

SECURITIES AND EXCHANGE BOARD OF INDIA**ORDER****ORDER UNDER SECTION 11 (4) (b) AND 11B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 AGAINST M/S PHILODEN AGRO CHEM PVT. LTD. AND ITS DIRECTOR SHRI DILIP THAKKAR.****1.0 BACKGROUND**

- 1.1 Pursuant to the receipt of an investor complaint, Securities & Exchange Board of India (hereinafter referred to as SEBI) conducted investigation into the initial public offer and the buying selling and dealing in the scrip of the Vision Organics Ltd. (hereinafter referred to as VOL).
- 1.2 Shri Dilip Thakkar, a Chartered Accountant was a director of VOL during the public issue. Subsequently he resigned from the directorship of VOL and continued there in the capacity of consultants. Philoden Agrochem Pvt. Ltd. (hereinafter referred to as Philoden) is a company wherein Shri Dilip Thakkar was a director.
- 1.3 VOL had come out with an Initial Public Offer (IPO) of 43.50 lakh shares of Rs.10/- each at a premium of Rs.30/- per share which opened for subscription on October 19, 2000. The investigation revealed that as the company was not able to get the issue fully subscribed, it, through Shri Dilip Thakkar, the then director of VOL, approached one Shri Ketan Shah and family to subscribe to the issue with an understanding that the shares allotted will be repurchased with a commission by VOL.
- 1.4 Investigation further revealed that Shri Ketan Shah and family had applied for 23,25,000 partly paid shares and the same were allotted to them which constituted 64.15% of the total shares (i.e.36,25,000 shares) allotted to public in the IPO. The allotment of the issue was completed on November 03, 2000. On November 24, 2000, Shri Ketan Shah and family sold 21,61,770 shares out of 23,25,000 shares allotted to them in off-market transactions to Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi who were related to the employees of VOL.
- 1.5 The investigation further revealed that Shri Ketan Shah and family received the sale proceeds of the aforesaid 21,61,770 shares from the account of Ms. Jyoti Relwani, Ms. Shilpa Dave, Ms. Varsha Trivedi and Philoden. Investigation further revealed that Philoden received the money in its account from the bank accounts of Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi. The sale proceeds paid to Shri Ketan Shah and family was traced back to account of VOL.
- 1.6 From the aforesaid findings, it was observed that the above shares sold by Shri Ketan Shah and family were and by Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi were in fact a buy back of shares by VOL itself. Investigation further revealed that Shri Dilip Thakkar the director of Philoden acted as a mediator between the promoters and Shri Ketan Shah and family to subscribe to the public issue with an understanding that the shares allotted will be purchased back at a finance charge of 0.10 paise per share.
- 1.7 The investigation further revealed that on perusal of the bank accounts of Philoden, it is found that Philoden received funds from the accounts of Ms. Varsha Trivedi, Ms. Jyoti Relwani and Ms. Shilpa Dave. These funds were in turn transferred to the accounts of Ketan Shah and family as the purchase consideration of partly paid shares. Thus it appears that Shri Dilip Thakkar has taken advantage of his relation with Ketan Shah and family and also with VOL and thereby induced Ketan Shah and family to subscribe to the public issue.
- 1.8 From the aforesaid findings of the investigation, it is observed that Philoden and Shri Dilip Thakkar have violated Regulation 3, 4 (a) (b) (c) (d) and 6 (a) of (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as FUTP Regulations)

2.0 SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

- 2.1 Accordingly a Show Cause Notice dated September 29, 2004 was issued to Shri Dilip Thakkar and Philoden advising them to show cause as to why suitable directions under Section 11(4) (b) & 11B of the SEBI Act, 1992 read with regulation 11 of SEBI FUTP Regulations including a direction to prohibit from dealings in securities for a particular duration should not be passed against them.
- 2.2 Shri Dilip Thakkar and Philoden vide letter dated October 14, 2004 inter alia submitted as under:
 - a) That being a Chartered Accountant by profession, he was having no idea about the public issue. With regard his association with VOL, he submitted that in order to honor the request made by the promoter and Managing Director of VOL, he joined the Board of VOL in the capacity of a Director from 14.03.2000 to 13.6.2001 so as to guide them in the field of Audit and Taxation. However, since he was never invited to any Board meetings and shareholders' meetings by the Chairman and

Managing Director of VOL and therefore no purpose was being served, he submitted resignation as a Director with immediate effect on 13.6.2001.

- b) It was further submitted that the Promoter and Directors of VOL had tried to encash his name and standing for their favour by including his name in the Prospectus, without proper knowledge and information to him.
- c) Regarding the allegation of his association with Shri Ketan Shah, he submitted that he had known Shri Ketan Shah to be a registered Broker of Vadodara Stock Exchange Ltd. and director and shareholder of SDFC Securities Ltd. and Director and shareholder of Vinay Capital Ltd and also Philoden Agrochem Pvt. Ltd. and a stock market player in primary market with lots of financial resources, utilizing mainly in subscribing the public issue in crores of rupees and trading and dealing in various securities on NSE and BSE since very long (more than a decade). Shri Thakkar further submitted that he has been handling the income tax case of Shri Ketan Shah since 1992. As regards his association with Philoden he submitted that Philoden was incorporated on 28.2.1996 and he was appointed as Director on 31.5.2001 along with Shri Ketan Shah.
- d) He further submitted that he neither he nor Philoden has acquired any money on any such transactions nor has he acted as a mediator on behalf of the promoters. According to Shri Thakkar it was an after thought and a story fabricated to involve him to reduce the obligations and liabilities of the Directors of VOL. With regard to his signature in the cheques, he submitted that he signed some cheques on behalf of Philoden at the request and insistence of Shri Ketan Shah since the cheques were meant for Shri Ketan Shah's family members. Shri Thakkar further stated that he acted in good faith without much knowledge of such transaction.

- 2.3 An opportunity for personal hearing was afforded to Shri Dilip Thakkar and Philoden on February 16, 2005, and Shri Thakkar appeared and made the submissions on his own behalf and on behalf of Philoden.

3.0 CONSIDERATION OF THE ISSUES AND FINDINGS

- 3.1 I have carefully considered the findings of investigation, show cause notice, reply to the said Show Cause Notice, the submissions made during the personal hearing and post hearing written submissions submitted by Philoden and Shri Dilip Thakkar.
- 3.2 I find that the issue of VOL opened on October 19, 2000 and closed on October 21, 2000 and the shares were allotted on November 4, 2000. The shares of the scrip were listed at the Stock Exchange, Mumbai, National Stock Exchange of India Limited, and Vadodara Stock Exchange (hereinafter referred to as BSE, NSE and VSE respectively)

The details of the top allottees in the public issue are as follows:

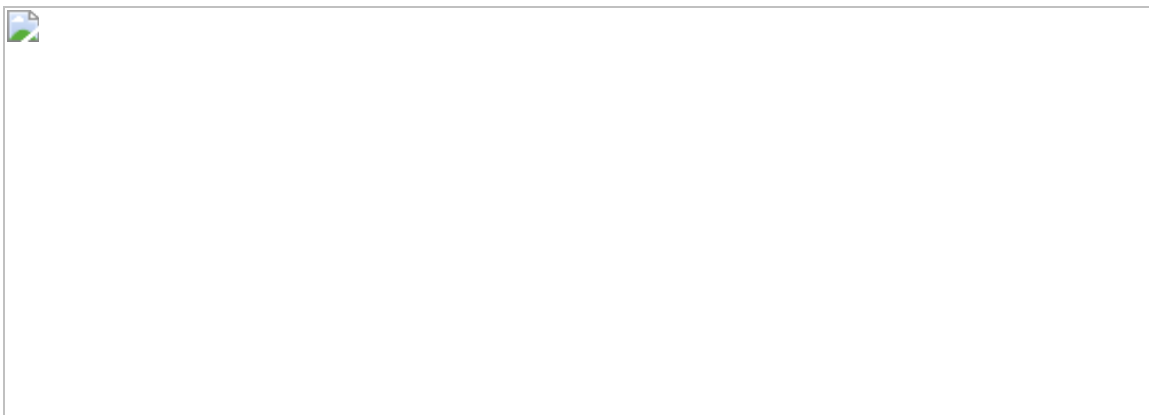
Name	Shares Allotted	% offered to Public
Bhailal Bhai Shah	4,94,800	13.65
Binal Shah	4,94,800	13.65
Ketan Shah	4,94,800	13.65
Ketan Shah (HUF)	2,47,400	6.82
Malti Dilip Thakkar	1,97,900	5.46
Falguni Shah	1,48,400	4.09
Neerav Shah	1,48,400	4.09
Rahul Shah	1,48,400	4.09
Chandra Shah	1,48,400	4.09
Pramila Shah	1,48,400	4.09
Subhash Shah	1,48,400	4.09
TOTAL	28,20,100	77.80

- 3.3 I further find from the findings of the investigation that as the company was not able to get the issue fully subscribed, the company through, Shri Dilip Thakkar, the then director of VOL approached one Shri Ketan Shah and family to subscribe to the issue with an understanding that the shares allotted will be repurchased by VOL with a commission of Rs. 0.10 per share.
- 3.4 I also find from the findings of the investigation that Shri Ketan Shah and family had applied for 23,25,000 partly paid up shares and the same were allotted to them which constituted 64.15% of the shares (i.e. 36,25,000 shares) allotted to the public in the IPO. The allotment of the issue was completed on November 03, 2000. On November 24, 2000, Shri Ketan Shah

and family sold 21,61,770 shares out of 23,25,000 shares allotted to them in off-market transactions to Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi who were related to the employees of VOL. I further find that Shri Ketan Shah and family received the sale proceeds of the aforesaid 21,61,770 shares from the account of Ms. Jyoti Relwani, Ms. Shilpa Dave, Ms. Varsha Trivedi and Philoden. I further find that Philoden received the money in its account from the Bank accounts of Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi. The funds paid to Shri Ketan Shah and family was traced back to the account of VOL. I further find that the above shares sold by Shri Ketan Shah and family and bought by Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi were in fact a buy back of shares by VOL itself.

- 3.5 I further find that Shri Dilip Thakkar the director of Philoden acted as a mediator between the promoters of VOL and Shri Ketan Shah and family to subscribe to the public issue with an understanding that the shares allotted will be purchased back at a finance charge of 0.10 paise per share. I further find that the same has been revealed by Shri Ketan Shah in his statement given to the Investigating Authority. Thus, I find that the above shares sold by Shri Ketan Shah and family were actually a buyback by the company through the above entities.
- 3.6 I find that the payment made by Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi to Shri Ketan Shah and family for the off-market transactions was from their Bank account with HDFC Bank (Baroda Branch). The funds were received by them from one Ms. Leena Dave who was also having an account with HDFC Bank. Ms. Leena Dave received funds in her account from a bank account of VOL with Bank of Punjab Ltd. (Fort Branch, Mumbai). The funds were received in VOL account from Vision Equity Issue account with Bank of Punjab Ltd. (Fort Branch Mumbai).

The flow of funds from the account of VOL to Shri Ketan Shah and family is graphically depicted below:



- 3.7 I also find it very interesting that all these accounts were opened in the month of October 2000 and except for the aforesaid transactions there were no other transactions in the account. All the accounts became dormant in December 2000.
- 3.8 I find that the modus operandi of transferring the funds was as under:
- a) Vision Equity Issue Account of VOL with Bank of Punjab Ltd, Bankers to the issue had received subscription amount of Rs.14,76,000 in the account. HDFC Bank Ltd., another Banker to the issue, transferred an amount of Rs.1,43,39,214 which was the subscription amount it had received, to Vision Equity Issue Account of VOL with Bank of Punjab. So in total Vision Equity Issue Account with Bank of Punjab was having subscription amount of Rs.1,58,15,214. Out of this, an amount of Rs.1,55, 15,214 was transferred to the account of VOL with Bank of Punjab. (Account no. CA4002825).
 - b) Thereafter a pay order of Rs.2,63,51,500/- dated 22/11/2000 was issued by Bank of Punjab Ltd. from the account of VOL and the said pay order was deposited in the account of Ms. Leena Dave (Account No. 0331300060794) with HDFC Bank Ltd., Baroda. Ms. Leena Dave issued cheques in favour of Ms. Jyoti Relwani, Ms. Shilpa Dave and Ms. Varsha Trivedi for Rs.87,79,460, Rs.1,75,54,460 and Rs.87,85,000 respectively. They in turn transferred the funds to Shri Ketan Shah and family by issuing cheques to them directly and also indirectly through Philoden.

I further find that VOL called for the call money of Rs.30 per share on allotment. However, the response to the call was poor, thereafter, on October 27, 2001 VOL passed a Board Resolution forfeiting 24,93,780 partly paid up shares, which constituted 69% of the share allotted to the public. This also include 16,41,100 shares allotted to Ketan Shah and family in the IPO. Whereas, Ketan Shah and family had already sold 21,61,770 partly paid shares in November 2000 in the off-market transactions to Ms Jyoti Relwani, Ms Shilpa Dave and Ms Varsha Trivedi.

- 3.9 I further find that for the said transactions, Philoden opened an account with Unnati Coop. Bank Ltd. Except for the above transactions no transactions were observed in the bank account of Philoden. The bank account was opened on 16/11/2000. The above transactions were completed in the month of November and December 2000. Then the account became defunct.

- 3.10 I further find that VOL reissued the forfeited shares to the following entities, who are employees of VOL, on various dates as shown in the table below:

Name of the shareholder	No. of shares	Date of Reissue
Sonia S. Relwani	40800	28/12/2001
N.G. Relwani	267500	28/03/2002
S.P. Relwani	300000	28/03/2002
N.G. Trivedi	3755000	26/04/2002
S.P. Relwani	413000	26/04/2002
N.G. Trivedi	365000	31/05/2002
S.P. Relwani	312000	31/05/2002
N.G. Trivedi	234980	07/06/2002
S.P. Relwani	185000	07/06/2002

- 3.11 Thus in entirety of the foregoing discussion I find Shri Dilip Thakkar by using the advantage of his relationship with Shri Ketan Shah and family and the Promoters of VOL, acted as a mediator between them to subscribe the issue.
- 3.12 Thus in the totality of the foregoing discussion, I find that Shri Dilip Thakkar was nothing but a mediator between the Directors of VOL and Shri Ketan Shah and family. Without subscribing to the issue Shri Ketan Shah was merely acting as an intermediary for this public issue.

4.0 ORDER

- 4.1 Now therefore, having considered the nature and charges established, the facts and circumstances of the case, the mitigating factors as explained above, and the submissions made by Philoden Agro Chem Pvt. Ltd and its director Shri Dilip Thakkar thereto, in exercise of powers conferred upon me under section 19 of the SEBI Act, 1992 read with Section 11B and 11 (4) (b) of the SEBI Act, 1992 and Regulation 11 of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, I hereby warn Shri Dilip Thakkar and Philoden Agro Chem Pvt Limited , advise them to be more careful in future in its dealings in the securities market and diligently adhere to the provisions of SEBI Act, 1992 and the Rules and Regulations made there under.

DATE: 24/1/2006

PLACE:MUMBAI

MADHUKAR

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA