

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER UNDER SECTION 11(4) READ WITH SECTION 19 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF GHCL LTD.

WTM/KMA/53/ISD/09

1. Background

1.1 A complaint was received alleging that GHCL Ltd. (hereinafter referred to as 'GHCL') have been reporting false shareholding details of the promoters in their quarterly filing with the Stock Exchanges. The said filing is required under clause 35 of the Listing Agreement with each NSE and BSE.

1.2 As per disclosures made by GHCL to the BSE under the Listing Agreement, the promoters' holdings were as follows:

Quarter Ended	No. of Shares	Percentage of the Issued Capital
March 31, 2008	47073557	47.06%
June 30, 2008	40424554	40.42%
September 30, 2008	40311856	40.30%
December 31, 2008	38327618	38.32%

1.3 An examination of the records of holdings of promoter entities of GHCL from the stock exchanges and the Registrar of the Company, Link Intime India Private Ltd. (LIPL) was carried out to verify the authenticity of the disclosures made by GHCL.

2. Preliminary findings

2.1 The disclosed shareholdings of the promoters by GHCL with the actual holdings as per the Registrar are as follow:

Name of the Promoter entities	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange
	For the Quarter ended 31/12//2008		For the Quarter ended 30/09/2008		For the Quarter ended 30/06/2008		For the Quarter ended 31/03/2008	
ALANKAR COMMERCIAL PVT LTD	2600	2600	2600	2600	2600	2600	2600	2600
ALTAR INVESTMENT P LTD	318	1710811	318	1807839	318	1819588	1516440	2241818
ANTARCTICA INVESTMENT PVT LTD	769	1281456	50769	1919481	50769	1927925	1867594	2384605
ANURAG TRADING LEASING AND INVESTMENT COMPANY PVT LTD	284700	284700	4700	284700	4700	284700	4700	284700
ARCHANA TRADING AND INVESTMENT COMPANY PVT LTD	132848	132848	7848	127848	7848	127848	7848	127848
BANJAX LIMITED	2789700	2789700	2789700	2789700	2789700	2789700	2789700	2789700
BHARATPUR INVESTMENT LTD	31842	31842	1842	1842	1842	1842	1842	1842
CAREFREE INVESTMENT COMPANY LTD	281450	281450	281450	281450	281450	281450	281450	281450
CARISSA INVESTMENT LTD	1606752	10200110	1563645	10136598	2953621	10142725	5271428	12007774
CHIRAWA INVESTMENT LTD	1860	1860	1860	1860	1860	1860	1860	1860
COMOSUM INVESTMENT PVT LTD	701	1334530	701	1578714	701	1577645	2112701	2112701
DALMIA FINANCE LTD	681901	681901	681901	681901	681901	681901	781901	781901
DALMIA HOUSEING FINANCE LTD	5707	953988	5707	974138	5707	949249	1115707	1115707
DEAR INVESTMENT PVT LTD	55	2098717	55	2935552	55	2945984	1950102	3229055
DIVINE LEASING & FINANCE LTD	209404	209404	209404	209404	209404	209404	209404	209404
EXCELLENT COMMERCIAL ENTERPRISES AND INVESTMENT	345800	345800	345800	345800	345800	345800	345800	345800
GEMS COMMERCIAL COMPANY LTD	2708207	2708207	2508207	2508207	2508207	2508207	2508207	2508207
GENERAL EXPORTS AND CREDITS LTD	167000	167000	167000	167000	167000	167000	567000	567000
GTC INDUSTRIES LTD	416578	416578	416578	416578	416578	416578	416578	416578
HARVATAX ENGINEERING & PROCESSING CO LTD	368723	368723	368723	368723	368723	368723	368723	368723
HEXABOND LTD	2718200	2718200	2718200	2718200	2718200	2718200	2718200	2718200
HINDUSTAN COMMERCIAL COMPANY LTD	618150	618150	548150	548150	548150	548150	548150	548150
HOTEX COMPANY LTD	78	78	78	78	78	78	100078	100078
ILAC INVESTMENT PVT LTD	217	1919801	217	2712795	217	2706651	764833	4484751
INTERNATIONAL	527671	527671	527671	527671	527671	527671	527671	527671

