WTM/PS/69/IVD/ID-03/FEB/2012

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

IN THE MATTER OF DOCTOR'S BIOTECH LIMITED

In respect of Balkrishna Maheshwari Share Brokers Private Limited

(SEBI Registration No. INS 010656135/01-11027)

Date of Hearing: **December 02, 2011**

Appearance

For noticee: **Mr. Bhupendra Maheshwari, Director**

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

ORDER

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

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') conducted investigation into dealings in the shares of Doctor's Biotech Ltd. (hereinafter referred to as 'DBL'), for the period of October 09, 2003 to March 09, 2004. The scrip of DBL was listed at the Bombay Stock Exchange (hereinafter referred to as 'BSE'), during the period of investigation.

2. The prices of the scrip of DBL at BSE 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, the trading in the scrip is under suspension. SEBI analyzed the trading details of the persons who had traded in the scrip along with the data of the volumes contributed by them. The investigation *prima facie* revealed that Balkrishna Maheshwari Share Brokers Private Limited, a sub-broker of MPSE Securities Limited bearing SEBI Registration no. INS 010656135/01-11027 (hereinafter referred to as 'noticee') in connivance 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.

3. Based on the findings of investigation, SEBI initiated enquiry proceedings as against the noticee in terms of the 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 the Enquiry Regulations vide order dated March 11, 2008. The Enquiry Officer enquired into the alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (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 April 27, 2009, in terms of Regulation 27 of the SEBI (Intermediaries) Regulations, 2008, recommending thereby, a warning to the noticee.

4. Subsequently, a show cause notice dated June 23, 2009 (hereinafter referred as SCN') under Regulation 28 of the 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.

5. The noticee replied to the SCN vide its letter dated June 27, 2009. Before proceeding further, an opportunity of personal hearing was granted to the noticee before me on December 02, 2011. On the date fixed for personal hearing, Mr. Bhupendra Maheshwari, the director of the noticee appeared and made oral submissions before me.

6. 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:

- The matter has already been settled in consent and any further hearing is uncalled for and against the spirit of the consent order.
- It has already been penalized by BSE.
- It had acted upon the instructions of the client. The payment/ receipts were made vide account payee cheque and routing of delivery through demat account.
- It has no link with counterparty broker.
- It had not done any proprietary trading in the subject scrip.
- It had stopped dealing with the client in question immediately when the fact came to their notice.

7. Before moving further, let me deal with the submission of the noticee that the matter has already been settled in consent and any further hearing is uncalled for and against the spirit of the consent order. I have seen the consent order referred by the noticee and note that the same relates to the adjudication proceedings launched as against the noticee for the violation of the provisions under Regulations 7 and 15 of the Broker Regulations for its failure to adhere to the norms of 'Know Your Client' in respect of its client, Mr. Pramod Gadia. Having considered this, I note that the proceeding which was settled by way of consent was the adjudication proceedings that were initiated against the noticee and not the current proceedings. In view of this, the submission of the noticee is not relevant for the present proceedings.

8. I note that, during the period of investigation, the noticee purchased 22,621 shares and sold 25,472 shares while trading for its client Pramod Gadia in the

scrip of DBL. I have seen the trading pattern of the client of the noticee from the Enquiry Report, wherein there was continuous matching of trades in a structured and reversal manner the same 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%

**D0204 – Sanchay Fincom Limited*
**D0296 – MPSE Securities Limited*

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 Sanchay Fincom Limited. I note that such pattern of trading creates an impression of active trading in the scrip and generates artificial volumes along with influencing the price of the scrip.

9. I have seen the observation made by the Enquiry Officer that there was no apparent connection between the noticee and its client. Further, it is seen that the payment and delivery of shares were routed through the client's account only. I note from the Enquiry Report that no manipulative intent has been

found on behalf of the noticee while executing the trades on behalf of its clients in the scrip of DBL. However, I note that the orders of the noticee for its client were matched regularly over a period of time.

10. 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 be suspicious about the trading pattern of its clients. I note that the broker is expected to be cautious when trading takes place in scrip which is not so liquid and that too, when the orders are placed for the clients. I note that the noticee should have noticed the unusual trading pattern of its client who was contributing significantly to the total volume in the scrip of DBL and reversal of trades in a regular manner. I note that the noticee cannot plead complete ignorance and shrug off its responsibility as a broker for such trades. Thus, I find that the noticee has failed to perform its duties as specified in the code of conduct for the stock brokers in the Broker Regulations.

11. I note the submission of the noticee that it had stopped dealing with Pramod Gadia immediately when the fact of manipulation by him came to their notice and it has already been penalized for the same. 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 not have led to its client succeed in his game plans.

12. I note the submission of the noticee that it has already been penalized by BSE. At this stage, I note that the present proceedings are for the violation of SEBI Act and the regulations made thereunder. Further, the penalty imposed by BSE has no bearing on the present proceedings.

13. 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.

14. 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 warn the noticee, Balkrishna Maheshwari Share Brokers Private Limited, a sub-broker of MPSE Securities Limited (SEBI Registration no. INS 010656135/01-11027) to be more careful and cautious in the conduct of its business and to adhere to and comply with all the statutory provisions while carrying out its activities in the securities market.

DATE : 22/FEBRUARY/2012
PLACE: MUMBAI

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA