

SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER****UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992.****AGAINST SHRI YASHWANT A. THAKKAR AND SHRI RASHMIKANT A. THAKKAR, IN THE MATTER OF M/S GROWMORE SOLVENTS LTD.****BACKGROUND**

1. SEBI conducted an investigation into the public issue of M/s. Growmore Solvents Ltd. (hereinafter referred to as "GSL").
2. GSL had come out with a public issue of 84,50,000 equity shares of Rs.10/- each for cash at par, aggregating Rs.845 lacs, in March, 1994. The issue opened on March 07, 1994 and closed on March 11, 1994.
3. As per the report submitted by the post issue lead manager to the issue, the issue was subscribed to the extent of 93.37%. However, Investigations revealed that the subscription figures submitted by the post issue lead manager were incorrect and it was found that the issue had not received mandatory minimum subscription of 90%, as required in terms of SEBI (Disclosure and Investor Protection) Guidelines and also in terms of the prospectus. Thus, even though the issue had failed, it had been shown to have succeeded, by manipulation, on the part of several entities.
4. On examination of the details obtained during investigation, prima facie involvement of Shri Yashwant A. Thakkar and Shri Rashmikant A. Thakkar, directors of Amrapali Spinning Mills Ltd, in whose name the stock invests used for applications in the public issue of GSL were issued, was indicated.

SHOW CAUSE NOTICE

5. A show cause notice dated July 31, 2003 was issued to Shri Yashwant A. Thakkar and Shri Rashmikant A. Thakkar, whereby the findings of investigation and the alleged violation of SEBI (Disclosure and Investor Protection) Guidelines were communicated to them. Vide the aforesaid Show Cause Notice, Shri Yashwant A. Thakkar and Shri Rashmikant A. Thakkar were asked to show cause as to why appropriate action under 11 and Section 11B of the Securities and Exchange Board of India Act, 1992, restraining them from accessing the securities market and prohibiting them from buying, selling or dealing in the securities market in any manner whatsoever, for a particular period, should not be taken against them.
6. Replies dated December 31, 2003 were received from both Shri Yashwant A. Thakkar and Shri Rashmikant A. Thakkar, containing similar submissions. It was submitted that both of them had applied in the public issue of GSL through stock invest in the category of General Indian Public. They referred to the letter informing them about the date of hearing and submitted that since they did not have any explanation in the matter, their presence was not required. It was also stated therein that the decision of SEBI would be binding on them and that they would accept the same.

HEARING AND WRITTEN SUBMISSIONS

7. However, opportunities of hearing were granted by me to the aforesaid parties, in adherence to the principles of natural justice. The hearing was initially scheduled on January 02, 2004, which was communicated to them vide letter dated December 22, 2003. Neither Shri Yashwant Thakkar nor Shri Rashmikant Thakkar appeared for the hearing.

FINDINGS

8. I have carefully examined the findings of the investigation, all the documents/statements, show cause notices sent and the replies received. My findings are as under.
9. As per the 'Basis of Allotment Report' dated 20.05.1994 submitted by BOI Finance Ltd, the post issue Lead Manager to the issue, the public issue was subscribed in the following manner :

Category	No. of Applications Received.	No. of shares applied for	No. of shares allotted	Amount Payable on Application	% of Public Issue
1. NRIs	35	39,700	39,700	3,97,000	0.47
2. Employees	25	5,000	5,000	50,000	0.06
3. Net Public Offer	1834	78,46,300	78,45,800	3,92,29,000	92.84
4. Total subscription Received (1+2+3)	1894	78,91,000	78,90,500	3,96,76,000	93.37

5. Subscription through stock invest	201	27,01,500	27,01,500	1,35,07,500	32.00
6. Out of 5 above collections thru PNB.	22	26,00,000	26,00,000	1,30,00,000	30.77

10. It is seen from the above that :

I. Applications for 27,01,500 shares i.e 33% of the shares allotted in the issue, were accompanied with stock invests.

II. Of these, applications for 96% shares were collected by Punjab National Bank, Navrangpura Branch (hereinafter referred to as PNB), one of the Bankers to the Issue.

11. The collection schedule of PNB showed that the 22 'stock invest applications' collected by the said bank branch were accompanied by 16 stock invests (No. 577402 to 577417) for Rs.5 lac each and 50 stock invests (No. 577330 to 577379) for Rs.1 lac each, totaling Rs.1,30,00,000/-. Scrutiny of the bank schedule, stock invest register etc revealed that stock invest books bearing serial numbers 577301-577400 and 577401-450, from which the above 66 stock invests were issued, were issued out from the valuable securities register only on 22.03.94 and 26.03.94 i.e. after the closure of the issue.

12. It was also seen that of the above mentioned 66 stock invests, 53 Stock Invests [Nos. 577408 to 577410 for Rs. 5 lac each and Nos. 577330 to 577379 for Rs.1 lac each] aggregating Rs.65 lakhs, were issued on account of Amrapali Spinning Mills Ltd., on 30.03.1994 and 09.04.1994.

13. A scrutiny of the bank schedule/ reply given by PNB/ photocopy of the stockinvests/ stockinvest register revealed that

- The stock invests were issued to the account of Amrapali Spinning Mills Ltd. whose directors are stated to be Mr.Yashwant A Thakkar and Mr. Rashmikan A Thakkar.
- Most of these stock invests were signed by persons other than the authorized signatories of Amrapali Spinning Mills Ltd. on whose account the stock invests were issued.
- They were signed by Patels and Andanis, promoter directors of GSL.
- The stock invests bear at least 3 to 4 different dates imprinted by rubber stamps over the bank's handwritten date of issue.
- Some of the stock invests also show visible alteration in the name of the payee.
- Some of the names of applicants, as appearing in the bank schedule, are repetitive and indicate multiple applications.
- The stock invests were **not encashed but cancelled** in May/ June, 1994.

14. Since the bank records showed that the stock invests in question were cancelled, it is apparent that the stock invests used for subscribing to the issue of GSL were not encashed. I also find that the cancelled stock invests are in the possession of PNB. Hence, it is clear that the subscription against the applications accompanied by these stock invests were never received by GSL.

15. Thus, I find that 30% of the subscription to the public issue had come through stock invests, which were not encashed subsequently. If one deducts the 30% subscription received through these stock invests, from the total subscription received (Rs.3,96,76,000/-, being 93.37 % of the public issue), I find that the public issue has been subscribed to the extent of approximately 63% only, which is much below the mandatory minimum requirement of 90%. Thus, I find that the issue of GSL did not receive mandatory minimum subscription of 90% as required in terms of SEBI (Disclosure and Investor Protection) Guidelines and terms of prospectus.

16. In view of the shortfall in subscription, the issue should have failed. However, the issue was shown as subscribed to the extent of 93.37% and was subsequently listed on the stock exchanges.

17. I have noted that the stock invests used for subscribing to the issue of GSL were issued to Amrapali Spinning Mills Ltd., whose directors were Shri.Yashwant A Thakkar and Shri. Rashmikan A Thakkar. In having lent the stock invests purchased by them and then having got them back and cancelled them, they have acted in concert with the promoters of GSL in creating an illusion of subscription and thus, circumventing SEBI (Disclosure and Investor Protection) Guidelines and terms of prospectus.

18. I also note that Shri Yashwant A. Thakkar and Shri Rashmikan A. Thakkar have earlier been prohibited by SEBI from dealing in securities market for a period of two years with effect from August 19, 2002, in the matter of M/s Saket Extrusions Ltd.

ORDER

19. In view of the above, I, in exercise of powers conferred upon me in terms of Section 19, read with Sections 11 and 11B of the of SEBI Act, 1992, in the interest of the investors and securities market, hereby prohibit Shri Yashwant A. Thakkar and

Shri Rashmikanth A. Thakkar from buying, selling or dealing in securities in any manner whatsoever, for a period of one year.

20. This order shall come into force with immediate effect.

PLACE : MUMBAI

DATE : July 22nd, 2004

A.K.BATRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA