

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,**

**MUMBAI**

**CONSENT ORDER**

**ON THE APPLICATION OF**

**SHRI RAJU B. 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 Raju B. Shah (hereinafter referred to as the applicant). Between July 8<sup>th</sup>- 10<sup>th</sup>, 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 advertisement 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, of 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 offloaded them in the market. The Applicant played an active role in helping the promoters and related entities to offload their huge holding in Genus Commutrade Ltd. The Applicant received a total of 13 lakh shares from Rakesh Ramniklal Sheth and 400000 shares from DP Id Khandwala/10030226. He also received 400000 shares from Pritesh B Shah, Director of Genus Commutrade Ltd, who has authorized to publish the advertisements. He transferred 1,00,300 shares to Piyush Jhaveri and 3,98,729 shares to Tushar Jhaveri. He also transferred 10,75,000 shares to Atul B Shah on Aug 1, 2002 and 75,171 shares to Atul H Shah on August 7, 2002. Shri Atul B shah in turn transferred the 10,75,000 shares on August 7, 2002 to Atul H Shah, all in Off-Market deals. Shri. Raju B Shah in his letter dated 26/06/03 to SEBI had stated that he had received as well as delivered 1075000 shares on behalf of Rakesh Ramniklal Sheth. Shri Rakesh Ramniklal Sheth, had 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 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.

2. The applicant made an application dated July 17, 2007 along with an affidavit of “undertakings and waivers” for settlement of the matter in terms

of SEBI Circular No. EFD/Cir.-1/2007 dated 20<sup>th</sup> April, 2007. Thereafter, vide letter dated January 21, 2008, the applicant proposed revised consent terms thereby agreeing to pay a sum of Rs. 5,00,000/- (Rupees Five Lac only) towards settlement of the matter. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC, after deliberation, recommended that in addition to the payment of Rs 5,00,000/- (Rupees Five Lac only) towards settlement charges in the matter, the Applicant should also undertake a self ban from buying, selling or otherwise dealing in securities market, directly or indirectly, in any manner whatsoever, for a period of twelve months from the date of the Consent Order. The recommendation of the HPAC has been accepted by SEBI.

3. As per the recommendations of HPAC, the applicant, without admitting or denying the charges, has remitted a sum Rs 5,00,000/- (Rupees Five Lac only) to SEBI vide Demand Draft No. 836493 dated May 17, 2008 drawn on Standard Chartered Bank, Mumbai, towards the consent terms in the matter. 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 twelve months .

4. In view of the above, it is hereby ordered that

- i) This consent order disposes of C A No 35 of 2007 arising out of Show Cause Notice dated October 14, 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

- ii) Passing of this order by SEBI is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the pending proceedings against the applicant, if
  - a. Any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.
  - b. The applicant has breached any of the clauses / conditions of undertakings / waivers filed during the current consent proceedings with SEBI.

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

**C. B. Bhav**

**Chairman**

**T. C. Nair**

**WholeTime Member**