



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Enquiry and Adjudication Office-9
Adjudicating Officer

By Speed Post and Email

EAD-9/NKV/AK/ 63171/4 /2022

December 21, 2022

	Name	Address & Email
Noticee 1	Aadhaar Ventures India Ltd. (PAN: AABCP4155F)	Address: 4 th Floor, Office no. 4019, World Trade Centre, Ring Road, Surat – 390 002, Gujarat Email: aadhaarvilttd@gmail.com; aadhaarventures@gmail.com
Noticee 2	Omprakash A Khandelwal, (PAN: ABGPK4008D)	Address: 574/77, Belgium Squar, Delhi Gate, Ring Road, Surat-395002 Email: MYPRRANETA@YAHOO.COM
Noticee 3	Jils Raichand Madan (PAN: AGKPM3175A)	Address: 201, Pallavi Co-operative Housing Society Ltd, Navghar Road Tata Colony Mulund East Email: krmadan1966@yahoo.com
✓ Noticee 4	Jyoti Munver, (PAN: ALSPM2060P)	Address: 257/65, Natha Street, 5th Floor, New Anant Bhavan, Mumbai – 400009.

In the matter of preferential allottees by the Company Aadhar Venture India Limited.

Sub: Show Cause Notice under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15-I of the Securities and Exchange Board of India Act, 1992 and Rule 4 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing

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Penalties) Rules, 2005 read with Section 23-I of the Securities Contracts (Regulation) Act, 1956 in the matter of funding of preferential allottees by the company Aadhaar Ventures India Limited.

1. Investigation was carried out for the matters pertaining to funding, if any, by the Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL**" or "**Noticee 1**" or "**Company**") to the preferential allottees for the preferential allotments carried out by the company during the period January 01, 2009 to April 24, 2015. During this period the company had made three preferential allotments i.e. in 2009, two preferential allotments (47 entities) and during 2013, one preferential allotment (31 entities). The focus of investigation in the present case was to examine funding, if any, by the company to the preferential allottees in respect of the preferential allotment dated March 11, 2013. Thus, the period of investigation is considered as 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares) (hereinafter referred to as "**Investigation Period**" / "**IP**"). However, wherever necessary, reference have been made outside the investigation period.
2. Pursuant to investigation, Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") has initiated Adjudication proceedings under section 15HA of SEBI Act (for para 2(A)) and Section 23E of SCRA (for para 2(B)) with respect to the Noticee 1:
 - A. AVIL has made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "**ICDR Regulations**") and violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

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- B. AVIL did not disclose all the material information to the exchange on the events/information which will have bearing on the performance/operations of the company as well as price sensitive information. Thus, the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956 (hereinafter referred to as "**SCRA**").
3. Further, Adjudication proceedings under section 15HA of SEBI Act has also initiated with respect to the Noticee 2 (Omprakash Khandelwal, Managing Director of AVIL), Noticee 3 (Jils Raichand Madan, Executive Director of AVIL), Noticee 4 (Jyoti Munver, Director and Authorised Signatory of AVIL for operating Bank Accounts) who have made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and thus violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.
4. Competent Authority, in exercise of the powers under section 19 of the SEBI Act, read with section 15-I of the SEBI Act read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") and section 23-I of SCRA read with rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the "**SCRA Adjudication Rules**") appointed the Shri N. Hariharan *vide* communiqué dated June 15, 2022 to inquire into and adjudge under section 15HA of SEBI Act, 1992 and section 23E of the SCRA. Pursuant to internal restructuring, the undersigned has been appointed as the Adjudicating Officer *vide* communiqué dated October 06, 2022(enclosed as **Annexure 1**). It has been advised that "*except for the change of the Adjudicating Officer, all the other terms and conditions of the*

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original orders shall remain unchanged and shall be in full force and effect. The Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders read with this order."

About the Company

5. AVIL (formerly known as Prraneta Industries Ltd) was incorporated on February 01, 1995, having NBFC registration with RBI. Its registered office address is 4th Floor, Office no. 4019, World Trade Centre, Ring Road, Surat, Gujarat - 390002. The shares of the company are listed at BSE since April 22, 2016. The activities of the company include financing periodical loans, supervisory and consultancy services, Leasing, Bill Discounting and Textile Industries.

