UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Dharti Investment and Holdings Limited
(**PAN**: AACCD2509C**; CIN**: U51100MH2005PLC156545)

Address: Jai Centre, 1st Floor, Opp Red Gate, 34 P D Mello Road, Mumbai - 400009

In the matter of dealing in illiquid stock options at BSE

BACKGROUND

1. SEBI observed large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter, referred to as "**BSE**") leading to creation of artificial volume. SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "**investigation**") for period 01/04/2014 to 30/09/2015 (hereinafter referred to as "**I.P.**").

2. Pursuant to investigation, it was observed that during the I.P, total 2,91,643 trades comprising substantial 81.38% of all the trades executed in Stock Options Segment of BSE were non genuine trades. The aforesaid non genuine trades resulted into creation of artificial volume to the tune of 826.21 crore units or 54.68% of t total market volume in Stock Options segment of BSE during the I.P.

3. Reversal trades were considered those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. The said reversal trades are alleged to be non genuine trades as they are not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. Artificial volume is considered to be the volume (no. of units) reversed in both legs of said reversal trades while keeping out the volume, if any, which is not reversed.

4. It is noted that Dharti Investment and Holdings Limited bearing PAN: AACCD2509C (hereinafter, referred to as "**Noticee**") was one of the various entities which were indulged in execution of non genuine trades in Stock Options Segment of BSE during the I.P. The dealings of Noticee in Stock Options segment of BSE during the I.P., and allegations against Noticee for execution of non genuine trades are emanated below.

5. Noticee, while dealing in Stock Option segment of BSE during the I.P. allegedly executed 214 non genuine trades in 24 Stock Option contracts, resulting in artificial volume of total

24200000 units in such contracts. Following is noted from the dealings of Noticee in aforesaid 24 contracts at BSE:

a) 40% to 100% of the trades executed by Noticee in aforementioned 24 contracts were non genuine.

b) No. of non genuine trades of Noticee has significantly contributed to the total no. of trades from the market in the above contracts, as up to 100% of the trades that happened in the above contracts were due to non-genuine trades executed by the Noticee.

c) 10% to 100% of the volume generated by the Noticee in above contracts was artificial volume. Further, said artificial volume generated by Noticee also contributed to significant up to 100% of the total volume from the market in above contracts.

d) Alleged non genuine trades executed by Noticee had significant difference in buy rates and sell rates considering that the trades were reversed in short period on the same day.

6. In view of the foregoing, it was alleged that Noticee indulged in execution of reversal trades in Stock Options at BSE during the I.P. Such reversal trades were allegedly non-genuine in nature and have created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore alleged to be manipulative, deceptive in nature. Thus, it is alleged that Noticee violated the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "**PFUTP Regulations 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

7. SEBI, in terms of Section 19 read with Section 15I(1) and (2) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "**SEBI Adjudication Rules, 1995**") appointed Adjudicating Officer to inquire into and adjudge the alleged violations of aforesaid regulations in respect of Noticee, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules, 1995 and Section 15HA of SEBI Act.

SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING

8. Show Cause Notice dated February 22, 2019 (hereinafter referred to as "**SCN**") was issued to the Noticee mentioning the allegations against the Noticee and requiring it to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against it.

9. Aforesaid SCN was sent through Speed Post AD at two addresses of the Noticee available on record, and the same was delivered at one of the address as mentioned on page 1 of this order.

Noticee vide its letter dated March 5, 2019 (also forwarded through e-mail dated March 9, 2019) submitted its reply to the SCN. Key submissions of the Noticee from the above reply are as follows:

"At the outset, we submit that we have not violated any provisions of Regulations 3(a) , (b), (c), (d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003.

We herewith submit that we have undertaken all trades through recognised stock exchange. The trades were also subjected to various charges and taxes inter alia · including Exchange Turnover charges, Service Tax, Security Transaction Tax, SEBI turnover Fees, Stamp Duty etc. Further the execution of trade in stock exchange was without any ill design or ill motives.

We submit that it is alleged that the trades executed were in illiquid Stock Options at Bombay Stock Exchange Limited. However, we submit that these Stock Options, in which we traded, were at no time banned and hence there was no bar on trading in the said Stock Options. Therefore, it would be too far-fetched for us to assume that these Stock Options are so called "ill-liquid". The mere fact that BSE allowed trading in these Stock Options renders our bonafides in trading in these Stock Options. Moreover, in absence of any warnings, estoppels from BSE, we are at a loss to understand how we could gather the awareness of the Stock Options being ill liquid.

