

WTM/KMA/IVD/111/07/2009
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTION 11 B OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST M/S. LAXMI MOVERS AND ITS PARTNERS MR. CHANDRAKANT MOHANLAL SANGANI AND MR. PANKAJ NATWARLAL MAVANI

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) had received various complaints alleging several malpractices, in the public issue of Dhanlaxmi Lease Finance Limited (hereinafter referred to as the company) made in the year 1995, such as making of multiple fictitious and benami applications, acceptance of applications after the closure of the issue, price rigging in the shares of the company etc. In view of the above, SEBI conducted an investigation to find out the possibility of the violation of the provisions of Securities and Exchange Board of India Act, 1992, Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. The investigation conducted by SEBI observed that the public issue (for 31,00,000 shares at Rs.10/- per share) of the company opened for subscription on November 21, 1995 and closed on November 24, 1995. Compuquick Datamation (India) Limited (hereinafter referred to as Compuquick)

acted as the Registrar to the Issue and Share Transfer Agent to the aforesaid public issue of the company.

2. The investigation conducted by SEBI *inter alia* observed that 3,300 cheques, drawn on United Bank of India by the entity namely M/s Laxmi Movers (hereinafter referred to as the noticee) were deposited along with 3,300 multiple applications in various names and addresses, in the public issue of the company. It was revealed that the above mentioned 3,300 cheques (blank cheques) were issued by United Bank of India to M/s Laxmi Movers (the account holder) only on December 02, 1995 i.e after the closure of the issue. The investigation further revealed that the noticee had handed over 1,000 cheques to one Asiatic Infrastructure and Shelters Limited, Ahmedabad and 2,300 cheques to one Atlantic Credit and Capital Limited, Ahmedabad, which enabled the said entities to submit multiple/benami applications in the public issue of the company. It was also found that the noticee had received a sum of Rs.33,000/- as commission for issue of 3,300 cheques to the aforesaid entities. In view of the above, it was alleged that the noticee had aided and abetted the process of submission of multiple/benami applications in the public issue of the company, thereby contravening the provisions of the PFUTP Regulations.

3. Accordingly, a show cause notice dated December 11, 2002 was issued to the noticee. The noticee, vide its reply dated January 26, 2003 had admitted the issuance of 3,300 cheques in favour of the company as requested by one Amit Shah and Girish D Shah, for which it had received a sum of Rs.33,000/- as commission. Further, the noticee denied having violated Regulation 3 of the PFUTP Regulations. Show cause notices dated October 15, 2003 were also issued to Mr. Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani, partners in the noticee. They had filed their reply dated November 24, 2003, adopting the similar objections as that of the noticee. Thereafter, show cause notices dated August 27, 2004 were issued to the noticee and its partners, Mr.

Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani. The said show cause notice alleged that the noticee had violated Regulation 6(a) of the PFUTP Regulations, which clearly provides that no person shall 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. The show cause notices dated August 27, 2004 were returned undelivered. Thereafter, show cause notices dated August 03, 2005 were issued to the noticee and its partners, Mr. Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani. The noticee and its partners, Mr. Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani shall be referred to as noticees for the sake of reference. The aforesaid show cause notices, required the noticees to show cause as to why directions should not be issued against them debarring them from dealing in the securities market. The said notices were not accepted by the noticees and thus returned back on August 22, 2005. Thereafter, the said show cause notices issued to the noticees were posted on the website of SEBI. An opportunity of personal hearing to the noticees was scheduled on July 17, 2009. The hearing notices were also posted on SEBI website on June 29, 2009 and were also sent to the noticees on July 06, 2009 through courier service. However, none of the noticees appeared on the said date of hearing and no response was received from them. Considering the totality of the facts and circumstances of the case, I do not consider it necessary to keep the present proceedings pending and therefore the same is being considered on the basis of the material available on record.

4. I have considered the show cause notices issued to the noticees, the charges against them and other material available on record. I note that besides the investigation conducted by SEBI, other agencies such as Income Tax Department and Central Bureau of Investigation had also investigated with

regard to the irregularities in respect of the said public issue of the company. The SEBI investigation revealed that Mr. Amit Shah and Mr. Girish D Shah (brothers) were found to own eight companies, out of which two companies, viz. Asiatic Infrastructure Shelter Limited and Atlantic Credit and Capital Limited, were found to be engaged in financing activities, making applications in public issues and financing on interest. I note that, Mr. Amit Shah and Mr. Girish D Shah admitted before the Income Tax Authorities that they have made 3,460 multiple/benami applications in the public issue of the company and that the payment for those applications were made from Account No. 1686 of Asiatic Infrastructure & Shelters Limited, maintained with the Bhadra Branch (Ahmedabad) of the Bank of Madura and Account No. 1671 of Atlantic Credit & Capital Limited held with the Noble Building Branch (Ahmedabad) of Vijaya Bank. It was also stated by Mr. Amit Shah and Mr. Girish Shah that an entry was passed in the name of Mr. Kishor Barot in the books of Asiatic Infrastructure & Shelter Limited and Atlantic Credit & Capital Limited, since public limited companies were not allowed to make applications in multiple names. Mr. Amit Shah and Mr. Girish Shah further admitted that the names and addresses mentioned in the 3,460 applications were not genuine and the work of filling these applications was done by Mr. Kishor Barot and Mr. Girdhar Patel of Kapadia Finance. They also stated that cheques for making those applications were arranged by the noticee for which the noticee was paid a consideration. I note that the noticee, vide letter dated December 31, 2001, admitted that it handed over 1,000 cheques to Asiatic Infrastructure and Shelters Limited and another 2,300 cheques to Atlantic Credit and Capital Limited. Therefore, 3,300 cheques, each for Rs. 10,000/- were stated to have been made in favour of the public issue of the company to enable Asiatic Infrastructure & Shelters Limited and Atlantic Credit and Capital Limited to submit multiple/benami applications in the public issue of the company.

5. I note that the noticee, vide its reply dated January 26, 2003 had admitted the issuance of 3300 cheques in favour of the company for which it had received a sum of Rs.33,000/- as commission. It was further stated that during the course its business, two clients viz. Asiatic Infrastructure Shelter Limited and Atlantic Credit and Capital Limited, had approached them with a total sum of Rs.3,30,00,000/- and requisitioned for issuance of 3,300 cheques of Rs.10,000/- each in favour of the company in connection with its public issue, for which it had charged Rs.33,000/- as commission. It has already been brought out that Mr. Amit Shah and Mr. Girish D Shah admitted of having made 3,460 multiple/benami applications in the public issue of the company. Further, the noticee had also admitted that it had handed over 1,000 cheques to Asiatic Infrastructure and Shelters Limited and another 2,300 cheques to Atlantic Credit and Capital Limited. I note that SEBI vide order dated March 04, 2008 had restrained the company and its directors from accessing the securities market and also prohibited them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever for a period of two months, for their violations in respect of the public issue of the company. During the course of investigation, Mr. Amit Shah admitted that he had financed Mr. Kishore Barot to submit multiple and fictitious applications. SEBI vide order, dated May 13, 1999 had debarred Mr. Amit Shah, M/s. S. R. Investments, Akash Shelters and Finstock Limited, Mr. Kishor Barot and Mr. Arvind K Shah from accessing the securities market for a period of 3 years, on account of their indulging in activities such as submission of multiple, fictitious and benami applications and/or unfair practices and price manipulation in the public issue and listed shares of the company. The act of the noticee in arranging cheques for aiding Mr. Amit Shah and Mr. Girish D Shah for facilitating in the process of making multiple applications in the public issue of the company is in violation of Regulation 6 (a) of the PFUTP Regulations. The said provision reads "*no person shall 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". The partners of the noticee, namely, Mr. Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani are equally liable for the violation. The present proceeding has been initiated against the noticees in respect of the violations committed by M/s Laxmi Movers in the public issue of the company which came out in the year 1995. Considering the totality of the facts and circumstances of the case, I dispose of the present proceeding initiated against the noticees as ordered hereinbelow.

6. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Section 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain M/s. Laxmi Movers and its partners, namely, Mr. Chandrakant Mohanlal Sangani and Mr. Pankaj Natwarlal Mavani, having their office at Janta Chock, Junagadh, Gujarat-363001, from accessing the securities market and further prohibit them from buying, selling, or otherwise dealing in securities, in any manner, for a period of one month.

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

**DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

**Place: Mumbai
Date: July 31, 2009**