

MO/6/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. The company extended loans to following entities which are group entities of Shri Pankaj A Desai who is one of the allottees of the re-issued shares :
 1. K P Securities
 2. K P Investment
 3. Mayekar Investment Pvt. Ltd.
 4. Shagufta Investments Pvt. Ltd.
 5. 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 following were the persons who acted in concert for acquiring the shares of Malvica Engineering Ltd. The relationship of the persons mentioned below with Mr Pankaj A Desai is as indicated in the bracket.
 1. Pankaj A Desai
 2. Kirtida P Desai (Wife)
 3. Anantrai L Desai (Father)
 4. Mrs. Kanta A Desai (Mother)
 5. Praful A Desai (Brother)
 6. Vrinda D Desai (Neice)
 7. Sumit P Desai (Nephew)
 8. Darshan P Desai (Nephew)
 9. Devi D Desai (Sister -in-law)
 10. Dimple P Desai (Daughter)
 11. Sneha P Desai (Daughter)
5. 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 22.08.03 was issued to M/s K P investment, M/s K P Securities, M/s Shagufta Investments Pvt. Ltd., M/s Dayanand Finance, Mr. Pankaj A Desai, Mrs. Kirtida P Desai, Mr. Anantrai L Desai, Mrs. Kanta A Desai, Mr. Praful A Desai, Ms Vrinda D Desai, Mr. Sumit P Desai, Mr. Darshan P Desai, Mrs. Devi D Desai, Mr. Dilip D. Desai, Dimple P Desai and Ms. Sneha P Desai, his family members and his group entities 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 Shri Pankaj Desai and the group entities in the said show cause notice are that they received loans from the company Malvica Engineering Ltd. to subscribe to its reissued shares and subsequently created artificial volumes in the

market by entering into synchronized deals. Shri Pankaj Desai vide letter dated 15.09.2003 replied to the said show cause notice making the following submissions.

- 5.1 Shri Pankaj Desai submitted that they are in all three brothers who are all residing and carrying on their business activities at their different addresses. Shri Pankaj Desai submitted that he resides at 7, Mangal, 76/C R A Kidwai Road, Matunga, Mumbai 400 019 whereas his brother, Shri Dilip Desai resides at 501, A wing, Pathak Avenue, CS Road No.5, Behind Anandnagar, Dahisar (E), Mumbai 400 068 and Shri older brother Shri Praful A. Desai resides at 301, Amit Apt. Ashanagar, West Express Highway, Borivilli (E), Mumbai 400 066.
- 5.2 Shri Pankaj Desai further stated that all 16 allottees (allotees) referred are having different assets and liabilities, having different Income Tax assessment, different Income Tax PAN numbers and are all filing different Income Tax Returns from past two decades. He further stated that all the referred 16 allottees applied for the shares of reissue of forfeited shares of Malvica in their respective individual names out of their own individual funds and that he had neither financed them nor transferred his funds in their accounts to invest in the said shares of Malvica Shri Pankaj Desai further stated that since he was a Financial Consultant and Investment Adviser he had only suggested and advised the other 15 allottees to apply for and invest in the reissue of forfeited shares of Malvica and that to advice as a Consultant or giving report or information about investment was not a fault on his part nor it is a reason to bind him or make him liable in any manner.
- 5.3 Shri Pankaj Desai further submitted that whoever invested in the shares of Malvica in general had not got more than 50% of the total invested amount as the market value of the said scrip had fallen down by 50% of the face value. Pankaj Desai stated that neither he nor other remaining 15 allottees made any unlawful gain or profit out of the investment made in the scrip of Malvica and therefore their motive and intention could not be doubted.
- 5.4 Shri Pankaj Desai also mentioned that his father Shri Anantrai L. Desai, aged 83 years was known to P Y Jhala, Managing Director of Malvica and the said company gave interest free amount to their five group entities in good faith for investing in the said reissue of forfeited shares of Malvica. and they had all since repaid the entire amount to the said company from time to time.
- 5.5 Shri Pankaj Desai stated that during the relevant period from August 7, 2000 to August 31, 2000 there was a "No Delivery" period of 3 weeks to August 31, 2000. There was no delivery period for 3 weeks. He submitted that they tried to dispose of the scrips during the said period and volume of the scrip increased to 1,19,500 shares as on August 7, 2000 and admitted that there was a mistake on their part. He submitted that the Surveillance Dept. of BSE collected fine of Rs.25,000 from each of the two share brokers and the said two brokers recovered the fine from Mayekar Investments Pvt. Ltd. which is sub-broking outfit of Mr. Pankaj A Desai. Desai submitted that they also tendered their apologies to the said two brokers and to the BSE and then the matter was allowed to rest. He stated that thereafter the scrip of Malvica was suspended for a period of two years on account of complaints against the company and in view of this there could be no possibility of their entering into any fictitious deals and creating volumes in the said scrip.
6. An opportunity of personal hearing was given to Pankaj Desai and group entities on 07.10.2003 at 12.30 pm. Shri Pankaj A Desai representing his family members and his group entities and Shri Darshan P Desai attended the hearing and made submissions in their support. I find that appropriate adequate opportunity has been given to these entities in adherence to principles of natural justice and matter can be proceeded further.
7. I have carefully considered the facts and circumstances of the case and also submissions made by Pankaj Desai and other 15 notices vide letter dated 15.09.2003. On perusal of aforesaid submissions my findings are as under:
8. 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.
9. 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	M/S.K P Securities	10,00,000
2	M/S.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 Shri Pankaj A Desai or his said relatives.

10. 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. In all the company granted Rs. 95 lakhs to all his 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.

11. 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 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

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 the statement of accounts obtained from Jankalyan Sahkari Bank and State Bank of Saurashtra, I find that during 29 and 30 December 1999 the company advanced Rs. 2000000/- as loan to Shagufta Investment and K P Investment. It is found 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 same day 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. On examining the above Banks statements 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.

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 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.

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 cheques numbered 122027 and 122029 drawn on State Bank of Saurashtra were encashed only on 01.01.00 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.

- i. 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 cheque numbered 727156 drawn on State Bank of Saurashtra was 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 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.
- 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 cheque numbered 641694 drawn on State Bank of Saurashtra were encashed only on 03.01.00 and cheque numbered 641695 was encashed only on 21.01.00. 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 above cheques numbered 641692, 641695 and 641696 were encashed only on 21.01.00.
- In view of the aforesaid I find that Mr. Pankaj A Desai and his relatives and his group entities received loans for subscribing the forfeited shares from the company. The company financed purchase of its own shares. Mr. Pankaj A Desai him self admitted that the said company gave interest free amount to their five group entities in good faith for investing in the said reissue of forfeited shares of Malvica. Further, I find that Pankaj A Desai his relatives and his group entities created artificial volumes of the shares of the company by entering into matched/structured deals among themselves and in connivance with M/s Harvic Management Services (I) Ltd. and M/s Havmore Financial Services (I) Ltd. which were also the allottees of the forfeited shares more particularly described hereunder.
13. Mr. Pankaj A Desai vide his letter dated 15.09.2003 submitted that all the referred 16 addresses were different individuals / firms / proprietary concerns / or a private limited company and they are all separate entities as far as their business / financial relations are concerned and they are all owning different business activities and are having different addresses. I find that the acts of all the sixteen entities are concerted and connected. This is borne out of the facts by the way the forfeited shares were reissued to the said entities and the way in which the loans were extended by the company to K P Securities, K P Investment, Mayekar Investments Pvt. Ltd., Shagufta Investments Pvt. Ltd. and Dayanand Finance which are group entities of Shri Pankaj A Desai, to subscribe to the forfeited shares of by all the aforesaid entities in the manner explained above. Further, I also find that Shri Pankaj Desai during the course of personal hearing before me along with Shri Darshan P Desai categorically submitted that he was representing all the said entities. In view of this I am of the view that all the entities have acted in concert and connected to each other closely.
14. 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.
15. 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
16. 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 not genuine transactions as the proprietor of M/s KP Investments, Mrs Kritda 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	37002000000006161	20000	15:21:21	37	KPI	20000
37002000000006162	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

17. 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.

18. 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

19. From the above trade and order log executed on August 7, 2000 I find that a buy order for 5000 shares was placed by Havmore 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 Havmore Financial Services (I) Ltd. between 10:11:10 to 10:11:30 through Ramanlal D Shah.
20. Further, on August 8, 2000, I find that a buy order was placed for 12,100 shares was placed at 15:29:10 by Havmore 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 Havmore 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 Havmore 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.
21. From the above I find that on August 9, 2000 a buy order for 10,000 shares at 10:19:03 was placed by Havmore 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 Havmore 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.
22. 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.
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. 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;

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 K P investment, M/s K P Securities, M/s Shagufta Investments Pvt. Ltd., M/s Dayanand Finance, Mr. Pankaj A Desai, Mrs. Kirtida P Desai, Mr. Anantrai L Desai, Mrs. Kanta A Desai, Mr. Praful A Desai, Ms Vrinda D Desai, Mr. Sumit P Desai, Mr. Darshan P Desai, Mrs. Devi D Desai, Mr. Dilip D. Desai Ms. Dimple P Desai and Ms. Sneha P Desai from buying 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.

A. K. BATRA

Date : 28.04.04

WHOLE TIME MEMBER

Place: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA