

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**ORDER**

**UNDER SECTION 11(4) AND 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST SHRI SUNIL KUMAR IN THE MATTER OF VATSA WORLD LIMITED.**

- 1.0 Investigations were conducted by Securities and Exchange Board of India (hereinafter referred to as 'SEBI') into the dealings in the shares of Vatsa World Limited (hereinafter referred to as 'VWL') for the alleged market manipulations. Investigations conducted for the period April, 2001 to July, 2001 revealed that prices in the scrip were manipulated.
- 1.1 Shri Sunil Kumar was one of the four largest trading clients in the scrip of VWL at Delhi Stock Exchange during the relevant period. Shri Sunil Kumar had dealt in the scrip through M/S Supreme Investments, a sub-broker of Argus Stock Broking Ltd., (hereinafter referred to as 'Argus')
- 2.0 Pursuant to investigations, a show cause notice dated May 22, 2003, was issued to Shri Sunil Kumar, alleging him to have indulged in creation of false market in the scrip and hindered true price discovery thereby violated Regulations 3, 4(a), 4(b), 4(c) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.
- 3.0 No reply was received from Shri Sunil Kumar. Thereafter, Shri Sunil Kumar was granted an opportunity of hearing before me on July 28, 2003, which was communicated vide letter dated July 15, 2003. The hearing

was further adjourned to August 6, 2003 and the same was communicated to him vide letter dated July 21, 2003. He choose not to appear for the hearing.

4.0 I have examined the findings of the investigation, which inter alia contains the trading details of Shri Sunil Kumar, also incorporated in the show cause notice issue to him.

4.1 VWL was incorporated as a private limited company in the name and style of Ongoing Advertising and Packaging Pvt. Ltd. It was converted into a public limited company on February 20, 1996. On June 24, 1996, the name of the company was changed to Vatsa World Limited. On June 19, 2001, the name of the company was once again changed to Little Kingdom World Limited after acquiring the business of Little Kingdom Edutech Ltd., an education technology based company.

4.2 The price volume data in the scrip of VWL on DSE for the period from April 9, 2001 to July 20, 2001 is as follows :

| <b>Date</b> | <b>Opening Price</b> | <b>Closing Price</b> | <b>High Price</b> | <b>Low Price</b> | <b>Traded Quantity</b> |
|-------------|----------------------|----------------------|-------------------|------------------|------------------------|
| 09-04-01    | 12.50                | 12.50                | 12.50             | 12.50            | 500                    |
| 10-04-01    | 9.50                 | 9.50                 | 9.50              | 9.50             | 300                    |
| 12-04-01    | 9.55                 | 9.55                 | 9.55              | 9.55             | 200                    |
| 25-04-01    | 8.00                 | 8.00                 | 8.00              | 8.00             | 100                    |
| 27-04-01    | 7.00                 | 7.00                 | 7.00              | 7.00             | 100                    |
| 30-04-01    | 6.50                 | 6.50                 | 6.50              | 6.50             | 200                    |
| 03-05-01    | 5.00                 | 5.00                 | 5.00              | 5.00             | 200                    |
| 23-05-01    | 6.50                 | 6.50                 | 6.50              | 6.50             | 500                    |
| 24-05-01    | 8.00                 | 8.00                 | 8.00              | 8.00             | 500                    |
| 25-05-01    | 10.00                | 10.00                | 10.00             | 10.00            | 500                    |

