WTM/PS/05/IVD/ID-4/APRIL/2012

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

In the matter of Bang Overseas Limited
In respect of Amar Packagings P. Ltd (PAN: AAACA5760G)

Date of hearing: December 23, 2011

Appearances:
For Noticee: Mr. Vinay Chauhan, Advocate

For SEBI: Mr. A.S. Mithwani, Deputy General Manager
Mr. Siddhesh Lotlikar, Assistant General Manager
Mr. Pradeep Kumar, Assistant Legal Adviser
Mr. Parag Sinha, Presenting Officer

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.

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') during routine market surveillance, observed synchronized deals in the scrips of Cals Refineries Limited, Confidence Petroleum India Limited, Bang Overseas Limited (hereinafter referred to as 'Bang'), Shree Precoated Steels Limited (presently known as Ajmera Realty & Infra India Limited) and Temptation Foods Limited (hereinafter collectively referred to as 'five scrips'). On examination of the trade data relating to the five scrips, inter-linkages between certain entities dealing in the five scrips were noticed in the form of off-market transactions as well as synchronized deals on the market. These entities having inter-linkages are collectively referred to as the '*connected clients*'. The name of these connected clients is placed at Annexure 1. 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. The preliminary investigation also revealed instances where delivery obligations of one connected

client were fulfilled by the off-market borrowing of the shares from another connected client, and thereafter the borrower was seen to have bought back the shares from the market and returned the same to the lender through off-market transfer.

2. Pursuant to the preliminary investigation, SEBI restrained, *inter-alia,* Amar Packagings P. Ltd (hereinafter referred to as 'Amar'/ 'noticee') from accessing the securities market and further prohibited it from buying, selling or dealing in the securities market, directly or indirectly, till further directions, vide an ad interim ex-parte order dated June 04, 2009 issued under Sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act')..

3. The said interim order also gave the noticee an opportunity to file objections, if any, to the order within fifteen days from the date of the order. Amar filed its objections to the interim order vide letter dated June 27, 2009. Subsequently, an opportunity of personal hearing was granted to the noticee on July 28, 2009. After considering the objections and material available on record, SEBI passed an order dated January 19, 2010 confirming its earlier order dated June 04, 2009.

4. SEBI had conducted the investigation relating to trading in the scrip of Bang for the period March 1, 2008 to February 28, 2009 (hereinafter referred to as the 'investigation period') on Bombay Stock Exchange Ltd. (hereinafter referred to as 'BSE'). Thereafter, upon completion of the investigation, SEBI issued a notice dated July 26, 2011 (hereinafter referred to as 'SCN') to Amar 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 (hereinafter referred to as 'PFUTP Regulations') with respect to its trading in the scrip of Bang.

5. The SCN alleged that the noticee had executed reversal trades with connected clients, which resulted in the creation of artificial volumes in the scrip of Bang. The acts of the noticee were thus alleged to be in violation of Regulations 3(a), (b), (c), (d)

and 4(1), 4(2)(a) and (g) of the PFUTP Regulations. Accordingly, the noticee was called upon to show cause as to why directions in terms of Sections 11, 11(4) and 11B of the SEBI Act, including debarring it from accessing the securities market and prohibiting it from buying, selling or otherwise dealing in securities for an appropriate period of time, should not be issued against it.

6. The noticee, vide letter dated August 12, 2011 replied to the SCN and sought an opportunity of personal hearing. Accordingly, an opportunity of personal hearing was granted to the noticee on December 23, 2011, when Mr. Vinay Chauhan, the authorized representative of the noticee, appeared and made submissions on behalf of the noticee.

7. The submissions of the noticee, *inter alia,* are:

a. The noticee is not part of the alleged 'connected clients'.

b. The noticee did not execute any synchronized deals. The transactions alleged to be synchronized are isolated transactions.

c. The noticee's contribution of 0.104% of the total market volume on the buy side and 0.08% of the market volume on the sell side in the scrip of Bang cannot create a misleading appearance of trading in the market.

8. I have carefully considered the *ad interim* order passed by SEBI dated June 04, 2009, the objections filed by the noticee, the confirmatory order of SEBI dated January 19, 2010, the SCN, reply to the SCN dated August 12, 2011, the submissions made during the hearing and all the material available on record.

9. I note that from the SCN that there were certain off market transactions between Maruti Securities Ltd. (hereinafter referred to as 'Maruti') and the noticee. Further, the noticee vide letter dated June 27, 2009 has informed that Mr. K. Varadarajan, Managing Director of Maruti was known to them since the days he was with ITC Bhadrachalam.

10. I note that the noticee bought 96,000 shares and sold 80,888 shares of Bang during the investigation period. Out of the above 1,76,888 shares, in the trades for 1,54,846 shares, i.e., in 87.26 % trades, the counterparty client was Maruti or Chandra Financial Services P. Ltd. during 8 trading days. It was observed that 1,01,099 shares were executed during the post closing session, where the counterparty clients were either Maruti or Chandra. The buy trades for 49,779 shares that were bought on April 24, 2008 from Maruti, were reversed on May 7, 2008, where 48,000 shares were sold back to Maruti.

11. The noticee has submitted that it did not execute synchronized deals in the scrip of Bang. However, I note that the SCN does not allege synchronized trades. The allegation therein is of reversal of trades. I note repeated execution of trades by the noticee with the same counterparty clients, in this case to the extent of 87.26 %. Such trades cannot be a mere coincidence. Though the trading on the floor of modern exchanges is faceless and anonymous per se, there is no dearth of possibilities/ways for manipulators.

12. The noticee has also submitted that its contribution was 0.104% and 0.08% of the total market volume on the buy side and sells side respectively. I note that the noticee has considered the total market volume of BSE and NSE for the investigation period of 26 months i.e., 5,46,30,653 (BSE) and 3,69,02,371 (NSE). However, I find that investigation has been conducted for trading in the scrip of Bang on BSE for the investigation period March 1, 2008 to February 28, 2009 i.e. 12 months and the total market volume on the BSE was 2,65,28,074. I find that by executing reversed trades in 8 trading days on the BSE the noticee has contributed volume of upto 20% to the days total market volume on the BSE on those days. Further, when manipulators operate in large groups, the individual contributions could be small, but the group as a whole has a larger impact on the market. In this case too, the noticee is apparently a part of a group of 26 persons given in Annexure 1.

13. Considering the discussion above, I conclude that the trades of Amar have contributed to the creation of artificial volume in the scrip of Bang and thus violated Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) of the PFUTP Regulations. However, the noticee has been restrained from accessing the securities market and prohibited from buying, selling or dealing in the securities market since June 4, 2009. The noticee has thus undergone debarment from securities market for more than two (2) years and nine (9) months. I find that the period of debarment already undergone by the noticee is proportionate to the violations committed by the noticee. In view of the same, I order as under:

14. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Sections 11, 11B and 11(4) thereof, do hereby revoke the interim directions issued vide *ad interim ex-parte* order dated June 04, 2009 and confirmatory order dated January 19, 2010 against Amar Packagings Pvt. Limited with immediate effect and also dispose of the SCN without any further direction.

DATE : APRIL 9, 2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA