

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 MR. ASHOK KUMAR JAIN 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 & Infra India Limited) and Temptation Foods Limited, had *inter alia* restrained Mr. Ashok Kumar Jain from accessing the securities market and further prohibited him from buying, selling or dealing in securities market, directly or indirectly, till further orders, as he was *prima facie* found to be involved in the alleged manipulation in the matter. Thereafter, Mr. Ashok Kumar Jain, vide letter dated June 18, 2009 *inter alia* denied the allegations leveled against him and requested that he may be permitted to inspect the documents relied upon by SEBI to arrive at the conclusions in the Order and also requested for an opportunity of personal hearing. Pursuant to the inspection of the

documents on July 3, 2009 and on being furnished with the copies of relevant documents to Mr. Sachin Chhadavva (authorized representative of Mr. Ashok Kumar Jain), Mr. Ashok Kumar Jain had filed his objections to the Order, vide letter dated August 11, 2009. Thereafter, an opportunity of personal hearing was granted to Mr. Ashok Kumar Jain on August 13, 2009, when he was represented by Mr. Ranjit Bhonsale and Mr. Rajesh Khandelwal, the learned advocates, who reiterated the objections made by Mr. Ashok Kumar Jain in his replies.

2. I have considered the submissions made by Mr. Ashok Kumar Jain in his replies, the oral submissions made on his behalf before me during the personal hearing and other material available on record. Mr. Ashok Kumar Jain has been arrayed as a 'connected client' in the Order as he was found to have indulged in off-market transactions with Kundan Leasing and Finance Private Limited (KLFPL), Jay Investrade Private Limited (JIPL) and Maruti Securities Limited (MSL), who are the entities pertaining to the 'connected clients' (as defined in the Order) group. The Order has alleged that the trades of the connected clients (including that of Mr. Ashok Kumar Jain) in the identified scrips had caused increased market traded volumes in such scrips and that such volumes could have induced other genuine investors to deal in such securities. It was also alleged that the connected clients had indulged in circular trades, synchronized trades in the market and off-market transactions (which was found to have aided the recipient connected client to meet its delivery obligation without any corresponding market purchase). The preliminary findings of the investigation found that on April 3, 2008, Mr. Ashok Kumar Jain had received 3,50,000 shares of Confidence Petroleum Limited (CPL) from MSL, one of the connected clients. He had also received 3,00,000 shares of CPL on July 2, 2008 from KLFPL, a 'Maniar group' (as defined in the Order) entity. The preliminary findings further revealed that Mr. Ashok Kumar Jain had purchased 4,197

shares and sold 2,04,197 shares of CPL in the market. Similarly, he had also purchased 2,55,000 shares and sold 1,58,910 shares of Bang Overseas Limited (BOL). In this regard, Mr. Ashok Kumar Jain in his objections stated that he was engaged in the business of trading in the shares in the capital market and that he carries on the said business in the name and style "Ashok Kumar Jain". He stated that he had borrowed Rs.34,00,000/- from Ostwal Trading (I) Private Limited on January 22, 2008 which was transferred to his stock broker on January 23, 2008 towards his debit balance. According to him, Rs.18,00,000/-, remained to be paid to Ostwal Trading (I) Private Limited. He further stated that he had taken another loan of Rs.47,00,000/- from JPK Trading (I) Private Limited and the said sum was used for making part payments for his purchases of shares. Mr. Ashok Kumar Jain submitted that he was holding shares but as value of those shares were drastically fluctuating due to the volatile market conditions; his stock broker had required him to make payments and/or secure his positions. According to Mr. Ashok Kumar Jain, as he had to repay the loans taken from Ostwal Trading (I) Private Limited and JPK Trading (I) Private Limited, he had contacted various financial institutions/stock brokers/high networth individuals for borrowing money and that he was informed that they were not in a position to lend money but could lend securities of certain companies for a short period on the condition that the same be returned to them within a stipulated period, failing which the transfer would be treated as a 'sale'. With respect to the off-market transfer of shares of CPL from MSL, Mr. Ashok Kumar Jain submitted that he had requested a short term loan of Rs.50,00,000/- from MSL and offered to execute a demand promissory note for the same. According to him, MSL had replied that they were not in a position to lend money but offered stocks of equivalent value on execution of a demand promissory note. According to him, pursuant to the said understanding, 3,50,000 shares of CPL were transferred in off-market to him. He also stated that as he was not in a position to return the said shares within

the time frame specified by MSL, a debit note for an amount of Rs.44,48,500/- was sent by MSL towards the sale of 3,50,000 shares of CPL. In view of the same, it was stated that Mr. Ashok Kumar Jain had transferred the said shares to his stock broker and were sold by him on various days. Mr. Ashok Kumar Jain had submitted certain documents in order to substantiate his aforesaid claims. The case of Mr. Ashok Kumar Jain in respect of the off market receipt of 3,50,000 shares of CPL from MSL was that the same were transferred in lieu of money and that in case of default in returning the said shares, the transfer would be treated as a 'sale'. Admittedly, there has been a default on the part of Mr. Ashok Kumar Jain. Thus, as per his contention, the off market transfer is a sale. In such a case, Mr. Ashok Kumar Jain was liable to pay the consideration to MSL for the shares of CPL transferred by it. However, from the submissions made, I note that no consideration appeared to have been paid to MSL in this regard. The same would only lead credence to the inference of SEBI that MSL and Mr. Ashok Kumar Jain were accommodating each other.

3. With respect to the 3,00,000 shares of CPL received from KLFPL in an off-market transaction, Mr. Ashok Kumar Jain had made the same submission as made with respect to the receipt of 3,50,000 shares of CPL from MSL. Admittedly, Mr. Ashok Kumar Jain had defaulted in returning the shares to KLFPL and thus according to him, the said transfer was treated as a sale. In this case also, no submission was made by him as to whether he had paid the sale consideration to KLFPL. As regards the receipt of 10,00,000 shares of Cals Refineries Limited (CRL) from JIPL through off market, Mr. Ashok Kumar Jain submitted that he had requested JIPL for a loan of 10,00,000 shares of CRL for a period of three months, which was acceded to by JIPL. Accordingly, the shares were transferred to his demat account as a loan on the condition that the said shares would be returned within a period of three months failing which the same would be automatically termed as a sale. He further stated that the said

shares were returned to JIPL on November 28, 2008. The primary submission of Mr. Ashok Kumar Jain seems to be that the shares were borrowed by him from MSL, KLFPL and JIPL for the purposes of tiding over his financial difficulties. He further submitted that the only connection between him and the Maniar group was by way of loan transactions. He contended that there was no prohibition on off-market transfer of shares by individuals and therefore, he cannot be faulted for merely receiving shares of CPL and CRL in off-market and that just by receiving shares in off-market, can never be the foundation for any conclusion that the same was manipulative or artificial and so no adverse inference could be drawn. He further stated that he had purchased and sold 2,76,000 shares of BOL and not 2,55,000 shares (purchase) and 1,58,910 shares (sold) as mentioned in the Order.

4. Mr. Ashok Kumar Jain had received shares of certain identified scrips in off-market only from the connected clients (MSL, KLFPL and JIPL) and has also traded in scrips identified for investigation wherein manipulation had happened. Such receipts have not been disputed. The preliminary findings of the case had *inter alia* revealed that various entities including Mr. Ashok Kumar Jain had entered into off-market transactions with Maniar Group entities and other connected clients as mentioned in the Order. In the background of the facts and the circumstances of the case, I am of the view that the acts of Mr. Ashok Kumar Jain should not be seen in isolation but the activities of all the entities covered under the order need to be seen in the background of the alleged manipulation and unfair practices perpetrated by them in the matter. The documents submitted by Mr. Ashok Kumar Jain along with his objections need to be scrutinized by the investigation before any specific finding on them can be accorded. At this stage, the facts and circumstances of the case *prima facie* suggest the complicity of Mr. Ashok Kumar Jain and the available material on record justifies the continuation of the interim directions passed against him vide ad-interim ex-parte Order dated June 4, 2009. His role or involvement in

the alleged manipulation would be reviewed after the investigation is concluded.

5. In view of the foregoing, 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, I, hereby confirm the directions against Mr. Ashok Kumar Jain, issued under 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 10, 2010