

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: Dr. T.C. NAIR, WHOLE TIME MEMBER, SEBI

IN THE MATTER OF M/s. BPS SECURITIES PVT.LTD. AND SHRI D. K. SINGHANIA, MEMBER OF THE NATIONAL STOCK EXCHANGE OF INDIA LTD. SEBI REGISTRATION NO. INB230804330 IN THE SCRIP OF BOMBAY DYEING AND MANUFACTURING COMPANY LTD.

Date of hearing: October 17, 2008

Appearances

For the None appeared.

Notices:

For SEBI: Shri Suresh Gupta, General Manager
Ms. Kshama Wagherkar, Legal Officer.

ORDER

UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992 AND READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 READ WITH REGULATION 13(2) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003.

1. The scrip of Bombay Dyeing and Manufacturing Company Ltd. (hereinafter referred to as 'Bombay Dyeing') witnessed a significant price rise accompanied with significant increase in volume during the period May to June 2000. It was found that the price of the scrip which was in the range of Rs. 40 to Rs. 45 during the beginning of

May 2000 went to Rs. 100 during August 2000 and subsequently to Rs.120 during October 2000.

2. In view of the above, SEBI conducted investigations into the buying, selling and dealing in the scrip of Bombay Dyeing during the period October 1999 to October 2000 *vide* an order dated November 15, 2000.
3. During the investigations, it was noted that large quantities of shares were purchased by Shri Arun Kumar Bajoria and his firms *viz.* Mega Stocks Ltd., and Mega Resources Ltd. and The Hooghly Mills Company Ltd. (hereinafter referred to as “Bajoria Group”) through BPS Securities Pvt. Ltd. (hereinafter referred to as ‘BPS Securities’) a member NSE (SEBI Registration No. INB230804330). Shri Arun Kumar Bajoria was the chairman of M/s Mega Resources Ltd. and a director in Mega Stocks Ltd. and The Hoogly Mills Company Ltd.
4. It was also seen that around 4.25 lakh shares of Bombay Dyeing were purchased by Shri Bajoria through Shri D. K. Singhania, who was the director of BPS Securities. Hence it appeared that BPS Securities had assisted, aided and abetted the Bajoria group in cornering the floating stock in the scrip for the purpose of manipulation of the price of Bombay Dyeing.
5. Also Shri D. K. Singhania, as a member of Calcutta Stock Exchange (SEBI Registration No. INB030059514) had held 9 lakh shares of Bombay Dyeing on behalf of Mega Stocks Ltd. as margin. Therefore, in view of this, it appeared that Shri. D. K. Singhania, had assisted,

aided and abetted the Bajoria group in cornering the floating stock in the scrip for the purpose of manipulation of the price of Bombay Dyeing.

6. Accordingly, show cause notices (SCNs) dated April 08, 2004 were issued to BPS Securities and Shri D. K. Singhania under section 11 of the SEBI Act, 1992 read with 11B of the SEBI Act, 1992 and Regulation 11 of the (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 asking them to show cause as to why suitable directions including prohibition from dealing in securities or prohibition from accessing capital market for a specific period or any other suitable direction as may be deemed fit and proper should not be issued against them.
7. Both, BPS Securities and Shri D. K. Singhania did not reply to the aforesaid show cause notice. The entities were accorded several opportunities of personal hearing before the Competent Authority. Further, the entities, *vide* their letters dated February 07, 2006 declined from attending the hearing scheduled on February 24, 2006 and stated that they don't have anything new to say in the matter and requested to proceed on the basis of the documents/submissions made by them earlier.
8. I note that Shri. D. K. Singhania had, during the course of investigation made submissions *vide* his letter dated November 03, 2000 wherein he had submitted details of gross purchase, gross sales, net quantity, quantity delivered/ received, quantities carried forward for self and for clients and the address & contact details of

their clients who had placed the orders, made payments/ receipts and given/ received deliveries. It was also stated that regarding auction, they had not participated in auction either for self or for its clients in the scrip of Bombay Dyeing.

9. Due to change in the competent authority, the matter was placed afresh before me. Therefore, in accordance with the principles of natural justice, one last opportunity of personal hearing before me was granted to the said entities on October 17, 2008 *vide* letter dated September 24, 2008 which was received by the entities on October 13, 2008. However, they did not appear for the hearing on the said date.

10. I therefore, proceed on the basis of the investigation report, the show cause notices issued, the submissions of the entities and other relevant material available on record. My findings are as under:

10.1 From a perusal of the investigation report, I note that the scrip of Bombay Dyeing witnessed a significant price rise accompanied with significant increase in volume during the period May to June 2000. The price of the scrip which was in the range of Rs. 40 to Rs. 45 during the period April to May 2000 went to Rs. 100 during August 2000 and subsequently to Rs. 120 during October 2000.

10.2 I note that SEBI had conducted investigations into the buying, selling and dealing in the scrip of Bombay Dyeing during the period October 1999 to October 2000 wherein it was noted that around 4.25 Lakh shares were purchased by the Bajoria group

through BPS Securities and that Shri. D. K. Singhania had held 9 lakh shares of Bombay Dyeing on behalf of the Bajoria group as margin. Therefore, in view of this, it was mentioned in the investigation report that BPS Securities and Shri. D. K. Singhania, had assisted, aided and abetted the Bajoria group in cornering the floating stock in the scrip for the purpose of manipulation of the price of Bombay Dyeing.

10.3 I note that SCNs dated April 08, 2004 under section 11 of the SEBI Act, 1992 read with 11B of the SEBI Act, 1992 and read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and read with Regulation 13(2) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 were issued to both BPS Securities and Shri. D. K. Singhania wherein it was alleged that they had aided, abetted and assisted the Bajoria group in cornering the floating stock of Bombay Dyeing for the purpose of manipulation in the said scrip and in violation of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995. I also note that BPS Securities and Shri. D. K. Singhania did not reply to the said SCNs.

10.4 I note that several opportunities of personal hearing were granted to the entities to make submissions, if any. In the case of a hearing granted on February 24, 2006, the entities, *vide* their letters dated February 07, 2006 declined from attending

the hearing and stated that they don't have anything new to say in the matter and requested to proceed on the basis of the documents/ submissions made by them earlier. Therefore, one last opportunity of personal hearing before me was granted to the said entities on October 17, 2008 *vide* letter dated September 24, 2008 which was received by the entities on October 13, 2008. However, they did not appear for the hearing on the said date.

10.5 I also further, note that as on date the certificate of registration granted to BPS Securities Ltd. member NSE (SEBI Registration No. INB230804330) and Shri. D. K. Singhania member CSE (SEBI Registration No. INB030059514) stands cancelled.

11. I have carefully examined the facts and circumstances of the case, investigation report and other material available on record. I note that in the same matter, I have passed an order of even date, abating the proceedings against Shri. Arun Kumar Bajoria on account of his death on March 28, 2008. *Vide* the same order, I have also disposed the show cause notices issued to Mega Stocks Ltd., and Mega Resources Ltd. and The Hooghly Mills Company Ltd. since no material evidence was on record to show that the deals executed by the Bajoria group artificially raised the price of the scrip and induced others to buy or sell shares of Bombay Dyeing. Since no violation by the Bajoria group was established, it cannot be said that BPS Securities and Shri. D. K. Singhania had aided, abetted and assisted the Bajoria group in cornering the shares of Bombay Dyeing for the purpose of manipulation of the price of the scrip.

12. Having regard to what has been stated above, I, in exercise of the powers conferred upon me, hereby dispose of the show cause notices issued under section 11 and 11B of the SEBI Act 1992 read with Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 1995 read with Regulation 13(2) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 to BPS Securities Pvt. Ltd. and Shri. D. K. Singhania.

Date: 28.11.2008

Place: Mumbai

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