**WTM/TCN/110/ID3/Jan/2009**

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

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

**IN THE MATTER OF M/s. PIVOTAL STOXARE LIMITED IN THE SCRIP OF M/s. OJAS TECHNOCHEM PRODUCTS LIMITED**

Date of hearing : April 05, 2008
*Appearances*
For Noticees : Prasad Lotlikar, Advocate, Vishwas Pathak & Co.

For SEBI : Shri P.K.Bindlish, Chief General Manager
Shri Atul Agarwal, Manager
Ms. Kshama Wagherkar, Legal Officer

**ORDER**

**UNDER SECTION 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992**

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 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. The investigations found that M/s. Mafatlal Securities Ltd. (MSL) member of BSE traded in the scrip of OTPL for its client M/s. Pivotal Stoxare Ltd. (hereinafter referred to as "Pivotal") among others. It was alleged that Pivotal had bought 304 shares and sold 1665700 shares during November 1999 to March 2000. The shares sold by Pivotal belonged to Coverage and Consultants Limited (CCL) and CCL got hold of those shares from OTPL. It was alleged that Pivotal had aided and abetted CCL to offload their stake in the market. Pivotal is also guilty of having violated Regulations 4 (b) and (d) of SEBI (Provision of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. In view of the allegations against Pivotal, it was decided to call upon the noticee to show cause to the allegations leveled against it.

5. Accordingly, a show cause notice dated September 30, 2004 was issued to Pivotal asking them to show cause why suitable directions including

directions debarring them from accessing capital market and dealing in securities should not be issued to them.

6. Pivotal vide letter dated October 19, 2004 replied to the above show cause and interalia stated as under:

   *i.* *They deny that acted in concert with CCL in respect of offloading of shares of OTPL.*

   *ii.* *In the entire dealings in the shares of OTPL, Pivotal acted only on behalf of M/s. CCL. CCL was holding OTPL shares in physical form and wanted to liquidate its OTPL shares on BSE. Since most of the brokers were reluctant to entertain them fearing bad delivery, fraud, stolen etc. CCL approached Pivotal and requested to arrange to sell their OTPL shares.*

   *iii.* *CCL and Pivotal entered into an understanding wherein CCL will transfer its OTPL shares to the account of Pivotal, who will get the shares transferred in its name and then sell the same through its brokers and remit the amount to CCL.*

   *iv.* *Pivotal never intended to purchase and or acquire shares of OTPL from CCL. The shares of OTPL belonged to CCL only and Pivotal received the physical shares held by CCL and transferred in the name of Pivotal and then sold the shares on behalf of CCL.*

7. Due to change in the competent authority, the matter was put afresh before me. Accordingly, an opportunity of personal hearing was granted to Pivotal on August 5, 2008 before me where in authorised representative of Pivotal appeared and made submissions. Pivotal vide letter dated August 5, 2008 requested to take the reply dated October 19, 2004 as the submissions before me.

8. I have carefully considered the investigation report, the show cause notice issued, its reply, and the material/ documents available on record. In the instant case, the following issue arise for my consideration:

Whether Pivotal has aided and abetted CCL in offloading their stake in the market and thereby violating the aforesaid provisions of PFUTP Regulations. Subsequently Pivotal vide their fax letter dated August 5, 2008 proposed to apply for consent terms with SEBI and requested that they be given two weeks time for filling their consent application. However till date no consent application has been received from Pivotal and therefore I am proceeding ahead on the basis of material available on record.

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.

9. Coverage Consultants Limited is an Indore based entity having common address as of M/s. Reliable Plastics Ltd. (now Bonanza Biotech Ltd.). Reliable Plastics Limited is connected to the promoters/directors of OTPL and is also allottees of the preferential allotment made by OTPL on swap basis. Besides, CCL has made attempts to jack up the price of OTPL on many occasions and has in the process created substantial volume in the scrip.

10. M/s Pivotal Stoxare Ltd. traded in the scrip of OTPL through M/s Mafatlal Securities Ltd (MSL), member BSE. Though there were many clients of MSL who traded in OTPL, however, the maximum transaction were executed by Pivotal. Pivotal has bought 304 shares and sold 1665700 shares during November 1999 to March 2000. It was observed from the trade order log that PSL has been continuously selling the shares of OTPL. During the period of investigation PSL has sold 1665700 shares and they have sold on almost all the days on which trades took place.

11. The Director of Pivotal, Shri Himanshu Trivedi, in his submissions stated that Pivotal had sold in all 16,65,700 shares during November 1, 1999 to March 31, 2000. On being asked as to how he got hold of all those shares he stated that shares were obtained from CCL in an off market deal and later these shares were transferred in the name of Pivotal. However Shri Trivedi could not furnish any records pertaining to his transactions with CCL including supporting documents for the acquisition of 1665700 shares from CCL, distinctive numbers of the shares and the details of payments made to CCL for acquisitions of the shares. I find that Pivotal acted as conduit in the process of off-loading the shares on behalf of CCL, who was acting on behalf of promoters/ directors of OTPL.

12. I find that shares sold by Pivotal belonged to CCL and CCL in turn got hold of those shares from the company in preferential allotment. Besides, selling upto 25.46% of the capital of the company was done by Pivotal just in 14 trading days. From the submissions of Pivotal it is apparent that Pivotal acted on behalf of CCL who was holding shares of OTPL in

physical form and wanted to sell these shares at BSE. However Pivotal further submitted that since most of the brokers were reluctant to entertain CCL, they approached Pivotal. Pivotal in turn got these shares transferred in their name and sold these shares through their broker and remitted the amount to CCL. From the above facts and circumstances of the case, I am convinced that Pivotal by their acts has aided and abetted CCL in offloading the shares of OTPL in the market and violated Regulations 4 (b) and (d) of SEBI (Provision of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

13. Now therefore, I, in exercise of the powers conferred upon me under Sections 11 and 11B of Securities and Exchange Board of India Act, 1992 read with Section 19 of the SEBI Act and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 restrain hereby M/s. Pivotal Stoxare Ltd. from accessing the securities market and also prohibit them from buying, selling or otherwise dealing or associating with the securities market in any manner whatsoever for a period of six months.

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

**PLACE : MUMBAI** **T .C. NAIR**

**DATE : 09.01.2009** **WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**