

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

DIRECTION UNDER SECTION 11(4) 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 MANORATH INVESTMENTS LTD., IN THE MATTER OF VATSA MUSIC LTD.

BACKGROUND

1. The shares of Vatsa Music Ltd. (hereinafter referred to as 'VML') were listed for trading on NSE. NSE observed the following with respect to the trades in the company's shares :

PERIOD	PRICE BEHAVIOUR
01.01.1998 to end June 1998	Price rose from Rs. 418/- to Rs. 705
01.12.1999 to 24.01.2000	Price rose from Rs.440/- to Rs.1251/-
01.03.2000 to 04.04.2000	Price rose from Rs.1695/- to Rs.4214.85

2. NSE also observed that certain entities suspected to be associates of Vatsa group had dealt in the scrip during the above period. Looking into the price variation and traded volume, NSE concluded that the spurt in the price accompanied by thin trading and the significant participation of entities close to the Vatsa group in the trading indicated that reasons other than fundamentals may have contributed to the spurt in price.
2. Further, during the period March 01, 2000 to April 04, 2000, the scrip was seen to be touching the daily upper price band of 8% with just one trade

per day. In view of the above, NSE noted that certain entities, suspected to be associates of VML, may be attempting to artificially increase the price of the scrip. The scrip was placed under suspension by NSE from April 5, 2000 onwards.

3. In view of the observations of NSE, investigations were conducted by SEBI into the dealings in the shares of VML for alleged market manipulations. Investigations have brought out that prices in the scrip were manipulated.
4. The price volume data of the scrip on NSE for the period from December 1, 1999 to January 14, 2000 (herein referred to as Period II) and March 1, 2000 to April 4, 2000 (herein referred to as Period III) are reproduced below:

Period II (December 1, 1999 to January 14, 2000)

Date	Opening Price	High Price	Low Price	Closing Price	Traded Quantity
01-Dec-99	440	440	440	440	100
02-Dec-99	404.8	404.8	404.8	404.8	100
03-Dec-99	410	410	380	404	300
06-Dec-99	390	390	390	390	100
07-Dec-99	421	421	421	421	100
08-Dec-99	451	451	451	451	100
09-Dec-99	415	415	415	415	100
10-Dec-99	382	382	382	382	100
13-Dec-99	409	409	390	390	200
15-Dec-99	421	421	421	421	100
20-Dec-99	387.5	389.9	387.5	389.9	200
21-Dec-99	370	383	360	360	500
22-Dec-99	388.8	388.8	388.8	388.8	100
23-Dec-99	419.9	419.9	419.9	419.9	200
24-Dec-99	453.5	453.5	453.4	453.4	200
27-Dec-99	480	489	480	489	400
28-Dec-99	514	528	500	528	900
29-Dec-99	570.25	570.25	570.25	570.25	100
30-Dec-99	615.9	615.9	615.9	615.9	100
03-Jan-00	665.2	665.2	665.2	665.2	200

04-Jan-00	718.45	718.45	718.45	718.45	200
05-Jan-00	775.95	775.95	770	770	3900
06-Jan-00	831.6	831.6	713	714	1000
07-Jan-00	710	771	710	737	2300
10-Jan-00	748	795	730	795	2100
11-Jan-00	858.6	858.6	835	858.5	700
12-Jan-00	870	919	850	850	400
13-Jan-00	870	918	870	918	1000
14-Jan-00	925	990	878	982.5	800

Over a period of one and half months, the scrip has traded for only 29 days and the total number of shares traded was only 16,600. Thus, the average number of shares traded per day works out to 572. On many of the days only 100 shares have been traded signifying merely single trades on those days. During this period, the price of the scrip has increased from Rs.440/- to Rs.982.50 indicating a rise of over 120% in 29 trading days. The low number of trades as well as lack of trading on many days indicates lack of any trading interest in the scrip. From the steep increase in traded price on thin trading volumes it appears that the trades are not genuine and entered into, may be, with a manipulative intent.

Period III (March 1, 2000 to April 4, 2000)

Date	Opening Price	High Price	Low Price	Closing Price	Traded Quantity
01-Mar-00	1695	1695	1695	1695	200
02-Mar-00	1830.6	1830.6	1785	1785	1700
03-Mar-00	1765	1900	1765	1900	300
06-Mar-00	1752	1775	1752	1775	500
08-Mar-00	1725	1725	1725	1725	100
09-Mar-00	1805	1805	1805	1805	100
10-Mar-00	1795	1795	1795	1795	100
14-Mar-00	1823	1823	1823	1823	100
15-Mar-00	1900	1900	1810	1810	300
16-Mar-00	1954.8	1954.8	1954.8	1954.8	1
21-Mar-00	2110	2110	2110	2110	1
22-Mar-00	2278	2278	2278	2278	1
23-Mar-00	2460	2460	2460	2460	100
27-Mar-00	2656	2656	2656	2656	1
28-Mar-00	2868.5	2868.5	2868.5	2868.5	1
29-Mar-00	3098	3098	3098	3098	1

30-Mar-00	3345.85	3345.85	3345.85	3345.85	1
31-Mar-00	3613.5	3613.5	3613.5	3613.5	1
03-Apr-00	3902.6	3902.6	3902.6	3902.6	1
04-Apr-00	4214.85	4214.85	4214.85	4214.85	411

The price of the scrip has increased from Rs. 1695/- to Rs.4214.85 during March 1, 2000 to April 4, 2000 i.e. an increase of about 150%. During this period the scrip has traded for only 20 days. On most of the trading days, there was only 1 trade in the scrip. On many days only 1 share was traded. Despite lack of trading interest as signified by few number of trades daily, the price of the scrip was increasing by about Rs.200-300 daily during March 16, 2000 to April 4, 2000. It may be noted that NSE had on March 21, 2000 given a notice of suspension of the scrip from April 5, 2000 for non-compliance of certain clauses of listing agreement. Thus the price of the scrip has shown an increasing trend despite the notice of suspension given by NSE.

5. In view of the above, it appeared that the trading in the scrip was done at imaginary prices and were not genuine. It appeared that the trades were entered into with a manipulative intent.
6. Investigations revealed that prices in the scrip were manipulated by certain entities, including Manorath Investments Ltd. (hereinafter referred to as 'Manorath') .
7. On the basis of the aforesaid finding of the investigations conducted by SEBI, a detailed Show Cause Notice (SCN) dated September 24 , 2003 was issued to Manorath.
8. Vide the said show cause notice Manorath was directed to show cause as to why appropriate direction under section 11(4) of the SEBI Act, 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 including

a direction to prohibit it from dealing in securities for a particular duration should not be passed against them.

9. Manorath, in their reply dated 28.10.03, interalia, denied all the charges made against the company and submitted as follows :

- i. Between Period II and Period III the prices of Vatsa Music Ltd. (VML) had increased from Rs. 982.5 to Rs. 1695 within a short period of 1 ½ months, a fact that SEBI seems to have overlooked.
- ii. The Show Cause Notice talked in detail about three brokers – Triveni Management Consultancy Services Ltd. , Ceekay Holdings Pvt. Ltd. and shri Adeshwar Securities Pvt. Ltd. but overlooked other three brokers as mentioned in the Show Cause Notice.
- iii. During period II , it may be noted that Manorath Investment Ltd., (Manorath) has dealt with only Triveni and hence they had restricted their reply only to this broker.
- iv. Manorath is not related to VML in any manner whatsoever. The only relations between Manorath and VML are purely as an Investor.
- v. In reply to the allegation that VML was illiquid scrip and 18 structured deals were executed and many of the structured deals were only 100 shares each at steadily increasing prices, Manorath stated that the delivery in the above scrip was in the physical form and hence the minimum lot was 100 shares. It was further stated that the Show Cause Notice was silent about that fact and did not mention whether the 100 shares which were traded were executed in deliveries or not.
- vi. With regard to the allegation that Manorath dealt in substantial quantities, it was stated that its trades constituted 42.77 % of buy and only 9.04% of the sell quantities.
- vii. It was also stated that there were discrepancies in the SCN in respect of quantities of shares bought and sold during Trade

Settlement Nos. 1999048 to 2000003. Manorath had purchased 8900 shares and sold 2600 shares during Settlement Nos. 1999048 to 2000003.

- viii. Manorath denied that it has played a role in the increase in the price of the scrip or that it has been a party to structured deals.

PERSONAL HEARING

10. Pursuant to the above, in adherence to the principles of natural justice , an opportunity of hearing was granted to Manorath on 16/01/04 at 4.00 p.m. Shri N. Pandya appeared on behalf of Manorath and reiterated the submissions made in their letter dated 24.09.03 and stated that he had nothing to add to the written reply made earlier.

CONSIDERATION OF ISSUES AND FINDINGS

11. I have carefully considered the findings of the investigation, charges levied vide Show Cause Notice, replies received from Manorath and submissions made during the personal hearing.
12. As stated above at para 4 above, during the period 01.12.1999 to 14.01.2000 i.e over a period of one and half months, the scrip had traded for only 29 days and the total number of shares traded was only 16,600. Thus, the average number of shares traded per day works out to 572. On many of the days only 100 shares have been traded signifying merely single trades on those days. During this period, the price of the scrip had increased from Rs.440/- to Rs.982.50, indicating a rise of over 120% in 29 trading days. The low number of trades as well as lack of trading on many days indicates lack of any trading interest in the scrip. From the steep

increase in traded price on thin trading volumes I infer that the trades were not genuine and were entered into, with a manipulative intent.

13. There is no denying fact that there was a considerable price rise between period II and period III, however only trades and the periods identified in the investigation report of NSE, which were relevant to the issue under consideration had been looked into. I find no merit in the contention of Manorath that SEBI had overlooked this period.
14. NSE had identified six brokers who had dealt in the scrip during the period from December 1, 1999 to January 14, 1999 and obtained trading details from them. The six brokers identified by NSE are as below:
 - i. Triveni Management Consultancy Services Ltd.
 - ii. Ceekay Holdings Pvt. Ltd.
 - iii. Shree Adeshwar Securities Pvt. Ltd.
 - iv. Integrated Stock Broking Services Pvt. Ltd.
 - v. VSL Securities Ltd.
 - vi. Mercantile Securities Ltd.
15. I find from a scrutiny of the trading data furnished by NSE that the clients of three of the above mentioned brokers namely; Triveni Management Consultancy Services Ltd.(hereinafter referred to as 'Triveni'), Ceekay Holdings Pvt. Ltd.(hereinafter referred to as 'Ceekay') and Shree Adeshwar Securities Pvt. Ltd.(hereinafter referred to as 'Adeshwar'), were related to VML.
16. During the period from December 1, 1999 to January 14, 2000, the total number of shares traded on NSE was 16,600 shares. The percentage concentration of the above three members is given below:

Member Name	Cumulative buy	% concentration	Cumulative sell	% concentration
Triveni	7100	42.77	1500	9.04
Ceekay	3000	18.07	4500	27.11
Adeshwar	1300	7.83	1200	7.23
TOTAL %	11400	68.67	7200	43.37

17. I find that during the above period, 64 trades were found to have taken place at prices which were 5% more than the previous traded price. NSE has observed that out of these 64 trades, 42 trades involved either of the above three members on the buy side and 20 trades involved either of the above three members on the sell side. Also, in all the above mentioned trades, the time gap between the placing of buy order and the sell order was just a few seconds.
17. I find that the above three members were found to have executed 18 trades wherein the time gap between the placing of buy and sell orders has been less than 4 minutes. Considering that the scrip is illiquid in nature, placing of orders by these members with very little time interval indicates that these trades were structured transactions. Further, most of the trades had been executed for as low as 100 shares, at steadily increasing prices from Rs.615.90 on December 30, 1999 to Rs.980/- on January 14, 2000, which means no genuine trading had taken place. Thus, it appears that these trades have been done with a view to rig the price of the scrip.
18. The details of the trades executed during the above period by those clients suspected to be related to VML through the above three members are given below:

Name of the broker	Name of the client	Settlement No.	Quantity Bought	Quantity Sold
Triveni	Manorath Investments	1999048	100	100
	- do -	1999049	100	100

	- do -	1999050	100	100
	- do -	1999051	0	100
	- do -	2000002	4300	0
	- do -	2000003	2300	500
Total			6900	900
Ceekay	Aaditya Luxury Hotels Ltd.	19000051	0	500
	- do -	1999052	0	100
	- do -	2000001	0	100
	- do -	2000002	2300	3800
	- do -	2000003	700	0
Total			3000	4500
Adeshwar	Nilesh Khandelwal	2000002	300	100
	Proprietary	2000002	400	600
	Nilesh Khandelwal	1999048	0	100
	Proprietary	1999050	400	0
Total			1100	800

19. Shri Nikhil Pandya, Director of Manorath was among the top 50 shareholders of VML. Also, Manorath was introduced to Triveni and Ceekay through Shri Bimal Bhatt, who was the Chairman of VML. From the list of allottees of preferential allotment made by the company on July 31, 1997, I find that Manorath was one of the allottees and 40,800 shares had been allotted to them. These shares were allotted at a premium of Rs.590/- per share. (total Rs.600/- of which Rs.10/- face value and Rs.590/- premium). The statement of bank account of Manorath with United Bank of India indicates numerous funds transfer between Manorath and VML/Vatsa group. Hence, I find that Manorath is connected to VML.
19. During the period 01.12.1999 to 14.01.2000, I find that Manorath had purchased 5800 shares and sold 400 shares. The purchases of Manorath accounted for 35% of the shares traded on NSE during the period. Thus, it is apparent that the purchases made by Manorath would have played a significant role in the increase in the price of the scrip during this period.

20. Manorath had executed all the above trades through Triveni, member, NSE. During the settlement nos.1999048 to 2000003 of NSE, the member has purchased 8900 shares and sold 2600 shares resulting in a gross traded of 11,500 shares out of a total of 19,100 shares traded during the period. The trades by the member constitute about 30% of the gross traded quantity on NSE during the above period.
21. During the relevant period, 64 trades were identified by NSE as being executed at more than 5% of the previous traded price. Triveni was found to be one of the trading members in 28 out of the 64 trades. Further, 18 trades were structured deals since the time gap between the placing of buy and sell orders in these instances was less than 5 minutes and in most cases there were only a few seconds gap between the placing of buy and sell orders. Triveni was found to be one of the trading members in 13 of the structured deals.
22. I find that the trades executed on behalf of Manorath, together with that executed by Ceekay and Adeshwar, for Aaditya and Shri Nilesh Khandelwal respectively (the other two entities associated with VML) during the period from December 1, 1999 to January 18, 2000, constituted 55.42% and 31.92 % of the traded quantity on the exchange on cumulative buy and cumulative sell basis respectively. Also, in many of these deals it is seen that the time gap between the placing of the buy and sell orders was only a few seconds.
23. The sudden spurt in the price and volumes of Vatsa Music Ltd. in a short duration of eight settlements (i.e. settlement nos. 1999048 to 2000003) and the significant participation of entities close to the Vatsa group in the increased volumes indicates that reasons other than fundamentals had contributed to the spurt in volumes and price.

24. In addition to the above, I find that during the period March 1, 2000 to April 4, 2000, the price of the scrip has increased from Rs. 1695/- to Rs.4214.85 i.e. an increase of about 150%. During this period the scrip has traded for only 20 days. On most of the trading days, there was only 1 trade in the scrip. On many days only 1 share was traded. Despite lack of trading interest as signified by a few number of trades daily, the price of the scrip had increased by about Rs.200-300 daily during March 16, 2000 to April 4, 2000. It may be noted that NSE had on March 21, 2000 given a notice of suspension of the scrip from April 5, 2000 for non-compliance of certain clauses of listing agreement. Thus, the price of the scrip had shown an increasing trend despite the notice of suspension given by NSE. In view of the above, it is clear that the trading in the scrip was done at imaginary prices and were not genuine and the trades were entered into with a manipulative intent.
25. During this period the total number of shares traded on NSE was only 3920 shares. (The above period corresponds to settlement nos.2000010 to 2000014 on NSE). The settlement wise trading pattern on the exchange during this period is given below:

	Gross Quantity for settlement nos.				
Trading Member	2000010	2000011	2000012	2000013	2000014
Adeshwar	200	400	0	1	0
Triveni	2300	400	303	105	719
Total Traded Qty	2500	800	303	106	719
Gross Qty for the Market	5400	800	604	206	830
% conc of Adeshwar & Triveni	46%	100%	50%	51%	87%

26. From the above I find that the gross trading concentration of the two members, namely, Adeshwar and Triveni works out to about 45-100% during the 5 settlements from 10 to 14. A scrutiny of the trading pattern of the scrip on NSE during March 16, 2000 to April 4, 2000, indicates that the scrip was traded for a total of 11 days during the period. The total number of shares traded was only 520. On most of the days only 1 share was traded and the price of the scrip increased from Rs.1954.80 to Rs.4214.85.
26. With regard to the trades done by the above entities during the period III, I find that NSE had given a notice on March 21, 2000 to the company regarding the proposed suspension of the trading in the scrip of VML with effect from April 5, 2000. In their investigation report pertaining to the trading in the scrip during the period III, NSE had observed that the sudden spurt in the price of the scrip in a span of five settlements (from 2000010 to 2000014 of NSE) and that too just before the scrip was going to be suspended from trading on the exchange, may be attributed to the significant participation of entities close to the Vatsa group. NSE observed that these entities may have been attempting to create an artificial rise in the price of the scrip.
27. During settlement nos.2000010 to 2000013 of NSE (i.e from March 1, 2000 to March 28, 2000) Adeshwar has sold 501 shares on behalf of their clients Aaditya and Shri.Nilesh Khandelwal. They have sold 100 shares from their proprietary account. The trades of Adeshwar taken together with those of Triveni constituted 100% of the trades on NSE in settlement no.2000011 and 87% of the trades on NSE in settlement no.2000014. The trades done by Adeshwar on behalf of Nilesh Khandelwal and Aaditya were at steadily increasing prices from Rs.1695/- to Rs.2278. In all the above trades, Manorath, acting through Triveni, was the buying client. I find from the trading pattern that these trades are not genuine trades and were done with a view to artificially build up price of the scrip.

28. During this period, Triveni has dealt in 3827 shares of VML on gross basis. The total shares traded on NSE during this period were only 3920 shares. The trades executed by Triveni constituted about 50% of the gross traded quantity on the exchange. In two settlements (nos.2000011 and 2000014) the trades of triveni, together with those of Adeshwar constituted 85-100% of the trades on the exchanges. Out of the above trades by Triveni bought 2015 shares and sold 1505 shares on behalf of Manorath.
29. During the above period the price of the scrip on NSE increased from Rs.2110/- to Rs.4214.85 with one share being traded daily on most of the days. Analysis of the trade log for the period from March 21, 2000 to April 4, 2000 indicates that there were a total of 14 trades during the period. In all the trades done from March 21, 2000 to April 4, 2000 the buying member was Triveni. Out of the 14 trades, 8 trades are cross deals executed by Triveni purportedly for their clients Manorath and Shri.Shekar Shirali. These cross deals have been executed at steadily increasing prices from Rs.2110/- to 4214.85.

Date	Rate	Qty.	Buy client	Sell client
21-Mar-00	2110.00	1	Shekhar Shirali	Manorath
27-Mar-00	2656.00	1	Manorath	Shekhar Shirali
28-Mar-00	2868.50	1	Shekhar Shirali	Manorath
29-Mar-00	3098.00	1	Shekhar Shirali	Manorath.
30-Mar-00	3345.90	1	Manorath	Shekhar Shirali
03-Apr-00	3902.60	1	Manorath	Shekhar Shirali
04-Apr-00	4214.90	1	Shekar Shirali	Manorath
04-Apr-00	4214.90	300	Manorath	Shekhar Shirali

30. Three trading clients namely Manorath, Shri Shekhar Shirali and Aaditya, acting through two members, constituted about 45-100% of the trading on the exchange during the period. The trades between Manorath and Shekar Shirali were not genuine transactions as the trades have been executed for only one share daily, at increasing prices. These were the

only trades in the exchange on those days. Thus the trades have been executed with a view to rig the price of the scrip. It may be noted that the member has dealt in the scrip which was under notice of suspension by NSE. Further, the member was unable to provide the details of trades like contract notes, bills etc. The member had admitted that they have violated the provisions of various regulations.

31. I find that Manorath, through Triveni had executed trades for as low as one share per day on March 21, 2000 to April 4, 2000. These trades have been executed at steadily increasing prices from Rs.2110/- to Rs.4214.90.
32. I find that same trading clients/members were observed to be the major trading clients/members in the above two investigation periods. SEBI had issued summons to the above mentioned three trading members namely; Triveni, Ceekay and Adeshwar. When SEBI sought the trading details of Triveni, in the scrip of VML, Shri Arjun Mudda, their authorized representative stated that Shri Kiran Rawal, who was in-charge of their office earlier was no more available and that their back-office computer package had been corrupted and was password protected, which they are unable to open. When SEBI informed him that their client Manorath was suspected to be an associate of VML, he stated that while executing the transactions they were not aware that their client Manorath was dealing on behalf of VML. Triveni sent a letter to SEBI stating that the violation in executing the trades in VML was done without the knowledge of the management by their dealers and one of their earlier directors who was looking after the day-to-day affairs of the business. They stated that the person handling the affairs of the company at that point of time played mischief and incurred heavy losses which had to be borne by the company. They informed SEBI that they have sacked all their earlier employees and removed their director who was looking after the day-to-day affairs of the business. They also accepted that there were violations at their end and that they undertake that such type of mistake will not

happen in future. They also stated that the disciplinary action committee of NSE had levied a fine of Rs.5.00 lakh which has been duly paid by them. They also stated that they were not in a position to furnish their trading details in the scrip.

33. Summons had been issued to the two trading clients related to VML namely, Manorath and Aaditya. Shri Nikhil Pandya, Director, had appeared on behalf of Manorath. He stated that Manorath had subscribed to 40,800 shares at Rs.600/- per share during the preferential allotment made by VML during 1997. Subsequently they received bonus on these shares in the ratio of 7:1. He confirmed that they had dealt in the scrip of VML through Triveni and Ceekay. He also stated that Shri Bimal Bhatt introduced them to the above brokers. However, he denied that they were aware of the relationship of Shri Bimal Bhatt with VML. He stated that they had dealt in the scrip of VML despite knowing that the scrip is going to be suspended by NSE with effect from April 5, 2000. He stated that they had not dealt in small quantities of one share per day and that these trades were executed by an employee of Triveni who had wrongfully used their name for the trades executed by him. He stated that Manorath had never tried to rig the price of VML. As regards Manorath having the same address as that of VML, he stated that Noble Chambers, which is also known as Vatsa House has 6 floors and their office is located on the 3rd floor of the building. VML also has its office in a different floor of the same building. They did not furnish their trading details in the scrip of VML, as sought by SEBI.
34. Manorath informed SEBI that their current account number 1260326 was maintained with the P.M. Road Branch of United Bank of India. SEBI obtained the particulars of this account from United Bank of India. It is seen that the account has been introduced to the bank by Vatsa Corporation Ltd. an associate of VML. From the particulars mentioned in the statement of their bank account for the period from April 1, 1999 to

June 30, 2000 it is seen that there were numerous instances of funds movement between Manorath and VCL and some funds movement between Manorath and Vatsa Music. Based on the narration in the bank account statement it is seen that Manorath has transferred about Rs.73,52,400/- to VCL and VML and has received about Rs.1,00,000 from VML/VCL. The above further confirms that Manorath was an associate of VML.

35. I find that Manorath, being a large shareholder in the scrip of VML was interested in rigging up the price of the scrip with a view to off-load their holdings profitably, as inferred from their conduct. Apparently, Manorath in collusion with Triveni/employees of Triveni had got the above trades executed with a view to rig up the price of the scrip.
36. As mentioned earlier, Manorath had informed SEBI that they had subscribed to 40,800 shares of VML during the preferential allotment made by the company in 1997. Subsequently, they had received a bonus of 7:1 on these shares. Thus, it is seen that Manorath was a major shareholder in VML and had acquired at least a portion of their shares through off-market transactions either from VML or its associate VCL. In view of the above, I find that Manorath (along with aaditya), had created trading interest in the scrip with view to dispose off their holdings and also that in order to maximize their revenue from selling their holdings in VML they have tried to rig up the price of the scrip. Further it may be noted that NSE had issued a notice of suspension of trading in the scrip on March 21, 2000 for non-compliance of clauses of listing agreement and for non-redressal of investor complaints. It is unlikely that genuine investors would have been inclined to purchase the scrip which was under notice of suspension.
36. Manorath contended that SEBI is silent on the trades executed by certain brokers. I find it imperative to mention here that trades by only those

brokers/clients identified in the investigation report of NSE as being associated with VML are relevant for finding out manipulation in the price of the scrip. Trading by unrelated brokers/clients though examined by SEBI, are not relevant as they are not found to be acting in concert. In view of the acceptance by Manorath that it has received VML shares in a preferential allotment, further the fact that Manorath was introduced to the broker(Triveni) by Shri Bimal Bhatt, one of the promoters of VML and Manorath's bank a/c with United Bank was introduced by Vatsa Corporation Ltd., an associate of VML and the fact that there have been fund movement between Manorath and VML/VCL , it becomes quite clear that VML was more than a simple investor who invests in stock/share market with the mere intention to make profit out of genuine trade.

37. Further, as to the alleged silence on the part of SEBI as to the minimum deliverable lot of scrips in physical form and no mention of whether the shares traded were executed in deliveries or not; I find that SEBI has arrived at the conclusion of trading being not genuine based on the structured nature of the transactions and the deals done at steadily increasing prices over a period of 15 days, among entities related to each other. In such a scenario delivery of shares or otherwise is not relevant. In view of the submissions made by Manorath that it had constituted 42.77% of buy and 9.04% of the sell quantities, I find that the table cited in its reply gives the traded quantity of the broker (Triveni) and not that of Manorath. Further, during December 1, 1999 to January 14, 2000, Manorath has purchased 5800 shares and sold 400 shares which constituted 35% of the traded quantity on NSE. Manorath has dealt through Triveni. Triveni and two other brokers (Ceekay and Adeshwar) constituted 68.67 % of the purchase quantity and 43.37% of the sale quantity. The clients of the three brokers are related to each other and to VML and their aggregate purchase concentration during the period of price rise are significant.

38. As regards the discrepancies on page 4 of the SCN i.e.(tables showing trades of Triveni and trades on behalf of Manorath and Para 3 of page 5 of the SCN),as raised by Manorath, I find that the first table on page 4 shows trades by Triveni on behalf of all the clients during December 1, 1999 to January 14,2000, whereas the second table shows trades by Triveni on behalf of Manorath only for the period S.Nos. 1999048 to 2000003 of the NSE (i.e. Dec.1, 1999 to Jan.18, 2000). Further, Para 3 on page 5 gives the trade of Triveni during Settlement Nos. 1999048 to 2000003. Thus, the figures cited are not comparable and hence will not match. I therefore find no merit in the contention of Manorath.
39. Manorath further contended that it had played no role in the increase in the price of the scrip and it had not been a party to any structured deal. However, I find from the detailed discussion made above that Manorath was a party to numerous structured /synchronized deals. Many of the deals had been done at steadily increasing prices .The denial of Manorath that it did not play a part in the price rise is therefore not tenable. Further the analysis of the trade log data of NSE has revealed that many of the trades were structured deals.
40. Thus, the activities of Manorath are found to be detrimental to the orderly development and integrity of the securities market, thereby adversely affecting the interest of innocent investors. I find Manorath guilty of having violated the provisions of Regulations 4(a) , 4(b) and 4(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Hence, I am convinced that it is necessary to issue an order under Section 11(4)(b) read with Section 11 of SEBI Act, against Manorath.

ORDER

41. Therefore, in exercise of the powers conferred upon me under section 19 of the SEBI Act, 1992, read with Regulations 11 of SEBI (Prohibition Of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Section 11(4)(b) of SEBI Act,1992, I hereby restrain M/s. Manorath Investment Ltd. from being associated with the securities market in any manner whatsoever and from buying , selling and dealing in securities for a period of five (5) years .

42. This order shall come into force with immediate effect

A.K.BATRA

PLACE : MUMBAI

WHOLE TIME MEMBER

DATE : AUGUST 31 , 2004

SECURITIES AND EXCHANGE BOARD OF INDIA