

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

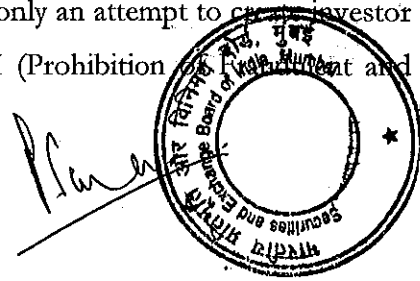
**IN THE MATTER OF DENIM ENTERPRISES LTD (NOW KNOWN AS DIVINE
ENTERTAINMENT LTD)**

In respect of Shri Bankim J Shah and Shri Suresh Bafna

ORDER

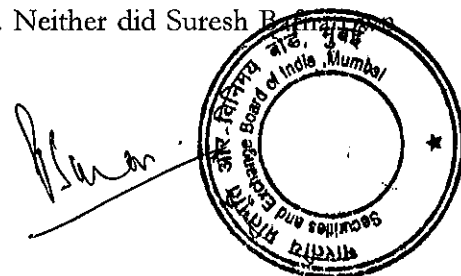
Under Section 11B of Securities and Exchange Board of India Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigations into the dealing in the scrip of Denim Enterprise Limited (hereinafter referred to as 'Denim'/'the company') for the period of November 1, 1999 to March 30, 2000 (hereinafter referred to as 'the investigation period'/'period of investigation'). Shri Aushim Khetrapal was the Chairman and Managing Director of Denim, currently known as Divine Entertainment Limited, and Shri Bankim J. Shah, Shri Suresh Bafna and Shri Ajay Chopra were the Directors of Denim during the period of investigation. Aushim Khetrapal was appointed additional director of the company on December 1, 1999 and the Managing Director of the company on December 8, 1999. The price of the scrip increased from Rs. 7/- on November 1, 1999 to Rs. 267.25/- on March 31, 2000. The scrip reached a high of Rs. 348.20/- on March 8, 2000 and touched a low of Rs. 6.25/- on November 25, 1999.
2. Investigations revealed that the company and its directors published false or misleading information about the company. Further, it was revealed that the promoters/ directors of Denim were related to the entities that traded in the scrip at the time.
3. On completion of the investigations, SEBI issued a notice (hereinafter referred to as the 'SCN') dated April 23, 2009 under Section 11B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act') to Suresh Bafna and Bankim J Shah, the directors of Denim, (hereinafter collectively referred to as the 'noticees'). It was alleged that the reports which appeared in the newspapers were a farce and that it was only an attempt to create investor interest in the scrip in violation of Regulation 5 of the SEBI (Prohibition of Fraudulent and



Unfair Trade Practices) Regulations, 1995 (hereinafter referred to as 'PFUTP, 1995'). The SCN asked the noticees to show cause as to why suitable directions under Sections 11, 11(4) and 11B of SEBI Act, 1992 should not be passed against them.

4. I note that various reminders to the SCN were issued and opportunity of personal hearing was also granted on January 08, 2010 and August 26, 2010 to both the noticees. However, the noticees did not appear for the hearing. Thereafter, Suresh Bafna replied to the SCN vide letter dated September 25, 2010. No reply was received from Bankim Shah. Another opportunity of personal hearing was granted to the noticees on September 28, 2010, wherein the noticees appeared and made submissions. Suresh Bafna appeared in person along with his authorized representative, one Sanjay Motta. During the personal hearing, Mayukh Pandya, the authorized representative of Bankim Shah made submissions on the latter's behalf. I note that Bankim Shah also filed written submissions during the personal hearing.
5. Bankim Shah, *inter alia*, submitted as under:
 - a) He was not aware of the investigation initiated by SEBI in the company Denim for the period November 09, 1999 to March 30, 2000.
 - b) He was a director in the said company but he did not look after day to day affairs of the company. He was the non executive and non technical director and had neither attended the board meeting of the company nor have the minutes of the meeting held by the company.
 - c) He had not bought any shares of the company during the investigation period.
 - d) He had not received summons as stated by SEBI.
 - e) It is correct that Himanshu J Shah and Vaibhav J Shah are his brothers and he was/ is not aware of the other relations brought out in the SCN.
6. Suresh Bafna, *inter alia*, submitted as under:
 - a) He was not involved in any misleading activity or in any act leading to the increase in the price rise. He is a chartered accountant and was appointed as a technical director. He was not looking after the day-to-day affairs of the Company.
 - b) The alleged fraudulent transactions occurred after the appointment of Aushim Khetarpal as Director on 1 December, 1999, and later as Managing Director. Neither did Suresh Bafna



any shares of the company nor did he transact at any point of time in the scrip of Denim. Aushim Khetarpal looked after the day to day affairs.

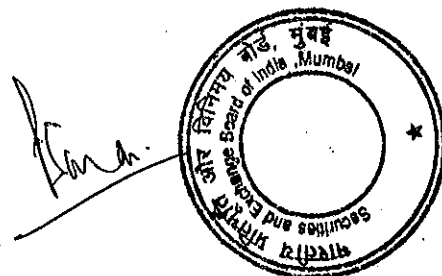
- c) Suresh Bafna has resigned as director from the company.
- d) Classic Finance is a Sub-Broking firm of Suresh Bafna's nephew. However, this does not mean that Suresh Bafna was involved in any of the transactions in his personal capacity.
- e) Press releases were issued by the Managing Director, Aushim Khetarpal.

7. I have carefully considered the SCN, the replies/written submissions of the noticees and other material available on record. After having examined the above details and documents/material, the issue arise for my consideration is:

- Whether the noticees were involved in giving false or misleading press releases and hence violated the provisions of Regulation 5 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995.

8. I note that 34,80,000 equity shares out of the total of 77,40,000 equity shares comprising of 44.96% of the total equity of the company were held by the directors and their relatives as on September 30, 1998. Further, the top four shareholders, who were related to the directors/company, held 22,07,200 shares. Thus, the total holding of the promoter group stood at 56,87,200 (34,80,000+22,07,200) shares, amounting to 73.47% of the total equity shares of the company. Of these, Bankim Shah held 3,67,000 shares, amounting to 4.74% of the total equity of the company.

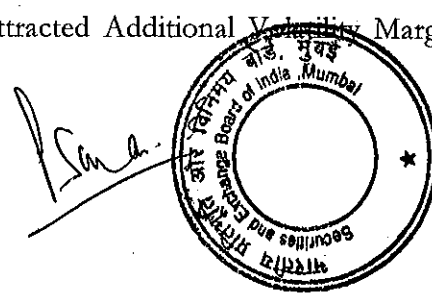
9. I note that the scrip was listed at the Ahmedabad Stock Exchange (hereinafter referred to as 'ASE') and the Bombay Stock Exchange (hereinafter referred to as 'BSE'). There was no trading in the scrip at ASE during the investigation period. From the price volume chart of the scrip for the relevant period (Settlement Nos. 33/1999-2000 to 01/2000-2001), I observe that the scrip traded below par value at BSE till the end of November, 1999. Subsequently there was a rise in the price of scrip and from January, 2000 onwards both the volume traded and the price of the scrip increased sharply.



10. As noted earlier, the price of the scrip increased from Rs. 7/- on November 1, 1999 to Rs. 267.25/- on March 31, 2000. The scrip reached a high of Rs. 348.20/- on March 8, 2000 and touched a low of Rs. 6.25/- on November 25, 1999. The settlement wise price movement and quantity traded during the period under investigation are shown in the table below:

Sl. No.	Sett. Nos. / Dates	Sett. High (Rs.)	Sett. Low (Rs.)	Volumes (No. of Shares traded per day)
1.	33/01.11.99 to 05.11.99	7.00	7.00	200
2.	34/07.11.99 to 12.11.99	No trading		
3.	35/15.11.99 to 19.11.99	No trading		
4.	36/22.11.99 to 26.11.99	12.80	6.25	10500
5.	37/29.11.99 to 03.12.99	18.60	13.80	8500
6.	38/06.12.99 to 10.12.99	24.20	20.05	91800
7.	39/13.12.99 to 17.12.99	29.25	25.15	8200
8.	40/20.12.99 to 24.12.99	35.50	30.40	900
9.	41/27.12.99 to 30.12.99	41.40	36.90	27900
10.	42/03.01.2000 to 07.01.2000	50.15	43.00	175000
11.	43/10.01.2000 to 14.01.2000	58.65	52.10	152300
12.	44/17.01.2000 to 21.01.2000	68.40	56.00	148800
13.	45/24.01.2000 to 28.01.2000	78.30	72.50	169800
14.	46/31.01.2000 to 04.02.2000	110.60	81.30	108900
15.	47/07.02.2000 to 11.02.2000	162.30	119.40	433100
16.	48/14.02.2000 to 18.02.2000	238.25	174.50	330500
17.	49/21.02.2000 to 25.02.2000	300.00	228.10	534900
18.	50/28.02.2000 to 03.03.2000	311.60	259.00	419200
19.	51/06.03.2000 to 10.03.2000	348.20	275.20	348100
20.	52/13.03.2000 to 16.03.2000	308.00	233.60	222100
21.	53/21.03.2000 to 24.03.2000	230.65	182.00	154900
22.	01/27.03.2000 to 30.03.2000	290.45	245.00	313500

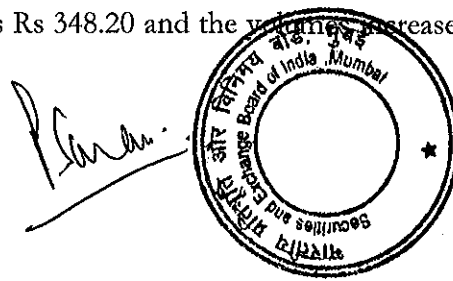
The above table shows significant price rise in the scrip from settlement numbers 39 to 51. Special margins were imposed by BSE on the scrip during the investigation period. Circuit filter was reduced in the scrip during the period under investigation from 25% to 8% on November 29, 1999 and from 8% to 4% on December 8, 1999 and the scrip attracted Additional Volatility Margin (AVM) during the period under investigation.



11. I observe that during the relevant period, a number of news items were reported about the company in newspapers/journals.

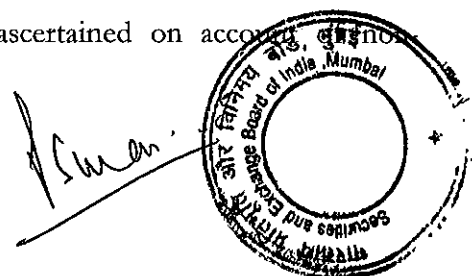
- On December 16, *Financial Express* reported that the Mumbai based "chemical company", Denim had diversified into entertainment business by taking over the television (TV) business of the Radiant Group and acquired the 10-year old Delhi based Radiant Entertainment at a price of Rs. 3 crore. As per the announcement, Denim had given stock options to Aushim Khetrapal, the promoter of Radiant Entertainment who was to be appointed MD of Denim Enterprises Ltd.
- On December 16, 1999, *Business Line* reported that Denim had recently bought the television business of the Delhi based media house, Radiant Sports and Entertainment.
- On January 11, 2000, *Financial Express* reported that Denim was planning to declare 10 percent interim dividend for shareholders for the fiscal year 1999-2000.
- On January 17, 2000, *Business World* also reported that Mumbai based Denim had bought the TV business of Delhi based Radiant Enterprises owned by Aushim Khetrapal, who was popular within TV and cricketing circles. In return, Aushim Khetrapal had been given equity stake in Denim and made its MD. Denim is also said to have bought a Mumbai based publishing outfit.
- On February 03, 2000 the company informed BSE that it had opened offices in London and Tokyo for business promotion, sale and marketing of software and reported that it had declared 10% interim dividend for the fiscal year 1999-2000.
- On March 11, 2000, *Business Standard* reported that Denim was planning a preferential allotment of equity of 5-8 lakhs new shares at around Rs. 700/- per share to raise about Rs. 50 crore from domestic mutual funds, FIIs and OCBs during the first quarter of Financial Year 2000-01. As per the report, the company had also set up a 100% subsidiary in the US, Image Incorporation Inc., and now had presence in the UK and Japan. Further, the company's export revenues stood at Rs 1.5 crores during the third quarter of the Financial Year 1999-2000.

12. I observe that the price and volume of the scrip started rising after these news items appeared in the newspapers. The prices increased from Rs. 30.40 to as high as Rs 348.20 and the volume increased



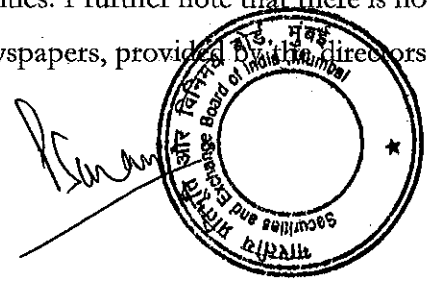
from 900 shares per day to as high as 534900 shares per day in settlement no. 49, that is, between February 21, 2000 and February 25, 2000.

13. In order to ascertain the genuineness of the press releases/ media reports/ corporate announcements made by the company during the period under investigation and to collect other necessary information, summons(s) were issued to Denim and its directors to furnish the information about the directors, associate concerns, annual reports of the company etc. before the Investigating Authority (IA). Denim did not comply with the summons issued. The Managing Director of Denim, Aushim Khetrapal failed to comply with the summons as well as the subsequent reminders. Towards the end of the investigation process, a letter dated April 15, 2005 was received from Aushim Khetrapal expressing his willingness to furnish information before the IA. Accordingly, another summons dated April 19, 2005 was issued to him (at the fax number provided by him) to appear in person and furnish the information before the IA on April 26, 2005. Aushim Khetrapal appeared in person before the IA on the said date and stated that he required some more time to compile the requisite information and to appear for personal examination. On account of this, a fresh date in consultation with him was given i.e., May 18, 2005. However, he failed to appear on the said date. No information has been filed by him. No valid reason or cause had been put forth by him for his failure to furnish the desired information and to appear before the IA for examination.
14. Like-wise, summons were issued to another director Bankim J. Shah, a noticee herein, on August 25, 2005 to furnish the requisite information and to appear in person before the IA on September 1, 2005 which was served upon him on August 29, 2005. However, the director failed to appear before the IA.
15. Summons to furnish the information and to appear in person before the IA was also issued to Suresh Bafna, the other noticee and director of Denim. However the summons came back undelivered with the remarks "left".
16. Therefore the genuineness of the press releases/ media reports / corporate announcements made by Denim during the period under investigation could not be ascertained on account of the non-compliance of the summons issued.



compliance of the summons by Denim and its directors as none of the directors of the company nor their representatives appeared for examination or furnished the desired information to SEBI.

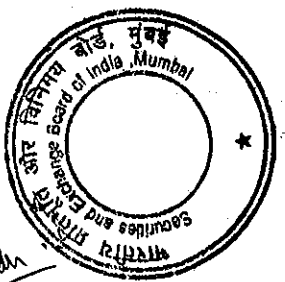
17. I observe that Denim had recorded a loss of Rs. 2,30,000 during the financial year 1998-1999 and the net profit for the financial year 1999-2000 was Rs. 1.59 crores. The reserves of the company for the financial year 1999-2000 were Rs. 90 lakh only.
18. Therefore, in view of the above information, the newspaper reports that reported various developments in Denim seem to be without basis. This becomes evident when we see that Denim and its directors were linked to the various brokers and the clients who dealt in the scrip at the time, *inter alia*, including Classic Finance and Ujjwal Trade Wing (hereinafter referred to as 'Ujjwal'). Some of the linkages are as follows:
- a. Suresh Bafna is the uncle of Ashok Bafna, proprietor of Classic Finance.
 - b. The bank account of Ujjwal was introduced by Ashok D. Bafna (nephew of Suresh Bafna). Further, Ujjwal had transferred a total of Rs. 19,80,000 (9,00,000+10,80,000) on February 29, 2000 and June 10, 2000 respectively to the bank statement (CA 4142) held in the name of Denim with the Federal Bank Ltd.
19. The linkages specified above throw light on the fact that the promoters of Denim were related to the entities that traded in the scrip and were therefore involved in the transactions in the scrip. The reports which appeared in the newspapers were a farce and an attempt to create investor interest in the scrip. The same is supplemented by the fact that the advertisements were given by the company in the backdrop of a dismal performance in the financial year 1998-1999 and that the price and volume of the scrip rose sharply after the news about the progressive steps taken by the company appeared in the newspapers. The promoters of the company held 73.47% shares in Denim and therefore an increase in the price and volume of the scrip would have been beneficial for them.
20. Thus, in the light of the above, I find that the press releases issued by the company during the relevant period were unauthentic and were aimed at misleading the vast body of investors in the market. Such statements/press releases were likely to induce the purchase of securities by others or likely to have the effect of increasing the market price of the securities. I further note that there is no evidence to show that the information, which came out in the newspapers, provided by the directors



of the company was true and correct. As a matter of fact the directors of the company while disseminating such information in the media knew or reasonably ought to have known that the information so provided was either unfounded or misleading. Further, in view of the linkages of the directors of the company with the brokers/clients that dealt in large quantities in the scrip at the time, such as Classic Finance and Ujjwal, I observe that the dissemination of false information was a part of the attempt to manipulate the price and volume of the scrip.

21. A company acts through its Board of Directors. It is the responsibility of the directors to ensure that a company functions appropriately and in accordance with law. Thus, the conduct of the directors of the company in giving false or misleading press releases was in violation of Regulation 5 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995 read with Regulation 13(2) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.
22. Therefore, in exercise of the powers conferred upon me under Section 19 read with Section 11B of the Securities and Exchange Board of India Act, 1992 I hereby restrain Shri Bankim J Shah (PAN no. AAACU6984H) and Shri Suresh Bafna (PAN no. AACPB3278M) from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of 2 (two) years.
23. This order shall come into effect immediately.

Date : 7th MAY, 2012.
Place: Mumbai



PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA