

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**CORAM: Dr. T.C. NAIR, WHOLE TIME MEMBER****ORDER**

UNDER REGULATION 13(4) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002 AGAINST M/S DIMENSIONAL SECURITIES PRIVATE LIMITED, IN THE SCRIP OF VATSA MUSIC LIMITED.

1.0 Background

- 1.1 Vatsa Music Limited (hereinafter referred to as 'VML') is a Public Limited Company having its Registered Office at 302, Frutos Trade Centre, SRCB Road, Guahati-781 001, Head Office at Noble Chambers, A Brelvi Road, Fort, Mumbai-400 001 and Corporate Office at Vatsa House, Fort, Mumbai-400 001. VML belongs to the Vatsa Group of Companies and has diversified into mass entertainment and media business including production, distribution and financing of telefilms, animation films and music. The scrip is listed on the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange India Limited (NSE).
- 1.2 The price of VML rose from Rs.418/- on January 1, 1998 on NSE to touch Rs.705/- by the end of June 1998 on thin volume. The distribution schedule of VML indicated a high level of concentration of shareholding in the hands of small number of shareholders. The huge and steady rise in price was not justified in view of the poor earnings of the company. Further, the sharp rise in the price of the scrip during the above period was on thin trading volume categorized by isolated cross trades.
- 1.3 It was further found that the trading was confined to only 21 members and also in select locations. The trading was so thin that in certain settlements there was none or negligible trading interest in the scrip. Also, during this period there was no trading in the scrip on BSE. The entities suspected to be associates of the company were observed to be trading in the scrip during the period under scrutiny.
- 1.4 SEBI investigations prima-facie inter alia revealed that M/s Dimensional Securities Private Limited, Member, NSE (hereinafter referred to as 'Dimensional'), was guilty of violation of provisions of SEBI Act, 1992, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as 'Stock Brokers Regulations') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations').

2.0 Enquiry Proceedings

- 2.1 In view of the findings of investigation, an enquiry was ordered by Chairman, SEBI vide order dated July 24, 2003 under the SEBI (Procedure for Holding Enquiry by the Enquiry Officer and Imposing penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations').
- 2.2 The Enquiry Officer after completion of enquiry submitted his Enquiry Report dated December 24, 2004 recommending a minor penalty of 'warning' to Dimensional with an advise to be careful in future in the conduct of their business.

3.0 Show Cause Notice and Reply

- 3.1 A show cause notice dated December 29, 2004 was issued to Dimensional asking it to show cause as to why penalty as recommended by the Enquiry Officer should not be imposed on it. Dimensional was also forwarded with a copy of the enquiry report with the show cause notice.
- 3.2 A reply dated January 24, 2005 was received from Dimensional submitting that they had already taken steps to ensure that incidents in the case of Vatsa Music Ltd. would never be repeated. It also submitted that it understands the importance of maintaining the integrity of the market and that it maintains the highest ethical standards in running the business and shall continue to do so.

4.0 Consideration of Issues and Findings

- 4.1 I have considered the findings of investigation, enquiry report, and the submissions of Dimensional and my findings are as under:
- 4.2 From the analysis of trading pattern of the scrip during the investigation period, i.e. January 07, 1998 to June 30, 1998, I find that during the entire period of investigation, Dimensional has traded in the scrip of VML on a single day i.e. on February 25, 1998, wherein they bought and sold 5600 shares at a price much higher and lower than the prevailing market price. Further during the said period, the scrip was traded only on 34 days with the volume of 52,100 shares. Investigations by SEBI, NSE or BSE did not establish any connection of Dimensional with the management of VML.

- 4.3 I also find that the clients of Dimensional for and on whose behalf these trades were executed on February 25, 1998 had no connections whatsoever with the management of VML. I have noted that Dimensional has also filed an Affidavit to this effect. I find that Dimensional had not traded in the scrip of VML either for a long period or in substantial quantity, having bought and sold 5600 shares on a single day. The Enquiry Officer has found that if one wanted to create a false market or were to manipulate the market, the trading would have spread across for a longer period. Dimensional had executed trades on a single day during the entire six months period i.e. January 1998-June 1998, which could not have resulted in the creation of an artificial market. Therefore, I agree with the finding of the Enquiry Officer that there was no ulterior motive on the part of Dimensional to manipulate the market.
- 4.4 I find that the Enquiry Officer has rightly considered the reply given by Dimensional where it said that the transactions done on February 25, 1998 by his dealer was without the knowledge of its Directors and the fact that the same was done to book profit in one account and loss in another and observed that the same was not convincing. The trading system of a stock exchange cannot be misused or abused for such a purpose. To that extent, I find that Dimensional had failed to exercise proper skill, care and diligence in the conduct of their business.
- 4.3 Thus taking all factors into consideration, including the submission of Dimensional Securities Pvt. Ltd., I find that a minor penalty of censure would be sufficient and would meet the ends of justice.

5.0 Order

- 5.1 I, therefore, in exercise of my powers conferred upon me under Section 19 of SEBI Act, 1992 read with SEBI (Stock Broker and Sub-broker) Regulations, 1992 and Regulation 13(4) of SEBI (Procedure For Holding Enquiry By Enquiry Officer And Imposing Penalty) Regulations, 2002 hereby censure M/s Dimensional Securities Private Ltd., Member of NSE for non-exercising due-skill and care as required under the relevant Regulations. Dimensional is hereby advised to be careful and not repeat the violation / lapses in future to avoid major penalty.

PLACE : MUMBAI

T.C.NAIR

DATE: March 5, 2007

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA