

SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER****UNDER SECTIONS 11 AND 11B OF THE SEBI ACT, 1992.****AGAINST M/S NIPAR FINANCIAL SERVICES LTD. AND ITS DIRECTORS SHRI NITIN PARIKH AND AKSHAY PARIKH, 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"). 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.
2. 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.
3. M/s Nipar Financial Services Ltd. (hereinafter referred to as 'Nipar') was the Registrar to the issue and investigations revealed that Nipar was also involved in the above violations.

SHOW CAUSE NOTICE

4. A show cause notice dated July 31, 2003 was issued to Nipar, whereby the findings of investigation and the alleged violation of SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 were communicated to it.
5. Further, a show cause notice dated September 25, 2003 was issued to the directors of Nipar, Shri Nitin Parikh and Shri Akshay Parikh.
6. Vide the aforesaid Show Cause Notices, Nipar and its directors were asked to show cause as to why appropriate action under Section 11 and 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. No reply has been received to any of the show cause notices.

HEARING AND WRITTEN SUBMISSIONS

7. Opportunities of hearing were granted by me to Nipar and its directors, Shri Nitin Parikh and Shri Akshay Parikh, as well as other entities involved with the violation of DIP Guidelines in respect of the issue of GSL, in adherence to the principles of natural justice.
8. The hearing was scheduled on January 02, 2004, which was communicated to them vide letter dated, December 22, 2003. None of the parties appeared for the hearing.

FINDINGS

9. 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.
10. 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	201	27,01,500	27,01,500	1,35,07,500	32.00

stock invest					
6. Out of 5 above collections thru PNB.	22	26,00,000	26,00,000	1,30,00,000	30.77

11. 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.

10. 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.

11. 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.

12. 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. Rashmikanth 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.

13. 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.

14. 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 62% 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.

15. 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.

16. In this regard, I note that Nipar, the Registrars to the Issue, failed to weed out late applications and multiple applications. I also note that Nipar had handed over the stock invests to GSL and had not taken steps to realize the stock invests, which is in violation of SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993. In response to SEBI's queries about their role in the public issue of GSL, I find that Nipar had, vide letter dated 7th October, submitted that they are not in possession of any record relating to the public issue as they have been handed over to GSL long time back.

17. The code of conduct prescribed for Registrars to an issue [Schedule III of the SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993, read with Regulation 13 of the Regulations] requires the RTA to exercise due diligence, ensure proper care and exercise professional judgement. Nipar, having failed to exercise due diligence in the public issue of GSL, enabled and facilitated the violation of the SEBI (Disclosure and Investor protection) Guidelines and terms of the prospectus, by the directors of the company, GSL. Hence, I am convinced that a suitable penalty ought to be levied on Nipar.

18. I have also noted that Nipar has earlier been prohibited by SEBI from associating themselves in any capacity, including that of an intermediary in the capital market, for a period of three years with effect from February 19, 2002, in the case of Maha

Chemicals Ltd. I have also noted that Nipar is not registered with SEBI any more.

19. Depending upon the circumstances of the case, it is sometimes necessary to lift the corporate veil and to examine the roles of the natural persons acting as directors of the entity, which has been held guilty of certain violations. In this case, I find that the directors of Nipar should be held responsible for the commissions and omissions of Nipar, as they were the persons in charge of the affairs of Nipar. Therefore, I am convinced that this is a fit case to pass an order against the directors of Nipar also.
20. The conduct of Nipar and its directors is found to be detrimental to the interest of the investors and the safety and orderly development of the securities market. Persons operating in the market are required to maintain high standards of integrity, promptitude and fairness in the conduct of the business dealings. By having failed to check the violations in the public issue of GSL, Nipar and its directors have shown themselves incapable of acting in the manner expected of responsible constituents of the securities market, much less that of a registered intermediary.

ORDER

21. In view of the above, I, in exercise of the powers conferred upon me in terms of Section 19, read with Sections 11 And 11B of SEBI Act, 1992, hereby prohibit M/s Nipar Financial Services Ltd. and its directors Shri Nitin Parikh and Shri Akshay Parikh, from buying, selling or dealing in securities in any manner whatsoever, for a period of two years.
22. This order shall come into force with immediate effect.

MBAI

DATE : July 22nd, 2004

A.K.BATRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA