

ORDER UNDER SECTION 11 AND 11B OF THE SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST M/s MALVICA ENGINEERING LTD. AND ITS PROMOTERS

MO/5/IVD/04/04

1. Malvica Engineering Ltd. (hereinafter referred to as 'the Malvica') was incorporated as a Private Limited Company in 1989. The company's principle business is of manufacturing pressed steel radiators. Shri P Y Jhala, Shri M P Jhala, Shri V B Desai, Shri R T Shah and Shri G C Joshi are the promoters of the company. Shri P Y Jhala is the Chairman and Managing Director of the company. The company came out with a public issue in June 1996 and issued 56,26,500 shares to the public. In March 1999, the company forfeited 37,63,500 shares held by the public on account of non-payment of call money. The company reissued 35,14,100 shares out of the 37,63,500 forfeited shares in December 1999 to 46 allottees. At present the company's capital is Rs. 5,41,21,000/-. The company's shares are listed at Vadodara Stock Exchange (Regional), Ahmedabad Stock Exchange and The Stock Exchange, Mumbai.
2. After forfeiture of shares as above, the company's public holding was reduced to 3.29% of the issued, subscribed and paid up capital of the company (excluding NRI shareholders and in case NRI shareholders are treated as public the public holding becomes 15.15% of the capital). As per the distribution schedule submitted by the company, after the forfeiture of the shares, there were only 91 public shareholders. The 46 allottees to whom the shares were reissued are related to each other.
3. During the period August 7, 2000 to August 31, 2000, the volume of the scrip increased to 1,19,500 shares on August 7, 2000 and 1,59,900 shares on August 8, 2000 from 100 shares traded on August 4, 2000". During the period the price of the scrip moved from Rs. 9.40 to Rs. 5.00. The scrip touched a low of Rs. 5.00 on August 31, 2000 and a high of Rs. 11.10 on August 14, 2000. During the period December 20, 1999 to January 12, 2000 the volume increased from 100 shares on December 29, 1999 to 1,21,100 shares on January 11, 2000.
4. Having been satisfied that there was a prima-facie case for investigation, SEBI vide order dated 22.4.02 conducted investigation into the affairs related to buying, selling and dealings in the company's scrip. After submission of the Investigation Report by the Investigating Authority, a show cause notice dated 15.9.2003 was issued to M/s Malvica Engineering Ltd. and its promoters, Shri P Y Jhala, Shri M P Jhala, Shri V B Desai, Shri R T Shah and Shri G C Joshi to show cause why appropriate action under Section 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 including restraining the company and its promoters from accessing the securities market for a certain period should not be taken. The allegations against the company and its promoters are that they have aided and abetted several entities by allotting shares of the company to them, by extending loans to the entities for subscription and subsequently to create artificial volume in the market by structured deals. The company vide letter dated 22.10.2003 replied to the said show cause notice making the following submissions.
 - 4.1 The company submitted that it forfeited 37,63,500 shares due to non-payment of call money as required to be paid. The company stated that out of the forfeited shares it issued 35,14,100 equity shares to 46 members and some of the allottees appear to be relatives of each other. The company submitted that at that point of time, it was facing financial problem and hence it decided to re-issue the forfeited shares to avoid financial shortfall and strengthen the capital base which could ensure survival of the company.
 - 4.2 The company stated that the allottees to whom the forfeited shares were allotted might have dealt in the scrip of the company during August 2000, of which neither the company nor promoters had any knowledge nor it was done under any instruction from the company. Further, the company stated that its management comprised of first generation entrepreneur who were not so well versed with intricacies of law and that at the relevant time company could not avail competent professional services for ensuring compliance due to financial constraints.
 - 4.3 The company submitted that the amount of loan advanced to the allottees were temporary in nature and the same was repaid to the company and as on date they were not debtors of the company. Further, it was stated that the loan amount was given only after allotment of shares i.e. the payments were made in the month of January 2000 and February – 2000 and the shares were allotted on 05.01.2000.
 - 4.4 The company submitted that during year 2001 and 2002, the stock exchange, Mumbai suspended the company's securities from trading and revoked the suspension after paying Rs 1,64,502/- as penalties.
5. An opportunity of personal hearing was given to the company and the promoters on 24.10.2003. Mr. P Y Jhala on his behalf and on behalf of Mrs. M P Jhala and Mr. V B Desai and Mr. N Trivedi attended the hearing and failed to make any submissions in their support. Subsequently another opportunity of hearing was given to them on 14.11.2003. The promoters failed to attend the hearing on the scheduled date. I find that adequate opportunity has been given to the promoters in adherence to principles of natural justice.
6. I have carefully considered the facts and circumstances of the case and also submissions made by the company and its promoters vide letter dated 22.11.2003. On perusal of aforesaid submissions my findings are as under:
7. I find that in March 1999, the company forfeited 37,63,500 shares held by the public on account of non-payment of call money. After forfeiture of shares as above the company's public holding had reduced to 3.29% of the issued, subscribed and paid up capital of the company (excluding NRI shareholders and in case NRI shareholders are treated as public the public holding becomes 15.15% of the capital). As per the distribution schedule submitted by the company, after the forfeiture of the shares, there were only 91 public shareholders.

The company reissued 35,14,100 shares out of the 37,63,500 forfeited shares in December 1999 to 46 allottees. At present the company's capital is Rs. 5,41,21,000/-. The company's shares are listed at Vadodara Stock Exchange (Regional), Ahmedabad Stock Exchange and The Stock Exchange, Mumbai.

8. I find that the company and the promoters extended loans to the following entities:

Sr.No.	Name of the Party	Amount of advance given
1	K P Securities	10,00,000
2	K P Investment	40,00,000
3	Mayekar Investment Pvt. Ltd.	15,00,000
4	Shagufta Investments Pvt. Ltd.	30,00,000
5	Dayanand Finance	30,00,000
	Total	1,25,00,000

(i) The director of M/s Mayekar Investment Pvt. Ltd. is one Mr. Pankaj A. Desai.

(ii) Mrs. Kirtida P. Desai wife of Mr. Pankaj A. Desai is proprietor of M/s K P Investments.

(iii) M/s K P Securities is HUF proprietary concern of Mr. Pankaj A. Desai.

(iv) Mr. A L Desai father of Mr. Pankaj A. Desai looks after the affairs of M/s

Shagufta Investments, a group company of above companies.

(vi) M/s Dayanand Finance is also a group company of above companies

I find that the said fact was not disputed by the company.

9. I find that the above entities are related to Mr. Pankaj A. Desai director of M/s Mayekar Investment Pvt. Ltd. Mayekar Investments Pvt Ltd is a SEBI registered sub-broker under BSE broker Ramanlal D Shah (clg No. 601). Mr Pankaj A. Desai stated that the promoters offered a loan of about Rs. 15 lakhs to them since at that point of time the company did not require the amount. The company granted Rs. 95 lakhs to all its firms as temporary loans. Further he stated that whenever the promoters required the amount they repaid it and he did not have any need for the loan. The company had an overdraft of Rs. 150 lakhs with the banks. Had the company kept this amount in its bank account, the lending bank and GSFC (Gujarat State Financial Corporation) would have recovered the amount. Shri Pankaj A Desai stated that since the call money was not received by the company and the shares were to be forfeited they have not paid any interest for the loan and the money was given to his father to keep it with them in good faith.

10. I find that Mr. Pankaj A. Desai along with the members of his family were allotted 8.5 lakhs shares which amounts to more than 15% of the company's subscribed and issued capital. The number of shares allotted to the members and the relationship between them is as under:

Sr. No.	Name of the allottee	Relationship with Mr. Pankaj A Desai	No. of shares allotted
1	Anantrai L. Desai	Father	50,000
2	Devi D. Desai	Sister-in-law (Wife of Mr. Dilip A. Desai)	50,000
3	Dilip A Desai	Brother	50,000
4	Dimple P. Desai	Daughter	50,000
5	Kanta A. Desai	Mother	50,000
6	Kirtida P. Desai	Wife	1,50,000
7	Pankaj A Desai	Self	1,50,000
8	Sneha P. Desai	Daughter	50,000
9	Vrinda D. Desai	Neice	50,000
10	Praful A. Desai	Brother	1,50,000
11	Sumit P. Desai	Nephew	50,000
Total number of shares issued			8,50,000

11. I find that the promoters have extended loan facilities amounting to Rs. 95 lakhs in the month of December, 1999 and issued the shares on January 5, 2000.
12. As already stated the company reissued 35,14,100 shares out of the 37,63,500 forfeited shares in December 1999 to 46 allottees. From Jankalyan Sahkari Bank and State Bank of Saurashtra, I find that during 29 and 30 December 1999 the company advanced Rs. 20,00,000/- as loan to Shagufta Investment and K P Investment. It is to be noted that Mrs. Kirtida P. Desai wife of Mr. Pankaj A. Desai is proprietor of

M/s K P Investments. Mr. A L Desai father of Mr. Pankaj A. Desai looks after the affairs of M/s Shagufta Investments, a group company of Mr Pankaj A Desai. Subsequently, from 01.01.00 to 06.01.00 it is observed that Rs. 2900000/- was received from Pankaj A Desai and his family members as application money. Again the company on 20.01.00 advanced a loan of Rs. 5000000/- to Dayanand Finance, Shagufta Investment, KP Securities and K P Investment group entities of Mr. Pankaj A Desai. It can be observed that on the next day i.e. on 21.01.00, Rs 3100000/- was received from the family members of Pankaj A Desai as Application money. Further, it can be observed that the company advanced a loan of Rs. 10600000 to the group entities of Mr. Pankaj A Desai on 20, 21 and 27 of January 2000. On 20, 27 of January 2000 the company received Rs. 3000000/- as application money from the family members of Mr. Pankaj A Desai.

- 12.1 Further, several applications dated 30.12.1999 made by Mr. Pankaj A Desai and family were examined on test check basis. It is found that the applications were dated 30.12.1999 along with the cheques for the shares applied for. I find that the cheques were shown as encashed only after the company advanced loan to the entities of Mr. Pankaj A Desai. Therefore, the company's submission that the shares were allotted on 05.01.2000 and the loan amount was advanced only after that in January and February has no merit. The following instances clearly prove the same:
- 12.2 The application No. P – 1105 dated 30.12.1999 was made by Pankaj A Desai for 1,00,000 equity shares enclosing cheques numbered 105683 and 105684 drawn on State Bank of Saurashtra.
- 12.2.1 It is found that during 29 and 30 December 1999 the company advanced Rs. 2000000/- as loan to Shagufta Investment and K P Investment, group entities of Pankaj A Desai. I find that the above cheques numbered 105683 and 105684 drawn on State Bank of Saurashtra were encashed only on 06.01.00
- 12.3 Two applications No. K – 01123 dated 30.12.1999 were made by Kirtida P Desai for 1,00,000 equity shares enclosing cheques numbered 122026, 122027, 122029, 122031 and 105611 drawn on State Bank of Saurashtra.
- 12.3.1 It is found that during 29 and 30 December 1999 the company advanced Rs. 2000000/- as loan to Shagufta Investment and K P Investment, group entities of Pankaj A Desai. I find that the above cheques numbered 122027 and 122029 drawn on State Bank of Saurashtra were encashed only on 03.01.00 and cheque no. 122031 was encashed on 06.01.00. Further, the company on 20.01.00 advanced a loan of Rs. 5000000/- to Dayanand Finance, Shagufta Investment, KP Securities and K P Investment group entities of Mr. Pankaj A Desai. The cheques numbered 122026 and 105611 were encashed only on 20.01.00.
- 12.4 The application No. A– 01189 dated 30.12.1999 was made by Anantrai L Desai for 50,000 equity shares enclosing cheques numbered 727155 and 727156 drawn on State Bank of Saurashtra.
- 12.4.1 It is found that during 29 and 30 December 1999 the company advanced Rs. 2000000/- as loan to Shagufta Investment and K P Investment, group entities of Pankaj A Desai. I find that the above cheque numbered 727156 drawn on State Bank of Saurashtra was encashed only on 01.01.00. Further, the company on 20.01.00 advanced a loan of Rs. 5000000/- to Dayanand Finance, Shagufta Investment, KP Securities and K P Investment group entities of Mr. Pankaj A Desai. I find that the cheque numbered 727155 was encashed only on 20.01.00.
- 12.5 The application No. A– 01189 dated 30.12.1999 was made by Praful A Desai for 1,50,000 equity shares enclosing cheques numbered 641692 to 641696 drawn on State Bank of Saurashtra.
- 12.5.1 It is found that during 29 and 30 December 1999 the company advanced Rs. 2000000/- as loan to Shagufta Investment and K P Investment, group entities of Pankaj A Desai. I find that the above cheque numbered 641694 and 641695 drawn on State Bank of Saurashtra were encashed only on 03.01.00. Further, the company on 20.01.00 advanced a loan of Rs. 5000000/- to Dayanand Finance, Shagufta Investment, KP Securities and K P Investment group entities of Mr. Pankaj A Desai. I find that the cheques numbered 641692, 641695 and 641696 were encashed only on 20.01.00.

In view of the aforesaid I find that the promoters have financed purchase of the company's own shares.

13. Further, I find that the company and the promoters have allotted 1,64,100 shares and 1,50,000 shares respectively to M/s Harvic Management Services (I) Ltd. and M/s Havmore Financial Services (I) Ltd, which amounts to 3,14,100 shares which is 5.80% of the total issued and subscribed capital of the company. M/s Harvic Management Services (I) Ltd. is a sub-broker with BSE broker M/s B M Gandhi Securities Ltd. M/s Havmore Financial Services Ltd. is an investment company. Mr. Hemang Jangla and Mr. Kalpesh Chawalla are the directors in these companies who were allotted 1,00,000 shares each. Ms Sangita Chawalla and Ms. Vibha Jangla whose address is same as that of Mr. Kalpesh Chawalla were also allotted 1,00,000 shares each. Total acquisition of these four persons along with their two companies in the company amounts to 7,14,100 shares which was 13.19% of the issued and subscribed capital of the company.
14. I find that M/s Mayekar Investments Pvt. Ltd., M/s KP Investments, M/s Havmore Financial Services (I) Ltd. and M/s Harvic Management Services (I) Ltd. traded by matching of trades through following BSE brokers in the scrip during the period August 7, 2000 to August 31, 2000.
- (i) M/s Ramanlal D Shah
- (ii) M/s Bipin R Vora

(iii) M/s B M Gandhi Securities Pvt. Ltd.

(iv) M/s Kishore R Ajmera

(v) M/s S S Kantilal Ishwarlal Securities Pvt Ltd

15. I find that both M/s Mayekar Investments Pvt Ltd and M/s KP Investments are entities related to Mr. Pankaj A desai and these two entities matched trades and created artificial volumes in the market. The transactions are ingenuine transactions as the proprietor of M/s KP Investments, Mrs Kiritda P Desai is wife of Mr. Pankaj A Desai, director M/s Mayekar Investments Pvt. Ltd. The aforesaid transactions are as under:

Order Number (Buy)	Ordered Qty (Buy)	Trade Price	Time of placing order(Buy)	Buy TM Name	Buy Client Name	Order Number (Sell)	Ordered Qty (Sell)	Time of placing order(Sell)	Sell TM Name	Sell Client Name	Total Traded Quantity
60100400000005246	20000	10	15:18:11	601	MIPL	3700200000006161	20000	15:21:21	37	KPI	20000
3700200000006162	25000	9.9	15:23:19	37	KPI	60100400000005250	3000	15:23:47	601	MIPL	17000
						60100400000005251	5000	15:24:07	601	MIPL	
						60100400000005252	1000	15:24:15	601	MIPL	
						60100400000005253	2000	15:24:22	601	MIPL	
						60100400000005254	1000	15:24:35	601	MIPL	
						60100400000005255	2000	15:24:51	601	MIPL	
						60100400000005256	2000	15:25:26	601	MIPL	
						60100400000005257	1000	15:25:36	601	MIPL	

16. From the above trade and order log it can be seen that Mayekar Investments Pvt. Ltd placed a buy order for 20,000 shares at 15:18:11 through the broker M/s Ramanlal D Shah and the same was matched by a sell order of 20,000 shares at 15:21:21 placed by M/s K P Investments through M/s Bipin R Vora. Further, in another transaction a buy order for 25,000 shares was placed by M/s K P Investments at 15:23:19 through M/s Bipin R Vora and the same was matched through eight sell orders placed by Mayekar between 15:23:47 to 15:25:36 through M/s Ramanlal D Shah matching 17,000 shares of the buy order.

17. M/s Havmore Financial Services (I) Ltd and M/s Harvic Management Services (I) Ltd. have also indulged in matching deals with each other. The transactions executed were not genuine transactions as three directors of the two companies are same and there was no change in the beneficial ownership of the shares. I find that all the said entities indulged in creating volume in the market by matching their trades by way of appearing on either side of the transactions through the brokers as shown in the table below:

Sr. No	Broker	Sub-Broker	Client	Gross Purchase	Gross Sale
1.	Ramanlal D. Shah		Pankaj A. Desai	163400	150700
2.	Bipin R Vora		Kalpesh chawalla	42400	39800
			Dilip A Desai (Brother of Pankaj A Desai)		
3.	B M Gandhi Securities Pvt. Ltd.		Hemang Jangla (Harvic Management)	131600	81300
4.	Kishore R Ajmera	Prakash S & Co	Mayekar Investments	32500	20800
5.	M/s. SSKI Pvt. Ltd.		Harvic Management	10000	10000

The structured deals entered into by M/s Mayekar Investments Pvt Ltd., M/s KP Investments, M/s Havmore Financial Services (I) Ltd and M/s Harvic Management are as under.

Structured Deals Executed on August 7, 2000:

Order Number (Buy)	Order Qty (Buy)	Trade Price	Time of placing order(Buy)	Buy TM No.	Buy Client Name	Order Number (Sell)	Order Qty (Sell)	Time of placing order(Sell)	Sell TM No.	Sell Client Name	Total Traded Quantity
60100100000005024	5000	9.4	12:43:07	601	HFSIL	60100400000005191	2000	13:38:21	601	MIPL	5000
						60100400000005194	3000	13:52:06	601	MIPL	

Structured Deals Executed on August 8, 2000

Order Number (Buy)	Order Qty (Buy)	Trade Price	Time of placing order(Buy)	Buy TM Clg. No.	Buy Client Name	Order Number (Sell)	Order Qty (Sell)	Time of placing order(Sell)	Sell TM No.	Sell Client Name	Total Traded Quantity
3700200000006079	20000	10.1	10:12:35	37	HMSIL	60100100000005147	5000	10:11:30	601	HFSIL	15000
		10.25				60100100000005146	5000	10:11:20	601	HFSIL	
		10.5				60100100000005145	5000	10:11:10	601	HFSIL	
60100400000005276	12100	10	15:29:10	601	HFSIL	60100400000005259	12100	15:29:34	601	MIPL	12100
62301400000010554	5000	10.25-10.35	10:41:07	623	HFSIL	3700200000006088	5000	10:27:10	37	HMSIL	5000
62301400000010555	5000	10.25-10.35	10:27:16	623	HFSIL	3700200000006088	5000	10:42:55	37	HMSIL	5000

Structured Deals Executed on August 9, 2000:

Order Number (Buy)	Ordered Qty (Buy)	Trade Price	Time of placing order(Buy)	Buy TM No.	Buy Client Name	Order Number (Sell)	Order Qty. (Sell)	Time of placing order(Sell)	Sell TM NO.	Sell Client Name	Total Traded Quantity
60100900000005109	10000	10.2	10:19:03	601	HFSIL	3700200000006203	5000	10:17:05	37	KPI	10000
						3700200000006204	5000	10:17:19	37	KPI	

Structured Deals Executed on August 10, 2000:

Order Number (Buy)	Ordered Qty (Buy)	Trade Price	Time of placing order(Buy)	Buy TM No.	Buy Client Name	Order Number (Sell)	Order Qty. (Sell)	Time of placing order(Sell)	Sell TM NO.	Sell Client Name	Total Traded Quantity
37300200000006106	5000	9.2	10:19:03	601	HFSIL	3700200000006415	5000	14:02:08	37	MIPL	5000

18. From the above trade and order log executed on August 7, 2000 I find that a buy order for 5000 shares was placed by Havemore Financial Services (I) Ltd. at 12:43:07 through the broker M/s Ramanlal D Shah and the same was matched by two sell orders for 5000 shares by Mayekar Investment Pvt Ltd. at 13:38:21 and 13:52:06 through the same broker. Further, on August 8, I find that a buy order for 20,000 shares was placed by Harvic Management Services (I) Ltd. at 10:12:35 through the broker Bipin R Vora and the same was matched by 3 sell orders for 5000 shares each were placed by Havemore Financial Services (I) Ltd. between 10:11:10 to 10:11:30 through Ramanlal D Shah.
19. Further, on August 8, 2000, I find that a buy order was placed for 12,100 shares was placed at 15:29:10 by Havemore Financial Services (I) Ltd. through the broker Ramanlal D Shah and the same was matched by an order for 12,100 shares placed by Mayekar Investments at 15:29:34 through the same broker. Further, A buy order for 5000 shares was placed by Havemore Financial Services (I) Ltd. at 10:41:07 through the broker SSKI Securities Ltd. the same was matched by an order of same quantity at 10:27:10 by Harvic Management through

Bipin R Vora. Another buy order for 5000 shares was placed by Havemore Financial Services (I) Ltd. at 10:27:16 through the broker SSKI Securities Ltd. the same was matched by an order of same quantity at 10:42:55 by Harvic Management through Bipin R Vora.

20. From the above I find that on August 9, 2000 a buy order for 10,000 shares at 10:19:03 was placed by Havemore Financial through the broker Ramanlal D Shah and the same was matched by two sell orders for 5000 shares each at 10:17:05 and 10:17:19 by K P Investments through the broker Bipin R Vora. Further on August 10, 2000 a buy order for 5000 shares was placed by Havemore at 10:19:03 through the broker Ramanlal D Shah and the same was matched by an order for 5000 shares at 14:02:08 by Mayekar Investments through the broker Bipin R Vora.
21. I find that the above entities indulged in matched transactions thereby created artificial volumes. Until August 2000 the company's scrip was thinly traded. The above entities created huge artificial volumes by entering into matched transaction among themselves which were not genuine trade transactions which effected no transfer of beneficial ownership.
22. I find that all the aforesaid entities dealt in the company's scrip in violation of Regulation 4(b), 4(c) and 4(d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995. Regulation 4 (b) (c) and (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 provides that,

No person shall -

(a)

(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;

The SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 were repealed by Regulation 13 (1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. However, Regulation 13 (2) provides that "notwithstanding 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".

The corresponding regulations in SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) 2003 are provided in the clauses (a), (b), (e) and (g) of regulation 4 (2) which stipulate as under:

4(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;

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

(e) any act or omission amounting to manipulation of the price of a security;

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

23. I find that the company and the promoters sanctioned loans to entities as specified above to buy the companies shares and allotted shares to the said entities. I find that the aforesaid entities indulged in structured deals and thereby created artificial volume in the market. The acts of the promoters and the company are fraud upon the innocent investors. The company and the promoters have aided and abetted the above named entities by allotting shares of the company to them, by extending loans to the entities for subscription and subsequently to create artificial volume in the market by structured deals in violation of Regulation 4 (a) and Regulation 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995.

24. Therefore, in exercise of the powers conferred upon me by Section 19 of SEBI Act, 1992 read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and Section 11 and 11B of the Securities and Exchange Board of India Act, 1992, debar M/s Malvica Engineering Ltd. and its promoters Shri P Y Jhala, Shri M P Jhala, Shri V B Desai, Shri R T Shah and Shri G C Joshi from accessing the securities market for a period of 3 (Three) years. This order will come into force on expiry of 3 weeks from the date of the order.

Date : 28.04.04

A. K. BATRA

Place : MUMBAI

WHOLE TIME MEMBER

