

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992

S.No	Name of the Noticee	PAN
1	Mr. Dineshkumar Chimanlal Darji	APRPD8668P

In the matter of M/s. Matra Kaushal Enterprise Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**) conducted an investigation into the trading activities in the scrip of Matra Kaushal Enterprise Ltd. (hereinafter referred to as **“Company” / “MKE”**) for the period October 27, 2014 to June 23, 2015, wherein it was observed that there was a fall in the price of scrip. The price of the scrip opened at Rs.48.95, reached a low of Rs.3.04 and closed at Rs.3.34 during this period. On further analysis of trades executed during this period, it was noticed that the trades executed by one Mr. Dineshkumar Chimanlal Darji (hereinafter referred to as **“Noticee”**) were not appearing to be trades executed in normal course of dealing in securities. It was noted that the Noticee had contributed 25.10% to total market negative last traded price (hereinafter referred to as **“LTP”**) during the aforesaid period.

2. On analyzing all negative LTP trades of the Noticee during this period, it was observed that the Noticee traded with 26 counter parties, while contributing to a cumulative negative LTP of Rs. 169 through 71 trades in 14 trading days. It was observed that out of 71 trades, **34 sell orders were placed** for only 1 share each when the respective buy order quantity was in the range of 2-5000 shares with a total of 18776 shares already available for buy in the system. It is seen that these 34 sell orders themselves have contributed to a cumulative negative LTP of Rs. 121.20. The sell orders were placed after the buy orders. By executing these trades, the Noticee matched the prices of prevailing buy orders which were placed at a lower price than the last traded price and thus contributed to the fall in the scrip price with each of his trades. The details of the 34 trades executed by the Noticee during the aforesaid period, as have been culled out from the trade & order logs for the relevant period are as under:

Table-1

Name of entity (PAN)	Trade Date	Trade ID	Trade Price	LTP	Buy Order Qty	Sell Order Qty	Buy Order LMT	Sell Order LMT
Dineshkumar Chimanlal Darji (APRPD8668P)	14/11/2014	28	43.2	-4.5	500	1	14:56:56	15:07:25
	14/11/2014	30	42.2	-5.25	500	1	15:07:51	15:10:02
	14/11/2014	35	42.2	-2.8	500	1	15:07:51	15:10:57
	18/11/2014	11	45.05	-3.65	500	1	13:39:44	13:40:41
	18/11/2014	17	47.05	-0.75	491	1	14:08:12	14:24:40
	18/11/2014	24	46	-1	491	1	14:36:26	14:47:27
	18/11/2014	32	46	-3	389	1	14:56:22	14:56:27
	03/12/2014	24	45.25	-5.75	990	1	14:10:42	14:11:01
	03/12/2014	31	46.2	-3.7	501	1	14:38:00	14:40:34
	05/12/2014	32	40.65	-3.85	100	1	11:44:54	15:02:05
	08/12/2014	2	42.7	-3.75	100	1	13:28:36	13:56:36

	08/12/2014	19	42.05	-3.7	201	1	14:21:47	14:22:16
	08/12/2014	22	42.05	-2.7	200	1	14:23:00	14:34:01
	08/12/2014	28	42.15	-2.8	200	1	14:34:52	14:39:49
	08/12/2014	31	42.15	-2.85	123	1	14:39:57	14:43:11
	09/12/2014	1	38	-7.75	400	1	09:26:41	09:26:54
	09/12/2014	3	43.1	-4.3	200	1	12:36:35	14:12:05
	09/12/2014	14	43.15	-4.15	2	1	14:12:39	15:08:09
	10/12/2014	59	45.2	-6.55	200	1	15:07:08	15:19:41
	10/12/2014	62	46	-5.75	200	1	15:20:55	15:21:39
	10/12/2014	68	46.6	-5.25	4000	1	15:24:40	15:27:17
	17/12/2014	82	42.1	-2	800	1	15:22:19	15:23:02
	18/12/2014	9	43.1	-5.45	1000	1	13:53:56	13:54:10
	18/12/2014	15	45.1	-3.5	600	1	13:54:49	13:54:49
	18/12/2014	17	45.1	-3.5	600	1	13:55:21	13:55:38
	18/12/2014	21	45.25	-0.75	1000	1	14:16:37	14:16:41
	18/12/2014	24	45.25	-2.85	499	1	14:17:50	14:19:14
	18/12/2014	26	45.25	-2.9	499	1	14:17:50	14:20:43
	18/12/2014	29	46.05	-1.95	95	1	14:23:20	14:52:33
	18/12/2014	34	46.05	-2.2	95	1	14:23:20	14:59:56
	19/12/2014	13	43.1	-5.2	900	1	12:17:31	12:17:37
	19/12/2014	18	43.1	-5.2	900	1	12:17:31	12:17:47
	19/12/2014	21	46	-1	100	1	12:18:12	12:20:37
	19/12/2014	25	47.1	-0.9	900	1	12:23:13	12:23:16
TOTAL				- 121.20	18776	34		

3. Thus, based on above trading pattern, it was alleged that the Noticee was not acting as a genuine seller and had no bona fide intention to trade in securities because, in spite of sufficient buy orders with abundant quantity of shares being available in the market, the Noticee placed sell orders for minuscule quantity of only 1 share in each of his transactions in most of his trades. The Noticee has also executed multiple transactions of such minuscule quantities of shares in a single day. By executing these trades, the Noticee was alleged to be instrumental in establishing a price lower than the LTP and has contributed to the fall in the price of the scrip of MKE. The Noticee was therefore alleged to have manipulated the scrip price of MKE and created a misleading appearance of trading in the scrip in breach of provisions of Regulation 3 (a), (b), (c), (d) and 4(1) and 4 (2) (a) & (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

SHOW CAUSE NOTICE

4. Based on the aforesaid findings in the Investigation, a Show Cause Notice dated September 25, 2017 (hereinafter referred to as "**SCN**") was issued to the Noticee asking him to show cause as to why necessary directions under sections 11(1), 11(4) and 11B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") should not be issued against him for the alleged violations of the aforesaid provisions of PFUTP Regulations. The said SCN was delivered to the Noticee. Subsequently, in compliance with the principle of nature justice, Noticee was provided with an opportunity of personal hearing, which was scheduled on June 6, 2019. However, the hearing Notice informing the Noticee of the date of hearing returned undelivered (with the reason 'refused'). Subsequently, the hearing was rescheduled on August 7, 2019 and I note from the records that the hearing Notice dated July 12, 2019 informing the rescheduled date of hearing on August 7, 2019 has been duly received by the Noticee. However, neither the Noticee nor any authorized persons appeared on his behalf on the scheduled date of hearing. I see from records that the Noticee has also preferred not to file any reply to the SCN issued in the matter. I am of the view that sufficient opportunity has been accorded to the Noticee to submit his reply in response to the SCN, however, for the reasons best known to him, the Noticee has decided not to submit any explanation and also not to appear for the personal hearing to put forward his case in response to the allegations levelled

on him in the SCN. Therefore, I find it appropriate to proceed to decide the matter on merit on the basis of materials available on record.

CONSIDERATION OF ISSUES:

5. Based on the above, I find the only issue that requires consideration in the matter is as follows:
 - (a) **Whether trades of Noticee are in breach of provisions of Regulation 3 (a), (b), (c), (d) and 4(1) and 4 (2) (a) & (e) of PFUTP Regulations?**
6. Before proceeding to examine the aforesaid question on the basis of the facts of the matter, it would be proper to refer to the relevant provisions of the PFUTP Regulations which read as under: -

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

(e) any act or omission amounting to manipulation of the price of a security;

7. I note that investigation has found that the Noticee had abnormally traded in the scrip of MKE during the period October 27, 2014 to June 23, 2015, and contributed 25.10% to total market negative LTP. On analyzing all negative LTP trades of the Noticee during this period, it is observed that the Noticee, while executing such sale trades has contributed to a cumulative negative LTP of Rs. 169 through 71 trades. It is observed from table-1 that out of 71 trades, 34 sell orders were placed for only 1 share each, when the respective buy order quantity was in the range of 2-5000 shares with total volume of 18,776 shares already available for 'buy' in the system. The sell orders were mostly placed after the buy orders were placed on the trading platform. By executing these trades, the Noticee matched the prices of the prevailing buy orders which were placed at a price lower than the last traded price and thus contributed to the fall in the price of the scrip with each of his trades.
8. I find that the Noticee has not filed any reply disputing the trades executed by him or the pattern of his trading. The Noticee has also not furnished any reasoning for executing such abnormal trades over a period of time. As observed from table-1 above, the Noticee has executed small quantities of trades repeatedly apparently to contribute to negative LTP. There is no reasoning available on record to suggest as to why the Noticee has executed 71 trades in the scrip of MKE thereby contributing a cumulative market negative LTP of Rs. 169. Similarly, no business rationale is available on record to explain Noticee's action of placing 34 sell orders for only 1 share each when the corresponding buy order quantity available in the system was in the range of 2-5000 shares. Taking instances of a few such trades of the Noticee from table-1 above, I note that on December 18, 2014, a buy order was placed at 14:16:37 for 1000 shares while the Noticee had placed a sell order at 14:16:41 for 1 share. The trade was executed at Rs. 45.25, contributing to Rs. -0.75 (negative LTP contribution) less than last traded price. Though, the buy order was available for 1000 shares, the Noticee had sold only 1 share and with this sale of 1 share, the Noticee has reduced the last traded price by Rs. 0.75. Again, on December 19, 2014, a buy order was placed at 12:17:31 for 900 shares but Noticee placed a sell

order at 12:17:37 for only 1 share so as to match the buy order, thereby executed the trade at Rs. 43.10 and contributed a negative LTP of (-) Rs.5.2. I find that the Noticee has repeatedly continued to place sell orders in smaller quantities despite buy orders for sufficient quantity being available in the system. The Noticee by executing the sale of share in such minimum quantities continued to contribute to negative LTP of the scrip.

9. From the trading behavior of the Noticee in the scrip, it is observed that on several occasions, the Noticee has placed his sell orders consecutively one after another with only a gap of few minutes, which evidently suggest that the trades were placed to deliberately match with the pending buy orders with a single objective to depress the price of the scrip continuously by contributing to negative LTP in the scrip. The Noticee, by executing these trades appears to have constantly matched the prices of prevailing buy orders which were placed at a price lower than the LTP and thus has successfully contributed to the fall in the price of the scrip with each of his trades. The normal business prudence demands that buyers always intend to buy at lowest possible price whereas a seller always wants to sell at the highest possible price. However, the pattern of trades adopted by the Noticee negates the universally accepted business prudence of trading in securities. I find that the alleged trading behavior of the Noticee where he keeps selling his shares in miniscule possible quantity despite there being large buy quantity available in the system, can by no standard be held to be trades executed by a prudent trader in the normal course of trading. The trading behavior of the Noticee is very unusual and lacks honesty of a prudent investor of Securities Market. Instead, the pattern of trades adopted by the Noticee to sell only 01 share on a number of occasions on a repeated basis, and his habit of placing sell orders in similar fashion for multiple times in a single day only to sell shares at lower price, clearly establish that his trades were executed with a manipulative design to pull down the price of the said scrip as no prudent seller would like to sell his shares successively always at a price lower than the LTP. Therefore, these trades are prima facie, abnormal, deceptive, manipulative and have been executed with a malicious intent to fraudulently cause fall in the price of the scrip-MKE.
10. It is noted the Hon'ble Securities Appellate Tribunal (hereinafter referred to as **"SAT"**) in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004 decided on 14.07.2006) had an occasion to deal with the propriety of non-genuine trades and the relevant observation of the Hon'ble SAT are as under:

“.....Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn.”

11. Hon’ble Supreme Court in the case of *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753 has appreciated that fairness, integrity and transparency are the hallmarks of the stock market in India and the stock market is not a platform for any fraudulent or unfair trade practice. Hon’ble Court has further observed that *“The SEBI Act, 1992 was enacted to protect the interest of the investors in securities. Protection of interest of investors should necessarily include prevention of misuse of the market.”*
12. Considering the aforesaid observations, and considering the trading pattern, frequency with which such trades were placed by the Noticee and other attending circumstances it constrains me to hold that the Noticee was not acting as a genuine seller and had no bona fide intention to sell the shares of MKE. As pointed out above, in spite of sufficient buy orders with abundant quantity being available in the market, the Noticee deliberately released very small quantity of shares in each transaction and executed 71 trades thereby contributing to a cumulative negative LTP of Rs. 169, which constituted 25.10% to total market negative LTP. Such trades executed by the Noticee are clearly manipulative and misleading, and are against market mechanism and were executed not only to create a misleading appearance of trading in the scrip but also to manipulate the price of MKE scrip in a manner that resulted in a cumulative negative LTP of Rs. 169/- in the scrip of MKE. I therefore hold that the Noticee’s trading behavior vis-à-vis the MKE scrip has been glaringly ill-motivated, manipulative and unacceptable as it is in violation of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a), (e) of SEBI (PFUTP) Regulations, 2003.

13. The trading pattern exhibited by the Noticee in the MKE shares amounts to gross market-abuse and was clearly aimed at misleading the investors of Securities Market about the trading in the said scrip. Such trades tantamount to misuse of the Securities Market platform in breach of enshrined principles of transparency and integrity of Securities Market. Therefore, such deliberate violations require to be dealt with strongly to preserve and protect the integrity of the Securities Market.

DIRECTION:

14. In view of the above discussions and findings with respect to the violations of provisions of PFUTP Regulations committed by the Noticee as alleged in the SCN, I in exercise of powers conferred upon me under Sections 11(1), 11(4), 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, in order to protect the interest of investors and the integrity of the Securities Market and to meet the ends of justice, hereby restrain the Noticee, Mr. Dineshkumar Chimanlal Darji from accessing the Securities Market and further prohibit him from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for a period of one year from the date of this order. It is clarified that during the period of restraint, the existing holding of securities of the Noticee including units of mutual funds, shall remain frozen.
15. The Order shall come into force with the immediate effect.
16. A copy of this order shall be forwarded to the Noticee, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

S.K. MOHANTY

DATE: OCTOBER 25, 2019

WHOLE TIME MEMBER

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA