

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

**IN THE MATTER OF DOCTOR'S BIOTECH LIMITED**

**In respect of Sanchay Fincom Limited**

**(SEBI Registration No. INB 011139632)**

**Date of hearing:** April 30, 2010

**Appearances**

**For Noticee:** Mr. Avinash Tiwari, Director  
Mr. Jayant Thakur, Chartered Accountant

**For SEBI:** Mr. G. Ramar, General Manager  
Mr. N. Sunil, Assistant General Manager  
Mr. Pradeep Kumar, Legal Officer

**ORDER**

**Under Regulation 28(2) read with Regulations 38 (2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008**

1. Securities and Exchange Board of India (hereinafter referred to as the 'SEBI') conducted investigation into the dealings in the scrip of Doctor's Biotech Limited (hereinafter referred to as 'DBL'), for the period of October 06, 2003 to March 09, 2004 (hereinafter referred to as 'period of investigation'). During the period of investigation, the scrip of DBL was listed at Bombay Stock Exchange (hereinafter referred to as 'BSE').
2. The trading details of the persons who had traded in the scrip were collected and analyzed along with the data of volumes contributed. During the period of investigation, significant increase in the price and volume of the scrip was noticed. At BSE, the price of the scrip increased from ₹105 as on October 09, 2003 to ₹420 as on March 09, 2004 after touching a high of ₹423.25 as on March 09, 2004. The shares of the company were last traded on BSE on June 29, 2005 at ₹3.98 and since then trading in the scrip is under suspension.

3. Investigation *inter alia* revealed that Sanchay Fincom Limited, member BSE (hereinafter referred to as 'noticee') in-conivance with others had indulged in synchronized and structured deals and executed circular/ reversal of trades in the shares of DBL and thereby created artificial volumes and influenced the price of the scrip.
4. Based on the findings of investigation, SEBI initiated enquiry proceedings as against the noticee in terms of SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002 (hereinafter referred to as 'Enquiry Regulations'), by appointing an Enquiry Officer under Regulation 5(1) of Enquiry Regulations vide order dated March 26, 2008, read with subsequent order dated May 05, 2009. SEBI appointed the Enquiry Officer, to enquire into the alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as 'PFUTP Regulations') and the Code of Conduct specified under Schedule II of SEBI (Stock Brokers and Sub-Broker) Regulations, 1992 (hereinafter referred to as 'Broker Regulations'). As the Enquiry Regulations were repealed with effect from the notification of SEBI (Intermediaries) Regulations, 2008, the Enquiry Officer/ Designated Authority (hereinafter referred to as the 'Enquiry Officer') submitted his Report dated November 25, 2009, in terms of Regulation 27 of SEBI (Intermediaries) Regulations, 2008, recommending thereby a penalty of suspension for a period of one month for violating the provisions of Regulation 4 (2) (a) and (b) of PFUTP Regulations read with Regulation 13 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.
5. Subsequently, a show cause notice dated March 17, 2010 (hereinafter referred as SCN') under Regulation 28 of SEBI (Intermediaries ) Regulations, 2008, was issued by SEBI to the noticee, asking it to show cause as to why the appropriate penalty including penalty as recommended by the Enquiry Officer should not be imposed. The noticee was advised to reply to the SCN, within twenty one days from the date of receipt thereof. It was also informed that in case of failure, it would be presumed that it had no explanation to offer and that

SEBI shall be free to take such action in the manner as it deemed fit. A copy of the Enquiry Report was also forwarded to the noticee along with the SCN.

6. The noticee replied to the SCN vide its letter dated January 08, 2010, and requested for an opportunity of personal hearing. Accordingly, an opportunity of personal hearing was granted to the noticee before me on March 29, 2010. The noticee vide its letter dated March 23, 2010 sought an adjournment on the ground that its authorized representative was not available. The request of the noticee was acceded to and the hearing was adjourned to April 08, 2010. On this date again, the noticee vide its letter dated April 08, 2010, again requested for an adjournment on the ground that its legal representative is not well. The request of the noticee was again considered and another opportunity of personal hearing was granted to the noticee on April 30, 2010. On the date fixed for personal hearing Mr. Avinash Tiwari, authorized representative and Mr. Jayant Thakur, Chartered Accountant appeared and made oral submissions. In the meantime, the noticee filed an application for settlement of proceedings through the consent mechanism. This application of the noticee was dealt in accordance with the SEBI Circular dated April 20, 2007, and the proceedings initiated under the SCN were revived as application for consent was rejected by SEBI.
7. I have carefully considered the SCN, the reply of the noticee and the material available on record. The submissions of the noticee in brief are:
  - It had not carried out any proprietary trades in the scrip of DBL.
  - The trades were executed on behalf of clients in the normal course of business. Had no connections with the clients.
  - The transactions were carried out by the clients on their own account with their own money and for their own profit, loss and risk.
  - The relation with Mr. Pramod Gadia was purely a broker-client relation.
  - Pramod Gadia was introduced for opening the bank account for the purpose of transfer of salaries. By such introduction Pramod Gadia was got connected with it.
  - The information about gap of time for order matching was never known to it.

8. Having considered this, the issue that arises for my consideration is: Whether the noticee had aided and abetted its client in the creation of artificial volume in the scrip of DBL?

9. **Whether the noticee had aided and abetted its client in creation of artificial volume in the scrip of DBL?**

a. I note that during the period of investigation, noticee purchased 70,685 shares and sold 27,253 shares on gross basis and net purchased 43,432 shares. The said trades were done by it on behalf of its clients mainly Pramod Gadia and M/s Venkatesh Shares and Investment. It is seen from the Enquiry Report that during November 24, 2003 to January 15, 2004, the price of the scrip had increased from ₹195 to ₹284.75. Trading details for the period of November 24, 2003 to January 15, 2004 have been brought out below for reference:

| Date     | Buy Member | Buy Client | Sell Member | Sell Client | Qty.  | Rate   | Total volume | %age |
|----------|------------|------------|-------------|-------------|-------|--------|--------------|------|
| 24/11/03 | D0204*     | Venkatesh  | D0296*      | Pramod      | 1,000 | 202.50 | 2,000        | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 1,000 | 195.00 |              |      |
| 27/11/03 | D0204      | Venkatesh  | D0296       | Pramod      | 1,000 | 206.55 | 2,020        | 99%  |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 1,000 | 206.25 |              |      |
| 28/11/03 | D0204      | Venkatesh  | D0296       | Pramod      | 1,000 | 210.65 | 2,000        | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 1,000 | 210.65 |              |      |
| 01/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 50    | 214.85 | 50           | 100% |
| 08/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 300   | 216.00 | 607          | 49%  |
| 09/12/03 | D0296      | Pramod     | D0204       | Venkatesh   | 350   | 208.00 | 350          | 100% |
| 22/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 500   | 215.00 | 1,000        | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 500   | 213.00 |              |      |
| 23/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 200   | 218.50 | 400          | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 200   | 218.70 |              |      |
| 29/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 2,000 | 224.65 | 5,000        | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 2,000 | 225.45 |              |      |
| 30/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 500   | 229.25 | 2,005        | 99%  |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 500   | 227.00 |              |      |
| 31/12/03 | D0204      | Venkatesh  | D0296       | Pramod      | 200   | 233.00 | 250          | 80%  |
| 01/01/04 | D0296      | Pramod     | D0204       | Venkatesh   | 200   | 237.50 | 200          | 100% |
| 02/01/04 | D0204      | Venkatesh  | D0296       | Pramod      | 100   | 242.00 | 100          | 100% |
| 05/01/04 | D0204      | Venkatesh  | D0296       | Pramod      | 100   | 246.50 | 100          | 100% |
| 07/01/04 | D0204      | Venkatesh  | D0296       | Pramod      | 100   | 256.00 | 200          | 50%  |
| 08/01/04 | D0296      | Pramod     | D0204       | Venkatesh   | 500   | 260.50 | 500          | 100% |
| 09/01/04 | D0204      | Venkatesh  | D0296       | Pramod      | 600   | 265.50 | 1,100        | 100% |
|          | D0296      | Pramod     | D0204       | Venkatesh   | 500   | 264.50 |              |      |
| 12/01/04 | D0204      | Venkatesh  | D0296       | Pramod      | 100   | 270.00 | 100          | 100% |
| 13/01/04 | D0204      | Venkatesh  | D0296       | Brajesh     | 2,000 | 266.00 | 4,000        | 100% |
|          | D0296      | Brajesh    | D0204       | Venkatesh   | 2,000 | 274.65 |              |      |
| 15/01/04 | D0204      | Venkatesh  | D0296       | Brajesh     | 1,000 | 275.00 | 2,000        | 100% |
|          | D0296      | Brajesh    | D0204       | Venkatesh   | 1,000 | 284.75 |              |      |

\*D0204 – Noticee

\*D0296 – MPSE Securities Ltd.

- b. From the above table, I note that the majority of the trades of the noticee for its client were reversed and have contributed to the extent of 100% of the total volume traded on the exchange. It is seen that in all these trades the counterparty is MPSE Securities Ltd. (hereinafter referred to as 'MSL'). I note from the Enquiry Report that the noticee and MSL were the major buying and selling brokers with aggregate concentration of 98.50% of the gross purchase and 99% of the gross sales in the scrip. Further, these two aggregately had trade concentration of almost 99% and order concentration of 93% during the period of November 24, 2003 to January 15, 2004.
- c. I note from the Enquiry Report that during the period of October 06, 2003 to November 20, 2003, the price of the scrip of DBL had increased from ₹105 to ₹198.80 in 21 trading days, where it has increased by more than 4% on 8 days. On these occasions, the noticee appeared either as buy member or sell member. The instances thereof are as under:

| Date     | Open   | Close  | No. of trades | No. of shares | Buy member      | Sell member     |
|----------|--------|--------|---------------|---------------|-----------------|-----------------|
| 08/10/03 | 120.00 | 120.00 | 1             | 500           | Sanchay         | MPSE Securities |
| 15/10/03 | 140.70 | 140.70 | 1             | 500           | Sanchay         | MPSE Securities |
| 16/10/03 | 147.00 | 147.00 | 10            | 500           | Sanchay         | Southern Shares |
| 17/10/03 | 154.50 | 154.50 | 10            | 500           | Southern Shares | Sanchay         |
| 06/11/03 | 170.75 | 170.75 | 1             | 1             | Uttam Financial | Sanchay         |
| 11/11/03 | 181.10 | 181.10 | 1             | 1             | Uttam Financial | Sanchay         |
| 13/11/03 | 190.15 | 190.15 | 1             | 1             | Uttam Financial | Sanchay         |

- d. The continuous matching of trades without much time difference shows that the trades entered by the noticee were structured and also in the nature of circular/ reversal. Such pattern also creates an impression of active trading in the scrip. Further, this shows that the entity was trading for the purpose of generating artificial volumes and influencing the price of the scrip.
- e. Before concluding, I note the admission of the noticee that its client Pramod Gadia was in its employment from September, 2000 to October, 2004 i.e. well before and after the period of investigation. It is seen that during the period of investigation, Pramod Gadia had acted as a client through the noticee. The noticee has argued that the trades carried out by Pramod Gadia were on his

own account as principal, with his own money and for his own profit, loss and risk. I note from the Enquiry Report that Pramod Gadia had also executed fictitious trades in the scrip of DBL, wherein noticee had acted as broker on one side of such trades. Instances thereof are as under:

| Date      | Buy Member | Buy Client | Sell Member | Sell Client | Qty.         | Rate   |
|-----------|------------|------------|-------------|-------------|--------------|--------|
| 12-Feb-04 | D0204      | Pramod     | D0296       | Pramod      | 50           | 339.10 |
| 13-Feb-04 | D0296      | Pramod     | D0204       | Pramod      | 50           | 334.00 |
| 23-Feb-04 | D0204      | Pramod     | D0296       | Pramod      | 500          | 369.13 |
| 23-Feb-04 | D0296      | Pramod     | D0204       | Pramod      | 500          | 368.10 |
| 25-Feb-04 | D0204      | Pramod     | D0296       | Pramod      | 500          | 380.00 |
| 1-Mar-04  | D0204      | Pramod     | D0204       | Pramod      | 50           | 401.00 |
| 8-Mar-04  | D0204      | Pramod     | D0296       | Pramod      | 50           | 420.00 |
|           |            |            |             |             |              |        |
|           |            |            |             |             | <b>1,700</b> |        |

In view of the foregoing, I note that the noticee had turned a blind eye to the activities of its clients in creation of artificial volumes in an illiquid scrip. The noticee has argued that it had not carried out any proprietary trades in the scrip of DBL. I find no merit in this argument of the noticee, as the trades were executed through its own terminal and the client involved herein is one of his own employee.

- f. Having considered the findings of Enquiry Officer relating to the details of trades and the period of employment of Pramod Gadia with the noticee, I agree with the Enquiry Officer that Pramod Gadia was under the direct control and supervision of the noticee during the period of investigation. I do not agree with the noticee that it is impossible for it to know as to who had entered the order earlier and at what time. It is seen that the clients of the noticee, one of whom as above said was also its employee who were merely reversing their positions and contributing to 100% of the total market volume. Considering the number of shares involved in the present proceedings executed by the noticee for its client and also the pattern of trading, I am of the view that it was enough for the noticee to raise some suspicion on the trading pattern of its clients. Having not done so, the noticee has failed to perform its duties as specified in the code of conduct for stock brokers in the Broker Regulations.

- g.** I note the argument of the noticee that it had discontinued dealing with Pramod Gadia since October, 2004. I note that the steps taken by the noticee were in the nature of preventing any further damage by its client to the market. However, had the noticee taken necessary precautions beforehand, the same would have prevented its client from succeeding in his game plans. Therefore, the noticee has failed to prevent its client in carrying out its nefarious design and had thus aided and abetted them in creating the artificial increase in the volume and price in the scrip of DBL in violation of Regulation 4(2)(a) and (b) of PFUTP Regulations. The arguments of the noticee that the transactions were carried out by the clients with their own money are not relevant once the involvement of the noticee with its clients is confirmed.
- 10.** Having gone through the facts and circumstance of the case, I am of the view that the acts committed by the noticee have to be viewed seriously as the execution of such trades pose serious threat to the price discovery mechanism of the stock exchange and the safety of the securities market mechanism. Considering the nature and gravity of the charges established, the facts and circumstances of the case, I am of the view that ends of justice will be met by suspending the certificate of registration for a period of one month.
- 11.** I note that pursuant to the notification of the Intermediaries Regulations, the Enquiry Regulations have been repealed and in terms of Regulation 38(2) of the Intermediaries Regulations, notwithstanding such repeal, any enquiry commenced under the Enquiry Regulations, shall be deemed to have been commenced under the corresponding provisions of the Intermediaries Regulations.
- 12.** Taking into consideration, the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the

Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby suspend the certificate of registration of Sanchay Fincom Limited, registered with SEBI as stock broker, bearing registration no. INB 011139632 [PAN: AAACD 6056C] for a period of one month.

- 13.** This order shall come into force on expiry of twenty one days from the date of this order.

**DATE : 17/MARCH/2011**  
**PLACE: MUMBAI**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**