

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,
MUMBAI
CONSENT ORDER
ON THE APPLICATION OF
SHRI ATUL HIRALAL SHAH
IN THE MATTER OF
GENUS COMMUTRADE LIMITED**

1. SEBI conducted investigations into the alleged irregular transactions in the scrip of Genus Commutrade Limited (hereinafter referred to as the Company). Pursuant to the investigations, a Show Cause Notice dated October 14, 2005 under Section 11B and 11(4) of the SEBI Act 1992 was issued to Shri Atul Hiralal Shah (hereinafter referred to as the applicant). Thereafter, another Show Cause Notice dated October 18, 2005 supplementary to the aforesaid Show Cause Notice was also issued to the Applicant for the alleged violation of Regulation 10 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997.
2. Between July 8th- 10th, 2002 the company issued newspaper advertisements for the proposed buy back of 1823310 equity

shares constituting 18% of the paid-up capital at Rs.11/- per share at a time when the price was around Rs.2.40/- only. Although it is not a mandatory requirement to publish a public announcement in the newspapers before obtaining authorization by a special resolution, wide publicity was given to the proposed buy back by publishing of advertisements in 7 newspapers to create investor interest in the scrip which was otherwise illiquid and the shares were thinly traded. As a result, the traded quantity in the shares which was a meagre 301 shares in May 2002 had shot up to 11.3 lakh shares in June 2002. The price of the scrip which was Rs.2.50/- on May 24, 2002 had risen to Rs.5.95/- on June 13, 2002. A day prior to the release of the advertisements, the price of the scrip was Rs.2.8/- and the volumes were 161625 only, whereas immediately after the issuance of the advertisements the volumes shot up to 11.78 lakh on July 10, 2002.

The company issued series of newspaper advertisements as aforesaid regarding the proposed buy-back even before the proposal was placed before its Board of Directors. It is significant to note that its Articles of Association did not provide for the same. After creating investor interest in the scrip by making proposed Buy Back announcements and giving it wide publicity that resulted in huge movements in the volumes traded and rise in prices, the

proposal was shelved ostensibly on the ground that the Articles of Association of the company did not provide for the same which the company would in any case be aware at the time of launching wide spread advertisement campaign for the same. The Board of Directors in its meeting held on July 18, 2002 had decided to amend the Articles of Association to provide for Buy Back and obtain necessary statutory approvals.

Investigations revealed that the promoters of the company namely Shri Rajesh Kumar Patel and Smt. Kritiben Patel together with persons acting in concert and associated entities of the company i.e. Galaxy Appliances, Zentex Software Ltd, Shri Paresh Kumar Patel and Smt Hemaben B Patel who are related to the promoter Shri Rajesh Kumar Patel transferred huge quantity of shares to one Shri Rakesh Ramniklal Sheth who in turn transferred these shares to different entities which off loaded them in the market. The applicant has received shares totaling to 28,54,221 from R.R. Sheth, through Piyush Jhaveri, Santosh Gaykwad, Atul B Shah and others. He received 578456 shares through Shri Santosh Gaykwad. Shri Raju B Shah, transferred 75171 shares to the applicant on August 07, 2002 in off market transactions. Shri Rakesh Ramniklal Sheth, acquired large number of shares prior to the release of advertisements from the promoters and was instrumental in

offloading these shares in the market which were allegedly bought back by the promoters at lower prices. This led to creation of artificial volumes in the said scrip. In view of the above, Show Cause Notice dated October 14, 2005 was issued to the applicant for the alleged violation of the provisions of Regulation 3, 4 (a), (b), (c) & (d) and Regulation 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995.

A supplementary Show Cause Notice dated October 18, 2005 was issued to the Applicant for the alleged violation of Regulation 10 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997 for acquiring more than 15% of the paid up capital of the Company without making the public announcement to acquire further shares from the public as per the said Regulations. The details of the said acquisition by the Applicant are as under: -

DATE	NO. OF SHARES	% TO TOTAL PAID UP CAPITAL
8/7/2002	Opening balance	0
8/7/2002	2428627	23.98
8/8/2002	2576677	25.44
8/29/2002	2576677	25.44
9/4/2002	2526677	24.94
9/6/2002	2725896	26.91
9/7/2002	2725896	26.91
9/9/2002	2721996	26.87
9/12/2002	2756796	27.22
9/13/2002	1799221	17.76

3. The applicant submitted an application dated July 17, 2007 for settlement of the charges arising out of the Show Cause Notice dated October 14, 2005 and another application dated September 07, 2007 for settlement of charges arising out of the Show Cause Notice dated October 18, 2005 for the alleged violation of Regulation 10 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997. These consent terms were examined in terms of SEBI Circular No. EFD/Cir.-1/2007 dated 20th April, 2007. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC, after deliberations, recommended that the matters may be settled on payment of Rs. 3,00,000/- (Rupees Three Lac Only) for each of the pending proceedings towards settlement charges and also a self ban for a period of one year in each of the proceedings in which the entity will voluntarily undertake not to buy, sell or otherwise deal in securities market directly or indirectly in any manner whatsoever. The recommendation of the HPAC has been accepted by SEBI.

4. Accordingly the applicant, without admitting or denying the charges, has remitted the following amounts to SEBI towards consent terms in the matter –

Serial No.	Demand Draft No.	Date	Drawn on	Amount (in Rs)
1	052336	16/05/2008	Standard Chartered Bank, Mumbai	3,00,000
2	052333	16/05/2008	Standard Chartered Bank, Mumbai	3,00,000
Total				<u>6,00,000</u>

The Applicant, vide his letter dated May 20, 2008, has also undertaken a voluntary bar from buying, selling or otherwise dealing in securities market, directly or indirectly, in any manner whatsoever, for a period of one year as per the consent terms.

5. In view of the above, it is hereby ordered that
- This consent order disposes of C A No 32 of 2007 arising out of Show Cause Notice dated October 14, 2005 and C A No 136 of 2007 arising out of Show Cause Notice dated October 18, 2005, under section 11B & 11(4) of the SEBI Act 1992 pending before SEBI against the applicant in the matter of Genus Commutrade Limited, and
 - Passing of this order by SEBI is without prejudice to the right of SEBI to initiate or continue its enforcement actions against the applicant, if

- a. any representations made by the applicant in the consent proceedings are subsequently found to be false.
- b. the applicant breaches any of the conditions of undertakings / waivers filed before SEBI in the current proceedings with SEBI.

This order is passed on this day, the 4th of July, 2008 and shall come into force with immediate effect.

C. B. Bhavé

Chairman

T. C. Nair

WholeTime Member