

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF M/S G-TECH INFO TRAINING LIMITED

In respect of M/s G-Tech Info Training Limited and Mr. Munir Gazi

Date of hearing: February 05, 2010 and September 03, 2010

Appearances

For Noticees: Mr. Vinod S. Parekh, Advocate for Mr. Munir Gazi
Mr. R. Krishnan, Advocate for M/s G-Tech Info Training Ltd.

For SEBI: Mr. Kirti Kumar Jhadav, Presenting Officer
Mr. G. Ramar, General Manager
Mr. Lamber Singh, Manager
Mr. Pradeep Kumar, Legal Officer

ORDER

Under Section 11, 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into the buying, selling and dealing in the scrip of the G-Tech Info Training Limited (hereinafter referred to as 'G-Tech') for the period from July 01, 2003 to December 31, 2003, upon receiving complaints from investors about non-dematerialization of the shares of G-Tech in order to create an artificial scarcity of floating stock in the scrip.
2. During the period of investigation a substantial rise in prices of the scrip of G-Tech was observed. However, its financial results were not satisfactory enough to justify such increase. The price of the scrip increased from ₹28.35 as on July 03, 2003 and closed at ₹38 as on December 31, 2003. Investigation revealed that on most of the occasions when there was a price rise in the scrip, a group of connected clients namely Sicorp Finlease Ltd.

through its director Mr. Shirish Shah, Ms. Sandhya Shirish Shah, Ms. Pravina Chandrakant Shah, Mr. Rajesh Panchal, Mr. Prasad Tandel, Mr. Prashant Narvekar, Mr. Ashok Sonu Bhagat and Mr. Prakash D'Souza (hereinafter all collectively referred to as 'Shah group'), appeared to be as major buyers, pushing up the prices of the scrip by placing bulk buy orders for large quantities. The said Shah group was found buying shares of G-Tech from market and rematerializing it. G-Tech was also found adopting various measures in order to reduce the floating stock of the company which in turn helped Shah group to manipulate the price of the scrip. Investigation *inter alia* revealed that G-Tech and Mr. Munir Gazi, Chairman and Managing Director, G-Tech (hereinafter both collectively referred to as 'noticees') had facilitated manipulation in the scrip of G-Tech thereby violated the provisions of Regulation 3(c), 4(1) and 4(2) (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as PFUTP Regulations).

3. On completion of the investigation, SEBI issued a common Show Cause Notice dated November 07, 2008 (hereinafter referred to as 'SCN') to G-Tech and Mr. Munir Gazi (hereinafter collectively referred to as 'noticees') under Section 11, 11(4) and 11B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') read with Regulation 11 of PFUTP Regulations. The SCN alleged that Shah group consisting of directors of G-Tech and other company related entities created artificial volume and manipulated the prices of the scrip of G-Tech. G-Tech refused genuine dematerialization request on frivolous grounds to reduce the floating stock in the scrip which helped the Shah group to manipulate the price of the scrip. All these were allegedly being done to create artificial scarcity of floating stock so as to aid the manipulation by the related entities which were related with company. The SCN therefore alleged that the acts of noticees were in violation of Regulations 3(c), 4(1) and 4(2)(e) of PFUTP Regulations. Accordingly, SCN called upon G-Tech and Mr. Muni Gazi to show cause as to why suitable directions under Sections 11, 11(4) and 11B of SEBI Act read with Regulation 11 of PFUTP Regulations including restraining them from

accessing the capital market and prohibiting from buying, selling or dealing in securities in any manner or whatsoever for a particular period should not be issued against them.

4. Mr. Munir Gazi vide his letter dated December 24, 2008, replied to the SCN and requested for an opportunity of personal hearing. Munir Gazi vide his another letter dated April 13, 2009, forwarded the copy of form 32 in respect of his resignation as a Chairman and Managing Director of G-Tech. G-Tech failed to reply to the SCN.
5. Before proceeding further, in the matter an opportunity of personal hearing was granted to Mr. Munir Gazi on February 05, 2010, before me. On the date fixed Mr. Vinod S. Parekh, Advocate appeared for Munir Gazi and made oral submissions.

Opportunity of personal hearing was granted to G-Tech on September 03, 2010, before me, pursuant to the rejection of its application for settlement of proceedings by way of consent order. On the date fixed Mr. R. Krishnan, Advocate appeared for G-Tech and made oral submissions. Pursuant to the personal hearing G-Tech has also filed written submissions for which it had not sought any permission. However, in order to provide all opportunities to G-Tech to defend itself, the same has been taken on record.

6. I have carefully considered the SCN, reply of noticees, written submission and material available on record. The contentions of the noticees in brief are:
 - a. Munir Gazi vide his letter dated December 24, 2008:
 - Had resigned from the designation of Chairman and Managing Director of G-Tech on November 29, 2003.
 - SCN is vague and allegations leveled are not specific.
 - Sought inspection of documents and cross examination of persons whose statements have been relied upon.

- The letter dated December 03, 2003 and December 05, 2003 i.e rejecting the request for dematerialization of shares were not in his knowledge as he had ceased to be the director of the company.
- Had not executed a single transaction in the scrip during the period of investigation.
- Not aware of any Shah group. Further, no such allegation has been made in the SCN.
- Mr. Prakash D'souza director of the company was responsible for dematerialization and rematerialization of shares.

b. G-Tech vide its written submissions:

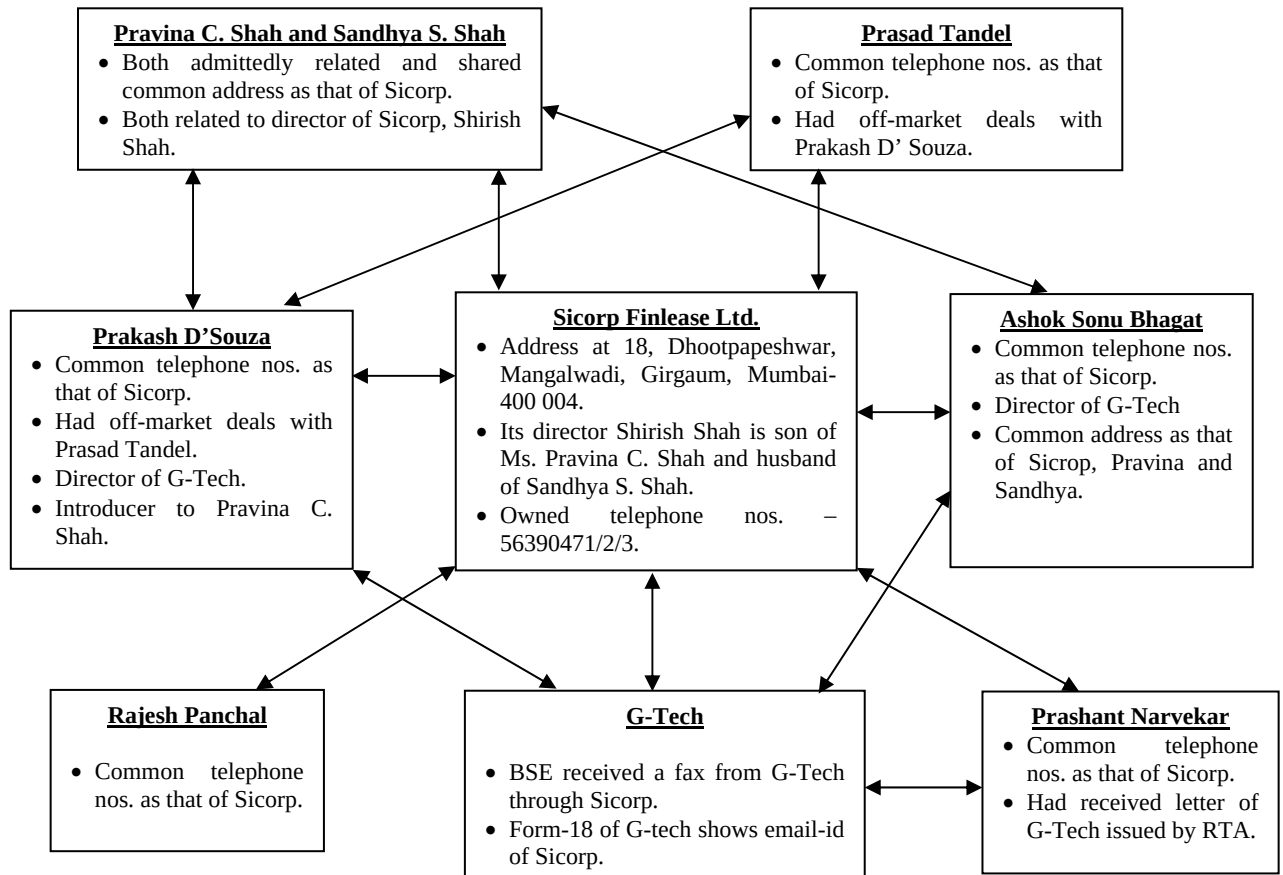
- G-Tech itself was not involved in the transactions and has not gained anything.
- Shah Group was not related to G-Tech.
- Initial refusal was because of difference in signature which was cleared after certificate from the bankers was produced.
- Company has already been penalized by an adjudication order for the violation of Regulation 53A of SEBI (Depositories and Participants) Regulations, 1996. Further penalty on the same issue is unjustified.

7. Considering all this, the issue arises for my consideration is: Whether noticees had aided and abetted the artificial reduction in floating stock of shares in order to facilitate manipulation in the scrip of G-Tech?

8. Whether noticees had aided and abetted the artificial reduction in floating stock of shares in order to facilitate manipulation in the scrip of G-Tech?

- a.** It is noted that the Shah group appeared to be the major trader in the scrip, placing huge buy orders. From the data available, I note that the said Shah group had bought 32,71,500 shares accounting for 78.20% of the market volume and sold 1,09,300 shares accounting for 2.61% of market volume.

The noticee namely G-Tech has argued that Shah group was not related to G-Tech. To this, I have seen the relationship among Shah group and G-Tech as has been brought out in the SCN. The same has also been brought out below for reference:



A perusal of the above chart, shows that G-Tech was having relationship with Sicorp Finlease Ltd. Further, its directors i.e. Prakash D'souza and Ashok Sonu Bhagat were having close links with Sicorp Finlease Ltd. and other entities of Shah group. These two directors of G-Tech were also found trading heavily in the scrip along with the other persons of Shah group. Upon seeing these details, I find no merit in the argument of G-Tech as the link is clearly established.

- b. Before proceeding further in the matter, it is necessary to see the role of the said Shah group who was actively trading in the scrip as brought out in the SCN. I note from the SCN, that the said group was constantly providing the

buy support to the scrip. Out of total 106 trading days during the investigation period, this group had traded for 97 days. During the relevant period Shah group's purchases as percentage of total market volume was very high (100% for majority of days). The days when the group was absent from the market, the prices of the scrip shown a fall.

- c. The group had trading among themselves to the tune of 67,900 shares and played role in increasing the price/ volume in the scrip by adopting various methods like placing orders at higher price, placing large orders resulting in multiple trades, placing huge number of buy orders as compared to the available valid sell orders etc. Further, Shah group has also been found rematerializing large number of shares of G-Tech after purchasing these shares from market, by doing so, they rematerialized 45,25,500 shares and thereby attempted to reduce the floating stock of the company. These details show that the Shah group had acted in a concerted manner to manipulate the price of the scrip.
- d. I note that during the time when the directors of G-Tech namely Prakash D'souza and Ashok Sonu Bhagat were trading in the scrip, the company was found rejecting the request of its shareholders for dematerialization of shares on the pretext of signature mismatch. It is seen that during the investigations when SEBI sought explanation/ information from the company on this count, no reply was received from it. However, pursuant to availing of personal hearing, G-Tech through its written submission has submitted that the request for dematerialization of shares was cleared after the certificate from the bankers was produced to it. However, no documentary proof in support of this has been brought on record by G-Tech. Further, I note that as per the requirements of Regulation 53A of SEBI (Depositories and Participants) Regulations, 1996, all matters relating to transfer of securities, maintenance of records of holders of securities, handling of physical securities and establishing connectivity with the depositories have to be handled and maintained at a single point i.e. either in house by the issuer or by a Share Transfer Agent. It is observed that G-Tech had appointed a Share Transfer

Agent, however, the work relating to physical transfer of shares was not handed over to it.

- e. I note that the company had not found any discrepancy in signatures in the dematerialization request for smaller lot of shares. The requests of dematerialization of shares rejected by the company were mainly of larger lot specifying the reason 'signature mismatch'. Considering this and other circumstances of the case it can be said that the same was done for reducing the genuine floating stock in the market and thereby facilitating the manipulation in the scrip.
- f. Having seen the above, I note that the activities of G-Tech were being managed in the manner so as to benefit a particular group of persons. The directors of G-Tech created circumstances in the scrip of G-Tech to facilitate manipulation by Shah group of which they were also the close associate at the relevant point of time. It is noted that G-Tech had not handed over the complete work relating to transfer of shares to the Share Transfer Agent. For this, G-Tech has also been penalized by the imposition of monetary penalty by the Adjudicating Officer. It is also seen that G-Tech during the investigation had remained very un-cooperative and had not provided the details as asked from it, which, in turn hampered and delayed the investigating process. I note that G-Tech till date has not provided the details regarding dematerialization/ rematerialization of the shares and transfer of physical shares. In view of the discussion above, I am of the view that G-Tech had aided and abetted the manipulation in its own scrip and violated the provisions of Regulations 3(c), 4(1) and 4(2)(e) of PFUTP Regulations.
- g. As regards the noticee namely Munir Gazi, the only charge leveled against him in SCN is that he while acting in the capacity of the Chairman and Managing Director, G-Tech had aided and abetted the artificial reduction in floating stock of the company. Munir Gazi has argued that he had resigned from G-Tech on November 29, 2003. He has further stated that letters of

rejection of requests of shareholders are not in his knowledge as he had resigned from the company by the time these were received by G-Tech.

I note that the request of dematerialization were of dated August 08, 2003, October 12, 2003, November 25, 2003 etc. A perusal of these requests shows that these were received by G-Tech during the tenure of Mr. Gazi and he cannot plainly deny the knowledge of these to him. Further, no document has been placed by Munir Gazi on record to show that the work of dematerialization and rematerialization of shares was being handled by other directors of the company. However, by virtue of his position as a managing director of G-Tech he was responsible for the affairs of the company. I note that where an offence has been committed by a company, every person who at the time of offence was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence. While fixing liability on Mr. Munir Gazi for violating the provisions of provisions of Regulations 3(c), 4(1) and 4(2)(e) of PFUTP Regulations, I place reliance on the observation of Hon'ble High Court of Delhi made in the matter of Bhatia & Ors. Vs. State & Anrs., which is reiteration of the view of Hon'ble Supreme Court of India in the matter of S.M.S. Pharmaceuticals Ltd. Vs. Neeta Bhalla:

"20. The Court thereafter clarified the position of a Managing Director or a Joint Managing Director, holding that the very designations of their office suggest that they are the persons in charge of a company and/ or responsible for the conduct of business of the company."

9. Therefore, taking into consideration the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11, 11(4) and 11B thereof, read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain M/s G-Tech Info Training Limited [PAN: AAACG 2407Q] and Mr. Munir Gazi from buying, selling and dealing or accessing the securities

market directly or indirectly in any manner whatsoever for a period of six months from the date of this order.

10. The stock exchanges are hereby directed to permit the respective members to square off their existing open positions, if any, at the earliest in Futures and Options segment.
11. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticees as named above are not allowed to undertake transactions as prohibited in Para 9 above.
12. This order shall come into force with immediate effect.

DATE : 18/NOV/2010
PLACE : MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA