

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER**

ORDER

Under Section 12(3) of the SEBI Act read with Regulation 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

In respect of Lalkar Securities P. Ltd. (SEBI Registration No. INB010991133) in the matter of Temptation Foods Limited, Bang Overseas Limited, Confidence Petroleum India Limited, Cals Refineries Limited and Shree Precoated Steels Limited (now known as Ajmera Realty & Infra India Limited)

Date of hearing: September 18, 2012

Appearances:

For Noticees Mr. Prakash Shah, Chartered Accountant
Mr. Kapil Thacker, Director of Lalkar Securities P. Ltd.

For SEBI: Mr. Sharad Sharma, General Manager
Mr. Santosh Kumar Shukla, Joint Legal Adviser
Mr. Siddhesh Lotlikar, Assistant General Manager
Mr. Parag Kumar Sinha, Presenting Officer
Mr. Durgesh Kumar Thakur, Assistant Legal Adviser, and

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1. SEBI during routine market surveillance, observed synchronized deals in the scrips of Temptation Foods Limited (*'Temptation'*), Bang Overseas Limited (*'Bang'*), Confidence Petroleum India Limited (*'Confidence'*), Cals Refineries Limited (*'Cals'*) and Shree Precoated Steels Limited (*'SPSL'*) (presently known as Ajmera Realty & Infra India Limited). SEBI conducted investigation into the trading in the shares of the said five scrips. It was observed that a group of related/connected clients (*'connected clients'*) had dealt in the said five scrips during the relevant investigation periods. Lalkar Securities P. Ltd. (the noticee), a stock broker, having SEBI registration No. INB10991133, had traded on behalf of some of the connected entities in the scrip of Bang, Confidence and Temptation during the relevant investigation periods.
 2. Based on the findings of the investigation, SEBI initiated proceedings under SEBI (Intermediaries) Regulations, 2008 (Intermediaries Regulations) in respect of the noticee and appointed the Designated Authority (DA), to enquire into the alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (PFUTP Regulations) and SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (Stock Brokers Regulations).

3. The DA conducted proceedings to enquire into the allegations that the noticee alongwith/ in collusion with the stock broker /'connected clients' had created artificial volumes/ aided and abetted in the creation of artificial volumes through synchronized deals in the scrips of 'Bang', 'Confidence' and 'Temptation'. It was also alleged that the noticee failed to exercise due care, skill and diligence while trading/ dealing in the aforesaid three scrips. The DA in his report dated April 20, 2012 gave benefit of doubt to the noticee in respect of its alleged dealings on behalf of its clients in the scrip of 'Bang' and 'Confidence'. However, he found that the noticee while trading/dealing on behalf of its clients in the scrip of 'Temptations' has failed to exercise due care, skill and diligence and has thereby violated/ contravened the provisions of clause A(2) of the Code of Conduct for Stock Brokers specified under schedule II of the Brokers Regulations. The DA recommended that the noticee may be warned to avoid recurrence of such violations.
4. After considering the Report of the DA, a show cause notice (SCN) dated June 11, 2012 under regulation 28 of the Intermediaries Regulations was issued to the noticee calling upon it to show cause as to why the appropriate action including the penalty recommended by the DA, should not be imposed upon it. The noticee replied to the SCN vide its letter dated June 25, 2012, and requested for an opportunity of personal hearing. Accordingly an opportunity of personal hearing was granted to the noticee on September 18, 2012. Shri Prakash Shah, Chartered Accountant and Shri Kapil Thacker, Director of the noticee appeared on the scheduled date and made their submissions.
5. The submissions of the noticee *inter alia* are as under:-
 - a. It has not done any proprietary trades in any of the said three scrips and all the trades mentioned in the Report are done on behalf of clients who were not related/connected to the noticee.
 - b. It is denied that any of the trades were synchronized or reversed trades resulting in creation of artificial volume and misleading appearance in trading.
 - c. With regard to the allegations in respect of the dealings of the clients in the scrips of 'Bang' and 'Confidence', the DA has not found any evidence of collusion of the noticee with the clients and others in their wrong doings and illegal trading and that the noticee had assisted / abetted its clients in creation of artificial volumes in those scrips. In the case of 'Temptation' the DA has not found any nexus of the noticee with its clients and has observed that it would be difficult to arrive at the conclusion that the noticee was aware of the trades and willfully executed or assisted the clients in creation of artificial volumes.
 - d. All the trades have been on the stock exchange and, admittedly, the noticee is not related to the clients who traded in the relevant scrips through it. It has no reason to disbelieve or suspect the trades of the clients. In absence of any nexus / connection of the noticee with its clients in their trading and since the noticee had acted on behalf of the instructions of

those clients, it cannot be said that the noticee did not exercise due care, skill and diligence as found by the DA.

6. I have carefully considered the Report, SCN, the submissions of the noticee and relevant material available on record. I note that DA has not found any role of the noticee in the alleged manipulative trades through synchronised and/or circular trades of its clients in the scrips of '*Bang*' and '*Confidence*'. Considering the material on record, I do not find any reason to differ from the findings of the DA with regard to the transactions of the '*connected clients*'. Considering that the noticee has executed only sell orders in the scrip of '*Bang*' and '*Confidence*' for its clients, the amount of trades are minimal and no relation or nexus between the noticee and its clients, I agree with the findings of the DA with regard to allegations against the noticee in the matter of trading of its clients in those scrips.
7. In the scrip of '*Temptation*', I note that the noticee has not done propriety trades and there is no evidence on record to suggest any relation between the connected entities and the noticee apart from client-broker relationship. I also note that the pattern of trades also do not suggest that the noticee was part of premeditated plans of '*connected clients*' for creation of artificial volumes in this scrip through their non-genuine circular trades and synchronised trades.
8. In view of the above, I give benefit of doubt to the noticee in relation to the allegations that the noticee was indulged in and had assisted or abetted its clients who created artificial volumes to give false appearance of trading in the scrips through their non-genuine trades.
9. I note that the noticee has executed only sell orders on behalf of its two clients, namely '*Chandra*' and '*Maruti*' in the scrip of '*Temptation*'. I observe that on December 17, 2008 and December 19, 2008 the noticee executed 9 and 6 synchronized trades, respectively, for its client Chandra, for sale of 67,500 shares of '*Temptation*' constituting 80.90% and 24.70% to the total market volume on the respective trading days. These synchronised orders were placed at the interval of only few seconds. However, in the facts and circumstances of this case, though on the test of normal prudence, I do not find that the noticee has failed to exercise due care and diligence, I am of the view that the noticee, being a stock broker and supposedly having professional competence, should take utmost care and be more vigilant while executing such trades on behalf of its clients in future.
10. The SCN is accordingly disposed of.

DATE : October 9th , 2012
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA