WTM/RKA/IVD/ID-4/33/2012

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

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.

In the matter of Bang Overseas Limited and Cals Refineries Limited.

In respect of: **Ms. Kiran Jain (PAN: ABJPJ9767F)**

Date of hearing: February 29, 2012
Appearances:
For Noticee: Mr. Bharat Merchant, Advocate
Mr. Ashok Jain

For SEBI: Mr. Santosh Kumar Shukla, Joint Legal Advisor
Mr. Siddhesh Lotlikar, Assistant General Manager
Mr. Amitesh Kumar, Assistant Legal Advisor, and
Mr. Benoy Melshiyar, Assistant Legal Advisor

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

2. During the preliminary investigation, the connected clients were found to be having 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 of those five scrips. In view of the same, SEBI, vide an *ad interim ex-parte* order dated June 04, 2009 restrained some of the connected clients from accessing the securities market and further prohibited him from buying, selling or dealing in the

securities market, directly or indirectly, till further directions. Ms. Kiran Jian was not covered in the said order. SEBI passed an order dated March 10, 2010 confirming the directions passed in *ad interim ex-parte* order.

3. SEBI completed the investigation relating to trading in the scrip of Bang for the period March 1, 2008 to February 28, 2009 and Cals for the period June 1, 2008 to February 28, 2009. Upon completion of the investigation, SEBI issued a show cause notice dated July 29, 2011 ('SCN') to Ms. Kiran Jain ('the noticee') under Sections 11, 11(4) and 11B of the SEBI Act read with regulation 11 of SEBI (Prohibition of Fraudulent Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('PFUTP Regulations') with respect to her trading in the scrips of Bang and Cals. The SCN alleged that Ms. Kiran Jain had executed reversal trades and synchronized transactions, which resulted in the creation of artificial volumes in the scrip of Bang and Cals. The acts of the noticee were, thus, alleged to be in violation of Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) and (g) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act, 1992.

4. The noticee vide letter dated September 8, 2011 replied to the SCN and sought an opportunity of personal hearing. An opportunity of personal hearing was granted to the noticee on February 29, 2012, when Mr. Bharat Merchant, the authorized representative along with Mr. Ashok Jain, appeared and made submissions on behalf of the noticee.

5. The submissions of the noticee, *inter alia,* are as under:
   a. She was not connected with any of the entities referred to as 'connected clients'.
   b. Ms. Kiran Jain's contribution was of 0.05% and 0.80% of the total market volume in the scrips of Bang and Cals respectively. This is very negligible quantity of shares during entire period of investigation of 26 months and cannot create a misleading appearance of trading in the market.
   c. Ms. Kiran Jain had traded for 5 lac shares in the scrip of Bang in 76 trades on 13 trading days out of total volume of 2.65 crore shares constituting 0.05% of the total market volume. Out of these 76 trades, 42 trades were having price difference between buy and sell order. Hence, they were not synchronized. Further, 73 out of 76 trades were having quantity difference ranging from 63 to 90,000 shares and thus cannot be called synchronized. 61 orders had difference in time between sell and buy order for more than 1 minute. Hence, 95% of the her trades were not synchronized. Further, all these trades were backed by delivery and beneficial ownership had changed.

d. Only in case of 6000 shares of Bang on one day, an order of 6000 shares placed by Mr. Ashok Jain matched with the buy order of Ms. Kiran Jain resulting in trade of 5980 shares. The volume in the scrip of Bang was more than 2 crore shares and 6000 shares matching on one day between the noticee and Mr. Ashok Jain can only be called a coincidence.

e. Ms. Kiran Jain had traded for 70 lac shares in the scrip of Cals in 195 trades on 6 trading days out of total volume of 86.74 crore shares constituting 0.8% of the total market volume. On August 12, 2008, there were 44 trades where she bought shares. In 17 out of 44 trades, there was price difference between buy and sell order and hence they were not synchronized. All the trades were having quantity difference ranging from 63 to 90,000 shares and thus cannot be called synchronized. Further, 38 out of 44 orders had difference in time between sell and buy order for more than 1 minute. Hence, 95% of the her trades were not synchronized. Further, all these trades were backed by delivery and beneficial ownership had changed.

f. After holding those shares of Cals for 9 days, she started selling on August 21, 2008 wherein there were 10 trades where the time difference between orders was more than 9 minutes. There was quantity difference between 3 to 10 lac shares in these 10 trades.

g. On August 25, 2008, Ms. Kiran Jain bought shares of Cals in 134 trades. All these trades were having quantity difference between 4 to 8 lac shares and hence cannot be called synchronized. 87 out of 134 trades had difference in time between sell and buy order for more than 1 minute. Further, all these trades were backed by delivery and beneficial ownership had changed.

h. On September 24, 2008, Ms. Kiran Jain sold those shares as there was price rise making a profit in 8 trades. These trades were not synchronized as there was quantity difference.

6. I have carefully considered the SCN, the reply, the submissions made during the hearing and all the material available on record. I note that the noticee was part of the connected clients and she has not disputed the transactions mentioned in the SCN.

7. I note from the SCN that Mr. Ashok Jain and Ms. Kiran Jain are husband and wife. Further, the following facts support their relation with other connected clients with whom they had dealt in shares of Bang and Cals.

   (a) Further, Chandra Financial Services P. Ltd. ('Chandra'), Kundan Leasing and Finvest P. Ltd. ('Kundan'), Jay Investrade P. Ltd. ('Jay'), HSM Financial Services

P. Ltd. ('HSM') and Shanti Financial Services P. Ltd. ('Shanti') have common directors namely Harsh Shirish Maniar and Jay Shirish Maniar and have common address at Achal Bhuvan, 3rd Floor, 21 Modi Street, Fort, Mumbai.

(b) Mr. Ashok Jain vide his letter dated October 14, 2009 had informed that he had financial dealings with Chandra and Shanti and also received shares in off market from Maruti Securities Ltd. ('Maruti'), Kundan and Jay.

8. In the SCN, it is alleged that Ms. Kiran Jain traded for 5,05,983 shares of Bang out of which 3,36,963 shares were traded during the month of May and June 2008 in 13 trading days i.e. constituting 66.60% of her total trades. Ms. Kiran Jain bought 1,86,963 shares wherein the major counterparty selling clients were HSM (44,206 shares), Kundan (31,886 shares), Jay (27,362 shares), Maruti (12,387 shares), Chandra (6,601 shares) and Mr. Ashok Jain (6,442 shares) (i.e. 68% of her total buy trades). Further, she sold 1,50,000 shares wherein the major counterparty buying clients were Kundan (65,075 shares), Jay (33,795 shares), Maruti (19,072 shares) and Chandra (10,000 shares) (i.e. 85% of her total sell trades). I note that 66.6% of total trades of Ms. Kiran Jain were done just on 14 trading days between May and June 2008. I also note that Ms. Kiran Jain had repeatedly done trading with the connected counterparty clients, in this case to the extent of 68% of her total buy trades and 85% of her total sell trades and it cannot be believed to be mere coincidence. Thus, it will be appropriate to infer that Ms. Kiran Jain executed several trades with connected clients to create artificial volume in the scrip of Bang.

9. I further note that in the SCN it is alleged that in the scrip of Bang, Ms. Kiran Jain had indulged in the following synchronized transactions:-

Trade Date	Trade No	Trade Rate	Trade Time	Order Time	Order Qty	Order Rate	Buy Client Name	Buy Member Name	Sell Member Name	Sell Client Name	Traded Quantity	CP Order Time	CP Order Qty	CP Order Rate	Time Diff	Qty Diff	Rate Diff
8-May-08	320	228.20	11:29:49	11:29:49	6000	228.20	Kiran	Shrira m	Shrira m	Ashok	5980	11:29:49	6000	228.20	0:00:00	0	0
6-Jun-08	405	243.00	14:41:46	14:41:46	20000	243.00	Kunda n	Krishvi	Shrira m	Kiran	14799	14:41:32	20000	243.00	0:00:15	0	0

10. From the above table, it is observed that on May 08, 2008 Mr. Ashok Jain placed a sell order of 6,000 shares at 11:29:49 hrs and Ms. Kiran Jain placed a buy order of 6,000 shares at 11:29:49 hrs. In this order, trade for 5,980 shares got executed at the same time. Similarly, on June 06, 2008 Ms. Kiran Jain placed a sell order of 20,000 shares at 14:41:32 hrs and Kundan placed a buy order of 20,000 shares at 14:41:46 hrs. In this

order, trade of 14,799 shares got executed in a time difference of 0:00:15 seconds between buy and sell order. I therefore, find that these trades were synchronized in term of price, quantity and time wherein the time difference between the buy and sell orders was almost negligible.

11. In the SCN, it is further alleged that in the scrip of Cals, Ms. Kiran Jain traded for 70,00,000 shares in 6 trading days wherein the major counterparty selling clients of her buy trades were Maruti (22,42,341 shares), Acme Craft P. Ltd. (19,00,000 shares) and Chandra (10,00,000 shares) (i.e. 73% of her total buy trades). Further, the major counterparty buying clients of her sell trades were Maruti (23,84,620 shares) and Kundan (15,48,570 shares) (i.e. 56% of her total sell trades). I note that Ms. Kiran Jain dealt in 70,00,000 shares of Cals in just 6 trading days. I also note that Ms. Kiran Jain had repeatedly done trading with the connected counterparty clients, in this case to the extent of 73% of her total buy trades and 56% of her total sell trades and it cannot be believed to be mere coincidence. Thus, it will be appropriate to infer that Ms. Kiran Jain executed several trades with connected clients to create artificial volume in the scrip of Cals.

12. I also note that in the SCN it is also alleged that in the scrip of Cals, Ms. Kiran Jain had indulged in synchronized transactions. On August 13, 2008 Ms. Kiran Jain placed a buy order of 10,00,000 shares at 15:23:34 hrs. at the price of □4.05 and Chandra placed a sell order of 10,00,000 shares at 15:23:39 hrs. at the price of □4.05. The time difference between buy and sell order was of 00:00:05 seconds only and the trade for total quantity of 10,00,000 shares got executed. I, therefore, find that this trade was synchronized in term of price, quantity and time wherein the time difference between the buy and sell orders was almost negligible.

13. In my view, several trades particularly synchronized trades of the noticee with the connected entities are of too much of a coincidence in anonymous screen based trading system. I find that such trading with the connected clients in anonymous screen based trading could be possible only with the premeditated plan or device with involvement of the noticee. Further, when manipulators operate in large group, the individual contribution could be small, but the group as a whole has a larger impact on the securities market.

14. In this case, the noticee was part of group of connected clients and had dealt in the shares of Bang and Cals with other connected clients. The trades of the noticee have to be considered as part of overall plan of manipulative trading in the five scrips amongst

the connected clients. I note that the noticee's trades are also significant and have contributed to the creation of artificial volume in the scrips of Bang and Cals which led to creation of false and misleading appearance of trading in the scrips without intention of change of beneficial ownership. I, therefore, find that Ms. Kiran Jain has violated Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) and (g) of the PFUTP Regulations and section 12A(a), (b) and (c) of SEBI Act. In my view, restraining her from the securities market for a period of one year would be sufficient for the violations committed by her.

15. In view of the foregoing, I, in exercise of the powers conferred upon me by virtue of Section 19 read with sections 11, 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I, hereby restrain Ms. Kiran Jain from accessing the securities market and further prohibit her from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner for a period of one year from the date of this order;

16. A copy of this Order shall be served on all recognized stock exchanges and depositories to ensure that the direction given in para 15 above are complied with.

17. This Order shall come into force with immediate effect.

RAJEEV KUMAR AGARWAL
DATE: SEPTEMBER 07, 2012 **WHOLE TIME MEMBER**
PLACE: MUMBAI **SECURITIES AND EXCHANGE BOARD OF INDIA**