WTM/TCN/ 22/ IVD/AUG/08

SECURITIES AND EXCHANGE BOARD OF INDIA

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

IN THE MATTER OF M/S. DIVYA JYOTI SECURITIES LIMITED IN THE SCRIP OF M/S. OJAS TECHNOCHEM PRODUCTS LIMITED

ORDER

UNDER SECTION 11B READ WITH SECTION 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992

1. The Securities and Exchange Board of India (hereinafter referred to as 'SEBI') noticed substantial increase in the volume and price of the shares of Ojas Technochem Products Limited (hereinafter referred to as 'OTPL') at the Bombay Stock Exchange Ltd (BSE), during the period November 1999 to February 2000 (between settlement numbers 37 to 46). It was noticed that the volume of the shares of OTPL had increased from 27,500 shares on November 1, 1999 to 33,13,100 shares on February 9, 2000 and the increase in the price of the shares of OTPL during the corresponding period was from Rs. 3.55 to Rs. 23.60. It was noticed that the price of the shares of OTPL had sharply increased (from Rs. 9/- to Rs.18.85) between settlement numbers 44 and 46 (January 17, 2000 to February 4, 2000). The shares of OTPL were also listed on the Vadodara Stock Exchange Ltd. (VSE), Ahmedabad Stock Exchange Ltd. (ASE). In view of the unusual price/volume increase as stated above, SEBI conducted investigations to find out as to whether there was any manipulation in respect of the said price/volume increase in the shares of OTPL and look into the role of various entities/persons, if any, including the promoters/ directors of OTPL in respect of the said increase.

2. The investigations revealed that M/s Divya Jyoti Securities (hereinafter referred to as 'DJS' or 'the noticee') dealt in the scrip of OTPL during November 1999 to March 2000 through M/s V. S. Bhandari Jr., sub-broker to M/s S S Kantilal Ishwarlal Securities, member, BSE and through M/s Rajesh N. Jhaveri, sub-broker to M/s Shrikant G. Mantri, member, BSE. The investigations found that DJS has sold a total of 9,97,300 shares. 1,00,000 shares were sold through M/s Rajesh N. Jhaveri and 8,97,300 were sold through M/s Virendra Singh Bhandari Jr.

3. From the distribution schedule of the company, it was found that there was no mention of the name of DJS among the top 50 shareholders of company. The same was submitted and certified by the company. In view of the large stock holding by DJS, it was alleged that either DJS belonged to promoter group who held 26.40 % of the share capital of OTPL as on September 30, 1999 or it got those shares from the promoters/directors and related entities including M/s. Coverage and Consultants Ltd. (CCL), M/s. Reliable Plastics Limited etc. (now called Bonanza Biotech Ltd.– 'BBL'), in an off-market deal to offload to the unsuspecting investors. The investigations also alleged that DJS could be related to BBL and CCL as the three entities were located at the same address at Indore.

4. During the investigations, summons were issued to DJS. It is seen that the entity had failed to appear before the investigating authority, in response to summons dated June 19, 2003 issued to DJS to appear before investigating authority on June 27, 2003.

5. In view of the above, a notice dated September 30, 2004 was issued to DJS alleging that it had by its acts of commissions and omissions aided and

abetted promoters/directors of OTPL and other related entities including BBL and CCL, thereby violating Regulations 4(b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. The documents relied upon in support of the allegations contained in the show cause notice were also annexed with the notice. The show cause notice required the noticee to show cause as to why suitable directions including directions debarring/prohibiting them from buying and selling in securities for a specified period should not be issued against it. The notice also mentioned that if the noticee failed to submit any reply within the stipulated period of 21 days, then it would be presumed that it had no explanations to give in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations.

6. The said show cause notice was served upon DJS on November 27, 2004 through the sub-broker, Virendra Singh Bhandari Jr. I find that the entity has not replied to the show cause notice.

7. I note that opportunities of hearing was granted to DJS on April 21, 2005, August 9, 2005 and February 10, 2006 before the then WTM. However on all the occasions, the noticee did not appear for hearing. Since the then WTM demitted the office, the proceedings could not be completed. Hence the case was put up before me and accordingly a fresh opportunity of hearing was granted to DJS before me on April 15, 2008. However, the noticee did not attend the hearing on the designated day.

8. I note that the noticee neither replied to the show cause notice nor did he appear before me for refuting/submitting with respect to the allegations contained in the show cause notice despite providing it sufficient

opportunities. Hence I note that principle of natural justice have been complied and accordingly I am proceeding exparte against the noticee.

9. I have considered the findings of the investigation against DJS and the charges in the show cause notice. I find that the issues for determination in the instant case are -

   a. whether the noticee by its acts had aided and abetted the promoters/directors of OTPL including CCL and BBL, in offloading the shares of the scrip in the market?

   b. whether the noticee by the above said acts had violated Regulation 4(b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995?

10. Before proceeding with the issue, I note that the noticee has continuously failed to cooperate during the proceedings. The noticee has not turned up before the investigating authority in response to the summons issued. Also DJS has not replied to the show cause notice and did not appear for the hearing before me. This goes to show the non-cooperative and resilient attitude of DJS and the disregard for the investigation that has been taken up by SEBI. Also, it raises questions about the role of DJS in the fraud perpetrated in the scrip of OTPL and their staunch silence only goes to strengthen the suspicion that they along with the others were aiding and abetting parties to the entire scheme of things.

11. I note that DJS has offloaded a total of 9,97,300 shares during the period November 1999 to March 2000. This is a substantial portion considering the capital of the company prior to the preferential allotment on January 13, 2000

and the preferential allotment of 60,00,000 shares done on January 13, 2000. The shares have not been allotted to DJS in the preferential allotment. These shares have been obtained by DJS either from the promoters/directors of OTPL or from the other allottees to the preferential allotment in off market dealings, for offloading the same at BSE to gullible investors.

12. I also find that DJS, CCL and BBL share common address which also fortifies the allegation that all were in collusion with each other. All these entities are sharing the same address in Indore and have played an active role in trading in the scrip of OTPL. I have also observed that one, Shri B L Joshi, has received the show cause notice and the notice for hearing, sent by SEBI on behalf of DJS, CCL and BBL.

13. From the above, it could be observed that OTPL, BBL, CCL and Divya Jyoti appeared to be related entities. However, after perusing the investigation report, I find that there is not enough material to show how the noticee had received the shares from the promoters or its related entities for defrauding the genuine and unsuspecting investors by offloading the shares in the market. I further find that there is not enough material to substantiate that the noticee was responsible for creating false/misleading appearance of trading in the scrip or affecting/influencing the price of the security in the market. Therefore, I find that it would be just to exonerate the notice from the charges of violation of Regulation 4 (b) and (d) of the Regulations.

14. I, therefore in exercise of the powers conferred upon me by virtue of Section 19 of the Securities and Exchange Board of India Act, 1992 read with section 11B and 11(4) of the Securities And Exchange Board of India Act, 1992 hereby

dispose of the show cause notice issued to M/s. Divya Jyoti Securities Limited without any directions.

Place : Mumbai **T.C.NAIR**

Date :07.08.2008 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA