

KS/DEMAT/79/06

February 27, 2006

Mr. Vijay Shankar Tiwari
Director
Central Bureau of Investigation
New Delhi

Sub: IPO-Demat Scam

Ref: Our letter ref: IGF/DEMAT/71/06 dated 23.2.2006

Dear Sir,

We appreciate the CBI and SEBI for initiating action against so-called "investor" of the IPO-Demat Scam. As mentioned in our previous letter dated 23.2.2006, the word "financier", "off-market trading" are not correct words/phrases. Actually, the investors have entered into an informal arrangement directly with so-called Panchals, fictitious Demat account holders and, in some cases, through brokers/brokers' investment companies/shell companies. The modus operandi and arrangement is very clear. Investor shall invest in the IPOs by using fictitious Demat accounts. The fictitious Demat account runner, i.e. Panchal, shall charge transaction fee or, in some cases, shall share profits/accounts/allotments.

We have interacted with several people and it is now crystal clear that the names mentioned in IDFC and YES Bank Orders of SEBI are investors. They colluded with the scamsters. They are co-conspirators. We would request you to recheck the findings of SEBI in the IDFC Order :

- Page 1 Para 1.2 : "These fictitious/benami allottees had transferred shares to their Principals who in turn transferred the shares to the financiers that had originally made available the funds for executing the game-plan."
- Page 6 Para 4.4 (1-10): The companies named from 1 to 4 belong to Dhiren Vora/H. Nyalchand & Co.? According to our information, these are shell companies created by Voras.
- Page 6 Para 4.4(6) : Welvet Financial company's address at Malwani, Mumbai, is fictitious address. It is slum. IGF team visited the place. It is proved that it is a bogus, benami investment company.
- Page 7 : The Chart clearly gives the picture of the route movement of allotments/shares.
- Page 8 Para 4.5 : Gives details about the transfer of allotted shares before the date of listing. These are not off-market transactions – that is the wrong word. It is a pre-arranged delivery modus operandi. Off market transaction prices vary. For that no need of giving advance. No need of flimsy fictitious shell companies layer. It is the transfer of allotment to the actual beneficiary/investor.

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- Page 14 Para 9.5(5) : Dushyant Natwarlal Dalal has been arrested by the CBI. He is to be treated as an investor and one of the conspirators.
- Page 23 Para 6.2(1, 2, 7, 8, 12, 16) : The chart clearly shows the relationship, intention of the investor. Roopalben Panchal received finance from the investors via Zenet Software/Vora's company. In turn, deliveries of the allotted shares were as per the pre-arrangement back to the investor via a flimsy layer.
- SEBI has gone into detail and has shown in detail flow of shares/allotment to the investors. If, in similar manner, flow of funds chart is prepared, the regulator/investigator will find the same pattern.
- Page 41-42 Para 11.21 : "Since Roopalben Panchal and Sugandh have in turn transferred the shares to various other entities, it is suspected that Roopalben Panchal and Sugandh were themselves merely a front for financiers (investors)."
- Page 43 Para 11.27: The entire game plan, craftily designed, masterminded and executed by a coterie of operators acting in concert, in a tout ensemble through the mechanism of front entities of name-lenders seeking to impact a veneer of acceptability to a deal which is otherwise...."
- Page 45 Para 12.3 : "The following entities are directed not to buy, sell or deal....
Names of 35 entities involved"

While appreciating SEBI and CBI for initiating criminal action against the scamsters, we would again insist and would like to know, while CBI raided offices of various entities named in SEBI's order including few of the investors, why others have been spared.

CBI-SEBI had also arrested investor, why other investors have been spared.

We would request justice to the Small Investors. All those who are party to the Scam and have looted the Small Investors quota, should face action of Government and Regulators. We once again demand criminal action against the conspirators including the investors.

Thanking you,

Yours truly,



DR. KIRIT SOMAIYA – Ex MP
President, Investors' Grievances Forum

KS/DEMAT/79/06

February 27, 2006

Mr. B.B. Mishra
Joint Director
Central Bureau of Investigation
New Delhi

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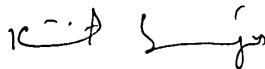
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