Name of the Promoter entities	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange	No. of shares held as per Registrar	No. of shares held as informed by the Company to the Stock Exchange
	For the Quarter ended 31/12//2008		For the Quarter ended 30/09/2008		For the Quarter ended 30/06/2008		For the Quarter ended 31/03/2008	
RESOURCES LTD								
LAKSHMI VISHNU INVESTMENT LTD	1860	1860	1860	1860	1860	1860	1860	1860
LHONAK INTERNATIONAL PVT LTD	1299599	1299599	1211599	1211599	1211599	1211599	1211599	1211599
LOVELY INVESTMENT PVT LTD	645	1700434	65762	1511968	65762	1620016	734077	1999375
MODERATE INVESTMENT AND COMMERCIAL ENTERPRISES	530050	530050	530050	530050	530050	530050	530050	530050
MOURYA FINANCE LTD	1860	1860	1860	1860	1860	1860	1860	1860
NARESHCHANDRA JAIN	5050	5050	5050	5050	5050	5050	5050	5050
OVAL INVESTMENT PVT LTD	2503848	2503848	2503848	2503848	2503848	2503848	2666848	2666848
PASHUPATINATH COMMERCIAL PVT LTD	15000	15000	15000	15000	15000	15000	15000	15000
RAM KRISHNA DALMIA FOUNDATION	152000	152000	152000	152000	152000	152000	152000	152000
RICKLUNSFORD TRADE AND INDUSTRIAL INVESTMENT	1960	1960	1960	1960	1960	1960	1960	1960
SANJAY TRADING INVESTMENT COMPANY PVT LTD	29100	29100	29100	29100	29100	29100	29100	29100
SIKAR INVESTMENT COMPANY LTD	1800	1800	1800	1800	1800	1800	1800	1800
SOVEREIGN COMMERCIAL PVT LTD	6000	6000	6000	6000	6000	6000	6000	6000
SUMAN JAIN	25000	25000	25000	25000	25000	25000	25000	25000
SWASTIK COMMERCIAL PVT LTD	3700	3700	3700	3700	3700	3700	3700	3700
TRISHUL COMMERCIAL PVT LTD	5100	5100	5100	5100	5100	5100	5100	5100
WGF FINANCIAL SERVICES LTD	257800	257800	257800	257800	257800	257800	257800	257800
WORLD GROWTH FUND LTD	1332	1332	1332	1332	1332	1332	1332	1332
Total	18742935	38327618	18021945	40311856	19411921	40424554	32430653	47073557
Percentage of Shareholding	18.74%	38.32%	18.02%	40.30%	19.41%	40.42%	32.42%	47.06%

2.2 It is observed that the disclosures across the four quarters in the year 2008 made by the company with respect to promoters holding are at significant variance with the actual holdings of the promoters. The misleading difference in the holding is as divergent as 17.65% being the actual and 40.30% being the disclosed holding for the quarter ended September, 2008 - a difference of more than 100%. The table given below depicts the differences in the holdings

Quarter Ended	No. of Shares as disclosed by GHCL	Percentage of the Issued Capital	Actual No. of Shares held	Percentage of the Issued Capital	Difference in Percentage
March 31, 2008	47073557	47.06%	32427953	32.42%	14.64%
June 30, 2008	40424554	40.42%	19411921	19.41%	21.01%
September 30, 2008	40311856	40.30%	18019245	18.02%	22.28%
December 31, 2008	38327618	38.32%	18742935	18.74%	19.58%

2.3 It was observed that out of 43 promoter entities, there are discrepancies in the shareholdings of 10 promoter entities. The details are as follows:

Promoter	No. of shares	Exch	No. of shares	Exch	No. of shares	Exch	No. of shares	Exch
	12/31/2008	12/31/2008	9/30/2008	9/30/2008	6/30/2008	30/6/2008	31/3/2008	31/3/2008
ALTAR INVESTMENT P LTD	318	1710811	318	1807839	318	1819588	1516440	2241818
ANTARCTICA INVESTMENT PVT LTD	769	1281456	50769	1919481	50769	1927925	1867594	2384605
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DEAR INVESTMENT PVT LTD	55	2098717	55	2935552	55	2945984	1950102	3229055

Promoter	No. of shares	Exch	No. of shares	Exch	No. of shares	Exch	No. of shares	Exch
	12/31/2008	12/31/2008	9/30/2008	9/30/2008	6/30/2008	30/6/2008	31/3/2008	31/3/2008
ILAC INVESTMENT PVT LTD	217	1919801	217	2712795	217	2706651	764833	4484751
LOVELY INVESTMENT PVT LTD	645	1700434	65762	1511968	65762	1620016	734077	1999375

2.4 On June 11, 2008, the Economic Times reported that Al Rostamani Group may pick up 25% stake in the company for around \$200 million. BSE and NSE had written to the officials of GHCL for the verification of the news item. GHCL Limited has vide its letter to the Exchanges inter-alia stated, "The Company is an expanding organization and exploring growth opportunities organically and in-organically both. As a sequel to this effort, we keep examining various proposals for funding requirement. Any specific proposal till it is finalized cannot be commented upon. The Stock Exchange will be informed whenever any proposal gets crystallized." Subsequently, the company did not disclose either the fructification of this purchase of stake or its failure. In fact the shareholding pattern of the company does not reflect any stake in the name of Al Rostamani and it is clear that purchase of any shares never took place. Further, Al Rostamani news item confirmed that the promoters intended to dilute 25% holding of the company while the fact was that the entire promoters' actual holding was less than 25% of the share capital of GHCL. It prima facie appears that the ploy of the company was only to inject positive news about the company in the market in order to induce investment by the public.

2.5 In the disclosure dated February 16, 2009 made under Regulation 8A(4) of SEBI (Acquisition of Shares and Takeovers) Regulations, 1997, GHCL has disclosed that Carissa Investment Pvt. Ltd., a significant promoter entity, was holding 16,06,752 or 1.6% shares of GHCL whereas in the quarterly filing of shareholding pattern with the Stock Exchange for the quarter December 31, 2008, the share holding of Carissa Investment Pvt. Ltd. is shown at more than six times the actual holding or 10% of the capital (1,02,00,110 shares). There is a huge difference of 85,93,358 shares. The disclosure under Regulation 8A(4) gives the actual shareholding which tallies with the figures given by the Registrar. It is also observed that Carissa Investment Pvt. Ltd. has not made any disclosure under SEBI (Acquisition of Shares and Takeovers) Regulations, 1997 or SEBI (Prohibition of Insider Trading) Regulations, 1992 about selling/transfer of 85,93,358 shares. A further analysis of trading confirms it has not traded during January 01, 2009 to February 16, 2009. Hence, it can be

concluded that GHCL has intentionally given wrong information to the Stock Exchanges about shareholding of promoter entities.

An examination of the price – volume in the shares of GHCL after the afore-said media report revealed that during the period June 11, 2008 to June 18, 2008, the price of the scrip opened at Rs.49.00/- (opening price on January 11, 2008) and touched its high of Rs.79.65/- (intra-day high on June 18, 2008) i.e. a rise of 62.56%. The average traded volume during this period was 48,03,615 shares whereas the average trading volume before the media report (June 3, 2008 to June 10, 2008) was only one-sixth of the volume at 8,91,597 shares. The major net sellers after the media report were Carissa Investment Pvt. Ltd. and Dear Investment Pvt. Ltd, both promoter entities. At NSE, Carissa Investment Pvt. Ltd. and Dear Investment Pvt. Ltd have sold 3,09,930 and 36,055 shares respectively. At BSE, Carissa Investments Pvt. Ltd. and Dear Investment Pvt. Ltd have net sold 2,61,987 and 2,68,741 shares respectively.

It is clear from the reply of GHCL to the Stock Exchanges that GHCL has not denied the media reports upon being asked by the Exchanges. Prima facie, the promoter entities have unjustly benefited on account of putting out of the media report.

2.6 It is pertinent to note that SEBI on April 25, 2007 had passed an ex-parte interim order in the matter of GHCL wherein 6 promoter group entities of GHCL, along with their respective directors and other apparently related entities, were directed not to buy, sell or deal in shares of GHCL., directly or indirectly for indulging in creation of false and misleading appearance in the trading of shares of GHCL. The six promoter entities are as follows:

1. Antarctica Investment Private Ltd
2. Altar Investment Private Limited
3. ILAC Investment Private Limited
4. Dalmia Housing Finance Limited
5. Comosum Investment Pvt. Ltd.
6. Carissa Investment Pvt. Limited

Further, by an order dated 21st August, 2007, the interim order dated 25th April, 2007 against the promoter entities was discontinued. However, after the completion of investigation, adjudication was initiated against one of the promoter entities viz. Carissa Investment Pvt. Limited for indulging in creation of false and misleading appearance of trading in the shares of GHCL. It is observed that despite ongoing regulatory proceedings

Carissa Investment Pvt. Ltd. has indulged in prima facie fraudulent trading behavior of giving false disclosures and trading contrary to the positive information put out by the company.

2.7 As per the latest Shareholding pattern for the quarter ended March 31, 2009, GHCL has reported that the promoters' holding is 18.16%, against the promoters' holding for the quarter ended December 31, 2008 at 38.30%. The holding of the promoters has since decreased by 20.14%. However, there have been no disclosures under the SEBI (AST) and SEBI (PIT) regulations by GHCL about any sale/transfer of the shares of the promoters during the quarter, as would be prima facie expected to be disclosed upon the promoter holding decreasing by 20.14%.

2.8 The actual holdings of the promoters for the quarter ended December 31, 2008 was at 18.74% and as on March 31, 2009 the promoter holding as reported to BSE is 18.16%. This shows that the promoters have tried to reconcile their wrong holdings reported by them in last four quarters by giving the supposedly correct holding for the March 2009 quarter. This change in promoter shareholding came to light due to the disclosures of pledged shares by the promoters under the recent amendment of SEBI (Acquisition of Shares and Takeovers) Regulations, 1997.

3.0 Conclusion

3.1 GHCL has filed false shareholding of the promoters repeatedly over the four quarters of 2008, thereby misleading the investors about commitment of the promoters towards the company. This is an extremely grave offence by a listed company and its management, since the investors have to rely only on the public disclosures made by the company on the Exchange websites while making their investment decisions. That the company has knowingly shared false information is a conduct not behoving of a listed company and utterly reprehensible. Filing false and patently inaccurate information about the promoters' holding gives a misleading picture about promoters' interest in running the affairs of the company. Promoters holding are one of the comfort factors for investors to invest in the shares of the company.

3.2 The six promoter entities of GHCL were debarred by SEBI by an order dated April 25, 2007 for creation of false and misleading appearance of trading in GHCL. Among other entities,

adjudication is in progress against one promoter entity, Carissa Investment Pvt. Ltd., for its role in the aforesaid violation.

3.3 The latest quarterly holdings reported by GHCL is apparently an attempt to cover up its string of earlier activities of giving out false and wrong data about shareholding of the promoters.

3.4 Thus, the conduct of GHCL and its promoters and the management is in violation of Regulation 4(2) (f) and 4(2)(r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, which reads as follows:

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 :—

.....

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

.....

(r) planting false or misleading news which may induce sale or purchase of securities.

3.5 The conduct of GHCL by not giving true information to the stock exchange under Clause 35 of the listing agreement is in violation of Section 21 of Securities Contracts (Regulation) Act, 1956 which states that,

“Where securities are listed on the application of any person in any recognized Stock Exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.”

4. Order

- 4.1 Now, therefore, in exercise of the powers delegated to me under Section 19 of the Securities and Exchange Board of India Act 1992 read with Section 11(4) of the said Act, I hereby, by way of ad interim, ex-parte order, direct GHCL Ltd, its promoter entities, Sanjay Dalmia, Chairman, Ravi Shanker Jalan, Managing Director, Bhuvneshwar Mishra, Company Secretary of GHCL Ltd. not to buy, sell or deal in the securities market until further orders. The names of the aforesaid entities and their PANs are given below:

Sl. No.	Name of the Entity/ Person	PAN
1	Alankar Commercial Pvt Ltd	Not Available
2	Altar Investment P Ltd	AAACA6687J
3	Antarctica Investment Pvt Ltd	AAACA1366N
4	Anurag Trading Leasing and Investment Company Pvt Ltd	AABCA0964D
5	Archana Trading and Investment Company Pvt Ltd	AADCA5235F
6	Banjax Limited	Not Available
7	Bharatpur Investment Ltd	AAACB3403F
8	Carefree Investment Company Ltd	AAACC4747R
9	Carissa Investment Ltd	AAACC3277A
10	Chirawa Investment Ltd	AACCC2387B
11	Comosum Investment Pvt Ltd	AAACC0819J
12	Dalmia Finance Ltd	AABCD5533H
13	Dalmia Housing Finance Ltd	AABCD7104J
14	Dear Investment Pvt Ltd	AABCD4873C
15	Divine Leasing & Finance Ltd	AAACD4187E
16	Excellent Commercial Enterprises and Investment	AAACE2699A
17	Gems Commercial Company Ltd	AAACG4026H
18	General Exports and Credits Ltd	AAACG3770E
19	Gtc Industries Ltd	AAACG1421A
20	Harvatax Engineering & Processing Co Ltd	AABCH7404F
21	Hexabond Ltd	Not Available
22	Hindustan Commercial Company Ltd	AAACH2851B
23	Hotex Company Ltd	AAACH2330M
24	Ilac Investment Pvt Ltd	AAACI1924Q
25	International Resources Ltd	AABCI5633H
26	Lakshmi Vishnu Investment Ltd	AAACL1045R
27	Lhonak International Pvt Ltd	AABCL2542G
28	Lovely Investment Pvt Ltd	AAACL1346F
29	Moderate Investment and Commercial Enterprises	AAACM9104G

Sl. No.	Name of the Entity/ Person	PAN
30	Mourya Finance Ltd	AAACM6575H
31	Nareshchandra Jain	AACPC7536R
32	Oval Investment Pvt Ltd	AAACO0373R
33	Pashupatinath Commercial Pvt Ltd	Not Available
34	Ram Krishna Dalmia Foundation	AAATR9933P
35	Ricklunsford Trade and Industrial Investment	Not Available
36	Sanjay Trading Investment Company Pvt Ltd	AABCS9134P
37	Sikar Investment Company Ltd	AABCS5715N
38	Sovereign Commercial Pvt Ltd	Not Available
39	Suman Jain	ABVPJ9074H
40	Swastik Commercial Pvt Ltd	Not Available
41	Trishul Commercial Pvt Ltd	Not Available
42	WGF Financial Services Ltd	AAACW0061E
43	World Growth Fund Ltd	Not Available
44	Sanjay Dalmia- Non Executive Chairman	Not Available
45	Ravi Shanker Jalan- Managing Director	Not Available
46	Bhuwneshwar Mishra- Company Secretary	Not Available

- 4.2 GHCL is hereby directed to reconcile and file the correct shareholding details with the Stock Exchanges.
- 4.3 The aggrieved parties may file their objections, if any, to this order within 15 days from the date of this order.

Place : Mumbai

K.M. ABRAHAM

Date: 20th April, 2009

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA