

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**ORDER**

**UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 IN RESPECT OF PRECISE CONSULTING & ENGINEERING PVT. LTD**

**IN THE MATTER OF ONELIFE CAPITAL ADVISORS LTD.**

1. Onelife Capital Advisors Limited ("OCAL"), a company incorporated under the Companies Act, 1956, came out with an Initial Public Offering ("IPO") to raise ₹36,85,00,000 through the issue of 33,50,000 equity shares of ₹10 each with a premium of ₹100 through 100% book building route. The IPO opened for subscription on September 28, 2011 and closed on October 04, 2011. The issue was over-subscribed by 1.53 times though it was graded "1" (*CARE IPO rating of 1*) that suggests poor fundamentals. The shares of OCAL were listed on October 17, 2011 in the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").
2. SEBI noticed that the IPO proceeds of OCAL were transferred to certain entities. SEBI, therefore, undertook a preliminary examination into the said IPO. During the preliminary examination, it was *prima facie* observed that OCAL had made mis-statements in its Red Herring Prospectus ('RHP') / Prospectus, failed to disclose material developments and had diverted the IPO proceeds for purposes other than the objects stated in the RHP/Prospectus. It was *prima facie* found that OCAL was aided and abetted by two entities namely, Fincare Financial and Consultancy Services Pvt. Ltd ("Fincare") and Precise Consulting & Engineering Pvt. Ltd ("Precise") in the said diversion of IPO proceeds. It was observed that OCAL had transferred ₹15.54 crore (42% of the IPO proceeds) to Fincare and ₹12 crore (32% of the IPO proceeds) to Precise.
3. On the basis of the preliminary examination, SEBI passed an *ad-interim ex-parte order* against OCAL, its directors, Fincare, Precise and the Merchant Banker of OCAL - Atherstone Capital Markets Ltd ("ACML"), its Managing Director and Compliance Officer on December 28, 2011 and a clarificatory order on February 15, 2012. Vide an Order dated January 16, 2013, SEBI

confirmed the directions issued vide the interim order (hereinafter referred to as "*interim order*") read with the clarificatory order against all the entities.

4. Subsequent to the preliminary investigation a detailed investigation was carried out by SEBI in the matter, The investigation, *inter alia*, revealed the following:
  - a) OCAL appointed Precise for carrying out the activities stated in the RHP under object to issue viz. "*Development of Portfolio Management Services (PMS)*". In this regard, OCAL had stated that they had entered into MOUs with Precise on October 1, 2011 for the purpose stated above. The said MOU, submitted by OCAL, has projected that Precise had an excellent business track record, however bank account statements, MCA filings, statement recording of director Mr. Daxesh C. Patel (director of Precise), reply of Noticee, visit to its office by SEBI officials suggested otherwise.
  - b) As per the MOU mentioned above, details of Precise are re-produced below:

*"Precise: The Company, having its office at E-2, Sainath Wadi, Nari Seva Sadan Road, Ghatkopar (W), is in the business of Engineering and Consultancy since several years. It has extensive working relations with a lot of small and medium enterprises which is a key focus area of Onelife."*
  - c) The Noticee submitted that it had been operating from its current address *at E-2, Sainath Wadi, Nari Seva Sadan Road, Ghatkopar (W)* since 2009. However, from its bank details it was observed that Precise had provided a different address. During his statement recording, Mr. Daxesh Patel (Director of Precise) accepted that he had used the old address to open the bank account in Indian Bank in May, 2011 as the new address was not changed in the MCA records.
  - d) Office of Precise at the above mentioned address, was visited by SEBI officials. During the visit in February 2012, following observations were noted:
    - i. Interiors of the office appeared to be recently done.
    - ii. There were no employees, other than office peon, available in the office.
    - iii. There was not even sitting arrangement for any employees over there.
    - iv. There were hardly any files and any other stationery visible at the office.
    - v. The name of Precise i.e. Precise Consulting and Engineering Private Limited was printed as a poster and then pasted on the shutter of the shop. The said poster appeared to be new.
    - vi. After the name of Precise, word "Center" (in devnagari) was written.
  - e) It was observed that the office of Precise was like a make-shift office. For a company functioning from the same Premises for the last two years, an extra word written after its name on the entry gate of the company seems highly unlikely and might affect the credibility of the company in the eyes of outsiders. In its subsequent replies, Precise submitted that it

had provided services to a number of companies, for a variety of projects. However, absence of employees, meager stationery and observations as above nowhere correspond with such experience.

- f) Precise had submitted that it had been operating from the present premises for more than two years since 2009. However, the same was updated with MCA only in 2012. It was observed that the copy of “Leave and License Agreement” submitted by Precise for the same premises was executed on a non-judicial stamp paper of ₹ 100 and was dated December 01, 2009 and the same was not registered. However, on confirming with Additional Controller of Stamps, Mumbai, it was found that the said stamp paper was issued by General Stamp Office, Mumbai to thane treasury only in September 21, 2011 (i.e. approx 2 year after the purported date of agreement). Clearly the stamp paper was over stamped and the agreement was prepared post-facto and was hence unregistered. Therefore, the observations made during the visit to the office of Precise were further corroborated and it was alleged that Precise made false claim of operating from the said office since 2009.
- g) Precise filed income-tax returns for the last 2 years on December 12, 2011 after SEBI initiated the investigation in the said matter. As per Income Tax Returns for F. Y 2009-2010 and 2010-2011, submitted by Precise to SEBI, its Gross Total Income is shown Nil. From MCA filings it was also observed that Precise filed its annual return for F. Y. 2008-09, F. Y. 2009-10 and 2010-11 on December 14, 2011 and December 15, 2011. It is to be noted that when investigation was taken up in the matter, Precise was shown as a defaulter company on MCA website. However, after becoming aware of the investigation, Precise updated records with MCA. Further, the registered address of Precise was changed with MCA in 2012 only. Thus, it is observed that Precise was in defaulter list as per MCA website when OCAL and Precise had claimed to have entered into agreement for development of PMS and finder fee agreements.
- h) As per minutes for the board meeting of OCAL dated September 30, 2011, Precise and Fincare, urgently required money from OCAL to finalize the offices it had identified for OCAL. Subsequently OCAL transferred funds to Precise after taking short term loan. However, Precise submitted that the funds transferred to it were used for the purpose of buying diamonds.
- i) To project Precise as a credible and capable business partner and also to justify transfer of IPO proceeds to it, OCAL submitted to SEBI that Precise had provided 4 IPO mandates totaling to issue size of ₹ 207 cr. As per OCAL, the mandates would fetch a fee of ₹ 15.7 cr. to OCAL. OCAL had also submitted that OCAL was liable to pay a finder fee equal to 40% of its earning from the said mandates to Precise. It has been observed that OCAL has claimed that it paid Precise ₹3 crore out of its IPO proceeds towards finder fee for the said

mandates. Precise also reconfirmed to SEBI all above claims regarding finder fee and mandates made by OCAL in its reply to *interim order*/ statement. As seen from the reply of OCAL to *interim order*, Precise also raised invoices for the finder fees which were claimed as basis for making payments to it by OCAL. Investigation revealed the following with regard to the above referred mandates/ finder fee agreements:

- j) On page no. 287 of OCAL's reply to *interim order*, issue size of Paramount Printpackaging Ltd. (PPPL) is mentioned to be ₹ 95 cr. and the fee of OCAL for acting as BRLM is mentioned as ₹ 8.5 cr. The finder fee payable to Precise for the mandate of PPPL is calculated to be ₹ 3.4 cr. (*As per finder fee agreements submitted, OCAL pays 40% of fee of OCAL as finder fee*). OCAL has also submitted an invoice of ₹ 3.4 cr. raised by Precise. The said invoice is also signed by Mr. Pandoo Naig, MD of OCAL and a payment of ₹ 3 crore was made to Precise by OCAL against the same.
- k) However, the actual size of the IPO of PPPL was only ₹ 45.83 cr. and as per prospectus of PPPL, the issue expenses are mentioned to be ₹ 5.54 cr. only. The same is also mentioned in the copy of mandate attached by OCAL in its reply to *interim order*. Hence, the IPO size and fee of OCAL have been inflated by OCAL in its reply to *interim order* to justify transfer of ₹ 3 crore to you, which OCAL as well as Precise claim to be finder fee for the IPO mandate of PPPL.
- l) Investigation further revealed that the copy of finder fee agreement submitted by OCAL and Precise with respect to IPO of PPPL was not genuine based on findings listed below:
  - i. In the finder fee agreement purported to be executed on January 20, 2010, name for PPPL is mentioned as its current name i.e. Paramount Printpackaging Ltd. Whereas the name of the company was Paramount Printing Press Private Limited as on January 20, 2010 and was changed only on June 2, 2010 to its present name.
  - ii. During investigation, BRLM had submitted mandate letters of OCAL to SEBI. Finder fee agreement for the IPO of PPPL dated February 20, 2010 along with the mandate letter for the IPO of PPPL formed a part of the said submission. As per the said finder fee agreement, the names of finders were mentioned as Mr. Rajesh Ramesh Shah, Ms. Swati Rajesh Shah, Mr. Santosh Kumar Gaikwad and Mrs. Kalpana Santosh Gaikwad. The said agreement bears signature of Mr. Pandoo Naig. As per said finder fee agreement, the finder fee payable by OCAL to the above finders was ₹ 60 lakhs only as against purported finder fee of ₹ 3.4 Crore claimed to be payable to Precise for the same mandate for which invoice of ₹ 3.4 crore allegedly raised by Precise. It is also observed that there was no provision for full advance payment of finder fee as against same mentioned in the finder fee agreement of OCAL with Precise. The above mentioned finder fee agreement was a part of due diligence record of BRLM. The

finder fee mentioned on the same also appears reasonable compared to that claimed to be payable to Precise.

- iii. The non-judicial stamp paper of ₹ 100 used for the said finder fee agreement between you and OCAL for IPO of PPPL was issued from General Stamps Office, Mumbai only in the year 2011 hence the said agreement could have not been executed on January 20, 2010 as claimed by OCAL and Precise.
- iv. In view of above facts, it was observed that the finder fee agreement dated January 20, 2010 (on a non-judicial stamp paper which was issued from General Stamps Office in year 2011) for the IPO mandate of PPPL entered between OCAL and Precise is forged and has been prepared post facto to justify the fund transfers to Precise in the guise of finder fee. Precise has not only made false submissions to SEBI by reconfirming above submissions of OCAL but also actively colluded with it by collaborating in forging finder fee agreement and by raising forged invoice. Therefore, it was inferred that Precise actively aided OCAL in diversion of IPO proceeds by furnishing false agreements/ invoice and by making false submissions in collusion with OCAL.
- m) The finder fee agreement dated February 20, 2010 executed between OCAL and Precise with respect to IPO mandate of Trim Plastics Pvt. Ltd. on non-judicial stamp papers of ₹ 100 was also found to be forged and created post facto as the said stamp paper, on which the agreement was made, was issued from General Stamps Office, Mumbai in May, 2011 and hence there is no question of executing an agreement on the said stamp paper in February, 2010 as claimed by OCAL and Precise. Therefore, it was alleged that the said agreement has been forged by Precise in collusion with OCAL by over stamping it and submitted to justify the diversion of IPO proceeds as payment of finder fee.
- n) Precise received a total of ₹ 12 cr. from OCAL for “development of PMS” (₹ 9 cr.) and towards finder fee for mandate of PPPL (₹ 3 cr.). On enquiring about the utilization of the money received from OCAL, Precise submitted that the entire amount of ₹ 12 cr. had been invested in diamonds. Precise submitted invoices in support of its claim of purchase of diamonds from following three entities whose names and addresses as provided by it vide letter dated February 09, 2012 are as under :

S. No	Name	Address
1	Mahak Enterprises	c/o Ganesh Lal shah, 20A, No, 0202, TP No 20, 206 Bazar Tekro Fa, Nana Varacha, Surat-395006
2	Surya Solutions	c/o Jitendra G. Shah, Bazar Falia, B/H, Navkar Mobile, Nana Varacha, Surat, 395006
3	Jay Enterprise	c/o Mukesh bhai Ghadia, 18A, Shop No 33,

		Sukhsagar Complex, Laxmi Narayan Society, AK Road, Surat
--	--	--

- o) It was observed from bank KYC that addresses given by Precise for Surya Solutions and Jay Enterprises have been interchanged to misguide the investigations. As per bank account KYC, Jay Enterprise is registered as wholesale trading of raw silk (cloth trading), Surya Solutions is registered as consultancy firm and Mahak Enterprise as Grocery shop and hence, are not diamond sellers. From the reply of Precise, it was observed that Mahak Enterprises is owned by Mr. Ganeshlal Madanlal Shah and Surya Solutions is owned by Mr. Jitendra Ganeshlal Shah. Mr. Jitendra Ganeshlal Shah is son of Mr. Ganeshlal Madanlal Shah. It was also observed that Mr. Ganeshlal Madanlal Shah owns Sainath Corporation. It is to be noted that Fincare, another partner of OCAL, has claimed to purchase diamonds from Sainath Corporation. Hence, the funds received by Precise and Fincare from OCAL have further gone to common entities. During the visit of SEBI officials, it was observed that the addresses of Mahak Enterprises and Jay Enterprises were residences and not shops as claimed by Precise. The address of Surya Solutions (address as per bank KYC) was found closed and even the name, “Jay Enterprise” was not mentioned at the shop at the address provided. Names of none of the entities were mentioned at the addresses given.
- p) In view of above facts, it was observed that Precise had made false claim of buying diamonds and provided false invoices to justify dubious fund transfers to “Sainath Corporation” and “Venus Publicity”. Thus, it was inferred that Precise facilitated the diversion of IPO proceeds of OCAL and made false claims and submitted false invoices to justify the same.
- q) In statement recording of Daxesh C Patel (Managing director, Precise) at SEBI on March 12, 2012, he made several submissions such as providing mandate of PPPL to OCAL, finder fee liability of ₹ 3.4 crore of OCAL towards the IPO of PPPL, receipt of ₹ 3 crore as finder fee against the same, functioning of Precise at the current address since 2009 etc. As discussed above, various submissions including above were proved to be false. Hence, it was inferred that in his capacity as Managing Director of Precise, Daxesh C patel has made false statements to SEBI under oath.
- r) From the above, it was inferred that Precise has forged various documents (many of them along with OCAL), such as leave and license agreement, finder fee agreements, invoices of diamond purchase, etc. and made various false claims to justify the diversion of IPO proceeds of OCAL. Hence, Precise actively facilitated the diversion of IPO proceeds of OCAL and made forged/ false submissions to SEBI to project its relationship with OCAL as a normal business partner rather than an accomplice in its misdeeds.

5. In view of the above, SEBI issued a show cause notice dated June 12, 2013 to Precise calling upon it to show cause as to why appropriate directions under section 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), and regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('PFUTP Regulations'), should not be issued against it. The SCN alleged that Precise has violated section 12 A (a),(b),(c) of SEBI Act and Regulations 3(a), (b),(c),(d) and 4 (1) of PFUTP Regulations which reads as under-

### **SEBI ACT**

*"12A. No person shall directly or indirectly—*

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

### **PFUTP Regulations**

#### *3. Prohibition of certain dealings in securities*

*No person shall directly or indirectly-*

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

#### *4. Prohibition of manipulative, fraudulent and unfair trade practices*

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities. "*

6. Precise filed its reply to the SCN vide letter dated September 30, 2013, *inter alia*, submitting the following::
- a. Precise had inadvertently provided the wrong address to the bank. On realizing the mistake, Precise immediately corrected the address with MCA and its bank. The address of Precise at Nari Seva Sadan Road, Ghatkopar is a matter of record. Merely, because the address in MCA records was not changed, it cannot be concluded that Precise never had address at Nari Seva Sadan Road, Ghatkopar. Further, it is SEBI's own case that its investigation team had visited the office of Precise at Nari Seva Sadan Road, Ghatkopar and had also recorded the statement of its Director. It is strange that SEBI had not verified the said fact from office owner of the neighbors and jumped to inferences. On becoming aware of the said discrepancy, steps were taken to rectify the address in the records of Indian Bank and as on date the address in the records of Indian Bank is that of Nari Seva Sadan Road, Ghatkopar. Therefore, the adverse inferences regarding the office of Precise is misplaced.
  - b. The impression regarding the office of Precise is personal impression of the visiting officer of SEBI.
  - c. The stamp paper was validly purchased from stamp vendor and there was no reason to suspect the vendor.
  - d. The income tax returns were filed by Precise in due course and no adverse findings can be made because of delayed filing and there was no connection of Income Tax filing with SEBI investigation. Further, the total income of Precise was increasing and documents such as balance sheet have to be examined before drawing any conclusion.
  - e. With regard to OCAL's disclosure in its board meeting regarding payment to be made to Precise for finalizing offices, Precise submitted that payment was sought against the outstanding dues payable to it and utilization of money paid to it against outstanding dues cannot be questioned.
  - f. Precise further submitted that the issue size of Paramount Printpackaging Pvt. Ltd. ("PPL") included IPO mandate of ₹ 45.83 Crore and a debt mandate and the fee charged by Precise was combined fee for both assignments.
  - g. With respect to the allegation of forged finder fee agreement, Precise submitted that the name mentioned in the finder fee agreement was *Paramount Print Packaging Pvt. Ltd.* and not *Paramount Printpackaging Ltd.* because PPPL had expressed its intentions to change the name and at the time of entering into agreement. Precise did not check whether the name change has happened. It is only a typographical error. It is one and the same company and the payments have been made much before the investigation. Further, Precise has been associated with PPPL for a long time and its name is there in the DRHP of PPPL.
  - h. In relation to the finder fee agreements which are alleged to be executed on stamp paper issued in 2011, Precise denied that these agreements were forged. Further, OCAL filed a



criminal complaint in the Azad Maidan Police Station reporting suspected receipt of non-genuine stamp papers. Precise also submitted that the letter issued by Add. Controller of stamps in this regard is riddled with inaccuracies.

- i. Precise had submitted that it had transferred ₹ 12 crore -- Mahak Enterprises (₹ 4.92 Crore), Surya Solutions Ltd. (₹ 3.91 Crore) and Jay Enterprises (₹ 3.15 Crore) towards purchase of Diamonds and that it was not aware of and is not concerned with the further use of funds by them. Further, Precise denied that Mahak Enterprises, Surya Solutions Ltd and Jay Enterprises are not diamond sellers as alleged. Precise also submitted that SEBI should have recorded statements and checked all bank accounts before reaching any such allegation. It is also denied that Sainath Corporation and Venus Publicity are not diamond sellers as alleged.
7. An opportunity of personal hearing was granted to Precise on November 13, 2013 which was rescheduled to December 26, 2013 at the request of Precise. On the said date, no one appeared on behalf of Precise nor any communication was sent by it in relation to the hearing. In the interest of justice another opportunity of hearing was granted to Precise on January 13, 2015. In response thereto, vide letter dated January 19, 2015, Precise waived its right of personal hearing.
8. I have considered the SCN, the reply of Precise and other material available on record.
9. Precise has contended that SEBI was wrong in drawing inferences from the status of its office (revealed during the site visit by SEBI officials). Also SEBI did not seek to verify anything from the landlord of the said office premises or the neighbors. In this regard, I note that Precise as per its own submissions had excellent financials and had introduced IPOs for over ₹ 200 crore in value. If Precise as a company was doing so well, then it was expected that its office would be in a working condition with adequate infrastructure, which was not found as such pursuant to the visit by SEBI officials. I note that Precise has not submitted any evidence to dispute the findings of the site visit mentioned in the SCN but has merely disputed the inference drawn by SEBI. I, therefore, cannot accept the above submission of Precise in absence of any evidence to support the same.
10. As regards the allegation of over-stamping of the "leave and license agreement", Precise has contended that it had bought the stamp paper from a registered stamp vendor and requisite entries were made in the register of the stamp vendor. Further, it also sought the cross examination of the stamp vendor and the Addl Collector of Stamps in order to prove its innocence. In this regard, I note that the allegation regarding the over-stamping of the stamp paper is based on the official records and the same were also provided to Precise along with the SCN. Precise has not submitted any evidence to dispute the said official records but has claimed that its *bona fide* in purchase of the stamp paper. In view thereof, I do not find any merit in the

submission of Precise in that regard. With regard to opportunity to cross-examine the stamp vendor and the Addl Collector of Stamps as demanded by Precise, I note that the SCN does not rely upon the statements of stamp vendor or the Addl Collector of Stamps in these proceedings. Therefore, the question of providing opportunity to cross-examine the stamp vendor does not arise.

11. With regard to the allegation of the finder fee agreements being non-genuine, Precise submitted that due to a typographical error and oversight the name of the company in the finder fee agreement was mentioned as "*Paramount Printpackaging Ltd*" instead of "*Paramount Printing Press Private Limited*" and they are one and the same. It further submitted that the stamp paper was purchased from a registered stamp vendor and at the relevant time there was nothing to excite its suspicion. Precise also sought cross-examination of the stamp vendor and Addl Collector of Stamps in this regard. In this regard, I note that in the finder fee agreement relating to "*Paramount Printpackaging Ltd*" the name of the issuer was mentioned as "*Paramount Printpackaging Ltd*" whereas its name was "*Paramount Printing Press Private Limited*" as on January 20, 2010 and was changed only later on June 2, 2010 to its present name. This fact in itself raises serious doubt on the genuineness of the agreement. Similarly the finder fee agreement dated February 20, 2010 executed between OCAL and Precise with respect to IPO mandate of Trim Plastics Pvt. Ltd. on non-judicial stamp papers of ₹100 was also created *post facto* as the said stamp paper, on which the agreement was made, was issued from General Stamps Office, Mumbai in May 2011. Likewise, the finder fee agreement dated February 20, 2010 executed between OCAL and Precise with respect to IPO mandate of Trim Plastics Pvt. Ltd. on non-judicial stamp papers of ₹ 100 was also created *post facto* as the said stamp paper, on which the agreement was made, was issued from General Stamps Office, Mumbai in May 2011. Further, with regard to opportunity to cross-examine the stamp vendor and the Addl Collector of Stamps, I note that the SCN does not rely upon the statements of stamp vendor or the Addl Collector of Stamps in these proceedings and therefore, the question of providing opportunity to cross-examine the stamp vendor does not arise. In view of the above, I do not find merit in the above contention of Precise and reject the same.
12. With regard to the financials of Precise, I find that no actual income was earned by it which is also clear from the fact that no tax has been paid by it. Further, Precise filed its annual return for three financial years i.e. F. Y. 2008-09, F. Y. 2009-10 and 2010-11 on December 14, 2011 and December 15, 2011. Filing returns of three years at one go cannot be classified as normal course. Further, the dormant status of company in the records of MCA which was subsequently changed indicates that the actions were afterthought. I also note that the fact that Precise had introduced several prospective clients to OCAL, even if it is assumed to be true, does not reflect

the financial standing of Precise. These facts indicate that Precise was not an active company and was merely acting as a front entity for OCAL.

13. With regard to the allegation of utilization of funds by Precise for purchasing diamonds rather than for finalizing offices, Precise submitted that utilization of money earned by it cannot be questioned as the funds were utilized in the ordinary course. In this regard, I note that as per the board minutes of OCAL for the board meeting dated September 30, 2011, Precise urgently required money from OCAL to finalize the offices and the same has not been denied by Precise. It is important to note that purchase of diamonds was not even remotely related to the line of business of Precise. Thus, instead of using the money received from OCAL for the said purpose of finalization of offices, the utilization of money for purchase of diamonds itself raises serious doubt on the transaction. I further note that these diamonds were claimed to have been bought by Precise from entities whose KYC documents revealed that they were not in the business of selling diamonds. These facts in totality show that the diamonds were not purchased by Precise in the ordinary course of business and were purchased at the behest of OCAL for facilitating the diversion of issue proceeds.
14. To summarize, Precise was claimed to have been employed by OCAL to identify and set-up offices for its Portfolio Management Services. Precise had received total ₹12 crore from OCAL (₹ 9 crore towards "development of PMS" and ₹ 3 crore towards finder fee). However, the facts discussed hereinabove including the following point out that Precise was not an active company and merely acted as a vehicle to facilitate OCAL to divert/siphon off the IPO proceeds: -
- As per Income Tax Returns for F. Y 2009-2010 and 2010-2011 of Precise the Gross Total Income of Precise was 'Nil'. From MCA website it was noted that Precise had filed its annual return for F. Y. 2008-09 on December 15, 2011 and for F. Y. 2009-10 and 2010-11 on December 14, 2011 and its name was mentioned in the defaulter list on MCA website.
  - The office premises at 'E-2, Sainath Wadi, Nari Seva Sadan Road, Ghatkopar (W)' from where it claimed to be operating since 2009, was a make-shift office. It did not have sufficient employees.
  - The "Leave and License Agreement" with regard to the above office premises executed on a non-judicial stamp paper of ₹ 100 was dated December 01, 2009. However, on the basis of confirmation from the Additional Controller of Stamps, Mumbai, it was found that the said stamp paper was issued by General Stamp Office, Mumbai to Thane treasury only in September 21, 2011 (i.e. approx 2 year after the purported date of agreement). The above facts showed that the leave and license agreement was created *post-facto* by over stamping false date on the said stamp paper.

- The finder fee agreement executed between OCAL and Precise, with respect to IPO of Paramount Printpackaging Ltd (hereinafter PPPL), dated January 20, 2010, was also *post facto* created as the non-judicial stamp paper of ₹100 used for the said finder fee agreement was issued by General Stamps Office, Mumbai only in the year 2011. Further, in the said finder fee agreement the name of the issuer was mentioned as '*Paramount Printpackaging Ltd*' whereas its name was *Paramount Printing Press Private Limited* as on January 20, 2010 and was changed only later on June 2, 2010 to its present name. Similarly the finder fee agreement dated February 20, 2010 executed between OCAL and Precise with respect to IPO mandate of Trim Plastics Pvt. Ltd. on non-judicial stamp papers of ₹ 100 was also created *post facto* as the said stamp paper, on which the agreement was made, was issued from General Stamps Office, Mumbai in May 2011. Likewise, the finder fee agreement dated February 20, 2010 executed between OCAL and Precise with respect to IPO mandate of Trim Plastics Pvt. Ltd. on non-judicial stamp papers of ₹ 100 was also created *post facto* as the said stamp paper, on which the agreement was made, was issued from General Stamps Office, Mumbai in May 2011.
  - All the finder fee agreements submitted by OCAL mention the present address of Precise even though those were claimed to be executed much before September 21, 2011. Hence, most of the finder fee agreements mentioning Precise as finder were forged and *post facto* created.
  - Precise raised invoice for payment of finder fee of ₹3.4 crore for the above mentioned mandate of PPPL. The said invoice bears signature of Mr. Pandoo P. Naig and a payment of ₹3 crore was also claimed to have been made against the said forged invoice.
15. In view of the aforesaid findings, I find that Precise facilitated OCAL in siphoning off / diversion of IPO proceeds and therefore violated section 12 A (a),(b),(c) of SEBI Act and regulations 3(a), (b),(c),(d) and 4 (1) of PFUTP Regulations.
16. It is pertinent to note that pursuant to the investigation, a show cause notice dated February 26, 2013 was issued to OCAL also. Vide order dated August 30, 2013, SEBI disposed the SCN dated February 26, 2013 and *inter alia* directed that OCAL and its Managing Director Mr. Pandoo P. Naig shall, jointly and severally, bring ₹ 35.25 crore i.e. the diverted IPO proceeds into the company from Fincare, Precise and KPT Infotech Pvt. Ltd. within six months and prohibited them from accessing the securities market directly or indirectly, in whatsoever manner, for a period of 3 years In compliance of the abovementioned order Stellant Capital Advisors Ltd. (Merchant Banker on behalf of OCAL) submitted a compliance report date July 22, 2014 showing receipt of ₹ 35.25 crore into the company from Fincare, Precise and KPT

Infotech Pvt. Ltd. I also note that the directions issued against Precise vide SEBI's *interim order* are still in operation.

17. Considering the above, I, in exercise of the powers conferred upon me under section 19 read with sections 11(1), 11(4) and 11B of the SEBI Act and regulation 11 of the PFUTP Regulations hereby restrain Precise Consulting & Engineering Pvt. Ltd from accessing the securities market and also prohibit it from buying, selling, and otherwise dealing in securities market, directly or indirectly, in any manner whatsoever, for a period of five years from the date of the *interim order* i.e. December 28, 2011.

18. This Order shall come into force with immediate effect.

Sd/-

**Date: May 13<sup>th</sup>, 2015**

**Place: Mumbai**

**RAJEEV KUMAR AGARWAL  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**