DEPUTY GENERAL MANAGER
INVESTIGATION DEPARTMENT

ID6/BM/CF/STEL/ 149221 /2009
January 01, 2009

Softrack Technology Exports Ltd.
6th Floor, Agarwal Complex,
C.G Road , Navrangpura,
Ahmadabad- 380009

Dear Sir,

Sub: Show Cause Notice under Sections 11 & 11B of Securities and Exchange Board of India Act, 1992 read with Section-12A of the SEBI Act, 1992 and Regulation 3 and 6 (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulation 1995 read with Regulation 3 (a) to (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 in the scrip of Softrack Technology Exports Ltd.

1. Securities and Exchange Board of India (SEBI) had conducted investigation in the scrip of Softrak Technology Exports Ltd. (hereinafter referred to as STEL) during January 1 2002 to July 31 2002.

2. The company, in its application to the exchange for the listing of preferential issue shares submitted the following as their share holding pattern:

	AS SUBMITTED ON 05/01/2002				**AS SUBMITTED ON 14/02/2002**			
Holding	**Before the first (Cybersoft) allotment**		**After the first (Cybersoft) allotment**		**Before the second (Pushpam) allotment**		**After the Second (Pushpam) allotment**	
	No. of Sec. Held	**(% Holding)**	**No. of Sec. Held (Lac shares**	**(% Holding)**	**No. of Sec. Held (Lac shares)**	**(% Holding)**	**No. of Sec. Held (Lac shares)**	**(% Holding)**
Promoters / directors	948000	26.33	948000	6.97	2000000	14.70	2000000	5.95
Body Corporates	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Indian public	2652000	73.66	12652000	93.03	11600000	85.30	31600000	94.05
TOTAL	**3600000**	**100**	**13600000**	**100**	**13600000**	**100**	**33600000**	**100**

The paid up capital of the company as on 01/01/2002 was Rs.33,60,00,000/- (3,36,00,000 shares of Rs.10/-). The above capital of the company consists of

3,00,00,000 shares allotted on a preferential basis (swap for consideration other than cash) as follows:

- 1,00,00,000 equity shares to M/s Cybersoft Infocomm Ltd. vide resolution under section 81(1A) of the Companies Act, 1956 passed on November 24, 2001, shares were allotted on December 11, 2001.
- 2,00,00,000 shares to M/s Pushpam Infotech Ltd. vide resolution under section 81(1A) of the Companies Act, 1956 passed on January 31, 2002, shares were allotted on February 14, 2002.

These shares are yet to be listed on the Exchange. Thus, the listed capital of the company at the Exchange during the investigation period was just 36,00,000 shares.

3. As per the details submitted for the year 1999-2000 it is seen that the company made a net profit of Rs.1.24 crores for the financial year ended March 2000. As per the provisional un-audited financial results of the company for the half year ended 30/09/2002 as disclosed to the exchanges along with the listing application, it is seen that the profit before tax (the company did not have provision for taxation in the half yearly report) had increased to Rs.35.75 lakhs from Rs.32.50 lakhs on the corresponding figures in the previous year. Since the company is not reachable, no further details could be ascertained. The company did not submit any quarterly or annual financial statements to BSE for the years 2000-01 or 2001-02.

4. The first preferential (swap) allotment of 100,00,000 equity shares made by the company to M/s Cybersoft Infocomm Ltd. on December 11, 2001 were allotted to the following entities who were claimed by the company as the shareholders of M/s Cyber soft Infocomm Ltd.

1	Rajesh M Jain	8	Varsha K Vakharia	15	Param S Shah
2	Dashrat K Kharti	9	Nitin Shah	16	Mahesh C Shah
3	Ganpat P Kharti	10	Naisharg K Vakharia	17	Himanshu S Pandya
4	Bharat M Jain	11	Manjulaben R Shah	18	Rajendra U Patel
5	Kiran K Karti	12	Dilip Gajjar	19	Sunil P Shah
6	Rajiv Acharya	13	Bharat Desai	20	Annu S Shah.
7	Kirit Vaghela	14	Dhirajlal P Mehta		

5 lakh shares were issued to each of the aforementioned entities. It is pertinent to note that the names of the friends and relatives of the Directors of the company as declared in the initial distribution schedule as filed by Softrak Technology Exports Ltd to Ahmedabad Stock Exchange on 2nd May 1994 shows that Varsha K Vakharia was declared as a Relative. It is also seen that Varsha K Vakharia & Naisharg K Vakharia are having common address.

5. The company filed its application for listing the shares of the Cybersoft allotment with the Bombay Stock Exchange on 22nd December 2001 for listing

the one crore equity shares of Rs.10/- each at par issued to the shareholders of Cybersoft Infocomm Ltd. for consideration other than cash on swap basis. The valuer of the company M/s. Apaji Amin & Co, Chartered Accountants, gave the share valuation report in which the exchange ratio of Softrak Technology Exports Ltd. to Cybersoft shares was calculated to be 10:1. The Ahmedabad Stock Exchange gave the in principle approval on 20th December 2001. BSE as part of listing formalities sought information from the company pertaining to the process by which it identified M/s Cybersoft Infocom Ltd., with whom the company signed MOU under swap scheme. Since the company did not reply to the letter of the Exchange, it appointed independent Chartered Accountant firm M/s Vasant Agre & Associates to provide opinion as to the fairness of the valuation and resultant swap ratio. The firm filed its report on January 9, 2003 stating that in their opinion the valuation of the shares would be Rs.11/- and Rs.31/- respectively and they reached at a fair swap ratio of 3:1 as against 10:1 as given by the company.

6. In the meantime, NSDL informed the Exchange that the company has dematerialized unlisted shares without obtaining in-principle approval from the Exchange. The Exchange advised the company to furnish the details of the dematerialized shares. Since the company did not furnish this information, the Exchange vide its letter dated 28th December, 2002 issued a show cause notice to the company as to why the action of withdrawing admission to dealings in the company's securities on the exchange be not taken. The company did not reply to the said show cause notice till 27th January, 2003. Thereafter the Exchange suspended trading in the securities of the company w.e.f. 29th January, 2003. The listing of the preferential issue of the company of 100,00,000 equity shares of the company was rejected by the Listing Committee of the exchange on the above grounds.

7. The company made a second preferential issue of 2,00,00,000 Equity shares of Rs.10/- each to the shareholders of M/s. Pushpam Infotech Ltd. (PIL) on 14th February, 2002, for consideration other than cash on swap basis. The allottees in the second Preferential (Swap) allotment were as follows.

1	Pankaj Jain	8	Rajesh Mehta	15	Pradip Jain
2	Dinesh Shah	9	Ronak Mehta	16	Sandeep Shah
3	Hitesh Shah	10	Naresh mehta	17	Pagnesh Tiwari
4	Purushotham Khatri	11	Rakesh Shah	18	Amul Patel
5	Sanjay Khatri	12	Vinod Jain	19	Rajendra Dhariwal
6	Ashok Jain	13	Kiran Mehta	20	Mahavir Shah
7	Nayan Jain	14	Deepak Shah		

Each person was allotted 10 lakh shares in this issue and the issue was for a total of 23 crore equity shares of Rs10/- per share issued on consideration other than cash basis.

The company vide its letter dated 22nd March, 2002 filed listing application with the Bombay Stock Exchange on 8th January, 2003. The BSE vide its letter dated 4th February, 2003 informed the company about the listing formalities to be complied with for the 2nd issue to which the company did not give any reply. The said shares were also not listed since the company did not complete the listing formalities. The two issues were done in a gap of just two months. Several inter-linkages were observed among the preferential allottees which are given in **Annexure 1.**

8. It is observed during the investigation that price of the scrip opened at Rs 1.80 on January 1, 2002, touched a high of Rs. 2.3 on January 7, 2002 and finally closed at Rs. 0.40 on July 31, 2002. The average quantity of shares traded during the period under analysis was 322928 shares. The price of the scrip increased from Rs. Rs. 1.80 (opening price on 1/1/2002) to Rs. 2.30 (high on 7/1/2002) and then gradually fell down to Rs. 0.70 (low on January 23, 2002), which is a fall of 69% in 13 trading days. The average volumes of shares traded during this period was 77176 shares. The price of the scrip decreased from Rs.0.70/- (3/4/2002) to Rs.0.40/- (11/4/2002), which is 42.85% fall in 7 trading days. The average volumes of shares traded during this period were 241134 shares.

