WTM/TCN/23/ IVD/AUG /08

SECURITIES AND EXCHANGE BOARD OF INDIA

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

IN THE MATTER OF M/S. BONANZA BIOTECH LIMITED (FORMERLY KNOWN AS RELIABLE PLASTICS LIMITED)

IN THE SCRIP OF M/S. OJAS TECHNOCHEM PRODUCTS LIMITED

Date of hearing : April 15, 2008
Appearances
For Noticees : Shri Deepak Shah, Advocate

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

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 Bonanza Biotech Ltd. (hereinafter referred to as 'BBL' or 'the noticee'), formerly Reliable Plastics Ltd. had traded in the scrip of OTPL during November 1999 to March 2000 in a fraudulent and unfair manner. During November 1999 to March 2000, BBL has traded in the scrip of OTPL through M/s Kirtikumar Kantilal Shah, member ASE, who in turn has traded through M. P. Vora Shares & Securities Ltd., member BSE. The investigations also revealed that the noticee was related and closely connected with the management of OTPL/their promoters/directors, since subsequently 5 crore shares of OTPL were allotted to BBL on a swap basis. It was also alleged that the noticee, Coverage and Consultants Ltd. (hereinafter referred to as 'CCL') and M/s Divya Jyoti Securities (hereinafter referred to as Divya Jyoti) were related and belonged to one group, which finds weight as all were located at the same address.

3. I note that summons dated June 23, 2003 was sent to Reliable Plastics Limited at their old address at 49-A, Sector A, Sanwer Road, Industrial Area, Indore. They were asked to appear in person and furnish details of the shares acquired/disposed off, distinctive number of shares dealt in by them, mode of acquisition of shares of OTPL, bank statement and date of payment etc. Neither any reply / information was submitted nor they appeared before the investigating authority. Another summons dated January 19, 2004 was sent to the noticee at their new address at 203, Apollo Tower, 2 M. G. Road, Indore, calling for their personal appearance and submission of documents. However there was no response from the noticee.

4. The investigations found that the noticee had acquired and offloaded large quantities of shares of OTPL. However from the details submitted by the company, the name of BBL did not appear in the list of the persons/entity possessing substantial quantity of shares. Further 22900 shares of OTPL were traded in the name of Reliable through M/s M. P. Vora and 21500 shares through M/s. S. S. Kantilal Ishwarlal Securities in the market. It was found that majority of these shares were not listed at BSE, which aroused a suspicion that the noticee would have acted fraudulently in league with the promoters/directors and management of OTPL to cheat genuine investors.

5. The investigations found that one unlisted share certificate representing 100 shares of OTPL bearing DNR 85532901-3000 having the name of Reliable Plastics Limited was sold by M/s. Kirtikumar Kantilal Shah.

These shares were not listed at BSE during the period of investigation. As BBL was not the client of M/s Kirtikumar, it was suspected that some other client of this broker would have sold the shares held in the name of Reliable Plastics Ltd.

6. Since the noticee did not submit any reply to the summons, it was difficult to find how shares had been acquired by M/s. Reliable Plastics Ltd. and how it were sold in the market. It was alleged that shares had been given to M/s. Reliable Plastics Ltd. without any consideration to help promoters/directors and management of OTPL sell shares in the market. The investigations suspected that both the management of OTPL and M/s Reliable Plastics Limited were related and had together defrauded the market by offloading shares to the genuine and unsuspecting investors in market. This suspicion was further strengthened with the fact that the noticee was subsequently issued preference shares on swap basis by OTPL.

7. The investigations thus alleged that the actions of the noticee violated Regulations 3, 4(b) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995 ('the FUTP Regulations').

8. Pursuant to aforesaid findings in the investigation, a show cause notice dated September 30, 2004 was issued to BBL alleging that it had violated Regulations 3 and 4 (b) and (d) of the Regulations. The documents relied upon in support of the allegations contained in the show cause notice were also annexed with the notice. The notice required it 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 they failed to submit any reply within the stipulated period of 21 days, then it would be presumed that they 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.

9. I note that the noticee did not reply to the show cause notice. Further opportunity of hearings were granted to noticee on August 9, 2005 and February 2, 2006 before the then WTM. However the noticee did not attend the hearing. Since the then WTM demitted the office, the proceedings could not be completed. Hence the case was put before me and accordingly, a fresh opportunity of hearing was granted to BBL before me on April 15, 2008, wherein Shri Deepak Shah, Advocate appeared on behalf of the noticee and made submissions.

10. I have considered the findings of the investigation and the show cause notice dated September 30, 2004 issued to the noticee and the submissions made by the notice. My findings are as under:

11. I find that the noticee has sold the shares of OTPL during the period November 1999 to March 2000. It was found that about 22,900 shares were dealt with in the name of BBL through M. P. Vora Shares and Securities and 21500 shares were dealt through S. S. Kantilal Ishwarlal Securities. The shares so dealt the BSE, were not listed therein. It was also alleged that BBL which was not an allottee in the preferential allotment on January 13, 2004 could not have laid its hands on these

shares but with the connivance of the promoters/ directors of the company. It was also alleged that BBL and the management of OTPL have been hand in glove for executing the whole scheme of sham transactions which was reinforced by the allotment of a whopping 5 crore shares on a swap ratio basis between BBL and OTPL, at a later stage. This allotment did not materialize to a conclusive transaction as the same was not listed on the VSE or the BSE. As a result, the allotment was called off. I also note that the show cause notices, notice of hearings and other correspondences made to BBL have been received by one Shri B L Joshi who has also received the notices sent to CCL and Divya Jyoti. This is another thread to strengthen the finding that BBL was related to CCL and Divya Jyoti.

12. From the above, I observe that OTPL, BBL, CCL and Divya Jyoti appeared to be related entities. Still mere suspect relationship of the noticee with the company or its promoters cannot be enough ground for charging the noticee for perpetrating the fraud by the company and its promoters. After perusing the investigation report, I find that there is not enough material to show that how the noticee had received the shares from the promoters or its related entities for defrauding the genuine and unsuspecting investors by offloading 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 3, 4 (b) and (d) of the Regulations.

13. In view of the aforesaid, I, 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 read with Regulations 11 and 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, hereby dispose of the show cause notice issued to M/s. Bonanza Biotech Limited without any directions.

DATE : 07.08.2008

T.C.NAIR

MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA