

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

ORDER

Under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 against Ms. Lopa Saumil Bhavaragari (PAN : ABMPB3580D)

In the matter of IPO of Tijaria Polypipes Limited

1. Tijaria Polypipes Limited (hereafter referred to as "TPL") is a company incorporated under the Companies Act, 1956. TPL came out with an Initial Public Offering ("IPO") of 1,00,00,000 equity shares of face value of Rs. 10/- each, issued at a premium of Rs. 50/- per equity share, to raise Rs.60/- crore to fund its proposed expansion and diversification plans. The said issue which opened on September 27, 2011 and closed on September 29, 2011, was reportedly subscribed by 1.2 times. TPL allotted 71,64,406 shares in the retail investors category which constituted 71.64% of the public issue. The shares of the said company were listed on the Bombay Stock Exchange of India Limited (BSE) and the National Stock Exchange of India Limited (NSE).

2. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the IPO and subsequent dealings, upon noticing a steep fall in the share price of TPL on the first day of trading/listing day. The preliminary investigation *prima facie* revealed that TPL had diverted substantial part of the IPO proceeds through layered transactions in order to offset the losses sustained by certain entities/individuals who allegedly provided an exit to the retail allottees/QIBs of their shares allotted in the IPO, at a premium to the issue price. Ms. Lopa Saumil Bhavanagri ("Ms. Lopa") was found to be one such person who allegedly provided an exit to QIBs and /or retail allottees and the huge losses sustained by her in doing so, was allegedly found to be partly borne by TPL through layered fund transactions.

3. The preliminary investigation also observed that TPL had diverted part of IPO proceeds purportedly to pay back Inter-Corporate Deposit ("ICDs") as well as to place purchase orders which it claimed were the reasons for the alleged layering/transfer of funds to various entities. In view of

the *prima facie* observations of the said investigation, SEBI vide an ad-interim *ex-parte* Order dated December 28, 2011 (hereinafter referred to as "the Interim Order") issued directions against TPL and certain others. Ms. Lopa, who was *prima facie* found to have violated the provisions of section 12A of the SEBI Act, regulations 3, 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 in the matter, was prohibited from buying, selling or dealing in any securities, in any manner whatsoever, till further directions.

4. Pursuant to the Interim Order, written submissions were made, *inter alia*, by the authorized representative of Ms. Lopa, vide letter dated March 07, 2012. In the personal hearing held on March 09, 2012, Ms. Lopa was represented by Mr. Anish Kharadia, authorized representative, who made submissions. Ms. Lopa, *inter alia*, had made the following submissions :

- a. The allegation is that Ms. Lopa and certain others were used to provide exit to original retail allottees at a premium. However, nothing is borne out from the entire Interim Order as to who used the entities to indulge in such activity;
- b. Ms. Lopa is not found to have matched trades with the original retail allottees on NSE;
- c. Trades of Ms. Lopa were executed on October 14, 2011 and the alleged funding is done on or after October 18, 2011. Fund is required at the time of settlement of trade on October 18, 2011 and not at the time of execution of order on October 14, 2011. Therefore, Ms. Lopa failed to understand what prompted or on what basis, the investigation came to a conclusion that trades of Ms. Lopa executed on October 14, 2011 are braced up with the alleged financial transactions between TPL and third parties;
- d. Although the Interim Order purports to establish nexus between Ms. Lopa and Mr. Jivraj Zala being clients of Grishma Securities Private Limited ("Grishma"), nothing cogent in respect of nexus between Ms. Lopa and Grishma is placed on record. Ms. Lopa being the "contact person" of Grishma is not sufficient enough to establish the nexus between Ms. Lopa and Mr. Jivraj Zala. Further, the letter of Grishma dated February 02, 2012 confirms that Ms. Lopa did not have any business relationship since 2007 with Grishma;
- e. The mobile phone number 9825029400 belongs to Mr. Saumil Bhavnagari, the husband of Ms. Lopa. In the absence of cogent evidence to establish meeting of minds between the parties to the trades, no manipulative intent behind such trades are established;
- f. The alleged trades of Ms. Lopa is viewed as "structured" not on the basis of trade pattern on October 14, 2011 but on the basis of receipt of funds from the company after October 18, 2011;

- g. Parklight Securities Limited ("Parklight") is a registered sub-broker. It had borrowed Rs. 3.41 (*crore*) and Rs.1.5 (*crore*) from Nihita Financial Services Private Limited and Mr. Dharamsi Desai, respectively and had also borrowed from other parties during the same time to fund Ms. Lopa and Pinac Stock Brokers Private Limited ("Pinac"), to enable them to fulfill their settlement obligations;
- h. The financial transactions between TPL and the alleged parties and that between the alleged parties and Parklight and the financial transactions between Parklight and Ms. Lopa, Pinac and Volga International Limited ("Volga") has no correlation with the loss incurred by Ms. Lopa, Pinac and Volga;
- i. The low percentage of volume of Ms. Lopa is insignificant and can neither influence the price nor volume of the scrip.

Ms. Lopa denied contravening the provisions of law alleged in the Interim Order and requested SEBI to revoke the Interim Order and permit her to deal in securities.

5. I have considered the submissions made by Ms. Lopa and other material available on record. The limited issue for my consideration in this Order is to decide, whether the directions issued against her vide the Interim Order needs to be confirmed, vacated or modified in any manner now.

6. I note that the preliminary investigation has *prima facie* observed that TPL had diverted a predominant portion of its IPO proceeds for operations in the securities market and to off-set losses incurred by certain entities while providing an exit to retail and/or Qualified Institutional Buyers (QIBs) of the shares allotted to them in the IPO, at a premium to the issue price. Six entities/persons namely Mr. Jivraj Zala, Ms. Lopa, Pinac, Swift Tie Up Private Limited, Salasar Stock Broking Private Limited and Todi Securities Private Limited are the entities who were found to have provided exit to the retail allottees and/or QIBs. The Interim Order has explained as to how funds were routed from TPL through layered transactions to reach the entities including Ms. Lopa in order to partly off-set their losses sustained while giving exit to the retail allottees and/or QIBs.

7. During the investigation, it was noticed that Ms. Lopa had bought and sold 6,00,000 shares of TPL in BSE and bought and sold 2,00,000 shares in NSE. While trading in the shares of TPL, as mentioned above, she had had incurred a loss of Rs.2,53,50,882/- at BSE and Rs.71,90,000/- on NSE. The investigation also noticed that on BSE, Ms. Lopa purchased 91,495 shares from 32 allottees in the IPO of TPL, at a price of Rs.63/-, which is higher than the issue price of Rs.60/-. I

also note that trades of Ms. Lopa with Mr. Jivraj Zala were alleged to be structured trades. It was also noticed that Ms. Lopa indulged in reversal of trades with Mr. Jivraj Zala on both BSE and NSE. In BSE, Ms. Lopa bought 4,99,785 shares from Mr. Jivraj Zala and sold 3,50,000 shares back to him (approx. 71% reversal). In NSE, Ms. Lopa was found to have sold the entire quantity of 2,00,000 shares purchased from Mr. Jivraj Zala back to him (100% reversal). The investigation has also *prima facie* observed that the trades (sell orders) of Ms. Lopa had been structured with Swift Tie Up Private Limited (*another entity which had allegedly provided exit to certain allottees in the IPO*).

8. The investigation had *prima facie* observed that by giving exit to some retail allottees/QIBs by purchasing shares from them at a premium to the issue price, she had incurred losses, which was approximately Rs.3,25,40,882/- (*loss on account of her trading in the scrip on the listing day*). However, her income details noted from her Know Your Client (KYC) documentation for the last three assessment years, does not support the huge trading done by her in the scrip. The gross total income of Ms. Lopa as per the Income Tax Returns is given below :

Assessment Year	Gross Total Income
2009-2010	Rs.0/-
2010-2011	Rs.1,27,936/-
2011-2012	Rs.19,22,171/-

9. The investigation had observed that the company, TPL had transferred approximately Rs 2.51 crore, Rs.2 crore and Rs.10.36 crore from the IPO funds to Nihita Financial Services Private Limited (Nihita), Shri Nath Trading Company (Shri Nath) and Bellisima Impex, respectively. Nihita had transferred Rs.40 lakhs to Ms. Lopa by layering the funds (routing) through Parklight Securities Limited. Shri Nath had transferred Rs.90 lakhs to Ms. Lopa by layering the funds by routing it through Nihita and Parklight. Bellisima Impex transferred approximately Rs.1.4 crore to Ms. Lopa by layering the funds by routing it through the accounts of Mr. Dharamsi V. Desai and Parklight. It was observed that Bellisima Impex had also funded Mr Jivraj Zala, with whom Mr. Lopa had allegedly indulged in reversal of trades. The aforesaid manner of fund transfers had been explained in the Interim Order.

10. I further observe that the documents/submissions made before me do not bring forth any additional documents/information which would convince me that the preliminary findings made in the Interim Order, are patently incorrect with respect to the trail of funds, structured/synchronized

trades, receipt of funds indirectly from the company in layered transactions and transactions wherein exit was provided to the retail allottees in the IPO at a premium to the issue price. The submissions made by Ms. Lopa, therefore, do not convince me at this stage and I am therefore of the considered view that no intervention is called for in either vacating the interim directions or modifying it, with respect to her.

11. I, further note that the investigation in the matter has been completed and SEBI is in the process of initiating further proceedings against Ms. Lopa.

12. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued vide the *ad interim ex-parte* Order dated December 28, 2011 in the matter of IPO of Tjaria Polypipes Limited, against Ms. Lopa Saumil Bhavanagari (PAN: ABMPB3580D). This Order shall be in force till further directions.

DATE: October 05, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA