

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER REGULATION 29 (3) OF SEBI (STOCK BROKERS & SUB BROKERS) REGULATIONS, 1992 AGAINST M/s. ORBIS SECURITIES PVT. LTD. MEMBER , NATIONAL STOCK EXCHANGE.

M/s Amara Raja Batteries Ltd. (hereinafter referred to as 'ARBL') , which was initially incorporated as a private limited company in 1985 and the same was subsequently converted into a public limited company in the year 1990. 'ARBL' came out with a public issue in the year 1991 and the shares of 'ARBL' got listed on The Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE), Hyderabad Stock Exchange Ltd. (HSE) and Calcutta Stock Exchange Association Ltd. (CSE). The price of the scrip of 'ARBL' at BSE was Rs.91/- in the first week of October, 2000 and went up to Rs.205/- on January 1, 2001 and further touched a high of Rs.320/- on March 8, 2001.

On March 9, 2001, BSE closed the normal trading at 2 p.m. to facilitate the Badla session and the price at that time was Rs.308.40/-. On that date, NSE was functioning till 4.30 p.m. and the price of the scrip fell to Rs.266.75/- and therefore on March 12, 2001, BSE adjusted the price of various scrips to that of NSE including that of 'ARBL'. The price of 'ARBL' further fell down and thereafter touched a low of Rs.78.50/- on March 19, 2001. It is also found that the volumes in the scrip of 'ARBL' were approximately 50,000-60,000 shares per day in October , 2000 and went up to around 8-15 lakhs shares per day in the month of February and first week of March, 2001 at both BSE & NSE. The average trading in the scrip of 'ARBL' from January to March 2001 went to the extent of 10-15 lakhs shares per day and this constituted approximately 30% of the free floating stock of 'ARBL' .

Securities and Exchange Board of India (SEBI) received complaints regarding the market manipulations / irregularities in the trading in the scrip of 'ARBL' and therefore, SEBI ordered a detailed investigations in the matter to enquire into the alleged violations of the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and SEBI (Stock Brokers & Sub Brokers) Regulations, 1992 and other Regulations and the role played by various persons / intermediaries including M/s. Orbis Securities Pvt. Ltd., Member, National Stock Exchange (hereinafter referred to as "the broker member").

The investigations prima facie revealed that Shri Harinarayan Bajaj and his son, Shri Rahul Bajaj were the predominant traders in the scrip of 'ARBL' during the period August 2000 to March 2001 (hereinafter referred to as "the relevant period"). Their trading has accounted for approximately 30% of the total trading on BSE & NSE and they had absorbed most of the deliveries in the scrip by purchasing and carrying forward their position on BSE. During the relevant period, Shri Bajaj started making use of the different trading cycles of BSE & NSE to shift his position from one exchange to another. It was also found that Shri Harinarayan Bajaj and his son, Shri Rahul Bajaj were shifting positions of approximately 5.5 lakhs shares of 'ARBL' between BSE & NSE in settlement No.1 of NSE and the same was increased approximately to 11 lakhs shares in Settlement No. 9 of NSE. Further, it was found that Shri Bajaj was not having the requisite funds to pay for the deliveries and also for the margins. The investigation also found that when the price of the scrip of 'ARBL' fell down, Shri Bajaj could not purchase any further shares due to lack of funds.

The investigations further revealed that various members of BSE & NSE had aided and abetted Shri Harinarayan Bajaj in creating a false market in the scrip of 'ARBL' and they have failed to exercise due care and skill in their dealings. The broker member had dealt in the scrip of ARBL in settlement no. 10 / 2001. The above transactions were executed on the behalf of M/s. Khandwala Shah & Associates, sub broker registered with the broker member and it is observed from the records submitted by M/s Khandwala Shah & Associates that they had traded in the scrip of ARBL on behalf of Shri Harinarian Bajaj. The trading of the broker member for M/s. Khandwala Shah & Associates is given as under :

Orbis Securities Pvt. Ltd.

Trading & Delivery Position of

Amara Raja Batteries Ltd. From Aug 2000 to March 2001

Settl. No.	Purchase	Sales	C/f	Delivery
<u>N-10</u>				
09-03-01	40,000			
	40,000	0		Nil

Shri Samit Gehlaut , the Chief Executive Officer of the broker member stated before the investigating authority that M/s. Khandwala Shah & Associates had done only one transaction in the scrip of ARBL on March 09, 2001. The broker member also stated that M/s. Khandwala Shah & Associates enrolled with them as clients and all the bills / contracts etc. were raised in the name of M/s. Khandwala Shah & Associates. The broker member further stated that they had lost an amount of Rs.85 lakhs for doing one transaction.

SEBI, therefore, in view of the above facts, vide its order dated January 14, 2002 appointed an Enquiry Officer to enquire into the affairs of the broker member in its dealings in the scrip of 'ARBL' and for the possible violations of the provisions of rules, Bye Laws & Regulations of NSE, provisions of SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

Accordingly the Enquiry Officer issued a notice dated February 28, 2002 along with the findings of the investigations related to the broker member's alleged involvement in the price manipulation in the scrip of 'ARBL'. The alleged charges leveled by the Enquiry Officer against the broker member were the following :

A (1) "The broker member by virtue of its trading in 'ARBL' on behalf of Shri Harinarayan Bajaj had failed to exercise due skill and care in its dealings.

and thereby violated Regulation 7, Schedule II of SEBI (Stock brokers & sub brokers) Regulations, 1992 (hereinafter referred to as the 'said Regulations') .

The broker member vide its letter dated March 19, 2002 interalia stated before the Enquiry Officer that they had done few transactions in the scrip of ARBL and the same were done on behalf of their clients M/s. Khandwala Shah & Associates and / or Shri. Pratik Sheth. The broker member further stated that there was only one transaction on the instructions of M/s. Khandwala Shah & Associates i.e. on March 9, 2001 and in the said transaction, M/s. Khandwala Shah & Associates purchased 40,000 shares of ARBL and for the said transaction the broker member took margin from its client . The broker member also stated that they executed a client agreement form with Shri. Pratik Sheth and before executing the transaction for any of its clients the broker member had taken sufficient margin .

An opportunity of personal hearing was granted by the Enquiry Officer to the broker member on May 08, 2002 and the Enquiry Officer after conducting the enquiry and after perusing the reply of the broker member and the submissions made on behalf of the broker member found that the broker member is not guilty of violating the code of conduct prescribed under SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and recommended to direct the broker member to be cautious in future.

Subsequently, SEBI sent a notice dated June 24, 2002 under regulations 29 (1) of the said regulations asking it to show cause why the penalty as recommended by the Enquiry Officer not be imposed against it . A copy of the Enquiry Report was also forwarded to the broker member along with the show cause notice . The broker member vide its reply dated June 28, 2002 stated that they would like to reiterate the same submissions regarding the fact and circumstances along with documentary evidences as mentioned in their reply dated March 19, 2002 to the show cause notice issued by the Enquiry Officer and made by them at the time of personal hearing held on May 8, 2002 by the Enquiry Officer. The broker member also stated that they have already started taking more caution in their business and shall exercise more skill and care to the best of their ability to avoid any unintentional lapses in future. The broker member has not opted for a personal hearing subsequent to the show cause notice dated June 24, 2002 .

I have perused the extracts of the investigation report , the Enquiry Report, the reply filed by the broker member. Due to the transactions of Shri Harinarayan Bajaj and his son Rahul Bajaj, the volumes in the scrip of ARBL went up to around 8-15 lakhs shares per day in the month of February & first week of March 2001 from 50,000 -60,000 shares per day in Oct, 2000.

In view of the above circumstances and by considering the assurances given by the broker member in its written submissions dated June 28, 2002 , I agree with the recommendations given by the Enquiry Officer and therefore under the provisions conferred upon me under Section 4 (3) of SEBI Act, 1992 and under Regulation 29(3) of SEBI (Stock Brokers & Sub Brokers) Regulations, 1992, I, hereby direct M/s Orbis Securities Pvt. Ltd., Member, National Stock Exchange to be careful and cautious in future and any repetition of such acts shall be viewed seriously.

G.N. BAJPAI

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Place : Mumbai