WTM/TCN/124 /IVD3/Jan/2009

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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

ORDER UNDER REGULATION 28(2) OF THE SEBI (INTERMEDIARIES) REGULATIONS, 2008 IN THE MATTER OF M/s. VIRENDRA SINGH BHANDARI Jr., SEBI REGISTRATION NO. INS 010529019, SUB BROKER AFILIATED TO M/s. SS KANTILAL ISHWARLAL SHAH SECURIITIES PVT LTD., IN THE SCRIP OF M/s. OJAS TECHNOCHEM PRODUCTS LIMITED.

1. Ojas Technochem Products Limited (hereinafter referred to as "OTPL") is registered with the Registrar of companies, Gujarat at Ahmedabad. The shares of the company are listed at Vadodara Stock Exchange (hereinafter referred to as "VSE"), Ahmedabad Stock Exchange (hereinafter referred to as "ASE") and the Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE").

2. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had initiated investigation into buying, selling and dealing in the shares of OTPL during the period November 1999 to February 2000 (hereinafter referred to as "investigation period") upon an investigation report forwarded by BSE to SEBI which hinted on the possibility of price manipulation.

3. Investigation revealed that OTPL had made a preferential allotment for 60,00,000 equity shares of Rs.10 each on January 13, 2000. The allotment was made. The shares issued in the preferential allotment were not listed at BSE. The preferential allotment of 60,00,000 shares was however, listed on VSE on January 17, 2000.

4. It was alleged that M/s. Virendra Singh Bhandari Jr. (hereinafter referred to as "VSB" / "sub broker") had traded on behalf of its clients M/s. Divya Jyoti Securities Ltd. and M/s. Reliable Plastics Ltd. through BSE member S.S. Kantilal Ishwarlal Securities Pvt. Limited (SSKI) both of whom are alleged to be related to each other and also to the promoters /directors of OTPL. The trades are alleged to have been

affected in a manner meant to facilitate the manipulation in the said scrip.

5. In view of the findings of investigation, an Enquiry Officer was appointed by SEBI vide order dated December 2005 under the then SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as the "Enquiry Regulations") to enquire into the irregularities / violations committed by the Broker. The Enquiry Officer conducted enquiry in terms of the Enquiry Regulations and submitted his report dated July 16, 2007 recommending a suspension of the certificate of registration of the Broker for a period of fifteen days.

6. In terms of Regulation 13(2) of the Enquiry Regulations, a copy of the enquiry report along with show cause notice dated July 18, 2007 was forwarded to the sub broker advising it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed upon it. However the sub broker did not reply to the said show cause notice.

7. An opportunity of personal hearing was granted to the sub broker before me on June 6, 2008. No one appeared on behalf of M/s. Virendra Singh Bhandari Jr. I note that Shri Bhandari vide letter dated June 4, 2008 denied the charges against him and stated that they propose to apply for consent terms with SEBI and requested that they be informed of the necessary procedure in this regard. Accordingly SEBI vide letter dated June 18, 2008 informed the procedure for applying for the consent terms and intimated them to forward their application within 15 days. However I find that M/s. Virendra Singh Bhandari Jr. has till date not filed any consent application. In view of the above and having complied with the principles of natural justice, I am proceeding ahead based on the material available on record.

8. I have carefully considered the Enquiry Report, the show cause notice issued to M/s. Virendra Singh Bhandari Jr. and its submissions and other material available on record. I note that though the Enquiry Regulations were repealed with effect from the notification of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, anything done 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 the Securities and Exchange Board of India (Intermediaries) Regulations, 2008. The issue for consideration is whether the sub broker had dealt in unlisted shares and has failed in due diligence while offloading the shares of promoters. My findings are as under:

8.1 I note that OTPL was moderately illiquid scrip during January 1999 to October 1999 except on few occasions when occasional liquidity was observed. However the scrip witnessed heavy liquidity during November 1999 to February 2000 along with rise in price. On February 9, 2000, the number of shares traded had reached 33,13,100 and the price had gone to Rs. 23.60 (closing price) from a volume of 27,500 shares and the close price of Rs. 3.55 on November 1, 1999.

8.2 The main clients of VSB who traded in the scrip of OTPL through **it** were Divya Jyoti Securities Ltd. (Divya Jyoti) and Reliable Plastics Ltd. (RPL). These trades were executed through their broker, SSKI, a member of BSE and NSE. I note that VSB had executed sell trades constituting a total of 2,15,000 shares of OTPL on behalf of RPL and sell trades constituting a total of 9,97,300 shares of OTPL on behalf of Divya Jyoti. Most of the shares sold by VSB were found to belong to the promoters, directors or the persons related to OTPL.

8.3 I note that OTPL, Divya Jyoti and RPL share the same address. **The** shares of OTPL were later allotted to RPL and RPL and Divya Jyoti were prominent sellers in the scrip of OTPL. From the above, it is evident that there is interrelationship between the two clients of VSB and the company OTPL. Further considering the fact that the two clients of VSB were prominent sellers in the scrip of OTPL, it is established that the role of VSB was meant to facilitate an easy route to the clients close to OTPL to offload the shares of OTPL in the market. Further the trades executed by VSB for its two clients indicate marked price variation in the scrip of OTPL and a demand was being created by the placement of orders at higher prices.

8.4 I observe that the director of RPL and the person who placed the orders on behalf of Divya Jyoti were known to VSB. However, I find that there is only business relationship between the clients and VSB and no other relationship except client-broker relationship is established. Therefore, VSB does not appear to be part of the collusive activities of the two clients and the company OTPL. However, by failing to exercise the necessary skill, care and diligence required for that of a sub-broker while executing the transactions for RPL and Divya Jyoti, VSB have in the said process failed to comply with the code of conduct as prescribed for sub brokers in the Stock Broker Regulations which inter alia mandates a sub-broker to act with due skill, care and diligence in the conduct of all his business. I am of the view that penalty of suspension of certificate of registration for a period of fifteen days as recommended by the Enquiry Officer is excessive. Taking into consideration the nature of violation, a penalty of Censure is sufficient to have a deterrent effect on the M/s Virendra Singh Bhandari Jr.

9. In view of the above, I, therefore, in exercise of powers conferred upon me in terms of section 19 of SEBI Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, I hereby Censure M/s. Virendra Singh Bhandari Jr. SEBI Registration No. INS 010529019 sub broker of M/s. SS Kantilal Ishwarlal Shah Securities Pvt. Ltd. to the effect that the sub broker should be careful in future and exercise due skill, care and diligence in the conduct of its affairs as a capital market intermediary. I also direct Virendra Singh Bhandari Jr. to note that any instances of violation or non-compliance of the SEBI Act and Rules and Regulations in future shall be dealt with stringently.

DATE: 9.1.2009 **T. C. NAIR**
PLACE: MUMBAI **WHOLE TIME MEMBER**
SECURITIES AND EXCHANGE BOARD OF INDIA