

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

In the matter 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

In respect of Ms. Surabhi Jain

Date of hearing: May 10, 2011

Appearances:

For Noticee: Mr. Sandeep Jain, Authorized Representative
Mr. Vinay Chauhan, Advocate
Ms. Preeti Salaskar, Advocate

For SEBI: Ms. Doel Ghorai, Presenting Officer
Mr. Aliasgar S. Mithwani, Deputy General Manager
Ms. Anitha Anoop, Deputy Legal Advisor
Mr. Siddhesh Lotlikar, Assistant General Manager
Mr. Pradeep Kumar, Assistant Legal Adviser

ORDER

Under Sections 11, 11(4) and 11 B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

1. Securities and Exchange Board of India (hereinafter referred to as the 'SEBI') during routine market surveillance observed synchronized deals in scrips namely Cals Refineries Limited, Confidence Petroleum India Limited, Bang Overseas Limited (hereinafter referred to as 'Bang'), Shree Precoated Steels Limited (presently known as Ajmera Realty & Infra India Limited) and Temptation Foods Limited (hereinafter referred to as 'Temptation') (hereinafter all collectively referred to as 'five scrips'). On examination of the trade data relating to the five scrips, inter-linkages between certain entities dealing in the five scrips were noticed in the form of off-market transactions as well as synchronized deals on the market. These entities having inter-linkages are collectively referred to as the '*connected clients*'. The connected

clients' were found to have large trading concentration in the five scrips and a substantial portion of their trading amongst themselves in synchronized nature was found to have contributed to the increase in the market volume. The preliminary investigation also revealed instances where delivery obligations of one of the connected clients was fulfilled by the off-market borrowing of the shares from another connected client and thereafter the borrower was seen to have bought back the shares from the market and returned the same to the lender through off-market transfer.

2. Pursuant to the preliminary investigation, SEBI vide an *ad interim ex-parte* order dated June 04, 2009 issued under Sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'), restrained *inter-alia* Ms. Surabhi Jain (hereinafter referred to as the 'noticee') from accessing the securities market and further prohibited her from buying, selling or dealing in the securities market, directly or indirectly, till further directions in this regard.
3. The said interim order also gave her an opportunity to file objections, if any, to the order within 15 days from the date of the order. The noticee filed her objections to the interim order vide letter dated June 18, 2009. Subsequently, an opportunity of personal hearing was afforded to the noticee on July 21, 2009. After considering the objections and material available on record, SEBI passed the order dated January 19, 2010 confirming its earlier order dated June 04, 2009.
4. Thereafter, on completion of the investigation, SEBI issued a show cause notice dated March 09, 2011 (hereinafter referred to as 'SCN') to the noticee under Sections 11, 11(4) and 11B of SEBI Act read with Regulation 11 of SEBI (Prohibition of Fraudulent Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations') for her trading in the scrips of Temptation and Bang, two out of the five scrips.

The investigation in the scrip of Temptation was conducted by SEBI for the period of August 01, 2007 to February 28, 2009 for its trading at Bombay Stock Exchange (hereinafter referred to as 'BSE'). During this period, the price of the scrip increased from ₹95.95 as on August 01, 2007, and touched a high of ₹344.50 on June 19, 2008 and fell to ₹34.15 as on February 27, 2009. The total volume traded in the scrip of Temptation during the period of August, 2007 and February, 2009 was 2,30,68,520 shares.

As regards Bang, the investigation was conducted by SEBI for the period of March 01, 2008 to February 28, 2009 for its trading at BSE. During this period, the price of the scrip increased from ₹148 as on March 03, 2008, touched a high of ₹307 on June 17, 2008 and the scrip fell to the closing price of ₹85.80 as on February 27, 2009. The total volume traded in the scrip of Bang during the period of March, 2008 to February, 2009 was 2,65,28,074 shares.

The SCN alleged that the noticee had executed synchronized transactions with the connected clients, which resulted in the creation of artificial volumes in the scrips of Temptation and Bang. The above mentioned acts of the noticee were alleged to be in violation of Regulations 3(a), 4(2) (a) and (g) of the PFUTP Regulations. Accordingly, the SCN called upon her to show cause as to why action in terms of Sections 11, 11(4) and 11B of the SEBI Act, including debarring her from accessing the securities market and prohibiting her from buying, selling or otherwise dealing in the securities for an appropriate period of time should not be initiated against her.

5. The noticee vide its letter dated March 28, 2011 replied to the SCN and sought an opportunity of personal hearing. Accordingly, an opportunity of personal hearing was granted to the noticee on May 10, 2011. On the date scheduled for hearing, Mr. Sandeep Jain, the authorized representative of the noticee, Mr. Vinay Chauhan, Advocate and Ms. Preeti Salaskar, Advocate appeared for the noticee and made submissions. The noticee also sought seven days time for filing of the written submissions which was granted to

her. The noticee vide her letter dated May 16, 2011 sent the written submissions, which were taken on record. The submissions of the noticee, in brief, are as under:

- a. The transactions were delivery based and carried out with the intention of investing and earning some profit thereof. Noticee had no connection with other entities namely Beejay, Eversight, Stupendors.
 - b. No off-market transfers were carried out in the shares of Temptation and Bang. The transactions were not continuous and the same had not adversely influenced the LTP in the scrips and there was considerable time gap in the 'order placement time'. The transactions were nominal and the same could not have influenced the price of the scrips.
 - c. She has been charged for 4 transactions undertaken by her over a period of 19 months. The volumes in the scrips were already on rise much prior to the transactions carried out by her in the subject scrips.
 - d. Was not connected to Maruti Securities Limited (hereinafter referred to as 'Maruti') or Maniar Group. She had applied for 11,25,000 convertible warrants by making an application to Maruti. However, as no payment for subscription was made, no warrants were issued to her. There is discrepancy in the data relied upon by SEBI.
 - e. The noticee has already suffered prohibition for a period of 22 months. As a result of the same, her portfolio has suffered huge erosion.
6. I have carefully considered the *ad interim* order passed by SEBI dated June 04, 2009, the objections filed by the noticee, the confirmatory order of SEBI dated January 19, 2010, the SCN, reply to the SCN dated March 28, 2011, written submissions dated May 16, 2011 and the material available on record. I note that the noticee in its submission has raised some doubt on the data relied upon by SEBI. I have seen the data annexed with the SCN and find it to be in order except one or two instances where the order time sequence is disturbed, which appears to be the result of subsequent updation of the orders.

7. Having considered this, I proceed with the matter. I note that the noticee has not denied her trading in the scrips of Temptation and Bang during the respective investigation periods. I have seen the relationship as brought out in the SCN between the noticee and Mr. Sudhir Jain, Eversight Tradecomm Private Limited (hereinafter referred to as 'Eversight'), Beejay Investment & Financial Consultants Private Limited (hereinafter referred to as 'Beejay'), all of whom were the top three buyers and sellers in the scrip of Temptation.
8. The noticee in her submissions has denied her connection with Beejay, Eversight and Stupendors Traders Private Limited (hereinafter referred to as 'Stupendors'). However, I note that the noticee is the neice of Sudhir Jain, the director of 'Beejay'. Also, Eversight was being managed by a distant relative of Sudhir Jain i.e., Mr. Adish Jain and Peeyush Jain, the directors of 'Eversight'. Further, Vicky Kothari, the director of 'Stupendors' is the brother-in-law of Sudhir Jain.
9. I also note the connection brought out between the noticee and Maruti, in the SCN. The noticee has argued that she had applied for some convertible warrants of Maruti, however, the same were not issued to her as no payments were made to it. I observe from the record available that it is not clear as to when and what quantity of the shares of Maruti were allotted to the noticee. In the absence of this material information and/or any other evidence, the link between the noticee and Maruti cannot be established conclusively.
10. I note that the noticee had bought 33,049 shares and sold 2,33,049 shares in the scrip of Temptation during the period under consideration. I have seen the trading details of the noticee in the scrip of Temptation. A few instances thereof has been brought out below:

Table A

Trade				Buy					Sell					
Date	Price	Time	Qty.	Time	Qty.	Price	Client Name	Member Name	Member Name	Client Name	Time	Qty.	Price	Time Diff
1/7/2008	310	12:36:53	9838	12:36:38	10000	310	Eversight	Microsec	B. Lodha	Noticee	12:36:52	10000	310	0:00:14
1/7/2008	310	12:40:39	162	12:40:38	2000	310	Eversight	Microsec	B. Lodha	Noticee	12:36:52	10000	310	0:03:46
14/7/2008	300	12:50:36	2970	12:50:35	3000	300	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:00:11
14/7/2008	300	12:50:39	5000	12:50:39	5000	300	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:00:15

14/7/2008	300	12:50:43	2000	12:50:42	2000	300	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:00:18
14/7/2008	300	12:50:51	3000	12:50:51	3000	300	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:00:27
14/7/2008	300	12:50:58	5000	12:50:57	5000	300	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:00:33
14/7/2008	300	12:51:53	30	12:51:53	3000	302	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:50:24	18000	300	0:01:29
04/11/2008	239.50	12:43:07	1600	12:43:06	2000	240	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:43:00	10000	239.5	0:00:06
04/11/2008	239.50	12:43:15	1100	12:43:14	2000	240	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:43:00	10000	239.5	0:00:14
04/11/2008	239.50	12:43:22	2000	12:43:21	2000	240	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:43:00	10000	239.5	0:00:21
04/11/2008	239.50	12:43:27	2000	12:43:26	2000	240	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:43:00	10000	239.5	0:00:26
04/11/2008	239.50	12:43:41	1000	12:43:40	1000	240	Sudhir Jain	Indiabulls	B. Lodha	Noticee	12:43:00	10000	239.5	0:00:40
04/11/2008	240	15:29:05	10000	15:14:00	10000	240	Jay	Pravin V. Shah	B. Lodha	Noticee	15:29:05	10000	240	0:15:05
04/11/2008	240.15	15:43:11	6949	15:43:10	20000	240	Akash	Chandravadan	B. Lodha	Noticee	15:42:18	6949	240.2	0:00:52

The trade details show that the sell orders of the noticee in the scrip of Temptation had mostly resulted in trades with counterparty clients such as Eversight, Beejay/ Sudhir Jain. The details of the contribution of the noticee to the market volume in the scrip of Temptation are as under:

Table B

Date	Counterparty client	No. of Shares sold by noticee	Day's market volume	% to days market volume
14/07/2008	Beejay	18,000	1,29,509	13.90%
07/08/2008	Eversight	20,000	1,09,700	18.23%
09/09/2008	Beejay	25,000	89,773	27.85%
04/11/2008	Beejay	7,700	73,909	33.35%
	Jay Investrade	10,000		
	Acme Craft	6,949		

11. In the scrip of Bang, the noticee had traded for 1,33,650 shares during the relevant period. I observe that the trades of the noticee constituted 11.31% to the daily turnover volume on June 20, 2008. Further, on July 01, 2008, the trades of the noticee constituted 75.34% to the day's turnover in the scrip.
12. From the trading details of the noticee, in the scrips of Temptation and Bang, I note that there is proximity in the time of entering of orders at the same price and quantity in most of the instances, thus resulting into matching of the trades. This indicates synchronization in the logging in of the orders. The noticee has argued that her trades in the scrip of Temptation and Bang were delivery based and that she had not carried out any off-market transactions in the scrip.

- 13.** I note that the connection of the noticee with most of its counterparties is established and that many orders entered by the noticee were synchronized. The noticee has contributed significantly to the daily turnover in the subject scrips and further, the noticee has been debarred since June 04, 2009. However, I am of the view that the trades of the noticee were not large enough to affect the market in a major way and therefore, order as under:
- 14.** In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Sections 11, 11B and 11(4) thereof, do hereby revoke the interim directions issued vide *ad interim ex-parte* order dated June 4, 2009 and confirmatory order dated January 19, 2010 against Ms. Surabhi Jain [PAN: AINPJ 9654Q] with immediate effect and also dispose of the SCN without any further direction.

DATE : 8TH JULY, 2011
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA