BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/RM/2021-22/14819-14829]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of –

1. **PIL Italica Lifestyle Ltd. (AAACP7155N)** having address at Kodiyat Road, Village Sisarma, Udaipur, Rajasthan - 313001
2. **Mr. Daud Ali (AAVPD5848A)** having address at 201 Oasis Park, 40 Ambavgarh, Bldg No, Road No, Udaipur, Rajasthan-313001
3. **Mr. Narendra Bhanawat (AKLPB4395A)** having address at House No.182, Road No. 12 , Ashok Nagar, Udaipur, Rajasthan – 313 001
4. **Mr. Ali Asgar Kagzi (AVLPK4645D)** having address at 33/34 Kharol Colony, Opp Tak Bldg, Fatehpura, Udaipur, Rajasthan
5. **Mr. Hussain Kagzi (BMZPK3837P)** having address at Flat No 303, 3rd Floor Ashiyana 3, Gunpowder Road Mazgaon, Mumbai
6. **Park Continental Ltd. (AABCP9174A)** having address at 69-A, Rajgir Chambers, 8th Floor, 12/14, Shahid Bhagat Singh Marg, Opp.Old Custom House, Fort, Mumbai- 400023
7. **SAT Industries Ltd. (AAACR2207F)** having address at 41 B-Wing Mittal Tower, Nariman Point, Mumbai, Maharashtra 400021
8. **Italica Furniture Ltd. (AAJCS0883P)** having address at 12112th Floor, B wing, Mittal Tower, Nariman Point, Mumbai -400021
9. **Space Age Polumers Pvt. Ltd. (AACCS1203L)** having address at 69/A, Rajgir Chambers, 8th Flr 12/14, Shahid Bhagat Singh marg, Opp Old Custom House, Fort Mumbai – 400023
10. **Sah Polymers Ltd. (AAFCS6813H)** having address at No 98, B Wing, Mittal Tower, Nariman Point, Mumbai, Maharashtra-400021

11. **Aeroflex Industries Ltd. (AACCA6767D)** having address at Survey No 41 42/13 42/14 42/18, Village Chal Near MIDC, Taloja, Panvel, Maharashtra-410206

In the matter of PIL Italica Lifestyle Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings under Section 15HA of SEBI Act,1992 (hereinafter referred to as, '**SEBI Act**') against PIL Italica Lifestyle Ltd. **("Noticee-1/ PILITA")**, Mr. Daud Ali **("Noticee-2"),** Mr. Narendra Bhanawat **("Noticee-3"),** Ali Asgar Kagzi **("Noticee-4"),** Hussain Kagzi **("Noticee-5"),** Park Continental Ltd. **("Noticee-6"),** SAT Industries Ltd. **("Noticee-7"),** Italica Furniture Ltd. **("Noticee-8"),** Space Age Polumers Pvt. Ltd. **("Noticee-9")**, Sah Polymers Ltd. **("Noticee-10"),** Aeroflex Industries Ltd. **("Noticee-11")** (hereinafter collectively referred to as, "**Noticees"**) for alleged violation of the provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred as 'PFUTP Regulations').

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer *vide* order dated May 10, 2021 to inquire into and adjudge under Section 15HA of SEBI Act the aforesaid alleged violations against the Noticees. The appointment of the AO was communicated *vide* order dated dated May 19, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD5/MC/RM/29509/2021 dated October 22, 2021 (hereinafter be referred to as, the "**SCN**") was served upon the Noticees under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15I of the SEBI Act to show cause as to why an inquiry

should not be held and penalty not be imposed against Noticees under Sections 15HA of SEBI Act upon Noticees for the aforesaid alleged violations.

4. The allegations levelled against the Noticees in the SCN are summarized as below:

5. PIL Italica Lifestyle Limited manufactures moulded plastic furniture products. The Company produces chairs, stools, wheeled carts, lawn furniture, trolleys, sun loungers, and house wares. PIL Italica Lifestyle markets its products to households, offices, hotels, restaurants, classrooms, and stadiums. The registered office of the Company is located at Kodiyat Road, Village - Sisarma, Udaipur, Rajasthan, 313001. The date of incorporation of the company is March 16, 1992. The company was formerly known as Peacock Investments Ltd. and changed its name to PIL Italica Lifestyle Limited w.e.f. August 19, 2015.The shares of PILITA were listed on BSE from June 18, 1993. The scrip is listed on BSE and NSE.

6. Investigation was carried out in trading in the scrip of PILITA during the period March 30, 2016 to August 23, 2016 (hereinafter referred to as **'investigation period/IP**').

7. Details of the Board of Directors of the company during the investigation period are as under:-

S. No.	Name	Designation	DIN / PAN	Date of Appointment	Date of Resignation/ Cessation
1	Daud Ali	Promoter Managing Director Executive Director	00185336	01-May-1992	-
2	Narendra Bhanawat	Whole time Director and Chief Financial Officer/ Executive Director	00146824/ AKLPB4395A	21-July-2010/ 23-March-2015	-
3	Magan Lal Sharma	Independent Non Executive Director	00250883	15-June-2006	-
4	Mukesh Kumar Kothari	Non Executive Director	03103336	25-Jan-2010	-

5	Mrs. Namrata Babel	Independent Non Executive Director	06910061	29-May-2014	-
6	Mr Ram Swaroop Sodani	Independent Non Executive Director	07303930	-	03-Mar-2018

(Table 1)

8. Details of promoters' shareholding (quarter ending) during the IP for the quarter ending Dec, 2015 are as follows:

S. No.	Name of the shareholder (PAN)	December 31, 2015		Mar, 2016 to June, 2016 (No changes in aforesaid period)		Sep, 2016 to Dec, 2016 (No changes in aforesaid period)	
		No. of shares	% of total shares	No. of shares	% of total shares	No. of shares	% of total shares
1	Dawood Investment Private Limited	35664300	67.93	35664300	67.93	142657200	67.93
2	Daud Ali	79050	0.15	79050	0.15	316200	0.15
Total		35743350	68.08	35743350	68.08	142973400	68.08

(Table 2)

<u>Preferential Allotment of shares:</u>

9. The RTA (Link Intime India Pvt. Ltd.) of the company informed that the company made one preferential allotment during January, 2014 to December 31, 2016. The details of the preferential allotment are as under:

S. No.	Date of Allotment	No. of share allotted	Allotment Price	No. of allottees
1	02/05/2014	1,37,50,000	4	3

(Table 3)

10. The shares were allotted to three entities (One promoter, namely, Dawood Investment Private Limited and two non- promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5)) at a price of Rs.4/- each. The shares allotted to the promoter were under lock in from May 02, 2014 to June 01, 2017, while those allotted to the non-promoters were under lock in from May 02, 2014 to June 01, 2015.

Connection between Noticees

11. The connections of Noticees and their relationship with the Company/ each other is depicted in chart below:

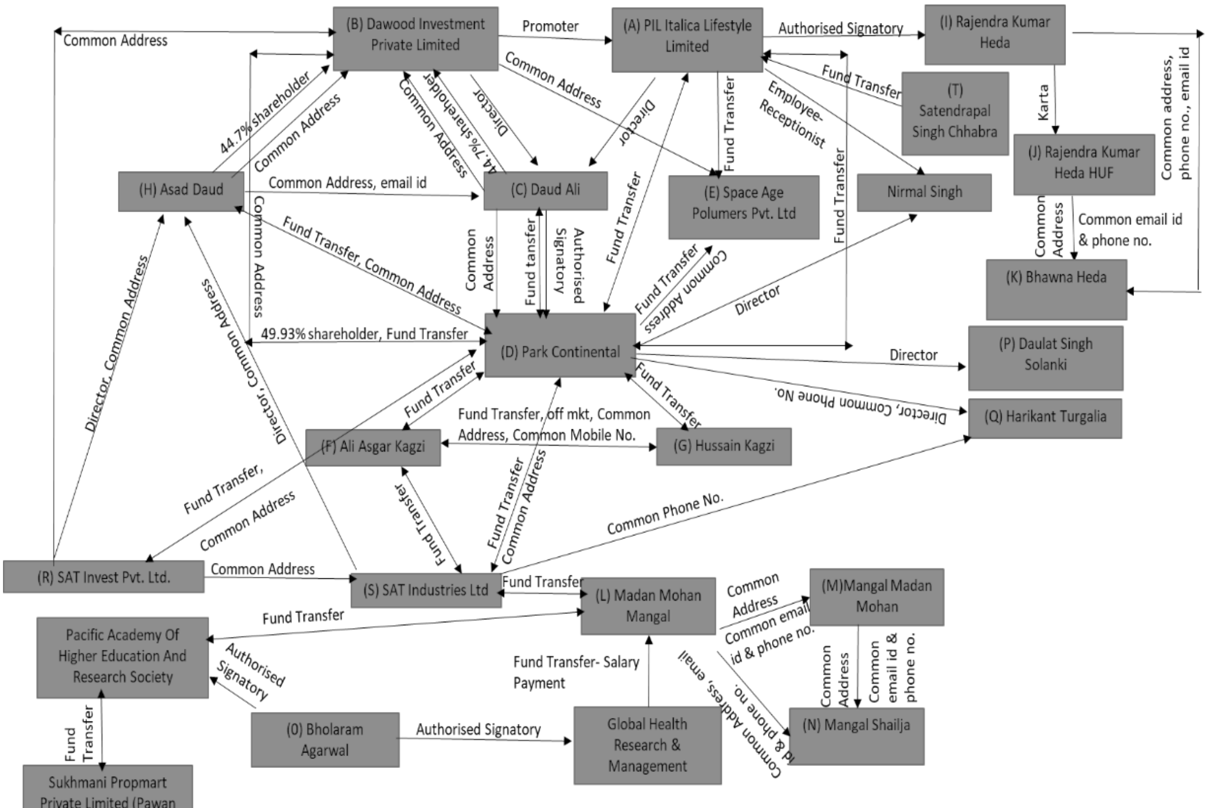

Figure: Connection- Group 1

PIL Italica Lifestyle Limited/ Noticee 1:

12. As per the Notice of EOGM dated November 30, 2013, and Shareholding pattern of PILITA for the quarters ended March 2016 & June 2016, Dawood Investment Private Limited (entity at Sr. No. B in the chart) is the promoter of PIL Italica Lifestyle Limited (Noticee-1).

13. From the bank statement of Noticee-1's ICICI Bank account, fund transfer was observed from Noticee-1 to Space Age Polumers Pvt. Ltd.(entity at Sr. no. E) (Noticee-9) account on March 11, 2016.

14. Further, a debit transaction was observed in the said ICICI Bank account with the narration 'BIL/001013373084/space age mca/ 1475001050000,2' on July 30, 2016 (after the IP). In this regard, ICICI Bank informed that the counterparty for

the said transaction was MCA 21. Thus, payment to MCA was done by Noticee-1 for Noticee-9.

Dawood Investment Private Limited:

15. As per KYC and AOF documents received from Kotak Bank vide email dated November 20, 2020 Dawood Investment Private Limited was also a 49.93% shareholder of Park Continental Limited (Noticee-6) as on December 24, 2013.

16. As per KYC and AOF documents received from Kotak Bank vide email dated November 20, 2020 Daud Ali (Noticee-2) (entity at Sr. no. C) and Asad Daud (entity at Sr. no. H) each hold 44.68% shares of Dawood Investment Private Limited.

17. As per the UCC details received from NSE/ BSE, Dawood Investment Private Limited, Park Continental Ltd. (Noticee-6), SAT Invest Ltd. (entity at Sr. no. R) and Space Age Polumers Private Limited (Noticee-9) (entity at Sr. no. E), share a common address, viz., 1.F/1.Calcot House, 1st Floor 8/10 Tamarind Strees, Fort Mumbai Maharashtra 400023.

18. As per UCC details Dawood Investment Private Limited , SAT Industries Limited (Noticee-7) , SAT Invest Pvt. Ltd., Park Continental Ltd. (Noticee-6) and Space Age Polumers Private Limited (Noticee-9) share a common address viz., 69A Rajgir Chambers 8th Floor,1214 Shahid Bhagat Singh Marg,Opp Old Custom House Fort Mumbai 400023. Further, As per KYC and AOF documents received from Kotak Bank vide email dated November 20, 2020 (enclosed herewith as Annexure 6) the same address is also shared by Asad Daud and Daud Ali (Noticee-2).

19. On perusal of the HDFC Bank a/c statement of Park Continental (Noticee-6), fund transfers were observed to/from the account of Dawood Investments Pvt. Ltd on January 19, 29 and 30, 2015 (period before the IP).

20. As per UCC details Dawood Investment Private Limited and SAT Industries Limited (Noticee-7), share a common address, viz., 41, B-Wing 4th Floor, Mittal Tower, Nariman Point, Mumbai Maharashtra India 400021.

Daud Ali/ Noticee 2

21. Mr. Daud Ali (Noticee-2) has been a director of Dawood Investment Private Limited (since December 02, 2010) and PIL Italica Lifestyle Limited (Noticee-1) (since April 01, 2010 as per MCA Director Master).

22. On perusal of the HDFC Bank a/c statement of Park Continental (Noticee-6), fund transfers were observed to/ from the account of Daud Ali (Noticee-2) on March 11, 2015, June 10, 2015, July 13, 2015 (period before the IP).

23. As per KYC and AOF documents Noticee-2 is also an authorized signatory for the Kotak bank account of Park Continental Ltd. (Noticee-6).

24. As per UCC details Asad Daud and Noticee-2 share common email id, viz., dauds2105@gmail.com.

Park Continental Ltd./ Noticee 6

25. As per UCC details SAT Industries Limited (Noticee-7) and Park Continental Ltd. (Noticee-6) share common phone no., viz., 9322277356.

26. On perusal of the HDFC Bank a/c statement of Park Continental (Noticee-6), following fund transfers were observed:

Sr No.	**Name of fund transferor/ transferee**	**Date on which funds were transferred**
1	PIL Italica Lifestyle Limited (Peacock Industries Limited	23/05/15, 01/06/15, 04/06/15, 27/06/15, 09/09/15
2	Dawood Investments Pvt. Ltd	19/01/15, 29/01/15, 30/01/15

3	Space Age PolumersPvt. Ltd.	10/02/15, 13/02/2015, 23/02/2015, 18/03/15, 19/03/15, 24/03/15, 26/03/15, 30/03/15, 27/04/15, 20/05/15, 27/05/15, 29/05/15, 25/06/15, 08/07/15, 13/08/15, 14/08/15, 07/10/15
4	Asad Daud	21/01/15, 24/02/2015, 10/03/15, 11/03/15, 12/03/15, 27/03/15, 20/07/15, 04/09/15, 10/09/15, 11/09/15, 12/10/15
5	SAT Industries	06/01/15, 19/01/15, 21/01/15, 22/01/15, 11/02/2015, 18/03/15, 08/04/15, 25/04/15, 27/04/15, 29/04/15, 02/05/15, 02/07/15, 07/07/15, 08/07/15, 13/07/15, 24/07/15, 10/08/15, 13/08/15, 20/08/15, 02/09/15, 03/09/15, 07/09/15, 11/09/15, 14/09/15, 30/09/15, 06/10/15, 24/11/15, 05/12/15, 17/12/15
6	SAT Invest Pvt. Ltd.	05/05/15, 14/08/15, 19/10/15
7	Ali Asgar Kagzi.	18/03/15
8	Daud Ali	10/06/15, 13/07/15

(Table 4)

27. On further perusal of the bank statement, fund transfers were observed from HDFC Bank a/c of Park Continental to/ from the account of (before and during the IP):

Sr No.	**Name of fund transferor/ transferee**	**Date on which funds were transferred**
1	Space Age PolumersPvt. Ltd.	11/03/16, 14/03/16, 16/03/16, 28/03/16, 16/05/16, 19/05/16
2	SAT Industries	10/06/16, 15/06/16, 17/06/16, 05/03/16, 30/03/16, 05/04/16, 11/04/16, 16/04/16, 20/04/16, 22/04/16, 13/05/16, 16/05/16, 19/05/16, 20/05/16
3	SAT Invest Pvt. Ltd.	22/04/16, 26/05/16
4	Asad Daud	22/02/16, 11/03/16, 19/03/16
5	Hussain Kagzi	12/05/16, 17/05/16, 18/05/16, 20/05/16, 25/05/16, 26/05/16, 30/05/16

(Table 5)

28. Further, from the Noticee 1's ICICI Bank account, a fund transfer was observed from Noticee-6 to Noticee-1 on November 18, 2016 (after the IP).

29. On perusal of the ICICI Bank A/c statement of Ali Asgar Kagzi (Noticee-4), fund transfers were observed to/from the account of Noticee-6 on January 08 ,2016 May 13, 16, 20, 24, 25, 26, 30, 2016 and December 21, 2016 (before/ during and after the IP).

Space Age Polumers Pvt. Ltd./ Noticee 9

30. From the bank statement of Noticee-1's ICICI Bank account, fund transfer was observed from Noticee-1 to Noticee-9 account on March 11, 2016. Further, a payment to MCA done by Noticee-1 for Noticee-9 was also observed.

Ali Asgar Kagzi/ Noticee 4

31. On perusal of the ICICI Bank A/c statement of Ali Asgar Kagzi (Noticee-4), fund transfers were observed to the account of SAT Industries Limited (Noticee-7) on May 17, 2016. Further, fund transfers were also observed to the account of Hussain Kagzi (Noticee-5) on December 06 and 07, 2016.

32. Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5) had off market transactions as per the off market data provided by NSDL/ CDSL.

33. As per UCC details Noticee-4 and Noticee-5 share common mobile number and common address viz., 9619242770, Flat-902 9th Floor A-Wing Infinity Towers Shivdas Chamsi Marg Mazgaon Mumbai 400010.

Hussain Kagzi:/ Noticee 5

34. On perusal of the ICICI Bank A/c of Hussain Kagzi (Noticee-5), fund transfers to/from account of Park Continental Private Limited (Noticee-6) on May 12, 17, 18, 20, 25, 26 and 30, 2016 (during the IP).

35. As per UCC details Noticee-4 and Noticee-5 share common address, viz., Flat No 303 3rd Flr Ashiyana 3,Gunpowder Road Mazgaon, Mumbai 400010.

Asad Daud:

36. As per KYC and AOF documents Asad Daud and Daud Ali (Noticee-2) share common address viz., 69A Rajgir Chambers 8th Floor,1214 Shahid Bhagat Singh Marg,Opp Old Custom House Fort Mumbai 400023.

37. As per MCA Director Master Data, Asad Daud has been a director of SAT Invest Private Limited since December 02, 2010 and of SAT Industries Ltd. (Noticee-7) since July 19, 2014.

SAT Industries Private Limited/ Noticee 7

38. As per UCC details Dawood Investment Private Limited and SAT Industries Limited (Noticee-7), share a common address viz., 41, B-Wing 4th Floor, Mittal Tower, Nariman Point, Mumbai Maharashtra India 400021.

Purchase of shares by Preferential Allottees - funding:

39. Vide email dated March 16, 2021, the company, inter alia, informed the following:

ALI ASGAR KAGZI			
DATE	PARTICULAR	AMOUNT	REMARK
20.12.2013	RTGS/YES BANK	1,000,000	25% AMOUNT TOWARDS ALLOTMENT OF 12,50,000 WARRANT OF RS. 4/- EACH
21.12.2013	RTGS/YES BANK	250,000	
TOTAL-A		1,250,000	
04.04.2014	RTGS/YES BANK	500,000	75% REMAINING AMOUNT TOWARDS CONVERSION OF WARRANT IN TO EQUITY SHARES
04.04.2014	RTGS/YES BANK	500,000	
04.04.2014	RTGS/YES BANK	1,000,000	
04.04.2014	RTGS/YES BANK	500,000	
05.04.2014	RTGS/YES BANK	1,000,000	
07.04.2014	RTGS/YES BANK	250,000	
TOTAL-B		3,750,000	
TOTAL A+B		5,000,000	

HUSSAIN KAGZI			
DATE	PARTICULAR	AMOUNT	REMARK
24.12.2013	RTGS/YES BANK	1,000,000	25% AMOUNT TOWARDS ALLOTMENT OF 12,50,000 WARRANT OF RS. 4/- EACH
26.12.2013	RTGS/YES BANK	250,000	
TOTAL-A		1,250,000	
05.04.2014	RTGS/YES BANK	3,750,000	75% REMAINING AMOUNT TOWARDS CONVERSION OF WARRANT IN TO EQUITY SHARES
TOTAL-B		3,750,000	
TOTAL A+B		5,000,000	

DAWOOD INVESTMENT PRIVATE LIMITED -(DIPL)			
DATE	PARTICULAR	AMOUNT	REMARK
18.12.2013	RTGS/YES BANK	1,000,000	25% AMOUNT TOWARDS ALLOTMENT OF 1,12,50,000 WARRANT OF RS. 4/- EACH
23.12.2013	RTGS/YES BANK	500,000	
02.01.2014	RTGS/YES BANK	5,150,000	
03.01.2014	RTGS/YES BANK	2,600,000	
04.01.2014	RTGS/YES BANK	2,000,000	
TOTAL-A		11,250,000	
04.03.2014	RTGS/YES BANK	2,000,000	75% REMAINING AMOUNT TOWARDS CONVERSION OF WARRANT IN TO EQUITY SHARES
12.04.2014	RTGS/YES BANK	6,550,000	
15.04.2014	RTGS/YES BANK	5,200,000	
16.04.2014	RTGS/YES BANK	2,600,000	
16.04.2014	RTGS/YES BANK	3,300,000	
17.04.2014	RTGS/YES BANK	2,000,000	
19.04.2014	RTGS/YES BANK	2,100,000	
21.04.2014	RTGS/YES BANK	6,500,000	
21.04.2014	RTGS/YES BANK	3,500,000	
TOTAL-B		33,750,000	
TOTAL A+B		45,000,000	
GRAND TOTAL		55,000,000	

(Table 6)

40. As per the information provided by the RTA of the Company (who started providing full registry services to the Company from April 2017 onwards), Noticee-4 and Noticee-5 were allotted shares in the Category of Non promoter.

41. In Company's Extra Ordinary General Meeting Notice dated November 30, 2013, inter alia the following was stated:

'The Company feels that the Company should repay its existing unsecured loan to the extent possible and will need additional funds to supplement existing working capital requirements on long term basis. It will also need fund for purchase of additional fixed assets and other corporate purpose to ensure proper and effective working of the Company. This will strengthen the financial position of the Company on long term basis.

To raise the funds from the public by way of issue of further share capital is a time consuming and costlier looking to the size of the funds. To meet the situation the following have agreed to invest funds in the company:

Sl. No.	***Name of the Preferential Allottee***	***Identity***	***No. of warrants***
1	*Dawood Investment Private Limited*	*Promoter*	*1,12,50,000*
2	*Ali Asgar Kagzi*	*Investor*	*12,50,000*
3	*Hussain Kagzi*	*Investor*	*12,50,000*
	TOTAL		

The Company thought it prudent to offer an allot on preferential basis warrants convertible into equity shares as detailed herein above entitling the holder of the warrant to apply and subscribe one equity share of Rs.4/- each in the capital of the Company against one Warrant.'

42. As per aforesaid Notice Company wanted to raise new funds from the preferential allotment to repay its existing unsecured loan, to supplement existing working capital requirements on long term basis, purchase of additional fixed assets and other corporate purpose to ensure proper and effective working of the Company.

43. On analysis of the bank statement of the preferential allottees (non-promoter) the following was observed:

Sr. No.	Name of Allottee	No. of shares allotted	Date of Allotment	Date on which funds transferred by allottee to Company	Amount transferred by allottee to Company	Counterparty (CP)/ Funder for allottee	Date of transfer by CP to allottee	Amount transferred by CP to allottee	Funder for CP	Amount transferred by funder to CP	Date of transfer by funder to CP
1	Ali Asgar Kagzi	1250000 (Rs.4/- each)	02.05.2014	04/04/2014, 05/04/2014, (various fund transfers) & 07/04/2014	3500000 250000	Park Continental	04/04/2014	3750000	M/S Aeroflex Industries Limited	50,00,000	02/04/2014
				21/12/2013	250000	SAT Industries	20/12/2013	1250000	Italica Furniture Pvt Ltd.	11,80,000	20/12/2013
				20/12/2013	1000000						
2	Hussain Kagzi	1250000 (Rs.4/- each)	02.05.2014	05/04/2014	3750000	Italica Furniture Pvt Ltd.	04/04/2014	3750000	Park Continental	12,00,000	04/04/2014
									Sah Polymers Limited	10,00,000	
									SAT Industries	13,00,000	
				26/12/2013	250000	Park Continental	23/12/2013	1250000	Cash deposit	5,00,000	18/12/2013
				24/12/2013	1000000				Space Age Polumers	2,00,000	18/12/2013
									Cash deposit	3,00,000	20/12/2013

(Table 7)

44. Hussain Kagzi transferred an amount of Rs. 37,50,000 from his ICICI Bank a/c to Italica Furniture Pvt Ltd. and Rs. 12,50,000 to Park Continental Private Limited on 12/05/2016. Various other fund transfers were also made from the said bank account of Hussain Kagzi before/ during the IP to the account of Park Continental.

45. Various other fund transfers have also been observed from the account of Ali Asgar Kagzi to Park Continental Private Limited (ICICI Bank A/c 004501010895) before/ during the IP to the account of Park Continental.

46. As stated above Asad Daud and Daud Ali are 44.68% shareholders (each) of Dawood Investment Private Limited (promoter of the Company). Further, Dawood Investment Private Limited is a 49.93% shareholder of Park Continental Limited. Fund transfers were observed from/to the account of Park Continental to/from the account of the Company. Further, Asad Daud is a director of SAT Industries Limited.

47. Further, as seen from MCA, Asad Daud is a director of Italica Furniture Private Limited. Also, relationship between Space Age Polumers Pvt. Ltd., Dawood Investment Private Limited, Park Continental Ltd. has also been described above. Further, as per MCA database, Asad Daud is a director in Sah Polymers Limited since November 2015.

48. Also, fund transfers were observed from the Kotak Bank account of SAT Industries Limited to/from the account of Aeroflex Industries Limited.

49. Further, it was also observed from the account of PIL Italica Lifestyle Limited, that various fund transfers have taken place from/ to the account of Park Continental Private Limited to/from the account of PIL Italica Lifestyle Limited between March 11, 2014 and November 18, 2016. It was observed that the Noticee-1 transferred a total amount of Rs. 2,82,54,177 to the account of Park Continental Private Limited between March, 2014 and September 2015 and received a total amount of Rs. 2,12,68,783 between June, 2014 and November 2016. The net outflow from the ICICI bank account of the company to the account of Park Continental was Rs. 69,85,394.

50. Various fund transfers have also been observed from the Yes Bank account of Noticee-1, from/ to the account of Noticee-6 to/from the account of Noticee-1, between August, 2014 and October, 2014.

51. Further, various fund transfers were observed from the ICICI Bank account of Noticee-1, from/to the account of Italica Furniture Private Limited (Noticee-8) between March 11, 2014 and November 18, 2016. Various fund transfers were observed from the Yes Bank account of Noticee-1, from/ to the account of Italica Furniture Private Limited (Noticee-8) to/from the account of PIL Italica Lifestyle Limited (Noticee-1), between March, 2014 and October, 2016. It was also observed that the email id registered in the Yes bank account of PIL Italica Lifestyle Limited is *bolia@italicafurniture.com*, which pertains to Italica Furniture Private Limited domain.

52. Fund transfers were observed to/from Kotak bank account no. belonging to SAT Industries Limited to/ from the account of Park Continental Ltd. and Italica Furniture Private Limited between December, 2013 and June, 2016. Fund transfers have also been observed to/from Kotak bank account belonging to SAT Industries Limited to/ from the account of PIL Italica Lifestyle Limited between March, 2016 and December, 2016. Also, fund transfers have been observed from the Kotak Bank account of SAT Industries Limited to/from the account of Aeroflex Industries Limited.

53. The relationships established above between Noticees and the fund transfer between them shows that the preferential allotment to Noticee-4 and Noticee-5 was allegedly funded by the Company, indirectly, through its/ promoter related entities.

54. Noticees 6, 7, 8, ,9, 10 and 11 were allegedly conduits for transfer of funds to the preferential allottees from the Company. Further, Noticees 2 and 3 were executive directors of the Company (Noticee-1) during period of the concerned preferential allotment.

55. In view of the above, Noticee-1 along with its executive directors Noticee-2 and 3, allottees Noticee 4 and 5, and conduits Noticees 6 - 11 were allegedly engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality Noticee 1's own funds were used by the allottees (funds received by allottees through conduits from company) to buy those shares issued thereby limiting genuine capital infusion to that extent; and were hence alleged to have violated Sec. 12A(a),(b),(c) of SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d) & 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 2003.

56. The relevant provisions of SEBI Act, 1992 and PFUTP regulations are reproduced as under:

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 recognised 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 recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

SEBI (Prohibition Of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 2003

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 fraudulent or an unfair trade practice in securities.

57. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15HA of the SEBI Act.

58. In response to SCN dated October 22, 2021 Noticees filed their reply vide letters dated November 20, 26, 27, 2021 and December 13, 2021. Opportunity of Hearing was provided to the Noticees through video conferencing on December 15, 2021 and Mr. Anil Shah, Advocate (Authorised Representative of the Noticees) attended the hearing on December 15, 2021 and reiterated the submissions made by the Noticees in their replies. Further, Noticees submitted post hearing submissions vide letter dated December 21, .

59. The **common submissions** of the noticees are summarized as below:

60. At the outset and without prejudice to anything else, Noticee state that the allegations made in and findings arrived at in the SCN as against Noticee are misconceived and based on incomplete and incorrect assumption of facts.

61. The observation made with respect to the preferential allotment being made during January, 2014 to December, 2016 is a blatant error on face of the SCN as the preferential allotment of Warrants convertible into equity shares was made on 11.01.2014 and thereafter the conversion into equity shares was done on 02.05.2014. Therefore, by no stretch of imagination can it be observed and concluded that the preferential allotment was continued till December, 2016. We state that the SCN thus is bad in law since it proceeds with wrong facts and improper appreciation of true and correct facts. We state that the findings and conclusions that emanate from wrong facts are bound to vitiate the proceedings and, on this ground, alone the SCN against us ought to be withdrawn.

62. The alleged preferential allotment was made on 02.05.2014 whereas the SCN is issued on 22.10.2021. There is an inordinate and unexplained delay of over seven years in issuance of SCN from the alleged preferential allotment on 2.05.2014 making it difficult for Noticee to retrieve data and offer submissions effectively. It is held time and again that proceedings before SEBI require finalization within reasonable time. Noticee crave leave to rely on order dated 7.09.2012 in the matter of HB Stock Holdings Ltd passed by the Hon'ble SAT and several other citations that have held that proceedings have to be initiated within a reasonable time in order not to defeat principles of justice and doctrine of fair play. The SCN is silent on the delay as well as the reasons therefore which has put Noticee to a disadvantageous position.

63. That having common directors in different companies cannot be taken in to account to arrive at a conclusion that there exists common ownership in these

companies and/or that the management of these companies are under control of the common director.

64. That having a common email id between some noticees cannot be taken into account to arrive at a conclusion that these noticees had common intent and purpose.

65. The individual submissions of the noticees are summarized as below:

Noticee 1

66. Noticee is limiting its reply to setting out submissions to the observations/ contentions/ allegations as against Noticee. Noticee is therefore not dealing with each and every paragraph of the SCN.

67. It is true that warrants convertible into equity shares were allotted on 11.01.2014 in preferential allotment to three entities (One promoter, namely, Dawood Investment Private Limited and two non-promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5). Further, on 02.05.2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, on 02.05.2014, 13750000 shares were allotted under preferential allotment to three entities (One promoter, namely, Dawood lnvestment Private Limited and two non- promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5) at an allotment price of Rs.4/- each. The shares allotted to the promoter were under lock in from May 02, 2014 to June 01, 2017, while those allotted to the non-promoters were under lock in from May 02, 2014 to June 01, 2015.

68. The SCN has erred in arriving at the finding that Noticee is connected with other Noticees. The said allegation is mainly based on the observation that :
    a) Dawood Investment Private Limited is Noticee’s promoter,
    b) Mr. Narendra Bhanawat has been Noticee’s Whole Time Director since 21.07.2010.

c) Mr. Daud Ali has been Noticee's director since 01.04.2010. He has also been a Director of Dawood Investment Private Limited since 02.12.2010.

69. However, the SCN fails to appreciate Noticee has its independent board of Directors who manage the company. It may be appreciated that the doctrine of corporate governance applies to Noticee and the concept of lifting the corporate veil cannot be stretched to such inconceivable level. It is submitted that the fact that Mr. Daud Ali is also a director of Dawood Investment Private Limited and Dawood Investment Private Limited is a major shareholder in Park Continental Limited an investment company, could never lead to a conclusion that Noticee is connected to Noticee nos.6 to 11 and allege them to be Noticee's purported conduits for transfer of funds from Noticee Company to preferential allottees. All companies were managed independently and professionally and Noticee is neither aware, nor have participated nor have means to verify, influence or control the day to day affairs, business decisions and management of other Noticee Companies. It is also not the case in the SCN notice that Noticee is in charge of or in management of the affairs of the other noticees.

70. As far as the fund transfers between Park Continental Limited (Noticee-6) and Noticee on 23.05.15, 01.06.15, 04.06.15, 27.06.15, 09.09.15 and 18.11.2016 is concerned, Noticee state that Park Continental Limited is an investment company. The alleged fund transfers were towards availing and repaying temporary loans for meeting business exigencies. It may be appreciated that we have been availing and repaying the loans regularly from Park Continental Limited. We have borrowed even previously and subsequently and duly repaid the same. Therefore, no adverse inference may be drawn therefrom. In this regard, copy of ledger with relevant entries is placed on records.

71. Further it has been observed that on 11.03.2016 funds were transferred from Noticee's ICICI Bank account to Space Age Polumers Pvt. Ltd. (Noticee-9) account and on 30.07.2016 we made payment to MCA on its behalf. It may be appreciated that the SCN has grossly erred in observing that the funds were

transferred from Noticee company to Space Age Polumers on 11.03.2016, when in reality, the said transfer was from Space Age Polumers to Noticee company. The same was done towards repayment of outstanding amount . On 30.07.2016 Noticee had transferred Rs. 400/- to MCA on behalf of Space Age Polumers Pvt. Ltd. for sake of business relation since Space Age Polumers Pvt. Ltd. was unable to log in the MCA website to conclude filing of relevant document and no adverse inference is called for. Copy of ledger with relevant entries in this regard is placed on record.

72. In any event all the said fund transfers pertain to years 2015-2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers by no stretch of imagination could be inferred to be for the purpose of funding of preferential allotment as wrongly alleged.

73. Mr. Daud Ali or his son Mr. Asad Daud may have been director or authorized signatory or shareholders of other companies or Mr. Daud Ali may have entered into fund transactions with other Noticees in his individual capacity of which Noticee are neither aware nor concerned. Noticee is neither aware, nor related/ connected nor have influenced the decisions and fund transactions of other individual notices or noticees companies and therefore not in position to offer our comments.

74. Similarly, Noticee is neither aware nor concerned with the fact or arrangement of sharing of common e-mail id and/or phone numbers and/ or address between other Noticees. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies. Noticee deny alleged connection with other Noticees for the sake of funding Noticee’s own preferential allotment as wrongly alleged.

75. Noticee reiterate that it was desirous of raising funds by way of preferential allotment to repay existing unsecured loan, to supplement existing working capital requirements on long term basis, purchase of additional fixed assets and

other corporate purpose to ensure proper and effective working of the company. Accordingly, Noticee thought it is prudent to offer an allot on preferential basis warrants convertible into equity shares entitling the holder of the warrant to apply and subscribe one equity share of Rs. 4/- each in the capital of the company against one warrant.

76. On 02.05.2015, preferential allotment of 1,37, 50,000 shares at the rate of Rs. 4/- per share was made to one promoter and two non-promoter allottees. Noticee company has received due consideration for the same. Noticee has duly complied with all the legal compliances in this regard more specifically, increasing the paid-up capital of the company, calling the General Meeting for approval for the preferential allotment, getting the shares listed on the Exchanges, filing returns, etc.

77. Noticee is neither aware nor concerned nor involved nor have means or were required to verify how the allottees raised allotment money and therefore not in position to comment on fund transactions or arrangements, if any, between allottees and other Noticee Companies as illustrated in SCN.

78. It is reiterated that the alleged fund transfers between Park Continental Limited (Noticee-6) and Noticee between 11.03.14 and 18.11.2016 were towards availing temporary loan for meeting business exigencies. Noticee has duly repaid the same and therefore no adverse inference may be drawn therefrom.

79. With respect to fund transfers between Italica Furniture Pvt. Ltd. and Noticee between March 2014 and October, 2016 and SAT Industries Ltd. and Noticee between March, 2016 to December, 2016 please appreciate that the said payment was towards rent for the use of moulds (die) which were for manufacturing purpose. Few relevant agreements and bills in this regard with Italica Furniture Pvt. Ltd. and SAT Industries Ltd. are palced on records.

80. Noticee reiterate that all the said fund transfers pertain to years 2015-2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers by no stretch of imagination can in connection with purpose of funding of preferential allotment as wrongly alleged.

81. Noticee deny that Noticees 6, 7, 8, ,9, 10 and 11 were conduits for transfer of funds to the preferential allottees from the Company. In view of aforesaid Noticee submit that the SCN fails to establish any relationship between any of the Noticees and us and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by Noticee indirectly through its/promoter related entities.

82. The findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed on record, Noticee most humbly pray that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter.

Noticee 2

83. Warrants convertible in to 1,37,50,000 equity shares were allotted on 11.01.2014 in preferential allotment to three entities (One promoter, namely, Dawood Investment Private Limited and two non-promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5). Further, on 02.05.2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, on 02.05.2014. 1,37,50,000 shares were allotted under preferential allotment to three entities (one promoter, namely, Dawood Investment Private Limited and two non- promoters, namely, Ali AsgarKagzi (Noticee-4) and Hussain Kagzi (Noticee-5) at an allotment price of Rs.4/- each. The shares allotted to the promoter were under lock in from May 02, 2014 to June 01, 2017, while those allotted to the non-promoters were under lock in from Mas 02, 2014 to June 01, 2015.

84. At the outset, the SCN has erred in arriving at the finding that Noticee is connected with other Noticees in terms of having connection for the alleged fund transfers and off market transfers between certain entities.

85. At the further outset, the SCN has grossly erred in assuming that Noticee was a Director of PIL Italica since April 2010 while as per table at Para 5 on Page 4 of the SCN the date of my appointment as Director is shown as 01.05.1992. Therefore, the SCN suffers from errors apparent on the face of the records which implies non-application of mind in collating the data and is thus liable to dismissed in limine. Noticee crave leave to rely on judgments concluding that a defective and deficient SCN is liable to be set aside.

86. In any event all the alleged fund transfers pertain to years 2015- 2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers by no stretch of imagination could be inferred to be for the purpose of funding of preferential allotment as wrongly alleged. Noticee reiterate that the SCN has apparently relied on the purported fund transfers between Park Continental (Noticee No.6) and Noticee in the HDFC Bank on March 11, 2015, June 10, 2015 and July 13, 2015 which is subsequent to the preferential allotment and prior to the IP (30.03.2016 to 23.08.2016). Noticee state that the purported fund transfers that have been relied upon in the SCN are for the period after the preferential allotment and hence, could not be alleged to have been utilized if at all for the preferential allotment.

87. Noticee further state that the observation of the alleged fund transfers which are purported to be linked to the preferential allotment are much prior to the IP which is from 30.03.2016 to 23.08.2016. Noticee fail to understand any and all references to the fund transfers which are beyond the investigation period.

88. Although Noticee maybe a signatory to the Kotak bank account of Park Continental, the same could never be construed as having any bearing or relation

with the preferential allotment for the sole reason that Noticee is not a Director of Park Continental and hence, could never have been instrumental in day to day management and controlling the affairs of the Company. Noticee submit that his shareholding in Dawood Investment Pvt. Ltd. as well as the shareholding of Asad Daud for the years ended 31.03.2012 to 31.03.2017 is as under:

Year	Noticee	Mr. Asad Daud
31.03.2021	44.68%	44.68%
31.03.2013	15.76%	15.7600
31.03.2014	16.33%	15.76%
31.03.2015	16.33%	15.76%
31.03.2016	34.140/0	15.76%
31.03.2017	40.10%	9.80%

89. With respect to common email-id namely dauds2105@gmail.com, Noticee submit that sharing a common email id could never be inferred to be in violation of any law. Further sharing a common email id cannot further be inferred to have any co relation with the preferential allotment. In any event Asad Daud is not a Noticee to the present SCN and no adverse inference could ever be drawn from the same.

90. Further, to reiterate, the preferential allotment was done as the Company (Noticee No. 1) was desirous of raising funds by way of preferential allotment to repay existing unsecured loan, to supplement existing working capital requirements on long term basis, purchase of additional fixed assets and other corporate purpose to ensure proper and effective working of the company. Accordingly, the Company resolved to offer and allot on preferential basis warrants convertible into equity shares entitling the holder of the warrant to apply and subscribe one equity share of Rs. 4/- each in the capital of the company against one warrant. Thereafter on 11.01.2014 preferential allotment of warrants Convertible into shares was made and thereafter on 02.05.2014, warrants were converted to equity shares and thereby 1,37,50,000 equity shares at the rate of Rs. 4/- per share were allotted to one promoter and two nonpromoter allottees. It is not in dispute that the funds were not received by the Company (Noticee No.1). Even otherwise the SCN is silent on the legal matrix that mandates Noticee as a Managing Director and a Promoter to verify and ascertain the source of funds of

the allottees. The SCN is short on its findings as it fails to refer to any enactment, regulation, directive, procedure or circular that obliges Noticee to do the same.

91. Noticee state that the Company had complied with all requirements in this regard more specifically, increasing the authorized capital of the company, calling the General Meeting for approval for the preferential allotment, getting the shares listed on the Exchanges, filing returns, etc. Thus, the SCN has failed to indicate any non-compliance on Noticee part but for the fact that Noticee was a Promoter and Managing Director of Noticee No.1.

92. Noticee reiterate above submissions and fervently deny that along with other Noticees have engaged infraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality Noticee No.1's funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent. Noticee further state that the findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering Noticee’s submissions placed on record, the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter.

Noticee 3

93. Warrants convertible in to equity shares were allotted on 11.01.2014 by way of preferential allotment to three entities (one promoter, namely, Dawood Investment Private Limited and two nonpromoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5). Further, on 02.05.2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, on 02.05.2014, 13750000 shares were allotted under preferential allotment to the said three entities at an allotment price of Rs.4/- each. The shares allotted to the promoter were under lock in from May 02, 2014 to June 01, 2017,

while those allotted to the non-promoters were under lock in from May 02, 2014 to June 01, 2015.

94. At the outset, the SCN has erred in arriving at the finding that Noticee is connected with other Noticees in terms of having connection for the alleged fund transfers and off market transfers between certain entities.

95. At the further outset the SCN has been issued to Noticee only merely for the reason that Noticee was the Executive Director of Noticee No.1 during the period of preferential allotment. Noticee would like to submit that Noticee was appointed as a Chief Financial Officer with effect from 23.03.2015 in addition to Executive Director and prior to that Noticee was only an Executive Director. Furthermore, it may be appreciated that being an Executive Director could never bestow upon Noticee any powers to ascertain the source of funding by the preferential allottees. To quote an example Noticee state that when any Company comes up with an IPO it is neither expected nor possible nor legally viable for the Company or its Directors to ascertain the source of funds from the applicants to the IPO who would subsequently become the shareholders. Similarly, the preferential allotment was done as the Company (Noticee No. 1) was desirous of raising funds by way of preferential allotment to repay existing unsecured loan, to supplement existing working capital requirements on long term basis, purchase of additional fixed assets and other corporate purpose to ensure proper and effective working of the company. Accordingly, the Company resolved to offer an allot on preferential basis warrants convertible into equity shares entitling the holder of the warrant to apply and subscribe one equity share of Rs. 4/ - each in the capital of the company against one warrant.

96. Thereafter on 11.01.2014, preferential allotment of warrants Convertible into shares was made and thereafter on 02.05.2014 warrants were converted to equity shares and thereby 1,37, 50,000 equity shares at the rate of Rs. 4/- per share were allotted. It is not in dispute that the funds were not received by the company (Noticee No.1). Even otherwise the SCN is silent on the legal matrix

that mandates Noticee to verify and ascertain the source of funds of the allottees. The SCN is short on its findings as it fails to refer to any enactment, regulation, directive, procedure or circular that obliges Noticee to undertake such an exercise as envisaged in the SCN. Further so, the SCN is silent on any connection between the other Noticees and Noticee and thus it can be reasonably concluded that Noticee is not connected to any of the other Noticees save and except, Noticee was an Executive Director of Noticee No. 1. Still further the SCN docs not even allege any funds/share transfers from/ to Noticee's account.

97. Noticee state that the Company had complied with all requirements relating to the preferential allotment; more specifically, increasing the authorized capital of the company, calling the General Meeting for approval for the preferential allotment, getting the shares listed on the Exchanges, filing returns, etc. Thus, the SCN has failed to indicate any non-compliance on Noticee part but for the fact that Noticee was an Executive Director of Noticee No. 1.

98. Noticee state that Noticee is neither aware nor concerned nor involved nor have means or was even required under any law/ regulation to verify how the allottces had raised the allotment money and therefore, Noticee could never be burdened to verify and justify the source of the fund transactions or arrangements, if any, between allottees and other Noticee Companies as depicted vide table under para 41 on page of the SCN. In any event the Table at Page 41 has failed to allege any violation by Noticee. Noticee state that the SCN has been issued on an absurd presumption that as Executive Director, Noticee was required to delve in to the affairs and books of the allottees/ proposed allottees. Such an assumption in the commercial word in unheard of.

99. Noticee submit that even otherwise all the said fund transfers that have been relied in the SCN to levy charges against Noticee pertain to years 2015-2016; whereas the preferential allotment was made prior there to on 02.05.2014.

100. SCN has failed to establish any relationship between any of the other Noticees and the Noticee. Noticee reiterate above submissions and deny that along with other Noticces, Noticee has engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality Noticee No.1's funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent; and hence have violated Section of SEBI Act, 1992read with Regulations & 4(1) of SEBI (PFUTP) Regulations,2003 as wrongly alleged.

101. Noticee state that the findings arrived at in the SCN and the allegations against Noticee are completely misconceived and based on incorrect assumption and presumptions of facts as well as law. Therefore, considering submissions placed on record, Noticee most humbly pray that the said SCN be withdrawn and Noticee may be discharged particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter. Noticee pray that in the light of the aforesaid submissions the proceedings against Noticee be withdrawn.

Noticee 4

102. It is true that Noticee was allotted warrants convertible in to 1,37,50,000 equity shares on 11.01.2014 by way of preferential allotment. Further, on 02.05.2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, on 02.05.2014; 12,50,000 shares were allotted under preferential allotment to Noticee at an allotment price of Rs.4/- each. Noticee state that the shares so allotted to him were under lock in from May 02, 2014 to June 01, 2015.

103. The SCN has erred in arriving at the finding that Noticee is connected with other Noticees. Noticee state that he is an investor and hence had decided to apply to the preferential allotment of warrants in the Company (Noticee No.1). With respect to the observation that fund transfer was made with Park Continental

(Noticee No.6) and Noticee, Noticee state and submit that the amount of Rs. 3,00,000/- was repaid under normal course of business on 18.03.2015. Furthermore, with respect to the fund transfers purportedly done on May 13, 16, 20, 24, 25, 26, 30, 2016 and on December 21, 2016, Noticee submit that the Annexure No.12 which purportedly denotes the transactions does not depict the same.

104. Also as is stated in the SCN itself in Para 27 on Page 10 that "….(before/during and after the IP)…". Therefore, the fund transfers have been in place before, could also be during and also after the IP which is because Noticee has been taking loans and also repaying such loans and having a relationship which could never be construed to be for the purpose of applying to the preferential allotment of the Company (Noticee No.1). Being an investor it is in normal business practice to take loans and repay it back and no adverse inference be drawn there from. Noticee further state that in the capital market borrowing of funds from nationalized banks, SEBI Registered intermediaries for margin funding, NBFC's is an accepted norm to raise funds. Thus, there is nothing amiss in the alleged fund transfer.

105. Noticee state that with respect to the allegation that fund transfers were made to the account of SAT Industries Ltd. (Noticee No.7) on May 17,2016, Noticee state and submit that no such entry could be found in Annexure 12 wherein purportedly it has been observed in the SCN. Noticee pray that the true and correct interpretation of the Annexure be placed on record for easy comprehension and rebuttal. Further still, since the matter is for the year 2015-16 Noticee is unable to place on record the relevant documents to prove his case. Moreover, even if there has been any transaction, Noticee state that the same was in his normal course of business. Even otherwise Noticee state that the purported fund transfer pertain to May 2016, which date is far later in time to the preferential allotment.

106. In respect to the off market transaction between Noticee No.5, Noticee state and submit that no such off market transaction was ever made in the shares of PIL

Italica Lifestyle Ltd. In fact it can be observed from the Annexure 13 of the SCN, certain transfers are inter depository transfers. Noticee state that an inter depository transfer is from my demat account with CDSL to my own other demat account with NSDL or vice versa. Noticee state that such transfer could never form a basis for any violation. In any event, no off-market transfers are alleged to have been made in the shares of PIL Italica. Noticee state that thereby the observation made in SCN could never be substantiated since Noticee had no off market transfers with Noticee No.5 in the shares of PIL Italica Lifestyle Ltd. Noticee pray that the true and correct interpretation of the Annexure be placed on record for easy comprehension and rebuttal.

107. With respect to common mobile number and address with Noticee No.5, Noticee state and submit that Noticee No.5 Hussain Kagzi being Noticee's brother, share the same address and for sake of convenience during preferential allotment, the same mobile number was provided for both. Noticee state that under the circumstances, no adverse inference be drawn therefrom.

108. Noticee further state that in any event all the purported fund transfers pertain to years 2015- 2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers could never be inferred to be for the purpose of funding of preferential allotment as wrongly alleged.

109. In the Table forming part of Para 41 of SCN, it has been observed that Noticee has received funds from Park Continental and SAT Industries. In this connection Noticee state and submit that Noticee has been taking funds from various entities and repaying in the normal course of business.

110. Noticee further state that the loan taken from Park Continental has since been repaid from time to time as is evidenced at Annexure 20 at para 43 of the SCN. Similarly, the loan taken from SAT Industries has since been repaid from time to time. Furthermore, it may be appreciated that being a borrower Noticee could never have known the origin of funds being lent to me and thereby it is impossible

to ascertain the source of funding and could not be construed to be a violation. As already indicated hereinabove, delay in the issue of the SCN has prejudiced our interest.

111. Noticee reiterate that as a preferential allottee, Noticee has made the payment on his own account and not funded by the Company (Noticee No.1). Noticee is neither aware nor concerned nor involved nor have means or was required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between other Noticees.

112. Noticee fervently deny that along with other Noticees have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality Noticee No.1's funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent

113. Noticee further state that the findings arrived at in the SCN and the allegations therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering my submissions placed on record, Noticee most humbly pray that the said SCN be withdrawn and/or discharged as against me particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter. Noticee pray that in the light of the aforesaid submissions the proceedings against me be withdrawn.

Noticee 5

114. Warrants convertible in to equity shares were allotted on 11.01.2014 by way of preferential allotment to three entities (one promoter, namely, Dawood Investment Private Limited and two nonpromoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5). Further, on 02.05.2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, on 02.05.2014, 13750000 shares were allotted under preferential allotment to the said three entities at an allotment price of Rs.4/- each. The shares

allotted to the promoter were under lock in from May 02, 2014 to June 01, 2017, while those allotted to the non-promoters were under lock in from May 02, 2014 to June 01, 2015.

115. The SCN has erred in arriving at the finding that Noticee is connected with other Noticees. Noticee is an investor and hence considered the offer of procuring preferential allotment of warrants in the Company (Noticee No.1). Furthermore, with respect to the allegations for the purported fund transfers done on 12.05.2016, 17.05.2016, 18.05.2016, 20.05.2016, 25.05.2016, 26.05.2016 and 30.05.2016 with Park Continental (Noticee No.6), Noticee submit that there are no such fund transfers alleged to have been done in the Annexure No.11 nor Annexure No. 14 of the SCN. Noticee pray that the true and correct interpretation of the Annexures be placed on record for easy comprehension and rebuttal.

116. Further still, since the matter is for the year 2015-16 Noticee is unable to place on record the relevant documents to prove his case. Moreover, even if there has been any transaction, Noticee state that the same was in his normal course of business. Even otherwise Noticee state that the purported fund transfer pertain to May 2016, which date is far later in time to the preferential allotment. Noticee submit that the fund transfers have been in place before, could also be during and also after the IP which is because Noticee has been taking loans and also repaying and having a relationship which is not for sake of solely funding the preferential allotment of the Company (Noticee No.1). Being an investor it is in normal business practise to take loans and repay it back and no adverse inference be drawn there from. Noticee further state that in the capital market borrowing of funds from nationalized banks, SEBI Registered intermediaries for margin funding, NBFC’s is an accepted norm to raise funds. Thus, there is nothing amiss in the alleged fund transfer.

117. Pertaining to the off market transaction between Noticee No.4, Noticee state and submit that no such off market transaction was ever made in the shares of PIL Italica Lifestyle Ltd. In fact it can be observed from the Annexure 13 of the SCN,

certain transfers are inter depository transfers. Noticee state that an inter depository transfer is from his demat account with CDSL to his own other demat account with NSDL or vice versa. Noticee state that such transfer could never form a basis for any violation. In any event, no off-market transfers are alleged to have been made in the shares of PIL Italica. Noticee state that thereby the observation made in SCN could never be substantiated since I had no off market transfers with Noticee No.4 in the shares of PIL Italica Lifestyle Ltd. Noticee pray that the true and correct interpretation of the Annexure be placed on record for easy comprehension and rebuttal.

118. With respect to common mobile number and address with Noticee No.4 Noticee state and submit that Noticee No.4; Ali Asgar Kagzi being his brother; shared the same address and for sake of convenience during preferential allotment same mobile number was provided for both and no adverse inference be drawn therefrom.

119. In any event all the said fund transfers pertain to years 2015- 2016 whereas the preferential allotment was made prior thereto on 02.05. 2014 and therefore the said fund transfers by no stretch of imagination could be inferred to be for the purpose of funding of preferential allotment as wrongly alleged.

120. In the Table forming part of Para 41 of SCN , it has been observed that Noticee received funds from Park Continental and Italica Furniture Pvt Ltd, Noticee state and submit that Noticee has been taking funds from various entities and repaying in the normal course of business. Noticee further state that the loan taken from Park Continental has since been repaid on 12.05.2016. Similarly the loan taken from Italica Furniture Pvt Ltd has since been repaid on12.05.2016. Furthermore, it may be appreciated that being a borrower Noticee could never have known the origin of funds being lent to him and thereby it is impossible to ascertain the source of funding and could not be construed to be a violation.

121. Noticee reiterate that as a preferential allottee, he has made the payment on his own account and not funded by the Company (Noticee No.1). Noticee reiterate that he is neither aware nor concerned nor involved nor have means or were required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between other Noticees as observed vide paras under reply.

122. Noticee reiterate above submissions and deny that along with other Noticees have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality Noticee No.1's funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent. Noticee further state that the findings arrived at in the SCN and the allegations against Myself therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed on record, Noticee pray that the said SCN be withdrawn and/or discharged as against me particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter. Noticee pray that in the light of the aforesaid submissions the proceedings against me be withdrawn.

Noticee 6

123. On 02.05.2014, 13750000 shares were allotted under preferential allotment to three entities (One promoter, namelv, Dawood Investment Private Limited and two non- promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5) at an allotment price of Rs.4/- each. The shares allotted to the promoter were under lock in from 2014 to 01.6.2017, while those allotted to the non-promoters were under lock in from 02.05.2014 to 01.06.2015.

124. The SCN erred in arriving at the finding that Noticee is connected with other Noticees. With respect to the allegations pertaining to fund transfers, Noticee state and submit that Noticee is an investment company which deals with lending of loans to various entities on regular basis. The loans have also been duly repaid

back. Furthermore, Noticee had the loan transactions with entities way before the preferential allotment as specified in the SCN and also continue to have a commercial loan transactions post IP as indicated in the SCN and preferential allotment date as indicated therein. Therefore, Noticee is by no stretch of imagination related to other Noticees for any other purpose apart from lending funds which is our core business.

125. Noticee state and submit that SCN has wrongly observed a single fund transfer to Noticee No.1, infact as observed from the Annexure No.5 there have been plethora of fund transfers between Noticee No. 1 for the very reason being that Noticee is an investment company and no adverse inference be drawn from the alleged transfers. Noticee state that isolating one instance of a fund transfer on 18.11.2016 and that too after the preferential allotment and beyond the IP could never be a case for any observation leave alone any allegation against Noticee.

126. Noticee state and submit that the observation that fund transfer from the ICICI Bank account of Ali Asgar Kagzi, it is submitted that the loan of Rs.3,00,000 was repaid back by Ali Asgar under normal course of business on 18.03.2015. Furthermore, with respect to the allegations for the purported fund transfers done on May 13, 16,20,24,25,26,30, 2016 and an December 21, 2016, it is submitted that there are no such fund transfers alleged to have been done In the Annexure No. 12. However, as is stated in the SCN itself in Para 27 on Page 10 that "....*(before/during and after the IP*)...". Therefore, Noticee submit that the fund transfers have been in place before, could also be during and also after the IP which is because Noticee has been lending loans and securing repayment as well; thereby having a relationship which could be for any purpose not limited to preferential allotment. In any event Noticee as lenders could never be burdened to know the end use of the funds by the barrower and hence no adverse inference drawn therefrom.

127. Noticee is neither related/ connected, nor have control over the management nor have influenced the decisions and fund transactions of other noticees and

therefore not in position to affect Noticee's comments with respect to alleged connections between them. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

128. Noticee has not participated in the alleged preferential allotment. As far as observation against Noticee vide table in Para 41 is concerned with respect to the fund transfer by Noticee to Ali Asgar Kagzi for Rs.37,50,000 on 04.04.2014, it may be appreciated that the transfer was in normal course of business, Noticee's core business being of lending and Noticee has had business relationship with Ali Asgar respect to the fund transfer made to Hussain Kagzi for Rs.12,50,000 on 23.12.2013, it may be appreciated that the transfer was in the nature loan and that we had several such fund transactions with Hussain Kagzi and no adverse inference may be drawn thereof. Furthermore as is evident from Para Na.42 on Page 15 of the SCN, Hussain Kagazi has repaid off the entire amount on 12.05.2016 which proves the veracity of our statements. Similar observations have been made for Ali Asgar Kagzi vide Para 43 on Page 16 of the SCN which were also towards repayment of loan availed.

129. Secondly, with respect to the amount of Rs.50,00,000/- taken from Aeroflex Industries on 02.04.2014, Noticee state and submit that the amount was towards Commercial transaction and Rs. 12,00,000/- advanced to Italica Furniture Pvt Ltd were in nature of towards commercial transaction and no adverse inference be drawn therefrom.

130. The impugned SCN erred in arriving at the finding that we are connected with other Noticees. With respect to the observation on Para No.44 Page 16 of the SCN that Dawood Investrnent Pvt Ltd being 49.93% shareholder of Noticee Company. Noticee state and submit that it may be appreciated that the doctrine of corporate governance applies to it and the concept of lifting the corporate veil cannot be stretched to such inconceivable level and could never lead to a conclusion that Noticee is connected to Noticees 7 to 11 and allege Noticee to be PIL Italica Lifestyle Ltd's purported conduits for transfer of funds from PIL

Italica Lifestyle Ltd to preferential allottees. It is submitted that Noticee is managed independently and professionally and it is neither aware, nor have participated nor have means to verify, influence or control the day-today affairs, business decisions and management of other Nolicee Companies. It is also not the case in the SCN notice that Noticee was in charge of or in management or involved in day to affairs of the other noticees.

131. With respect to the allegations at Para 47 Page 16 of the SCN that Noticee received Rs.2,82,54,177 from Noticee No. 1 to us between March, 2014 and September, 2015 and received total amount of Rs.2,12,68,783 between June, 2014 and November, 2016 and further that the net outflow from Noticee No. 1's ICICI Bank account to Noticee’s account was Rs. 69,85,394/-; itself denotes the magnitude of the corporate commercial borrowings/ lending that Noticee had with Noticee No. 1. The same rationale applies for the fund transfers in para 48 on Page 17 of SCN from the Yes Bank account of Noticee No.1 with Noticee between August, 2014 to October, 2014 which could never tantamount to be only for purpose of funding the preferential allotment as assumed in the SCN by any stretch of imagination.

132. Noticee state and submit and reiterate that being an investment company it had business transactions with number of entities and SAT Industries was also one amongst them. It is therefore submitted that since Noticee has been in the business of borrowing and lending the observation at Para 50 Page 17 respect to fund transfer from SAT Industries could never form a basis of any connection as wrongly assumed. It is reiterated that Noticee was neither aware nor concerned nor involved nor have means or were required to verify the end use of the funds by the borrowers as well as source of funds by the lenders. Further, Noticee was not in position to comment on fund transactions or arrangements, if any, bctween allottces and other Noticee as observed.

133. Noticee deny that Noticees 7,8, 9, 10, 11 and Noticee company were conduits for transfer of funds to the preferential allottees of Noticee No. I as alleged in

Para No.52 on Page 18 of the SCN. In the light of the aforesaid it is submitted that the SCN fails to establish any relationship between any of the Noticees and Noticee and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through Noticee.

134. The findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed an record, Noticee most humbly pray that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of thc subject matter.

Noticee 7

135. It is observed that on 02.05.2014, shares were allotted under preferential allotment to three entities (One promoter, namely, Dawood Investment Private Limited and two non-promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5) at an allotment price of Rs.4/- each. The shares allotted to the promoter were under lock in from 02.05, 2014 to 01.06.2017, while those allotted to the nonpromoters were under lock in from 02.05.2014 to 01.06.2015.

136. The impugned erred in arriving at the finding that Noticee is connected with other Noticees.

137. As far as the observation that Mr. Asad Daud is Noticee's director is concerned, the SCN fails to appreciate Noticee has independent board of Directors who manage the company. It may be appreciated that the doctrine of corporate governance applies to Noticee and the concept of lifting the corporate veil cannot be stretched to such inconceivable level. It is submitted that the fact that Mr. Asad Daud is a major shareholder of Dawood Investment Private Limited and Dawood Investment Private Limited is a major shareholder in Park Continental Limited an investment company, could never lead to a conclusion that Noticee is connected

to Noticee nos. 6 to 11 and allege Noticee to be PIL Italica Lifestyle Ltd.'s purported conduits for transfer of funds from PIL Italica Lifestyle Ltd. to preferential allottees. All companies were managed independently and professionally and Noticee is neither aware, nor have participated nor have means to verify, influence or control the day-to-day affairs, business decisions and management of other Noticee Companies. It is also not the case in the SCN that Noticee was in charge of or in management or involved in day to affairs of the other noticees.

138. As far as the fund transfers between Park Continental Limited (Noticee-6) and Noticee is concerned it is stated that Park Continental Limited is an investment company. Noticee had availed temporary loan for meeting business exigencies. Noticee has duly repaid the same and therefore no adverse inference may be drawn therefrom. Copy of ledger with relevant entries in this regard is placed on record.

139. Further fund transfers were observed from Mr. Ali Asgar Kagzi (Noticee-4) to Noticee company on 17.05.2016. In this regard it may be appreciated that the said transfer on 17.05.2016 was towards part repayment of loan taken by Ali Asgar Kagzi (Noticee-4) on 20.12.2013 and no adverse inference is called for. Copy of ledger with relevant entries in this regard is placed on record.

140. In any event all the said repayment pertains to years 2015-2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers by no stretch of imagination could be inferred to be for the purpose of funding of preferential allotment as wrongly alleged. The SCN has rightly observed that Noticee had lent to Ali Asgar Kagzi on 20.12.2013.

141. Mr. Asad Daud may have been director or shareholders of other companies.Noticee is neither related/ connected, nor have control over the management nor have influenced the decisions and fund transactions of other

notices and therefore Noticee is not in position to offer comments with respect to alleged connections between them.

142. As far as sharing of common address with other Noticee Companies is concerned Noticee submit as under:

a) With respect to Noticee sharing address i.e. 69A Rajgir Chambers 8th Floor, 1214 Shahid Bhagat Singh Marg. Opp Old Custom House Fort Mumbai 400023 with Dawood Investment Private Limited, SAT Invest Pvt. Ltd., Park Continental Ltd. (Noticee-6) and Space Age Polumers Private Limited (Noticee-9) we submit that Noticee had taken the said premise on rent from its landlord for a period between 01.02.2007 to 30.04.2014. Noticee has vacated the said premises in the month of April, 2014.

b) With respect to sharing Noticee address i.e. 41, B-Wing 4th Floor, Mittal Tower, Nariman Point, Mumbai Maharashtra India 400021 with Dawood Investment Private Limited it is submitted that it was in the view of business relations that Noticee allowed Dawood Investment Private Limited to share the office.

c) Noticee is neither aware nor concerned with the fact or arrangement of sharing of common email id and/or phone numbers and or address between other Noticees.

d) It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

e) Noticee deny alleged connection with other Noticees for the sake of funding our own preferential allotment as wrongly alleged.

143. Noticee has not participated in the alleged preferential allotment. As far as observation against Noticee vide para 47 and 48 at page 16 and 17 is concerned it is submitted that the alleged fund transfers between Park Continental Limited (Noticee-6) and Noticee between 11.03.14 and 18.11.2016 were towards availing temporary loan for meeting business exigencies. Noticee has duly repaid the same and therefore no adverse inference may be drawn therefrom.

144. The fund transfer between Ali Asgar Kagzi and Noticee for Rs. 12,50,000 on 20.12.13 is towards loan given to him. It may be appreciated that the loan was repaid in four installments, i.e.; Rs.3,00,000 on 17.07.2014, Rs.1,50,000 on 24.12.2014, Rs.2,50,000 on 17.01.2015, and Rs. 5,50,000 on 17.05.2016. Copy of ledger with relevant entries in this regard is placed on record.

145. With respect to the fund transfers between Italica Furniture Private Limited and Noticee from December 2013 and June 2016, it may be appreciated that on 20.12.2013 Noticee had received the payment of Rs.11,80,000/- from Italica Furniture towards repayment of interest bearing inter-corporate deposit. With respect to the alleged fund transfer between Italica Furniture and Noticee for Rs13,00,000 on 04.04.2014, it may be appreciated that it was towards interest bearing inter-corporate loan given by Noticee. It may be appreciated that there were several such fund transactions between Italica Furniture and Noticee from December 2013 and June 2016 and no adverse inference may be drawn thereof. Copy of ledger with relevant entries in this regard is placed on record.

146. With respect to the fund transfers between Aeroflex Industries Limited and Noticee, it may be appreciated that these are in the nature of inter-corporate loans. Copy of ledger with relevant entries in this regard is placed on record.

147. With respect to the fund transfer between PIL Italica Lifestyle and Noticee from March 2016 and December 2016, it may be appreciated that it was towards moulds (die) for manufacturing purposes and towards rent. Copy of relevant ledgers, few relevant bills and agreements in this regard is placed on record.

148. Noticee is neither aware nor concerned nor involved nor have means or were required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between allottees and other Noticee as observed vide paras under reply.

149. Noticee deny that Noticees 6, 8, 9, 10, 11 and Noticee were conduits for transfer of funds to the preferential allottees from the Company. In the light of the aforesaid it is submitted that the SCN fails to establish any relationship between any of the Noticees and Noticee and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through its/ promoter related entities.

150. Noticee fervently deny that Noticee along with PILTA's executive directors Noticee-2 and 3, allottees Noticee 4 and 5, and conduits Noticees 6- 1 have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality PILTA's funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent. The findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed on record, Noticee pray that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter.

Noticee 8

151. The SCN erred in arriving at the finding that we are connected with other Noticees. Noticee is neither related/ connected, nor have control over the management nor have influenced the decisions and fund transactions of other noticees and therefore not in position to offer comments with respect to alleged connections between them.

152. Noticee is neither aware nor concerned with the fact or arrangement of sharing of common e mail id and/or phone numbers and / or address between other Noticees. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

153. Noticee has not participated in the alleged preferential allotment. As far as observation against Noticee vide table in para 41 is concerned with respect to the fund transfer by Noticee to SAT Industries (Noticee-7) for Rs.11,80,000 on 20.12.2013, it may be appreciated that the transfer was made towards repayment of credit balance in account of SAT Industries Limited and with respect to the fund transfer made by SAT Industries (Noticee-7) to Noticee for Rs. 13,00,000 on 04.04.2014, it may be appreciated that the transfer was in the nature of interest bearing loan in terms of inter corporate deposits. It may be appreciated that there were several such fund transactions between SAT Industries and Noticee from December 2013 and June 2016 and no adverse inference may be drawn thereof. Copy of ledger in this regard is placed on record.

154. With respect to the fund transfer made by us to Hussain Kagzi for Rs.37,50,000 on 04.04.2014, it may be appreciated that the same was a loan. Further, as observation against Noticee vide para 42 at page 15 is concerned, Noticee submit that the alleged fund receipt from Hussain Kagzi (Noticee-5) for Rs. 37,50,000 on 12.05.2016 was for repayment of the said loan. Therefore, no adverse inference may be drawn therefrom.

155. With respect to the fund transfer made by Sah Polymers Limited (Noticee10) to Noticee for Rs. 10,00,000 on 04.04.2014, it may be appreciated that the transfer was in the nature of interest bearing loan in terms of inter corporate deposits. It may be appreciated that there were several such transactions between Sah Polymers Limited and Noticee therefore no adverse influence may be drawn thereof. Copy of ledger in this regard is placed on record.

156. With respect to the fund transfer made by Park Continental (Noticee-6) to Noticee for Rs.12,00,000 on 04.04.2014, it may be appreciated that the transfer was in the nature of inter corporate deposits. Therefore, no adverse influence may be drawn thereof. Copy of ledger in this regard is placed on record.

157. The SCN erred in arriving at the finding that Noticee is connected with other Noticees.The said allegation is mainly based on the observation that Mr. Asad Daud has been our director since 03.04.2009. He is also a director of SAT Industries (Noticee-7) since 19.07.2014, SAT Invest Private Limited since 02.12.2010, and Sah Polymers Limited (Noticee- 10) since November 2015. Further, Mr. Asad Daud is a major shareholder in Dawood Investment Private Limited, which is one of the promoters of PILITA (Noticee- l). Dawood Investment Private Limited is also a major shareholder of Park Continental Limited (Noticee-6).

158. As far as the observation that Mr. Asad Daud is Noticee's director is concerned, the SCN fails to appreciate Noticee independent board of Directors who manage the company. It may be appreciated that the doctrine of corporate governance applies to Noticee and the concept of lifting the corporate veil cannot be stretched to such inconceivable level. It is submitted that the fact that Mr. Asad Daud is a major share holder of Dawood Investment Private Limited and Dawood Investment Private Limited is a major shareholder in Park Continental Limited an investment company, could never lead to a conclusion that Noticee is connected to Noticee nos. 6 to 11 and allege Noticee to be PIL Italica Lifestyle ltd's purported conduits for transfer of funds from PIL Italica Lifestyle Ltd to preferential allottees. All companies were managed independently and professionally and Noticee is neither aware, nor have participated nor have means to verify, influence or control the day-to-day affairs, business decisions and management of other Noticee Companies. It is also not the case in the SCN notice that Noticee was in charge of or in management or involved in day to affairs of the other noticees.

159. As far as observation against Noticee vide para 49 at page 17 is concerned, its submitted that the alleged fund transfers between PIL Italica Lifestyle Ltd. (Noticee-l) and Noticee between 11.03.2014 and 18.11.2016 and the alleged fund transfers between PIL Italica Lifestyle Ltd. (Noticee-l) and Noticee between March, 2014 and October, 2016 were for payment towards rent and for moulds

(die) which were for manufacturing purposes. Relevant bills and agreements in this regard are placed on records.

160. SCN states that the e-mail id registered in the Yes Bank account of PIL Italica Lifestyle Ltd. (Noticee- 1), pertains to our domain. It may be appreciated that any reference to the word 'Italica' does not mandate nexus with Noticee and in any event, the domain mentioned in the SCN does not pertain to us. Therefore, no adverse inference may be drawn therefrom.

161. Noticee reiterate that it is neither aware nor concerned nor involved nor have means or were required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between allottees and other Noticee as observed vide paras under reply.

162. Noticee deny that Noticees 6, 7, 9, 10, 1 1 and Noticee company were conduits for transfer of funds to the preferential allottees from the Company. In the light of the aforesaid Noticee most humbly submit that the SCN fails to establish any relationship between any of the Noticees and Noticee and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through its/ promoter related entities.

163. Noticee fervently deny that we along with PILTA and their executive directors Noticees 2 & 3, allottees Noticee 4 and 5, and conduits Noticees 6 - 11 have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality PILTA's own funds were used by the allottees (funds received by allottees through conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent. SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering our submissions placed on record, Noticee pray that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct

facts stated hereinabove and in view of fair and just adjudication of the subject matter. We pray that in the light of the aforesaid submissions the proceedings against Noticee be withdrawn.

Noticee 9

164. SCN erred in arriving at the finding that we are connected with other Noticees.

165. It is submitted that the fact that Mr. Asad Daud is a major shareholder of Dawood Investrnent Private Limited and Dawood Investment Private Limited is a major shareholder in Park Continental Limited an investment company, could never lead to a conclusion that Noticee is connected to Noticees nos.6 to 8, 10 and 11 and allege Noticee company to be a purported conduit for transfer of funds from PILTA to preferential allottees. All companies were managed independently and professionally and we are neither aware, nor have participated nor have means to verify, influence or control the day-to-day affairs, business decisions and management of other Noticee Companies. It is also not the case in the SCN that Noticee was in charge of or in management or involved in day to affairs of the other noticees.

166. As far as the fund transfers between Park Continental Limited (Noticee-6) and Noticee from 10.02.2015 to 07.10.2015 are concerned, it may be appreciated that the transfers were made towards inter-corporate deposits. Thus, adverse inference may not be drawn therefrom. Copy of ledger with relevant entries are placed on records in this regard.

167. With respect to the fund transfers between Park Continental Limited (Noticee-6) and Noticee from 11.03.2016 to 19.05.2016, it may be appreciated that the transfers were made towards inter-corporate deposits. Thus, no adverse inference may be drawn therefrom. Copy of ledger with relevant entries are placed on records in this regard.

168. With respect to the fund transaction by PILTA (Noticee-l) on 11.03.2016 to Noticee and the payment to MCA on Noticee’s behalf on 30.07.2016, it may be

appreciated that the SCN has grossly erred in observing that the funds were transferred from PILTA to Noticee company on 11.03.2016, when in reality, the said transfer was from Noticee company to PILTA. The same was done towards repayment of Outstanding amount . On 30.07.2016, PILTA had transferred Rs. 400/- to MCA on behalf of Noticee company for sake of business relation since Noticee company was unable to log in the MCA website to conclude filing of relevant document and no adverse inference is called for. Copy of ledger with relevant entries in this regard is placed on records.

169. In any event all the said fund transfers pertain to years 2015-2016 whereas the preferential allotment was made prior thereto on 02.05.2014 and therefore the said fund transfers by no stretch of imagination could be inferred to be for the purpose of funding of preferential allotment as wrongly alleged.

170. Mr. Asad Daud may have been director or shareholder of other companies. Noticee is neither related/ connected, nor have control over the management nor have influenced the decisions and fund transactions of other noticees and therefore not in position to offer comments with respect to alleged connections between them.

171. With respect to Noticee sharing address i.e.,69A Rajgir Chambers 8th Floor, 1214 Shahid Bhagat Singh Marg. Opp. Old Custom House Fort Mumbai 400023 with Dawood Investment Private Limited, SAT Invest Pvt. Ltd., Park Continental Ltd. (Noticee-6) and SAT Industries Ltd. (Noticee-7), it is submitted that the address was used as a temporary communication address for the sake of convenience till 30.04.2014 as Noticee's registered office is located in Udaipur.

172. With respect to Noticee sharing address i.e., I.F/ 1.Calcot House, 1st Floor 8/10 Tamarind Street, Fort Mumbai Maharashtra 400023 with Dawood Investment Private Limited, Park Continental Ltd. (Noticee-6), and SAT Invest Ltd., it is submitted that the address was used as a temporary communication address for

the sake of convenience till 30.09.2006 as Noticee's registered office is located in Udaipur.

173. Noticee is neither aware nor concerned with the fact or arrangement of sharing of common e-mail id and/or phone numbers and or address between other Noticees.

174. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

175. Noticee deny alleged connection with other Noticees for the sake of funding PILTA's preferential allotment as wrongly alleged. Noticee has not participated in the alleged preferential allotment. As far as observation against Noticee vide table in para 41 is concerned with respect to the fund transfer by Noticee to Park Continental Ltd. (Noticee-6) for Rs. 2,00,000 on 18.12.2013, it may be appreciated that the transfer was made towards repayment of outstanding amount prior to 2013. Thus, no adverse inference may be drawn thereof. Copy of relevant ledgers in this regard are placed on records.

176. Noticee is neither aware nor concerned nor involved nor have means or were required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between allottees and other Noticee as observed vide paras under reply.

177. Noticee deny that Noticees 6, 7, 8, 10, 11 and Noticee company were conduits for transfer of funds to thepreferentialallottees from the Company.

178. In the light of the aforesaid it is submitted that the SCN fails to establish any relationship between any of the Noticees and Noticee and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through its/promoter related entities.

179. Noticee deny that we along with PILTA's executive directors Noticee-2 and 3, allottees Noticee 4 and 5, and alleged conduits Noticees 6-11 have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality PILTA's own funds were used by the allottees (funds received by allottees through alleged conduits from company) to get allotment ofthose shares thereby limiting genuine capital infusion to that extent

180. The findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering Noticee's submissions placed on record, it is prayed that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter. Noticee pray that in the light of the aforesaid submissions the proceedings against.us be withdrawn.

Noticee 10

181. The impugned SCN erred in arriving at the finding that Noticee is connected with other Noticees.

182. The allegation is mainly based on the observation that Mr. Asad Daud has been Noticee's director since November 2015. Noticee is also a director of SAT Invest Private Limited since 2.12.2010. As observed vide para 44 on page 16 of the SCN, Mr. Asad Daud has also been Director of Italica Furniture Pvt. Ltd. since 3.04.2009 and Sah Polymers limited since 19.07.2014. Further, on 31.03.2012, Mr. Asad Daud was holding 44.68% in Dawood Investment Private Limited, which is one of the promoters of PILITA, but from 31.03.2013 to 31.03.2017, he was only a 15.76% shareholder.

183. As far as the observation that Mr. Asad Daud is our director is concerned, the SCN fails to appreciate Noticee has its independent board of Directors who manage the company. It may be appreciated that the doctrine of corporate

governance applies to Noticee and the concept of lifting the corporate veil cannot be stretched to such inconceivable level. That Mr. Asad Daud may have been Director or major shareholder of other companies. But this does not lead to a conclusion that Noticee is connected to Noticee nos.6 to 11 and allege Noticee to be PIL Italica Lifestyle Ltd.'s purported conduits for transfer of funds from PIL Italica Lifestyle Ltd. to preferential allottees. All companies are managed independently and professionally and Noticee is neither aware, nor have participated nor have means to verify, influence or control the day-to-day affairs, business decisions and management of other Noticee Companies. It is also not the case in the SCN notice that Noticee was in charge of or in management or involved in day to affairs of the other noticees.

184. As far as sharing of alleged fund transfers between other Noticee is concerned it is submitted that Noticee is neither aware nor concerned nor involved nor have means to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between other Noticees.

185. Further, Noticee is neither aware nor concerned with the fact or arrangement of sharing of common e mail id and/or phone numbers and / or address between other Noticees.

186. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

187. Noticee deny alleged connection with other Noticees for the sake of funding own preferential allotment as wrongly alleged. Noticee has not participated in the alleged preferential allotment. As far as observation against Noticee vide table in para 41 is concerned with respect to the fund transfer by Noticee to Italica Furniture Pvt Ltd. (Noticee 8) for Rs. 10,00,000 on 04.04.2014, it may be appreciated that the transfer was made towards interest bearing inter-corporate

deposit. Thus, no adverse inference may be drawn thereof. Relevant ledgers in this regard is placed on records.

188. The SCN erred in arriving at the finding that Noticee is connected with other Noticees. The said allegation is mainly based on the observation that Mr. Asad Daud has been Noticee's director since November 2015. Noticee is also a director of SAT Industries (Noticee-7) since 19.07.2014, SAT Invest Private Limited since 02.12.2010, and Italica Furniture Pvt. Ltd. (Noticee-8) since 03.04.2009. Further, Mr. Asad Daud is a major shareholder in Dawood Investment Private Limited, which is one of the promoters of PILITA (Noticee-l). Dawood Investment Private Limited is also a major shareholder of Park Continental Limited (Noticee-6).

189. As far as the observation that Mr. Asad Daud is Noticee's director is concerned, the SCN fails to appreciate Noticee has our independent board of Directors who manage the company. Noticee reiterate that the doctrine of corporate governance applies to Noticee and the concept of lifting the corporate veil cannot be stretched to such inconceivable level.

190. Noticee is neither aware nor concerned nor involved nor have means or were required to verify fund transfers between other Noticees and therefore not in position to comment on fund transactions or arrangements, if any, between allottees and other Noticee as observed vide paras under reply.

191. Notice deny that Noticees 6, 7, 8, 9, 11. and Noticee company were conduits for transfer of funds to the preferential allottees from the Company. It is submitted that the SCN fails to establish any relationship between any of the Noticees and Noticee and further deny that the alleged fund transfer show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through its/ promoter related entities.

192. Noticee fervently deny that it along with PILTA's executive directors Noticee-2 and 3, allottees Noticee 4 and 5, and alleged conduits Noticees 6 - 11 have engaged in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality PILTA's own funds were used by the allottees (funds received by allottees through alleged conduits from company) to get allotment of those shares thereby limiting genuine capital infusion to that extent.

193. The findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed on record, Noticee pray that the said SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter. It is prayed that in the light of the aforesaid submissions the proceedings against Noticee be withdrawn.

Noticee 11

194. The SCN has erred in arriving at the finding that Noticee is connected with other Noticees. Further still there is no observation in the SCN in Paras 9 to 36 which depicts Noticee is a connected entity at all with the other Noticees. Noticee is neither related/ connected, nor have control over the management nor have influenced the decisions and fund transactions of other noticees and therefore not in position to offer comments with respect to alleged connections between them.

195. Noticee is subsisdiary of Noticee 7, SAT Industries Ltd.

196. Noticee is neither aware nor concerned with the fact or arrangement of sharing of common e mail id and/or phone numbers and/or address between other Noticees. It may be appreciated that being separate corporate entities, the doctrine of corporate governance applies.

197. Noticee has not participated in the preferential allotment. As far as observation against Noticee vide para 41 on page 15 that on 02.04.2014 Noticee have transferred Rs. 50 lacs to Park Continental Limited (Noticee-6) Noticee most humbly submit that it was a loan transaction and no adverse inference may be drawn therefrom.

198. It is submitted that a number of commercial transactions were entered in between Noticee and Park Continental prior to and after alleged transaction of Rs. 50.00 lacs on 02.04.2014, and on 31.3.2014. Therefore, the fund transfers have been in place before, could also be during and also after the IP which is because Noticee have been lending as inter corporate deposits to Park Continental which infact evidences that its relationship was not solely for sake of solely funding the preferential allotment of the Company (Noticee No. 1) as wrongly assumed and hence no adverse inference be drawn therefrom. Copy of the ledger account of Park Continental in Noticee's books for the years ended 31.03.2014 and 31.03.2015 is placed on records.

199. The table under para 41 on page 21 of the SCN that, Park Continental Limited has transferred only Rs. 37,50,000 to Ali Asgar Kagzi on 04.04.2014 out of the Rs.50 lakhs received from Noticee and therefore it cannot be inferred that the loan transaction was towards funding of preferential allotment.Noticee believe that Park Continental Limited being an investment company may have invested the funds prudently and there was no reason to doubt the alleged borrowing.

200. As far as fund transactions with SAT Industries Ltd is concerned at Para 46 at Page 16 of the SCN, Noticee most humbly submit that the said transactions were in the nature of loans. Noticee submit that as on 31.3.2014 SAT Industries had a debit of Rs. 58.40 lakhs on account of inter corporate loans. Further during the years 31.03.2015, 31.03.2016, 31.03.2017 there has been lending and repayments and the balance outstanding as on 31.03.2015, 31.03.2016, 31.03.2017 was NIL. Therefore, the fund transfers have been in place before,

could also be during and also after the IP which is because Noticee have been lending as inter corporate deposits to SAT Industries which fact evidences that our relationship was not solely for sake of solely funding the preferential allotment of the Company (Noticee No. 1) as wrongly assumed and hence no adverse inference be drawn therefrom. Copy of the ledger account of SAT Industries Ltd in Noticee's books for the year ended 31.03.2016 is placed on records.

201. Noticee deny that Noticees 6, 7, 8, 9, 10 and Noticee company were conduits for transfer of funds to the preferential allottees from PIL Italica Lifestyle Ltd. It is submitted that the SCN fails to establish any relationship between any of the Noticees and Noticee. In fact, there is not a single connection observed against Noticee vide the SCN. Noticee's fund transactions were genuine loan transactions in normal course of business as clarified hereinabove.

202. Noticee deny that the alleged fund transfers show that the preferential allotment to Noticee-4 and Noticee-5 have been funded by the Company, indirectly, through its/ promoter related entities including Noticee.

203. Noticee fervently deny the charges alleged and state that the findings arrived at in the SCN and the allegations against Noticee therein are completely misconceived and based on incorrect assumption and presumptions. Therefore, considering submissions placed on record, Noticee most humbly pray that the SCN be withdrawn and/or discharged as against Noticee particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter.Noticee pray that in the light of the aforesaid submissions the proceedings against Noticee be withdrawn.

204. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, replies made by the Noticees and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

205. The issues that arise for consideration in the instant matter are:

Issue No. I	Whether Noticees are in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (PFUTP) Regulations?
Issue No. II	If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HA of SEBI Act,1992? And
Issue No. III	If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

Issue No. I **Whether Noticees are in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (PFUTP) Regulations?**

206. Before proceeding with the merits of the case, I take note of the preliminary submission of the Noticees that there has been an unexplained inordinate delay in issuance of SCN, proceedings did not initiate within reasonable time, and this delay has made it difficult for Noticees to retrieve data and offer submissions effectively. In this regard, I note that the investigation in the matter for period March 30, 2016 to June 30, 2016 was initiated in September 2017 pursuant to report recieved from NSE. The aforesaid investigation was concluded in March 2021, and in April, 2021 competent authority approved adjudication proceedings in respect of Noticees. The undersigned was appointed Adjudicating Officer in the matter in May, 2021 and the SCN was issued in October, 2021. Considering the time taken to complete the investigation, I do not find that there is inordinate delay in initiation of the proceedings. I also note that there is no limitation prescribed in SEBI Act or Regulations for issuance of SCN or for completion of the Adjudication proceedings.

207. The Noticees have also contended that the SCN has erred by stating that preferential allotment started in during January, 2014 and continued till December, 2016. In this regard I note that SCN states that information regarding preferential allotment made by the company during period from January, 2014 to December 31, 2016 was sought from the RTA of the company, and the RTA informed that the company made one preferential allotment during the said period on May 02, 2014. Hence, the contention of the Noticees is not accepted.

208. I note from documents available on records, that the company's warrants convertible into equity shares were allotted on January 11, 2014 in preferential allotment to three entities (One promoter, namely, Dawood Investment Private Limited and two non-promoters, namely, Ali Asgar Kagzi (Noticee-4) and Hussain Kagzi (Noticee-5). Further, on May 02, 2014 these warrants were converted into equity shares at an allotment price of Rs.4/- each. Accordingly, 1,37,50,000 shares were allotted under preferential allotment to three entities, details of which are as follows:

(Table 8)

S.No.	**Name of Allottee**	**Shares Allotted**	**Lock in Period**	**Price Paid (Rs.)**	**Payment period**
1.	Dawood Investment Private Limited	1,12,50,000	02/05/2014 to 01/06/2017	1,12,50,000 (25%)	18/12/2013 to 04/01/2014
				3,37,50,000 (75%)	04/03/2014 to 21/04/2014
2.	Ali Asgar Kagzi (Noticee 4)	12,50,000	02/05/2014 to 01/06/2015	12,50,000 (25%)	20/12/2013 to 21/12/2013
				37,50,000 (75%)	04/04/2014 to 07/04/2014
3.	Hussain Kagzi (Noticee 5)	12,50,000		12,50,000 (25%)	24/12/2013 to 26/12/2013
				37,50,000 (75%)	05/04/2014

209. The allegation against the Noticees is that in aforesaid preferential allotment, the allottees (Noticee 4 and 5) were funded by Noticee 1 to buy its own preferentially allotted shares, and Noticee 6 to 11 were conduits to route the funds.

210. I have perused the ICICI Bank a/c statement of Hussain Kagzi (Noticee 5) and note that there was fund transfer of Rs. 37,50,000 to his bank account from Italica Furniture Pvt Ltd. (Noticee 8) on April 04, 2014, and Rs.12,50,000 from Park Continental Private Limited (Noticee 6) on December 23, 2013.

211. I have perused the ICICI Bank a/c statement of Ali Agsar Kagzi (Noticee 4) and note that there was fund transfer of Rs. 37,50,000 to his bank account from Park Continental Ltd. (Noticee 6) on April 04, 2014, and Rs.12,50,000 from SAT Industries Limited (Noticee 7) on December 20, 2013.

212. Further, I also note the following from the bank account statements of Park Continental Ltd. (Noticee 6), Italica Furniture Pvt Ltd. (Noticee 8) and SAT Industries Limited (Noticee 7):

    a. Fund transfer of Rs. 50,00,000 from Aeroflex Industries Limited (Noticee 11) to Park Continental Ltd. (Noticee 6) on April 02, 2014.
    b. Fund transfer of Rs. 11,80,000 from Italica Furniture Private Limited (Noticee 8) to SAT Industries Ltd. (Noticee 7) on December 12, 2013.
    c. Fund transfer of Rs. 12,00,000 from Park Continental Ltd. (Noticee 6) to Italica Furniture Private Limited (Noticee 8) on April 04, 2014.
    d. Fund transfer of Rs. 10,00,000 from Sah Polymers Ltd. (Noticee 10) to Italica Furniture Private Limited (Noticee 8) on April 04, 2014.
    e. Fund transfer of Rs. 13,00,000 from SAT Indutries Limited to (Noticee 7) Italica Furniture Private Limited (Noticee 8) on April 04, 2014.
    f. Fund transfer of Rs. 2,00,000 to Park Continental Ltd. (Noticee 6) from Space Age Polumers (Noticee 9) on December 12, 2013.

213. From the above, flow of fund is observed among Noticees i.e. in total Rs. 98,80,000 moved from Noticee 11, 8, 6, 10, 7 and 9, to Noticee 6, 7 and 8, and then Rs.1,00,00,000 was transferred from Noticee 6, 7 and 8 to Noticee 4 and 5. These fund transfers were in the month of December, 2013 and April, 2014 just

before when the Noticee 4 and 5 were required to make 25% payment and 75% payment towards preferential allotment to the company respectively.

214. With regard to the transfer of funds among Noticees, the Noticees have contended that the fund transfers among them were on account of normal business activities, payment of rent, payment/repayment of loans, inter-corporate deposits, as gesture in view of business relations etc. and the same could not be inferred for the purpose of funding of preferential allotment for the allottess by the Company thorough some of the Noticees as conduits. Further, almost all the payments made pertains to year 2015 and 2016, much after the preferential allotment date April 02, 2014. The Noticee 4 and 5 (allottees) have contended that they have made the payment on their own account and were not funded by the Company.

215. In this regard, I note that funding of preferential allotment by the company would mean flow of money for buying preferentially allotted shares from the Company to the allottees (noticee 4 and 5) through its conduits (Noticee 6 to 11), which is then used by allottees for payment to the company towards purchase of preferentially allotted shares. This would result in flow of money back to the Company, while giving an impression of capital infusion through preferential allotment. In respect of fund transfers prior to preferential allotment, I note that, there is no transfer of funds from Noticee 1 to Noticee 11 and 7, whereas through multiple transactions Noticee 1 transferred Rs. 6,66,647 to Noticee-10, Rs.17,09,520 to Noticee 8, Rs. 8,88,570 to Noticee 6 and Rs.62,50,000 to Noticee 9.

216. There is no direct evidence to infer that the aforesaid trasfers were made for the purpose of passing on to Noticees 4 and 5 for applying for preferential allotment, and for no other purpose. This can only be inferred based on circumstantial evidence and the principle of prepeonderence of probability which could infer that the most likely and probable use of the funds was to pass on to Noticees 4 and 5 for applying for preferential allotment.

217. However, from the bank account statement of Noticee-1, it is seen that both pre and post preferential allotment there were numerous transactions of Noticee 1 with Noticee 10, 8, 6 and 9. Further, the Noticees have contended that these transactions were normal business transactions, loan payment/repayment, inter corporate deposits. Noticee 1, 7, 8, 9, 10 and 11 have provided copy of ledgers/ bills/ agreement in support of the transactions undertaken by them. I have perused the documents submitted like ledgers, bills, agreements submitted by Noticees in support of their contention., and I note that material on record does not establish based on prepeonderence of probability that the aforesaid transactions of Noticees were for meant only funding of preferential allotment and not for the purposes as claimed by the Noticees.

218. Further I also note from the bank account statements of (Noticee 4 and 5) the following :

g. Hussain Kagzi (Noticee 5) transferred Rs. 37,50,000 from his ICICI Bank a/c to Italica Furniture Pvt Ltd. and Rs. 12,50,000 to Park Continental Private Limited on 12/05/2016.
h. Ali Agsar Kagzi (Noticee 4) transferred Rs. 3,00,000 on 17/07/2014 , Rs.2,50,000 on 1/01/2015 and Rs. 8,50,000 on 17/05/2016 from his ICICI Bank a/c to SAT Industries Ltd.; and various fund amounting to Rs. 1,87,65,000 to Park Continental Private Limited on from December 2013 to December 2016.

219. As detailed above, I note that though the Noticee-4 received Rs. 50,00,000 from Noticee 6 and 7, and Noticee 5 received Rs. 50,00,000 from Noticee 6 and 8 through transactions carried out in December 2013 and April 2014; the transfers indicate that Noticee 4 & 5 have paid back the money to Noticee 6, 7 and to Noticee 6 and 8 respectively. This return of money indicates flow of money back to entities alleged to be conduits, which is contrary to the allegation of funding of preferential allotment through them. Further, I also note that there have been various fund transfers among Noticees in the year 2015 and 2016 even after

preferential allotment, indicating that these transfers may have been in normal business practice. Considering the large number of transactions amongst the Noticees, there is nothing on record to establish that certain transactions were a shade grayer than the rest of the fund transactions and were for a cause other than that stated by the Noticees.

220. The Noticees have contended that the Noticee 1, 6, 7, 8, 9, 10 and 11 are companies with their Independent Board of Director and are managed independently and professionally, their day to day affairs, business decisions and management are not influenced or affected by each other. Just because a Director/ Promoter/ Shareholder of a Noticee is also a Director/ Promoter/ Authorized signatory/ Shareholder of another Noticee, basis this could never lead to a conclusion that Noticees are connected to each other. The doctrine of corporate governance applies to aforesaid Noticees and the concept of lifting the corporate veil cannot be stretched to such inconceivable level.

221. I note that essentially in addition to the fund transfers among Noticees, the Noticees are alleged to be interconnected on account of following:

i. Mr. Asad Duad and Mr. Daud Ali (Noticee 2) each has 44.68 % shareholding in Dawood Investment Private Limited (DIPL), which is promoter of PIL Italica Limited (Noticee 1) having shareholding of 49.93%

ii. Mr. Daud Ali (Noticee 2) is Director in DIPL and PIL Italica Limited (Noticee 1), as well as he is Authorised signatory in the bank account of Park Continental Ltd. (Noticee 6)

iii. Mr. Asad Daud is Director of Italica Furniture (Noticee 8), SAT Investment Ltd, and SAT Industries Ltd. (Noticee 7)

iv. DIPL, Noticee-6, Noticee 9 and SAT Investment Limited share address, '1. F/1.Calcot House, 1st Floor 8/10 Tamarind Strees, Fort Mumbai Maharashtra 400023';

v. DIPL, Noticee 6 , Noticee 7, Noticee 9, Noticee 2, Sat Investment Limited, Mr. Asad Daud share address, '69A Rajgir Chambers 8th

Floor,1214 Shahid Bhagat Singh Marg,Opp Old Custom House Fort Mumbai 400023’

vi. DIPl and Noticee 7 share address, ‘41, B-Wing 4th Floor, Mittal Tower, Nariman Point, Mumbai Maharashtra India 400021’.

vii. Noticee 6 and Noticee 7 share common phone number ‘9322277356’ as per the UCC details

viii. Mr. Asad Daud and Mr. Daud Ali (Noticee 2) share common email id, viz., dauds2105@gmail.com as per the UCC

ix. Payment at MCA portal by one Noticee on behalf of other

222. In this regard, I note that inter alia sharing of addresses and Mobile numbers/email addresses have not been denied by the Noticees and they have contended that the same were done for convenience. In this regard, I note that a preferential issue is made to a select group of investors by the company for the purpose of raising of capital. By its nature, the raising of capital through preferential issue involves raising funds through persons who may be known or related to the company in some way. Hence, the fact that the allottees are promoters or otherwise related or known to the company by itself does not raise any negative connotation.

223. An allegation of Noticees engaging in fraudulent scheme by giving an impression of capital infusion through preferential allotment, while in reality company’s own funds were used by allottees is a serious allegation and in order for it to sustain, material on record must establish beyond doubt that the funds used by allottees for payment of preferential allotment of shares of company were actually the funds of company. There is insufficient material on records to conclude that the payments made by Noticee 4 and 5 to Noticee 1 towards preferential allotment were actually the funds of Noticee 1 and routed through Noticee 6 to 11. I further note that companies are specifically prohibited to directly or indirectly provide loan or funds or financial assistance for subscribing to their own shares in terms of Section 67(2) of Companies Act 2013 which has been delegated to SEBI in so far as listed companies are concerned as specified in Section 24 *ibid.* It is relevant that no such charge has been made against the company in the instant case.

224. In view of the above, I find that material on record does not establish that Noticee-1 funded its preferential allotment by funding Noticee 4 and 5 through Noticee 6,7,8,9,10, and 11 as its conduits in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred as 'PFUTP Regulations').

225. Since the alleged violations have not been established against Noticce-1, i.e. company, Noticee-2, 3 being the Executive directors of the Company responsible for the conduct of business, cannot be held in violation of provisions of Section 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

226. As the violations alleged against the Noticees are not established, issues II and III do not merit consideration.

ORDER

227. In view of the findings noted in the preceding paragraphs, the adjudication proceedings initiated against the Noticees vide SCN dated October 22, 2021 are disposed of.

228. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules

MANINDER CHEEMA Digitally signed by MANINDER CHEEMA Date: 2022.01.28 16:26:18 +05'30'

DATE: January 28, 2022 **MANINDER CHEEMA**

PLACE: MUMBAI **ADJUDICATING OFFICER**