

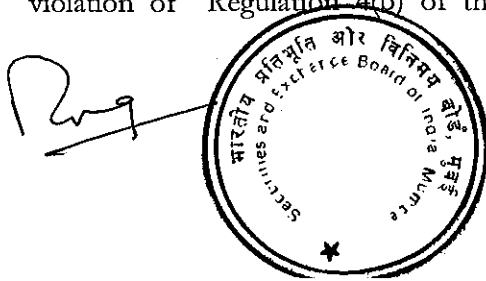
**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

**UNDER SECTION 11(4)(b) AND 11B OF SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992**

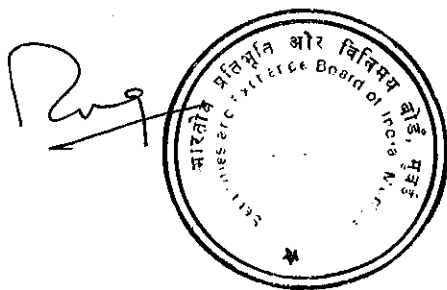
In respect of Mascon Information Technologies Ltd. (formerly known as Martek Holdings Inc.)

1. The Securities and Exchange Board of India ('SEBI') conducted an investigation into the dealings in the shares of Mascon Global Limited ('Mascon') for the period of August, 1999 to March, 2000 and December, 2000 to March, 2001.
2. Investigation revealed that Mascon was a closely held company and prior to December, 2000, the scrip was highly illiquid. During the period December 2000 to March 2001, the scrip of Mascon had fallen from Rs.420 to a low of Rs.85. During this period artificial volume was generated in the scrip. The sudden surge in the volumes on or after December, 2000, was largely on account of the off-loading of substantial number of shares by a promoter group company of Mascon namely Mascon Information Technologies Limited ('MITL'/'Noticee') to various entities related/ connected/ associated to Ketan Parekh namely Panther Investtrade Limited, Panther Fincap and Management Services Limited, Classic Credit Limited, Saimangal Invest Trade Limited and Luminant Investments Pvt. Limited ('Ketan Parekh related entities') and certain Overseas Corporate Bodies ('OCB's') namely, Kensington Investments Limited, European Investments Limited, Wakefield Holdings Ltd. and Brentfield Holdings Ltd. It was only after December 2000 that these Ketan Parekh related entities and the OCBs remained active in the scrip. The movement of shares was analyzed and it was revealed that huge quantities of shares of Mascon were off-loaded by way of off -market transfers from the account of MITL. This huge volumes in the shares were later on used by the Ketan Parekh related entities to indulge in manipulation of price and volume in the shares of Mascon.
3. On completion of the investigation, SEBI, issued show cause notice dated August 17, 2007 ('SCN') to the noticee under Sections 11B and 11(4)(b) of the Securities and Exchange Board of India Act, 1992 ('SEBI Act'). The SCN alleged that the noticee had offloaded the shares to the Ketan Parekh related entities/OCBs which were later-on used for creating artificial volume and manipulating price in the scrip of Mascon. It was further alleged that the noticee had knowingly aided and abetted entities/ OCBs related/ connected to Ketan Parekh to manipulate in the scrip. The SCN, therefore, alleged that the acts of the noticee were in violation of Regulation 4(b) of the SEBI (Prohibition of Fraudulent and Unfair Trade



Practices relating to the Securities Market) Regulations, 1995 (PFUTP Regulations, 1995) read with regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (PFUTP Regulations, 2003). Accordingly, it called upon the noticee to show cause as to why suitable directions under Section 11(4) and 11B of the SEBI Act should not be issued.

4. The Noticee filed its reply vide letter dated October 31, 2007. An opportunity of personal hearing was granted to the noticee on January 25, 2010 but the notice of hearing could not be served upon it. Further, opportunities of personal hearing were granted on March 07, 2012 and August 22, 2012, however the notices could not be delivered at their overseas addresses this time too. From the information available in public domain it was noticed that the registered office of Mascon wherein the noticee is a promoter was at "at 2nd floor RR Towers IV, TVK Industrial Estate, Guindy, Chennai-600032." Therefore, efforts were also made to deliver the notice of hearing to the noticee through Mascon vide letter dated July 19, 2012. By this letter, Mascon was advised to inform SEBI about the service of notice to the noticee along with the proof of delivery and also notify SEBI about the correct address/contact details of the noticee. This notice was duly served upon Mascon. However, no response was received from Mascon. Therefore, another reminder letter dated October 05, 2012 was issued to Mascon advising it to send the reply/proof of delivery of notice. Mascon did not respond even to this reminder despite service thereof on it. I note that several attempts were made by SEBI to serve the notice of personal hearing upon the noticee. However, the notices could not be served and Mascon has not replied to SEBI's letter in that regard nor has it updated SEBI about correct address and contact details of the noticee. I find that the noticee has filed its written reply in these proceedings vide its letter dated October 31, 2007. In my view sufficient opportunity of being heard as contemplated in section 11 and 11B of the SEBI Act has been provided to the noticee and in the peculiar facts and circumstances of this case the matter can be proceeded on the basis of written reply of the noticee.
5. I have carefully considered the SCN, the reply of the noticee and the relevant material available on record. I note that the noticee in its reply dated October 31, 2007 has *inter alia* submitted as under :-
 - i. Martek sold approximately two million shares of Mascon to two overseas Corporate Bodies, namely Brentfield Holdings Ltd and Wakefield Holdings Ltd.
 - ii. In another transaction, Martek also offered two million shares of Mascon as collateral security to an Indian company, HFCL to facilitate a borrowing base. Martek was informed later that HFCL exercised the security and later transferred the shares of Mascon to Classic Stock and Share Broking Ltd.



- iii. It was also informed that Dr. Nandu Thondavadi was on the Board of Martek at the time of this transaction and was also nominated to be on the Mascon Board due to Martek's large holdings in Mascon. However he has no knowledge of any of the OCBs being connected to Mr.Ketan Parekh or his associates.
 - iv. As a matter of routine operational funding exercises (especially during the days of extreme hardship brought on by the dotcom meltdown in the USA) Martek sold its various assets including shares of Mascon to various buyers. As part of such asset selling activity, Martek did its own due diligence to the best of its ability to comply with the US laws and relying on its findings consummated the transaction in an expedited manner.
 - v. Neither Mascon nor Dr.Thondavadi was aware of any connections to Mr.Ketan Parekh. The noticee did not aid or abet in any way to defraud market or shareholders. Martek is the sole seller of Mascon securities (for reasons stated earlier) and has not indulged in any market making operations.
6. I note that Mascon was a closely held company and the trading volume in the scrip was thin prior to December 2000, I further note that the noticee is a promoter company of Mascon. Dr Nandu Thondavadi, the promoter of the noticee is also the promoter of Mascon. The noticee had made an open offer in August 1999 to acquire 9,60,000 shares of Mascon and pursuant to the open offer, the noticee was shown as promoter of Mascon holding 58.83% of the total equity capital of Mascon along with Dr Nandu Thondavadi who was holding 25% stake in Mascon. Mr.Nandu Thondavadi , the director of the noticee was also the CEO of Mascon during the investigation period. In its demat account opening form, the noticee had furnished the registered office address of Mascon as its contact address. Mr.Nandu Thondavadi had later resigned from the Board of Mascon and its subsidiaries on October 27, 2007.
7. The charge against the noticee is that it had off loaded the shares of Mascon to the Ketan Parekh related entities/OCBs and had knowingly aided and abetted those entities to manipulate in the scrip and thus violated the provisions of regulation 4(b) of the PFUTP Regulations, 1995 read with regulation 13 of the PFUTP Regulations 2003. These regulations 4(b) and 13 are reproduced as under-

PFUTP Regulations, 1995

"Prohibition against market manipulation.

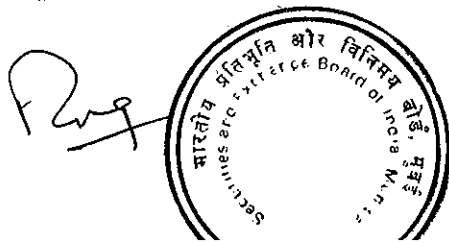
4. No person shall -

(a)

(b) *indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market ;"*

PFUTP Regulations, 2003

Repeal and savings.



13. (1) *The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 is hereby repealed.*

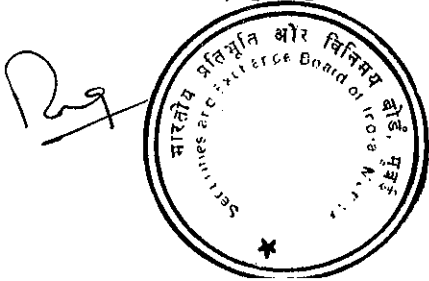
(2) *Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.*

(3) *Notwithstanding repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations."*

8. I note that the SCN has alleged that during the relevant period the noticee had off-loaded shares of Mascon to Ketan Parekh related entities and OCBs without consideration as following:

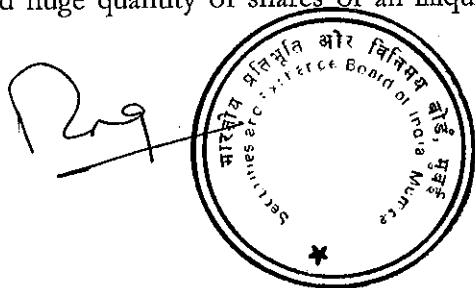
Date	Shares transferred to	Qty.	Mode
30/01/2001	Wakefield Holdings Ltd.	10,00,000	Off-market
31/01/2001	Brentfield Holdings Ltd.	2,50,000	Off-market
01/02/2001	Brentfield Holdings Ltd.	7,50,000	Off-market
23/02/2001	Himachal Futuristic Corp. Ltd. (HFCL).	20,00,000	alleged by noticee as Pledge invoked by HFCL
Total		40,00,000	

9. The noticee has admitted that it had transferred 10, 00,000 shares of Mascon to Wakefield Holdings Ltd on Jan 30, 2001 and another 10,00,000 shares of Mascon to Brentfield Holdings Ltd. on January 31, 2001 and February 01, 2001. I note that the noticee has failed to prove that it had received any consideration for the same. It is observed that Wakefield Holdings Ltd sold the shares off-loaded to it by the noticee in the market through Credit Swiss First Boston (India) Ltd ('CSFB') and Triumph Securities Ltd. on various dates. Brentfield Holdings Ltd. also transferred the shares off-loaded to it by the noticee in the market through CSFB.
10. As regards the off-loading 20,00,000 shares of Mascon to HFCL, the investigations had revealed that no money was received by the noticee as against the off-loading of the shares of Mascon to HFCL on February 23, 2001. It has been submitted that on January 02, 2001, the noticee had pledged those shares in favour of HFCL. The noticee has submitted that "*it offered 20,00,000 shares of Mascon as collateral security to HFCL to facilitate a borrowing base. Martek (the noticee) was informed later that HFCL exercised security and later transferred the Mascon Global shares to Classic Stock and Share Broking Limited.*" In my view, the transaction of-pledge pre- supposes existence of a loan. I note that neither during the investigations nor in the present proceedings the noticee has been able to substantiate its claim about existence of any loan from HFCL which was secured by pledge of the 20,00,000 shares and the invocation of the pledge as



claimed despite several reminders sent to it by SEBI. If at all there was a loan that was secured by pledge of 20,00,000 shares in favour of HFCL, the pledge could be invoked in case of default in payment of the loan and the shares could have been transferred in favour of HFCL after giving notice to the noticee. Had there been such pledge in existence, the necessary documents should have been available with the noticee at the relevant time. However, the noticee had failed to submit any documents in support of its claim in this regard. I also find it curious that security for the loan was created by pledge of 20, 00,000 shares on January 02, 2001 and the pledge was invoked within less than two months on February 23, 2001. In view of these facts and circumstances, I infer that the noticee had off-loaded these 20, 00,000 shares of Mascon to HFCL without any consideration as alleged in the SCN and the creation of pledge is just an afterthought.

11. Now coming to the actual disposal of the share holding by the noticee, the chain of the transactions in the matter gives credence to further doubt the intention of the noticee in offloading the shares. From the DP account statement of HFCL, it has been observed that on February 23, 2001 itself HFCL sold the said 20,00,000 shares of Mascon through Classic Share and Stock Broking Ltd. ('Classic')(BSE broker and a Ketan Parekh related entity). This fact has also been admitted by the noticee in its reply. From the DP account statement of Classic it has been observed that on February 23, 2001 itself, Classic sold these 20, 00,000 shares of Mascon to Luminant Investments Limited ('Luminant') by way of an off-market deal. It has been observed that Luminant is also a Ketan Parekh related entity. From the DP account statement of Luminant it has been observed that Luminant had sold those shares through CSFB in the market.
12. The investigations had also revealed that prior to December 2000 the Scrip of Mascon was illiquid and sudden surge in the trading volumes was entirely on account of off-loading of shares of Mascon by the noticee, who is a promoter group entity of Mascon, to Ketan Parekh related entities who had been found to be manipulating the scrip. During the period when the shares were being transferred by the noticee to Ketan Parekh related entities, the trading in the scrip witnessed abnormal volumes. It has been observed that immediately on receipt of huge quantity of shares of Mascon from the noticee, the Ketan Parekh related entities/OCBs had sold those shares in the market and had manipulated the scrip. The transfer of such huge quantity of shares to different Ketan Parekh related entities/OCBs without consideration cannot be treated as a coincidence, particularly in view of the fact that the scrip was an illiquid one prior to such off-loading activity and it witnessed abnormal volumes during such off-loading and consequent trading by Ketan Parekh related entities and OCBs.
13. I am of the view that the transactions of the noticee were not genuine wherein it had off-loaded huge quantity of shares of an illiquid scrip to Ketan Parekh related entities /OCBs



without consideration for an ulterior purpose. The noticee, by indulging in these non-genuine transactions has thus aided and abetted the Ketan Parekh related entities who, by their transactions in the scrip after receiving the shares from the noticee, created a false and misleading appearance of trading for the shares of Mascon. I, therefore, find that the noticee has contravened the provisions of regulation 4(b) of the PFUTP Regulations, 1995 read with regulation 13 of the PFUTP Regulations, 2003.

14. Considering the facts and circumstances of this case, seriousness of violations and the above mitigating factors, I, in exercise of the powers conferred upon me under section 19 read with sections 11 and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain Mascon Information technologies Limited from accessing the securities market and further prohibit it from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner for a period of two years from the date of this order.
15. Show Cause Notice dated August 17, 2007 issued to the noticee is accordingly disposed of.
16. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure that the direction given in para 14 of this Order are complied with.
17. This Order shall come into force with immediate effect.

DATE: November 27th, 2012
PLACE: MUMBAI


RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

