



भारतीय प्रतिष्ठान
और विनियम बोर्ड

Securities and Exchange
Board of India

GENERAL MANAGER
INVESTIGATION DEPARTMENT (IVD)

60/1
ID8/SKS/GKVCL/15602/12
July 12, 2012

1. Master Finlease Ltd. 606, Kailash Building, K G Marg, Connaught place New Delhi - 110001	2. Perfect Car Scanners Pvt. Ltd. 204, Wadhwa Complex, D -288, Street No 10, Laxmi Nagar Delhi - 110092
3. Fashion Tech India Ltd. E-30, Ganesh Nagar, Pandav Nagar Complex, Delhi - 110092	4. Troop Trac Exports Pvt. Ltd. 210, Inadhina Complex, D -288, Street No 10, Laxmi Nagar Delhi - 110092
✓ 5. Rajat Stock Invest Pvt. Ltd. B -31, 3 rd Floor, Lajpat Nagar, New Delhi - 110024	6. Anupama Communications Pvt. Ltd. 912, Kailash Building, K G Marg, Connaught Place, New Delhi - 110001
7. Flare Finance (India) Ltd. 4346/4C, Ansari Road, Daryaganj, New Delhi - 110001	8. Wisdom Publishing Pvt. Ltd. 407C, Pocket D, Mayur Vihar, Phase II New Delhi - 110091
9. Troop Trac Electrodes Pvt. Ltd. 204, Wadhwa Complex, D -288, Street No 10, Laxmi Nagar Delhi - 110092	10. Heritage Corporate Services 3428, Malian Street, Delhi Gate, New Delhi - 110002
11. Cosmo Corporate Services Ltd. C-3, Amar Colony Market, Lajpat Nagar IV New Delhi - 110024	12. Troop Trac Marketing Co. Pvt. Ltd. 3428, Malian Street, Delhi Gate, New Delhi - 110002

Dear Sir,

Sub: Show Cause Notice (SCN) under section 11 & 11B of Securities and Exchange Board of India Act, 1992 and Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 in the case of Vital Communications Limited

1. Securities and Exchange Board of India (SEBI) conducted investigation in the scrip of Vital Communications Ltd (hereinafter referred to as "the company/VCL") pursuant to the directions of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") dated August 28, 2008 in Appeal Nos. 61, 65 and 81 of 2008, remanding the matter back to SEBI to pass fresh order in accordance with law. In view of the observations in Para 3 of the said SAT order, this SCN is being issued clarifying the factual details relating to the persons responsible for the advertisements on the basis of records available, which were not forthcoming in the earlier SCN dated May 24, 2005
2. SEBI had conducted investigations in the scrip of VCL for the period September'99 - February'00 and April - June 2001 pertaining to the allotment of preferential

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Sent by Speed Post on 13-7-12

सचिव, भारतीय प्रतिष्ठान और विनियम बोर्ड, बाल गंगाधर तिलक मार्ग, मुंबई - 400 051. • दूरभाष : 2644 9000 • फैक्स : 2644 9417 • 2644 9300

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shares made in 1999. Investigation in this case revealed that VCL made preferential allotment of 72,00,000 shares to fifteen entities who were related to each other and found connected to the erstwhile promoters of the company namely, Mr Vinay Talwar and Mr. Vijay Jhindal. Investigations revealed that the preferential allotment was sham and not genuine. The preferential allottees used the funds of VCL which were routed through other two promoter related entities namely, Anupama Communications Ltd and CBS System for the subscription of the shares allotted in the preferential allotment. The said two entities received funds from VCL and transferred a large part of these funds to the preferential allottees. (Annexure 1). Subsequently, during 2001, these preferential allottees made unsuccessful attempt to offload the shares in the market. In this connection, the Department of Company Affairs (now known as Ministry of Corporate Affairs) in its letter dated March 16, 2004 has stated that VCL has violated provisions of section 77 of the Companies Act, 1956 by using its funds indirectly for purchase of its own shares.

3. SEBI also conducted investigations in the scrip of VCL for the period May 2002 - June 2002. Investigations revealed that VCL had issued a spate of advertisements in newspapers in the months of May/June 2002 to the effect that a meeting of its Board of directors was to be held shortly to *inter-alia*, consider buyback of its shares i.e. 10,00,000 shares at a maximum price of Rs. 30, issue of bonus shares in the ratio of 8:10 and preferential issue of 20,00,000 shares @ Rs.35 within short span of time. Following is the list of advertisements and their dates of publication.

<u>Date of issuance of advertisement</u>	<u>Date appeared in the newspapers</u>	<u>Newspaper</u>	<u>Matter in the advertisement</u>
May 20, 2002	May 27 and 28, 2002	Economic Times	Buyback upto 10,00,000 shares at max price of 30
	May 29, 2002	Business Standard	
May 27, 2002	May 28, 2002	Business Standard	Preferential Allotment of equity shares upto Rs. 20,00,000 at the rate of Rs 35 (Market price at BSE Rs 7.55)
	May 29, 2002	Economic Times	
June, 17, 2002	June 24, 2002	Economic Times	Issue of Bonus shares in the ratio of 8:10

4. Investigation revealed that the Board of Directors of VCL had rejected the proposals of buyback of its shares and issue of bonus shares whereas preferential allotment of shares had been approved. However, the preferential allotment was made at just Rs.10 per share as against the advertised rate of Rs.35 per share. Normally such advertisements are issued after the Board decision regarding the price/quantity of shares to be preferentially allotted. However in the instant case, the advertisements were issued at the proposal stage itself. Also all the proposed

corporate actions were essentially contradictory in nature as buyback reduces the number of outstanding shares while preferential allotment and bonus issue increases the number of outstanding shares.

5. Investigations revealed unusual movements in the price and volume of VCL between April 1, 2002 and August 31, 2002, the time period during which the advertisements pertaining to buyback, preferential allotment and bonus shares were issued by VCL. During April 29, 2002 to May 20, 2002, i.e. the 20 day period prior to publication of advertisements, price and volume in the scrip suddenly shot up as compared to the price and volume prevailing during April 1, 2002 and April 28, 2002. Subsequently, during the period of advertisements, the average volumes doubled while the prices decreased marginally as compared to period: April 29, 2002 to May 20, 2002. The major selling entities during this period were S V Stock Land, Anupama Communications Pvt. Ltd., Fashion Tech India Ltd., Troop Trac Marketing Ltd., Rajat Stock Investment Pvt. Ltd. All these entities except S V Stock Land were allotted preferential shares of VCL in 1999 and were also related entities of VCL. From the bank accounts of these seller entities, it was found that part of the money received towards the sale proceeds were transferred into the account of Master Finlease Ltd., an entity owned by Shri Vijay Jhindal and his relatives i.e. his wife and his mother. The table below shows the cash flow from the major selling entities to Master Finlease.

Inflow in a/c of Master Finlease				The entities from which transfer was effected	
Amt	Instrument No.	Date	From*	Date	From
2000000	133185	01.07.02	Flare Finance	1 st July	S V Stock Land
			Troop Trac Marketing Ltd.	5 th July	Anupama Communications
4000000	120716	05.07.02		5 th July	Perfect Car Scanners
1000000	120670	15.07.02	Perfect car scanners	13 th Jul	S V Stockland
			Troop Trac Marketing Ltd.	17 th Jul	SV Stock Land
3500000	120717	18.07.02		15 th Jul	Fashion Tech

6. Investigations pursuant to the SAT Order dated August 28, 2008, revealed that before considering buyback of shares, VCL had formed a committee which submitted one page report dated 17.05.02 explaining the basic rules and regulations regarding buyback of shares. A copy of the report is annexed as Annexure 2. It can be seen from the report that, as per section 77A (2) of the Companies Act, 1956, there should be a provision for Buyback of shares in the Articles of Association (AOA) of the company but there was no such provision in AOA of VCL. Despite the recommendation of the committee/absence of such a provision in the AoA, the company went ahead and published the advertisement at the proposal stage itself i.e., on May 20, 2002 for a Board meeting on June 4, 2002. The advertisement proposed buyback at Rs. 30 per share when the share was trading between Rs.3/- and Rs.12/-. Thus it appears that the advertisement was a ploy to mislead the investors by benchmarking price of the scrip at Rs.30/- which would generate interest in the scrip and induce more buying since the investors (buyers)/ shareholders would have envisaged a clear gain of around

Rs.20 per share. As a consequence of the Advertisements, the average volume of trading in the scrip increased by 200% as shown in the table below, indicating that more investors had traded during the relevant period, ostensibly considering this advertisement to be true. Thus, the announcement of buy-back of shares and its subsequent withdrawal has resulted in a pecuniary loss to the investors who were influenced to purchase shares on the basis of the advertisement. Even though the volume increased based on the investor's expectation of a buy back, the price of the scrip did not positively respond. On the other hand, it can be seen from the table below that the price of the scrip went down after the advertisement period and thereby resulted in loss to investors who bought shares expecting pecuniary gains, consequent to the advertisements.

S. No.	Period	Avg. Share Price	Avg. Volume
Time Slot 1	April 1, 2002 to April 26, 2002	3.46	16795
Time Slot 2	April 29, 2002 to May 20, 2002	11.12	344216
Time slot 3	May 21, 2002 to July 15, 2002	8.10	1029090
Time slot 4	July 16, 2002 to August 31, 2002	3.53	40440

7. Similarly, while the advertisements dated May 28 and 29, 2002 proposed preferential issue of shares at Rs.35, the Board meeting held on June 14, 2002 approved the preferential allotment of shares at a price of Rs.10/-, which indicates that the advertisement was an attempt to benchmark the price of the scrip to the levels of Rs.30-35 when the scrip was actually trading in the range of Rs.3-12. Also, when the company issued the advertisement on bonus issue of shares on June 17, 2002, the company was not eligible for issuing bonus shares, as its share capital was not fully paid up and sufficient reserves were not available. Regarding the ratio of bonus issue the company explained that since the company was expecting the total reserves to be Rs. 8 crore, they decided the ratio to be 8:10. In their advertisement regarding the buyback the company had mentioned using reserves of Rs. 7 crore for buyback of shares where as the balance sheet of the company for financial year ending 31st March 2002 shows reserves of just Rs. 4.68 crores. Thus, it appears that though the company was not in a position to comply with the financial and legal requirements of buyback of shares or issue of bonus shares, VCL had proposed to proceed with the aforesaid actions so as to mislead the public. The advertisement was made without a genuine intention to proceed with buy back or issue of bonus shares.
8. The annual reports of the company reveals that the advertisement expenditure had increased more than 100 times in the financial year 2002-03 (in which the investigation period falls) as compared to expenditure on advertisements in 2001-02. Such an abrupt escalation in advertisement expenses is extremely unusual especially for an unwarranted advertisement on a corporate action which itself was in a proposal stage at that point of time. In view of the above, it is alleged that all these advertisements were fraudulent due to the following reasons:
 - a. They were made at the proposal stage itself which was misleading
 - b. The advertisements issued during the period in question were contradictory in nature

- c. The corporate actions proposed through the advertisements were not backed by financial fundamentals of the company
 - d. Unusual expenses were incurred on publishing these advertisements.
 - e. The proposals for buyback and bonus issue were later rejected by Board and this information was not disseminated to the public
9. The issue of buyback, preferential allotment & bonus shares were discussed in the Board meetings of VCL on June 04, 2002, June 14, 2002 & July 05, 2002 respectively. All these meetings were chaired by Shri J P Madaan and the proposal for all these corporate actions were put forth by him and the minutes of the Board Meeting were also signed by him. (Copy of the minutes of the above Board Meetings - Annexure 3). Thus, Shri J P Madaan was instrumental in the Board's decision for the above corporate actions and for issuing misleading advertisements to the public and thereby violated Regulations 5 & 6(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 (hereinafter referred as PFUTP Regulations 1995) when read with Section 13 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred as PFUTP Regulations 2003) amounts to violations of Regulations 3(b), 3(c) and 3(d), 4(1) & 4(2)(k) thereof.
10. As directed by Hon'ble SAT in its order dated August 28, 2008 Shri J P Madaan appeared personally before SEBI on September 29, 2008, and submitted that he alongwith Shri Rajinder Kumar Garg (R K Garg), Shri Ashok Sharma and Smt. Shubha Jhindal were the directors of VCL during April 2002 – July 2002. Shri Vijay Jhindal, Smt. Subha Jhindal, Smt. Angoori Devi, Master Finlease Ltd. and Avisha Credit Capital Ltd. constituted the promoter group of VCL at that time. Shri Vijay Jhindal, Smt. Shubha Jhindal and Smt. Angoori Devi were promoters and directors of both Master Finlease Ltd. and Avisha Credit Capital Ltd. which in turn were promoter companies of VCL at the relevant time. The address of both these companies is same as that of VCL. Shri Madaan admitted to being a director of VCL from January 22, 2000 to June 30, 2007 and looked after administrative and related matters of VCL. Shri Madaan informed that day to day affairs of VCL were executed by different persons under the instructions of Shri Vijay Jhindal. According to Shri Madaan, the proposals of buy back, preferential allotment & bonus issue were taken up by the Board and subsequently considered by the Board on the verbal instructions of Shri Vijay Jhindal. The advertisements were issued by the company on the behest of the promoters and the funds for the issuance of advertisements were received from Master Finlease & Avisha Credit, entities owned by Shri Vijay Jhindal.
11. As directed by Hon'ble SAT in its order dated 28.8.08, Shri Prakash R Shah, Advocate appeared on behalf of Shri Vijay Jhindal & Smt. Shubha Jhindal on September 29, 2008 and requested for appearance of his clients alongwith supporting documents on November 11, 2008. Shri Vijay Jhindal vide letter dated November 10, 2008 informed that he went through major renal surgery couple of months back to remove left kidney and thus, his doctor has advised him not to travel for few months and requested to give alternate date in January 2009. Smt. Shubha Jhindal also placed the same request on account of the health of her

husband i.e. Shri Vijay Jhindal. Considering the condition and request of both the entities, vide letter dated November 12, 2008, a questionnaire was sent with the advise to submit the filled in questionnaire by November 25, 2008 with supporting documents. In reply, both the entities vide letter dated November 25, 2008 informed that Shri Vijay Jhindal would like to attend SEBI office for himself as well as his wife on December 01, 2008. But none of them attended on December 01, 2008 and requested for appointment in another couple of weeks, vide letter dated December 01, 2008. Their request was considered and both of them were advised to appear on December 15, 2008 along with supporting documents and also asked to bring in filled – in questionnaire, as stated above. Again, none of them appear on December 15, 2008 and requested for appointment in another couple of weeks on account of same health problems, as discussed above. However, vide another letter of same date, both the entities expressed their inability to appear due to deteriorating security conditions in Mumbai and submitted filled-in questionnaire with a request to accept their reply without any vindictive attitude. A copy of the letters exchanged between SEBI and Shri Jhindal are enclosed Annexure 4.

12. Shri Vijay Jhindal replied to the questionnaire stating that Shri J P Madaan, Shri R K Garg, Shri Ashok Sharma and Smt. Shubha Jhindal were the directors of VCL during April 2002 – July 2002 and the present directors are Smt. Shubha Jhindal, Shri S S Sabharwal and Shri Manoj Kumar. This submission of Shri Jhindal was in confirmation of the earlier submissions of Shri J P Madaan, made during the personal hearing on 29.9.2008, that during the period of advertisements, he along with Shri R K Garg & Smt Shubha Jhindal were the directors of VCL. Shri Vijay Jhindal was director of VCL during May 30, 1998 to May 17, 2001. He resigned from the Board of VCL on March 31, 2001 but continued till May 17, 2001 on account of a request made by VCL and enclosed a copy of Form 32. The perusal of the said Form 32 shows that it was presented by Shri J P Madaan and was undated. As stated by Shri Jhindal, the said Form was filed in ROC office on June 06, 2002 with Rs. 3000/- as late fee. However, it was observed that Shri Vijay Jhindal vide letter dated December 05, 2007 submitted a copy of Form 32 regarding his resignation wherein the receipt of ROC was dated June 06, 2001 bearing no. 74302 with a late fee of Rs. 3000. In case, the resignation date was May 17, 2001, the filing of Form 32 within 30 days i.e. till June 15, 2001 does not require any payment of late fee and thus, the enclosed receipt was not for the attached Form 32. Subsequently, vide letter dated February 12, 2008, he enclosed another copy of the said Form 32 wherein the receipt of ROC was dated June 04, 2001 bearing no. 4488 without any late fee. Thus, these ROC receipts submitted by Shri Jhindal were not the same. When the correctness of Form 32 was verified by SEBI from the records available with ROC, it was observed that the Form 32 in question was filed on June 06, 2002 with no. 74302 and not on June 06, 2001. It is also noted that both receipts dated June 06, 2001 and June 06, 2002 bear same no. i.e. 74302. It was also noted that a document filed on June 04, 2001 was numbered 4488 whereas the document filed on June 06, 2001 was numbered 74302. This indicates that 69814 documents were filed in ROC within just two days. Thus, it was observed that every time Shri Vijay Jhindal has submitted different ROC receipts to SEBI and in doing so tried to mislead the investigation, with false and fabricated documents.

13. Shri Jhindal also stated in response to the questionnaire that Master Finlease Ltd. and Avisha Credit Capital Ltd. were not the promoters of VCL during April 2002 to July 2002. But the shareholding pattern of VCL available at BSE website for the quarters ending June 2002 & September 2002 shows that Master Finlease Ltd. and Avisha Credit Capital Ltd. were "Person acting in concert" in promoter's category (Annexure 5) and holding the shares as under:

	As on June 30,2002		As on September 30,2002	
	Shares	%	Shares	%
Master Finlease Ltd.	377100	3.44	377100	3.44
Avisha Credit Ltd.	355000	3.24	1075000	9.80

The shareholding pattern of VCL for quarter ended June 30, 2007, available on BSE website, shows that Shri Vijay Jhindal, his wife and mother and two other companies i.e. Master Finlease Ltd. and Avisha Credit Ltd. were included in the 'Promoter and Promoter Group' and held 15.07% of the share capital. (Annexure 6) Though Shri Jhindal denied that both Master Finlease Ltd and Avisha Credit Ltd. were promoter entities, they were continuously shown as promoters in shareholding pattern, available at BSE website, as seen from Annexure 6. There is nothing on record to show that Shri Jhindal had taken up the dispute with BSE recording the categorization of these companies as promoters. Albeit, Shri Jhindal had expressly admitted that he, Mrs. Shubha Jhindal (his wife) & Smt. Angoori Devi were the directors of Master Finlease Ltd. and Avisha Credit Capital Ltd.

14. Though Shri Jhindal resigned from the Board of VCL w.e.f. May 17, 2001 but his Form 32 was filed on June 06,2002, as per the information from the records of RoC. Even after his resignation as Director of VCL, Shri Jhindal continued to be connected to VCL during the period of advertisement through the two other companies - Master Finlease Ltd. and Avisha Credit Capital Ltd. in which he and his family members were Directors. Further, his letters dated December 05, 2007 (Annexure 7) & February 12, 2008 (Annexure 8) addressed to SEBI were also sent from the official address of Vital Communication Ltd. i.e. 606, Kailash, K G Marg, New Delhi - 110001 indicating his continued association with VCL even during 2007-08.
15. Shri Jhindal has stated that during his tenure of directorship in VCL, Shri J P Madaan was not part of the Board of VCL and he came to know about this only from the SEBI order dated February 20, 2008. On perusal of the Balance Sheet for FY 1999-2000 (Annexure 9), it is observed that both Shri Jhindal & Shri Madaan were directors of VCL and signed the annual accounts of that year as Chairman and Director respectively. Therefore Shri Jhindal's assertion that Shri Madaan was not part of the Board of VCL during the period in question appears to be incorrect, misleading and unreliable.
16. During the period May 21, 2002 to July 15, 2002, i.e. advertisement period, the trading volume of the scrip increased substantially as given below:

	Open price	High price	Close Price	Avg. Volume
April 01, 2002 to May 20, 2002	3.10	16.55(16.05.02)	7.70	1,57,119 (Vol. prior to Advt.)
May 21, 2002 to July 15, 2002	8.50	15.25(03.06.02)	4.15	10,21,574 (Vol. post Advs.)

As stated in para 5 above, investigation revealed that during May 2002 – July 2002, the major sellers were S V Stock land, Perfect Car Scanners, Fashion Tech India Ltd., Troop Trac Exports Ltd., Rajat Stock Investment Pvt. Ltd. and Anupama Communications. These entities subject to the exception of S V Stock Land, were allotted shares in the preferential allotment made by the VCL in 1999. S V Stock land and Rajat Stock Investment have Mr. Ram Singh as a common director. The Demat statement of S.V. Stock land shows that it received shares from Flare Finance, Wisdom Publishing, Troop Trac Electrodes, Heritage Corporate Services, Anupama Communications, Cosmo Corporate Services Ltd. & Perfect Car Scanners, i.e the preferential allottees who were allotted shares in 1999, and then sold them in the market. Further analysis of bank statements of these sellers (S V Stock land, Perfect Car Scanners, Fashion Tech India Ltd., Troop Trac Exports Ltd., Rajat Stock Investment Pvt. Ltd. and Anupama Communications) revealed that the consideration received from the sale of shares was directly and indirectly paid to Master Finlease Ltd., a company belonging to Shri Vijay Jhindal. The flow of funds is indicated in the table at para 5 above.

17. As such, Shri Vijay Jhindal ceased to be a director of VCL at the time of these fraudulent advertisements in 2002, he was found receiving money from Master Finlease Ltd. who in turn received money from the sellers i.e the preferential allottees. The connection between the entities transferring funds or selling shares and Vijay Jhindal has been explained at Para 16 above. The analysis of bank statement of Master Finlease Ltd during April 01, 2002 – August 31, 2002 indicates that the funds received from preferential allottees by selling shares of VCL in the market were transferred to either Vijay Jhindal or his related entities including Vital Communications Ltd. through Master Finlease Ltd. Copy of bank statements of MFL for the said period is annexed as Annexure 12. It is also observed that the cheques issued by Master Finlease Ltd. to Shubha Jhindal, VCL etc were signed by Vijay Jhindal himself and thus, it is clear that Vijay Jhindal played the central role in transferring funds from the account of Master Finlease to the accounts of his connected entities. The table below indicates the flow of funds to Master Finlease Ltd and further to the related entities of Vijay Jhindal.

Entities transferring funds to Master Finlease Ltd.			Entities to which Master Finlease transferred funds		
Date	Transferor	Amount	Date	Transferee	Amount
15.04.02	Avisha Credit	450000	15.04.02	Banwarilal Goel	335000
			16.04.02	Issued as self cheque	115000
28.05.02	Shubha Jhindal	200000	28.05.02		100000
			28.05.02	Angoori Devi (Mother)	100000
25.06.02		500000	02.07.02	Vital Communications	2500000
01.07.02	Flare Finance	2000000			

Entities transferring funds to Master Finlease Ltd.			Entities to which Master Finlease transferred funds		
Date	Transferor	Amount	Date	Transferee	Amount
05.07.02	Troop Trac Marketing	4000000	06.07.02	Shubha Jhindal (Wife)	2000000
			08.07.02	Vital Communications	2000000
15.07.02	Perfect Car Scanners	1000000	16.07.02	Saroj Ganda	1000000
20.08.02	Mangla Ltd.	2350000	21.08.02		115000
			21.08.02	Shubha Jhindal	115000
			22.08.02	Saroj Ganda	2000000
			27.08.02	Avisha Credit	100000

18. Investigation reveals that the subject preferential allotment, made by VCL in 1999, was offloaded in the market by the preferential allottees in 2002, i.e. during and following the period of announcements. It is relevant to note that during the period of preferential allotment in 1999, Shri Vijay Jhindal was the director of the company. The consideration received upon sale of preferential shares in the market was received by Master Finlease Ltd. which in turn was transferred to Vijay Jhindal. As pointed out in para 2 above, the preferential allotment by itself was fraudulent as the Company's own funds were used by related entities for subscribing to the shares. It is further reiterated that MFL is an entity under the control of Vijay Jhindal and he was the ultimate beneficiary of the whole manipulative scheme of floating the preferential allotment and coming out with the subsequent advertisements. Though Shri Vijay Jhindal ceased to be director on the Board of VCL from May 17, 2001 as per RoC receipt No 74302 and date June 6, 2002, he actually continued to be connected with VCL through the promoter group companies of VCL i.e. Master Finlease Ltd. and Avisha Credit Capital Ltd till 2007-08. Shri Vijay Jhindal also tried to mislead SEBI by submitting different ROC receipts and gave wrong information about Master Finlease and Avisha Credit being non-promoter entities. Master Finlease, which is owned by Shri Vijay Jhindal and his relatives, has also failed to submit a reply to SEBI's letter seeking explanation for the receipt/transfer of funds indicated in the bank statements enclosed along with the letter. Further, S V Stock Land was observed to be receiving shares, selling shares & transferring funds to Master Finlease Ltd. Thus, S V Stock Land aided and abetted Shri Vijay Jhindal and his entity Master Finlease Ltd. in committing the fraud on innocent investors. The above acts of Shri Vijay Jhindal, Master Finlease Ltd. & S V Stock Land are in violations of Regulations 6(a) of PFUTP Regulations, 1995 read with Regulation 3(c) and 3(d) of PFUTP Regulations, 2003.

19. Further, the sellers, entities transferring shares to S V Stock Land and entities transferring funds to Master Finlease, as stated below, are responsible for aiding and abetting Shri Vijay Jhindal and his entity Master Finlease Ltd. in committing the fraud on innocent investors and thus violated Regulations 6(a) of SEBI (PFUTP) Regulations, 1995 and the same when read with Regulation 13 of (PFUTP) Regulations, 2003 amounts to violation of Regulation 3(c) and 3(d) thereof.

Sellers	Transferor of shares	Transferor of funds
S V Stock Land	Flare Finance	S V Stock Land
Perfect Car Scanners	Wisdom Publishing	Anupama Communications Ltd.
Fashion Tech India Ltd.	Troop Trac Electrodes	Perfect Car Scanners

Sellers	Transferor of shares	Transferor of funds
Troop Trac Exports Ltd.	Heritage Corporate Services	Fashion Tech India Ltd.
Rajat Stock Investment Pvt. Ltd.	Anupama Communications Ltd.	Flare Finance
Anupama Communications Ltd.	Cosmo Corporate Services Ltd.	Troop Trac Marketing Ltd.
	Perfect Car Scanners	

20. In view of the allegations made against the noticees at above paras, the noticees are hereby directed to show cause as to why suitable directions under Sections 11(1), 11 B and 11(4) of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 (1) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, should not be issued against you *inter alia* prohibiting from accessing the securities market in any capacity and also prohibiting from buying, selling and dealing in securities directly or indirectly in any manner or associating with securities market directly or indirectly or disgorgement of the ill gotten profits earned by selling fraudulently allotted preferential shares. You are advised to submit your reply within 21 days of receiving this Show Cause Notice. You may also indicate in your reply whether you are desirous of attending for personal hearing before the Board.

21. Vide Circular no. EFD/ED/Cir-1/2007 dated April 20, 2007 (available at www.sebi.gov.in), SEBI has come out with guidelines for passing of consent orders. If you wish to avail the consent process, you may apply in the prescribed form given in the said Circular. Your application should be forwarded to the address mentioned in the said Circular under intimation to the undersigned. You may note that the consent circular dated April 30, 2007 has been challenged before the Hon'ble Delhi High Court in the Writ Petition No. 6949/2011. The Court has passed the following order in its interim order dated October 17, 2011: "At this stage only order that can be passed is that depending upon the final outcome of the writ petition and in case the impugned scheme is quashed, appropriate orders can be passed in respect of those cases which have been dealt with by the respondent under the scheme". In view of the above, the consent order would be subject to the outcome of the writ petition.


SHARAD K SHARMA

Encl: As per list attached

List of Annexures

Annexure no.	Details
Annexure 1	Flow of funds during preferential allotment
Annexure 2	Copy of letter dated 17.05.2002 – Report on Buy-back of shares
Annexure 3	Copy of Minutes of meeting of the Board of Directors, Vital Communications Ltd. on 04.06.2002, 14.06.2002 and 05.07.2002.
Annexure 4	Copy of letters dated 10.11.2008, 25.11.2008, 01.12.2008 and 15.12.2008 received from Shri Vijay Jhindal and Smt. Shubha Jhindal
Annexure 5	Copy of shareholding pattern of Vital Communications Ltd. available on BSE website for the quarters ending June 2002 and September 2002.
Annexure 6	Copy of shareholding pattern of Vital Communications Ltd. available on BSE website for the quarter ending June 2007.
Annexure 7	Copy of letter dated December 05, 2007 from Shri Vijay Jhindal
Annexure 8	Copy of letter dated February 12, 2008 from Shri Vijay Jhindal
Annexure 9	Copy of Balance Sheet as on 31.03.2000 of Vital Communications Ltd.