

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

ORDER UNDER SECTION 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST M/S. VISHAL ENTERPRISES IN THE MATTER OF M/S. RITESH POLYESTER LTD.

1. Ritesh Polyesters Ltd. (hereinafter referred to as Ritesh) is a company originally incorporated as Srinath Synthetics (P) Ltd. on 2nd September 1988 and renamed as Ritesh Polyesters (P) Ltd. on 21st April 1993. The company was converted into a Public Limited Company on 7th May 1993 in terms of a special resolution passed on 1st March 1993. The registered office of the company is located at 604, Swapnalok Complex, Sarojini Devi Road, Secunderabad-500 003.
2. Ritesh came out with a public issue of 45,00,000 shares of Rs. 10/- each at a premium of Rs 5/- per share. The paid up capital after the issue would be 69,96,000 shares. The issue was opened on 12th June 1995 and the earliest closing date was 16th June, 1995 and final closing date was 22nd June 1995. As per the prospectus, dated 30.3.95, 15,00,000 shares (out of the issue size of 45,00,000 shares) were reserved for promoters, relatives and their friends on firm allotment basis. The face value of the share was Rs.10/- and the premium was Rs.5/- As per the prospectus, the promoters contribution was Rs.2,25,00,000 which should have been brought in before opening of the public issue. The promoters of Ritesh were Ritesh Exports Ltd., Shri Surendra Kumar Agarwal, Smt. Roop Rekha Agarwal, Shri Ritesh Agarwal and Deepak Agarwal.
3. Having been satisfied that there was a prima-facie case for investigation, SEBI conducted an investigation to find out whether there was an attempt by the promoters and others to bail out the issue and to manipulate the price of Ritesh's scrip.
4. After submission of the Investigation Report by the Investigating Authority, a show cause notice dated 28.01.03 was issued to Vishal Enterprises (hereinafter referred to as Vishal), in light of the facts mentioned therein, to show cause as to why suitable directions under Section 11B of SEBI Act, 1992 read with regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, including directions for debarring it from accessing the capital market and dealing in securities for a suitable period and directions under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 should not be issued. The allegation against Vishal as laid out in the show cause notice is that it had sold about 2,75,000 shares of Ritesh through M/s. Business Point Services for a regular client of theirs M/s. Fourwind Finance Ltd. represented by its Directors Mr. R. M. Mishra and Mr. R. A. Sharma.
5. Vishal has in its reply to the aforesaid notice received on 08.05.03 submitted that, it has sold the shares of Ritesh for its regular clients M/s. Fourwind Finance Ltd. The same was a transaction carried out in the ordinary course of business and the full consideration in this regard has been paid to the clients. Also, when the shares were declared as bad delivery by the exchange and a sum of Rs. 90,000/- was recovered from Vishal, the same was in turn recovered by Vishal from M/s. Fourwind Finance Ltd.
6. Pursuant to the above, an opportunity of being heard was given to Vishal on 15.05.03 which was later rescheduled to 12.06.03. Vishal had vide its letter received on 12.06.03 indicated that it would not be able to attend the hearing on the specified day and had requested another date of hearing. I am convinced that sufficient opportunity has been provided to Vishal for making its submissions before me. Therefore, I proceed to analyse the facts of the case based on the material available on record and the reply furnished by Vishal to the show cause notice.
7. The role played by Vishal has been that of selling about 2,75,000 shares of Ritesh for its regular clients M/s. Fourwind Finance Ltd through M/s. Business Point Services. This sale had resulted in bad deliveries, posing a risk to the stock exchange mechanism, as such. Also, the refusal of Ritesh to register these shares caused loss to the genuine investors who had purchased these shares with bona-fide intent.
8. In view of the above, I am of the view that Vishal had a role to play in the transactions which were carried out with a view to defraud genuine investors and posing a risk to the stock exchange mechanism. Therefore, in exercise of the powers conferred upon me by virtue of Section 4(3) read with Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 I hereby direct that Vishal Enterprises be restrained from accessing the securities market and also be prohibited from buying, selling or dealing in securities for a period of one year.

Place: Mumbai

Date: February 18, 2005

G. N. BAJPAI

CHAIRMAN

