

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1521
ANSWERED ON:03.03.2000
PRICE RISING
AJAY CHAKRABORTY;INDRAJIT GUPTA

Will the Minister of FINANCE be pleased to state:

- (a) Whether the SEBI investigation into the price rigging of BPL, Sterlite and Videocon has showed that the promoters were involved with Harshad Mehta; and
- (b) if so, the details thereof; and
- (c) the action taken or proposed to be taken on the basis of the findings of SEBI investigations?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (c) : Investigations were undertaken by SEBI in the wake of abnormal trading in the scrips of BPL, Sterlite and Videocon during April-May 1998 and the likelihood of sudden payment crisis at the two major exchanges, BSE and NSE, in June 1998. Investigations prima facie concluded that a set of stock brokers and sub-brokers acting in concert on behalf of common clients, cornered a large chunk of shares at BSE and NSE. These set of clients were acting as a front for Harshad Mehta. As a result of findings of investigations, enquiry proceedings were initiated under SEBI Regulations against 34 stock brokers and orders were passed against 18 brokers, prohibiting them from undertaking fresh activity as brokers till completion of the enquiry proceedings. Show cause notices were issued to the President, Vice President and the Executive Director of BSE for their failure to discharge their responsibilities and for their conduct which was detrimental to the integrity of the system. Show cause notice was also issued to NSE for slackness in monitoring and not taking effective surveillance action. Consequent to findings of investigations and show cause notices, SEBI has passed orders against the President, BSE asking him to relinquish the office of the President. SEBI had also directed that the President and the Executive Director of BSE shall not be eligible to hold any public position in future as member of the governing board as well as in capital market related public institutions for a period of 3 years. Proceedings against the Vice President of BSE and the NSE are underway. Investigations had also indicated that the companies BPL, Sterlite and Videocon had connived with Harshad Mehta in the price manipulation, following which show cause notices have been issued to Harshad Mehta and Directors of these companies. The investigations also brought out certain systemic deficiencies for which SEBI has taken appropriate steps.