

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: DR. K. M. ABRAHAM, WHOLE TIME MEMBER**

ORDER

DIRECTIONS UNDER SECTIONS 11, 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, AGAINST CHIMMING TRADING COMPANY LIMITED IN THE MATTER OF ALLEGED MANIPULATIVE TRADING IN THE SCRIPS OF CALS REFINERIES LIMITED, CONFIDENCE PETROLEUM INDIA LIMITED, BANG OVERSEAS LIMITED, SHREE PRECOATED STEELS LIMITED (NOW KNOWN AS AJMERA REALTY & INFRA INDIA LIMITED) AND TEMPTATION FOODS LIMITED

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI), vide an ex-parte ad interim Order dated June 4, 2009 (hereinafter referred to as the Order), in the matter of alleged manipulative trading in the shares of Cals Refineries Limited, Confidence Petroleum India Limited, Bang Overseas Limited, Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited) and Temptation Foods Limited, had *inter alia* restrained Chimming Trading Company Limited (hereinafter referred to as CTCL) from accessing the securities market and further prohibited it from buying, selling or dealing in the securities market, directly or indirectly, till further orders, as the said entity was *prima facie* found to be involved in the alleged manipulation in the aforesaid scrips. CTCL, vide letter dated September 25, 2009 had filed its written submissions. While denying the allegations leveled against it, CTCL had requested that the charges in the Order be dropped and the interim directions be lifted. Thereafter, an opportunity of personal hearing was granted to CTCL on November 18, 2009. However, the entity failed to attend the hearing. As requested by it, another opportunity of hearing was granted on February 9, 2010. The said hearing was adjourned to March 3, 2010, as further requested by CTCL. On the said day,

CTCL appeared through its counsel, Mr. Vinay Chauhan and Ms. Zankhana Solanki. The learned counsel reiterated the submissions made by the entity in its reply. After concluding his arguments, the learned counsel sought two weeks time for filing written submissions. However, no written submissions were received from CTCL, though more than two weeks had elapsed from the date of the hearing. Therefore, I consider it fit to proceed with the matter on the basis of the submissions made by CTCL in its reply dated September 25, 2009, the oral submissions made during the personal hearing and other material available on record.

2. The limited issue to be considered at this stage is whether the interim directions issued against CTCL vide the Order needs to be continued, modified or vacated. The *prima facie* role of the Maniar Group (as defined in the Order) and the Connected Clients (as defined in the Order) has been narrated in the Order. The Connected Clients were found to have indulged in large scale trading in the shares of Cals Refineries Limited, Confidence Petroleum India Limited, Bang Overseas Limited, Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited) and Temptation Foods Limited. They also indulged in trading in the aforesaid scrips amongst themselves, thereby creating market volumes. Further, some of the *inter se* trades of the Connected Clients were found to be synchronized in nature. They were also found to have transferred shares of the identified scrips amongst themselves and that in certain cases, the delivery obligations of one Connected Client was fulfilled by the off-market borrowing of shares from another Connected Client. The acts of the Connected Clients were thus found to be *prima facie* the cause for the increased market traded volumes and that their volume contribution appears to have induced unwary investors into dealing in the shares of the aforesaid companies during the relevant period. I also note that SEBI had noticed certain inter-linkages between Maruti Securities Limited (MSL) and the 'Maniar Group' in the form of off-market transactions as well as synchronized deals on market. It was also noticed that MSL and Maniar Group

had executed off-market transactions with third parties in the aforesaid five scrips taken up by SEBI for investigation. It needs to be recalled that one of the criterion adopted for identifying the connected clients was the presence of off-market transactions had by the entities with MSL or the Maniar Group (comprising Mr. Harsh Shirish Maniar, Mr. Jay Shirish Maniar, HSM Financial Services Private Limited, Chandra Financial Services Private Limited, Jay Investrade Private Limited, Kundan Leasing and Finance Private Limited and Shanti Financial Services Private Limited).

3. In the background of such *prima facie* findings as recorded in the Order, I note that CTCL was involved in an off-market transaction with Kundan Leasing and Finance Private Limited (KLFPL), a Maniar Group entity. It was found that on November 28, 2008, CTCL had received 20,00,000 shares of Cals Refineries Limited from KLFPL. In this regard, CTCL has *inter alia* submitted that it is a finance company and into loan financing and real estate business. CTCL submitted that it did not indulge in securities market transactions during the relevant period. As regards the receipt of 20,00,000 shares of Cals Refineries Limited from KLFPL, CTCL submitted that, since it was involved in real estate business, Rakhi Trading Private Limited (RTPL) had evinced interest in one of their projects. According to CTCL, as RTPL was not having the required funds, 20,00,000 shares of Cals Refineries Limited was transferred as a guarantee to enter into a 'MoU'. CTCL further submitted that it wanted to get funds in lieu of shares and since an entity namely, 'Charter House International Limited' had agreed to provide funds, the said shares were transferred to it. However, Charter House International Limited could not provide funds as promised. CTCL further stated that it was introduced (by its stock broker) to Mr. Narendra Kumar Jain, Mr. Shyam Sundar Shaha and Shanti Financial Services Private Limited, who had agreed to lend funds. It was submitted that the said entities also did not provide funds to it. CTCL further stated that in the meanwhile, RTPL had called of their deal and required it to return the shares. It further stated that as the shares were

not returned by Mr. Narendra Kumar Jain, Mr. Shyam Sundar Shaha and Shanti Financial Services Private Limited, CTCL requested the common stock broker to arrange shares from KLFPL and that after receiving the shares from KLFPL, the same were transferred to RTPL. CTCL also submitted that it had not been the counterparty to any of the 26 entities in any of the market trades and that its role was restricted to a single instance of transaction by way of off-market in the shares of Cals Refineries Limited. It further denied having received funds from any 'KP' entity.

4. I note that there is no dispute with regard to the off market receipt of shares of Cals Refineries Limited from KLFPL, a Maniar Group entity in terms of the Order. Further, CTCL had transactions with Shanti Financial Services Private Limited (as mentioned in its reply), which is again a Maniar Group entity. Though, it may contend that its role was restricted to only one off-market transaction with KLFPL, I cannot lose sight of the fact that the quantity (20,00,000) of shares involved in the said transaction was huge and substantial. Further, I also note that KLFPL and RTPL have also indulged in off-market transactions in the shares of Confidence Petroleum India Limited (one of the scrips, where trading is a subject of the present matter) between themselves, as mentioned in the Order. At this stage, I am not convinced by the argument that CTCL has no connection with the other entities in the matter. The facts and circumstances suggest otherwise. Further, in such cases, I am of the view that individual acts should not be seen only in isolation but their activities need to be viewed in the background of the case in its totality. At this stage, I am of the considered view that the available material justifies the continuation of the directions issued against CTCL in the matter. Its role or involvement in the alleged manipulation would be reviewed after the investigation in the matter is concluded.

5. 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, 11(4) and 11B thereof, hereby confirm the directions issued against Chimming Trading Company Limited, vide the ad-interim ex-parte Order dated June 4, 2009, in the matter of alleged manipulative trading by certain connected entities in the scrips of Cals Refineries Limited, Confidence Petroleum India Limited, Bang Overseas Limited, Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited) and Temptation Foods Limited.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: MARCH 25, 2010