind Ltd (Noticee no. 14)	Non-promoter	12,00,000

8.	Gujarat Fun'n Water Park Ltd (Noticee no.15)	Non-promoter	12,00,000
9.	Sofitel Finstock (Noticee no.16)	Non-promoter	12,00,000
10.	Manna Glass Tech Ind. Ltd.	Non-promoter	12,00,000
11.	G. Bhavsar & Co (Noticee no.18)	Non-promoter	12,00,000
12.	Manna Exports	Non-promoter	12,00,000
13.	Shree Corporation (Noticee no.17)	Non-promoter	12,00,000
14.	Jayesh Mehta (Noticee no.19)	Promoter	12,00,000
15.	Noopur Kansara (Noticee no.20)	Non-promoter	11,00,000
16.	Ashok Chokshi(Noticee no.21)	Non-promoter	12,00,000
17.	Indian Shelters Ltd (Noticee no.22)	Non-promoter	12,00,000
18.	Gopal Pottedar (Noticee no.23)	Non-promoter	1,00,000
19.	Dharmendra Barot (Noticee no.24)	Non-promoter	12,00,000
20.	Gaurang Joshi (Noticee no.25)	Non-promoter	12,00,000
21.	Tushar Majmudar(Noticee no.26)	Non-promoter	12,00,000
		Total	2,40,00,000

9. Investigations revealed that the preferential allottees had received fund directly from three entities viz; Mannapoule Machineries Pvt. Ltd., Manna Machineries Ltd. and G Bhavsar & Co. Analysis of the bank account statements of these three entities with Social Co-operative Bank Ltd., Khamasa Branch, Ahmedabad, revealed that credits were received by these entities from Noticee no. 1, Cure Spects & Lasers Ltd., (hereinafter referred to as "Cure Spects"), G Bhavsar & Co. and from Indocare Pharmaceuticals Ltd. The amounts were subsequently transferred by the afore-mentioned three entities viz; Mannapoule Machineries Pvt. Ltd., Manna Machineries Ltd. and G Bhavsar & Co to the preferential allottees i.e. Noticees Nos.10 to 26 who in turn paid these amount for the preferential allotment by the Noticee no. 1. The above said entities viz; Cure Spects & Lasers Ltd., G Bhavsar & Co. & Indocare Pharmaceuticals Ltd. is related/connected either to Dr. Amit Shah or to Noticee No. 1 and the connections are brought out in the forthcoming Para. Following table indicates the amount paid by the Noticee No. 1 to each of the preferential allottees and:-

Fund Flow from Noticee No. 1 and its related entities to other noticees; i.e. the Preferential Allottees.

TABLE - 3

Sl. No.	Preferential Allottees	Funding from Noticee-company (in Lacs)
1	2	3
1	Indocare Pharmaceuticals Ltd. (Noticee No.11)	60
2	Multi Media software Ltd.	20
3	Omega Avenues Ltd (Noticee No.13)	50
4	Growth Agro Industries Ltd (Noticee No.14)	30
5	Gujarat Fun N Water Park Ltd (Noticee No.15)	30
6	Sofitel Finstock (Noticee No.16)	60
7	Manna Glass Tech Ind. Ltd.	10

8	G. Bhavsar & Co (Noticee No.18)	50
9	Manna Exports	60
10	Shree Corporation (Noticee No.17)	60
11	Ashok Chokshi. (Noticee No.21)	10
12	Noopur Kansara (Noticee No.20)	47.49
	Total	487.49

10. Above table indicates that total funds of Rs. 487.49 lacs were paid by Noticee No. 1- Company for its own preferential allotment. Investigation also revealed that most of the allottees in the above table were either not registered with MCA or no records were available with MCA and some companies were also under the process of being struck off or under liquidation. The afore-mentioned facts and the bank statements reveal that the allottees of the preferential issue (Noticees No.10 to 26) did not pay for the preferential issue from their own fund but from the Noticee No. 1 and its other related entities. Hereto annexed as **Annexure 9** is the bank statement copies of Socio Co-operative Bank Ltd) Therefore, it is clear that the allottees as mentioned in the table 3 above did not have the capacity of their own to subscribe to the preferential issue but merely acted in connivance with the Noticee No. 1 for its fraudulent scheme wherein the Noticee No.1 routed the funds through some connected entities to the afore-mentioned Noticees who applied for the shares in the preferential issue, thereby committing fraud upon the investors at large.

11. The ultimate source of funds of other allottees i.e. Noticees nos. 10,12,19,22,23,24,25,26 was Cure Spects & Laser Ltd. and G Bhavsar & Co. (entities related/connected with Dr. Amit Shah).

TABLE - 4

Sr. No.	Ultimate Source of funds	Amount funded (Rs. Lacs.)	Name of the allottees
1	Cure Spects Laser Ltd.	60	Yogini Vyas (Noticee No.10)
2	G Bhavsar	60	Shalin Resorts Ltd (Noticee No.12)
3	G. Bhavsar	60	Sarlee Fabric Exports Ltd
4.	Cure Spects Laser Ltd	60	Jayesh Mehta (Noticee No.19)
5.	Cure Spects & Laser Ltd.	60	Indian Shelters Ltd (Noticee No.22)
6.	Cure Spects Laser Ltd	05	Gopal Pottedar (Noticee No.23)
7.	Cure Spects Laser Ltd	60	Dharmendra Barot (Noticee No.24)
8.	Cure Spects Laser Ltd	60	Gaurang Joshi (Noticee No.25)
9.	Cure Spects Laser Ltd	60	Tushar Majmudar (Noticee No.26)
		485	

The above table indicates that a total fund of Rs. 365 Lacs were paid ultimately by Cure Spects & Lasers Ltd. a Company promoted by Dr. Amit Shah, who is alleged to have been controlling the Noticee No. 1, and a total fund of Rs.120 Lacs was paid ultimately by G Bhavsar & Co. to the preferential allottees. The afore-mentioned

facts and the bank statements indicate that the allottees of the preferential issue (Noticees No. 10, 19, 22, 23, 24, 25 and 26) did not pay for the preferential issue from their own fund but from the company, viz. Cure Spects & Lasers Ltd. Hereto annexed as **Annexure 9** is the bank statement copies of Social Co-operative Bank Ltd. Therefore, it is alleged that the preferential allottees i.e. Noticees Nos. 10, 12, 19, 22, 23, 24, 25 and 26 aided Noticee no. 1 by lending their names and acting as front in the preferential issue of noticee No. 1, by receiving funds indirectly from the related/connected entities of Noticee No. 1, and had indulged in a fraudulent scheme perpetrated by Noticee No.1 to 10 (i.e. Somplast and its directors), where there was actually no real flow of funds from the allottees to noticee No. 1, by way of allotment money and the preferential issue did not really bring additional funds to Noticee no. 1.

12. Investigations revealed that the ultimate source of funds for about 73 Lacs shares (30.42%) in the preferential issue was Cure Spects Laser Ltd. and for about 1.79 crores shares was funded by Noticee no. 1 along with Indocare Pharmaceuticals Ltd. The above said findings indicates that majority of the fund for the purchase of shares preferential issue had come from Noticee no. 1 and the related/connected companies of Dr. Amit Shah, who is alleged to have been controlling and managing Noticee No. 1. The connection between the entities who had funded the preferential allotment and Dr. Amit Shah are made out in the forthcoming Para No. Following table indicates entire details of the fund flow from the Noticee-No. 1 and related/connected entities of Dr. Amit Shah to the Preferential Allottees.

TABLE - 5

Date of opening	Name of entity (Preferential allottees)	A/c Nos. for entities in Col.2	Op. Bal. in A/c.	Name of the entity (noticee-company & Dr. Shah related entities) who had paid amt. to the entities in column 6	Credit recd. from entities in col. 5 and paid to entities in col. 2 for pref. allotment.	Cheques issued by entities in col.-2 for pref. issue to noticee-company	Cl. Bal. in A/c.
1	2	3	4	5	6	7	8
22/5/2000	Yogini Vyas (Noticee No.10)	15817	500	Cure Spects & Lasers Ltd.	Mannapoule & G.Bhavsar	Somplast(Rs. 60 lakhs)	521(as on 4/9/2001)closing bal
12/1/2000	Indo Care Pharmaceuticals Ltd (Noticee No.11)	9091	1000	Noticee-No. 1	Mannapoule	Somplast (Rs. 60 lakhs)	1398 (as on 13/12/2001) Closing bal
3/3/2000	Multi Media Software Ltd. (Noticee No.12)	9129	1000	G Bhavsar & Co., Noticee-No. 1	Mannapoule Machineries	Somplast (Rs. 60 lakhs)	1078(as on 28/9/2001)
27/3/2000 (operative since 14/6/1999)	Shalin Resorts Ltd (Noticee No.12)	8992	11,63,996 (as on 1/1/2000)	G Bhavsar & Co.	Manna Machineries	Somplast (Rs. 60 lakhs)	7255 (as on 17/3/2001)
28/5/1999	Sarlee Fabrics Ltd	8988	163420(as on 11/1/2000)	G. Bhavsar	Manna Machineries &	Somplast Rs. 60 lakhs)	1188

			)		Mannapoule		
3/1/2000 (since 1/6/1999)	Omega Avenues (Noticee No.13)	8989	1,78,172 (as on 3/1/2000)	Indocare Pharmaceutical, Noticee-No. 1 and G Bhavsar	Manna Machineries	Somplast (Rs. 60 lakh)	1212 (as on 28/9/2001) Closing bal
15/1/2000 (since 19/5/1999)	Growth Agro Industries Ltd (Noticee No.14)	8981	2,85,178 (as on 15/1/2000)	Indocare Pharmaceutical, Noticee-No. 1 and G Bhavsar	Manna Machineries & Mannapoule	Somplast (Rs. 60 lakh)	10216 (as on 31/12/2001) Closing bal
12/1/2000	Gujarat Fun' N Water Park (Noticee No.15)	9087	1000	Indocare Pharmaceutical and Noticee-No. 1	Mannapoule	Somplast Rs. 60 lakhs)	1861(as on 28/9/2001) Closing bal
20/1/2000	Sofitel Finstock (Noticee No.16)	9099	1000	Noticee-No. 1	Mannapoule Machineries	Somplast (Rs. 60 lakhs)	774(as on 28/9/2001) closing bal
11/1/2000	Manna Glass Tech-Ind Ltd	9085	1000	Noticee-No. 1 and G Bhavsar	Mannapoule	Somplast (Rs. 60 lakhs)	1150(as on 12/12/2001)closi ng balance
20/1/2000	G. Bhavsar & Co (Noticee No.18)	9098	1000	Noticee-No. 1	Manna Machineries	Somplast (Rs. 60 lakhs)	29,00,880 (as on 1/6/2000)
11/1/2000	Manna Exports	9084	1000	Noticee-No. 1	Manna Machineries)	Somplast (Rs. 60 lakhs)	2410 (28/9/2001) Closing bal
21/1/2000 (since 1/6/1999)	Shree Corporation (Noticee No.17)	9101	1000	Noticee-No. 1	Mannapoule Machineries	Somplast (Rs. 60 lakhs)	760 (as on 28/9/2001) Closing bal
23/5/2000	Jayesh Mehta (Noticee No.19)	15820	500	Cure Spects & Lasers Ltd	G. Bhavsar & Co	Somplast(Rs. 60 lakhs)	521(as on 4/9/2001) closing bal
11/1/2000	Noopur Kansara (Noticee No.20)	15671	500	Indocare Pharmaceutical and Noticee-No. 1	Manna Machineries	Somplast (Rs. Rs. 55 lakh)	10216(as on 31/12/2001) Closing bal
20/1/2000	Ashok Chokshi (Noticee No.21)	15678	500	Indocare Pharmaceutical and Noticee-No. 1	Manna Machineries	Somplast (Rs. 60 lakhs)	412 (as on 31/8/2001) Closing bal
12/1/2000	Indian Shelters Ltd (Noticee No.22)	9090	1000	Cure Spects & Laser	Mannapoule	Somplast (Rs. 60 lakhs)	860 (as on 28/9/2000) Closing bal

23/05/2000	Gopal Pottedar (Noticee No.23)	15819	500	Cure Spects & Lasers Ltd	Mannapoule	Somplast (Rs. 5 lakhs)	521(as on 9/11/2001) closing bal
6/3/2000	Dharmendra Barot (Noticee No.24)	15730	500	Cure Spects & Lasers Ltd	Mannapoule Machineries	Somplast(Rs. 60 lakhs)	517 (as on 9/11/2001) closing bal
6/3/2000	Gaurang Joshi (Noticee No.25)	15731	500	Cure Spects & Lasers Ltd	Mannapoule Machineries	Somplast(Rs. 60 lakhs)	693 (as on 5/10/2001) closing bal
11/1/2000	Tushar Majmudar (Noticee No.26)	15670	500	Cure Spects & Lasers Ltd	Mannapoule	Somplast (Rs. 60 lakhs)	742 (as on 4/9/2001) closing bal
Bank Accounts : Mannapoule Machineries Pvt. Ltd – 9089, Manna Machineries Pvt. Ltd -9088, Noticee-company/Somplast Leather – 9159, Cure Spects Laser Ltd – 9128							

13. The details provided in the above table no. 5 indicates that all the preferential allottees have opened their account immediately prior to or within a very short period prior to the preferential allotment and all of them had opened their account with the same branch of the same bank i.e. The Social Co-operative Bank Ltd., Khamasa Branch, Ahmedabad and have received fund from Manna Machineries Pvt Ltd and Mannapoule Machineries Pvt. Ltd.

It was further noted similar modus operandi was adopted in the matter of Manna Glass Tech Industries Ltd. In the matter of Manna Glass Tech Industries Limited that the allottees Mr. Tushar A Majumdar, Mr. Amidhar Majumdar, Ms. Rena A Majumdar, Ms Reema T Majumdar and Dr Beena A Shah (promoter category) and Sarlee Fabrics Exports Ltd., Growth Agro Industries Ltd., Indian Shelters Ltd., Shalin Resorts Ltd., Indo Care Pharmaceuticals Ltd., Gujarat Fun' N Water Park Ltd., Shree Corporation, G Bhavasar & Company, Sofitel & Finstock, Mr. Ashok Chokshi, Omega Avenues Limited and Mr. Noopur Kansara (non-promoter category) to the preferential allotment had maintained account in the same bank and most of the accounts were opened just before the allotment of preferential issue. It was seen that apart from the above accounts, Manna Exports, Manna Machineries Pvt. Ltd and Mannapoule Machineries Pvt. Ltd had also maintained account with the same bank. The scrutiny of bank accounts of allottees, company (Manna Glass Tech Industries Ltd.) and Manna Exports, Manna Machineries Pvt. Ltd and Mannapoule Machineries Pvt. Ltd revealed that there was no real flow of Rs. 30.60 crores into the bank account of company. There were only transfer entries in accounts of respective allottees and company to show that company had received cheques worth Rs. 30.36 crores. The company then had issued cheque to Manna Exports, Manna Machineries Pvt. Ltd and Mannapoule Machineries Pvt. Ltd, who in turn issued cheques to respective allottees, so that they can issue cheques in favour of company's

(Manna Glass Tech Industries Ltd.) account towards their subscription amount. The company had assisted allottees indirectly to acquire its own shares in the preferential allotment. This shows that the company has issued shares to the allottees manipulatively without actually receiving funds from them. In the said matter SEBI vide order dated February 1, 2006 had passed directions under section 11B of the SEBI Act debarring afore-mentioned preferential allottees including some of the entities in the present case (Somplast) viz; Noticees i.e Manna Glass Tech Ind Ltd, Dr Beena Shah, Sarlee Fabric Exports Ltd, Growth Agro Ind Ltd, Indian Shelters Ltd, Shalin Resorts Ltd, Indo Care Pharmaceuticals LTd, Gujarat Fun & Water Park Ltd, Shree Corporation Ltd, G Bhavsar & Co, Sofitel Finstock Ltd, Ashok Chokshi & Noopur Kansara from securities market for a period of 3 years.

It may be noted here that the Noticees in the matter of Manna Glass Tech Industries Ltd. had not appealed against the SEBI Order. These allottees of the preferential issue of Manna Glass Tech Ltd had also used their account with the Social Co-operative Bank Ltd., Khamasa Branch, Ahmedabad for the payment of preferential allotment of Manna Glass Tech Ltd and investigations found that the same account had been used by these entities for the payment in respect of the preferential allotment of the Noticee no. 1 also.

- 14.** In view of the above and for the allegations mentioned in Para 10, 11 and 12 above, it is alleged that Noticees No. 10 to 26 have violated Regulation 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 (2) and 3 (a), (b), (c) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 read with 12 A (a) (b) (c) of SEBI Act, 1992.

Control and Management of Noticee No. 1 by Dr. Amit Shah

- 15.** As stated in the foregoing Para No. 3, the directors of the Noticee-No. 1 i.e. Noticee Nos.2 to 10 during their statement recording, stated that the Noticee no. 1 was controlled and managed by Dr. Amit Shah during the relevant point of time. They had furnished the copies of MOU dated 11/09/1995 and 16/09/1995 entered into between Dr. Amit Shah and Mr. N R Vekaria, (Noticee no. 2) and the copies of payment receipts for the consideration received from Dr. Amit Shah for the transfer of the shares. The MoU contains the proposed schedules for transfer of ownership and control of Somplast and consideration for the said transfer, installment plan i.e. flow of funds, transfer of shares/assets, taking over of liability etc. A copy of the MOU dated 16/09/1995 and the copies of said payment receipts are already annexed as **Annexure 1 & 2** above. Clause I of the MoU dated 16/09/1995 states that Mr. N R Vakaria (Noticee no. 2) shall organize to clear of all the liabilities and handover the control of Somplast, clear of all liabilities and the equity shareholding to Dr. Amit Shah and his group members against a total consideration of Rs. 91.50 Lacs. (Rupees Ninety One Lacs Fifty Thousand only). MOU states that a cash token of Rs. 501 (Rupees Five Hundred and One only) had already been handed over to Mr. N R Vakaria (Noticee no. 2) on 07/09/1995 i.e. 9 days prior to the date of signing the above said MOU dated 16/09/1995 by Dr. Amit Shah and the 1st installment has to be made as Rs. 10,00,000/- (Rupees Ten Lacs only) cheque in favour of Somplast against which 1,00,000 shares (One Lac only) were to be transferred to Dr. Amit Shah and his

associates/group. Further, the MOU says that the 2nd installment of Rs. 10 Lacs was to be paid with a breakup as Rs. 50,000 in cash and cheques for Rs. 9.50 Lacs (Rs. 4.5 Lacs in favour of Ramaben Patel and Rs. 5 Lacs in favour of Rameshbhai N Vekaria) against which another 2.2 Lacs shares were to be handed over to by the Noticee No. 2 to Dr. Amit Shah and his associates. It was observed that Mr. N.R. Vekaria (Noticee no.2) had signed a money receipt dated 18/09/1995 on behalf of noticee No. 1, acknowledging the receipt of Rs. 10 Lacs. Another money receipt dated 16/09/1995 with breakup as cash of Rs. 50,000 and cheques for Rs. 4.5 Lacs (Bank of Madura) favouring Ramaben Patel and Rs. 5 Lacs (Nutan Nagrik Sahakari Bank Ltd.) favouring Rameshbhai N Vekaria (R N Vekaria) (Noticee no. 3) was also signed by Mr. N R Vekaria. It was also found from the said money receipts that the said cheques were issued from the accounts of the companies found to have been connected with Dr. Amit Shah; viz; Akash Shelter & Finstock Ltd. and Atlantic Credit and Capital Ltd. The connection of these companies with Dr. Amit Shah is given. The directors of Atlantic Credit & Capital Ltd are Mr. Girish Shah (cousin of Dr. Amit Shah and Additional director in Somplast) and Mr. Gaurang Joshi (shareholder and employee of Somplast). Similarly the directors of Akash Shelter & Finstock Ltd are Sanjay Patel (employee and director in Somplast), Jayesh Mehta (Promoter of Somplast and employee of Dr. Amit Shah) and Noopur Kansara (employee of Somplast & Dr. Amit Shah, Authorised signatory to the bank account of Indocare Pharmaceuticals Ltd.).

- 16.** The above said facts and circumstances, along with the said money receipts indicates that Dr. Amit Shah had paid the consideration as per the MOU dated 16/09/1995 for the acquisition of 3.2 Lacs shares, and that he and his group members in possession of 3.2. Lacs shares of the company.
- 17.** Investigations also observed that earlier, Dr. Amit Shah & his group members had entered into an MOU dated 11/09/1995 with Noticee no.2 (Mr. N R Vakaria) for handing over 1 Lac equity shares of Indo American Optics Ltd. towards the liability of Noticee no. 1, which was to the tune of Rs. 41.53 Lacs with Bank of India, Junagadh Branch. Hereto annexed as **Annexure -1** is a copy of the said MOU dated 11/09/1995. Admittedly, Dr. Amit Shah had been the director of Indo American Optics Ltd. until 21/01/2003 and at present his Dr. Beena Shah is one of the directors of the Company (Indo American Optics Limited). It is also observed that both Indo American Optics Ltd. and Noticee no. 1 shares common correspondence address. Further, it was observed from the records of Registrar of Companies that three additional directors; namely. Yogini Vyas (Noticee no. 10, Sanjay Patel (Noticee no. 8) and Girish Shah (Noticee no. 9) were appointed as directors of Noticee no. 1 in 1998 as per the terms of the MOU dated 16/09/1995 (Clause No. 4 of the MOU dated 16/09/1995). Clause 4 of the MOU dated 16/09/1995 states that Dr. Amit Shah and his group members shall be entitled to appoint directors on the Board of the Company from their group on signing of this memorandum of understanding and all the earlier and existing directors shall resign from the Board. The copies of the records from ROC are annexed herewith as **Annexure – 10**. Bank records also show that Yogini Vyas (Noticee no. 10) Sanjay Patel (Noticee no. 8) and Girish Shah (Noticee no. 9) were the directors of Noticee no. 1. The copies of records obtained from the

ICICI Bank are annexed as **Annexure – 11**. The afore-mentioned directors have admitted in their statements to SEBI that they were employees of Dr. Amit Shah and were appointed as directors of Somplast (Noticee No.1) by him. Even though Sanjay Patel (Noticee no. 8) denied his association with Noticee no. 1 as a director, it is seen from the filings with BSE in 2001 and KYC documents of Noticee no. 1 with ICICI Bank for 2006 that he presented himself as a director of Noticee No.1. (Hereto annexed as **Annexure – 11** are copies of the said documents).

- 18.** It is further observed from the records provided by ICICI Bank that Dr. Amit Shah and his son Mr. Vismay Shah are the authorized signatories to the bank accounts with the ICICI Bank of Noticee no. 1 since 2006. (Hereto annexed as **Annexure – 11** is a copy of the said document from ICICI Bank). It is also observed that the Dr. Amit Shah and Mr. Vismay Shah were appointed as authorized signatory of Somplast was signed by Yogini Vyas (Noticee No. 8) and Sanjay Patel (Noticee no.9). Hereto annexed as **Annexure – 11** is copy of the said resolution. This clearly indicates that noticee No. 1 is under the control and management of Dr. Amit Shah.

Connection between Dr. Amit Shah and Cure Spects & Laser Ltd., an entity which had funded the preferential allotment.

- 19.** Investigations further revealed that Cure Spects & Laser Ltd. is connected /related to Dr. Amit Shah. Dr. Amit Shah, during the recording of his statement admitted that his wife Dr. Mrs. Beena Shah was the director of Cure Spects along with his friend Mr. Parimal Desai (Promoter director). Investigations further revealed that the authorized signatory in the bank account of Cure Spects Laser Ltd. is Dr. Beena Shah, wife of Dr. Amit Shah. Hereto annexed as **Annexure 12** is a copy of the statement given by Dr. Amit Shah to SEBI.

Connection between Noticee No. 1 and Indocare Pharmaceuticals Limited, one of the entities which had funded the preferential allotment is given in the annexure

- 20.** As regards the other entity, Indocare Pharmaceuticals Ltd, it was found that an authorized signatory of Indocare, viz; Noopur Kansara, is admittedly an employee of Noticee No. 1.

- 21.** Investigations also found out that all the preferential allottees noticees are connected/related to Dr. Amit Shah; who is in control of Noticee no. 1. Hereto annexed as **Annexure 13** is the details of connection between the preferential allottees and Dr. Amit Shah. Hereto annexed as **Annexure 13** are the details of the fund flow from the noticee no. 1. and other entities to the above said preferential entities

- 22.** As per the records available with the Registrar of Companies the list of directors of Noticee No.1 during the period of Preferential Allotment in May 2000 were as follows:-

Table -6

No	Name	Designation	Date of appointment and ceasing as per ROC/Investigation Report.	
1	N R Vekaria (Noticee No. 2)	Chairman	Since incorporation (i.e.since 1983)	24/02/2002

2	R N Vekaria (Noticee No.3)	MD	Since incorporation	24/02/2002
3	S N Vekaria;(Noticee No. 7)	Director	Since incorporation	-----
4.	R D Patel; (Noticee No. 5)		Since incorporation	24/02/2002
5.	M P Shah alias Bhagwati Shah; (Noticee No. 6).		12.10.1992	-----
6.	Yogini Vyas; (Noticee No.10)	Additional Directors.	19.08.1998	-----
7.	Ramanlal C Hathi; (Noticee No. 4)		01.01.1993	-----
8.	Girish Shah; (Noticee No. 9)		19.08.1998	
9.	Sanjay Patel; (Noticee No. 8)		19.08.1998	

22. It is pertinent to note that all the above-mentioned Noticees except Noticee No. 10 (Yogini Vyas) claimed that they are not liable for actions as they had resigned before the period of preferential allotment. During the recordings of their statements, the said Noticees undertook to submit proof of their resignation letters sent to the noticee-company and other relevant documents to substantiate their claims. However, no evidence to substantiate the same has been submitted by any of the said noticees. In view of this, it is alleged that Noticees Nos. 2 to 10 were acting as directors of noticee No. 1 during the preferential allotment by Noticee No. 1 in May 2000.

23. As stated in the foregoing Para 8 the resolution of the EOGM for preferential allotment was passed on May 4, 2000 and it was informed to the share holders that the preferential allotment was with the objective to finance working capital requirements, to reduce interest burden and implement expansion and modernization schemes. Further, it was declared by the Noticee No. 1, that it had received the money for the preferential allotment and the shares were dispatched. However, the aforesaid findings of the investigation reveal that the money did not come from the genuine investors but from the Noticee No. 1 and its associated entities. In short, the money was given from the account of Noticee No. 1 and other entities connected with the Noticee No. 1 to the allottees (Noticee Nos. 10 to 26), which came back to the Noticee No.1 in the form of consideration for the preferential issue. Therefore, it is observed that there is no genuine fund flow from the allottees to the Noticee No. 1- company by way of allotment money and the preferential issue did not bring any additional funds to Noticee no. 1 i.e. there is no genuine subscription money inflow to Noticee no. 1. Therefore, there was no genuine demand by the Noticee no. 1 for funds. Further, the investigation found that efforts were made to dematerialize the shares issued in the preferential allotment without listing the same on the stock exchange, which clearly indicates the fraudulent intention of Noticee Nos.1 to 10 to facilitate trading of these shares in the market for defrauding gullible investors. NSDL vide email dated 25.1.2011 submitted that the Noticee no. 1 joined NSDL for providing the facility of dematerialization for its equity shares to its shareholders in

September 2001. However, the Noticee no. 1 or its Registrar and Share Transfer Agent had not executed any corporate action to credit shares in the demat form to accounts in NSDL system till date as the trading in the shares of Noticee no. 1 was suspended by BSE with effect from 27/02/2003 due to non-compliance of formalities for listing of its shares allotted during the preferential issue. Hereto annexed herewith as **Annexure 14** is a copy of the said e-mail. The above said facts clearly indicate that Noticee No. 1 and its directors, noticees Nos. 2 to 10 had employed a fraudulent scheme in its own preferential issue by routing the fund through some connected entities to the applicants (Noticees Nos. 10 to 26 who acted in connivance with Noticee Nos. 1 to 10, by receiving fund indirectly from the Noticee No. 1 and its related/connected entities for applying for preferential allotment of Noticee No. 1 itself. Therefore the Noticee Nos. 10 to 26 by lending their names and acted as front in the preferential issue of Noticee No. 1, aided Noticees No. 1 to 10 in committing fraud upon the investors at large. In view of this, it is alleged that Noticee Nos. 1 to 10 have violated Regulations 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 (2) and 3 (a), (b), (c) (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 read with 12 A (a) (b) (c) of SEBI Act, 1992 and Noticees nos. 10 to 26 have violated Regulations 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with Regulation 13 (2) and 3 (a), (b), (c) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 read with 12 A (a) (b) (c) of SEBI Act, 1992

24. In view of the above, the Noticees herein are called upon to show cause as to why suitable directions under Sections 11B of the SEBI Act, 1992 read with Regulation 3 of the SEBI (Fraudulent and Unfair trade Practices Relating to Securities Market) Regulations, 1995 read with Regulations 13 (2) and 3 & 4 (1) of SEBI (Prohibition of Fraudulent and Unfair trade Practices Relating to Securities Market) Regulations, 2003 read with Section 12 A (a) (b) & (c) of the SEBI Act, 1992 should not be passed against the noticees for the violations specified above, which may include, debarring them from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period of time or any other directions as may be deemed appropriate.
25. The written submissions, if any, should reach the undersigned within a period of 21 days from the date of service of this notice, failing which it shall be construed that the noticees have no comments to offer and SEBI would be free to take action against the noticees as per law. The noticees shall be provided with an opportunity of personal hearing before the appropriate authority if they so desire.
26. Vide Circular no. EFD/ED/Cir-1/2007 dated April 20, 2007 (available at www.sebi.gov.in), SEBI has come out with guidelines for passing of consent orders. If the noticees wish to avail the consent process, they may apply in the prescribed form given in the said Circular. The applications should be

forwarded to the address mentioned in the said Circular under intimation to the undersigned."

Medha Sonparote

Encl: as above