

**SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER**

UNDER SECTION 11B READ WITH SECTION 11 OF SECURITIES AND EXCHANGE BOARD OF INDIA, ACT, 1992, READ WITH REGULATION 11 AND 13 OF SEBI (PROHIBITION OF FRAUDULANT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995.

AGAINST M/S. VISION TECHNOLOGIES INDIA LTD.

BACKGROUND

1. Vision Technology India Limited (hereinafter referred to as 'VTIL') came out with a public issue in 1994 and its shares are listed on The Stock Exchange, Mumbai (hereinafter referred to as "BSE"), Madras Stock Exchange, Ahmedabad Stock Exchange, Jaipur Stock Exchange and Bangalore Stock Exchange (being the regional exchange of the company).
2. As per the Memorandum and Article of Associations of the company, the following were the subscribers to the Memorandum.
 - a. B. R. Vasanth
 - b. Anita Vasanth
 - c. B. S. Ranga
 - d. B. R. Shyamala Ranga
 - e. B. N. Haridas
 - f. B. N. Leela
 - g. Indira Haridas
3. The following persons were on the Board of the Company as per the 6th Annual Report (1999-2000):
 - a. Shri Rangavasanth B., Chairman & Managing Director
 - b. Ranga B. S., Director
 - c. Shyamala B. R., Director
 - d. Jagadish Babu S., General Manager (Audio)
 - e. Anita Vasanth, General Manager (Advt.)
4. Securities and Exchange Board of India ("SEBI") received a complaint from one Shri A. K. Puri, alleging that VTIL was being managed in a whimsical manner and also alleging irregularities in the matter of preferential allotment.
5. Bangalore Stock Exchange informed SEBI that VTIL made the following preferential allotments :
 - i. Allotment of 14,40,000 shares on March 08, 2000, and
 - ii. Allotment of 12,00,400 shares fully paid & 84,29,400 shares partly paid (Rs 2.50) on March 21, 2000.
6. At the Stock Exchange, Mumbai ("BSE"), it was observed that the price of the scrip of VTIL increased from Rs 14.00 on 30.11.1999 to Rs 650.00 on 07.03.2000 and thereafter there was steep fall in the price of the scrip.
7. On the basis of the abovementioned facts, Chairman, SEBI, ordered an investigation into the trading in the shares of VTIL. The investigations revealed that:
 - a. The funds to be received on account of the preferential allotments had not come in properly, as was evident from the funds flow in the bank accounts of VTIL. It appeared that VTIL has resorted to book entry for showing subscription to the preferential allotments. It also appeared that VTIL, in connivance with Shalibhadra Securities Ltd. ("SSL") who VTIL has stated was an "advisor" to the issue of the above preferential allotments, created book entries towards these subscriptions, without any genuine inflow of funds.
 - b. It was seen that the money in respect of the directors and the family members, who were allotted shares in March 2000, had come in January 2000 itself, although the decision for allotment of shares was taken in March 2000.
 - c. It was observed that VTIL's funds had been routed to the stock exchange, to artificially raise the price of the scrip through, among others, SSL, who in turn had dealings with Vivenasri Financial Services Pvt. Ltd. ("VFSL") and Harsh Pranav Securities Pvt. Ltd. ("HPSL"). It was concluded that these entities had manipulated the price of the scrip to artificial levels.

SHOW CAUSE NOTICE AND HEARING

8. Pursuant to the investigation, a notice dated 18.09.03 was issued to VTIL, calling upon them to show cause as to why suitable directions, including directions debarring/prohibiting it from buying and selling in securities for a specified period, should not be issued to it under section 11(4)(b) and 11B of the SEBI Act, 1992 read with Regulations 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003. It was also mentioned that if they failed to submit any reply within the stipulated period of 21 days it would be presumed that they had no explanations to give in the matter and SEBI would be constrained to pass such orders specified in terms of the aforesaid Act and Regulations.
9. VTIL submitted a reply vide its letter dated 15.10.03 to the aforesaid show cause notice.
10. Thereafter, in the interest of natural justice, SEBI granted an opportunity of hearing to VTIL, before me, on 21.01.2004. However, the said date of hearing was rescheduled for 06.02.2004, at the request of VTIL. On the date of the hearing VTIL presented their arguments on the issues raised in the show cause notice.

ISSUES FOR CONSIDERATION AND FINDINGS

11. I have taken into consideration the facts and circumstances of the case and the material available on record, including the facts leading to the investigation, the contents of the show cause notice, submissions made by VTIL in response to the show cause notice and in the hearing. My findings with respect to the allegations against VTIL are as under.
12. The promoters were holding 53.60% of the paid up equity capital of the company as on December 01, 1999. The company in its Extra Ordinary General Meeting held on December 22, 1999 considered the following business:
- A. Increase in authorized capital of the company from Rs. 5 crore to Rs. 15 crore, divided into 1.50 crore shares of Rs. 10 each alteration of Clause V of the Memorandum of Association of the Company accordingly.
- B. Issue of further shares within the authorized share capital of the company to any Financial Institution, Foreign Institutional Investor, Corporates or bodies, OCBs, Mutual Funds or such other persons or organizations notwithstanding the fact that they are not the shareholders of the company at present, in such proportion and in such manner as the board may deem fit and proper in its absolute discretion. This resolution was passed under Section 81 (1-A) of the Companies Act, 1956.
13. Accordingly, the company made allotment of 14,40,000 shares for Rs. 10/- each at the meeting of Board of Directors held on March 08, 2000. The company made further allotments of 12,00,400 fully paid up shares and 84,29,400 partly paid up shares to various investors in the meeting of Board of Directors held on March 22, 2000. VTIL had submitted that the same was done in accordance with the requisite procedure under the provisions of the Companies Act and was made after complying with the requisite provisions, rules, regulations and guidelines as mandated by various authorities including SEBI.
14. Subsequent to this preferential allotment, the distribution schedule of the company, as on 31st March 2000, was as follows:

Sr. No.	Category	Number of Shares	Percentage (%)
1.	Directors and Relatives	31,57,100	21.05%
2.	Foreign Institutional Investors	19,58,000	13.05%
3.	Other Bodies Corporate	65,02,300	43.35%
4.	Indian Public	33,82,600	22.55%
	TOTAL	1,50,00,000	100%

Source: BSE Investigation Report

15. As stated above, it was observed that the price of the scrip of VTIL increased from Rs 14.00 on 30.11.1999 to Rs 650.00 on 07.03.2000 and thereafter there was steep fall in the price of the scrip. The following table gives the details of the volumes and price in the scrip, prior to, during and after investigation period.

Sr. No.	Month	Price (Low)	Price (High)	Volumes
1.	April 99	4.50	5.00	400
2.	May – Sept. 99	NIL	NIL	NIL
3.	October 99	4.00	19.50	160,700
4.	November 99	6.55	15.20	48,500
5.	December 99	18.70	107.35	239,000
6.	January 00	108.00	262.00	1,263,300
7.	February 00	227.15	568.65	1,113,700
8.	March 00	304.50	650.00	436,900
9.	April 00	148.20	324.10	225,000
10.	May 00	131.75	235.00	201,100
11.	June 00	142.00	218.00	226,900
12.	July 00	112.50	174.00	117,200
13.	August 00	115.20	158.00	163,200
14.	September 00	92.85	134.75	187,400
15.	October 00	71.00	112.00	92,600
16.	November 00	88.40	183.20	92,523
17.	December 00	64.15	115.00	116,618

Source: BSE Investigation Report

16. It is observed that after a trading of 400 shares in April 99, there were no trades from May 99 to September 99. However, from October 99 onwards, there was major spurt in volumes and price of the scrip. In the month of January and February 2000 the volumes were more than 10 lakh shares. A graphical representation of the price movement in comparison to sensx is as under



Source: BSE Investigation Report

17. I have observed that BSE had imposed Additional Volatility Margin on the scrip, in view of the price and volumes of the shares going up rapidly, details of which are as under:

Period	% of AVM (Purchases and Sales)
20.12.1999 to 17.01.2000	20%
24.01.2000 to 13.03.2000	30%
21.03.2000 to 03.04.2000	20%
10.04.2000 to 08.05.2000	30%
15.05.2000 to 19.05.2000	20%

Source: BSE Investigation Report

In addition to the above, BSE had also imposed margins on the scrip as under:

Sr. No.	Date	Margin	Kind of Margin
1.	October 18, 99	Rs. 4/-	Special Margin
2.	November 01, 99	NIL	N. A.
3.	December 03, 99	Rs. 6/-	Special Margin
4.	December 06, 99	Rs. 7/-	Special Margin
5.	December 13, 99	Rs. 10/-	Special Margin
6.	December 20, 99	Rs. 15/-	Special Margin
7.	December 27, 99	Rs. 20/-	Special Margin
8.	January 03, 2000	Rs. 30/-	Special Margin
9.	January 10, 2000	Rs. 35/-	Special Margin
10.	January 17, 2000	Rs. 40/-	Special Margin
11.	January 24, 2000	Rs. 60/-	Special Margin
12.	January 31, 2000	Rs. 65/-	Special Margin
13.	February 7, 2000	Rs. 80/-	Special Margin
14.	February 14, 2000	Rs. 90/-	Special Margin
15.	February 21, 2000	Rs. 125/-	Special Margin
16.	February 28, 2000	Rs. 150/-	Special Margin
17.	March 21, 2000	25%	Special Margin

Source: BSE Investigation Report

18. In order to ascertain the facts regarding the allegation that the monies to be received by the company, in response to its preferential allotments, were not received properly, I have perused the following bank accounts of VTIL:
- Union Bank of India, Princess Street Branch, Mumbai
 - Union Bank of India, Richmond Town Branch, Bangalore
 - Bank of Punjab, Fort Branch, Mumbai

19. The extract of the bank statement of account maintained by the company with Bank of Punjab, Fort Branch, Mumbai indicates an amount of Rs. 2.90 crores had not come in properly, as illustrated below.

Date	Particulars	Debit	Credit	Bank Name and Branch
22-Mar-00	Tr. from SSL		5,000,000	Bank of Punjab, Fort
22-Mar-00	Tr. to SSL	5,000,000		Bank of Punjab, Fort
22-Mar-00	Tr. from SSL		5,000,000	Bank of Punjab, Fort
22-Mar-00	Tr. to SSL	5,000,000		Bank of Punjab, Fort
22-Mar-00	Tr. from SSL		5,000,000	Bank of Punjab, Fort
22-Mar-00	Tr. to SSL	5,000,000		Bank of Punjab, Fort
22-Mar-00	Tr. from SSL		5,000,000	Bank of Punjab, Fort
22-Mar-00	Tr. to SSL	5,000,000		Bank of Punjab, Fort
22-Mar-00	Tr. from SSL		5,000,000	Bank of Punjab, Fort
22-Mar-00	Tr. to SSL	5,000,000		Bank of Punjab, Fort
28-Apr-00	Tr. from SSL		40,00,000	Bank of Punjab, Fort
28-Apr-00	Tr. To SSL	40,00,000		Bank of Punjab, Fort
Source :- Extract of Statement received from Bank of Punjab				

It appears that the monies which were allegedly received by VTIL against the preferential allotment came from the accounts of SSL and were transferred to SSL on the very same day. VTIL had stated that these amounts were given to SSL for investing the same in portfolio schemes managed by SSL.

20. I have also observed five credits of Rs. 9,99,910/- in the account of VTIL between January 25, 2000 and January 28, 2000 under:

Date	Particulars	Debit	Credit	Bank & Branch
25.01.00	By High Value		9,99,910	UBI, Princess Street
25.01.00	By High Value		9,99,910	UBI, Princess Street
25.01.00	By High Value		9,99,910	UBI, Princess Street
25.01.00	By High Value		9,99,910	UBI, Princess Street
25.01.00	By High Value		9,99,910	UBI, Princess Street
27.01.00	To Chq. Returned	9,99,910		UBI, Princess Street
28.01.00	By High Value		9,99,910	UBI, Princess Street
Source :- Extract of Statement received from Union Bank of India, Princess Street				

21. A perusal of Bank statement of account of SSL shows the following debits during the same period as above:

Date	Particulars	Debit	Credit	Bank & Branch
25.01.00	VTIL	9,99,910		Bank of Punjab, Fort
25.01.00	VTIL	9,99,910		Bank of Punjab, Fort
25.01.00	VTIL	9,99,910		Bank of Punjab, Fort
25.01.00	VTIL	9,99,910		Bank of Punjab, Fort
28.01.00	VTIL	9,99,910		Bank of Punjab, Fort
Source :- Extract of Statement received from Bank of Punjab, Fort Branch				

22. VTIL had submitted that the bank statements (as at point 19 above) clearly showed that the amounts have in fact been received and it had allotted the shares in terms of the issue. VTIL has, in its communications with SEBI, indicated that the funds were given to SSL for the purpose of Portfolio Management Scheme (PMS). VTIL has further submitted that the funds were managed by SSL along with an entity Narven Finance Ltd ("NFL"). In this regard VTIL had submitted two letters received by it from NFL. One of the letter requests the company to deposit the amount with SSL for managing the PMS. VTIL has also submitted a copy of board resolution authorizing Shri Rangavasanth to place the funds with PMS and also finalise the terms and conditions for doing so.

23. However, from the details of preferential allotment it is observed that the same has been shown as amount brought in towards the payment for preferential allotment made to the Directors and family members. The company has also submitted that these funds were contribution of directors and family members towards the preferential allotment of the company and the amount was taken as an advance from SSL. A close scrutiny of crucial dates assumes importance in this case. It may be noted here that the first Board meeting to decide the terms and conditions of the preferential allotment i.e. regarding the name of the allottee and quantity of shares to be allotted etc., took place only on March 08, 2000, whereas the money was credited to the account of VTIL even in January 2000 (as explained above, at point 20). As on January 2000 even the basic terms and conditions of preferential allotment such as size of allotment, name of prospective allottees, pricing etc., was not decided. Thereby, I find no merit in the claim of VTIL that the credits were pertaining to amounts brought in by promoters, directors, relatives towards the preferential allotment.

24. This apart, the investigating team also obtained a letter from SSL (Letter dated July 5, 2002 addressed to SEBI) wherein it is clearly mentioned by SSL that the credits pertaining to the five payments of Rs 9,99,910 each pertains to sale of 1 lakh shares each of VTIL made by them on behalf of five persons viz., Archana Ram Kumar, B. N. Gurudas, B. N. Krishnadas, Indira Haridas and Vikram Studio and Labs P Ltd. The five persons/entities were shown as clients to SSL. When the Managing Director of VTIL Shri Rangavasanth was queried on this matter, in his statement given to the Investigating Team he immediately stated that the amount was initially taken as an advance by the company from SSL and when the company could not repay the advance five lakh shares were given by the persons named above to SSL for sale.
25. Contradictions were observed in the replies of Shri Rangavasanth. As per the transfer deeds produced by the company in respect of the five lakh shares of VTIL it appeared that the name of the five persons were shown as the transferors/sellers and the transferee column indicated the name of one Ekveera Computers Private Ltd, Borivalli West, Bombay as the purchasers/holders and not the name of SSL. Incidentally, Ekveera Computers was also shown as one of the allottees in the preferential allotment of VTIL. I hereby infer that the issue of preferential allotment has been presented in a confused matter by VTIL so as to mislead the investigating team. The truth is that money towards the preferential allotment was not brought in properly and the same was routed through "fictitious book entry". I gather from the above that the company's contention of the above funds being received towards the preferential allotment contribution of the directors is baseless and without any conviction as the same is also not justified or backed with adequate records. The allotment of shares to the directors (in the preferential allotment) and also the amount of Rs. 2.90 crores shown above (towards preferential allotment) appears to be malafide and irregular as it appeared that the company allotted shares to the directors and other allottees without any contribution/infusion of funds from them. SSL also being a broker of NSE (now declared a defaulter) has aided and abetted VTIL in the manipulative practices. Apart from the inconsistency in the dates I observed glaring inconsistencies in the statements of both VTIL and SSL, which clearly suggests that the whole story of SSL funding the preferential allotment is false.
26. The scrutiny of the bank statement of account of SSL indicated that there were number of transactions of SSL with HPSSL and VFSL on a consistent basis. There was also lot of transactions between NFL and VFSL, which have been explained in the following paragraphs. As claimed by the MD of VTIL, they had engaged the services of NFL for their PMS related activities. A copy of the resolution to this effect was also produced by the MD of VTIL. I find that the funds were transferred on a consistent basis from the account of NFL to the account of VFSL (identified as the main manipulator of the scrip of VTIL) which indicates that funds given by the company towards PMS were actually utilized to manipulate the shares of VTIL. The investigations prima-facie established that these two entities viz. HPSSL and VFSL were primarily responsible for the price rise in the scrip during the investigation period covered above. The two entities, having same address and common directors, had dealt in the scrip by enrolling as 'common clients' to various brokers during the investigation period. The bank records indicated that the two entities had extensive financial dealings with SSL, who in turn had dealings directly with VTIL. The bank records of both VFSL and HPSSL also indicated that the two entities had extensive financial dealings with NFL. The Four entities viz. SSL, VTIL, VFSL and HPSSL operated an account each with M/s Bank of Punjab, Fort Branch and there were several internal transfers that had taken place between these accounts. The fund transfers in the account of SSL suggested that both VFSL and HPSSL were closely connected to SSL. Some of the transactions of SSL with VFSL and HPSSL, as reflected in its account with Bank of Punjab, Fort Branch is as under:

Date	Particulars	Debit	Credit
15-Dec-99	Trf. To VFSL	25,00,000	
15-Dec-99	Trf. To VFSL	10,00,000	
28-Jan-00	Trf. To VFSL	25,00,000	
02-Feb-00	Trf. from HPSSL		1,20,000
02-Feb-00	Trf. from HPSSL		2,80,000
16-Feb-00	Trf. from VFSL		20,00,000
17-Feb-00	Trf. from VFSL		20,30,000
17-Feb-00	Trf. from VFSL		15,00,000
17-Feb-00	Trf. from VFSL		25,00,000
21-Feb-00	Trf. To VFSL	10,00,000	
24-Feb-00	Trf. To VFSL	4,70,000	
25-Feb-00	Trf. from VFSL		4,00,000
25-Feb-00	Trf. To VFSL	4,90,000	
25-Feb-00	Trf. To VFSL	5,10,000	
01-Mar-00	Trf. from VFSL		14,00,000
11-Mar-00	Trf. from VFSL		10,00,000
16-Mar-00	Trf. from VFSL		30,00,000
16-Mar-00	Trf. from VFSL		8,76,320.53
29-Mar-00	Trf. from VFSL		25,63,104.68
29-Mar-00	Trf. from VFSL		1,40,000
30-Mar-00	Trf. from VFSL		6,20,000

27. As per information provided by the company it has made allotment to the following persons in the preferential allotment made in March 2000. (As per details submitted by the company):

Table 11 – Fully paid up shares

Name	No. of Shares	Amount (in Rs.)	Remarks
Dwarkadish Imports & Exports Pvt. Ltd.	6,30,000	39,00,000 24,00,000	
Avadhoot Lalith	1,00,000	10,00,000	
Sanika Avadhoot	1,00,000	10,00,000	
Bahamas Investment (Mauritius) Ltd.	10,000	1,00,000	
B. Rangavasanth (HUF)	1,00,000	10,00,000	
Anitha Vasanth	1,00,000	10,00,000	
Vishnu Vasanth	1,00,000	10,00,000	
Vinitha Vasanth	1,00,000	10,00,000	
Rangavasanth B.	2,00,000	10,00,000 1,50,000 6,00,000 2,50,000	Recd. From SSL
Vibha Prabhu	100	1,000	
N Subraman	100	1,000	
Vijayshankar Meleveettii	100	1,000	
Hemendra N Shah	200	2,000	
Conifer Investments Pvt. Ltd.	300	3,000	
Arvind S Shukla	500	5,000	
Santosh Kadam	1,000	10,000	
Tukaram Shitap	1,000	10,000	
Kinjal Hasmukh Doshi	1,000	10,000	
Geetanjali Kosare	1,000	10,000	
Dinesh Kumar Pandey	1,000	10,000	
Kashmira Contractor	1,000	10,000	
Pandurang Narkar	1,000	10,000	
Ashok Bendre	1,000	10,000	
Amee Badheka	1,000	10,000	
Vinayak Narayan Deosthali	1,000	10,000	
Ashok Moraji Mehta	1,000	10,000	
Meera S	1,000	10,000	
Nanalal Mehta	1,000	10,000	
Soumya Ravikumar	1,000	10,000	
Santosh Menon	2,500	25,000	
Amol Chowgule	2,500	25,000	
Ashok K Sethi	2,500	25,000	
Rama Sethi	2,500	25,000	
Rikesh Jain	2,500	25,000	
Nita Atul Parekh	3,000	30,000	
Devji Raghavji Shah	3,000	30,000	
Ravilal Bhimshi Fariya	3,000	30,000	
Hasmukh Ramji	3,000	30,000	
Dinesh Bhimshi Fariya	3,000	30,000	
Popatlal Raghavji Shah	3,000	30,000	
Harish Arora	4,000	40,000	
S Inder Singh	4,000	40,000	
Aziz Javeri	5,000	50,000	
Sudha Javeri	5,000	50,000	
Sameer Javeri	5,000	50,000	
Ajay Kandhar	5,000	50,000	

Bhavesh Shah	5,000	50,000	
Maitri Shah	5,000	50,000	
Rekha Kedia	5,000	50,000	
Sunil Kothari	5,000	50,000	
Sunil Nagindas Kothari	5,000	50,000	
Nita Sunil Kothari	5,000	50,000	
Nagindas Ratilal Kothari	5,000	50,000	
Rahul Shah	5,000	50,000	
Mahesh Jetmalani	5,000	50,000	
GS Sreedhar	5,000	50,000	
Hema Dilip Lakhani	5,000	50,000	
Rajendra Prasad Adirasu	5,000	50,000	
Hemlata Ravi	5,000	50,000	
R Shankar	5,000	50,000	VFSL Adjustment of Rs. 2 lakhs
M Rudra Dev	5,000	50,000	
Sushma Sharma	5,000	50,000	
Neera Sharma	5,000	50,000	
Dipti Doshi	5,000	50,000	
Dipti Doshi	5,000	50,000	
Bhudeo Sharma	5,000	50,000	
A Rajendraprasad	5,000	50,000	
Anahita Shah	5,000	50,000	
Anahita Shah	5,000	50,000	
Pravin B Kamdar	5,000	50,000	
Bhavana D Shah	10,000	100,000	
R M Bhuta (HUF)	12,000	120,000	SSL Receipt of Rs. 29 lakhs adjusted
Poornima Nagarkatti	15,000	150,000	
Shantanu Nagarkatti	10,000	100,000	
Avani Buch	15,000	150,000	VFSL Adjustment of Rs. 2 lakhs
Pankaj Shah	15,000	150,000	
Jayshree Shah	22,500	225,000	
Meena Doshi	25,000	250,000	
KMK Software	25,000	250,000	
Chandan Parmar	40,000	400,000	SSL Receipt of Rs. 29 lakhs Adjusted & VFSL Adjustment of Rs.20 lakhs
Niranjan H Shah	20,000	200,000	VFSL Adjustment of Rs. 20 lakhs
Hasmukh Shah	20,000	200,000	VFSL Adjustment of Rs. 20 lakhs
Chaitanya Buch	20,000	200,000	VFSL Adjustment of Rs. 20 lakhs
Rajesh Bhuta	20,000	200,000	SSL receipt of 29 lakhs adjusted
Bahamas Investments – (Mauritius) Ltd.	10,000	100,000	
Newfin Fiancial Services Private Ltd.	727,600	1,380,000 100,000 5,000,000 796,000	SSL receipt of 29 lakhs adjusted SSL receipt of 1 lakh adjusted SSL receipt of 1st lot of 50 lakhs adjusted SSL receipt of 2nd lot of 50 lakhs adjusted

Table 12 – Partly Paid Up Shares

Name	No. of Shares	Amount	Remarks
Bahamas Investments – (Mauritius) Ltd.	1,880,000	4,700,000	
Bahamas Investments – (Mauritius) Ltd.	68,000	170,000	

Dwarkadish Imports & Exports Pvt. Ltd.	115,000	1,150,000	SSL receipt of Rs. 20 lakhs adjusted
Prathakal Commercial & Agencies Pvt. Ltd.	749,000	1,200,000 850,000 2,074,750	SSL receipt of Rs. 20 lakhs adjusted SSL receipt of 2nd lot of Rs. 50 lakhs adjusted
Alice Commercial & Agencies Pvt. Ltd.	749,000	1,872,500	SSL receipt of 2nd lot of Rs. 50 lakhs adjusted
Viswabandhu Financial Services Pvt. Ltd.	749,000	256,750 5,000,000 2,233,250	SSL receipt of 2nd lot of Rs. 50 lakhs adjusted SSL receipt of 3rd lot of Rs. 50 lakhs adjusted SSL receipt of 4th lot of Rs. 50 lakhs adjusted
Jinu Marketing & Trading Pvt. Ltd.	745,000	1,000,000 862,500	
Ekveera Computers Pvt Ltd.	448,700	2,766,750 137,500 1,582,750	SSL receipt of 4th lot of Rs. 50 lakhs adjusted Excess received from Jinu Marketing Adjusted SSL receipt of 5th lot of Rs. 50 lakhs adjusted
Hemdil Financial Services Ltd.	745,000	1,862,500	SSL receipt of 5th lot of Rs. 50 lakhs adjusted
Atur Mehta	745,000	1,554,750 307,750	SSL receipt of 5th lot of Rs. 50 lakhs adjusted SSL receipt of Rs. 40 lakhs adjusted
Burlington Finance Ltd.	745,000	2,587,500 3,692,250 1,170,250	SSL receipt of Rs. 40 lakhs adjusted VFSL adjustment of Rs. 20 lakhs
B V Vishnu	400,000	829,750 50,000 3,120,250	SSL receipt of Rs. 29 lakhs adjusted SSL receipt of Rs. 29 lakhs adjusted PMS
B V Vinitha	290,500	2,905,000	PMS
B V Vinitha	200	2,000	PMS

28. I see from the above that SSL had made payments on behalf of various investors in the preferential issue of the company. I also observe that VTIL has accepted payments from third parties in other cases as well.
29. In response to the allegations made against them, VTIL had, vide letters dated 15.10.30 and 06.02.04, denied all the allegations and made the following submissions :
- The preferential issues were made in accordance with the requisite procedures under the Companies Act and after complying with the rules, regulations and the guidelines mandated by various authorities, including SEBI.
 - With respect to the allegations that a sum of Rs. 2.90 crores had not come in properly, VTIL stated that it was clear and apparent from the bank statements that the amount had in fact been received by them and that only thereafter they had carried out the allotment.
 - Regarding the flow of funds from VTIL's account to the account of SSL, it was submitted that they had, in consultation with NFL, whom they had engaged for portfolio management services, decided to take the assistance of SSL, in placing the funds not immediately required. Thereby, a portion of the funds received against the preferential allotment was placed with SSL, for which they had received shares of Electrolux Kelvinator.
 - Regarding the allegation that the promoters were allotted shares without receipt of allotment monies, VTIL submitted that the amount had been received and were lying in their accounts.

- v. VTIL denied having used the funds received from preferential allotment in manipulation of the shares of the company. They denied being aware of or a party to the dealings between NFL and other companies.
- vi. VTIL also expressed ignorance regarding HPSSL and VFSL and denied having any links with these entities. They further denied having received Rs. 22 lacs from VFSL.
- vii. They raised objections to SEBI's reliance on letter dated July 05, 2002, received from SSL, a copy of which was not provided to them, in the absence of which they were in no position to furnish any replies to the contents thereof. (A copy of the letter was provided to VTIL vide letter dated 17.10.2003)
- viii. VTIL raised objection to retrospective effect sought to be given by SEBI to the provisions of Section 11(4)(b) of the SEBI Act, which was not even in existence during the period of investigations (30.11.99 till 07.03.2000), during which the alleged violations of Regulations 4(a), (b) and (d) of the FUTP Regulations were said to have taken place.
- ix. VTIL also submitted that Section 11B provides for issuance of remedial directions and not penal directions, as sought to be issued by SEBI under the show cause notice issued to them.
- x. Regarding the allegations of non-receipt of monies from the promoters, it was submitted that the shareholders resolution for the preferential issue was passed on 22.12.99. 5 directors and their family members were allotted 6 lac shares and they had made payment of Rs. 60 lacs as share application monies, in January 2000.
- xi. It was further submitted that the directors/relatives of the company had taken an advance of Rs 50 lacs from SSL, for making the payment towards the shares application money, as against which they were later allotted shares. Subsequently however, the directors and relatives were unable to repay the advance and hence they handed over 5 lac shares belonging to Archana Ram Kumar, BN Gurudas, B N Krishna Kumar, Indira Haridas and Vikram Studio and Labs Pvt. Ltd. (all belonging to the group of relatives and directors) to SSL. These shares were subsequently offloaded by SSL in the market.
- xii. VTIL has stated that the allegation of "book entry" is baseless and amounts to stating that bank of Punjab was passing fictitious book entries and was colluding with the company. Regarding the monies flowing to SSL, VTIL had submitted that there is no legal bar on the company using the allotment monies for re-investment purposes.
- xiii. VTIL has admitted to receiving Rs. 3.40 crores from SSL. However, it has been submitted that this amount was received on behalf of the allottees in the preferential issue and that VTIL did not have any direct links with VFSL.

30. Having considered the submissions made by VTIL, my findings on the allegations made against them are as under.

31. I find that the amounts in respect of the preferential issues made by the company have not been received properly, in the light of the entries found in the bank statement of VTIL (as at point 19 above) and the payments having been made by SSL on behalf of a majority of the applicants. The submissions made by VTIL that there is nothing sinister in returning the monies received for preferential allotment, to SSL, for the purpose of portfolio management activities and their submissions regarding shares of VTIL being given to SSL in lieu of loans taken earlier, does not hold good, since I see all these activities as being a part of a larger plot to deal in the shares of CTIL and to manipulate its price. This is evidenced by the fact that a substantial amount of shares of VTIL were handed over to SSL, under the guise of repayment of loan taken earlier by the directors, as also the fact that a large portion of the proceeds (Rs. 2.90 crores) received from the preferential allotment were given to SSL, allegedly for portfolio management. I understand that VTIL had not produced any proof to support the "purchase" of shares of Electrolux Kelvinator shares, which it claims to have received from NFL, in exchange for the monies given for portfolio management. No written records have been produced regarding any agreements with SSL regarding the transactions carried out under the said portfolio scheme on behalf of VTIL, either by way of copy of bills/contracts etc, from SSL or NFL. Read in conjunction, these facts affirm the lack of genuineness in the concerned transactions.

32. As regards the contention of VTIL that the monies received by them in January 2000 from the directors and their family members were application monies for the preferential issue to be made in March, 2000, I have considered the contention of VTIL that the resolution for the preferential issues was passed in the shareholders meeting held on 22.12.99, pursuant to which 5 directors paid a sum of Rs. 60 lacs in January, 2000. However, I have observed that no evidence has been produced by VTIL to prove that the said meeting of 22.12.1999 had indeed authorized allotment of shares to directors. The documents produced before me only indicate a resolution to increase the authorised share capital from Rs. 5 crores to Rs. 15 crores and to issue the shares to persons of various categories e.g. FIIs, FIs, OCBs etc. the specifics of the allotment seem to have been decided at a later date. This is sufficient proof for me to confirm that no decision was taken in the said meeting to allot shares to the directors, who are said to have brought in application monies of in January, 2000. Hence, I find that the monies received by VTIL in January 2000 were utilized towards manipulating the price of its shares.

33. As has been brought out in point 26, there were a series of transactions between SSL, VFSL and HPSSL. I have noticed that NFL had introduced VFSL and HPSSL to the bank of Punjab, Fort branch, through which most of the transactions in relation to the exchange of considerations have taken place. Also VFSL had played a key role in the price manipulation of the scrip, as has been established by investigations. The expression of ignorance by VTIL, of the transactions between the various parties, through SSL is not acceptable. The records also revealed consistent credit entries in the account of VFSL, which had come from the account of NFL. It therefore appears that the company is clearly responsible for the sudden rise in the price of the scrip (by virtue of their connections with SSL and NFL). Besides this, the records also revealed that funds transfers had taken place directly between the account of VFSL and VTIL. These facts, as well as the inability of VTIL and VFSL to provide any explanations for the fund transfers among themselves, leads me to the conclusion that VFSL and HPSSL had played a large role through SSL.

34. I infer from the above that VTIL is guilty of violating the provisions of Regulations 4 (a), (b) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, which read as under :

"No person shall-

- a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;*
- b) Indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;*
- c);*
- 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;*
- e)"*

35. With regard to the contention put forth by VTIL that Section 11(4)(b) cannot be given a retrospective effect, I understand that while penal action cannot be taken under a particular statute on the basis of events that took place prior to its enactment, it is well settled that past conduct, even that occurring prior to the enactment of the statute, can be considered for imposing a posterior disqualification. If the object of the statute is not to inflict punishment but to protect the public from the activities of undesirable persons who bear the stigma of misconduct on their character, the misconduct of such person(s) before the operation of the statute may be relied upon. This proposition derives support from the decision of the Supreme Court in *State of Bombay v. Vishnu Ramchandra*, AIR 1961 SC 307. Thus, in my opinion, there is no infirmity in taking action under Section 11(4) (b) in the present case.

36. In response to the contention put forth by VTIL that no penal action can be imposed under Section 11B, I gather that the said section was inserted to empower SEBI to make directions for the protection of interests of investors and the securities market. SAT has held that the power under the said section should be exercised for preventive or remedial purposes and not for penal actions. The proposed action against VTIL is not penal but preventive, so that the manipulators are prevented from causing further damage to the securities market.

37. The allotments of shares in the preferential issues are malafide and have taken place without any real infusion of funds. I have also observed that both BgSE and BSE have not granted listing permission to the additional shares issued by the company in the preferential issue.

ORDER

38. Therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11 and 11B 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 Securities Market) Regulations, 2003, I hereby direct that M/s. Vision Technologies India Ltd be restrained from accessing the securities market and be prohibited from buying, selling or dealing in securities, directly or indirectly, for a period of FIVE years.

39. This direction shall come into force with immediate effect.

PLACE : MUMBAI

DATE : 23.08.2004

**A.K.BATRA
WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA