

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/31605]**

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**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS), RULES, 1995 SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICERS), RULES, 2005**

**In respect of  
Omprakash A Khandelwal  
(PAN: ABGPK4008D)**

**In the matter of preferential allottees by the Company Aadhaar Ventures India Limited.**

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**BACKGROUND OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted an investigation into matters pertaining to funding, if any, by Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL/Company**") to the preferential allottees from January 01, 2009 to April 24, 2015. During this period, the Company had made three preferential allotments, i.e., two preferential allotments to 47 entities in total in 2009 and one preferential allotment to 31 entities in 2013. Since the investigation was with respect to the funding of preferential allotment dated March 11, 2013, the period of investigation is considered as January 15, 2013 (i.e., extraordinary general meeting approving the preferential allotment) to March 11, 2013 (i.e., date of board meeting for allotment of shares) (hereinafter referred to as "**Investigation Period**"/ "**IP**"). The focus of investigation was to ascertain whether there was any violation of SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**"), and/or SEBI

(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) with respect to funding by the company, if any, to the preferential allottees as above.

2. Pursuant to the investigation, SEBI initiated adjudication proceedings under section 15HA of SEBI Act against Omprakash Khandelwal, managing director of AVIL (hereinafter referred to as “**Noticee**”) and other directors, who had allegedly made preferential allotment without complying with the provisions of regulation 77(1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “**ICDR Regulations**”) and thus, alleged to have violated provisions of section 12A(a), (b), (c) of SEBI Act, 1992 read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.
3. Competent Authority, in exercise of the powers under section 19 and section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the “**Rules**”) and section 23-I of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the “**SCRA**”) read with rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the “**SCRA Rules**”) appointed an Adjudicating Officer (AO) vide order dated June 09, 2022 and communiqué dated June 15, 2022 to inquire into and adjudge under section 15HA of SEBI Act, 1992 and section 23E of the SCRA. Pursuant to internal restructuring, another AO (herein referred to as “erstwhile AO”) was appointed in the instant matter vide order dated October 03, 2022 and communiqué dated October 06, 2022.
4. A common show cause notice dated December 21, 2022 (hereinafter referred to as “**SCN**”) was issued to Noticee and the other directors of the Company under rule 4 of Rules and rule 4 of SCRA Rules to show cause as to why an inquiry should not be initiated and penalty, if any, should not be imposed under section 15HA of the SEBI Act and section 23E of SCRA for the alleged violations specified in the SCN.

5. The erstwhile AO vide common Adjudication Order dated February 27, 2023, (hereinafter referred to as '**Adjudication order**'), *inter alia*, found that Noticee, viz., Omprakash Khandelwal, managing director of the Company, was liable for the violations of the regulation 77(1) of Chapter VII of the ICDR Regulations and section 12A(a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.
6. Thereafter, an appeal as Appeal No. 532 of 2023 was filed before Hon'ble Securities Appellate Tribunal (**SAT**) by the Noticee challenging the Adjudication order, on the ground that the SCN was not served on him. Hon'ble SAT vide order dated September 12, 2023 (hereinafter referred to as "**SAT Order**"), set aside the Adjudication order and remitted the matter for passing a fresh order after serving a copy of the SCN to the Noticee. The relevant extracts of the aforementioned SAT Order are reproduced hereunder:

*"5. In view of the aforesaid, we are satisfied that the summons were never served upon the appellant and, therefore, the matter proceeded ex-parte in violation of the principles of natural justice as embodied under Article 14 of the Constitution of India. On this short ground, the impugned order cannot be sustained and is quashed. The appeal is allowed. The matter is remitted to AO to pass a fresh order after serving the show cause notice. In this regard, we direct the appellant to appear before the AO on October 04, 2023 on which date the appellant will be served with the show cause notice and the matter will proceed from there onwards in accordance with the law. In the circumstances of the case, parties shall bear their own costs.*

*The misc. applications are disposed of accordingly."*

## **APPOINTMENT OF ADJUDICATING OFFICER**

7. In line with the SAT Order, SEBI vide order dated September 18, 2023 appointed an AO under section 19 read with section 15I(1) of SEBI Act and rule 3 of Rules and rule

3 of SCRA Rules to inquire into and adjudicate under the provisions of section 15HA of SEBI Act, the alleged violation of provisions of section 12A( a),(b),(c) of SEBI Act read with regulations 3(a),(b),(c),(d), 4(1) of PFUTP Regulations, 2003 and regulation 77 (1) of Chapter VII of ICDR Regulations by the Noticee. Pursuant to reallocation of cases, vide communique dated April 08, 2025, undersigned was appointed as AO in the matter.

### **SHOW CAUSE NOTICE, REPLY AND HEARING**

8. Vide digitally signed email as well as letter sent to the Noticee through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') dated September 28, 2023, the appointment of AO in the matter was communicated to the Noticee. Vide the said email and letter, SCN was provided to the Noticee. Noticee was also advised to collect the SCN from the office of AO on October 04, 2023, as directed by Hon'ble SAT.
9. Vide email dated October 04, 2023, the AR of the Noticee acknowledged receipt of letter dated September 28, 2023 and requested to send physical copies of the letter, SCN to the Noticee at an address given therein. The same letter was once again sent on October 04, 2023. However, it was returned undelivered with the reason "Left". Vide letter dated October 30, 2023, Noticee was advised to furnish reply to SCN before November 08, 2023. Further, in the interest of natural justice, an opportunity of personal hearing was granted to the Noticee on November 09, 2023. The AR of the Noticee sought 3 weeks' time to file a reply vide email dated November 04, 2023. The request was acceded to by the erstwhile AO and Noticee was requested to submit a reply to SCN by November 24, 2023. Vide email dated November 24, 2023, Noticee submitted reply to SCN and sought leave to file additional submissions.
10. Subsequently, personal hearing was granted to Noticee on November 29, 2023. Noticee was represented by AR, viz., Ms. Rinku Valanju, Advocate who reiterated the submissions made vide email dated November 24, 2023. Additional time was sought till December 04, 2023 to make further submissions. Vide email dated December 07,

2023, Noticee was requested provide additional submissions not later than December 11, 2023 and Noticee filed the same vide email dated December 07, 2023.

11. The SCN dated December 21, 2022, *inter alia*, alleged the following:

11.1 SEBI conducted an Investigation into the matters pertaining to funding, if any, by Company to the preferential allottees for the preferential allotment (31 entities) carried out by the Company during Investigation Period.

11.2 The shareholders of the Company in the extraordinary general meeting held on January 15, 2013 approved the resolution for issue of 142,28,18,000 equity shares of Re.1/- each, at a price of Rs.2/- (inclusive of premium of Re.1/- per share) aggregating Rs.284,56,36,000/- to 33 allottees on preferential basis. Subsequently, two proposed preferential allottees were not found eligible under regulation 72(2) of the Chapter VII of the ICDR Regulations. Pursuant to said ineligibility of the two preferential allottees, the Company proceeded with the balance allotment of 134,52,48,000 equity shares to 31 allottees. It was also observed from the Annual Report of the Company that for FY 2011-12, the Company had paid up share capital of Rs.22,57,21,000/- and subsequent to the preferential issue on March 11, 2013, the paid up share capital of the Company for FY 2012-13 was Rs.157,09,69,000/-, i.e., increase of Rs.134,52,48,000/- (the number of shares issued by the company of face value of Re.1/-).

11.3 The documents/information pertaining to the preferential allotment was sought from the Company, its directors, preferential allottees, BSE Ltd., registrar and share transfer agent and statutory auditors of the Company. The details of communications made and the responses received are as follows:

11.3.1.1 Information pertaining to directors, promoters, compliance officer for the FY 2008-09 to 2015-16, bank statements and receipt of funds from the preferential allottees with respect to the preferential allotment dated March 11, 2013 was sought from the Company. However, the Company

only provided PANs of two promoter entities and the list of preferential allottees of the said preferential allotment.

11.3.1.2 The information pertaining to preferential allotment and bank details of the Company were also sought from the directors including Noticee, through emails, letters and summons. However, only one director responded and no information pertaining to preferential allotment was provided by him or the other directors.

11.3.1.3 BSE submitted the details of preferential allottees and their UCC details. Further, BSE provided copies of various documents such as application dated March 18, 2013 by the Company for listing of equity shares issued on preferential basis, extract of the minutes of the meeting of board of directors dated March 11, 2013 for allotment of 134,52,48,000 equity shares to the preferential allottees, various certifications received from the chartered accountant and the company secretary regarding the various compliances made by Company w.r.t. preferential allotment, etc.

11.3.1.4 Bank account details of the Company were obtained from the Annual Report for FY 2012-13 available on BSE website. It was observed that during FY 2012-13, the Company maintained 6 bank accounts with four banks as follows:

**Table No. 1**

<b>Sr. No.</b>	<b>Name of the Bank</b>	<b>Account No.</b>
1	Kotak Mahindra Bank (formerly ING Vysya Bank)	500011038946
		561011018620
2	Standard Chartered Bank	22506049678
3	Axis Bank Ltd.	004010203163221
4	Karur Vysya Bank	2101115000002707
		2101115000005782

11.3.1.5 On examining the bank statements of the above bank accounts, no credits were observed in the above bank account from the 31 preferential allottees during the period January 15, 2013 (i.e., EGM approving the

preferential allotment) to March 11, 2013 (i.e., date of board meeting for allotment of shares).

11.3.1.6 Information was sought from the statutory auditor, however, it informed that the information sought was not readily available and therefore did not provide any information.

11.3.1.7 Registrar and share transfer agent of the Company, viz., M/s. Adroit Corporate Services Pvt. Ltd. (hereinafter referred as Adroit), *inter alia*, provided the list of allottees along with distinctive share certificate numbers, dematerialisation/transaction statement of 31 allottees and submitted that four preferential allottees had sold the shares in physical mode. Further, apart from the four allottees, remaining 27 allottees also sold their shares allotted to them. Details of the two preferential allottees who were holding shares in demat form and two preferential allottees who were holding the shares in physical form was also provided.

11.3.1.8 Information was sought from the preferential allottees by various emails/summons. In response, only 7 out of 31 preferential allottees, viz., Empower India Ltd., Nirvana Mall Management Co. Pvt. Ltd., Speciality Papers Ltd., L. N. Industries Ltd., Pavitra Mall Management Co. Pvt. Ltd., Gill Entertainment Pvt. Ltd. and Harrods Trading Pvt. Ltd. provided the information pertaining to their payments towards the said preferential allotment. The details of the information provided by 7 preferential allottees regarding their payments is provided in the following paras:

11.3.1.8.1 **Empower India Ltd.:** Details of payments towards the said preferential allotment are as under:

**Table No. 2**

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid(Rs.)
1	15-12-2010	YES Bank	50,00,000
2	15-01-2011	YES Bank	50,00,000
3	21-01-2011	YES Bank	30,00,000

<b>Sr. No</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
4	04-02-2011	YES Bank	1,26,00,000
5	10-02-2011	YES Bank	25,00,000
8	22-03-2011	ING Vysya Bank Ltd.	1,40,00,000
9	22-03-2011	ING Vysya Bank Ltd.	1,30,00,000
10	24-03-2011	ING Vysya Bank Ltd.	1,40,00,000
11	25-03-2011	ING Vysya Bank Ltd.	2,59,00,000
12	25-03-2011	ING Vysya Bank Ltd.	1,40,00,000
13	29-03-2011	ING Vysya Bank Ltd.	22,500
14	30-03-2011	ING Vysya Bank Ltd.	27,27,500
15	29-07-2011	ING Vysya Bank Ltd.	25,00,000
16	31-03-2012	ING Vysya Bank Ltd.	26,65,000
17	31-03-2012	ING Vysya Bank Ltd.	76,15,000
		<b>Total</b>	<b>12,45,30,000</b>

It is observed that as per the share price fixed by the company, i.e., Rs.2/- per share for the said preferential allotment, the entity was required to pay Rs.12,45,00,000/-, however, the entity has paid Rs.12,45,30,000/-, i.e., Rs. 30,000/- excess. The entity did not respond to clarification sought by SEBI in respect of the excess payment.

**11.3.1.8.2 Nirvana Mall Management Co. Pvt. Ltd.:** Details of payments towards the said preferential allotment are as under:

**Table No. 3**

<b>Sr. No</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
1	16-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	50,00,000
2	20-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	50,00,000
3	20-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	20,00,000
4	27-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	25,00,000
5	27-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	70,00,000
8	27-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	50,00,000



9	27-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	1,75,00,000
10	28-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	1,30,00,000
11	28-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	70,00,000
12	28-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	1,75,00,000
		<b>Total</b>	<b>8,15,00,000</b>

From the above, it is noted that the entity was allotted 4,07,50,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and the entity had paid an amount of Rs.8,15,00,000/- in 12 instalments during the period July 16, 2011 to July 28, 2011.

11.3.1.8.3. **Specialty Papers Ltd.:** Details of payments towards the said preferential allotment are as under:

**Table No. 4**

<b>Sr. No</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
1	01-02-2011	Axis Bank Ltd. A/c.004010203163221	98,50,000
2	01-02-2011	Axis Bank Ltd. A/c.004010203163221	96,50,000
3	15-02-2011	Standard Chartered Bank Ltd. A/c No. 22506049678	77,80,000
4	28-02-2011	Standard Chartered Bank Ltd. A/c No. 22506049678	1,50,00,000
5	28-02-2011	Standard Chartered Bank Ltd. A/c No. 22506049678	1,87,20,000
6	29-03-2011	ING Vysya Bank Ltd. A/c No.500011038946	3,00,00,000
7	26-07-2011	ING Vysya Bank Ltd. A/c No.500011038946	45,00,000
8	10-08-2011	ING Vysya Bank Ltd. A/c No.500011038946	7,00,000
9	01-02-2012	ING Vysya Bank Ltd. A/c No.500011038946	50,00,000
10	22-02-2012	ING Vysya Bank Ltd. A/c No.500011038946	1,50,000
11	26-03-2012	ING Vysya Bank Ltd. A/c No.500011038946	1,00,00,000
12	31-03-2012	ING Vysya Bank Ltd A/c No.500011038946	91,15,000
	11-03-2013	Speciality Papers Ltd. (Journal entry)	(5,000)
		<b>Total</b>	<b>12,04,60,000</b>

The above entity vide email dated 25.02.2021 provided its ledger account towards the payment of preferential amount to Company instead of its bank statement which contained two entries, viz. Rs.1,00,00,000/- paid on February 15, 2011 and Rs.40,00,000/- paid on July 08, 2011. Subsequently, the entity vide email dated August 05, 2021 informed that the aforesaid two payments were made towards the purchase of convertible equity warrants issued by the company on May 19, 2011 and not towards the preferential allotment dated March 11, 2013. The entity had also shown Rs.5000/- differential amount as adjustment in the ledger.

**11.3.1.8.4 L N Industries India Ltd. (formerly LN Polyesters Ltd) :** It was noted from the documents provided by BSE that L N Industries India Ltd. was allotted 1,57,00,000 shares @ Rs.2/- per share. Details of payments towards the said preferential allotment are as under:

**Table No. 5**

<b>Sr. No</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
1	04-02-2011	YES Bank	1,24,00,000
2	08-02-2011	YES Bank	50,00,000
3	19-04-2012	YES Bank	5,00,000
4	04-05-2012	ING Vysya Bank Ltd.	1,75,00,000
5	04-05-2012	ING Vysya Bank Ltd.	35,00,000
		<b>Total</b>	<b>3,89,00,000</b>

The entity submitted that it was allotted 1,57,00,000 shares @ Rs.2/- per share in the aforesaid preferential allotment and was required to pay Rs.3,14,00,000/-. However, it was observed from the information provided by the entity vide email dated September 09, 2021 that it had paid Rs.3,89,00,000/- instead of Rs.3,14,00,000/-. Thus, the entity has paid Rs.75,00,000/- excess.

The entity expressed its inability to provide the information and clarification to the queries raised by SEBI.

**11.3.1.8.5 Pavitra Mall Management Co Pvt. Ltd.:** Details of payments made by it towards the said preferential allotment are as under:

**Table No. 6**

<b>Sr. No</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
1	14-03-2011	ING Vysya Bank Ltd.	11,87,500
2	02-06-2011	ING Vysya Bank Ltd .	90,00,000
3	02-06-2011	ING Vysya Bank Ltd.	1,10,00,000
4	16-06-2011	ING Vysya Bank Ltd.	99,00,000
5	16-06-2011	ING Vysya Bank Ltd.	24,00,000
6	18-06-2011	ING Vysya Bank Ltd.	1,00,00,000
7	11-07-2011	ING Vysya Bank Ltd.	20,00,000
8	20-07-2011	ING Vysya Bank Ltd.	1,05,00,000
9	24-08-2011	ING Vysya Bank Ltd.	60,50,000
10	30-03-2012	ING Vysya Bank Ltd.	10,00,000
11	02-06-2011	(Journal entry)	(17,500)
		<b>Total</b>	<b>6,30,20,000</b>

It was observed from the entity's reply that it was allotted 3,15,10,000 shares @Rs.2/- per share (including a premium of Re.1/- per share) and it has paid Rs.6,30,20,000/- in 10 instalments during the period March 14, 2011 to March 30, 2012.

**11.3.1.8.6 Harrods Trading Pvt. Ltd.:** Details of payments made towards the said preferential allotment are as under:

**Table No. 7**

<b>Sr. No.</b>	<b>Date of Payment</b>	<b>Name of the Bank from which the payment released</b>	<b>Amount Paid(Rs.)</b>
1	29-03-2011	Axis Bank A/c No.910020048808554	3,62,40,000
2	10-06-2011	Axis Bank A/c No.910020048808554	50,00,000
3	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
4	04-05-2012	Axis Bank A/c No.910020048808554	50,00,000
5	05-05-2012	Axis Bank A/c No.910020048808554	50,00,000
			<b>5,62,40,000</b>

It was observed from the entity's reply that it was allotted 2,81,20,000 shares @Rs.2/- per share (including a premium of Re.1/- per share) and it has paid Rs.5,62,40,000/- in 5 instalments during the period March 29,2011 to May 05, 2012.

11.3.1.8.7 Gill Entertainment Pvt. Ltd.: Details of payments made by the entity towards the said preferential allotment is as under:

**Table No. 8**

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid(Rs.)
1	29-04-2011	ING Vysya Bank Ltd	1,83,00,000
2	01-06-2011	ING Vysya Bank Ltd	2,00,00,000
3	04-06-2011	ING Vysya Bank Ltd	3,00,00,000
4	28-06-2011	ING Vysya Bank Ltd	30,00,000
5	07-07-2011	ING Vysya Bank Ltd	65,00,000
6	22-07-2011	ING Vysya Bank Ltd	50,00,000
		<b>Total</b>	<b>8,28,00,000</b>

12. The date-wise announcements made by the Company with respect to the preferential allotment made in 2013 and its impact on price/ volume to the previous day's price/ volume is brought out in tabular form below:

**Table No. 9**

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase/ decrease	Previous day	Announcement day	% increase/ decrease
17-12-2012 20:03:33	A meeting of the Board of Directors of the Company will be held on December 18, 2012, <i>inter alia</i> , to consider, discuss and approve the issue of Convertible Equity Warrants / Equity Shares on preferential basis.	0.81	0.82	1.23	94,548	3,99,917	<b>322.98</b>

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase/decrease	Previous day	Announcement day	% increase/decrease
19-12-2012 17:59:34	<ul style="list-style-type: none"> <li>Issue of Equity Shares / Convertible Equity Warrants upto Rs. 325 crore on Preferential Basis;</li> <li>To convene the Extra-Ordinary General Meeting (EOGM) of the Members of the Company on January 15, 2013.</li> </ul>	0.83	0.84	(1.20)	1,70,925	1,24,990	(26.87)
15-01-2013 16:16:38	EOGM of the shareholders of the company held on 15-01-2013, <i>inter alia</i> , approved by requisite majority the resolution to issue, offer and allot 142,28,18,000 shares of Re.1/- each fully paid up, at price of Rs. 2/-, aggregating upto Rs. 284.56 crore to various investors on preferential basis.	0.98	0.98	No change in close to close price.	77,21,579	2,36,40,567	<b>206.16</b>
08-03-2013 16:26:15	A meeting of the Board of Directors of the Company will be held on 11-03-2013, <i>inter alia</i> , to consider and approve the allotment of equity shares on preferential basis to the allottees as approved by the members of the company in their EOGM held on 15-01-2013.	0.83	0.79	*(4.82)	14,284	1,97,932	<b>1,285.7</b>
12-03-2013 17:46:51	The Board of Directors of the Company at its meeting held on 11-03-2013, has issued and allotted 134,52,48,000 equity shares of Re. 1/-	0.76	0.73	*(3.95)	78,257	36,055	(53.93)

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase/decrease	Previous day	Announcement day	% increase/decrease
	each to the non-promoter group on preferential basis.						

*\*The price took a downward trend after the announcement of financial result by the Company for the quarter ended December 31, 2012 on February 16, 2013, which showed a substantial deficit in the net profit figures when compared to nine months ended December 31, 2011*

### 13. Role of Directors

13.1 As per Annual Report 2012-13, it was observed that Noticee was the managing director of the Company. It was noted from the extract of the minutes of the meeting of the board of directors of the Company held on March 11, 2013 that the chairman apprised the board that the Company had sought the approval for allotment of equity shares on preferential basis from its members in their extraordinary general meeting held on January 15, 2013 and Company had also received the in-principle approval from the BSE Ltd. for the said allotment through their letter dated March 04, 2013. The chairman also informed the board that the Company had received the full application/ allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the bank statement of the Company before the board.

13.2 The Company submitted the application letter dated March 18, 2013 to BSE for listing of equity shares issued under preferential allotment. Along with above letter, the Company had submitted several documents to BSE. All the above documents were signed on behalf of Company by Jyoti Munver who was executive director of the Company. She was also the Authorised Signatory for operating the bank accounts of the Company.

13.3 It was observed from the Annual Report for the FY 2012-13 that during the FY 2012-13, seven board meetings were held. The Noticee along with Jils Raichand Madan, executive director had attended all seven board meetings and Jyoti

Munver, director had attended six board meetings out of seven. The matter related to issue of shares on preferential basis was approved in the board meeting held on December 18, 2012 and the allotment of shares was made in the board meeting held on March 11, 2013.

14. The allegations made in the SCN are summarized as under:

14.1 The said preferential issue was to raise funds for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. As per the objects mentioned by the company, the funds were to be utilised for the future expansions, i.e., after receiving the funds in the preferential allotment. However, it was noted from the reply received from the 7 preferential allottees and the Company vide email dated January 05, 2022, that the funds were received by the Company almost one to two years prior to the preferential allotment. Thus, the Company did not disclose all the material information to the stock exchange on the events/information which would have had bearing on the performance/operations of the Company as well as price sensitive information. In the view of aforesaid facts and circumstances, it was alleged that the Company did not comply with disclosure requirements under clause 36 of erstwhile Listing Agreement read with section 21 of Securities Contract (Regulations) Act, 1956.

14.2 It was observed that during the investigation period, there were no credits received in the bank accounts of the Company from the 31 preferential allottees to whom 134,52,48,000 equity shares were allotted. It was observed that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume manipulation. Thus, for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same from the preferential allottees, the Company, the Noticee, Jils Raichand Madan, executive director and Jyoti

Munver, director, were engaged in a fraudulent scheme of fund raising and allegedly violated the provisions of regulations 77(1) of Chapter VII of the ICDR Regulations and section 12A(a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

15. The main points mentioned in the replies submitted by the Noticee vide letters dated November 24, 2023 and December 07, 2023 are given below:

15.1 The Noticee denied all allegations made in the captioned SCN. He was the managing director of the Company at the relevant time, and date of cessation was September 1, 2013. After the date of cessation, he had nothing to do with the affairs of the Company.

15.2 Delay in issuing the SCN.

15.2.1 The Noticee stated that he was not served with the summons pertaining to the present matter. The SCN was issued on December 21, 2022 and it was served upon the Noticee a year later on October 4, 2023, pertaining to the investigation period of January 15, 2013 to March 11, 2013. He stated that the SCN was issued after excessive and unreasonable delay of about 10 years. The SCN did not explain any reasoning to justify the inordinate and unconscionable delay in initiation of proceedings against the Noticee. The initiation of proceedings by SEBI after such a long delay, severely jeopardizes the Noticee's right to adequately respond to the SCN and as such the Noticee is not related to the Company anymore.

15.2.2 As the Noticee resigned from the Company in 2013, he has no access and does not possess the information regarding the preferential allottees, bank account, ledger account, etc., to submit any kind of proof. Further, the Noticee stated that he is unable to recollect the facts and circumstances under which the transactions were executed 10 years ago and thus his ability to respond to such allegations has been greatly prejudiced due to huge delay.



15.2.3 The Noticee placed reliance on the following Orders/Judgements with respect to delay in issuance of SCN.

- i. *Passed by Hon'ble SAT vide judgment dated October 31, 2023 in the matter of Geetaben Joshi & Ors. v. SEBI.*
- ii. *Passed by Hon'ble SAT in Rajeev Bhanot & Anr. v. SEBI (Order dated July 9, 2021 in Appeal No. 396 of 2018) which was later upheld by the Hon'ble Apex Court vide order dated November 08, 2021 in Civil Appeal No(s) 6441-6443 of 2021.*
- iii. *Passed by Hon'ble SAT in Yatin Pandya HUF v. SEBI (order dated March 24, 2022 in Appeal No. 719 of 2021)*

#### 15.2.4 Vague SCN

15.2.4.1 The Noticee stated that the SCN had failed to explain that how the allotment of shares to the allottees on preferential basis without receiving the consideration caused price and volume manipulation. The Noticee stated that it is an established principle that a vague allegation which does not specifically set out the reason for such allegation, cannot be sustained as the same does not provide an opportunity to a Noticee to counter the charges and the same is contrary to the rules of natural justice.

15.2.4.2 The Noticee placed reliance on the orders/judgements with respect to the SCN being vague:

- i. *Passed by Hon'ble SAT in Vikas Bengani v. SEBI vide order dated March 08, 2010; and*
- ii. *Supreme Court order in the case of Commissioner of Central Excise, Bangalore v. Brindavan Beverages Pvt. Ltd. and Ors.*

#### 15.2.5 Submission relating to regulation 77(1) of ICDR Regulations:

15.2.5.1 The Noticee stated that, it was alleged that there were no credits received in the bank accounts of the Company from the 31 preferential allottees to whom 134, 52,48,000 equity shares were allotted. Further,

it was alleged that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume manipulation. However, the SCN itself states that the funds were received by the Company to the preferential allotment. Therefore, the SCN is self-contradictory and vague.

15.2.5.2 Further, the auditor, D P Agarwal & Co. in its report, confirmed that the Company had disclosed that it had allotted 134,52,48,000 equity shares each of Rs. 2/- (including premium of Re. 1 on preferential basis to various allottees on receipt of full payment issue price, total amount received was Rs. 269,04,96,000/-. The said auditor's report is extracted from Annual Report of the Company which is available online on BSE website.

15.2.5.3 It can be observed that the statutory auditors of the Company M/s D P Agarwal & Co. vide letter dated March 12, 2013 addressed to BSE, *inter alia*, stated that it had verified the relevant records and documents of the Company with respect to preferential allotment of equity shares and certified that the Company had realized the application / allotment money aggregating to Rs. 269,04,96,000/- from the allottees against the allotment of equity shares on or before March 11, 2013 and there is no circulation of funds or mere passing of book entries in this regard.

15.2.5.4 It can be observed that Stephen M. Fargose & Associates, company secretary vide letter dated April 25, 2013 addressed to BSE stated that they had verified the relevant records and documents with respect to the proposed preferential allotment the Company and certified that :

- i. The Company had complied with all the legal and statutory formalities;

- ii. No statutory/regulatory authorities have restrained the Company for issuing 134,52,48,000 equity shares to various allottees as specified in the board resolution dated March 11, 2013 on preferential basis;
- iii. In the case of convertible instruments, the allottees exercised the option to convert the instrument within a period of 18 months from the date of allotment to the instrument;
- iv. The share certificates issued on preferential basis were stamped with an enfacement as under “These shares will not be sold / transferred / hypothecated until 10 March, 2014”.

15.2.5.5 The Company informed BSE vide letter dated March 18, 2013 that it had received the in-principle approval in accordance with provisions specified under Chapter VII of ICDR Regulations from the BSE for the impugned preferential allotment through their letter dated March 04, 2013.

15.2.5.6 There was no substantial movement in price of the scrip owing to corporate announcement dated December 17, 2012, December 19, 2012, January 15, 2013, March 08, 2013 and March 12, 2013.

15.2.5.7 There was no major movement in price of underlying scrip which itself proves that the preferential allotment had no impact on market. Thus, the transactions neither distorted the equilibrium in market nor caused any loss or prejudice to investors.

15.2.5.8 Further the SCN levels a serious charge of manipulation and fraud on the basis of mere statements and by quoting provisions of the PFUTP Regulations, in complete ignorance of the time-tested judicial precedents including rulings of the Hon'ble SAT which cautions against suspicion, conjecture and surmise being passed off as proof especially where fraud is alleged. The impugned order purports to treat

suspicion and evidence as one and the same, and ignores foundational principles of the law of evidence that the standard of proof for a charge of fraud to be established must be sufficient to overcome the ordinary presumptions of honesty and good faith in dealings.

15.3 Submission on charges relating to section 12A (a), (b) and (c) of the SEBI Act, 1992 and regulations 3 (a), (b), (c) and (d) of PFUTP Regulations.

15.3.1 Noticee was charged with the violation of section 12A (a) b) and (c) of the SEBI Act and regulations 3 (a), (b), (c) and (d) of PFUTP Regulations which can be in relation to dealing in securities. However, no details of trading, viz., volume of shares traded, price impact, percentage increase or decrease in price, etc., have been provided in the SCN.

15.3.2 Section 12A (a) b) and (c) of the SEBI Act deals with fraud related to securities market and the provisions of regulation 3 (a), (b), (c) and (d) of PFUTP Regulations are also related to securities market fraud/manipulation/unfair trade practises. Section 12A (a) b) and (c) of the SEBI Act may be invoked in cases where there exists any manipulative or deceptive device or connivance, any device, scheme or artifice to defraud or any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, purchase or sale of any securities. In the SCN, there are no trading or order data or details of any purchase, sale or price impact analysis that would impact the investors and hence in the absence, it cannot be said to have violated PFUTP Regulations when the charge is of violation of regulation 77(1) of ICDR Regulations. SCN ought to have observed the impact of price and volume manipulation in the scrip on account of such non-receipt / prior receipt of funds pertaining to preferential allotment.

15.3.3 Regulation 4(1) of PFUTP Regulations at the relevant time, dealt with fraudulent and unfair trade practices relating to securities while regulation

4(2) deals with an enumeration of specific instances of fraudulent and unfair trade practices relating to securities. The common thread through these provisions is that the ingredients of fraud/manipulation/unfair trade practices must be satisfied. In this regard, Noticee further stated that the Explanation inserted to regulation 4(1) of PFUTP Regulations with effect from October 19, 2020 clarified as follow: *“Explanation – For the removal of doubts, it clarified that any act of diversions, mutualisation of siphoning off of assets or earning of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”*

15.3.4 Thus, as per the aforesaid explanation also, any device, scheme or artifice to manipulate the books of accounts or financial statement of a company, in order to be termed as manipulative, fraudulent and an unfair trade practice in the securities market, should have directly or indirectly resulted into manipulation of the price of securities of that company. However, no such findings are mentioned in the SCN.

#### 15.4 Submissions on section 15HA of SEBI Act.

15.4.1 The investigation period pertains to January 15, 2013 to March 11, 2013, i.e., before amendment in 2014. Prior to amendment, there was no minimum penalty prescribed in the Act. Hence, criteria of minimum penalty of Rs.5 lakh cannot be applied upon the Noticee. Factors of section 15 J need to be considered while levying penalty of 15HA.

15.4.2 None of the factors of section 15J (a), (b) and (c) have been taken into consideration in the SCN. The SCN simply stated that the Noticee had violated the provisions of 12A(a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations, there is no explanation,

reasoning given in the SCN as to how such serious charge of manipulation and fraud have been committed by the Noticee.

15.5 Noticee stated that M/s D P Agarwal & Co. (statutory auditor), Stephen M. Fargose & Associates (company secretary) and BSE have in their report, emails and letters, had confirmed that the funds were received by the Company pertaining to the preferential allotment. Therefore, not making them parties to the SCN is without application of mind.

15.6 The Noticee relied on an order dated January 06, 2023 passed by Hon'ble SAT in the matter of IFGL Refractories Limited v. SEBI, wherein the Hon'ble SAT held that AO while disposing off quasi-judicial matters is bound by the decision of the Appellate Tribunal and any action taken contrary to the Hon'ble SAT's order by SEBI may amount to judicial indiscipline. In the aforesaid matter, Hon'ble SAT had also imposed penalty of Rs.50,000/- on SEBI.

15.7 The Noticee, *inter alia*, cited mitigating factors:

15.7.1 The Noticee is not guilty of conduct which is contemptuous or dishonest of acted in conscious disregard of law;

15.7.2 The Noticee has not acted in defiance of law;

15.7.3 The actions of Noticee are not in any manner detrimental to the investors and the securities market as whole;

15.7.4 Noticee has conducted all his operations with integrity and in the best interest of its shareholders;

15.7.5 The Noticee has not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise. Further, no loss has been caused to any investor or group of investors as a result of the alleged wrong;

15.7.6 The alleged violation has not resulted in any harm or loss caused to the securities market.

16. Pursuant to reallocation of cases and appointment of the undersigned, another opportunity for personal hearing was granted to Noticee on May 29, 2025, which was rescheduled to June 04, 2025 on the request of the AR. The AR of the Noticee appeared for the hearing and reiterated the submissions made vide reply dated November 24, 2023. The AR further submitted that the other directors have been exonerated by SEBI. The AR filed additional submissions on June 18, 2025 and reiterated the submissions made vide reply dated November 2, 2023.

## **CONSIDERATION OF ISSUES AND FINDINGS**

17. The issues that arise for consideration in the instant matter are as follows:

**Issue No. I Whether the Noticee along with the Company and other directors devised a fraudulent scheme of fund raising to give an impression of capital infusion and thereby violated the provisions of regulation 77(1) of Chapter VII of the ICDR Regulations and section 12A(a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations?**

**Issue No. II If yes, whether such violations, on the part of the Noticee would attract monetary penalty under section 15HA of the SEBI Act?**

**Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15J of the SEBI Act read with rule 5(2) of the Rules?**

18. Before proceeding further, I would like to refer to the relevant provisions of the ICDR Regulations, SEBI Act and the PFUTP Regulations:

### ***ICDR Regulations***

#### ***“Payment of consideration.***

*77. (1) Full consideration of specified securities other than warrants issued under this Chapter shall be paid by the allottees at the time of allotment of such specified securities:*

*Provided that in case of a preferential issue of specified securities pursuant to a scheme of corporate debt restructuring as per the corporate debt restructuring*

*framework specified by the Reserve Bank of India, the allottee may pay the consideration in terms of such scheme.”*

### **SEBI Act**

#### **“12A. No person shall directly or indirectly—**

- a. use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- b. employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognized stock exchange;*
- c. engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.”*

#### **“Penalty for fraudulent and unfair trade practices**

**15HA.***If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”*

### **PFUTP Regulations**

#### **“3. Prohibition of certain dealings in securities**

*No person shall directly or indirectly—*

- (a) Buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) Use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) Employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) Engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock*



*exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

**4. Prohibition of manipulative, fraudulent and unfair trade practices**

*“(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in markets.*

*Explanation—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”*

19. At the outset, before dealing with the merits of the case, I note that the Noticee has raised the preliminary issue with regard to delay in issuance of SCN. In this regard, Noticee relied upon the orders of Hon'ble SAT in the matter of Yatin Pandya HUF v. SEBI (Appeal No. 719 of 2019), Rajeev Bhanot v. SEBI (Appeal No. 396 of 2018) and Geetaben Joshi v. SEBI (Appeal No. 650 of 2022).

20. I note that Investigating Authority was appointed in the matter on October 06, 2017. Subsequently, information was sought from the Company. Company kept on seeking time to provide the information with respect to the preferential allotment to 31 allottees. The Company did not provide the requisite information. In view of this, the information pertaining to payments made by the preferential allottees was sought from BSE and the said 31 preferential allottees. Subsequently, vide email dated January 05, 2022, i.e., after lapse of approx. 3 years, the Company submitted the list of allottees, certain payment details of allottees made 1-2 years prior to the allotment and bank account details of the Company. From the reply dated January 05, 2022 of the Company, it is noted that even though the Company received various communications, i.e., letters dated June 06, 2019, June 25, 2019, July 12, 2019, October 24, 2019 and summons for production of documents dated October 24, 2019, November 11, 2019, November 25, 2019 and February 25, 2021, the Company did not provide the reply on a timely basis which delayed the investigation.

I note from the available records that adjudication proceedings were approved in the matter in the year 2022. Subsequently, vide SEBI communique dated June 15, 2022 an AO was appointed in the said matter. Thereafter, vide SEBI communique dated October 06, 2022, a new AO was appointed. The SCN in the matter was issued on December 21, 2022. Thus, it appears that the SCN in this matter was issued within reasonable time, after conclusion of the investigation.

21. Further, it is pertinent to reproduce the judgment of Hon'ble Supreme Court in the case of Adjudicating Officer, SEBI v. Bhavesh Pabari<sup>1</sup>; wherein it was held that *"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time will depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third party rights had been created, etc."*

22. Similarly, Hon'ble Supreme Court in the matter of SEBI v. Sunil Krishna Khaitan<sup>2</sup> observed the following:

*"In the absence of any period of time and limitation prescribed by the enactment, every authority is to exercise power within a reasonable period. What would be the reasonable period would depend upon facts of each case, such as whether the violation was hidden and camouflaged and thereby the Board or the authorities did not have any knowledge."*

23. Hon'ble SAT in the matter of Bipin R. Vora v. SEBI dated March 22, 2006, observed as follows with respect to delay:

*"As regards the plea of delay and laches and submission that the show cause notice is barred by limitation, I do not find merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market"*

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<sup>1</sup> MANU/SC/0296/2019

<sup>2</sup> MANU/SC/0846/2022

In view of the aforesaid, I am of the opinion that there was no delay in initiating the adjudication proceedings in the matter.

24. Next, I would like to deal with the contention of the Noticee that the SCN was vague and failed to explain as to how allotment of shares to the allottees on preferential basis without receiving the consideration, had caused price and volume manipulation. In this regard, I note from the submissions of the 7 preferential allottees regarding their payments towards the said preferential allotment and the documents available on record that the Company had received funds in respect of the preferential allotment, almost a year or two prior to the preferential allotment. This is evident from the details provided by the Company vide email dated January 05, 2022, which is given below:

<b>Sr. No.</b>	<b>Name of Allottee</b>	<b>Number of shares allotted</b>	<b>Amount received(Rs.)</b>	<b>Range of date of Receipt</b>
1	Allied Computers International (Asia) Ltd.	35150000	7,03,00,000	14/03/2011 to 28/08/2012
2	Black Horse Media & Entertainment Pvt. Ltd.	13120000	2,62,40,000	29/03/2011
3	Chhanel Guide India Ltd.	22170000	4,43,40,000	31/03/2011 to 08/06/2011
4	Dhanus Technologies Ltd.	158200000	31,64,00,000	01/02/2011 to 04/05/2012
5	Dizzystone Trading Pvt. Ltd.	66250000	13,25,00,000	29/03/2011 to 21/07/2011
6	Empower India Ltd.	62250000	12,45,00,000	22/03/2011 to 31/03/2012
7	Energy Commotrade Pvt. Ltd.	41400000	2,20,00,000	05/07/2011
8	Gill Entertainment Pvt. Ltd.	41400000	8,28,00,000	29/04/2011 to 22/07/2012
9	Golding Mercantile Pvt. Ltd.	33600000	6,72,00,000	31/05/2011 to 11/05/2012
10	Harrods Trading Pvt. Ltd.	28120000	5,62,40,000	29/03/2011 to 05/05/2012
11	Intertick Developers Pvt. Ltd.	70000000	14,00,00,000	25/05/2011 to 07/07/2011
12	Krystalklear Properties Pvt. Ltd.	86770000	17,35,40,000	25/05/2011
13	L N Polyester Ltd.	15700000	3,14,00,000	04/02/2011
14	Lifefour Multitrading Pvt. Ltd.	60950000	12,19,00,000	18/06/2011 to 24/03/2012
15	Marisha Real Estate Pvt. Ltd.	46110000	9,22,20,000	14/03/2011 to 30/03/2012
16	Nirvana Mall Management Co. Pvt. Ltd.	40750000	8,15,00,000	16/07/2011 to 28/07/2011
17	Nixon Infraprojects Pvt. Ltd.	30870000	6,17,40,000	04/07/2011 to 18/08/2011

18	Offerlink Infraprojects Pvt. Ltd.	35420000	7,08,40,000	26/05/2011 to 24/08/2011
19	Orange Mist Productions Pvt. Ltd.	24930000	4,98,60,000	03/03/2011 to 17/03/2011
20	Parkway Properties Pvt. Ltd.	8750000	1,75,00,000	09/04/2012 to 04/05/2012
21	Pavitra Mall Management Co. Pvt. Ltd.	31510000	6,30,20,000	14/03/2011 to 30/03/2012
22	Prabhav Industries Ltd.	77820000	15,56,40,000	08/03/2011 to 05/05/2012
23	Roho Real Estate Pvt. Ltd.	10350000	2,07,00,000	26/08/2011 to 28/08/2012
24	Rosewood Vintrade Pvt. Ltd.	5718000	1,14,36,000	29/03/2011
25	Sanmay Trading Pvt. Ltd.	47630000	9,52,60,000	14/03/2011 to 28/09/2012
26	Sonal Styles Pvt. Ltd.	36710000	7,34,20,000	29/04/2012 to 28/06/2011
27	Southmint Real Estate Pvt. Ltd.	50150000	10,03,00,00	28/02/2011 to 28/06/2011
28	Speciality Papers Ltd.	60230000	12,04,60,000	01/02/2011 to 31/03/2012
29	Wellman Tradelink Pvt. Ltd.	51950000	10,39,00,000	29/03/2011 to 26/03/2012
30	Westlite Infraprojects Pvt. Ltd.	51750000	10,35,00,000	24/05/2011 to 30/03/2012
31	Whitetext Infrastructure Pvt. Ltd.	29920000	5,98,40,000	17/03/2011 to 27/03/2011

SCN alleged that during investigation period, there were no credits received in the bank accounts of the Company from the 31 preferential allottees to whom 134,52,48,000 equity shares were allotted. Therefore, it was alleged that the Company devised a fraudulent scheme of fund raising along with its directors (including the Noticee) and gave an impression of capital infusion through preferential allotment, without actually receiving any money towards the same from the preferential allottees. The said fraudulent scheme of allotment without receiving the consideration appeared to be an arrangement meant to create price and volume in the scrip of the Company. Hence, the contention of the Noticee is not tenable.

**Issue No. I Whether the Noticee along with the Company and other directors devised a fraudulent scheme of fund raising to give an impression of capital infusion and thereby violated the provisions of regulation 77(1) of Chapter VII of the ICDR Regulations and section 12A(a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations?**

25. It was alleged in the SCN that Noticee was engaged in a fraudulent scheme of fund raising of funds through preferential allotment without receiving the consideration. Noticee stated while SCN alleges no credits were received in the bank accounts of the Company from 31 preferential allottees to whom 134,52,48,000 equity shares were allotted, the auditor's report confirmed that the Company disclosed the allotment on receipt of full payment of issue price. Further, the auditors stated they had verified the relevant records of the Company and certified that the Company had realized the application money against allotment of 134,52,48,000 equity shares on or before March 11, 2013. Noticee further contended that as per letter dated April 25, 2013, addressed to BSE by Stephen M. Fargoose & Associates, company secretary, the Company had complied with all the legal statutory formalities and no statutory/regulatory authorities had restrained the Company for issuing 134,52,48,000 equity shares as specified in the board resolution dated March 11, 2023 on preferential basis.

26. I also note that in the SCN, following was mentioned regarding preferential allotment and receipt of monies for the same:

*"It is noted from the Extract of the Minutes of the Meeting of Board of Directors of the company held on 11.03.2013 that the Chairman apprised the Board that the Company has sought the approval for allotment of equity shares on preferential basis from its members in their Extra Ordinary General Meeting held on 15.01.2013 and company has also received the in-principle approval from the BSE Ltd. For the said allotment through their letter dated 04.03.2013. The Chairman also informed the Board that the company has received the full application/allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the Bank Statement of the company before the Board."*

27. However, from the records, it is noted that the Noticee was not the chairman of the company at the time of the aforementioned meeting of the Board of Directors. It is further noted that Mr. Jils Raichand Madan was the signatory to the "Certificate on Financial Statements" for the Annual Report of the Company for FY 2012-13. I also note that for the impugned preferential allotment, SEBI exonerated Jils Raichand Madan and Jyoti Munver, who was the authorised signatory to the financial

statement and the various bank accounts. It is noted that the Noticee is not a signatory to any of the aforesaid documents including the Annual Reports. Therefore, I am inclined to give benefit of doubt to the Noticee.

28. I also note that, there is no material on record such as price impact, volume of shares traded, parties to such trades, to substantiate the allegation of fraud. In fact, from the archives of records on the website of BSE, it is noted that on the first day of the IP, the closing price of the scrip was Rs.0.98 and on the last day of the IP, the closing price of the scrip was Rs.0.79. During the IP, the highest price of the scrip was Rs.1.19. Thus, it can be seen that there was insignificant price movement in the scrip of the Company during the IP. In this regard, the Explanation to regulation 4(1) of the PFUTP Regulations clarifies as to what can be termed as fraud. The same is reproduced below:

*“Explanation.—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”(underline supplied).*

As per the explanation, any manipulative fraudulent and unfair trade practice, should directly or indirectly manipulate the price of the securities of that company.

29. In this matter, I find that there was no impact on the price of the securities of the Company during the investigation. I also note from the website of BSE, that the number of trades in the scrip of the Company went down from 300 trades on January 15, 2013 to 35 trades on March 11, 2013. In this regard, it is pertinent to mention that Hon’ble Supreme Court in the matter of SEBI v. Kanhaiyalal Baldevbhai Patel<sup>3</sup> interpreted definition of fraud as under:

*“The definition of ‘fraud’, which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect*

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<sup>3</sup> Civil Appeal No. 2595 of 2013

*of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce". (underline supplied)*

30. From the downward trend of the trading in the scrip of the Company, I find that there was no inducement to deal in the securities of the Company. The SCN did not bring out any evidence that there was a fraud/manipulation in securities which led to inducement and dealing in securities.
31. From the foregoing, I find that the allegation that Noticee and other directors devised a fraudulent scheme of fund raising to give an impression of capital infusion in the Company and thereby violated the provisions of regulation 77(1) of Chapter VII of the ICDR Regulations and section 12A(a), (b), (c) of SEBI Act, 1992 read with regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations, is not established.
32. Since the allegations against the Noticee are not proved, I do not find it necessary to deal with the other issues mentioned in para 17 above.

## **ORDER**

33. In view of my findings noted in the preceding paragraphs, I hereby dispose of the adjudication proceedings initiated against the Noticee without imposition of any monetary penalty. In terms of the provisions of rule 6 of the Rules and rule 6 of SCRA Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

**Date : August 21, 2025**  
**Place : Mumbai**

**JAI SEBASTIAN**  
**ADJUDICATING OFFICER**