

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11, 11B AND 11(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET) REGULATIONS, 2003 AGAINST MR. RAJNI M. PATEL, Ms. HEENA R PATEL, M/s. PARAGON INVESTMENTS PVT. LTD. AND MR. NILESH J PATEL IN THE MATTER OF AVINASH INFORMATION TECHNOLOGIES LTD.

1.0 BACKGROUND

- 1.1 Securities and Exchange Board of India (hereinafter referred to as “SEBI”) conducted investigations in the scrip of M/s. Avinash Information Technologies Ltd. (formerly known as M/s. Mangalya Exports Ltd. and hereinafter referred to as “AITL”) for the period from February 26, 2001 to May 18, 2001.
- 1.2 Investigations revealed that AITL had sales of Rs.4.4 lacs and showed a loss of Rs.5.01 lacs for the year ended March 1999. In the next year i.e. during 1999-2000, AITL showed a loss of Rs.9.67 lacs on a sale of Rs.1.73 lacs. Again, during the year ended March 2001, it showed a loss of Rs.25.89 lacs on sales of Rs.135.02 lacs. For the year March 2002 also the company had shown losses. Thus it was seen that the company was a loss incurring company. Investigation further revealed that during the period February 26, 2001 to April 20, 2001, 2,40,500 shares of the scrip were traded and the price came down from Rs.118 on February 26, 2001 to Rs.,54.15 on April 20, 2001. During the period April 23, 2001 to May 18, 2001 the total volume traded was 1,86,800 shares during which the price went up from Rs.58.45 on April 23, 2001 to Rs.134.65 on May 17, 2001.

1.3 Investigation further revealed that Mr. Rajni M Patel, Ms. Heena R Patel, M/s. Paragon Investments Pvt. Ltd. and Mr. Nilesh J Patel (hereinafter referred to as “Patel group”) had done trading in the scrip of AITL during the period of investigation. Details of trading done by Patel Group are as under:

FICTITIOUS TRADES DONE BY PARAGON INV. PVT. LTD AND H R PATEL

Date	Name of Buy Member	Buy Client	Buy Order			Trade time	Sell Order			Sell Client	Selling Member
			Qty	Rate	Order time		Qty	Rate	Order time		
11.5.01	Sanghvi Bros. Brokerage	Paragon Inv. P Ltd.	3000	110.25	12:31:29	12:31:29	3000	110.25	12:30:41	H R Patel	Birla Sun Life
11.5.01	Birla Sun Life Sec	H R Patel	3000	111.25	12:34:06	12:34:06	3000	111.25	12:33:01	Paragon Inv. P Ltd.	Sanghvi Brothers Brokerage

FICTITIOUS TRADES DONE BY N J PATEL AND RAJNIBHAI PATEL

Date	Name of Buy Member	Buy Client	Buy Order			Trade time	Sell Order			Sell Client	Selling Member
			Qty	Rate	Order time		Qty	Rate	Order time		
14.5.01	Birla Sun Life Sec	N J Patel	2000	119.5	13:41:00	13:41:01	2000	119.5	13:40:13	Ranjnibhai Patel	Sanghvi Brothers Brokerage
		N J Patel	4000	119.25	13:46:15	13:46:16	4000	119.25	13:45:30	Ranjnibhai Patel	Sanghvi Brothers Brokerage
14.5.01	Sanghvi Bros. Brokerage	Rajnibhai Patel	6000	119	13:54:50	13:54:51	6000	119	13:53:35 to 13:54:36	N J Patel	Birla Sun Life
15.5.01	Birla Sun Life Sec	N J Patel	1000	116.9	12:43:24	13:41:01	1500	116.9	12:41:26	Ranjnibhai Patel	Sanghvi Brothers Brokerage
			500	116.9	12:43:24						
16.5.01	Sanghvi Bros. Brokerage	Rajnibhai Patel	100	118	10:26:17	10:26:17	100	118	10:24:57	N J Patel	Birla Sun Life
			400	118	10:26:35	10:26:35	400	118	10:24:57		

It was alleged that Patel group had done fictitious trading on certain dates during the investigation period and thereby violated the provisions of Regulation 4 (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 (hereinafter referred to as “FUTP Regulations, 1995”). It was also

alleged that these entities had also not complied with summons dated August 29, 2003 issued by SEBI to these entities for production of documents.

