

1. Malvica Engineering Ltd. (hereinafter referred to as '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. The company extended loans to following entities for subscribing to its forfeited and reissued shares:
 - i. K P Securities
 - ii. K P Investment
 - iii. Mayekar Investment Pvt. Ltd.
 - iv. Shagufta Investments Pvt. Ltd.
 - v. Dayanand Finance
- 4.1 The directors and proprietors of above entities who are relatives to each other subscribed to 8,50,000 shares in the reissue of forfeited shares in January, 2000. The persons who acted in concert in acquiring the shares of Malvica Engineering Ltd. and the relationship of the persons mentioned below with Mr Pankaj A Desai (one of the allottees) is as indicated in the bracket.
 - i. Pankaj A Desai
 - ii. Kirtida P Desai (Wife)
 - iii. Anantrai L Desai (Father)
 - iv. Mrs. Kanta A Desai (Mother)
 - v. Praful A Desai (Brother)
 - vi. Vrinda D Desai (Neice)
 - vii. Sumit P Desai (Nephew)
 - viii. Darshan P Desai (Nephew)
 - ix. Devi D Desai (Sister -in-law)
 - x. Dimple P Desai (Daughter)
 - xi. Sneha P Desai (Daughter)
5. Having been satisfied that there was a prima facie case for investigation, SEBI vide order dated 22.04.02 conducted investigation into the affairs of related to buying, selling and dealings in company's scrip. 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.

6. After submission of the Investigation Report by the Investigating Authority, a show cause notice dated 22.08.03 was issued to M/s Havmore Financial Services Ltd., Shri Hemanshu Chawalla, Shri Kalpesh Chawalla and Shri Hemang Jangla 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. The allegations against M/s Havmore Financial Services Ltd., Shri Hemanshu Chawalla, Shri Kalpesh Chawalla and Shri Hemang Jangla in the said show cause notice are that they subscribed to the company's forfeited and reissued shares and subsequently created artificial volumes in the market by entering into synchronized deals among themselves and with Shri Pankaj Desai's group entities. The aforesaid persons failed to reply to the said show cause notice.
7. An opportunity of personal hearing was given to M/s Havmore Financial Services Ltd., Shri Hemanshu Chawalla, Shri Kalpesh Chawalla and Shri Hemang Jangla on 09.01.2004 at 2.30 pm. Shri Kalpesh Chawalla and Shri Hemang Jangla Directors of M/s Havmore Financial Services Ltd. attended the hearing and admitted that they indulged in structured/matched transactions by mistake and pleaded to take a lenient view. I find that adequate opportunity has been given to the aforesaid persons in adherence to principles of natural justice.
8. I have carefully considered the facts and circumstances of the case and also submissions made by Shri Kalpesh Chawalla and Hemang Jangla during the course of personal hearing. On perusal of aforesaid submissions my findings are as under:
9. 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.
10. 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 amount 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.
11. 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
12. 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

13. 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	Trade Price	Time of placing	Buy TM	Buy Client	Order Number (Sell)	Order Qty	Time of placing	Sell TM	Sell Client	Total Traded
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	(Buy)		order(Buy	No.	Name		(Sell)	order(Sell)	No.	Name	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

14. 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.
15. 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.
16. 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.

17. I find that the M/s Havemore Financial Services (I) Ltd. matched its orders with those of M/s Mayekar Investments Pvt. Ltd. [M/s Mayekar Investments Pvt Ltd is a SEBI registered sub-broker under BSE broker Ramanlal D Shah (clg No. 601)] and M/s Harvic Management Services Ltd. From the trade log it is observed that M/s Havemore dealt with 5000 shares in the scrip on August 7, 2000, 27,100 shares on August 8, 2000 and 10,000 shares on August 9, 2000 which are 4.18%, 16.94% and 18.83% respectively of the volume in the market on respective days. Further, these orders were matched by placing buy and sell orders with little time gap as shown in the above table. The said entities created artificial volume in the market by matching the trades by way of appearing on either side of the transactions through the brokers.
18. I find that Mr. Kalpesh Chawalla one of the directors of M/s Havemore stated that Mr. Pankaj A Desai, director of M/s Mayekar Investments Pvt. Ltd introduced him to the broker Ramanlal D Shah. M/s Havemore Financial Services (I) Ltd. and M/s Harvic Management Services (I) Ltd are having two of their three directors some and hence both are associated companies. As a reason M/s Havemore Financial Services (I) Ltd and M/s Harvic Management Services (I) Ltd. appeared as counter parties. Mr Hemang Jangla another director of Havemore admitted that it was a mistake.
19. 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.
20. I find that the aforesaid entities indulged in structured deals and thereby created artificial volume in the market. 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) provides that,

No person shall -

- (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;

22. 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 Havemore Financial Services Ltd., Shri Hemanshu Chawalla, Shri Kalpesh Chawalla and Shri Hemang Jangla from buying and selling or dealing in securities in any manner for a period of two years. This order will come into force on expiry of 3 weeks from the date of the order.

Date : 27.04.2004

Place: MUMBAI

A. K. BATRA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA