BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NOs. PG/AO – 18 - 25/2011]

UNDER RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

Sicorp Finlease Ltd.
(PAN AABCS1710E)
and its director Shirish Shah
(PAN ACFPS7005L)

Sandhya Shirish Shah
(PAN AJWPS1055Q)

Pravina Chandrakant Shah
(PAN AJWPS1056P)

Prasad Tandel
(PAN ACSPT7007J)

Prashant Narvekar
(PAN ADDPN6760C)

Ashok Sonu Bhagat
(PAN AFTPB6492F)

Prakash D'souza
(PAN AFNPD1833Q)

Rajesh Panchal

In the matter of
M/s. G-Tech Info Training Limited

Facts of the case in brief

1. The shares of M/s. G-Tech Info Training Ltd. (hereinafter referred to as **"G- Tech / Company"**) are listed at Bombay Stock Exchange (hereinafter referred to as **"BSE"**) and Ahmedabad Stock Exchange (hereinafter referred to as **"ASE"**). Financial results of the Company for the quarters ended June, September and December 2003 and Annual Results showed profits for the first three quarters of the year 2003-2004, however, the Company reported a loss of ₹ 2,32,157/- for the year ended March 2003 and the accumulated losses up to the year ended March 2003 were ₹6,47,75,067/-.

2. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) received an investor complaint dated January 05, 2004 alleging that the dematerialization requests of shares were deliberately turned down to create artificial scarcity of floating stock in the scrip in order to manipulate the share price of the company. SEBI conducted investigation into the affairs, trading and dealings in the said scrip for the period July 01, 2003 to December 31, 2003 (hereinafter referred to as **"investigation period"**). The role of brokers and their clients who had traded in the scrip was scrutinized. It was observed during the investigation that certain entities had indulged in manipulative trading in the shares of G-Tech in such a manner that led to reduction of floating stock and increase in the price of the scrip.

3. The price of the scrip had moved from a low of ₹ 13.45 to a high of ₹ 48.95 during the period July 2003 to December 2003. The price rise in the scrip appeared to be mainly due to the buy orders of connected clients viz. Sicorp Finlease Ltd. (hereinafter referred to as **"Sicorp"**) and its Director, Shirish Shah (hereinafter referred to as **"Shirish"**), Sandhya S Shah (hereinafter referred to as **"Sandhya"**), Pravina C Shah (hereinafter referred to as **"Pravina"**), Prasad Tandel (hereinafter referred to as

“Prasad”), Prashant Narvekar (hereinafter referred to as **“Prashant”**), Prakash D’Souza (hereinafter referred to as **“Prakash”**), Rajesh Panchal (hereinafter referred to as “**Rajesh**”) and Ashok Sonu Bhagat (hereinafter referred to as **“Ashok”**) {hereinafter collectively referred to as **“Shah Group”}**. The said clients, Shah Group dealt through six BSE members viz., Action Financial Services Ltd. (hereinafter referred to as **“Action”**), KNC Shares and Securities Private Limited (hereinafter referred to as “**KNC**”), Networth Broking Ltd. (hereinafter referred to as **“Networth”**), Ruchiraj Shares and Stock Brokers Private Limited (hereinafter referred to as **“Ruchiraj”**), DPS Shares and Securities Pvt. Ltd. (hereinafter referred to as **“DPS”**) and Ajmera Associates P. Ltd. The list of brokers, clients and their codes are tabulated as under:

Client Name	Client Code	Broker Name	Broker Code
Pravina	406871	Action	D0444
Prasad	406910		
Ashok	A007	KNC	D0394
Sicorp	4615	Networth	D0197
Sandhya	66001	Ruchiraj	D0380
Prakash	66002		
Rajesh	R038 and R048	DPS	D0151
Prashant	P152	Ajmera	D0911

The price of the scrip of the Company fell when these members/clients were absent from the market. Buying concentration of more than 95% was observed among these members/clients during the period of price rise.

4. It was observed that while M/s Adroit Corporate Services Pvt. Ltd. Registrar and Share Transfer Agent (hereinafter referred to as **“RTA”**) was appointed, G-Tech did not hand over the work relating to physical transfer of shares to RTA even after the same was brought to the notice of G-Tech by RTA on several occasions. Directors of the company themselves along with other connected entities/individuals bought large quantities of G-Tech shares and subsequently rematerialized the same when the physical share transfer work was handled by the company in-

house with the same directors being authorized to confirm rematerialization-dematerialization of shares. It was alleged that this was done in order to reject dematerisation requests placed by other shareholders. It was further alleged that shares purchased by Shah Group were being rematerialised easily while dematerialization requests of other shareholders were being rejected.

5. (i) It was alleged that **Shah Group** had violated the provisions of regulations 3 (a) & (c), 4 (1) & 4 (2) (a), (b), (e) & (g) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**) and regulation 10 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as **"SAST Regulations"**). The allegations, if proved, make the Shah Group liable for monetary penalty under sections 15H (ii) and 15HA of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**).

(ii) It was alleged that in addition to the above, Sicorp & Shirish, Sandhya, Pravina, Prasad, Prashant and Rajesh have violated regulation 3 (b) of PFUTP Regulations.

(iii) In case of Rajesh, it was further alleged that he had violated regulation 7 (1) of SAST Regulations and regulations 13 (1), (3), & (5) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as **"PIT Regulations"**) in addition to the violations mentioned above at para 5 (i).

(iv) In case of Ashok it was alleged that in addition to the above mentioned violations at para 5 (i), he had violated regulation 3 (d) of PFUTP Regulations, regulations 7(1) and 7(1A) of SAST Regulations and regulations 13 (1), (2), (3), (4) & (5) of PIT Regulations.

(v) Also in case of Prakash, in addition to the above mentioned violations at para 5 (i), it was alleged that he had violated regulation 3 (d) of PFUTP Regulations and regulations 13 (4) & (5) of PIT Regulations.

Appointment of Adjudicating Officer

6. Mr. V.S. Sundaresan was appointed as Adjudicating Officer vide order dated March 28, 2008 under section 15 I of SEBI Act read with rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **"Rules"**) to inquire into and adjudge the alleged violations of the provisions of PFUTP Regulations, PIT Regulations and SAST Regulations. Consequent upon the transfer of Mr. V.S. Sundaresan, vide order dated November 12, 2009 I have been appointed as Adjudicating Officer.

Show cause notice, hearing and reply

7. Show cause notice (hereinafter referred to as **"SCN"**) dated July 29, 2008 was issued to Shah Group entities under rule 4 (1) of the Rules to show cause as to why inquiry should not be held and penalty be not imposed under respective sections of SEBI Act for the alleged violations specified in the said SCN. No reply was received for the said SCN.

It may be added that Sicorp & Shirish, Sandhya and Pravina filed consent applications, which were rejected. In the interest of natural justice, they were given opportunity of personal hearings which were scheduled for November 17, 2009, November 25, 2009 and December 17, 2009. However, as requested by them personal hearing was conducted on December 21, 2009 wherein Shirish represented Sicorp, Sandhya and Pravina.

8. Shirish also filed written response dated December 31, 2009 for Sicorp, Sandhya and Pravina wherein he admitted that he is a Director of Sicorp; Sandhya is his wife while Pravina is his mother. Other than these he denied being connected to any of the persons / entities mentioned in the SCN. Shirish denied violating SAST Regulations or PFUTP Regulations as alleged in the SCN and stated that material based on which SCN was issued was not provided to them. Shirish stated that SAST Regulations were not violated as shares were bought and sold and as such there was no violation of regulation 10 of SAST Regulations. In support of this, a detail of shareholding of Shah Group entities including remat shares was submitted.

9. Prasad vide letter dated November 5, 2008 informed that he is desirous of making a consent application. Consent application filed by Prasad was rejected. Hence in the interest of natural justice, opportunities of personal hearings were granted to Prasad on November 17, 2009 then on November 25, 2009 and later on December 17, 2009. Prasad vide e-mail dated December 16, 2009 requested for personal hearing to be postponed by 15 days. Accordingly hearing was rescheduled to January 7, 2010 however Prasad vide e-mail dated January 6, 2010 requested for hearing to be postponed to January 11, 2010. Prasad himself attended personal hearing on January 11, 2010 along with advocate and submitted that he only traded with profit motive and that he never held more than 15% of share capital of G-Tech as alleged in the SCN and hence has not violated SAST Regulations. With regard to violation of PFUTP Regulations, he submitted that he has not been instrumental in any manipulation as alleged. He also denied being associated with any other person.

10. In case of Prashant, he did not reply to SCN however he made a consent application which was rejected. In the interest of principles of natural justice, Prashant was granted an opportunity of personal hearing on November 17, 2009, November 25, 2009 and December 7, 2009. In

response Prashant vide letter dated December 3, 2009 informed that he is desirous of making a consent application and sought for 3 weeks time. However no information was received from SEBI confirming that Prashant had filed consent application. Prashant vide letter dated January 7, 2010 requested for hearing to be postponed to January 11, 2010. Prashant himself attended personal hearing on January 11, 2010 along with advocate, R. Krishnan and submitted that he only traded with profit motive and that he never held more than 15% of share capital of G-Tech as alleged in the SCN and hence has not violated SAST Regulations. With regard to violation of PFUTP Regulations, he submitted that he has not been instrumental in any manipulation as alleged. He also denied being associated with any other person.

11. In case of Prakash, in response to SCN, Prakash vide letter dated November 7, 2008 stated that he is desirous of filing consent application. He made a consent application which was rejected. Hence in the interest of natural justice, an opportunity of personal hearing was granted on November 16, 2009, November 24, 2009 and on December 4, 2009. In response Prakash vide letter dated December 3, 2009 and once again stated that he is desirous of making consent application and sought for 3 weeks time. Accordingly hearing was rescheduled to January 8, 2010 however Prakash vide letter dated January 7, 2010 requested for hearing to be postponed to January 11, 2010. Prakash himself attended personal hearing on January 11, 2010 along with advocate, R. Krishnan and submitted that he only traded with profit motive and that he never held more than 15% of share capital of G-Tech as alleged in the SCN and hence has not violated SAST Regulations. With regard to violation of PFUTP Regulations, he submitted that he has not been instrumental in any manipulation as alleged. He also denied being associated with any other person. He further submitted that he was only a non-executive director and had resigned during investigation period.

12. With regard to Ashok, in response to SCN, Ashok vide letter dated September 29, 2008 informed that he is desirous of making consent application. The consent application was rejected. Hence in the interest of natural justice, personal hearings were scheduled for November 16, 2009. The notice intimating details of personal hearing was returned undelivered. Despite which Ashok was granted opportunities of personal hearing on November 24, 2009 and December 4, 2009. Once again Ashok, vide letter dated December 3, 2009, informed that he is desirous of making a consent application and sought 3 weeks to file the said consent application. However, no intimation was received from SEBI with respect to filing of consent application by Ashok hence yet anther personal hearing was granted to on January 8, 2010. On request of Ashok, personal hearing was conducted on January 11, 2010. Ashok attended the said personal hearing on January 11, 2010 along with advocate, R. Krishnan and submitted that allegations made in SCN were not substantiated and sought for the basis on which allegations were made. He denied violating SAST Regulations and that he acted in concert with others as alleged in SCN. He further submitted that he is non-executive director and had resigned during the investigation period. He had sought time till January 14, 2010 to reply to allegation of violation of regulation 7 (1A) of SAST Regulations. No further reply is received hence I am proceeding to pass this order on the basis of material available on record and submissions made by Ashok during personal hearing as mentioned above. He also denied being associated with any other person. He further submitted that he was only a non-executive director and had resigned during investigation period.

13. In case of Rajesh, no reply was received for the said SCN. However, in the interest of natural justice and in order to conduct inquiry as per rule 4(3) of the Rules, Rajesh was granted an opportunity of personal hearing on August 18, 2009 for which he did not appear. Another opportunity of

personal hearing was granted to him on September 15, 2009 which again he failed to avail. Consequent upon the transfer of Mr. Sundaresan, Rajesh was given another opportunity of personal hearing on November 24, 2009, but he again failed to appear. Despite the conduct of Rajesh, as brought out, one more opportunity of personal hearing was granted to him on December 4, 2009 for which he did not appear. While the SCN and the hearing notices were delivered, Rajesh did not reply nor was he present or represented by anyone for any of the hearings.

As per rule 4 (7) of the Rules, if any person fails, neglects or refuses to appear before the adjudicating officer, the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons therefor. As mentioned above, SCN and the hearing notices were served on Rajesh however, he did not make use of any opportunity to present his case either by way of written or oral submissions. Rajesh has not responded to SCN, was not present nor represented by authorized representative for personal hearing despite being well aware of the adjudication proceedings and having been given numerous opportunities. Therefore, I am left with no choice but to pass this order *ex-parte* based on the material available on record.

Consideration of issues and findings

14. The issues that arise for consideration in the present case are:

a). Whether the Shah Group had violated

i) regulations 3 (a), (b), & (c) and 4 (1) and 4 (2) (a), (b), (e), and (g) of PFUTP Regulations?

ii). regulation 10 of SAST Regulations

b). Does the violation, if any, on the part of Shah Group attract monetary penalty under sections 15H (ii) and 15HA of SEBI Act?

c). whether Rajesh had violated regulation 7 (1) of SAST Regulations and regulations 13 (1), (3), & (5) of PIT Regulations in addition to the violations mentioned above at para 5 (i) and liable for monetary penalty.

d) whether Ashok in addition to the above mentioned violations at para 5 (i), had violated regulation 3 (d) of PFUTP Regulations, regulations 7(1) and 7(1A) of SAST Regulations and regulations 13 (1), (2), (3), (4) & (5) of PIT Regulations and liable for monetary penalty.

e) whether Prakash, in addition to the above mentioned violations at para 5 (i), had violated regulation 3 (d) of PFUTP Regulations and regulations 13 (4) & (5) of PIT Regulations and liable for monetary penalty.

f) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

Before moving forward, it will be appropriate to refer to the relevant provisions which read as under:

PFUTP Regulations

"Prohibition of certain dealings in securities

3. *No person shall directly or indirectly—*

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*

(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

(2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely :—*

(a) *indulging in an act which creates false or misleading appearance of trading in the securities market;*

(b) *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate,*

depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

(c) … … ;

(d) … ….;

(e) any act or omission amounting to manipulation of the price of a security;

(f) … … ;

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;"

SAST Regulations

"Acquisition of 5 per cent and more shares or voting rights of a company

7. (1) Any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than five per cent or ten per cent or fourteen per cent or fifty four per cent or seventy four per cent shares or voting rights in a company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the target company are listed.

(1A) Any acquirer who has acquired shares or voting rights of a company under sub-regulation (1) of regulation 11, shall disclose purchase or sale aggregating two per cent or more of the share capital of the target company to the target company, and the stock exchanges where shares of

the target company are listed within two days of such purchase or sale along with the aggregate shareholding after such acquisition or sale.

"Acquisition of fifteen per cent or more of the shares or voting rights of any company

10. No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen per cent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the regulations."

PIT Regulations

Disclosure of interest or holding by directors and officers and substantial shareholders in listed companies - Initial Disclosure

13. (1) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company, in Form A the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of :—

(a) the receipt of intimation of allotment of shares; or

(b) the acquisition of shares or voting rights, as the case may be.

(2) Any person who is a director or officer of a listed company, shall disclose to the company in Form B, the number of shares or voting rights held by such person, within 4 working days of becoming a director or officer of the company.

Continual disclosure

(3) Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(4) Any person who is a director or officer of a listed company, shall disclose to the company in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25, 000 shares or 1% of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3) and (4) shall be made within 4 working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be.

SEBI Act

Penalty for failure to furnish information, return, etc.-

15A. If any person, who is required under this Act or any rules or regulations made thereunder,-

(a) *…..*

(b) *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;*

"Penalty for non-disclosure of acquisition of shares and take-overs

15H. *If any person, who is required under this Act or any rules or regulations made thereunder, fails to –*

(i) *…; or*

(ii) *make a public announcement to acquire shares at a minimum price; or*

(iii) *…; or*

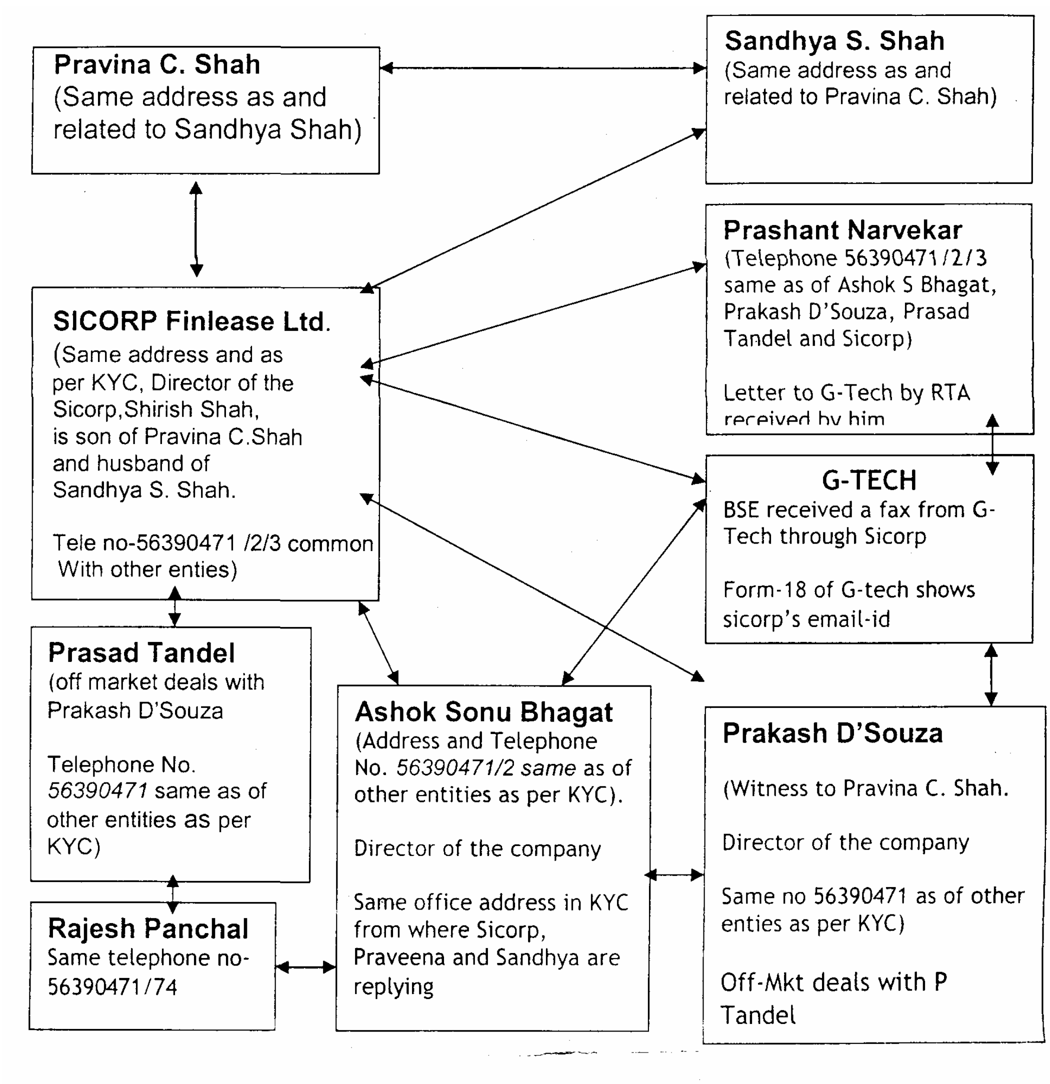
(iv) *…,*

he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher."

"Penalty for fraudulent and unfair trade practices

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."

15. Upon perusal of the documents available on record I find that these persons /entity were connected to the Company. The relationship between the persons /entity inter-se and with the Company is shown below:



Order Log and Trade Log Analysis:

I find that during the period July 3, 2003 to August 4, 2003 (hereinafter referred to as **"Patch 1"**) the price rise in the scrip of the Company from ₹28.35 on July 3, 2003 to ₹ 44.05 on July 11, 2003 was mainly due to the buying of the Shah Group entities through their brokers Ruchiraj, Action and Ajmera. Their trading accounted for around 98% (76, 600 shares) of the total market purchases and around 33% (26, 000 shares) of total market sales. During this period volumes were fluctuating between 100 and 39, 500 shares. Buy orders placed by brokers other than those whose clients were Shah Group entities/individuals were for 700 shares, which were only 5.30% of the total valid buy orders during the period. As such there was no major buying interest in the scrip other than that of Shah Group.

16. From the order log and trade log during the period it is noted that the total valid buy orders were for 78,700 shares as against sell orders for 8,15,200 shares, of which the Shah Group placed buy orders for 77, 400 shares which was 98.35% of the total buy orders during the period. The rise in price in spite of selling pressure had happened due to large buy orders at higher price resulting in multiple trades as well as due to the higher priced sell orders of the brokers/clients of the Shah Group. The price of the scrip fell from ₹ 33.25 on July 14, 2003 to ₹ 14.50 on August 4, 2003 when they were absent from the market. Trading pattern and details on July 18, 2003 & July 25, 2003 when abnormally high volumes were found are as under:

Date	***Buying broker (Clg. No.)***	***Name of the Client***	***Selling brokers (Clg. No.)***	***Name of the Client***	***Quantity***	***Total traded Qty on the day***
July 18, 2003	*380*	*Sandhya S. Shah*	*911*	*Prashant Narvekar*	*9,000*	
	444	*Pravina C. Shah*	*911*	*Prashant Narvekar*	*16,000*	
			Total		***25,000***	***25,100***
July 25, 2003	*380*	*Sandhya S. Shah*	*664*	*Jay Rupani*	*6,500*	
			798	*Chandra Jeevan Jain*	*2,500*	
	444	*Pravina C. Shah*	*664*	*Jay Rupani*	*6,000*	
			798	*Chandra Jeevan Jain*	*15,000*	
	911	*Prashant Narvekar*	*664*	*Jay Rupani*	*7,000*	
			798	*Chandra Jeevan Jain*	*2,500*	
			Total		***39,500***	***39,500***

17. I find that during the period August 5, 2003 to December 4, 2003 (**Patch 2**) total valid buy orders were for 21,27,300 shares, whereas valid sell orders were for 26,72,300 shares. Out of the total buy orders, the Shah Group placed buy orders for 20,58,700 shares which amounted to 96.78% of the total buy orders and sell orders for 7,63,800 shares which was 25.58% of the total sell orders. Sell orders were already there in the system at various rates and the Shah group placed large buy orders resulting into multiple trades and influencing the price. There was a gradual rise in price from ₹14.50 to ₹ 42.00. Shah Group entities/individuals placed most of the buy orders as they bought around 95% of the total traded volume during this patch. The circuit filter during this patch was 5%. Out of 72 trading days during the period, on 29 days the price of the scrip opened at a price higher than the previous day's closing price. On all these 29 days the Shah Group entities were the buyers in first trades.

Order No	***Broker Code***	***Counter Party Code***	***Qty***	***Price***	***Buy/ Sell***	***Trade Date***	***Time***	***Client Code***
444001000000071179	*D0444*	*D0664*	*100*	*14.50*	*B*	*8/5/2003*	*15:42:16*	*406871*
197007000000009539	*D0197*	*D0615*	*100*	*15.20*	*B*	*8/6/2003*	*9:56:04*	*4615*
446201000001745451	*D0446*	*D0792*	*100*	*14.45*	*B*	*8/7/2003*	*11:26:13*	*NEBS01*
444001000000071743	*D0444*	*D0615*	*100*	*15.15*	*B*	*8/8/2003*	*9:55:44*	*406871*
444001000000072122	*D0444*	*D0615*	*100*	*14.80*	*B*	*8/11/2003*	*10:50:15*	*406871*
444001000000072662	*D0444*	*D0615*	*100*	*14.70*	*B*	*8/12/2003*	*15:02:19*	*406871*
446201000001786270	*D0446*	*D0023*	*100*	*14.45*	*B*	*8/13/2003*	*13:00:45*	*NEBS01*
911001000000013519	*D0911*	*D0615*	*100*	*15.15*	*B*	*8/14/2003*	*14:53:18*	*P152*
394009000000043033	*D0394*	*D0380*	*300*	*16.80*	*B*	*8/18/2003*	*10:00:32*	*A007*
394001000000080544	*D0394*	*D0911*	*1000*	*17.40*	*B*	*8/19/2003*	*12:35:42*	*A007*
444001000000074051	*D0444*	*D0911*	*100*	*18.20*	*B*	*8/20/2003*	*9:57:07*	*406871*
394009000000043316	*D0394*	*D0295*	*100*	*17.50*	*B*	*8/21/2003*	*9:56:24*	*A007*
394009000000043464	*D0394*	*D0798*	*100*	*18.05*	*B*	*8/22/2003*	*15:05:35*	*A007*
394009000000043478	*D0394*	*D0792*	*100*	*20.60*	*B*	*8/25/2003*	*10:07:07*	*A007*
380010000000020612	*D0380*	*D0911*	*100*	*21.45*	*B*	*8/26/2003*	*10:00:53*	*66001*
197007000000010049	*D0197*	*D0911*	*100*	*22.45*	*B*	*8/27/2003*	*9:59:06*	*4615*
394009000000043823	*D0394*	*D0197*	*100*	*23.20*	*B*	*8/28/2003*	*9:55:22*	*A007*
444001000000075905	*D0444*	*D0394*	*100*	*24.10*	*B*	*8/29/2003*	*9:55:31*	*406871*
394001000000080972	*D0394*	*D0197*	*100*	*23.90*	*B*	*9/1/2003*	*9:55:54*	*A007*
197007000000010359	*D0197*	*D0664*	*200*	*22.75*	*B*	*9/2/2003*	*9:56:04*	*4615*

91100100000014778	*D0911*	*D0197*	*100*	*23.80*	*B*	*9/3/2003*	*9:56:03*	*P152*
39400900000044275	*D0394*	*D0791*	*100*	*24.95*	*B*	*9/4/2003*	*9:55:30*	*A007*
44400100000076953	*D0444*	*D0197*	*100*	*25.50*	*B*	*9/5/2003*	*9:55:36*	*406871*
19700700000010619	*D0197*	*D0491*	*100*	*25.50*	*B*	*9/8/2003*	*15:51:45*	*4615*
44400100000077323	*D0444*	*D0664*	*100*	*24.25*	*B*	*9/9/2003*	*9:55:20*	*406871*
19700700000010664	*D0197*	*D0664*	*200*	*23.05*	*B*	*9/10/2003*	*9:55:47*	*4615*
19700700000010685	*D0197*	*D0664*	*100*	*26.50*	*B*	*9/11/2003*	*9:55:41*	*4615*
19700700000010710	*D0197*	*D0664*	*100*	*25.20*	*B*	*9/12/2003*	*9:55:32*	*4615*
19700700000010777	*D0197*	*D0664*	*100*	*26.45*	*B*	*9/15/2003*	*9:58:33*	*4615*
44400100000078121	*D0444*	*D0476*	*100*	*25.15*	*B*	*9/16/2003*	*10:20:17*	*406910*
44400100000078373	*D0444*	*D0275*	*100*	*26.95*	*B*	*9/17/2003*	*15:52:22*	*406910*
79201900000024422	*D0792*	*D0664*	*200*	*25.65*	*B*	*9/18/2003*	*10:04:03*	*R002*
79201900000024778	*D0792*	*D0664*	*100*	*24.40*	*B*	*9/19/2003*	*11:25:59*	*R002*
79201900000025059	*D0792*	*D0476*	*100*	*23.20*	*B*	*9/22/2003*	*10:25:48*	*R002*
44400400000002742	*D0444*	*D0664*	*500*	*24.05*	*B*	*9/24/2003*	*15:14:01*	*406910*
19700700000010967	*D0197*	*D0664*	*500*	*24.95*	*B*	*9/25/2003*	*16:09:16*	*4615*
19700700000011023	*D0197*	*D0664*	*500*	*26.05*	*B*	*9/26/2003*	*15:26:40*	*4615*
19700700000011066	*D0197*	*D0664*	*100*	*28.70*	*B*	*9/29/2003*	*16:30:28*	*4615*
19700700000011099	*D0197*	*D0664*	*3500*	*27.30*	*B*	*9/30/2003*	*15:10:25*	*4615*
44400400000003391	*D0444*	*D0911*	*100*	*31.60*	*B*	*10/1/2003*	*10:43:45*	*406910*
19700700000011163	*D0197*	*D0394*	*100*	*33.00*	*B*	*10/6/2003*	*9:55:41*	*4615*
19700700000011265	*D0197*	*D0664*	*100*	*33.00*	*B*	*10/7/2003*	*16:37:01*	*4615*
19700700000011266	*D0197*	*D0664*	*100*	*31.40*	*B*	*10/8/2003*	*9:55:51*	*4615*
39400900000046166	*D0394*	*D0664*	*500*	*29.85*	*B*	*10/9/2003*	*13:16:49*	*A007*
44400400000004829	*D0444*	*D0664*	*500*	*31.30*	*B*	*10/13/2003*	*13:05:48*	*406910*
44400100000080284	*D0444*	*D0267*	*100*	*32.65*	*B*	*10/14/2003*	*12:22:41*	*406910*
19700700000011576	*D0197*	*D0664*	*500*	*33.50*	*B*	*10/15/2003*	*14:15:50*	*4615*
39400900000046498	*D0394*	*D0197*	*100*	*38.75*	*B*	*10/16/2003*	*11:16:09*	*A007*
44400400000005601	*D0444*	*D0394*	*100*	*40.25*	*B*	*10/17/2003*	*10:05:52*	*406910*
19700700000011730	*D0197*	*D0444*	*1200*	*42.40*	*B*	*10/20/2003*	*9:59:21*	*4615*
19700700000011816	*D0197*	*D0307*	*4000*	*42.95*	*B*	*10/21/2003*	*11:55:52*	*4615*
44400400000006673	*D0444*	*D0685*	*1100*	*42.50*	*B*	*10/23/2003*	*10:10:58*	*406910*
39400900000047027	*D0394*	*D0197*	*300*	*44.50*	*B*	*10/25/2003*	*18:18:55*	*A007*
44400100000081805	*D0444*	*D0685*	*11000*	*42.90*	*B*	*10/28/2003*	*16:14:14*	*406910*
39400900000047159	*D0394*	*D0248*	*3000*	*40.80*	*B*	*10/29/2003*	*10:30:58*	*A007*
39400900000047237	*D0394*	*D0380*	*1500*	*40.80*	*B*	*10/30/2003*	*15:59:40*	*A007*
44400100000082133	*D0444*	*D0685*	*600*	*42.75*	*B*	*11/3/2003*	*10:04:28*	*406910*
39400900000047529	*D0394*	*D0748*	*300*	*40.65*	*B*	*11/4/2003*	*15:13:44*	*A007*

From the above I find that:

a). The Shah Group entities, through their brokers, had placed buy orders (before the sell orders of other members) at or around the upper circuit of 5% on 9 days.

b). On the remaining 20 days the sell orders were placed before the buy orders, however out of these 20 days on 13 days both the buyer and seller were the Shah Group entities, i.e. only on 7 days other brokers/clients punched in sell orders at a price higher than the previous days close price.

c). On 43 days the price of the scrip opened either at the previous day's close price or at a price lower than the previous day's close price. On these days also the Shah Group entities/you were buyers in first trades except on 6 days, when the price of the scrip opened at the lower circuit. It is observed that:

i). Shah Group entities were both buyers & sellers on 6 days, of which on 2 days the scrip opened at previous days close price. Only on one day the buy order was punched before the sell order (by Clg.No.620). On all the remaining 42 days the sell orders were already there in the system and then the Shah group entities placed buy orders.

ii). On 5 trading days the sell orders were there in the system at a price lower than the previous days close price and the Shah group entities placed buy orders in the post closing session, whereby the trade got executed at the previous days close price as no trade was executed during the day.

d). There was no major selling concentration either at broker level or at client level.

18. I find that during the period December 5, 2003 to December 31, 2003 (hereinafter referred to as **"Patch 3"**) the Shah Group entities bought 8,76,900 shares which amounts to 44.23% of total market share during this period.

Last Traded Price (LTP) analysis – LTP analysis was done to see how each trade in the scrip had influenced the price. Sample of such trades is tabulated as under

Trade No	Trade Date	Trade Time	Member Code	Client Code	Quantity	Price	price diff	% price Diff from LTP	Counter Party Member Code	Counter Party Client Code
6	3-Jul-03	14:59:42	911	P152	200	31	2.65	9.35	275	6499
7	3-Jul-03	14:59:42	911	P152	1000	31.4	0.4	1.29	444	406854
8	3-Jul-03	15:09:26	444	406854	200	32.5	1.1	3.50	275	6499
9	3-Jul-03	15:15:15	911	P152	200	34.4	1.9	5.85	275	6499
22	4-Jul-03	15:06:42	380	66001	100	33.5	2.45	7.89	686	2027
23	4-Jul-03	15:06:42	380	66001	100	36	4.95	15.94	734	11013
24	4-Jul-03	15:06:42	380	66001	200	36.8	0.8	2.22	275	6499
25	4-Jul-03	15:07:10	380	66001	100	37.4	3.9	11.64	734	11013
32	4-Jul-03	15:25:24	380	66001	500	37.2	6.15	19.81	444	406854
1	7-Jul-03	09:57:48	911	P152	200	39.4	2.15	5.78	444	406854
11	8-Jul-03	10:36:11	444	406871	100	38.2	2.75	7.76	672	Z12A001
22	8-Jul-03	10:36:30	444	406871	100	38.2	2.75	7.76	672	Z12A001
1	9-Jul-03	09:56:03	444	406871	300	41	2.75	7.20	672	Z12A001
1	11-Jul-03	09:55:17	444	406871	100	44.1	3.1	7.57	275	6499
1	21-Jul-03	09:55:18	444	406871	100	29.7	2.7	10.00	911	P152
1	6-Aug-03	09:56:04	197	4615	100	15.2	0.7	4.83	615	I060
4	7-Aug-03	12:34:43	380	66001	100	16	1.5	10.38	615	I060
1	8-Aug-03	09:55:44	444	406871	100	15.2	0.7	4.84	615	I060
46	8-Aug-03	15:26:50	911	P152	500	15	1.25	9.09	615	I060
18	11-Aug-03	14:31:07	444	406871	100	14	0.55	4.09	295	2321
28	11-Aug-03	14:31:26	444	406871	1500	14.8	0.75	5.36	911	M179
47	11-Aug-03	15:01:37	380	66001	500	14	0.4	2.95	615	I060
61	11-Aug-03	15:09:46	380	66001	300	14.8	1.3	9.67	911	P152
10	12-Aug-03	15:02:30	444	406871	100	15.4	0.65	4.42	911	P152
3	13-Aug-03	14:50:19	394	A007	100	15.2	0.7	4.84	615	I060

It was observed that out of total 126 such instances, Action Financial placing limit price orders had affected price 37 times while KNC Shares & Securities, Networth Broking, Ruchiraj Shares and Stocks, Ajmera Associates P. Ltd. and DPS Shares had affected price 29, 27, 16, 8 and 1 times respectively which are summarised as under

Member Name	Client Code	Total
ACTION FINANCIAL SERVICES	*406854*	*1*
	406871	*16*
	406910	*20*
ACTION FINANCIAL SERVICES Total		***37***
KNC SHARES & SECURITIES P	*A007*	*29*
KNC SHARES & SECURITIES P Total		***29***
NETWORTH BROKING LTD	*4615*	*27*
NETWORTH BROKING LTD Total		***27***
RUCHIRAJ SHARES & STOCK B	*3032*	*1*
	4499	*1*
	66001	*11*
	66002	*3*
RUCHIRAJ SHARES & STOCK B Total		***16***
AJMER ASSOCIATES P. LTD.-	*J5*	*1*
	P152	*7*
AJMER ASSOCIATES P. LTD.- Total		***8***
KAYNET CAPITAL (PUNE)	*3026*	*2*
	7030	*1*
KAYNET CAPITAL (PUNE) Total		***3***
BAKLIWAL FINANCIAL SERVIC	*YS1001*	*2*
BAKLIWAL FINANCIAL SERVIC Total	***2***	
UNIQUE STOCKBROKER LTD.	***9991***	***1***
DPS SHARES & SECURITIES P	***R048***	***1***
INVENTURE GROWTH AND SECU	***5878***	***1***
BNR CAPITAL SERVICES PVT.	***20A032***	***1***
Grand Total		***126***

Summary of trading done by Shah Group during investigation period is as under

<u>Patch 1:</u> (July 3, 2003 to August 4, 2003):

Name of the client	Dealing Through (Member)	Qty Bought	Qty Sold
Sandhya Shirish Shah	Ruchiraj Share & Stock Brokers (Clg. No.380)	21,600	
Pravina C. Shah	Action Financial Services (Clg. No. 444)	42,500	
Prashant Narvekar	Ajmer Associates (Clg. No. 911)	12,500	26,000
Total		**76,600**	**26,000**

The above clients bought 76,600 shares and sold 26,000 shares during the above patch, which accounts for 97.46% and 33.08% of the market volume respectively.

<u>Patch 2:</u> (August 5, 2003 to December 4, 2003):

Name of the client	Dealing Through (Member)	Qty Bought	Qty Sold
Sicorp Finlease Ltd.	Networth Stock Broking Ltd. (Clg. No. 197)	2,65,300	15,800
Prakash A. D'souza	Ruchiraj Share & Stock Brokers (Clg. No.380)	1,65,100	500
Sandhya Shirish Shah	Ruchiraj Share & Stock Brokers (Clg. No.380)	71,500	2,800
Ashok Sonu Bhagat	KNC Shares & Securities (Clg. No. 394)	6,26,800	18,100
Prasad Tandel	Action Financial Services (Clg. No. 444)	4,77,900	10,400
Pravina C. Shah	Action Financial Services (Clg. No. 444)	2,02,900	2,000
Prashant Narvekar	Ajmer Associates (Clg. No. 911)	2,12,600	7,000
Rajesh Panchal	DPS Shares & Securities Pvt. Ltd. (Clg. No. 151)	39,500	
Total		**20,61,600**	**56,600**

The above clients bought 20, 61, 600 shares and sold 56, 600 shares during the above patch, which accounts for 97.13% and 2.67% of the market volume respectively.

Patch 3: **(December 5, 2003 to December 31, 2003)**

Name of the client	Dealing Through (Member)	Qty Bought	Qty Sold
Sicorp Finlease Ltd.	Networth Stock Broking Ltd. (Clg. No. 197)	1,47,200	
Prakash A. D'souza	Ruchiraj Share & Stock Brokers (Clg. No.380)	68,600	
Ashok Sonu Bhagat	KNC Shares & Securities (Clg. No. 394)	3,84,700	800
Prasad Tandel	Action Financial Services (Clg. No. 444)	2,76,400	400
Rajesh Panchal	DPS Shares & Securities Pvt. Ltd. (Clg. No. 151)	2,22,000	
Total		**10,98,900**	**1200**

The above clients bought 10, 98, 900 shares during the above patch, which accounts for 55.43% of the market volume.

As per material provided along with SCN, it is observed that they have traded for 67, 900 shares amongst themselves without any intention of transferring beneficial ownership.

19. I find that Shah Group entities have submitted that they have not received the material based on which SCN was issued. I observe that all the data showing in detail the trading done by them was provided to each Shah Group entity by way of Annexures. Hence they were in no way impaired from answering or presenting their case properly. On the contrary, Shah Group only made submissions generally denying all the allegations. Shirish on behalf of Sicorp, Sandhya and Pravina claimed that shares were sold in off market transactions hence they were not holding as many shares as alleged in the SCN. However, they have not shown any material in support of their defense other than generally denying the allegations made in SCN. Having dealt with SCN and responses of Shah Group thereof, I now proceed with findings.

20. **Re-materialization and Dematerialization of shares**

On analyzing the demat a/c statements of Shah Group entities/individuals it is noted that they were rematerializing large number of shares after purchasing them from the market. Upon analyzing the dematerialization-rematerialization request data, it is found that in total 45, 25, 500 shares were rematerialized (Remat Debit), details of which are as under

(Rematerialisation transactions – Consolidated)

Date	***Name***	***Qty***
18-Sep-03	*ACTION FINANCIAL SERVICES (I) LTD*	*900000*
26-Sep-03	*PRAVINA CHANDRAKANT SHAH*	*300000*
26-Sep-03	*ASHOK BHAGAT*	*165000*
26-Sep-03	*PRAKASH A. D'SOUZA*	*35000*
26-Sep-03	*SANDHYA SHIRISH SHAH*	*100000*
26-Sep-03	*ACTION FINANCIAL SERVICES (I) LTD*	*280000*
17-Oct-03	*PRASHANT M. NARVEKAR*	*36000*
17-Oct-03	*PRASAD SAKHARAM TANDEL*	*199500*
21-Oct-03	*SICORP FINLEASE LIMITED*	*150000*
30-Oct-03	*ASHOK BHAGAT*	*700000*
7-Nov-03	*PRASHANT MURLIDHAR NARVEKAR*	*90000*
19-Nov-03	*ASHOK BHAGAT*	*100000*
19-Nov-03	*PRASAD SAKHARAM TANDEL*	*230000*
15-Dec-03	*PRAKASH A. D'SOUZA*	*200000*
15-Dec-03	*ASHOK BHAGAT*	*100000*
15-Dec-03	*RAJESH JAGANNATH PANCHAL*	*200000*
29-Dec-03	*PRASAD SAKHARAM TANDEL*	*220000*
29-Dec-03	*RAJESH JAGANNATH PANCHAL*	*90000*
29-Dec-03	*PRASHANT M. NARVEKAR*	*100000*
29-Dec-03	*ASHOK BHAGAT*	*210000*
30-Dec-03	*PRAKASH A. D'SOUZA*	*120000*
	Total	***45,25,000***

21. **Failure to make Public Announcement**

From the replies submitted by Shah Group entities it is noted that all replies make similar points such as not being connected to each other. However the reply dated December 31, 2009 submitted by Shirish Shah on behalf of Sicorp of which he is a Director, his wife- Sandhya Shah, mother- Pravina Shah also contains details about rest of the persons of Shah Group. Details of shares acquired by various entities, fully quantity of rematerialized (rematted) shares and shares remitted or sold as submitted by him is as under:

Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Ashok Bhagat	*328900*	*663400*	*875000*
% of holding	***3.289***	***6.634***	***8.75***
Less Shares Remeted on 08.10.03 & sold	*165000*	*165000*	*165000*
Balance Shares	*163900*	*498400*	*710000*
% of holding	***1.64***	***4.98***	***7.10***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Prakash D'souza	*35700*	*35700*	*75700*
% of holding	***0.357***	***0.357***	***0.757***
Less Shares Remeted on 08.10.03 & sold	*35000*	*35000*	*35000*
Balance Shares	*700*	*700*	*40700*
% of holding	***0.01***	***0.01***	***0.41***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Sicorp Finlease Ltd.	*155600*	*155600*	*201500*
% of holding	***1.556***	***1.556***	***2.015***
Less Shares Remeted on	*0*	*0*	*0*
Balance Shares	*155600*	*155600*	*201500*
% of holding	***1.56***	***1.56***	***2.02***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Prasad Tandel	*199500*	*199500*	*341500*
% of holding	***1.995***	***1.995***	***3.415***
Less Shares Remeted on 30.10.03 & sold	*0*	*0*	*199500*
Balance Shares	*199500*	*199500*	*142000*
% of holding	***2.00***	***2.00***	***1.42***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Prashant Narvekar	*127300*	*127300*	*157000*
% of holding	***1.273***	***1.273***	***1.57***
Less Shares Remeted on 30.10.03 & sold	*0*	*0*	*36000*
Balance Shares	*127300*	*127300*	*121000*

% of holding	***1.27***	***1.27***	***1.21***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Sandhya Shah	*106600*	*106600*	*106600*
% of holding	***1.066***	***1.066***	***1.066***
Less Shares Remeted on 08.10.03 & sold	*100000*	*100000*	*100000*
Balance Shares	*6600*	*6600*	*6600*
% of holding	***0.07***	***0.07***	***0.07***
Name	***Holding including remat Shares***		
	15.10.03	16.10.03	31.10.03
Praveena Shah	*305300*	*305300*	*305300*
% ***of holding***	***3.053***	***3.053***	***3.053***
Less Shares Remeted on 08.10.03 & sold	*300000*	*300000*	*300000*
Balance Shares	*5300*	*5300*	*5300*
% ***of holding***	***0.05***	***0.05***	***0.05***
TOTAL of ALL Above	*1258900*	*1593400*	*2062600*
% of Holding	***12.589***	***15.934***	***20.626***
Less: Shares Remeted	*600000*	*600000*	*835500*
Balance Shares	*658900*	*993400*	*1227100*
% ***of Holding***	***6.589***	***9.934***	***12.271***

From the data provided by G-Tech to BSE, I find no major variation in the shareholding pattern of the Company during the quarters ended June 2003, September 2003 and December 2003. The cumulative shareholding of promoters, persons acting in concert and Directors/ Relatives/ Associates of the Company for both the quarters was shown as 19.85 %. However, Shah Group entities, acting in concert, acquired 32, 71, 500 shares and sold 1, 09, 300 shares. The net purchases constitute around 31.12% of the paid up capital of the Company. However, none of them made any Public Announcement as required under regulation 10 of SAST Regulations.

The holdings of G-Tech shares by shah Group as evidenced by their depository participant beneficiary / demat accounts is given below :

	Balance including rematerialized Shares			
Name	***Demat a/c no***	***15/10/03***	***16/10/03***	***31/10/03***
Ashok	*IN300271-10112300*	*3,28,900*	*6,63,400*	*8,75,000*
Prakash	*IN300271-10112406*	*35,700*	*35,700*	*75,700*
Rajesh	*IN300271-10113394*	*0*	*00*	
	12030300-00000572	*0*	*0*	*0*
Sicorp	*IN300011-10756152*	*1,51,900*	*1,51,900*	*1,92,700*
	IN301604-10046495	*0*	*0*	*5,100*
	12030300-00000591	*3,700*	*3,700*	*3,700*
Prasad	*IN300271-10112022*	*1,99,500*	*1,99,500*	*3,41,500*
Prashant	*IN300271-10113847*	*36,700*	*36,700*	*66,700*
	12030300-00000549	*90,600*	*90,600*	*90,300*
Sandhya	*IN300271-10062733*	*1,06,600*	*1,06,600*	*1,06,600*
Pravina	*IN300271-10112473*	*3,05,300*	*3,05,300*	*3,05,300*
Total		***12,58,900***	***15,93,400***	***20,62,600***

From the investigation report it is seen that total number of issued shares of the Company is 1,00,00,000 shares and the above table clearly shows that the holding of Shah Group as on October 15, 2003 was 12, 58, 900 shares which is 12.58% of paid up share capital of the Company. It is also seen that the same increased to 15, 93, 400 shares which is 15.93% of paid up share capital of the Company as on October 16, 2003. The analysis of demat statements of Shah Group entities clearly proves that their holdings exceeded 15% of capital on October 16, 2003. By October 31, 2003 the holding of Shah Group increased to 20, 62, 600 shares amounting to 20.63% of paid up share capital of the Company.

22. The above details also include holdings in physical form. Unless the persons / entities are connected, such information can not be available with others. Further, the trading activity / modus operandi of the constituents of Shah Group is the same. Moreover, the details taken from depositories do not mention any demat credit on October 8, 2003. This implies that the shares continued to be in physical mode. However no evidence of sale has been provided. I therefore hold that the said shares were continued to be held by the respective holders only. Though, vide written submissions and oral submissions, Shah Group denied having

violated SAST Regulations, in the absence of any supporting documents, the submissions are not acceptable. From their own submissions, holding of Shah Group is 12.271% as on October 31, 2003 while it was 20.63% as brought out in the above table. As such, Shah Group violated regulation 10 of SAST Regulations on October 16, 2003 when their holding increased to 15.93% as brought out in the table above. Hence I hold Shah Group except Rajesh liable for violation of regulation 10 of SAST Regulations. It may be added that the available record does not indicate that he was holding any shares in the Company during the relevant period.

23. As per regulation 3 (a) of PFUTP Regulations no person shall buy, sell or otherwise deal in securities in a fraudulent manner and as per regulation (c) of PFTUP Regulations no person shall employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange. The material on record more than clearly establishes that the trading done by Shah Group was fraudulent and manipulative. G-Tech did not hand over the work relating to physical transfer of shares to RTA even after the same was brought to the notice of G-Tech by RTA on several occasions. As mentioned earlier, Directors of the company themselves along with other connected entities/individuals bought large quantities of G-Tech shares and subsequently rematerialized the same when the physical share transfer work was handled by the company in-house with the same directors being authorized to confirm rematerialization-dematerialization of shares. I find that this was done in order to reject dematerisation requests placed by other shareholders. Further shares purchased by Shah Group were being rematerialised easily while dematerialization requests of other shareholders were being rejected. This led to reduction of floating stock of G-Tech in the market and consequent upward pressure on the price.

24. It was alleged that in addition to the violations mentioned at paragraph 5 (i), Sicorp & Shirish, Sandhya, Pravina, Prasad, Prashant and Rajesh have violated regulation 3 (b) of PFUTP Regulations. As per this sub-regulation, no person shall directly or indirectly use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder. In the instant case, other than what Sicorp & Shirish, Sandhya, Pravina, Prasad, Prashant and Rajesh have done as part of Shah Group there is no material on record to show as to how they have violated regulation 3 (b) of PFUTP Regulations. In the absence any such evidence it would difficult to hold that Sicorp & Shirish, Sandhya, Pravina, Prasad, Prashant and Rajesh have violated regulation 3 (b) of PFUTP Regulations.

25. Regulation 4 (2) (a) of PFUTP Regulations prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. The material available on record which was provided to Shah Group entities along with SCN does indicate that there has been trading to create false or misleading appearance of trading and as such the allegation of violation of regulation 4 (2) (a) of PFUTP Regulations is established. Regulation 4 (2) (b) of PFUTP Regulations prohibits dealings in a security intended to operate as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gains. As brought out in previous paragraphs, Shah Group has traded in a manner which inflated the price of the scrip of G-Tech. Hence Shah Group is liable for violation of regulation 4 (2) (b) of PFUTP Regulations. Regulation 4 (2) (e) of PFUTP Regulations prohibits any act or omission amounting to manipulation of the price of a security. On account of collusive trading in substantial manner, as discussed in the preceding paragraphs, Shah Group has contributed to the manipulation of volume of

the said scrip which resulted in reducing the floating stock / liquidity in the scrip of the Company which is an act amounting to manipulation of the price of the scrip of G-Tech. In view the same I hold Shah Group liable for violation of regulation 4 (2) (e) of PFTUP Regulations. Regulation 4 (2) (g) of PFUTP Regulations prohibits any person from entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security. As per material provided along with SCN, it is observed that they have traded for 67, 900 shares amongst themselves without any intention of transferring beneficial ownership. As established in preceding paragraphs also, the trading done by Shah Group does not reflect genuine trading activity in the scrip of G-Tech. There were certain instances of trades within Shah Group which did not result in change of ownership. Hence it can be said that some of the trading done by Shah Group was done without intention of changing ownership and as such I hold Shah Group liable for violation of regulation 4 (2) (g) of PFUTP Regulations.

26. From the statements of demat accounts of Shah Group entities it is noted that, except Sicorp, all of them had accounts with Action. It can hardly be coincidental that all unrelated entities have demat accounts with same Depository participant.

Further from the correspondence of Ashok, Prashant, Prasad and Prakash it is noted that they have responded on same dates and asked for personal hearing on the same day. Moreover during the hearing they were all represented by same advocate, Mr. R Krishnan who made similar submissions on behalf of each of them.

As noted above, Shirish had replied to SCN on behalf of Sicorp, Sandhya and Pravina and explained his relationship with them. What is however noteworthy is that Shirish had also disclosed shareholding of Ashok, Prashant, Prasad and Prakash in G-Tech including their off market deals which he could not possible have known unless he knew these persons closely.

During investigation period, related individuals/ entities of Shah Group were constantly providing the buying support to G-Tech shares in the market and Shah Group's purchases as percentage of total market volume was very high. The days when they were absent from market, prices were falling. Out of total 106 days when the scrip was traded during the investigation period they traded for 97 days. On all the 9 days when they did not trade, price had fallen. Out of the other 97 days, price had remained constant for 9 days, fell on 32 days and had increased for 57 days. Thus, it is clear that Shah Group entities/individuals indulged in market transactions, off market transactions and rematerialization of shares substantially and also created artificial volume in the scrip which led in the increase in the price of scrip.

As discussed above, Shah Group was purchasing large quantities of shares of G-Tech (a loss making company) and was instrumental in increasing the price. The shares were purchased and rematerialized thereby reducing the liquidity in the market and putting further upward pressure on the price. The available evidence does not reveal that the shares were later dematerialized by Shah Group which implies that the shares continued to be with them and were in physical form only. When the shares are listed and traded regularly in the market, it is not plausible that someone would sell the same in physical mode.

In this context it may be pertinent to mention that Hon'ble Securities Appellate Tribunal in *Ketan Parekh Vs. Securities & Exchange Board of India* (Appeal No. 2 of 2004) held that in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available.

27. **Ashok Sonu Bhagat**

It was alleged that Ashok, in addition to violating regulations 3 (a) & (c), 4 (1) & 4 (2) (a), (b), (e) & (g) of PFUTP Regulations, had also violated regulation 3 (d) of PFUTP Regulations. As per regulation 3 (d) of PFUTP Regulations, no person shall engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under. In the instant case, other than what Ashok has done as part of Shah Group, there is no material on record to show as to how Ashok individually violated regulation 3 (d) of PFUTP Regulations. In the absence any such evidence it would difficult to hold that Ashok has violated regulation 3 (d) of PFUTP Regulations.

With regard to violation of PIT Regulations, from the statement of Demat a/c no 10112300 provided to Ashok along with SCN, it is observed that he was consistently acquiring shares of G-Tech during the investigation period. On August 22, 2003 he acquired 40, 000 shares of G-Tech whereby he became liable to make disclosure under regulation 13 (4) of PIT Regulations. His statement of Demat account reveals numerous instances of violation of 13 (4) of PIT Regulations.

Further, on September 26, 2003, he rematerialized 1, 65, 000 shares. thereafter on October 16, 2003 he received 3, 14, 500 shares in his account whereby his holding became 4, 98, 400 shares. On adding the rematerialized 1, 65, 000 shares, his total holding became 6, 63, 400 shares which was more than 5% of paid up capital of G-Tech and he was liable to make appropriate disclosures. However, he continued to trade without filing relevant disclosures with the Company and BSE & ASE (where the scrip of G-Tech was listed) under regulations 7 (1) of SAST Regulations and 13 (1), (2), (3), (4) & (5) of PIT Regulations.

By virtue of regulation 13 (4) of PIT Regulations, Ashok being a director of G-Tech had additional responsibility of disclosing whenever there is change in his shareholding and the change exceeds ₹ 5 lakh in value or 25, 000 shares or 1% of total shareholding or voting rights, whichever is lower. In this case as brought out, his shareholding had increased to 6.63% of which he failed to make requisite disclosures. As per regulation 13 (5) of PIT Regulations, the requisite disclosures have to be made within two working days of the receipts of intimation of allotment of shares, or the acquisition or sale of shares or voting rights, as the case may be which he failed.

In this context it is noted that though Ashok submitted that he was only a non-executive director and had resigned during investigation period however, he did not support his claim with any documentary evidence showing that he was indeed not a director during investigation period. He further submitted that would make submissions with regard to these violations, but he did not do so. In the absence of any material contrary to what has been provided with the SCN, I have no hesitation in holding Ashok further liable for violation of regulations 7 (1) of SAST Regulations and 13 (1), (2), (3), (4) & (5) of PIT Regulations.

28. **Prakash D ‘Souza**

In case of Prakash, it was alleged that in addition to the violations mentioned in para 5 (i), he had violated regulation 3 (d) of PFUTP Regulations and 13 (4) & (5) of PIT Regulations

As per regulation 3 (d) of PFUTP Regulations no person shall engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under. In the instant case, other than what Prakash has done as part of Shah Group there is no material on record to show as to how Prakash individually violated regulation 3 (d) of PFUTP Regulations. In the absence any such evidence it would difficult to hold that Prakash has violated regulation 3 (d) of PFUTP Regulations.

With regard to the allegation of violation of PIT Regulations, from the statement of Demat a/c no 10112406 provided to Prakash along with SCN, it is observed that he was consistently trading in the shares of G-Tech during the investigation period. On July 22, 2003 he acquired 49,200 shares which is more than 25, 000 shares limit specified under regulation 13 (4) of PIT Regulations thereby making him liable for disclosures specified therein. Further on December 12, 2003, he received 2, 17, 700 shares in his account whereby his holding became 2, 43, 400 shares amounting to 2.43% of issued shares of the Company. As per regulation 13 (4) of PIT Regulations Prakash was required to make disclosures as his holding crossed 1% stipulated limit. The analysis of his statement of Demat account reveals numerous instances of violation of regulation of 13 (4) of PIT Regulations.

By virtue of regulation 13 (4) of PIT Regulations, Prakash being a director of G-Tech had additional responsibility of disclosing whenever there is change in his shareholding and the change exceeds ₹ 5 lakh in value or 25, 000 shares or 1% of total shareholding or voting rights, whichever is lower and as per regulation 13 (5) of PIT Regulations, the requisite disclosures have to be made within two working days of the receipt of intimation of allotment of shares, or the acquisition or sale of shares or voting rights, as the case may be. I find that though shareholding of Prakash crossed limits specified in regulation 13 (4) of PIT Regulations on numerous occasions he failed to make requisite disclosures. It is noted that Prakash submitted that he was only a non-executive director and had resigned during investigation period. He did not support his claim with any documentary evidence showing that he was indeed not a director during investigation period and in the absence of any material contrary to what has been provided with the SCN, I have no hesitation in holding Prakash liable for violation of 13 (4) & (5) of PIT Regulations.

29. **Rajesh Panchal**

It was alleged that Rajesh had also violated regulation 7 (1) of SAST Regulations which require an acquirer who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than five per cent or ten per cent or fourteen per cent or fifty four per cent or seventy four per cent shares or voting rights in a company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the target company are listed. It is further alleged that Rajesh had also violated regulations 13 (1), (3), & (5) of PIT Regulations. As per these PIT Regulations any person whose shareholding is 5% shares or voting rights has to disclose to the Company in prescribed form and continue to do so. However there is no material available on record to show his holdings in G-Tech, hence the charges of violation regulations 7 (1) and 10 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and violation of regulations 13 (1), (3), & (5) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 against Rajesh Panchal are not established.

30. While determining the quantum of penalty it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

"15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

31. It is difficult, in cases of such nature, i.e., violation of PFUTP Regulations, to quantify exactly the disproportionate gains or unfair advantage enjoyed by an entity and the consequent losses suffered by the investors. The investigation report also does not dwell on the extent of specific gains made by Shah Group. Suffice to state that keeping in mind the practices indulged in by the Shah Group, gains per se were made by Shah Group who traded in the scrip of the Company by continuously placing orders and buying the G-Tech shares at higher prices coupled with reduction of floating stock by rematerialisation of shares. The Shah group was the largest buyer of these shares during the investigation period. This strategy was instrumental in the manifold increase in the price of shares of a substantially loss making company. Hence, anyone could have been carried away by the unusual fluctuations in the volumes and the price rise and induced into investing in the said scrip. Besides, this kind of activity seriously affects the normal price discovery mechanism of the securities market. People who indulge in manipulative, fraudulent and deceptive

transactions, or abet the carrying out of such transactions which are fraudulent and deceptive, should be suitably penalized for the said acts. Considering the fact that trades were carried out over a period of time, it can safely be concluded that the nature of default was also repetitive.

32. Shah group are a group of persons/ entity who are having links with G-Tech. The financial performance of G-Tech was not good and its networth had been substantially eroded (accumulated losses of ₹ 6.48 Cr. against share capital of ₹ *10* cr.). The investigation has revealed a planned strategy by Shah Group entities wherein they were instrumental in moving up the share price from ₹ 13.45 to ₹ 48.85 by following actions;

a) Placing orders at /around the upper circuit filter (5%) price.

b) Placing first buy orders on many days

c) Placing orders at higher prices than the last traded price.

d) Purchasing large quantity of G- Tech shares. During patch 1, 2 & 3 of investigation period they purchased 97.46%, 97.13%, & 55.43% of market volume of G-Tech respectively.

e) Not handing over the physical share transfer work to the RTA. It was handled by the company in-house with the same directors being authorized to confirm rematerialisation - dematerialization of shares.

f). Purchasing and rematerialized the shares there by reducing floating stock.

g). Declining the dematerialization request of 3rd parties with the aim of reducing floating stock

The above activities were clearly fraudulent and manipulative in nature and deserve to be penalized in substantial manner. The above actions resulted in acquisitions of substantial quantity of G-Tech shares by Shah Group whereby their holding exceeded 15% of share capital on October 16, 2003, thereby violating regulation 10 of SAST regulations and making them liable to make open offer. However they did not make any open offer.

With respect to penalty for violation of SAST Regulations, as stated above, the Shah group entities' holdings crossed 15% on October 16, 2003 making them liable to make open offer to acquire additional shares as per regulation 10 of SAST Regulations. They have violated regulation 10 of SAST Regulations by not making the open offer and are thus liable for penalty under section 15 h (ii) of SEBI Act. As per SAST Regulations they were required to acquire another 20% of the paid up capital of G-Tech totaling another 20, 00, 000 shares. Regulation 20 of SAST Regulations stipulates various methodologies of arriving at the open offer price for making the acquisition of additional shares from public. However, for the sake of ascertainment of penalty, such accurate determination of open offer price may not be necessary. For simplicity of computation, I am considering the closing price of the G-Tech shares as on October 16, 2003. As per price volume data already provided to Shah Group, the closing price of G-Tech shares on October 16, 2003 was ₹ 38.70. Shah Group would have been required to spend ₹ 7, 74, 00, 000 to make the open offer. In other words, by not making the requisite open offer, Shah Group has not deployed an amount of ₹7.74 crores. It would be just and fair if they are imposed a penalty of the amount that they have saved by not making the open offer since October 2003. In other words, the income earned on ₹ 7.74 crore due to not making the open offer is the gain to shah group. Even if they had placed this money in bank deposits between October 2003 (date of violation) and March 2008 (initiation of adjudication proceedings), they would have earned a few crore rupees by way of interest. The investors have also lost as they did not get an opportunity to sell the G- Tech shares at a high price in 2003 itself. I am of the opinion that a penalty of rupees one crore on account of their not making open offer would be just and fair. I would like to clarify that this penalty is only for the delay in not making open offer during the abovementioned period. This penalty does not absolve / release the Shah Group entities their obligation to make open offer which they have already been directed to make in terms of SEBI, Whole Time Member's order No WTM/ PS / 36/ IVD/ID-3/AUG-2010 dated August 18, 2010 read with WTM/PS/42/IVD/ID-03/OCT.2010 dated October 05, 2010. These orders are available on the SEBI website *www.sebi.gov.in*.

33. As per price volume data already provided to Shah Group, the closing price of G-Tech shares on October 16, 2003 was ₹ 38.70. Shah Group would have been required to spend ₹ 7, 74, 00, 000 to make open offer. In other words, by not making the requisite open offer, Shah Group has not deployed an amount of ₹7.74 crores. It would be just and fair if they are imposed a penalty of the amount that they have saved by not making the open offer since October 2003. Even if they had placed this money in bank deposits between October 2003 (date of violation) and March 2008 (initiation of adjudication proceedings), they would have earned a few crore rupees by way of interest. I am of the opinion that a penalty of rupees one crore on account of their not making open offer would be just and fair.

Order

34. In terms of provisions of rule 5 (1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I impose a penalty of ₹ 40, 00, 000/-

(Rupees forty lakhs only) jointly and severally on Sicorp Finlease Ltd. and its director Shirish Shah, Sandhya S Shah, Pravina C Shah, Prasad Tandel, Prashant Narvekar Ashok Sonu Bhagat, Prakash D 'Souza and Rajesh Panchal under section 15HA of Securities and Exchange Board of India Act,1992 for violation of regulations 3 (a) & (c), 4 (1) & 4 (2) (a), (b), (e) & (g) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003.

Further in terms of provisions of rule 5 (1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I also impose a penalty of ₹1,00,00,000 (Rupees one crore only) jointly and severally on Sicorp Finlease Ltd. and its director Shirish Shah, Sandhya S Shah, Pravina C Shah, Prasad Tandel, Prashant Narvekar Ashok Sonu Bhagat and Prakash D 'Souza under section 15H (ii) of Securities and Exchange Board of India Act for violation of regulation 10 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Also in case of Ashok Sonu Bhagat, I impose an additional penalty of ₹25,000/- (Rupees twenty five thousand only) under section 15H (ii) of Securities and Exchange Board of India Act for violation of regulation 7 (1) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Considering the facts and circumstances of the case, the above penalties will be commensurate with the violations committed by Shah Group entities.

35. The above entities shall pay the said amount of penalty by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India",

payable at Mumbai, within 45 days of receipt of this order. The said demand draft should be forwarded to General Manager, ID–3, Investigations Department, SEBI, SEBI Bhavan, Plot No. C – 4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

36. In terms of rule 6 of the Rules, copies of this order are sent to the Shah Group entities and to Securities and Exchange Board of India.

Date: March 31, 2011	**PIYOOSH GUPTA**
Place: Mumbai	**ADJUDICATING OFFICER**