

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

- 1) M/s Manna Glass Tech Industries Ltd,**
- 2) Dr. Beena A. Shah,**
- 3) Sarlee Fabrics Exports Ltd.,**
- 4) Growth Agro Industries Ltd.,**
- 5) Indian Shelters Ltd.,**
- 6) Shalin Resorts Ltd.,**
- 7) Indo Care Pharmaceuticals Ltd.,**
- 8) Gujarat Fun' N Water Park Ltd.,**
- 9) Shree Corporation,**
- 10) G Bhavasar & Company,**
- 11) Sofitel & Finstock,**
- 12) Shri Ashok Chokshi**
- 13) Shri Noopur Kansara.**

In the matter of dealings in the scrip of 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 investing 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. Average price in the market during which the shares were sold was around Rs.3.5 i.e. 1.5 crore shares with Rs.5.2 crore were sold in the market.
- 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 Manna Glass Tech Industries Ltd., Mr.Tushar A. Majmudhar, Mr. Amidhar Majmudhar, Ms. Rena A. Majmudhar, Ms. Reema T. Majmudhar, Dr. Beena A. Shah, Sarlee Fabrics Exports Ltd, Omega Avenues Ltd, Growth Agro Industries Ltd, Indian Shelters Ltd, Gujarat Fun'n Water Park Ltd, Shree Corporation, G. Bhavsar & Company, Sofitel & Finstock, Shri Ashok Chokshi, Shalin Resorts Ltd., Indo Care Pharmaceuticals and Shri Noopur Kansara advising them 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 Dr. Beena A. Shah, forwarded her reply vide letter October 27, 2003 wherein she submitted that she was not related to Manna Glass in any manner. She also submitted that she was not aware of any kind of information about the company since she was an additional director (sitting director) for a short period. She submitted that the company had given her a copy of the respective form on her resignation filed with ROC Gujarat, and that the same was untraceable. It was further submitted that she was unable to understand as to why allegations for violations of the provisions of SEBI (FUTP) Regulations has been leveled against her and also requested to specify categorically her involvement in the matter. A letter dated October 27, 2003 was received from Shri Noor Kansara wherein he submitted that in order to prove his innocence in respect of the violation of SEBI Act, he needed time to prepare the submissions. Manna Glass and G.Bhavsar & Company did not reply to

the show cause notice. The show cause notice issued to Indo Care Pharmaceuticals Ltd. was sent to their last known address. However, the letter could not be delivered since the addressee was unavailable. SEBI did not receive any reply from Sarlee Fabrics Exports Ltd., Growth Agro Ind. Ltd. Indian Shelters Ltd, Shalin Resorts Ltd., Gujarat Fun'n Water Park Ltd, Shree Corporation, Sofitel & Finstock, Shri Ashok Chokshi.

2.3 In adherence to the Principles of natural justice an opportunity of personal hearing was granted on March 16, 2004. Nine entities namely Sarlee Fabrics Exports Ltd., Growth Agro Ind. Ltd. Indian Shelters Ltd, Shalin Resorts Ltd., Gujarat Fun'n Water Park Ltd, Shree Corporation, Sofitel & Finstock, Shri Ashok Chokshi and Shri Noopur Kansara replied to the said letter intimating personal hearing stating that the charges leveled against them in the show cause notice are vague and based on presumptions and assumptions and there is no substance and until and unless the Board specifically and categorically intimates to them the nature of involvement in the alleged violations they find it unnecessary to attend the hearing.

2.4 The entities namely Manna Glass Tech Industries Ltd., Dr. Beena A. Shah, Sarlee Fabrics Exports Ltd, Growth Agro Industries Ltd, Indian Shelters Ltd, Gujarat Fun'n Water Park Ltd, Shree Corporation, G. Bhavsar & Company, Sofitel & Finstock, Shri Ashok Chokshi, Shalin Resorts Ltd., Indo Care Pharmaceuticals and Shri Noopur Kansara did not appear for hearing. Therefore I proceed with the matter ex-parte on the basis of the records available.

3.0 CONSIDERATION OF ISSUE 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 4 entities namely; ISL, GAIL, OAL, and SFEL 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 of the clients during the price rise was 4,86,900 and 4,37,600 which constituted 95% and 85% of the total traded volume at BSE.
- 3.3 I further note that in January 2000, Manna Glass had issued 1.8 crores shares @ Rs 17/- on preferential basis to 5 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 company was increased from 83,39,500 shares to 2,63,39,500 shares and total issued equity capital of the company increased to Rs. 26.33 crores divided into shares of Rs.10/- each. I also find that Manna Glass, the promoter companies and the above 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 them to the bank. Scrutiny of the bank account of the company revealed that it had issued cheques to the promoter companies 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 investing 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.

3.4 From the trading details of Manna Glass during the relevant time duly mentioned in the respective show cause notices, I note the following:

1) In settlement no. 1998042, total traded volume was 31800 shares. Transactions done by clients in settlement no. 1998042 are as given below:

a) In this settlement, Indian Shelters Ltd had purchased 21500 shares of Manna Glass through Vidyut B. Shah, ASE member, which constituted 68% of the total traded volume. Vidyut B. Shah had in

turn routed trades through Atul Doshi (ASE broker) who in turn had routed trades at BSE through BSE Broker Deepak Cholera.

- b) ISL had sold 31600 shares of Manna Glass through Vidyut B. Shah, ASE member, which constituted 99% of the total traded volume. Vidyut B. Shah had in turn routed trades through P H. Khandwala (ASE member) who in turn had routed trades at BSE through BSE broker R. D. Shah.
 - c) In this settlement both the buyer and the seller was ISL and there was no change in the beneficial ownership of shares as such i.e. the shares were sold by Indian Shelters were again purchased by Indian Shelters.
- 2) In settlement no.1998043 total traded volume was 29600 shares. In this settlement ISL had purchased 28000 shares of Manna Glass through Vidyut B. Shah, member ASE which constituted 94% of the total traded volume and thereafter Vidyut B. Shah had in turn routed trades at BSE through BSE broker Ashwin Chinubhai Broking Pvt. Ltd.
- 3) In settlement no. 1999011, Growth Agro Ltd had sold 15000 shares of Manna Glass through Sonal Parikh (a VSE broker), who had in turn routed trades at BSE through BSE Broker, Saurabh Dani. (name of Saurabh Dani has now changed to Giltedged Sec Pvt Ltd). In settlement no. 1999011, Growth Agro had purchased 108300 shares and sold 108300 shares of Manna Glass through Miral Financial Consultancy, who had in turn routed trades through Patel & Gandhi (a VSE broker) who then placed order at BSE through BSE Broker, KBS Capital Management. On an analysis of order log and trade log, I find that there were matched orders amongst orders of BSE

member, SVS Securities, Deepak Cholera, Saurabh Dani and KBS Capital.

- 4) I further find that in settlement no. 1999012 Sarlee Fabrics had purchased 71700 shares of Manna and sold 24500 shares, thereby a net purchase of 47200 shares through VSE Broker Karanjit Resource who had in turn routed trades at BSE through SVS Securities. Further, in the settlement Growth Agro had purchased 20300 shares of Manna Glass and sold 37700 shares through Miral Financial Consultancy who had in turn routed trades through Patel & Gandhi who then placed order at BSE through KBS Capital Management. Thus in this settlement the total traded volume was 104000 shares. The total quantity bought and sold was 92000 shares and 62200 shares respectively, which constituted 98% and 59% of the total traded volume respectively in settlement no. 1999012. The price of the scrip opened at Rs. 13.50/- and went up to Rs. 15/- during the settlement and by the end of the settlement, the price of the scrip closed at Rs. 12.25/-.
- 5) In settlement no. 1999013, total traded volume was 613200 shares. The total quantity bought and sold by the above clients was 162300 shares and 328800 shares respectively which constituted 26% and 54% of the total traded volume in settlement no. 1999013. In this settlement transactions of Omega Avenues, Growth Agro and Sarlee Fabrics were significant as compared to total trading volume in the settlement. In this settlement, it is seen that these clients collectively sold 214500 shares of Manna Glass in the settlement no. 1999013. The price of the scrip opened at Rs. 12.55/- and went up to Rs. 14.30/- during the settlement and by the end of the settlement, the price of the scrip closed at Rs. 13.05 /-.

- 7) In settlement no. 1999014, ASE broker, Jyotish Bhogilal, sold 10500 shares through BSE Broker Prabhudas Liladhar. Jyotish Bhogilal informed that shares were sold on behalf of his client Shreenathji Investment. Shreenathji Investment vide letter dated February 7, 2003 mentioned that sales were made on behalf his client Mahalaxmi Investment. Mahalaxmi Investment vide letter dated February 19, 2003 mentioned that sales were made on behalf of client A. M. Investment. However, it is seen from the details of 10500 shares delivered through Prabhudas Liladhar that share certificates were in the name of Omega Avenues Ltd. Hence, it appears that Omega Avenues had sold these shares at BSE through Prabhudas Liladhar.
- 8) In settlement no. 1999015, Sarlee Fabrics had sold 4700 shares through Sonal Parikh (a VSE broker) who had in turn routed trades through BSE Broker Saurabh Dani. The total traded volume was 61200 shares. In this settlement, it is seen that Omega Avenue and Sarlee Fabrics have collectively sold 15200 shares of Manna Glass. The price of the scrip opened at Rs. 12.25/- and by the end of the settlement, the price of the scrip closed at Rs. 9.90 /-.
- 9) In settlement no. 1999016, Indian Shelters had sold 36500 shares through Sonal Parikh (a VSE broker) who had in turn routed trades through BSE Broker Saurabh Dani.

3.5 Analyzing the transactions done by these four entities ISL, GAIL, OAL, and SFEL who had linkages with each other and had links with company Manna Glass, I find that they have collectively done large transactions at BSE in the illiquid scrip of Manna Glass during the period from January 1999 to July, 1999. It was noticed that total purchases and sales of these client during the price rise period was 486900 shares and 437600 which constituted 95% and 85% of total traded volume.

- 3.6 I also find from the manner these deals were executed that these transactions are fictitious trades entered with the intention to match the transactions and to establish new and higher price on these days. Later when the price of the scrip went up to Rs. 15, these entities ISL, GAIL, OAL, and SFEL sold shares.. Thus I find that these entities connected with the company Manna Glass viz. Indian Shelters Ltd, Sarlee Fabrics, Growth Agro and Omega Avenues have manipulated the market in the scrip of Manna Glass.
- 3.7 I further find that On January 27, 2000, the company had made preferential allotment 1,80,00,000 equity shares at Rs.17/- per share (face Value Rs.10/- per share + Rs.7 towards share premium) to promoters and others. I further find that pursuant to the preferential allotment of shares, total number of shares of company has increased to 2,63,39,500 shares from 83,39,500 shares and the total issued equity capital of the company increased to Rs. 26.33 crores divided into shares of Rs.10/- each.
- 3.8 I find from the investigations, that all the allottees Mr Tushar A Majumdar, Mr Amidhar Majumdar, Ms Rena A Majumdar , Ms Reema T Majumdar and Dr Beena A Shah (promoter category) and 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 (non-promoter category) to the preferential allotment had maintained account in the same bank and most of the accounts were opened just before the allotment of preferential issue. It was seen that apart from the above accounts, Manna Exports, Manna Machineries Pvt. Ltd and Mannapaule Machineries Pvt. Ltd had also maintained account with the same bank. The scrutiny of bank accounts of allottees, company

and Manna Exports, Manna Machineries Pvt. Ltd and Mannapule Machineries Pvt. Ltd revealed that there was no real flow of Rs. 30.60 crores into the bank account of company. There were only transfer entries in accounts of respective allottees and company to show that company had received cheques worth Rs. 30.36 crores. The company then had issued cheque to Manna Exports, Manna Machineries Pvt Ltd and Mannapule Machineries Pvt Ltd, who in turn issued cheques to respective allottees, so that they can issue cheques in favour of company's account towards their subscription amount. The company had assisted allottees indirectly to acquire its own shares in the preferential allotment. This shows that the company has issued shares to the allottees manipulatively without actually receiving funds from them.

- 3.9 I find that there was a large transaction in the scrip of Manna Glass immediately after the preferential issue of shares. During the period from March 2000 to July 2000, there was large delivery based selling of shares of Manna Glass at BSE by three brokers viz. Integrated Master Securities Ltd, Shrikant Mantri and Prabhudas Lilladher Pvt Ltd. Analysis of distinctive numbers of shares delivered by above brokers to the stock exchanges revealed around 1.4 crore shares which were issued on preferential basis were sold in the market through these brokers. Distinctive no. of the preferential shares was from 83,39,501 to 2,63,39,500. I note that after the issue of shares i.e. during the period from March 2000 to July 2000, the above entities sold around 1.51 crore shares, which were allotted on preferential basis, at BSE through Shri Ramesh Parikh, Rajesh Jhaveri and Piyush Jhaveri. 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.

- 3.10 I find from the findings of the investigations the company had allotted 1.8 crore shares to the promoters and the above mentioned entities 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
- 3.11 I find that the 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. I also note that promoters have themselves stated under oath during the investigation 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 therefore operated as fraud upon the general investing public.
- 3.12 From the foregoing discussion I find as a matter of fact, there were three stages where instances of manipulations were evidenced in the scrip of Manna Glass.
- a) The first was during the period of January 05, 1999 to July 09, 1999 where the price in the scrip had moved from Rs.0.80 to Rs.15/- when clients namely Indian Shelters Ltd., Growth Agro Industries Ltd., Omega Avenues Ltd. and Sarlee Fabrics Exports Ltd. had substantial dealings in the scrip. Matched transactions amongst the aforementioned entities created an artificial market for the shares in the scrip of Manna Glass and led to a price rise. The aforementioned transactions were circular in nature where shares sold by one client were purchased by other client of the same group.

- b) The second stage where manipulative practices were indulged into was during the preferential allotment where an allotment of 1.80 crores of equity shares at Rs.17/- per share was made. The investigations, I find revealed that these shares were allotted on the preferential basis without any consideration. At this stage, even the company issued cheques to allottees and they issued to other entities without money actually not being paid by any allottee.
- c) In the subsequent period, which is the third stage, of the manipulation in the scrip of Manna Glass, I note that 84% of the shares issued on preferential basis were sold in the market through selected brokers. It is also to be noted that these shares had been acquired without actual consideration.

Therefore, in view of the facts and circumstances of the case as described above, I find the company, Manna Glass and its promoter / director and the related entities guilty of violation of Regulation 4 (a),(b),(c) and Regulation 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 which reads as under:

"No person shall—

- a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person.
- b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market.
- c) Indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;"

6 "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”

4.0 ORDER

4.1 Therefore, in exercise of the powers conferred upon me in terms of Section 19, read with Section 11B and 11(4) (b) of SEBI Act, 1992, Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 read with the relevant provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003, I hereby prohibit Manna Glass Tech Industries Ltd. and its promoter / director Dr. Beena A. Shah, 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 and Shri Noopur Kansara are hereby prohibited from accessing the securities market and from buying, selling or dealing in securities, for a period of three years.

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

