

## Zenith Birla GDR manipulation case: Sebi bans 7 entities, 6 individuals



Cracking the whip in a GDR manipulation case related to Zenith Birla (India) Ltd, Sebi on Tuesday barred six individuals and seven entities from the [securities market](#) for varying periods and also directed some of them to disgorge illegal gains.

In a 92-page order, the watchdog has imposed a three-year ban on Zenith Birla, Arun Panchariya and Vintage FZE.

Besides, High Blue Sky Emerging Market Fund, Pan Asia Advisors Ltd, Mukesh Chauradiya, India Focus Cardinal Fund and P V R Murthy have been barred from the securities market for two years.

Sebi has also restrained Cardinal Capital Partners (CCP), Golden Cliff, Yash Birla, M S Arora and A P Kurias for one year each.

According to the order, Panchariya, Vintage FZE, India Focus Cardinal Fund and Blue Sky Emerging Market Fund have to disgorge, jointly and severally, illegal gains of Rs 59.06 crore made by way of sale of equity shares after conversion of GDRs (Global Depository Receipts) of Zenith by IFCF and HBS as sub-accounts in the Indian securities market.

This amount has to be disgorged along with an interest of six per cent per annum from the date of sale of those equity shares, within 45 days, Sebi said.

In case they fail to comply with the direction within the stipulated time, Sebi said they would be restrained from accessing the securities market till the actual payment of disgorgement amount or till the completion of their debarment, whichever is later.

"This direction is without prejudice to any other action including action for recovery of such amounts from these noticees which may be initiated by Sebi," the order said.

While passing the order, Sebi Whole Time Member S K Mohanty said that Zenith Birla should continue to pursue all the measures to bring back the outstanding GDR proceeds amounting to USD 14.50 million into its bank account in India.

After bringing the outstanding GDR proceeds into its Indian bank account, it should furnish a certificate from a peer reviewed chartered accountant along with necessary documentary evidences to Sebi, certifying compliance with the direction, he said in the order.

The case pertains to issuance of GDRs by Zenith Birla. It had issued 1.81 million GDRs for USD 22.99 million in May 2010.

Sebi noted that European American Investment Bank AG, Austria (Euram Bank) had granted a loan to Vintage FZE to subscribe to the GDRs.

Panchariya had signed the loan agreement on the behalf of Vintage as Managing Director and the issue was subscribed only by Vintage.

As per Sebi, the company pledged its entire GDR proceeds with Euram Bank as a security against the loan availed by Vintage for subscribing to the GDRs.

It was also found that all the 1.81 million GDRs were cancelled and converted into equity shares. After cancellation, it was noticed that 4.77 crore shares of Zenith on conversion of 13.77 lakh GDRs were sold in the Indian securities market through FII-sub account namely India Focus Cardinal Fund (IFCF).

Similarly, 1.15 crore shares of Zenith on conversion of 319,626 GDRs were sold in the Indian securities market through FII-sub account namely High Blue Sky Emerging Market Fund (HBS).

"In my opinion, without the role and support of CCP and Golden Cliff, the said fraudulent scheme conceived by the company pertaining to the issuance of GDRs followed by loan default by Vintage, forfeiture of GDR proceeds by Euram Bank and unlawful gains made by IFCF and HBS out of the underlying equity shares of those GDRs of Zenith which were allotted to Vintage for inadequate consideration, could not have been completed....," Mohanty said in the order.

He also noted that those underlying equity shares of Zenith could not have been dumped in the Indian securities market.

Panchariya was also a director at Pan Asia Advisors Ltd, which was the lead manager of Zenith's GDR issue.

[Securities Market](#)