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Sebi bars Gammon, 4 others

The Securities and Exchange Board of India (Sebi) on Thursday barred Gammon India and four others from accessing the capital markets for a year for routing the company's funds to subscribe to its Rs 19 crore rights issue in 2001.

Interestingly, in the Gammon India case, the regulator also banned Reliance Silicon India (RSPL) - which was the complainant against Gammon for irregularities - from accessing the markets for a year.

Ajitabh Bachan, who was the chairman of RSPL, had later withdrawn the allegations, but the Sebi went ahead with the investigations and found that "RSPL was conduit for funds with respect to the transactions".

The Sebi order issued on Thursday also barred Nikhita Estate Developers, Devyani Estate & Properties and their controller Abhijit Rajan, who is also the chairman-promoter and managing director of Gammon India and Gammon India Infrastructure, from selling their stake in Gammon Infrastructure Projects for three years.

In Gammon case, Sebi said its investigations found that the promoter, Abhijit Rajan, was using the company's funds to subscribe to the rights issue.

The case came up when RSPL filed a complaint against Gammon India with the Sebi, alleging irregularities in the company's rights issue.

It also alleged non-disclosure of financial agreement between the two in the annual account of Gammon, which resulted into "understatement of loss, unauthorised use of banking accounts and overstatement of assets of Gammon subsidiary Nouveau Exports".

Gammon's 1:1 rights issue of 63.28 lakh shares of Rs 10 each at a premium of Rs 20 per share in 2001 was used by promoters to hike their stake using the company's funds.

RSPL and Gammon subsidiary Nouveau had entered into an agreement for the installation of RSPL's power plant during the same period, for which an account was opened with Allahabad Bank in Mumbai. The account was, in fact, used for routing money through RSPL for the Gammon rights issue subscription.

"Investigation revealed that this bank account was used for routing of funds of the company (Gammon) for subscription in the rights issue. In effect, the promoters did not use their own monies to subscribe to the issue, but the company's funds were used. Funds were routed through RSPL and promoter (Rajan)-controlled entities, Devyani and Nikhita," the order by G Anantharaman, whole-time director, Sebi, said.

The Sebi said it has referred the allegations of non-disclosures in the annual accounts of Gammon and Noveau to the ministry of company affairs and the Institute of Chartered Accountants of India.

In another unrelated order, the Sebi imposed a penalty of Rs 10 lakh on Kotak Securities for its default in maintaining proper margin requirement between 2001 and 2003.

Kotak Securities said in release that it was committed to maintain highest standards of compliance and continuously review its processes and systems to ensure that they are in line with latest guidelines and regulations prescribed by the regulators.

"We are in receipt of an order from Sebi, the observations in the order are based upon routine inspections carried for the time period of 2001-2003," release added.