

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. PKB/ AO-154 /2010]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of

**Lokendra Ramesh Mantri
PAN: AHFPM4945G**

In the matter of Alka Securities Ltd.

I. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed spurt in the price and trading volumes in the shares of Alka Securities Ltd. (hereinafter referred to as "Company"). It was observed that large volume of off market transfers in the shares of the Company were executed and on many occasions the Promoters of the Company were also involved in the off market transfers and these shares were subsequently traded at BSE. Therefore, an immediate examination was carried out by SEBI into the dealings in the scrip of the Company and interim Order was passed by the Whole Time Member of SEBI on July 28, 2009. This interim Order was confirmed vide SEBI Orders dated October 16, 2009 and October 30, 2009.
2. SEBI conducted detailed investigation into the alleged price manipulation in the scrip of the Company during the period from September, 2008 to July, 2009. It was observed that large number of entities including Lokendra Ramesh Mantri (hereinafter referred to as "Noticee") had received the shares of the Company in the off market from the promoters.

3. To examine the role of the Noticee, summons dated December 9, 2009 was issued to the Noticee vide hand delivery, requiring the Noticee to submit the information required in the enclosed Annexure to the summons latest by December 18, 2009 and the same was received by the Noticee. The Noticee did not reply to the aforesaid summons.
4. Therefore, Notice was published in the Hindustan Times and Hindustan (Hindi) on March 21, 2010 mentioning that summons were issued in relation to the investigation into the dealings in the scrip of the Company and that SEBI had either not received the responses or received incomplete replies from the entities, whose names were mentioned in the Notice. The Notice mentioned that copies of the relevant summons were available on SEBI website and advised the entities to ensure that their reply to the summons reach SEBI by 23-03-2010. The Noticee did not reply to the aforesaid Notice also.
5. Therefore, Adjudication Proceedings under Chapter VI A of the SEBI Act, 1992 (hereinafter referred to as "Act") were initiated, *inter alia*, in respect of Noticee and the undersigned was appointed as the Adjudicating Officer vide Order dated March 31, 2010 to inquire into and adjudge the alleged non-compliance with summons by the Noticee in the scrip of the Company.

II. SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notice (hereinafter referred to as "SCN") dated June 15, 2010 was issued to the Noticee under Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudication Rules") calling upon the Noticee to show cause why inquiry should not be held against the Noticee in terms of Rule 4 of the Adjudication Rules for the alleged violation of provisions of sections 11C(2) and 11C(3) of the Act. The SCN alleged that the Noticee did not comply with the summons and the same has hampered the investigations into the scrip of the Company.
7. The Noticee replied to the SCN vide letter dated June 23, 2010. On examination of the reply, Notice of Inquiry dated August 13, 2010 was

issued to the Noticee vide which the Inquiry was scheduled to be held on September 1, 2010. The Noticee did not attend the hearing and therefore, in the interest of principles of natural justice, one more opportunity of hearing was accorded to the Noticee vide Notice of Inquiry dated September 3, 2010 wherein the hearing was scheduled for September 16, 2010. However, again, neither the Noticee nor anyone on its behalf attended the hearing. Vide letter dated September 17, 2010, Mr. Rajendra Kumar submitted the letter of Authority from the Noticee which authorized him to represent Noticee's case and sought an extension of 2 weeks for appearing. In view of the above, one more opportunity of hearing was accorded to the Noticee vide Notice of Inquiry dated September 30, 2010 wherein the hearing was scheduled to be held on October 21, 2010 and the Noticee was also advised to produce the proof of receipt of Noticee's reply to the summons by SEBI in original on the date of hearing. Again, neither the Noticee nor its Authorized Representative, Shri Rajendra Kumar attended the hearing. Vide letter dated October 21, 2010, Shri R.K.Raghav on behalf of Noticee's Authorized Representative, Shri Rajendra Kumar submitted that the Authorized Representative was unable to attend the matter and requested for the personal hearing in next week. Mr. Rajendra Kumar, Authorized Representative of the Noticee appeared for the hearing on October 22, 2010 and minutes of the hearing are extracted below:

"1. The SCN alleged that summons dated December 9, 2009 was issued to you and you did not reply to the summons. You have claimed in your reply dated June 23, 2010 that you had submitted the details on December 18, 2009. However, it has been alleged that the same was not received by SEBI. Therefore, Notice was published in the Hindustan Times and Hindustan (Hindi) on March 20, 2010 mentioning that summons were issued in relation to the investigation into the dealings in the scrip of the Company and that SEBI had either not received the responses or received incomplete replies from the entities, whose names were mentioned in the Notice wherein your name appeared at S.No. 245 and you did not reply to the Notice. Please offer your comments on the same and produce the original proof of receipt of your reply by SEBI?

Ans. Receipt in original is being produced for verification and a copy duly certified is being submitted. As we have already submitted the reply we have not responded to the newspaper notice.

2. Would you like to make any submissions in addition to your reply dated June 23, 2010?

Ans. Nil."

III. ISSUES FOR CONSIDERATION AND FINDINGS:

8. On perusal of the material available on record, I find that the Issue for consideration and my Findings are as follows:

Whether the Noticee has violated provisions of sections 11C(2) and 11C(3) of the Act?

9. The provisions of sections 11C(2) and 11C(3) of the Act read,

“Section 11 C: Investigation

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.”

10. The SCN alleged that summons dated December 9, 2009 was issued to the Noticee vide hand delivery, requiring the Noticee to submit the information required in the enclosed Annexure to the summons latest by December 18, 2009 and the same was received by the Noticee. The copy of summons and Annexure alongwith proof of receipt were enclosed as “Annexure-2” to the SCN.
11. The SCN alleged that the Noticee did not reply to the aforesaid summons and therefore, Notice was published in the Hindustan Times and Hindustan (Hindi) on March 21, 2010 mentioning that summons were issued in relation to the investigation into the dealings in the scrip of the Company and that SEBI had either not received the responses or received incomplete replies from the entities, whose names were mentioned in the Notice. The Notice mentioned that copies of the relevant summons were available on SEBI website and advised the entities to ensure that their reply to the summons reach SEBI by 23-03-2010 and the Noticee’s name

was mentioned at S.No. 245 of the Advertisement. The Copy of the Notice was enclosed as "Annexure-3" to the SCN. The SCN alleged that the Noticee did not reply to the aforesaid Notice also.

12. The Noticee replied to the SCN vide letter dated June 23, 2010 and submitted that the Noticee had filed the reply on December 18, 2009 vide receipt no. E/12 and that the Noticee had replied in time and also enclosed a xerox copy of the said letter for reference. During the hearing, the Authorized Representative of the Noticee also produced the original receipt for verification.
13. On perusal of the annexure to the SCN, I find that the summons dated December 9, 2009 was duly received by the Noticee. The SCN alleges that the Noticee did not reply to the said summons, hence the Newspaper Advertisement was published and the Noticee did not reply to that also.
14. However, the Noticee has submitted that the Noticee had duly filed the reply to summons vide letter dated December 18, 2009. On perusal of the enclosures to the Noticee's submissions and on verification of the original receipt during the hearing, I find that the letter dated December 18, 2009 bears the SEBI acknowledgment stamp and SEBI has also now confirmed that the said letter of the Noticee was duly received by it.
15. Therefore, in view of the above I find that the Noticee had corresponded to SEBI in response to the summons vide letter dated December 18, 2009 providing the information within the specified time. Hence, as the correspondence of the Noticee was not taken into account and on record while initiating the present Proceedings for non compliance with summons in respect of the Noticee, I find that the charge against the Noticee for non compliance with summons is not established.
16. In view of the aforesaid, I find that the Noticee has not violated the provisions of sections 11C(2) and 11C(3) of the Act.

IV. ORDER

17. In view of my findings noted in the preceding paragraphs, I dispose of the Adjudication Proceedings accordingly.

18. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this Order are being sent to Lokendra Ramesh Mantri and to SEBI.

DATE: NOVEMBER 22, 2010

PLACE: MUMBAI

P. K. BINDLISH

ADJUDICATING OFFICER