BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/VV/NK/2022-23/24247-24256]

ORDER 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. & Name (PAN)	Noticee No. & Name(PAN)
1. Arnav Corporation Ltd. (ACL) (PAN: AAACP5978K)	6. Aprateem Trading Pvt. Ltd. (PAN: AAKCA3649Q)
2. Dhiren Negandhi (PAN: ACQPN1558C)	7. Bulltext Reality Pvt. Ltd. (PAN: AAECB4336P)
3. Jayesh Shah (PAN: AAFPS4173H)	8. Orange Mist Productions Pvt. Ltd. (PAN: AABCO0927C)
4. Adamina Traders Pvt. Ltd. (PAN: AAICA0681J)	9. Parkway Properties Pvt. Ltd. (PAN: AAECP2893B)
5. Anumita Infrastructure Pvt. Ltd. (PAN: AAKCA3639A)	10. Radford Real Estate Pvt. Ltd. (PAN: AAECR5403K)

IN THE MATTER OF FUNDING OF PREFERENTIAL ALLOTTEES BY THE COMPANY IN THE SCRIP OF ARNAV CORPORATION LTD

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had conducted the Investigation to examine the funding in respect of preferential allotment dated December 10, 2013 by Arnav Corporation Ltd. (hereinafter referred to as "**ACL" / "the company"**), if any, to preferential allottees and to ascertain *inter-alia* whether there was any violation of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**), SEBI (Prohibition of Fraudulent and Unfair Trade

Practices relating to Securities Market) Regulations, 2003 (hereinafter referred as "**SEBI (PFUTP) Regulations, 2003**"), during the period March 15, 2013 to March 31, 2014 (hereinafter referred to as '**Investigation Period or IP'**). However, wherever deemed necessary, reference has been made outside this period. Pursuant to the Investigation, SEBI initiated adjudication proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) against the following entities (hereinafter referred individually by their "**Name or Noticee No."** and collectively referred to as "**Noticees**") for violation of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992:

a) Adjudication proceedings u/s 15HA of the SEBI Act, 1992 against Arnav Corporation Ltd. and its Directors namely, Dhiren Negandhi and Jayesh Shah for violation of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

b) Adjudication proceedings u/s 15HA of the SEBI Act, 1992 against 7 (seven) preferential allottees namely, Adamina Traders Pvt. Ltd.(**ATPL/Adamina**), Anumita Infrastructure Pvt. Ltd.(**AIPL/Anumita**), Aprateem Trading Pvt. Ltd.(**Aprateem**), Bulltext Reality Pvt. Ltd. (**BRPL/Bulltext**), Orange Mist Productions Pvt. Ltd. (**OMPPL/Orange Mist**), Parkway Properties Pvt. Ltd. (**PPPL/Parkway**) and Radford Real Estate Pvt. Ltd. (**RREPL/Radford**) for violation of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

2. Shri N. Hariharan was appointed as the Adjudicating Officer ("**AO**") vide order dated May 30, 2022 under Section 15-I(1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter

referred to as "**Adjudication Rules**") to conduct adjudication proceedings inter-alia in respect of the Noticees, in the manner specified under Rule 4 of the SEBI Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the SEBI Adjudication Rules and Section 15HA of the SEBI Act. Subsequently, vide communication order dated October 06, 2022**,** the case has been transferred to undersigned. It has been advised that except for the change of the Adjudicating Officer the other terms and conditions of the original orders 'shall remain unchanged and shall be in full force and effect' and that the "*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders*."

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. Show Cause Notice dated November 25, 2022 (hereinafter referred to as **"SCN"**) was issued to the Noticees in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticees for the alleged violation of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992 by the Noticees.

4. The allegations levelled against the Noticees in the SCNs, *inter-alia*, mentioned as below-

Background of the company

4.1. Arnav Corporation Ltd. (CIN: L74900MH1987PLC044592, PAN: AAACP5978K) was incorporated on September 07, 1987. The company was earlier known as Polypro Fibrils (India) Ltd. As per BSE website, the company is in the publishing industry. The company has its registered office at 802, Crystal Plaza, AG Link Road, Chakala, Andheri, Mumbai - 400099.

4.2. The scrip is listed only on BSE (listing date: February 26, 1996). Currently, trading in the scrip is suspended due to penal reasons. As per BSE website, the company has not paid Annual Listing Fees. The scrip was last traded on July 08, 2019 (close price: Rs. 0.19 & no. of shares traded: 500).

4.3. The directors of the company during the IP are as follows:

Table 1: Directors of Arnav Corporation Ltd. during the IP (Source: MCA website, Letter dated 23.03.2021 of Arnav Corporation Ltd., ACL's Annual Report 2014)

Name	***Designation***	***DIN***	***PAN***	***Date of Appointment***	***Date of Cessation***

Chandrakant Ramdas Shinde	*Non-Executive Independent Director*	*06362801*	*AYHPS8426K*	*30/09/2013*	*---*
Dhiren Vitthaldas Negandhi	*Managing Director*	*03385812*	*ACQPN1558C*	*04/12/2012*	*---*
Jayesh Shah	*Executive Director*	*03043286*	*AAFPS4173H*	*04/12/2012*	*15/11/2016*
Pradeep Bhagubhai Parmar	*Non-Executive Independent Director*	*02837369*	*Not available*	*30/09/2009*	*15/11/2016*
Rajnish Kumar	*Non-Executive Independent Director*	*03431287*	*ARCPK3508L*	*29/01/2011*	*15/11/2016*
Dauji Laddu Chaturvedi	*Executive Director*	*00163302*	*AAFPC2899C*	*15/12/1992*	*13/08/2014*

4.4. ***Preferential Allotment:*** *(Source: Letter dated 23.03.2021 of Arnav Corporation Ltd.)*

a) *ACL had made preferential allotment on December 10, 2013. Details of the allotment are as under:*

Table 2: Details of preferential allotment

Date of allotment	***No. of shares allotted***	***Price per share***	***Issue Size (in Rs.)***	***No. of allottees***
10.12.2013	*4,00,00,000*	*Rs. 21/-*	*84 crores*	*13*

b) *The break-up of shares issued to each preferential allottee is as under:*

Sr. No.	***Name of the Allottee***	***PAN***	***No. of shares allotted***	***Issue Price***	***Amount (in Rs.)***
1	*Orange Mist Productions Pvt. Ltd.*	*AABCO0927C*	*4795000*	*21*	*100695000*
2	*Jeshna Multitrade Pvt. Ltd.*	*AACCJ2392K*	*2380500*	*21*	*49990500*
3	*Jabeen Tradelink Pvt. Ltd.*	*AACCJ2408A*	*2925000*	*21*	*61425000*
4	*Black Horse Media & Entertainment Pvt. Ltd.*	*AADCB5849G*	*2380500*	*21*	*49990500*
5	*Varad Vinayak Trading Pvt. Ltd.*	*AADCV5670R*	*2380000*	*21*	*49980000*
6	*Bullext Reality Pvt. Ltd.*	*AAECB4336P*	*5160000*	*21*	*108360000*
7	*Parkway Properties Pvt. Ltd.*	*AAECP2893B*	*3175000*	*21*	*66675000*
8	*Meritorious Realty Pvt. Ltd.*	*AAGCM3629L*	*2380500*	*21*	*49990500*
9	*Adamina Traders Pvt. Ltd.*	*AAICA0681J*	*2900000*	*21*	*60900000*
10	*Anumita Infrastructure Pvt. Ltd.*	*AAKCA3639A*	*3000000*	*21*	*63000000*
11	*Aprateem Trading Pvt. Ltd*	*AAKCA3649Q*	*4667000*	*21*	*98007000*
12	*Whitetext Infrastructure Pvt. Ltd.*	*AABCW0224G*	*1166500*	*21*	*24496500*
13	*Radford Real Estate Pvt. Ltd.*	*AAECR5403K*	*2690000*	*21*	*56490000*
	Total		***40000000***		***840000000***

c) *Vide letter dated 23.03.2021 (**Annexure-1)**, ACL provided the following chronology of events in respect of the aforesaid preferential allotment dated 10.12.2013:*

Date	***Particulars***

04.09.2013	*Board Meeting convened where the preferential allotment was approved and the date of AGM was fixed for seeking members' approval for preferential allotment.*
20.09.2013	*Application to BSE seeking in-principle approval for preferential allotment.*
30.09.2013	*AGM convened wherein the preferential allotment was approved by the members.*
09.10.2013	*In-principle approval received from BSE*
23.10.2013	*Allotment of warrants*
10.12.2013	*Allotment of preference shares on conversion of warrants*
18.12.2013	*Listing application filed with the exchange*
22.01.2014	*Listing approval received*
04.04.2014	*Application to BSE for Trading Approval*
09.04.2014	*Trading Approval received from BSE.*

d) *Copy of board resolution in respect of the preferential allotment dated 10.12.2013 is placed at **Annexure-2**.*

4.5. <u>Fund Flow Analysis</u>

a. *To investigate whether the company/promoters/directors funded the allottees for subscribing to the preferential issue, the following bank accounts were examined for trailing fund movement, if any from company to allottees:*

i. *the statements of bank account(s) of the company, to which the amounts were credited from the preferential allottees,*

ii. *statements of bank account(s) of the preferential allottees from which the amounts were debited for the aforesaid preferential allotments,*

iii. *Bank statement(s) of other entities from which the preferential allottees had received funds, if any.*

iv. *the statements of accounts of the entities to whom the company had transferred funds after receipt of allotment money from the allottees.*

b. *For establishing fund trail, minimum 3 (three) layers of bank transactions have been examined to ascertain the source of funds.*

c. *Accordingly, bank statements of the preferential allottees in respect of preferential allotment dated 10.12.2013, bank statement of the company and bank statements of various entities, as enumerated at point no. a, were examined regarding fund flow. Copies of all the bank statements have been placed in a CD (Annexure-3).*

d. *The findings in respect of each of these allottees have been summarized in the table below:*

<u>Fund Analysis for Preferential Allotment of shares issued on 10.12.2013</u>:

List of preferential allottees along with findings of investigation:

Sl. No.	*Name of the Allottee*	*PAN*	*Total amount paid by allottee to the company (in Rs.)*	*Total amount funded by the company (in Rs.)*
1	*Adamina Traders Pvt. Ltd.*	*AAICA0681J*	*6,09,00,000*	*3,49,00,000*
2	*Anumita Infrastructure Pvt. Ltd.*	*AAKCA3639A*	*6,30,00,000*	*6,10,00,000*
3	*Aprateem Trading Pvt. Ltd.*	*AAKCA3649Q*	*9,80,07,000*	*8,78,05,000*

4	Black Horse Media & Entertainment Pvt. Ltd.	AADCB5849G	5,00,00,000	5,00,00,000
5	Bulltext Reality Pvt. Ltd.	AAECB4336P	10,83,66,750	2,00,00,000
6	Jeshna Multitrade Pvt. Ltd.	AACCJ2392K	5,00,00,000	5,00,00,000
7	Jabeen Tradelink Pvt. Ltd.	AACCJ2408A	6,14,25,000	Nil
8	Meritorious Realty Pvt. Ltd.	AAGCM3629L	5,00,00,000	Nil
9	Orange Mist Productions Pvt. Ltd.	AABCO0927C	10,06,95,000	7,01,95,000
10	Parkway Properties Pvt. Ltd.	AAECP2893B	6,66,75,000	4,12,25,000
11	Radford Real Estate Pvt. Ltd.	AAECR5403K	5,64,90,000	4,64,00,000
12	Varad Vinayak Trading Pvt. Ltd.	AADCV5670R	5,00,00,000	5,00,00,000
13	Whitetext Infrastructure Pvt. Ltd.	AABCW0224G	2,45,00,000	Nil
	Total		**84,00,58,750**	**51,15,25,000**

4.6. <u>Detailed fund flow analysis in respect of the 10 allottees is as under:</u>

(1) ADAMINA TRADERS PVT. LTD. (PAN: AAICA0681J):

a) Adamina Traders Pvt. Ltd. (ATPL) was allotted 29,00,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 6,09,00,000/- to ACL from its A/c no. 020706700016611 (Dhanlaxmi Bank). Details of the fund transfers to ACL are as under:

Date	Amount (in Rs.)
02/09/2013	4500000
02/09/2013	500000
03/09/2013	2000000
03/09/2013	7500000
10/09/2013	5000000
12/09/2013	2000000
17/09/2013	2500000
17/09/2013	2500000
28/10/2013	4000000
29/10/2013	1200000
29/10/2013	10000000
29/10/2013	1000000
29/10/2013	9700000
29/10/2013	9700000
30/10/2013	(1200000)
Total	**60900000**

<u>Fund Flow Analysis in respect of the allottee, Adamina Traders Pvt. Ltd. (ATPL) is tabulated below:</u>

b) *Fund Flow Analysis of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to Adamina Traders Pvt. Ltd. (ATPL) and from Adamina Traders Pvt. Ltd. (ATPL) to ACL is depicted below:*

Debit	***Credit***	***Amount (Rs.)***	***Debit***	***Credit***	***Amount (Rs.)***	***Debit***	***Credit***	***Amount (Rs.)***
ACL	*Aristo*	*61200000*	*Aristo*	*ATPL*	*34900000*	*ATPL*	*ACL*	*60900000*

c) *The date-wise breakup of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd. and in turn, from Aristo Media & Entertainment Pvt. Ltd. to ATPL is shown below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
28.10.2013	*ACL*	*Aristo*	*14200000*	*29.10.2013*	*Aristo*	*ATPL*	*1200000*
29.10.2013	*ACL*	*Aristo*	*39500000*	*29.10.2013*	*Aristo*	*ATPL*	*30400000*
03.09.2013	*ACL*	*Aristo*	*7500000*	*04.09.2013*	*Aristo*	*ATPL*	*3300000*
Total			***61200000***				***34900000***

d) *Out of the total consideration amount of Rs. 6,09,00,000/- paid by Adamina Traders Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Adamina Traders Pvt. Ltd. to the extent of Rs.3,49,00,000. The entity viz. Aristo Media & Entertainment Pvt. Ltd. facilitated ACL in funding the preferential allottee, Adamina Traders Pvt. Ltd. by allowing its bank account to be used for routing funds by ACL to the allottee.*

e) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Aristo Media & Entertainment Pvt. Ltd. was a supplier of ACL during IP. Hence, ACL had funded Adamina Traders Pvt. Ltd. by routing funds through the account of its supplier namely, Aristo Media & Entertainment Pvt. Ltd.*

