

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4)(b) READ WITH SECTION 11B OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992, READ WITH REGULATION 4(a),(b),(c) and (d) OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995, READ WITH REGULATION 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003.

AGAINST M/S. DAMYANTI FINVEST PVT. LTD., M/S. RITUJA FINVEST PVT.LTD., M/S. CDP FINCAP PVT.LTD., SHRI DINESH DOSHI, SHRI ANIL D.DOSHI AND SHRI VINOD C. SHAH, IN THE MATTER OF KREB BIOCHEMICALS LTD.

1.0 BACKGROUND

1.1. The shares of M/s Krebs Biochemicals Ltd. (hereinafter referred to as "the company") were listed for trading on the Hyderabad Stock Exchange Ltd., National Stock Exchange of India Ltd. (NSE) and The Stock Exchange, Mumbai (BSE).

1.2 A spurt in volumes and price of M/S Krebs Biochemicals Ltd was noticed by SEBI, in the period March-June, 1998. In view of the abnormal rise and fall in price of the scrip, accompanied with a simultaneous increase in volumes traded, Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the dealings in the scrip of Krebs Biochemicals Ltd. (hereinafter referred to as " the Company") for alleged market manipulation, for the period March to June, 1998.

1.3 It is noted from the distribution schedule of the company, as on July 16, 1997 that Directors and their relatives, Bodies Corporate, Foreign Holdings, Government / Government Sponsored Financial Institutions and Other top 50 Shareholders together account for 72% of the total equity capital of the company. Thus, only 28% of the equity capital (i.e. 12,88,000 shares) is the floating stock available in the market which is considered to be low.

1.4 It was noticed that the price of the shares, at NSE, went up from Rs.81/- in the month of March,1998 to a high of Rs.304/- on June 2,1998. The price declined through the month of June and touched Rs. 137.50 on July 03, 1998, before rising to Rs. 249/- on July 17, 1998. A similar trend was also seen at BSE. At the same time, it was also observed that price movement in the scrip of Krebs Biochemicals Ltd. was not in sync with the price movement of the shares of other companies in the same industry segment.

1.5 The maximum trading activity in the shares of the company was witnessed from the middle of April, 1998 till the middle of July,1998. The daily volume in the scrip at BSE, which was in the range of 1000 shares in the first fortnight of March 1998, increased, with fluctuating volumes, to a level of 40300 shares on June 1, 1998 and subsequently fell to a level of about 5000 shares during July 1998. Similarly at NSE, the average traded volume per day which was about 4,000 shares during the first week of March 1998 increased to 1,95,000 shares by the end of May 1998.

1.6 Thus, at both BSE and NSE, the share price of the company witnessed a sharp increase from Rs.81/- to a high of Rs.304/- within a period of three months i.e. between March 3, 1998 and June 2, 1998, accompanied by a significant increase in volumes.

1.7 During the course of Investigation, it was noticed that gross purchases were made during the relevant period by 3 entities namely, M/s. CDP Fincap Private Ltd., M/s. Rituja Finvest Private Ltd. and M/s. Damayanti Finvest Private Ltd., together constituting the CDP Group

1.8 These entities were enrolled as common clients to some members of NSE and BSE. M/s. Rituja Finvest Private Limited was a common client to R.R.Bohra on BSE and Asian Securities on NSE, while M/s. CDP Fincap was a common client to Sony Securities on NSE and S.N.Tara, R.R.Mohta, S.N.Nanglia and GNH.Global on BSE. Similarly, Damayanti Finvest was a client to GNH Global and Ramkrishna Sekhsaria on BSE.

1.9 These entities appeared to have shown inexplicable trading interest in the said scrip during the period of review. It was inferred that since the floating stock was very less and the shares were available at fairly cheap rates, the purchases made by the said group influenced the share price of the company. These entities built up unusually large positions in the scrip of Krebs Biochemicals Ltd., resulting in distortion of the market equilibrium and creation of artificial market in the said scrip.

1.10 Investigations further revealed that the CDP group had dealt mainly through the following set of brokers and sub-brokers of BSE/NSE :

- i. GNH Global Securities Ltd.
- ii. S.N.Nanglia
- iii. R.R.Mohta
- iv. S.N.Tara
- v. Sony Securities
- vi. Ramkrishna Sekhsaria
- vii. Malar Share Shoppe (sub-broker to RR Bohra)
- viii. Asian Securities

1.11 During the conduct of the investigations, there was continuous non-cooperation and non-compliance by the CDP Group, which did not produce the books of accounts, supporting documents and even basic information regarding source of funds for their purchases etc. This non-cooperation and non-compliance severely hindered the investigation process.

2.0 SHOW CAUSE NOTICES AND HEARING.

2.1 Pursuant to the investigation, show cause notices dated 21st October, were issued to M/s. Damyanti Finvest Pvt. Ltd, M/s Rituja Finvest Pvt Ltd, M/s CDP Fincap Pvt Ltd and their directors Shri Anil D. Doshi, Shri Dinesh Doshi and Shri Vinod C. Shah advising them to show cause as to why a suitable direction under Section 11 (4)(b) read with Section 11B of SEBI Act and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, including directions restraining them from accessing securities market and prohibiting them from buying, selling or dealing in the securities market for a particular period, should not be passed against them. It was also mentioned that if they failed to submit their reply within the stipulated period of 21 days, SEBI shall be constrained to proceed against them ex-parte'.

2.2 However, M/s. Damyanti Finvest Pvt. Ltd, M/s Rituja Finvest Pvt Ltd, M/s CDP Fincap Pvt Ltd, Shri Anil D. Doshi and Shri Dinesh Doshi failed to submit replies to the said show cause notices. Shri Vinod C. Shah submitted a letter dated 10.11.03 and inter alia, contended that he was not the director of the company and had worked as a clerk for a short period of about four months. He also contended that he was not aware of the transactions done by the company with various brokers in the scrip of Kreb Biochemicals Ltd and all dealings were done by Shri Anil D. Doshi and Shri Dinesh Doshi, who were the promoters / directors of the company and were holding shares / interest in the company.

2.3 Further, in the interest of natural justice, an opportunity of hearing was granted to the said entities / persons before me on December 23, 2003 and January 16, 2004. However, M/s. Damyanti Finvest Pvt. Ltd, M/s Rituja Finvest Pvt Ltd, M/s CDP Fincap Pvt Ltd, Shri Anil D. Doshi and Shri Dinesh Doshi failed to avail the same. Shri Vinod C. Shah came for the hearing on December 23, 2003. However, the said hearing was adjourned to January 16, 2004. Shri Vinod C. Shah failed to attend the hearing on January 16, 2004.

2.4 I am convinced that ample opportunity has been given to the entities / persons to make submissions. Therefore, I proceed further in the matter, based on the material available on record.

3.0 FINDINGS

3.1 I note that in the course of investigations, details were called from the major trading members on BSE and NSE, for the above stated investigation period. The trading details of the major trading members from BSE and NSE indicate the following :

BSE DETAILS

Broker Name	Total Buy Qty.	Net Buy Qty. on delivery basis	Net sale Qty. on delivery basis	Observations (Major Buy clients)
GNH Global	56700	34400		CDP Fincap – 9700 Damayanti Finvest – 46700 (21600)
S N Nangalia	54000	24100		CDP Fincap – 41800
R R Mohta	21000	21000		CDP Fincap – 21000
P R Shah	32400	15900		Shree Agatiar Inv – 3900 (3900) Amjis Holdings – 10000 (6300)
Ajaya S Jain	26100	12800		M K Inv – 15900 (6800) Surichi Jain – 3100
Ramkrishna Sekhsaria	11500	11400		Damayanti Finvest
S N Tara	20600	200		CDP Fincap – 20000 (20000)
Kotak Securities	9600	3900		Komaf Sec – 1000 Margdarshi – 1000 Sayed Mohsin – 1000 Sayed Jaffar Hussain – 5500

				(4000)
Sovereign Sec.	20500	4700		Stock Guardian – 5000
R R Bohra	4400	4000		Malar Share Shoppe – 4200 (client Rituja Finvest)

NSE DETAILS

Broker Name	Net Buy	Net Sale	Observations – clients (Major purchasers)
Aries Stocktrades	8300		Indian Finance Guarantee – 10000
Asian Securities	21700		Rituja Finvest – 21100
Mideast Investments	21200		All small clients
Sony Securities	67300		CDP Fincap – 67500

* Transactions of the 3 entities are shown in bold.

3.2 Therefore, it appeared that the three entities viz. CDP Fincap, Damayanti Finvest P Ltd and Rituja Finvest apparently related/connected were seen to be acting in concert with each other and their trading pattern predominantly moved the scrip price during the investigation period. The records also brought out that they had enrolled as common clients to members of NSE and BSE and traded in the shares of the company during the relevant period. The three clients appeared to have shown inexplicable trading interest in the said scrip during the period of investigation. Moreover, since the floating stock was very less and the fact that shares were available at fairly cheap rate the purchases by the clients as above might have influenced the price of the scrip.

3.3 In order to ascertain the roles of the three entities, statements of the brokers /sub-brokers through whom the CDP group had dealt at NSE/BSE, were recorded. The following submissions were made by the brokers :

3.3.1 M/s GNH Global Securities Ltd., member, BSE

The member had dealt for M/C CDP Fincap and M/S Damyanti Finvest P Ltd. In their statement to SEBI, Mr. Navnit N Rana – Director of GNH Global, agreed that they had made net purchases of 9700 shares for CDP and 25100 shares for Damyanti in the scrip of Kreb Biochemicals. They stated that these clients (CDP and Damyanti) were dealing with them from December 1997 to June 1998. (It may be recalled that the period of price rise also lasted till June, 1998.) GNH had also entered into spot deals with M/s. Equity Investments and Gandak Investments in the said scrip. Mr. Rana stated that the pay in towards the purchases made by Damyanti and CDP was received from the account of Gandak Investments and subsequently on the instructions of their clients the spot deal was entered into and accordingly the shares were delivered to Gandak Investments. Thus, it appeared that Gandak Investments was acting in concert with both CDP and Damayanti. Mr. Rana in his statement stated that orders on behalf of all 4 clients (CDP, Damyanti, Equity and Gandak) were received from Mr. Anil Doshi and Mr. Dinesh Doshi. As per the submissions made by GNH Global the addresses of both CDP and Damyanti are 1208 Maker Chamber V, 221 Nariman Point, Mumbai.

3.3.2 M/s Ramkrishna Sekhsaria, member BSE

The member had also dealt in the scrip of M/s Kreb Biochemicals Ltd during the investigation period. Mr. Bharat K Sekhsaria, in his statement to SEBI on April 6, 2000, submitted that he had dealt with only one client, namely – Damayanti Finvest, during the period March, 1998 to June 1998. He had submitted that Damayanti Finvest had dealt with them from May, 1998 to June, 1998 and that the total net purchases were 11,500 shares. Mr. Bharat stated that the deliveries for this was made to M/s Krishna Texport, who was a long standing client of theirs, since M/s. Damyanti Finvest failed to make the payment of Rs.1.04 crs. to them on account of their buy position in the scrip of Kreb Biochemicals Ltd. He also submitted that they had collected 8500 shares of BPL as margin from Damyanti.

3.3.3 Shri Satyanarayn Nanglia – member BSE

Shri Nanglia, in his statement to SEBI on March 31, 2000, submitted that M/s. CDP, Rituja and Damyanti were his clients from June, 1997 to June, 1998. Shri Nanglia has stated that the orders on behalf of the afore-mentioned clients were placed by Mr. Anil Doshi and Mr. Dinesh Doshi. Mr. Nanglia also stated that he had known Mr. Anil Doshi and Mr. Dinesh Doshi, who were directors of CDP Fincap, personally for the last 5 yrs. They stated that they had collected adequate margins as per settlement bills and also ad hoc margins as and when demanded by the Exchange. He also stated that these entities had also dealt in other scrips namely BPL, Videocon, Sterlite etc. The client Registration form submitted by Shri Nanglia gives the address of CDP as 1208, 12th Floor, Maker Chambers V, 221 Nariman Point, Mumbai – 400021 and mentions Shri Vinod C. Shah as the Director of CDP Fincap.

3.3.4 M/s. Soni Securities – member NSE

In his statement to SEBI, Shri B K Soni, on 04/04/2000, submitted that he had dealt with M/S CDP Fincap only, in the scrip of Kreb Biochemicals Ltd. He stated that he had dealt with CDP, Rituja and Damyanti during the period September 1997 to June 1998, in a number of scrips namely-BPL, Videocon, Sterlite etc. Mr. Soni submitted that the payment (on account of purchase of Kreb Biochemicals) was received from S N Tara (amount of Rs. 2.75 lacs) – another broker of BSE. He also stated that orders were placed by Mr. Ashish and Ms. Hema who were commonly acting on behalf of CDP, Damayanti and Rituja.

3.3.5 Asian Securities & Stocks Ltd. – member NSE

In its submissions made to SEBI vide letter dated 03/04/2000, it was stated that they have dealt in the scrip of the company for their client Rituja Finvest. A copy of the client registration form furnished by the broker shows the address of M/s. Rituja Finvest Ltd as 1208, 12th Floor, Maker Chambers V, 221 Nariman Point, Mumbai – 21. The name of the Director is shown as Mr. Dinesh D Doshi.

3.3.6 Shri Raj Ratan R Mohta – member BSE

In his statement to SEBI on April 3, 2000, Shri Rajratan R Mohta said that he had dealt for only one client namely, CDP Fincap Ltd., in the scrip of Krib Biochemicals Ltd. He stated that CDP and its group entities-namely Damayanti Finvest and Rituja Finvest had dealt with them from January 1998 to June 1998. He had also stated that these entities had also dealt with them in the scrip of BPL, Videocon, Sterlite etc. He stated that orders were placed by Mr. Anil Doshi, Mr. Dinesh Doshi and Ms. Hema, who were commonly acting on behalf of CDP, Damayanti, Rituja.

3.4 It was also noted that the address of CDP and its group entities, as mentioned by the member-brokers above, is next door to the known address of Shri Harshad Mehta ie. 1205/6 Maker Chamber V, 221 Nariman Point, Mumbai. The same has been brought out in the investigation report of BSE. Further, the investigations conducted by SEBI in the case of BPL, Videocon, Sterlite also revealed connections of CDP, Rituja and Damayanti group with the Late Shri Harshad Mehta.

3.4 I note that summons dated 15.06.01 were sent to the CDP group entities, asking them to furnish information with regard to their dealings in the scrip. These summons were served on them, and they had received the same on 18/06/2001. However, no one from any of the three companies turned up with their submissions.

3.5 Another summon to the three entities was sent on 23/12/02. The same was returned undelivered with the noting 'no company' and was signed as Mr. Doshi.

3.6 Attempts were made to get the summons delivered through the brokers who had dealt for these entities, vide letter dated 16/01/03, which was sent by Registered post, summoning the three entities to present themselves on various dates.

3.7 One of the dealing brokers – Shri Rajratan Mohta, member, BSE vide his letter dated 27-01-03 submitted that he had sent the summons to Shri Vinod C. Shah at his address at Mira Road. However Shri Vinod C. Shah did not turn up with the details asked for, in the summons and the summons were then served on Shri Vinod C. Shah personally.

3.8 The summons were also served personally to all the directors and the provisions as stated in the summons and consequential action in case of failure to respond to the summons was explained to Mr. Anil D. Doshi. In reply to the summons, Mr. Anil D. Doshi, vide his letter dated 08/02/03, returned the summons with the plea that "none of these three companies have registered office addresses as my residence address and I had resigned from the Directorships of those companies about five years back."

3.9 The above act of the three directors clearly indicates their defiant attitude in complying with the summons of a regulatory body and the same amounts to non-cooperation with the investigating authority.

3.10 It has been clearly stated by all the brokers that orders were being placed by Shri Anil D Doshi and Shri Dinesh D Doshi. Shri Satyanarayan Nanglia, member BSE in his statement to SEBI on March 31, 2000 stated that he had known Mr. Anil Doshi and Mr. Dinesh Doshi who were directors of CDP Fincap, personally for the last 5 yrs. Mr. Anil Doshi also in his letter dated 08/02/03 stated that he had resigned from the Directorship of the three companies' about 5 years back'. The period of investigation pertains to March 1998 to June 1998. All these facts give rise to the conclusion that the entities / persons were deliberately not cooperating with the investigation. Further, it is observed from the submissions made by Shri Anil Doshi that he was a director of the CDP group entities during the period of investigation. Therefore, he is responsible for all acts of omission and commission of these companies.

3.11 I also note that the Investigation team was grossly handicapped in view of the total non-cooperative stand adopted by the aforesaid three clients who were the major parties who had traded in the scrip. Even basic details as regards the source of funds which enabled them to purchase the shares etc could not be verified in view of the recalcitrant attitude of the three major clients.

3.12 Creation of false market and price manipulation is a very serious offence and is in violation of Regulation 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995. Such manipulation disturbs the confidence of investors in securities market.

3.13 Having noted the actual trading pattern in the scrip, in terms of volume of trading, level of purchases, the participating clients and the absence of wide scale interest in the scrip by a large number of investors, I find that the share price of the company had gone up on sustained purchases from select clients, namely the CDP group, especially considering the fact that the CDP Group's net purchases as against the net purchase positions on the exchange as a whole was about 75%.

3.14 After taking into consideration the material and evidence gathered during the investigations in the price manipulation in the scrip of Krib Biochemicals Ltd., I conclude that the CDP group entities and their directors Shri Dinesh Doshi and Shri Anil D.Doshi had

- i. acted in concert and in a manner so as to create an artificial market and disturb the market equilibrium in the scrip of Krib Biochemicals Ltd., an act which is considered to be detrimental to the stability of the securities market.
- ii. aided and abetted the price manipulation of the scrip of Krib Biochemicals Ltd.

3.15 Therefore, I find that M/s. Damayanti Finvest Pvt.Ltd., M/s. Rituja Finvest Pvt.Ltd., M/s. CDP Fincap Pvt.Ltd. and their directors Shri Dinesh Doshi and Shri Anil D.Doshi are guilty of violating the provisions of Regulation 4(a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 which read as under :

"4. No person shall –

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person ;
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market.
- (c) indulge in any act, which results in reflection of prices of securities based on transactions that are not genuine trade transactions"
- (d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate

only as a device to inflate, depress, or cause fluctuations in the market price of securities;

(e).....

3.16 I also note that Regulation 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 reads as under :

"Repeal and savings

13.(1)The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 is hereby repealed.

Notwithstanding the repeal of the Securities and Exchange Board of India ((Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, any violation of regulations 3, 4, 5 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 shall be investigated and proceeded against in accordance with the procedure laid down in these regulations.

Notwithstanding the repeal of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995, any investigation pending, at the commencement of these regulations shall be continued and disposed of in accordance with the procedure laid down in these regulations."

3.17 I am convinced that the CDP group entities and their directors Shri Dinesh Doshi and Shri Anil D.Doshi had, acting in concert with each other, entered into transactions in the shares of M/s Kreb Biochemicals Ltd and contributed substantially towards the volumes at the exchange which constituted a substantial part in the entire volumes of the company traded during the period under investigation.

3.18 I find merit in the contention of Shri Vinod C. Shah that he was not the director of the company and worked as a clerk for a short period of about four months. I also find merit in the contention that he was not aware of the transactions done by the company with various brokers in the scrip of Kreb Biochemicals Ltd and all dealings were done by Shri Anil D. Doshi and Shri Dinesh Doshi who were the promoters / directors of the company and holding shares/interest in the company. Hence, I accept the submissions of Shri Vinod C. Shah.

3.19 In view of my findings mentioned hereinabove, I find that it is a fit case for issue of directions against M/s. Damyanti Finvest Pvt.Ltd., M/s. Rituja Finvest Pvt.Ltd., M/s. CDP Fincap Pvt.Ltd. and their directors Shri Dinesh Doshi and Shri Anil D.Doshi, whose conduct has been shown to be detrimental to the interest of investors and the securities market.

3.20 I have also noted that an order dated 19.2.02 was passed by SEBI prohibiting, inter alia, M/s. Damyanti Finvest Pvt. Ltd., M/s. Rituja Finvest Pvt.Ltd., M/s. CDP Fincap Pvt.Ltd. from dealing in any securities which are listed or proposed to be listed in any of the stock exchanges in India and also from accessing the capital market for a period of five years with effect from 25.2.02 for violating the provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. I also note that another order dated 19.2.02 was passed by SEBI, prohibiting Shri Anil Doshi and Shri Dinesh Doshi from dealing in any securities which are listed or proposed to be listed in any of the stock exchanges in India, for a period of five years, with effect from 25.2.02. I also note that an order dated 19.2.02 was passed by SEBI issuing a warning to Shri Vinod C. Shah, directing him to be careful in future and to act diligently while discharging his duties.

4.0 ORDER

4.1 Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Section 11 (4) (b) and Section 11B of the Securities and Exchange Board of India Act, 1992 read with the Regulation 4(a), (b), (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and also read with Regulation 11 and 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby direct that M/s. Damyanti Finvest Pvt. Ltd., M/s. Rituja Finvest Pvt.Ltd., M/s. CDP Fincap Pvt.Ltd. and their directors Shri Dinesh Doshi and Shri Anil D.Doshi be restrained from associating with any corporate body in accessing the securities market and also be prohibited from buying, selling or dealing in securities, directly or indirectly, for a period of five years. I also direct that Shri Vinod Shah be warned to be careful in future and to act diligently while discharging his duties. This order is without prejudice to any other action that may be initiated by SEBI as per law.

4.2 This order shall come into effect on expiry of 21 days from the date of the order.

PLACE : MUMBAI
DATE : July 06, 2004

A.K.BATRA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA