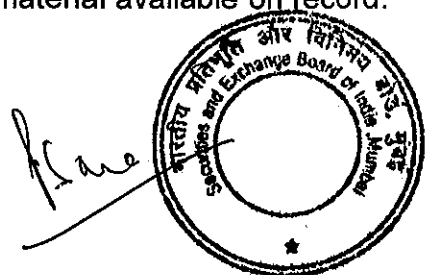


**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

ORDER

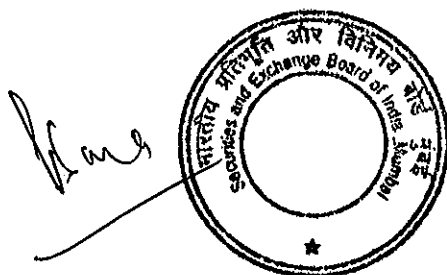
UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF IPO OF PG ELECTROPLAST LIMITED IN RESPECT OF M/S ALMONDZ GLOBAL SECURITIES LIMITED, MR. VINAY MEHTA AND MR. SANJAY DEWAN

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 M/s Almondz Global Securities Limited (Book Running Lead Manager of the IPO of PG Electroplast Limited; hereinafter referred to as Almondz), Mr. Vinay Mehta (MD & CEO of Almondz) and Mr. Sanjay Dewan (authorized signatory to Almondz for the due-diligence certificate) from taking up any new assignment or involvement in any new issue of capital including IPO, follow-on issue etc. from the securities market in any manner whatsoever, from the date of this order till further directions.
2. Almondz, Mr. Sanjay Dewan and Mr. Vinay Mehta (the said three entities have been collectively referred as 'the entities') have filed their written submissions vide their respective letters dated March 09, 2012, March 30, 2012 and April 04, 2012. An opportunity of personal hearing was afforded to the entities on May 07, 2012, when Mr. Vinay Chauhan (Advocate) and Mr. Ajai Achuthan appeared on behalf of the entities. Further, Mr. Sanjay Dewan had also appeared on behalf of self and Almondz.
3. I have considered the submissions made by the learned counsel on behalf the entities during the course of hearing, the written submissions dated March 09, 2012, March 30, 2012 and April 04, 2012 and other material available on record.

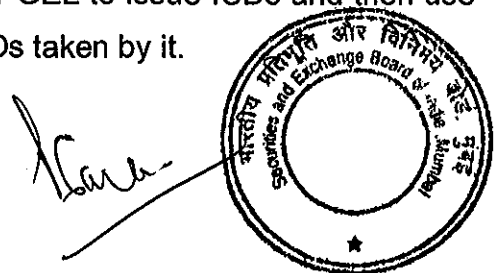


The limited issue to be considered at this stage is whether on a consideration of the submissions and documents submitted by the entities, the ad interim ex-parte directions issued vide the Order dated Dec 28, 2011 against the entities should be confirmed, revoked or modified in any manner.

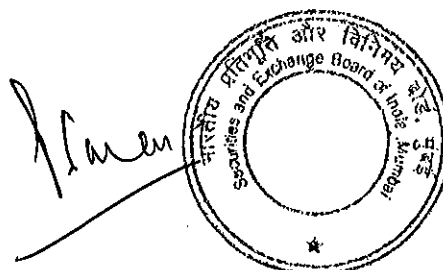
4. Before proceeding further, it would be necessary to note the background of the matter. PG Electroplast Ltd. (hereinafter referred as 'PGEL') came out with its IPO for issue of 57,45,000 equity shares of face value Rs. 10/- each through 100% book building process. The issue price of the IPO was at a price of Rs. 210 per equity share, aggregating to approx. Rs. 120.65 crores. The investigation was initiated in the recent 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. Furthermore, it was *prima facie* noted that Almondz had not adhered to high standards of services, exercise of due diligence and proper care while acting as Book Running Lead Manager in the IPO of PGEL, thereby depriving the gullible investors of material information to enable them well informed decision.
5. Almondz had made the following submissions vide its letter dated March 09, 2012 which was re-iterated by Mr. Vinay Chauhan, Advocate during the course of personal hearing on May 07, 2012:
 - i. Almondz had inter alia relied upon the various certifications and undertakings given by PGEL in respect to the disclosures made in the offer document.



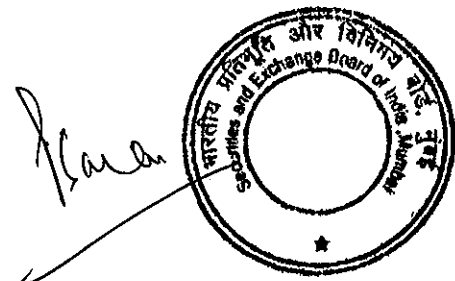
- ii. Almondz had obtained the 'Due Diligence Report' and 'Supplementary Due Diligence Report' of the Legal Advisor to the Issue dated Sept 17, 2010 and August 16, 2011 respectively.
- iii. Almondz had relied upon the confirmations/submissions of PGEL's Statutory Auditor (Comfort Letters) at various stages during the process of the IPO of PGEL.
- iv. The due diligence process was rigorous and Almondz had left no stone unturned in so far as the disclosure and documentation in respect of the IPO of PGEL was concerned. Further, due to the deep rooted fraud being perpetrated by PGEL, it was next to impossible for Almondz as merchant banker to unearth the same.
- v. In so far as observation made with regard to the Loan Committee, PGEL had not provided the minutes of the Loan Committee meeting held on August 20, 2011. Further, there was no way to separately confirm the existence of the said minutes or for that matter, the happening of the Loan Committee meeting on Aug 20, 2011. In this regard, Almondz has further pointed out that the ICDs was beyond the scope and terms of reference of the Loan Committee. Furthermore, PGEL has merely as an afterthought, included the details of the ICDs in the minutes of the Loan Committee meeting of PGEL which was purportedly held on August 20, 2011.
- vi. With regard to the non-disclosure of the ICDs taken by PGEL and the alleged repayment of the ICDs out of the proceeds of the IPO, Almondz has submitted that during the course of the due diligence, they had sought from PGEL all documents material or otherwise in respect of the IPO of PGEL. PGEL while providing other documents did not disclose the agreements pertaining to issuance of ICDs. With regard to the repayment of the ICDs from the proceeds of the IPO, the same was made subsequent to completion of all formalities relating to the IPO and they were not aware of the sinister intent of PGEL to issue ICDs and then use the proceeds of the IPO to repay the ICDs taken by it.



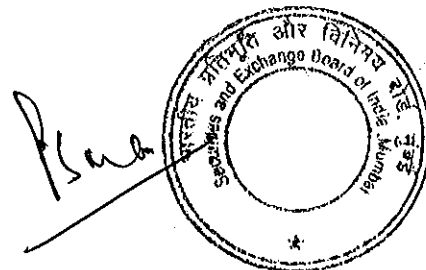
- vii. Almondz had inter alia relied upon the certifications and undertakings given by PGEL (Underwriting Agreement dated Sept 13, 2011 and letter dated Sept 14, 2011) to make disclosures in the Offer Document.
- viii. With regard to the dealings of PGEL with Modi Alloys and Aggarwal Steel, Almondz has submitted that they were not aware of the alleged fund transfers by PGEL to them. Further, Almondz was not aware of the intent and design of PGEL in this regard.
- ix. In so far as the acquisitions of fixed assets/ ICDs are concerned, the same were not disclosed to Almondz by PGEL. Further, Almondz has added that PGEL had not sought approval from its bankers for accepting ICDs and acquiring fixed assets and thereby chosen to keep their bankers in the dark. Furthermore, Almondz has stated that this vindicates its stand that PGEL had surreptitiously taken the ICDs and acquired fixed assets.
- x. During the due diligence process, PGEL had neither referred to Nimbus Industries Limited and Supreme Communications Ltd. being their suppliers, nor informed Almondz of any agreement with the said entities.
- xi. The disclosure relating to the disbursement of the term loan and line of credit appearing in the table on page no. 30 in the RHP was inadvertently mentioned as 'NIL'.
- xii. The details of the ICDs issued by PGEL out of the issue proceeds were not informed by PGEL. Further, Almondz has submitted that the Board of Directors (BOD) had met on Aug 17, 2011 to approve the price band of the IPO of PGEL and the RHP of PGEL which was to be filed with ROC and SEBI. Further, Almondz has stated that they were informed by PGEL that there were no other matter taken up in the meeting of the BOD on Aug 17, 2011. Furthermore, at the relevant time, there was nothing suspicious in the conduct of PGEL to make them believe otherwise. There was no decision in the BOD meeting dated Aug 17, 2011 relating to interim use of proceeds by issuing ICDs.



- xiii. The alleged transactions of acquisition of land were surreptitiously carried out by PGEL and PGEL ensured that the same was not made available to Almondz. In this regard, Almondz has submitted that at the relevant time even the Audit Committee of the BOD did not meet to discuss the matters pertaining to purchase of land by PGEL. In fact, when Almondz had asked PGEL about any material developments after the date of filing of RHP, PGEL had stated that there were no material developments and had given them a written affirmation to this effect vide letter dated Sept 14, 2011.
- xiv. As regards the payments made to Saptrishi Suppliers Pvt. Ltd. and Safeco Projects Pvt. Ltd. from the funds meant for 'General Corporate Disclosures', Almondz has submitted that the same were without their knowledge. In fact, as disclosed in the RHP and Prospectus, the funds to be used by PGEL from the portion of general corporate purpose was to be made only after the objects of the issue were met. In stating that PGEL had made payments to Saptrishi and Safeco out of the amount kept for general corporate purpose without first meeting the main objects of the issue, PGEL has in effect acknowledged that it has on its own violated the avowed objectives of the issue.
6. Mr. Sanjay Dewan had made the following submissions vide his letter dated March 30, 2012 which was re-iterated by Mr. Vinay Chauhan, Advocate during the course of personal hearing on May 07, 2012:
- i. During the due diligence process, the team had periodic meetings with the promoters and management of PGEL. Further, during the process of due diligence of PGEL, they had also sought from PGEL various documents/information as per their exhaustive checklist and has properly verified and documented the same in the data room.
 - ii. They had relied upon the various certifications and undertakings given by PGEL in respect of the disclosures made in the Offer Document.



- iii. They had obtained the 'Due Diligence Report' and 'Supplementary Due Diligence Report' of the Legal Advisor to the Issue.
 - iv. Almondz had relied upon the confirmations/submissions of PGEL's Statutory Auditor (Comfort Letters) specifically intended to provide an update of any material developments in PGEL.
 - v. Further, the paragraph wise submissions made by Almondz vide letter dated March 09, 2012 to the allegations and findings in the ad interim order may be considered as his reply to the same and read accordingly.
7. Mr. Vinay Mehta had made the following submissions vide his letter dated April 04, 2012 which was re-iterated by Mr. Vinay Chauhan, Advocate during the course of personal hearing on May 07, 2012:
- i. There is no role of omission or commission attributed to him in his individual capacity.
 - ii. The BOD of Almondz and its MD & CEO are primarily engaged in providing strategic leadership to Almondz and are not actively involved in managing the day to day affairs of its various business lines.
 - iii. His role as MD and CEO at Almondz was to strategically grow the organization and its subsidiary by setting up and developing new business. Existing business at Almondz including Merchant Banking were matured business. These matured business units were serviced by senior experienced managers and they enjoyed autonomy in taking on new business mandates and its execution.
 - iv. The Merchant Banking activity was managed by a team of professionals who had complete autonomy in functioning. The due diligence aspect of the business was headed by the Merchant Banking compliance officer and he had the responsibility to ensure that due diligence process was strictly followed in accordance with the SEBI prescribed rules and regulations.

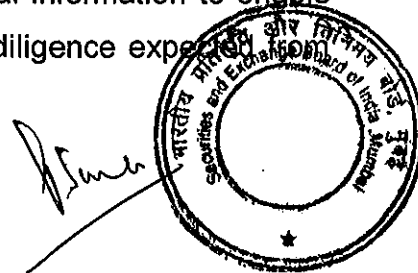


The compliance officer and head of Merchant Banking (who also signed the due diligence certificate) did not directly report to him.

- v. He was not involved in the origination, marketing, execution or compliance activity relating to the IPO of PGEL or for that matter, relating to any IPO.
- vi. In the manner in which Almondz as an organization is structured and operates, he had no supervisory role in relation to Merchant Banking division.

8. I have considered the aforesaid submissions and other material available on record. I note that the contention of Almondz and Mr. Sanjay Dewan is that they had relied on the various certifications and undertakings given by PGEL, comfort letters given by the statutory auditors of PGEL and due diligence reports given by Legal Advisors to the Issue for the purpose of updation of material developments in the offer documents (RHP and Prospectus). Furthermore, they have contended that fraud has been perpetrated by PGEL and it was not possible for Almondz as merchant banker to unearth the same. The contention of Mr. Vinay Mehta is that he was not involved in the origination, marketing, execution or compliance activity relating to the IPO of PGEL and he had no supervisory role in relation to the Merchant Banking division of Almondz. This contention is not acceptable as the M.D of a company is responsible for the Conduct of the company as a whole and cannot escape his responsibilities by saying that he did not look after day to day operations. I note that there were mis-statements and non-disclosures in the offer documents pertaining to PGEL, a fact that has been acknowledged by the entities. The job of a Merchant Banker cannot be limited to mechanical perusal of documents submitted to it. The entities have not shown any evidence that they made any attempt to go beneath the surface of submitted documents and due diligence certificates.

9. Almondz has not adhered to high standards of services, exercise of due diligence and proper care while acting as Book Running Lead Manager in the IPO of PGEL, thereby depriving the gullible investors of material information to enable them well informed decision. The importance of a due diligence exercise

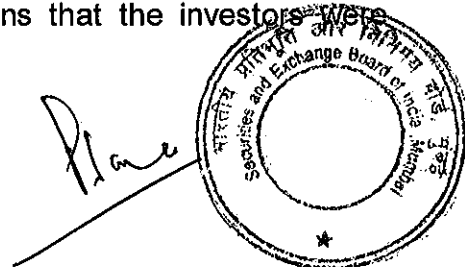


Merchant Bankers in a disclosure regime cannot be over-emphasized. Hence it is very important that the various responsibilities associated with the due diligence are discharged with care and caution.

10. I note that Almondz has contended that they have inter alia relied on comfort letters from the statutory auditor of PGEL for the purpose of due-diligence. However, I note the following from the comfort letter dated Sept 13, 2011:

- i. The statutory auditor has mentioned that - '*...., we are unable to express and do not express an opinion on the financial position, results of operations or cash flows of the company for any period subsequent to March 31, 2011*'.
- ii. The statutory auditor has mentioned that they have read the un-audited financial statements of PGEL for the period from April 01, 2011 to August 31, 2011, furnished to them by the management of PGEL.
- iii. For the period from Sept 01 - 13, 2011, the statutory auditor had inquired of Mr. Vishal Gupta (Executive Director - Finance), Mr. M. P. Gupta (Assistant General Manager - Accounts) and Mr. Naveen Chandra Joshi (Assistant General Manager - Accounts) for any material change in the financial position of PGEL.
- iv. The statutory auditor has qualified that the said letter was solely for the information of the addressees (i.e. Board of Directors of PGEL and Almondz) and to assist the BRLM in conducting and documenting their investigation of the affairs of PGEL.
- v. I therefore note that this comfort letter was for the purpose of assisting BRLM .

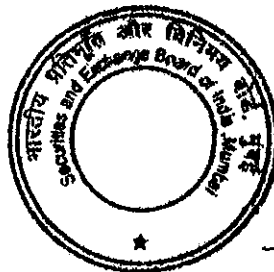
11. The entities, in carrying out its functions were expected to act in an independent and professional manner. By virtue of the failure to make the necessary disclosures in the offer documents, the fact remains that the investors were deprived of the important information.



12. 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, in respect of M/s Almondz Global Securities Limited, Mr. Sanjay Dewan (authorized signatory to Almondz for the due-diligence certificate) and Mr. Vinay Mehta (MD & CEO of Almondz).

13. I note that the investigation in the matter is under progress. SEBI is expected to expeditiously complete the investigation in the matter and thereafter shall take appropriate actions in accordance with law. This order shall be without prejudice to the rights of SEBI to initiate further action, if any, against the entities on completion of investigation.

14. Notwithstanding such confirmation, as stated above, the entities shall co-operate with the ongoing investigation in the matter and furnish all documents and information sought by SEBI.



Prashant Saran

**PRASHANT SARAN
WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: SEPTEMBER 11, 2012.