

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER

ORDER

DIRECTIONS UNDER SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS 2003 IN RESPECT OF MR. VISHAL G. PANDYA IN THE MATTER OF AXEL POLYMERS LIMITED

1. On the basis of a report received from the Bombay Stock Exchange Limited (hereinafter referred to as BSE), the Securities and Exchange Board of India had conducted an investigation into the buying, selling or dealing otherwise, in the shares of Axel Polymers Limited (hereinafter referred to as the company) for the period between August 02, 2000 to August 31, 2000 (hereinafter referred to as the investigation period). The said investigations *inter alia* observed/found the following:

- a. The shares of the company were listed at BSE, Ahmedabad Stock Exchange Limited (hereinafter referred to as ASE), Vadodara Stock Exchange Limited (hereinafter referred to as VSE) and the Madras Stock Exchange Limited (hereinafter referred to as MSE).
- b. The trading in the equity shares of the company was suspended by BSE with effect from February 24, 1997 for the non-compliance with Clause 16 of Listing Agreement. The suspension was later revoked

by BSE with effect from April 03, 2000. Though, the said suspension was revoked on April 03, 2000, the shares of the company were not traded till August 01, 2000.

- c. During the investigation period, the shares of the company were not traded in any of the stock exchanges except in BSE. It was observed that a single trade for 10,000 shares of the company at the rate of Rs.1.85/- was executed only on August 02, 2000. Thereafter, trading was observed from August 16, 2000 onwards. The share price of the shares of the company touched its period high of Rs.6.10/- on August 29, 2000 and closed at Rs.5.50/- on August 31, 2000. The traded volumes increased from 10,000 shares (on August 02, 2000) to 1,96,000 shares (on August 21, 2000) and the average daily volume traded during the specified period was 87,638 shares.

2. The investigation also found that one Vishal G. Pandya (hereinafter referred to as the noticee) had dealt in the shares of the company in large numbers and had also indulged in reversal of trades. In view of the same, the noticee was alleged to have entered into manipulative transactions which were aimed in the creation of a false market and executed with the intention of artificially raising the price of the scrip, thereby *prima facie* contravening the provisions of Regulation 4(b), (c) and (d) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as PFUTP Regulations). Accordingly, SEBI issued a notice dated May 30, 2008 to the noticee requiring him to show cause as to why, in terms of Section 11B of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act) read with Regulation 11 of Securities and Exchange Board of

India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, suitable directions including directions restraining him from buying, selling or dealing in securities for a specific period, should not be issued to him. Though, the said notice was delivered on the noticee, no reply was received from him. Thereafter, SEBI vide letter dated December 02, 2008 reminded the noticee to submit his reply to the show cause notice. Having received no reply from the noticee, even after reminding the noticee, a personal hearing was afforded to him on July 16, 2009. The hearing was then adjourned to July 17, 2009. On the said date, the noticee appeared before me in person and made his submissions in the matter.

3. I have examined the show cause notice issued to the noticee, his oral submissions (made during the personal hearing) and other material available on record. After having examined the aforesaid, the issue to be determined is whether the noticee by his acts had contravened the provisions of the PFUTP Regulations.

4. I take note of the fact that the noticee had purchased 1,08,600 shares of the company and sold 92,300 shares during the investigation period. It was found that in settlement No.22, the noticee had purchased 51,000 shares and in settlement no.23, the noticee had purchased 57,600 shares and sold 92,300 shares of the company. The investigation also found that the noticee had indulged in reversal of trades with one Vijay Singh Bhandari. In respect of such trades, I note that the noticee had purchased 45,100 shares through M/s. Deepak G. Cholera (actually through BMG Investments, sub broker of Deepak G. Cholera,) from Mr. Vijay Singh Bhandari trading through the stock broker namely, Joindre Capital Services Limited. I also

note that, the noticee had sold off 34,800 shares back to Mr. Vijay Singh Bhandari. Thus, around 77% of the shares purchased by the noticee from Mr. Vijay Singh Bhandari had been sold back to him (Mr. Vijay Singh Bhandari). Such reversals happened on August 31, 2000. During the personal hearing, the noticee submitted that the impugned trades were carried out by his father, who is no more. In his deposition to the Investigating Authority of SEBI on November 19, 2004, the noticee had stated, "All the decisions were taken by my father during that time and I am not aware about anything" and that "My father is no more and expired on February 25, 2004." On being queried as to who his stock broker/sub broker was, he had stated that he was not aware of anything as all the decisions were taken by his father and that he used to sign some documents as instructed by his father. The investigation conducted by SEBI also found that all the trading was done by the father of the noticee. During the personal hearing, he submitted that he was not able to produce any reply/documents as all the trading was done by his deceased father. As the scrip was illiquid, during the relevant period, the quantum of shares involved in the trade reversals done by the noticee, had created artificial volumes in the shares of the company. I further note that the noticee (client code- "2V108") was involved in traded reversals in respect of 34,800 shares of the company with one Vijay Singh Bhandari (having client code "V012"). I find that on August 31, 2000, the total traded quantity (in gross) were 1,07,600 shares. The quantity of shares which were traded between the noticee and his counter party in respect of the trades which were reversed, were 79,900 which was quite substantial (around 74.25%), given the fact that the shares of the company were illiquid and having started to trade on from August 02, 2000, after the revocation of the suspension by BSE. Thus, the noticee had created false and misleading appearance of trading in the securities market; had

impacted the share price through his non genuine trades and also indulged in transaction without any intention to transfer beneficial ownership. Thus, the noticee contravened the provisions of Regulation 4(b), (c) and (d) of the PFUTP Regulations. I further note that the noticee was around seventeen years when the impugned trades had happened and was signing the documents as per the instructions of his father, who is not alive today. In view of the foregoing, I dispose of the show cause notice issued to the noticee as ordered herein below.

5. In view of the foregoing, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Section 11 B thereof read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, Mr. Vishal G. Pandya is hereby warned for the aforesaid violations committed by him. Accordingly, the show cause notice dated May 30, 2008, issued to Mr. Vishal G. Pandya in the matter is disposed of.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Place: Mumbai

Date: August 31, 2009