

**BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI**

Appeal No. 50 of 2006

Date of decision: 16.04.2008

Vinay Capital Limited

..... Appellant

Versus

Securities and Exchange Board of India

..... Respondent

Mr. Nitin H. Parikh Practicing Company Secretary for the Appellant.

Dr. Poornima Advani Advocate with Ms. Daya Gupta Advocate for the Respondent.

Coram: Justice N.K. Sodhi, Presiding Officer
Arun Bhargava, Member
Utpal Bhattacharya, Member

Per: Justice N.K. Sodhi, Presiding Officer (Oral)

The appellant is a trader in the securities market and has been trading on the National Stock Exchange (NSE). It is alleged that the appellant while trading in the scrip of Vision Organics Ltd. (for short the company) had executed structured deals with a view to create an artificial market in the scrip. Investigations carried out by the Securities and Exchange Board of India (for short the Board) revealed that the scrip of the company was not very liquid and that the appellant executed cross deals. A show cause notice dated September 29, 2004 was issued to the appellant making the aforesaid allegations. The details of the trades executed by the appellant were shown in the chart attached to the show cause notice. The appellant filed its detailed reply controverting the allegations. On a consideration of the material collected by the Board during the enquiry, it came to the conclusion that the charges levelled stood established and by order dated 1.2.2006 the appellant has been debarred from accessing the securities market for a period of two months from the date of the order. It is against this order that the present appeal has been filed.

We have heard the learned counsel for the parties and perused the chart that was appended to the show cause notice showing the details of the trades executed by the

appellant. The trades appear to be structured and were executed through brokers who were connected with the appellant. Not only this, the counter party in most of the trades was Ketan Shah & Co. which traded through HDFC Securities Limited as its broker. It is admitted before us that the appellant is holding 49% shares in HDFC Securities Limited which is a registered stock broker and they both have a common director. It is also not in dispute that Ketan Shah and his family hold 15% of the share capital in the appellant company. It is in this background that one has to view the trades executed by the appellant. On 19th October, 2001 the appellant placed a buy order for 2500 shares of the company. The order was placed at 13:33:50 hours and the appellant could buy only 2400 shares in two trades which matured at 13:33:58 and 13:34:12 hours. The counter party seller was Ketan Shah & Co. in one trade and V.K. Consultant in the other. Another buy order was placed by the appellant on the same day at 13:42:05 hours and these shares could be purchased in three trades and in two of these Ketan Shah & Co. was the seller. On October 22, 2001 and October 25, 2001 the appellant sold 2500 shares which were purchased by Ketan Shah & Co. In all, the appellant executed 13 trades ranging from October 19, 2001 to 9th November, 2001 and in most of these trades the counter party was Ketan Shah & Co. Having regard to the fact that the trading system on the stock exchanges including NSE maintains anonymity as to the buyer and the seller and that at the time of the trading it is not possible for one party to know as to who the counter party is, it is difficult to imagine that the appellant and Ketan Shah could execute and match several trades between themselves. We are therefore inclined to agree with the Board that the appellant executed structured deals with a view to create artificial volumes in the scrip of the company. When we look at the details of the trades, we find that the appellant did not trade in large volumes and that all the trades were executed at the prevailing market price. There was, thus, no attempt to manipulate the price. This being the position, we are of the view that the period of two months for which the appellant has been debarred from accessing the capital market is highly excessive. We are informed that the appellant has already remained out of the market for 40 days in pursuance to the impugned order before an interim order was granted by

this Tribunal. In this view of the matter, the period of debarment is reduced to the period already undergone by the appellant as this would meet the ends of justice.

In the result, the appeal is disposed of as above leaving the parties to bear their own costs.

Sd/-
Justice N.K.Sodhi
Presiding Officer

Sd/-
Arun Bhargava
Member

Sd/-
Utpal Bhattacharya
Member

16.04.2008
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