BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF IPO OF PG ELECTROPLAST LIMITED AGAINST CHIN INFO TECH PVT. LTD. (PAN: AADCC6173C)

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) had, pending investigation, vide an ad interim ex-parte order dated December 28, 2011 (hereinafter referred to as the Order dated Dec 28, 2011) *inter alia* prohibited Chin Info Tech Pvt. Ltd. (hereinafter referred to as Chin Info) from buying, selling or dealing in the securities market, in any manner whatsoever, till further directions. Chin Info has filed its written submissions vide its letter dated January 17, 2012. An opportunity of personal hearing was afforded to Chin Info on February 29, 2012, when Mr. Vinay Chauhan (Advocate), Mr. Balveer Choudhary and Mr. Vipin Sanklecha (director of Chin Info) appeared on behalf of Chin Info and made submissions. Thereafter, Chin Info had filed additional submissions vide its letters dated March 06, 2012, March 22, 2012 and April 23, 2012.

2. I have considered the submissions made by the learned counsel on behalf of Chin Info during the course of hearing, the written submissions dated January 17, 2012, March 06, 2012, March 22, 2012, April 23, 2012 and other material available on record. The limited issue to be considered at this stage is whether on a consideration of the submissions and documents submitted by Chin Info, the ad interim ex-parte directions issued vide the Order dated Dec 28, 2011 against Chin Info should be confirmed, vacated or modified in any manner.

3. Before proceeding further, it would be necessary to note the background of the matter. PG Electroplast Ltd. (hereinafter referred to as ‘PGEL’) came out with its IPO for issue of 57,45,000 equity shares of face value ₹ 10/- each through 100%
book building process. The issue price of the IPO was at a price of ₹ 210 per equity share, aggregating to approx. ₹ 120.65 crores. The investigation was initiated in the IPOs including PGEL and the *prima facie* findings revealed that a predominant portion of the proceeds of the IPO of PGEL was diverted by PGEL for operations in the equity market as well as for questionable land deals and raw material purchases leading to the suspicion that the issue was for siphoning off and/or diversion of funds. Further, the *prima facie* findings revealed that PGEL had suppressed several material facts in the offer documents (Red Herring Prospectus and Prospectus) pertaining to the company, utilization of proceeds of issue, agreements for purchase of land etc. and had also made several mis-statements relating to ICDs, placement of purchase orders, general corporate purpose, investments in land etc. Further, three of the allottees namely Chin Info, M. J. Commodities Pvt. Ltd. and Sunlight Financial Advisory Pvt. Ltd. were funded ₹ 94 lakhs, ₹ 86 lakhs and ₹ 40 lakhs respectively by the entities receiving the money diverted by PGEL.

4. Chin Info had made the following submissions vide its letter dated January 17, 2012 which was re-iterated by Mr. Vinay Chauhan, Advocate on February 29, 2012 during the course of personal hearing:

   a. The total income of Chin Info for the year ending March 31, 2011 was ₹ 9.02 lakhs.

   b. It had applied in the IPO of PGEL for 30,000 shares and was allotted 16,721 shares. The public issue closed on September 12, 2011 and an amount of ₹ 63 lakhs was blocked in its account as per the ASBA process for the public issue of PGEL. For the said application of shares, an amount of ₹ 35,11,410 was debited from its account on September 20, 2011.

   c. ₹ 94 lakhs was received by it from Wonder Vincom Pvt. Ltd. (Wonder Vincom) in lieu of the debit standing in its books of account as on March 31, 2011. The said debit was due to sell of the shares of an unlisted companies for which an amount of ₹ 1.05 crores was payable by Wonder
Vincom. Accordingly, in the month of August 2011, Chin Info received ₹ 11 lakhs and in September 2011, it received ₹ 94 lakhs. Except for this transaction of ₹ 1.05 crores, it had no other dealings with Wonder Vincom.

d. The said ₹ 94 lakhs was due to it from Wonder Vincom since April 30, 2010.

e. The IPO application was made by it through its own funds and had nothing to do with regard to the transfer of funds from Wonder Vincom.

f. It was in the process of acquiring 26% shareholding of Swadeshi Industries Limited and Leasing Limited (hereinafter referred as M/s Swadeshi) and had to make an open offer to acquire upto 14,06,067 fully paid up equity shares of M/s Swadeshi at a price of ₹ 15 per share. The letter of offer for the same was filed with SEBI on November 24, 2011. As per the scheduled plan, the offer had to open on January 10, 2012 and close on January 23, 2012. Due to the ad interim ex-parte order dated December 28, 2011, the open offer has come to a hold and has restricted it from making an open offer.

5. During the course of personal hearing on February 29, 2012, it was informed by Chin Info that it had filed the balance sheet along with the schedules to the Registrar of Companies (ROC). Chin Info was accordingly asked to provide a copy of the balance sheet filings made by it with the ROC for the year ending March 31, 2011 evidencing the debit standing in its account in the name of Wonder Vincom.

6. Chin Info vide its letter dated March 06, 2012 has submitted a copy of the debit note dated April 30, 2010 (from Chin Info to Wonder Vincom) and a copy of the credit note dated May 01, 2010 (from Wonder Vincom to Chin Info) which mentions the following names of unlisted companies which were claimed to have been sold by Chin Info to Wonder Vincom:

   a. Jai Bhairav Metals Pvt. Ltd. - 5800 shares at the rate of ₹ 500 per share
b. Nakoda Exploration Pvt. Ltd. - 5000 shares at the rate of ₹ 500 per share

c. Patel Fashion Pvt. Ltd. - 6000 shares at the rate of ₹ 500 per share

d. Sahani Infradevelopments Pvt. Ltd. - 4200 shares at the rate of ₹ 500 per share

7. Further, Chin Info has provided a copy of the ‘Receipt’ of the fee paid for filing Form 23AC for the financial year ending March 31, 2011 and a certificate from M/s P. D. & Associates (Chartered Accountants of Chin Info) certifying the contents of the ‘Schedule 7: Current Assets, Loan and Advance’ in the balance sheet for the year March 31, 2011.

8. Chin Info vide its letters dated March 22, 2012 and April 23, 2012 has submitted that the operation of the Order dated Dec 28, 2011 may be stayed in order to allow it to make an open offer for acquiring of 14,06,067 shares of M/s Swadeshi. Further, Chin Info has mentioned that they had already entered into SPA with the promoters of M/s Swadeshi and have been allotted 15,00,000 shares of M/s Swadeshi on Dec 20, 2011 and as an effect of the Order dated Dec 28, 2011 they were not able to make an open offer. Furthermore, Chin Info has submitted that they had to pay interest on account of delay in the open offer, which is a huge loss to it.

9. However, the copy of the schedule as submitted to the ROC has not been provided by Chin Info before me. Further, no document has been produced by Chin Info before me evidencing that the Schedules to the Balance Sheet (showing the debit standing in the name of Wonder Vincom) have been filed by Chin Info with the ROC. Thus, Chin Info has failed to demonstrate that it had not received the funds diverted by PGEL for applying in the IPO through Wonder Vincom. Considering the facts and circumstances and also the submissions made by Chin Info, I do not find any merit in vacating or modifying the Order dated Dec 28, 2011 at this stage.
10. I note that the investigation in the matter is under progress. SEBI shall expeditiously complete the investigation in the matter, in the interest of justice and thereafter shall take appropriate actions in accordance with law.

11. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued vide the ad interim ex-parte Order dated December 28, 2011 in the matter of IPO of PG Electroplast Limited, against Chin Info Tech Pvt. Ltd. (PAN: AADCC6173C).

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: MAY 03, 2012.