

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

In respect of:

Notice No.	NAMES OF THE NOTICEE	PAN
1.	Mr. Chetan Dogra	ABNPD1798C
2.	Chetan Dogra HUF	AACHC5554P
3.	Daffodil Tradex Private Limited	AACCD5773A
4.	CRS Traders and Exporters Private Limited	AACCC7337B
5.	CRS Wealth Creators Private Limited	AAECC2483N
6.	Shraddha Entertainment Private Limited	AAKCS8199P
7.	Subah Multimedia Private Limited	AAKCS8196C
8.	Tulip Expotrade Private Limited	AACCT6697B

(The entities mentioned above are individually known by their respective name or Noticee no. and collectively referred to as "Noticees")

In the matter of trading by Chetan Dogra Group entities in the scrips of Vertex Spinning Limited and DMC International Limited.

Background:

1. An investigation was undertaken by Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) for the period of April 1, 2010 to September 30, 2010 (hereinafter referred to as **"Investigation Period"**) into the scrips of Vertex Spinning Limited (hereinafter referred to as **"VSL"**) and DMC International Limited (hereinafter referred to as **"DMCIL"**) (name changed to DMC Education Limited) for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) and rules and regulations made thereunder.

2. During the course of investigation, the price volume data the scrip of VSL and DMCIL were analyzed. Price volume information of the scrip VSL and DMCIL during pre-Investigation Period, Investigation Period & post Investigation Period are under:

Table No. 1
In the scrip of VSL

Period	Date	Price / Volume	Opening Price(Volume) on the first day of the period	Closing Price(Volume) on the last day of the period	Low Price (Volume) during the period	High Price (Volume) during the period	Avg. No. of shares traded daily during the period (Total)
Before Investigation	04 Jan 2010 To March 31, 2010	Price	3.6	3.18	2.75 (19.02.2010)	4.34 (11.03.2010)	196858
		Volume	21847	283515	7306 (09.02.2010)	1083688 (09.03.2010)	
Investigation Period	April 01, 2010 to Sep 30, 2010	Price	3.23	2.84	1.64 (05.07.2010)	5 (13.05.2010)	433545
		Volume	80223	481758	18576 (08.09.2010)	6266044 (05.07.2010)	
After Investigation Period	Oct 01,2010 to Dec 31, 2010	Price	2.98	2.14	2 (29.12.2010)	4.09 (14.10.2010)	199615
		Volume	837567	49189	8852 (24.12.2010)	1517658 (12.10.2010)	

Table No. 2
In the scrip of DMCIL

Period	Date	Price/ Volume	Opening Price(Volume) on the first day of the period	Closing Price(Volume) on the last day of the period	Low Price (Volume) during the period	High Price (Volume) during the period	Avg. No of shares traded daily during the period (Total)
Before Investigation	04 Jan 2010 to March 31, 2010	Price	25.25	17.30	16.55 (23.03.2010)	29.60 (07.01.2010)	2,77,105
		Volume	590,145	127634	7308 (13.01.2010)	1006824 (05.03.2010)	

Investigation Period	April 01, 2010 to Sep 30, 2010	Price	17.60	11.40	8.69 (17.06.2010)	22.00 (30.04.2010)	5,17,883
		Volume	1,18,664	61,624	5032 (21.06.2010)	5144689 (17.06.2010)	
After Investigation Period	Oct 01, 2010 to Dec 31, 2010	Price	11.15	16.10	10.56 (01.10.2010)	26.70 (12.11.2010)	3,86,217
		Volume	1,58,827	60,666	24819 (14.12.2010)	2663724 (14.10.2010)	

3. Further, the top 10 clients who had traded in BSE in the scrip of VSL and DMCIL during the period of investigation as under:

Table No. 3
In the scrip of VSL

Buy Client Name	Total	% of Trd Volume	Sell Client Name	Total	% of Trd Volume
JMP Securities Pvt Ltd	8479223	15.28	JMP Securities Pvt Ltd	8641059	15.57
Chetan Dogra	3101667	5.59	Chetan Dogra	6316366	11.38
Chetan Dogra HUF	2428682	4.38	Chetan Dogra HUF	3103652	5.59
Sneha Pawan Agarwal	1477172	2.66	Sneha Pawan Agarwal	1504127	2.71
Pawan Agarwal (HUF)	1259443	2.27	Pawan Agarwal (HUF)	1251556	2.26
BP Fintrade Private Limited	1171329	2.11	BP Fintrade Private Limited	1171347	2.11
Jyoti Portfolio Limited	1020000	1.84	Jyoti Portfolio Limited	920000	1.66
Jayshree Umakant Raje	841920	1.52	Vibhuti	800000	1.44
Chimanlal Maneklal Securities Private Limited	709968	1.28	Zoom Colonizers Private Limited	775000	1.40
Ravi Prakash Sharma	632266	1.14	Balwant Singh Bisht	772069	1.39
Top 10 Buy Clients	21121670	38.06	Top 10 Sell Clients	25255176	45.51
Remaining Clients	34372059	61.94	Remaining Clients	30238553	54.49
Total Traded Volume	55493729	100.00	Total Traded Volume	55493729	100.00

Table No. 4
In the scrip of DMCIL

Buy Client Name	Total	% of Trd Volume	Sell Client Name	Total	% of Trd Volume
Ours Trading And Holdings Pvt. Ltd	6328251	9.55	Ours Trading And Holdings Pvt. Ltd	6310730	9.52
JMP Sec. Pvt Ltd	4177229	6.30	JMP Sec. Pvt Ltd	4177225	6.30
Bharat Gupta	2592180	3.91	Bharat Gupta	2631583	3.97
J V Stock Broking Pvt. Ltd.	2559648	3.86	J V Stock Broking Pvt. Ltd.	2559645	3.86
Krishna Infomedia Ltd.	2544748	3.84	Krishna Infomedia Ltd.	2538708	3.83

Chetan Dogra HUF	2351210	3.55	Chetan Dogra HUF	2346004	3.54
Atul Mittal	1809000	2.73	Mahender Singh	2034994	3.07
Mahender Singh	1759032	2.65	Atul Mittal	1909150	2.88
Shark Communications Pvt Ltd	1722546	2.60	Shark Communications Pvt Ltd	1766913	2.67
Chetan Dogra	1086839	1.64	Chetan Dogra	1365946	2.06
Top 10 Buy clients	26930683	40.63	Top 10 Sell clients	27640898	41.70
Remaining Buy Clients	39358403	59.37	Remaining Sell Clients	38648188	58.30
Total Traded Volume	66289086	100.00	Total Traded Volume	66289086	100.00

4. It has been revealed in the investigation that the top 10 clients accounted for 38.06 % of the buy volume and 45.51% of the sell volume in the scrip of VSL and amongst the top 10 clients, the Noticees viz., Chetan Dogra (Noticee no.1) and Chetan Dogra HUF (Noticee no. 2) have bought 31,01,667 shares (5.59% of total traded volume) and 24,28,682 shares (4.38% of total traded volume) respectively. The Noticee no. 1 and Noticee no. 2 have also sold 63,16,366 shares (11.38% of total traded volume) and 31,03,652 shares (5.59% of total traded volume) respectively.
5. The investigation has also observed that Chetan Dogra (Noticee no.1) and Chetan Dogra HUF (Noticee no. 2) executed self-trades in respect of 1,08,808 shares and 2,70,472 shares respectively in the scrip of VSL.
6. Similarly, the contribution of the Noticee no. 1 and the Noticee no. 2 in the trade of the scrip of DMCIL were significant as they have bought 10,86,839 shares (1.64% of total traded volume) and 23,51,210 shares (3.55% of total traded volume) respectively. Similarly, these two Noticees have sold 13,65,946 shares (2.06% of total traded volume) and 23,46,004 shares (3.54% of total traded volume) of DMCIL respectively, during the Investigation Period.
7. The investigation has also observed that Chetan Dogra (Noticee no.1) and Chetan Dogra HUF (Noticee no. 2) executed self-trades in respect of 1,66,147 shares and 6,03,547 shares in the scrip of DMCIL.
8. Thus, based on the finding of facts unearthed in the course of investigation, it was *inter-alia* observed that the two entities viz. Chetan Dogra (Noticee no. 1) and Chetan Dogra HUF (Noticee no. 2) have indulged in execution of self-trades in the scrip of VSL and DMCIL.
9. The investigation has also revealed that there were off-market transfers of shares amongst the suspected entities during the period of investigation wherein, some of the promoters of VSL transferred shares in the off-market to Chetan Dogra and his group entities viz. Daffodils Tradex (Noticee no. 3), Shraddha Entertainment Pvt. Ltd (Noticee no. 6), Subah Multimedia Pvt. Ltd (Noticee no. 7) and Tulip Export Pvt. Ltd (Noticee no. 8) wherein Chetan Dogra (Noticee no. 1) is one of the directors and such off-market transfers were not executed against sufficient and valid consideration. It has been observed that such transfers of shares through off market transactions without receipt of adequate consideration, were camouflaged as shares

being lent to Chetan Dogra Group (hereinafter referred to as “**CDG**”) entities under loan agreements dated April 25, 2010, April 29, 2010, April 30, 2010 and May 14, 2010.

10. Additionally, it was also observed that the Noticee nos. 4 & 5, which are connected/associated with the Noticee no. 1 were alleged to be involved in the acts of synchronized trades as well as reversal and self-trades in a number of scrips, thereby contributing to the price rise by way of their manipulative and artificial trades. The alleged pattern of trading were noticed in number of scrips on repeated basis and hence have been alleged to be in violation of the provisions of Section 12 A (a) (b) (c) of SEBI Act read with Regulation 3 (a) (b) (c) (d) read with Regulation 4 (1) 4 (2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) read with Section 16 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as “**SCR Act**”). Accordingly, a common Show Cause Notice dated September 05, 2017 (hereinafter referred to as “**SCN**”) was issued to all the Noticees, asking them to respond as to why suitable direction under Section 11, 11(4) & 11 (B) SEBI Act, should not be issued against them.
11. It is noted that the SCN was sent through speed post. The same was returned undelivered and therefore, the SCN was served through affixture. However, no reply has been received from any of the Noticees. Subsequently, in compliance with principle of natural justice, an opportunity of personal hearing was also accorded to the Noticees and the said hearing Notice was also served through affixture. It is also noted that the notice of personal hearing to the Noticee no. 8 was served through publication. None of the Noticees appeared on the scheduled date of hearing on May 02, 2019. I find that sufficient opportunities have been granted to the Noticees and no useful purpose would be achieved by granting any other opportunity, hence, I proceed to deal with matter *ex parte*, based on materials available on record.

Consideration of Issues and Findings

12. In view of the above, the issues that require consideration are as under:

- (i) *Issue I: Whether the Noticees are connected entities?*
- (ii) *Issue II: Whether the Noticees have acted in violation of the provisions of Section 16 of SCR Act, 1956, while dealing in off-market transactions in the shares of VSL?*
- (iii) *Issue III: Whether the act of the Noticees no. 1 and Noticee no. 2 have resulted in violations of the provisions of Section 12 A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) 4 (2) (a) and (g) of SEBI (PFUTP) Regulations?*

Issue I: Whether the Noticees are connected entities?

13. It is noted that during the investigation, certain entities including Chetan Dogra were identified as connected entities and the said connection was based on *inter se* connections established

because of common addresses, KYC documents, common directorship and off market transfers. From the materials on record, it is noted that the Noticee no. 1 (Chetan Dogra) is the Karta of the Noticee no. 2 (Chetan Dogra HUF) and as per the KYC documents of these two Noticees, they both share common address and located at 801, Tower-1, NRI Complex, Sea Wood estate, Palm Beach Road, Nerul, Navi Mumbai, Maharashtra. Further, the Noticee no. 1 is one of the director in the Noticee no. 3 to 8. Besides, there are off market transfers of shares of VSL between the Noticees (except the Noticee no. 4 & the Noticee no. 5) and the promoter of VSL. Considering, the aforesaid and particularly, considering that the Noticee no. 1 is the Karta of the Noticee no. 2, and that the Noticee no. 1 is the common director in the Noticee nos. 3 to 8 and also the fact that there were off-market transactions of shares amongst them, I find that it can be reasonably concluded that the Noticees are connected entities. Moreover, the allegations of their connections based on the above have not been disputed by any of the Noticees which further establishes that the Noticees have nothing to dispute so far as their inter-connectedness is concerned.

Issue II: Whether the Noticees have acted in violation of the provisions of Section 16 of SCR Act, 1956, while dealing in off-market transactions in the shares of VSL?

14. Before I proceed with the aforesaid issue, it is pertinent to reproduce the relevant provisions of SCR Act, 1956 for ready reference as under:

Section 2 (i) of SCR Act

“spot delivery contract” means a contract which provides for:-

(a) actual delivery of securities and the payment of a price therefor either on the same day as the date of the contract or on the next day, the actual period taken for the dispatch of the securities or the remittance of money therefor through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;

(b) transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository;

.....

Section 16 of SCR Act:- Power to prohibit contracts in certain cases.

(1) If the Central Government is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of any security specified in the notification except to the extent and in the manner, if any, specified therein. (2) All contracts in contravention of the provisions of sub-section (1) entered into after the date of notification issued thereunder shall be illegal.

Section 18 of SCR Act - Exclusion of spot delivery contracts from sections 13, 14, 15 and 17.

(1) Nothing contained in sections 13, 14, 15 and 17 shall apply to spot delivery contracts. (2) Notwithstanding anything contained in sub-section (1), if the Central Government¹ is of opinion that in the interest of the trade or in the public interest it is expedient to regulate and control the business of dealing in spot delivery contracts also in any State or area (whether section 13 has been declared to apply to that State or area or not), it may, by notification in the Official Gazette, declare that the provisions of section 17 shall also apply to such State or area in respect of spot delivery contracts generally or in respect of spot delivery contracts for the sale or purchase of such securities as may be specified in the notification, and may also specify the manner in which, and the extent to which, the provisions of that section shall so apply.

SEBI Notification G.S.R 219(E) dated March 2, 2000

"In exercise of the powers conferred by sub-section (1) of section 16 of the Securities Contracts (Regulation) Act,

1956 (42 of 1956), read with Government of India Notification No. S.O. 573(E), dated 30th July, 1992, (See [1992] 75 Comp Cas (St.) 216.) and Notification No. 183(E), dated 1st March, 2000, (See page 53 supra.) issued under section 29A of the said Act, the Securities and Exchange Board of India (hereinafter referred to as "the Board") being of the opinion that it is necessary to prevent undesirable speculation in securities in the whole of India, hereby declare that no person in the territory to which the said Act extends, shall, save with the permission of the Board, enter into any contract for sale or purchase of securities other than such spot delivery contract or contract for cash or hand delivery or special delivery or contract in derivatives as is permissible under the said Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992), and the rules and regulations made under such Acts and rules, regulations and bye-laws of a recognised stock exchange.....

15. I note that during the Investigation Period, there were off-market transfers in the scrip of VSL wherein some of the promoters of VSL viz. Green Cottage and Resorts Limited, Phenomenal Craft Pvt Ltd., Yellow Consultants Pvt Ltd and Zoom Colonizers Pvt Ltd. Have transferred shares in off-market to Noticee no. 1, 2, 3, 6, 7 and 8 viz. Chetan Dogra, Chetan Dogra HUF, Daffodils Tradex Pvt. Ltd, Shraddha Entertainment Pvt. Ltd., Subah Multimedia Pvt. Ltd. and Tulip Export Pvt. Ltd. Details of such transfers have been tabulated below:-

Table No. 5

Date of Transfer	Source Client Name (Promoters of VSL)	Target Client Name	Transferred Quantity	No of Transactions
26.04.2010	Phenomenal Craft Pvt Limited	Chetan Dogra	700000	3
26.04.2010	Phenomenal Craft Pvt Limited	Daffodil Tradex Pvt Ltd	200000	1
26.04.2010	Phenomenal Craft Pvt Limited	Chetan Dogra HUF	100000	1
29.04.2010	Zoom Colonizers Private Limited	Subah Multimedia Pvt Ltd	2500000	1
30.04.2010	Yellow Consultants Private Limited	Shraddha Entertainment Pvt Ltd	2500000	1

14.05.2010	Green Cottage And Resorts Ltd	Tulip Expotrade Pvt Ltd	1000000	1
------------	-------------------------------	-------------------------	---------	---

16. I note from the table no. 5 that shares have been transferred to the Noticees no. 1, 2, 3, 6, 7 and 8, which implies transfer of beneficial ownership of the shares to these Noticees. The transfer of beneficial ownership comes along with the rights and liabilities attached to the ownership of shares. As per the statutory provisions governing dealing in securities which happens outside the market platform of a recognized stock exchange, the settlement relating to such transfer of securities and the payment of consideration required to be made against such transfer, shall have to be either on the same day or at the most next day. In this process, the actual period taken for the dispatch of the securities or the remittance of money would be excluded for the purpose computation of the period of settlement as stated above. Further, the said exemption is available only where parties to the contract are located at geographically distant places.
17. As can be noted from the above table no. 5, there were transfer of 70.00 lacs shares from the promoter entities of VSL to the Noticee no. 1 and its related entities. It was further noted that the market value of those 70.00 lacs shares of VSL were Rs 2.85 Crore (approx.), whereas as per the agreement entered into by the CDG, the agreed price to be paid for those shares of VSL was only Rs 1.255 Crore. It has been noticed in the investigation that there was no compliance by CDG as far as payment of consideration qua the transfer of those 70.00 lacs shares was concerned. Details of such off market transfers along with payment details are tabulated below:

Table No. 6

Sl. No.	Name of the Source Promoter Entity	Name of Target Entity (CDG group entity)	No. of shares transferred	Mode of receipt of payment- Cash, Cheque, adjusted with other transfer	Price received by company
1.	Phenomenal Craft Pvt Limited	Chetan Dogra (Noticee no. 1)	1,00,000 Equity Shares on 26/04/2010	Cheque No. 180863 drawn on HDFC Bank ,Fort Branch dated 29.04.2010	Rs 13.00 lakh realized through cheque
2.	Phenomenal Craft Pvt Limited	Daffodil Tradex Pvt Ltd (Noticee no. 3)	2,00,000 Equity Shares on 26/04/2010		
3.	Phenomenal Craft Pvt Limited	Chetan Dogra HUF (Noticee no. 2)	1,00,000 Equity Shares on 26/04/2010		
4.	Phenomenal Craft Pvt Limited	Chetan Dogra (Noticee no. 1)	1,00,000 Equity Shares on 26/04/2010		
5.	Phenomenal Craft Pvt Limited	Chetan Dogra (Noticee no. 1)	5,00,000 Equity Shares on 26/04/2010		
6.	Zoom Colonizers Private Limited	Subah Multimedia Pvt Ltd (Noticee no. 7)	25,00,000 Equity Shares on 29/04/2010	Cheque No. 136644 dated 03.05.2010 and Cheque no.	Rs 37.50 lakhs. Cheque received were bounced and

Sl. No.	Name of the Source Promoter Entity	Name of Target Entity (CDG group entity)	No. of shares transferred	Mode of receipt of payment- Cash, Cheque, adjusted with other transfer	Price received by company
				136645 dated 03.05.2010.	no payment realized at all.
7.	Yellow Consultants Private Limited	Shraddha Entertainment Pvt Ltd (Noticee no. 6)	25,00,000 Equity Shares on 30/04/2010	Cheque No. 643332 dated 03.05.2010	Rs 37.50 lakhs. Cheque received were bounced and no payment realized at all.
8.	Green Cottage And Resorts Ltd	Tulip Expotrade Pvt Ltd (Noticee no. 8)	10,00,000 Equity Shares on 14/05/2010	Cheque No. 643388 dated 03.05.2010	Rs 37.50 lakhs. Cheque received were bounced and no payment realized at all.

18. From the above details, I note that admittedly there was a transfer of 70.00 lacs shares from the promoters' entities of VSL to the Noticee no. 1 and its related/ associated entities. As per record, the total amount agreed for purchase of those shares of 70.00 lacs was Rs 1.255 Crore, while the investigation has revealed that the market value of those shares were Rs 2.85 Crore. In any case, the Noticee no. 1 has made payment of Rs 13.00 lacs only and the balance amount of consideration from the agreed amount was not received by the promoters of VSL since the cheques issued towards payment of balance purchase consideration amount were not honoured. I, therefore hold that, the allegations made in the SCN that the off-market transactions made by the Noticees in the scrip of VSL were in violations of provisions of Section 16 of SCR Act are proved to be correct.

19. From the details of the transaction as shown in the above tables no 5 & 6, I find that the off market transaction in the scrip of VSL was also resorted to by the Noticee nos. 1, 2, 3, 6, 7 & 8. However, there was no transaction entered into by or with the Noticee nos. 4 & 5. Therefore, it was revealed that except for the Noticee nos. 4 & 5, all other Noticees have purchased shares of VSL in an off market mode. The total consideration agreed against the purchase of those 70.00 lacs shares were Rs 1.255 Crore, whereas as per records made available before me, the amount paid against the total consideration was only Rs 13.00 lacs. No reply has been filed by any of the Noticees. The Noticees have also preferred not to appear before me to advance any submissions in response to the allegations made in the SCN. In the absence of any documents contrary to the allegations, I find that the acts of the Noticees of transacting in the shares of VSL through off market mechanism does not comply with the provision under Section 16 of SCR Act. I further note that the Hon'ble Securities Appellate Tribunal in its order in the matter of *Alok Kehtan Vs. SEBI, (Appeal No. 55 of 2007- DoD 17/07/2007)*, while dealing with the issue of implication of transacting outside the stock exchange mechanism have observed that:

".....it is clear that the appellant sold his unlisted shares on 25.08.1999 in an off market transaction and received the sale consideration of `22,50,000/-only in January, 2000 which is much beyond the time

permitted by section 2(i) of the SCR Act. Since the transaction was off market, the contract for the sale of shares could only be by way of spot delivery in view of the restriction imposed by the Board under section 16 of SCR Act which mandates that the sale consideration ought to have been received either on the same day of the transaction or on the following day. It is, thus, clear that the sale of shares by the appellant on 25.08.1999 in the off market transaction is Adjudication Order in the matter of Pithampur Steels Ltd., Page 12 of 22 violative of the restriction imposed under section 16 read with section 2(i) of SCR Act.”

20. Considering the above observation of Hon’ble SAT and the undisputed fact that the Noticees have failed to make the actual payment of consideration amount within the stipulated time, I am of the view that the act of the Noticee nos. 1, 2, 3, 6, 7 & 8 are found to be in violation of the provisions of section 16 of SCR Act, 1956.

Issue III: Whether the act of the Noticee no. 1 and Noticee no. 2 have resulted in violations of the provisions of Section 12 A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) 4 (2) (a) and (g) of SEBI (PFUTP) Regulations?

21. I note that in the SCN, the Noticees have been alleged to have violated provisions of SEBI Act and various provisions of PFUTP Regulations. Therefore, before moving forward on this issue, it would be proper to visit the aforesated provisions alleged to have been violated in the SCN. The said provisions are produced hereunder for ready reference:

Section 12 A (a) (b) (c) of SEBI Act

No person shall directly or indirectly—

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

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

3. 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 thereunder;

(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 thereunder.

Regulation 4 of SEBI (PFUTP) Regulations: - 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;

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security

22. It has been alleged that the Noticee no.1 and the Noticee no. 2 have executed artificial and manipulative trades in the scrip of VSL and DMCIL by way of self-trades. The details of such self-trades executed by the Noticee no 1 in the scrip of VSL and DMCIL are as under:

Table No. 7
Self-trades by the Noticee no. 1 in VSL

Trade date	Self-trades volume (no. of shares)	Total market volume (no. of shares)	% of Self-trades to market volume (no. of shares)	Trades executed by Noticee-1 (no. of shares)	% of Self-trades to total trades executed by Noticee-1
30/04/2010	7,944	2,42,915	3.27	17,056	46.58
13/05/2010	1,200	6,78,061	0.18	2,43,807	0.49
17/05/2010	2,598	6,87,923	0.38	4,17,100	0.62
18/05/2010	50,110	4,07,925	12.28	2,30,567	21.73
19/05/2010	190	7,09,929	0.03	4,06,065	0.05
20/05/2010	25,000	3,82,362	6.54	1,00,161	24.96
24/05/2010	6,425	3,27,563	1.96	1,19,713	5.37
26/05/2010	15,265	7,22,821	2.11	4,32,668	3.53
01/06/2010	75	9,81,202	0.01	73,341	0.10
15/06/2010	1	11,30,866	0.00	10,41,675	0.00
Total	1,08,808	62,71,567	1.73	30,82,153	3.53

Table No. 8
Self-trades by the Noticee no. 1 in DMCIL

Trade date	Self-trades volume (<i>no. of shares</i>)	Total market volume (<i>no. of shares</i>)	% of Self-trades to market volume (<i>no. of shares</i>)	Trades executed by Noticee-1 (<i>no. of shares</i>)	% of Self-trades to total trades executed by Noticee-1
30/06/2010	3,427	9,61,890	0.36	49,600	6.91
01/07/2010	240	6,06,505	0.04	1,68,139	0.14
02/07/2010	1,00,600	6,30,329	15.96	1,90,414	52.83
05/07/2010	5,165	4,27,902	1.21	21,838	23.65
06/07/2010	31,965	3,27,543	9.76	44,800	71.35
07/07/2010	1	5,28,379	0.00	39,000	0.00
13/07/2010	18,400	2,24,135	8.21	21,000	87.62
15/07/2010	500	5,87,746	0.09	1,43,305	0.35
16/07/2010	5,849	9,76,135	0.60	1,11,651	5.24
Total	1,66,147	52,70,564	3.15	7,89,747	21.04

23. From the details as mentioned in the table no. 7 above, it is noted that the Noticee no. 1 has executed self-trades quite frequently and almost as a matter of habit. During the Investigation Period, the Noticee no. 1 was found to have been indulged in self-trades on 53 times over a period of 10 trading days between 30/04/2010 and 15/06/2010. Thus, on an average, the Noticee no. 1 has indulged in executing more than 5 self-trades per day in the scrips of VSL. Further, through such self-trades, the Noticee no. 1 has contributed to 1.73% (1,08,808 shares) of the total traded volume over a period of 10 trading days, which was as much as 12.28 % of the total traded volume in the scrip of VSL on 18/05/2010. Thus, from the analysis of the trades of the Noticee no. 1, I find that on May 18, 2010, contribution of self-trade by the Noticee no. 1 was more than 12% of the total traded volume, which was enough to create artificial volumes in the scrip of VSL.

24. It is also noted from the table no. 7 above that during the aforesaid 10 trading days, the Noticee no. 1 has traded for a total quantity of 30,82,153 shares in the scrip of VSL. On comparing the quantity of shares traded by him through self-trades with the total quantity of shares traded by the Noticee no. 1 in the scrip of VSL, I find that out of the total traded shares of 30,82,153, the Noticee had executed self-trades in 1,08,808 shares which was 3.53% of his total traded volume in the scrip of VSL. It was also observed that the contribution of self-trades by the Noticee no. 1 in the scrip of VSL went up to the level of 46.58% of his own total trades executed in the said scrip on 30.04.2010.

25. Similarly, the Noticee no. 1 was alleged to be involved in execution of self-trades in the scrip of DMCIL. From the analysis of trades executed by the Noticee no. 1 in the scrip of DMCIL as mentioned in table no. 8 above, it is observed that though the SCN alleged that the Noticee had executed self- trades for a quantity of 1,65,046 shares, from the trades log of the Noticee in the scrip, it is noted that the Noticee no. 1 had actually indulged in self-trades on 25 occasions over the period of 9 trading days between 30/06/2010 and 16/07/2010 for a total quantity of 1,66,147 shares. Thus, on an average the Noticee no. 1 had indulged in executing more than 2 self-trades per day in the scrip of DMCIL. Further, through such trades, the Noticee no. 1 has contributed 3.15% (1,66,147 shares) of the total traded volume of the said scrip over the period of 9 trading days. From the analysis of the trades of the Noticee no. 1, I also find that over such a small period, contribution of self-trades to the total trades in the scrip of DMCIL by the Noticee no. 1 was more than 15% on 02/07/2010 and more than 9% on 06/07/2010. Further, the percentage of self-trades by the Noticee no. 1 to his total number of trades had gone up to the level of 87.62% on 13.07.2010. These self-trades are indicative of the artificial volumes created by the Noticee on the trading in the scrip pf DMCIL.
26. As pointed out earlier, the Noticee no. 1 is the Karta of the Noticee no. 2. Both the Noticees i.e. No. 1 & No. 2 shared common address and both of them have been alleged to have indulged in self-trades in the scrip of VSL and DMCIL. As far as the trading and indulging in self-trade by the Noticee no. 1 is concerned, the same has been dealt in the preceding paragraphs. Now, I shall deal with the trades of the Noticee no. 2 in the scrip of VSL and DMCIL. The trades as alleged in the SCN and as available on record pertaining to the Noticee no. 2 in the scrip of VSL and DMCIL are tabulated as under:

Table No. 9
Self- trades by the Noticee no. 2 in VSL

Trade date	Self-trades volume (no. of shares)	Total market volume (no. of shares)	% of Self-trades to market volume (no. of shares)	Trades executed by Noticee-2 (no. of shares)	% of Self-trades to total trades executed by Noticee-2
27/05/2010	63,794	10,80,615	5.90	5,80,349	10.99
28/05/2010	51,644	4,40,937	11.71	3,13,848	16.46
31/05/2010	65,000	4,22,658	15.38	1,99,314	32.61
01/06/2010	22,999	9,81,202	2.34	7,79,694	2.95
02/06/2010	34,378	6,39,880	5.37	2,60,344	13.20
03/06/2010	21,435	3,38,273	6.34	3,14,252	6.82
04/06/2010	11,127	6,81,608	1.63	3,92,435	2.84
07/06/2010	95	2,24,325	0.04	44,734	0.21
Total	2,70,472	48,09,498	5.62	28,84,970	9.38

Table No. 10
Self- trades by the Noticee no. 2 in DMCIL

Trade date	Self-trades volume (<i>no. of shares</i>)	Total market volume (<i>no. of shares</i>)	% of Self-trades to market volume (<i>no. of shares</i>)	Trades executed by Noticee-2 (<i>no. of shares</i>)	% of Self-trades to total trades executed by Noticee-2
25/06/2010	315	7,41,281	0.04	1,45,850	0.22
28/06/2010	544	9,40,336	0.06	1,19,237	0.46
29/06/2010	27,884	6,31,609	4.41	95,234	29.28
30/06/2010	1,79,423	9,61,890	18.65	6,21,321	28.88
01/07/2010	16,678	6,06,505	2.75	2,15,733	7.73
02/07/2010	2,050	6,30,329	0.33	95,037	2.16
05/07/2010	11,865	4,27,902	2.77	83,021	14.29
07/07/2010	1,37,159	5,28,379	25.96	2,77,529	49.42
08/07/2010	83,818	5,80,829	14.43	3,75,552	22.32
12/07/2010	5,000	5,10,103	0.98	2,62,196	1.91
14/07/2010	1,847	5,13,457	0.36	1,29,740	1.42
16/07/2010	1,30,254	9,76,135	13.34	4,00,356	32.53
21/07/2010	6,710	2,10,629	3.19	26,949	24.90
Total	6,03,547	82,59,384	7.31	28,47,755	21.19

27. From the details as mentioned in the above table no. 9, it is noted that the Noticee no. 2 was involved in artificial self-trades almost on a regular basis. During the Investigation Period, the Noticee no. 2 was found to be indulged in self-trades on 139 times over the period of 8 trading days between 27/05/2010 and 07/06/2010. Thus, I observe that, on an average the Noticee no. 2 was indulged in executing more than 17 self-trades per trading day. Further, through such trades, the Noticee no. 2 contributed to 5.62% (2,70,472 shares) of the total traded volume, which was as much as 15.38 % of the total traded volume in the scrip of VSL on 31.05.2010. Thus, from the analysis of the trades of the Noticee no. 2, I find that that over such a small period, contribution of self-trades to the total trades in the scrip of VSL by the Noticee no. 2 exceeded beyond 11% on two occasion viz. on 28.05.2010 and 31.05.2010, which was enough to create artificial volumes in the scrip of VSL.

28. It is also noted from the above table no. 9 that during the aforesaid 8 days, the Noticee no. 2 has traded for a total quantity of 28,84,970 shares in the scrip of VSL. On comparing the quantity of shares traded through self-trades with the total quantity of shares traded by the Noticee No. 2 in the scrip of VSL, I find that out of the total traded shares of 28,84,970, the

Noticee No. 2 had executed self-trades in 2,70,472 shares which was 5.62% of his total traded volume, I find that the contribution of self-trades by the Noticee no. 2 in that scrip went up to the level of 32.61% of his own total trades executed on 31.05.2010.

29. The Noticee no. 2 was alleged to be involved in execution of self-trades in the scrip of DMCIL. From the analysis of trades executed by the Noticee no. 2 in the scrip of DMCIL as demonstrated in table no. 10 above, it is observed that although the SCN alleged that the Noticee no. 2 had executed self-trades for a quantity of 5,08,630 shares, from the trades log of the Noticee in the scrip, it is noted that the Noticee no. 2 has actually indulged in self-trades on 156 occasions over a period of 13 trading days between 25/06/2010 and 21/07/2010 for a total quantity of 6,03,547 shares. Thus, on an average, the Noticee no. 2 has indulged in executing 12 self-trades per day. Further, through such trades, the Noticee no. 2 has contributed 7.31% (6,03,547 shares) of the total traded volume. From the analysis of the trades by the Noticee no. 2, I also find that over such a small period, contribution of self-trades to the total trades in the scrip of DMCIL executed by the Noticee no. 2 was more than 20% on six occasion which had also gone up to the level of 49.42% on 07.07.2010. The manner in which the Noticee no. 2 has executed self-trades as explained above, shows that the Noticee had the intention of creating artificial volumes in the trading of the scrip of DMCIL.
30. I find that self-trades are classified as those trades executed in the stock market in which, both the buyer and the seller remains the same entity, meaning thereby, entity in such trades is same on both the sides i.e. buy and sell side. Consequently, self-trades do not result in change in beneficial ownership of the security. I have already dealt in detail, on the frequency and number of self-trades executed by the Noticee no. 1 & the Noticee no. 2 in the scrip of VSL and DMCIL in the preceding paragraphs. As self-trades do not result in change in the beneficial ownership, consequently, no effective transfer of shares takes place in self-trade. In such a scenario, self-trades are used as a tool for generating artificial volume and in creating misleading appearance of trading in a scrip. While dealing with cost and consequences of self-trades, the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the matter of *Balwinder Singh v. SEBI* (DoD- 11.02.2014) have observed that self-trades (or wash-trades) are per se, not allowed under SEBI Act and regulations made thereunder. The Hon'ble SAT further in the matter of *Chirag Tanna v. The Adjudicating Officer* (DoD-16.06.2011), while dealing with the consequences of self-trades or trades which do not result in transfer of beneficial ownership, have observed that such trades are admittedly fictitious and are executed merely to create artificial volume in the traded scrip. Normally, such trades are found to be fictitious and not genuine for the reason that in such trades buyer and seller remains the same. Therefore, even though there may not be an abnormal movement in the price of a scrip, entities who are alleged to have indulged in such trades, which don't result in change of beneficial ownership and where entities fail to explain the circumstances for resorting to execution of self-trades, it would not be proper to permit self-trades without any imputation merely on the ground that such trades had not caused any movement in the price of the scrip or the entities had no

malafide intention to manipulate the scrip. I also note that the Hon'ble SAT in the case of *HJ Securities Pvt Ltd v. SEBI (DOD-11.05.2012)*, have made the observation that simply because the number of such self-trades is not large by itself cannot justify execution of self-trades.

31. I also note the observation of the Hon'ble SAT in case of *Ketan Parekh v. SEBI (DoD- 14.07.2006 in Appeal No. 2 of 2004)*, wherein the Hon'ble SAT has observed that in the absence of direct evidence, the intention could be gathered from the attending circumstances so as to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism or not.
32. Considering the aforesaid judicial observations and the nature and trading pattern of the two Noticees i.e. the Noticee no. 1 & the Noticee no. 2 in the scrip of VSL and DMCIL, it leaves no doubt in my mind that the self-trades executed by the two Noticees satisfy all the ingredient to be held as trades executed with an intention to create artificial volumes in the scrip. I have already made my observation relating to the self-trades executed by the two Noticees, the frequency with which such self-trades were executed and the percentage of volume of such self-trades to the total trades executed by the two Noticees. Further, the facts of receiving the shares from the promoter group entities for a paltry sum of Rs 13.00 lakh as against the total market value of Rs 2.85 Crore and commencement of trading in the scrips immediately after receiving the shares from the promoter group in an off-market transaction are considered as sufficient indication to reveal and expose the intent of the Noticee no.1 and 2 behind the execution of self-trades. I further observe that no reply has been filed by any of the Noticees and none of them has preferred to avail the opportunity of personal hearing. Therefore, I have nothing on record rebutting the allegations made in the SCN. In this respect, I find it apt to refer and rely on the observation of the Hon'ble SAT in the case of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003, DoD-08.12.2006)* wherein the Hon'ble SAT has *inter alia*, observed that - "*..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". The above observations of the Hon'ble SAT has been reiterated in the case of *Sanjay Kumar Tayal & Others v SEBI (Appeal No. 68 of 2013- DoD- 11.02.2014)*, wherein the Hon'ble SAT has reaffirmed that- "*.....As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor have availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices.....*".
33. From the aforesaid findings, I find that such high volumes of self-trades executed by the two Noticees cannot have any purpose other than to create artificial volumes and misleading appearances of trading in the scrips thereby adversely impacting the market, which is further evident from the high percentage of self-trades to the total traded volume in the two scrips that were quite significant on various dates as highlighted in the previous paragraphs. Therefore, I find that self-trades executed by the Noticee are fraudulent and unfair trades

executed with a manipulative intent. If the Noticees were genuine investors and were not having any manipulative intent, then the Noticees could not have adopted such mechanism of selling/purchasing shares of same scrip on repeated basis.

34. Thus, having found the two Noticee guilty of fraudulent and unfair trade practices by resorting to self-trades over a period on a repeated basis, in my view the Noticees did not conduct their trades as genuine investors of securities market. In this respect, the Hon'ble Supreme Court in the case of *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753 has observed that Regulation 4(1) of PFUTP Regulations in clear and unmistakable terms has provided that “no person shall indulge in a fraudulent or an unfair trade practice in securities” and further 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. The 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.”
35. In view of the foregoing, I have no hesitation to conclude that the Noticee no. 1 and Noticee no. 2 have executed self-trades with the intention to manipulate the market or defeat its mechanism and thereby have violated the provisions of Section 12 A (a) (b) (c) of SEBI Act read with Regulation 3 (a) (b) (c) (d) read with Regulation 4 (1) 4 (2) (a) and (g) of SEBI (PFUTP) Regulations, 2003.
36. As observed in the beginning, the Noticee no. 4 & 5 has nothing to do in the scrip of VSL and DMCIL. There are no allegations qua them for dealing in the scrip of VSL & DMCIL. It is however observed that these two Noticees have been alleged to be in breach of provisions of SEBI Act and rules and regulations made thereunder pertaining to their trades in scrips other than VSL and DMCIL for which, appropriate adjudication proceedings have since been commenced against them. However, these two Noticees have not been found dealing in any manner in the scrip of VSL & DMCIL. I also note that through the said adjudication proceedings, the Noticee no. 4 & 5 have been subjected to appropriate monetary penalties for their acts in violations of the provisions of law pertaining to their trading in scrips other than VSL & DMCIL. Therefore, I find that the present proceedings against Noticee no. 4 and 5 are infructuous and there is no merit in issuing further directions against them for their dealings in the scrips other than in the scrip of VSL and DMCIL.

Directions:

37. In view of the aforesaid violations by the Noticees, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby restrain the following Noticees from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, for period

mentioned below, from the date of this order. During the period of restraint, the existing holding of securities including units of mutual funds, of the Noticees shall remain frozen.

S. No.	Name of the Noticee	PAN	Period of restrain and prohibition
1.	Mr. Chetan Dogra	ABNPD1798C	Two Years
2.	Chetan Dogra HUF	AACHC5554P	Two Years
3.	Daffodil Tradex Private Limited	AACCD5773A	Two Years
4.	Shraddha Entertainment Private Limited	AAKCS8199P	Two Years
5.	Subah Multimedia Private Limited	AAKCS8196C	Two Years
6.	Tulip Expotrade Private Limited	AACCT6697B	Two Years

38. The Order shall come into force with the immediate effect.

39. A copy of this order shall be forwarded to the Noticees, all the recognized stock exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

Date: October 29, 2019

Place: Mumbai

**S. K. MOHANTY
WHOLE TIME MEMBER**