

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4)(b) AND 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI RAMESH PARIKH, Ms. VARSHA PARIKH AND SHRI M.K.PARIKH IN THE MATTER OF M/s MANNA GLASS TECH INDUSTRIES LTD.

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted investigation into the alleged manipulation in the dealings in the shares of M/s Manna Glass Tech Industries Ltd. (hereinafter referred to as 'Manna Glass') for the period from January 1999 to July 1999 and from January 2000 to July 2000 (hereinafter referred to as Investigation Period).
- 1.2 Manna Glass had come out with a public issue of 54,20,000 shares at par in the year 1996. Shares of Manna Glass are listed at The Stock Exchange Mumbai (hereinafter referred to as BSE) and Ahmedabad Stock Exchange (hereinafter referred to as ASE).
- 1.3 Investigation revealed that 4 entities namely; Indian Shelters Ltd., Growth Agro Industries Ltd., Omega Avenues Ltd. and Sarlee Fabrics Exports Ltd (hereinafter referred to as ISL, GAIL, OAL, and SFEL respectively) had substantial dealings in the scrip during the period January 05, 1999 to July 09, 1999 during which the price of the scrip shot up from Rs.0.80/- to Rs 15/- . Total purchases and sales during the price rise was 4,86,900

and 4,37,600 which constituted 95% and 85% of the total traded volume at BSE.

- 1.4 The investigation further revealed that in January 2000, Manna Glass had issued 1.8 crores shares @ Rs 17/- on preferential basis to 4 promoters namely, Mr. Tushar A Majumdar, Mr. Amidhar Majumdar, Ms Rena A Majumdar , Ms Reema T Majumdar and Dr Beena A Shah (hereinafter referred to as promoters) and 12 non-promoter entities namely Sarlee Fabrics Exports Ltd., Growth Agro Industries Ltd., Indian Shelters Ltd., Shalin Resorts Ltd., Indo Care Pharmaceuticals Ltd., Gujarat Fun' N Water Park Ltd., Shree Corporation, G Bhavasar & Company, Sofitel & Finstock, Shri Ashok Chokshi, Omega Avenues Limited and Shri Noopur Kansara (hereinafter referred to as non-promoter entities). Total number of shares of Manna Glass were increased from 83,39,500 to 2,63,39,500 shares and total issued equity capital of Manna Glass increased to Rs. 26.33 crores divided into shares of Rs.10/- each. The investigations have also revealed that Manna Glass the promoter companies namely Manna Exports, Manna Machineries Pvt. Ltd. and Mannapule Machineries Pvt. Ltd (hereinafter referred to as promoter companies) and non promoter entities had opened bank accounts at the same time in the same bank branch just prior to the preferential issue. One common person had introduced all of them to the bank. Scrutiny of the bank account of the company revealed that it had issued cheques to the promoter company/ entities who had in turn issued cheques to allottees and then the allottee entities issued the cheques back to the company by way of allotment money. Hence, through this modus operandi of issuing cheques in a circular manner, it was shown in the bank account

of the company that money was received from the allottees towards subscription amount. However, there was actually no real flow of funds from the allottees to the company by way of allotment money and preferential issue did not really bring additional funds to the company. Promoter director Shri Tushar Majumdar appearing on behalf of himself and three of his family members confirmed that they were among four of the allottees in the preferential allotment and received shares without investigating any funds for the same directly from their own interest. Further, Shri Noopur Kansara and Indian Shelters, had confirmed in his statement dated February 06,2003 that one of the promoter companies had arranged them the subscription money at the time of preferential issue.

