

**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 M.P.Vora Shares and Securities Private Limited.
(SEBI Registration no. INB 011044139)**

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 M/s Denim Enterprise Limited (hereinafter referred to as 'Denim') for the period of November 1, 1999 to March 30, 2000 (hereinafter referred to as the 'investigation period') based on a complaint dated February 18, 2000.
2. The scrip of Denim 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 period November 1, 1999 to March 30, 2000 (*Settlement Nos. 33/1999-2000 to 01/2000-2001*), it was observed 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 volumes traded and the price of the scrip increased sharply.
3. Based on the findings of investigation, SEBI initiated enquiry proceedings against M.P.Vora Shares and Securities Private Limited (hereinafter referred to as the 'noticee') in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of the Enquiry Regulations vide order dated August 13, 2008, read with subsequent order dated December 10, 2008. SEBI appointed the Enquiry Officer, to enquire

into the alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as the 'PFUTP Regulations, 1995') and the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as the 'Broker Regulations').

4. Since the Enquiry Regulations were repealed with effect from the notification of SEBI (Intermediaries) Regulations, 2008, the Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated September 28, 2010, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008. The Enquiry Officer recommended a penalty of prohibition to take up any new assignment for a period of one month for violating the provisions of Regulations 4(a) and (b) of SEBI PFUTP Regulations, 1995 and Clauses A(1) to A(5) of the Code of Conduct prescribed for Stock Brokers in Schedule II under Regulation 7 of Broker Regulations.
5. Subsequently, a notice dated October 06, 2010 (hereinafter referred as 'SCN') under Regulation 28 of SEBI (Intermediaries) Regulations, 2008, was issued by SEBI to the noticee, asking it to show cause as to why an appropriate penalty, including penalty as recommended by the Enquiry Officer, should not be imposed upon it. The noticee was advised to reply to the SCN, within twenty one days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and that SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.
6. A reminder dated November 02, 2010 was issued to the noticee to furnish the explanation/submission within 7 days from the receipt of the letter. The noticee, vide its letter dated October 28, 2010, sought three weeks' time to file their reply to the SCN. Thereafter, the noticee replied to the SCN vide its letter dated November 19, 2010. The noticee was also granted an opportunity of personal hearing before me on July 08, 2011. On the date fixed for personal hearing, MP Vora, the Director of the noticee, and Subhash Khanvikar, Compliance

Officer of the noticee, appeared before me and made submissions. The submissions of the noticee, *inter alia*, are:

- The noticee has done only jobbing in this scrip.
- It is impossible for the noticee to keep a watch on each and every scrip and the transactions are done through the BOLT installed at Ahmedabad. The noticee has no prior investment in the scrip.
- They have already taken the corrective measure by canceling the sub-brokership of Kirtikumar Kantilal Shah long back along with termination of BOLT.

7. I have carefully considered the SCN, the reply of the noticee and the material available on record. The issues that arise for my consideration are:

- a. Whether the noticee aided and abetted the creation of artificial or misleading appearance of trading in the scrip?
- b. Whether the noticee failed to maintain proper and complete KYC forms?
- c. Whether the noticee permitted Classic Finance to deal on behalf of clients without being registered as a sub broker of the noticee and whether the noticee wrongly allotted VSAT terminals to Clio Finance?

8. **Whether the noticee aided and abetted its clients in the creation of artificial or misleading appearance of trading in the scrip?**

- i. At the outset, I note that certain discrepancies are noted with regard to the trading details furnished by the noticee. During the course of investigation, the noticee had furnished trading details of its clients on two occasions. However, a comparison of the two different set of trading details, reveals marked discrepancies. Vide letter dated 07.07.2004, the noticee had furnished “client wise summary of transactions” for the period under investigation. This set of trading details was different from the subsequent data, furnished by the noticee vide its letter dated 23.02.2005. For instance as per the details furnished vide letter dated 07.07.2004, the purchases and sales of Ujjwal Trade Wing (hereinafter referred to as ‘Ujjwal’) were shown as

1,32,900 shares and 1,31,600 shares respectively whereas these were mentioned as 1,15,900 shares and 1,23,600 shares respectively in the subsequent letter dated 23.02.2005. Similar discrepancies were observed with regard to the trading details of other major clients including M/s Classic Finance and others.

- ii. Further, I note that the noticee placed large buy orders at near circuit limit rates and some of these orders were deleted shortly. It was observed that although the noticee was placing large buy orders, the noticee was the only seller in the scrip on certain trading days. The noticee was just placing buy orders and not really buying, rather he was selling. Thus, the act of just placing the orders without the intention of executing them is manipulative, since huge buy orders may indicate a buying pressure in the scrip and may artificially increase the price of the scrip. As observed from the trading done on November 29, 1999 in settlement no.37, the noticee had placed buy orders of 25,000 and 1,00,000 shares at the end of trading hours and sell order of 100 shares at the end of the trading hours. Similarly, on December 2, 1999, in settlement no. 37, the noticee had placed buy orders for 25,000 and 5,000 shares at the end of the trading hours and a sell order of 100 shares at the end of trading hours. In settlement no. 38 on December 7, 1999 the noticee had placed total buy orders for 42,000 shares and deleted one order of 20,000 shares along with a sell order of 100 shares. A similar pattern was observed in settlement nos. 39, 40 and 41, as seen from the Enquiry Report. During the same period, i.e., from December 30, 1999 to February 23, 2000, the price of the scrip increased from Rs.41.40/- to Rs. 269/-. During this period, the gross quantity was 18,02,000 shares and net quantity only 5,19,000 shares. I note from the Enquiry Report that the trades accounted for 11.11% of the gross volume in the scrip, 9.65% of the gross purchases and 11.36% of the gross sales.
- iii. I note that the noticee has submitted that these trades were executed by Kirtikumar Kantilal Shah using the BSE Online Trading Terminal allotted to it by the noticee, and that it is not possible for the noticee to monitor such instances. However, I agree with the Enquiry Officer that the noticee cannot escape liability for transactions executed through its terminal.

- iv. Further, 42,800 shares had been bought and sold using 6 different client codes namely 3019, 3070, 3074, 3076, 4003 and 4009 by way of jobbing done by the employees of the noticee, as submitted by the noticee.
- v. In view of the foregoing, I find that the noticee aided and abetted its clients in the creation of artificial or misleading appearance of trading in the scrip.

9. Whether the noticee failed to maintain proper and complete KYC forms?

- i. I further note that KYC forms for the clients of the noticee were incomplete. Many columns had been left blank viz., residential address, annual income in last 3 years, market value of the Portfolio, registration with other brokers, and so on. Moreover, KYC form of Kirtikumar K. Shah was not taken in proper form, which is the Individual Client Registration Application Form, but was in the form meant for Non-individual Clients Registration. Thus, I find that the noticee having failed to maintain proper and complete KYC forms, has failed to exercise due care, skill and diligence in the conduct of its business.

10. Whether the noticee permitted Classic Finance to deal on behalf of clients without being registered as a sub broker of the noticee and whether the noticee wrongly allotted VSAT terminals to Clio Finance?

- i. I further note from the Enquiry Report that the noticee had allotted VSAT terminals to Clio Finance. However, Clio Finance is not a broker of ASE and thus was not eligible for allotment of BSE terminals and its use for trading.
- ii. Further, the noticee had allowed Classic Finance to deal in the scrip of Denim on behalf of others without being registered as a sub broker.
- iii. Thus, the noticee permitted Classic Finance to deal on behalf of clients without being registered as a sub broker of the noticee and allotted VSAT terminals to Clio Finance.

11. Thus, I find that the noticee aided and abetted its clients in creating an artificial or misleading appearance of trading in the scrip of Denim, and hence violated Regulation 4(a) and (b) of the PFUTP Regulations, 1995 read with provisions of Regulation 13 of SEBI ((Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. Further, the noticee also violated Clauses A (1), A(2), A (4) and A(5) of Code of Conduct for Brokers Specified in Schedule II read with Regulation 7 of the Broker Regulations.
12. Therefore, in exercise of the powers conferred upon me under Section 19 read with 11B of the Securities and Exchange Board of India Act, I hereby suspend the certificate of registration of M.P.Vora Shares and Securities Private Limited (SEBI Registration no. INB 011044139) for a period of 1 (one) month.
13. This order shall come into force on expiry of twenty one days from the date of this order.

Date : MAY 10, 2012
Place: Mumbai

PRASHANT SARAN
Whole Time Member
Securities and Exchange Board of India