

**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 MS. SURABHI JAIN, MS. SAMATA JAIN, MR. SUDHIR JAIN, BEEJAY INVESTMENT & FINANCIAL CONSULTANTS PRIVATE LIMITED, STUPENDORS TRADERS PRIVATE LIMITED AND AMAR PACKAGINGS PRIVATE 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 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, *inter alia* directed Ms. Surabhi Jain, Ms. Samata Jain, Beejay Investment & Financial Consultants Private Limited, Mr. Sudhir Jain, Stupendors Traders Private Limited and Amar Packagings Private Limited not to buy, sell or deal in the securities market directly or indirectly, till further directions, as they were *prima facie* found to have played a role in the alleged manipulation. Thereafter, the persons/entities mentioned above have filed

their objections to the Order and the same are considered in the later part of this order.

2. An opportunity of personal hearing was granted to Ms. Surabhi Jain, Ms. Samata Jain (on July 21, 2009) and Amar Packagings Private Limited (on July 28, 2009). Mr. Vinay Chauhan, Advocate appeared on their behalf. The learned counsel reiterated the objections made by Ms. Surabhi Jain, Ms. Samata Jain (vide separate letters dated June 18, 2009) and Amar Packagings Private Limited (vide letter dated June 27, 2009). Stupendors Traders Private Limited filed its objections, vide letter dated June 18, 2009. Subsequently, an opportunity of personal hearing was granted to it on July 28, 2009, when Mr. Balveer Singh Choudhary, Advocate, appeared on its behalf and made submissions on the lines of the objections made by it. Beejay Investment & Financial Consultants Private Limited and Mr. Sudhir Jain filed their objections, vide letters dated July 6, 2009 and July 13, 2009, respectively. They were granted an opportunity of hearing on August 20, 2009, when Mr. Ajai Fernandes, Advocate represented them. The learned advocate reiterated the submissions made by Beejay Investment & Financial Consultants Private Limited and Mr. Sudhir Jain in their respective replies. Further, Beejay Investment & Financial Consultants Private Limited and Mr. Sudhir Jain filed written submissions, vide separate letters dated September 3, 2009.

3. I have considered the objections filed by Ms. Surabhi Jain, Ms. Samata Jain, Amar Packagings Private Limited, Beejay Investment & Financial Consultants Private Limited, Mr. Sudhir Jain and Stupendors Traders Private Limited, the oral submissions made on their behalf during the course of hearing and other material available on record. In the facts and circumstances, the limited issue for consideration, is whether the directions issued by SEBI in the Order need to be continued, revoked or modified in any manner, in so far as it relates to persons/entities mentioned above. The circumstances which led to the passing of

the ex-parte order dated June 4, 2009 and the *prima facie* role of the aforesaid persons/entities in respect of the alleged market manipulation have been explained in detail in the said order. The preliminary findings led to a *prima facie* inference that the acts of connected clients (as defined in the Order) had caused increased market traded volume and such increased traded volume would have induced other genuine investors to deal in such securities.

4. It is observed that Ms. Surabhi Jain and Ms. Samata Jain were the applicants in respect of the proposed preferential allotment of warrants of MSL. They were also involved in synchronized deals with other connected clients, as mentioned in the Order. Their contention was that the same were executed through their stock broker in the ordinary course of business without any manipulative intent and that the same were carried out in the order matching mechanism of the exchange. According to them, they were not aware of the counter party, while placing the orders. They further submitted that all deliveries were made from their own demat accounts and were not received or borrowed from any other person/ entity. As per the Order, Ms. Surabhi Jain had bought 83,650 shares and sold 50,000 shares of Bang Overseas Limited (BOL). She also bought 33,049 shares and sold 2,33,049 shares of Temptation Foods Limited (TFL). Out of the above sale, the counter parties in respect of trades involving 91,500 shares were the connected clients, such as Beejay Investment & Financial Consultants Private Limited, Eversight TradeCom Private Limited (Eversight) and Jay Investrade Private Limited (JIPL). The trades between Beejay Investment & Financial Consultants Private Limited and Ms. Surabhi Jain had accounted for 50,700 shares of TFL. Further, one trade involving 10,000 shares of TFL was found to be synchronized. It was observed that Ms. Surabhi Jain had sold 1,30,000 shares of TFL (which accounted for approximately 56% of her total sales in the shares of TFL) to ABN Amro Bank NV, during the relevant period. Another pertinent factor is that Alosha Vanijya Private Limited, Mr. Sudhir Jain and Beejay Investment & Financial Consultants Private Limited (certain connected clients

mentioned in the Order) during the same period, were also seen to have sold substantial shares of TFL. Majority of these were purchased by ABN Amro Bank NV. Such similarity in the trading behaviour exhibited by the connected clients in selling the shares at the same time, gives rise to an inference that they were acting in concert.

5. In the case of BOL, Ms. Surabhi Jain had purchased majority (85%) of the shares from the connected clients such as Stupendors Traders Private Limited and Maruti Securities Limited (MSL). On the sell side, all the shares (50,000) sold by Ms. Surabhi Jain were purchased by Mr. Harsh Maniar (about 41,000 shares) and JIPL (about 9,000 shares). Besides, three trades executed by Ms. Surabhi Jain in the shares of BOL were also found to be synchronized [one buy trade of 25,000 shares on June 20, 2008 and 2 buy trades on July 1, 2008 of 35,000 shares and 13,000 shares, respectively]. The counter parties to the synchronized trades were Stupendors Traders Private Limited (in two trades) and MSL (in one trade). As stated earlier, Ms. Surabhi Jain had executed trades with the connected clients. She was also involved in synchronized transactions with the connected clients. It was observed that the counter party in the synchronized trades of Ms. Surabhi Jain in the shares of TFL was Eversight Tradecom Private Limited. Ms Samata Jain (mother of Ms. Surabhi Jain) had bought 20,000 shares and sold 35,000 shares of Shree Precoated Steels Limited (SPSL). She had also bought 1,65,381 shares and sold 3,60,457 shares of TFL. Out of the said trades, 2 trades [one buy transaction of 15,000 shares and one sell transaction of 15,000 shares] were synchronized. The counter parties in the aforesaid synchronized transactions were Beejay Investment & Financial Consultants Private Limited and its director Mr. Sudhir Jain, who is none other than the brother of Ms Samata Jain. Thus, all the parties involved in the above synchronized transactions were either MSL or the other proposed allottees of the preferential allotment of MSL. It is also pertinent to note that Ms. Samta Jain, Ms. Surabhi Jain and Mr. Sudhir Jain are close relatives. Considering the facts and circumstances, such types of transactions,

prima facie, appear to have not been executed in the ordinary course of business. Their contention that even though they are known to each other, their trading is independent and based on their own volition, does not carry conviction in the facts and circumstances of the case. Besides, the alleged linkages of the parties were also further strengthened through telephone records. It was *inter alia* observed that in the BSE UCC records, the mobile number '9930290001' was entered as the number of Ms. Surabhi Jain. However, the data furnished by the telecom service provider showed that the same was registered in the name of one Dayabhai Lad having his address at 4, Unity House, Mama Parmanand Marg, Opera House, Mumbai-400004, which incidentally is the address of TFL and its promoter, Venture Business Advisors Private Limited. It was also noted from the disclosures of acquisition of the shares of TFL by Venture Business Advisors Private Limited, to BSE, that Mr. Dayabhai Lad is the director of the latter. This would further indicate the nexus between the two connected clients viz. Ms. Surabhi Jain, and Venture Business Advisors Private Limited. Ms. Surabhi Jain in her reply contented that Mr. Dayabhai Lad is known to her family for many years and that he had helped her to settle in Mumbai and therefore, at the time of registration of mobile phone connection, she had given the address of Mr. Dayabhai Lad for address proof. Considering the fact that Mr. Dayabhai Lad is the director of Venture Business Advisors Private Limited (a connected client) and the other facts and circumstances of the case, the said contention does not appear to be convincing, at this stage.

6. It is pertinent to note that Ms. Surabhi Jain had executed synchronized transactions in the shares of TFL. The incidents noticed in the present case would *prima facie* indicate that the intention behind their transactions was malafide. In view of the same, I am not convinced by the submissions that Ms. Surabhi Jain and Mrs. Samata Jain they were not connected with the other 'connected clients'. It is pertinent to note that Ms. Surabhi Jain is having a huge portfolio of securities in her demat account. Given the fact that she is a student, her individual earnings

does not explain such a huge investment. It is also noted that she had applied for 11,25,000 warrants @ Rs. 30/- per warrant. Though, according to her, the said consideration was not paid and that no allotment took place, it is rather strange how a college student without any demonstrable means, was able to make such an application. In such circumstances, it is suspected that she may have been a benami in the securities market.

7. In respect of Amar Packagings Private Limited, I note that it had received 30,000 shares of BOL from MSL by way of off market transfer. Though, it has been stated that the transfer of 30,000 shares were towards satisfying the margin calls the same appears to be suspicious at this stage, in view of the alleged role of MSL and other connected clients in the manipulation which has been explained in the Order. Further, as stated in the Order, the said entity had bought and sold 39,00,000 shares and 28,99,999 shares, respectively of Cals Refineries Limited (CRL). Out of the said purchase, 37,29,150 shares were purchased from the 'connected clients' implying very high counter party concentration. It was also observed that it had purchased 1,61,669 and sold 1,31,823 shares of SPSL. In view of the same, I am unable to accept the contentions of Amar Packagings Private Limited.

8. In respect of Stupendors Traders Private Limited, I note that it had subscribed to 7,50,000 warrants of MSL, which formed the basis of it being identified as a "connected client". One of its directors, Mr. Vicky Kothari was also found to have applied for warrants of MSL. Stupendors Traders Private Limited had bought and sold 10,00,000 shares each of Confidence Petroleum India Limited (CPIL). It had also bought and sold 1,53,485 and 4,12,230 shares, respectively, of BOL and bought and sold 3211 and 8056 shares respectively of SPSL, during the relevant time. It was further found that around 10,00,000 shares of CPIL purchased by Stupendors Traders Private Limited on September 1, 2008

were through synchronized deals, the counter party being Beejay Investment & Financial Consultants Private Limited. The details of such trades were mentioned in the Order. Similarly, Stupendors Traders Private Limited was also involved in 3 synchronized sell transactions in the shares of BOL, wherein the counterparties were Ms. Surabhi Jain in two instances involving 13,000 shares and 35,000 shares respectively and Mr. Sudhir Jain, in one instance involving 20,000 shares. Stupendors Traders Private Limited was also involved in one synchronized buy transaction involving 10,000 shares where the counterparty was MSL. Stupendors Traders Private Limited, in its objections *inter alia* stated that it had applied for 7,50,000 warrants of MSL. It further submitted that it had subsequently reversed its decision and did not pay any subscription money. It further contended that except for its intention to subscribe to the warrants, it had no link or other connection with MSL. According to it, the criteria for selecting it as a connected client as “preferential allottees of MSL” do not hold good as it was not actually allotted warrants. Stupendors Traders Private Limited denied having any connection with MSL or with the Maniar group (as defined in the Order) and further claimed that none of its directors have been implicated under the criteria mentioned in the Order. However, it is noted that, one of its directors, Mr. Vicky Kothari was found to have applied for warrants of MSL. Regarding its trading in the identified scrips, it was submitted that it had traded only in the shares of CPIL, BOL and SPSL and that its volume contribution to the market was miniscule. It denied having assisted any entity in meeting its delivery obligation and submitted that its trading was in the normal course. With respect to the matching and synchronization of trades with Mr. Sudhir Jain and Beejay Investment & Financial Consultants Private Limited, it submitted that those were isolated transactions and were in ‘consonance with the current market price’. It was also submitted that it did not know who the counter party was when it placed orders and that the trades were done on the floor of the exchange. With reference to the telephone calls that were exchanged, it was submitted that those calls were for a short duration.

9. I note that both Stupendors Traders Private Limited and its director, Mr. Vicky Kothari had applied to the warrants of MSL. Further, Mr. Vicky Kothari is the relative of Ms Surabhi Jain who had also applied for the said warrants of MSL. Further, she is the counterparty to the alleged synchronized trades with Stupendors Traders Private Limited. The other counterparties to such synchronized trades were Beejay Investment & Financial Consultants Private Limited and Mr. Sudhir Jain (director of Beejay Investment & Financial Consultants Private Limited). Further, Mr. Sudhir Jain is a relative of Mr. Vicky Kothari and a close relative of Ms Surabhi Jain. There seems to be transactions of funds between Beejay Investment & Financial Consultants Private Limited and Stupendors Traders Private Limited. Its contention that even though they are known to each other, their trading is independent and based on their own volition, does not seem to be credible, at this stage. It is noticed that number of synchronized transactions and off market transfers had taken place among the connected clients as mentioned in the Order. The dealings of connected clients in respect of the five scrips have been narrated in the Order, from which it can be seen that the said group was indulging in circular trades, synchronized trades and off-market transactions in each of the identified scrip. One of the pertinent factors noted in this case was that the connected clients executed synchronized transactions amongst themselves, as detailed in the Order. In such circumstances, the trades of all the persons who had *prima facie* indulged in such transactions should be taken into account and the individual transaction of each entity should not be seen in isolation. Further, it was noticed that a number of telephone calls were made between Stupendors Traders Private Limited (Mr. Vicky Kothari) and Ms. Surabhi Jain during the relevant period. It was noticed that Ms. Surabhi Jain had also executed synchronized transactions in the scrips, as mentioned in the Order. Further, the telephone calls made by the concerned parties during the relevant period do add to the grounds for such a suspicion. At this stage, the available material on record and the circumstances justifies the continuation of the interim directions passed against Stupendors Traders Private Limited.

10. I note that Beejay Investment & Financial Consultants Private Limited and its director, Mr. Sudhir Jain have also applied for 11,25,000 warrants each of MSL. Further, Mr. Sudhir Jain was found to have indulged in off-market transactions with three connected clients namely MSL, Acme Craft Private Limited and Chandra Financial Services Private Limited (CFSPL). It was found that in the shares of SPSL, the top three buyers and sellers, among the connected clients were MSL, Beejay Investment & Financial Consultants Private Limited and CFSPL. Further, in the shares of TFL, the top three buyers and sellers, among the connected clients were Beejay Investment & Financial Consultants Private Limited, Mr. Sudhir Jain and Eversight Tradecom Private Limited (Eversight). It was also noticed that certain connected clients including Mr. Sudhir Jain had made market sales without any purchases and were able to meet their market delivery obligations through off-market receipt of shares from other connected clients. In its objections, Beejay Investment & Financial Consultants Private Limited had stated that it is a non-banking finance company actively engaged in trading and investing in the capital market. It denied having any link/connection/nexus with any of the proposed preferential allottees in respect of trading in the alleged scrips and that its trading in the said five scrips was independent and in the ordinary course of its business. It further submitted that most of its trades were delivery based and not 'intra day square off deals'. It submitted that its delivery obligations were met out of its 'own stock built out of market purchases'. It denied having executed trades out of the funds from Mr. Ketan Parekh and claims to have traded from its own resources or by obtaining margin funding from its stock brokers. In respect of its synchronized trades, Beejay Investment & Financial Consultants Private Limited *inter alia* stated that the said trades were in the normal course and was not aware of the counter party. It was further submitted that it had also dealt with entities not forming part of connected clients. With regard to their trading in the shares of TFL, Beejay Investment & Financial Consultants Private Limited submitted that it had a bullish view in the said scrip and was accumulating the shares and that it could have happened that some of the shares sold by its director, Mr. Sudhir Jain, may have

been bought by it. With respect to the telephone calls, it was submitted that the telephone number '9830378459' belonged to its director, Mr. Sudhir Jain, who used to make personal and official calls from the said phone. It was also stated that Mr. Sudhir Jain is a relative of Ms. Surabhi Jain (sister's daughter) and that such calls were 'family calls' and no business issues were discussed during such calls. As regards the call received by it from Acme Crafts Private Limited, Beejay Investment & Financial Consultants Private Limited submitted that it was not aware of any such call and that the said call must have been made to its director, Mr. Sudhir Jain as a personal call.

11. Mr. Sudhir Jain made similar submissions as that of Beejay Investment & Financial Consultants Private Limited. While admitting that he was the director of Beejay Investment & Financial Consultants Private Limited, he stated that he did not take care of the day to day investment function of the company. According to him, his transactions in the scrips mentioned in the Order were miniscule. In respect of his trading in the shares of CPIL, he stated that he had sold 25,00,000 shares received by him as surety for his loan from Kundan Leasing and Finance Private Limited (KLFPL) and had sold the said shares to realize his dues and that the said trades were delivery based. Mr. Sudhir Jain stated that he was contemplating trading in the scrip of BOL and the moment he found a seller, he immediately placed his order. According to him, this was how 20,000 shares got matched with Stupendors Traders Private Limited. As regards the trade with Acme Crafts Private Limited, he stated that he had sold 5000 shares of BOL on National Stock Exchange of India Limited (NSE). But he maintains that he had a bullish view on the said scrip and therefore, placed a buy order which matched with Acme Crafts Private Limited. This is clearly illogical. Mr. Sudhir Jain denied that the transaction with Beejay Investment & Financial Consultants Private Limited was to create artificial volume. He further stated that the sale transactions were done with a view to ease out his margin positions. In respect of the off-market transactions in the shares of CPIL, Mr. Sudhir Jain stated that the receipt of 2,80,000 shares of

CPIL from MSL on July 4, 2008 was by way of loan and that he had returned the same on July 28, 2008. According to him, the receipt of 25,00,000 shares CPIL on January 28, 2008 from KLFPL was surety for the money due to him and that he had sold 3,75,000 shares of CPIL (on February 5, 2008) and 21,25,000 shares of CPIL (on February 25, 2008) to realize his dues. He further stated that he had received 3,30,000 shares of CPIL from KLFPL on July 4, 2008 and returned the same on July 28, 2008 and stated that the shares were received and returned on 'loan basis'. In respect of the off-market transactions in the shares of BOL, he stated that he had received 3,00,000 shares from MSL on March 17, 2008, as loan. In respect of the off-market trades in SPSL, he submitted that on January 30, 2008, he had received 70,000 shares from CFSPL as a loan and the same was returned on February 6, 2008. Further, Mr. Sudhir Jain admitted that the telephone no. 9830378459 belonged to him and that he used to make personal and official calls from the said number. He submitted that calls to Acme Craft Private Limited were in the ordinary course of business and that the calls to Ms. Surabhi Jain (his niece) were personal calls.

12. I have examined the submissions of Beejay Investment & Financial Consultants Private Limited and Mr. Sudhir Jain. It is an admitted fact that Mr. Sudhir Jain is the director of Beejay Investment & Financial Consultants Private Limited. Further, they have not denied the fact of synchronized trades executed between themselves and with the other connected clients. In this regard, their common contention is that their trading is independent that of the other and that they had traded on their own volition. However, their mode of order placement clearly shows that the trades were not made independently as claimed by them but on the other hand appears to be an outcome of a predetermined and well thought out plan. They have matched orders of 34,792 and 9,486 shares of TFL when the revealed quantities of such orders were 3,500 and 1,000 shares, respectively. It is pertinent to note that only the revealed quantity would be known to the market participants, as the order quantity. Despite this, if they have been

able to match the original quantity, it only signifies the meeting of minds of the parties involved in such trades. It is noted that in certain instances, both Mr. Sudhir Jain and Beejay Investment & Financial Consultants Private Limited have placed buy/sell orders simultaneously, through the same terminal. Beejay Investment & Financial Consultants Private Limited was found to have matched trades with Mr. Sudhir Jain, Ms. Samta Jain, Eversight etc. Mr. Sudhir Jain is also found to have matched trades with the connected clients namely, Beejay Investment & Financial Consultants Private Limited, Stupendors Traders Private Limited, Alosha Vanijya Private Limited, Peanence Commercial Private Limited etc. Further, the objective of the off-market trades entered into by Mr. Sudhir Jain appears to facilitate the fraudulent activities observed *prima facie*. The submissions of the parties, therefore do not carry conviction enough to justify modification of the interim directions. As stated earlier, Beejay Investment & Financial Consultants Private Limited was involved in exceuting synchronized trades with Ms. Surabhi Jain. Further, Beejay Investment & Financial Consultants Private Limited in its letter dated December 24, 2009 *inter alia* stated that it had financial dealings with connected clients including MSL, Stupendors Traders Private Limited, Acme Craft Private Limited, Ms Surabhi Jain and Ms Samata Jain etc. It was noticed from the said letter that huge funds were transacted between Beejay Investment & Financial Consultants Private Limited and other connected clients including Ms. Samata Jain and Ms. Surabhi Jain. Beejay Investment & Financial Consultants Private Limited had paid Rs. 10 lakh to Ms. Surabhi Jain and the same was received back. It is indeed odd that Ms. Surabhi Jain, a student was involved in such high value money transactions. These facts need to be verified and the same would be done by the ongoing investigation. I find that, this is a case where a set of persons/entities who had applied for the warrants of MSL earlier, were also found to have traded (including synchronized trades) among themselves. Further, MSL was also found to have traded heavily in the identified scrips, involved in matched transactions and indulged in off-market transactions, with the other connected clients. From the synchronized trades, off-market

transactions, telephone calls and fund transfers observed, there emerges a clear devious plot involving the complicity of the parties. This gets further strengthened by the fact that the parties were found to be the applicants of warrants proposed to be issued by MSL.

13. The trading pattern of the connected clients appears to be to create a false appearance of large liquidity (trading interest) in the scrips. SEBI had therefore a well founded fear that the lay investors could be misled into transacting in the shares. As seen from their trading activities (both market as well as off-market) and other attendant circumstances, the connected clients appear to have organized themselves as a group in a well planned manner to achieve their fraudulent objectives. Furthermore, there were also fund transfers between some of them. In such circumstances, the trades of all the persons who had *prima facie* indulged in such transactions should be collectively taken into account and not the individual transactions of each entity. Further, the contention that the directions under Sections 11B and 11(4) of Securities and Exchange Board of India Act, 1992 cannot be issued for penalizing the persons is also not tenable as SEBI is empowered to issue directions including interim directions as expressly provided for, under Section 11(4) thereof, for protecting the interest of the investors and to safeguard the integrity of the securities market. The available material on record justifies the continuation of the interim directions passed against Ms. Surabhi Jain, Ms. Samata Jain, Beejay Investment & Financial Consultants Private Limited, Mr. Sudhir Jain, Stupendors Traders Private Limited and Amar Packagings Private Limited and the same need not be revoked or modified at this stage. Their role or involvement in the manipulation would be reviewed after the investigation is completed, in accordance with law.

14. In view of the foregoing, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with Section 19 thereof, I, hereby confirm the directions against Ms.

Surabhi Jain, Ms. Samata Jain, Beejay Investment & Financial Consultants Private Limited, Mr. Sudhir Jain, Stupendors Traders Private Limited and Amar Packagings Private Limited 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: JANUARY 19, 2010