2.0 SHOW-CAUSE NOTICE & REPLY

- 2.1 A Show cause Notice dated May 24, 2004 was issued to Mr. Rajni M Patel, Ms. Heena R Patel, M/s. Paragon Investments Pvt. Ltd. and Mr. Nilesh J Patel to show cause as to why action under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "FUTP Regulations, 2003") read with Section 11, 11B and 11(4) of the SEBI Act, 1992 including restraining them from accessing the securities market and prohibiting them from buying, selling or dealing in securities for a certain period should not be initiated for violation of the provisions of Regulation 4 (d) of FUTP Regulations, 1995. They were also asked to indicate in their replies whether they would prefer personal hearing before Whole Time Member, SEBI.
- 2.2 Mr. Rajni M Patel, Ms. Heena R Patel and M/s. Paragon Investments Pvt. Ltd. replied to the said show cause notices vide letter dated June 24, 2004 and Mr. Nilesh J Patel replied to the said show cause notice vide letter dated June 30, 2004 and provided some documents as asked for by summons dated August 29, 2003 and they had neither made any submissions refuting the charge nor sought any personal hearing in the matter.

3.0 CONSIDERATION OF ISSUES AND OBSERVATIONS

- 3.1 I have carefully considered the facts of the case, show cause notices, documents provided by Mr. Rajni M Patel, Ms. Heena R Patel, M/s. Paragon Investments Pvt. Ltd. and Mr. Nilesh J Patel. My observations are as follows.
- 3.2 I observe from trade logs that Paragon Investments bought 3000 shares through Sanghavi Brothers which were sold by H R Patel through Birla Sun Life Securities on 11.5.2001. This transaction took place at 12:31:29 @ Rs.110.25.

Immediately at 12:34:06 Paragon reversed the transaction @ Rs.111.25 with HR Patel.

- 3.3 I also observe that on 14.5.2001 Nilesh J Patel bought through Birla Sun Life 6000 shares which were sold by Rajnibhai Patel through Sanghvi Brothers. This transaction took place @ Rs.119.25 / 50 at 13:41:01 and 13:46:16. Immediately at 13:54:51 Nilesh J Patel and Rajnibhai Patel reversed this transaction @ Rs.119. On 15.5.2001 Nilesh J Patel bought through Birla Sun Life 1500 shares which were sold by Rajnibhai Patel through Sanghvi Brothers. This transaction took place @ Rs.116.90 at 12:41:01. On the next day i.e. 16.5.2001, these 2 clients reversed the transactions for 500 shares @ Rs.118.
- 3.4 I observe that Paragon Investments and HR Patel were involved in reversal of 1 transaction, N. J. Patel and Rajnibhai Patel were involved in reversal of 2 transactions. I also observe from record that Shri. Rajni M Patel is husband of Ms. Heena R Patel and she is a director of M/s. Paragon Investments Pvt. Ltd. Shri. Rajni M Patel has introduced Shri. Nilesh J Patel to the broker. Thus they were related and acted in concerted manner.
- 3.5 I further observe that the time lag between the punching of buy and sell orders was a few minutes/seconds. The transaction also matched in terms of order quantity and price. From the above observations I conclude that Patel Group had indulged in fictitious trading in scrip of AITL as that was not intended to effect transfer of beneficial ownership (as the buyer and seller were the group entities). Thus, the Patel group consisting of Mr. Rajni M Patel, Ms. Heena R Patel, M/s. Paragon Investments Pvt. Ltd. and Mr. Nilesh J Patel have violated the provisions of Regulation 4 (d) of FUTP Regulations, 1995.

3.6 At this juncture I note that Regulation 4 (d) of FUTP Regulations, 1995 reads as follows:

Prohibition against market manipulation.

4 No persons shall

- (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 fluctuation in the market price of securities.

I am, therefore, convinced that it is a fit case to issue directions in the interest of investors and integrity of the securities market.

4.0 ORDER

4.1 Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Section 11, 11B and 11(4) of the SEBI Act, 1992, read with regulation 11 and 13 of the FUTP Regulations, 2003, I, hereby pass an order restraining of Mr. Rajni M Patel, Ms. Heena R Patel, M/s. Paragon Investments Pvt. Ltd. and Mr. Nilesh J Patel from accessing the securities market and prohibiting them from buying, selling or dealing in securities, directly or indirectly for a period of one year. I am convinced that this would commensurate with the defaults committed by them in the facts and circumstances of the case.

4.2 This direction shall come into force with immediate effect.

DATE : 31.01.2006

PLACE : MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

