

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
MUMBAI**

CONSENT ORDER

On the application submitted by

VIKAS VATSAL GARG (HUF)

PAN No. AAAHV8230K

(CONSENT APPLICATION NO. 2241/2011)

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') observed a spurt in price and volume in the shares of Alka Securities Ltd. (hereinafter referred to as 'ASL') during November 2008 and March 2009 and also detected several surveillance alerts relating to the large volume of off-market transfers in the shares of ASL. Investigation revealed that on many occasions promoters of ASL were involved in the off-market transfers and these shares were subsequently traded at BSE. An immediate examination was carried out by SEBI into the dealings of ASL for the period November 2008 to March 2009. Based on the preliminary findings, SEBI, vide its ad-interim ex-parte order dated 28/07/2009 restrained, 42 first level (hereinafter referred to as "1st level entities") and 317 second level entities (hereinafter referred to as "2nd level entities") from trading in the scrip of ASL, and 9 promoter entities, from accessing the securities market and trading in securities in any manner whatsoever, until further orders. The different level and number of entities have been identified as 9 promoter level entities, 42 first level entities including Vikas Vatsal Garg HUF (hereinafter referred to as "the applicant") and 317 second level entities, depending on the

persons from whom each entity received shares, through both off-market and on-market and indulged in the scheme of price-volume manipulation. Based on the prima facie material on record and after considering the replies made by some of the entities, the said interim order was confirmed by SEBI vide orders dated 16/10/2009 and 30/10/2009, which interalia observed that all the relevant objections made by the entities shall be examined in detail in the ongoing investigation. Pursuant to this, SEBI conducted a detailed formal investigation into the dealings in the scrip of ASL and into the whole scheme of manipulations for the period September 1, 2008 to July 31, 2009 (hereinafter referred to as “investigation period”).

2. Investigation revealed that five of the promoters of ASL, jointly and deliberately perpetrated a scheme to spread out or layer the shares of ASL at various levels by transferring shares through off-market transactions to the 1st Level entities, who inturn transferred the said shares to 2nd level entities and additional entities through off market deals and subsequently the 1st level entities received substantial quantities of shares back from 2nd level and additional entities through market and transferred some of them back to the promoters resulting in circular/reversal trading activity in the shares of ASL during the investigation period. Further, it was found that the first level entities including the applicant entered into inter-se trades amongst themselves.
3. The allegation against the applicant herein, who is one of the 42 first level entities was that, out of an aggregate of 1, 51,93,307 shares received by the 1st level entities from the promoter entities in off-market, the applicant herein had received 300,000 shares and sold these shares in the market to other 1st level entities and also to some 2nd level entities during the investigation period. The applicant, therefore, alleged to have been involved, along with the promoters and other entities, in trading in ASL shares, in connivance with the promoter entities of ASL, with a view to circulate the shares of ASL amongst the entities, without any intention of change of beneficial ownership and to finally offload the shares

on unsuspecting investors, which was interrupted by the interim order dated 28/07/2009 passed by SEBI

4. Based on the above said findings of the investigations, the applicant was alleged to have violated Regulations 3(a), 3(b), 3(c), 3(d) and 4(1) & 4(2) (a), (b) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and a common show cause notice No. *IVD/ID-6/BC/SD/ASL/ 31196 /2010* dated 27/12/2010 was issued to the applicant and 28 other entities to show cause as to why suitable directions under sections 11, 11(4) & 11B of the SEBI Act, 1992 should not be passed against it for the above said violations, which may include restraining the applicant from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period of time and/or issue such directions as deemed fit and proper.
5. While the above proceedings were in progress, the applicant vide application dated 19/01/2011 proposed settlement through a consent order in terms of SEBI Circular No. EFD/ED/Cir- 1/2007 dated April 20, 2007, and thereafter proposed revised consent terms vide letter dated 21/06/2011, whereby it undertook to pay ₹ 10,00,000/- (Rupees Ten Lakhs only) towards settlement charges and has agreed to undergo voluntary debarment from securities market for a period of 2 years. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (hereinafter referred to as 'HPAC') constituted by SEBI, which after deliberations, recommended that the afore-said pending proceedings against the applicant may be settled on the terms proposed by the applicant. SEBI accepted the said recommendations and communicated the same to the applicant vide letter dated 24/08/2011.
6. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant, the applicant has remitted a sum of ₹ 10,00,000/- (Rupees Ten Lakhs) vide Demand Draft No. "859008" dated 30/08/2011 drawn on State Bank of Patiala and has undertaken to undergo voluntary debarment for a period of 2 years from the date of this order.

7. In view of the above, it is hereby ordered that this consent order disposes of the 11B proceedings initiated against the applicant vide show cause notice No. ***IVD/ID-6/BC/SD/ASL/ 31196 /2010*** dated 27/12/2010 as mentioned in Para 4 above.
8. A copy of the order shall be served on the Exchanges and the depositories for information and implementation.
9. This order is without prejudice to the right of SEBI to initiate enforcement actions, including commencing or reopening of the proceedings pending against the applicant, if:
 - a) any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue; or
 - b) the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
- 10) This consent order is passed on this day, the 4th of October 2011 and shall come into force with immediate effect.

UK SINHA
CHAIRMAN

PRASHANT SARAN
WHOLE TIME MEMBER