

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 REGULATIONS 11 AND 13 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS 2003 AGAINST MR. VIJAY SINGH BHANDARI 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 Though, the said suspension was revoked on April 03, 2000, the shares of the company were not traded till August 01, 2000.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 conducted by SEBI revealed that one Vijay Singh Bhandari (hereinafter referred to as the noticee) had purchased 49,300 shares and sold 1,06,500 shares during the investigation period. It was also observed that he had dealt in large volume of shares of the company and was also involved in trade reversals. In view of the same, it was alleged that the noticee had *prima facie* contravened 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). Thereafter, SEBI issued a notice dated May 30, 2008 to the noticee calling upon him to show cause as to why suitable directions including directions restraining him from buying, selling or dealing in securities for a specified period should not be issued. The said notice required the noticee to reply to the same within twenty one days from the date of receipt of the notice. As the noticee did not submit his reply to the said notice within a reasonable time, SEBI, vide letter dated December 02, 2008 issued a reminder

and required him to file his reply to the show cause notice. Though, the said reminder was also delivered to him, no reply was submitted by him to SEBI. Subsequently, a notice dated June 26, 2009 was issued to the noticee affording an opportunity of hearing scheduled on July 16, 2009 which was later rescheduled to July 17, 2009. The noticee failed to appear in person or through an authorized representative for the personal hearing.

3. I note that sufficient opportunities were provided to the noticee to make his submissions. However, despite, various opportunities, the noticee failed to do so. In the absence of any reply and the noticee's failure to appear before me in the personal hearing, I am constrained to proceed and to consider the case based on the available documents on record. On consideration of the facts and circumstances of the present case, the following issues arise for consideration:

- a. Whether the trades of the noticee were instrumental in the artificial price rise in the shares of the company?
- b. Whether the reversal of trades was carried to create artificial volumes in the shares of the company?

The issues are dealt with in seriatim herein below.

4. I note that the trading in the shares of the company was suspended by BSE from February 24, 1997 and the said suspension was revoked on 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. On August 02, 2000, a single trade for 10,000 shares (at the rate of Rs.1.85/- per share) was executed. There was no trading in the shares of the company in BSE between August 03, 2000 and August 16, 2000. On August 16, 2000, 1,29,600 shares of the company were traded in 107 trades. During the investigation period, the share price touched Rs.6.10/-, which was the highest during the said period. The

volumes also increased from 10,000 shares (traded on August 02, 2000) to 1966000 shares (traded on August 21, 2000). The price volume date of the shares of the company during the investigation period is given below:

Date	Closing Price(Rs.)	No. of Trades	Volume (no. of shares)
02.08.2000	1.85	1	10,000
16.08.2000	2.3	107	1,29,600
17.08.2000	2.75	173	1,00,000
18.08.2000	2.75	209	45,300
21.08.2000	3.4	259	1,96,000
22.08.2000	4.05	95	72,000
23.08.2000	4.1	37	36,900
24.08.2000	4.05	48	20,800
25.08.2000	4.1	116	1,64,800
28.08.2000	5.1	120	78,100
29.08.2000	5.2	112	1,70,600
30.08.2000	5.1	22	7,600
31.08.2000	5.5	209	1,07,600

5. The noticee was a client of Joindre Capital Services Private Limited (stock broker). Through the said stock broker, the noticee had purchased 48,000 shares and had sold 1,02,100 shares of the company during the investigation period, which was a net sale of 54,100 shares. The noticee had sold 50,000 shares in Settlement No. 22 and had purchased 48,000 shares and sold 52,100 shares in Settlement No. 23. From the 'inward-outward' details submitted by the stock broker during the course of investigation, it was found that 50,000 shares which were delivered by the noticee were in the names of Mr. R. N. Singhvi, M. Pestonji/ S. Pestonji, Mr. A.C. Patel and Mr. Prem Chopra. Besides, Mr. R. N. Singhvi was the promoter/director of the company. I further note that the noticee (having client code "V012") was involved in trade reversals in respect of 34,800 shares of the company with one Vishal Pandya (client

code- "2V108") trading through the stock broker, M/s. Dipak G Cholera during the investigation period. The table below would illustrate the 'trade reversals' indulged in by the noticee.

Date	Stock broker	Client code	Counter party stock broker	Counter party client	Volume of shares	Price (Rs.)
31.8.2000	Dipak G Cholera (Clg No. 160)	V012	Joindre Capital Services Ltd (Clg No.89)	2V108	45100	4.84
	Joindre Capital Services Ltd (Clg No.89)	2V108	Dipak G Cholera (Clg No.160)	V012	34800	4.78

6. 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% of the total). It is pertinent to note that the shares of the company were illiquid and had started to trade from August 02, 2000 only, after the revocation of the suspension by BSE. Thus, the noticee was involved in creation of artificial volumes in the market for the shares of the company. The trades of the noticee, no doubt created misleading appearance of trading in the securities of the company. As stated above, the noticee was also involved in the reversal of trades. Needless to say, the trades of the noticee resulted in the manipulation of the share price of the company.

7. It is pertinent to note that the noticee was the seventh largest shareholder in the company, holding 61,000 shares as on August 01, 2000. The figures remained unchanged during the period of his trades. I note that during the investigation, summons were issued to the noticee on several occasions requiring him to appear in person and to furnish case related documents. Summons were also issued to the noticee through his stock broker, Joindre Capital Services Private Limited on January 12, 2005 requiring the noticee to

appear before Investigating Authority on January 25, 2005 along with his trading details and other relevant documents. The stock broker, vide letter dated January 18, 2005 informed that the same had been sent to its client (the noticee) through speed post, vide its letter dated January 15, 2005 and had also furnished proof of service of the said letter on the noticee. However, I note that the noticee did not appear before Investigating Authority. This was a constraint for the smooth completion of the investigation.

8. From the foregoing, I find the following:

a. The shares resumed traded only on August 02, 2000, even though the trading suspension was revoked by BSE on April 03, 2000. There was a noticeable price rise in the shares of the company during the investigation period.

b. There was an increase in the traded volumes during the period under investigation. From 10,000 shares that were traded on August 02, 2000, the traded quantity went up to 1,96,000 shares. This rise was not supported by any fundamentals of the company.

c. The noticee was the seventh largest shareholder of the company during the investigation period. The noticee was holding 61,000 shares of the company on August 01, 2000 as well as on August 31, 2000.

d. The noticee had purchased 48,000 shares and sold 1,02,000 shares of the company during the investigation period. Out of the total shares delivered by the noticee, 50,000 shares were found to be in the names of Mr. R. N. Singhvi, M. Pestonji/ S. Pestonji, Mr. A.C. Patel and Mr. Prem Chopra. I take note of the fact that Mr. R. N. Singhvi was the promoter/director of the company.

e. The notice failed to appear before the Investigating Authority despite the receipt of summons in that regard.

f. The noticee had indulged in trade reversals and thus contributed in the creation of artificial volume. But for the trades executed between the noticee and his counter part (in their reversal of trades), the total quantity traded on August 31, 2000 would have been negligible. Thus, by indulging in such acts, the noticee had created a false or misleading appearance of trading of the shares of the company on the securities market, wherein such trades were not intended to effect any transfer of beneficial ownership. The relevant provisions of the PFUTP Regulations have been reproduced below for reference:

“4. No person shall –

.....

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

.....”

9. Therefore, I find that the act of the noticee in dealing in large volumes as stated above and also indulging in reversal of trades etc. would make it clear that the noticee had entered into manipulative transactions aimed at the creation of false market. The instance of reversal of trades as brought out above clearly reveal that such trades were executed with the intention of not

effecting transfer of beneficial ownership. The trades of the noticee also impacted the share price of the company during the investigation period. Thus, I find the noticee guilty of having contravened the provisions of Regulation 4(b), (c) and (d) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

10. In view of the foregoing, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Section 11 B thereof read with Regulations 11 and 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain Mr. Vijay Singh Bhandari (having his address at 580-10th, "C" Road, Sardapura, Jodhpur, Rajasthan) from accessing the securities market and prohibited from buying, selling and otherwise dealing in securities market, either directly or indirectly, for a period of six months.

11. This order shall come into force with immediate effect.

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

Place: Mumbai

Date: August 31, 2009