We further submit that the said trades were executed in the normal course of trading and we are in no way related to the alleged counter parties Priti Agarwal, Bharat Kumar Agarwalla or Pushpa Devi Agarwalla. Also, the said SCN has failed to establish any connection between us and the alleged counter parties except for matching of fewtrades which could also be a chance without any intent and much less malafide. Hence, allegations against us are based on mere surmises and conjectures.

We submit that the impugned trades were executed on the floor of exchange through a registered share broker who has the requisite softwares as approved by the Exchange. The entire trading process isexchange regulated and like blind mechanism as far as buying and/ or selling of Stock Options by a client through a broker is concerned. As a client, we had only instructed our broker to buy or sell Stock Options specifying the quantity and the name of the underlying Stock Options. Thereafter, it is impossible for us to know who is/are the counter parties to our trades. To the best of our knowledge, even a broker is not aware of the counter party to any trade carried out. Neither did we execute trades through our terminals nor are we aware of the mechanism by which a share broker trades in the market for its clients. We have made due payments for our purchases and have received payments against sale by us. We submit that the said trading system prevents a member who places any orders from identifying the counter- party member or client and thus ensures anonymity of trades. The system does not even display details of all pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible for us to even verify the party & counter party of these transactions. We further state that there was no alert from the broker or the Exchange which would prompt us to take any caution or create an alarm in us to stop trading. Under these circumstances, it is erroneous to come to a conclusion that we had executed non-genuine trades which resulted in artificial volume.

We state that only when we were provided with the SCN, that we became aware about the identity of the couhterparty stock broker or the client to our orders. We further submit that we did not instruct our stock broker to execute the trades in the manner alleged in the SCN.

We further state that the contract notes or bills issued by the stock broker also did not indicate that our trades matched with a particular counter party or reversed with the same counter party. In the absence of such knowledge, we may not be held guilty for any irregularities in the trades.

We submit that till date no investor complaints have been received for trading in the said illiquid Stock Options.

We submit that there was no bar on trading in the said illiquid Stock Optionsand therefore we continued to trade in these Stock Options in the normal course of business. We have been trading in various Stock Optionsand the purported "ill-liquid" Stock Options for us were in normal course of trading in which we could undertake trades without any restrictions. All our trades have been backed up with appropriate pay-in and pay-outs which establishes our bonafides in carrying out genuine trades on the floor of the Exchange.

We further submit all the trades executed by us are well recognised, legal and permitted by BSE and carried out on the floor of exchange. There were no wrongful gams :inade by us out of the alleged trades even for sake of assumptions. Therefore, no motive is established qua us for the presumptions of non genuine trades by us.

We further submit that the share broker was in a better position to understand the technicalities and that the share broker never alerted us from trading in the alleged ill-liquid Stock Options. Hence, we could not gather the awareness of Stock Options being ill-liquid.

PARA -WISE REPLY TO SCN

With reference to para 1 to para 5 of the Show Cause Notice, we submit that the said paras do not make any specific allegations against us and hence do not merit any comments from us at this stage.

With reference to para 6 of the Show Cause Notice, we repeat & reiterate that we were never indulged in the execution of any non- genuine trades as alleged in the said SCN. We submit that we have traded in the Stock Option segment of BSE in normal course of trading.

With reference to para 7 - 7(a) to (d) cif the Show Cause Notice, we submit that we have no connections with the alleged counter parties Priti Agarwal, Bharat Kumar Agarwalla or Pushpa Devi Agarwalla. Also the SCN has failed to establish any connection between us and the alleged counter parties apart from the presumption that the trades executed between us are matching trades. We submit that the trades were executed on the floor of the exchange which is a blind mechanism wherein the trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. Hence, it is highly unlikely that we were aware about the counter parties and the matching of few trades on a given day is coincidental and by no stretch of imagination can the trades be termed as non-genuine or for creating artificial volume as alleged in the SCN. It is pertinent to note that there is a huge time difference between the buy and sell trades. Therefore, any price variation in the meantime is a market phenomenon on which we do not have any control. The allegation in the SCN about 100% of total trades being non genuine has been interpreted in an erroneous manner. Ours was not the only volume in the said Stock Options on the particular day when it is alleged that we had executed non- genuine trades. If the entire volume traded on that day in the Stock Options is considered, we are only a fraction of the whole volume and that too is purely incidental. We had purchased the Stock Optionsand when the prices started going down, we decided to sell the Stock Options in a bid to recover whatever residual possible and avoid total losses. No adverse inference maybe drawn for such intraday trades by us.

With reference to para 8 of the Show Cause Notice, we deny having executed any non genuine trades. The mode and mechanism of Stock market is such that loss and profit cannot be definitely determined. The prices of any underlying Stock Options vary due to various components including sentiments, market conditions, economic and political development etc. Therefore only for reasons of huge price variations, our trades cannot be classified as non genuine. Hence, any matching of trades with a particular counter party could be a matter of chance and not a pre-determined activity for any purpose.

With reference to para 9, para 10 & para 11 of the Show Cause Notice, we submit that the tables and annexures attached in the Show Cause notice do not reflect the correct interpretation of the trades carried out by us. To put more appropriately, our trades were at most intra-day trades. For each of such trades, there are contract notes generated by the broker for us. The SCN has taken each contract note as if the total volume of trades in that instance and have indicated percentages of non genuine trades in comparison to each contract note of ours. The fact remains that there have been huge volumes in the same Stock Options at the same instances and when our contract note is assumed against the total volume, then, it turns out to be minimal, which at best could be a matter of chance. We reiterate that our instructions are to the share broker to carry out buy or sell transactions. We are not even aware who would be the counter party in the exchange regulated and blind mechanism. We once again submit that under the given conditions, it was not possible to even assume that the trades entered by us were non-genuine or done with the intention to create artificial volume.

With reference to para 12 and para 13 of the Show Cause Notice, we deny that we have violated the provisions of Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations, 2003. Therefore, we humbly request that the present proceedings against us may not be continued and we may be exonerated from all the charges and no penalty be imposed against us under section 15HA of SEBI ACT, 1992, as mentioned in the captioned show cause notice.

We humbly request that considering all that is stated above the allegations qua us in the Show cause notice be withdrawn and/ or we may be exonerated. We crave leave to refer, rely on any other documents and also to make additional submissions in the facts and circumstances of the matter. We further request for a personal hearing to make our representations in the matter."

10. Vide Notice dated March 19, 2019 sent through SPAD and e-mail, opportunity of hearing was provided to Noticee on April 4, 2019. Authorised Representative (AR) of the Noticee availed the hearing on behalf of the Noticee, wherein AR reiterated the submissions of Noticee made in reply dated March 5, 2019 and also a request was made to make additional written submissions. Noticee was granted time till April 12, 2019 to make additional submissions. Subsequently, Noticee, vide its letter dated April 8, 2019 made following additional submissions:

"The impugned trades were executed on the floor of exchange through a registered share broker who has the requisite software as approved by the Exchange. The entire trading process is like a blind mechanism as far as buying and/or selling of shares

by a client through a broker is concerned. As a client, we had only instructed broker to buy or sei! shares specifying the quantity and the name of the scrip. Thereafter, it is impossible for us to know who is/are the counter parties to trades. To the best of our knowledge, even a broker is not aware of the counter party to any trade carried out Neither did /we execute trades through our terminals nor are we aware of the mechanism by which a share broker trades in the market for its clients. Further, we have made due payments for purchases and have received payments against sale by us.

That the said trading system prevents a member who places any orders from identifying the counterparty member or client and thus ensures anonymity of trades. The system does not even display details of all the pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible to even verify the party & counter party of these transactions. We further state that there was no alert from the broker or the Exchange which would prompt us to take any caution or create an alarm to stop trading. Under these circumstances, it is erroneous to come to a conclusion that we had executed non-genuine trades which resulted in artificial volume.

That the trades entered into by us were through our stock broker and that we had a bonafide belief that our stock broker would act within the prescribed parameters of law as applicable.

That the share broker was in a much better and strategic position to understand the technicalities of the stock market and the scrips. Admittedly the share broker never alerted/estopped us from trading in the alleged illiquid scrips. Hence, by any stretch of imagination it was beyond our knowledge about the said scrips being ill-liquid.

That to the best of our knowledge, the trading in our account in stock options on the BSE were executed in a legitimate manner. Further, it was only after the receipt of the SCN that we were informed for the first time after a period of 4 years that these trades may not be genuine.

That these scripts, in which we traded, were at no time banned and hence there was no bar on trading in the said scripts. Therefore it would be too farfetched for us to assume that these shares are so called "ill-liquid".

That the BSE allowed trading in these shares renders our bonafides in trading in these shares. No alert or embargo was set by BSE to even give us an iota of doubt about the said scrips being illiquid.

That there was no meeting of mind with the alleged counter parties Priti Agarwal, Bharat Kumar Agarwalla or Pushpa Devi Agarwaila and that matching of trades is a matter of coincidence. Neither has the SCN details any evidence showing our connivance with the said counter parties. We repeat that we were never aware of the counter parties of our trades.

That we did not have any connection with the counter party and that we are merely a trader/consumer and we have made a victim of the trading mechanism.

Even for sake of assumption trades are very miniscule to attract any adverse inference.

Therefore, we humbly request that a lenient view be taken and the present proceedings against us may be dropped and we may be exonerated from all the charges and no penalty be imposed against us under section 15HA of SEBI Act, 1992, as mentioned in the captioned show cause notice."

CONSIDERATION OF ISSUES AND FINDINGS

11. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, following issues require consideration in the present matter:

    a) Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

    b) Does the violation, if any, on part of the Noticee attract monetary penalty under Section 15HA of SEBI Act?

    c) If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

12. Aforesaid provisions alleged to have been violated by the Noticee reads as follows:

PFUTP Regulations 2003

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;

Issue a) - Whether the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations 2003?

13. Reversal trades were considered those trades in which an entity reverse its buy or sell positions in a contract with subsequent sell or buy positions with the same counterparty during the same day. These trades were alleged to have been reversed in short period of time with significant variation in price. It has been alleged that the said reversal trades were non genuine trades as they were not executed in normal course of trading, lack basic trading rationale, and allegedly lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative.

14. Since the aforesaid reversal trades did not effect change in beneficial ownership, it has been alleged that they created artificial volume. Artificial volume is considered to be the volume (no. of units) reversed in both legs of reversal trades entered between same counterparties while keeping out the volume, if any, which was not reversed.

15. As per the SCN, Noticee executed 214 reversal trades in 24 Stock option contracts at BSE during the I.P, which were allegedly non genuine and resulted into artificial volume of total 24200000 units. Contract wise dealings of Noticee in the 24 contracts during the I.P is as follows:

Sl.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (No. of Units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1	ALBK15JUL95.00CEW4	3.32	330000	0.05	330000	6	660000	100%	43%	100%	45%
2	ANBK15JUL60.00PEW2	1.88	540000	0.05	540000	6	1080000	100%	30%	100%	35%

Sl.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	No. of non genuine trades of Noticee in the Contract	Artificial volume generated by Noticee in the Contract (No. of Units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
3	ANBK15JUN60.00PEW2	1.60	484000	0.05	484000	9	768000	82%	45%	79%	31%
4	ANBK15MAY80.00CE	2.23	1420000	0.09	1420000	16	2600000	89%	64%	92%	87%
5	CRGL15MAR180.00CEW3	2.95	734000	0.05	734000	7	1468000	100%	47%	100%	62%
6	DISH15AUG135.00CEW1	1.20	124000	0.05	124000	3	128000	75%	23%	52%	6%
7	DISH15JUL90.00PEW3	2.27	472000	0.05	472000	10	928000	100%	59%	98%	57%
8	DLFL15JUN100.00PEW2	2.41	1590000	0.05	776000	13	1552000	76%	72%	66%	64%
9	EXID15JUL160.00CEW2	3.15	584000	0.05	584000	15	1168000	100%	100%	100%	100%
10	IDBI15JUN55.00PEW3	1.92	660000	0.05	660000	4	392000	50%	20%	30%	9%
11	IDBI15JUN60.00PEW3	3.35	548000	0.05	548000	12	1096000	100%	80%	100%	92%
12	IDFC15JUN140.00PEW3	2.25	596000	0.05	596000	19	1192000	100%	90%	100%	97%
13	IOBL15JUL38.00PEW4	1.59	776000	0.05	776000	7	1552000	100%	100%	100%	100%
14	JISL15JUL70.00PE	2.98	660000	0.20	660000	7	936000	78%	33%	71%	36%
15	JISL15JUN60.00PEW2	2.45	416000	0.05	416000	7	832000	100%	100%	100%	100%
16	JISL15JUN65.00CEW1	2.03	1020000	0.05	1000000	20	2000000	95%	80%	99%	96%
17	JSPL15JUL70.00PEW4	1.75	640000	0.25	640000	3	1280000	100%	43%	100%	86%
18	KARB15JUL145.00PEW1	2.64	384000	0.05	384000	12	768000	100%	60%	100%	68%
19	LNTF15JUN55.00PEW3	1.78	480000	0.05	480000	4	960000	100%	36%	100%	38%
20	PTCI15JUL70.00CE	3.10	200000	0.10	200000	2	112000	50%	8%	28%	5%
21	PTCI15JUN55.00PEW2	2.00	260000	0.05	260000	3	520000	100%	13%	100%	15%
22	PTCI15JUN70.00CEW3	2.10	616000	0.05	616000	18	1232000	100%	51%	100%	53%
23	RCOM15JUL75.00CEW3	2.64	428000	0.20	428000	9	856000	100%	36%	100%	33%
24	RPOW15MAY50.00PE	1.88	600000	0.05	600000	2	120000	40%	8%	10%	3%

16. It is noted that 40% to 100% of the trades executed by Noticee in the aforementioned 24 stock option contracts, were reversal trades. It shows that Noticee's dealing majorly comprised indulging in reversal of trades with same counterparties on the same day. There was no change in beneficial ownership pursuant to execution of reversal trades executed by Noticee in above 24 contracts, as trades were reversed between Noticee and its same respective counterparty and upon such reversal no open positions were carried forward.

17. It is also pertinent to note that Noticee through its reversal trades contributed significantly to the total no. of trades (up to 100%) and volume (up to 100%) in the 24 contracts. In 13 of the 24 contracts, no. of volume generated by Noticee contributed to 50% to 100% of the total volume in these contracts. It shows substantial domination of trading by Noticee in these contracts through its reversal trades.

18. As per SCN, Noticee has undertaken reversal of trades in two legs, viz, first it entered into buy or sell trade with a certain counterparty, and subsequently in second leg, it reversed the position taken in aforesaid trade through reverse sell or buy trades with same counterparty. Upon perusal of Annexure C of the SCN comprising trade-log of the aforesaid 214 alleged non genuine reversal trades, it is noted that Noticee reversed trades with same counterparties in span of 15 minutes to around 180 minutes after entering into first leg of reversal trade with

substantial variation in price. It is pertinent to note that in 14 of the 24 contracts, Noticee undertaken such reversal of trades within 60 minutes.

19. For instance, gist of the dealing of Noticee in 3 contracts viz, LNTF15JUN55.00PEW3, JSPL15JUL70.00PEW4 and JISL15JUN60.00PEW2 are as follows:

Sl	Buyer Short Name	Seller Short Name	Rate (Rs.)	Trade Qty (no. of Units)	Trade Time (hh:mm:ss)	Buy order Time (hh:mm:ss)	Sell Order Time (hh:mm:ss)	Time difference in order entry (hh:mm:ss)	Time differ.. in reversal of trades (hh:mm:ss)
a)	**Dealing in contract viz, LNTF15JUN55.00PEW3 on 17/06/2015**								
(i)	Dharti Investments And Holdings	Kanodia Stock Broking	1.75	240000	14:29:27	14:29:27	14:21:28	00:07:59	00:29:07
(ii)	Dharti Investments And Holdings	Kanodia Stock Broking	1.8	240000	14:29:27	14:29:27	14:21:36	00:07:51	
(iii)	Kanodia Stock Broking	Dharti Investments And Holdings	0.05	400000	14:58:34	14:58:34	14:58:29	00:00:05	
(iv)	Kanodia Stock Broking	Dharti Investments And Holdings	0.05	80000	14:58:40	14:58:40	14:58:29	00:00:11	
b)	**Dealing in contract viz, JSPL15JUL70.00PEW4 on 21/07/2015**								
(i)	Dharti Investments And Holdings	Arun Kumar Jaluka & Others Huf	1.75	638000	13:14:23	13:08:43	13:14:23	00:05:40	00:24:51
(ii)	Dharti Investments And Holdings	Arun Kumar Jaluka & Others Huf	1.7	2000	13:14:23	13:08:14	13:14:23	00:06:09	
(iii)	Arun Kumar Jaluka & Others Huf	Dharti Investments And Holdings	0.25	640000	13:39:14	13:39:09	13:39:14	00:00:05	
c)	**Dealing in contract viz, JISL15JUN60.00PEW2 on 11/06/2015**								
(i)	Dharti Investments And Holdings	Lalit Kumar Khetan Huf	2.4	20000	11:04:18	11:04:18	10:51:13	00:13:05	00:49:42
(ii)	Dharti Investments And Holdings	Lalit Kumar Khetan Huf	2.45	188000	11:04:18	11:04:18	10:51:43	00:12:35	
(iii)	Lalit Kumar Khetan Huf	Dharti Investments And Holdings	0.05	208000	11:54:00	11:54:00	11:53:59	00:00:01	
(iv)	Dharti Investments And Holdings	Garg Brothers Pvt Ltd	2.45	104000	11:04:18	11:04:18	10:51:59	00:12:19	00:49:58
(v)	Garg Brothers Pvt Ltd	Dharti Investments And Holdings	0.05	104000	11:54:16	11:54:16	11:54:16	00:00:00	
(vi)	Dharti Investments And Holdings	Coplama Products	2.45	104000	11:04:18	11:04:18	10:52:15	00:12:03	00:50:12
(vii)	Coplama Products	Dharti Investments And Holdings	0.05	104000	11:54:30	11:54:30	11:54:29	00:00:01	

a) While dealing in the contract viz, LNTF15JUN55.00PEW3 on 17/06/2015, Noticee at 14:29:27 hrs executed 2 buy trades for total 480000 units at average premium rate of Rs.1.78

per unit with counterparty viz, Kanodia Stock Broking. Subsequently, within 30 minutes of the aforesaid trades, during 14:58:34 hrs to 14:58:40 hrs, Noticee entered reversal 2 sell trades with same counterparty for total quantity i.e, 480000 units, however, at significantly lower average premium of Rs. 0.05 per unit. As regards to placement of orders in both the legs of aforementioned reversal trades, it is noted that though the difference in time of placement in first leg of trades was relatively more, however, in second leg of the reversal trades, Noticee and its counterparty placed the orders within close proximity of time viz, 5 and 11 seconds from each other. Above mentioned dealings resulted into 4 reversal trades (2 buy + 2 sell) with total volume of 960000 units.

b) While dealing in the contract viz, JSPL15JUL70.00PEW4 on 21/07/2015, Noticee at 13:14:23 hrs executed 2 buy trades for 640000 units at average premium rate of Rs.1.75 per unit with counterparty viz, Arun Kumar Jaluka & Others Huf. Subsequently, within 25 minutes of the aforesaid trades, at 13:39:14, Noticee entered reversal sell trade with same counterparty for quantity i.e, 640000 units, however, at significantly lower premium of Rs. 0.25 per unit. As regards to placement of orders in both the legs of aforementioned reversal trades, it is noted that though the difference in time of placement in first leg of trades was relatively more, however, in second leg of the reversal trades, Noticee and its counterparty placed the orders within close proximity of 5 seconds from each other. Above mentioned dealings resulted into 3 reversal trades (2 buy + 1 sell) with total volume of 1280000 units.

c) While dealing in the contract viz, JISL15JUN60.00PEW2 on 11/06/2015, Noticee entered into reversal of trades with 3 entities viz, Lalit Kumar Khetan Huf, Garg Brothers Pvt Ltd and Coplama Products for quantities (both legs) viz, 416000, 208000 and 208000, respectively. While undertaking above reversal of trades, as noted in above two contracts mentioned in point a) and b), there was significant variation in reversal rates (premium), and also in second leg of the reversal trades, Noticee and its counterparties placed their buy / sell orders in close proximity of time viz, 1 second, 0 second and 1 second, respectively. Above mentioned dealings resulted into total 7 reversal trades (4 buy + 3 sell) with total volume of 832000 units.

20. Following are the common observations from the dealings of Noticee in above mentioned 3 contracts. It is noted that there was synchronisation in placement of buy /sell orders by Noticee and its respective counterparties in the second leg of the reversal trades to ensure reversal among them. The two legs of reversal trades were entered with significant variation in price considering that reversal was taken place in short period of time after the first leg trades. In these reversal trades of Noticee, positions of both the parties to trades were squared off among themselves only and no open positions were carried forward. Hence, there was no change in beneficial ownership of the units traded in aforesaid reversal trades of Noticee, and volume generated was artificial which gave misleading appearance of trading.

21. Similar modus operandi as noted in the above 3 contracts, was seen in the dealing of Noticee in rest of the aforesaid 24 contracts. Synchronisation of trades by Noticee and its counterparties is visible in the trading pattern of Noticee. From the trade-log provided in Annexure C of the SCN, it is noted that in 80 of the 214 reversal trades executed by Noticee, orders were entered by Noticee and its counterparties within 60 seconds of each other with matching quotes. As seen in above mentioned 3 contracts, as a common pattern, it is noted that reversal of trades with respective counterparties were ensured with synchronisation of orders in second leg of reversal trades.

22. It is pertinent to note that given short time taken in reversal of trades, there was substantial variation in price quoted by Noticee in its reversal trades. These variation of prices were not supported by similar movement in price of the underlying in such short time. Noticee has not cited a credible reason or factor(s) which triggered such reversal of trades with substantial variation in prices in a short time. Given the above, these reversal trades were evidently not undertaken in normal course of trading and given the synchronisation of orders in second leg of the reversal trades, these trades were undertaken in pre-determined manner.

23. Noticee in its reply has shown ignorance to the fact that its impugned trades were executed in the alleged manner, and made submission that it only got aware of the same upon receipt of the SCN. Noticee has also submitted that it did not instruct its Stock Broker to execute the trades in the manner alleged in the SCN and it had only given instruction to buy or sell securities specifying the quantity and the name of the scrip. Noticee also argued that contract note issued by broker did not mentioned details of the counterparties, so it was not aware that its trades were reversed with certain counterparties. In this regard, it is pertinent to note that though the contract notes issued by a Stock Broker to its client do not mention the details of the counterparties, however, it mentions important facts viz, price and time at which trades were executed. Hence, Noticee cannot be deemed to be unaware about consistent reversal of trades undertaken in its account with substantial variation in price in a short period on the same day, and such information on contract note should have raised alarm in normal course. Given the fact that Noticee has not put forward information on record showing any immediate measure taken by it to dispute / complain against the Stock Broker for dealing on its behalf in an unauthorised manner, contention of the Noticee is not tenable.

24. Above mentioned dealings of Noticee resulted into misleading appearance of trading in terms of generation of artificial volume in 24 stock option contracts. It is clear that such reversal trades executed by Noticee do not follow the basic trading rationale, as they are not executed in normal course of trading in which trading inter-alia happens in anonymous and spontaneous environment with economic sense. Therefore such trades are considered non genuine. In this regard, reliance is placed on following observation in judgement of Hon'ble Supreme Court in the matter in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"31…. The non-genuineness of these transactions is evident from the fact that there was no commercial basis to suddenly, within a matter of minutes, reverse a transaction when the value of the underlying had not undergone any significant change.

35……The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in pre-planned and rapid reverse trades, it is not genuine; it is an unfair trade practice…".

"73. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that by cumulative analysis of the reversal transactions between Respondent and Kasam Holding, quantity, time and significant variation of prices, without major variation in the underlying price of the securities clearly indicate that the Respondent's trades are not genuine and had only misleading appearance of trading in the securities market, without intending to transfer beneficial ownership.

25. Noticee has contended that it has no connection or meeting of mind with the alleged counterparties, and also submitted that its impugned trades were carried out on the floor of the Stock Exchange, where trading system prevents Noticee or its Stock Broker to know the counterparties. Though the above submissions have been made, however, given the consistent synchronisation of orders with its counterparties, specifically in second leg of the reversal trades, it will be too naïve to hold that these reversal trades of Noticee were executed without prior knowledge or meeting of minds with the counterparties at some level. It is pertinent to note that while synchronised trades may occur by accident in a liquid security, however, execution of synchronised trades in illiquid securities as in the present matter, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price and same cannot take place without pre-arrangement. In this regard, reliance is placed on following observation in judgement of Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Pvt Ltd in Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on 08.02.2018, which was a similar case involving execution of reversal trades in index options.

"92. Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."

Reliance is also placed on following observation in judgement of hon'ble Supreme Court of India in the matter of SEBI Vs Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016, which has similar scenarios as of the present case:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

26. It has been noted that reversal trades of Noticee resulted into generation of artificial volume and gave misleading appearance of trading in 24 stock option contracts. It is pertinent to note that Regulation 4(2)(a) of PFUTP Regulations states that dealing in securities will be deemed to be a fraudulent and unfair trade practice if it involves "indulging in an act which creates false or misleading appearance of trading in the securities market".

27. These non genuine and deceptive trades are covered under the definition of 'fraud' and dealing of Noticee noted hereinabove were 'fraudulent' as defined under regulation 2(1)(c) of SEBI PFUTP Regulations, 2003. Further, it cannot be ignored that repeated synchronisation of trades in pre-determined manner had an adverse impact on the fairness, integrity and transparency in the securities market.

28. In view of the above, it is clear that Noticee indulge in execution of 214 non genuine trades in 24 contracts which resulted into artificial volume of 24200000 units. Such act of Noticee was deceitful and misleading to other unsuspecting investors, and amounts to manipulation of volume in these contracts. It is clear that by indulging in such execution of non genuine trades, Noticee created a misleading impression of trading in said stock option contracts in a fraudulent manner, and thereby, it violated provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003

Issue b) – Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?

29. Given the findings hereinabove, it is clear that the reversal trades undertaken by Noticee were non genuine, and resulted into misleading appearance of trading in terms of generation of artificial volumes in 24 stock option contracts. The above conduct of Noticee has therefore violated the provisions of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

30. Reliance is also placed on order of the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC), where honourable court has also held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

31. Hence, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, which states as follows:

*88[**Penalty for fraudulent and unfair trade practices.***
15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty 89[which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].

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88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.
89 Substituted for the words ―twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

Issue c) - If so, what quantum of monetary penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act read with rule 5 (2) of the SEBI Adjudication Rules, 1995?

32. While determining the quantum of penalty under section 15HA of SEBI Act, it is important to give consideration to the factors stipulated in rule 5 (2) of the SEBI Adjudication Rules, 1995 and section 15J of SEBI Act, which reads as follows:

Section 15J of SEBI Act - Factors to be taken into account by the Adjudicating Officer
While adjudging quantum of penalty under section 15-I of SEBI Act, the adjudicating officer shall have due regard to the following factors, namely:-
(a)the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b)the amount of loss caused to an investor or group of investors as a result of the default;
(c)the repetitive nature of the default."

93[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]

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93 Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

33. Records shows the amount of gain / loss of the entities involved in non genuine trades including the Noticee, however, it is pertinent to note that entities involved in such trades have either booked gains or loss from the dealings at the Stock Exchange. These gain / loss at Stock Exchange thus appears to be notional.

34. Hence, the impact of these non genuine trades has been considered. It is noted that the trading was in illiquid stock option contracts in which largely there was nil or negligible participation by the public. When the impact of artificial volumes created by the two counterparties is seen as a whole, it is not possible from material available on record to quantify the actual amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties, or the consequent loss caused to investors as a result of the default. Material available on record did not reveal any repetitive default in respect of the Noticee.

35. It has been noted that Noticee executed 214 non genuine trades in 24 Stock Option Contracts, and thereby generated artificial volume of total 24200000 units. Though the Noticee had insignificant contribution when its dealings are compared with entire sock option segment at BSE during the I.P. However, it had significant contribution in trading in 24 stock option contracts through its aforesaid non genuine trades and resulting artificial volume, which contributed to upto 100% of the total no. of trades and total volume in such contracts. It is pertinent to note that in 13 of the 24 contracts, artificial volume generated by Noticee contributed 50% to 100% of the total volume in these contracts.

ORDER

36. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, a monetary penalty of Rs.5,00,000/- (Rupees Five Lakh only) is hereby imposed upon Noticee viz, Dharti Investment and Holdings Limited under Section 15HA of SEBI act for violation of Regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.

37. The Noticee shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

38. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of the Enforcement Department 1 (EFD1) – Division of Regulatory Action (DRA 1) of SEBI.

39. The format for forwarding details / confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular no. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID: tad@sebi.gov.in:

Date	
Department of SEBI	
Name of Intermediary / Other Entity	
Type of Intermediary	
SEBI Registration no. (If any)	
PAN	
Amount (in Rupees)	
Purpose of payment (inluding the period for which payment was made e.g, Quarterly, Annually	
Bank Name and Account Number for which payment is remitted	
UTR No.	

40. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

Date: May 3, 2019
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer