

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4)(b) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATIONS 11 AND 13(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS 2003 AGAINST MR. VASANT H. BISSA IN THE SCRIP OF SOMPLAST LEATHER INDUSTRIES LIMITED

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the buying, selling and dealing otherwise in the shares of Somplast Leather Industries Limited (hereinafter referred to as the company) during the period January 02, 2002 to October 01, 2002 (hereinafter referred to as the investigation period). It was observed that the share price of the company had increased from Rs. 283/- (on January 02, 2002) to Rs. 416.90/- (on April 23, 2002). During the period under investigation, the share price reached its peak at Rs. 482/- on September 13, 2002. The traded volumes were found to be irregular, with volumes ranging between 7,000 shares on January 31, 2002 to 5 shares on May 30, 2002. The investigation conducted by SEBI observed that Mr. Vasant H. Bissa (hereinafter referred to as the noticee) had entered into structured/synchronized/circular trades in the shares of the company during the investigation period. The noticee was found to have traded through the stock broker namely M/s Shiv Kumar H. Bissa [now known as

Sreehari Hira Stock Broking Private Limited]. The investigation conducted by SEBI *inter alia* observed that the stock broker M/s Shiv Kumar H. Bissa had indulged in reversal of trades on behalf of the noticee. In view of the above, it was alleged that the noticee had *prima facie* violated the provisions of Regulation 4(a), 4(b), 4(c) and 4(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 the PFUTP Regulations). Accordingly, SEBI issued a notice dated September 23, 2005 to the noticee requiring him to show cause as to why appropriate recommendation should not be made against him in respect of the alleged violations. The noticee, vide letter dated November 25, 2005 *inter alia* denied the allegation that he had entered into structured/synchronized/circular trades in the shares of the company. He also denied the allegation that he had manipulated the shares of the company. He further stated that he had not indulged in any act which was calculated to create a false or misleading appearance of trading in the securities. He further contended that all his trades were genuine transactions which resulted in delivery. The noticee stated that he had no intention to inflate, depress or cause fluctuations in the market price of the securities. The noticee further contended that he had not indulged in any act calculated to create a false or misleading appearance of trading in the securities market. He also stated that he had not indulged in any act which resulted in impacting the prices of securities and that all his transactions were genuine trade transactions.

2. Thereafter, an opportunity of hearing was granted to the noticee on March 31, 2009. Mr. Vinod Parekh, Advocate appeared and made submissions on behalf of the noticee. The learned counsel reiterated the submissions made by the noticee vide letter dated November 25, 2005. The noticee was also present during the course of the hearing.

3. I have considered the show cause notice issued to the noticee, the oral as well as written submissions made on his behalf and other material available on record. The issue for consideration in the present case is whether the noticee had contravened the provisions of the PFUTP Regulations as alleged in the show cause notice while dealing in the shares of the company during the investigation period. One of the allegations leveled against the noticee is that he had entered into synchronized trades through the stock broker M/s Shiv Kumar H. Bissa, the counterparty being Parklight Securities Limited. I note that the show cause notice is silent with respect to the details of synchronized trades executed by the noticee. Besides, I, note that SEBI had initiated enquiry proceedings against M/s Shiv Kumar H. Bissa in respect of its dealings in the shares of the company during the investigation period. One of the allegations leveled against the said stock broker was that it had entered into structured/synchronized trades on behalf of its client i.e. the noticee. In the said matter, the Enquiry Officer, vide report dated July 28, 2006 had *inter alia* observed “*It can be seen from the table above that no data pertaining to the price and quantity at which buy and sell orders were placed in any of the aforesaid trades is mentioned in the show cause notice.Therefore, from the material on record, it may not be possible to establish the charge of manipulation through synchronized trades as the basic data required is not available*” In the facts and circumstances of the case, as there is no data (price and quantity) in respect of the buy and sell orders, the noticee is entitled to the benefit of doubt in respect of the allegation of entering into synchronized trades.

4. It was further alleged in the show cause notice that stock brokers namely M/s Shiv Kumar H. Bissa and Parklight Investment Private Limited influenced the share price of the company by Rs.74.50/- during the investigation period and that they had entered into reversal of trades on seven days. The charge

against the noticee was that he was executing trade reversals in the shares of the company through M/s Shiv Kumar H. Bissa on such days. Admittedly, the noticee is the brother of the proprietor (Mr. Shiv Kumar H. Bissa) of M/s Shiv Kumar H. Bissa. In addition to the above mentioned trade reversals, the noticee had also entered into similar trades (reversal of trades) through M/s Shiv Kumar H. Bissa wherein the counter party stock broker was Ventura Securities Limited (traded for Parklight Securities Limited and Mr. Dhaval V. Shah). The trades executed between the aforesaid stock brokers for the said clients had impacted the share price of the company and had artificially raised the price by Rs. 80.05/- Though, the details of such reversal of trades had been provided to the noticee along with the show cause notice, no effort was taken by him to controvert such allegations. SEBI, in its show cause notice dated September 23, 2005 at para 2.2.b had *inter alia* given details of the alleged trade reversals executed by the noticee with different entities and its impact on the share price of the company. However, the reply of the noticee in this regard is “ 8. *In fact, in para 2.2.b similar allegations as above are made with regards to the transactions between Shri. Vasant H. Bissa and various third parties*” Thus, the noticee has not made any convincing submissions in respect of the reversal of trades executed by him in the shares of the company.

5. Though, the details of the reversal of trades were furnished to the noticee along with the show cause notice, the same are summarized in the following table, for ease of reference:

Client / stock broker	Counter party Client (stock broker)	Settlements no. (period)	% of reversal trades (volume) to the gross market volume)	Total market volume during these days	Volume of trade reversal by the noticee	% of reversal trades to the total trades of the noticee	Price influence attributed to these trades
Noticee/ M/s Shiv Kumar	Parklight Investment Private Limited (Trading in own	16-22 (15/04/02 to 23/04/02)	100%- 1day	20,350 shares	10,500	100%	+ Rs.74.50/-
			50-60%-3 days				
			40-50%- 2 days				

H. Bissa	account)		34.88%- 1 day				
	Parklight Securities Limited (Ventura Securities Limited)	23-33 (except settlement No. 24, 26, 28, 25/04/02 to 10/05/02)	100%- 5days	7,325 shares		100%	+ Rs.80.05/-
			98.36%- 1 day		5,900		
			61.35a%-1 day				
			55.55%- 1day				
	Mr. Daval V. Shah (Ventura Securities Limited)	36, 38 & 39 (15/05/02, 17/05/02 & 20/05/02)	100%-2 days	1,405 shares	1,400	100%	
			98.76%-1day				

It can be seen from the above table that, initially the noticee was involved in reversal trades with Parklight Investment Private Limited in 7 settlements (April 15, 2002 to April 23, 2002), the latter was dealing in its trading account. It is to be noted that the noticee had not denied the execution of trade reversals. The pertinent factor to be noted here is that the entire trades executed between them were reversed and the same accounted for a majority of the total market volume. There was no change in beneficial ownership in such trades. The reversal of trades executed between them accounted for 100% in settlement no. 16, as mentioned in the above table. Besides, the total market volume in the shares of the company in the seven settlements mentioned above was just 20,350 shares and the contribution of the noticee through his reversal of trades was 10,500 shares. The trade reversals executed between the noticee and Parklight Investment Private Limited during the above period increased the share price of the company by Rs.74.50/-. The Bombay Stock Exchange Limited informed that the noticee and Parklight Investment Private Limited are related to each other. Though, the same was mentioned in the show cause notice issued to the noticee, he failed to give a proper explanation in this regard. Thus, the noticee was able to artificially increase the share price of the company within a short period by entering into trade reversals without any intention of change in the beneficial ownership. The facts and circumstances of the case clearly establish that the noticee by his trade reversals artificially increased the share price during the period of investigation. Therefore, I cannot

agree with the submission of the noticee that he had not indulged in any act which resulted in reflection on the prices of securities based on transactions which are not genuine trade transactions. The noticee did not stop there. He further executed similar transactions with Parklight Securities Limited and Mr. Dhaval V. Shah (both counterparties dealing through the stock broker, Ventura Securities Limited). Brief summary of the said trades were also given in the table mentioned above. The said trades further increased the share price by Rs.80.05/-. Out of the eight settlements, the noticee had reversed trades with Parklight Securities Limited, their trades contributed to 100% of the market volume in the shares of the company on 5 days. The percentage of reversal trades on the other three days to market volume was also significant. With Mr. Dhaval V. Shah, the noticee contributed to 100% of market volumes (out of three days) by way of reversal trades.

6. As already established, in a short span of time and with trades amounting to few thousand shares, the noticee and his counter parties were able to influence movement in the price of the scrip of about Rs.155/-. The entire trading by the noticee in the shares of the company during the investigation period was reversed which clearly establish that there was no intention of transfer of ownership of the shares. Needless to say, the real motive behind these trades were not transferring the beneficial ownership in the scrip but to create an impression of artificial trading in the market and generate interest among the genuine investors. Besides, the trades executed by the noticee created false and misleading appearance of trading in the shares of the company. The pattern of trades executed by the noticee indicates that the same were not genuine. On the other hand, the same were executed for making an impact on the share price. The fact that the noticee was involved in executing trade reversal is not in dispute. The increase in share price of the company during such trades is also not disputed before me. The continuous execution of

reversal of trades, as stated above in this order, accounted for most of the total market volume in the shares of the company. The said reversal of trades impacted the share price artificially to the detriment of the genuine investors. Such type of activities cannot be let off lightly. The contention that SEBI had failed to provide a single instance of an investor being induced to undertake transactions in the scrip ensuing the alleged artificial raising of the price of the securities has got little merit in the facts and circumstances of the case. In this regard, I note the following observation of the Hon'ble Securities Appellate Tribunal in the matter of Ketan Parekh vs. SEBI had observed:

"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy / sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged."(underline supplied)

7. In the facts and circumstances of the case as brought out above in this order, I do not have any hesitation to hold that the act of Mr. Vasant H. Bissa is in violation of the provisions of Regulations 4(a) to 4(d) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Considering the totality of the

facts and circumstances, the present proceeding is disposed of as ordered hereinunder.

8. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 and Regulations 11 and 13 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby restrain Mr. Vasant H. Bissa [Permanent Account Number AABPB8108M] from accessing the securities market and also prohibit him from buying, selling or dealing in securities in any manner and in any capacity, for a period of six months.

9. 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: September 15, 2009**