6. **Management of the Company**

The details of the management of the company at the time of preferential allotment was made were as under (**Annexure-2**): -

Table No. 1

Sr. No	Name of Directors	Designation	Date of appointment	Date of Cessation
1	Omprakash Anandilal Khandelwal	Managing Director	01/02/1995	01/09/2013
2	Jills Raichand Madan	Executive Director	08/05/2010	Till date
3	Ms Jyoti Munver	Director	08/05/2010	Till date
4	Subramanya Kunsur	Non-Executive Independent Director	21/05/2010	26/11/2013
5	Manish B Thakkar	Non-Executive Independent Director	19/05/2011	10/01/2017
6	Somabhai Sunderbhai Meena	Non-Executive Independent Director	01/06/2013	Till date
7	Sanjay A Devlekar	Additional Director	10/12/2018	Till date
8	Veenu D Chowgule	Additional Director	01/02/2017	Till date

7. **Financial Performance of the company**

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Table No. 2

Particulars	Financial Year Ended March 31						
	2009	2010	2011	2012	2013	2014	2015
Sales/Operating Income	62.09	527.30	2752.04	1713.90	1337.53	163.61	222.56
Other Income	0.54	2.19	2.99	0.00	9.15	7.59	0.00
Total Income	62.63	529.49	2755.03	1713.90	1346.68	171.20	222.56
Profit/(Loss) after Tax	0.59	9.64	29.02	15.17	1.71	2.35	3.24

8. Corporate Announcement

the corporate announcements made by the company during investigation period are provided below:

Table No. 3

Dissemination Date	Subject of the Corporate Announcement	Details of Corporate Announcement
15.01.2013	Outcome of EGM	Aadhaar Ventures India Ltd has informed BSE that the Extra Ordinary General Meeting (EGM) of the Company was held on January 15, 2013.
16.02.2013	Financial Results & Limited Review for Dec 31, 2012	Aadhaar Ventures India Ltd has informed BSE about the Financial Results & a copy of the Limited Review Report for the period ended December 31, 2012.
08.03.2013	Outcome of Board Meeting	Aadhaar Ventures India Ltd has informed BSE that a meeting of the Board of Directors of the Company will be held on March 11, 2013, inter alia, to consider and approve the allotment of Equity Shares on Preferential Basis to the allottees as approved by the Members of the Company in their Extra-Ordinary General Meeting held on January 15, 2013.
12.03.2013	Outcome of Board Meeting	Aadhaar Ventures India Ltd has informed BSE that the Board of Directors of the Company at its meeting held on March 11, 2013, has issued and allotment of 134,52,48,000 Equity shares of Rs.1/- each to the Non-Promoter Group on Preferential Basis.

9. Preferential allotment dated March 11, 2013

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The shareholders of the company in the Extra-Ordinary General Meeting held on January 15, 2013 approved the resolution for issue of 142,28,18,000 Equity Shares of Rs.1/- each, at a price of Rs.2/- (inclusive of premium of Rs.1/- per share) aggregating Rs.284,56,36,000/- to 33 allottees on preferential basis. Subsequently, two proposed preferential allottees were not found eligible under Regulation 72(2) of the Chapter VII of the ICDR Regulations. Pursuant to said ineligibility of the two preferential allottees the company has proceeded with the balance allotment of 134,52,48,000 equity shares to 31 allottees. The details of the said preferential allottees is enclosed as **Annexure 3**. It is also observed from the Annual Report of the company that for the FY 2011-12 the company had paid up share capital of Rs.22,57,21,000.00 and subsequent to the preferential issue of shares on 11.03.2013 the paid up share capital of the company for the FY 2012-13 was Rs.157,09,69,000.00 i.e. increase of Rs.134,52,48,000.00 (the number of shares issued by the company of face value of Rs.1/-).

10. Object of the Issue

In the documents submitted to the BSE the company has stated that funds raised through the said preferential allotment will be used for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time.

11. Communication made with the following entities for obtaining the information related to preferential allotment dated 11.03.2013

The documents/information pertaining to the preferential allotment was sought from the company, Directors of the company, Preferential Allottees, Bombay Stock Exchange, Registrar and Share Transfer Agents of the company and



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Statutory Auditors of the company. The details of communications made and the responses received are detailed below:

- A. **Information from the Company** (details are enclosed as **Annexure 4**), Information sought from the company vide various communications such as emails, letters and summons inter-alia seeking following information: -
- The details of all the directors, promoters and compliance Officer of the company pertaining to Financial Years 2008-09 to 2015-16 viz. Name of the Promoters and Directors of the company, their PAN, email-id, designation, appointment date, cessation date (if any) etc.
 - Bank Statements of all the Bank Accounts maintained by the company during the aforementioned period.
 - The details of receipt of funds from the preferential allottees with respect to the preferential allotment dated March 11, 2013.

However, despite rigorous follow up only following replies were received from the company:

Table No. 4

Sr. no.	Company Email dated	Information received from company
1	14.01.2019	The company sought time of 6 week to compile the data sought by SEBI
2	05.02.2021	The company submitted the PANs of 2 promoter entities
3	23.02.2021	The company sought extension of time of 3 to 4 weeks for submitting the information sought
4	01.03.2021	The company has provided the list of Preferential Allottees for the preferential allotment made on March 11, 2013
5	09.03.2021	The company sought extension of time of 5-7 days for submitting the balance information
6	17.11.2021	The company sought time of 3 week to submit the reply

B. **Information from the Directors of the company**

The information pertaining to preferential allotment and Bank details of the company were also sought from the Directors of the company viz Noticee



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2, (Managing Director), Noticee 3, (Executive Director), Sanjay Atmaram Devlekar (Non-Executive Independent Director), Noticee 4 (Non-Executive Independent Director), Veenu Devidas Chougule (Non-Executive Independent Director), Somabhai Sunderbhai Meena (Non-Executive Independent Director) through emails, letters and Summons. Despite several reminders only Mr Somabhai Sunderbhai Meena responded to SEBI's email. However, no information pertaining to preferential allotment has been provided by him and the aforementioned Directors of the company.

C. Information from the Bombay Stock Exchange (BSE) (enclosed as Annexure 5)

A. Information pertaining to the preferential allotment dated March 11, 2013 was sought from BSE vide email dated 22.12.2020. Information such as names of preferential allottees, their UCC details and bank details of the company were sought from BSE. BSE vide email dated 31.12.2020 submitted the details of preferential allottees and their UCC details. The BSE didn't provide the bank details of the company. In view of this, BSE was asked to furnish all the documents to SEBI which were submitted by the company to BSE with respect to the aforesaid preferential allotment.

B. The BSE vide email dated 23.02.2021 provided copies of various documents such as application dated 18.03.2013 by the company for listing of equity shares issued on preferential basis, Extract of the Minutes of the meeting of Board of Directors dated 11.03.2013 for allotment of 134,52,48,000 equity shares to the preferential allottees, various certifications received from the Chartered Accountant and the Company Secretary regarding the various compliances made by the



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company w.r.t. preferential allotment etc. Since the company and BSE didn't provide the Bank Account details of the company the same were obtained from the Annual Report for FY 2012-13 of the company available on BSE website. It is observed that during FY 2012-13 the company maintained 6 Bank Accounts with below mentioned four banks:

Table No. 5

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

C. The Bank Statements for the above Bank Accounts were sought from the above banks (**Annexure-06**). However, no credits were observed in the above bank account from the 31 preferential allottees during the period 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares)

D. Information from the Statutory Auditor of the AVIL (enclosed as Annexure 7)

a) CA Firm Shri Damodar P Agarwal was advised vide SEBI letter dated 20.01.2021 to furnish all the documents such as Bank Account details of the company, Bank Accounts of the preferential allottees, Board Resolutions passed by the company etc. based on which he has given the said certification. As there was no response from him to the aforesaid letter, a Summons dated 01.02.2021 and a reminder Summons dated 15.02.2021 was issued to the proprietor.



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b) In response to this the said CA Firm vide email dated 11.02.2021 informed that as their office is quite small, the documents which are almost 8 years old were shifted to an old man's house, with whom they are unable to get in touch. They are also trying to get the information from the company. Further, the said CA Firm vide letter dated 21.02.2021 informed as follows:

"As per various Acts, as a Chartered Accountants, we have to maintain client files for a period of 6 years and presently we are busy with filing individual and company Returns, Tax Audits, Statutory Audits, RoC Compliances, GST Returns/Audits etc. The information sought is not readily available and might take months to get and difficult for me to comment on the same."

c) Thus, the said CA firm didn't provide any information pertaining to the preferential issue.

E. Information from Registrar and Share Transfer Agents of the company (enclosed as Annexure 8)

a) The information pertaining to the allotment of shares to the 31 preferential allottees was sought from the Registrar and Share Transfer Agents of the company viz. M/s. Adroit Corporate Services Pvt Ltd (hereinafter referred as Adroit). The Adroit vide email dated 13.01.2021, 29.11.2021 and 30.11.2021 inter-alia provided the following information:

- i. *List of allottees along with distinctive share certificate numbers.*
- ii. *Adroit also submitted that four preferential allottees sold the shares in physical mode and also provided dematerialisation/transaction statement of 31 allottees. As on date except for four allottees stated below in Table no 7, all other 27 allottees have sold their shares allotted to them in the preferential allotment dated 11.03.2013.*
- iii. *Adroit vide email dated 29.11.2021 further informed that as on date two preferential allottees are holding the shares in demat form and two preferential allottees are holding the shares in physical form. The details of the same are as follows: -*



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Table No. 6

SL NO	Client ID	Allottees Name	No. of Shares Held as on Date	Mode of Holding
1	1203840001230756	Gill Entertainment Private Limited	41,40,000	DEMAT
2	1204450000338860	Southmint Real Estate Private Limited	50,15,000	DEMAT
3	E000004	Empower India Limited	62,25,000	PHYSICAL
4	H000001	Harrods Trading Private Limited	28,12,000	PHYSICAL

iv. M/s. Adroit Corporate Services Pvt Ltd also informed that the face value of shares of AVIL was consolidated to Rs.10/- from Rs.1/- in the year 2017.

F. Information from the Preferential Allottees (enclosed as Annexure 9)

- a) The following information pertaining to the preferential allotment dated 11.03.2013 was sought from the preferential allottees:
- Number of shares allotted
 - Amount paid towards the preferential allotment and the mode of payment
 - Name of the bank from which the payment was made along with a copy of the bank statement
 - Name and bank account of AVIL in which the amount was paid
- b) The information had been sought from the preferential allottees by various emails/summons. In response, only 7 out of 31 preferential allottees viz. Empower India Ltd, Nirvana Mall Management Co Pvt Ltd, Speciality Papers Ltd, L N Industries Ltd, Pavitra Mall Management Co Pvt Ltd, Gill Entertainment Pvt Ltd and Harrods Trading Pvt Ltd provided the information pertaining to their payments towards the said



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preferential allotment. The details of the information provided by 7 preferential allottees regarding their payments toward the said preferential allotment along with the detail has been provided in the following para (enclosed as **Annexure-10**)

- i. **Details of Information received from Empower India Ltd**
Empower India Ltd vide email dated 22.01.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 7

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	15-12-2010	YES Bank	50,00,000
2	15-01-2011	YES Bank	50,00,000
3	21-01-2011	YES Bank	30,00,000
4	04-02-2011	YES Bank	1,26,00,000
5	10-02-2011	YES Bank	25,00,000
8	22-03-2011	ING Vysya Bank Ltd	1,40,00,000
9	22-03-2011	ING Vysya Bank Ltd	1,30,00,000
10	24-03-2011	ING Vysya Bank Ltd	1,40,00,000
11	25-03-2011	ING Vysya Bank Ltd	2,59,00,000
12	25-03-2011	ING Vysya Bank Ltd	1,40,00,000
13	29-03-2011	ING Vysya Bank Ltd	22,500
14	30-03-2011	ING Vysya Bank Ltd	27,27,500
15	29-07-2011	ING Vysya Bank Ltd	25,00,000
16	31-03-2012	ING Vysya Bank Ltd	26,65,000
17	31-03-2012	ING Vysya Bank Ltd	76,15,000
		Total	12,45,30,000

It is observed that as per the share price fixed by the company i.e. Rs.2/- per share for the said preferential allotment, the entity was required to pay Rs.12,45,00,000/-, however, the entity has paid Rs.12,45,30,000/- i.e. Rs. 30,000/- excess. Hence, the clarification

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was sought vide email dated 14.09.2021 from the entity for the excess payment. However, the entity didn't provide any reply. Detailed analysis of the fund trail in respect of each instalment paid by Empower India Ltd and the observations thereon are enclosed as **Annexure-11**.

ii. **Details of information received from Nirvana Mall Management Co Pvt Ltd**

Nirvana Mall Management Company Pvt Ltd vide email dated 08.02.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 8

Sr. No	Date of Payment	Particulars	Amount
1	16-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
2	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
3	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	20,00,000
4	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	25,00,000
5	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
8	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
9	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
10	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,30,00,000
11	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
12	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
		Total	8,15,00,000

It is noted from the reply received from the said entity that it was allotted 4,07,50,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and the entity had paid an amount of Rs.8,15,00,000/- in 12 instalments during the period 16.07.2011 to 28.07.2011. Detailed analysis of the fund trail in respect of each instalment paid by Nirvana Mall Management Company Pvt Ltd and the observations thereon are enclosed as **Annexure-12**.



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iii. Details of information received from Speciality Papers Ltd

Speciality Papers Ltd vide email dated 25.02.2021 provided its ledger account indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 9

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

The above entity vide email dated 25.02.2021 has provided its ledger account towards the payment of preferential amount to AVIL instead of its bank statement which contained two entries viz. Rs.1,00,00,000/- paid on 15.02.2011 and Rs.40,00,000/- paid on 08.07.2011. Subsequently, the entity vide email dated 05.08.2021 informed that the aforesaid two payments were made towards the purchase of convertible equity warrants issued by the company on 19.05.2011 and not towards the preferential allotment dated 11.03.2013. The entity has also shown Rs.5000/- differential amount as adjustment in the ledger. Further, detailed analysis of



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the fund trail in respect of each instalment paid by Speciality Papers Ltd and the observations thereon are enclosed as **Annexure-13.**

iv. Details of information received from L N Industries India Ltd (formerly LN Polyesters Ltd)

It was noted from the documents provided by BSE that L N Industries India Ltd was allotted 1,57,00,000 shares @ Rs.2/- per share. In response to SEBI Summons dated 02.08.2021 and 20.08.2021, L N Industries India Ltd vide email dated 28.08.2021 and 09.09.2021 provided the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 10

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

As per the reply received from the entity, it was allotted 1,57,00,000 shares @ Rs.2/- per share in the aforesaid preferential allotment and was required to pay Rs.3,14,00,000/-. However, it is observed from the information provided by the entity vide email dated 09.09.2021 that it has paid Rs.3,89,00,000/- instead of Rs.3,14,00,000/-. Thus, the entity has paid Rs.75,00,000 excess. Therefore, clarification was sought from the entity vide email dated 09.09.2021 for payment of excess amount of Rs.75,00,000/-. However, the entity has expressed its inability



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to provide the information and clarification to the queries raised by SEBI. Further, detailed analysis of the fund trail in respect of each instalment paid by L N Industries India Ltd and the observations thereon are enclosed as **Annexure-14**.

v. Details of information received from Pavitra Mall Management Co Pvt Ltd

Pavitra Mall Management Co Pvt Ltd vide email dated 27.11.2021 provided its ledger account along with its bank statement for the Account no.561011014153 indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 11

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

As per the reply received from the entity, it is observed that the entity was allotted 3,15,10,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.6,30,20,000/- in 10 instalments during the period 14.03.2011 to 30.03.2012.



- vi. **Details of information received from Harrods Trading Pvt Ltd**
Harrods Trading Pvt Ltd vide email dated 01.12.2021 provided its ledger account along with its bank statement for the Account no.910020048808554 (Axis Bank) indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -

Table No. 12

#	Date of Payment	Particulars	Amount
1	29-03-2011	Axis Bank A/c no.910020048808554	3,62,40,000
2	10-06-2011	Axis Bank A/c no.910020048808554	50,00,000
3	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
4	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
5	05-05-2012	Axis Bank A/c no.910020048808554	50,00,000
			5,62,40,000

As per the reply received from the entity, it is observed that the entity was allotted 2,81,20,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.5,62,40,000/- in 5 instalments during the period 29.03.2011 to 05.05.2012.

- vii. **Details of information received from Gill Entertainment Pvt Ltd**
Gill Entertainment Pvt Ltd vide email dated 28.11.2021 provided a statement of amounts paid by it towards the said preferential allotment along with its bank statement for the Account no.550011045460 (ING Vysya Bank) indicating the details of payments made by it towards the said preferential allotment. The same are as follow: -



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Table No. 13

Sr. No	Date of Payment	Particulars	Amount
1	29-04-2011	ING Vysya Bank Ltd	1,83,00,000
2	01-06-2011	ING Vysya Bank Ltd	2,00,00,000
3	04-06-2011	ING Vysya Bank Ltd	3,00,00,000
4	28-06-2011	ING Vysya Bank Ltd	30,00,000
5	07-07-2011	ING Vysya Bank Ltd	65,00,000
6	22-07-2011	ING Vysya Bank Ltd	50,00,000
		Total	8,28,00,000

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

Table No. 14

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Pre vious day	Annou nceme nt day	% increase / decrease	Previou s day	Announce -ment day	% increase/ decrease
17-12-2012 20:03:33	A meeting of the Board of Directors of the Company will be held on December 18, 2012, <i>inter alia</i> , to consider, discuss and approve the issue of Convertible Equity Warrants / Equity Shares on preferential basis.	0.81	0.82	1.23	94,548	3,99,917	322.98
19-12-2012 17:59:34	- Issue of Equity Shares / Convertible Equity Warrants upto Rs. 325 crore on Preferential Basis; - To convene the Extra-Ordinary General Meeting (EOGM) of the Members of the	0.83	0.84	(1.20)	1,70,925	1,24,990	(26.87)

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Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Pre vio us day	Annou nceme nt day	% increase / decreas e	Previou s day	Announce -ment day	% increase/ decrease
	Company on January 15, 2013.						
15-01-2013 16:16:38	EOGM of the shareholders of the company held on 15-01-2013, <i>inter alia</i> , approved by requisite majority the resolution to issue, offer and allot 142,28,18,000 shares of Re.1/- each fully paid up, at price of Rs. 2/-, aggregating upto Rs. 284.56 crore to various investors on preferential basis.	0.98	0.98	No change in close to close price.	77,21,579	2,36,40,567	206.16
08-03-2013 16:26:15	A meeting of the Board of Directors of the Company will be held on 11-03-2013, <i>inter alia</i> , to consider and approve the allotment of equity shares on preferential basis to the allottees as approved by the members of the company in their EOGM held on 15-01-2013.	0.83	0.79	*(4.82)	14,284	1,97,932	1,285.7
12-03-2013 17:46:51	The Board of Directors of the Company at its meeting held on 11-03-2013, has issued and allotted 134,52,48,000 equity shares of Re. 1/- each to the non-promoter group on preferential basis.	0.76	0.73	*(3.95)	78,257	36,055	(53.93)

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

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13. Role of Directors

- A. As per Annual Report 2012-13, it is observed that Noticee 2 was Managing Director of the Company. It is noted from the Extract of the Minutes of the Meeting of the Board of Directors of the company held on 11.03.2013 that the Chairman apprised the Board that the company has sought the approval for allotment of equity shares on preferential basis from its members in their Extra Ordinary General Meeting held on 15.01.2013 and company has also received the in-principle approval from the BSE Ltd for the said allotment through their letter dated 04.03.2013. The Chairman also informed the Board that the company has received the full application/ allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the Bank Statement of the company before the Board.
- B. The Company submitted the application letter dated 18.03.2013 to BSE for listing of equity shares issued under preferential allotment. Along with above letter the company has submitted several documents to BSE. All the above documents were signed on behalf of company by Noticee 4 who was Executive Director of the company. He was also the Authorised Signatory for operating the bank accounts of the company.
- C. It is observed from the Annual Report of the company for the FY 2012-13 that during the FY 2012-13 seven Board Meetings were held. Noticee 2 and Noticee 3 have attended all seven Board Meetings and Noticee 4 has attended six Board Meetings out of seven. The matter related to issue of shares on preferential basis was approved in the Board Meeting held on



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18.12.2012 and the allotment of shares was made in the Board Meeting held on 11.03.2013.

14. In the view of the above, allegation mentioned with respect to Noticees are mentioned below:

A. The said preferential issue was to use the funds raised through preferential allotment for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. As per the objects mentioned by the company the funds were to be utilised for the future expansions i.e. after receiving the funds in the preferential allotment. However, it is noted from the reply received from the 7 preferential allottees and the companies reply vide email dated 05.01.2022 (enclosed as **attachment 15**) that the funds were received by the company almost one to two years prior to the preferential allotment. Thus, the company did not disclose all the material information to the exchange on the events/information which will have bearing on the performance/operations of the company as well as price sensitive information. In the view of aforesaid facts and circumstances, it has been alleged that the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956.

B. It is observed that during investigation period, there were no credits received in the bank accounts of the company from the 31 preferential allottees to whom 134,52,48,000 equity shares were allotted. It is observed that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and



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volume manipulation. Thus, For devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same from the preferential allottees, Noticee 1, Noticee 2, Noticee 3, Noticee 4 were engaged in a fraudulent scheme of fund raising and allegedly violated the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

15. The relevant provisions of law are reproduced below for ease of reference:

SEBI Act

12A. No person shall directly or indirectly—

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

Penalty for fraudulent and unfair trade practices

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty ¹[which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.].*

SCRA

¹ Substituted for the words “twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher” by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.



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[Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.

23E. *If a company or any person managing collective investment scheme or mutual fund ²[or real estate investment trust or infrastructure investment trust or alternative investment fund], fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be ³[liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.*

Regulations 3(a), (b), (c), and (d) and 4(1), 4(2) (f), (k) and (r) of the SEBI PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a ⁴[manipulative], fraudulent or an unfair trade practice in ⁵[markets].*

² Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

³ Substituted for the words "liable to a penalty not exceeding twenty-five crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f 08-09-2014.

⁴ Inserted vide the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.

⁵ Inserted vide the the PFUTP 2018 Amendment Regulations.



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⁶[Explanation—For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market]

16. Noticees are advised to submit the reply, if any, within the 14 days from the date of receipt of this Show Cause Notice at the address “PN-C/7, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051”, or through email at “vijayantkv@sebi.gov.in” and “aloks@sebi.gov.in” in MS Word/ MS Excel Format, failing which it shall be presumed that the Noticee has no reply to submit and the matter would be further proceeded on the basis of the evidence available on record. The Noticee may also indicate whether it desires a personal hearing in the matter.
17. It may be noted that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If the Noticees wish to avail the benefits of the settlement process, it/he/she may apply for the same in the manner provided in the said regulations under intimation to the undersigned.
18. Noticees are advised to keep the undersigned informed about the change in your correspondence address, if any, and provide updated email-id and phone numbers, till the proceedings are complete. You are also advised to submit a photocopy of your identification documents for our records.

⁶ Inserted *vide* Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.



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Place: Mumbai

Date: December 21, 2022

V.K.V. P.
Vijayant Kumar Verma
Adjudicating Officer

Annexures: Documents relied upon are as follows:

Annexure No.	Copy of relevant documents enclosed with the show cause notice
1	Communique dated October 06, 2022
2	Management of the Company
3	details of the preferential allottees
4	Information from the Company
5	Information from the Bombay Stock Exchange
6	Bank Statement of the Companies Bank Account
7	Information from the Statutory Auditor of the company
8	Information from Registrar and Share Transfer Agents of the company
9	Information from the Preferential Allottees
10	Details regarding payments toward the preferential allotment by 7 preferential allottees.
11	Details of Information received from Empower India Ltd
12	Details of information received from Nirvana Mall Management Co Pvt Ltd
13	Details of information received from Speciality Papers Ltd
14	Details of information received from L N Industries India Ltd
15	Company email dated 05.01.2022
16	Copy of Investigation Report