9. The major brokers and the clients who traded during the investigation period (January 1, 2002 to July 31, 2002.) are as given below:

Member Broker	**Sub-Broker**	**Major Ultimate Client**	**Gross Purchase**		**Gross Sales**	
			Shares	***%***	***Shares***	***%***
Park light Investments Pvt. Ltd.		Ankit Jhaveri*	285053	0.59	14927712	31.21
		Nrupesh C Shah*			1988023	4.13
		Yogesh Bhavnagari*			3454658	7.18
		Yash Corporation			274313	0.57
	Total trading by broker		**296023**	**0.62%**	**20691706**	**43.00%**
ASE Capital Markets	Vasudev Gordhandas Dapki	Rajesh N Jhaveri (R006)*			892000	1.85
	Jaswantlal Vadilal Shah	Saumil Bhavnagari (S11)*			2003700	4.16
	Rajesh Jhaveri	Nrupesh C Shah*	31928	0.07	49982	0.10
		Rajesh N Jhaveri (Gautam Jhaveri)	34948		38054	
	Total trading by broker		**518930**	**1.08%**	**3305629**	**6.87%**
P. Suryakant	Shree Parshwa Finance (Prop: Piyush Jhaveri)	Ashish P Shah	10000	0.02	260500	0.54
		Fenil M Shah	1004011	2.09	1004976	2.09
		Kishore Corporation*		0.00	1050000	2.18
		Trading account	1071504	2.23	1091952	2.27
		Nrupesh C Shah*	146314	0.30	812586	1.69
	Total trading by broker		**2529550**	**5.26%**	**4452659**	**9.25%**
ICICI Webtrade		Total 273 clients.	10827004	22.50%	6555277	13.62%

Total traded quantity	**48116275**	**100%**	**48116275**	**100%**

*Shares were delivered by Gautam Jhaveri to the broker/ sub broker on behalf of their clients.
*183957 shares were sold by Parklight Investment Pvt. Ltd. in the client code of Rajesh N Jhaveri but contract notes were issued in the name of Ankit Jhaveri

10. Parklight Investment Pvt. Ltd. was the major broker having a net sale position of 76.42% of the total market net quantity. The net position of the brokers are given as **Annexure-2**. The total trading among the top ten members was 19356451 shares, which accounted for 40.22% of the market volume. Further, the trading of the members having more than 15 % counter party concentration was analysed. It was observed that while the selling was concentrated among a few clients and brokers, buying was scattered. Though the broker ICICI web trade had over 22.5% concentration on the buy side it is seen that the buying clients were scattered among 273 clients.

11. It is also observed from the table above that the major selling clients while having sold shares amounting to many times the total listed capital of the company had not made any major purchases in the scrip. The major sellers like Ankit Jhaveri had sold around 1.47 crore shares of STEL, however had bought just 2.85 lakh shares. Similarly other major clients like Yogesh Bhavnagari, Nrupesh C Shah, Saumil Bhavnagari, Rajesh N Jhaveri, Kishore Corporation etc. also did not buy any major quantity of shares while had sold large number of shares wherein only 36 lakh shares are listed in the exchanges.

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

    - None of the aforementioned entities except Gautam Jhaveri (proprietor of M/s Rajesh N Jhaveri) had received any shares through off- market transfers, nor had they delivered any shares to the respective brokers. Their delivery obligations were met through third party delivery by Shri Gautam Jhaveri (Rajesh N Jhaveri).

    - Gautam Jhaveri had received 23372565 shares from Rajesh Ranka (alias Rajesh Jain one of the preferential allottees) and 1109556 shares from some of the other preferential allottees in the scrip during the Investigation period.

    - Rajesh Ranka was holding 5 lakh shares from the preferential allotment and further received 7181980 shares from the preferential allottees of Cybersoft and 19000000 shares (on a single day) from the allottees of Pushpam.

- The preferential allottees had dematerialised the shares they had received in the allottments and had transferred these shares to Rajesh Ranka and Gautam Jhaveri as stated above.

- Shri Sunil Gaglani, the MD of the company STEL had received 10 lakh unlisted shares through off-market transfers from Rajesh Ranka and he sold the shares in the market (as third party delivery through the client Pravin Patel of the broker ARJ Securities Ltd.).

- Hence, out of the total preferential allotment of 3 crore shares, 2,46,77349 shares were received by Shri. Gautam Jhaveri. From the Demat account of Shri Gautam Jhaveri it is seen that he had met delivery for the brokers Parklight Investment Pvt. Ltd. (2,05,34,963 shares) and ASE Capital Markets (20,00,000 shares) and sub-broker Shri Parshwa Finance (12,68,286 shares). As stated earlier the preferential shares issued and allotted were unlisted and hence unlisted shares were offloaded in the market.

The details of the transactions from preferential allottees to the market are shown in a tabular form is given in **Annexure-3.** The detailed examination of such transfers is given in **Annexure-4**

On further examinations of the Demat accounts of the preferential allottees in the scrip, the following is observed-

- Demat accounts were opened in the name of the preferential allottees with Stock Holding Corporation of India Ltd. The accounts were opened in close proximity to each other and were opened just about the time of the allotment. All the Demat accounts were opened using the employee ID cards of the Cybersoft Infotech and one Ranka Finance, which had the same address as that of Rajesh Ranka, one of the preferential allottees.

- The Demat accounts in the name of the entities that got allotment in the second allotment were opened with the common address of Ranka Finance using the employee ID card of Ranka Finance. Investigation reveals that this address belongs to Rajesh Ranka who also got allotment in the first preferential allotment (of 1,00,00,000 equity shares) in the name Rajesh M Jain. The summons/ letters sent to these entities at the address mentioned in the Demat accounts were returned by Shri Rajesh Ranka claiming that he had nothing to do with these accounts. The summonses were also sent to these entities at the addresses, as filed by the company with the exchange for getting listing permission, which came back undelivered. ASE also reported that none of these addresses are correct and some other persons are residing at those addresses for quite some time.

- Rajesh Ranka opened Demat Accounts in two names, one as Rajesh Ranka and the other as Rajesh M Jain. As per the details submitted by the company to the exchanges, both these names appear in the top 50 share holder list.

- The Bank account numbers obtained from the KYC filed for opening the Demat accounts of these allottees were also found to be non-existent. Some of the banks submitted that they don't even have the serial numbers of the bank accounts as mentioned in the Demat account opening forms.
- In one case Demat accounts were opened for the same person (same photo) in different names, both using the employee ID card of the same company i.e. Cybersoft Infocom. The addresses obtained from the documents filed by the company for listing application are found to be fictitious. Similarly DP opened two accounts for Rajesh Ranka in the names Rajesh M Jain and Rajesh M Shah both using copy of using the copy of driving licence. The KYCs are given in **Annexure- 6**.
- It is seen that 16 of these Demat accounts were opened during December 15 to December 18, 2001 (2 accounts on December 15, 5 accounts on December 16, eight account December 17 and one account on December 18, 2001). All these entities had used the employee IDs of Cybersoft Infocomm. Nine of these accounts openings were witnessed by one person. As stated by SHCIL, the transaction charges for the 16 Demat accounts were paid by one cheque (No.045477 for Rs.3990/-) drawn on Standard Chartered Bank. On examining the copy of the account opening form submitted by The Standard Chartered Bank vide its letter dated April 8, 2005 (**Annexure-7**) it is observed that the cheque was issued from the account of Bharat Desai and the account was introduced by Rajesh Ranka. In the account opening form, Rajesh Ranka is mentioned to be the uncle of Bharat Desai in the relationship column. Hence it is clearly evident that the all these accounts are related to Rajesh Ranka. In the remaining Demat accounts the transaction costs were paid by cash payment.

  The observations in the two preferential allotments (swap) by the company are given in **Annexure -8.**

13. Summons were issued to the preferential allottees, at the addresses disclosed by the company to BSE, to submit details like reason for opening the Demat accounts using the employee identity cards of Ranka Finance or Cybersoft Infocom, whether they were actually allottees in swap allotements or whether they had any stake in Cybersoft Infocomm or Pushpam Infotech or Softrak Technology Exports Ltd. (prior to the allotment), and the reasons for the transfer of shares to Shri Rajesh Jain/ Rajesh Ranka or Gautam Jhaveri. Summons were delivered to the allottees Naisharg K Vakharia, Varsha K Vakharia, Rajiv Acharya, Himanshu Pandya, Dashrat K Khatri, Kiran K Khatri, Ganapat K Khatri and Purushotam Khatri through ASE, however, neither did anyone appear before the Investigating authority nor did anyone reply to the

summons. As the second summons sent at their addresses through registered post came back undelivered the summonses were sent through ASE to be delivered to the aforementioned entities, however, they (or their family) refused to accept the summonses and the same was reported by ASE to SEBI. It is thus clear that they were intentionally refusing to co-operate with the SEBI Investigation. Except the above allottees, the other summons came back undelivered. As stated above, ASE also could not trace out the entities. Further the Bank accounts as mentioned in the KYC do not exist at all. Some of the banks mentioned there in informed SEBI that they do not have those serial numbers of Bank accounts.

