



February 13, 2006

Maj.Gen. B .C. Khanduri
Chairman
Parliamentary Finance Committee
New Delhi

**Sub: Request to Finance Committee to take up the Issue
Concerning 5 crore shares belonging to Small Investors**

Ref : Demat Scam – Protection of Rights & Interest of Small Investors

Dear Sir,

You are aware that a major scam has taken place during the years 2004 and 2005 in the Public Issues of more than 53 companies. SEBI has completed investigation of Demat Scam in two IPOs – YES Bank and IDFC. In its Order, SEBI has come to the conclusion that, with the help of more than 50,000 bogus/fictitious Demat accounts, Roopalben Panchal, Purshottam Budhwani, Sugandh Investment, Manojdev Seksaria have siphoned off 5 crore shares of Small Investors and earned huge profit.

RBI, in its preliminary findings, has also levied penalties on 7 Banks. The conclusion of RBI findings is horrible. Hundreds of crores of Rupees loans/IPO financing have been done to lakhs of fictitious bogus applicants even without opening of Bank accounts.

In the recent report submitted by NSDL to SEBI, NSDL has stated that 1,00,982 such accounts are existing for more than 18 months. Modus operandi proves that more than 5 crore shares belonging to Small Investors quota have been siphoned off by these four major operators/investors.

We have taken up the issue with all the concerned authorities including SEBI, RBI, Dept. of Company Affairs, Finance Ministry, NSDL, CDSL, BSE, NSE, Economic Offences Wing of Gujarat and others.

This being the biggest Public Issue/IPO scam of the Indian Capital Market, we would request the Finance Committee to please take up this issue.

In our representation to all the above, we have requested –

- i) Small Investors' shares, siphoned off by the scamsters, be recovered and redistributed to Small Investors.
- ii) The profit earned by the scamsters be recovered and redistributed to those Small Investors whose applications got suffered.
- iii) Heavy financial penalties be levied.

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- iv) The amount be deposited in Investors' Education & Protection Fund.
- v) Criminal action against the scamsters under Sec.68A of the Companies Act (for making application under fictitious name, imprisonment upto 5 years).
- vi) Criminal action against the scamsters under IPC 120B and 420.
- vii) Action against the Banker, the DP and the Registrar.
- viii) Study the failure of surveillance and vigilance system, negligence of the Regulators.
- ix) Directives to the concerned Departments, Regulators to coordinate the investigation. Help of Serious Fraud Office, CBI may be taken.
- x) Suggestions for corrective action for the future.

We are enclosing herewith 2 memoranda submitted to the Finance Ministry and also to SEBI. Also enclosed is the Booklet "Story of Demat Scam" released by the Hon'ble Minister for Company Affairs, Mr. P.C. Gupta, on 11th February 2006 at Mumbai.

We are ready to come and meet you in person and explain in detail the modus operandi and the measures required to protect Small Investors.

Thanking you,

Yours truly,

SHAILESH GHEDIA

Vice President