BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO.:- KM/AO/2/2010]

ORDER UNDER SECTION 15-1 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

Against

Parsoli Corporation Limited and 16 Others

I was appointed as Adjudicating Officer by the Whole Time Member of SEBI vide proceedings dated 18.6.2009 to inquire into and adjudicate the alleged violations of the following entities:-

1. Parsoli Corporation Ltd. (hereinafter referred to as 'Noticee No.1') for the alleged violation of the provisions of Sections 11C (2) and 11C (3) of the SEBI Act, 1992.
2. Zafar Sareshwala, MD of Parsoli Corporation (hereinafter referred to as'Noticee No.2') and
3. Uves Sareshwala (hereinafeter referred to as 'Noticee No.3'), promoters of Parsoli Corporation Limited for the alleged violation of the provisions of Section 11C(2) and 11C(3) of the SEBI Act, 1992; Regulations 3(a) to (d) and 4(1) and 4(2) (e) and (h) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; Regulation 53A and 54(5) of the SEBI (Depositories and Participants) Regulations, 1996 and SEBI circular no. D& CC/FITTC/Cir.- 15/2002 dated December 27, 2002.

4. Talha Yunus Sareshwala (hereinafter referred to as 'Noticee No. 4')
5. Saleha Mohammed Yunus Sareshwala (hereinafter referred to as 'Noticee No.5)

for the alleged violation of the provisions of Regulations 3(a) to (d) and 4 (1) and 4(2) (e) and (h) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; Regulation 53A and 54 (4) of the SEBI (Depositories and Participants) Regulations, 1996 and SEBI circular no. D & CC/FITTC/Cir.- 15/2002 dated December 27, 2002.

For the alleged violation of the provisions of Regulations 3 (a) to (d) and 4(1) and 4(2) (e) and (h) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by the following entities:

6. Gulamrasul Mohiuddin Bombaywala (hereinafter referred to as 'Noticee No. 6)
7. Mohammed Alibhai Kothawala (hereinafter referred to as 'Noticee No. 7')
8. Iftekar Mohammedyusuf Mansuri (hereinafter referred to as 'Noticee No.8)
9. Abdul Hammed Abdul Gaffer Memom (hereafter referred to as 'Noticee No. 9')
10. Ahdulsamad Abdul Gaffer Memom (hereafter referred to as 'Noticee No. 10)
11. Aslamkhan Rehmat Khant Pathan (hereinafter referred to as 'Noticee No.11)
12. Amena Maksud Kothawala (hereinafter referred to as 'Noticee No. 12')
13. Fatema Makhtar Kothawala (hereinafter referred to as 'Noticee No. 13')
14. Maksud Yusufbhai Kothawala (hereinafter referred to as 'Noticee No. 14')
15. Mariyam Mohammed Yusuf Kothawala (hereinafter referred to as 'Noticee No.15')
16. Muktar Yusufbhai Kothawala (hereinafter referred to as 'Noticee No. 16')
17. Yusufbhai Umarbhai Kothawala (hereinafter referred to as 'Noticee No. 17')

Accordingly, a common show cause notice dated 17th July 2009 was issued to the aforesaid entities. Mr. Abdulsamad Abdul Gaffar Memon, (Noticee No. 10) was issued a similar but separate show cause notice dated 23rd July 2009.

CHARGES:

It is alleged that Parsoli Corporation, its promoters, directors and related entities as detailed hereinafter have fraudulently transferred the shares of the company belonging to genuine shareholders in favour of the promoter group entities as detailed herein including the Managing Director of the Company, Mr. Zafar Sareshwala, his parents, brother, his minor children, other members of his family and ex-employees of the Company through transfer deeds containing forged signatures of the genuine shareholders (transferors). Although a common Share Registrar and Transfer Agent was appointed by Parsoli Corporation as per Regulation 53A of SEBI (Depositories and Participants) Regulations, 1996 and contrary to its own Agreement dated 25th April 2003, it is alleged that the specimen signature cards were not handed over to them i.e. the Registrar and confirmation of specimen signatures of the transferor was done by the company itself despite having appointed a common Share Transfer Agent and the transfers were approved by the transfer committee consisting of the promoters/ directors.

It is therefore alleged that the company alongwith Zafar Sareshwala, Uvesh Sareshwalal, Talha Yunus Sareshwala and Saleh Mahammed Yunus Sareshwala, the promoters of the company have violated provisions under Regulation 53A and 54(5) of the SEBI (Depositories and Participants) Regulations, 1996 and SEBI circular No. D&CC/FITTC/Cir- 15/2002 dated December 27, 2002.

Details of persons in whose favour shares were fraudulently transferred along with their relationship with the promoters, directors of the company are as under:

Sr. No.	Name	Relationship with the company/ promoters
1	Mr. Zafar Yunus Sareshwalal (Noticee No.2) / Mr. Talha Yunus Sareshwala (Noticee No. 4)/ Mr. Uves Yunus Sareshwala (Noticee No. 3)	Brothers and promoters of the company.
2	Mr. Mohammed Yunus Sareshwala	Belong to promoter group of the company and father of persons at Sr. No.1
3	Smt. Saleha Y Sareshwala	Belong to promoter group of the company and mother of persons at Sr. No.1
4	Master Habib Zafar Sareshwala, Master Ahmed Zafar Sareshwala and Miss Khadija Zafar Sareshwala (Minors)	Belong to Promoter group of the company and the children of Mr. Zafar Yunus Sareshwala -
5	Master Umar Uves Saresyhwala, Miss Fatema Uves Sareshwala and Miss Asma Uves Sareshwala (minors	Belong to the promoter group of the company and children of Mr. Talha Yunus Sareshwala – Minor.
6	Miss Sumiya Talha Sareshwala and Miss Qudsiya Talha Sareshwala (Minors)	Belong to the promoter group of the company and daughters of Mr. Talha Yunus Sareshwala
7	Mr. Mansuri Iftekar M Yusuf	An ex-employee of the company.
8	Mr. Aslamkhan R Pathan	An ex-employee of the company.
9	Mr. Mohammed Alibhai Kothawala (Noticee No.7)	Ex- Munim of the company. He has also compensated genuine investor wherein the fraudulent transfer had taken place in the name of Mr. Talha Sareshwala
10	Mr. A Hameed Gaffar Memon (Noticee No.9)	Compensated by Mr. Mohammad Alibhai Kothawala

11	Miss Fatema M Kothawla (Noticee No.13)	Compensated by Mr. Mohammad Alibhai Kothawala
12	Mr. Mukhtar Y Kothawala (Noticee No. 16)	Compensated by Mr. Mohammad Alibhai Kothawala
13	Mr. Maksud Y Kothawala (Noticee no. 14)	Compensated by Mr. Mohammad Alibhai Kothawala
14	Mr.s Amena M Kothawala (Noticee No. 12)	Compensated by Mr. Mohammad Alibhai Kothawala
15	Mr. Yusuf U Kothawala (Noticee No. 17)	Compensated by Mr. Mohammad Alibhai Kothawala
16	Miss Mariyam Y Kothawala (Noticee No. 15)	Related to Mr. Yusuf U Kothawala and having the same address as Mr. Yusuf U Kothawala; Compensated by Mr. Mohammad Alibhai Kothawala
17	Mr. Nasir Malik	Neighbour of Mr. Zafar Sareshwala
18	Mr. Gulam Rasul Bombaywala (Noticee No.6)	Compensated by Mr. Mohammad Alibhai Kothawala
19	Ms. Shirin T Sareshwala	Shares transferred jointly with Ms. Mariyam y Kothawala

The fraudulent transfers of shares in the aforesaid manner involving the above persons have been detailed in the show cause notice. The shares of genuine shareholders like 1. Bipinchandra G Patel, 2. Hajimohammed M Rinchniwala, 3. Hasmukh Rasiklal Gandhi, 4. Urmila M Kachhapatel and Madhusudhan M Kachhapatel, 5. Paresh S. Barot, Vikas Shah, 6. Mr. Kamlesh Ambalal Patel,

7. Sachin Arvindbhai Soni, 8. Mool Singh, 9. Bhavesh Vasantlal Dalal, 10. Roopkumar Issrani, 11. B.J. Patel, 12. Dipak Kumar Rashiklal Shah &

13. Muktaben Halia were fraudulently transferred to the accounts of Zafar Sareshwala (Noticee No. 2), Talha Yunus Sareshwala (Noticee No. 4) Uvesh Sareshwala (minor son), Mohamed Kothawala, Abdul Hameed, Abdul Gaffar Memon, Fatema Kothawla & Mukhtar Y Kothawala, Amena M Kothawala, Yusuf Kothawala and Mariyam Kothawala, Shirin Kothawala, Nasir Malik, Gulamrasul Bombaywala and also were dematted by these noticees subsequently on different dates as alleged in the show cause notice. The details of such transfers have been annexed to the Inspection Report.

The demat requests of the aforesaid genuine investors were rejected by Parsoli Corporation stating that the certificate received already stands dematted. While on the one hand Parsoli Corporation was informing the shareholder through copies of letters including Debit Instruction Slips (DIS) marked to the RTA that the certificates received were already dematted, it nevertheless went on to credit the demat account of the shareholders through off-market credit of shares.

The shares were fraudulent transferred to the account of the shareholders/ upfront entities (the Noticees herein as detailed in the table below) from the following accounts of the genuine shareholders whose requests for dematerialization were rejected wrongfully. The documents relating to the fraudulent transfers and wrongful rejection of demat requests are a part of Inspection Report.

Sl. No.	**Date of Demat Request Recd.**	**DRN No.**	**Qty. of Shares**	**1st Holder Name (genuine investor)**	**2nd Holder Name**	**Date of fraudulent transfer**	**No. of shares**	**Name of the promoter of the company/ front entity**	**Date of Confirmation of demat by transferee (promoter/ front entity)**	**Date of Demat Request Rejected (genuine investor)**

1.	15-Jul-2005	276369	500	Sh Vinodbhai Ramjibhai Parmar		21-June-2005	500	Sh Aslamkhan R Pathan	7-July-2005	17-Aug-2005
2.	14-Jul-2005	109283	1500	Sh Arbab Ahmed Bharuchi		19-July-2005	1500	Sh. Talha Sareshwala (Noticee No. 4)	13-Aug-2005	17-Aug-2005
3.	20-Jun-2005	26693	300	Sh Gulam Rasul Abdul Latif Shaikh		14-June-2005	300	Sh Mohammed Alibhai Kothawala (Noticee No. 7)	07-July-2005	06-Aug-2005
4.	01-July-2005	60240	300	Sh Manish K Bhavsar	Mrs Nayana Manish Bhavsar	28-June-2005	300	Sh Mohammed Alibhai Kothawala (Noticee No. 7)	14-July 2005	17-Aug-2005
5.	14-July-2005	2618801	300	Sh Maimuna Mohd Siddiq Chaus		14-June 2005	300	Sh Mohammed Alibhai Kothawala (Noticee No. 7)	07-July-2005	20-Aug-2005
6.	08-Aug-2005	21960	100	Sh Dipak Shankar lal Shah		30-Aug-2005	100	Sh Mohammed Alibhai Kothawala (Noticee No. 7)	13-Oct-2005	07-Sept-2005

On July 14, 2005 (Serial No. 2 in the above table), the RTA of Parsoli Corporation received the demat request of Mr. Arbab Ahmed Bharuchi and the same was rejected on August 17, 2005. But these shares were earlier fraudulently transferred

in favour of Mr. Talha Sareshwala, a promoter on July 19, 2005 and were also dematerialized on August 13, 2005.

Similarly, the shares of Mr. Javed Sonalkar were fraudulently transferred in favour of Mr. Talha Sareshwala on August 4, 2005. These shares were further dematerialized in favour of Mr. Talha Sareshwala on September 14, 2005. When Mr. Sonalkar, the genuine shareholder presented the shares for demat vide DRN No.1003800 on July 20, 2006 the request was rejected. The number of shares which were fraudulent transferred to the promoter entities in this manner are as follows:

Sr. No	**Date of fraudulent transfers & number of shares transferred**	**No. of shares**	**Name of the genuine investor / shareholder**	**Name of the persons to whom shares transferred based on forged transfer deeds**	**Date of dematting of the so transferred shares**
1.	04-08-2005	100	Binpinchandra G. Patel	Zafar Sareshwala (Noticee No. 2)	21-09-2005
2.	19-07-2005	600	Hajimohammed M Rinchniwala	Talha Yunus Sareshwala (Noticee No. 4)	13-08-2005
3.	19-07-2005	300	Hasmukh Rasiklal Gandhi	Uvesh Sareshwala (Noticee No. 3) and the (guardian of minor son	26-08-2005

				Umar Uvesh Sareshwala)	
4.	30-08-2005	100	Urmila M Kachhapatel and Madhusudhan M Kachhapatel	Mohammed A kothawal (Noticee No. 7)	13-10-2005
5.	20-09-2005	100	Paresh s Barot	Hameed A Gaffar Memon (Noticee No. 9)	22-10-2005
6.	19-07-2005	200	Vikas shah	Fatema M Kothawala (Noticee No. 13) and Mukhtar Y Kothawala (Noticee No. 16)	20-08-2005
7.	29-07-2005	500	Kamlesh Ambalal Patel	Mukhtar Y Kothawala (Noticee No. 16)	14-09-2005
8.	04-08-2005	300	Sachin Arvindbhai Soni	Maksud Y Kothawala (Noticee No. 14(	21-09-2005
9.	19-07-2005	400	Mool Singh	Amena M Kothawala (Noticee No. 12) and	20-08-2005

				Maksud Y Kothawala (Noticee No. 14)	
10.	29-07-2005	600	Bhavesh Vasantlal Dalal	Yusuf U Kothawala (Noticee No. 17) and Mariyam Y Kothawala (Noticee No. 15)	14-09-2005
11.	19-07-2005	200	Roopkumar Issrani	Mariyam Y Kothawala (Noticee No. 15) and Shirin T Sareshwala	20-08-2005
12.	06-06-2005	1000	B. J. Patel	Nasir Malik	14-07-2005
13.	28-06-2005	200	Deepak kumar Rashiklal Shah	Gulamrasul M Bombaywala (Noticee No. 6)	22-07-2005

In all the aforesaid instances the genuine investors mentioned in column no.4 had submitted dematerialization request forms (DRF) subsequently for dematerialization and the company rejected the same through the Transfer Committee consisting of the promoter/ directors as stated above on the ground that the shares in question were already dematted in their system. Further, the

genuine investors were compensated by 4 entities viz. Gulamrasul Mohiuddin Bombaywala, (Noticee No. 6 and promoter related entity), Talha Yunus Sareshwala (Noticee No.4 promoter of the company), Mohammed alibhai Kothawala (Ex-munim of the company and Noticee No.9) and Iftekhar Mohammadyusuf Mansuri (Noticee No. 8 and ex-employee of the company) who had earlier received credits by way of fraudulent off-market transfer of shares.

In view of the above, it is alleged that the noticees at Sr. No.2 to 17 have violated the provisions of Regulations 3 (a) to (d) and Regulation 4(1) & 4(2) (e) & (h) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. The number of shareholder who were compensated in the above mentioned manner are as under:-

Sr.	**Name**	**No. of shares fraudulently transferred and dematted (from no. of shareholders)**	**No. of shares compensated (No. of persons compensated)**
1	Gulamrasul Mohiuddin Bombaywala (Noticee No.6)	9,300 (34 shareholders)	2,100 (6 persons)
2	Talha Yunus Sareshwala (Noticee No. 4)	7,500 (12 shareholders)	1,700 (14 persons)
3	Mohammed Alibhai Kothawala (Noticee No.7)	15,400 (36 shareholders)	73,900 (226 persons)
4	Iftekhar Mohammad Yusuf Mansuri (Noticee No.8)	8,200 shares (38 shareholders)	3,100 (6 persons)

Abdulmatid Mathcheswala a shareholder who was holding on to his shares and did not request for transfer or dematerialization of his shares was also given credit for 100 shares.

It is alleged that information was sought from the company by SEBI on July 11, 2008, as to why the demat requests were rejected if the original request was genuine and why were the shareholders compensated later. No reply was submitted for the same. On July 11, 2008, Mr. Zafar Sareshwala, Managing Director of Parsoli was asked to clarify the same.

Mr. Zafar Sareshwala had requested time till August 08, 2008 to submit the above information and documents but did not submit any information which is in violation of provisions of Section 11 C (2) of the SEBI Act, 1992 read with Section 15A (a) of the SEBI Act, 1992.
Therefore, it is alleged that –

a) Parsoli Corporation Ltd. (Noticee No.1)
b) Zafar Sareshwala (Noticee No.2)
c) Uvesh Sareshwala (Noticee No.3)

have violated the above mentioned provisions of the SEBI Act, 1992.

The transfer committee consisted of the promoters and directors of the company as under:

Sr.	Name	Period
1	Mr. Yunus Sareshwala, Director (Noticee No. 4)	From January 2004 to December 2004
2	Mr. Uves Sareshwala, Director (Noticee No.3)	From January 2004 to March 2008
3	Mr. Mohd. Iqbal Hawa, Director	From January 2004 to March 2008
4	Mr. Sanjay Shaha, Director	From January 2005 to March 2008

It is alleged that the fraudulent transfers of shares were approved by the aforesaid Transfer Committee of the company even when the transfer deed did not contain any signature at all as in the case of transfer deed number 105794 of seller Prabhudas P. Prajapathi and transfer deed number 251129 of seller Himmantlal Gafoorbhai Ruparelia. Again, when the shares were held in joint names in folio number V00223 and transfer deed number 340522 but the transfer deed contained signature of 1 shareholder only which was a forged one.

REPLY:

Parties have submitted identical replies vide their letter dated 27th January 2010 and were represented in the personal hearing.

Mr. Zafar Sareshwala in his reply had stated that as per the Inspection Report (page 21) there was gross difference in signatures in 471 cases (transfer deeds) and the shares involved was 47,000 shares. According to him, these shareholders have already been compensated much before SEBI's inspection in 2005 and that act of compensation was to buy peace of mind and to avoid litigation.

By referring to paras 15 and 16 of the order of WTM dated 28th February 2009 which states that a total of 11,30,000 shares was fraudulently transferred it was submitted till date no complaint of any fraudulently transfers by investors was made against the company or any of its directors except by Mr. Abrahim Ahmed which is a subject matter of a dispute pending with EOQ, Mumbai.

As regards, forged signatures on the transfer deeds, it was submitted in the reply that if the company or directors had any malafide intentions in the signatures on the transfer forms they could have easily copied the same from the specimen signature register which was available with the company (underlining supplied). It was further submitted that the Company could not earlier file complaints with the Police due to the earthquake

in 2001 and communal riots in 2002. However the Company has now filed a complaint against all the entities presenting shares for dematerialization which were already dematerialized.

It was further submitted that there was no evidence to allege that the transfer deeds were forged by the Company or its Officers or its Directors. It was contended that merely because shares were transferred in the name of the Promoters does not imply that the shares were fraudulently transferred.

As regards not handing over all the records to the RTA despite an agreement dated 25th April 2003, it was submitted that as per Regulation 53A, the records can be either kept with the Issuer Company or with the Transfer Agent and hence there is no non-compliance.

SUBMISSIONS MADE IN THE PERSONAL HEARING

The Adjudication Proceedings were conducted on 10th February 2010, 14th February 2010 and 17th February 2010. All the parties were represented before the Adjudication Officer. Mr. Jal Chenai, Advocate, appeared for Noticee No.1 Ms. Sonal, Advocate

appeared for Noticees 2, 3 and 4 Mr. Zafar Sareshwala, MD of the Company for Noticee No. 5 who is his mother. Mr. Venkateswaran S., Advocate from MZM Legal Associates appeared for Noticees 6 to 17.

Thus, all the parties who have been issued with the show cause notice were represented in the Adjudication proceedings and were given fair & reasonable opportunity to defend themselves.

A copy of the Inspection Report was already sent to Parsoli Corporation vide SEBI letter dated 15th December 2008 along with Annexures. The same was acknowledged in the

Adjudication Proceedings on 10th February 2010. Further, a copy of the findings of the Investigation was also given before the commencement of the Adjudication Proceedings.

Although, the findings of investigation were also given before the commencement of the proceedings, it may be noted that the Inspection Report itself is an Annexure to the findings of the Investigation. It is pertinent to note that the Investigation was preceded by Inspection and the comprehensive Inspection Report deals in detail the irregularities by the company, promoters and other entities and is well-documented in terms of the copies of transfer deed, demat requisition forms, DRF of Investors, letters written by the company to the investors informing about the rejection of demat request, etc. All the charges in the show cause notice essentially arise out of the Inspection Report and it is clarified that no document is relied in this order unless a copy of the same is handed over to the delinquents and they have been given a fair and reasonable opportunity to explain the circumstances appearing against them. The genuiness of these documents have not been disputed by any of the noticees. In fact, the parties have not disputed any documents referred to in the Inspection Report as can be seen in the record of the Adjudication Proceedings on different dates. On the other hand, it was admitted that key documents like specimen signature, cards, etc. were not handed over to the RTA

claiming that they were in torn condition. Their main defense is a report prepared by M/s Harish P Jain and Associates, Practicing Company Secretaries which is dealt with in the subsequent paragraphs.

It was submitted that in terms of para 57 of SEBI, WTM's order dated 28th February 2009, the company has appointed an independent Company Secretary for the reconciliation of the discrepancies in the share transfers and accordingly public notices dated 22nd December 2009 were issued in the newspaper calling upon the shareholders holding physical share certificates to approach the company to verify the status of the holding from the company. According to the Learned Counsel, 1655 letters were dispatched in respect of 906800 shares and there was no response from

the shareholders and there were no complaints from the shareholders. For the transfers that took place before 31st December 2003 and 31st December 2008 individual letters were also addressed by the company to the shareholders (as per page 16 of the written submissions of Parsoli Corporation in the course of hearing) inviting objections for the transfers made to be sent directly to the independent Company Secretary. There were 159 responses corresponding to 94,800 shares confirming no objection.

It was further submitted that legal notices were sent to 16 shareholders for allegedly holding forged shares and the company has also filed FIRs in this regard (as per page 42 of the specimen FIR dated 8th December 2008). The list of 80 shareholders to whom the legal notices were sent are annexed at pages 44 to 49 of the reply. FIRs were lodged against 53 persons. Referring to the allegation at page 10 of the show cause notices regarding fraudulent transfer of 600 shares belonging to Mr. Haji Mohammed Rinchiwala on July 19, 2005 in favour of Mr. Talha Yunus Sareshwala by forged signatures and dematerialization of the said shares on 13th August 2005, it was submitted that the said allegation is not correct by referring to Annexure `H' at page 53 of the reply / submissions filed in the Adjudication proceedings. It was submitted that vide the said Annexure `H' Mr. Rinchiwala has communicated no objection to the aforesaid transfer. In the SCN dated July 17, 2009 at page 15 in respect of the

transfer of shares belonging to Mr. Arbab Ahmed Bharuchi of July 19, 2005 in favour of Shri Talha Sareshwala for 1500 shares, it was submitted that Mr. Bharuchi has accepted the aforesaid transfer and has communicated his no objection to the independent Company Secretary as evidenced by page 54, Annexure I to the written submissions filed in the course of Adjudication Proceedings.

It was submitted that the promoters of the company were already in control of the company, there were no complaints on the alleged fraud and that investors were compensated only to avoid costs of litigation and to live in peace.

Ms. Sonali, Advocate appearing for noticees 2, 3 and 4 has submitted that it is not understood as to how her clients i.e. noticees 2, 3 and 4 have violated Regulations 54 and 55 of the DP Regulations. It was further submitted that the alleged fraudulent transfers were made in the year 2005 and there were no complaints filed by the shareholders against the company despite the public notices issued. In the year 2007 the company declared dividend twice and no shareholders who have allegedly suffered because of the fraud has approached the company. Further, periodic inspections by CDSL, NSDL, BSE, NSE and SEBI during the period of investigation did not reveal any major irregularities. It was submitted that no profits were made by these noticees by the alleged transfers and therefore the question of payment of penalty under section 15HA of the SEBI Act does not arise as against them. It was submitted that merely because shares are transferred to her clients or to their relatives does not mean that there is fraud by them in the absence of any complaint.

As regards non-furnishing of information and the alleged violation of Section 11C (2), it was submitted that it was inadvertent mistake in not responding to the letters of SEBI which could have been avoided.

Mr. Zafar Sareshwala, Managing Director of the company appearing for noticee 5 submitted as under:

Ms. Saleha Sareshwala, Noticee No. 5 is his mother and the Secretarial Audit report by the independent Company Secretary did not find any irregularities committed by her. It was denied that there is any fraud and no complaints of fraud against her are there.

Shri Jai Chinai, the Learned Counsel for Noticee No. 1 has submitted that 53 FIRs lodged by the company involved around 14,700 shares.

Since the report of Shri Harish P. Jain and Associates, practicing Company Secretaries which was filed in the course of personal hearing on 17th February 2010,

was not available with SEBI, a copy of the same was supplied to SEBI requesting them to provide their comments thereto.

In the hearing held on 24th February 2010 Shri Suresh Gupta, General Manager, appearing for SEBI has submitted that he was the Investigating Officer in the case. He has acknowledged receipt of a practicing Company's Secretary's Report filed by Parsoli Corporation in the proceedings dated 17th July 2009 and submitted that he has become *'functus officio'* on the completion of investigation and he has nothing to submit on the said report of Shri Harish P. Jain and Associates, practicing Company Secretary filed by Parsoli Corporation.

APPRECIATION OF EVIDENCE AND FINDINGS

I have carefully examined the charges as alleged in the show cause notice, the replies thereto and the submissions made in the personal hearing.

In each of the instances cited in the show cause notice alleging fraudulent transfer of shares to persons belonging to the promoter group, the specimen signature cards were not made available to the RTA by the company and the transfers were approved by the Transfer Committee of the Company consisting of the following persons:

Sr.	Name	Period
1.	Mr. Yunus Sareshwala, Director (Noticee No. 4)	From January 2004 to December 2004
2.	Mr. Uves Sareshwala, Director (Noticee No. 3)	From January 2004 to March 2008
3.	Mr. Mohd Iqbal Hawa, Director	From January 2004 to March 2008
4.	Mr. Sanjay Shaha, Director	From January 2005 to March 2008

In their written arguments filed on behalf of Noticees 1 to 4, it was not denied that the specimen signature cards were held by the company. According to them, the specimen signature cards were not handed over to the RTA because they were in torn condition. It

was further contended that the same is not in violation of Regulation 53A of the DP Regulations as it permits the company to retain all records relating to transfer of securities, maintenance of records of holders of securities, handling physical shares and establishment of connectivity with the depositories by the Company in-house. It was argued that retention of specimen signature cards and confirmation of specimen signatures by the company could at the most be an inadvertent error. It is difficult to accept this submission. Failure to hand over specimen signature cards by the company to the RTA cannot be treated as an inadvertent error. In fact, it is a precursor as in this case to the subsequent fraudulent transfer of shares of the genuine shareholders in favour of the promoters and their associates, (the Noticees herein) and the subsequent dematerialization of these shares by the noticees.

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Regulation 53A of SEBI (Depositories and Participants) Regulations, 1996 reads as under:

`53A. Manner of handling Share Registry Work - All matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories shall be handled and maintained at a single point i.e. either in-house by the issuer or by a Share Transfer Agent registered with the Board.'

The object and reasons of the above requirement are also reflected and explained in Circular D and CC / FITTC / CIR-15 / 2002 dated 27th December 2002 according to which the appointment of common agency for Share Registry Work was necessitated because handling of physical work by the company and electronic connectivity by an outside agency was leading to delay in demat, non-reconciliation of shareholding due to lack of proper co-ordination between the agency concerned and the company which is adversely affecting the interest of investors. Hence, it was decided that all the work

relating to share registry in terms of both physical and electronic connectivity shall be maintained at a single point i.e. either in-house by the company or by SEBI registered R&T Agent.

The company after having appointed Pinnacle as its common Registrar and Share Transfer Agent (RTA) in terms of the Regulations and after having entered into an Agreement dated 25th April 2003 with RTA, has to ensure that all records are handed over to the transfer agent after its appointment. Admittedly, this was not done on the ground that the specimen signature cards were in torn condition. This explanation is not satisfactory. Specimen signature cards are essential for the purpose of verifying the signature of the transferor as appearing in the transfer deed before affecting the transfer. By not handing over the specimen signature cards and other records to RTA since June 2003, the violation of Regulation 53A is established. Such an omission appears to be part of whereby the promoters / directors easily facilitated the fraudulent transfer of shares belonging to the genuine investors to themselves or their associates including minor children of the promoters as detailed herein.

The charges against the noticees 2 to 5 for the alleged violation of Regulation 54(5) of the DP Regulations are not established. Regulation 54 (5) imposes certain obligations on the issuer company upon receipt of security from the depository participant. Since these obligations are cast on the company it cannot be said that the Noticees 2 to 5 have violated the same.

After ensuring that the shares belonging to the genuine investors are fraudulently transferred in favour of the Managing Director, other promoters, directors and their relatives through forged transfer deeds wherein the transfers were approved by the Transfer Committee of the company consisting of promoters / directors, these shares were subsequently converted into electronic form through demat process so as to leave

no trace of the physical share certificates that were earlier submitted along with the forged transfer deeds.

The instances where shares belonging to the public were fraudulently transferred in favour of promoters and associates and further dematting of these shares had taken place are as under:

1. In Serial Nos. 1 and 4 as stated in the Table at page 4 of this order, Mr. Zafar Sareshwala, Managing Director of the Company and Noticee No. 2 herein had signed as guardian on behalf of his minor son (Master Habib Zafar Sareshwala) and fraudulently transferred 100 shares (Transfer Deed No. 130127) belonging to Mr. Bipinchandra G Patel on August 4, 2005 by forging the signature of the genuine shareholder and dematerialised the same on September 21, 2005 (vide DRN No. 370579). When Mr. Bipinchandra G Patel, the genuine shareholder applied for dematerialization of his shares, his demat request (DRN No. 9571) was rejected on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

2. Similarly, in Serial no. 1 as stated in the Table at page 4 of this order, Mr. Talha Yunus Sareshwala, promoter and Noticee No.5 herein had fraudulently transferred to himself 600 shares (Transfer Deed No. 129917) belonging to Mr. Hajimohammed M Rinchniwala on July 19, 2005 by forging the signature of the genuine shareholder and also dematerialized the same on August 13, 2005. When Mr. Hajimohammed M Rinchniwala, the genuine shareholder applied for dematerialization of his shares, his demat request (DRN No. 1780942) was rejected on March 9, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

3. In Serial Nos. 1 and 5 as stated in the Table at page 4 of this order, Mr. Uves Sareshwala, promoter amd Noticee No.3 herein had signed as guardian on behalf of his minor son (Master Umar Uves Sareshwala) and fraudulently transferred 300 shares (Transfer Deed No. 129905) belonging to Mr. Hasmukh Rasiklal Gandhi on July 19, 2005 by forging the signature of the genuine shareholder and dematerialized the same on August 26, 2005 (DRN No. 367123). When Mr. Hasmukh Rasiklal Gandhi, the genuine shareholder, applied for dematerialization of his shares, his demat request (DRN No. 279345) was rejected on June 4, 2008 and he was compensated through an off-market transfer from the account of Mr. Mohammed Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

4. Similarly, in Serial no. 9 as stated in the Table at page 4 of this order, Mr. Mohammed A Kothawala, Noticee No. 7 herein got fraudulently transferred to himself 100 shares (Transfer Deed No. 304620) belonging to Smt Urmila M Kachhapatel and Mr. Madhusudan M Kachhapatel on August 30, 2005 by forging the signature of the genuine shareholder and dematerialized the same (DRN No. 236298) on October 13, 2005. When Smt Urmila M Kachhapatel and Mr. Madhusudan M Kachhapatel, the genuine shareholders applied for dematerialization of their shares, in their demat request (DRN No. 266978) was rejected on March 23, 2006 and he was compensated through an off-market transfer from the account of Mr. Talha Yunus Sareshwala (promoter of Parsoli and Noticee No.4 herein).

5. Mr. A Hameed A Gaffar Memon (Serial no. 10 as stated in the Table at page 5 of this order) fraudulently transferred to himself (Transfer Deed No. 372328) 100 shares on September 20, 2005 belonging to Mr. Paresh S Barot by forging the signature of the genuine shareholder and dematerialized (DRN No. 239198) the same on October 22, 2005. When Mr. Paresh S Barot, the genuine shareholder applied for dematerialization (DRN No. 1118832) of his shares, his request was rejected on October 17, 2006 and he was compensated through an off-market

transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

6. Similarly, at Serial nos. 11 and 12 as stated in the Table at page 5 of this order, Ms. Fatema M Kothawala and Mr. Mukhtar Y Kothawala fraudulently transferred to themselves 200 shares (Transfer Deed No. 105723) belonging to Mr. Vikas Shah on July 19, 2005 by forging the signature of the genuine shareholder and subsequently dematerialized (DRN No. 228641) the same on August 20, 2005. When Mr. Vikas Shah, the genuine shareholder applied for dematerialization (DRN No. 3867826) of his shares, the said request was rejected on March 9, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

7. In Serial no. 12 as stated in the Table at page 5 of this order, Mr. Mukhtar Y Kothawala Noticee No. 16 herein fraudulently transferred to himself 500 shares (Transfer Deed No. 130035) belonging to Mr. Kamlesh Ambalal Patel on July 29, 2005 by forging the signature of the genuine shareholder and also dematerialized (DRN No. 231777) the same on September 14, 2005. When Mr. Kamlesh Ambalal Patel (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 22948) of his shares, his demat request was rejected on June 9, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex-employee of the company and Noticee No. 7).

8. Similarly, in Serial no. 13 as stated in the Table at page 5 of this order, Mr. Maksud Y Kothawala, Noticee No. 14 fraudulently transferred to himself 300 shares (Transfer Deed No. 130106) belonging to Mr. Sachin Arvindbhai Soni on August 04, 2005 by forging the signature of the genuine shareholder and dematerialized (DRN No. 233352) the same on September 21, 2005. When Mr. Sachin Arvindbhai Soni, the genuine shareholder applied for dematerialization

(DRN No. 14996) of his shares, his demat request was rejected on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

9. Serial nos. 13 and 14 as stated in the Table at page 5 of this order, Smt. Amena M Kothawala (Noticee No. 12) and Mr. Maksud Y Kothawala (Noticee No. 14) fraudulently transferred to themselves 400 shares (Transfer Deed No. 105744) belonging to Mr. Mool Singh on July 19, 2005 by forging the signature of the genuine shareholder and subsequently dematerialized (DRN No. 228640) the shares on August 20, 2005. When Mr. Mool Singh, the genuine shareholder applied for dematerialization (DRN No. 985939) of his shares, his demat request was rejected on October 17, 2006 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

10. Serial nos. 15 and 16 as stated in the Table at page 5 of this order, Mr. Yusuf U Kothawala (Noticee No. 17) and Mariyam Y Kothawala (Noticee No. 15) have fraudulently transferred to themselves 600 shares (Transfer Deed No. 130046) belonging to Mr. Bhavesh Vasantlal Dalal on July 29, 2005 by forging the signature of the genuine shareholder and subsequently dematerialized (DRN No. 231780) the shares on September 14, 2005. When Mr. Bhavesh Vasantlal Dalal (who was not aware of the fraudulent transfer) applied for dematerialization (DRN No. 759) of his share, his demat request was rejected on February 09, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

11. Serial nos. 16 and 19 as stated in the Table at page 5 of this order, Smt Mariyam Y Kothawala (Noticee No. 15) and Ms. Shirin T Sareshwala fraudulently transferred to themselves (Transfer Deed No. 105705) 200 shares belonging to Mr. Roopkumar Issrani on July 19, 2005 by forging the signature of the genuine shareholder and subsequently dematerialized (DRN No. 228642) the shares on August 20, 2005. When Mr. Roopkumar Issrani, the genuine shareholder applied for dematerialization (DRN No. 3807081) of his shares, his demat request was rejected on February 17, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company).

12. Serial no. 17 as stated in the Table at page 5 of this order, Mr. Nasir Malik, neighbour of the MD of the Company, Mr. Zafar Sareshwala had fraudulently transferred to himself 1000 shares (Transfer Deed No. 449130) belonging to Mr. B.J. Patel on June 6, 2005 by forging the signature of the genuine shareholder. These certificates so fraudulently transferred were then dematerialized by Mr. Nasir Malik vide DRN No. 223643 on July 14, 2005. As per the transfer register Nasir Malik's address is 11 - A Faize Mohammedi Society, Narayannagar Road Paldi, Ahmedabad – 380007 which is the same as that of Mr. Zafar Sareshwala, promoter and Managing Director of PCL.

13. Serial no. 18 as stated in the Table at page 5 of this order, Mr. Gulamrasul M Bombaywala (Noticee No. 6) had fraudulently transferred to himself 200 shares (Transfer Deed No. 105667) belonging to Mr. Dipak Kumar Rashiklal Shah on June 28, 2005 by forging the signature of the genuine shareholder and subsequently dematerialized (DRN No. 224618) the same on July 22, 2005. When Mr. Dipak Kumar Rashiklal Shah, the genuine shareholder applied for dematerialisation (DRN No. 3650988) of his shares, his demat request was rejected on February 17, 2007 and he was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Ex–employee of the company and Noticee No. 7 herein).

14. Mr. Abdulsamad Abdul Gaffar Memon (Noticee No. 10) transferred to himself on July 30, 2005, 500 shares of Muktaben Italia by forging the signature of the genuine shareholder. Further, these shares were also dematerialized on August 9, 2005. When Ms. Muktaben Italia, the genuine shareholder applied for dematerialization of her shares, her demat request was rejected on 12th March 2008 and she was compensated through an off-market transfer from the account of Mr. Mohammad Alibhai Kothawala (Noticee No. 7) (Ex–employee of the company) on 27th February 2008. Letter dated 12th March 2008 issued by Parsoli Corporation rejecting the request of Muktaben, off-market delivery instruction slip in favour of Muktaben dated 27th February 2008, Share Transfer Form dated 12th June 2005 bearing no. 105760 for transfer of 500 shares in the name of Abdulsamad Abdulgaffar Memon, dematerlisation request form dated 6th August 2008 of Noticee No. 10 for dematting the 500 shares were enclosed to the show cause notice and none of these documents have been disputed.

15. The shares of Mr. Javed Sonalkar were also fraudulently transferred in favour of Mr. Talha Sareshwala (promoter of PCL and Noticee No. 4) on August 04, 2005. These shares were dematerialized by Mr. Talha Sareshwala on September 14, 2005. When Mr. Sonalkar, the genuine shareholder presented the shares for demat vide DRN No. 1003811 on July 20, 2006, the request was rejected.

16. 500 shares belonging to Mr. Viond Bhai Ramji Bhai Parmar, one of the genuine shareholders, were fraudulently transferred in favour of Mr. Aslam Khan Pathan (Noticee No.11 herein) on June 21, 2005 through forged transfer deeds. Subsequently, Mr. Aslam Khan Pathan had also dematerialization the shares on July 07, 2005. When Mr. Vinod Bhai Ramji Bhai Parmar requested for dematerialized of shares on July 15, 2005, his request was wrongfully rejected by the Company on August 17, 2005 stating that his shares were already dematted as per the system. The demat request form of the genuine shareholder, forged

transfer deeds, letter rejecting the demat request of the genuine shareholder are contained in the Inspection Report.

17. 1500 shares of Mr. Arab Ahmed Bharuchi, one of the genuine shareholders, were fraudulently transferred in favour of Talha Sareshwala (Noticee No.4), promoter of the company on July 19, 2005 through forged transfer deeds. Subsequently, Noticee No.4 had also dematerialized the shares on August 13, 2005. When Mr. Arab Ahmed Bharuchi requested for dematerialization of shares on July 14, 2005 his request was wrongfully rejected by the company on August 17, 205 stating that his shares were by already dematted as per the system. The demat request form of the genuine shareholder, forged transfer deeds, letter by the company rejecting the demat request of the genuine shareholder are contained in the inspection report.

18. 300 shares of Mr. Gulam Rasul Abdul Latif Shaikh, one of the genuine shareholders, were fraudulently transferred in favour of Mr. Mohammed Alibhai Kothawala (Noticee No.7) and ex-employee of the company on June 14, 2005 through forged transfer deeds. Subsequently, Noticee No. 7 had also dematerialized the shares on July 07, 2005. When Mr. Gualm Rasul Abdul Latif Shaikh requested for dematerialization of shares on June 20, 2005 his request was wrongfully rejected by the company on August 06, 2005 stating that his shares were already dematted as per the system. The demat request form of the genuine shareholder, forged transfer deeds, letter rejecting the demat request of the genuine shareholder are contained in the Inspection Report.

19. 300 shares of Mr. Manish K Bhavsar & Mrs. Nayana Manish Bhavsar one of the genuine shareholders, were fraudulently transferred in favour of Mr. Mohammed Alibhai Kothawala (Noticee No.7), ex-employee of the company on June 28, 2005 through forged transfer deeds. Subsequently, Noticee No.7 had also dematerialized the shares on July 14, 2005. When Mr. Manish K Bhavsar requested for dematerialization of shares on July 01, 2005 his request was wrongfully rejected by the company on August 06, 2005 stating that his shares were already dematted as per the system. The demat request form of the

genuine shareholder, forged transfer deeds, letter rejecting the demat request of the genuine shareholder are contained in the inspection report.

20. 300 shares of Mr. Maimuna Mohd Siddiq Chaus, one of the genuine shareholder, were fraudulently transferred in favour of Mr. Mohammed Alibhai Kothawala (Noticee No. 7) on June 14, 2005 through forged transfer deeds. Subsequently, Noticee No.7 had also dematerialized the shares on July 07, 2005. When Mr. Maimuna Mohd Siddiq chaus requested for dematerialization of shares on July 14, 2005 his request was wrongfully rejected by the Company on August 20, 2005 stating that his shares were already dematted as per the system. The demat request form of the genuine shareholder, forged transfer deed, letter rejecting the demat request of the genuine shareholder are contained in the Inspection Report.

21. 100 shares of Mr. Dipak Shankarlal Shah, one of the genuine shareholders, were fraudulently transferred in favour of Mr. Mohammed Alibhai Kothawala (Noticee No. 7) on August 30, 2005 through forged transfer deeds. Subsequently, Noticee No. 7 had also dematerialized the shares on October 13, 2005. When Mr. Dipak Shankarlal Shah requested for dematerialization of shares on August 08, 2005 his request was wrongfully rejected by the Company on September 07, 2005 stating that his shares were already dematted as per the system. The demat request form of the genuine shareholder, forged transfer deeds, letter rejecting the demat request of the genuine shareholder are contained in the Inspection report.

Transfer of shares were effected even when the transfer deed did not contain any signature at all as in the case of transfer deed number 105794 of seller Prabhudas P. Prajapathi and transfer deed number 251129 of seller Himmatlal Gafoorbhai Ruparelia cited at page 24 of the inspection report. Again, when the shares were held in joint names in folio number V00223 and transfer deed number 340522 but the transfer deed contained signature of 1 shareholder only which was a forged

one, the transfer was approved. The transfer deeds with no signatures at all and with single signature in case of joint shareholders were cleared for transfer committee of the company.

The shares belonging to the genuine investors were fraudulently transferred to the promoters and its associates including the minor children of the promoter family by forged transfer deeds. The RTA who is supposed to verify the specimen signature did not do so because these records were not handed over to him by the company which is not disputed. This is with a view to facilitate the fraudulent transfers in favour of the promoters and their associates as aforesaid and the transfers were approved by the transfer committee consisting of the promoter directors. In the process, the genuine investors who never authorized such transfers in the first place were defrauded as it turned out that their signatures were forged and the transferees who are promoters and their related entities were benefited. Audit trial of the physical shares was erased because after getting the physical shares transferred to themselves & their associates the promoters have dematerialized the shares.

It is significant to note that the parties have not disputed the aforesaid transfer of shares in their favour. None of the documents enclosed to the inspection report in respect of each of the aforesaid fraudulent transfer like transfer deeds, demat requests, letters of company informing the genuine shareholders about rejection of demat requests but confirming off-market credits, etc. are disputed at any stage during the proceedings. However, they are relying on a Report submitted by M/s Harish P. Jain & Associates dated February 15, 2010 appointed by the Company to suggest that since none of the transferors have any grievance against the company or the promoters, they should be discharged. This report is dealt with in the subsequent paragraphs.

Comparison of the signature on the transfer deed with that of the specimen signature card was not done by the RTA as the company retained the specimen

signature cards with itself in violation of Regulation 53A of DP Regulations and the transfers were approved by the transfer committee of the company which consisted of the noticees 3 and 4 besides other directors. As can be seen, the fraudulent transfers have taken place in favour of the promoters belonging to the Sareshwala family and their front entities. The mischief lies in non-verification of the signature of the transferor as available on the transfer deed with that of the specimen signature card of the investor which is preserved and needs to be verified before clearing any transfer of shares.

In this manner, the fraudulent transfer of shares had taken place in favour of the promoters and their front entities as aforesaid. After getting the shares transferred to themselves or their associates, persons belonging to the promoter family, the shares were dematerialized and introduced into the system. It is only when the genuine investor submitted his application for dematerializing his shares that he was compensated by the company by way of off market credits so that they do not raise a hue and cry and to avoid regulatory intervention. These off market credits were from the accounts in which the earlier fraudulent transfers were received and mainly from the account of Mr. Mohammed Alibhai Kothawala (Noticee No. 7) who is an Ex-employee of the Company and from Mr. Talha Yunus Sareshwala, promoter (Noticee No. 4) who compensated Smt. Urmila M. Kachhapatel and Mr. Madhusudan M. Kachhapatel on 19th January 2006 for 100 shares. Similarly, Mr. Iftekhar Mohammed Yusuf Mansoori who had received 8,200 shares through fraudulent transfers to himself from 38 genuine shareholders had compensated 6 genuine shareholders for 3,100 shares and Mr. Gulamrasool Mohiuddin Bombaywala who had received 9,300 shares through fraudulent transfers to himself from 34 genuine shareholders had compensated 6 genuine shareholders for 2,100 shares through off-market credits. This establishes their complicity in the fraud as otherwise why would anyone let the shares move from their accounts to be credited to the accounts of the investors whose demat requests were rejected by the company. For instance, in the case of Smt. Urmila and Mr. Madhusudan Kachhapatel referred to earlier although the shares were transferred in favour of Mohammed A. Kothawala, Noticee No. 7 herein on 30th August 2005 and dematted

by him on 13th October 2005, the compensation for the genuine shareholders i.e. Urmila and Madhusudan had come from the account of Mr. Talha Yunus Sareshwala, promoter and noticee no. 4.

There is no explanation whatsoever for these credits from the persons who made these off-market credits. It is the case of the company and Mr. Zafar Sareshwala that these credits were made to buy peace and to avoid litigation.

SR. NO.	**Name of the investor**	**Name of the Transferee**	**Transfer Deed No. / bearing forged signature**
1.	Mr. Amitaben Narayan Bhai Parmar	Mr. A. Hameed A. Gaffar Memon (Noticee No.9)	304657
2.	Mr. Narayanbhai Kanjibhai Parmar	Mr. A. Hameed A. Gaffar Memon	304553
3.	Mr. Rajesh Jashwantilal Gandhi	Mr. Umar Uves Sareshwala (Son of Noticee No.3)	129292
4.	Mr. Bhavesh V. Dalal	Mr. Yusuf U. Kothawala (Noticee No.17) / Mariyam Kothawala (Noticee No.15)	130046
5.	Smt. Laxmiben R. Panchal	Mrs. Qudsiya Talha Sareshwala (Noticee No.4)	130177
6.	Smt. Shantaben D. Patel	Mr. Maksood Bhai Kothawala (Noticee No. 14)	130102
7.	Smt. Shantaben Shah	Mr. Mohammed A. Kothawala (Noticee	372367

		No.7)	
8.	Mr. Dipak R. Shah	Mr. Gulamrasul M. Bombaywala (Noticee No.6)	105667

The company vide its letter dated 25th February 2010 and 5th March 2010 has informed that they have lodged Police complaints against the fraudulent transfers. A perusal of these letters shows that all these complaints are lodged in the year 2010 and subsequent to SEBI Inspection and the interim order of the WTM. In this connection, it may be noted that although the fraudulent transfers had taken place in the year 2003 – 2005 and more particularly in the year 2005 the company has waited till 2010 to file the complaints. It appears that these cases are filed only after SEBI has completed inspection in the matter and it was also observed in the order dated February 20, 2009 of WTM that no complaints were so far filed. The inspection report also cites 8 instances wherein the genuine shareholders have confirmed to the inspection team that their signatures on the transfer deeds were forged in cases where the transfers have taken place in favour of the following noticees.

Copies of the statements of the aforesaid 8 investors were furnished to the company on 22nd August 2008. No dispute was ever raised by the parties in this connection at any stage of the proceedings in this regard.

SEBI vide its letter dated July 11, 2008 has asked the company to furnish information on the irregularities and the reasons for rejection of number of demat requests of the shareholders. No reply was received. Mr. Zafar Sareshwala, Managing Director of the company and Noticee No.2 has requested time till August 08, 2008 to submit the above information and documents but did not submit any information. It was submitted in the course of proceedings dated February 17, 2010 that it was an inadvertent mistake which could have been avoided.

This explanation in the face of serious irregularities involving fraudulent transfers of shares in favour of promoters through forged documents and subsequent demat of

the same without knowledge of genuine shareholders cannot be accepted as inadvertent mistake. The vital information relating to SEBI queries were not provided even after seeking extension of time thereby stonewalling further probe. The conduct of the Managing Director is reprehensible. It was his duty to co-operate and furnish the information sought by SEBI.

As per Section 11C of SEBI Act, 1992 it is the responsibility of every manager, Managing Director, Officers and other employees of the company and every intermediary referred to in Section 12 or every person associated with the securities market to preserve and produce to the investigating authority all the books, registers, other documents and furnish the information.

In this connection, it is useful to refer the Order of the Hon'ble SAT in M.A. No. 32 of 2010 in Appeal no. 57 of 2010 dated April 20, 2010 in ViKas Gourihar Nanvar Vs SEBI wherein it was observed by the tribunal as under:-

"It must be understood that the respondent Board as a market regulator cannot perform its statutory duties and obligations if the market players, like the appellant, refuse to co-operate when the former undertakes investigations. We do not know what would have been unearthed if the appellant had responded to the summons and furnished the information asked from him. Not responding to the summons is, indeed, a serious irregularity/ illegality which cannot be viewed lightly. The Parliament in its wisdom amended the provisions of the Act in the year 2002 and made the penalties more stringent so that they could act as a deterrent for the market players in this regard. The penalty provided under Section 15A of the Act is Rs.1 lac for each day during which the failure continues and it could have gone up to Rs. 1 crore."

In view of the above, it is established that Notice Nos. 1 to 3 have violated the aforesaid provision of the Act by not submitting the requisite information to SEBI on an important aspect.

Considering the number of instances in which the shares belonging to unsuspecting and gullible shareholders were fraudulently transferred to the promoters and their relatives, the rejection of demat requests without valid reasons, compensation from the

accounts of the noticees who had earlier received shares through forged transfer deeds, carrying out transfers of shares even in cases where there is no signature on transfer deeds and when there is only one single signature in case of joint shareholders as discussed earlier, the preponderance of probabilities suggest the complicity of the company, its MD, promoters & other noticees herein in the fraudulent scheme designed by the promoters who got the shares of unsuspecting and gullible shareholders transferred to themselves / front entities by using the transfer deeds containing the forged documents. It is, therefore, established that the noticees no. 2 to 17 have violated Regulations 3(a) to (d), 4 (1) & (2) (h) of SEBI (FUTP) Regulations, 2003.

Report of Harish P. Jain and Associates, Practicing Company Secretaries.

It was submitted that the company has appointed an independent Company Secretary for the reconciliation of the discrepancy in the share transfers as directed by the WTM in his order dated 20th February 2009 and accordingly public notices dated 22nd December 2009 were issued in newspapers calling upon the shareholders holding physical share certificates to approach the company to verify the “status of their holdings”. According to the learned counsel, 1655 letters were dispatched in respect of 906800 shares and there was no response from the shareholders indicating that there were no complaints from them. As regards the transfers that have taken place between 31st December 2003 and 31st December 2008, letters were also addressed by the company to the shareholders inviting their objections, if any, for the transfers made to be sent directly to the Company Secretaries. It was stated that there were 159 responses corresponding to 94,800 shares confirming no objection to the transfers. Finally, the report concluded that there were no objections received from any of the transferors for the transfer of shares made during the period under review i.e. 31st December 2003 and 31st December 2008. The same was also confirmed vide supplementary Report dated 15th February 2010 concluding that there was no objection for the transfers from the shareholders. In other words, it is the case of the company that since there were no responses from the

shareholders of the company who are still holding the shares in physical form to the public notices issued by the company it means that they have no grievances against the company. As regards fraudulent transfer of shares as alleged in the show cause notice it is the case of the Noticees herein that since there was 159 responses from the public confirming no objections to the transfers that had taken place between December 31, 2003 and December 31, 2008 it means that the transfers that have taken place in the said period are valid. A copy of this Report was sent to SEBI as it was not in possession of the said Report since it was filed by the defense in the course of adjudication proceedings and advised to make its submissions thereto. Shri Suresh Gupta, General Manager, (as he was then) stated in the adjudicating proceedings that after submitting the investigation Report he has become *'functus officio'* and did not offer any views thereto. Therefore, I now proceed to examine the said Report filed by the noticees in the Adjudicating proceedings.

The Practicing Company Secretaries in their Report dated 8th February 2010 have concluded that there were no objections received from any of the transferors for the transfer of shares that were affected by the Company between 31st December 2003 and 31st December 2008. Identical letters dated 11th January 2010 were sent to the concerned erstwhile shareholders (transferors) requesting to give their objections, if any, for the transfers already made. As per the Company Secretaries Report, 1655 letters were posted involving 906800 shares and 159 replies were received involving 94,800 shares communicating no objections to the transfers already made. Supplementary Report of the Company Secretaries dated 15th February 2010 also concludes with the same findings.

Further, the Company has published the following notice in the newspapers on 23rd December 2009 which reads as under:

"Parsoli Corporation Limited

Regd. Office:325, Amod Sadan, 402-403, 4th floor, Linking Road, Khar (West), Mumbai 40 052.

PUBLIC NOTICE

It has come to the knowledge that some quantities of fake, fabricated or non-genuine share certificates of our Company may be in circulation. Such certificates may be accompanied by old transfer deeds that are revalidated by the office of the Registrar of Companies.

Members of the public are informed to be cautious while dealing in or acquiring the Company's scrip (share certificates in physical form) investors may therefore get in touch with the Company for pre-verification about the genuineness and validity of transfer deeds, share certificates, transfer deeds, etc. and deal in Company is entitled to enquire from such buyers as to the source of acquisition, name & address from the party from whom acquired and consideration paid, mode & manner of consideration paid, date of acquisition, reason for delay, if any in lodging transfer deeds, and other relevant information to ascertain the genuineness (bonafides) of the transaction and thereafter only the Company will process the transfer documents.

Those shareholders who are holding shares in physical form may in their own interest, approach the Company of the following address within two weeks and verify their status of their holding from the Company.

Address: *Ms. Nazima Saiyed*
Parsoli Corporation Limited
4th floor, B- Sing, Shalimar Complex

Mahalaxmi Five Roads

Paldi, Ahmedabad 380 007.

This investor safety measure is contemplated to ensure that the Company accepts and acts upon only on valid, regular and genuine documents in the matter of share transfers and dematerialization requests of shares in physical form.

Place: Mumbai

Date: December 22, 2009 *For Parsoli Corporation Limited*

*Zafar Sareshwala**

Managing Director"

Harish P. Jain and Associates, Practicing Company Secretaries vide letter dated 15th February 2010 has certified that the aforesaid notice was published in the Ahmedabad Edition of the Indian Express on 23rd December 2009, Mumbai Edition of the Free Press Journal on December 23, 2009, Ahmedabad Gujarati Edition of the Gujarat Today on 23rd December 2009 and in SAKAL Mumbai Edition. He has also certified that the Company has not received any response to the aforesaid general public notice either from the members of public or from any shareholders of the company holding shares in physical form. It is not known as to how the Company Secretaries have certified that there were no responses as stated above when the newspaper publication extracted above advises

the public to approach Ms. Nazima Saiyed of the Company at Ahmedabad and not to the practicing company secretaries.

The public notice advises the shareholders who may be holding the shares in physical form to “verify the status of their holding” from the Company. What is the method and manner of such verification is not spelt out. Is the shareholder expected to send the original physical share certificate to the company for verification or is he required to mention the folio number and certificate number, name of the shareholder for verification? Further, the company being listed may have shareholders across the country. But the public wherever they may reside, were advised to “approach” its office in Ahmedabad. Is he expected to travel to Ahmedabad with physical share certificates for verification? Although its registered office is in Mumbai and as per the Companies Act the register of Members and other statutory records, are to be maintained at Mumbai, still the public were advised to approach its Ahmedabad Office. As already discussed no procedure for the method and manner of verification was prescribed to guide the public and therefore it is no surprise that there is no response to such a vague notice which does not spell out the steps to be taken by the public in this regard. No phone number, e-mail id or fax numbers were given to facilitate enquiries.

With regard to fraudulent transfers that have taken place between 31st December 2003 and 31st December 2008, as already discussed in the preceding paragraphs, it is an admitted position that there are no complaints from the affected shareholders whose shares were fraudulently transferred to the promoters and other noticees. This could be because whoever has complained was silenced by way of off-market transfer of shares from the noticees who had benefited from the earlier fraudulent transfers. None of the documents relating to fraudulent transfer of shares in favour of the noticees such as the transfer deed, DRF forms of genuine

investors, letter written by company rejecting the demat request of the genuine shareholders, letters informing of off-market credits to those who raised objections are disputed. All these documents are annexed to the inspection report which was already supplied to the defense as detailed earlier. It is only on conclusion of the inspection and passing of the interim order by SEBI that the company has started filing cases against the fraudulent transfers but not before. The company by not handing over the specimen signature cards of the shareholders to the common RTA appointed for the purpose has violated Regulations 53A of the SEBI DP Regulations. By retaining the specimen signature card with itself the stage is set for the fraudulent transfers in favor of the promoter families and their associates which followed soon.

The fraudulent transfers were further facilitated by the transfer committee of the company consisting of the promoters - directors which approved the same and also got the shares of the unsuspecting shareholders transferred to themselves besides their associates. The Transfer Committee had readily approved such fraudulent transfers without raising any questions whatsoever despite the glaring discrepancies in the signatures of transferors in large number of instances cited in the inspection Report and referred to earlier. Even in cases where the transfer deed did not contain any signature at all as in the case of transfer deed no. 105794 of seller Prabhudas P. Prajapati and transfer deed no. 251129 of seller HImmatlal Gafoorbhai Ruparelia, transfers were approved. Similarly where there was a single signature even when the shares were held in joint names as in folio numbers in V00223 and transfer deed no. 340522 such transfers were approved. Physical share certificates were destroyed by the noticees / transferees immediately thereafter by resorting to demat process and hence no scrutiny of the same could be made or audit trial maintained. The genuine shareholders unaware that their shares were already fraudulently transferred, when applied for dematerialization were told that their shares were already dematted as per

the records of the company but nevertheless the company had credited their accounts with shares in off-market transfers from the noticees who had earlier benefited from such fraudulent transfer ostensibly to buy peace and avoid litigation.

Under the circumstances, the said Report does not inspire confidence nor does it any way lessen the gravity of the misconduct or the acts of omissions and commissions so as to purge the serious irregularities committed by the noticees or cure the defects altogether. Hence, this Report cannot be treated as remedy for the malady and does not help the noticees.

Considering the number of instances in which the shares belonging to the unsuspecting public shareholders were fraudulently transferred in favour of the promoters and their associates (the noticees herein) the misconduct is repetitive in nature. The interse relationship of the noticees is mentioned in the show cause notice which is not disputed. The noticees acted in concert and co-operated with each other in a pre-mediated plan to deprive the genuine shareholders of the company whose shares were fraudulently transferred to themselves in a deceitful manner. Each noticee played his separate part in one integrated any united effort to achieve the common purpose in furtherance of the fraudulent scheme. Having regard to their close proximity and interse relationship, their conduct, their common interest and the part played by the noticees in the fraudulent transfer of shares in the unsuspecting shareholders it may be reasonable to infer that the noticees must be acting together. It would be difficult to access and convert into monetary terms the gains made by the noticees in the fraudulent acts with mathematical precision. More than the economic benefits obtained by the noticees in the transactions, it is the fraudulent acts and the modus operandi employed thereto in transferring the shares of the unsuspecting shareholders in a fraudulent manner to themselves by

the noticees which erodes the confidence of the investors in the market and calls for a deterrent penalty.

ORDER

Having regard to the nature and gravity of the charges established and after taking into account the factors contained Section 15J of the SEBI Act, 1992 and other statutory provisions I hereby impose the following monetary penalties in exercise of the powers conferred as Adjudicating Officer.

(i) a consolidated penalty of Rs. 25 lakhs on Parsoli Corporation Limited, Mr. Zafar Sareshwala, Managing Director and Mr. Uves Sareshwala, promoter / Director under Section 15A (a) of the SEBI Act, 1992 for the violation of Section 11C (2) and (3) of SEBI Act.

(ii) a consolidated penalty of Rs. 3 crores on the promoters' family of Sareshwalas comprising of (a) Mr. Zafar Sareshwala, Managing Director (b) Mr. Uves Sareshwala, (c) Mr. Talha Yunus Sareshwala and (d) Mr. Saleha Mohammed Yunus Sareshwala under Section 15HA of SEBI Act, 1992 for the violation of Regulations 3 (a) to (d), 4 (1) and (2) (h) of the SEBI (FUTP) Regulations, 2003 and under Section 19G of the Depositories Act, 1996 for the violation of Regulation 53A of the SEBI (DP) Regulations.

(iii) a consolidated penalty of Rs. 70 lakhs on the Kothawalas family comprising of (a) Mohammed Alibhai Kothawala (b) Amena Maksud Kothawala (c) Fatema Mukhtar Kothawala (d) Maksud Yusufbhai Kothawala (e) Mariam Yusuf Kothawala (f) Mukhtar Yusufbhai Kothawala (g) Yusufbhai Umarbhai Kothawala under Section 15HA of SEBI Act, 1992 for the violation of Regulations 3 (a) to (d), 4 (1) and (2) (h) of the SEBI (FUTP) Regulations, 2003.

(iv) a penalty of Rs. 10 lakhs each on (a) Gulam Rasool Mohiuddin Bombaywala (b) Iftekhar Mohammed Yusuf Mansoori (c) Aslamkhan Rehmatkhan Pathan (d) Abdul Hameed Abdul Gaffer Memon (e) Abdulsamad Abdul Gaffer Memon under Section 15HA of SEBI Act, 1992 for the violation of Regulations 3 (a) to (d), 4 (1) and (2) (h) of the SEBI (FUTP) Regulations, 2003.

The noticees shall pay the aforesaid amounts of penalty by way of demand draft in favour of "SEBI – Penalties Remittance to Government of India", payable at Mumbai within 45 days of receipt of this order. The said demand draft should be forwarded to the Officer on Special Duty (Investigations Department), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the noticees and also to SEBI.

Date: May 05, 2010 **S V KRISHNAMOHAN**

MUMBAI **ADJUDICATING OFFICER**