

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 VENTURE BUSINESS ADVISORS PRIVATE LIMITED 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

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI), vide an ad interim ex-parte 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 and Infra India Limited) and Temptation Foods Limited, *inter alia* restrained Venture Business Advisors Private Limited (hereinafter referred to as VBAPL) from accessing the securities market and further prohibited it from buying, selling or dealing in the securities market, directly or indirectly, till further orders. Thereafter, VBAPL, vide letter dated June 4, 2009 submitted its objections to the Order. An opportunity of hearing was also afforded to VBAPL on June 30, 2009, when Mr. Somashekhar Sundaresan, Advocate appeared on its behalf and made submissions. The learned advocate reiterated the objections made by VBAPL in its letter dated June 4, 2009 and requested that the directions passed against VBAPL be vacated at the earliest.

2. Thereafter, VBAPL, vide letter dated December 14, 2009 filed an application for a consent order in terms of the SEBI Circular dated April 20, 2007. The said application was rejected by SEBI on consideration of the same, in terms of the aforesaid circular, and the same was communicated to VBAPL, vide letter dated June 4, 2010. The present proceedings has resumed thereafter.

3. I have considered the reply filed by VBAPL, the oral submissions made by the learned advocate during the hearing and other material available on record. At this stage, the limited issue for consideration is whether, based on the available material on record and after considering the submissions made by VBAPL, the interim directions issued by SEBI vide the Order against VBAPL, need to be continued, revoked or modified in any manner. The circumstances which led to the passing of the Order against various persons/entities (including VBAPL) and their *prima facie* role in the alleged market manipulation in the identified scrips during the period between January 2007 and February 2009 have been explained in much detail in the Order. The Order had identified VBAPL as a 'connected client' on the basis of it having off-market transactions with Chandra Financial Services Private Limited (CFSPL), an entity forming part of the 'Maniar Group'. It was found that on July 4, 2008, VBAPL, a promoter of Temptation Foods Limited (TFL), had received 1,00,000 shares of TFL from CFSPL through an off-market transfer. VBAPL was also found to have transferred Rs.1,00,00,000/- to HSM Financial Services Private Limited (HSM), another 'Maniar Group' entity. It was also noticed that on July 2, 2008, CFSPL received 1,00,000 shares of TFL from VBAPL, which was returned by CFSPL on July 4, 2008. On December 8, 2008, VBAPL made an off-market transfer of 3,10,000 shares of TFL to Shanti Financial Services Private Limited (SFSPL) and on December 18, 2008 and December 30, 2008, VBAPL received back 10,000 shares and 40,000 shares, respectively from SFSPL. VBAPL also received 60,000 shares on April 25, 2009 from SFSPL. It is pertinent to note that SFSPL has also been identified as a 'connected client' and a "Maniar Group" entity, in the Order. The preliminary findings also found that, during the period from December 16, 2008 to January 20, 2009, TFL received 3,50,000 shares through off-

market transfer from VBAPL and that TFL had sold those shares in the market. It also appeared that TFL purchased 4,50,000 shares of TFL on BSE and transferred the shares off-market to VBAPL. The investigation also found that the mobile number (9930290001) of Ms. Surabhi Jain (another 'connected client') was registered in the name of Mr. Dayabhai Lad, director of VBAPL. It was therefore inferred that Ms. Surabhi Jain and VBAPL, the two connected clients, had a nexus between them.

4. While denying the allegations, VBAPL submitted that its director Mr. Vinit Kumar was acquainted with the director of HSM and since HSM was in need of funds, Rs.1,00,00,000/- was transferred to HSM as an advance. It was also stated that, at no point were any shares of TFL purchased or desired to be purchased through those loans. As regards the transfer of 1,00,000 shares of TFL to CFSPL and receiving it back, VBAPL submitted that the shares had been loaned to the said entity for a very short period and that the director (who is a director in HSM also) of CFSPL was known to Mr. Vinit Kumar, director of VBAPL. As regards the transfer and receipt of 3,10,000 shares of TFL from SFSPL, it was submitted that as the director of SFSPL was known, the same were loaned for a short period. It was further submitted that, after the return of shares by SFSPL, the shares were transferred to Shriram Insight Share Brokers Limited and held as 'security' for loan (against shares) from Shriram City Union Finance Limited, for purchase of shares of Kohinoor Foods Limited. As regards the allegation that TFL received 3,50,000 shares through off-market transfer from VBAPL and sold the same in the market, it was submitted that said shares were transferred in two lots – 2,00,000 and 1,50,000 shares, from VBAPL to TFL (in account with Centurion Bank) and thereafter to Shriram Insight Share Brokers Limited, for creating security for the loan for purchasing shares of Kohinoor Foods Limited. It was further submitted that 5,75,000 shares [3,50,000+2,00,000+25,000 (the balance from an earlier transfer)] were provided as security. With respect to the finding in the Order that TFL purchased 4,50,000 shares of TFL on BSE and transferred the shares in off-market to VBAPL, it was submitted that no such purchase was made. With respect to the finding that Ms. Surabhi Jain was using the mobile number which was registered in the name of Mr. Dayabhai Lad, a

director of VBAPL, it was submitted that Ms. Surbhi Jain had moved to Mumbai for her education and being new to Mumbai, Mr. Dayabhai Lad had procured a mobile connection for her using his office address.

5. I have given thoughtful consideration to the submissions made by VBAPL in the matter. VBAPL had entered into fund transactions and shares transfers with certain “Maniar Group” entities. VBAPL has also admitted that its director Mr. Vinit Kumar was acquainted with a common director in HSM, CFSPL and SFSPL. HSM, CFSPL and SFSPL are ‘Maniar Group’ entities, which had large trading concentration in the shares of certain identified companies in the matter. It is found that the connected clients have dealt amongst themselves in the market, buying and selling shares amongst each other, thereby creating volumes. Some of the *inter se* trades of the connected clients were synchronized in nature. They have also found to have transferred shares amongst themselves through off-market transactions. Further, it has also been noticed that the delivery obligation of one connected client had been satisfied by another connected client by off-market transfer of shares. As already mentioned above, VBAPL is found to have transactions with certain “Maniar Group” entities. The Maniar Group entities have been prima facie found to have been involved in the manipulation as they were found to be behind the synchronized trades in the shares of the identified companies and in the creation of artificial volumes in those scrips. Therefore, in view of the linkages coupled with the fund and share transfers noticed between VBAPL, the ‘Maniar Group’ entities and the other connected clients, I am not convinced at this stage that there is a need to review the interim directions issued against VBAPL in the matter. The available material on record justifies the continuation of the directions issued vide the Order against VBAPL, till further directions. Needless to say, the role or involvement of VBAPL in the manipulation would be brought out in clear terms by the ongoing investigation. If the said investigation is not able to conclude that VBAPL had any definite role in the manipulation, necessary directions would be issued at an appropriate stage.

6. 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, 11B and 11(4) thereof, hereby confirm the directions issued against Venture Business Advisors Private Limited, vide the ad-interim ex-parte order dated June 4, 2009.

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

PLACE: MUMBAI

DATE: JUNE 30, 2010