- 1.5 The investigation further revealed that the company had allotted 1.8 crore shares to the promoters and the above mentioned non promoter entities connected with them, on preferential basis without any consideration. The investigation further revealed that after the issue of shares the above entities sold around 1.51 crores share at BSE through Shri Ramesh Parikh, Rajesh Jhaveri and Piyush Jhaveri which is allotted on the preferential basis. Around 84% of the shares allotted in the preferential issue were sold in the market. In total 1.5 crore with shares with an average price of 3.5 sold in the market aggregating 5.2 crore.
- 1.6 On the basis of the above the investigation concluded that the entities have violated Regulation 4(a) (b) (c) and Regulation 6(a) of the Securities and Exchange India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

2.0 SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

2.1 Accordingly, a show cause notice dated September 29, 2003 was issued to Shri Ramesh Parikh , Ms Varsha Parikh and Mr Manubhai Parikh wherein they were alleged to have violated SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995. Vide the aforesaid show cause notice, they were called upon to show cause as to why suitable directions under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003 read with Section 11(4) (b) and 11B of SEBI Act, 1992 should not be issued against them.

2.2 Replies dated 20/10/2003 were received separately from Shri Ramesh Parikh, Ms Varsha Parikh and Mr Manubhai Parikh. In their reply they interalia submitted the following:

- a) there was no person called Manubhai K. Parikh involved in sale or purchase of Manna Glass. Therefore, they said that revised letter may be addressed to Mahendra K. Parikh at the same address that of Ramesh K. Parikh. They also said that they can treat the letter sent to them as addressed to Mahendra K. Parikh and send necessary reply for the notice served to him also.
- b) they were totally innocent people and that they were not at all aware of any manipulation or fraud or intended fraud committed by the group of persons and companies named in the letter. They said that they were in the business of buying and selling of shares for earning living by earning small amount of trading difference between sale price and purchase price. They stated

that the same could be noticed from the statements of their financial transactions as well as their bank account copies.

- c) that they had carried out normal trading activity to earn living and that they were not involved in any fraud. They also said that they have not helped any body with prior knowledge in carrying out any fraud. Hence, they submitted that they should not be punished or penalized at all as they have not done anything wrong and since they were simple investors/traders in the market. They further submitted that the figures mentioned by SEBI and statements given by the company people shocked them. They said that they were victims of transactions carried out by other people.

- 2.3 An opportunity of personal hearing was granted to them on February 03, 2004 vide letter dated January 18, 2004. No one appeared on their behalf and therefore I proceed with the matter ex-parte on the basis of the material available on record.

3.0 CONSIDERATION OF ISSUES AND FINDINGS

- 3.1 I have carefully considered the investigation report, its findings, materials relied upon by SEBI, detailed show cause notices issued to the entities and their replies, if any, received by SEBI. I have also taken note of the conduct of the entities during the investigation process and pursuant to the show cause notice issued to them.

- 3.2 I find that Manna Glass had issued 1.80 crore of equity shares at Rs.17/- per share (Face Value Rs.10/- per share + Rs.7) towards share premium) on January 27, 2000 to 5 promoters

and 12 non-promoter entities. I further find from the investigation that the company, its promoter and director have indirectly manipulated the market in the scrip of Manna Glass so it can fix the price of the preferential basis at Rs 17/- per share and sold the shares issued on preferential basis in the market. The names of person to whom the company had issued shares on preferential basis are given below:

Promoters category:

- 1) Amidhar Majmudhar
- 2) Tushar A Majmudhar
- 3) Rena T Majmudhar
- 4) Reema A. Majmudhar
- 5) Dr. Beena A. Shah

Non-promoter category:

- 6) Sarlee Fabric Exports Ltd
- 7) Omega Avenues Ltd
- 8) Growth Agro Industries Ltd
- 9) Indian Shelters Ltd
- 10) Indo Care Pharmaceuticals Ltd
- 11) Shalin Resorts Ltd
- 12) Gujarat Fun'n Water Park Ltd
- 13) Shree Corporation
- 14) G Bhavsar & Company
- 15) Sofitel & Finstock
- 16) Ashok Chokshi
- 17) Noopur Kansara

- 3.3 I find that the preferential allotments have been made to the same clients who were involved in the manipulation during the earlier period i.e. January 1999 to July 1999. I note from the investigations that the company, promoter companies/firm and the above allottees had opened the accounts at same time in the same bank branch just prior to the preferential issue. On a scrutiny of the account opening forms at the bank, I find that a common person, Ronak Patel of Growth Agro Industries Ltd.

promoter company/entities (viz. Manna Exports, Manna Machineries Pvt. Ltd. and Mannapule Machineries Pvt. Ltd.) who had in turn issued cheques to allottees and then, the allottee entities issued the cheques back to the company by way of allotment money. Hence, through this modus operandi of issuing cheques in a circular manner, it was shown in the bank account of the company that money was received from the allottees towards subscription amount. However, I note that there actually was no real flow of funds from the allottees to the company by way of allotment money and preferential issue did not really bring additional funds to the company. During the investigation, I find, the promoter director of the company had confirmed that he and his family members had received shares on preferential basis without paying allotment money from their interest. Further, Shri Noopur Kansara and Indian Shelters had confirmed under oath that one of the promoter company/entity had arranged them the subscription money at the time of preferential issue.

- 3.4 I find from the investigation that the company had allotted 1.8 crore shares to the promoters and the above mentioned entities connected with them on preferential basis without any consideration, even though the company had in its declaration to the stock exchange stated that it had received full consideration from all the allottees.
- 3.5 Distinctive no. of the preferential shares was from 83,39,501 to 2,63,39,500. On an analysis of distinctive numbers of shares delivered by brokers at BSE during the period from March-July 2000, I find around 1.51 crore shares which were issued on preferential basis were sold in the market through certain select

2000, I find around 1.51 crore shares which were issued on preferential basis were sold in the market through certain select brokers. I note that the above allottee entities had sold around 1.51 crore shares, allotted on the preferential basis, at BSE mainly through Shri Ramesh Parikh, Rajesh Jhaveri and Piyush Jhaveri.

I find that Prabhudas Lilladher Pvt Ltd, member, BSE confirmed that the above transactions have been done by one of their sub brokers Jyotish Bhogilal Stock Brokers Ltd, whose ultimate clients were M/s Parshwa Finance and the proprietor of M/s Parshwa Finance was Shri Piyush Jhaveri (Ahmedabad based clients). M/s Parshwa Finance vide letter dated 23.4.2003 (signed by Shri Piyush Jhaveri) stated that most of the transactions were done on behalf of Rajesh Jhaveri and Nrupesh C Shah, whose ultimate clients were Shalin Resorts Ltd, Growth Agro Industries, Indocare Pharma and Sarlee Fabric Exports Ltd. Shri Rajesh N. Jhaveri had stated that he has done sale transactions in the scrip of Manna on behalf of his proprietary account and 4 clients viz. Shalin Resorts Ltd, Growth Agro Industries, Indocare Pharma and Sarlee Fabric Exports Ltd. He further stated that Noopur Kansara used to place orders on behalf of these 4 clients. Rajesh N. Jhaveri further stated that before executing sale transactions, they have got shares transferred in the names of their authorized representatives to ensure that no bad delivery of fake shares were delivered in the market.

- 3.6 I also note that around 84% of the shares allotted in the preferential issue were sold in the market. Average price in the

market during which the shares were sold was around Rs.3.5/-. Assuming average selling price of Rs.3.5/-, 1.5 crore shares worth Rs.5.2 crore were sold in the market.

- 3.7 I also find that Ramesh Parikh had sold 1.2 crore shares of Manna Glass at BSE through member, Integrated Master Securities Ltd. The settlement-wise details of transactions are as given below:

Settl No.	Sale Qty	Name of Client	Selling broker
1999049	55000	Ramesh Parekh	Integrated Master Securities Ltd
1999050	401200	Ramesh Parekh	Integrated Master Securities Ltd
1999051	1312200	Ramesh Parekh	Integrated Master Securities Ltd
1999052	1093000	Ramesh Parekh	Integrated Master Securities Ltd
1999053	24600	Ramesh Parekh	Integrated Master Securities Ltd
2000001	4762700	Ramesh Parekh	Integrated Master Securities Ltd
2000002	127400	Ramesh Parekh	Integrated Master Securities Ltd
2000003	700	Ramesh Parekh	Integrated Master Securities Ltd
2000010	1580700	Ramesh Parekh	Integrated Master Securities Ltd
2000015	1216600	Ramesh Parekh	Integrated Master Securities Ltd
2000016	782100	Ramesh Parekh	Integrated Master Securities Ltd
2000017	285900	Ramesh Parekh	Integrated Master Securities Ltd
2000018	251600	Ramesh Parekh	Integrated Master Securities Ltd
2000019	132300	Ramesh Parekh	Integrated Master Securities Ltd
Total	1,20,26,000		

- 3.8 I also note that the member, Integrated Master Securities Ltd confirmed that share certificate delivered by Shri Ramesh Parikh were held in his name and his relative's name viz. Shri M.K. Parikh and Varsha R. Parikh. Ramesh Parikh vide letter dated May 22, 2003 confirmed that his firm, S.M Consultancy Services, had purchased shares from the allottees through off-market deals and Shri Noopur Kansara of Indo Care Pharmaceuticals Ltd had introduced him these clients. Shares were purchased from allottees and sold in the market through Integrated Master Securities. He further stated over telephone that Shri Girish D. Shah was the contact person of all the allottees.
- 3.9 I find that the company, its promoter and directors have indirectly (through entities connected with them) manipulated the market in the scrip of Manna Glass so that it can fix the price of preferential issue at Rs.17/- per share and sold the shares issued on preferential basis in the market. Company and its promoters/directors had issued shares to entities connected with them, fraudulently just to dump the shares in the market for profit without any acquisition cost, and not to bring additional funds to the company. Promoters have themselves stated under oath that they have not invested any funds for subscription of shares issued on preferential basis by the company. These acts of company and its promoters operated as fraud upon the general investing public. I note that the above allottee entities had sold around 1.51 crores of shares allotted on the preferential basis, at BSE out of which 1.20 crore shares, were sold through Shri Ramesh Parikh, who in turn had sold through member Integrated Master Securities Ltd. From the above, it is seen that Ramesh Parikh, M.K. Parikh and Varsha R. Parikh

had acted as proxies to sell the shares on behalf of promoters and the allottees. The very fact that they have acquired and offloaded such large volume of shares in the market, that too, in a not so popular scrip, from the allottees which were fraudulently issued by the company.

- 3.10 As far as the names of Mahendra Parekh and Manubhai Parekh, the submission that the name is Mahendra Parekh is noted. However, the name that appears on the certificate is M. K. Parikh and the only other person with whom the same could be verified was the broker since they did not appear before Investigating Officer. The only communication received from them was in response to our summons for appearance. Although the parties in their reply has mentioned that they were not party to any fraud, from the above, it is apparent that Ramesh Parikh, M.K. Parikh and Varsha R. Parikh had assisted the allottees or appears to have acted as proxies to off-load large quantities of shares in the market and thereby have violated following provision of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995

Regulation 6 (a) reads as under:

“No person shall -

(a) in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities”

3.11 I further find that after the issue of the preferential allotment the promoters and non promoter entities had sold 84% of the shares allotted in the preferential allotment through Shri Ramesh K Parikh, Shri M.K. Parikh and Ms. Varsha R. Parikh. This is the only role played by these and I have taken note of the same.

4.0 ORDER

4.1 In view of the above, in exercise of powers conferred upon me in terms of Section 11(4) (b) and 11B of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 read with the relevant provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby prohibit Shri Ramesh K. Parikh, Shri M. K. Parikh and Ms. Varsha R. Parikh from buying, selling or dealing in securities, in any manner whatsoever, for a period of one year.

4.2 This order shall come into force with immediate effect.

DATE : 01/02/2006
PLACE : MUMBAI

MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA