

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Regulation 13(4) of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 against M/s Bipin Vora, member, The Stock Exchange Mumbai, having SEBI Regn: INB 01004416 member, The Stock Exchange Mumbai, in the matter of alleged manipulation in the scrip of Malvika Engineering Ltd.

1.0 BACKGROUND

- 1.1 Pursuant to Chairman's order dated August 31, 2002, Securities and Exchange Board of India (SEBI) conducted investigation into the alleged irregularities in the trading in the scrip of MEL for two periods i. e December 20, 1999 to March 31, 2000 and August 7, 2000 to August 31, 2000 (hereinafter referred to as relevant period). The investigation revealed that during the relevant period the price of the scrip moved from Rs. 9.40 to Rs.5.00. The scrip touched a high of Rs 11.10 on August 14, 2000 and a low of Rs 5.00 on August 31, 2000. The volume of the scrip increased from 100 shares on August 4, 2000 to 1,19,500 shares on August 7,2000 and 1,59,500 shares on August 08, 2000.
- 1.2 During the said investigation, it was found that M/s Bipin Vora (hereinafter referred to as the broker) is the member, The Stock Exchange Mumbai, having SEBI Regn: INB 01004416 who has transacted significantly in the

scrip of M/s Malvica Engineering Limited (hereinafter referred to as “MEL”).

2.0 Appointment of the Enquiry Officer

- 2.1 Vide order dated July 24, 2003, an Enquiry Officer was appointed by SEBI under Regulation 5 of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as Enquiry Regulations) to enquire into the violations of the provisions of Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India (Stock Brokers and Sub brokers) Regulations, 1992 (hereinafter referred to as Broker Regulations), if any by the brokers
- 2.2 The Enquiry Officer after conducting the Enquiry in terms of the Enquiry Regulations found that the broker has violated Clauses(1) (2) (3) (4) and (5) of Part A of Code of Conduct specified in Schedule II read with Regulation 7 of Broker Regulations and submitted his Enquiry Report dated March 11, 2004 recommended a major penalty of suspension of the Certificate of Registration of the broker for a period of four months .

3.0 Show Cause Notice, Reply and Personal Hearing

- 3.1 A copy of the said Enquiry Report along with a show cause notice dated March 24, 2004 was issued to the broker under Regulation 13(2) of the Enquiry Regulations informing about the Enquiry Officer's recommendation for suspension of its Certificate of Registration for a period of four months and advising it to show cause as to why action as may be considered appropriate should not be taken against it. The broker,

vide letter April 15, 2004 submitted its reply to the said Show Cause Notice and reiterated the submissions made before the Enquiry Officer.

- 3.2 A personal hearing was also granted to the broker before us on January 13, 2006 which was attended by the broker who by and large reiterated the submissions made before Enquiry Officer.

4.0 Consideration of the Issues and Findings

- 4.1 I have carefully examined the facts and circumstances of the case. I have also considered the Enquiry Report and the submissions of the broker made before me during the personal hearing and also the post hearing Written Submissions submitted by the broker.

- 4.2 As regards, findings of the Enquiry Officer, I note the following as the most important observations:-

- a) The Enquiry Officer has found that the broker during the period from December 20,1999 to March 31,2000 had traded in the scrip of MEL constituting about 8% of the gross purchased and 17% of the gross sales. Enquiry Officer further found that and the brokers net sale position was nearly 25% of the total net position of sales in the scrip at the Exchange during the period. The Enquiry Officer has also found that M/s Mayekar investments Private Limited , M/s K P Investments , M/s Havemore Financial Services (India) Limited and M/s Harvic Management Services (I) Limited, all are connected entities with each other created huge volume in the market by executing some arranged deals.
- b) The Enquiry Officer has also found that the broker had dealt on behalf of M/s Harvic Management Consultancy Services and M/s Mayekar

Investments Private Limited and they placed large buy and sell orders in the scrip of MEL during the period August 2000. The Enquiry officer has further found that even though the broker claimed to have dissociated himself from these entities he could not submit any satisfactory reply/proof in this regard.

- c) It is noted from the findings of the Enquiry Officer that M/s. Mayekar Investment Pvt. Ltd. was a client of the sub-broker, M/s. Sai Investcorp Pvt. Ltd. and that the broker has dealt directly with M/s. Mayekar Investment Pvt. Ltd. though it was not a direct client of the broker but a client registered with his sub-broker M/s. Sai Investcorp Pvt. Ltd. Moreover, the Enquiry Officer found that the broker could not satisfactorily explain the circumstances under which the orders for the client of the sub-broker were directly entertained by the broker bypassing the sub-broker.
- d) I also note from the findings of the Enquiry Officer that the broker had indulged in matched transactions for the clients M/s. Mayekar Investments Ltd., M/s. K.P. Investment Services Ltd. and M/s. Harvic Management Services India Ltd.
- e) I further note that the Enquiry Officer has thus concluded that the broker has failed to exercise due diligence and has violated clauses (1), (2) (3) (4) & (5) of Part A of the Schedule II of the Regulation 7 of the Broker Regulations.

4.3 It is also noted that during the personal hearing before me on January 13, 2004 the broker submitted written submission wherein also it has reiterated the submissions already made before the Enquiry Officer.

4.4 Having examined the Enquiry Report, the Show Cause Notice issued to the broker and the reply from the broker reiterating the submissions

already made before Enquiry Officer, and the oral and written submissions made before me during the personal hearing, I agree with findings and the recommendation of the Enquiry Officer.

5.0 ORDER

5.1 Now, therefore in exercise of the powers conferred upon me under Section 19 of SEBI Act, 1992 read with Regulation 13 (4) of the SEBI (Procedure for Holding Enquiry by the Enquiry Officer and imposing penalty) Regulations 2002, I hereby suspend the Certificate of Registration of M/s. Bipin Vora, member, The Stock Exchange Mumbai, having SEBI Registration No.INB01004416, for a period of four months.

5.2 This order shall come into force after 21 days from the date of this order.

DATE: 25.01.2006

PLACE : MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA