

SECURITIES AND EXCHANGE BOARD OF INDIA

WTM/TCN/71/IVD/ Dec/08

CORAM: Dr.T.C Nair, WHOLE TIME MEMBER

In the matter of Shri Vidhyut B Shah, member Ahmedabad Stock Exchange, (SEBI Registration No. 020125315).

In the matter of M/s Manna Glass Tech Industries Limited.

DATE OF HEARING: 08.09.2008

Appearances:

For noticee: Nil

**For SEBI: Dr. Pradnya Saravade, OSD,
Shri Bibhudutta Samal, Manager,
Ms Kshama Wagherkar, Legal officer.**

ORDER

**UNDER REGULATION 28 (2) OF SEBI (INTERMEDIARIES)
REGULATIONS, 2008.**

- 1 Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted investigation into the alleged manipulation in the dealings into the scrip of Manna Glass Tech Industries Limited (hereinafter referred to as company/Manna Glass) between January 1999 to July 1999 and January 2000 to July 2000 (hereinafter referred to as relevant period).
- 2 The investigation interalia revealed :
 - a) That during the period from January 1999 to July 1999, there was a spurt in the trading in the scrip of Manna Glass compared to its trading

during the previous two years at the Bombay Stock Exchange Limited. (hereinafter referred to as BSE).

- b) That during this period, four entities namely Indian Shelters Ltd., Growth Agro Industries Ltd., Omega Avenues Ltd. and Sarlee Fabrics Exports Ltd. had substantial dealings in the scrip.
- c) That in January 2000, Manna Glass had issued 1.8 crore shares @ Rs 17/- on preferential basis to promoters and other non-promoter entities.
- d) That although there was a preferential issue and allotment, in fact there was no real flow of funds from the allottees of the preferential issue to the company by way of allotment money.
- e) That around 1.50 crore shares of Manna Glass were sold indirectly by the allottees in the stock exchange immediately after preferential issue i.e. during March-July 2000 which constitutes around 84% of shares allotted in the preferential issue.
- f) That **Shri Vidhyut B Shah, member Ahmedabad Stock Exchange** (hereinafter referred to as noticee) conducted transactions in the scrip on behalf of Indian Shelters Ltd, one among the four clients mentioned above, who did substantial trading in the scrip, through different sub brokers of BSE. In settlement nos. 1998042 and 1998043 the noticee simultaneously bought and sold the shares of Manna Glass on behalf of Indian Shelters Limited, creating artificial volumes and price rise. These trades contributed a significant percentage of the traded volume of the scrip in these two settlements. The noticee routed these simultaneous buy and sell transactions through different sub brokers, who were members of ASE, to avoid detection. These ASE members

in turn placed orders through BSE members to execute these artificial transactions.

- 3 On the basis of the above findings, the investigation concluded that the noticee had assisted in creating artificial volumes in the shares of Manna Glass in violation of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as PFUTP Regulations) and SEBI (Stock Brokers and Sub brokers) Regulations, 1992 (hereinafter referred to as Broker Regulations).
- 4 Therefore, vide order dated August 14, 2003 an Enquiry Officer was appointed by SEBI under Regulation 5 of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) to enquire into the alleged violations / contraventions, if any, of FUTP Regulations and Broker Regulations by the noticee.
- 5 The Enquiry Officer issued a Show Cause Notice dated February 27, 2004 under Regulation 6(1) of the Enquiry Regulations to the noticee communicating the charges leveled against it. The noticee replied to the said Show Cause Notice vide letter dated March 27, 2004 and raised preliminary objections against the Enquiry Proceedings. Subsequently the Enquiry Officer advised the noticee to file reply on merits as the preliminary issues raised by the noticee are not maintainable. The noticee in turn filed reply to the show cause notice vide letter dated April 14, 2004. and submitted inter alia the following:
 - a) It had obtained 10,000 shares of Manna Glass as margin from the client and had exercised due care and diligence by obtaining KYC norms and agreements etc.

- b) The client Indian Shelters is not a fictitious entity.
- c) Neither funds nor shares were given to the client India Shelters for execution of trades.
- d) There was no default for payment or delivery.
- e) Indian Shelters was the client for the first time.
- f) There were no proprietary trades.
- g) It was not aware that Shri Nupur Kansara was a director of the company and connected to Manna Glass.
- h) The volume of business was very small and negligible compared to the total business in the scrip of Manna Glass.
- i) The transactions were routed through various brokers of ASE and BSE as per the direction of the client.
- j) The transactions were carried out only for 3 days spread over two settlements with negligible volume. Thereafter there were no transactions.
- k) The alleged price manipulation was taken place between May and July 1999 during which period the member had not transacted.
- l) The preferential allotments were made after the noticee had discontinued trades in the scrip.

6 Even though the Enquiry Officer granted the noticee opportunity of personal hearing, the noticee opted for not attending the personal hearing, instead requested the Enquiry Officer to take its written submissions into consideration.

7 The Enquiry Officer, after considering the charges of contravention of the provisions of the aforementioned Regulations and the written submissions made by the noticee, submitted the Enquiry Report dated September 23, 2004 recommending a major penalty of the suspension of Certificate of Registration of the noticee for a period of 4 months.

- 8 A copy of the said Enquiry Report along with a show cause notice September 29, 2004 was issued to the noticee under Regulation 13(2) of the Enquiry Regulations informing about the Enquiry Officer's recommendation of penalty and advising it to show cause as to why action as may be considered appropriate should not be taken against it.
- 9 The noticee submitted its reply vide letter dated November 30, 2004 and while reiterating most of the submissions made before the Enquiry Officer, requested that considering the seriousness of the major penalty imposed in it and the gravity and the far reaching effect of the same, a hearing in person may be granted to it.
- 10 Accordingly, opportunities for personal hearing were granted to the noticee on several occasions, but the noticee neither turned up for the same nor sent any response for the letter intimating the personal hearing.
- 11 I have carefully considered the facts of the case, the findings of the investigations, the observations and findings made by the Enquiry Officer, the written submissions of the noticee and all other material available on record.
- 12 Enquiry Regulations have since been repealed with the notification of SEBI (Intermediaries Regulations), 2008 and any action taken under the said Enquiry Regulations shall be deemed to have been done or taken or commenced under the corresponding provisions of SEBI (Intermediaries Regulations), 2008. Therefore this order is being passed under the new Regulations.
- 13 I note that the investigations in the scrip of Manna Glass were conducted on noticing a sudden spurt in the trading volume in the scrip which was otherwise illiquid. The investigations covered the trading in Manna Glass

at BSE for the period January 1999 to July 1999 and January 2000 to July 2000. During January 1999 to July 1999 it was noted that there was a spurt in the trading interest in the scrip as compared to previous two years. This is evident from the fact that during January-July 1999, the price of the scrip at BSE opened at Re.0.80 on January 5, touched a high of Rs.15/- on June 9, and closed at Rs.9.50 on July 9. The cumulative trading volume in the scrip during Jan-July, 1999 was 12,76,600 shares, whereas there was no transaction in the scrip during the 20 months immediately proceeding this period. Further, in the year 1997, only four trades for 700 shares were executed.

- 14 The price-volume data furnished by the BSE for the scrip during the period from 05.01.1999 to 09.07.1999 is as under:

Sett No.	Month/Date/year	open	High	Low	close	Volume
1998042	1/5/1999	0.8	0.8	0.8	0.8	100
	1/6/1999	0.9	2	0.9	2	10000
	1/7/1999	2.5	3.5	2.5	3.5	12000
	1/8/1999	3.6	4.9	3.6	4.9	9700
1998043	1/11/1999	5.1	7	5.1	7	28200
	1/12/1999	7	7	7	7	1300
	1/15/1999	5	5	5	5	100
1998044	1/18/1999	5.05	5.05	5.05	5.05	500
1998045	1/25/1999	4.65	4.65	4.65	4.65	200

Sett No.	Month/Date/year	Open	High	Low	close	Volume
1999004	4/15/1999	5	5	5	5	500
1999005	4/20/1999	5.45	5.45	5.45	5.45	100

Sett No.	Month/Date/year	open	High	low	close	Volume
1999011	5/31/1999	6	9.95	6	9.95	30200
	6/1/1999	7.5	11	7.5	11	43300
	6/2/1999	10.4	11.6	10.4	11.6	106100
	6/3/1999	12.1	12.5	12.05	12.5	118400
	6/4/1999	12	13.45	11.7	12.65	53400
1999012	6/7/1999	13.5	13.55	13	13	18800
	6/8/1999	13.5	14	13	14	15300
	6/9/1999	14.25	15	13	13.15	30200
	6/10/1999	13.25	13.9	13	13	19600
	6/11/1999	13.1	13.1	12	12.25	20100
1999013	6/14/1999	12.55	12.75	11.3	11.4	150100
	6/15/1999	12.3	12.3	12.25	12.3	158900
	6/16/1999	13.25	13.25	13.15	13.25	153600
	6/17/1999	14.15	14.3	12.25	12.6	70200
	6/18/1999	13	13.3	12.75	13.05	80400
1999014	6/21/1999	13.9	14.05	13.05	13.1	13800
	6/22/1999	13.4	13.5	13	13	6100
	6/23/1999	12.5	13	12	12.5	7300
	6/24/1999	12.5	13	11.6	12	7700
	6/25/1999	12.3	12.8	11.7	11.8	8300
1999015	6/28/1999	12.25	12.6	11	11.25	8400
	6/29/1999	11	12	10.9	11.25	18700
	6/30/1999	10.5	11	10.4	10.4	9200
	7/1/1999	11.2	11.2	9.95	10.05	17800
	7/2/1999	10.8	10.8	9.5	9.9	7100
1999016	7/5/1999	10.2	10.5	9.35	10	2900
	7/6/1999	10	10.5	9.25	10.4	16500
	7/8/1999	9.6	9.9	8.85	9.1	9800
	7/9/1999	9	9.6	8.4	9.5	11700
			Total			1276600

The above table shows that during period from January 5, 1999 to January 11, 1999, the price of the scrip rose from Rs. 0.80 to Rs. 7/-. Later, in the months of February – March 1999, there were no transactions in the scrip. Then during the period from May 31, 1999 to July 9, 1999, there was a spurt in the trading volume and price of the scrip. The average settlement trading volume during this period was 2 lakh shares and the price reached a high of Rs.15/-.

- 15 During this period, four clients namely Indian Shelters Ltd, Growth Agro Industries Ltd, Omega Avenues Ltd and Sarlee Fabrics Exports Ltd (four entities). had done substantial trading in the scrip. The analysis of the trading details of these four clients led me to conclude that Manna Glass being illiquid scrip had been subjected to excessive manipulation. As already stated, there was no transaction in scrip from May 1997 to December 1998. From January 1999 onwards, volume in the scrip increased and a number of fictitious/ matched trades were executed, establishing new and higher price. These four entities indulged in artificial trading in the scrip from settlements 42/98-99 to 16/99-00. during this period the traded volume of the scrip was 1,276,600 shares as against nil volume for the preceding 20 months period.

- 16 I note that Shri Vidhyut B Shah, the noticee herein, a member of ASE, did substantial trading for its client, Indian Shelters Limited, in settlements 42 and 43. The noticee herein, being a member of ASE, routed these transactions through different sub brokers of BSE to avoid detection. The details of these transactions are as under:

In settlement no. 1998042 (January 05 – January 08, 1999), total traded volume was 31800 shares. In this settlement, Indian Shelters Ltd had purchased 21500 shares of Manna Glass through the noticee herein,

which constituted 68% of the total traded volume. The trades were routed through Shri Atul Doshi (ASE broker) who in turn routed trades through Shri Deepak Cholera, BSE member.

In this settlement, Indian Shelters Ltd sold 31600 shares of Manna Glass through the noticee herein, which constituted 99% of the total traded volume. The trades were routed through P H Khandwala (ASE broker) who in turn routed trades through Shri RD Shah, BSE broker.

Analysis of order log and trade log revealed that buy order of Deepak Cholera put on behalf Indian Shelters Ltd were matched with sell orders of R. D. Shah put on behalf of Indian Shelters Ltd, the details of which are as under:

Buy Member	Buy client	Sell member	Sell Client	Price	Qty traded	Month/date/year	Time
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.50	2500	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.60	1500	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.75	1200	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.80	1000	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.80	1000	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.80	1000	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.80	1000	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	2.95	1100	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.25	500	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.25	500	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.25	500	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.50	200	1/7/1999	14:23:15
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.60	1200	1/8/1999	11:17:09
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.75	1300	1/8/1999	11:17:53
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.90	500	1/8/1999	11:17:53
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	3.95	500	1/8/1999	11:17:53

Buy Member	Buy client	Sell member	Sell Client	Price	Qty traded	Month/date/year	Time
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	4.15	1500	1/8/1999	11:17:53
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	4.45	1800	1/8/1999	11:17:53
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	4.60	2200	1/8/1999	11:18:17
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	4.90	200	1/8/1999	15:05:40
Deepak Cholera	Indian Shelters	R. D. Shah	Indian Shelters	4.90	300	1/8/1999	15:05:50

In Settlement No. 1998043 (From January 11, 1999 to January 15, 1999), total traded volume was 29600 shares. In this settlement, Indian Shelters Ltd purchased 28000 shares of Manna Glass through the noticee herein, which constituted 94% of the total traded volume. The trades were routed through BSE broker Ashwin Chinubhai Broking Private Limited.

In this settlement, Indian Shelters Ltd sold 28200 shares of Manna Glass the noticee herein. The trade of Indian Shelters constituted 95% of the total traded volume. The trades were routed through P H Khandwala (ASE broker) who in turn routed trades through BSE broker R D Shah.

Analysis of order log and trade log revealed that buy orders of BSE member, Ashwin Chinubhai put on behalf Indian Shelters Ltd were matched with sell orders of R. D. Shah put on behalf of Indian Shelters Ltd, the details of which are as under:

Buy member	Buy client	Sell member	Sell client	Rate	Qty traded	Date	Time
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	5.10	5000	1/11/1999	13:37:18
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	5.25	2500	1/11/1999	13:38:19
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	5.35	3500	1/11/1999	13:38:19
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	5.75	9000	1/11/1999	13:38:19
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	5.75	1000	1/11/1999	13:39:08
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23

Buy member	Buy client	Sell member	Sell client	Rate	Qty traded	Date	Time
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.25	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.50	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.50	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	6.50	500	1/11/1999	13:39:23
Ashwin Chinubhai	Indian Shelters	R. D. Shah	Indian Shelters	7.00	500	1/11/1999	13:41:56

17 A careful scrutiny of the statements of the Shri Atul Doshi, Shri Jayesh Popatlal Khandwala ,Shri Ketan Shah and Shri Sameer Shah dated February 07, 2003 brings into light a more vivid portrait of the concocted action by a group of ASE and BSE members together with their connected clients to target the scrip of Manna Glass.

Shri Atul Doshi, member of ASE, in his statement dated February 07, 2003, has deposed as follows:

“M/s. Vidyut B. Shah is known to us as a Member of ASE. He has acted as our client and we had routed his trades through Deepak Cholera of BSE. At that time, we were not aware that Vidyut B. Shah was executing trades on the behalf of Indian Shelters Ltd. The payment was received from the account of Vidyut B Shah and the delivery of shares were given to them. Vidyut B. Shah used to place these orders over telephone and we used to confirm the execution by issuing contract notes.....”.

In his statement dated February 07, 2003, Shri Jayesh Popat Khandwala stated that "M/s. Vidyut B. Shah is known to us as a Member of ASE. He has acted as our client and we had routed his trades through R.D. Shah of BSE. At that time, we were not aware that Vidyut B. Shah was executing the above trades on behalf of Indian Shelters Ltd. The payment was made to the account of Vidyut B. Shah and the delivery of shares was received from them. Vidyut B. Shah used to place these orders over telephone and we used to confirm the execution by issuing bills.....".

The statement dated February 07, 2003 of Shri Ketan B. Shah and Shri Samir P. Shah, authorized representatives of Vidyut B. Shah clearly shows its acquaintance with Indian Shelters Limited, its client. Shri Ketan B Shah and Shri Samir P Shah have confirmed that the buy and sell transactions in the scrip of Manna Glass during settlements 1998042 and 1998043 were routed through P. H. Khandwala and Atul Doshi, who in turn had traded through BSE broker Deepak Cholera and R D Shah. They stated that :

"Indian Shelters Ltd. started dealing with us since January 1999. They have dealt only in the scrip of Manna Glass through us. They have not dealt in any other scrip through us. We believe Shri Noopur Kansara was in charge of ISLShri Noopur Kansara used to place orders on behalf of ISL. We used to receive orders over phone and confirm execution orders over phone"

while confirming that the transactions were routed through P H Khandwala and Atul Doshi and further through Deepak Cholera and R D Shah, they stated that "we confirm the above trades executed through the brokers mentioned above. We used to place the orders through different brokers

as per the instructions of the client. We are not involved in creation of artificial volume or place”.

- 18 The above mentioned statements are further corroborated by the admission made by the noticee in its reply to the show cause notice issued by the Enquiry Officer. In its submissions, inter alia, it has clearly admitted that it had routed the trades on behalf of its client, Indian Shelters Limited, through other ASE and BSE members. This admitted position by the noticee herein itself is good enough to establish the charge of assisting the clients for creation of artificial volume in illiquid scrip. One of the other submissions of the noticee was that Indian Shelters Limited was not a fictitious entity. Yet another submission was that it did trades for this client for the first time.

It is very interesting that the noticee was doing the transactions on behalf of the client for the first time and is going to the extent certifying it to be a non- fictitious entity. At the same time it is to be noted that the Indian Shelters Limited was one among the 13 entities against whom SEBI passed restraint order for a period of three years vide its order dated February 01, 2006 for their malicious transactions. Indian Shelters Limited with all other 12 entities accepted the said order without preferring to question it before Securities Appellate Tribunal (SAT).

- 19 Thus, on a cumulative consideration of all the factors such as Manna Glass was an illiquid scrip during the relevant time and the creation of volumes and liquidity in such scrip is an important criterion which was capable of misleading the investors in their investment decisions, I am of the view that as a responsible market participant the noticee herein should have been more careful. Usually the investors who are not well versed with market practices will be influenced by performance of particular scrips in the market. In the instant case the noticee by assisting the clients for

placing matched orders helped in creating artificial volume in the scrip and thereby misled the general investing public. Hence I hold the view that the broker being the part and parcel of a well developed market system, was having a sanctified obligation to act with utmost care and caution in its dealings.

- 20 In the light of the foregoing discussions, taking into consideration of the gravity of the charges leveled and proved against the noticee and the fact of admitted position by the noticee as discussed above, I find no reason to deviate from the findings and recommendations of the Enquiry Officer.
- 21 Therefore, in exercise of the powers conferred upon me under Section 19 of SEBI Act, 1992 read with Regulation 28 (2) of the SEBI (Intermediaries) Regulations, 2008, I hereby suspend the certificate of registration Vidyut B Shah (SEBI Registration No. INB 020125315) for a period of four months.
- 22 This order shall come into effect on the expiry of 21 days from the date of this order.

DATE: 2.12.2008
MUMBAI

T C NAIR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA