

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

**UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1) AND 11B(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF GEODESIC LIMITED**

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In respect of:

Sr. No./ Noticee No.	Name of the Noticee	PAN
1.	Dinesh Jajodia	ACSPJ7290B
2.	Mangiram Sharma	AAQPS0917G
3.	Manoj Sharma	AMCPS7267B

(the above entities are individually referred to by their respective names / numbers and collectively referred to as "Noticee")

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1. Based on certain complaints received from various shareholders, Securities and Exchange Board of India ("**SEBI**") had carried out an investigation into the irregularities in the books of accounts of Geodesic Limited (hereinafter referred to as "**the Company**" / "**Geodesic**" / "**GL**") for the period from April 01, 2011 to March 31, 2012 ("**Investigation – I**") so as to ascertain the possible violations of any of the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act, 1992**") and the regulations made thereunder. M/s Sarath and Associates ("**the Auditor/ Sarath**") was appointed as the forensic auditor to conduct an examination into the books of the company, vide SEBI letter dated October 17, 2014. The investigation and the forensic audit report, as submitted by the forensic auditor revealed that the Company had defaulted in redeeming the Foreign Currency Convertible bondholders and that the Company had booked bogus entries in its books of accounts for creditors and software development expenses thereby manipulating the figures in its audited balance sheet for the Financial Year 2011-12. Based on the said findings, enforcement action was initiated against the directors of the company namely Mr. Kiran Kulkarni (Managing Director), Mr. Pankaj Kumar (Chairman and Director), Mr. Prashant Mulekar (Director & Compliance

Officer), Mr. Vinod Sethi (Independent Non-Executive Director) and Mr. Nitin Potdar (Independent Non-Executive Director) in the matter.

2. Subsequently, SEBI received a letter dated August 11, 2016 from Juris Corp, Advocates and Solicitors on behalf of OIM LLC and Peter Beck & Partners, who were the holders of the Foreign Currency Convertible Bonds ("FCCBs") issued by the Company. Vide the said letter, Juris Corp had enclosed certain documents and provided certain facts that were collected by it in relation with the activities carried out by one Mr. Dinesh Jajodia (Noticee No.1), who was the Tax Consultant and Advisor of the Company and had, *inter alia*, requested SEBI to investigate into the role of Noticee No. 1 in the matter. Upon receipt of the abovementioned letter, SEBI carried out another investigation into the affairs of GL so as to ascertain whether any entities, other than the Directors of the Company, had any role, *directly or indirectly*, in the manipulation of the books of accounts of the Company for the period 2008-2014 ("**Investigation-II**"). Further, as the documents received along with the letter dated August 11, 2016 from Juris Corp indicated manipulation in the books of accounts of the Company through bogus and fake entries, it was decided to conduct another forensic audit of the books of accounts of the Company and for the said purpose, on September 06, 2016, M/s Sarath was once again appointed as the forensic auditor by SEBI for examining the role of Noticee No. 1 in manipulating the books of accounts of the Company and any resultant violations of the provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act, 1992**"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices in Securities Markets) Regulations, 2003 ("**PFUTP Regulations**") and any other Rules and Regulations made thereunder. Vide letter dated September 28, 2018, the forensic auditor filed a '*Forensic Audit Report*' (FAR) in the matter. Further, certain clarifications sought by SEBI were also addressed by the forensic auditor vide its letter dated May 30, 2019.
3. Based on the observations of the forensic auditor, SEBI carried out further investigation and during the same, statements of Mr. Mangiram Sharma (Noticee No. 2) and Mr. Manoj Sharma (Noticee No. 3), who were appearing as directors of certain companies with whom Geodesic had transacted during the relevant period, were also recorded. Furthermore, documents received from the Enforcement Directorate (ED) of the ongoing proceedings against the directors of the company were taken on record. Based on the investigation, including the forensic examination and audit, it was *prima facie* observed

that the Noticees had generated bogus bills against commissions, as consideration, by incorporating various paper entities and had assisted the company and its promoter – directors in manipulating the books of accounts of the Company. The main observations of the investigation carried out by SEBI are as under:

- 3.1** GL was incorporated in the year 1982 and it got listed on BSE in 2001 and on NSE in 2004.
- 3.2** The Company was having following subsidiaries, namely, (**“Geodesic group Companies”**):
- Chandamama India Limited (Mumbai)
  - Filmorbit.com India Pvt. Ltd. (Mumbai)
  - Geodesic Gridpoint Energy Private Limited (Mumbai)
  - Geodesic Holdings Limited (GHL) (Mauritius)
  - Geodesic Technology Solutions Limited (GTSL) (Hong Kong)
- 3.3** The Board of Directors of the Company during the period April 01, 2011 to March 31, 2013 as appearing in the Annual Reports of the Company were:

Sr. No.	Full Name	Designation	Date of Resignation
1.	Kiran Kulkarni	Managing Director	NA
2.	Pankaj Kumar	Chairman / Director	NA
3.	Prashant Mulekar	Director & Compliance Officer	NA
4.	Vinod Sethi	Independent Non-Executive Director	16.05.2013
5.	Nitin Potdar	Independent Non-Executive Director	04.12.2012
6.	Radhika Pereira	Independent Non-Executive Director	11.02.2013

- 3.4** The Forensic Auditor appointed by SEBI in the investigation-I (*vide letter of appointment dated October 17, 2014 as referred to in Para 1 above*) had observed that the revenues booked and the profits purported to have been generated by the Company were false and non-existent and thus, the Company was misleading and misrepresenting the facts about its actual status of affairs. In the second Forensic Audit Report dated September 28, 2018 (*during investigation - II*) submitted by the Auditor, it is stated that Noticee No. 1, a Chartered Accountant, acted as a Tax Consultant of the Company on

assignment basis. The said fact was even admitted by Noticee No. 1 in his affidavit filed before the Hon'ble High Court of Bombay in the matter of *HDFC Bank Limited Vs. Geodesic Limited (Company Petition No. 514 of 2013)*.

- 3.5** It was observed that during the year 2008, the Company had raised funds from overseas investors to the tune of USD 125 million by issuing redeemable FCCBs for the purpose of investing in companies, including its wholly owned subsidiaries. It was observed that the Company had defaulted in repaying the FCCB holders.
- 3.6** Suddenly, the accounts of the Company had started showing loss and the Company, despite having received cheques against the services, did not realize those cheques and subsequently, made reverse entries for debtor realization from GTSL (its subsidiary) and further, wrote off the expenses incurred by the Company which raised doubts with respect to the sources of funds that were credited into the Indian bank accounts of the Company.
- 3.7** Forensic Audit Report dated September 28, 2018 has, *inter alia*, revealed that the purchases and sales in the books of accounts of the Company were non-existent / bogus and the generation of revenue or cash inflows in the Indian bank accounts of the Company was not from genuine customers. It was also noticed that the debtors realization for the bogus sales were booked.
- 3.8** It was further observed that there were *inter-se* connection and/or fund transfers between Geodesic group companies, certain bogus companies and Dinesh Jajodia Group Companies, which were, connected to Noticee No. 1.
- 4.** The key observations in the FAR dated September 28, 2018 on the role of Noticee No. 1 are as under:
- 4.1** The expenses in the name of software purchases by GL were booked by the company in the names of bogus companies. Further, the funds were transferred by the company through various round tripping transactions and various companies connected / controlled by Noticee No. 1 or his family members were involved in the said transactions.

**4.2** Some of the pertinent observations of the Auditor in the FAR are reproduced as under :-

**“Role of Dinesh Jajodia in Overseas countries:**

*...Geodesic Limited had raised funds through issue of FCCB and had invested these funds in various investment companies as investment, as per the information submitted by the company to SEBI and as per the companies' Audited Balance Sheets. Subsequently the company failed to redeem the FCCB funds to investors. In the subsequent financial years, company had written off the investments in the books of accounts. Investigation and Forensic Audit had revealed that the companies in which the Geodesic invested were transferred into other companies like Lasdun, Eland crown, Yvette Investments Ltd (Dubai) which are controlled by Dinesh Jajodia, who is a director and/or beneficial owner of these companies. This establishes the role of Dinesh Jajodia and his role in diverting the FCCB funds into companies to which he is a director/beneficial owner. All these companies are incorporated in different countries other than India.*

*The scrutiny of the bank statements of Yvette Investments Limited and Yvette Invest & Trade Corp of Dubai reveals that Geodesic Limited FCCB funds were transferred to EEMF and from there to Yvette Investment account. Further, the Geodesic Holding Limited through facility agreement signed by Mr. Prashant Mulekar and Dinesh Jajodia had agreed to transfer funds from Geodesic Holding Limited to Yvette for USD 30 m & USD 18 m.*

*The main & the EEMF funds substantiate these facts. Hence, Dinesh Jajodia as a director of Yvette Investments Limited and Yvette Invest & Trade Corp had diverted FCCB funds, siphoned off the FCCB funds, and was instrumental in aiding and abetting Geodesic Limited in FCCB frauds.*

**Role of Dinesh Jajodia in India**

*In India, Dinesh Jajodia is only a tax consultant for M/s Geodesic Limited, but he had received approximately **Rs 29 crores** from the Geodesic Limited through bogus companies into his Savi group companies, without any commercial transactions or any payments of the nature of normal course of business. These amounts are out of the information available as on the date of this report. In his rejoinder, he had stated he received only professional fees from the company, and had not disclosed the monies received through the bogus entities.*

*Geodesic Limited, as reported in the Forensic Audit Report, falsely misstated its revenues, booked bogus software purchases and software development expenses and paid to bogus entities. Further investigations in the records revealed that these expenses were booked in bogus companies' names and the Geodesic Limited funds were routed through these accounts via several round*

tripping transactions. The diverted funds were used in acquiring several properties, shares, investing in private company shares at premium value, LC devolvement's, paying to certain individuals etc.

As per the details submitted by Dinesh Jajodia to Enforcement Directorate, Mumbai the entries provided by him in Geodesic Limited and other companies are further substantiates the facts that he had actively participated in aiding and abetting in the money laundering in Indian companies and in overseas companies. Subsequently his companies and his accounts were scrutinised and observed that he, his family members and his Savi group companies had received huge funds directly from Indian bank accounts of Geodesic Limited and from the bogus entities through whom Geodesic had transacted.

*Dinesh Jajodia, his family members and their group companies are also beneficiaries of these funds and they had acquired certain properties out of these funds.*

*In the absence of the genuine purchases, expenses and sales revenues the funds received from overseas bank accounts in Indian accounts in foreign currency are considered as diverted funds were routed to Indian bank accounts. These funds on receipt in the Indian bank accounts were immediately transferred to bogus entities and from there they were transferred through several layers to acquire the assets in form of properties and shares in Dinesh Jajodia, his family and his companies' names. These transactions prove beyond doubt the role of Dinesh Jajodia in diverting Geodesic Funds, including FCCB funds, in overseas companies and in Indian companies. He has aided and abetted in the fraud and diverting & subsequently siphoning off the Geodesic FCCB funds and creating assets in India out of the crime proceeds."*

5. With respect to the involvement of Noticee Nos. 2 and 3 in aiding and abetting the manipulation of the books of accounts of the Company, the statements recorded during the investigation conducted by SEBI of both the said Noticees and the statements recorded by ED in the proceedings initiated by the said agency into siphoning off of the funds and manipulation of the books of accounts of the Company were examined. The major observations are detailed as under:

5.1 Statement of Noticee No. 2 (Mangiram Sharma) recorded by SEBI, wherein he *inter alia* has stated that:

- (i) He was a Director of few of the bogus companies namely Divya Infotech Ltd., IDOR systems and Key Integrated Pvt. Ltd. during the period 2008-13.

- (ii) He was introduced to Mr. Prashant Mulekar (one of the Directors of Geodesic) by Mr. Jajodia with an offer to earn by issuing fake, bogus, false and fabricated bills to Geodesic.
- (iii) He had executed and carried out the issuance of fake and bogus bills to Geodesic on the instruction of the Mr. Jajodia.
- (iv) One of his relatives, Mr. Manoj Sharma, who was working as an accountant with him was handling accounts of 6 bogus companies viz. HPL Multitrade Ltd, Anikesh Trading Pvt. Ltd., Divya Infotech Pvt. Ltd., Algorithmic Software Systems Pvt. Ltd., Idor Systems and Solutions Pvt Ltd, Netformx Information Technology Ltd (hereinafter referred to as **“6 bogus companies”**). All the aforesaid companies were incorporated/formed in the year 2007-08 by him on the instructions of the Mr. Jajodia.
- (v) Geodesic used to transfer funds in the accounts of the aforesaid 6 bogus companies against which fake bills were issued by these 6 bogus companies. After receipt of the amount, cheques were issued to various parties at the instructions of the Mr. Jajodia. The cheques were issued by Mr. Manoj Sharma, who was taking care of accounts of all 6 bogus companies and for issuing fake bills, commission was received from Geodesic into the accounts of the 6 bogus companies. The amount of transaction was in the range of Rs 300-350 crores for which approx. Rs 50 Lakh commission were received.

**5.2** Similarly, the statement of Noticee No. 3 (Manoj Sharma) recorded by SEBI, *inter alia*, revealed that:

- (i) He was a Director in bogus companies (viz. HPL Multitrade Pvt. Ltd, Netformx Information Technology Pvt. Ltd., TFC Engineering Pvt. Ltd.), these companies were not carrying out any actual business, but incorporated by Mr. Mangiram on the instructions of Mr. Jajodia for the sole purpose of supplying fake bills to Geodesic and some other companies.
- (ii) The instructions to carry out transactions with Geodesic during 2008-13 were given by Mr. Mangiram and Mr. Jajodia and he was issuing and supplying fake bills to Geodesic at the instruction and under supervision of Mr. Mangiram. Bills so generated and issued to Geodesic had no actual sale or purchase of goods /software associated with them.

- (iii) The funds received in the accounts of aforesaid bogus companies from Geodesic were transferred to various entities on a regular lumpsum basis on the instructions of Mr. Jajodia and Mr. Mangiram.

### 5.3 Information received from ED:

- (a) Statement of Noticee No. 1 was recorded by ED during the proceedings before the said agency. Perusal of the statement so made by the said Noticee revealed the following:
- (i) *Geodesic being a listed company in order to maintain market price of the share of the company, the directors of Geodesic wanted to reflect the steady and higher turnover in the books of accounts in each quarter. Therefore after projecting the false higher turnover in the books of accounts and in order to avoid to pay higher taxes, Geodesic reflected the false purchases in their books of accounts by entering into the transactions of the above named companies of Mangiram Sharma.*
- (ii) *In the year 2004-05, Mr. Prashant Mulekar, (Director of Geodesic) ("**Prashant**") had asked him to introduce a person for the purpose of providing only bills to him on account of purchase of software without physical delivery of the material.*
- (iii) *He introduced Mr. Mangiram to Mr. Prashant Mulekar to provide fake bills in the names of aforesaid 6 bogus companies, after deducting his commission. An amount of Rs. 584 Crore, which was transferred from the Bank accounts of Geodesic to these companies for purportedly supplying fake and false bills against software to Geodesic were mere paper transactions. The details of the amount transferred from the accounts of Geodesic to the companies whose bills were provided by Mangiram to Mr. Prashant were as under:*

S. No.	Name of the company	Amount (in Crore)
1.	HPL Mutlitrade Ltd.	94.40
2.	Anikesh Trading Pvt. Ltd.	79.47
3.	Divya Infotech Pvt. Ltd.	130.48
4.	Algorithmic Software Systems Pvt. Ltd.	131.85
5.	Idor Systems and Solutions Pvt. Ltd.	52.13
6.	Netformx Information Technology Ltd.	96.21
	<b>Total</b>	<b>584.54</b>



- (iv) *As per the understanding, Mr. Mangiram were required to give him commission of 0.1% to 0.2% of the value of the bill for introducing him to Mr. Prashant Mulekar and accordingly, Mr. Jajodia received commission of Rs 1.17 crore from Mr. Mangiram for the issuing fake, false and fabricated bills against the aforesaid transactions.*
- (v) *There appears to be some discrepancy in the percentage/amount of commission earned by Mangiram Sharma (as stated in his statement recorded before SEBI) and the commission paid to Dinesh Jajodia (as stated in his statement recorded before ED).*
- (vi) *Additionally, Dinesh Jajodia was a Director of JDS Ventures (I) Ltd, J&J Network Consultancy Ltd, Savi Commodity & Capital Services Limited, Savi Portfolio Services Ltd, & Savi Stock Arbitrage Limited and also that he was the authorized signatory in Savi Commodity, Savi Portfolio and Savi Arbitrage Ltd.*
- (b) Further, statement of Noticee No. 2 (Mangiram Sharma) was also recorded in the proceedings before ED and it was noted that Noticee No. 1 (Dinesh Jajodia) with the help of Noticee Nos. 2 and 3 had got several companies incorporated for the sole purpose of generating bogus bills to provide companies, including Geodesic, to make entries in their books of accounts without the actual sale and purchase of items for which the alleged bills were generated and raised. It also reveals that they all were acting in coordination and provided several bills to Geodesic. All the banking transactions between the 6 bogus companies and Geodesic group companies were mere book entries. Geodesic group companies used to transfer funds to the accounts of the above companies against the bogus purchase of goods/software for the above-mentioned 6 bogus companies for which no goods/software was ever delivered to Geodesic group companies. Some of the aforesaid companies had taken loan from the Bank against FDs of Geodesic group companies on the instruction of Mr. Prashant. After receipt of funds from the Geodesic group companies in the account of the above said companies against the book entries, Mr. Prashant used to give directions to Noticee No. 2 to further transfer the funds to the account of the companies as introduced by him on account of bogus purchase of the software viz. Advance Technologies Ltd., Empower Industries Ltd., Business Equations Pvt. Ltd., Techzone Systems Pvt. Ltd. etc. In the process, Noticee No. 3 was

acting under the instructions and supervision of Noticee No. 1 and 2 and agreed to become Directors in several of such companies, which got incorporated for the purpose of raising such fake bills. Noticee No. 3 was to look after all the financial record/ledger etc., of the amount transferred from Geodesic into the accounts of the said 6 bogus companies and that his job was to provide the cheques of the companies as and when called for by Noticee Nos. 1 and 2.

- (c) Also, as per the statement given to ED by Noticee No. 2, Noticee No. 1 had informed him that if he could provide names of persons who will become the director of more such companies, he will get extra money in addition to the amount received from the accounts of the above named companies wherein he was the Director. Expecting more income, after obtaining consent from persons whom he knew, he provided the names of Manoj Sharma, Rajendra Chichani, Virendra Agarwal, Madan Dahanukar, Deepak Sharma, Dineshkumar Jajodia.
- (d) On the basis of the names and the documents of respective persons like PAN, Address proof etc., those persons with the assistance provided by Noticee No. 1, became the director of the following Companies:

<b>S. No.</b>	<b>Name of the Company</b>	<b>Name of the Directors</b>
1	Netformx Information Technology Pvt Ltd	Virendra Agarwal Manoj Sharma
2	Anikesh Trading Private Limited	Madan Dahanukar Deepak Sharma
3	Algorithmic Software Systems Private Limited	Rajendra Chichani Virendra Agarwal
4	HPL Multitrade Private Limited	Dineshkumar Jajodia Manoj Sharma

6. Thus, it was observed that the companies mentioned above had gotten incorporated only for the purpose of showing book entries and against such accommodation entries, funds were transferred from the said bogus companies into the accounts of the following companies / persons as noted from the worksheet submitted by Noticee No. 2 during investigation:

<b>Sr. No.</b>	<b>Name of the company/person</b>	<b>Total amount transferred from the said cos. (In Crore)</b>
1.	Unbound Venture.com India Pvt Ltd(UVIPL)	17.95
2.	Prashant Mulekar	1.95
3.	Guruprasad Developers	0.29
4.	<b>Savi Commodity &amp; Capital Services Pvt Ltd</b>	<b>9.90</b>
5.	Sai Global Ventures India Pvt Ltd	0.50
6.	<b>Savi Portfolio Mgmt Services Pvt Ltd</b>	<b>32.65</b>
7.	<b>Savi Stock Arbitrage Limited</b>	<b>8.50</b>
8.	<b>Arpeeta Infotech Pvt Ltd</b>	<b>1.80</b>
9.	<b>J&amp;J Network Consultancy Pvt Ltd</b>	<b>4.71</b>
<b>Total</b>		<b>78.25</b>

7. As per the data provided by the Forensic Auditor, as extracted from Registrar of Companies (RoC), it was observed that:

7.1 Dinesh Jajodia was a director in J & J Network Consultancy Ltd since April 2004, JDS Ventures since Nov 2015 and Savi Global Ventures India Limited since June 2019. Savita Jajodia was a director in Savi Portfolio Management Services Ltd since July 2005, Savi Commodity and Capital Services Ltd since Jan 2005 and Savi Stock Arbitrage Limited since June 2009.

7.2 Dinesh Jajodia, Savita Jajodia and their family members along with other Group Companies were holding majority shares in J & J Network Consultancy Ltd, Savi Commodity and Capital Services Limited, Savi Portfolio Management Services Limited, Savi Stock Arbitrage Limited and Arpeeta Infotech Limited.

8. Based on the investigation and the FAR along with the examination of the statements of Noticee Nos. 2 & 3 recorded during the SEBI investigation, various fund transactions were observed between Geodesic group companies, bogus companies and Dinesh Jajodia companies, and in view of the *inter-se* shareholding of various companies it was alleged that the Noticees were instrumental in creating bogus companies, generating fake bills for companies including GL, thereby aiding and abetting the Company and its Promoter-Directors, by acting in concert / connivance with them, in manipulating the books of accounts which led to misleading the investors by not providing a true and fair

view of the Company's quarterly and yearly financials. Thus, it was alleged that the above acts of generating fake bills by incorporating companies knowingly to facilitate companies, including Geodesic, in manipulating their books of accounts and further, assisting the company and its promoter/director in diverting the hard earned money of the shareholders/ bondholders to become beneficiaries were in violation of the provisions of Section 12A (a)(b)(c) of SEBI Act, 1992, Regulations 3 (b), (c), (d), 4(1) & 4(2)(f), (k) & (r) of PFUTP Regulations, 2003.

#### **SHOW CAUSE NOTICE, HEARING, CROSS-EXAMINATION AND REPLIES:**

9. A Show Cause Notice dated February 11, 2021 ("**SCN**") was issued to the Noticees calling upon them to show cause as to why appropriate directions be not issued against them under Sections 11(1), 11(4) and 11B (1) of the SEBI Act, 1992 and further, why inquiry should not be held against them in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("**Rules**") and penalty be not imposed under Sections 11 (4A) and 11B (2) read with Section 15HA of SEBI Act, 1992 for the alleged violations of the aforementioned provisions of securities laws. I note from the records available before me that the said SCN was duly delivered to the Noticees.
10. Vide letter dated March 02, 2021, the Noticee No. 2, while acknowledging the receipt of the SCN, requested for inspection of documents. Further, vide letter dated March 09, 2021, the Noticee No. 1 also confirmed receipt of SCN and sought 30-45 days' time to file his reply in the matter, considering the voluminous documents. Thereafter, vide letter dated March 25, 2021, Noticee No. 1 while denying the charges levelled against him in the SCN, requested for certain documents / information enlisted therein to enable filing of detailed reply in the matter. In view of the same, an opportunity to inspect the relevant documents was granted to the said Noticees (i.e. Dinesh Jajodia and Mangiram Sharma) on April 21, 2021. However, due to the prevalent COVID situation, the same could not be availed of by the Noticees. I note from the records available before me that vide letter dated April 27, 2021, Noticee No. 1 was informed by SEBI that all the relevant documents considered as evidence have been already provided as annexures to the SCN. Further, considering the COVID situation, it was informed to the said Noticee that a date and time for inspection of documents would be informed to him once normalcy resumes. In the meantime, vide letter dated April 11, 2021, it was submitted by Noticee No. 1 that he would be applying for settlement of the proceedings under the SEBI

(Settlement Proceedings) Regulations, 2018 (Settlement Regulations). Further, vide letter dated April 12, 2021, the said Noticee submitted the settlement application alongwith the applicable fees to settle the proceedings initiated against him vide SCN dated February 11, 2021.

11. However, even during the pendency of the settlement application with SEBI, in terms of Regulation 8(1) of the Settlement Regulations, the proceedings initiated against the Noticee No. 1 were continued (except passing of the final order) and an opportunity to inspect the documents, as requested, was provided and availed of by Noticee Nos. 1 and 2 on July 14, 2021. Thereafter, all the Noticees were advised to file their replies in the matter. However, vide email dated October 18, 2021, Noticee No. 1 again requested for documents in the matter. Noticee No. 3, vide email dated October 20, 2021, while replying to the SCN, stated that he was just an employee working for Noticee Nos. 1 and 2 and had only followed their instructions. He reiterated his statement before the Investigating Authority, SEBI during the investigation period that he has not done anything on his own.
12. With respect to the settlement application filed by Noticee No. 1, I note from the available records that after examining the facts of the case, the Panel of Whole Time Members, SEBI, while accepting the recommendation (*dated January 13, 2022*) of the High Powered Advisory Committee (*in its meeting held on December 29, 2021*) rejected the settlement application filed by him considering the seriousness of the fraud which has been perpetrated by the said Noticee in the matter. The same was communicated to Noticee No. 1 by the concerned department of SEBI vide email dated February 01, 2022.
13. Thereafter, vide letter dated February 25, 2022, Noticee No. 1 again requested for certain documents / information, enlisted by him in the said letter, so as to enable him file an appropriate reply to the SCN. Vide letters dated May 25, 2022 and June 03, 2022, opportunities to inspect the documents were granted to the Noticee and the same was availed by him on June 08, 2022. Pursuant to the inspection, vide letter dated July 06, 2022, Noticee No. 1 filed a detailed reply to the SCN and the submissions made by him in the said reply are summarized below:

Preliminary submissions:

- (a) The Noticee is a Chartered Account since the year 1997 mainly practicing in Income Tax consultancy, representation, statutory audits and related activities. The Noticee has been rendering his services to Geodesic as a Tax Consultant since the year 2001. Professional assignments carried out by the Noticee for Geodesic include representation before the income tax authorities for financial years 2001 to 2010.
- (b) The Noticee has stated that he has billed the Company for all the services rendered by him and the same is also a matter of record. The statement of billings done and the copy of the invoices were also filed by him before the Hon'ble High Court of Bombay on May 08, 2015 during the on-going winding up proceedings of Geodesic before the said Court.
- (c) Geodesic dealt in the business of manufacturing of hardware and software and in connection with the said business, it raised 152 million USD Dollars by way of unsecured FCCBs with an intention to invest the same in foreign subsidiaries of the said Company and also towards the acquisition of new companies overseas for which London Citi Bank acted as trustee. The said FCCBs were listed on the Singapore Stock Exchange and the Bombay Stock Exchange of which, the maturity value was 165 million US Dollars.
- (d) In line with the agenda of raising 125 million US Dollars by way of FCCBs or so the Noticee believed the Company incorporated a few companies namely, Yvette Investment Limited, Yvette Investment and Trade Corp Ltd, Zomo Technologies Ltd, Sharplong Consultants Ltd, Lasdun Ventures Ltd, Emiloto Associates Inc. The Noticee agreed to become either the Director or the shareholder of some / all of these companies, in the very beginning.
- (e) However, the Noticee has stated that although he had agreed to become namesake director, on paper, he was never given any control whatsoever of these or any of the companies that Geodesic in the future, either incorporated or undertook transactions with.
- (f) The Noticee submits that soon after becoming aware of the fact that some of these companies were further turned into subsidiaries of Geodesic, he was removed from the directorship or any other position that he had held in these companies and thus, was not kept in the loop or made to be aware as to the affairs, internal or external, of these companies.

- (g) Therefore, it is the case of the Noticee that the transactions undertaken by Geodesic have been done out of its own accord and the Noticee has neither been privy nor a party to these transactions. It can be seen from the various emails exchanged, already forming part of the records, between the directors and other officials of Geodesic that the Noticee's consent was never taken while initiating, undertaking or concluding the alleged financial transactions, alleged to be manipulative and fraudulent.
- (h) In fact, several email addresses were created, corresponding to the names of the companies involved and one such email address using the name of the Noticee was created too by the directors and officials of Geodesic for usage towards passing instructions pertaining to fund transfers. The Noticee was never and is not in possession of this email address and was never the one using or running it.
- (i) After Geodesic defaulted in redeeming its bondholders, Citi Bank, London initiated proceedings for winding up of Geodesic before the Bombay HC, vide Company Petition No. 417/2013. The Noticee's association with Geodesic, as a Tax Consultant, became the reason why he was roped in, in these proceedings that eventually came before the Bombay HC without any material fault of his own. It was after the said proceedings were initiated that it came to his knowledge that several fraudulent transactions had been undertaken by Geodesic while it had failed to redeem the bondholders.
- (j) Consequently, as per the directions given by the Bombay HC on August 31, 2015 and December 22, 2015, a preliminary inquiry was conducted and soon the Noticee also got embroiled in further criminal proceedings before the Economic Offences Wing (EOW) and Enforcement Directorate (ED), becoming an undeserving victim to the crimes that were instead committed by Geodesic and its directors. These proceedings, as mentioned, have not reached their conclusion as on date and are yet pending their determination.
- (k) With respect to the opportunity to inspect the documents granted to the Noticee, the Noticee has submitted that majority of the documents which are crucial to the case have not been provided; list of the same has been provided by him.
- (l) The Noticee has further submitted that he is in the process of filing a Civil Application for retraction of statement, pertaining to the statements given by him before Justice S.J. Kathawalla, Bombay HC, in relation to the Company Petition No. 514 of 2013 on

May 07, 2015. It is submitted that the said application of retraction from the statement is intended to be filed owing to the fact that the Noticee had given his statements without any legal assistance and under duress, while feeling intimidated, confused and unprepared for the situation and circumstances he was put in, while his statements were being recorded.

- (m) Further, with respect to the SCN, the Noticee submits that the said SCN is neither sustainable nor maintainable as it has been issued without any independent investigation conducted at the behest of SEBI. The SCN relies majorly upon documents / material forming part of the evidence which stems out of the criminal proceedings against the Noticee and are still pending determination and therefore, cannot be considered as evidence in the present proceedings. Therefore, it is the case of the Noticee that the documents relied upon in the SCN cannot be treated as sacrosanct because the same are yet to be tested by the Courts of law and thus, cannot be judiciously relied upon by SEBI so as to determine the guilt of the Noticee.
- (n) Also, it is the case of the Noticee that the said SCN suffers from latches and unexplained lacunae because there has been a long and unexplained delay in initiation of the proceedings against the Noticee, which in itself is unjust and unwarranted. The alleged cause of action arose in the year 2008 and the SCN has been issued to the Noticee in the year 2021 i.e. after an extremely long gap of 13 years. In support of his submission, the Noticee has placed reliance in the matter of *Libord Finance Ltd (now known as Libord Infotech Ltd.) Vs. SEBI (2008 86 SCL72 SAT)* and *Ashok Shivrul Rupani & anr Vs. SEBI (Appeal Nos. 471 of 2018 and 440 of 2018 dated August 22, 2019)*.
- (o) The Noticee has relied upon the legal principle of “*presumption of innocence*” and states that since the evidence adduced in the criminal proceedings still remain untested and indefinite, SEBI must presume that the Noticee is innocent until he is actually proven guilty. The Noticee has relied upon the order passed by the Hon’ble Supreme Court in the case of *Noor Aga Vs. State of Punjab & Anr decided on July 09, 2008* and *State of Odisha Vs. Banabihari Mohapatra and Anr, SLP (Crl) No. 1156/2021 dated February 12, 2021* in support of his submission.

Submissions on merits:

- (p) The Noticee No.1 submits that the acts and omissions of Geodesic are its own alone and the Noticee cannot be obligated to provide answers for the same. The Noticee



can neither be held accountable nor be expected to answer for such acts of the Company.

- (q) With respect to the letter received from Juris Corp along with certain documents, it is clarified by the Noticee that the proceedings before the EOW, ED and Bombay HC are pending. It is the case of the Noticee that as he has not been proved guilty in any of the other proceedings, no adverse inference can be drawn against him based on the said proceedings.
- (r) With respect to the trail of fund flow, the Noticee submits that he has no connection or link with the said fund transfers between the companies mentioned in the SCN.
- (s) The Noticee had just helped the directors of the Company to incorporate certain companies such as Zomo Technologies Ltd, Eland Crown International Limited, Lasdun Ventures, S.A., Yvette Investment Ltd, Yvette Invest & Trade Corp and Sharp Long Consultants owing to his professional association with Geodesic and in good faith. The Noticee's role was only limited to incorporation of these companies. He was made director of some companies however, he neither operated them nor was he responsible for any of the fund transfers that may or may not have taken place from / to these companies to / from Geodesic.
- (t) The Noticee further submits that he was not even operating the bank accounts of these companies, as alleged and in no possible way he was the beneficial owner of the companies.
- (u) With respect to the observation regarding Savi Commodity and Capital Services Ltd, Savi Portfolio Management Services Ltd, Savi Stock Arbitrage Ltd, J & J Network Consultancy Ltd and JDS Ventures India Limited, it is submitted by the Noticee that these companies belong to the Noticee and is also a matter of fact on records.
- (v) The forensic report mentions that it was at the Noticee's behest, instructions and attestation that the alleged fund transactions took place. Further, it also mentions that the several documents / letters containing instructions and approvals with respect to the alleged fund transfers appear to contain Noticee's signatures. The Noticee denies giving any such instructions towards any fund transactions. Further, the Noticee submits that his signature was either forged or cut and pasted by the directors and promoters of Geodesic, who are actually behind the alleged fund transfers. The Noticee appointed two forensic examiners to forensically examine his signatures as could be found on certain documents, which the Noticee believes to

not belong to him. The Noticee has even obtained expert opinions to this effect. It has been certified by two forensic experts that the signatures upon the questioned documents were different than the one which was admitted to actually belong to the Noticee.

- (w) The Noticee further submits that he did not have role whatsoever to play in the overseas countries as he never gave any directions to initiate any fund transfers. The Noticee believes that he has been only used as a scapegoat to disguise the fraud actually perpetrated at the behest of the directors and the promoters of Geodesic.
- (x) The Noticee was never made aware that his signature was being used to undertake sham fund transfers, with respect to the companies, where he agreed to be the director just on paper, in good faith and owing to his professional and long standing relationship with Geodesic and Company's management without taking any actual control of these companies.
- (y) It is stated that Mr. Mangiram Sharma controlled the companies viz. Divya Infotech P. Ltd and IDOR Systems & Solutions P. Ltd while HPL Multitrade Ltd and Netformx Information Technology Ltd was being controlled by Manoj Sharma. The same can be substantiated from their statements before SEBI. As the said alleged bogus companies were controlled by Noticee Nos. 2 and 3, they are the best persons to provide answers to the transactions that may or may not have taken place in and amongst these companies with Geodesic or its subsidiaries or any of its connected entities.
- (z) With respect to the bank statements of Geodesic annexed to the FAR for the period starting from February 2009 to March 2014, it is asseverated that the same is not relevant to the case of the Noticee as the directors and the promoters of Geodesic were the people to be held accountable and answerable for the transactions of the Company.
- (aa) With respect to the bank account statements of the Savi Group of companies wherein it has been alleged that the funds have been credited to the said companies from Geodesic through bogus companies, it is clarified by the Noticee that the companies belonging to Mangiram Sharma and Manoj Sharma i.e. the alleged bogus companies had made investments in Savi Group of Companies out of their

own business capital. These investments were independent and isolated and the funds were not routed to these alleged bogus companies through Geodesic.

- (bb) The Noticee further submits that the clarifications given by the forensic auditor vide letter dated May 30, 2019 to the queries of SEBI are ambiguous, cryptic, odd and unreliable. No man of common sense would say that they even had conducted any forensic audit. The clarification is too terse to be called a clarification and on top of that fails to provide credible satisfactory answers to the questions posed by SEBI.
- (cc) It is the case of the Noticee that had an independent forensic audit been conducted, the FAR would not have simply replied upon the documents which the Forensic Auditors themselves had not seen and were incapable of providing or appending a clarification thereto. Therefore, the FAR cannot be relied upon as it cannot be said with certainty that any forensic audit whatsoever was conducted to determine the role of the Noticee in the alleged fraud. The Noticee has expressed his doubt as to the Forensic Audit being conducted properly. The Forensic Auditor has simply taken recourse to every document / information that was available in public records, borne out of other proceedings, irrespective of the fact that the same have not reached any finality.
- (dd) With respect to the affidavit dated July 13, 2017 filed by the Noticee before the Hon'ble High Court of Bombay, the Noticee admits that he has acted as a Tax Consultant to Geodesic. Further, the Noticee states that while winding up proceedings were initiated against the Company by London Citi Bank before the Bombay HC, which acted as the trustee at the time Geodesic was raising funds by way of unsecured FCCBs, the Noticee too was summoned before the Court. Although the Noticee deposed before the High Court on May 07, 2015 and May 08, 2015, the same, as has been stated before, was under duress.
- (ee) The Noticee has requested Mr. Girish Borkar, the head of accounts of Geodesic and Ms. Deepali Gokale, another executive from Geodesic to be thoroughly investigated and interrogated as it was them who were carrying out all the decisions that were being taken by the management of Geodesic.
- (ff) A letter dated September 04, 2007 was addressed to the Noticee by Mr. Prashant Mulekar, the director of Geodesic stating that the Noticee would be required to be represented either as beneficial owner of the shares or as a director in companies that Geodesic may be incorporating / acquiring in the future. The Noticee was also

asked to provide his passport, which he was told was required for the incorporation of the companies and for opening and operations of the bank accounts.

- (gg) This letter, however, categorically clarified and confirmed that despite the Noticee's name being mentioned as beneficial owner/ shareholders/ director, the said companies would at all times belong to and will be owned by Geodesic Information Systems Ltd , which later became Geodesic.
- (hh) The Noticee submits that an email dated October 06, 2008 was written by Mr. Girish to Ms. Deepali, Subha Ashok and Mr. Prashant stating that a sum of USD 1 million has been transferred to Sharp Long and the said amount would need to be forwarded to Yvette immediately, upon receipt, the next day. These emails clearly show the exclusive involvement of the employees of Geodesic in the transactions and operations in Yvette Investments and Sharp Long, the companies alleged to belong to and controlled by the Noticee. However, the Noticee was not even marked a copy of such emails.
- (ii) Similarly, on November 03, 2008, emails were exchanged between Mr. Girish, Ms. Deepali and the bankers of Geodesic. Eland Crown has been alleged to be an entity owned and controlled by the Noticee, however, emails can be seen to be addressed to the CA, Mr. Girish seeking certificate of incorporation of the said entity. Further, Mr. Girish Borker is directing Ms. Deepali as reagrds the fund transfer wherein in order to effectuate the transfer, a specimen signature letter should be forwarded to the banker to carry out the same. The Noticee was not involved in the said email trail.
- (jj) Further, there is also an email by Anju G Rampersand sent to Ms. Deepali and Mr. Girish seeking documents of the BVI Company viz. Eland Crown. In the said email she has also mentioned about a weekly roll over deposit of US dollars 3,00,000 to be retained by the said entity and US dollars 2,00,000 to be returned to Geodesic's account. It is the case of the Noticee that the said entities were being controlled by the employees of Geodesic and not the Noticee as alleged.
- (kk) On March 26, 2009, Mr. Prashant addressed an email to Mr. Girish wherein the subject of the said email reads as "action points" and the email contains instructions to remit 14.25 million from Eland Crown to Sharp Long at the end of the day. Thus, the Noticee submits that there are several such emails that were exchanged between several employees of Geodesic depicting fund transactions that took place

amongst the alleged bogus companies demonstrating involvement of Mr. Prashant, Ms. Deepali and Mr. Girish in setting up the bank accounts belonging to the alleged bogus companies, passing directions with respect to the fund transfers amongst them and executing the said fund transfers in their entirety.

- (ll) With respect to the statements recorded of Noticee Nos. 2 and 3, Noticee No. 1 admitted the statement given by Noticee No. 2 that the said Noticee was introduced by Noticee No. 1 to Mr. Prashant Mulekar. However, the Noticee states that he was unaware of the business transactions that Geodesic entered with the alleged companies in which Noticee No. 2 was the director.
- (mm) The Noticee No. 1 clarifies that he had not made any offer to Noticee No. 2 to earn money by issuing fake, bogus and fabricated bills to Geodesic. The Noticee further denies that he gave any instructions whatsoever to Noticee No. 2 for issuance of fake bills to Geodesic and / or issuing cheques to various parties.
- (nn) Thus, the statement of Noticee No. 2 cannot be relied upon as the same is unsubstantiated and without any basis and without any supporting documents.
- (oo) With respect to the statement recorded of Noticee No. 3, Noticee No. 1 states that Manoj Sharma is related to Mangiram Sharma and that he joined Mangiram Sharma to learn accounts. The same is even admitted by Noticee No. 3 in his statement recorded before SEBI. Noticee No. 3 started working as an accountant under Mangiram Sharma. In fact, Manoj Sharma has also admitted that Mangiram Sharma would ask him to supply fake bills to Geodesic.
- (pp) The Noticee denies having instructed Manoj Sharma and Mangiram Sharma for any transactions pertaining to Geodesic. Whatever happened between Geodesic and the companies in which Manoj Sharma and Mangiram Sharma held directorship is between the said Noticees and Mr. Prashant Mulekar. Further, the Noticee No. 1 states that there is nothing on record to show that he had given any instruction to the other two Noticees to carry out any transactions pertaining to Geodesic.
- (qq) With respect to the bank statements submitted by Mangiram Sharma, Noticee No. 1 states that the companies belonging to the co-noticees have only had transactions with Savi Group of Companies in the nature of investments. As stated the said investments were made out of their own income. If Noticee No. 1 had the actual profile of the other Noticees, he states that he would have never accepted investments from these companies in the Savi Group of Companies.

- (rr) The statements made by Mangiram Sharma before the ED are similar in nature and lack veracity to the extent where Mangiram Sharma has tried to shift the onus of accountability on the Noticee's shoulders as regards the alleged fake bills and cheques. In the statement given by Mangiram, he himself has stated that the companies wherein he held directorship, he had inducted further people as directors in the same company out of his own accord. Thus, the co-noticees had the autonomy to make key decisions.
- (ss) It is the case of the Noticee that the co-noticees possess a common intention of inculcating the Noticee No. 1, being the easiest target, so that they could get off the radar for their scheming and devious activities undertaken in complexity with the directors and officials of Geodesic for the reasons known to them.
- (tt) By referring to Page 18 of the SCN, the Noticee states that there appears to be some variance in the statements given by Mangiram Sharma as recorded by ED and before SEBI. Thus, the person for whose statement a discrepancy has been recorded cannot be taken to be one with credibility and therefore, the statement is acutely contestable. The Noticee has placed reliance on Allahabad High Court Order in the case of *Ayodhya Prasad Bhargava Vs. Bhawani Shanker Bhargava and Anr decided on May 08, 1956*.
- (uu) The Noticee No. 1 in his reply had, therefore, requested for cross examination of both the co-noticees and placed reliance on the order of Hon'ble SAT in the case of *Price Waterhouse Vs. SEBI dated August 01, 2011 in Appeal No. 08 of 2011* and the judgment passed by the Hon'ble Supreme Court in the case of *SEBI Vs. Price Waterhouse dated January 10, 2017 in Civil Appeal No. 6003-6004 of 2012*.
- (vv) It is stated that the general criminal law permits the admission of statements for the purpose of evidence only when the same have been tested in the court of law by way of examination-in-chief and cross-examination. In this regard too, the statements of Noticee No. 2 before ED remain untested by the Noticee and therefore, has little value in the eyes of law.
- (ww) It is further stated by the Noticee that the charges of money laundering are levelled against the said Noticee by the ED and the same are not ordinary charges. Therefore, ED, being investigating authority is clothed with extraordinary powers which includes power to record extra-judicial confessions. Although these extra-judicial confessions by the Noticee and Mangiram Sharma as recorded under

Section 50 of PMLA, are admissible as evidence, it is the case of the Noticee that he cannot be convicted solely on the basis of such statements as per the settled law.

(xx) Because of highly complex nature of money laundering, it is important that the investigative agency tap into the nexus of the illegitimate money in question so as to find out the real culprit. Attention is also drawn on the definition of the term “evidence” as given under Section 3 of the Evidence Act, 1872 which means and includes “all statements which the court permits or requires to be made before it by witnesses, in relation to matters of fact under inquiry; such statements are called oral evidence....” Reliance is placed on the judgment of the Hon’ble Delhi High Court in the case of *Ripen Kumar Vs. Department of Customs decided on October 12, 2000* wherein credibility of the statements recorded during an inquiry has been discussed.

Remitting facts vis-à-vis the criminal proceedings:

(yy) On April 16, 2018, the court of Additional Chief Metropolitan Magistrate, Mumbai (ACMM) passed an order granting bail to the Noticee subsequent to him being behind the bars for almost 2 years after the arrest on January 18, 2016 in relation to the proceedings initiated against him by EOW. The said bail was granted in the face of several arbitrary interventions that the Noticee faced by the ED and Citi Bank London alike. The observations of the Ld. ACMM while passing the bail order at para 17, page 25 have been stressed upon wherein the Ld. ACMM inter alia reasoned that the emails exchanged between Mr. Girish, Ms. Deepali and Mr. Prashant Mulekar amply demonstrate that the accounts of the alleged bogus companies, attributed to the Noticee, were being handled by Mr. Prashant Mulekar and the Staff of Geodesic.

(zz) Further, the Ld. ACMM noted key instances where the Noticee had cooperated with the investigation procedure, in order to enable the investigating authorities to unearth the complete truth of the matter. It was observed by the Ld. ACMM that the investigating officer had not taken adequate efforts to investigate the case. A similar view was also taken by the City Civil Court at Mumbai while deciding the application filed by EOW praying cancellation of the bail granted to the Noticee. The Additional Sessions Judge, vide order dated August 13, 2019 while refusing to cancel the bail, highlighted all the key aspects as were observed by the Ld. ACMM and further

affirmed that these observations could in no way be said to be perverse or without application of mind.

(aaa) Subsequently, EOW had sought cancellation of bail of the Noticee before the Hon'ble High Court of Bombay which had been again refused by the said court vide its order dated December 23, 2021.

(bbb) Exonerating factors:

(ccc) The Noticee states that SEBI has not initiated any proceedings against him for violation of any laws related to the securities market apart from the present proceeding.

(ddd) No investor has filed any complaint against the Noticee, neither before SEBI nor before the stock exchanges. The Noticee has been unwarrantedly roped in because of reliance placed by SEBI on shoddy and incomplete investigation conducted as part of other proceedings.

(eee) Immense prejudice would be caused to the Noticee. Multiple proceedings are detrimental to the professional interests of the Noticee and the same has been causing mental harassment, agony and trauma to both, the Noticee and his family.

(fff) The Noticee stresses on reliance on the observations drawn by the courts of law with respect to the incomplete investigation conducted by the ED and the EOW.

(ggg) The Noticee has neither sold or purchased or otherwise dealt in securities in a fraudulent manner. The Noticee has not, directly or indirectly, employed 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. No securities laws violated.

14. In order to comply with the principles of natural justice and hold an inquiry, an opportunity of personal hearing was granted to the Noticees on September 23, 2022. On the said date, Noticee No. 2 appeared in person and made oral submissions. He stated that Noticee No. 3 could not appear for the hearing due to his sickness and that Noticee No. 2 would be representing Noticee No. 3 as well for the said hearing. However, no authority letter was provided for the same. During the hearing, Noticee No. 2 stated that he and Noticee No. 3 have not received any SCN dated February 11, 2021. Accordingly, despite the same being duly delivered and inspection of documents granted to Noticee No. 2 earlier, copies of SCN along with annexures were handed over to Noticee No. 2



on the date of the hearing i.e. September 23, 2022 and 15 days' time was provided to them to file their replies, if any. Noticee No. 1 did not attend the hearing on the said date.

**15.** Thereafter, vide letter dated September 24, 2022, Noticee No. 3 filed his reply to the SCN and made the following submissions:

**(a)** Statement of Noticee No. 2 in EOW proceedings has been referred to. In the said statement, Mangiram Sharma had stated that he had met Noticee No. 1 in the year 2000 at a function and later Noticee No. 1 introduced Mangiram Sharma to Prashant Mulekar. Noticee Nos. 1, 2 and Mr. Prashant Mulekar again had met at Dwarka Hotel, Fort, Mumbai and had discussed about formation of companies through which trading of software will be done. Also, commission was discussed during the said meeting. Mr. Prashant Mulekar had told Noticee No. 2 that Noticee No. 1 will act for and on behalf of Mr. Mulekar. Noticee No. 2 just had to obey to the orders of Mr. Mulekar and Noticee No. 1. Thus, Noticee No. 2 accepted the proposal. Further, Noticee No. 2 had purchased companies from his sources and changed the name of companies as required by Noticee No. 1, details of which are as under:

- (i) Sunshine Multi Trade P. Ltd was changed to Netformx Information Technology P. Ltd
- (ii) Taurus Mercantile P. Ltd was changed to Idor Systems & Solutions P. Ltd
- (iii) Devrat Engineering P. Ltd was changed to Algorithmic Software Systems P. Ltd

**(b)** The following companies were purchased by Noticee No. 2 from his sources:

- (i) Divya Infotech P. Ltd
- (ii) Anikesh Trading P. Ltd
- (iii) HPL Multi Trade P. Ltd

**(c)** Noticee No. 3, Mr. Rajendra Prasad Chichani, Mr. Kiran Ahir, Mr. Rahul Sharma, Mr. Manish Sharma, Noticee No. 1, Mr. Raman Gupta and Mr. Virendra Agarwal were made the directors of the abovementioned 6 companies by Noticee No. 2. Further, Noticee No. 3 was paid an amount of Rs. 15000/- as salary by Noticee No. 2 *(as per the statement given to EOW)*.

**(d)** The statement of Noticee No. 2 before the ED was also referred and stated that as per the said statement given by Noticee No. 2, Noticee No. 1 had introduced Noticee No. 2 to Mr. Prashant Mulekar and later he acquired the abovementioned 6 companies.

- (e) As per Noticee No. 2's statement to Q3, Mr. Prashant Mulekar used to give him instructions to further transfer the funds to the accounts of the companies as introduced by him on account of bogus purchase of software. Noticee No. 2 would provide the cheques of the 6 shell companies to Noticee No. 1 whenever Noticee No. 1 instructed him to do so.
- (f) As per Noticee No. 2's statement to Q2, on instruction of Noticee No. 1, Noticee No. 3 was asked to keep all the financial records / ledgers of the amounts transferred to 6 shell companies from Geodesic Ltd and further provide the cheques of the 6 shell companies to Noticee No. 1 as and when called for by him. Noticee No. 1 assured Noticee No. 2 that he would periodically supervise the transaction in respect of Geodesic Ltd.
- (g) Statement of Noticee No. 2 given to SEBI during investigation has also been referred to by Noticee No. 3 wherein Noticee No. 2, for Q7 had stated that funds were received from Geodesic Ltd in 6 shell companies and further cheques were issued to various parties on the instructions of Noticee No. 1. Noticee No. 2 has further stated that Noticee No. 3 used to handle the accounts of these 6 shell companies.
- (h) Statement of Mr. Rajendra Prasad Chichani before EOW has been referred to and stated that Mr. Rajendra Prasad Chichani has stated before EOW that he became the director in Anikesh Trading P. Ltd and Algorithmic Software Systems P. Ltd on request of Noticee No. 2. He was paid an amount of Rs. 8000/- p.m. for being director in these 2 companies. Further, it has been stated that Noticee No. 2 introduced Mr. Rajendra Prasad Chichani to Noticee No. 1 in the year 2008. As per Mr. Rajendra Prasad Chichani, these companies were controlled & monitored by Noticee No. 2 and Noticee No. 1 used to look after the consultancy of these shell companies.
- (i) Further, Noticee No. 3, by referring to his own statement given to EOW/ ED and SEBI states that from the above statements of Noticee No. 2 before EOW, ED and SEBI, it is clear that 6 companies were formed by Noticee No. 2 under supervision & guidance of Noticee No. 1. All the directors were managed by Noticee No. 2. Noticee No. 3 states that he had no role in any activity of making companies, providing directors to the companies, nor was he involved in providing any bogus bills to Geodesic Ltd. As an employee working under Noticee No. 2 and 1, Noticee No. 3 only followed their instructions.

- (j) Noticee No. 3 further submits that he had joined the office of Noticee No. 2 in the year 2007. He had an office at address viz. 402, Mehzabeen Arcade, 13/A Chakala Cross Lane, Vadgadi, Mumbai. His key role was to look after the accounts of his company. Noticee No. 3 was employed and was paid an amount of Rs. 15000/- in the beginning. Noticee No. 2 along with Noticee No. 1 formed / purchased companies starting in the year 2017. Noticee No. 3 was made the director in couple of the companies by Noticee Nos. 1 and 2. He was given assurance by both the Noticees that in case of any problem, the same will be taken care of. Noticee No. 3's key role was only to handle books of accounts, updating accounts in tally on daily / weekly basis, handling bank transactions, documentation, etc. of the companies viz. Algorithmic Software Systems P. Ltd, Divya Info Tech P. Ltd, HPL Multi Trdae P. Ltd, Anikesh Trading P. Ltd, Netformx Information Technology P. Ltd and Idor Systems & Solutions P. Ltd. All instructions for documentation, banking transactions were given by Noticee Nos. 1 and 2.
- (k) Further, Noticee No. 3 was asked to print bills as per the details provided by Noticee Nos. 1 and 2. As an office staff, the Noticee No. 3 only obeyed the instructions. He did not provide any bogus bills or create any companies for the benefit of Geodesic. As per the Noticee No. 3's statement before EOW, he was working as an accountant under Noticee No. 1 and 2.
16. It is noted that after the personal hearing held on September 23, 2022, Noticee No. 2 had requested for inspection of documents, which was granted and availed by him on November 03, 2022 and the records of the same are available in the file. Further, vide letter dated September 16, 2022, Noticee No. 1 had requested for cross examination of both the co-noticees, they being witnesses in SEBI's investigation, and to thereafter fix a personal hearing in the matter. Vide another letter dated November 18, 2022, Noticee No. 1 again requested for certain material/ information/ documents, as enlisted in the said letter, so as to enable him file further reply in the matter. Accordingly, vide email dated December 02, 2022, certain documents (3 zip files via 3 separate emails due to the bulkiness of the files) were forwarded to Noticee No. 1 by SEBI. Also, point-wise reply was provided by SEBI to the Noticee with respect to the material / documents requested. Further, an opportunity to collect the data in a CD was also provided to Noticee No. 1.

17. Furthermore, as no reply was received from Noticee No. 2 to the SCN till date, time till October 08, 2022 was provided to him to file reply, if any, in the matter. However, vide letter dated October 07, 2022, Noticee No. 2 requested for certain additional documents. Accordingly, another opportunity to inspect and take copies of relevant documents was provided to Noticee No. 2 on October 19, 2022. As inspection of documents was incomplete on the said date, another opportunity to inspect the documents was granted to Noticee No. 2 which was availed by him on November 03, 2023; the record of which is available in the file.
18. With respect to the request by Noticee No. 1 to cross-examine the co-noticees, the same was acceded to and an opportunity to cross examine Noticee Nos. 2 and 3 was provided to Noticee No. 1 on October 21, 2022. Before the scheduled date of cross examination, Noticee No. 1, vide his email dated October 14, 2022, requested SEBI to provide any such documents wherein the co-noticees have been cross examined, either before me or any other authority. Vide email and letter dated October 17, 2022, it was informed by SEBI to the said Noticee that no cross-examination was granted to the co-noticees in the present proceedings and that there is nothing on record to show that they were cross-examined by any other authority. Again, vide email dated October 17, 2022, Noticee No. 1 sought clarification with respect to cross examination of the co-noticees by any other authority in the matter. Vide email dated October 19, 2022, it was once again reiterated and clarified that the co-noticees have not been cross examined in the present proceedings and that no records are available before me to show cross examination conducted before any other authority. Thereafter, vide email dated October 20, 2022, Noticee No. 3 expressed his inability to attend cross examination on the scheduled date and to re-schedule it to any date after November 07, 2022. Also, no communication was received from Noticee No. 2 till October 20, 2022 confirming his attendance. Therefore, while informing Noticee No. 1 of the same, another opportunity to cross examine the co-noticees was granted to him on November 09, 2022. On the scheduled date, both the co-noticees were cross-examined by the Authorized Representatives (ARs) representing Noticee No. 1. With respect to the cross examination of Noticee No. 2, as the statement recorded by SEBI was stated to be not recorded on Oath, Noticee No. 1 did not cross examine the said Noticee claiming the statement to be 'inadmissible'. Further, with respect to Noticee No. 3, the ARs for Noticee No. 1 cross examined him on November 09, 2022 on the statement recorded

by SEBI dated November 27, 2019. However, as the cross examination of the said Noticee could not be completed on the said date, the ARs for Noticee No. 1 requested for another date to continue with the cross examination. Accordingly, the cross examination of Noticee No. 3 was scheduled to be continued on November 21, 2022. However, vide email dated November 21, 2022, Noticee No. 3 informed that he would not be able to present himself for cross examination on the said date.

19. In order to proceed further and in the light of the principles of natural justice, another opportunity to cross examine Noticee No. 3 was granted to Noticee No. 1 on December 15, 2022. On the scheduled date, Noticee No. 3 appeared for cross examination. During the cross examination, Noticee No. 1 requested for certain documents to be produced by Noticee No. 3. Considering the same, time till December 31, 2022 was granted to Noticee No. 3 to forward the requested documents to SEBI. Vide email dated December 28, 2022, the documents, as received from Noticee No. 3 i.e. relevant period ITRs, were further forwarded to Noticee No. 1 by SEBI. As the cross examination could not be concluded due to additional documents being produced, a further session was scheduled on January 10, 2023. However, vide email dated January 05, 2023, Noticee No. 3 stated that he would not be able to attend the scheduled cross examination on January 10, 2023 due to medical / health issues. In support of the said submission, Noticee No. 3 forwarded his medical reports along with discharge summary. Considering the circumstances and the medical condition of Noticee No. 3, cross examination of the said Noticee was adjourned to January 24, 2023. On the scheduled date, the ARs for Noticee No. 1 appeared for cross examination. However, Noticee No. 3 did not appear on the said date. On pressing request by the ARs, another opportunity of cross examination was granted to Noticee No. 1 on any one of the dates viz. 16.02.2023, 17.02.2023, 20.02.2023, 22.02.2023, 23.02.2023 or 24.02.2023, mutually to be agreed upon by the Noticees. However, as Noticee No. 3 did not respond to any of the email correspondence and / or telephone calls, one last and final opportunity to cross examine him was granted on April 13, 2023 to Noticee No. 1. Also, considering the medical condition of the witness, the cross examination was to be conducted through video conferencing. On the scheduled date, ARs for Noticee No. 1 and Noticee No. 3 appeared for cross examination through webex. After cross examining the Noticee No. 3 for a considerable time, the AR for Noticee No. 1 stated that the cross examination in respect of Noticee No. 3 is completed except in relation to any documents that the witness

produces. Noticee No. 3 was granted 10 days' time to produce documents, if any and thereafter 21 days' time was given to Noticee No. 1 to file a reply in the matter. Despite many reminders, it is noted that no documents were provided by Noticee No. 3 in the matter. In view of the same, cross examination of Noticee No. 3 stood concluded.

- 20.** Accordingly, in order to comply with the principles of natural justice and to hold an inquiry, opportunity of personal hearing was granted to all the Noticees on June 06, 2023 and June 07, 2023. The Noticees were represented by their respective ARs on the scheduled dates of hearing and the following submissions were made by them on behalf of the Noticees:

Submissions made by AR of Noticee No. 1:

- (i) Inordinate delay in initiation of the proceedings.
- (ii) Non-production of documents relevant to the proceedings.
- (iii) Submissions with respect to the pre-requisites for levelling any person with the charge of 'aiding and abetting'.
- (iv) Failure on the part of the Forensic Auditor conducting the Forensic Audit to substantiate the charge against Dinesh Jajodia by relying upon documentary evidence; which is absent.
- (v) Submissions on the letter received by SEBI from Juris Corp dated August 11, 2016.
- (vi) Statements of the co-noticees before SEBI, ED and during the cross examination cannot be relied upon.
- (vii) Complaint filed with EOW by Mr. Dinesh Jajodia on January 05, 2016 i.e. much prior to the letter of Juris Corp and subsequent initiation of investigation into the matter by SEBI.

Submissions made by AR on behalf of Noticee Nos. 2 and 3:

- (i) Admitted that the Noticees were involved in issuance of fake and bogus bills on the instructions of Mr. Dinesh Jajodia.
- (ii) The ED and EOW are behind Mr. Dinesh Jajodia for serious malpractices and fraudulent activities wherein the Noticees have just been made witnesses.

- (iii) no securities market laws violation committed by the Noticees by issuing the fake / bogus bills, that too, on instructions of Mr. Dinesh Jajodia.
- (iv) The Noticees cannot be said to be in connivance with the promoter directors of the Company in manipulating the books of accounts and to have thereby impacted the securities market and defrauded the investors.
- (v) Acts of the Noticees cannot be equated with the acts of Mr. Dinesh Jajodia and / or the promoter directors of the Company who were the actual perpetrators of the entire scheme.

**21.** Further, as requested, with respect to Noticee No. 1, time till June 15, 2023 was granted to file additional submissions and the same was mentioned in the record of the proceedings. With respect to Noticee Nos. 2 and 3, time till June 23, 2023 was granted to them to file their additional replies. Considering that no replies were received from the Noticees, additional time till June 27, 2023 and July 03, 2023 was granted to the Noticees to file their additional replies in the matter which were ultimately filed by Noticee No. 1 on July 27, 2023 and Noticee Nos. 2 and 3, vide separate letters, on July 05, 2023 and July 04, 2023, respectively.

**22.** The additional submissions made by Noticee No. 1, vide email dated June 27, 2023 are summarized as under:

- (a) Geodesic was in the process of expanding its business through the acquisition of software companies outside India. Mr. Prashant Mulekar, Director of Geodesic also informed Noticee No. 1 that they would be raising funds for that purpose and that he would need Noticee No. 1's services for incorporation of companies outside India. Noticee No. 1 therefore had decided to assist them in advising them on structuring the holding pattern so as to reduce the risk of double taxation and transfer pricing norms.
- (b) Further, Mr. Prashant Mulekar had informed the Noticee that they wanted the name of Geodesic, as acquirer, to be kept secret for business reasons until the negotiations were complete. Therefore, the same companies were formed using Noticee's name as the beneficial owner in the initial stage. He had informed that once the deal would finalize, the companies would come within the fold of subsidiaries of Geodesic. Geodesic being a listed company and acquisition being

price sensitive information, they wanted the acquisition proposals to be kept in abeyance.

- (c) It is the case of the Noticee that he is being made a scapegoat for the wrongdoings of the promoter/directors of Geodesic and to protect them, who were the very people in positions of power to be able to carry out any decisions.
- (d) Since the process of incorporation was not in his hands, the Noticee was not aware as to how many companies were incorporated, at the specific instructions of the management of Geodesic including Mr. Prashant Mulekar, despite there being a general consent for the same. It is submitted that the various documents wherein he had actually signed came to his notice for the very first time during the cross examination concluded before Justice S.J. Kathawalla.
- (e) The Noticee reiterates that there has been a gross and inordinate delay in issuance of the SCN which deals with FCCBs pertaining to the year 2008. Further, the Noticee also reiterates that majority of the documents which were sought by him have not been provided.
- (f) With respect to the letter received from Juris Corp, the Noticee states that there is a serious ambiguity regarding the date on which the investigation was started and the manner in which the investigation was carried out. Further, the Noticee has stated that the Juris Corp letter has provided evidence against the Noticee and would render Juris Corp to be cross-examined by the Noticee and test the veracity of the information / documents / material produced by it which has subsequently been relied upon and utilized by the Forensic Auditor, which forms a major part of the evidence in the present proceedings.
- (g) Furthermore, the Noticee has stated that the Forensic Auditor has submitted a report after two years from its appointment and that this additional two years' time is over and above its original appointment in the year 2014 as Forensic Auditor for an investigation into the matter of Geodesic. Further, there has been no independent assessment or analysis of information / documents / material provided by ED or EOW to the Hon'ble Bombay High Court. Severe prejudice is being caused to the Noticee in placing reliance on the observations arising out of and in connection with the Report and Juris Corp letter which suffer from profound defects and independent application of mind.



- (h) With respect to the allegation of aiding and abetting, the Noticee No. 1 has stated that in a letter dated January 05, 2016 to the Senior Police Inspector of EOW, the Noticee had stated that he became involved as a beneficial owner / director/ authorized signatory only after being approached by Mr. Prashant Mulekar. The Noticee was subsequently removed from the aforesaid positions in those foreign companies and the foreign companies were acquired by Geodesic.
- (i) Further, the Noticee brought it to the notice of multiple authorities, including EOW and Bombay High Court that his signature was forged and he has in fact not agreed to or signed on multiple documents. The forged signatures were examined by a handwriting expert and vide reports dated December 01, 2015 and December 03, 2015, confirmed that these signatures were indeed not his own. The Noticee further submitted that there have been significant advancements in technology that makes it possible to cut and copy a signature from one document onto another and simply take a print of the document to make it seem like the same has been signed by a person who has not even seen the document. No original documents which bear such signatures have ever been provided and the Noticee vide letter dated June 30, 2015 had even asked the original documents from the directors of Geodesic, which was unanswered.
- (j) The Noticee states that the instructions came from Mr. Prashant Mulekar, Ms. Deepali Ghokale and Mr. Girish Borkar regarding transfer of funds. In the letter to EOW, the Noticee had detailed out that both Mr. Prashant Mulekar and Mr. Girish Borkar are well educated people who were well versed with the incorporation, acquisition, transfer of funds and ancillary activities which were done by Geodesic. The instructions would flow to multiple people including the Noticee No. 1. Thus, at the very best, the Noticee can be considered to be an insignificant cog in the wheel and not the mastermind.
- (k) The Noticee has, by mentioning the definitions of 'aid' and 'abet' under the Black's Law Dictionary, submitted that for the charge of aiding and abetting, knowledge and intention are pre-requisites, without which the charge cannot be established. It is stated by the Noticee that there is no allegation of siphoning off of funds. Whatever monies were received by the alleged 6 bogus companies have been returned back and no monies are with the Noticee and he has not benefitted from the same.

- (l) During the course of hearing, the Noticee No. 1 was asked about the status of the pending proceedings against him. With respect to the case filed by EOW in PW 322/2016, it is submitted that the same has been transferred and admitted to the Special Court (Sessions) under Section 44(1)(c) of the PMLA by the Additional Chief Metropolitan Magistrate at 47<sup>th</sup> Court at Esplanade. The charges have been framed in the matter, however, trial is yet to begin. With respect to the case filed by ED, it is submitted that the PMLA SPL Case No. 07 of 2018 is currently at hearing stage and listed next on June 28, 2023. Also, it is submitted that the Noticee has filed a discharge application (*date not mentioned*).
- (m) With respect to the statements and cross examination of Noticee Nos. 2 and 3, Noticee No. 1 states that the statement given before ED dated April 05, 2014 and the one given subsequently on June 02, 2018 by Noticee No. 2 are contradictory in nature. Further, the statement recorded by ED on June 02, 2018 has been read out and explained to Noticee No. 2 by Noticee No. 3 and Noticee No. 3 even provided his own statement at the end. It is the case of Noticee No. 1 that the same is gross miscarriage of justice for another co-noticee to explain and read out the statement. The same shows the collusion between Noticee No. 2 and 3, especially since Noticee No. 3 made his statement after Noticee No. 2 and would be well versed with the narrative created by them of making Noticee No. 1 a scapegoat.
- (n) With respect to the cross examination of Noticee No. 2 for the statement recorded before SEBI, it is submitted by Noticee No. 1 that the same was concluded pursuant to Noticee No. 2 answering that his statement was signed without administering an oath and thus, the same cannot and ought not to be relied upon by any authority in consonance with the principles of equity, justice and fairness.
- (o) With respect to the cross examination of Noticee No. 3 for the statement recorded before SEBI, it is submitted that throughout the cross examination, Noticee No. 3 has contradicted himself and tried to conceal material facts either by way of not being able to recollect information about events or things which only he could have answered or by way of non-production of documents. Certain specific questions and the way the same were answered have been highlighted by Noticee No. 1 in support of his submission.

**23.** Further, the additional submissions made by Noticee No. 3, vide email dated July 04, 2023, are summarized as under:

- (a) The Noticee states that the facts mentioned in his present reply are consistent with the facts already stated by him vide his statement before SEBI on November 27, 2019. He states that in order to learn accountancy for small businesses, he decided to take some guidance from one his relative's i.e. Noticee No. 2. Thereafter, as a part of process to learn accountancy he gradually started working as an accountant for certain companies, under the guidance and supervision of Noticee No. 2.
- (b) During 2007-08, Noticee No. 1, a tax consultant in Geodesic, through his instructions to Noticee 2 had put Noticee No. 3 in the role of managing the accounts for Divya Info Tech Private Limited, Algorithmic Software Systems Private Limited, HPL Multi Trade Private Limited, Netformax Information and Technology Private Limited, IDOR Systems Private Limited, collectively referred to as the "Six Entities".
- (c) Similar to any individual employed as an accountant, a regular part of the tasks assigned to the said Noticee was to raise bills and cheques for the commercial dealings of the companies where he (Manoj Sharma) was employed. Some of these dealings were with Geodesic, of which Noticee No. 1 was the tax consultant. Since he (Dinesh Jajodia) had more expertise and experience in the subjects of accountancy and recording of financial transactions, the manner and method of issuing cheques and bills was instructed to Noticee No. 3 by Noticee No. 1.
- (d) The Noticee submits that Geodesic would transfer funds to various companies, including the companies mentioned above, which would then be transferred on a lump sum basis to some other entities. All the above transfers, bills and recording in the books of accounts were done at the behest of Noticee No. 1.
- (e) It is the case of Noticee No. 3 that at no point in time he was made privy to the objective of such transactions, their ultimate beneficiary or any other plan or scheme of which these transactions were a part of. The Noticee states that apart from the salary that was paid to him, no other benefits or profits ever accrued to him during his tenure in the said companies. Furthermore, any communication to Noticee No. 3 was specifically limited to the tasks assigned to him.
- (f) The Noticee states that during investigation, he has tendered his complete cooperation to the Investigating Authority. He has answered each and every query put forth to him correctly and accurately to the best of his knowledge.
- (g) With respect to the charge of fraud and manipulation, the Noticee specifically states that for the purpose of establishing the charge of 'aiding and abetting' and / or

‘facilitating’ the directors of Geodesic in manipulation of the books of accounts and in diversion of the FCCB funds and thereby coming to a conclusion of violation of the provisions of PFUTP Regulations, both knowledge and intention are required to be present. Therefore, it is the case of the Noticee that the allegations of manipulation of books of accounts in the SCN is unjustified and is not substantiated with the requisite finding of knowledge and intention.

- (h) The Noticee reiterates that his role in the entire manipulative scheme of Noticee No. 1 and the Directors and Promoters of Geodesic was extremely confined and limited to that being a salaried employee who was carrying out paper transactions and bogus entries in the books of the companies that were incorporated at the behest of Noticee No. 1 and Mr. Prashant Mulekar. In light of the findings of the ED, FAR and his own statements, the Noticee submits that he was merely a means to their ends of defrauding investors of Geodesic and manipulating its books of accounts.
- (i) The exhaustive set of findings that have been recorded by the ED, the Forensic Auditor as well as SEBI itself, have not indicated anything to the effect that the Noticee had direct knowledge of the fund diversion that was transpiring in Geodesic, and that he colluded with Noticee 1 and the Directors and Promoters of Geodesic.
- (j) It has been stated by Noticee No. 3 that even individuals from within Geodesic namely the Non-Executive Directors and the Geodesic Accountants, were completely oblivious of the orchestrations of fraud and manipulation carried out by Noticee No. 1 and Mr. Prashant Mulekar. Therefore, it would not be inaccurate or an understatement to say that Noticee No. 3 was also a victim of the defraudment being carried out by Noticee No. 1 and the Promoters and Directors of Geodesic.
- (k) The Noticee submits that the FAR has not even named him or given even a faint indication that his role, if any, was at par with that of Mr. Prashant Mulekar and Noticee No. 1. His role, if any, in the entire manipulative scheme and device of Noticee No. 1 was of non-complicit nature and was merely on the periphery of the entire ingenuine plan of Noticee No. 1 to mislead the investors of Geodesic and diverting the hard-earned money of the shareholders / bondholders.
- (l) The Noticee, while placing reliance on the orders passed by the WTM, SEBI and Adjudicating Officer against the directors of Geodesic, has submitted that throughout the multitudes of witness statements and documentary evidence that have been perused, there is nothing which would lead to the prudent conclusion

that, he had knowledge of the ulterior object for which those bills were utilized and therefore, he should be exonerated from all the alleged violations.

- (m) With respect to the directions which may be issued against the Noticee, he submits that 'doctrine of proportionality' must be applied before issuing any adverse directions against him. It is submitted that in both the SEBI order passed against the directors of Geodesic namely, Mr. Prashant Mulekar, Mr. Pankaj Kumar and Ms. Kiran Kulkarni with a finding of presenting fake and misleading financial data that did not contain true and correct numbers pertaining to the financial health of the Company, the debarment and penalty that has been imposed upon them is merely for one (1) year and Rs. 5 lac, respectively. Thus, it is the case of Noticee No. 3 that the quantum of debarment and penalty imposed upon them is minimal. In this regard, he states that his role, if any, was extremely remote and peripheral.
- (n) The Noticee states that he does not have formal or specialized training of accountancy. He has no knowledge of understanding or expertise of complex financial transactions such as the ones brought on record by the FAR and the ED Investigation. Apart from the fact that he was not privy to the manner of utilization of the fake paper transactions, he also could not comprehend technical terminologies such as round tripping and layering of transactions.

24. Vide email dated July 05, 2023, Noticee No. 2 also submitted his reply in the matter. Upon perusal of the reply, I find that certain submissions, for eg: those with respect to (i) no aiding and abetting, (ii) reliance on both the SEBI Orders in the matter of Geodesic against the directors, (iii) having no knowledge of the manipulation and ulterior motive of issuance of the bills and cheques, (iv) acts done on instructions of Noticee No. 1 and Mr. Prashant Mulekar, (v) no adverse findings against Noticee No. 2 by other authorities and (vi) 'doctrine of proportionality' to be applied while imposing penalty and issuing directions are repetitive and similar to Noticee No. 3 and therefore, do not require reproduction. Apart from them, the major submissions so made by Noticee No. 3 are summarized as under:

Preliminary Objection:

- (a) The Noticee has raised a preliminary objection as to the record of proceedings for the hearing held on June 07, 2023 wherein it has been stated that *"The counsel appearing on behalf of both the Noticees viz. Mangiram Sharma and Mr. Manoj Sharma admitted that the Noticees were involved in issuance of fake and bogus bills*

*on the instructions of Mr. Dinesh Jajodia*". The same has been denied in toto and the Noticee has contended that no such statement / submission was made by the Counsel for the Noticee.

- (b) The Noticee further states that the Noticee, being not even 10th pass, could not read and write English and that both the statements i.e. before ED (dated April 05, 2016) and before SEBI (dated November 14, 2018) being recorded in English language, the Noticee was only made to sign the same. Also, the statement recorded before SEBI was hand-written in English by some officer of SEBI and the Noticee was completely unaware about the contents of the same. Therefore, the Noticee states that the aforesaid statements of the Noticee, to the extent that they are self-incriminating, cannot be taken into evidence for the purpose of drawing adverse inferences against him.

Other submissions:

- (c) The Noticee states that in 1994 he had started his business of metal scraping, however, to the misfortune of the Noticee, his metal scraping business failed and was completely shut in 2004 leaving the Noticee with a lot of debt and in dire need of funds. Thereafter, at a religious function, the Noticee met Noticee No. 1 who introduced himself as a professional Chartered Accountant consulted by multiple companies (including Geodesic) for their tax audits.
- (d) Noticee No. 1 informed the Noticee (Mangiram Sharma) that since he is the tax consultant of Geodesic, he is legally constrained from dealing with Geodesic in his personal capacity and offered the Noticee with an opportunity to make some money. The arrangement made between the Noticee (Mangiram Sharma) and Mr. Dinesh Jajodia was such that whatever software or other products Geodesic otherwise purchases from the market, will now be purchased from the companies for which the Noticee would be in charge of and the Noticee will provide bills and entries for the same.
- (e) It is submitted that Noticee No. 2 already had 3 companies and 3 other companies were arranged by Noticee No. 1 for the aforesaid business arrangement. Noticee No. 1 also assisted the Noticee (Mangiram Sharma) in becoming directors of 2 companies. The way the business worked was that Noticee No. 1 used to tell the details of products along with the amount for which the bill had to be raised. The Noticee (Mangiram Sharma) would raise the said bills in the name of the aforesaid

six companies and funds against the aforesaid bills were received in the accounts of the aforesaid six companies from Geodesic group companies. Thereafter, the funds so received from Geodesic group companies were transferred to certain other companies which were told by Noticee No. 1. For every such transaction, the Noticee was promised a commission of 15 paise per 100 Rs.

- (f) It is stated by the Noticee (Mangiram Sharma) that his role was to act as a middle man (on behalf of Noticee No. 1) between Geodesic and companies identified by Noticee No. 1 and the said job entailed merely following the instructions received from Noticee No. 1 regarding the details for the bills to be raised and the companies to whom the funds had to be transferred.
- (g) The details regarding the bills were provided by Noticee No. 1, either through phone calls or through email. Whatever emails Noticee No. 1 sent regarding the details of the bills were later on deleted at the instructions of Noticee No. 1. However, Noticee No. 2 has provided one such email received from Noticee No. 1 in support of his contention.
- (h) It is the case of the Noticee that he had no knowledge regarding the source of funds of Geodesic group companies and who is the ultimate beneficiary of the said funds. The Noticee had no knowledge of the grand scheme of fraud orchestrated by Geodesic and its promoters / directors with Noticee No. 1 wherein Geodesic Limited would issue FCCB bonds and later divert the fund received through such bonds. In fact, the Noticee (Mangiram Sharma) later came to know that the fund received by him from Geodesic group companies against the bills were FCCB funds and the companies wherein the funds were later transferred by him at the instruction of Noticee No. 1 were companies owned and controlled by Noticee No. 1.
- (i) Further, the Noticee No. 2 submits that it is not a fit case for issuance of directions under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 and imposition of penalty under Section 15HA after 9 years for the cause of action. Directions under the said provisions are drastic and have serious civil ramifications and consequences on the reputations and livelihoods of those against whom they are directed. No prima facie case has been made out to warrant the issuance of directions of serious consequence against the Noticee.

## CONSIDERATION OF ISSUES AND FINDINGS

25. Before I proceed to appropriately deal with the replies / submissions of the Noticees, the charges that have been levelled against the Noticees and the facts leading to them are to be seen. It has been alleged in the SCN that the Noticees had aided and abetted the Company and its promoter-directors in manipulating and misrepresenting its books of accounts by facilitating them in making bogus book entries for purchase of software and other investments by providing fake bills have and thereby have violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and Regulations 3 (b), (c), (d), 4(1) & 4(2)(f), (k) & (r) of PFUTP Regulations, 2003. In order to appreciate the charges levelled against the Noticees, it would be apposite to refer to the above-stated relevant provisions of the SEBI Act, 1992 and PFUTP Regulations, 2003 which have a bearing on the allegations made against the Noticees. These relevant provisions are reproduced hereunder for facility of reference:

### **SEBI Act, 1992**

#### ***Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control***

**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.

### **PFUTP Regulations, 2003**

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

“No person shall directly or indirectly –

**(a)**.....

**(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 fraudulent or an unfair trade practice in securities.*

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*

*.....*

*(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*

*.....*

*(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

*(r) planting false or misleading news which may induce sale or purchase of securities.*

26. I note that before adjudging the charges in the present case, it is important to understand the scheme devised by certain entities, including Noticee No. 1, in manipulating and misrepresenting the books of accounts of the Company, as the Annual Report of the Company for the Financial Year 2011-12 did not carry true and actual figures and due to such manipulations carried out by the Company through its promoter-directors, how wrong and misleading information was planted amongst the investors at large. I note that based on certain complaints received from various stakeholders SEBI had initiated an investigation into the irregularities in the books of accounts of Geodesic for the period from April 01, 2011 to March 31, 2012 which was also later directed by the Hon'ble High Court of Bombay in the matter of *HDFC Bank Limited Vs. Geodesic Limited (Company Petition No. 514 of 2013)*. Further, vide letter dated October 17, 2014, a forensic auditor namely, M/s Sarath was appointed for examining the books of the company. The forensic auditor in its report had observed that the revenues booked and the profit purported to have been generated by the Company were false and non-existent and thus, the Company was misleading and misrepresenting the facts about its actual status

of affairs. The key observations of the Forensic Auditor appointed by SEBI in 2014 are stated briefly as under:

- (i) The company had raised funds from overseas investors during January 2008 by issuing FCCB bonds for USD 125 Million. The redemption due date for the FCCBs was 18.01.2013. Subsequently the company had failed to redeem the bonds to investors on the due date. The company was ordered for liquidation by Bombay High court and also one of the main overseas company, GTSL and official liquidators were appointed for liquidation process.*
- (ii) Since the time of initial issue of the FCCB bonds which were to be used only for overseas acquisitions and investments in joint ventures/wholly owned subsidiaries and/ or for any other purpose as may be permitted by RBI, WERE DIVERTED by giving loan to Eland Crown, Lasdun Ventures, Sharp Long Consultants through Emiloto & Zomo, the subsidiary company Geodesic Holding Limited. The parent company had violated the RBI norms by relending which were supposed to be invested in the overseas companies, and joint ventures to earn business income.*
- (iii) During the liquidation process, the assets which were in form of investments as per the audited balance sheets were probed and based on the information and documents, confirmed investments were available as reported in the balance sheets based on the bank statements submitted by the company. Further probe into the investments statements, mail communications of directors Mr. Prashant Mulekar, Mr. Kiran Kulkarni, Mr. Pankaj Kumar, and beneficiary owner Mr. Dinesh Jajodia (the purported tax consultant of the Company) and banker were indicating that the investments are diluted and diverted into other investments.*
- (iv) On further probing the investments and the background of the companies in which the monies were transferred were indicating that the monies were invested or given as loan to companies in which Mr. Dinesh Jajodia is personally interested as director.*
- (v) The investigative audit of the books of accounts for the availability of the reserves created by the company, debtors and creditors for realisation had revealed that they are non-realizable as they all are shell companies and outstanding amounts against these companies are generated by bogus entries.*
- (vi) Regarding the Audited Balance Sheets of the company, it was revealed that the forensic audit of the books of accounts for the years 2010-11, 2011-12 and 2012-13*

were examined in detail, and the status of sales, purchases, returns, reserves and surpluses were non-existent. The details of the same are as under:

- (a.) The sales returns booked over the two years are only adjustment entries-based on the ledger copies.
- (b.) Recoveries shown from GTSL debtors in June 2012, are not actually realised and are only cheques in hand which were never processed and cleared in the bank - based on the ledgers, sundry written back statements given by auditors.
- (c.) The sales as claimed in the books are, except few to certain Indian companies, for overseas clients are non-existent - based on the findings of certain samples.
- (d.) The GTSL fixed assets are non-existent as per the company's statutory auditor.
- (e.) The huge Inter corporate Deposits given are written off.
- (f.) The list of companies of sundry debtors are shell companies.
- (g.) The renunciation of the recoveries in huge amounts by these shell companies.
- (h.) Huge software expenses booked against the shell companies
- (i.) The non-existence of reserves and surpluses created due to reversals of the sales booked over previous years.

**27.** With regards to the *modus operandi* adopted by the Company and its directors, the forensic audit report revealed that -

**a. On the availability of the investments in the subsidiaries:-**

The company had raised funds for USD 125 Million through redeemable FCCB from overseas investors in 2008 for the purpose of investing in companies including wholly owned subsidiaries. These funds were invested primarily through the subsidiaries GTSL, Hong Kong and Geodesic Holding Limited Mauritius.

**Subsequent investments were observed to be as under:-**

GHL invested in Emiloto-USD 29 M ➡ HSBC Bank ➡ Loan to Audrain Commercial Corp ➡ Clariden Leu Bank ➡ Further details not known

Zomo Technologies - USD 87 M ➡ Absolute Diversified Growth Funds ➡ Eland Crown ➡ Lasdun Ventures.

GTSL-USD 82 M ➡ BSI Bank ➡ Enterprise Emerging Marketing Fund ➡ Yvette Investments Limited ➡ Mr. Dinesh Jajodia – sole director

GHL-USD 20.10 M ➡ Spokn Communications Pte Ltd ➡ Prashant Mulekar-director

GHL-USD 17.1 M ➡ Sharp Long Consultants ➡ Mr. Dinesh Jajodia –sole director

GHL-USD 3 M ➡ Alpha Holding Limited.

*As per the Audited Balance Sheet of GHL and GTSL, they had incurred huge losses and there was diminution of investments made through these companies. GTSL is under liquidation and no assets are available as per the receiver, Axis Bank, hence investments shown in audited balance sheets for USD 87 Million are not available. GHL invested in Zomo for USD 87 Million were reinvested in Absolute Diversified Growth Funds which in turn invested in Eland, Lasdun are lost as both the companies are under liquidation. GHL also invested in the Spokn Communications, Sharp Long Consultants, Alpha Holdings Limited in which Mr. Prashant Mulekar and Mr. Dinesh Jajodia were directors respectively in first two companies.*

**b. Diversion of funds**

*GL, on 17.01.2008, issued US \$ 125 million Zero Coupon Convertible Bonds due in 2013, which will bear no interest, except in certain circumstances and the bonds matures on 18.01.2013. As on the date, the nominal value of outstanding FCCB were USD 113.5 Million. The company had obtained RBI's approval to use the proceeds from the offering for overseas acquisitions and investments in the joint ventures or wholly owned subsidiaries. These funds however was to be parked overseas and not to be remitted to India.*

*Subsequently, GL had invested in GTSL, GHL its wholly owned subsidiary companies and further in its step down subsidiaries Emiloto, Zomo Technologies, Spokn Communications Ltd during the period from 2008-2010 for the purpose of acquisition.*

*On the date of redemption, the parent company GL, failed to redeem the monies to the overseas investors. In this regard forensic auditor revealed the following:-*

- i. Monies lent to Lasdun, Eland, Sharp Consultants, Yvette Investments for loan purpose through the Standard Chartered Bank account, which were not for the purpose of acquisitions or investments in joint ventures but for re-lending activity, which is prohibited by RBI.*
- ii. The diversion of funds took place during the very first year of the collection of the funds i.e., 2008 in which the company paid to Sharp Long consultants, Yvette investments, GTSL as loan without prior permission of RBI.*
- iii. Booked huge bogus sales, purchase and software development expenses, non-existent fixed assets and utilised funds for paying the no-existent creditors and*

*diverted the monies in paying the liabilities, writing off of the debtors, creditors and inter corporate deposits in the parent company in India.*

*iv. Part of the diverted funds were invested into other companies in which GL directors are common.*

*Furthermore, directors of the Geodesic Mr. Pankaj Kumar, Mr. Prashant Mulekar, Mr. Kiran Kulkarni along with Mr. Dinesh Jajodia of the company and its subsidiary companies had fraudulently and intentionally siphoned off funds with a strategic planning, layering techniques of the funds raised through FCCB issue from overseas investors and further found part of the funds utilised for acquiring the assets in the names of the companies in which they were directors.*

*The company had further raised loans and other facilities from Indian bank and failed to repay in time and facing the liquidation and legal charges in various matters in the Bombay High Court.*

*It was also revealed that Geodesic had diverted FCCB funds and also booked bogus entries for creditors, software development expenses and manipulated the figures in the audited balance sheets. Directors of the company had committed fraud intentionally by diverting the funds and failing to redeem bonds and failed to repay loans to banks and also misrepresented the facts about the sundry debtors, fixed assets, investments, creditors and software development expenses. The Audited Balance sheet fails to provide a true and fair view of the status of affairs of the company on existence of its investments, profits and reserves.*

**28.** Thus, it was found that the books of accounts of the Company and its Annual Report for the said Financial Year 2011-12, through its audited balance sheet, did not carry true and actual figures on existence of its investments, profits and reserves which showed artificially inflated picture of the affairs of the company thereby misleading the investors at large. In view of the said manipulations carried out by the Company through its directors namely, Mr. Kiran Kulkarni, Mr. Prashant Mulekar and Mr. Pankaj Kumar, as mentioned earlier, SEBI had initiated separate enforcement proceedings under the SEBI Act, 1992 against the directors of the Company including two independent directors. In addition, adjudication proceedings were also initiated against the said directors of the Company for the same cause of action. I note that, vide order dated December 19, 2022,

while holding the executive directors guilty of manipulating the books of accounts of the Company, the Whole Time Member, SEBI has restrained Mr. Pankaj Kumar, Mr. Prashant Mulekar and Mr. Kiran Kulkarni from buying selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner for a period of one (1) year from the date of the said order. Further, I also note that, vide a separate order dated February 22, 2023, the Adjudicating Officer, SEBI after holding an inquiry, has imposed a monetary penalty of Rs. 5,00,000/- each on the aforementioned executive directors of the Company for the violation of various provisions of the securities laws for the same cause of action.

- 29.** With this background and the actual *modus operandi* adopted by the company and its promoter / directors in manipulating the books of accounts, I would now like to proceed on adjudging the charge levelled against the Noticees in the present proceedings. The core charge in the SCN dated February 11, 2021 against the Noticees is that of having aided, abetted and facilitated Geodesic and its promoter-directors in the manipulation of the books of accounts of the Company which led to misleading the investors of the true and fair view of the Company's quarterly and yearly financials. It is alleged that the Noticees, by their acts of incorporating companies (fictitious) and generating fake bills for such bogus companies, knowingly, had facilitated Geodesic in manipulating its books of accounts, to become the beneficiaries and have further assisted Geodesic and its promoter-directors in diverting the funds raised by the Company through issuance of the FCCBs belonging to the shareholders / bondholders, in violation of the provisions of the SEBI Act, 1992 and the PFUTP Regulations, 2003.
- 30.** Based on the aforesaid summary of the charge, the issue that arises for my consideration is whether the Noticees, by indulging in activities of incorporating certain companies which were paper / shell companies and issuing bogus / fake bills to the company in the name/s of such companies, did facilitate and assist the Company and its promoter-directors in manipulating and misrepresenting the true and fair picture of its books of accounts and further aided them i.e. the directors of the company in diverting the funds, through layers / round tripping transactions, to the ultimate benefit of the directors of the Company and the Noticees. However, before considering the charge levelled on the Noticees, I find it appropriate to deal with the preliminary objections raised by Noticee No. 1 in his replies dated July 06, 2022 and June 27, 2023.

Findings on the preliminary objections raised by Noticee No. 1:

- 31.** Noticee No. 1 has raised a preliminary objection on the SCN issued as the same suffers from latches and unexplained lacunae because there has been a long and unexplained delay in initiation of the proceedings against the Noticee, which is stated to be in itself unjust and unwarranted. It is the case of the Noticee that the alleged cause of action arose in the year 2008 and the SCN has been issued to the Noticee in the year 2021 i.e. after an extremely long gap of 13 years. I have considered the said submission made by Noticee No. 1 on account of alleged delay in initiation of the proceedings. Here, I would like to bring on record the chronology of events in the instant case. As mentioned in para nos. 1 and 2 above, it may be noted that SEBI, based on receipt of certain complaints, had initiated Investigation-I into the irregularities in the books of accounts of the Company (*for the period starting from April 01, 2011 to March 31, 2012*). The same was also directed by the Hon'ble High Court of Bombay vide order dated December 22, 2015 in the matter of *HDFC Bank Ltd Vs. Geodesic Limited* (Supra). Thereafter, upon receipt of a complaint from one of the FCCB holders' in August 2016, SEBI had initiated a separate investigation (Investigation –II) into the books of Geodesic in order to examine the specific role of Noticee No. 1 in facilitating the directors of the Company in manipulation of the books of accounts of the Company. As the issue was pertaining to manipulation of the books of accounts of the company and the role of Noticee No. 1 in facilitating the promoter-directors in doing the same, SEBI had appointed a Forensic Auditor viz. M/s Sarath to examine the role of Noticee No. 1 in the alleged manipulation on September 06, 2016. Thereafter, the Auditor, after having examined the balance sheets and books of accounts of various companies, fund flow transaction analysis, connections between the companies, etc., filed its report in the matter on September 28, 2018 i.e. after a period of approximately two years. Further, vide letter dated May 30, 2019, the forensic auditor also responded to certain queries raised by SEBI. After taking into account the finding in the FAR and the documents received from ED and EOW, SEBI carried out its own further investigation in the matter including recording of statements of Noticee Nos. 2 and 3 in November 2019. Only upon conclusion of the investigation and the processes involved in the appointment of a quasi-judicial authority to adjudge the matter, a SCN (*dated February 11, 2021*) was issued to the Noticees alleging various violations of the securities laws. Therefore, based on the chronology of events and the complex nature of investigation carried out in the matter, which involved

(i) appointment of a forensic auditor for examination of the books of accounts of the Company, (ii) statement recording, (iii) examination of documents received from multiple agencies and the nature of case involving, (a) analysis of funds flow to artificially created companies, (b) proceedings initiated by multiple agencies, etc. the submission made by the Noticee with regard to the delay in initiation of the proceedings is devoid of merit. Here, attention is also drawn to the observations of the Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Bipin R Vora Vs. SEBI decided on March 22, 2006* with respect to the delay in issuance of the SCN, which are reproduced as under:

*“As regards the plea of delay and laches and submission that the show cause notice is barred by limitation, I do not find any 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”.*

32. Further, it is pertinent to note that pursuant to the issuance of the SCN, the Noticee No. 1 has, on numerous occasions, sought for information / documents, which were claimed to be relevant in defending the charges levelled against him. Acceding to the said request, various opportunities of inspection of documents were granted to the Noticee (*Dinesh Jajodia*) i.e. on April 21, 2021 (*adjourned due to COVID situation*), July 14, 2021 & June 08, 2022, which were ultimately availed of by him on July 14, 2021 and June 08, 2022. Further, vide three emails dated December 02, 2022, as requested by the Noticee No. 1, additional documents were also forwarded to him. The Noticee No. 1 had also filed a settlement application (*in April 2021*) with SEBI to settle the enforcement action initiated against him vide the SCN dated February 11, 2021 under the Settlement Regulations. However, as mentioned in paragraph no. 10 above, after examining the settlement application so filed and considering the seriousness of the manipulation and fraud involved in the case, the same was rejected by SEBI in February, 2022. The Noticee No. 1 had thereafter, requested for cross-examination of the co-noticees in the present proceedings. Acceding to the said request of Noticee No. 1, opportunities to cross examine the co-noticees were given to him on various dates (*as discussed at para nos. 19 & 20 above wherein details of the opportunities are mentioned*) starting from October 21, 2022, which ultimately got concluded on April 13, 2023. It is also pertinent



to highlight here that, the Noticee (*Dinesh Jajodia*) in his additional submissions dated June 27, 2023, has sought for cross examination of Juris Corp (*complainant*) to test the veracity of the information / documents/ material produced by the complainant which has been stated to be subsequently relied upon and utilized by the Forensic Auditor, which forms a major part of the evidence. I note that the Noticee has neither made such a request in any of his previous replies and / or correspondences nor during / after the cross examination of the co-noticees. I find that the complaint filed by Juris Corp was only a trigger and an independent investigation was conducted by SEBI into the roles of certain entities and the relevant and relied upon documents have been provided to the Noticee as mentioned in the following paragraphs. Therefore, it seems to be an attempt made by the said Noticee to further delay the said proceedings. Thus, I find that the proceedings initiated cannot be said to be delayed due to the reasons explained in the foregoing paragraphs. However, the Noticee has contributed to the delay in a substantial manner and hence, the delay, if any, is not attributable to SEBI.

33. I note that Noticee No. 1 has raised a technical objection that majority of the documents which are crucial to the case have not been provided to him. In order to address the said contention, I note that, as mentioned in preceding paragraphs, opportunities to inspect the documents were provided to Noticee No. 1 which were availed by him on July 14, 2021 and June 08, 2022. The description of documents inspected are traceable in the record of the proceedings maintained in the file before me which includes the investigation report for Investigation – II (*in the case of investigation into the role of Mr, Dinesh Jajodia in the matter of Geodesic*), FAR in Investigation - II, statement of Noticee No. 1 as recorded by ED and statement of Noticee No. 2 as recorded by ED. Further, certain documents / information were sought by the said Noticee vide his letter dated November 18, 2022 and out of those documents, all the relevant and relied upon documents were provided to the Noticee vide three separate emails; all of them dated December 02, 2022. I also note from the available records that even a point-wise reply was provided by SEBI to the Noticee with respect to the material / documents which was requested by him on December 02, 2022 which is reproduced as under:

<b>Sl. No.</b>	<b>Documents/ Information</b>	<b>Remarks</b>
1	A copy of letter dated 28 Sept, 2018 sent by Sarath and Associates.	Part of Forensic Audit Report, already provided.

2	<i>Complete list of annexure of Forensic Audit Report.</i>	<i>All annexures to forensic audit report have been provided already.</i>
3	<i>A copy of facility agreement allegedly signed by Shri. Prashant Mulekar and Noticee No.1, pursuant to an alleged agreement of transfer of funds from Geodesic Holdings Ltd to Yvette Investments Ltd for USD 30m &amp; USD 18m as alleged in unnumbered para 3 of page 5 of the SCN.</i>	<i>Facility agreement was not obtained during investigation. However, the details of facility agreement in letters dated 21<sup>st</sup> March, 2010 (Annexure 12 to IR) between Yvette Invest &amp; Trade Corp and GHL and dated 31<sup>st</sup> March, 2010 (Annexure 9 to IR) between Yvette Investment Limited and GHL available and these annexures viz., 9 &amp; 12 to IR already provided.</i>
4	<i>Proof of fund transfer from bogus companies to Savita Jajodia and her children's savings account.</i>	<i>Is a part of investigation Report as well as Forensic Audit Report which have been provided earlier.</i>
5	<i>Extracts of bank statements of following entities during IP (list)</i>	<i>Information is not available on record.</i>
6	<i>List of all erstwhile shareholders/ creditors/ investors/ members of the following entities pertaining to the IP (list).</i>	<i>The information was not obtained during investigation.</i>
7	<i>The list of all the erstwhile debtors of following entities (list)</i>	<i>The information was not obtained during investigation.</i>
8	<i>All documents evidencing notice no 1's control/ cross holding between IDOR systems, algorithmic, Netformx , Anikesh, Divya, key Integrated, TFC Engineering and savi group of companies.</i>	<i>Annexure 13 &amp; 5 of the SCN. Also, part of Forensic Audit Report. These documents have been provided earlier.</i>
9	<i>Balance sheets of following bogus companies (list)</i>	<i>Relevant extract of balance sheets portions relied upon are a part of Annexure 13 &amp; 5 of the SCN. However, the information is publicly available on MCA website.</i>
10	<i>Detailed description of all software purchases and all the sales alleged to be bogus in SCN.</i>	<i>Such description is mentioned in the bills being provided.</i>
11	<i>Copy of all alleged bogus bill generated by various bogus companies.</i>	<i>It is being provided.</i>
12	<i>Detailed breakup of amounts received from bogus companies also called debtors and creditors of Geodesic as stated to be provided in annexure 6 to SCN, is an excel no value, provide documents.</i>	<i>The breakup of amounts was derived from ledgers, bank statements, bills etc. which have been provided alongwith the Investigation Report.</i>
13	<i>The basis on which entities Lasdun, Eland Crown, Yvette Investments Limited (Dubai) and Yvette Invest &amp; Trade Corp of Dubai are</i>	<i>This does not make a specific reference to any document. The basis of allegations are provided in the SCN</i>

	<i>observed to be controlled by Noticee No. 1</i>	<i>alongwith relevant annexures and Investigation Report.</i>
14	<i>Past and Present directors of entities Lasdun, Eland Crown, Yvette Investments Limited (Dubai) and Yvette Invest &amp; Trade Corp of Dubai</i>	<i>The information pertaining to past and present directors is not available. However, the relevant information based on which the allegations were made in the SCN have already been provided alongwith the SCN and IR.</i>
15	<i>Past and Present shareholding of entities Lasdun, Eland Crown, Yvette Investments Limited (Dubai) and Yvette Invest &amp; Trade Corp of Dubai</i>	<i>The information pertaining to past and present directors was not obtained during investigation. However, the relevant information based on which the allegations were made in the SCN have already been provided alongwith the SCN.</i>
16	<i>Extracts of bank statement of Lasdun, Eland Crown, Yvette Investments Limited (Dubai), Yvette Invest &amp; Trade Corp of Dubai, especially the ones pertaining to the investigation period .</i>	<i>The relevant bank statements are part of Show Cause Notice, Investigation Report and Forensic Audit Report which have been provided.</i>
17	<i>Documentary Evidence as declared, to be submitted on November 21, 2019 and December 02, 2019 by Mr. Mangiram Sharma and Mr. Manoj Sharma, respectively, in order to substantiate their claims made before SEBI, against the Noticee No. 1, during their deposition .</i>	<i>Details provided by Mangiram Sharma and Manoj Sharma are being provided to you herewith.</i>
18	<i>Complete Investigation Report and its annexures</i>	<i>Already Provided.</i>
19	<i>The basis on which the observation and allegation that expenses in the name of that expenses in the name of software purchases by Geodesic Limited were booked by Geodesic Ltd in the name of bogus companies, the funds were transferred through round tripping transactions and various companies connected/ controlled by me or my family members</i>	<i>This does not make a specific reference to any document. The basis of allegations are provided in the SCN and IR alongwith relevant annexures.</i>
20	<i>The basis on which the entities named as Lasdun, Eland Crown, Yvette Investments Limited (Dubai) are observed to be controlled by me</i>	<i>This does not make a specific reference to any document. The basis of allegations are provided in the SCN alongwith relevant annexures and also</i>

		with investigation report and its annexures.
21	<i>Past and Present directors of entities Lasdun, Eland Crown, Yvette Investments Limited (Dubai) and Yvette Invest &amp; Trade Corp of Dubai most importantly for financial years 2008 to 2014.</i>	<i>The information pertaining to past and present directors was not obtained during investigation. However, the relevant information based on which the allegations were made in the SCN have already been provided alongwith the SCN and IR.</i>
22	<i>Past and Present shareholders of entities Lasdun, Eland Crown, Yvette Investments Limited (Dubai) and Yvette Invest &amp; Trade Corp of Dubai most importantly for financial years 2008 to 2014</i>	<i>The information pertaining to past and present shareholders was not obtained during investigation. However, the relevant information based on which the allegations were made in the SCN have already been provided alongwith the SCN.</i>
23	<i>The bank statement of Lasdun, Eland Crown, Yvette Investments Limited (Dubai), Yvette Invest &amp; Trade Corp of Dubai most importantly for financial years from 2008 to 2014</i>	<i>All bank statements based on which allegations are made are part of Show Cause Notice, Investigation Report and Forensic Audit Report which have been provided to you.</i>
24	<i>The past and present directors of Algorithmic Software Systems Pvt Ltd, Anikesh Trading Private Limited, IDOR Systems and Solutions Pvt Ltd, Pravir Mercantile Pvt Ltd, Treetie Multitrading Pvt Ltd, Telexcell Infinet Pvt Ltd and Vet Techno Pvt Ltd</i>	<i>The information pertaining to past and present directors was not obtained during investigation. However, the relevant information based on which the allegations were made in the SCN have already been provided with the SCN and Investigation Report. Also, the information is publicly available on MCA website.</i>
25	<i>The past and present shareholders of Algorithmic Software Systems Pvt Ltd, Anikesh Trading Private Limited, IDOR Systems and Solutions Pvt Ltd, Pravir Mercantile Pvt Ltd, Treetie Multitrading Pvt Ltd, Telexcell Infinet Pvt Ltd and Vet Techno Pvt Ltd</i>	<i>The information pertaining to past and present shareholders was not obtained during investigation. However, the relevant information based on which the allegations were made in the SCN have already been provided with the SCN and Investigation Report. Also, the information is publicly available on MCA website.</i>
26	<i>Bank statements of Algorithmic Software Systems Pvt Ltd, Anikesh Trading Private Limited, IDOR Systems and Solutions Pvt Ltd, Pravir Mercantile</i>	<i>All bank statements relied upon while issuing the Show Cause Notice have been provided. (Annexure 12 to SCN etc.) and also alongwith IR.</i>

	<i>Pvt Ltd, Treetie Multitrading Pvt Ltd, telexcell Infinet Pvt Ltd and Vet Techno Pvt Ltd</i>	
27	<i>The basis on which the fund transfers between Geodesic Ltd and Algorithmic Software Systems Pvt Ltd, Anikesh Trading Private Limited, IDOR Systems and Solutions Pvt Ltd, Pravir Mercantile Pvt Ltd, Treetie Multitrading Pvt Ltd, Telexcell Infinet Pvt Ltd and Vet Techno Pvt Ltd are alleged to be fraudulent and bogus</i>	<i>This does not make a specific reference to any document. The basis of allegations are provided in the SCN alongwith relevant annexures .</i>
28	<i>Any other documents/ material/ information relied upon by your goodself while issuing the captioned notice</i>	<i>All relevant information/ documents have already been provided to you along with SCN and Investigation report.</i>

34. I note that an opportunity to collect the data/ documents in a CD was also provided to him in the month of December 2022. Therefore, considering that sufficient opportunities were granted to the Noticee No. 1 to inspect and / or collect the data / information relevant to the present proceedings, I find that the objection of Noticee No. 1 that crucial documents were not provided to him is completely misplaced and devoid of any merit. Having said that, I would like to place reliance on the observations made by the Hon'ble Supreme Court in the case of *Kavi Arora Vs. SEBI*<sup>1</sup> which are as under:

*“35. As held by this Court in T. Takano (supra), it would be fundamentally contrary to the principles of natural justice if the relevant material were not disclosed to the noticee.*

*36. In T. Takano (supra), this Court approved and followed the law laid down in Natwar Singh (supra) and reiterated that the Adjudicating Authority had the duty to disclose the materials that had been relied upon during the stage of adjudication. It is also true that the Adjudicating Authority cannot exercise unfettered discretion to redact documents necessary for the noticee to defend his case.*

*....*

*49. It is well settled that the documents which are not replied upon by the Authority need not be supplied as held in Natwar Singh (Supra) where this Court held:-*

*“48. On a fair reading of the statute and the Rules suggests that there is no duty of disclosure of all the documents in possession of the Adjudicating Authority before forming an opinion that an inquiry is required to be held into the alleged contraventions*

<sup>1</sup> SLP (Civil) No. 15149 of 2021

*by a noticee. Even the principles of natural justice and concept of fairness do not require the statute and the Rules to be so read. Any other interpretation may result in defeat of the very object of the Act. Concept of fairness is not a one way street. The principles of natural justice are not intended to operate as roadblocks to obstruct statutory inquiries. Duty of adequate disclosure is only an additional procedural safeguard in order to ensure the attainment of the fairness and it has its own limitations. The extent of its applicability depends upon the statutory framework.*

35. Another preliminary objection raised by Noticee No. 1 is that the SCN is not maintainable as it has been issued without any independent investigation conducted at the behest of SEBI. I note that an investigation was initiated by SEBI in order to ascertain the irregularities in the books of accounts of Geodesic and M/s Sarath was appointed as a Forensic Auditor, vide letter dated October 17, 2014. Pursuant to the submission of forensic audit report, and on completion of investigation conducted by SEBI, enforcement actions recommended were initiated against the directors of the Company. Subsequently, SEBI had received a letter dated August 11, 2016 from Juris Corp, Advocates and Solicitors on behalf of OIM LLC and Peter Beck & Partners (*FCCB holder*), enclosing certain documents and stating certain facts that were collected by them in relation to the activities carried out by Noticee No.1 and had, *inter alia*, requested SEBI to investigate into the role of Noticee No. 1 in the matter. Based on the said complaint, investigation-II was initiated by SEBI to ascertain the role of Noticee No. 1 in aiding and abetting the promoters/ ex-directors of Geodesic in manipulating its books of accounts and M/s Sarath was again appointed as the Forensic Auditor in September 2016 in the matter. Thereafter, another forensic audit report was submitted by the said auditor on September 28, 2018. Pursuant to the same, SEBI had conducted its own investigation in the matter and during the investigation, statements of Noticee Nos. 2 and 3 were recorded on Oath. The observations in investigation – I, which revealed bogus book entries for creditors and software development expenses and in turn manipulation of the figures in the audited balance sheet for FY 2011-12 were analyzed along with the observations made by the forensic auditor in its report with respect to the role of Noticee No. 1 in Investigation –II undertaken by SEBI. Further, based on examination of the statements and the observations with respect to roles of Noticee Nos. 2 and 3 in the manipulation of books of accounts and diversion of funds of the company, it was felt appropriate to initiate enforcement actions against the said Noticees as well.

- 36.** It is also noted that investigation-II by SEBI into the role of Noticee No. 1 and the involvement of Noticee Nos. 2 and 3 in the entire scheme devised by the directors of the Company, brought on record certain facts which appeared to be crucial and central to the said proceedings initiated against the directors of the Company. Therefore, a supplementary SCN was issued to the directors of the Company in the 11B proceedings initiated against them. The same clarifies beyond doubt that there indeed were separate investigations carried out by SEBI and therefore, the objection raised by the Noticee No. 1 that the SCN has been issued without any investigation being carried out at the behest of SEBI seems nothing but a feeble attempt to raise irrelevant objection without any basis which is totally incorrect and therefore, needs no further discussion.
- 37.** Further, the Noticee No. 1 in his reply has expressed suspicion on the authenticity of the Forensic Audit being conducted properly and therefore, submitted that the same cannot be relied upon. Further, the Noticee has expressed his concern with respect to the time taken by the Forensic Auditor to file its report in the matter. I have carefully perused the FAR dated September 28, 2018 along with the clarifications provided by the Forensic Auditor, vide its letter dated May 30, 2019. At the outset, I find that again a frail attempt has been made by the Noticee to undermine the credibility and authenticity of the entire FAR by contending that the forensic audit has not been undertaken properly. I note that a forensic audit is an examination and evaluation of a company's or individual's financial records for using the same as evidence in investigating the element of 'fraud', if any. I note that in the instance case, during the forensic audit, the auditor has not only examined and perused the records provided by the ED and EOW in the proceedings initiated against the directors and Noticee No. 1 but has independently examined and evaluated many documents to ascertain the role of Noticee No. 1 in the manipulation of the books of accounts of Geodesic including the following,
- (i) bank account statements of all the relevant entities including Geodesic were analyzed to examine the funds being diverted from Geodesic Group Companies to certain companies incorporated by Noticee No. 1 and 2, including the paper companies to Dinesh Jajodia Group Companies,
  - (ii) relationship of Dinesh Jajodia with the companies to which FCCB funds were transferred,
  - (iii) Audited balance sheets of software vendors to Geodesic were verified and personal visits to their offices were also conducted,

- (iv) Transactions of Geodesic and bogus / shell companies were examined to ascertain control of Dinesh Jajodia in the said bogus companies,
- (v) Fund transfers have been analyzed in detail from the Geodesic account to other bank accounts,
- (vi) Ledger entries of various companies, etc.

**38.** Considering the documents which have been examined and evaluated by the Forensic Auditor, involving examination of the books of accounts of various Geodesic Group Companies / Bogus Companies / Jajodia Group Companies/ Savi Group Companies, transactions executed by various companies amongst each other and the fund flow analysis, etc., to ascertain the role of Noticee No. 1 in manipulating the books of the Company, it can be seen that the forensic auditor has conducted the audit in a proper manner. Although the Noticee has tried to find faults in the FAR and the investigation carried out by SEBI, the Noticee is unable to defend his case with proper documentary evidence. In view of the same, I do not find any merit in the objection raised by the Noticee with respect to the FAR and therefore, the same cannot be considered. Further, I note that the Noticee No. 1 is trying to create a confusion by referring to the forensic audit conducted by the Auditor, M/s Sarath, in investigation-I which was ordered by SEBI with the forensic audit ordered in investigation –II. The terms of reference for the two forensic audits were different i.e. (i) First forensic audit was to ascertain the irregularities and manipulation in the books of accounts of Geodesic during the period from April 01, 2011 to March 31, 2012 (*for which separate enforcement actions were initiated against the directors of the Company, already mentioned in the preceding paragraphs*) and (ii) Second forensic audit was to examine the role of Noticee No. 1 in the manipulation of books of accounts and diversion of funds of the Company after receipt of the complaint dated August 16, 2016 from Juris Corp. Therefore, the Forensic Auditor was appointed on two separate occasions with different terms of reference as mentioned above and two separate FARs were submitted by the forensic auditor based on which separate enforcement actions have been initiated viz. (a) against the directors of the company and (b) against Noticee Nos. 1, 2 and 3. Thus, the submission of Noticee No. 1 that the Forensic Auditor has taken four years from the date of its appointment to submit a report in the matter is misplaced.



39. With respect to the SCN, the Noticee No. 1 has stated that the SCN relies majorly upon the documents/ material forming part of the evidence which stems out of criminal proceedings against the Noticee and considering that the said proceedings are still pending determination, reliance placed on such evidence cannot be treated to be sacrosanct. I note that although the SCN mentions about the statements recorded in the proceedings before ED, the same are only corroborative pieces of evidence available on record and SEBI's case against the Noticee is not solely based on the said statements so recorded. I find that SEBI has, during the investigation and from the FAR, found relevant evidence and facts which are sufficient enough to charge the Noticees of facilitating the Company and its directors in manipulating the books of accounts of the company which are discussed in detail in the subsequent paragraphs. Therefore, even though the proceedings before the other authorities are *sub-judice* and stem out of criminal proceedings, the evidence, such as, the statement of Noticee No. 1 before EOW and the statements of Noticee Nos. 2 and 3 before the proceedings initiated by ED have been considered in the present proceedings only as additional evidence to substantiate the charge of '*aiding and abetting*' / '*facilitating*' the directors of the Company in manipulation of the books of accounts of the company and diversion of/ siphoning off of funds levelled against the Noticees in the SCN.
40. With respect to the statement recorded by SEBI of Noticee No. 2 during the investigation and reliance placed on the same in the SCN, Noticee No. 1 has raised an objection as to the same being recorded without administering an Oath. I note that considering that the statements of Noticee Nos. 2 and 3 recorded during the SEBI investigation were relied upon in the SCN while levelling the allegations on Noticee No. 1, opportunities were granted to Noticee No. 1 to cross examine Noticee Nos. 2 and 3 on the statements so recorded, keeping in mind the principles of natural justice. During the cross examination, the AR for Noticee No. 1 had specifically asked Noticee No. 2 that "*Are your responses to the queries during your statement of examination on Oath*" to which Noticee No. 2 had replied as "*Yes*". Further, it was asked by AR for Noticee No. 1 as to "*was an oath administered to you prior to recording of your above mentioned statement*" to which the Noticee No. 2 has answered "*No, I was not administered an Oath*". Considering the said response, Noticee No. 1 has contended that the same is 'inadmissible'.

41. Before dealing with the objection raised by the Noticee No. 1, I would like to refer to and reproduce a portion from the Order dated December 19, 2022 passed by the Whole Time Member, SEBI in the case of manipulation of the books of accounts of Geodesic in respect of the directors wherein, while dealing with the submissions with respect to the statements recorded by SEBI of Mangiram Sharma and Manoj Sharma, it has been observed that “.....*during their cross-examination proceedings, the two witnesses **under oath** have reiterated that statements referred to and relied upon in the present proceedings are indeed theirs and they stand by those statements which reaffirms the validity of their statements made by them during the course of investigation and entitles those statements to be accepted as material evidence in support of the allegation made in the SCN and SSCN*”. Thus, I note that in the proceedings in respect of the directors of Geodesic before the Whole Time Member, SEBI, where the same statements of Noticee Nos. 2 and 3 recorded by SEBI (in investigation-II) were relied upon to substantiate the charges levelled against the Noticees therein (directors of the company), the Whole Time Member, SEBI has concluded that, there does not appear to be any reason to not consider the said statements (of Mangiram Sharma and Manoj Sharma) as the witnesses have reiterated their statements on oath during the cross examination conducted in the said proceedings.
42. In the present case before me, let me refer to the submissions made by Noticee No. 2 in his reply dated July 04, 2023 (received vide email dated July 05, 2023), as reproduced in the preceding paragraph no. 24. The Noticee No. 2 in the said reply has clearly submitted the facts and events exactly on the same lines as have been recorded by the investigating authority, SEBI in the statement in November 2019. Thus, I find that Noticee No. 2 has not deviated from the narrative of facts as recorded in his statement before SEBI. It is pertinent to mention that quasi-judicial authorities are not bound by the strict rules of Indian Evidence Act, 1872. It is a settled law that they are “*entitled to act on material that may not be accepted as evidence in a court of law*” and examine all relevant information and data in discharging their role as triers of fact. Reliance is placed on the judgment of the Hon’ble Supreme Court in the case of *State of Haryana and Anr Vs. Rattan Singh* decided on March 22, 1977<sup>2</sup>, which has even been relied upon by the

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<sup>2</sup> AIR 1977 SC 1512

Hon'ble Supreme Court in the case of State of Karnataka and Another Vs. Umesh<sup>3</sup> wherein the Hon'ble Court observed as under:

*"4. It is well settled that in a domestic enquiry the strict and sophisticated rules of evidence under the Indian Evidence Act may not apply. All materials which are logically probative for a prudent mind are permissible. There is no allergy to hearsay evidence provided it has reasonable nexus and credibility. It is true that departmental authorities and administrative tribunals must be careful in evaluating such material and should not glibly swallow what is strictly speaking not relevant under the Indian Evidence Act. For this proposition it is not necessary to cite decisions nor text books, although we have been taken through case law and other authorities by counsel on both sides. The essence of a judicial approach is objectivity, exclusion of extraneous materials or considerations and observance of rules of natural justice. Of course, fairplay is the basis and if perversity or arbitrariness, bias or surrender of independence of judgment vitiate the conclusions reached, such finding, even though of a domestic tribunal, cannot be held good. However, the courts below misdirected themselves, perhaps, in insisting that passengers who had come in and gone out should be chased and brought before the tribunal before a valid finding could be recorded. The 'residuum' rule to which counsel for the respondent referred, based upon certain passages from American Jurisprudence does not go to that extent nor does the passage from Halsbury insist on such rigid requirement. The simple point is, was there some evidence or was there no evidence - not in the sense of the technical rules governing regular court proceedings but in a fair commonsense way as men of understanding and worldly wisdom will accept. Viewed in this way, sufficiency of evidence in proof of the finding by a domestic tribunal is beyond scrutiny. Absence of any evidence in support of a finding is certainly available for the court to look into because it amounts to an error of law apparent on the record. We find, in this case, that the evidence of Chamanlal, Inspector of the Flying Squad, is some evidence which has relevance to the charge levelled against the respondent. Therefore, we are unable to hold that the order is invalid on that ground."*

- 43.** Therefore, I find that before recording the statement it is possible that an oath was inadvertently not been administered. However, considering that Noticee No. 2, in his reply dated July 04, 2023 to the SCN, has reiterated the facts and events as were recorded in his statement before the Investigating Officer, SEBI and as stated in the proceedings initiated against Noticee No. 1 by ED which has been supported by the analysis of documents during the forensic audit, I find that even if the statement of Noticee No. 2 recorded by SEBI during the investigation exercise is treated as inadmissible, the same would not make any difference to the case.

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<sup>3</sup> 2022 SCC Online SC 345 Civil Appeal Nos. 1763-1764 of 2022 decided on March 22, 2022

44. Further, Noticee No. 1 has relied upon the legal principle of “*presumption of innocence*” and states that as the evidence adduced in the criminal proceedings against the Noticee still remains untested and indefinite being *sub-judice*, SEBI must presume that the Noticee is innocent until he is actually proven guilty. I note that the evidence recorded in the criminal proceedings are statements of the Noticees which are on the same lines as has been recorded by SEBI during the instant proceedings. Having said that, I find that the said legal principle is applicable in the criminal proceedings wherein the public prosecutor has the burden of proving guilt of the accused. Considering that the proceedings initiated against the Noticee are quasi-judicial in nature, the test in the instant proceedings is that of ‘*preponderance of probabilities*’ based on the circumstantial evidence available on record. Here, I would like to place reliance on the observation of the Hon’ble Supreme Court in the case of *Securities and Exchange Board of India Vs. Shri Kanaiyalal Baldebbhai Patel*<sup>4</sup> wherein, Justice Shri. Rajan Gogoi, while agreeing with the reasoning adopted by Justice Ramana J, observed that –

“14. To attract the rigor of Regulation 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and **the correct test is one of preponderance of probabilities**. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in *Securities and Exchange Board of India Vs. Kishore R. Ajmera* (supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified”.

Consideration of main issue:

45. As mentioned in paragraph 30 above, the main issue that arises for my consideration in the present proceedings is *whether the Noticees did facilitate and assist the Company and its promoter-directors in manipulating and misrepresenting the true and fair view of its books of accounts by indulging in acts of issuing bogus / fake bills and further aided the Company and its promoter directors in diverting the funds of the company through layers to the ultimate benefit of the Noticees*. To address the same, it is important to discuss the role of Noticee No. 1 along with Noticee Nos. 2 and 3 in the scheme orchestrated by the directors of Geodesic, allegedly, in collusion with the Noticees and the connection between Geodesic Group Companies, bogus companies / sundry

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<sup>4</sup> Civil Appeal No. 2595 of 2013 dated September 20, 2017

creditors and the various domestic companies allegedly (and admittedly) related to Noticee No. 1 as brought out in the SEBI investigation, including the findings in the FAR.

**Connection between Geodesic group companies, bogus companies and various domestic companies related to Mr. Jajodia.**

**A. Companies controlled by Mr. Jajodia by way of shareholding / directorship:**

**45.1** I note that funds were transferred from Geodesic directly / indirectly through certain bogus entities controlled and / or created by Noticee No. 1 in entities where Noticee No. 1 was having, direct or indirect, interest, either himself or through his relatives, in the capacity of a Director or shareholder. Some of such entities / companies in which funds were transferred are as under:

- ❖ Savi Portfolio Management Services Limited - Savita Jajodia (wife of Dinesh Jajodia) – Director
- ❖ Savi Commodity and Capital Services Limited - Savita Jajodia - Director
- ❖ Savi Stock Arbitrage Limited - Savita Jajodia – Director
- ❖ J & J Network Consultancy Limited – Dinesh Jajodia – Director
- ❖ JDS Ventures India Limited (Erstwhile Arpeeta Infotech Limited) – Dinesh Jajodia – Director

**B. Common shareholding between bogus companies and Dinesh Jajodia group of companies:**

**45.2** The Auditor in the FAR had *inter-alia* observed that:

*“Based on the information, records of statutory auditor, physical verification and scrutiny of the bank statements, it is observed that the M/s. Geodesic Limited had Diverted Monies To Bogus Companies. In the absence of the genuine purchases, expenses and sales revenues the funds received from overseas bank accounts in Indian accounts in foreign currency are considered as diverted funds were routed to Indian bank accounts. These funds on receipt in the Indian bank accounts were immediately transferred to bogus entities and from there they were transferred through several layers to acquire the assets in form of properties and shares in Mr. Dinesh Jajodia, his family and his companies’ names. Mrs. Savita Jajodia is wife of Dinesh Jajodia and she is director in Savi group of Companies viz., in M/s J & J Network Consultancy Limited, M/s Savi Commodity and Capital Services Limited, M/s Savi Portfolio Management Services Limited and M/s Savi Stock Arbitrage Limited. Mrs. Savita Jajodia is a signatory to the Audited Balance Sheets of these companies and there are fund transfer transactions into her personal account and their children savings bank accounts.”*

**45.3** Perusal of the relevant Schedule of Balance sheets of the bogus companies by the forensic auditor for the Financial Year ending on March 31, 2008, show cross holding and control of Noticee No. 1 in the SAVI group companies (i.e. Jajodia Group of Companies) and bogus companies like **IDOR systems, Algorithm Software, Netformx Information, Anikesh Trading Pvt Ltd, Divya Infotech Pvt Ltd, Key Integrated Pvt Ltd and TFC Engineering Pvt Ltd.**

**C. Bogus companies / sundry creditors of Geodesic:**

**45.4** The sundry debtors and creditors were written off by Geodesic in the year ended June 30, 2013 and the Statutory Auditor of the company in its Annual report as on June 30, 2013 in the 'Notes' Forming Part of the Standalone Financial Statements for 2012-13 had stated that against aggregate write off of sundry debtors for one of its product of Rs. 45,340.87 Lakh (both the financials years ended 30th June 2012 and 30th June 2013), the Company has written back to the creditors for the supply of the software used in manufacture of the aforesaid product, amounting to Rs. 43,700.54 Lakh in the financial year ended 30th June 2013. The Statutory Auditor had given qualified opinion in the said Annual Report stating that they were unable to verify the correctness of the write off of amounts reversed in respect of the said software licenses sold to customers and written back amounts reversed in respect of the software licenses returned to the suppliers.

**45.5** It was also noticed in the forensic audit exercise that some of these debtors and creditors were bogus companies and there were fund transfers between Geodesic and its group companies with Dinesh Jajodia group companies, through these bogus companies.

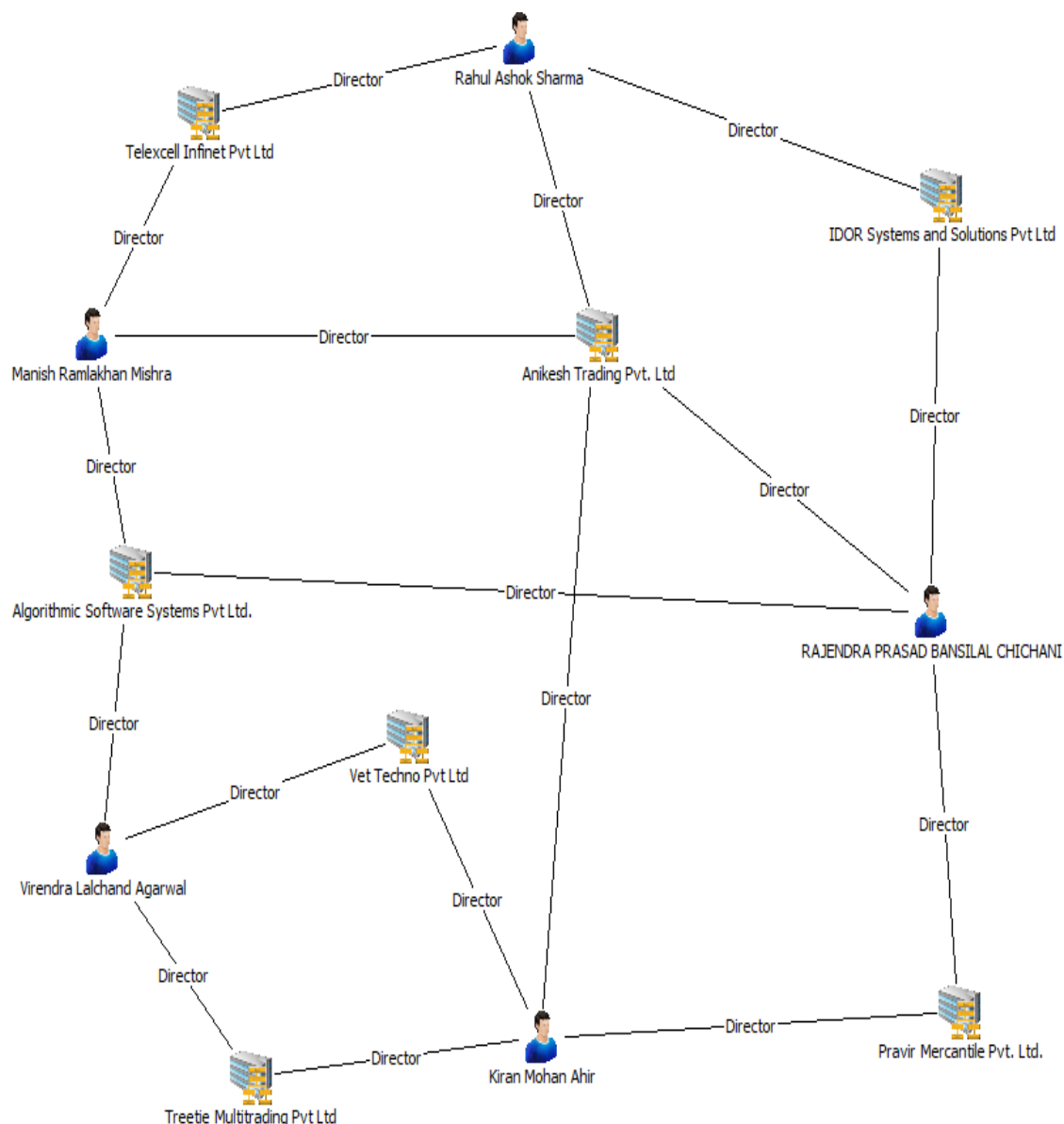
**D. Connection amongst Sundry Creditors of Geodesic**

**45.6** I note from the FAR that some of the sundry creditors of Geodesic namely, Algorithmic Software Systems Pvt. Ltd., Anikesh Trading Pvt. Ltd., Idor Systems & Solutions Pvt. Ltd., Divya Infotech Pvt. Ltd., Griffin Marketing Pvt. Ltd., Netformx Information Technology Pvt. Ltd., Telexcell Infinet Pvt. Ltd. and Vet Techo Pvt. Ltd., were all bogus companies which had no actual

business. Geodesic had entered into Deed of Settlement dated September 16, 2013 with some of these sundry creditors, to write off the amount due to them. The details of the Settlement Deeds are tabulated below:-

<b>Name of Vendor</b>	<b>Vendor Agreement date*</b>	<b>Deed Settlement Date</b>	<b>Amount Written off * (in Rs.)</b>
Telexcell Infinet Pvt. Ltd.	09.06.2010	16.09.2013	12,42,85,000/-
Vet Techo Pvt. Ltd.	16.06.2010	16.09.2013	23,83,02,500/-
Pravir Mercantile Pvt. Ltd.	22.03.2011	16.09.2013	Nil amount
Griffin Marketing Pvt. Ltd.	17.06.2010	16.09.2013	9,88,60,000/-
Treetie Multitrading Pvt. Ltd.	14.03.2011	16.09.2013	Nil amount
* Date and amount as mentioned in the deed of settlement			

**45.7** Further, the records available on MCA website show that there were common directors in the abovementioned companies who had signed the deed of settlement with Geodesic and the companies had fund flow with Dinesh Jajodia Companies which are shown pictorially below:



**45.8** The above pictorial chart shows that the companies mentioned below were connected with each other as the registered addresses of companies mentioned at Sr. Nos. iii, v below and another company namely Netformx Information Technology Pvt. Ltd. (another sundry creditor of Geodesic) was same i.e., “402, Mehzabeen Arcade, 13/A Chakla Cross Lane, Vadgadi, Mumbai – 400003”.

- (i) Algorithmic Software Systems Pvt. Ltd.,
- (ii) Anikesh Trading Pvt. Ltd.,
- (iii) Idor Systems & Solutions Pvt. Ltd.,
- (iv) Pravir Mercantile Pvt. Ltd.,
- (v) Treetie Multitrading Pvt. Ltd.,
- (vi) Telexcell Infinet Pvt. Ltd. and
- (vii) Vet Techo Pvt. Ltd.



#### **E. Role of Noticee No. 1 as brought out in FAR:**

##### **“Role of Dinesh Jajodia in Overseas countries:**

...Geodesic Limited had raised funds through issue of FCCB and had invested these funds in various investment companies as investment, as per the information submitted by the company to SEBI and as per the companies' Audited Balance Sheets. Subsequently the company failed to redeem the FCCB funds to investors. In the subsequent financial years, company had written off the investments in the books of accounts. Investigation and Forensic Audit had revealed that the companies in which the Geodesic invested were transferred into other companies like Lasdun, Eland crown, Yvette Investments Ltd (Dubai) which are controlled by Dinesh Jajodia, who is a director and/or beneficial owner of these companies. This establishes the role of Dinesh Jajodia and his role in diverting the FCCB funds into companies to which he is a director/beneficial owner. All these companies are incorporated in different countries other than India.

The scrutiny of the bank statements of Yvette Investments Limited and Yvette Invest & Trade Corp of Dubai reveals that Geodesic Limited FCCB funds were transferred to EEMF and from there to Yvette Investment account. Further, the Geodesic Holding Limited through facility agreement signed by Mr. Prashant Mulekar and Dinesh Jajodia had agreed to transfer funds from Geodesic Holding Limited to Yvette for USD 30 m & USD 18 m.

The main & the EEMF funds substantiate these facts. Hence, Dinesh Jajodia as a director of Yvette Investments Limited and Yvette Invest & Trade Corp had diverted FCCB funds, siphoned off the FCCB funds, and was instrumental in aiding and abetting Geodesic Limited in FCCB frauds.

##### **Role of Dinesh Jajodia in India**

In India, Dinesh Jajodia is only a tax consultant for M/s Geodesic Limited, but he had received **approximately Rs 29 crores** from the Geodesic Limited through bogus companies into his Savi group companies, without any commercial transactions or any payments of the nature of normal course of business. These amounts are out of the information available as on the date of this report. In his rejoinder, he had stated he received only professional fees from the company, and had not disclosed the monies received through the bogus entities.

Geodesic Limited, as reported in the Forensic Audit Report, falsely misstated its revenues, booked bogus software purchases and software development expenses and paid to bogus entities. Further investigations in the records revealed that these expenses were booked in bogus companies' names and the Geodesic Limited funds were routed through these accounts

*via several round tripping transactions. The diverted funds were used in acquiring several properties, shares, investing in private company shares at premium value, LC devolvement's, paying to certain individuals etc.*

*As per the details submitted by Dinesh Jajodia to Enforcement Directorate, Mumbai the entries provided by him in Geodesic Limited and other companies are further substantiates the facts that he had actively participated in aiding and abetting in the money laundering in Indian companies and in overseas companies. Subsequently his companies and his accounts were scrutinized and observed that **he, his family members and his Savi group companies had received huge funds directly from Indian bank accounts of Geodesic Limited and from the bogus entities through whom Geodesic had transacted.***

*Dinesh Jajodia, his family members and their group companies are also beneficiaries of these funds and they had acquired certain properties out of these funds.*

*In the absence of the genuine purchases, expenses and sales revenues the funds received from overseas bank accounts in Indian accounts in foreign currency are considered as diverted funds were routed to Indian bank accounts. These funds on receipt in the Indian bank accounts were immediately transferred to bogus entities and from there they were transferred through several layers to acquire the assets in form of properties and shares in Dinesh Jajodia, his family and his companies' names. These transactions prove beyond doubt the role of Dinesh Jajodia in diverting Geodesic Funds, including FCCB funds, in overseas companies and in Indian companies. He has aided and abetted in the fraud and diverting & subsequently siphoning off the Geodesic FCCB funds and creating assets in India out of the crime proceeds."*

**46.** Further, it is also important to understand the fund transfers between the Geodesic Group Companies, bogus companies and ultimately to Dinesh Jajodia Group Companies to highlight the diversion of funds by the Company through these companies to certain companies wherein Noticee No. 1 was either a director / beneficial owner which has been alleged to be facilitated by Noticee No. 1 along with Noticee Nos. 2 and 3; the details of the same are discussed at length in the paragraphs below.

**47.** The following has been extracted from the FAR which shows the diversion of funds:

#### **47.1 Investments of FCCB Funds:**

*“Based on the information and available documents, the parent company Geodesic Limited had raised funds for USD 125 M through redeemable FCCB from overseas investors for the purpose of investing in companies including wholly owned subsidiaries during 2008. These funds were invested primarily through the subsidiaries GTSL, Hong Kong and Geodesic Holding Limited Mauritius. The FCCB funds were invested in the following manner.*

#### **47.2 Subsequent Investments:**

*“Subsequent investment of funds are listed below based on the information as declared by the company in its submissions to SEBI, as per the Audited Consolidated Balance Sheet, investigated in the public domain and from other sources and analysed the funds flow. The analysis of the funds flow shows that majority of the companies to which the FCCB funds were transferred/invested are controlled by Mr. Dinesh Jajodia as a director or as a beneficial owner.*

*As per the information available in the public domain Eland Crown and Lasdun Ventures are under liquidation. The FCCB funds were initially transferred to Eland and Lasdun subsequently were transferred to Yvette Investments Ltd. Mr. Dinesh Jajodia is the beneficial owner of these entities to which the funds were transferred.*

*The Yvette Investments Limited, Dubai and the Yvette Investments & Trade Corp, BVI are sister concerns and have sole and common director Mr. Dinesh Jajodia. The affidavit submitted by Mr. Dinesh Jajodia to Mumbai High Court contains the bank statement of Yvette Investments which shows that the funds were indeed diverted to these accounts which were further transferred to other companies accounts. The Geodesic Limited FCCB funds were diverted through GHL to Yvette Investments & Trade Corp and from there they were siphoned off to other overseas companies (Funds diverted details mentioned in Table 1.1). The relevant bank transactions are highlighted in the Annexure-1.*

*The Geodesic Limited FCCB funds through GHL were given as loan, as per the agreement between Yvette Invest & Trade Corp and Geodesic Holdings Ltd. As per the facility agreement of USD 30M at 11.01.2010. As per this agreement, GHL had transferred funds to Yvette Invest & Trade Corp. The letter to this effect at 21.03.2010 signed by the Mr. Dinesh Jajodia is attached as Annexure -1.1. In the said letter as per the facility agreement, USD 8 m were instructed by Mr. Dinesh Jajodia to transferred to the account no. 710902319001, Abu Dhabi Commercial Bank, Dubai, U.A.E ( Annexure-1).*

*In another letter dated 31.03.2010, Mr. Dinesh Jajodia representing Yvette Investment Limited as director is mentioning the disinvestment of USD 18m which were invested in Interactive Networks International Inc on the behalf (Annexure – 1.4).*

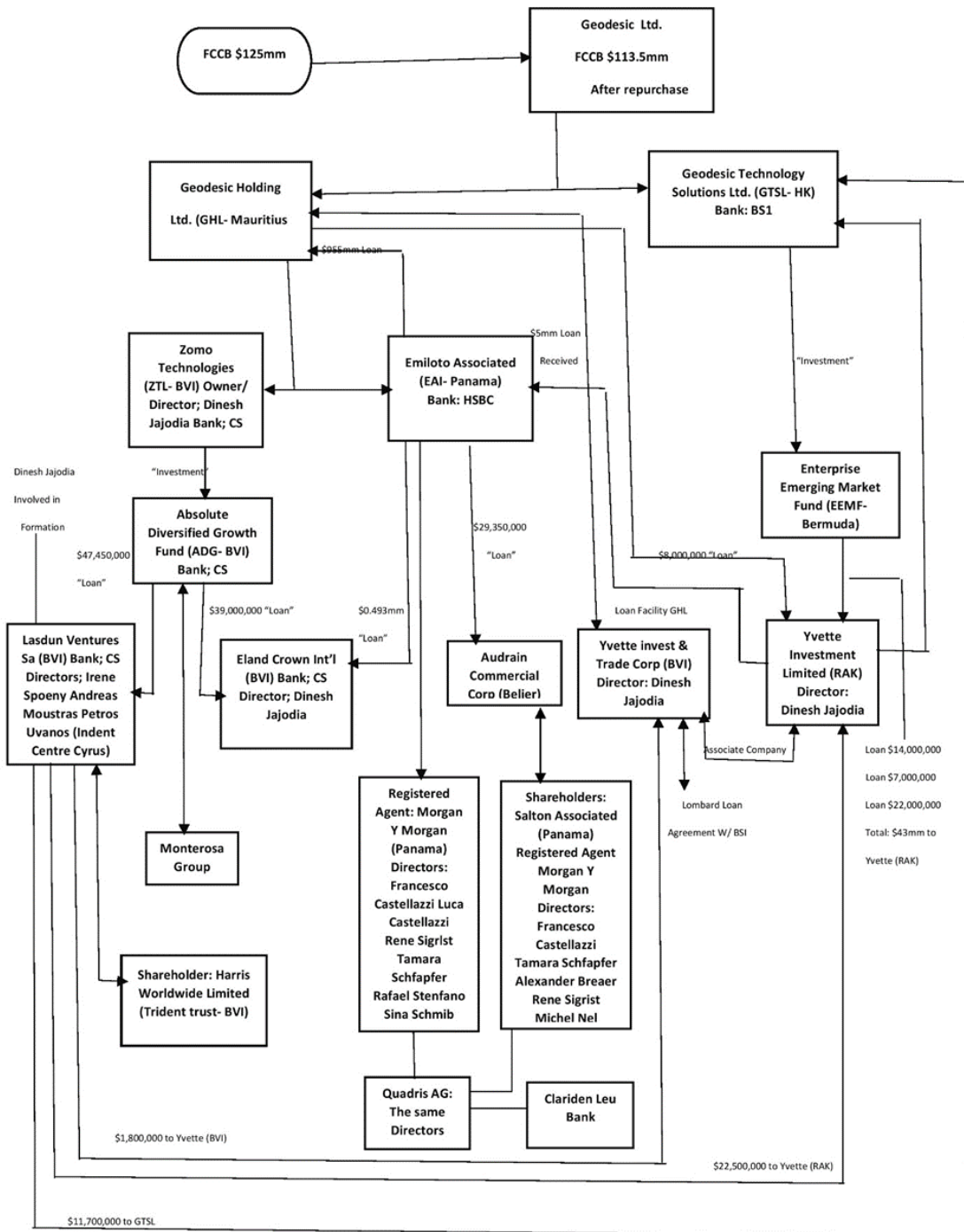
*In another letter dated 31.03.2010 of Yvette Invest & Trade Corp, its director Mr. Dinesh Jajodia is instructing Geodesic Holding Limited to disinvest the investments in Interactive Networks and consider the USD 18m as advance against shares (Annexure – 1.2).*

*All these letter are showing that Mr. Dinesh Jajodia is instructing Geodesic Holding Limited to transferred funds to Yvette Investments Limited and Yvette Invest & Trade Corp as a director of both the companies and he was instrumental in diverting and siphoning off the funds of Geodesic Holding Limited FCCB funds.*

*Further, the Geodesic Holding Limited funds were invested in Enterprise Emerging Markets Fund (EEMF), as per the Annexure – 1.3, The direct investment by Geodesic Holding Limited in EEMF funds, these amounts are subsequently transferred to Yvette Investments Limited / Yvette Invest & Trade Corp bank accounts. Mr. Dinesh Jajodia had signed the EEMF funds from on behalf of Yvette along with Mr. Prashant Mulekar who signed on behalf of the EEMF funds loan agreement. (Annexure -2 attached)*

*This further establishes the direct link between Geodesic Holding Limited, Enterprise Emerging Markets Fund & Yvette Investments Limited.”*

*The relationship of Mr. Dinesh Jajodia with the companies to which the FCCB funds were transferred:*



#### **47.3 Bank Statement Analysis: (Bank Accounts in India)**

*The bank statements of the Geodesic Limited were analysed and observed that there were huge debit and credit transactions over the years from 2007-08 to 2012-13. These bank transactions and the entities to which these payments were made and credits from whom the funds are flowing in, were analysed. It was observed that huge circular transactions through the bogus companies were carried out by the directors of Geodesic Limited. Similarly the vendors for the expenses towards software purchases, software development expenses and other vendors' names were obtained and analysed. The Audited Balance Sheets of software vendors to Geodesic Limited were verified and the personal visits to their offices were conducted and observed that the offices are non-functional, no business activity was seen and no employee was working on software or on software trading activity. Similarly the vendors' against whom the expenses booked for the software development were also verified and observed that there is no business activity in these companies also, the entries were only of accommodative in nature. Further, certain vendors who claimed to have supplied software to Geodesic Limited have relinquished their receivables from the company for several crores of rupees. The details of bogus entries passed by these entities provide by one of the director Mr. Sharma and Mr Dinesh Jajodia of Savi group are provided herewith in the Annexure -4. These details were submitted by them in Enforcement Directorate, and the same are provided in this annexure -5.*

.....

*Based on the analysis of the bank statements, Geodesic Limited did not have major realisations from the debtor or sales realisations in their accounts. However, there were huge transactions in the bank accounts running in several crores. The companies through which these transactions were routed are shell companies as discussed. In such scenario the origination / source of the funds for Geodesic Limited were analysed and observed that they originated from overseas bank accounts, Bank borrowings in India as well as overseas borrowings (FCCB Funds). No other major source of inflow were observed in the bank statements as claimed in the financial statements as sales revenues. The details of the same are reported in the earlier report for the fraudulent debtors, Loans and advances. The company had also raised loans and other facilities from Indian banks and failed to repay in time and facing the liquidation and legal charges in various matters in the Mumbai High Court.*

#### **47.4 Sources of Funds in Indian Banks:**

*In view of bogus purchases of Software and its development expenses and bogus sales/export of these software, the generation of revenue or cash inflows into banks from customers of Geodesic Limited is not possible. The debtors realisation for the bogus sales booked, cheque reversals entries for debtor realisations from GTSL and the write off of the expenses incurred in India further raised questions for the sources of funds that were credited into Indian bank accounts of Geodesic Limited.*

*Forensic Audit had relied on the evidences and the bank transactions in Indian Bank accounts and the Indian bogus companies and overseas companies controlled by Directors and Mr. Jajodia and arrived at the conclusion that the sources of funds in these accounts are out of the FCCB funds raised outside India which were diverted through several layering techniques through the Overseas companies and Indian Bogus companies. Money was laundered into Indian bank accounts in foreign currency through these layering techniques and further diverted from Geodesic Limited accounts to various bogus entities immediately on receiving the Foreign funds, and carried out circular entries with Geodesic Limited to appear as if these are sales realisation/debtors realisations. In fact these circular entries were through the bogus companies which received funds from Geodesic Limited and also paid back certain funds to and forth several times.*

*During the Forensic Audit, it was observed that approximately **Rs 514 crore** were received in Foreign Currency by Geodesic Limited which were transferred to bogus entities immediately on receiving. Relying on the above facts, the funds received by Geodesic in Foreign Currency considered as FCCB funds diverted to Indian bank accounts and hence these bank accounts analysed and the ultimate beneficiaries of these funds are reported here in this report. The analysis of the application of these funds reveals that there were assets acquired in the name of Mr. Dinesh Jajodia, his wife, family members, and also his Savi group companies apart from other assets acquired by other directors and their bogus entities.*

- 48.** I note from the SCN that during investigation, it was revealed that there were numerous fund transactions amongst various bogus companies. Some of the instances of such fund transactions between various bogus companies and Telexcell Infinet Pvt. Ltd. (one of the sundry creditors which entered into deed of settlement with Geodesic) is tabulated below:-

<b>Date of Transaction</b>	<b>Account name</b>	<b>Counterparty</b>	<b>Amount</b>	<b>Debit / Credit</b>
15.06.2011	Algorithmic Software	Telexcell Infinet Pvt. Ltd.	2,35,00,000	Debit
23.01.2012	Systems Pvt. Ltd.	Telexcell Infinet Pvt. Ltd.	35,00,000	Credit
15.06.2011	IDOR Systems and Solutions	Telexcell Infinet Pvt. Ltd.	2,30,00,000	Debit
11.04.2012	Pvt. Ltd.	Telexcell Infinet Pvt. Ltd.	36,00,000	Credit
05.07.2011	Netformx Information	Telexcell Infinet Pvt. Ltd.	1,00,00,000	Debit

02.09.2011	Technology Pvt. Ltd.	Telexcell Infinet Pvt. Ltd.	46,00,000	Credit
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49. Further, some instances of fund transfer from Geodesic Companies through one bogus company to another is also produced below:

Date of Transaction	Account name	Counterparty	Amount	Debit/Credit
21.07.2009	Anikesh Trading Pvt. Ltd.	Geodesic Information	3,00,00,000	Credit
		Algorithmic Software	1,50,00,000	Debit
23.07.2009		Geodesic Information	90,00,000	Debit
		Algorithmic Software	45,00,000	Credit
27.07.2009		Geodesic Information	2,00,00,000	Debit
		Algorithmic Software	50,00,000	Credit

50. I note that transactions similar to the ones mentioned in the table above, were also observed in other accounts of bogus companies, wherein, funds received from Geodesic were transferred to other bogus companies and the companies which had frequent fund transactions with the abovementioned bogus companies were all controlled by Noticee No. 1 and his family members. Some of the illustrative instances of bogus companies receiving funds from Geodesic and its associate/group companies and subsequently transferring funds to Dinesh Jajodia companies are given below:-

Date of Transaction	Counterparty	Amount	Debit/Credit
<b>Algorithmic Software Systems Pvt. Ltd.</b> (Account no 000000858240019 maintained with Deutsche Bank.			
24.01.2008	Geodesic Information Systems Limited	1,50,00,000	Credit
25.01.2008	Savi Portfolio Management Services Limited	20,00,000	Debit
	Savi Portfolio Management Services Limited	30,00,000	Debit
<b>Anikesh Trading Pvt Ltd</b> (Account no 000000858490019 maintained with Deutsche Bank.			
15.07.2009	Geodesic Information	2,20,00,000	Credit



<b>Date of Transaction</b>	<b>Counterparty</b>	<b>Amount</b>	<b>Debit/Credit</b>
16.07.2009	Savi Stock Arbitrage Ltd.	50,00,000	Debit
	Savi Stock Arbitrage Ltd.	50,00,000	Debit
<b>IDOR Systems and Solutions Pvt Ltd</b> (Account no 000003919630019 maintained with Deutsche Bank.			
25.01.2008	Algorithmic Software Systems Pvt. Ltd.	30,00,000	Credit
	Savi Portfolio Management Services Limited	30,00,000	Debit
<b>Netformx Information Technology Pvt Ltd</b> (Account no 000003904100019 maintained with Deutsche Bank.			
04.04.2009	Geodesic Limited	1,15,00,000	Credit
06.04.2009	Savi Portfolio Management Services Limited	40,00,000	Debit
	Savi Commodity & Capital Services Limited	75,00,000	Debit

**51.** Thus, it has been alleged that these bogus companies were incorporated by the Noticee No. 1 with the help of Noticee No. 2 for the very purpose of diverting funds through layering and Noticee No. 1 was one of the beneficiaries of such incorporation. Further, it also emerges from the statements of Noticee Nos. 2 and 3 recorded during the investigation that these fictitious companies were incorporated by them for the purpose of issuance of fake software sell bills to Geodesic, and in reality, no such transfer of goods (softwares) took place. It was observed that the funds were transferred from the said bogus companies into the accounts of the following companies / persons, as noted from the worksheet submitted by Noticee No. 2 during investigation:

<b>Sr. No.</b>	<b>Name of the company/person</b>	<b>Total amount transferred from the said cos. (In Crore)</b>
1.	Unbound Venture.com India Pvt Ltd(UVIPL)	17.95
2.	Prashant Mulekar	1.95
3.	Guruprasad Developers	0.29

<b>Sr. No.</b>	<b>Name of the company/person</b>	<b>Total amount transferred from the said cos. (In Crore)</b>
4.	Savi Commodity & Capital Services Pvt Ltd	9.90
5.	Sai Global Ventures India Pvt Ltd	0.50
6.	Savi Portfolio Mgmt Services Pvt Ltd	32.65
7.	Savi Stock Arbitrage Limited	8.50
8.	Arpeeta Infotech Pvt Ltd	1.80
9.	J&J Network Consultancy Pvt Ltd	4.71
<b>Total</b>		<b>78.25</b>

52. I find that the Noticee No. 1 in his replies to the SCN has admitted that he had agreed to become the director in the companies namely, Yvette Investment Limited, Yvette Investment and Trade Corp Ltd, Zomo Technologies Ltd, Sharplong Consultants Ltd, Lasdun Ventures Ltd, Emiloto Associates Inc. on the instance of Mr. Prashant Mulekar and that the said companies were incorporated by him (*in different countries*) owing to his professional association with Geodesic and in good faith. However, he has stated that although he had agreed to become namesake director, on paper, he was never given any control whatsoever of these or any of the companies that Geodesic in future, either incorporated or undertook transactions with. In support, Noticee No. 1 has submitted a letter dated September 04, 2007 by Mr. Prashant Mulekar to him (Dinesh Jajodia). Therefore, it is the case of the Noticee that the transactions undertaken by Geodesic have been done out of its own accord and the Noticee has neither been privy nor a party to these transactions. I find it difficult to accept the said submission. I find that Noticee No. 1 is a qualified Chartered Accountant and acted as a Tax Consultant for various companies, including Geodesic. The Noticee No. 1 is reasonably expected to be aware of the dealings of a listed company and the processes involved in incorporation of companies, role of directors in the companies, acquisition of companies, fund transfers, etc. Thus, Noticee No. 1 was expected to understand the implications of becoming a director / beneficial owner in the companies incorporated, though on the instructions of Mr. Prashant Mulekar. It is settled law that an agreement is illegal and therefore void *ab initio* if object of such agreement is illegal. Therefore, even though the letter produced by Noticee No. 1 from Mr. Prashant Mulekar states that “*although your name could be mentioned as beneficial owner or shareholder or director, we confirm*

*that these companies would at all times belong to and are owned by Geodesic Information Systems Limited”, the same cannot be treated as legitimate, it being against the law. Important facts such as Noticee No. 1 giving his passport copies for incorporation of the companies and for opening and operation of bank accounts, his agreement for such kind of an arrangement to act as a director and / or beneficial owner in such companies (being a Chartered Accountant and the tax consultant for Geodesic), knowing exactly that the same is, in no stretch of imagination, a proper and ethical practice proves beyond doubt that the Noticee No. 1 had, being fully aware of the purpose for which the same was being done, acted in collusion with the directors of the Company in order to facilitate them in the entire manipulative scheme. Considering that Noticee No. 1, admittedly, was assisting the company for taxation purposes, it implies that all the acts were done by Noticee No. 1, being fully aware of the book entries which would impact the financial statements of the company and therefore, has aided in the scheme designed by the directors which ultimately resulted in siphoning off of the funds received through issuance of FCCBs. I also find from the FAR that monies have been transferred from Geodesic to certain bogus companies and Savi Group companies which ultimately had been utilized by Noticee No. 1 in acquiring properties in his own name and in the names of his family members. Therefore, taking a defense by stating that he became a director of certain companies incorporated on the instance of Mr. Prashant Mulekar for namesake i.e. only on paper seems to be a frivolous defense to camouflage the entire scheme facilitated by him.*

- 53.** Further, I even find from the submissions of Noticee No. 1 that he has admitted that the instructions regarding transfer of funds came from Mr. Prashant Mulekar, Ms. Deepali Gokhale and Mr. Girish Borkar to multiple people, including him. The same shows that he (Dinesh Jajodia) was fully aware of the transactions / fund flow which was being executed between Geodesic Group Companies, the bogus companies (incorporated by Noticee No. 1 for Geodesic) and other companies incorporated by Noticee No. 2 for providing fake bills for software purchases and Dinesh Jajodia Group Companies. It is worth noting here that from page nos. 3, 4 and 5 of the FAR it can be seen that, the forensic auditor has found that majority of the companies to whom the FCCB funds were transferred / invested viz., Eland Crown, Lasdun Ventures, Yvette Investments Ltd, Yvette Investments & Trade Corp, etc. were all controlled by Noticee No. 1 as a director and / or beneficial owner. The Noticee No. 1 in his replies to the SCN has admitted that

he indeed had incorporated these companies on behalf of the Company and that he was the director/ beneficial owner in the companies through which the funds were further transferred to other accounts. Therefore, the submission of Noticee No. 1 that he was unaware of the fund transactions between the subsidiaries / Geodesic Group companies, being the director in such companies, is devoid of any merit.

54. The Noticee No. 1 has stated that his consent was never taken while initiating, undertaking or concluding the financial transactions alleged to be manipulative and fraudulent. I note that Noticee No. 1 has already admitted that the instructions for transfer of funds would come from Mr. Prashant Mulekar to few employees of Geodesic, including him. Further, in case of the bogus companies which were shown as the vendors of the Company from whom softwares were being purchased, I note from the available records that the said instructions later used to be forwarded to Noticee Nos. 2 and 3 for issuance of fake bills showing purchase of Software, as admitted and stated by Noticee Nos. 2 and 3 (a) in their statements recorded before SEBI, (b) during the cross examination proceedings (by Noticee No. 3), (c) in the statement recorded before ED, and (d) in their respective replies to the SCN in the matter. I would like to reproduce certain portions of the reply received from Noticee No. 2, questions & answers of the statement recorded of Noticee Nos. 2 and 3 by SEBI and relevant parts of records of cross examination which confirm that Noticee No. 1 was completely aware and was assisting the directors of the Company in the fraudulent scheme devised by them to siphon off the funds and manipulate the books of accounts of the Company. It may be noted that even though the statement recorded of Noticee No. 2 by SEBI has been discarded due to technicalities, as the contents of the statement and the reply are the same, reference has been made to the same. The reproduced portions are as under:

Mangiram Sharma:

*"Q.3 How were you connected to Geodesic Limited during the period 2008-2013. Provide details with documentary evidence.*

*A.3 Mr. Dinesh Jajodia introduced me to Mr. Prashant Mulekar in a function at Shree Shyam Ek Mandir Trust. Dinesh & I were members of the trust. After that, I met Mr. Dinesh Jajodia & Prashant Mulekar in a Hotel where I was given an offer to earn extra income by issuing fake bills to Geodesic Ltd. I accepted the offer.*

*Q.4 Details of your educational qualification and employment history.  
I have cleared 10<sup>th</sup> Standard.*

*I have worked at Baijnath Melaram firm, Kalbadevi for 14 years (1980-1994) as an accountant. I was also into scrap trading & construction industry for 2 years.*

*Q5 Pls provide details of your directorships during the period 2008-2013.*

*A5 I was a director of Divya Infotech, IDOR Systems, Key Integrated during 2008-13. I don't remember who else was director in these companies.....*

*Q6 Who advised you to carry out the transactions with GL during 2008-13. What was the nature of those transactions. Give details.*

*A6 **Mr. Dinesh Jajodia instructed me to carry out transactions with Geodesic Limited. I was instructed to issue fake bills to Geodesic Limited. The fake bills were issued by Manoj Sharma. They were paper transactions. ....***

*Q7 Were you getting any commission for carrying out the transactions. If yes, what was the mode of payment and by whom it was made to you. How was the money received in the form of commission utilized. Please submit documentary evidence for the same.*

*A7 Geodesic Limited used to transfer funds in the accounts of the 6 shell companies. After receipt of the amount, cheques were issued to the various parties (whose names I do not remember) at the instructions of Mr. Dinesh Jajodia. The cheques were issued by Manoj Sharma and the details of various payees can be given by Manoj Sharma who was taking care of accounts in all the 6 shell companies. **For issuing fake bills, commission was received from Geodesic Ltd into the accounts of the 6 companies.** The commission was used to pay salaries & taxes. The amount of transaction was in the range of 300-350 crore for which approx. 50 lacs commission was received.....”*

Reply dated July 04, 2023 of Mangiram Sharma:

*“12..... at a religious function, the Noticee met Mr. Dinesh Jajodia who introduced himself as a professional Chartered Accountant consulted by multiple companies (including Geodesic) for their tax audits.*

*13. It is humbly submitted that Mr. Jajodia informed the Noticee that since he is the tax consultant of M/s. Geodesic, he is legally constrained from dealing with M/s. Geodesic in his personal capacity and offered the Noticee to with an opportunity to make some money. The arrangement made between the Noticee and Mr. Dinesh Jajodia was such that whatever software or other products Geodesic otherwise purchases from the market will now be purchased from the companies for which the Noticee would be in charge of and the Noticee will provide bills and entries for the same.*

*14. The Noticee was already having 3 companies and 3 other companies were arranged by Mr. Jajodia for the aforesaid business arrangement. Mr. Jajodia also assisted the Noticee in becoming directors of 2 companies. The way the business*

worked was that Mr. Jajodia used to tell the details of products along with the amount for which the bill had to be raised. The Noticee would raise the said bills in the name of the aforesaid six companies and funds against the aforesaid bills were received in the accounts of the aforesaid six companies from Geodesic group companies. Thereafter, the funds so received from Geodesic group companies were later transferred to companies which were told by Mr. For every such transaction, the Noticee was promised a commission of 15 paise per 100 Rs.

15... Noticee's role was to act as a middle man (on behalf of Mr. Jajodia) between Geodesic and Mr. Jajodia identified companies and the Noticee's job entailed merely following the instructions received from Mr. Dinesh Jajodia regarding the details for the bills to be raised and the companies to whom the funds had to be transferred. Further, the details regarding the bills were provided by Mr. Jajodia either through phone calls or through email. It is humbly submitted that whatever emails Mr. Jajodia sent regarding the details of the bills were later on deleted at the instructions of Mr. Jajodia."

Manoj Sharma:

"Q.3 How were you connected to Geodesic Limited during the period 2008-2013. Provide details with documentary evidence.

A.3 I was not directly connected to Geodesic Limited. I was working as an accountant under Mr. Mangeram Sharma. I used to handle accounts of Divya Info Tech Pvt. Ltd, Algorithmic Software Systems Pvt. Ltd, HPL Multi Trade Pvt. Ltd, Anikesh Trading Pvt. Ltd, Netformx Information Technology Pvt. Ltd, IDOR Systems & Solutions Pvt. Ltd. **These Co's were formed by Mr. Mangeram Sharma on instructions of Mr. Dinesh Jajodia in the year 2007-2008.**

Q.4 Details of your educational qualification and employment history. And who were the directors in those companies where you were employed.

A.4 I have done my diploma in Electronics & Telecommunication from Bharti Vidyapeeth Institute, Kharghar.

Worked with Wipro Spectramind, Powai – 2002-2004

Worked with father under family business – 2004-2006

Worked with Mangeram Sharma – 2007-2013

Currently working with Sign Write (I) Pvt. Ltd.

Q.5 Pls provide details of your directorships during the period 2008-2013 and who were the other directors in the companies where you were director during the aforesaid period.

A5 I was Director in following Co's.

HPL Multi Trade Pvt. Ltd

Netformx Information Technology Pvt. Ltd

TFL Engineering Pvt. Ltd

Mr. Virendra Agarwal, Mr. Rajendra Chichani were directors. I don't remember specifically who were directors with me in respective co's.

Q6 Who advised you to carry out the transactions with GL during 2008-13. What was the nature of those transactions. Give details.

**A6 Mr. Mangeram Sharma and Mr. Dinesh Jajodia used to give instructions for all transactions related to Geodesic Limited. Mangeram Sharma asked me to supply fake bills to Geodesic Limited as & when directed. These bills had no actual sale & purchase of Goods / Software associated with them.**

Q7 Were you getting any commission for the carrying out the transactions. If yes, what was the mode of payment and by whom it was made to you. How was the money received in the form of commission utilized. Please submit the documentary evidence for the same.

**A7 I was getting salary from HPL Multi Trade Pvt. Ltd for carrying out the various task assigned to me. I did not receive any separate commission from either of the Co's or Mr. Mangeram Sharma. I submit the copy of Bank statement by December 02, 2019.**

Q10 What was the business of the companies wherein you were director during 2008-2013?

**The Co's where I was director did not carry any actual business. These Co's were formed by Mr. Mangeram Sharma on the instructions of Mr. Dinesh Jajodia for the purpose of supplying fake bills to Geodesic Limited and some other companies.**

Q.12. Pls inform whether you were aware that Mr. Mangiram Sharma was receiving any commission from Geodesic Ltd?

**I was aware of Mr. Mangeram Sharma receiving commission from either Mr. Dinesh Jajodia or Geodesic Limited. I am not aware of details of same."**

Cross Examination of Noticee No. 3 extracts are reproduced as under:

Examination held on November 09, 2022:

Q10 On whose instructions did you supply "Fake Bills" to Geodesic Ltd?

**A10 I clarify that I did not supply any "Fake Bills". Whatever documents were made under instructions of Mr. Dinesh Jajodia and Mr. Mangiram Sharma.**

Q11 Are you aware of any "Fake bills" issued to Geodesic Ltd?

**A11 I was not aware in the beginning. But later on, I got to know that those were "Fake bills".**

Q13 Can you give an approximate year as to when you got to know about the "Fake bills"?

**A13 That was in the year 2007-08 when the company HPL Multitrade Pvt. Ltd was formed.**

Q14 Since the year 2007-08 when you became aware of the purported "Fake bills" which authorities did you approach to intimate about the same?

A14 I did not approach any authority.

....

Q25 The instructions received from Mr. Dinesh Jajodia referred by you in response to Q10 above were in writing and / or orally given?

A25 **The details of the bills to be made were sent by Mr. Dinesh Jajodia by Email.**

Q26 Have you produced before SEBI the email referred by you in your previous answer?

A26 No, I have not produced before SEBI. The witness volunteered to say that **the emails are all deleted**. It was a trailing mail from Ms. Deepali Gokhale of Geodesic Ltd to Mr. Dinesh Jajodia and then forwarded to me.

Q27 When did you delete the email allegedly received from Mr. Dinesh Jajodia referred by you in response to Q25 above?

A27 **I was instructed to delete the emails once the documents were prepared as per the list given to me.**

Examination held on December 15, 2022:

Q-53 What was your role, if any, in the preparation of the alleged fake bills?

A-53 **I only followed instructions given to me by Mr. Dinesh Jajodia and Mr. Mangiram Sharma in preparation of fake bills.**

Q-54 what were the tasks carried out by you in following 'instructions' as stated by you in response to Q-53 above?

A-54 My task was to prepare the documents as required by Mr. Dinesh Jajodia and Mr. Mangiram Sharma.

Q-55 **Did the 'Documents' referred by you in response to Q-54 above include the alleged fake bills?**

A-55 **Yes.**

55. From the above records of the statements before SEBI and the cross examination recordings of Noticee No. 3, I find it is amply evident that the instructions, admittedly, to issue fake bills used to flow from Prashant Mulekar and Noticee No. 1 which were then forwarded to Noticee Nos. 2 and 3. Thereafter, monies were being transferred from Geodesic to these bogus companies in guise of purchase of software / goods and investments, which never existed as there was no actual business carried out by these companies, which has also been found by the forensic auditor in its report and stated by



Noticee Nos. 2 and 3 in their statements, being directors in these mule companies. On a conjoint reading of,

(a) the reply filed by Noticee No. 2 to the SCN and the statements of Noticee Nos. 2 and 3 before SEBI,

(b) the cross examination recordings of Noticee No. 3,

(c) the statements recorded of the said Noticees before the ED (as mentioned in the preceding paragraphs) and

(d) the trail of fund flow between the said companies i.e. Geodesic Group Companies to overseas companies and other bogus companies to Jajodia Group of Companies, in layers (as brought out in the FAR),

the entire scheme devised and designed by the directors of Geodesic being facilitated by Noticees by incorporating these bogus companies and issuing fake bills for transferring the funds through layers which ultimately was for the benefit of the directors and the Noticees is crystal clear. The same establishes beyond doubt that the Noticees, being fully aware of the kind of transactions they were entering into and executing, were definitely hand in glove with the directors of Geodesic and facilitated them in the manipulation of the books of accounts of the Company by showing bogus book entries, specifically with the assistance of Noticee No. 1, he being the tax consultant of the Company. Further, the way in which the FCCB funds have been transferred through layers of different companies which were all incorporated for the sole purpose of diversion further establishes the complicity between the directors of the company and Noticee Nos. 1, 2 and 3 in facilitating the diversion of the monies. Therefore, the submission of Noticee No. 1 that his consent was never taken while initiating, undertaking or concluding the financial transactions is immaterial. The fact that Noticee No. 1 (*Dinesh Jajodia*) admittedly agreed to becoming a director / beneficial owner in these companies and the instructions to prepare bills for the non-existent purchase of software / goods by the Company used to flow from Mr. Prashant Mulekar to one Ms. Deepali Gokhale to Noticee No. 1 and ultimately to Noticee Nos. 2 and 3 who, admittedly, were the persons behind the preparation of the fake bills is sufficient enough to establish that the transactions were being carried out by the directors of Geodesic with the aid and assistance of Noticee Nos. 1, 2 and 3 to manipulate the books of accounts of the Company. Further, the transactions with the overseas companies in the guise of investments, wherein, Noticee No. 1 was the director and further transfer of

such funds shown as investments / loans to other companies including the companies owned by Noticee No. 1, further establishes the participation of Noticee No. 1 in the deceitful scheme designed in order to divert the monies raised by issuance of FCCBs.

56. I note that Noticee No. 1 has even stated in his submissions that he has brought to the notice of multiple authorities, including the EOW and the Hon'ble High Court of Bombay, that the signatures on multiple documents, which have been alleged to be signed by him (*Dinesh Jajodia*), being the director / beneficial owner of / in the bogus companies such as Yvette Investments Limited, so incorporated on the instructions of Mr. Prashant Mulekar, were forged as he had not agreed to or signed on the said documents. In support of the same, he has produced two reports dated December 01, 2015 and December 03, 2015 by two different handwriting experts stating that the signatures on the questioned documents are of different authorship. It is the case of the Noticee that despite raising the alarm on the forged signatures, no action has been taken on such a glaring discrepancy. However, I note that in order to come to a conclusion and / or a finding that his (*Dinesh Jajodia's*) signature was indeed forged on the questioned documents, an Order from a competent court / authority declaring that the signatures were forged would be a pre-requisite. I find that the Noticee No. 1 has not produced any order from a competent court / authority declaring the signatures to be forged. Here, I would like to draw attention to the directions issued by the Hon'ble SAT in the case of *SEBI Vs. Kalidas Dutta*<sup>5</sup> in respect of fraudulent usage of someone's identity without his knowledge / consent, which are reproduced as under:

*"..this appeal can be disposed of with a direction to the appellant to obtain appropriate documents/orders from the competent authority to the effect that he was fraudulently appointed as director of the company in question on 10th February, 2015. For this purpose, the appellant is granted time up to one year to do the needful and submit the same to SEBI. ...."*

57. In view of the foregoing, I find that in the absence of any Order from a competent authority / court against the perpetrators of the claimed forgery and in the light of his admission of incorporating certain companies overseas wherein he was a director and / or beneficial owner, the bald submission of Noticee No. 1 that his signature on the questioned documents was forged and that he did not agree to or sign on multiple

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<sup>5</sup> Appeal No. 262 of 2016 – date of decision January 23, 2018

documents seems to be a baseless attempt to wash off his hands from the deceitful charges levelled against him in the SCN and thus, cannot be accepted.

58. Here, I find it apposite to quote certain paragraphs from the order dated December 19, 2022 passed by the Whole Time Member, SEBI in order to substantiate the charge levelled against the Noticees:

*“40. After perusing the allegations that emanate from the Supplementary SCN, it is observed at the outset that, in order to rebut such allegations, it was incumbent on the part of Noticee nos. 1, 2 and 3 who, being the Promoters and Executive Directors of Geodesic ought to provide persuasive explanations to justify the purported purchase of software from those fictitious companies. When I peruse the reply to the Supplementary SCN filed on behalf of the Noticee nos. 1 and 3, I find that there is a candid and implicit admission to the charge of routing money in lieu of fake bills, which can be seen from a plain reading of the following contention of the Noticees no. 1 and 3 reproduced as such from their reply dated December 07, 2021:*

*“The bills raised by various entities on the Company are alleged to be bogus on the basis of the contention that they do not do any business and on the basis of the statements of Mangiram Sharma; however, the said statement relates only to the 6 companies mentioned by him; there are other companies which have raised bills on Geodesic Limited, which, to our client’s best recollection were not bogus companies and in face, provided software and software related services to the Company. For e.g. Simmtronics Infotech Private Limited, a company incorporated in 1994, based in NOIDA and having contract manufacturing facilities at Roorkee provided contract manufacturing services to Geodesic Limited and they raised bills for the same and were duly paid. These bills cannot be termed as bogus. Our client submits that the bills raised by the Company for various software and software services provided were not fake and are not shown to be so.” (underline supplied)*

*41. From the above, it is evident that Noticee nos. 1 and 3 have not thrown any light on the merit of the transactions that were executed by Geodesic Limited with the said 6 bogus companies and instead of confronting the allegation of receiving fake software bills from the 6 mule entities, they have sought to take shelter under the reference to some other company, which as per them, was carrying actual business and the transaction of the Company with that company was not bogus. Therefore, I find no merit in the above defence since the allegations are specific to their transactions with*

*the 6 fictitious companies, however, instead of providing explanation to the alleged transactions, they have quietly brushed it aside and have preferred to make reference to some other company, transaction with which has not been alleged in the show cause issued in the matter. Under the circumstances, it is difficult to accept the said defence in response to the specific charges made in the supplementary SCN that the bills provided by the six shell companies were fake. Therefore, in absence of any thing contrary on record which could have tilted the preponderance of probabilities in favour of the Noticees, I do not have any hesitation to reject the said irrelevant submission in its totality and hold record that the transactions of the Company with the 6 companies were in fact not genuine, consequently, any reporting, entry and reference of the same in the books of the Company was fake, frivolous and misleading.”*

59. Based on the observations in the investigation report and the findings as brought out in the FAR, I do not have any hesitation to conclude that the transactions between the Company, the six bogus / paper companies and other companies incorporated by Noticee No. 1 were not genuine, without any actual supply of software to the Company and without carrying out any due diligence, considering that all these companies were paper companies. The Noticee Nos. 1 and 2 along with Noticee No. 3, being the persons behind their incorporation, directorship and execution of the transactions, were fully aware of the purpose for which the said transactions were being executed by the directors of the Company. I note that Noticee No. 2 in his statement and in his reply has admitted that he had agreed to incorporate and become the director in few companies for earning some extra money on the instructions of Mr. Prashant Mulekar and Noticee No. 1. The statement of Noticee No. 2 recorded by SEBI is only corroborative in nature. It has also been specifically stated by Noticee No. 2 in his reply to SCN that since Noticee No. 1 was the tax consultant of Geodesic, he was legally constrained from dealing with Geodesic in his personal capacity and had offered Noticee No. 2 with an opportunity to make some money. Further, the said Noticee has even stated in his reply that he was paid a commission of 15 paise per 100 Rs. The said facts further substantiate the roles and complicities of the said Noticees in the entire scheme devised by the directors to divert the monies and manipulate the books of the company through such mule companies.

60. Furthermore, it is noteworthy to state that the forensic auditor in its report has observed that the said fund transfers by Geodesic to Dinesh Jajodia companies directly or through bogus companies were not pertaining to any commercial transactions and details of such transactions involving huge amounts was neither observed in the Books of Accounts available during the audit, nor mentioned in the Statutory Auditors' Records. It has also been observed at page nos. 19 and 20 of the FAR that these funds received by Dinesh Jajodia companies have been used to acquire properties in various names of Noticee No. 1's family members and also to invest in shares & debentures and opening fixed deposits in banks. In terms of the information available on the MCA website as on December 04, 2018, the status of the bogus companies namely, Anikesh Trading Pvt. Ltd., Telexcell Infinet Pvt. Ltd., IDOR Systems & Solutions Pvt. Ltd., Netformx Information Technology Pvt. Ltd., Vet, Pravir Mercantile Pvt. Ltd. and Treetie Multitrading Pvt. Ltd. is "*Strike Off*". The very fact that the said companies are struck off further highlights the *modus operandi* adopted by the directors of the Company for which assistance has been provided by the Noticees by facilitating incorporation of companies and issuance of bills for softwares, which existed only on paper, and further in diverting the monies which ultimately reached certain companies in which the directors of the Company were also the directors and to certain other companies in which Noticee No. 1 was the beneficial owner / director.

61. I note that Noticee Nos. 2 and 3 have taken a common defense that the allegation of '*fraud*' and '*manipulation*' have been levelled against the said Noticees on a mere presumption of knowledge of the fraudulent scheme of fund diversion and manipulation of books of accounts that was orchestrated by the directors of the company. It is the case of the Noticees that in order to establish the charge of '*aiding and abetting*' and / or '*collusion*', one has to prove that the said act/s were done having knowledge and intention. Here again, one can see how these Noticees are attempting to wash their hands off from the wrongdoings by taking shelter under the technicalities of the charge. Looking at the facts of the case presented in detail above and the role of Noticee Nos. 2 and 3 in the entire fraudulent scheme designed by the directors of the Company along with Noticee No. 1 who also was acting as a tax consultant of the Company, it is very difficult to accept the said defense taken by the Noticees that they did not have any knowledge and / or intention of fraud. It is already established that certain companies were incorporated by Noticee No. 2 on the instructions of Noticee No. 1 and Mr.

Prashant Mulekar. Further, Noticee Nos. 2 and 3 were made the directors of the said companies which, admittedly, were paper companies with no actual business. Despite knowing that there was no actual business carried out by the said companies, Noticee No. 2, again admittedly, had agreed to provide bills showing purchase of software to Geodesic to earn some extra money, which were made by Noticee No. 3, who was taking care of the accounts of all the bogus companies. The Noticee Nos. 2 and 3 have stated that the said acts were done only on instructions of Noticee No. 1 and Mr. Prashant Mulekar and did not know that they will be used for any dishonest purpose. I find that the very act of agreeing to issue fake bills and ultimately, issuing them as and when the emails were received, in itself, is a fraudulent act and an act which cannot be said to have been done for any legitimate purpose. Further, as stated by Noticee No. 3 during the cross examination and in his reply, the emails so received for preparing fake bills were deleted at the instance of Noticee No. 1 after completion of the job. The same has even been mentioned by Noticee No. 2 in his reply dated July 04, 2023 post hearing. The same further substantiates their complicity in the fraudulent acts. I find that Noticee No. 3, in his statement and his replies to the SCN, has stated that in order to learn accountancy, he had joined his relative viz. Noticee No. 2. Further, it has even been stated that Noticee No. 3 learnt accountancy from Noticee No. 1, who is a Chartered Accountant by professional qualification. Therefore, I find that the Noticee No. 3, while issuing these bills to Geodesic, was possessing basic accountancy knowledge. It cannot be accepted that when the bills were being issued in the names of these six paper / bogus companies, Noticee Nos. 2 and 3 were totally unaware of the entries for which such bills were to be used by the directors of the Company. Even if one were to believe that Noticee Nos. 2 and 3 were not aware of the actual manipulation for which the bills were being issued, I note that a bill, if issued for purchase of software (*which did not exist in the present case*), would amount to sale of goods for which accounting entry to that effect is required to be made in the books of the selling company and would also reflect in the books of the buying company as payments towards purchases. It is already found in the FAR and as stated by Noticee No. 3 in his statement recorded by SEBI that the said vendors did not undertake any business activity and therefore, the very intention behind such kind of an activity is fraudulent. I find that any prudent person, with minimal understanding of business transactions, would also understand the purpose of such an illegal act. Thus, by creating such kind of fake bills, that too for such huge values, which

had to be accounted for in the books of accounts of the respective companies, the said Noticees cannot be said to have done these acts without any knowledge. I, therefore, based on the circumstantial evidence, find that they have, beyond reasonable doubt, facilitated the directors to manipulate the books of the accounts of the Company by assisting them in creating such bogus entries in the books of the company in the name of purchase of software and also facilitating the company to divert the monies in the guise of investments. The facts of the case and the acts of the Noticees clearly show their involvement in the fraudulent and manipulative intent with which the said bills were desired to be made by Noticee No. 1 and Mr. Prashant Mulekar.

62. To substantiate the same, certain observations made by the Whole Time Member, SEBI, in his Order dated December 19, 2022 are reproduced as under:

*“44. It has also been submitted that in absence of documents like Balance sheets, sales tax returns etc., the Noticee nos. 1 and 3 have not been able to show that taxes on the invoices raised by the six companies were paid, which would have in turn shown that the invoices raised by the six companies were not bogus. At this stage, my attention gets drawn to the cross-examination of Mr. Mangiram Sharma on behalf of Mr. Pankaj Kumar conducted on August 29, 2022, wherein inter alia, the following statements were made by Shri Mangiram Sharma:*

*“Q8: Before recording of your statements by EOW, Mumbai and ED, raids were carried out at your places (factory and residence) by Sales Tax Department. Is it correct?*

*A8: Yes, raids were carried out at my premises.*

*Q9: In what context these raids were conducted?*

*A9: These raids pertained to Geodesic Limited.*

*Q11: What is the case launched by Sales Tax Department?*

*A11: **The case is for issuance of fake bills without providing any actual product.***

*Q19: Is it correct to state that raids were carried out due to the observations of Sales Tax Department that Sales tax have been underpaid by you?*

*19: No, it is not correct. Witness voluntary stated that raids were carried out as Sales Tax Registration was initially for trading of Iron and Steel for which amendment was filed for sale of Softwares, but the said amendment was not carried out in the records of the Sales Tax Department. Raids were carried out*

as we were not having any registration for Software sale, nor were we having any engineers, etc.

*It was stated that payments were received against the bills raised to Geodesic Limited.” (underline supplied)*

*45. I observe that the aforesaid statement made during the cross-examination by Shri Mangiram Sharma confirms that the companies who had issued bills to Geodesic Limited for those purported sale of software were not having any engineers to develop any software nor were having any registration for selling softwares and further those bills were issued showing sale of software without supplying any such product. Under the circumstances, when it becomes uncontroverted that the selling entity had neither sales tax registration nor had it any engineers to develop the software, which the Company was supposed to have purchased and made tall claim about the products(so purchased from those six companies) being world class, I find no reason to disbelieve the allegations made in that respect in the SCN. I further find that the Noticees in their post cross examination submission, have also failed to adduce any further evidence for my consideration nor have they been able to put forth any cogent explanation to refute the above affirmation made by Shri Mangiram Sharma in his statement during the cross thereby rendering it undisputed that, there was no actual/physical transfer any product or softwares by any of those six companies to Geodesic and the bills raised against the said software purchase were fake and not genuine bills. Consequently, all the connected transactions entered and relevant disclosures made in the books of account of the Company imminently become fake and misleading. Surprisingly, I find no argument advanced on behalf of the Noticees to refute the above assertions made by Shri Mangiram Sharma nor have the Noticees cared to explain the circumstances under which they came in contact of with such fictitious companies and what kind of due diligence were carried out before entering into commercial transactions with companies which even did not have a sales tax registration to deal in those products. Under the circumstances, I see no merit in the claim of the Noticees that payments were made towards the Sales Tax, as mere payment to the sales tax authority can't be a factor to conclusively decide that the Company had genuine product sale transactions with those 6 companies when the records speak volumes to the contrary against the specious claims of the Noticees.”*

- 63.** In view of the said findings, I have no hesitation in concluding that the bills issued for the alleged sale of softwares to the Company were fake and looking into the circumstantial evidence available on record, the preponderance of probabilities are inclined towards concluding that Noticee Nos. 2 and 3, being aware of the ultimate purpose for which the



said acts were being executed, were carrying out the activities in collusion with Noticee No. 1 and the directors of the Company. Further, Noticee No. 1, being the tax consultant of the Company has in turn assisted the Company to show inflated purchases, thereby, facilitating the directors to show false picture of the affairs of the company to evade public scrutiny.

- 64.** Noticee No. 1, in his defense has submitted that he has been made a scapegoat by the directors of the Company, who were the actual persons behind the manipulation of the books of accounts and that he cannot be said to be the mastermind of the whole scheme devised by them. I note that separate enforcement actions have already been taken against the directors of the company for the charges of manipulating the books of accounts of the company by orchestrating the entire design to ultimately mislead the investors at large and benefitting by diverting funds raised by the company by issuance of FCCBs. As mentioned earlier, SEBI has passed two separate orders debarring and imposing monetary penalties against the executive directors of the company for the violation of the provisions of the securities laws. The charge which has been levelled against the Noticee No. 1 is that of aiding and abetting / facilitating them in executing the said plan by agreeing to incorporate certain mule companies, as concluded above, with the aid and assistance of certain other people (Noticee Nos. 2 and 3) to issue fake bills to the Company for manipulating the books of accounts of the company to show an incorrect picture of the state of affairs of the Company. The same has to be viewed along with the fact that the company has gone into liquidation which further establishes the manipulation in the books of accounts of the Company which ultimately resulted in failure of the company to redeem the FCCB holders, make good the loans taken from the banks and bring back the monies shown as investments. Further, the Noticee No. 1 has also placed reliance on the order passed by the Court of ACMM dated April 16, 2018 granting bail to the Noticee subsequent to him being behind the bars for almost 2 years in relation to the proceedings initiated against him by EOW which was upheld by the Additional Sessions Judge vide order dated August 13, 2019. I note that the said order has been passed by the Ld. ACMM to decide on the issue of continuance of judicial custody and / or grant of bail in criminal proceedings pending against the said Noticee. I find that the present proceedings are initiated against Noticee No. 1 for the violation of the provisions of securities laws and therefore, reliance placed by the Noticee No. 1 on

the order passed by the Ld. ACMM, which was passed to consider the bail application filed by Noticee No. 1, is found to be misplaced.

65. I find that the Whole Time Member, SEBI, in his order dated December 19, 2022 has found that the claimed investments made by the Company out of the funds raised through FCCBs were made with a *malafide* intention to fraudulently divert the said funds and manipulate the books of the company. It has been observed that “...*despite providing sufficient opportunities and despite, directions passed by the Hon’ble High Court of Bombay, the Company and its Noticee Directors have failed to bring even a part of the amount so invested, which clearly demonstrates the illicit intent behind making those investments. The above noted failure of the Company can’t be seen in isolation as a mere coincidence of having made bad investment decision. The same has to be viewed from the perspective of the Company going into liquidation in the backdrop of fact that on majority of occasions, the investee companies were found to be associated with Mr. Jajodia and on each of such instances, the investee company had defaulted in making repayment to the investor company and consequently, the Company i.e., Geodesic finally failed in fulfilling its redemption obligations for the FCCBs. The said failure is not something that can be termed as a product of some bad business deals but the materials on record and the antecedents of Mr. Jajodia who assisted the Noticees in inflating purchases and in falsification of books of accounts so as to evade public scrutiny, read with the evasive and contradicting replies furnished by the Noticees sufficiently suggest that the Company through its Executive Directors have consciously made such investments and have also knowingly recorded and shown in its books the investment as profitable ones, though in reality, they were very much aware of the fact that these investments will not come back to the Company and to cover up their misdeeds to some extent, the Noticees indulged in making fake and fictitious purchases in the accounts of the Company as unearthed during the investigation conducted by SEBI”.*
66. Further, Noticee Nos. 2 and 3, while contesting the charges levelled against them in the SCN, have tried to bring on record as to how certain other employees of Geodesic were also acting on the instructions of the directors of the company but no action has been taken against them. Also, it has been stated that the Whole Time Member, SEBI and the Adjudicating Officer, in their respective orders, have exonerated the Non-Executive

Directors of the Company on the basis of their non-involvement in the alleged manipulation. I note that the very charge against the Noticee Nos. 2 and 3 in the SCN is that of '*aiding and abetting*' and '*facilitating*' the directors of the company in manipulating the books of accounts of the company by incorporating bogus / paper companies and providing fake bills of such companies (who did not have any actual business) showing sale of software / goods to Geodesic. It is a settled legal position that being an adjudicator under the present quasi-judicial proceedings, the authority is bound within the realms of the SCN which is based on the detailed investigation conducted by SEBI. In the present case, the investigation has brought out the roles of three persons (i.e. Noticee nos. 1, 2 and 3) and accordingly, SEBI has proceeded against the said persons. Thus, the Noticee Nos. 2 and 3 are under an obligation to defend their case by producing explanations to make out a case in their favour. Any reference, as has been made of persons who are not shown caused in the present proceedings is of no relevance for the disposal of the present case.

- 67.** I note that there has been accrual of monetary benefits / unjust enrichment by facilitating and assisting the directors of the Company in diversion of funds and manipulation of books of accounts of the company. I find that the FAR has observed that Noticee No. 1 has received approximately Rs. 29 crores from Geodesic through bogus companies into his Savi group companies, without any commercial transactions or any payments of the nature of normal course of business. It has been noted that the funds so received by Noticee No. 1 / Savi Group Companies were used for purchase of properties, shares, investments, etc. by Noticee No. 1 in his own name and in the names of his family members. I note that Noticee No. 1, in his reply, has stated that whatever investments were made by Savi Group Companies were from their own funds. However, the Noticee No. 1 has failed to provide any substantial evidence in support of such a claim showing that the investments were out of the monies from business transactions and / or in the ordinary course of business. I note from the FAR that upon analysis of the Audited Financial Statements of Savi Group Companies, it was noted that the revenues and the surpluses as reported in the Profit and Loss account were not sufficient enough to acquire the investments that are reflected in their Audited Balance Sheets. Further, the assets in their Balance Sheets were out of the funds from the share premium or from the borrowed monies from the group companies. In view of the said findings in the FAR and in the absence of any cogent evidence on record to show otherwise, I find it difficult

to believe in the submissions made by the Noticee No. 1 and the said contention seems to be a weak attempt by Noticee No. 1 to prove that he has not benefitted out of the fraudulent acts. Admittedly, Noticee No. 2 was receiving a commission of 50 paise for every 100 rupees (*as submitted by him in his reply dated July 04, 2023*). Thus, it is noted that by indulging in the fraudulent acts, Noticee No. 2 has also reaped monetary benefit. Further, I note from the records of proceedings of the cross examination of Noticee No. 3 that certain credit entries in his Axis Bank Accounts were questioned by Noticee No. 1 which showed receipt of huge amounts from HPL Multi trade P. Ltd (Rs. 14,00,000/-), Divya Infotech P. Ltd (Rs. 15,00,000/-), Key Integrated Solution (Rs. 1,46,800/-) and TFC Engineering (Rs. 37,000/-), the companies in which Noticee No. 3 was a director and / or used to handle their accounts. However, Noticee No. 3 could not explain these credits. Further, it was submitted that all the deposits in his bank accounts from various companies were repaid back. Though the said records of cross examination cannot be taken as a conclusive evidence against Noticee No. 3, the fact that Noticee No. 3 has maintained silence on such entries in his account even in his reply filed post cross examination raises doubts considering the activities in which Noticee No. 3 has indulged in the instant case. No documentary evidence has been provided by him to show anything otherwise. Considering the entries in his bank accounts and the fact that the Noticee No. 3 has not even attempted to clarify the nature of such deposits, the probability of him getting benefitted by handling the accounts of the shell companies and making fake bills for Geodesic cannot be discounted. However, no specific figure of unfair enrichment by the Noticees (though vaguely mentioned in the FAR), have been clearly brought out either in the Investigation Report and / or in the SCN. I find it pertinent to note here that considering the part played by the Noticees, especially, Noticee No. 1 in facilitating the diversion of the FCCB funds and the alleged ill-gotten gains, proceedings have been initiated by EOW and ED and the same are *sub judice*.

- 68.** To sum up the aforesaid observations, I note that the SCN has levelled some serious charges against the Noticees of aiding and abetting and thus, facilitated the directors of the Company in manipulating the accounts of the company by way of incorporating certain companies which had no business of their own and further provided fake bills for purchase of softwares to the company which furthered the plan orchestrated by the directors of the Company as the audited balance sheet and the annual report of the company for FY 2011-12 failed to provide a true and fair view of the affairs of the

company thereby misled the gullible investors of the correct picture of the Company. I note that the Noticees have failed to bring on record any documentary evidence to establish that their acts were not fraudulent and that they cannot be held guilty of being a part of the scheme devised by the directors of the company except stating that they were not aware and did not have knowledge of the manipulative acts for which the same was being done which, as found in the preceding paragraphs, cannot be accepted and is incorrect. Upon examining the investigation report, the FAR, the statements recorded of Noticee No. 1 by EOW, statements of Noticee Nos. 2 and 3 recorded by SEBI and ED and the trail of fund flow from Geodesic Group of Companies to various companies incorporated on the instance of the directors of the company which ultimately reached certain companies in which Noticee No. 1 had control or were owned by Noticee No.1, establishes the manipulative intent with which the acts were carried out by the said Noticees. As the manipulation of financial statement and publication thereof had the effect of indirectly inducing the investors to invest in the shares of the Company, which amounted to fraudulent and unfair trade practices, considering the circumstantial evidence, I conclude that the Noticees, by aiding and facilitating the same through their acts and omissions, have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(b), (c) (d), 4(1) and 4(2(f), (k) & (r) of the PFUTP Regulations, 2003. I note that the violation of the said provisions of SEBI Act, 1992 and PFUTP Regulations, 2003 make the Noticees liable for monetary penalties under Section 15HA of the SEBI Act, 1992. Further, the violations are serious in nature and call for regulatory intervention, the Noticees, apart from being imposed with monetary penalty, also deserve to be kept out of the securities market for a definite period of time. Accordingly, I find that it is a fit case for issuing appropriate directions.

#### **ORDER AND DIRECTIONS:**

**69.** In view of the foregoing observations and findings, I, in exercise of the powers conferred upon me under Section 11(1), 11(4) and 11B(1) read with Section 19 of the SEBI Act, 1992, hereby direct the following:

**69.1** Noticee Nos. 1, 2 and 3 are hereby restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, for a period of one (1) year from the date of this order;

**69.2** The Noticee Nos. 1, 2 and 3 are further retrained from associating themselves with any listed company or proposed to be listed company, in any capacity, directly or indirectly, for a period of three (3) years from the date of this order;

**69.3** Further, during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the Noticees shall remain frozen;

**69.4** The obligation of the aforesaid debarred Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint / prohibition imposed by this Order only, in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees debarred in the present Order, in the F&O segment of the stock exchanges, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

**69.5** In addition, the Noticees are hereby imposed with the following monetary penalties under Section 15HA of the SEBI Act, 1992:

<b>Sr. No.</b>	<b>Name of the Noticee</b>	<b>Monetary penalty imposed under Section 15HA of the SEBI Act, 1992</b>
<b>1.</b>	Dinesh Jajodia	Rs. 5,00,000/-
<b>2.</b>	Mangiram Sharma	Rs. 5,00,000/-
<b>3.</b>	Manoj Sharma	Rs. 5,00,000/-
<b>TOTAL</b>		<b>Rs. 15,00,000/-</b>

**69.6** The Noticees shall remit / pay the amount of penalty mentioned against their respective names in the Table under sub-para (v) above, within 45 days of receipt of this order by using the undermentioned pathway: [www.sebi.gov.in](http://www.sebi.gov.in) / ENFORCEMENT → Orders → Orders of EDs / CGMs → Click on PAY NOW or by using the web link: <https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html>. The Noticees shall forward the details / confirmation of penalty so paid through e-payment to "The Division Chief, IVD-ID16, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra - Kurla Complex, Bandra (E),

Mumbai -400 051” and also to e-mail id: tad@sebi.gov.in in the format given in the table below.

1. Case Name	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties / disgorgement / recovery / settlement amount and legal charges along with order details)	

**70.** This Order shall come into force with immediate effect.

**71.** A copy of this order shall be sent to the Noticees, recognized Stock Exchanges, Depositories and Registrar and Transfer Agents for information and compliances.

**Date: July 31, 2023**

**Place: Mumbai**

**Dr. ANITHA ANOOP**  
**CHIEF GENERAL MANAGER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**