|          |       |       |       |       |      |
|----------|-------|-------|-------|-------|------|
| 28-05-01 | 10.25 | 11.15 | 11.15 | 10.25 | 800  |
| 29-05-01 | 11.00 | 11.00 | 11.00 | 11.00 | 200  |
| 30-05-01 | 12.00 | 12.00 | 12.00 | 12.00 | 200  |
| 31-05-01 | 13.00 | 13.00 | 13.00 | 13.00 | 200  |
| 01-06-01 | 12.00 | 13.00 | 13.00 | 12.00 | 500  |
| 05-06-01 | 11.15 | 11.15 | 11.15 | 11.15 | 500  |
| 06-06-01 | 9.90  | 10.50 | 10.50 | 9.90  | 1500 |
| 08-06-01 | 10.25 | 11.00 | 11.00 | 10.25 | 1000 |
| 20-06-01 | 13.75 | 13.75 | 13.75 | 13.75 | 900  |
| 21-06-01 | 17.15 | 17.15 | 17.15 | 17.15 | 500  |
| 22-06-01 | 19.25 | 19.25 | 19.25 | 19.25 | 1300 |
| 25-06-01 | 21.50 | 21.65 | 21.65 | 21.50 | 1100 |
| 26-06-01 | 23.35 | 23.35 | 23.35 | 23.00 | 1200 |
| 27-06-01 | 25.20 | 25.20 | 25.20 | 25.20 | 2000 |
| 28-06-01 | 27.05 | 27.20 | 27.20 | 27.05 | 1300 |
| 29-06-01 | 29.00 | 28.95 | 29.00 | 28.95 | 4800 |
| 02-07-01 | 30.35 | 31.25 | 31.25 | 30.35 | 700  |
| 04-07-01 | 30.25 | 33.50 | 33.50 | 30.25 | 1800 |
| 05-07-01 | 34.00 | 36.00 | 36.00 | 34.00 | 600  |
| 06-07-01 | 37.00 | 38.00 | 38.50 | 37.00 | 1200 |
| 09-07-01 | 40.00 | 40.00 | 40.00 | 40.00 | 500  |
| 10-07-01 | 43.05 | 43.05 | 43.05 | 43.05 | 500  |
| 11-07-01 | 0.00  | 43.00 | 0.00  | 0.00  | 100  |

- 4.3 During the above period, the closing price was found to have touched a high of Rs.43.05 and a low of Rs.5.00. The traded quantity was highest at 4800 shares on June 29, 2001. Further, the price of the scrip had showed a declining trend during the period from April 9, 2001 to May 3, 2001. During this period, the closing price of the scrip was found to have declined from Rs.12.50 to Rs.5.00. Thereafter the price of the scrip had increased substantially to Rs.43/- on July 10, 2001. The price was found to have been increased by 760% during the period from May 3, 2001 to

July10, 2001, over 25 trading days. The scrip of VWL was found to have been traded only for 33 days, and the total numbers of shares traded were only 26,700. The average traded volume per day worked out to be about 810 shares. Both the decline in price as well as the subsequent increase was found to have been accompanied by thin trading volumes, which in many instances were as low as one or two trades. Thus it is clear that there was very little trading interest in the scrip.

4.4 Information was sought by SEBI from the eight brokers identified by DSE as having dealt in the scrip during the period under investigation. The statement of four trading members, who had dealt in at least 5000 shares of the scrip on a gross basis, was recorded by SEBI during investigation. Argus was one of the four trading members.

4.5 A summary of the information collected from Argus Stock Broking Ltd. who had dealt in the scrip on behalf of Shri Sunil Kumar during the period under scrutiny is as follows:

| <b>Sr. No.</b> | <b>Settlement No. / Date</b> | <b>Client Name</b> | <b>Buy Quantity</b> | <b>Price</b> | <b>Sell Quantity</b> | <b>Price</b> |
|----------------|------------------------------|--------------------|---------------------|--------------|----------------------|--------------|
| 1.             | 25-04-01                     | Sunil Kumar        | 100                 | 8.15         | Nil                  | Nil          |
| 2.             | 27-04-01                     | Sunil Kumar        | Nil                 | Nil          | 100                  | 6.85         |
| 3.             | 30-04-01                     | Sunil Kumar        | 200                 | 6.65         | Nil                  | Nil          |
| 4.             | 03-05-01                     | Sunil Kumar        | Nil                 | Nil          | 200                  | 4.85         |
| 5.             | 23-05-01                     | Sunil Kumar        | 500                 | 6.65         | Nil                  | Nil          |
| 6.             | 24-05-01                     | Sunil Kumar        | Nil                 | Nil          | 500                  | 7.88         |
| 7.             | 28-05-01                     | Sunil Kumar        | 300                 | 11.00        | 300                  | 11.00        |
| 8.             | 30-05-01                     | Sunil Kumar        | 200                 | 12.15        | Nil                  | Nil          |
| 9.             | 31-05-01                     | Sunil Kumar        | Nil                 | Nil          | 200                  | 12.85        |
| 10.            | 01-06-01                     | Sunil Kumar        | 1000                | 12.50        | 500                  | 12.15        |
| 11.            | 05-06-01                     | Sunil Kumar        | Nil                 | Nil          | 500                  | 11.03        |
| 12.            | 06-06-01                     | Sunil Kumar        | 1500                | 10.50        | Nil                  | Nil          |

|     |              |               |             |       |             |       |
|-----|--------------|---------------|-------------|-------|-------------|-------|
| 13. | 08-06-01     | Sunil Kumar   | 500         | 11.12 | 1500        | 10.61 |
| 14. | 11-06-01     | Sunil Kumar   | 2500        | 11.09 | 2500        | 10.91 |
| 15. | 11-07-01     | Sunil Kumar * | Nil         | Nil   | 100         | 45.84 |
|     | <b>TOTAL</b> |               | <b>6800</b> |       | <b>7400</b> |       |

\* - Spot transaction.

- 4.6 I find that Shri Sunil Kumar had dealt in the scrip at prices ranging from Rs.4.85 to Rs.45.84. During the investigations, when queried about the above trades executed on behalf of Shri Sunil Kumar, Shri Utkal Ranjan Mishra, the authorized representative of Argus Stock Broking and Shri Salil Agarwal, the proprietor of Supreme Investments, admitted that the above trades appeared to be manipulative transactions. However, they also denied being aware of the manipulative intent of their client. They also submitted that they do not have any procedure / systems in place while allowing clients to trade in illiquid scrips.
- 4.7 Shri Sunil Kumar had dealt in the illiquid scrip of VWL. He purchased 6800 shares and sold 7400 shares, during the period under scrutiny, compared to the total of 26,700 shares traded in the market and that he had squared off most of his trades. I find that the deals were executed at prices ranging from Rs.4.85 to Rs.45.84 over a period of 2.5 months.
- 4.8 I find that the scrip of VWL was illiquid and few clients had traded in the scrip and built up artificial volumes and price. The scrip otherwise did not elicit any interest from the general investors. These clients had put the trades without any interest in transfer of beneficiary ownership. Shri Sunil Kumar was one of the largest trading client in the scrip. In the facts and circumstances of the case, particularly the trading pattern adopted, I find that Shri Sunil Kumar was responsible for creating false and misleading appearance of trading and artificial price rise in the scrip of VWL. Unless these acts are prevented, innocent investors will be induced to trade by such false appearance of trading in the securities market.

- 4.9 Shri Sunil Kumar has thus indulged in creation of false market in the scrip of VWL and hindered true price discovery. Therefore, I find Shri Sunil Kumar guilty of violating Regulations 3, 4(a), 4(b), 4(c) and 4(d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995.
- 5.0 From the aforesaid discussion, I find that the conduct of Shri Sunil Kumar is detrimental to the safety and orderly development of the securities market. In view of the above, I, in exercise of the powers conferred upon me under Section 19, read with Section 11(4) and 11B of the SEBI Act, 1992 read with regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003, hereby prohibit Shri Sunil Kumar from buying, selling or dealing in securities, in any manner, directly or indirectly for a period of two years.
- 5.1 This order shall come into force with immediate effect.

**A.K. Batra**  
**Whole Time Member**  
**Securities and Exchange Board of India**

**Place : Mumbai**  
**Date : December 17, 2003**