

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

AGAINST M/S. RAJRATAN R MOHTA, MEMBER, THE STOCK EXCHANGE, MUMBAI (SEBI REGISTRATION NO. INB 010022114) UNDER REGULATION 13(4) and 13(6) OF SEBI (PROCEDURE FOR HOLDING ENQUIRY BY ENQUIRY OFFICER AND IMPOSING PENALTY) REGULATIONS, 2002.

Whereas, an investigation was conducted into the unusual price movement in the scrip of KBL Biochemicals Limited (hereinafter referred to as KBL) during 1998 and it was brought out that the price of the scrip went up from Rs. 81/- per share in March 1998 to a high of Rs. 304/- per share on 02.06.98, and,

whereas, three entities CDP Fincap, Damayanti Finlease and Rituja Finvest had enrolled as common clients to some members of The Stock Exchange, Mumbai (hereinafter referred to as BSE) and The National Stock Exchange (hereinafter referred to as NSE) and had traded in the scrip of KBL. The said three entities were related and were acting in concert with one another. Their trading pattern predominantly moved the scrip price artificially during the period of investigation, and,

whereas, CDP Fincap had transacted in the scrip of KBL through Rajratan R Mohta, Member, The Stock Exchange, Mumbai, (hereinafter referred to as 'the member') and,

whereas, an enquiry officer was appointed vide an order dated 29.05.03 to inquire into the role of the member for his dealings in the scrip of KBL for its client CDP Fincap and to inquire into the violation of the provisions of Clause A (2) of the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, and,

whereas, the enquiry officer after inquiring into the violations of the member had submitted a report dated 08.06.04, recommending that a warning be issued to the member, since the allegations made against the member have not been proved to an extent that, the member deserves to be punished by way of suspension or cancellation, and,

whereas, a show cause notice dated 14.06.04 was issued to the member annexing a copy of the enquiry report asking it to reply within 15 days or else it would be presumed that the member had no explanation to offer and SEBI would be free to take such action as it deems fit, and,

whereas, a reply dated 30.06.04 was received from the member stating that the enquiry officer has found no violation on their part. Therefore, the member requested that the proceedings against it be dropped and has assured that it would take utmost care in the conduct of its business in the future, and,

whereas, the issue for consideration is whether the member is guilty of violating the provisions of the provisions of Clause A (2) of the Code of Conduct for Stock Brokers prescribed in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, by virtue of his carrying out the deals for his client CDP Fincap.

I have considered the enquiry report dated 08.06.04 and the reply of the member to the findings in the enquiry report.

I have noted that certificate of registration of the member has been suspended for a period of three years for executing transactions similar to that of KBL in the scrip of BPL Industries, Videocon, Sterlite etc., as explained in the table below:

	KBL	BPL
Name of the Broker	R R Mohta	R R Mohta
Investigation period	March 1998 to June 1998	April - May 1998
Basis of Investigation	Apprehension of sustained price rise coupled with concerted buying by a few clients	Apprehension of sustained price rise coupled with concerted buying by a few clients
Client of the Broker	CDP Fincap	CDP Fincap and others
Allegation against the client	Indulged in price manipulation	Indulged in price manipulation
Alleged violation by the client	Provisions of FUTP Regulations	Provisions of FUTP Regulations
Allegation against the broker	Failed to exercise a proper skill, care and diligence for having dealt with CDP who had a ulterior motive	Failed to exercise a proper skill, care and diligence for having dealt with CDP who had a ulterior motive
Alleged violation	Code of conduct	Code of conduct

I have also taken into consideration the fact that the enquiry officer has in fact found the member guilty of violating the provision of Code of Conduct as laid down in the Broker Regulations. This is in contradistinction to the claim of the member that it has not been found guilty by the enquiry officer.

Even though the enquiry officer has found the member guilty of violations he had recommended only a penalty of warning considering the previous suspension of his registration for similar transactions.

Therefore, I am inclined to agree with the view of the enquiry officer that a warning needs to be issued to the member for the transactions in the scrip of KBL for its clients CDP Fincap.

Now, therefore, in exercise of powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with regulations 13(4) and 13(6) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, I hereby warn M/s. Rajratan R Mohta, member, The Stock Exchange, Mumbai (SEBI Registration No. INB 010022114) to be careful in the future not to carry on activities of the nature carried out in the scrip of Kreb Biochemicals Limited.

Place: Mumbai

Date: 30.12.05

**MADHUKAR
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**