

**BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI**

Appeal No. 7 of 2010

Date of Decision : 8.7.2010

M/s. Right Finstock Limited
C/161, Kamdhenu Complex,
Opp. Sahjanand College, Nehrunagar,
Ahmedabad.

.....Appellant

Versus

Securities and Exchange Board of India
C4A, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai.

..... Respondent

Mr. Raja Ratan Bhura, Advocate for the Appellant.

Mr. Kumar Desai, Advocate with Ms. Daya Gupta, Advocate for the Respondent.

CORAM : Justice N.K. Sodhi, Presiding Officer
Samar Ray, Member

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

Right Finstock Private Limited is the appellant before us. It is alleged to have violated the provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (for short the FUTP Regulations) and also those of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2003 (for short the takeover code) and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (for short the insider trading regulations). It is not in dispute that the appellant traded in the scrip of Innovision eCommerce Ltd. (for short the company) during the period from November 10, 2003 to January 28, 2004. The company had declared its financial results for the quarter ending December 31, 2003 and it had shown a total income of Rs.132.26 million which was 622 % more than the previous year and it failed to give any satisfactory

explanation to the Bombay Stock Exchange where its securities are listed. The company's scrip was put in 'Z' category which is in effect a warning to the investors that they should be careful while trading in the scrip. The managing director of the company transferred to the appellant on January 2, 2004 off market one crore shares of the company which he was holding. There is no consideration for the transfer of these shares. The appellant then offloaded the shares in the market through a broker by the name of Parklight Investment Pvt. Ltd. The trades were executed at the upper circuit rate which further raised the price of the scrip. When the shares were acquired by the appellant it failed to make the necessary disclosures both under the takeover code and the insider trading regulations. The adjudicating officer has found that the appellant violated the FUTP Regulations in as much as it acted as a front entity for the managing director of the company who offloaded his shares through the appellant after manipulating the price by publishing inaccurate financial results and executing manipulative trades. Accordingly, by his order dated November 16, 2009 he imposed a monetary penalty of Rs.10 lacs on the appellant. Rs.2 lacs is the penalty for executing manipulative trades and another sum of Rs.8 lacs is for the non-disclosures under the takeover code and the insider trading regulations. It is this order which is now under challenge in this appeal.

2. We have heard the learned counsel for the parties who have taken us through the record. The learned counsel for the appellant has very fairly stated that he cannot challenge the findings recorded by the adjudicating officer in the impugned order and the only prayer that he has made is that the amount of penalty, which, according to him, is highly excessive be reduced. In view of this submission made by the learned counsel for the appellant, no fault can be found with the impugned order. In the facts and circumstances of this case, we are unable to agree with the learned counsel for the appellant that the amount of penalty imposed is exorbitant. After all, the appellant aided and abetted the managing director of the company to offload his shares in the market and he managed to hide his identity. For obvious reasons, the managing director did not want the market to know that he was offloading his shares and the

appellant helped him to achieve this objective. If the appellant had made the necessary disclosures the managing director would not have succeeded in his objective. We are satisfied that all this was a well planned scheme of things. In this view of the matter, we do not think that there is any scope for reducing the amount of penalty.

For the reasons recorded above, the appeal fails and the same is dismissed with no order as to costs.

Sd/-
Justice N.K.Sodhi
Presiding Officer

Sd/-
Samar Ray
Member

8.7.2010
Prepared and compared by
RHN