14. Summons was issued to the company for submitting details/ documents like share holding pattern of the company, details of the promoters of the company, relationship of the promoters of the company with preferential (swap) allottees, reasons for dematerializing the shares without obtaining in principal approval from all exchanges where it is listed, who approved the dematerialization, details of the directors of Cybersoft Infocomm and Pushpam Infotech and also of the preferential allottees, copies of Memorandum and articles of association and registration certificates of Cybersoft and Pushpam etc. The summons was affixed at the premises of the company through ASE and alternate delivery was effected by posting in SEBI website. However no reply was received.

15. Shri Sunil Gaglani, the managing director of STEL, confirmed that he received 10,00,000/- shares in an off-market deal from Rajesh Ranka. He sold these shares (as third party delivery for Pravin Patel) in the BSE through ARJ Securities. Sunil Gaglani stated that he was helping Sri.Rajesh Ranka to sell the shares. While executing these trades Shri.Gaglani was well aware that the shares were not listed in the market, as he was the person who was coordinating with BSE with regard to listing of these shares which he sold. He stated that on the basis of listing permission obtained by the company from ASE the shares were dematerialised. It is seen that ASE had given only conditional listing permission, stating that the actual dealing would be permitted only after obtaining listing permission from other exchanges. BSE did not give the listing permission, but by then the shares were dematerialised. It is further seen that among the first preferential allottees (Cybersoft shareholders) there were two entities whose addresses were same as that of Mr. Sunil Gaglani. The letters/ summons could not be delivered at the address and ASE reported that no such person is residing there. DP accounts of these entities were opened using an employee ID card of Cybersoft Infocomm Ltd. and the shares dematted were sent to Rajesh Ranka in off market trades and the shares ultimately went to the market.

16. Shri Sunil Gaglani had claimed that he had resigned from the office of the company and was just acting as a consultant to the company. However he did not give the date of resignation. Upon verifying the records it is seen that on

June 1, 2002 Sunil Gaglani (PAN: AEBPG9442F) had sent a letter to BSE giving the details of the directors wherein he is a director in Softrak Technology Exports Ltd. Also as per the details reported to the exchange on July 31, 2002 it is seen that Sunil Gaglani appears as the promoter/ persons having control in the company. Since the company is not having any Registrar & Share Transfer agents, the company and its managing director is responsible for the unauthorized dematerialization of shares. The addresses of the entities in the Pushpam Allotment as disclosed by the company to the exchanges are found to be fictitious addresses. The report by ASE is given in **Annexure-9**. Since further details/clarifications were required summons were issued to Sunil Gaglani to submit the details like reason for preferential allotment made within short period of two months, copy of minutes of the EGM that approved the swap issue, reasons for selling the unlisted shares in the market, his relationship with various entities involved, details of financial arrangement with Rajesh Jain (Ranka), documentary evidences on his claim that Rajesh Ranka was dealing the scrip on commission basis etc. While the first summon issued on December 19, 2007 was delivered to him by ASE, subsequent summons sent to him through registered post at the same address came back undelivered. When ASE went to deliver the same to him, he refused to accept the same.

17. The scheme of manipulation in the scrip Softrak Technology Exports Ltd. which involved the share-swap acquisition of two unlisted companies by STEL within a gap of two months, unfair valuation of shares and swap ratio, allotment of shares (preferential-swap) to fictitious entities, opening of the DP accounts by using fictitious names, addresses and bank accounts, dematerializing the shares by obtaining conditional permission from ASE and off-loading these unlisted shares in BSE through web of off-market transfers and third party deliveries, intent to defraud innocent and gullible investors and therefore, the above acts of yours are in violation of Section-12A of SEBI Act, 1992 and Regulation 3 and 6 (a) of SEBI (PFUTP) Regulation 1995 read with Regulation 3 (a) to (d) of SEBI (PFUTP) Regulations 2003

18. You are hereby required to show cause as to why suitable directions under Section 11 read with Section 11B of the SEBI Act, 1992 should not be passed against you for the abovementioned acts of omissions and commissions including restraining you from buying, selling or otherwise dealing in the securities market. The noticee No. 1 is also called upon to show cause as to why further directions should not be passed against him directing him to buy back the unlisted shares of the company. You are advised to submit your reply within 21 days of receiving this Show Cause Notice. You may also indicate in your reply whether you are desirous of personal hearing before the board.

19. Further, it is informed that “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 you wish to avail the consent process, you

may apply in the prescribed form given in the said Circular. Your application should be forwarded to the address mentioned in the said Circular under intimation to the undersigned."

Yours faithfully

BARNALI MUKHERJEE

Encl: a/a