BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/PM/PA/2022-23/20848-20874

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

In respect of:

Noticee No.	**Noticee**	**PAN**
1	JMD Telefilms Industries Ltd. (now JMD Ventures Ltd.)	AAACA4340C
2	Kailash Prasad Purohit	AFQPP2675H
3	Jagadish Prasad Purohit	AFSPP1444E
4	Pravin Tukaram Sawant	ANTPS3885K
5	Renuka Trust	AABTR0465M
6	Saurabh Family Trust	ABFFS3296Q
7	Priyanka Trust	AABTP1441R
8	Madhav Trust	AABTM6615Q
9	Adarsh Trust	AABTA7344L
10	Unisys Softwares & Holding Industries Ltd.	AABCC1191Q
11	JMD Sounds Ltd.	AABCJ1907H
12	Matrix Systel Pvt. Ltd.	AAFCM6920M
13	Rigmadirappa Investment Pvt. Ltd.	AABCR4145D
14	Nirnidhi Consultant Pvt. Ltd.	AACCN2562M
15	Allbright Electricals Pvt. Ltd.	AADCA9436E
16	Warner Multimedia Ltd.	AABCC0225H
17	Blazer Venture Pvt. Ltd.	AADCB2836R
18	Natraj Vinimay Ltd.	AACCN4643D
19	Ranisati Distributors Pvt. Ltd.	AADCR5334C
20	Prime Capital Market Ltd.	AABCP9313M
21	Vibhuti Muti Trade Pvt. Ltd.	AACCV3776B
22	Dinesh Kumar Parasrampuria	AFCPP1404J
23	Devender Kumar Jain & Raj Kumar Kedia	Devender Kumar Jain: AETPJ9387E PAN of Raj Kumar Kedia is not available.
24	Nirmal Jain & Raj Kumar Kedia	Nirmal Jain: AAGPJ6738G PAN of Raj Kumar Kedia is not available.
25	D. K. Jain & Sons HUF	AAAHD3061N
26	Madhav Vinyas	AABTM6777D

In the matter of JMD Telefilms Industries Ltd.

*(Noticee nos. 1 to 26 are individually known by their respective name or Noticee no. and collectively referred to as the "**Noticees**")*

A. BACKGROUND

1. JMD Telefilms Industries Ltd. (now known as JMD Ventures Ltd.) (hereinafter referred to as "**Company**"/"**Noticee 1**") is listed on BSE Limited (hereinafter referred to as "**BSE**"). Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation relating to (i) change in promoter shareholding pattern *vis-à-vis* disclosure compliance; and (ii) preferential allotment process with respect to funding by the Company to preferential allottees during the period from January 01, 2009 to March 31, 2011 (hereinafter referred to as "**Investigation Period**").

2. The investigation *inter alia* observed that:

   (i) Noticee 1 came out with two preferential allotments during the Investigation Period, first in 2009 and second in 2011. The first preferential allotment took place on February 26, 2009 (hereinafter referred to as "**2009 Preferential Allotment**"). The date of second preferential allotment was January 11, 2011, wherein Noticee 1 received Rs 19 crores (hereinafter referred to as the "**2011 Preferential Allotment")**. Noticee 1 provided funds in connection with subscription made by the preferential allottees during 2011 Preferential Allotment.

   (ii) Noticee nos. 2 to 4, holding positions of director, were responsible for acts of the Company in providing funds to the preferential allottees in relation to the 2011 Preferential Allotment. Further, Noticee nos. 2 and 3, being directors, promoter and one of the authorized persons to operate bank account of Noticee 16, were responsible for its acts in allowing its bank account to be used for routing of funds to the preferential allottees. Noticee 4 being the director of Noticee 12 was responsible for its acts in allowing its bank account to be used for routing of funds to the preferential allottees.

(iii) Noticee nos. 5 to 11 were allotted shares by the Company in 2011 Preferential Allotment. Noticee nos. 5 to 9 received funds from Noticee 12, Noticee 10 received funds from Noticee nos. 14 and 15, Noticee 11 received funds from Noticee nos. 1 and 14 and used them for purchase of shares in 2011 Preferential Allotment of Noticee 1. Post the preferential allotment process, exact amount of funding given to Noticee nos. 5 to 9 by Noticee 12 was transferred by Noticee 1 to Noticee 12. Further, after payment of allotment money, Noticee 10 received Rs 4 crores from Noticee 1.

(iv) Noticee nos. 12 to 21 facilitated the Company and its directors, *i.e,* Noticee nos. 2 to 4 in funding the preferential allotment by preferential allottees *i.e,* Noticee nos. 5 to 11, by transferring the funds to the preferential allottees and/or allowing their bank accounts to be used for routing of funds to the preferential allottees.

(v) Noticee nos. 22 to 25, being the preferential allottees of the 2009 Preferential Allotment, failed to furnish information required under section 11C(3) read with section 11C(2) of Securities and Exchange Board of India, Act, 1992 (hereinafter referred to as "**SEBI Act**").

(vi) Noticee nos. 5 to 11 and 26, acting in concert with other promoters of the Company failed to make disclosure under regulation 7(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as "**Takeover Regulations, 1997**").

3. In light of the observations mentioned above, SEBI initiated adjudication proceedings with respect to the Noticees under sections 15HA, 15A(a) and 15A(b) of SEBI Act for violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"), SEBI Act and Takeover Regulations, 1997 as tabulated below:

Noticee No.	Noticee	Violations observed
1	JMD Telefilms Industries Ltd. (now JMD Ventures Ltd.)	Noticee nos. 1 to 4: Section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.
2	Kailash Prasad Purohit	
3	Jagadish Prasad Purohit	
4	Pravin Tukaram Sawant	
5	Renuka Trust	Noticee nos. 5 to 11: Section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations. Regulation 7(2) of Takeover Regulations, 1997.
6	Saurabh Family Trust	
7	Priyanka Trust	
8	Madhav Trust	
9	Adarsh Trust	
10	Unisys Softwares & Holding Industries Ltd.	
11	JMD Sounds Ltd.	
12	Matrix Systel Pvt. Ltd.	Noticee nos. 12 to 21: Section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.
13	Rigmadirappa Investment Pvt. Ltd.	
14	Nirnidhi Consultant Pvt. Ltd.	
15	Allbright Electricals Pvt. Ltd.	
16	Warner Multimedia Ltd.	
17	Blazer Venture Pvt. Ltd.	
18	Natraj Vinimay Ltd.	
19	Ranisati Distributors Pvt. Ltd.	
20	Prime Capital Market Ltd.	
21	Vibhuti Muti Trade Pvt. Ltd.	
22	Dinesh Kumar Parasrampuria	Noticee nos. 22 to 25: Section 11C(3) read with section 11C(2) of SEBI Act.
23	Devender Kumar Jain & Raj Kumar Kedia	
24	Nirmal Jain & Raj Kumar Kedia	
25	D. K. Jain & Sons HUF	
26	Madhav Vinyas	Noticee 26: Section 11C(3) read with section 11C(2) of SEBI Act. Regulation 7(2) of Takeover Regulations, 1997.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to the investigation, SEBI initiated adjudication proceedings against the Noticees and appointed the undersigned as the adjudicating officer *vide* order dated September 14, 2020 under section 19 of the SEBI Act read with sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under sections 15HA, 15A(a) and 15A(b) of the SEBI Act for the aforesaid violations alleged against the Noticees.

C. SHOW CAUSE NOTICES, REPLY AND HEARING

5. A show cause notice (hereinafter referred to as "**SCN**") dated October 27, 2020 was issued to Noticee nos. 1 to 21 and 26. Further, separate SCNs dated October 27, 2020 were issued to Noticee nos. 22 to 25 under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against them in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed for the violations alleged to have been committed by them. In the SCNs, the Noticees were asked to indicate whether they would prefer a personal hearing before the adjudicating officer in the matter. The status of delivery of SCNs issued to Noticees is tabulated below:

Noticee no.	**Noticee**	**Delivery status of SCN and annexures**
1.	JMD Telefilms Industries Ltd.	Delivered by post.
2.	Kailash Prasad Purohit	Delivered by post.
3.	Jagadish Prasad Purohit	Undelivered by post. Public notice of SCN with respect to Noticee 3 was given on June 17, 2022 published in Times of India, Pratahkal and Lokmat in Mumbai and Thane. SCN was uploaded on SEBI website. Further, SCN and annexures were sent to Noticee 3 at jagdishpurohit@hotmail.com on June 22, 2022, which was delivered.
4.	Pravin Tukaram Sawant	Undelivered by post. Public notice of SCN with respect to Noticee 4 was given on June 17, 2022 published in Times of India, Pratahkal and Lokmat in Mumbai and Thane. SCN was uploaded on SEBI website. Further, SCN and annexures were sent to Noticee 4 at pravintsawant@yahoo.co.in on June 22, 2022, which was delivered.
5.	Renuka Trust	Delivered by post.
6.	Saurabh Family Trust	Delivered by post.
7.	Priyanka Trust	Delivered by post.
8.	Madhav Trust	Delivered by post.
9.	Adarsh Trust	Delivered by post.
10.	Unisys Software & Holding Industries Ltd.	Delivered by post.
11.	JMD Sounds Ltd.	Delivered by post.
12.	Matrix Systel Pvt. Ltd.	Undelivered by post. Public notice of SCN with respect to Noticee 12 was given on June 17, 2022 published in Times of India, Pratahkal and Lokmat in Mumbai and Thane. SCN was uploaded on SEBI website. Further, SCN and annexures were sent to Noticee 12 *vide* letter dated June 30, 2022, which was delivered.
13.	Rigmadirappa Investment Pvt. Ltd.	Undelivered by post. Public notice of SCN with respect to Noticee 13 was given on July 07, 2022 published in Times of India, Rajasthan Patrika and

Noticee no.	Noticee	Delivery status of SCN and annexures
		Ei Samay Sangbadpatra in Kolkata. SCN was uploaded on SEBI website.
14.	Nirnidhi Consultant Pvt. Ltd.	Delivered by post.
15.	Allbright Electricals Pvt. Ltd.	Undelivered by post. Public notice of SCN with respect to Noticee 15 was given on July 07, 2022 published in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra in Kolkata. SCN was uploaded on SEBI website.
16.	Warner Multimedia Ltd.	Delivered by post.
17.	Blazer Venture Pvt. Ltd.	Undelivered by post. Public notice of SCN with respect to Noticee 17 was given on June 17, 2022 published in Times of India, Pratahkal and Lokmat in Mumbai and Thane. SCN was uploaded on SEBI website.
18.	Natraj Vinimay Ltd.	Undelivered by post. Public notice of SCN with respect to Noticee 18 was given on July 07, 2022 published in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra in Kolkata. SCN was uploaded on SEBI website.
19.	Ranisati Distributors Pvt. Ltd	Undelivered by post. Public notice of SCN with respect to Noticee 19 was given on July 07, 2022 published in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra in Kolkata. SCN was uploaded on SEBI website.
20.	Prime Capital Market Ltd	Undelivered by post. Public notice of SCN with respect to Noticee 20 was given on July 07, 2022 in Times of India, Sanmarg and Samaj in Bhubaneshwar. SCN was uploaded on SEBI website.
21.	Vibhuti Multitrade Pvt. Ltd	Delivered by post.
22.	Dinesh Kumar Parasrampuria	Undelivered by post. Public notice of SCN with respect to Noticee 22 was given on June 17, 2022 in Times of India and Rajasthan Patrika in Jaipur. SCN was uploaded on SEBI website.
23.	Devender Kumar Jain & Raj Kumar Kedia	Undelivered by post. Public notice of SCN with respect to Noticee 23 was given on June 17, 2022 in Hindustan Times and Dainik Jagran in Delhi. SCN was uploaded on SEBI website.
24.	Nirmal Jain	Undelivered by post. Public notice of SCN with respect to Noticee 24 was given on June 17, 2022 in Hindustan Times and Dainik Jagran in Delhi. SCN was uploaded on SEBI website.
25.	D K Jain & Sons HUF	Undelivered by post. Public notice of SCN with respect to Noticee 25 was given on June 17, 2022 in Hindustan Times and Dainik Jagran in Delhi. SCN was uploaded on SEBI website.
26.	Madhav Vinyas	Delivered by post.

6. The allegations levelled in the SCN with respect to Noticee nos. 1 to 21 and 26 are summarized hereunder:

6.1 The board of directors of Company during the Investigation Period extracted from MCA and annual reports of Noticee 1 for the period 2009-2010 and 2010-2011 is as follows:

Name	Designation	PAN	Date of appointment	Date of cessation
Kailash Purohit	Chairman and Managing Director	AFQPP2675H	01.04.2002	08.04.2019
Jagadish Prasad Purohit	Whole Time Director	AFSPP1444E	22.03.2007	-
Ashok Bothra	Independent Director	AADPB5818Q	20.12.2005	04.12.2014
Pravin Tukaram Sawant	Independent Director	ANTPS3885K	20.12.2005	12.08.2013

6.2 Following were the promoters of Company holding shares under promoter category during the Investigation Period as obtained from BSE website.

Name of the Promoter	Details of Shares held from 01.01.2009-02.07.2009		Details of Shares held from 03.07.2009-31.12.2010		Details of Shares held as on 31.03.2011	
	No. of Shares held	As a % of total no. of shares	No. of Shares held	As a % of total no. of shares	No. of Shares held	As a % of total no. of shares
Kailash Purohit AFQPP2675H	12,50,000	17.82	1,25,00,000	17.82	1,25,00,000	17.33
Renuka Trust AABTR0465M	0	0	0	0	75,000	0.10
Saurabh Family Trust ABFFS3296Q	0	0	0	0	1,25,000	0.17
Adarsh Trust AABTA7344L	0	0	0	0	1,00,000	0.14
Madhav Vinyas AABTM6777D	0	0	0	0	50,000	0.07
Priyanka Trust AABTP1441R	0	0	0	0	75,000	0.10
Madhav Trust AABTM6615Q	0	0	0	0	75,000	0.10
Unisys Softwares & Holding Industries Ltd. AABCC1191Q	0	0	0	0	12,00,000	1.66

Name of the Promoter	Details of Shares held from 01.01.2009-02.07.2009		Details of Shares held from 03.07.2009-31.12.2010		Details of Shares held as on 31.03.2011	
	No. of Shares held	As a % of total no. of shares	No. of Shares held	As a % of total no. of shares	No. of Shares held	As a % of total no. of shares
JMD Sounds Ltd. AABCJ1907H	0	0	0	0	3,00,000	0.42
Total	**12,50,000**	**17.82**	**1,25,00,000**	**17.82**	**1,45,00,000**	**20.1**

6.3 It was observed that the share capital of the Company underwent changes during the Investigation Period due to the following corporate actions:

(a) Preferential allotment of shares

The company made two preferential allotments during the Investigation Period as given under:

Date of allotment	No. of shares allotted	Price per share in Rs	Amount received in Rs	No. of entities
26.02.2009	50,00,000	17	8.50 crores	45 non-promoter entities
11.01.2011	20,00,000	95	19 crores	8 promoter group entities

(b) Split of shares

There was a sub-division of existing equity shares of the Company of Rs 10 each into shares of Rs 1 each with effect from July 03, 2009.

6.4 **Disclosure violation by Noticee nos. 5 to 11 and 26**

6.4.1. 2011 Preferential Allotment to 8 promoter group entities (*i.e.,* Noticee nos. 5 to 11 and Noticee 26) and stock split on July 03, 2009, resulted in changes in the promoter group and the shareholding of the promoters. The total shareholding of the promoter category of Company increased from 17.82% as at the quarter ended on December 31, 2010 to 20.1% (*i.e.,* by 2.28%) as at the quarter ended on March 31, 2011. Further, it was observed that each promoter group entity (*i.e.,* 8 new promoters – Noticee nos. 5 to 11 and Noticee 26) individually acquired shares of Company, ranging from 0.10-

1.66% of the its total share capital, however, these 8 promoters as persons acting in concert had collectively acquired shares aggregating to 2.76% of the total share capital.

6.4.2. Pursuant to acquisition of shares aggregating to 2.76% of the share capital of the Company by Noticee nos. 5 to 11 and Noticee 26 as persons acting in concert, disclosure requirement under regulation 7(2) of Takeover Regulations, 1997 was triggered. However, it is observed that Noticee nos. 5 to 11 and Noticee 26 had failed to make any disclosure under the aforesaid provision. In this regard,

(a) BSE *vide* email sent on January 08, 2019 stated that no such disclosures under Takeover Regulations, 1997 or SEBI (Prohibition of Insider Trading) Regulations, 1992 were made by the Company in respect of change in shareholding of promoter category as a result of the 2011 Preferential Allotment. *Vide* letter dated January 17, 2019, Company submitted that no disclosures were made under the aforesaid regulations, as shares were allotted to promoter category through preferential allotment.

(b) *Vide* email sent on December 25, 2019, registrar and transfer agent (Purva Share Registry (India) Pvt. Ltd.) submitted that the change in promoters (*i.e.,* addition of 8 new promoters) was due to the 2011 Preferential Allotment by the Company and that no disclosures have been made under the aforesaid regulations.

In view of the above, it was alleged that Noticee nos. 5 to 11 and Noticee 26 had failed to make the requisite disclosure under regulation 7(2) of Takeover Regulations, 1997 pursuant to change in shareholding aggregating to 2.76% of the share capital of the Company, and thus, had violated the aforesaid provision.

6.5 Company had allotted 20,00,000 equity shares on preferential basis in 2011 Preferential Allotment to 8 promoter group entities, aggregating to Rs 19 crores. The bank statements of all the 8 preferential allottees were examined regarding fund flow. The findings in respect of each allottee have been summarized in the table below:

Noticee no.	Name of the allottee	PAN	Funds received from the Company/its related entities for preferential allotment (in Rs)
5	Renuka Trust	AABTR0465M	0.71 crores
6	Saurabh Family Trust	ABFFS3296Q	1.18 crores
7	Priyanka Trust	AABTP1441R	0.71 crores
8	Madhav Trust	AABTM6615Q	0.70 crores
9	Adarsh Trust	AABTA7344L	0.50 crores
26	Madhav Vinyas	AABTM6777D	No adverse inference
10	Unisys Softwares & Holding Industries Ltd.	AABCC1191Q	11.40 crores
11	JMD Sounds Ltd.	AABCJ1907H	2.84 crores

6.6 The directors of the Company during the Investigation Period were: Noticee 2 (Chairman, Managing Director and Promoter); Noticee 3 (Whole Time Director); Noticee 4 (Independent Director); and Ashok Bothra (Independent Director).

6.7 **Connection between Company and its related entities:**

6.7.1 Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee nos. 12 to 21: It was observed that 3 directors of the Company, *i.e,* Noticee nos. 2 to 4 were connected to the entities from whom the preferential allottees had received funds (*i.e,* Noticee nos. 12 to 21).

6.7.2 Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee 12 (Matrix Systel Pvt. Ltd): From MCA website, it was observed that one of the directors of Company, namely, Pravin Tukaram Sawant (Noticee 4) was a director of Noticee 12, during the time of preferential allotment of shares (*i.e.,* between January 04, 2011 to March 14, 2013).

6.7.3 Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee 14 (Nirnidhi Consultant Pvt. Ltd.):

(i) From MCA website, it was observed that one of the directors of the Company, namely, Noticee 3 was a director of Noticee 14, during the time of preferential allotment of shares (*i.e.,* from March 06, 2007 to April 25, 2017).

(ii) Further**,** Noticee 3 was also one of the authorised persons to operate the bank accounts of both Company (Kotak Mahindra Bank a/c no. xxxxxxxxxx0282) and Noticee 14 (Kotak Mahindra Bank a/c no. xxxxxxxxxx9972) during the time of preferential allotment *i.e,* January**,** 2011.

(iii) In addition, Anil Kumar Purohit, one of the directors of Noticee 14 is the nephew of Noticee 3 and has the same address as the directors of the Company, Noticee nos. 2 and 3 (*i.e.,* 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025).

(iv) Anil Kumar Purohit is also the trustee of the preferential allottees**,** namely, Noticee nos. 5 and 8**.**

(v) Company and Noticee 2 (past Director of the Company) in their letters dated February 25**,** 2020 and February 11**,** 2020 respectively, have also stated that Noticee 14 is connected to the Company, through common directors**.**

6.7.4 <u>Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee 16 (Warner Multimedia Ltd.):</u>

(i) From MCA website, it was observed that two directors of the Company, Noticee nos. 2 and 3, were directors of Noticee 16 during the time of preferential allotment of shares. Further, from BSE website, it was observed that Noticee nos. 2 and 3 were also promoters of Noticee 16, during the time of preferential allotment.

(ii) Noticee 2 was a director of Noticee 16, from October 16, 2005 to April 08, 2019 as well as one of the authorised persons to operate its bank account during the time of preferential allotment *i.e.*, January 2011 (Kotak Mahindra Bank a/c no. xxxxxxxxxx7590), while Noticee 3 was a director from May 23, 1983 till 2018.

(iii) Two other promoters of Noticee 16, namely, Sushil Kumar Purohit and Pawan Kumar Purohit have the same address as the directors of Company, Noticee nos. 2 and 3 (*i.e.,* 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025).

(iv) Company and Noticee 2 (past director of Company) in their letters dated February 25, 2020 and February 11, 2020 respectively, have stated that Noticee 16, is a group company of Company.

6.7.5 <u>Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee 21 (Vibhuti Muti Trade Pvt. Ltd.)</u>**:**

(i) From MCA website, it was observed that one of the directors of Company, i.e, Noticee 4 was a past director of Noticee 21 (*i.e,* from January 04, 2011 to January 07, 2011). It was also observed that he had resigned from Noticee 21 just before the 2011 Preferential Allotment.

(ii) Further, the directors of Noticee 21, namely, Eknath Narayan Mandavkar and Ramavatar Prajapati were also the directors of Noticee 12, which in turn was connected to the Company by way of common director i.e, Noticee 4, as explained above.

6.7.6 <u>Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and Noticee 15 (Allbright Electricals Pvt. Ltd.):</u>

(i) Company and Noticee 2 (past director of Company) in their letters dated February 25, 2020 and February 11, 2020 respectively, have stated that Noticee 15 is "relative of director".

(ii) Further, Anil Kumar Purohit, one of the directors of Noticee 15, is the nephew of Noticee 3 and has the same address as the directors of Company *i.e,* Noticee nos. 2 and 3 (*i.e.,* 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025).

6.7.7 <u>Connection between Noticee 1 (JMD Telefilms Industries Ltd.) and other entities:</u> From MCA website, it was observed that during 2011 Preferential Allotment, several entities, *i.e,* Noticee nos. 13, 17 to 20, Winsher Commotrade Pvt. Ltd. and Gulistan Vanijya Pvt. Ltd. were indirectly connected to or known to the Company through common directors/promoters, as explained below:

(i) Eknath Narayan Mandavkar was the director of Noticee nos. 12, 17, and 21. Further, Noticee 12 was connected to the Company by way of common director *i.e.,* Noticee 4.

(ii) Milan Mukherjee was the director of Noticee nos. 14, 17 and 19. Further, Noticee 14 was connected to the Company by way of common director *i.e,* Noticee 3.

(iii) Rajendra Kothari was the director of Noticee nos. 18, 19, and Gulistan Vanijya Pvt. Ltd. Further, Noticee 19 was connected to Noticee 14, through Milan Mukherjee, which in turn was connected to the Company by way of common director *i.e,* Noticee 3.

(iv) Dhruva Narayan Jha was the director of Noticee nos. 15, 16 and 20. Vimal Joshi was the common promoter of both Noticee nos. 16 and 20. Noticee 16 was connected to Company by way of common directors *i.e.,* Noticee nos. 2 and 3, and also, by way of common promoter *i.e,* Noticee 2.

(v) Raj Kumar Purohit was the director of Noticee nos. 13, 15, and Winsher Commotrade Pvt., Ltd. Pawan Kumar Purohit, director of

Winsher Commotrade Pvt. Ltd. was a promoter of Noticee 16 which in turn was connected to the Company by way of common directors *i.e.,* Noticee nos. 2 and 3 and also, by way of common promoter i.e. Noticee 2.

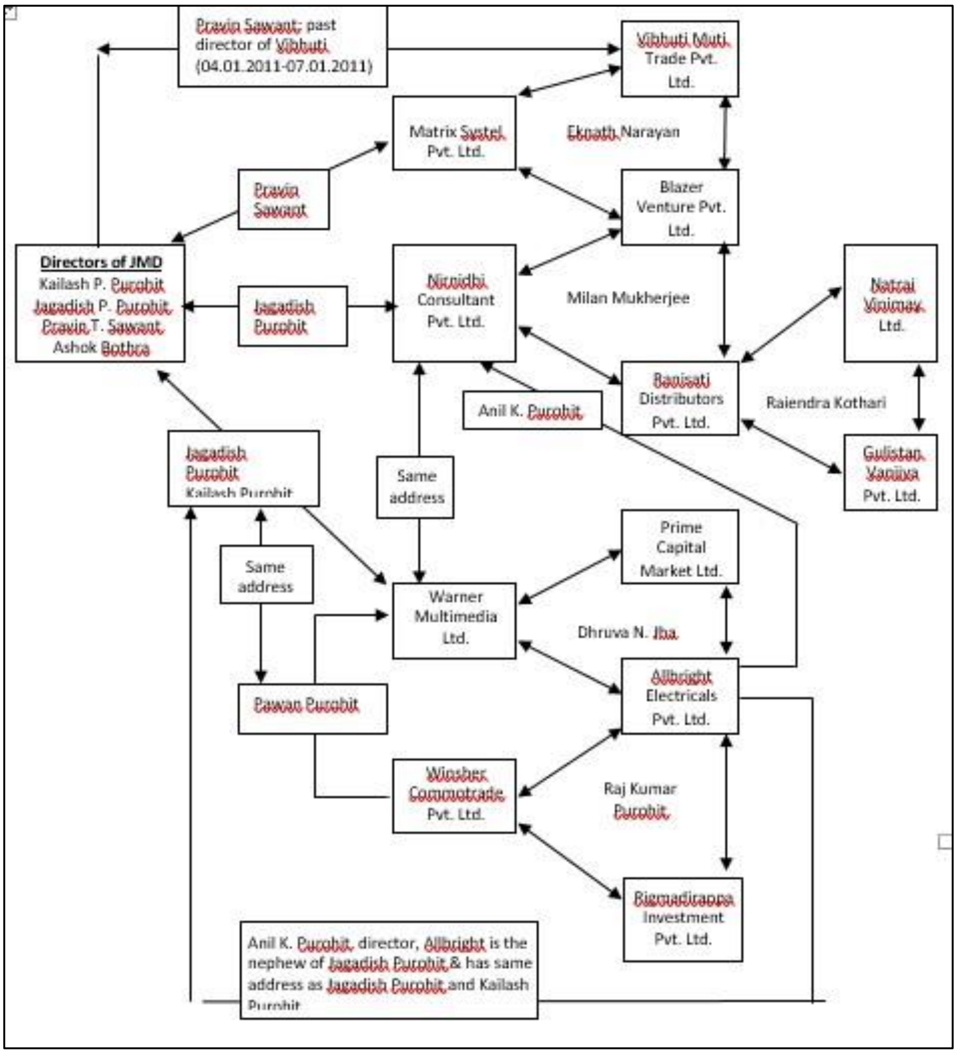
(vi) Noticee nos. 14 and 16 have the same address *i.e,* at P-27, Princep Street, 3rd Floor, Kolkata, West Bengal– 700072 and also, common director, Noticee 3.

(vii) Anil Kumar Purohit, director of Noticee nos. 14 and 15 and Pawan Kumar Purohit, director of Winsher Commotrade Pvt. Ltd. have the same address as the directors of Company, *i.e.,* Noticee nos. 2 and 3 at 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025.

(viii) Noticee nos. 12, 18 and Gulistan Vanijya Pvt. Ltd. have common e-mail address *i.e.,* rocwork2016@gmail.com.

(ix) Noticee 1 and Noticee 2 (past director of Noticee 1) in their letters dated February 25, 2020 and February 11, 2020 respectively, have stated that Noticee 20 is “relative of director”.

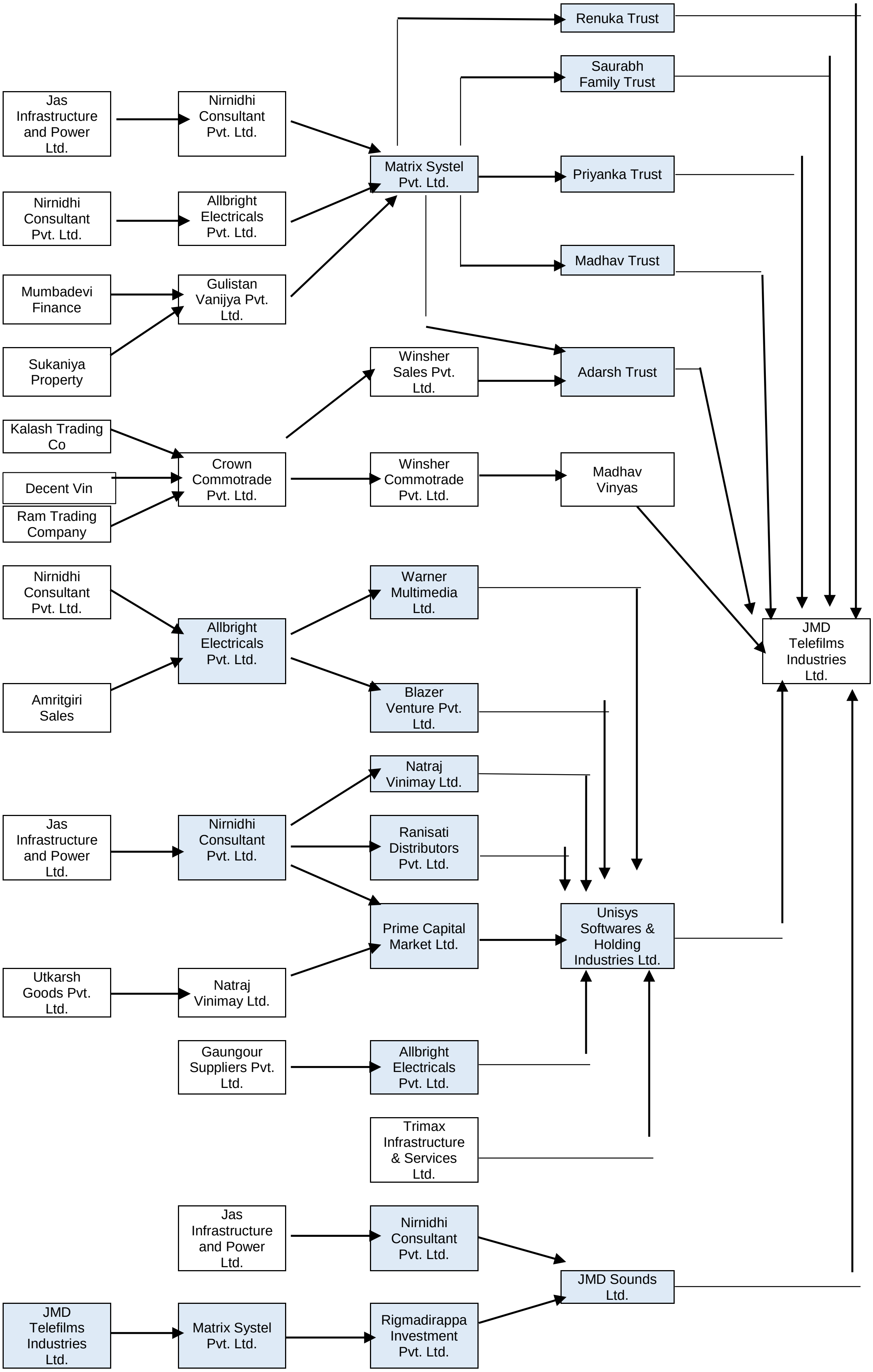
(x) Diagrammatic representation of the manner in which Company and its directors were connected/known to the entities which had facilitated routing of funds to preferential allottees is given below:



In view of the above, it was observed that the Company is directly or indirectly connected to the entities from whom the preferential allottees had received funds, prior to and/or after making payment to the Company towards allotment of preference shares on January 11, 2011. The entities who facilitated such routing of funds by the Company to the preferential allottees were Noticee nos. 12 to 21.

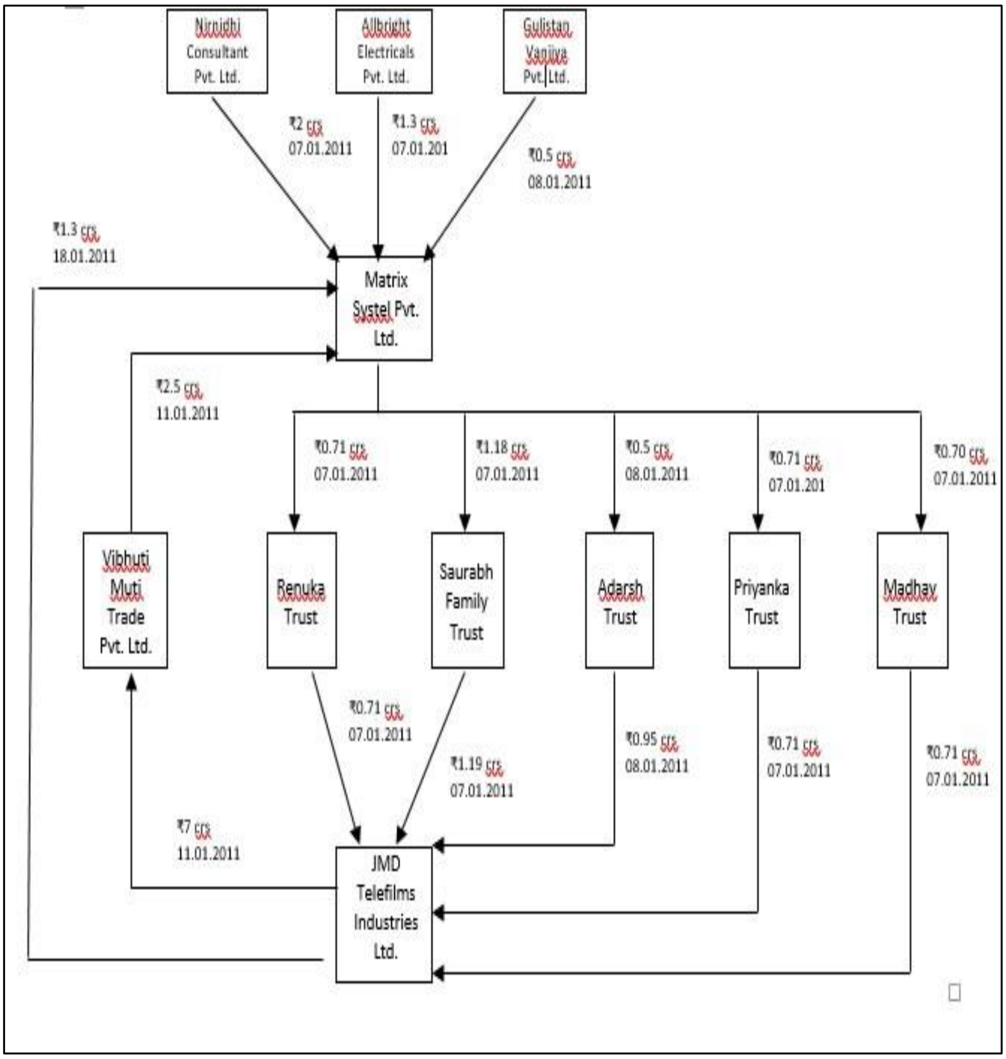
6.8 **<u>Financial transactions among the Company, its related entities and preferential allottees</u>**

6.8.1. The bank statements of each of the 8 preferential allottees of the 2011 Preferential Allotment of the Company were analyzed to determine the fund movement of funds received by the preferential allottees, which has been summarized in the form of a flow chart below:


Renuka Trust
Saurabh Family Trust
Jas Infrastructure and Power Ltd.
Nirnidhi Consultant Pvt. Ltd.
Matrix Systel Pvt. Ltd.
Priyanka Trust
Nirnidhi Consultant Pvt. Ltd.
Allbright Electricals Pvt. Ltd.
Madhav Trust
Mumbadevi Finance
Gulistan Vanijya Pvt. Ltd.
Sukaniya Property
Winsher Sales Pvt. Ltd.
Adarsh Trust
Kalash Trading Co
Decent Vin
Crown Commotrade Pvt. Ltd.
Winsher Commotrade Pvt. Ltd.
Madhav Vinyas
Ram Trading Company
Nirnidhi Consultant Pvt. Ltd.
Warner Multimedia Ltd.
Allbright Electricals Pvt. Ltd.
JMD Telefilms Industries Ltd.
Amritgiri Sales
Blazer Venture Pvt. Ltd.
Natraj Vinimay Ltd.
Jas Infrastructure and Power Ltd.
Nirnidhi Consultant Pvt. Ltd.
Ranisati Distributors Pvt. Ltd.
Prime Capital Market Ltd.
Unisys Softwares & Holding Industries Ltd.
Utkarsh Goods Pvt. Ltd.
Natraj Vinimay Ltd.
Gaungour Suppliers Pvt. Ltd.
Allbright Electricals Pvt. Ltd.
Trimax Infrastructure & Services Ltd.
Jas Infrastructure and Power Ltd.
Nirnidhi Consultant Pvt. Ltd.
JMD Sounds Ltd.
JMD Telefilms Industries Ltd.
Matrix Systel Pvt. Ltd.
Rigmadirappa Investment Pvt. Ltd.

6.8.2. Transfer of funds to Noticee nos. 5 to 9:

(i) The movement of funds to Noticee nos. 5 to 9 is graphically represented below:



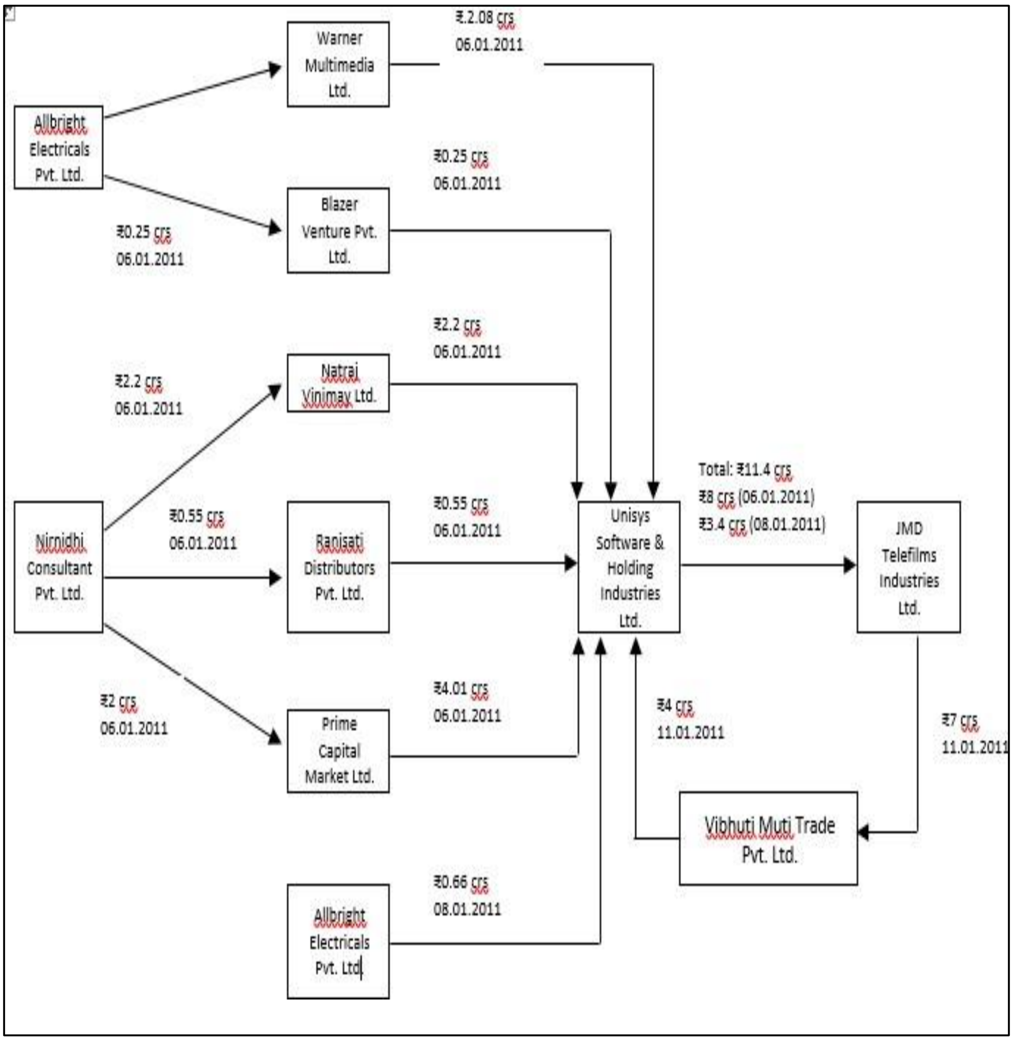
(ii) It was observed from the above flow chart that Noticee 12 had received total amount of Rs 3.8 crores from 3 entities *viz*. Rs.2 crores from Noticee 14, Rs 1.3 crores from Noticee 15 on January 07, 2011 and Rs 0.50 crores from Gulistan Vanijya Pvt. Ltd. on January 08, 2011. Out of this, Noticee 12 transferred Rs 0.71 crores to Noticee 5, Rs 1.18 crores to Noticee 6, Rs 0.71 crores to Noticee 7, Rs 0.70 crores to Noticee 8 on January 07, 2011 and Rs 0.50 crores to Noticee 9 on January 08, 2011, which were utilized by the preferential allottees for payment of consideration to the Company towards allotment of preference shares.

(iii) Pursuant to allotment of preference shares to the preferential allottees on January 11, 2011, part of the allotment money (*i.e,* Rs 7 crores) was transferred by the Company to Noticee 21 on the same day *i.e,* January 11, 2011. Noticee 21 was connected to the Company by way of common director *i.e,* Noticee 4 who had resigned from Noticee 21 on January 07, 2011, *i.e.,* few days before the preferential allotment on January 11, 2011. Out of Rs 7 crores, Noticee 21 transferred Rs 2.5 crores to Noticee 12 on the same day. In addition, Company also transferred Rs 1.3 crores directly into the account of Noticee 12 on January 18, 2011 *i.e,* few days after the preferential allotment on January 11, 2011. Thus, total amount of Rs 3.8 crores was transferred by the Company to Noticee 12, in two tranches after the preferential allotment on January 11, 2011, which corresponds to the exact amount transferred by Noticee 12 to the 5 preferential allottees before the preferential allotment (*i.e.,* Rs 3.8 crs).

(iv) In view of the above, it is alleged that Company had indirectly funded 5 preferential allottees *i.e,* Noticee nos. 5 to 9 to the extent of Rs 3.8 crores, through its connected entity Noticee 12. Further, Noticee 21 acted as a conduit by allowing its bank account to be used by the Company for routing of funds to Noticee 12 on January 11, 2011.

6.8.3. Transfer of funds to Noticee 10

(i) The movement of funds to Noticee 10 is graphically represented below:



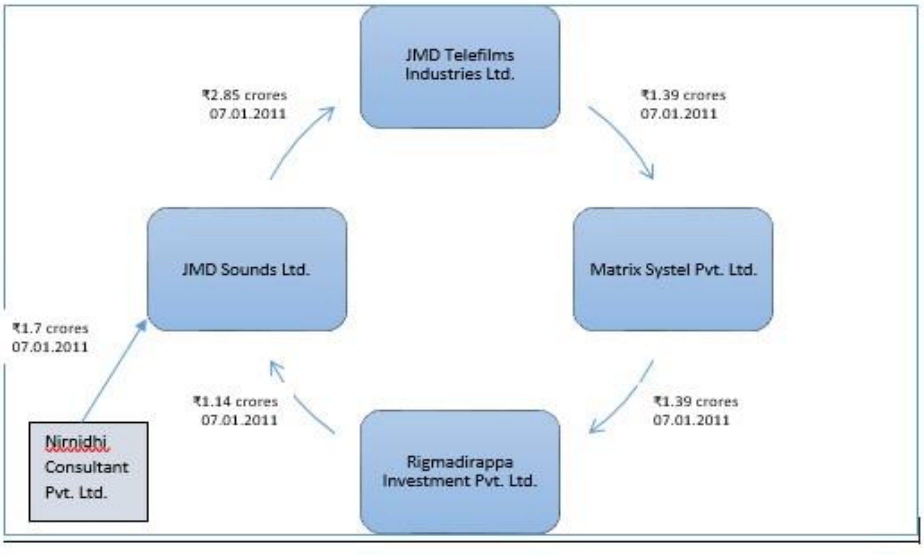
(ii) It was observed from the above that prior to payment of consideration of Rs 11.40 crores to the Company towards allotment of preference shares, Noticee 10 had received total amount of Rs 2.91 crores from Noticee 15 on January 06, 2011, out of which Rs 0.66 crores was received directly from the account of Noticee 15 while the remaining amount of Rs 2.25 crores was received through the accounts of Noticee nos. 16 and 17. Noticee 10 also received total amount of Rs 4.75 crores from Noticee 14 on January 06, 2011 through the accounts of Noticee nos. 18 to 20. Hence, total amount of Rs 7.66 crores was received by Noticee 10 from the entities connected to Company *i.e.,* Noticee nos. 14 and 15.

(iii) Pursuant to allotment of preference shares to 8 promoter group entities (including Noticee 10) on January 11, 2011, part of the allotment money (i.e. Rs 7 crores) was transferred by the Company to Noticee 21 on the same day. Noticee 21 was connected to the Company by way of common director *i.e,* Noticee 4 who resigned from Noticee 21 on January 07, 2011, *i.e.,* few days before the preferential allotment on January 11, 2011. Out of Rs 7 crores, Noticee 21 transferred Rs 4 crores to Noticee 10 on the same day.

(iv) In view of the above, it is alleged that the Company had partially funded Noticee 10 to the extent of Rs 4 crores and the entities connected to Company *i.e.*, Noticee nos. 14 and 15, had funded Noticee 10 to the extent of Rs 7.40 crores. Hence, the entire consideration amount of Rs 11.40 crores paid by Noticee 10 to the Company was either funded by the Company itself or its connected entities i.e. Noticee nos. 14 and 15. Further, Noticee nos. 16 to 20 facilitated the funding of Noticee 10 by allowing their bank accounts to be used for routing of funds by Company and Noticee nos. 14 and 15.

6.8.4. <u>Transfer of funds to Noticee 11</u>

(i) The movement of funds to Noticee 11 is graphically represented below:



(ii) From the above, it was observed that the Company had transferred Rs 1.39 crores to Noticee 12 on January 07, 2011 and the same amount was transferred by Noticee 12 to Noticee 13, on the same day, which in turn, transferred Rs 1.14 crores to Noticee 11 (a preferential allottee), on the same day *i.e,* January 07, 2011. The aforesaid fund of Rs 1.14 crores was then utilized by the preferential allottee for payment towards preferential shares of the Company. The remaining amount of Rs 1.7 crores was provided to Noticee 11 by Noticee 14 which was connected to the Company by way of common director i.e. Noticee 3. Thus, it was observed that the preferential allottee, Noticee 11, made payment of Rs 2.85 crores for preferential shares on January 07, 2011, pursuant to receipt of funds from Noticee 13 (Rs 1.14 crores) and Noticee 14 (Rs 1.7 crores) on the same day. It was also observed that Noticee 11 did not have substantial funds in its bank account prior to the receipt of funds from Noticee nos. 13 and 14.

(iii) Considering the fact that funds were transferred by the Company to Noticee 12 (wherein one of the directors of the Company was also a director), then to Noticee 13 and ultimately to the preferential allottee Noticee 11, on the same day, just before the preferential allotment of shares, it is alleged that Noticee nos. 12 and 13, were used as intermediaries to transfer funds from the Company to the preferential allottee *i.e.,* Noticee 11. In addition to the aforesaid intermediaries, another entity *i.e,* Noticee 14 (wherein one of the directors of the Company was also a director) was used as an intermediary to transfer the remaining balance funds (Rs 1.7 crores) to Noticee 11. Hence, out of total consideration amount of Rs 2.85 crores paid by Noticee 11 to the Company, Rs 2.84 crores was either funded by the Company itself or its connected entity *i.e,* Noticee 14.

6.9 **<u>Detailed fund flow analysis of Noticee nos. 5 to 11</u>**

6.9.1. <u>Notice 5 (Renuka Trust), Noticee 6 (Saurabh Family Trust), Noticee 7 (Priyanka Trust), Noticee 8 (Madhav Trust) and Noticee 9 (Adarsh Trust):</u>

(i) Noticee 5 was allotted 75,000 shares in the preferential allotment for which it transferred Rs 71,25,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxx5685 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 71,00,000 from Noticee 12 on January 07, 2011.

(ii) Noticee 6 was allotted 1,25,000 shares in the preferential allotment for which it transferred Rs 1,18,75,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxx5904 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 1,18,00,000 from Noticee 12, on January 07, 2011.

(iii) Noticee 7 was allotted 75,000 shares in the preferential allotment for which it transferred Rs 71,25,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxxx5702 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 71,00,000 from Noticee 12, on January 07, 2011.

(iv) Noticee 8 was allotted 75,000 shares in the preferential allotment for which it transferred Rs 71,25,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxxx5698 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 70,00,000 from Noticee 12 on January 07, 2011.

(v) Noticee 9 was allotted 1,00,000 shares in the preferential allotment for which it transferred Rs 95,00,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxx5648 on February 08, 2011. On analysis of its bank statement, it was observed that it had received Rs 45,00,000 from Winsher Sales Pvt. Ltd, on January 07, 2011 and Rs 50,00,000 from Noticee 12 on February 08, 2011. On analysing the bank statement of Winsher Sales Pvt. Ltd, it was observed that it had received Rs

44,95,000 from Crown Commotrade Pvt., Ltd, on January 07, 2011, which in turn had received Rs 69,00,000 from Kalash Trading Company on the same day. On analysing the bank statement of Noticee 12, it was observed that it had received Rs 50,00,000 from Gulistan Vanijya Pvt., Ltd, on February 08, 2011, which in turn had received Rs 50,00,000 each from Mumbadevi Finance and Sukaniya Property on the same day.

(vi) Further, on analysing the bank statement of Noticee 12, it was observed that it had received Rs 2,00,00,000 from Noticee 14, and Rs 1,30,00,000 from Noticee 15 on January 07, 2011, which in turn had received Rs 5,00,00,000 from Jas Infrastructure and Power Ltd, and Rs 1,30,00,000 from Noticee 14, respectively.

(vii) It was observed that Noticee 4, one of the directors of the Company was a director of Noticee 12 during the time of preferential allotment of shares. It was also observed that after receiving allotment money from all the 8 preferential allottees, the Company had transferred Rs 2.5 crores to Noticee 12, through the account of Noticee 21 on January 11, 2011 and Rs 1.3 crores directly into the account of Noticee 12 on January 18, 2011. Hence, it is alleged that Noticee 12 had funded Noticee nos. 5 to 9.

6.9.2. Noticee 10 (Unisys Softwares & Holding Industries Ltd.)

(i) Noticee 10 was allotted 12,00,000 shares in the preferential allotment for which it transferred total amount of Rs 11,40,00,000 (*i.e.,* Rs 8,00,00,000 on January 06, 2011 and Rs 3,40,00,000 on February 08, 2011) from its Kotak Mahindra Bank a/c no. xxxxxxxxxxx9805.

(ii) On analysis of its bank statement, it was observed that it had received money from 7 entities, the details of which are as under:

Date	Account number (Bank)	Name of Counterparty	Amount (Rs)
06.01.2011	xxxxxxxxxx7590 (Kotak Mahindra Bank)	Noticee 16	2,08,00,000
06.01.2011	xxxxxxxxxx8765 (Kotak Mahindra Bank)	Noticee 18	2,20,00,000
06.01.2011	xxxxxxxxxx0896 (Kotak Mahindra Bank)	Noticee 19	55,00,000
06.01.2011	xxxxxxxxxx3699 (Kotak Mahindra Bank)	Noticee 17	25,00,000
06.01.2011	xxxxxxxxxx7915 (Kotak Mahindra Bank)	Noticee 20	1,75,00,000
06.01.2011	xxxxxxxxxx7915 (Kotak Mahindra Bank)	Noticee 20	2,26,49,025
08.02.2011	N.A. (Bank of India could not provide the details)	Trimex IT Infrastructure & Services	3,19,84,607
08.02.2011	xxxxxxxxxx2644 (Kotak Mahindra Bank)	Noticee 15	66,00,000

(iii) On analysis of the abovementioned bank statements, it was observed that:

(a) Noticee 16: Noticee 15 had deposited Rs 2,00,00,000 in the account on January 06, 2011, which in turn had received Rs 2,00,00,000 from Amritgiri Sales.

(b) Noticee 18: Noticee 14 had deposited Rs 2,20,00,000 in the account on January 06, 2011, which in turn had received Rs 5,00,00,000 from Jas Infrastructure and Power Ltd.

(c) Noticee 19: Noticee 14 had deposited Rs 55,00,000 in the account on January 06, 2011, which in turn had received Rs 5,00,00,000 from Jas Infrastructure and Power Ltd.

(d) Noticee 17: Noticee 15 had deposited Rs 25,00,000 in the account on January 06, 2011, which in turn had received Rs 25,00,000 from Noticee 14.

(e) Noticee 20: Noticee 14 had deposited Rs 2,00,00,000 and Noticee 18 had deposited Rs 2,00,00,000 and Rs 2,00,000 in the account on January 06, 2011. Noticee 14 had received Rs

5,00,00,000 from Jas Infrastructure and Power Ltd., and Noticee 18 had received Rs 2,00,000 from Utkarsh Goods Pvt. Ltd.

(f) Noticee 15: Gaungour Suppliers Pvt., Ltd., had deposited Rs 60,00,000 in the account on February 08, 2011. On analysing the bank statement of Gaungour Suppliers Pvt., Ltd., it was observed that it had received money from various entities.

(iv) It was observed that Noticee 3, one of the directors of the Company was a director of Noticee 14 and also, one of the authorised persons to operate its bank account (Kotak Mahindra Bank a/c no. xxxxxxxxxx9972) during the time of preferential allotment. Further, the Company in its letter has stated that Noticee 15 is "relative of director". It was also observed that Anil Kumar Purohit, director of Noticee 15 is the nephew of Noticee 3 and has the same address as the directors of the Company, Noticee nos. 2 and 3 (i.e. 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025). Hence, it is alleged that Noticee nos. 14 and Noticee 15 had funded Noticee 10.

6.9.3. Noticee 11 (JMD Sounds Ltd.)

(i) Noticee 11 was allotted 3,00,000 shares in the preferential allotment for which it transferred Rs 2,85,00,000 from its Kotak Mahindra Bank a/c no. xxxxxxxxxx1126 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 1,70,00,000 from Noticee 14 and Rs 1,14,00,000 from Noticee 13, on January 07, 2011. Further, on analysing their bank statements, it was observed that:

(a) Noticee 14: Jas Infrastructure and Power Ltd. had deposited Rs 5,00,00,000 in the account on January 07, 2011. On analysing the bank statement of Jas Infrastructure and Power Ltd, it was observed that it had sufficient balance in its account prior to January 07, 2011 and had received Rs 24.82 crores from Abhijeet Projects Ltd. on December 31, 2010. It was observed that Noticee 3, one of the directors of the Company was a director of Noticee 14 during the time of preferential allotment and also, one of the authorised persons to operate the bank account of Noticee 14. Hence, Noticee 14 had partially funded the preferential allottee to the extent of Rs 1,70,00,000.

(b) Noticee 13: Noticee 12 had deposited Rs 1,39,00,000 in the account on January 07, 2011, which in turn had received the same amount from the Company, on the same day. Hence, the Company, had partially funded the preferential allottee to the extent of Rs 1,14,00,000, by routing funds through Noticee nos. 12 and 13.

(ii) In view of the above, it was observed that out of total consideration amount of Rs 2.85 crores paid by Noticee 11 to the Company, Rs 2.84 crores was either funded by the Company, itself or its connected entity *i.e,* Noticee 14

6.9.4. Noticee 26 (Madhav Vinyas)

(i) Noticee 26 was allotted 50,000 shares in the preferential allotment for which it transferred Rs 47,50,000 from its Oriental Bank of Commerce a/c no. xxxxxxxxxx1016 on January 07, 2011. On analysis of its bank statement, it was observed that it had received Rs 47,50,000 from Winsher Commotrade Pvt. Ltd. on January 06, 2011.

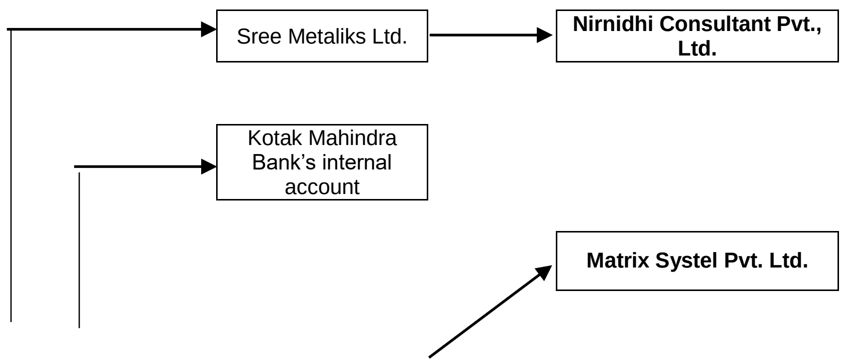
(ii) Further, on analysing the bank statement of Winsher Commotrade Pvt. Ltd. it was observed that it had received Rs 47,55,000 from Crown Commotrade Pvt. Ltd. on January 06, 2011, which in turn had received funds from Decent Vin and Ram Trading Company. No fund transfer from the Company was observed in the bank account of Crown Commotrade Pvt. Ltd. for subscribing to the aforesaid preferential allotment. Hence, no adverse inference in this regard was drawn against Noticee 26.

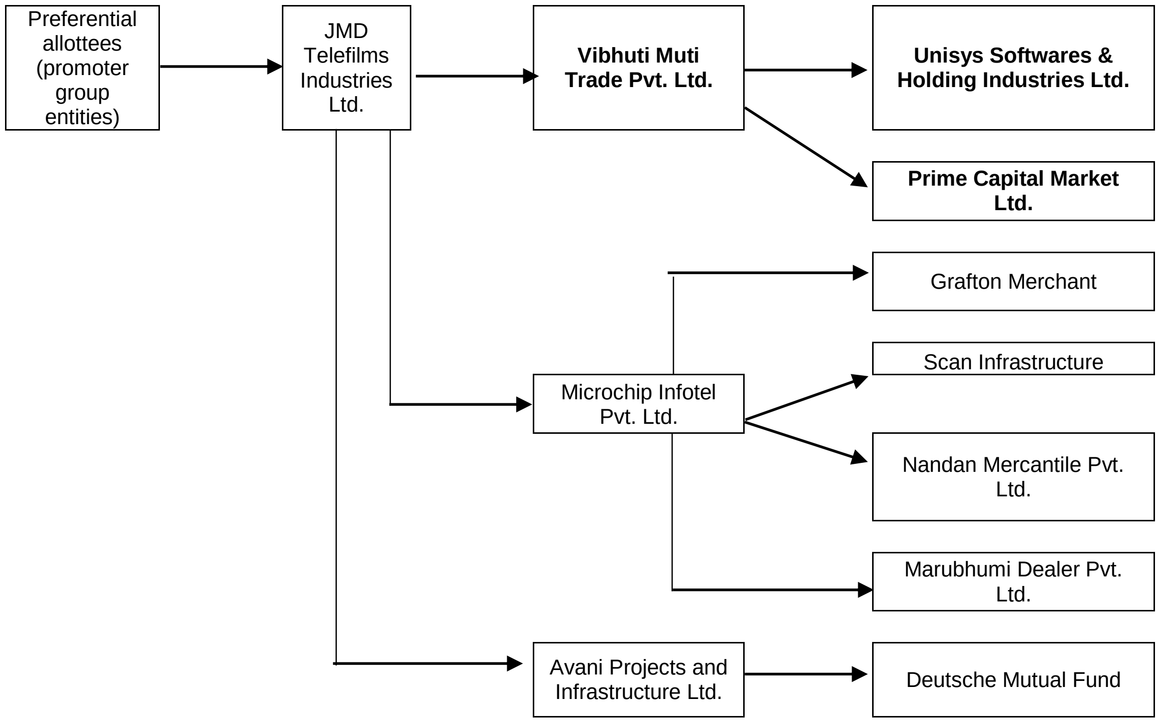
6.10 Post allotment movement of funds received by the Company with respect to 2011 Preferential Allotment

6.10.1 The Company had received Rs 19 crores (Kotak Mahindra Bank a/c no. xxxxxxxxxx0282) during January 06, 2011 to January 08, 2011 for the 2011 Preferential Allotment. To check whether any funds had, in turn, been transferred by the Company to preferential allottees, the entities to whom the funds were transferred by the Company were examined. It was observed that out of the issue proceeds of Rs 19 crores, Rs 5 crores was transferred to Kotak Mahindra Bank's internal account a/c no. xxxxxxxxxx0026 while, the remaining amount of Rs 14 crores was transferred by the Company to the following 4 entities.

Sl. No.	Entity Name	Bank Account No. (Bank Name)	Amount (Rs in crores)
1	Sree Metaliks Ltd.	xxxxxxxxxxx0120 (Oriental Bank of Commerce)	2.00
2	Vibhuti Muti Trade Pvt. Ltd.	xxxxxxxxxx7328 (Kotak Mahindra Bank)	7.00
3	Microchip Infotel Pvt. Ltd.	xxxxxxxxxx6861 (Kotak Mahindra Bank)	4.50
4	Avani Projects and Infrastructure Ltd.	xxxxxxxxxx0019 (Kotak Mahindra Bank)	0.50
	Total		**14.00**

6.10.2 Bank statements of the 4 entities mentioned in the above table were examined. Diagrammatic representation of the fund trail from the Company to various entities, out of the preferential issue proceeds, is given as under:





6.10.3 In case of Noticee 21, it was observed that pursuant to receipt of funds (i.e. Rs 7 crores) from the Company on January 11, 2011, it had transferred Rs 4 crores to one of the preferential allottees *i.e,* Noticee 10, and the remaining amount of Rs 3 crores to two entities from whom some allottees had received funds, *i.e,* Noticee 12 (Rs 2.5 crores) and Noticee 20 (Rs 0.50 crores) on the same day. Thus, the bank account of Noticee 21 which had received funds from the Company out of proceeds of preferential allotment dated January 11, 2011, indicates partial funding by Company to the preferential allottee *i.e,* Noticee 10 to the extent of Rs 4 crores, for subscription to its preferential allotment of shares.

6.10.4 Further, in case of Sree Metaliks Ltd. it was observed that pursuant to receipt of funds (i.e. Rs 2 crores) from the Company on January 10, 2011, it had transferred Rs 2.25 crores to Noticee 14 (one of the entities from whom some allottees had received funds) on January 12, 2011.

6.11 **Role of the directors of the Company in funding the preferential allottee in the 2011 Preferential Allotment**

6.11.1 It was observed that during the time of preferential allotment, the directors of the Company, *viz.* Noticee 2 (Chairman and Managing Director), Noticee 3 (Whole Time Director) and Noticee 4 (Independent Director) were connected with the companies which had funded the preferential allottees as well as with the companies whose accounts were used for routing of funds to the allottees.

6.11.2 Noticee nos. 2 to 4 were also the authorised persons to operate the designated bank account of the Company (Kotak Mahindra Bank a/c no. xxxxxxxxxx0282) during January 2011. In another bank account of the Company (Axis Bank a/c no. xxxxxxxxxx1304), Noticee 4 was the sole authorised person to operate the account during January 2011.

6.11.3 Further, from the annual report of the Company for FY 2010-11, it was observed that Noticee 2 and Noticee 3, were the signatories of the balance sheet and also, they were mentioned as "key management personnel" of the Company. Although Noticee 4 was an independent director, he was the sole authorised person to operate one of the bank accounts of the Company maintained with Axis Bank.

6.11.4 Noticee 4 was a director of Noticee 12 during the time of preferential allotment of shares (i.e. January 04, 2011 to March 14, 2013) and past director of Noticee 21, for few days before the preferential allotment on January 11, 2011 (i.e. January 04, 2011 to January 07, 2011).

6.11.5 Noticee 3 was a director of Noticee 14 during the time of preferential allotment of shares (*i.e,* March 06, 2007 to April 25, 2017) and also, one of the authorised persons to operate the bank account of Noticee 14 (Kotak Mahindra Bank A/c no. xxxxxxxxxx9972).

6.11.6 The Company and Noticee 2 (past director of Company) in their letters dated February 25, 2020 and February 11, 2020 respectively, have stated that Noticee 15 is "relative of director". It was also observed that Anil Kumar Purohit, director of Noticee 15 is the nephew of Noticee 3 and has the same address as the directors of the Company, *i.e,* Noticee 3 and Noticee 2 at 6/1, Bijoy Mukherjee Lane, Bhawanipur, Kolkata-700025). Further, Anil Kumar Purohit was also one of the authorised persons to operate the account of Noticee 15 during January 2011.

6.11.7 It was also observed that Noticee nos. 2 to 4 were the directors as well as promoters of Noticee 16 during the time of preferential allotment of shares. Noticee 2 was also one of the authorised persons to operate its bank account (Kotak Mahindra Bank a/c no. xxxxxxxxxx7590).

6.11.8 In view of the above, it is alleged that three directors of the Company *i.e.,* Noticee nos. 2 to 4, were involved in the funding of preferential allottees belonging to promoter group during preferential allotment dated January 11, 2011. Further, based on the connections observed with various entities, it is alleged that Noticee nos. 2 and 3 had arranged for funding of the preferential allottees by Noticee 15, Noticee 3 had arranged for funding of the preferential allottees by Noticee 14 while Noticee 4 had arranged for funding of the preferential allottees by Noticee 12.

Based on the above, it is alleged that Noticee nos. 1 to 21 have violated the provisions of section 12A (a), (b), (c) of the SEBI Act read with regulations 3 (b), (c), (d) and 4(1) of the PFUTP Regulations.

6.12 <u>**Summons violation by Noticee 26**</u>

6.12.1 With respect to funding by the Company to preferential allottees in respect of the 2011 Preferential Allotment, summons was sent to one of the preferential allottees *viz,* Noticee 26 on January 23, 2020 to furnish the following information.

(a) Provide the details of trustee and members of Madhav Vinyas such as full name, PAN, address *etc*.,

(b) With regard to the acquisition of 50,000 shares of the Company, state whether disclosures have been submitted to the Company under the provisions of Takeover Regulations, 1997 and/or or SEBI (Prohibition of Insider Trading) Regulations, 1992. If yes, provide a copy of the disclosures made to the Company.

(c) Specify the source of funds (*i.e.,* Rs 47,50,000) for purchase of preferential shares (*i.e.,* own funds / loan from financial institution etc.,) along with documentary evidence. In case loan has been taken from any financial institution /company, provide copy of loan agreement. Further, in case loan amount has been repaid, provide the loan repayment details together with bank statement duly highlighting the same.

(d) On perusal of your bank statement, it was observed that you had received Rs 47,50,000 from Winsher Commotrade Pvt. Ltd. on January 06, 2011, explain the purpose for which the aforesaid amount was received from Winsher Commotrade Pvt. Ltd. and also how the said amount was utilized, along with documentary evidence.

(e) State whether you are/were in any way, directly or indirectly, associated/related connected to Winsher Commotrade Pvt. Ltd./its promoters/directors/key managerial personnel. If yes, then explain how and also, provide relevant details including full name, PAN, address, nature of relationship / association / connection, since when the relation / association / connection began etc.

(f) Explain how you are related / connected to the Company/ its promoters / directors / KMPs and also, provide relevant details including full name, PAN, address, nature of relationship / connection etc.

6.12.2 It was observed that the Noticee 26 despite receipt of the summons did not furnish the information sought for. Further, two reminder summons dated February 04, 2020 and February 17, 2020 were served on Noticee 26 to furnish the information sought in the original summons dated January 23, 2020. Noticee 26 was informed in all the summons that he fails to provide the documents as sought therein, SEBI may initiate adjudication proceedings against him under section 15 of the SEBI Act and criminal prosecution may also be launched against him under section 11(C)(6) of SEBI Act. It was observed that despite receipt of all the aforesaid summons, Noticee 26 did not respond. Therefore, it is alleged that Noticee 26 had violated the section 11C(3) read with 11C(2) of the SEBI Act.

7. The allegations SCNs levelled in the SCNs with respect to Noticee nos. 22 to 25 are summarized hereunder:

7.1. With regard to preferential allotment dated February 26, 2009 to 45 non-promoter entities by Company, during the course of investigation, to examine the preferential allotment process, with respect to funding by Company to preferential allottees, if any, summons were sent to Noticee nos. 22 to 25 on January 03, 2020 to furnish the following information.

(a) Details of bank account from which the following payments to Company towards preferential allotment of shares were made along with copy of bank statement duly highlighting the said transactions (i) Rs 17,00,000 by Noticee 22; (ii) Rs 8,50,000 by Noticee 23; (iv) Rs 8,50,000 by Noticee 24; and (v) Rs 8,50,000 by Noticee 25. The details of bank account may be provided in the following format:

Account holder's name	Bank account number	Name of the Bank	Bank Branch

(b) In case payment for preferential shares was not made from own account, state relationship with the person/entity who had made payment to Company on its behalf.

(c) Specify the source of funds for purchase of preferential shares (*i.e,* own funds / funds from family members of relatives / loan from financial institution etc.,). If loans from any financial institution/company was obtained, provide copy of loan agreement.

(d) In case payment for preferential shares was not made from its own funds, provide details of the person/company/entity from whom it had received/borrowed the money in the following format.

Full name of the person / company / entity	PAN	Address (including email ID)	Your relationship with the person / company / entity	Amount received / borrowed	Bank account number	Name of the Bank

7.2. It was observed that Noticee nos. 22 to 25 despite receipt of the summons did not furnish the information sought. Further, two reminder summons dated January 21, 2020 and January 30, 2020 were served on them to furnish the information sought in the original summons dated January 03, 2020. Noticee nos. 22 to 25 were informed in all the summons that if they fail to provide the documents sought therein, SEBI may initiate adjudication proceedings against them under section 15 of the SEBI Act and criminal prosecution may also be launched against them under section 11(C)(6) of SEBI Act. It was observed that despite receipt of the aforesaid summons, Noticee nos. 22 to 25 failed to respond.

8. The details of replies received by Noticees and hearing provided to them is tabulated below:

Noticee	**Details of 1st hearing opportunity and status**	**Details of 2nd hearing opportunity and status**	**Reply received**
JMD Telefilms Industries Ltd. (Noticee 1)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 06, 2022.	*Vide* email on June 21, 2022, the request of Noticee 1 was accepted, and the hearing was rescheduled to July 04, 2022. The said email was delivered. Authorized representative (hereinafter referred to as "**AR**") availed the hearing and reiterated the submissions made *vide* email	Yes. Reply sent *vide* emails on July 02, 2022, July 22, 2022 and July 25, 2022 and letter dated July 21, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	Vide email sent on June 21, 2022, Noticee 1 informed its inability to attend the hearing due to non-availability of directors and requested for adjournment of 4 weeks.	sent on July 02, 2022. The AR requested for time till July 10, 2022 to make additional submissions which was acceded to.	
Kailash Prasad Purohit (Noticee 2)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 2 informed his inability to attend the hearing and requested for adjournment of 4 weeks citing health reasons.	*Vide* email sent on June 21, 2022, the said request was accepted, and the hearing was rescheduled to July 04, 2022. The said email was delivered, however, Noticee 2 did not avail this hearing. *Vide* email sent on July 19, 2022, Noticee 2 was granted another opportunity of hearing on July 25, 2022, which was delivered. Noticee 2 did not avail this hearing.	Yes. Received *vide* email sent on July 07, 2022.
Jagadish Prasad Purohit (Noticee 3)	*Vide* notice in Times of India, Pratahkal and Lokmat published in Mumbai and Thane on June 17, 2022, Noticee 3 was informed that SCN could not be delivered at his last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 3 was granted hearing opportunity on June 21, 2022. *Vide* letter dated June 20, 2022, Noticee 3 informed that he has not	*Vide* email sent on June 22, 2022 at jagdishpurohit@hotmail.com, Noticee 3 was provided a hearing opportunity on July 07, 2022, which was delivered. Noticee 3 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 3 was granted another opportunity of hearing on July 18, 2022, which was delivered. Noticee 3 did not avail this hearing.	Yes. Received *vide* email sent on July 07, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	received the SCN and that the SCN along with the annexures be sent to him so that he can submit his reply, and that he will appear for the hearing post submitting his reply.		
Pravin Tukaram Sawant (Noticee 4)	*Vide* notice in Times of India, Pratahkal and Lokmat published on June 17, 2022 in Mumbai and Thane, Noticee 4 was informed that SCN could not be delivered at his last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 4 was granted hearing opportunity on June 21, 2022. *Vide* email sent on June 21, 2022, Noticee 4 requested for SCN and annexures and stated that he would avail hearing opportunity post filing his reply.	*Vide* email sent on June 22, 2022 at pravintsawant@yahoo.co.in, Noticee 4 was provided a hearing opportunity on July 07, 2022 along with copy of SCN and annexures, which was delivered. Noticee 3 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 4 was granted another opportunity of hearing on July 19, 2022, which was delivered. Noticee 4 did not avail this hearing.	Yes. Received *vide* email sent on July 07, 2022.
Renuka Trust (Noticee 5)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 5	*Vide* email sent on June 21, 2022, the request of Noticee 5 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 5 did not avail this hearing. *Vide* email sent on July 25, 2022, another hearing opportunity was given on August 03, 2022. The said email was delivered,	Yes. Reply received *vide* email sent on July 15, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	expressed its inability to attend the hearing due to non-availability of trustee and requested for adjournment of four weeks.	however, Noticee 5 did not avail this hearing.	
Saurabh Family Trust (Noticee 6)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 6 expressed its inability to attend the hearing due to non-availability of trustee and requested for adjournment of four weeks.	*Vide* email sent on June 21, 2022, the request of Noticee 6 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 6 did not avail this hearing. *Vide* email sent on July 19, 2022, another hearing opportunity was granted on July 26, 2022. The said email was delivered, however, Noticee 6 did not avail this hearing.	Yes. Reply received *vide* email sent on July 15, 2022.
Priyanka Trust (Noticee 7)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* letter dated June 17, 2022, Noticee 7 expressed its inability to attend the hearing due to non-availability of trustee and requested for adjournment of four weeks.	*Vide* letter dated June 30, 2022, the request of Noticee 7 was acceded to and the hearing was rescheduled to July 12, 2022. Noticee 7 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 7 waived the hearing opportunity granted.	Yes. Reply received *vide* email sent on July 15, 2022.
Madhav Trust (Noticee 8)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June	*Vide* letter dated June 30, 2022, the request of Noticee 8 was acceded to and the hearing was rescheduled to	Yes. Reply received *vide* email sent on July 15, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	22, 2022. The said notice was delivered on June 08, 2022. *Vide* letter dated June 17, 2022, Noticee 8 expressed its inability to attend the hearing due to non-availability of trustee and requested for adjournment of four weeks.	July 12, 2022. Noticee 8 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 8 waived the hearing opportunity granted.	
Adarsh Trust (Noticee 9)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 9 expressed its inability to attend the hearing due to non-availability of trustee and requested for adjournment of four weeks.	*Vide* email sent on June 21, 2022, the request of Noticee 9 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 9 did not avail this hearing. *Vide* email sent on July 19, 2022, another hearing opportunity was granted on July 27, 2022. The said email was delivered, however, Noticee 9 did not avail this hearing.	Yes. Reply received *vide* email sent on July 15, 2022.
Unisys Software & Holding Industries Ltd. (Noticee 10)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 07, 2022. *Vide* email sent on June 21, 2022, Noticee 10 expressed its inability to attend the hearing due to non-availability of its directors and requested for	On June 21, 2022 *vide* email, the request of Noticee 10 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 10 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 10 waived the hearing opportunity granted.	Yes. Reply received *vide* email sent on July 21, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	adjournment of four weeks.		
JMD Sounds Ltd. (Noticee 11)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 22, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 11 expressed its inability to attend the hearing due to non-availability of its directors and requested for adjournment of four weeks.	*Vide* email sent on June 21, 2022, the request of Noticee 11 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 11 did not avail this hearing. *Vide* email sent on July 12, 2022, Noticee 11 waived the hearing opportunity granted.	Yes. Reply received *vide* email sent on July 21, 2022.
Matrix Systel Pvt. Ltd. (Noticee 12)	*Vide* notice in Times of India, Pratahkal and Lokmat published on June 17, 2022 in Mumbai and Thane, Noticee 12 was informed that SCN could not be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 12 was granted hearing opportunity on June 21, 2022. *Vide* letter dated June 20, 2022, Noticee 12 requested for SCN and annexures and stated that it would avail hearing opportunity post filing its reply.	*Vide* letter dated June 30, 2022, Noticee 12 was granted hearing opportunity on July 12, 2022 along with copy of SCN and annexures. The said letter was delivered on July 06, 2022. Noticee 12 did not avail this hearing. *Vide* email sent on July 19, 2022, another hearing opportunity was granted to Noticee 12 on July 28, 2022, which was delivered, however, Noticee 12 did not avail this hearing.	Yes. Reply received *vide* email sent on July 16, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
Rigmadirappa Investment Pvt. Ltd. (Noticee 13)	*Vide* notice in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra published on July 07, 2022 in Kolkata, Noticee 13 was informed that SCN could not be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 13 was granted hearing opportunity on July 14, 2022. Noticee 13 did not avail this hearing.	*Vide* letter dated August 19, 2022, another hearing opportunity was granted to Noticee 13 on September 01, 2022, which was delivered. *Vide* email sent on August 23, 2022, Noticee 13 informed that it does not wish to attend the aforesaid hearing opportunity granted.	Yes. Reply received *vide* letter dated July 18, 2022.
Nirnidhi Consultant Pvt. Ltd. (Noticee 14)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 23, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 14 expressed its inability to attend the hearing due to non-availability of its directors and requested for adjournment of four weeks.	*Vide* email sent on June 21, 2022, the request of Noticee 14 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 14 did not avail this hearing. *Vide* email sent on August 17, 2022, Noticee 14 was granted another hearing opportunity on August 24, 2022, which was not availed by it despite delivery of the email.	Yes. Reply received *vide* email sent on August 02, 2022.
Allbright Electricals Pvt. Ltd. (Noticee 15)	*Vide* notice in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra published on July 07, 2022 in Kolkata, Noticee 15 was informed that SCN could not be delivered at its	--	No.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 15 was granted hearing opportunity on July 14, 2022. Noticee 15 did not avail the said hearing opportunity.		
Warner Multimedia Ltd. (Noticee 16)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 23, 2022. The said notice was delivered on June 08, 2022. *Vide* email sent on June 21, 2022, Noticee 16 expressed its inability to attend the hearing due to non-availability of its directors and requested for adjournment of three weeks.	*Vide* email sent on June 21, 2022, the request of Noticee 16 was acceded to and the hearing was rescheduled to July 04, 2022. Noticee 16 did not avail this hearing. *Vide* email sent on July 29, 2022, another hearing opportunity was granted on August 09, 2022, which was not availed by Noticee 16, despite the email being delivered.	Yes. Reply received *vide* email sent on July 28, 2022.
Blazer Venture Pvt. Ltd. (Noticee 17)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted to Noticee 17 on June 23, 2022. The said notice returned undelivered. Thereafter, *vide* notice in Times of India, Pratahkal and Lokmat published on June 17, 2022 in Mumbai and Thane, Noticee 17 was informed that SCN could not be delivered at its last	*Vide* hearing notice dated September 14, 2022, another hearing opportunity was given to Noticee 17 on September 23, 2022. *Vide* email on September 23, 2022, Noticee 17 requested for adjournment and copy of SCN and annexures. Copy of SCN and annexures were provided *vide* email on September 25, 2022 and the hearing opportunity granted above was rescheduled to September 27, 2022. Noticee 17 did not avail this hearing opportunity as well.	Yes. Reply received *vide* email sent on September 27, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 17 was granted hearing opportunity on June 21, 2022. *Vide* letter dated June 17, 2022, Noticee 17 informed that it would be unable to attend the hearing scheduled on June 23, 2022 due to non-availability of its directors and requested for adjournment of three weeks.		
Natraj Vinimay Ltd. (Noticee 18)	*Vide* notice in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra published on July 07, 2022 in Kolkata, Noticee 18 was informed that SCN could not be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 18 was granted hearing opportunity on July 14, 2022.	*Vide* email sent on August 17, 2022, another hearing opportunity was granted on August 24, 2022, which was not availed by Noticee 18 despite the email being delivered.	Yes. Received *vide* email sent on August 02, 2022.
Ranisati Distributors Pvt. Ltd. (Noticee 19)	*Vide* notice in Times of India, Rajasthan Patrika and Ei Samay Sangbadpatra published on July 07, 2022 in Kolkata, Noticee 19 was informed that SCN could not	*Vide* letter dated August 19, 2022, another hearing opportunity was given on September 01, 2022. The said notice returned undelivered even though it was sent at the same address from which its reply was received.	Yes. Received *vide* letter dated July 28, 2022.

Noticee	**Details of 1st hearing opportunity and status**	**Details of 2nd hearing opportunity and status**	**Reply received**
	be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 19 was granted hearing opportunity on July 14, 2022. Noticee 19 did not avail this hearing.	*Vide* hearing notice dated September 14, 2022, another hearing opportunity was given to Noticee 19 on September 26, 2022. *Vide* email on September 23, 2022, Noticee 19 requested for adjournment and copy of SCN and annexures. Copy of SCN and annexures were provided *vide* email on September 25, 2022 and the hearing opportunity granted above was rescheduled to September 27, 2022. Noticee 19 did not avail this hearing opportunity as well.	
Prime Capital Market. Ltd. (Noticee 20)	*Vide* notice in Times of India, Sanmarg and Samaj published on July 07, 2022 in Bhubaneshwar, Noticee 20 was informed that SCN could not be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 20 was granted hearing opportunity on July 14, 2022. Noticee 20 did not avail this hearing.	*Vide* email sent on July 29, 2022, another hearing opportunity was given on August 10, 2022. Noticee 20 did not avail this hearing.	Yes. Received *vide* email sent on July 28, 2022.
Vibhuti Multitrade Pvt. Ltd. (Noticee 21)	*Vide* hearing notice dated May 31, 2022, which was delivered on June 11, 2022, hearing opportunity was granted on June 23, 2022. In the said hearing, AR of Noticee 21 reiterated the submissions made *vide* email sent on	--	Yes. Received *vide* emails sent on November 19, 2021 and June 24, 2022.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	November 19, 2021 and requested for time till June 27, 2022 to make additional submissions which was acceded to.		
Dinesh Kumar Parasrampuria (Noticee 22)	*Vide* notice in Times of India, and Rajasthan Patrika published on June 17, 2022 in Jaipur, Noticee 22 was informed that SCN could not be delivered at his last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 22 was granted hearing opportunity on June 22, 2022. Noticee 22 did not avail this hearing.	--	No.
Devender Kumar Jain & Raj Kumar Kedia (Noticee 23)	*Vide* notice in Hindustan Times and Dainik Jagran published on June 17, 2022 in Delhi, Noticee 23 was informed that SCN could not be delivered at his last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 23 was granted hearing opportunity on June 21, 2022. Noticee 23 did not avail this hearing.	--	No.
Nirmal Jain (Noticee 24)	*Vide* notice in Hindustan Times and Dainik Jagran published on June 17, 2022 in Delhi,	--	No.

Noticee	Details of 1st hearing opportunity and status	Details of 2nd hearing opportunity and status	Reply received
	Noticee 24 was informed that SCN could not be delivered at his last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 24 was granted hearing opportunity on June 21, 2022. Noticee 24 did not avail this hearing.		
D K Jain & Sons HUF (Noticee 25)	*Vide* notice in Hindustan Times and Dainik Jagran published on June 17, 2022 in Delhi, Noticee 25 was informed that SCN could not be delivered at its last known address and that the same is available on the SEBI website. Further, *vide* the aforesaid notice, Noticee 25 was granted hearing opportunity on June 21, 2022. Noticee 25 did not avail this hearing.	--	No.
Madhav Vinyas (Noticee 26)	*Vide* hearing notice dated May 31, 2022, hearing opportunity was granted on June 23, 2022. The said notice was delivered on June 08, 2022. Noticee 26 did not avail this hearing.	*Vide* email sent on June 21, 2022, Noticee 26 requested for adjournment which was granted on the same day and the hearing was rescheduled to July 04, 2022. Noticee 26 did not avail this hearing. *Vide* email sent on August 17, 2022, another hearing opportunity was granted on August 24, 2022. The said email was delivered, however, Noticee 26 did not avail this hearing.	Yes. Reply received *vide* letter dated July 31, 2022.

9. The replies received from Noticees are summarized/reproduced below:

9.1. Reply of Noticee 1 is summarized hereunder:

9.1.1. Noticee 1 has denied all allegations levelled in the SCN.

9.1.2. The alleged violations in the SCN relate to the preferential allotment made by the Company 2011. The SCN has been issued on October 27, 2020 (*i.e.*, almost 10 years after the impugned transaction). The aforesaid inordinate delay has severely prejudiced Noticee 1 and has not been explained by SEBI. On this ground alone, the SCN needs to be dropped *qua* Noticee 1. The authority is required to exercise its powers within a reasonable period, which has not been done by SEBI.

9.1.3. In support of the above, Noticee 1 has placed reliance on the following orders passed by Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**"):

(i) Ashlesh Gunvantbhai Shah vs. SEBI, (Appeal No. 169 of 2019), decision dated January 31, 2020.

(ii) Parag Sarda vs. SEBI, (Appeal no 279 of 2020), decision dated November 12, 2020.

(iii) Morepan Laboratories Limited, (Appeal No 62 of 2020), decision dated April 15, 2021.

9.1.4. Noticee 1 had not arranged for funding of the preferential allottees as alleged. Further, it had not partially funded certain entities for subscribing to the preferential allotment. The allegation proceeds on specious and extraneous grounds, disregarding the material circumstances.

9.1.5. Based on the alleged connections, acts of other persons/entities, their fund transfers *etc*. cannot be fastened on to Noticee 1 or any adverse inference can be drawn. Merely because of stray cases of common directorship, normal relationships have been unduly stretched in order to somehow bunch Noticee 1 with other entities and attribute their actions/knowledge to Noticee 1, which is legally untenable and unsustainable. Merely because few entities are connected, cannot lead to an automatic inference that they are acting in concert, without any supporting material signifying concerted actions/ complicity. In this regard, Noticee 1 has relied on the order passed by Hon'ble SAT in the matter of Smitaben N. Shah vs. Securities and Exchange Board of India, (Appeal No. 37 of 2010), decision dated July 30, 2010.

9.1.6. All the corporate actions taken by Noticee 1 *viz.* preferential issues, split of shares etc) were undertaken by it *bonafide* dehors sinister intent or design in the ordinary course of business, by seeking requisite approvals, complying with the applicable provisions of law and after making proper disclosures. Further, all the events were in public domain and nobody had raised any queries or objections *qua* the same. Funds raised by Noticee 1 through preferential allotments were utilised for benefit of the Company and its shareholders.

9.1.7. Connection between Noticee 1 and Noticee nos. 12, 14, 15 and 16:

(i) Neither having common director with Noticee nos. 12, 14, and 16 has any relevance nor director of Noticee 15 being a relative of Noticee 3 has any relevance.

(ii) There is nothing on record in the SCN to substantiate the allegation that the Company and Noticee nos. 12, 14, 15, and 16 have acted in concert.

(iii) There was no fund transaction between Noticee 1 and Noticee nos. 14 and 16 during the relevant time. The alleged transaction with Noticee nos. 12 and 15 was in the ordinary course of its business.

(iv) Noticee 4 is also a director in various companies during the relevant time. The same would be evident from the details obtained from MCA website submitted as annexure to reply. Noticee 3 (Jagdish Purohit) is also a director in various companies during the relevant time. The same would be evident from the details obtained from MCA website submitted as annexure to reply. During the relevant time Noticee 2 (Kailash Purohit) was director in various other companies. The same would be evident from the details obtained from MCA website submitted as annexure to reply. Based on the common directorship with Noticee nos. 12, 14 and 16, no adverse inference can be drawn against it.

9.1.8. Connection between Noticee 1 and Noticee 21: It is SEBI's own case that Noticee 4 resigned from Noticee 21 much prior to the preferential allotment. Based on some common directorship prior to the allotment, no adverse inference can be drawn against Noticee 1.

9.1.9. Observations with respect to funding by the Company to the preferential allottees before allotment: It is denied that Noticee 1 had given financial assistance to the preferential allottees *i.e.,* Noticee nos. 5 to 11 indirectly through Noticee nos. 12 to 21 prior to the allotment. The said observation is based on misconstruing the financial transactions between Noticee 1 and other entities. The allegations are based on half-baked examination of facts and are completely contrary to factual position

9.1.10. Fund transfer between Noticee 1 and Noticee 12 on January 07, 2011:

(i) Noticee 1 had fund transfers with Noticee 12 prior to and post the preferential allotment. Fund transfer by Noticee 1 to Noticee 12 of Rs 2.69 crores on January 07, 2011 was in context of purchase of shares as a part of investment activities and business operations wherein Noticee 12 agreed to arrange the purchase of shares of an unlisted company to Noticee 1. Based on the same, Noticee 1 transferred an amount of Rs.1. 39 crores on the aforesaid date as consideration money to Noticee 12. Despite prolonged negotiations the deal did not go through and hence the advance money was refunded by Noticee 12 to Noticee 1 within 1 month beginning from February 17, 2011. The same is evident from ledger statements and bank statements provided as annexure to reply. The return of the said amount by Noticee 12 is also evidenced by its bank statement annexed. Noticee 1 had regular fund transactions with Noticee 12 during the relevant period. The same is evident from the bank statements and ledger statements prior to and during the Investigation Period enclosed. Noticee 1 has also furnished certificate from auditor certifying the payment of the amounts by Noticee 1 to Noticee 12 was towards advance for purchase of shares, on January 07, 2011 and January 18, 2011 and subsequent repayment of the said amount was a part of investment activities and business operations.

(ii) Based on the above it cannot be concluded that Noticee 12 had received funds from Noticee 1 to pass on to Noticee 13 who in turn passed it to Noticee 11. It is not SEBI's case that Noticee 1 was in management or control of affairs of Noticee nos. 12 or 13. There is no allegation in the SCN that alleged transfer of funds by Noticee 12 to Noticee 13 was on behalf of Noticee 1 or its behest. Noticee 1 cannot be burdened with consequence of fund transfers with other entities where it had no role to play.

(iii) It has not been demonstrated as to how the amount of Rs. 1.39 crores given by the Company to Noticee 12 can be construed as financial assistance. Noticee 12 had returned the said amount to Noticee 1. Had this amount been towards providing financial assistance, to the preferential allottees as alleged, there should have been no occasion for Noticee 12 to transfer the said amount back to the Company. The aforesaid facts also completely destroy the theory of alleged providing of financial assistance by the Company to Noticee 11. The allegation of indirect funding *qua* Company has been made only with respect to the amount of Rs. 1.39 crores (being Rs 1.39 crores transferred to Noticee 12 on January 11, 2011 by the Company). Regarding the balance amount of Rs. 1.46 crores, same has been left hanging but nevertheless sweepingly and inexplicably insinuation has been made that the entire Rs 2.85 crores was provided as financial assistance.

9.1.11. Fund transfer between Noticee nos. 12 and 13 and Noticee nos. 11 and 13 on January 07, 2011: With respect to fund transfers on January 07, 2011 between Noticee nos. 12 and 13 and Noticee nos. 11 and 13, Noticee 1 is not aware of the said fund transfers and based on the same no adverse inference can be drawn against it. There is nothing in the SCN to suggest that Noticee 1 was aware of the fund transactions between Noticee nos. 12 and 13 or 11 and 13 or that said fund transactions were at its behest. During the relevant time, there were no fund transactions between Noticee 1 and Noticee 13.

9.1.12. Fund transfer between Noticee nos. 1 and 11 on January 07, 2011: Funds received by Noticee 1 on January 07, 2011 *i.e.,* Rs. 2.85 crores from Noticee 11 was in context of receipt of preferential allotment wherein it had received the allotment amount from the respective bank account of the allottees *i.e.,* Noticee 11. Strangely, the said fund transactions have been unnecessarily linked with the fund transfers between Noticee 11 and other entities *viz*. Noticee nos. 12, 13, 14 of which it had no knowledge or awareness or any kind of control.

9.1.13. Fund transfer between Noticee nos. 14 and 11 on January 07, 2011

(i) With respect to fund transfers on January 07, 2011 between Noticee nos. 14 and 11, Noticee 1 is not aware of the said fund transfer and based on the same no adverse inference can be drawn against it. There is nothing in the SCN to suggest that it was aware of the fund transactions between Noticee nos. 14 and 11 or that said fund transactions were at its behest. During the relevant time, there were no fund transactions between Noticee 1 and 14. It is not SEBI's case that Noticee 1 was in management or control of affairs of Noticee 14. Noticee 1 has also furnished an auditors certificate certifying that during the relevant time, it had no fund transaction with Noticee 14.

(ii) Based on the common directorship of Noticee 3 (Jagdish Prasad Purohit) who is also a director at Noticee 14 and Noticee 4 (Pravin Tukaram Sawant) who is also a director at Noticee 12, no adverse inference can be drawn against Noticee 1. Insofar as fund transfer to Noticee 12 is concerned, the same was used towards purchase of shares. Based on the genuine commercial transactions between Noticee 1 and Noticee 12, it cannot be alleged that Noticee 1 was funding preferential allotments through Noticee 12.

(iii) Noticee 1 has not funded Noticee 11 (JMD Sounds Ltd.) for subscribing the preferential allotment. If Noticee 1 were to fund the preferential allotment of Noticee 11, through Noticee 12, why would it fund only an amount of Rs. 1.39 crores against the amount of Rs. 2.85 crores. Noticee 1 denies that any funds were transferred by it to the preferential allottees indirectly through Noticee nos. 12 and 14 as alleged.

9.1.14. <u>Fund transfer between Noticee nos. 1 and 10 on January 06, 2011 and January 08, 2011:</u>

(i) The allegation that Noticee 1 had partially funded Noticee 10 to the extent of Rs. 4 crores and Rs. 7.40 crores for the preferential allotment is based on misconstruing the financial transactions between Noticee 1 and other entities. The allegations are based on halfbaked examination of facts and are completely contrary to factual position.

(ii) Funds received by Noticee 1 on January 06, 2011 (Rs. 8 crores) and January 08, 2011 (Rs. 3.4 crores) *i.e.,* Rs. 11.4 Crores from Noticee 10 was in context of receipt of preferential allotment wherein it had received the allotment amount from the respective bank account of Noticee 10. Strangely, the said fund transactions have been unnecessarily linked with the fund transfers between Noticee 10 and other entities *i.e.,* Noticee nos. 15 to 20 of which Noticee 1 had no knowledge or awareness or any kind of control.

9.1.15. <u>Fund transfer between Noticee 10 and Noticee nos. 15 to 20 on January 06, 2011 and January 08, 2011</u>

(i) With respect to fund transfers on January 06, 2011 and January 08, 2011 between Noticee 10 and Noticee nos. 15 to 20, Noticee 1 was not aware of the said fund transfer and based on the same no adverse inference can be drawn against it. There is nothing in the SCN to suggest that it was aware of the fund transactions between Noticee 10 and Noticee nos. 15 to 20 or that said fund transactions were at its behest.

(ii) Noticee 1 had nothing to do with the alleged fund transfers by Noticee 15 (through Noticee nos. 16 and 17) to Noticee 10 or the fund transfers by Noticee 14 (through Noticee nos. 18 to 20) to Noticee 10, and it was not aware of the same. SCN does not suggest that Noticee 1 was in management or control of affairs of Noticee nos. 15 to 20.

(iii) Prior to the 2011 Preferential Allotment, Noticee 1 did not have any fund transactions with any of the alleged connected entities *i.e,* Noticee nos. 13 to 20 during the period from January 01, 2010 to January 31, 2011, the same is evidenced by its bank statements for the period provided as annexure to the reply. Further, an auditors certificate certifying that during the relevant time it had no fund transaction with the alleged connected entities has also been provided. There is nothing in the SCN to demonstrate that the alleged transaction between the aforesaid entities were at its behest or on its behalf. In support of the above, Noticee 1 has relied upon the decision of Hon’ble SAT in Mr. Babubhai Desai. vs. SEBI (Appeal No. 81 of 2014), order dated February 15, 2016.

9.1.16. <u>Fund transfer between Noticee 1 and Noticee 21 on January 07, 2011</u>

(i) Fund transfer by Noticee 1 and Noticee 21 on January 07, 2011 was in context of refund of loan amount that was taken from Noticee 21 earlier. The same is evident from its ledger statements and bank statements enclosed as annexures to reply. Noticee 1 had regular fund transactions with Notice 21 during the relevant period. The copy of the bank statements and ledger statements evidencing the financial transactions with Noticee 21 prior to and during the Investigation Period is enclosed.

(ii) The amount of Rs 7 crores (transferred on January 11, 2011) was given by Noticee 1 to Noticee 21, towards repayment of outstanding amount. The details regarding transactions with Noticee 21 are also tabulated below:

Period	**Opening Balance**	**Dr. during the year**	**Cr. during the ear**	**Closing balance**
01/04/2009 to 31/03/2010	Nil	10,00,000	10,00,000	Nil
As on 10/01/2011	11,160,000			61,60,000
01/04/2011 to 31/03/2012	500,000	38,600,000	70,000,000	31,900,000
1/4/2012 to 31/03/2013	31,900,000	36,750,000	35,900,000	32,750,000

(iii) The details in the aforesaid table clearly shows that there were frequent fund transactions between Noticee 1 and Noticee 21 in the ordinary course of business where credits and debits were fluctuating from time to time.

(iv) From the ledger statement for the FY 2010-11 (enclosed with the SCN and has been relied upon by SEBI) it would be evident that, Noticee 1 as on January 11, 2011 had to repay an amount of Rs. 11,160,000 to Noticee 21 and at the end of the day the balance had come down to Rs. 61.60 lakhs consequent to certain fund transactions during the day. Therefore, it is reiterated that an amount of Rs. 7 crores paid by Noticee 1 was towards reducing the outstanding amount. Further, from the aforesaid ledger statement it is clear that as on January 11, 2011 there was an outstanding credit balance of Rs. 1.11 crores with Noticee 21 and the same day Noticee 1 had borrowed Rs. 6.5 crores from Noticee 21 and on the same day it had repaid Rs. 7 crores for reducing the outstanding amount. The theory of funding to Noticee 10 through Noticee 21 is destroyed when the amount of Rs 6.5 crores returned on the same day by Noticee 21 is taken into consideration along with the fact that its fund transaction with Noticee 21 happened on January 11, 2011 *i.e,* after the funds were transferred by preferential allottee Noticee 10 to it *i.e.,* on January 06, 2011.

(v) The transfer of funds to Noticee 21 was in the ordinary course of business which has been erroneously given the complexion of Noticee 21 providing funds to Noticee 10 for subscribing the preferential allotment made by Noticee 1. Further, by resorting to convoluted reasoning and twisted interpretation of bank entries of third parties (Noticee 21 and Noticee nos. 15 to 20), it has been alleged that Noticee 1 was funding Noticee 10. Based on the genuine financial transaction between Noticee nos. 1 and 21, wherein Noticee 1 had given money to Noticee 21 as loan repayment, it cannot be alleged that it had funded Noticee 10.

(vi) Noticee 1 had no control over the day-to-day operations of Noticee 21, in terms of their fund transfer to other entities *etc.* At the relevant time, Noticee 1 was not aware about the details of transfer of funds by Noticee 21 to other entities and the same was of no concern to it. Therefore, no adverse inference can be drawn against Noticee 1 on basis the fund transactions between Noticee nos. 10 and 21.

(vii) Further, the differences in the quantum of funds transferred (*viz.* Rs. 11.4 crores transferred to Noticee 1 by Noticee 10 towards the preferential allotment and Rs. 4 crores transferred by Noticee 21 to Noticee 10) have also not been explained or reconciled while levelling the allegations. The allegation of indirect funding has been made only with respect to Rs 4 crores (*i.e.,* the amount transferred by Noticee 21 to Noticee 10), the balance amount of Rs 3 crores has been left hanging and a sweeping allegation has been made that Rs 7.40 crores was funded by allegedly connected entities.

(viii) If Noticee 1 were to fund the preferential allotment of Noticee 10, through Noticee 21 why would it fund only an amount of Rs 7 crores against the amount of Rs. 11.4 crores. It is denied that any funds were transferred by Noticee 1 to the preferential allottees indirectly through Noticee 21 as alleged.

(ix) Based on the common directorship of Noticee 4 (Pravin Tukaram Sawant), who was also a director at Noticee 21, no adverse inference can be drawn against it. Insofar as fund transfer to Noticee 21 is concerned, the same was towards repayment of loan. Based on the genuine commercial transactions between Noticee 1 and Noticee 21, it cannot be alleged that it was funding preferential allottee Noticee 10. In any event, even as per the SCN, the common director Noticee 4 resigned from Noticee 21 much prior to the alleged transaction. It is denied that any funds were transferred by Noticee 1 to the preferential allottees indirectly through Noticee 21 and Noticee nos. 15 to 20 as alleged.

9.1.17. <u>Observations with respect to movement of funds to Noticees nos. 5 to 9</u>

(i) The allegation that Noticee 1 had indirectly funded Noticee nos. 5 to 9 to the extent of Rs 3.8 crores for the preferential allotment through Noticee 12 is based on misconstruing the financial transactions between it and other entities. The allegations are based on half-baked examination of facts and are completely contrary to factual position.

(ii) The preferential allottees *i.e,* Noticee nos. 5 to 11 had transferred the amount towards preferential allotment from their respective bank account, which is evidenced from its bank statements attached for the period January 05, 2011 to January 11, 2011. Further, the said preferential allottees did not have any fund transactions with Noticee 1 after the preferential allotment *i.e,* after January 11, 2011, which is supported by its attached bank statements for the period January 01, 2011 to January 31, 2012. An auditors certificate certifying that it had no fund transaction with the allottees post the allotment *i.e.,* from January

11, 2011 to March 31, 2013 is also annexed. Facts of the case are similar to the order passed by adjudicating officer in the matter of Voltaire Leasing Finance Limited bearing reference no. Order/GG/VP/2021-22/15609-15620 dated March 28, 2022. Noticee 1 has received the entire preferential allotment consideration from the preferential allottees and there has been complete capital infusion.

(iii) Without prejudice, even if it is assumed that the preferential allottees have been funded by connected entities, then also there is no violation of SEBI Act or PFUTP Regulations, as there is no embargo in law on any connected entity to Noticee 1 to provide its own personal funds to others to subscribe the shares of Noticee 1. Embargo is restricted to Noticee 1 alone and not its connected entities, unless it is shown that funds with the alleged conduit entities are funds transferred by Noticee 1 itself which has not been shown in the present matter. Further, there is no allegation in the SCN that the funds held by the connected entities are in fact funds belonging to Noticee 1. It is not SEBI's case that the funds held by Noticee nos. 12 and 21 transferred to preferential allottees were funds belonging to Noticee 1. Noticee 1's transactions with Noticee nos. 12 and 21 were going on for long and the alleged funding happened on January 11, 2011 and January 18, 2011. Reliance is placed on the order passed by adjudicating officer in the matter of Tilak Finance Limited dated July 30, 2021 bearing order number Order/MC/HP/2021-2022/12813-12829.

9.1.18. <u>Fund transfers received by Noticee 1 from Noticee nos. 5 to 9 on January 07, 2011 and January 08, 2011:</u> Funds received by Noticee 1 on January 07, 2011 from Noticees nos. 5 to 8 and funds received by it on January 08, 2011 from Noticee 9 was in the context of receipt of preferential allotment wherein it had received the allotment amount from the respective bank account of the allottees, *i.e.,* Noticees No. 5 to 9. Strangely, the said fund transactions have been unnecessarily linked with the fund transactions between Noticee nos. 5 to 9 and Noticee 12 of which it has no knowledge or awareness or any kind of control.

9.1.19. Fund transfers between Noticee 12 and other entities on January 07, 2011 and January 08, 2011: With respect to the fund transfers on January 07, 2011 and January 08, 2011 between Noticee 14, Noticee 15, Gulistan Vanijya Pvt. Ltd. and Noticee 12, along with transfers between Noticee 12 and Noticees nos. 5 to 11 on January 07, 2011 and January 08, 2011, Noticee 1 is not aware of the said fund transfers and based on the same no adverse inference can be drawn against it. There is nothing in the SCN to suggest that Noticee 1 was aware of the fund transactions between Noticee 12 and the aforementioned entities or that the said transactions were at its behest. It is not SEBI's case that Noticee 1 was in control or management of Noticee 12. Fund transaction of Noticee 1 with Noticee 12 of Rs 1.3 crores took place on January 18, 2011, which was after Noticee 1 had received funds on January 07, 2011 and January 08, 2011 from preferential allottees. Therefore, funds transferred by Noticee 12 to preferential allottees on January 07, 2011 and January 08, 2011 were not funds of Noticee 1.

9.1.20. Fund transfers between Noticee 1 and Noticee 12 on January 11, 2011

(i) Noticee 1 had received funds from Noticees nos. 5 to 11 in respect of the preferential allotment done on January 11, 2011. Based on its genuine fund transaction with Noticee nos. 5 to 11, no adverse inference can be drawn against it.

(ii) Noticee 1 had received funds amounting to a total of Rs 19 crores during January 06, 2011 to January 08 2011 for the preferential allotment dated January 11, 2011. Out of the said amount, Rs 14 crores was transferred to Shree Metaliks Ltd., Noticee 21, Microchip Infotel Pvt. Ltd., Avani Projects and Infrastructure Ltd. There is no allegation that Noticee 1 had mis-utilized the allotment money in any manner. The said transactions with these entities were in pursuance of ordinary and genuine business transaction.

(iii) Noticee 21 carried out fund transactions with other entities namely, Noticee 12, Noticee 10 and Noticee 20 pursuant to receipt of funds from

Noticee 1 on January 11, 2011, based on the same no adverse inference can be drawn against it. The context and rationale for the said transactions have been provided above. The fund transaction with Noticee 21 does not indicate partial funding to allottees as alleged. The alleged transactions are genuine and were in the normal course of business. The subsequent fund transactions by Noticee 21 are outside the knowledge, awareness and control of Noticee 1. There is nothing in the SCN to suggest that Noticee 1 was aware of the fund transactions by Noticee 21 or that the said transactions were at its behest.

(iv) Shree Metaliks had carried out fund transactions with Noticee 14 pursuant to receipt of funds from Noticee 1 on January 10, 2011. Based on the same no adverse inference can be drawn against it. There is nothing in the SCN to suggest that Noticee 1 is aware of the fund transactions by Shree Metaliks or that the said transactions were at its behest.

(v) Three directors of the company, Noticee nos. 2, 3 and 4 were involved in the funding of preferential allottees. The said observation is based on alleged connections with various entities namely, Noticee nos. 12, 14, and 15. Reliance has been placed on instances of common directorship, control over bank accounts of other entities, and letters written by the Noticee nos. 1 and 2. These allegations of connections between Noticee 1 and the aforesaid entities have been independently dealt with above. There is nothing on record in the SCN on the basis of which such adverse inferences may be drawn. It is denied that the Company or any if its directors had directly or indirectly funded the preferential allottees.

(vi) Noticee 1 has not made any gains or derived unfair advantage, as a result of falsely alleged violations. There is nothing to indicate in SCN, that it has made any gains. It has also not caused any loss to the investors or group of investors.

9.1.21. The following mitigating factors should be considered:

(i) It is not alleged or the case that the alleged preferential allotment amounts were siphoned off or mis-utilised by Noticee 1.

(ii) There have been no investor complaints *etc.* against the Company. There are no allegations that the Company had tried to manipulate its share prices or indulged in any fraudulent practices pertaining to volume creation *etc.*

(iii) Due to the pandemic, business houses are facing severe operational constraints and existential threats, given the facts and circumstances of the case, it would be in the fitness of things and also in consonance with the well settled principles of proportionality and fairness, that no monetary penalty be imposed on the Company.

(iv) There has been undue delay in initiation of proceedings (*i.e.*, around 10 years). It is well settled now that *"undue delay is a mitigating factor which has to be considered while imposing a penalty under section 15J of the SEBI Act"*. In support of the above, Noticee 1 has relied on decision of Hon'ble SAT in Anita Jajodia vs. SEBI, Appeal No.30 of 2021, decision dated January 21, 2021. At this distance of time, no purpose would be served by penalizing the Company.

9.1.22. The allegation of indirectly funding the preferential allottee by Noticee 1, through Noticee nos. 12 and 13 is limited to Rs 1.14 crores. The allegation of funding the preferential allottee by allegedly related/connected entities, is limited to Rs 15.42 crores (Rs 1.71 crores by Noticee 14, Rs 5.16 crores by Noticee nos. 15 to 17, Rs 4.75 crores by Noticee nos. 14, 18 to 20, Rs 3.8 crores by Noticee 12).

9.2. Replies of Noticee nos. 2, 3 and 4 are summarized hereunder:

9.2.1 Noticee nos. 2,3 and 4 have raised similar arguments on delay in issuance of SCN and relied on same cases as Noticee 1 which has been summarized in paragraph 9.1.2 above.

9.2.2 Noticee 2 has denied that he has facilitated the funding of preferential allottees by virtue of him holding the position of director in Noticee 16 as alleged. Further, Noticee 2 was director in various companies as evident from the details obtained from MCA attached. Based on common directorship with Noticee 16, adverse inference cannot be drawn.

9.2.3 Noticee 3 has denied that he has facilitated the funding of preferential allottees by virtue of him holding the position of director in Noticee nos. 14 and 16 as alleged. Further, Noticee 3 was director in various companies as evident from the details obtained from MCA attached. Based on common directorship with Noticee nos. 14 and 16, adverse inference cannot be drawn.

9.2.4 Noticee 4 has denied that he has facilitated the funding of preferential allottees by virtue of him holding the position of director in Noticee 12 as alleged. Further, Noticee 4 was director in various companies as evident from the details obtained from MCA attached. Based on common directorship with Noticee 12, adverse inference cannot be drawn.

9.2.5 There is nothing in the SCN to show how funds were transferred to the allottees by Noticee 2 or on its behalf or its behest or how Noticee 1 and Noticee 16 have acted in concert. During the relevant time, there was no fund transaction between Noticee 1 and Noticee 16. There is nothing in the SCN to show how funds were transferred to the allottees by Noticee 3 or on its behalf or its behest or how Noticee 1 and Noticee nos. 14 and 16 have acted in concert. During the relevant time, there was no fund transaction between Noticee 1 and Noticee nos. 14 and 16. There is nothing in the SCN to show how funds were transferred to the allottees by Noticee 4 or on its behalf or its behest or how Noticee 1 and Noticee 12 have acted in concert. During the relevant time, there was no fund transaction between Noticee 1 and Noticee 12.

9.2.6 Noticee nos. 2,3 and 4 rely upon the submission made by Noticee 1 to state that they and the board of Noticee 1 have acted in best interests of Noticee 1 and its shareholders, in line with the legal provisions.

9.2.7 Noticee nos. 2, 3 and 4 have never indulged in any fraudulent practices relating to securities. Noticee 2 has not made any gains or derived any unfair advantage as a result of allegations. SCN does not suggest any gains. Noticee 2 has also not caused loss to any investor.

9.3. Noticee nos. 5 to 14, 17 to 20 and 26 have *inter alia* submitted that the alleged violations in the SCN relate to the preferential allotment made by the Company in the year 2011. The SCN has been issued on October 27, 2020 (*i.e.,* almost 10 years after the impugned transaction). The aforesaid inordinate delay has severely prejudiced them and has not been explained by SEBI. On this ground alone, the SCN needs to be dropped *qua* them. The authority is required to exercise its powers within a reasonable period, which has not been done by SEBI.

9.4. Replies of Noticee nos. 5 to 9 are summarized hereunder:

9.4.1 With respect to failure to disclose information about acquisition of shares of Noticee 1 as required under regulation 7(2) of Takeover Regulations, 1997, the alleged non-disclosure was unintentional, by mistake, and has not affected anybody's interest, including shareholders of Noticee 1. SCN also does not suggest that non-disclosure has actually impacted anyone's interest.

9.4.2 As regards to allegation of receiving funds from Noticee 1 *via* Noticee 12 for subscribing to shares of Noticee 1, funds were received from Noticee 12 in ordinary course of business amounting to Rs 71 lakhs by Noticee 5, Rs 118 lakhs by Noticee 6, Rs 71 lakhs by Noticee 7, Rs 70 lakhs by Noticee 8 and Rs 50 lakhs by Noticee 9. Noticee nos. 5 to 9 are not aware of any transactions that may have happened between Noticee 12 and other entities. SCN does not suggest that Noticee nos. 5 to 9 were aware of fund transactions between Noticee nos. 12 and 13 or if the said transactions were at their behest.

9.4.3 Noticee nos. 5 to 9 invested in the preferential allotment of Noticee 1 in normal course of business, for which Noticee 5 paid Rs 71.25 lakhs, Noticee 6 paid Rs 118.75 lakhs, Noticee 7 paid Rs 71.25 lakhs, Noticee 8 paid Rs 71.25 lakhs and Noticee 9 paid Rs 95 lakhs to Noticee 1 for which shares were transferred to it. The shares are still held by Noticee nos. 5 to 9.

9.5. Reply of Noticee 10 is summarized hereunder:

9.5.1 With respect to failure to disclose information about acquisition of shares of Noticee 1 as required under regulation 7(2) of Takeover Regulations, 1997, the alleged non-disclosure was unintentional, by mistake, and has not affected anybody's interest, including shareholders of Noticee 1. SCN also does not suggest that non-disclosure has actually impacted anyone's interest.

9.5.2 As regards to allegation of receiving funds from Noticee 1 *via* various entities for subscribing to shares of Noticee 1, funds received from (i) Noticee 15 amounting to Rs 66 lakhs on January 06, 2011 (ii) Noticee 16 amounting to Rs 2.08 crores on January 06, 2011; (iii) Noticee 17 amounting to Rs 25 lakhs on January 06, 2011; (iv) Noticee 18 amounting to Rs 2.20 crores on January 06, 2011; (v) Noticee 19 amounting to Rs 55 lakhs on January 06, 2011; (vi) Noticee 20 amounting to Rs 4.01 crores on January 06, 2011; (viii) Grafton Merchants Pvt. Ltd. amounting to Rs 155 lakhs on January 08, 2011 was in lieu of refund of application money which was paid for issue of shares of an unlisted company, which is evidenced from attached ledger and bank statements. Thus, the aforesaid transactions were executed in ordinary course of business.

9.5.3 Noticee 10 invested in the preferential allotment of Noticee 1 in normal course of business, for which Noticee 10 paid Rs 11.4 crores to Noticee 1 for which shares were transferred to it. The shares are still held by Noticee 10. The same is also evidenced by its ledger and bank statements.

9.6. Reply of Noticee 11 is summarized hereunder:

9.5.1 With respect to failure to disclose information about acquisition of shares of Noticee 1 as required under regulation 7(2) of Takeover Regulations, 1997, the alleged non-disclosure was unintentional, by mistake, and has not affected anybody's interest, including shareholders of Noticee 1. SCN also does not suggest that non-disclosure has actually impacted anyone's interest.

9.5.2 As regards to allegation of receiving funds from Noticee 1 via various entities for subscribing to shares of Noticee 1, funds received from (i) Noticee 13 amounting to Rs 1.14 crores on January 07, 2011; and (ii) Noticee 14 amounting to Rs 1.7 crores on January 06, 2011 was in lieu of sale of shares of an unlisted company, which is evidenced from attached ledger and bank statements. Noticee 11 had invested in the preferential allotment made by Noticee 1 in normal course of business, for which it had made a payment of Rs 2.85 crores to Noticee 1, in exchange of which shares were transferred to it and are currently held by it. The same is evidenced from the attached ledger and bank statements.

9.7. Reply of Noticee 12 is summarized hereunder:

9.7.1 One of the directors of Noticee 1, *i.e,* Noticee 4 was director of Noticee 12 as well during the preferential allotment of shares, however, this by itself, does not mean anything. SCN does not suggest that Noticee nos. 1 and 12 have acted in concert. The alleged transactions with Noticee 1 were in ordinary course of business. Noticee 4 was a director in various companies during the relevant time, which is evident from details obtained from MCA. Based on common director, adverse inference cannot be drawn.

9.7.2 Funds transferred by Noticee 1 to Noticee 12 on January 07, 2011 was in context of making an arrangement by Noticee 12 for purchase of shares of an unlisted company for Noticee 1, for which Noticee 12 received Rs 1.39 crores on the aforesaid date as consideration money. Despite prolonged negotiations, the deal did not go through, hence the advance money was refunded by Noticee 12 to Noticee 1 within 1 month beginning from February 17, 2011. The aforesaid is evident by its ledger statement and bank statement.

9.7.3 Noticee 12 had regular fund transactions with Noticee 1 prior to and during the Investigation Period, which is evident from its ledger and bank statements.

9.7.4 Noticee 12 had a fund transaction with Noticee 13 amounting to Rs 1.39 crores on January 07, 2011 against purchase of certain shares being (i) 15,000 shares of Noticee 15 at Rs 500 each totalling to Rs 75 lakhs; (ii) 50,000 shares of Bharosemand Commodities of Rs 100 each totalling to Rs 50 lakhs; and (iii) 1400 shares of Suvidha Securities at Rs 1000 each totalling to Rs 14 lakhs. The aforesaid transactions are reflected in its ledger statements, bank statements and its bills.

9.7.5 With respect to fund transfers on January 07, 2011 between Noticee nos. 11 and 13, Noticee 12 is not aware of the same. SCN does not suggest that Noticee 12 was aware of such transfers or that such transfers were at its behest. During the relevant time, there were no fund transfers between Noticee nos. 12 and 13.

9.7.6 Regarding the allegation of financing Noticee nos. 5 to 9 for preferential allotment by obtaining funds from Noticee nos. 14, 15, 21 and Gulistan Vanijya Pvt. Ltd., the following is submitted:

(i) Funds received from Noticee 14 on January 07, 2011 amounting to Rs 2 crores were in exchange of sale of (a) 1,00,000 shares of Tulsi Casting at Rs 100 each totalling to Rs 10,000,000; (b) 18,000 shares of Diyajyoti Steel Ltd. at Rs 500 amounting to Rs 90,00,000; (c) 12,000 shares of Jasmin Steel Trading Pvt. Ltd. at Rs 500 each amounting to Rs 60,00,000. The aforesaid is evidenced from ledger statements, bank statements and bills attached.

(ii) Funds received from Noticee 15 on January 07, 2011 amounting to Rs 1.3 crores were in exchange of sale of 1,70,000 shares of Anikesh Trading Pvt. Ltd. at Rs 100, which is evidenced from ledger statements, bank statements and bills attached.

(iii) Funds received from Noticee 21 on January 11, 2011 amounting to Rs 2.5 crores were in lieu of sale of shares to it. The deal did not go through and therefore the amount of Rs 2 crores was refunded to Noticee. The remaining amount was refunded in tranches of Rs 16 lakhs and Rs 34 lakhs (*i.e,* 34,000 shares of Microchip Infotel Pvt. Ltd. at Rs 100 totalling to Rs 34,00,000). The aforesaid transactions are evidenced from its ledger statements, bank statements and bills.

(iv) Fund received from Gulistan Vanijya Pvt. Ltd. on January 08, 2011 amounting to Rs 50 lakhs was in exchange of sale of 50,000 shares of Scorpio Fiscal Pvt. Ltd. at Rs 100 totalling to Rs 50,00,000, which is evidenced from attached ledger statements, bank statements and bills.

(v) Funds transferred to preferential allottees *i.e.,* Noticee nos. 5 to 9 on January 07, 2011 and January 08, 2011 were pursuant to ordinary and genuine business transaction.

(vi) Funds received from Noticee 1 on January 18, 2011 amounting to Rs 1.3 crores were in respect of sale of shares of an unlisted company, which is evidenced by its ledger statements, bank statements and bills.

9.8. Reply of Noticee 13 is summarized hereunder:

9.8.1 In the SCN, it has been alleged that Noticee 13 facilitated Noticee 1 in funding its preferential allottees based on (a) funds received by Noticee 13 from Noticee 12 on January 07, 2022 amounting to Rs 1.39 crores; and (b) funds transferred by Noticee 13 to Noticee 11 on January 07, 2011 amounting to Rs 1.14 crores. In respect of the above, the following is submitted:

(i) Funds received from Noticee 12 amounting to Rs 1.39 crores on January 01, 2011 were due to sale of certain shares being (a) 15,000 shares of Noticee 15 at Rs 500 totalling to Rs 75,00,000; (b) 50,000 shares of Bharosemand Commodities at Rs 100 totalling to Rs 50,00,000; (c) 1400 shares of Suvidha Securities at Rs 100 totalling to Rs 14,00,000. The aforesaid is evident from its ledger statements, bank statements and bills.

(ii) Funds transferred to Noticee 11 amounting to Rs 1.14 crores on January 07, 2011 was in lieu of purchase of shares *i.e.,* 1,00,000 shares of Jaiambe Cassets Pvt. Ltd. at Rs 100 each totalling to Rs 100,00,000 and 64,000 shares of Amber Tradecom Pvt. Ltd. at Rs 100 each totalling to Rs 64,00,000, which is evidenced from ledger statements and bills.

9.8.2 With respect to fund transfers on January 07, 2011 between Noticee nos. 1 and 11 and Noticee nos. 1 and 12, Noticee 13 was not aware of the same, and based on the same, no adverse inference can be drawn against it. SCN does not suggest that Noticee 13 was aware of the aforesaid transactions or they were at its behest.

9.9. Reply of Noticee 14 is summarized hereunder:

9.8.1 Regarding the allegations in the SCN, the following is submitted:

(i) Funds transferred by Noticee 14 to Noticee 11 amounting to Rs 1.7 crores on January 07, 2011 was towards part payment of purchase of 1,49,500 shares of Surya Alloy Industries Ltd. at Rs 200 per share totalling to Rs 2,99,99,000, which is evidenced from attached ledger statements, bank statements and bills.

(ii) Funds transferred by Noticee 14 to Noticee 19 amounting to Rs 0.55 crores on January 06, 2011 was for purchase of 1,55,000 shares of

Neha Cassettes Pvt. Ltd. The aforesaid is evidenced by attached ledger statements, bank statements and bills.

(iii) Funds transferred by Noticee 14 to Noticee 18 amounting to Rs 2.2 crores on January 06, 2011 was to purchase (a) 1,00,000 shares of Mandakini Distributors Pvt. Ltd. at Rs 100 each; (b) 34,000 shares of Select Infinlease Pvt. Ltd. at Rs 500 each; (c) 50,300 shares of Bayanwala Brothers Pvt. Ltd. at Rs 500 each; (d) 2,25,000 shares of Hiltop Sales Pvt. Ltd. at Rs 200; (e) 83,000 shares of Maasharda Tracom Pvt. Ltd. at Rs 100. The aforesaid is evidenced from attached ledger statements and bank statements.

(iv) Funds transferred by Noticee 14 to Noticee 20 amounting to Rs 2 crores on January 06, 2011 was in context of loan given to Noticee 20. The said loan is evidenced from attached ledger and bank statements.

(v) Funds transferred by Noticee 14 to Noticee 12 amounting to Rs 2 crores on January 06, 2011 was in context of purchase of (a) 1,00,000 shares of Tulsi Casting Pvt. Ltd.; (b) 18,000 shares of Diyajyoti Steel Pvt. Ltd.; (c) 12,000 shares of Jasmin Steel Trading Pvt. Ltd. The aforesaid is evidenced from attached bills, ledger statements and bank statements.

9.10. Reply of Noticee 16 is summarized hereunder:

(i) Funds received by Noticee 16 from Noticee 15 amounting to Rs 2 crores on January 06, 2011 was against sale of 1,00,00 shares of Godiji Real Estate Pvt. Ltd. at Rs 200 each totalling to Rs 200,00,000, which is evidenced from attached ledger statements, bank statements and bills.

(ii) Funds received by Noticee 16 from Noticee 18 amounting to Rs 6 lakhs on January 06, 2011 was towards refund of advance against shares.

The same is evidenced from attached ledger statements, bank statements and bills.

(iii) Funds transferred to Noticee 10 amounting to Rs 2.08 crores on January 06, 2011 was in lieu of refund of an advance loan amount. The refund was in respect of loan raised from Noticee 10 on December 21, 2010 to the extent of Rs 2.11 crores, the same is evidenced from attached ledger statements and bank statements.

9.11. Reply of Noticee 17 is summarized hereunder:

(i) Rs 25 lakhs received from Noticee 15 on January 06, 2011 was advance received against sale of shares of (a) 61,500 shares of Godiji Realty Pvt. Ltd. at Rs 200 each amounting to Rs 1,23,00,000 on August 05, 2010; (b) 75,000 shares of Godiji Realty Pvt. Ltd. at Rs 200 each amounting to Rs 1,50,000 on December 06, 2010; (c) 3500 shares of Godiji Realty Pvt. Ltd. at Rs 200 each amounting to Rs 700,000; (d) 40,000 shares of Acropolice Ltd. at Rs 100 each amounting to Rs 34,00,000 on January 06, 2011; (e) 6000 shares of Swastik Techno Park Pvt. Ltd. at Rs 100 per share amounting to Rs 6,00,000; (f) 10,000 shares of Prathmesh Ceramics Pvt. Ltd. at Rs 200 each amounting to Rs 20,00,000 on March 10, 2011. The aforesaid is evident from ledger statements and bills attached.

(ii) Rs 25 lakhs transferred to Noticee 10 on January 06, 2011 was in lieu of refund of application money paid for issue of shares of an unlisted company. The aforesaid is evident from ledger statements, bank statements and bills attached.

9.12. Reply of Noticee 18 is summarized hereunder:

9.12.1 In respect of the allegations in SCN, the following is submitted:

(i) Funds transferred by Noticee 18 to Noticee 14 on January 06, 2011 amounting to Rs 2.2 crores was in context of sale of (a) 1,00,000 shares of Mandakini Distributors Pvt. Ltd. at Rs 100 each; (b) 34,000 shares of Select Infinlease Pvt. Ltd. at Rs 500 each; (c) 50,300 shares of Bayanwala Brothers Pvt. Ltd. at Rs 500 each; (d) 2,25,000 shares of Hiltop Sales Pvt. Ltd. at Rs 200; (e) 83,000 shares of Maasharda Tracom Pvt. Ltd. at Rs 100. The aforesaid is evidenced from attached ledger statements and bank statements.

(ii) Funds transferred by Noticee 18 to Noticee 10 amounting to Rs 2.2 crores on January 06, 2011 was for purchase of (a) 26,750 shares of Noticee 14 at Rs 400; (b) 1000 shares of Nextgen Infotel Pvt. Ltd. at Rs 100; (c) 5,450 shares of Benco Fin & Investment Pvt. Ltd. at Rs 1000; (d) 4,100 shares of Benco Fin & Investment Pvt. Ltd. at Rs 1000; (e) 3,000 shares of Benco Fin & Investment Pvt. Ltd. at Rs 1000; (f) 3200 shares of Bence Fin & Investment Pvt. Ltd. at Rs 1000. The aforesaid is evidenced from attached bills, ledger statements and bank statements.

(iii) Funds transferred to Noticee 20 was for purchase of 21,700 shares of Benco Finance and Investment Ltd. at Rs 1000, which is evidenced from attached bills, ledger statements and bank statements.

(iv) Funds received from Utkarsh Goods Pvt. Ltd. was for sale of 28,900 shares of Benco Finance and Investment Ltd. at Rs 1000, which is evidenced from attached bills, ledger statements and bank statements.

(iv) Funds transferred to Noticee 16 amounting to Rs 6 lakhs on January 06, 2011 was towards refund of advance against shares. The same is evidenced from attached ledger statements, bank statements and bills.

9.12.2 The aforesaid explanation and documents would show that alleged transactions were for purchase and sale of shares and not for funding preferential allottees.

9.13. Reply of Noticee 19 is summarized hereunder:

(i) Funds transferred by Noticee 14 to Noticee 19 amounting to 55 lakhs on January 06, 2011 was advance against shares (1,55,000 shares of Neha Cassettes Pvt. Ltd at Rs 100 totalling to Rs 155,00,000). The aforesaid is evidenced by attached ledger statements, bank statements and bills.

(ii) Funds transferred by Noticee 19 to Noticee 10 was in lieu of making a refund of loan advance. The advance amount was raised by Noticee 19 from Noticee 10 on December 24, 2010.

9.14. Reply of Noticee 20 is summarized hereunder:

(i) Funds received from Noticee 14 amounting to Rs 2 crores on January 06, 2011 was advance against sale of 40,000 shares of Noticee 11 at Rs 500 totalling to Rs 200,00,000, which is evidenced from attached ledger statements and bank statements.

(ii) Funds received from Noticee 18 amounting to Rs 2.02 crores on January 06, 2011 was advance against sale of 21,700 shares of Benco Finance & Investment Pvt. Ltd. at Rs 1000 totalling to Rs 217,00,000, which is evidenced from attached ledger statements and bank statements.

(iii) Funds received from Noticee 15 amounting to Rs 84 lakhs on January 08, 2011 was refund of an advance loan amount. The refund was made by Noticee 20 in respect of loans raised by Noticee 15 from Noticee 20 totalling to Rs 200,00,000 on December 06, 2010. The aforesaid is evidenced from attached ledger statements and bank statements.

(iv) Funds received from Comfort Securities amounting to Rs 15.57 lakhs on January 07, 2011 was due to sale of 2,19,379 shares of Ravi Kumar

Distelary Ltd. at Rs 79.75 totalling to Rs 1,74,94,516, which is evidenced from attached ledger statements, bank statements and bills.

(v) Funds transferred to Noticee 10 amounting to Rs 4.01 crores on January 06, 2011 and Rs 1 crore on January 08, 2011 was in lieu of refund of advance loan amount. The refund made was in respect of loans raised from Noticee 10 (a) to the extent of Rs 2.03 crores on October 21, 2010; (b) to the extent of Rs 1.5 crores on November 02, 2010; (c) to the extent of Rs 1.45 crores on November 24, 2010; (d) to the extent of Rs 3 lakhs on December 14, 2010. The aforesaid transactions are reflected in attached ledger and bank statements.

9.15. Reply of Noticee 21 is summarized hereunder:

9.15.1 Noticee 21 denies the allegations levelled against it in the SCN. Noticee 21 has not acted as a conduit to funding money to preferential allottees.

9.15.2 Paragraph 15 of SCN states that Noticee nos. 1 and 21 are connected due to having common director *i.e.,* Noticee 4. Noticee 21 admits that Noticee 4 was appointed on the board on January 04, 2011, however, he tendered his resignation on January 07, 2011. Therefore, he was on board for 3 days, thus, he does not have any influence or control on any management decision. Noticee 21 has provided appointment and resignation RoC forms of Noticee 4.

9.15.3 Paragraph 15 of SCN further states that Mr. Eknath Narayan Mandavkar and Mr. Ramavatar Prajapati, directors of Noticee 21, were also directors of Noticee 12, which in turn was connected with Noticee 1 through common director. Noticee 21 admits that the aforesaid persons were common directors between Noticee nos. 12 and 21, however, based on the same, adverse inference cannot be drawn. All transactions between Noticee nos. 12 and 21 were in ordinary course of business. Thus, nexus with Noticee 1 in routing funds is repudiated.

9.15.4 In paragraph nos. 23, 27, 29, 30 and 33 of SCN, it has been alleged that Noticee 21 received nearly Rs 7 crores from Noticee 1 on January 11, 2011 which was subsequently used to fund Noticee nos. 10 (Rs 4 crores), 20 (Rs 50 lakhs) and 12 (Rs 2.5 crores). The investigating officer has failed to notice that out of the total Rs 7 crores received from Noticee 1, Rs 6.5 cores were returned to Noticee 1 on the same day *i.e.,* January 11, 2011. Thus, the allegations are based on partial facts. Copy of the bank statement highlighting receipt and payment of funds to Noticee 1 has been provided. As per the allegations, balance amount of Rs 50 lakhs was transferred to Noticee 20 to act as conduit in funding the preferential allottees. All transactions with Noticee 20 were in ordinary course, the summary of transactions is provided below. Thus, no adverse can be drawn against it for such transactions:

FY 2010-2011	**Amount**
Opening balance (A)	--
Shares purchased during the year (B)	8,50,000
Shares sold during the year (C)	58,50,000
Advances paid towards share purchased during the year (D)	2,63,50,000
Payment received/ advances received for shares sold (E)	1,30,00,000
Closing balance (A-B+C+D-E)	1,83,50,000

9.15.5 Copy of ledger of Noticee nos. 20 and 21 along with copies of invoices has been provided.

9.15.6 All the aforesaid transactions were in ordinary course of business. Another important aspect is that the preferential allotment was completed on January 11, 2011, thus, the funding should have been done prior to the allotment of shares, however, all the above transactions are on or after the date of allotment, which shows that allegation against Noticee 21 are false. Noticee 21 is not cognizant about the fund trail between other entities.

9.16. Reply of Noticee 26 is summarized hereunder:

9.16.1 Noticee 26 denies that it has violated section 11C(3) read with 11C(2) of SEBI Act and regulation 7(2) of Takeover Regulations, 1997.

9.16.2 With respect to failure to disclose information about acquisition of shares of Noticee 1 as required under regulation 7(2) of Takeover Regulations, 1997, the alleged non-disclosure was unintentional, by mistake, and has not affected anybody's interest, including shareholders of Noticee 1. SCN also does not suggest that non-disclosure has actually impacted anyone's interest.

9.16.3 As regards to failure to respond to summons, Noticee 26 received the summons in February 2020. After its receipt, Noticee 26 was in the process of complying with the same, however, he misplaced it, and thereafter lockdown was imposed due to COVID-19. As a result, Noticee 26 was not able to locate copy of the summons and respond to it. Later, it received a SCN *inter alia* alleging violation of section 11(C) of SEBI Act. Through the current reply, Noticee 26 seeks to provide copy of all documents sought in summons.

9.16.4 SCN records that Noticee 26 was not funded by other entities with respect to the 2011 Preferential Allotment

9.16.5 Noticee 26 has not made any gains or derived unfair advantage, due to the alleged non-compliance. It has also not caused any loss to the investors or group of investors. Further, the alleged non-compliance is not repetitive in nature.

D. CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the material available on record. The issues that arise for consideration in the present case are as follows:

    I. Whether Noticee nos. 1 to 21 have violated section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations?

II. Whether Noticee nos. 5 to 11 and 26 have violated regulation 7(2) of Takeover Regulations, 1997?

III. Whether Noticee nos. 22 to 26 have violated section 11C(3) read with section 11C(2) of SEBI Act?

IV. Does the violation, if any, attract monetary penalty under section 15HA, section 15A(a) and section 15A(b) of the SEBI Act?

V. If the answer to Issue No. IV is in affirmative, then what should be the quantum of monetary penalty?

11. I find it apposite to firstly deal with preliminary contention of Noticee nos. 1 to 14, 16 to 20 and 26 that the alleged violations in the SCN relate to the 2011 Preferential Allotment and issuance of SCN after almost 10 years of the said transactions has severely prejudiced them as SEBI has not exercised its powers within reasonable period. I find that although the time taken and efforts involved in an investigation may vary from case to case, generally investigation per-se is a time consuming process that involves collection, scrutiny and careful examination of UCC details, KYC details, bank account statements, transaction statements and off-market transfers obtained from various entities including but not limited to the company, the stock exchanges, the depositories, the brokers, banks, and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market. I note that in the present case the sequence of events that has led to the passing of the current adjudication order is as follows:

(i) The task of detailed investigation in the matter was approved on August 31, 2016 and was concluded on March 05, 2020.

(ii) The undersigned was appointed as the adjudicating officer *vide* order dated September 14, 2020 which was conveyed through communication dated September 22, 2020.

(iii) The undersigned issued SCN to Noticees on October 27, 2020.

12. In support of contention of Noticee 1 regarding delay, it has relied on certain orders of Hon'ble SAT, which I have dealt below:

(i) In *Ashlesh Gunvantbhai Shah (supra),* Hon'ble SAT had held that *"Having considered the matter we are of the view that there has been an inordinate delay on the part of the respondent in initiating proceedings against the appellants for the alleged violations…".* Thus, Hon'ble SAT had held that the penalty imposed by the adjudicating officer cannot be sustained considering the facts of the said case. Therefore, I find that the aforesaid case does not help Noticee 1. Further in *Morepan Laboratories Limited (supra),* Hon'ble SAT had held that in absence of plausible explanation justifying issuance of SCN after 14 years, the proceedings are liable to be quashed. However, in the instant case, the undersigned has provided a timeline detailing how the SCN was issued in 2020. Further, towards the end of the order, Hon'ble SAT has gone into the merits of the order passed by the Whole Time Member and held that *"the order passed by the WTM debarring the appellant from accessing the securities market for a period of one year cannot be sustained in the peculiar facts and circumstances of the present case and is therefore quashed",* therefore, I find that the aforesaid case cannot be relied upon in view of the facts of the present case.

(ii) *Parag Sarda (supra):* I find that violation alleged in the said case was non-disclosure of appellant's acquisition of shares in terms of Takeover Regulations, 1997 and SEBI (Prohibition of Insider Trading), 1992. Further, in the said case Hon'ble SAT had noted that it took 5 years for SEBI to issue a SCN after becoming aware of the violation. In light of the factors above, Hon'ble SAT had set aside the penalty imposed by the adjudicating officer. I find that the violation alleged against Noticee nos. 1 to 21 is of PFUTP Regulations, which is more severe than the violations alleged in the *Parag Sarda* case. Further, the factor of time taken to issue SCN is also not attracted in the present case. Thus, the aforesaid case offers no assistance to Noticee 1.

13. In relation to delay, I find it relevant to refer to the following orders of Hon'ble SAT:

(i) In M/s. Adamina Traders Private Limited vs. SEBI *(*Appeal No. 331 and 366 of 2020) dated December 15, 2021, the trades concerned in the appeal took place in 2013, and the show cause notice was issued by the adjudicating officer in 2018. The appellants raised an argument of inordinate delay in issuance of the show cause notice. Dismissing the aforesaid contention, the Hon'ble SAT held the following:

'We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. <u>Further, nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside</u>." (emphasis supplied)

(ii) In Pooja Vinay Jain vs. SEBI (Appeal No. 152 of 2019) decided on March 17, 2020, the Hon'ble SAT held the following:

"On the issue of delay, in the case of Ashok Rupani (supra), this Tribunal, inter-alia, noted the ratio in the case of Mr. Rakesh Kathotia and Ors. vs. SEBI [Appeal No 7 of 2016 decided on May 27, 2019]. Paragraph No. 7 of the case of Ashok Rupani Judgment is as under….
<u>The decision would show that the power to initiate the proceedings must be exercised by the authorities within a reasonable time.</u> This would depend upon the facts and circumstances of the case, nature of the default / statute <u>and prejudice caused to the noticee</u>.

In the present case, the appellant neither put a plea of prejudice before the AO nor before us. It was simply stated that since the proceedings *were launched by respondent SEBI after a period seven years, the same should be quashed on the ground of delay. <u>The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same.</u>" (emphasis supplied).*

To summarize, in the decisions referred above, the Hon'ble SAT has placed reliance on the fact that the appellant had failed to demonstrate how the delay has caused prejudice to them. I find that the argument of delay raised by Noticee nos. 1, 5 to 14, 16 to 20 and 26 in the current matter is weak as they have not been able to show how they were impaired in defending themselves due to the alleged delay, which is essential in view of the orders referred above. I am cognizant that SCN has been issued in 2020 when the alleged violation pertains to 2011, however, in light of the fact that no specific prejudice has been shown by Noticee nos. 1, 5 to 14, 16 to 20 and 26 due to delay and the severity of the charge, I am of the view that the instant matter cannot be disposed of merely for delay in issuance of SCN.

I. Whether Noticee nos. 1 to 21 have violated section 12A(a), (b), (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations?

14. Before moving forward, it is pertinent to refer to section 12A(a), (b), (c) of SEBI Act read with regulations 3(b), (c), (d), and 4(1) of PFUTP Regulations, which have been provided below for facility:

14.1. <u>SEBI Act</u>

CHAPTER VA PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

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;

14.2. PFUTP Regulations

CHAPTER II PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO THE SECURITIES MARKET

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(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 [1][manipulative], fraudulent or an unfair trade practice in [2][markets]

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

[1] Inserted vide the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.
[2] Ibid.
[3] Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.

15. It has been alleged in the SCN that Noticee nos. 1 to 21 were part of a scheme wherein funds were transferred from or with the help of Noticee nos. 1 to 4 and 12 to 21 to the preferential allottees (*i.e,* Noticee nos. 5 to 11) to subscribe to 2011 Preferential Allotment of Noticee 1. In 2011 Preferential Allotment, Noticee 1 allotted equity shares on preferential basis to 8 promoter entities aggregating to Rs 19 crores. As per information provided by Noticee 1, Noticee nos. 5 to 11 were allotted preferential shares of Noticee 1 as per details given below:

Noticee no.	Name of the Noticee	No. of shares allotted during 2011 Preferential Allotment	Amount of funds transferred for shares to Noticee 1 (in Rs.)
5	Renuka Trust	75,000	71,25,000
6	Saurabh Family Trust	1,25,000	1,18,75,000
7	Priyanka Trust	75,000	71,25,000
8	Madhav Trust	75,000	71,25,000
9	Adarsh Trust	1,00,000	95,00,000
26	Madhav Vinyas	50,000	47,50,000
10	Unisys Softwares & Holding Industries Ltd.	12,00,000	11,40,00,000
11	JMD Sounds Ltd.	3,00,000	2,85,00,000

16. I note that Noticee nos. 1 to 21, except Noticee 15 have submitted their response to the SCN. Hon'ble SAT in the matter of Classic Credit Ltd. vs. SEBI, (Appeal no. 68 of 2003), decision dated January 08, 2007, has *inter alia* held that, *"…..the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges….".* Similarly, Hon'ble SAT in Sanjay Kumar Tayal & Ors. vs. SEBI, (Appeal no. 68 of 2013), decided on February 11, 2014, held that *"…appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices…..".* In Dave Harihar Kirtibhai vs. SEBI, (Appeal no. 181 of 2014), decision dated December 19, 2014, Hon'ble SAT held that *"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non- receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...".* Notwithstanding the orders cited above, while deciding the case, I also cannot lose sight of settled position of law that the charges in the SCN should be established with valid reasons and in accordance with law. Therefore, I deem it necessary to examine the charges

based on the supporting material provided in the SCN even with respect to Noticee 15.

Connection between Noticee nos. 2 to 4 and other Noticees

17. I note that during Investigation Period, Noticee nos. 2 to 4 were the directors of Noticee 1. Noticee 2 was the chairman and managing director, Noticee 3 was the whole time director and Noticee 4 was the independent director. From the annual report of Noticee 1 for FY 2010-11, Noticee nos. 2 and 3 were signatories of the balance sheet and were also mentioned as its key management personnel. Noticee nos. 2 to 4 were authorised to operate the designated bank account of Noticee 1 (*i.e,* Kotak Mahindra bank account bearing no. xxxxxxxxxx0282) during January 2011. Noticee 4 was also the sole authorised person to operate bank account of Noticee 1 with Axis Bank bearing no. xxxxxxxxxx1304 during January 2011. Noticee nos. 2 to 4 were also connected with other Noticees in the present matter as detailed below:

(i) Noticee 4 was the director of Noticee 12 during the 2011 Preferential Allotment and director of Noticee 21 four days before 2011 Preferential Allotment.

(ii) Noticee 3 was a director of Noticee 14 and also one of the authorized persons to operate its bank account with Kotak Mahindra bearing no. xxxxxxxx9972. Anil Kumar Purohit who was a director of Noticee 14 was also nephew of Noticee 3 and shared same address as Noticee nos. 2 and 3.

(iii) A director of Noticee 15 (*i.e,* Anil Kumar Purohit) who was also one of the authorized persons to operate its bank account during 2011 Preferential Allotment was the nephew of Noticee 3 and had the same address as Noticee nos. 2 and 3.

(iv) Noticee nos. 2 and 3 were directors and promoters of Noticee 16 during 2011 Preferential Allotment. Noticee 2 was also one of the authorised persons to operate its bank account with Kotak Bank bearing no. xxxxxxxxx7590.

(v) Noticee nos. 1 and 2 in their letters have stated that Noticee 20 is a relative of director.

18. Noticee 1 has argued that based on having a common director with Noticee nos. 12 and 21 (*i.e,* Noticee 4), an adverse inference cannot be drawn against it. Similar argument has been taken up by Noticee nos. 2 to 4, 12 and 21. In this regard, Hon'ble SAT in Sanjay Kumar Poddar HUF vs. SEBI, (Appeal No. 326 of 2020), dated August 24, 2021 regarding common directors has held that:

"Further admittedly approximately during the very period when these group members traded in the shares of the company, one of the director of the company was a common director in the companies of these entities, as well one Mr. Manoj More was a common director. <u>Common directorship is not a fleeting relationship like a co-passenger sharing a common seat in a passenger bus but one of the long time trust between the directors."</u>(emphasis supplied)

Taking the aforesaid into account, I find that having common directors is an important connection which cannot be brushed aside lightly. Noticee 1 has argued that Noticee 4 had resigned from the directorship of Noticee 21 long before the 2011 Preferential Allotment, I find this to be completely false as Noticee 4 resigned on January 07, 2011 from Noticee 21 which was merely 4 days before the 2011 Preferential Allotment date of Noticee 1 (*i.e,* January 11, 2011). The submission of Noticee 21 that Noticee 4 was holding the position of director for merely 3 days, therefore, he did not have any influence or control on any management decision of Noticee 21, however convinicing at the first glance, has to be seen in the light of totality of connections alleged between Noticee nos. 1 and 21. The connection between Noticee nos. 1 and 21 does not solely rest on the basis of having Noticee 4 as common director. As stated above, directors of Noticee 21, namely, Eknath Mandavkar and

Ramavtar Prajapati were also directors of Noticee 12 wherein Noticee 4 was also a director. The contention that Noticee nos. 2 to 4 were also holding positions of director in other companies, does not have a bearing on the instant case.

Role of Noticee nos. 1 and 12 with respect to funding of Noticee nos. 5 to 9

19. It has been alleged in the SCN that Noticee 12 had transferred Rs 71 lakhs to Noticee 5, Rs 1.18 crores to Noticee 6, Rs 71 lakhs to Noticee 7, Rs 70 lakhs to Noticee 8 on January 07, 2011 and Rs 50 lakhs to Noticee 9 on January 08, 2011 which were utilized by the said preferential allottees for payment of consideration to Noticee 1 for allotment of preference shares. Further, post alloment of shares, it has been alleged that part of allotment money *i.e,* Rs 7 crores was transferred by Noticee 1 to Noticee 21 on January 11, 2011 which in turn transferred 2.5 crores to Noticee 12 on the same day. Additionally, it has been alleged that Noticee 1 transferred Rs 1.3 crores directly into account of Noticee 12 on January 18, 2011. Therefore, total amount of Rs 3.8 crores was transferred by Noticee 1 to Noticee 12 post allotment, which corresponds ot the exact amount transferred by Noticee 12 to Noticee nos. 5 to 9 before the preferential allotment.

20. Noticee 1 has argued that funds for 2011 Preferential Allotment were received from Noticee nos. 5 to 9 from their respective bank accounts, which has been unnecessarily linked to fund transaction with Noticee 12. The responses to the summons dated January 31, 2020 by Noticee 5, dated January 31, 2020 by Noticee 6, dated February 01, 2020 by Noticee 7, dated February 12, 2020 by Noticee 8, dated February 19, 2020 by Noticee 9, dated February 15, 2020 by Noticee 10 and dated January 31, 2020 by Noticee 11 clearly state that the funds received from Noticee 12 were used for subscribing to the 2011 Preferential Allotment. In the said summons reply, I note that Noticee nos. 5 to 9 have stated that they had received the funds from Noticee 12 as loan. However, no loan agreements or details such as tenor of loan, security, interest rate, terms and conditions of loan *etc* have been placed on record to satisfy me that the transactions between Noticee nos. 5 to 9 and 12 were

indeed *bonafide* loan transactions. Noticee nos. 7 and 9 have infact explicitly stated in their summons that they have not executed any loan agreement with Noticee 12. Noticee 10 has stated in its summons reply that funds received from Noticee 12 was refund of application money paid for issue of shares. Similarly, Noticee 11 has stated that it received money from Noticee 12 against sale of old shares. However, akin to Noticee nos. 5 to 9, they have not put before me any document recording the terms of such purchase of sale of shares. The trail of fund transfers between the aforementioned entities without any document, which was finally used by Noticee nos. 5 to 11 to subscribe to 2011 Preferential Allotment reinforces the idea that the aforesaid entities shared a close connection which bred the ground for further violation of PFUTP Regulations.

21. Noticee nos. 5 to 9 have argued that they had received funds through Noticee 12 for subscribing to shares in ordinary course of business, however, no documentary evidence has been put before me which shows the terms of such business. Further, the fact that Noticee 12 in turn received such funds *inter alia* through Noticee nos. 14 and 15 makes claim of Noticee nos. 5 to 9 sound hollow. Noticee 12 has also argued that it received Rs 2 crores from Noticee 14 on January 07, 2011, Rs 1.3 crores from Noticee 15 and Rs 1.3 crores from Noticee 1 on January 18, 2011 due to sale of certain shares, however, no legally tenable document has been provided by it which would show the genuineness of such transaction. In absence of other evidence, the ledger statements and bills submitted on their own do not constitute satisfactory evidence for sale of shares as the same were prepared by the entities themselves, hence, they are highly susceptible to manipulation. Further, transfer of Rs 1.39 crores by Noticee 12 to Noticee 13 on January 07, 2011 for purchase of shares and transfer of Rs 2 crores to Noticee 21 as refund, in absence of corroborative evidence, is unacceptable.

<u>Role of Noticee nos. 1, 14 to 20 with respect to funding of Noticee 10</u>

22. It has been alleged in the SCN that Noticee 10 was allotted 12,00,000 shares in the 2011 Preferential Allotment of Noticee 1 for which it transferred total amount of Rs 11.4 crores, in two tranches, on January 06, 2011, it transferred

Rs 8 crores and on February 08, 2011 it transferred Rs 3.4 crores. On analysis of its bank statement, I find that it had *inter alia* received funds from the following entities:

Date	**Name of Counterparty**	**Amount (Rs)**
06.01.2011	Noticee 16	2,08,00,000
06.01.2011	Noticee 18	2,20,00,000
06.01.2011	Noticee 19	55,00,000
06.01.2011	Noticee 17	25,00,000
06.01.2011	Noticee 20	1,75,00,000
06.01.2011	Noticee 20	2,26,49,025
08.02.2011	Noticee 15	66,00,000

It is alleged that in addition to funds directly paid by Noticee 15 to Noticee 10, Noticee nos. 16 and 17 had received funds from Noticee 15, which they ultimately transferred to Noticee 10 (*i.e,* Rs 2.08 crores and Rs 25 lakhs respectively). Thus, it is alleged that Noticee 15 had directly/indirectly transferred Rs 2.99 crores to Noticee 10, which has been incorrectly recorded as Rs 2.91 crores in the SCN. Further, it is alleged that funds transferred by Noticee nos. 18 to 20 to Noticee 10 (*i.e,* Rs 2.2 crores, Rs 55 lakhs and Rs 4.10 crores respectively) were received from Noticee 14. Therefore, it is alleged that Noticee 14 through Noticee nos. 18 to 20 transferred 6.76 crores to Noticee 10, which has been incorrectly recorded as Rs 4.75 crores in SCN. In conclusion, I find that the total amount of funding from Noticee nos. 14 and 15 to Noticee 10 comes out to Rs 9.75 crores and not Rs 7.66 crores as alleged in the SCN.

23. Noticee 1 has contended that it was not aware of Noticee 10 receiving Rs 7.40 crores (which was used to pay for 2011 Preferential Allotment) from Noticee nos. 14 and 15 using bank accounts of Noticee nos. 16 to 20 as it was not in management or control of affairs of Noticee nos. 15 to 20. I find that the SCN has alleged strong connections between Noticee 1 and Noticee nos. 15 to 20, which has been vaguely disputed by Noticee 1 stating that having common directors does not mean any adverse inference can be drawn against it. I have already explained above how having common directors is one of the many links which can be used to show connection. I note that apart from having common director, other evidence has also been placed on record such as Noticee nos. 1 and 2 admitting in their letters dated February 25, 2020 and

February 11, 2020 respectively, that Noticee 20 is a "relative of director". Thus, this contention of Noticee 1 does not hold any merit.

24. Noticee 1 has argued that prior to 2011 Preferential Allotment on January 11, 2011, Noticee 1 did not have any fund transactions with alleged connected entities *i.e,* Noticee nos. 13 to 20 during the period from January 01, 2010 to January 31, 2011. On a perusal of its bank statement for the relevant period, I find that on February 02, 2010, Noticee 1 had transferred Rs 1 lakh to Noticee 16 from its bank account in Kotak Mahindra Bank bearing a/c no. xxxxxxxxxx0282 to bank account of Noticee 16 held with Kotak Mahindra Bank bearing a/c no. xxxxxxxxxx7590. Thus, I do not find the aforesaid claim of Noticee 1 to be true. I also find the auditor certificate furnished in this regard to be unreliable in light of my finding above. I note that Noticee 1 has placed reliance on the order passed by Hon'ble SAT in *Babubhai Desai (supra)* wherein it was held that clear evidence needs to be provided in respect of the connection sought to be established between entities and that having mere common landline number would not by itself convert entities into a group. I find that the facts of the aforesaid case are distinguishable from the present case. In the current case, not only connections with respect to each Noticee have been established in the previous paragraphs but those connections are also based on multiple factors such as common directors, common addresses, fund transfers, replies of Noticees, email IDs *etc.*

25. I find the evidence submitted by Noticee 10 with respect to its defense that it received funds from Noticee nos. 15 to 20 in lieu of refund of application money paid for issue of shares of an unlisted company and similar submission by Noticee 17 unsatisfactory, as the ledger statements relied upon are prepared by itself and not corroborated by any other material evidence such as agreement for purchase of shares of a company. In absence of corroborative evidence, by itself, I find that the aforesaid claim of Noticee nos. 10 and 17 is not established. My view above is further strengthened on finding that:

(a) The purpose of receipt of Rs 2.2 crores by Noticee 18 as stated in its reply is inconsistent with reply of Noticee 10. As stated above, Noticee 10 has stated in its reply that it had received funds from Noticee nos. 15 to 20 as refund of share application money paid, however, Noticee 18 has stated that that it had transferred money to Noticee 10 for purchase of shares of certain companies.

(b) Similarly, reason of receipt by Noticee 10 of Rs 55 lakhs from Noticee 19 and Rs 4.01 crores from Noticee 20 is not aligned with the respective replies of Noticee nos. 19 and 20 as they have stated in their reply that they had transferred funds to Noticee 10 to refund the loan advance.

26. As regards to fund transfer between Noticee 1 and Noticee 21 on January 07, 2011, Noticee 1 has argued that the fund transferred was refund of loan taken from Noticee 21 earlier. However, similar to Noticee nos. 5 to 9 stating that they had received funds from Noticee 12 as a loan, I find that no loan agreements or details such as tenor of loan, security, interest rate, terms and conditions of loan *etc* have been placed on record to satisfy me that the transaction between Noticee nos. 1 and 21 were indeed *bonafide* loan transactions. Noticee 1 has further argued that as on January 11, 2011, an outstanding amount of Rs 11,160,000 had to be paid by Noticee 1 to Noticee 21 and for reducing the same Noticee 1 had transferred Rs 7 crores. Further, it has stated that apart from the concerned transaction several transactions had taken place between them which were in ordinary course of business, and which are evidenced from its ledger and bank statements.

27. Similar to its submission with respect to fund transfers with Noticee 12, I find that Noticee 1 has not submitted any documentary evidence of the transactions that were regularly taking place between Noticee nos. 1 and 21. I find that if several transactions had previously taken place between Noticee nos. 1 and 21, and if they were in ordinary course, then Noticee 1 would have been to atleast produce one document before me which sets out the terms and condition of such transfers, however, the absolute lack of documentary

evidence, clearly shows that Noticee nos. 1 and 21 were transferring money on an informal basis which points towards their close connection. Noticee 1 has also stated that on January 11, 2011, it had borrowed Rs 6.5 crores from Noticee 21 and during the course of the day it repaid Rs 7 crores. I find that no details/rationale have been furnished for borrowing such a huge amount and returning it on the same day. The fact that the transaction of Rs 7 crores happened on January 11, 2011 *i.e,* after Noticee 10 had transferred funds to Noticee 1, does not help the case of Noticee 1, as explained above, it could be that the preferential allottees or the funding entities were paid later for the funds transferred by them for the 2011 Preferential Allotment of Noticee 1. Transfer of Rs 4 crores from Noticee 21 to Noticee 10 on the same day as receipt of Rs 7 crores by Noticee 21 from Noticee 1 post allotment fortifies that Noticee 21 was transferring the same amount received by it from Noticee 1 to Noticee 10 for refund of 2011 Preferential Allotment amount.

28. Noticee 1 has argued that if it were to fund Noticee 10 through Noticee 21, it would fund total of Rs 11.4 crores as opposed to Rs 7 crores, I find that establishing exact amount of funding is not necessary. Similarly, as regards the submission of Noticee 1 that the allegation of indirect funding has been made only with respect to Rs 4 crores (*i.e,* the amount transferred by Noticee 21 to Noticee 10 on January 11, 2011) and the balance amount of Rs 3 crores has not been addressed (out of total amount of Rs 7.66 crores received by Noticee 10 from entities connected to Noticee 1), I find that it is not necessary to establish that the exact amount funded was refunded. Further, owing to the close connection between the Noticees, it may be that the remainder amount was transferred after the end of Investigation Period (*i.e,* after March 31, 2011).

29. Noticee 1 has also argued that preferential allottees *i.e,* Noticee nos. 5 to 11 had transferred funds for 2011 Preferential Allotment from their respective bank accounts and after the said event, they did not have any fund transactions with Noticee 1. I find that it has been sufficiently established above that Noticee nos. 5 to 11 had obtained funds for 2011 Preferential Allotment from funding entities *i.e,* Noticee nos. 12 to 21, thus, even if the said

amount was received from respective bank accounts of preferential allottees, through the fund trail it is clear that they had not paid for the same, therefore, this contention does not deserve any more attention. As to the submission that there were no post allotment transactions between Noticee 1 and Noticee nos. 5 to 11, I find that there were post allotment transactions with Noticee nos. 12 to 21, through which funds were routed. Thus, I find that this contention does not help Noticee 1. As direct funding with respect to certain transactions is not alleged, the auditor certificate also does not give a complete picture as it is based on examining transactions between Noticee nos. 1 and Noticee nos. 5 to 11. Further, the same auditor certificate also states that prior to 2011 Preferential Allotment on January 11, 2011, Noticee 1 did not have any fund transactions with alleged connected entities *i.e,* Noticee nos. 13 to 20 during the period from January 01, 2010 to January 31, 2011, which I have already explained in paragraph 27 above how it is wrong on the face of it.

30. Noticee 1 has placed reliance on the order passed by the adjudicating officer in the matter of *Voltaire Leasing and Finance Limited (supra).* On perusal of the said order, I find that the evidence placed before the adjudicating officer in the aforesaid case and the evidence placed before me is vastly different. The adjudicating officer in the said case has said that amongst other documents, memorandum of understanding executed for purchase of shares of identified companies were placed before her by the concerned entities, no such evidence has been furnished before me. Thus, I find that the aforesaid case is distinguishable on the aforesaid fact alone.

31. Noticee 1 has contended that based on transactions undertaken by Noticee 21 and Sree Metaliks Ltd. with other entities, no adverse inference can be drawn against it. I find that given the connection established between Noticee nos. 1 and 21, and the fund transfers executed by Noticee 21 with the preferential allottees on the same day as receipt of funds from Noticee 1 points towards a fraudulent scheme contrived by the Company with its connected entities. Similarly, transfer of post allotment funds by Noticee 1 to Sree Metaliks Ltd., which in turn transferred to Noticee 14, cannot be viewed in isolation, especially in light of the fact that during 2011 Preferential Allotment,

Noticee nos. 1 and 14 had common director who had permission to operate bank account of both Noticee nos. 1 and 14. Admittedly, Noticee nos. 1 and 2, during investigation, in their letters stated that Noticee 14 is connected to Noticee 1 through a common director.

32. In view of the paragraphs above, I find that reliance of Noticee 1 on *Smitaben N. Shah (supra)* is misplaced as the connections established above are not farfetched. Noticee 1 has not shown how normal relationships have been unnecessarily stretched to attribute their knowledge to Noticee 1.

33. Noticee 14 has argued that funds transferred by it to Noticee 19 amounting to Rs 0.55 crores on January 06, 2011 were for purchase of 1,55,000 shares of Neha Cassettes Pvt. Ltd. The same submission has been made by Noticee 19. Noticee 14 has also furnished ledger statements, bank statements and bills in support of the same. I have perused the aforesaid documents, I note from the ledger entries of Noticee 14 that it records that it has paid Rs 1 crore on December 24, 2010 and Rs 55 lakhs on January 06, 2011, however, the particulars of the entries do not mention the share purchase claimed by Noticee 14. Further, I note that with respect to the aforesaid payments, the ledger entries refer to voucher numbers 173 and 180 respectively, but for reasons known best to Noticee 14, it has not produced before me the said vouchers, rather it has put before me a bill which dated March 31, 2012 for purchase of shares of Neha Cassettes Pvt. Ltd for Rs 1.5 crores. I do not understand why for a transaction where payment has been made on December 24, 2010 and January 06, 2011, the bill relates to March 31, 2012. The said bill appears to be an afterthought. Overall, based on the evidence before me, I do not find it convincing that the said funds were transferred for purchase of shares. Further, I cannot ignore that Noticee nos. 14 and 19 had Milan Mukherjee as a common director and that Noticee nos. 1 and 14 shared a director *i.e,* Noticee 3 who was also the authorised to operate the bank account of Noticee nos. 1 and 14 during 2011 Preferential Allotment.

34. Noticee 14 has contended that it had transferred Rs 2.2 crores to Noticee 18 on January 06, 2011 for purchase of shares of certain companies. The same

submission has been made by Noticee 18. On perusal of ledger statement, bank statement and bills, I find that the ledger account of Noticee 14 records that on January 06, 2011, payment of Rs 2.2 crores was made to Noticee 18, against which there is a voucher no.178, which has not been produced before me. Similarly, the aforesaid transaction bears voucher no. 516 in ledger account of Noticee 18, however, that has also not been provided to me. In relation to the above, the bill furnished before me by Noticee nos. 14 and 18 is dated March 03, 2011, which records an amount of Rs 10.55 crores towards shares. Noticee nos. 14 and 18 have not cared to explain why and how Rs 2.2 crores were transferred for shares worth Rs 10.55 crores. Noticee 14 has not provided me any agreement recording terms and conditions for purchase of shares of such a gigantic amount or share certificates received for such shares. Basis the above, I cannot bring myself to rely on this submission of Noticee 14.

35. Noticee 14 has further submitted that it had transferred Rs 2 crores on January 06, 2011 as a loan to Noticee 20. In support of the above, Noticee 14 has provided ledger and bank statements. I find that the ledger and bank statements by itself do not indicate that Noticee 14 had given a loan to Noticee 20. Noticee 14 has not provided any loan agreement or any other evidence documenting the terms of loan before me, in absence of which, I find this submission to be dubious. Further, I find that Noticee 20 has submitted that it had received Rs 2 crores on January 06, 2011 from Noticee 14 as advance against sale of shares, which is inconsistent with the aforesaid submission of Noticee nos. 14 and 18.

36. Noticee 16 has argued that it had received Rs 2 crores on January 06, 2011 from Noticee 15 for sale of certain shares. The ledger account provided by Noticee 16 refers to voucher nos. 190 and 230 in respect of the aforesaid transaction, which has not been furnished. The bill provided by it does not bear any number. No agreement has been provided which contains terms and conditions of such sale. It is worth highlighting here that Noticee nos. 15 and 16 shared a director *i.e,* Dhruva Narayan Jha. Further, Noticee nos. 1 and 16 had Noticee nos. 2 and 3 as common directors and promoters during 2011

Preferential Allotment. I also note that Noticee nos. 1 and 2 in their communications during investigation have admitted that Noticee 15 is a “relative of director”. I find that the aforesaid facts cannot be overlooked while adjudging if Noticee nos. 1, 15 and 16 had participated in a pre-meditated scheme.

37. Noticee nos. 16 and 18 have further argued that Noticee 16 had received Rs 6 lakhs from Noticee 18 on January 06, 2011 as refund of advance against shares. However, the ledger accounts of both Noticee nos. 16 and 18 does not state purpose for which Rs 6 lakhs was received. Further, the ledger accounts refer to voucher nos. 229 and 554 respectively, which has not been furnished. No agreement has been provided which contains terms and conditions of the purchase of shares for which advance was given. Therefore, I am of the view that the documents furnished by Noticee nos. 16 and 18 are insufficient to substantiate its claim of genuine transactions.

38. Noticee 17 has submitted that it had received Rs 25 lakhs from Noticee 15 on January 06, 2011 amounting to Rs 25 lakhs as advance against sale of shares. In support of the above, Noticee 17 has furnished ledger account statement and bills. Merely on basis of ledger statement and bills, I am unable to conclude that the funds received by Noticee 17 for the purpose claimed above.

39. Noticee 18 has submitted that it had transferred funds to Noticee 20 for purchase of 21,700 shares of a company at Rs 1000 per share. The same submission has been made by Noticee 20. However, on perusal of its ledger account and bank statement, I find that it has transferred Rs 2.02 crores on January 06, 2011, as opposed to Rs 2.17 crores that it should have transferred pursuant to the aforesaid transaction. Noticee nos. 18 and 20 have not concerned themselves with explaining the irreconcilable data submitted. Similarly, Noticee 18 has submitted that it had received funds from Ukarsh Goods Pvt. Ltd. for sale of 28,900 shares of a company at Rs 1000 per share. However, in its ledger and bank statement, I find that until March 31, 2011, it has received only Rs 2.26 crores as opposed to receiving Rs 2.89 crores.

Noticee 18 has also not explained the arrangement made with Ukarsh Goods Pvt. Ltd. to receive the balance amount late or efforts made to recover such amount or interest paid by Ukarsh Goods Pvt. Ltd. for not paying the remainder amount timely. Hence, I am not inclined to rely on this submission.

40. Noticee 20 has submitted that it received Rs 84 lakhs from Noticee 15 on January 08, 2011 as refund of advance loan amount pursuant to loan raised by Noticee 15 on December 06, 2010 amounting to Rs 2 crores. On perusal of its bank statement, I find that it pertains to the period January 01, 2011 to January 31, 2011, thus I am unable to peruse the payment of Rs 2 crores made as loan by Noticee 20. Further, Noticee 20 has not provided any evidence documenting the terms of loan before me, in absence of which, I do not find this submission to be reliable. As stated before, I cannot ignore that Noticee nos. 1 and 2 in their letters have admitted that Noticee 20 is a "relative of director".

Role of Noticee nos. 1, 12, 13 and 14 with respect to funding of Noticee 11

41. It has been alleged in the SCN that Noticee 11 was allotted 3,00,000 shares in the 2011 Preferential Allotment for which it transferred Rs 2.85 crores on January 07, 2011 to Noticee 11. It has been alleged that on January 07, 2011, Noticee 1 had transferred Rs 1.39 crores to Noticee 12 which transferred the same amount in the account of Noticee 13, which in turn transferred Rs 1.14 crores to Noticee 11. Further, it has been alleged that Noticee 14 transferred Rs 1.70 crores to Noticee 11.

42. Noticee nos. 1 and 12 have argued that it had transferred Rs 1.39 crores to Noticee 12 on January 07, 2011 for purchase of shares of an unlisted company, and after the deal fell through, Noticee 12 refunded the funds to Noticee 1 from February 17, 2011 onwards. For supporting the above, Noticee 1 has furnished ledger statements, bank statements and an auditor certificate certifying that the funds transferred to Noticee 12 were for purchase of shares and on failure of the deal, the funds were refunded by Noticee 12. However, I find that Noticee 1 has not submitted any documentary evidence of the

transaction containing the terms of purchase of shares and the reason why it did not fructify. I find that an amount of Rs 1.39 crores transferred from one entity to another without any underlying document is devoid of economic rationale unless they have a close relationship. I find that bank statements show that funds were transferred between the two entities frequently, however, they do not state the purpose for which such transfers took place. Further, I note from the perusal of auditor certificate furnished by Noticee 1, that the said auditor while certifying that the funds were transferred for purchase of shares has relied upon the ledger statements and bank statements given by Noticee 1, thus, the findings of the auditor certificate are not arising out of any independent, third party verifiable documents such as copy of agreement entered into between Noticee nos. 1 and 12. In light of the above, I cannot accept this contention of Noticee nos. 1 and 12.

43. Noticee 1 has further argued that basis the aforesaid fund transfers, it cannot be concluded that Noticee 12 had received funds from Noticee 1 to pass on to Noticee 13 who in turn passed it to Noticee 11. In this regard, I note from the material available on record that summons dated January 23, 2020 was issued to Noticee 11 wherein it was *inter alia* asked the source of funds for subscribing to the 2011 Preferential Allotment of Noticee 1. Noticee 11 in its reply dated January 31, 2020 stated that Rs 1,70,00,000 received from Noticee 14 *vide* cheque dated January 07, 2011 and Rs 1,14,00,000 received from Noticee 13 *vide* cheque dated January 07, 2011 amounting to total of Rs 2,80,00,000 was against sale of old shares which was utilized for investment in 2011 Preferential Allotment of Noticee 1. However, Noticee 11 has not produced any document which records the terms of sale of old shares. Further, it has been admitted by Noticee 11 that it had utilized funds received from Noticee nos. 13 and 14 specifically for the purpose of investment in 2011 Preferential Allotment of Noticee 1. Noticee 11 in its aforesaid summons reply has also accepted that it was under the same management as Noticee 1. It is undisputed that Rs 1.39 crores were transferred on January 07, 2011 from Noticee 1 to Noticee 12, and from Noticee 12 to Noticee 13, on the same day, which in turn, transferred Rs 1.14 crores to Noticee 11 (a preferential allottee), on the same day *i.e.,* January 07, 2011. I also find from the bank statement of

Noticee 11, that if not for the fund transfer from Noticee 14 (Rs 1.70 crores) and from Noticee 13 (Rs 1.14 crores) on January 07, 2011, totalling to Rs 2.85 crores, it would not have been able to transfer the preferential allotment funds (*i.e.,* Rs 2.85 crores) to Noticee 1. The finding of funding by Noticee 1 is further strengthened by the fact that the amount received by Noticee 11 from Noticee nos. 13 (which in turn received from Noticee 12) and 14 *i.e,* total Rs 2.84 crores bears close proximity to the amount thereafter transferred to Noticee 1 for 2011 Preferential Allotment (*i.e.,* Rs 2.85 crores).

44. Noticee 1 has argued that if it had to fund the 2011 Preferential Allotment, it would have funded the entire Rs 2.85 crores through Noticee 11 and not Rs 1.39 crores. It has been already established above that Noticee 1 had transferred Rs 1.14 crores to Noticee 11 through Noticee nos. 12 and 13. As regards the other Rs 1.70 crores, Noticee 3 was a director of Noticee 14 during the time of 2011 Preferential Allotment and for many years thereafter (from March 06, 2007 to April 25, 2017). Noticee 3 was also one of the authorised persons to operate the bank accounts of Noticee 14 during the time of 2011 Preferential Allotment. Further, Anil Kumar Purohit, one of the directors of Noticee 14 is the nephew of Noticee 3 and they both share the same address. The fund transfers, common directors, and authorization to operate bank accounts cannot be taken lightly. Thus, I find that the fund transfer to Noticee 11 from Noticee 14 was taken on behalf of Noticee 1. Therefore, this contention deserves dismissal.

45. Noticee 1 has contended that in absence of evidence showing that funds were transferred from Noticee 1 to connected entities and ultimately to preferential allottees, no violation of SEBI Act or PFUTP Regulations against Noticee 1 can be established as nothing prevents a connected entity from providing its own money for subscribing to shares of Noticee 1. In support of the above, Noticee 1 has relied upon the order passed by adjudicating officer in *Tilak Finance Limited (supra)*, I have perused the same, and I find that in the aforesaid case, the adjudicating officer had *inter alia* held that there is no prohibition on promoters or directors or relative of directors to make loans for purchase of shares as long as it is not done to circumvent any obligations

placed on promoters or directors. I find that when Noticee 1 raised funds through preferential allotment, it would have been perceived as genuine capital infusion by investors, however, since directors of Noticee 1 used their connected entities (who are connected by way of common address, common directors, fund flows *etc*) to fund the preferential allotment, it mislead investors into thinking it is genuine capital infusion which constitutes "fraud" under PFUTP Regulations. I find that the SCN alleges that Noticee nos. 1 to 21 contrived a scheme wherein funds were transferred from or with the help of Noticee nos. 1 to 4 and 12 to 21 to the preferential allottees (*i.e,* Noticee nos. 5 to 11) to subscribe to 2011 Preferential Allotment of Noticee 1 which mislead investors and is certainly contrary to obligations of directors of Noticee 1. Thus, I find that this argument cannot come to the rescue of Noticee 1.

46. Submission of Noticee 1 that its transaction with Noticee 21 took place on January 11, 2011 and with Noticee 12 on January 18, 2011, post the 2011 Preferential Allotment date (*i.e,* January 07, 2011), therefore, the issue of funding does not arise, is a baseless claim. From the bank transactions of Noticee 1, I note that on January 07, 2011 just before receipt of funds from preferential allottees, Noticee 1 had transferred Rs 1.39 crores to Noticee 12. Thus, it appears that Noticee 1 is trying to confuse me by referring to some other transaction with the same party of a similar amount as opposed to the transaction specifically set out in the SCN (*i.e,* the transaction with Noticee 12 on January 07, 2011 amounting to Rs 1.39 crores). Notwithstanding the above, even if it is accepted that Noticee 1 transferred funds to Noticee nos. 12 and 21 post the 2011 Preferential Allotment, it does not rule out a scenario where the preferential allottees or the funding entities were paid later for the funds transferred by them for the 2011 Preferential Allotment of Noticee 1.

47. I find claim of Noticee 11 that it received funds from Noticee nos. 13 and 14 in lieu of sale of shares of unlisted company and of Noticee 12 that it received funds from Noticee 13 for purchase of certain shares to be an afterthought not supported by any evidence. Similarly, I find that submissions of Noticee 13 in regard to the above that it had received funds from Noticee 12 pursuant to sale of certain shares and transferred funds to Noticee 11 in lieu of purchase

of certain shares are not backed by any documents apart from ledger statements, bank statements and bills, which as I have explained above cannot solely be relied upon to dismiss the allegations levelled against Noticee 13.

Role of Noticee nos. 1 and 21 in post allotment transactions

48. Noticee 21 has argued that the allegation of funding the preferential allottees due to Rs 7 crores received by it on January 11, 2011 from Noticee 1 which were transferred to Noticee nos. 10, 12 and 20, is based on partial facts, as on the same day Rs 6.5 crores were returned to Noticee 1. Copy of bank statement in support of the above has been furnished by Noticee 21. The question before me is whether Noticee 21 can prove that it was not part of a fraudulent scheme as alleged in the SCN merely on the argument that it has returned funds to Noticee 1 on the same day. In my view, subsequent repayment does not negate the fact that earlier transactions of Noticee 21 exhibited violative behaviour such as returning money to the preferential allottee (*i.e,* Noticee 10) or entities that funded the preferential allottees (*i.e,* Noticee nos. 12 and 20). Moreover, payment and re-payment of such large amount of funds without execution of any document further suggests a strong connection between the two parties.

49. Noticee 21 has contended that the fund transactions with Noticee 20 were for purchase of shares, selling of shares or advances paid or received for shares purchased or sold. In support of the above, Noticee 21 has furnished ledger account statement and invoices. In absence of share certificates, demat account statements and agreements setting out the terms and conditions of share transfer, I find the aforesaid claim of Noticee 21 hard to believe.

50. Noticee 21 has lastly submitted that funding/routing of funds through Noticee 21 has been alleged in the SCN on or after the date of allotment of shares (*i.e,* after January 11, 2011), if there was actually preferential allotment funding on the part of Noticee 21, the same should have been done prior to the aforesaid date. I find no logic in the aforesaid submission. Merely because role of

Noticee 21 in the fraudulent scheme comes into play post allotment of shares, it does not mean that it has not committed any violation.

Role of Noticee nos. 2 to 4

51. I have already brought out the connection between Noticee nos. 2 to 4 and other Noticees in paragraphs 17 and 18 above. I find that similar contentions as Noticee 1 have been raised by Noticee nos. 2 to 4 that they have not funded preferential allotment by virtue of holding position of director in certain connected entities of Noticee 1. Noticee nos. 2 to 4 have further argued that it has not been shown in the SCN how Noticee nos. 1, 12, 14 and 16 have acted in concert.

52. I find that apart from holding position of director, it has been established in the previous paragraphs how there were fund transfers between Noticee nos. 1 and entities wherein they were directors (*i.e,* Noticee nos. 12, 14, 15 and 16). Further, as stated above, such transfers are not supported by documents. Additionally, Noticee nos. 2 and 3 also had authorization to operate bank accounts of Noticee nos. 16 and 14, respectively. I find that Noticee nos. 2 to 4 have put nothing before me which would show that they were not playing a role in day to day activities of companies in which they were directors. For example, Noticee nos. 2 to 4 could have demonstrated that they had raised objection to transfer funds to other Noticees without executing a legally tenable document, however, no such argument has been made. It is also not the case of Noticee nos. 2 to 4 that they were unable to procure information/documents from other Noticees wherein they were directors. Thus, I find that Noticee nos. 2 to 4 have not been able to establish their innocence in the scheme of things described in the paragraphs above. I find that it has been sufficiently described in the SCN how Noticee nos. 1, 12, 14 and 16 have acted in concert, specifically paragraphs 20, 21,22, 24 26 to 30 of SCN. Thus, this contention deserves rejection.

53. It is worth reiterating that Noticee 2 was serving as the chairman and managing director of Noticee 1, Noticee 3 was serving as the whole time director of Noticee 1 and Noticee 4 was acting as an independent director of

Notice 1. Noticee nos. 2 and 3 were signatories of the balance sheet and were also mentioned as its key management personnel in the annual report of Noticee 1 for FY 2010-11. Noticee nos. 2 to 4 were authorised to operate the designated bank account of Noticee 1 (*i.e,* Kotak Mahindra bank account bearing no. xxxxxxxxxx0282) during January 2011. Noticee 4 was also the sole authorised person to operate bank account of Noticee 1 with Axis Bank bearing no. xxxxxxxxxx1304 during January 2011. When position of Noticee nos. 2 to 4 as directors of Noticee 1, their designation in Noticee nos. 12, 14, 15, 16 and 21, and the fund transfers are read together, it indicates that the fund transfers were undertaken for the purpose of funding the 2011 Preferential Allotment.

54. The findings recorded above conclusively establishes the role played by Noticee nos. 1 to 21 wherein Noticee 1 (with Noticee nos. 2 to 4 as directors) came out with a preferential allotment, and allotted its shares to certain Noticees (*i.e,* Noticee nos. 5 to 11) with the funds made available by itself or its connected entities (*i.e,* Noticee nos. 12 to 21). I find that Noticee nos. 1 to 21 have not been able to prove that the transactions between them were genuine. Moreover, Noticee 1 transferring funds to preferential allottee (*i.e,* Noticee 10) and connected entities (*i.e,* Noticee nos. 12, 14 and 20) post the 2011 Preferential Allotment further strengthens my aforesaid findings that funds were transferred by Noticee 1 and its connected entities only to finance the subscription of 2011 Preferential Allotment. In view of the paragraphs above, I hold that Noticee nos. 1 to 21 have violated section 12A(a), (b),(c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.

II. Whether Noticee nos. 5 to 11 and 26 have violated regulation 7(2) of Takeover Regulations, 1997?

55. Regulation 7(1), (1A) and (2) of Takeover Regulations, 1997 is reproduced below:

Acquisition of 5% and more shares of a company

7.(1) Any acquirer, who acquires shares or voting rights which (taken together with shares or voting rights, if any, held by him) would entitle him to more than five per cent or ten per cent. or fourteen percent. or fifty four per cent. or seventy four per cent shares or voting rights in a company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the target company are listed.

(1A) Any acquirer who has acquired shares or voting rights of a company under sub-regulation (1) of regulation 11, shall disclose purchase or sale aggregating two percent. or more of the share capital of the target company to the target company, and the stock exchanges where shares of the target company are listed within two days of such purchase or sale alongwith the aggregate shareholding after such acquisition or sale.

Explanation- for the purposes of sub-regulations (1) and (1A), the term 'acquirer' shall include a pledgee, other than a bank or a financial institution and such pledgee shall make disclosure to the target company and the stock exchange within two days of creation of pledge.

(2) The disclosures mentioned in sub-regulations (1) and (1A) shall be made within two days –

(a) the receipt of intimation of allotment of shares; or

(b) the acquisition of shares or voting rights, as the case may be.

56. It has been alleged in the SCN that pursuant to acquisition of shares aggregating to 2.76% of the share capital of Noticee 1 by Noticee nos. 5 to 11 and Noticee 26 as persons acting in concert, disclosure requirement under regulation 7(2) of Takeover Regulations, 1997 was triggered. However, it is observed that Noticee nos. 5 to 11 and Noticee 26 had failed to make any disclosure under the aforesaid provision.

57. With respect to the above, Noticee nos. 5 to 11 and 26 have submitted that the alleged non-disclosure was unintentional, by mistake, and has not affected anybody's interest, including shareholders of Noticee 1. SCN also does not

suggest that non-disclosure has actually impacted anyone's interest. I find that the aforesaid factors are not relevant for determining whether violation of regulation 7(2) of Takeover Regulations, 1997 was committed or not. Thus, this argument is without merits.

58. I find that 2011 Preferential Allotment to 8 promoter group entities (*i.e.,* Noticee nos. 5 to 11 and Noticee 26) and stock split on July 03, 2009, resulted in changes in the promoter group and the shareholding of the promoters. The total shareholding of the promoter category of Noticee 1 increased from 17.82% as at the quarter ended on December 31, 2010 to 20.1% (*i.e.,* by 2.28%) as at the quarter ended on March 31, 2011. Further, each promoter group entity (*i.e.,* 8 new promoters – Noticee nos. 5 to 11 and Noticee 26) individually acquired shares of Company, ranging from 0.10-1.66% of the its total share capital, however, these 8 promoters as persons acting in concert had collectively acquired shares aggregating to 2.76% of the total share capital. Thus, preferential allottees of 2011 Preferential Allotment who were already holding more than 15% shares of Noticee 1 had acquired 2.76% of the total share capital of Noticee 1 in 2011 Preferential Allotment, and had triggered requirement to disclose acquisition of 2% or more of the share capital of the target company (*i.e.,* Noticee 1) within 2 days of such purchase alongwith the aggregate shareholding after such acquisition as per regulation 7(2) read with regulation 7(1A) of Takeover Regulations, 1997. I find that during investigation BSE, Noticee 1 and registrar and transfer agent of Noticee 1 have stated that Noticee nos. 5 to 11 and 26 have not submitted disclosures under regulation 7(2) of Takeover Regulations, 1997. In light of the paragraphs above, I find that Noticee nos. 5 to 11 and 26 have violated regulation 7(2) of Takeover Regulations, 1997.

III. Whether Noticee nos. 22 to 26 have violated section 11C(3) read with section 11C(2) of SEBI Act?

59. The provisions of SEBI Act relevant to this issue are reproduced below:

Investigation.

11C.

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

60. As noted above, neither Noticee nos. 22 to 25 have submitted a response to the charges levelled against them in the SCN nor did they appear for the hearing opportunities granted to them. In this regard, I again find it necessary to place reliance on the orders passed by Hon'ble SAT in *Classic Credit (supra), Sanjay Kumar Tayal & Ors. (supra) and Dave Harihar Kirtibhai (supra).* Notwithstanding the aforesaid orders, while deciding the case, I also cannot lose sight of settled position of law that the charges in the SCN should be established with valid reasons and in accordance with law. Therefore, I deem it necessary to examine the charges based on the supporting material provided in the SCN with respect to Noticee nos. 22 to 25.

61. Before proceeding to examine the charges against Noticee nos. 22 to 25 on merits, it is relevant to mention here that in 2009 Preferential Allotment, Devender Kumar Jain and Raj Kumar Kedia (Noticee 23) were jointly allotted 50,000 shares. Similarly, Nirmal Kain and Raj Kumar Kedia (Noticee 24) were also jointly allotted 50,000 shares. Therefore, at the time of investigation, a

common summon was issued to Devender Kumar Jain and Raj Kumar Kedia (Noticee 23), and another common summon was issued to Nirmal Jain and Raj Kumar Kedia (Noticee 24). I note that both summons was issued at the same address. Subsequently, I note that action was approved against (i) Devender Kumar Jain and Raj Kumar Kedia jointly; and (ii) Nirmal Jain and Raj Kumar Kedia jointly. I note that PAN of Raj Kumar Kedia is not available and attempts made to obtain his correspondence address during investigation have been unsuccessful. Since the only detail available on record regarding Raj Kumar Kedia is his address which is same as address of Devender Kumar Jain and Nirmal Jain, it has been assumed that Raj Kumar Kedia who was jointly allotted shares with Devender Kumar Jain as well as Nirmal Jain is the same person.

62. The SCN alleges that Noticee nos. 22 to 25 did not respond to summons dated January 03, 2020 and two reminder summons dated January 21, 2020 and January 30, 2020, despite delivery of the aforesaid summons. From the material available on record, I note the details of the summons sent to Noticee nos. 22 to 26 is as follows:

Noticee no.	**Mode of delivery of summons dated January 03, 2020**	**Mode of delivery of reminder summons dated January 21, 2020**	**Mode of delivery of reminder summons dated January 30, 2020**
Noticee 22	Sent by post. Delivered on January 07, 2020.	Sent by post. Delivered on January 27, 2020.	Sent by post. Delivered on February 03, 2020.
Noticee 23	Sent by post. Delivered on January 08, 2020.	Sent by post. Delivered on January 27, 2020.	Sent by post. Delivered on February 03, 2020.
Noticee 24	Sent by post. Delivered on January 08, 2020.	Sent by post. Delivered on January 27, 2020.	Sent by post. Delivered on February 03, 2020.
Noticee 25	Sent by post. Delivered on January 08, 2020.	Sent by post. Delivered on January 27, 2020.	Sent by post. Delivered on February 03, 2020.

63. I note that Noticee nos. 22 to 25 were asked to provide information regarding the 2009 Preferential Allotment. Specifically, they were *inter alia* asked to provide details of bank account from which payment was made to Noticee 1, source of funds *etc,*

64. I find that the aforesaid information was crucial in determining if the 2009 Preferential Allotment was funded by Noticee 1 and connected entities as found in Issue I above with respect to 2011 Preferential Allotment. Not providing the requisite information certainly elongated the investigation. I find that the non-compliance exhibited by Noticee nos. 22 to 25 has clearly violated section 11C(3) read with section 11C(2) of SEBI Act.

65. Coming to Noticee 26, SCN alleges that he did not respond to summons dated January 23, 2020 and two reminder summons dated February 04, 2020 and February 17, 2020 despite delivery of the said summons. The delivery status of the aforesaid summons is tabulated below:

Summons date	**Delivery status**
January 23, 2020	Sent by post. Delivered on January 28, 2020.
February 04, 2020	Sent by post. Delivered on February 08, 2020.
February 17, 2020	Sent by post. Delivered on February 24, 2020.

66. I note that Noticee 26 was asked for information regarding source of funds for acquisition of shares in 2011 Preferential Allotment, purpose of certain funds received in its account, whether he was related to a certain company or Noticee 1 *etc*. Noticee 26 has submitted that he had received summons in February, 2020 and he was in process of compliance, however, he misplaced it and then lockdown was imposed due to COVID-19. I find that if the summons was misplaced by Noticee 26, he could have informed SEBI, however, I do not find any such communication placed before me. Thus, I am inclined to reject this argument of Noticee 26. I find that Noticee 26 was statutorily required to provide the information summoned from him and non-compliance of the same clearly falls foul of section 11C(3) read with section 11C(2) of SEBI Act.

IV. Does the violation, if any, attract monetary penalty under section 15HA, section 15A(a) and section 15A(b) of the SEBI Act?

V. If the answer to Issue No. IV is in affirmative, then what should be the quantum of monetary penalty?

67. Since violation of SEBI Act and PFUTP Regulations by the Noticees is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticees under sections 15A(a), 15A(b) and 15HA of the SEBI Act, text of which is provided below:

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(a) to furnish any document, return or report to the Board, fails to furnish the same [1][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty [2][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations [1][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty [2][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];

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

2 Substituted for the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

Penalty for fraudulent and unfair trade practices.

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

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

68. While determining the quantum of penalty under the aforesaid sections, the following factors stipulated in section 15J of the SEBI Act, have to be given due regard:

    (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

    (b) the amount of loss caused to an investor or group of investors as a result of the default; and

    (c) the repetitive nature of the default.

69. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the Noticees default. With respect to the repetitive nature of the default, it is noted that previously:

    (i) Orders have been passed against Noticee nos. 1 to 4, 11, 15, and 21 for violation of PFUTP Regulations; and

    (ii) Order has been passed against Noticee nos. 10 and 18 for violation of PFUTP Regulations.

Thus, I find that violation committed by the entities mentioned above is repetitive in nature. Further, I note that the present case pertains to the 2009 Preferential Allotment and 2011 Preferential Allotment of Noticee 1, and considerable time has passed since then, therefore, the aforesaid fact has been considered as a mitigating factor by me.

E. ORDER

70. After taking into consideration the previous paragraphs, in exercise of powers conferred upon me under section 15I(2) of the SEBI Act read with rule 5 of the SEBI Adjudication Rules, I hereby impose following monetary penalty on Noticees under sections 15A(a), 15A(b) and 15HA of the SEBI Act as follows:

<table>
<tr><th>Noticee No.</th><th>Noticee</th><th>Violations established</th><th>Penal section</th><th>Penalty (in Rs.)</th></tr>
<tr><td>1</td><td>JMD Telefilms Industries Ltd. (now JMD Ventures Ltd.)</td><td rowspan="4"><u>Noticee nos. 1 to 4:</u>

Section 12 A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.</td><td rowspan="4">15HA of SEBI Act.</td><td>8,00,000</td></tr>
<tr><td>2</td><td>Kailash Prasad Purohit</td><td>8,00,000</td></tr>
<tr><td>3</td><td>Jagadish Prasad Purohit</td><td>8,00,000</td></tr>
<tr><td>4</td><td>Pravin Tukaram Sawant</td><td>8,00,000</td></tr>
<tr><td>5</td><td>Renuka Trust</td><td rowspan="7"><u>Noticee nos. 5 to 11:</u>

Section 12 A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.</td><td rowspan="7">15HA of SEBI Act.</td><td>7,00,000</td></tr>
<tr><td>6</td><td>Saurabh Family Trust</td><td>7,00,000</td></tr>
<tr><td>7</td><td>Priyanka Trust</td><td>7,00,000</td></tr>
<tr><td>8</td><td>Madhav Trust</td><td rowspan="2">7,00,000</td></tr>
<tr><td>9</td><td>Adarsh Trust</td></tr>
<tr><td>10</td><td>Unisys Softwares & Holding Industries Ltd.</td><td>8,00,000</td></tr>
<tr><td rowspan="2">11</td><td rowspan="2">JMD Sounds Ltd.</td><td rowspan="2">8,00,000</td></tr>
<tr><td>Regulation 7(2) of Takeover Regulations, 1997.</td><td>15A(b) of SEBI Act.</td></tr>
<tr><td>12</td><td>Matrix Systel Pvt. Ltd.</td><td rowspan="7"><u>Noticee nos. 12 to 21:</u>

Section 12 A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d) and 4(1) of PFUTP Regulations.</td><td rowspan="7">15HA of SEBI Act.</td><td>6,00,000</td></tr>
<tr><td>13</td><td>Rigmadirappa Investment Pvt. Ltd.</td><td>6,00,000</td></tr>
<tr><td>14</td><td>Nirnidhi Consultant Pvt. Ltd.</td><td>6,00,000</td></tr>
<tr><td>15</td><td>Allbright Electricals Pvt. Ltd.</td><td>7,00,000</td></tr>
<tr><td>16</td><td>Warner Multimedia Ltd.</td><td>6,00,000</td></tr>
<tr><td>17</td><td>Blazer Venture Pvt. Ltd.</td><td>6,00,000</td></tr>
<tr><td>18</td><td>Natraj Vinimay Ltd.</td><td>7,00,000</td></tr>
</table>

Noticee No.	Noticee	Violations established	Penal section	Penalty (in Rs.)
19	Ranisati Distributors Pvt. Ltd.			6,00,000
20	Prime Capital Market Ltd.			6,00,000
21	Vibhuti Muti Trade Pvt. Ltd.			8,00,000
22	Dinesh Kumar Parasrampuria	<u>Noticee nos. 22 to 25:</u> Section 11C(3) read with section 11C(2) of SEBI Act.	15A(a) of SEBI Act.	1,00,000 each
23 and 24	Devender Kumar Jain Raj Kumar Kedia Nirmal Jain			
25	D. K. Jain & Sons HUF			
26	Madhav Vinyas	<u>Noticee 26:</u> Section 11C(3) read with section 11C(2) of SEBI Act.	15A(a) of SEBI Act.	2,00,000
		Regulation 7(2) of Takeover Regulations, 1997.	15A(b) of SEBI Act.	

71. The said penalty imposed on the Noticees, as mentioned above, is commensurate with the violation committed by the Noticees and acts as a deterrent factor for the Noticees and others in protecting the interest of investors.

72. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **<u>www.sebi.gov.in</u>** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

73. The Noticees shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-III, SEBI, in the format given in table below:

1.	Case name	
2.	Name of payee	
3.	Date of payment	
4.	Amount paid	
5.	Transaction no	
6.	Bank details in which payment is made	
7.	Payment is made for	Penalty

74. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and SEBI.

Date: October 28, 2022
Place: Mumbai

PRASANTA MAHAPATRA
ADJUDICATING OFFICER