DIVISION CHIEF
INVESTIGATIONS DEPARTMENT

IVD/ID-7/SD/TN/ 46017/1 /2005
August 3, 2005

To,
Shri Chandrakant Mohanlal Sangani, Partners
Shri Pankaj Natwarlal Mavani,
Laxmi Movers,
Janta Chowk,
Junagadh
Gujarat – 363 001

Sub:- Show Cause Notice u/s 11(4) read with 11B of the SEBI Act, 1992 for violation of Regulation 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Markets) Regulations, 1995.

Investigations were initiated by Securities and Exchange Board of India (SEBI) into the affairs of M/s Dhanlaxmi Lease Finance Ltd, (hereinafter referred to as the Company) pertaining to the public issue of 31,00,000 equity shares of Rs. 10/- each of the company which opened for public subscription on November 21, 1995 and closed on November 24, 1995, being the earliest closing day. The said investigation was initiated on the basis of complaints received by SEBI, alleging several malpractices in the public issue such as making of multiple, fictitious and benami applications, acceptance of applications after the closure of the issue, as well as price rigging in the scrip and the possible violation of the provisions of Securities and Exchange Board of India Act, 1992 and various regulations made there under viz. SEBI (Insider Trading) Regulations, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

It is also noted that besides the investigation initiated by SEBI, other agencies such as Income Tax (IT) Department and CBI had initiated investigations in the said matter. During the course of these investigations, Shri Amit Shah & Mr Girish D Shah, who are brothers, were found to own eight companies, out of which two companies viz. Asiatic Infrastructure Shelter Ltd. and Atlantic Credit and Capital Ltd, were found to be engaged in financing activities such as making applications in public issues and financing on interest. It would be relevant to state here that during the course of the investigation conducted by SEBI, Shri Amit Shah, M/s S. R. Investments, M/s Akash Shelters and Finstock Ltd., Shri Kishor Barot and Shri Arvind K Shah were, vide an order of SEBI dated 13, May 1999, debarred from accessing the securities market for a period of 3 years effective from May 1999 on account of indulging in activities such as submission of multiple, fictitious and benami applications and/or unfair practices and price manipulation in the public issue and listed shares of M/s Dhanlaxmi Lease Finance Ltd.

From the statement recorded before the Income Tax Authorities, it is noted that Shri Amit Shah and Shri Girish D Shah admitted to have made 3460 multiple/benami applications in the public issue of M/s Dhanlaxmi Lease Finance Ltd. It was further admitted that payment for these applications was made through Account No 1686 of M/s Asiatic Infrastructure & Shelters Ltd, at Bank of Madura, Bhadra Branch, Ahmedabad and Account No 1671 of M/s Atlantic Credit & Capital Ltd at Vijaya Bank, Noble Building Branch, Ahmedabad. Furthermore, Shri Amit Shah and Shri Girish Shah also stated that an entry was passed in the name of Shri Kishor Barot in the books of M/s Asiatic Infrastructure & Shelter Ltd and M/s Atlantic Credit & Capital Ltd since public limited companies are not allowed to make applications in multiple names. They further admitted that the names and addresses mentioned in the 3460 applications were not genuine and the work of filing these applications was done by Shri Kishor Barot and Girdhar Patel of Kapadia Finance. It was also stated that cheques for making the applications were arranged by your firm for which your firm was paid a consideration of Rs 70,000/-.

Your firm has vide letter dated December 31, 2001, admitted that it handed over 1,000 cheques to M/s Asiatic Infrastructure and Shelters Ltd. Ahmedabad and another 2,300 cheques to M/s Atlantic Credit and Capital Ltd., Ahmedabad. Thus in all, 3,300 cheques, each for Rs. 10,000/- were stated to have been made in favour the Public issue of M/s Dhanlaxmi Lease Finance Ltd., to enable M/s Asiatic Infrastructure and Shelters Ltd., and M/s Atlantic Credit and Capital Ltd. to submit multiple/benami applications in the public issue of the company. Your firm has also stated that you have received a sum of Rs 33, 000/- as commission for issue of 3300 cheques.

Regulation 6 (a) of Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 clearly provides that no person shall in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities.

Thus by aiding and abetting the process of submission of multiple and benami applications, you have violated Regulation No 6 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

In view of the above, you are called upon to show cause, as to why directions in terms of Section 11B of SEBI Act read with Sec 11(4) (b) of the SEBI Act and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 including debarring your firm and its partners from accessing the securities market should not be issued.

Your reply together with documents, if any, should reach SEBI within 15 days of the date of this notice failing which SEBI shall be constrained to initiate action as aforesaid apart from any other action that it deems fit in the interest of investors and the securities market including initiation of prosecution under Section 24 of SEBI Act for violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.

In case you desire any personal hearing, the same shall be granted upon request from you.

Yours faithfully,

SANJIV DUTT