(2) ANUMITA INFRASTRUCTURE PVT. LTD. (PAN: AAKCA3639A):

a) *Anumita Infrastructure Pvt. Ltd. (AIPL) was allotted 30,00,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 6,30,00,000/- to ACL. Details of the fund transfers to ACL are as under:*

Date	***Amount***	***Bank Name***	***Bank Account***
30/03/2013	*50000000*	*Kotak Mahindra Bank*	*500011046280*
08/08/2013	*2000000*	*Dhanlaxmi Bank*	*020706700001680*
30/10/2013	*11000000*	*Dhanlaxmi Bank*	*020706700001680*
Total	***6,30,00,000***		

<u>Fund Flow Analysis in respect of the allottee, Anumita Infrastructure Pvt. Ltd. (AIPL) is tabulated below:</u>

b) *Fund Flow Analysis of transfer of funds by ACL to Southmint Real Estate Pvt. Ltd., from Southmint Real Estate Pvt. Ltd. to Regency Trust Ltd., from Regency Trust Ltd. to Sanmay Trading Pvt. Ltd., from Sanmay Trading Pvt. Ltd. to GCV Services Ltd., from GCV Services Ltd. to Ojal Multitrading Pvt. Ltd., Ojal Multitrading Pvt. Ltd. to Speciality Papers Ltd., from Speciality Papers Ltd. to Longseal Machinary Pvt. Ltd., from Longseal Machinary Pvt. Ltd. to Shri Ganesh Spinners Ltd., from Shri Ganesh Spinners Ltd. to Anumita Infrastructure Pvt. Ltd. (AIPL) and from Anumita Infrastructure Pvt. Ltd. (AIPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*ACL*	*Southmint*	*5 crs.*	*30.03.2013*	*Southmint*	*Regency*	*5 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.03.2013	*Regency*	*Sanmay Trading*	*5 crs.*	*30.03.2013*	*Sanmay Trading*	*GCV Services*	*5 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.03.2013	*GCV Services*	*Ojal*	*5 crs.*	*30.03.2013*	*Ojal*	*Speciality*	*5 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.03.2013	*Speciality*	*Longseal*	*5 crs.*	*30.03.2013*	*Longseal*	*Shri Ganesh*	*5 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.03.2013	*Shri Ganesh*	*AIPL*	*5 crs.*	*30.03.2013*	*AIPL*	*ACL*	*5 crs.*

c) *Fund Flow Analysis of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL), from Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL) to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to Anumita Infrastructure Pvt. Ltd. (AIPL) and from Anumita Infrastructure Pvt. Ltd. (AIPL) to ACL is depicted below:*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.10.2013	*ACL*	*Suhasit*	*1.10 crs.*	*30.10.2013*	*Suhasit*	*BHMEPL*	*1.10 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*	*Date*	*Debit*	*Credit*	*Amount (Rs.)*
30.10.2013	*BHMEPL*	*Aristo*	*1.10 crs.*	*30.10.2013*	*Aristo*	*AIPL*	*1.10 crs.*

Date	*Debit*	*Credit*	*Amount (Rs.)*
30.10.2013	*AIPL*	*ACL*	*1.10 crs.*

d) *Out of total consideration amount of Rs. 6,30,00,000/- paid by Anumita Infrastructure Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Anumita Infrastructure Pvt. Ltd. to the extent of Rs.6,10,00,000/-. The entities viz. Shri Ganesh Spinners Ltd. (now known as Yantra Natural Resources Ltd.), Longseal Machinary Pvt. Ltd., Speciality Papers Ltd., Ojal Multitrading Pvt. Ltd., GCV Services Ltd., Sanmay Trading Pvt. Ltd., Regency Trust Ltd., Southmint Real Estate Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd., Black Horse Media and Entertainment Pvt. Ltd. and Suhasit Star Trading Pvt. Ltd. facilitated ACL in funding the preferential allottee, Anumita Infrastructure Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.*

e) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Southmint Real Estate Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd. and Suhasit Star Trading Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Anumita Infrastructure Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers namely, Southmint Real Estate Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd. and Suhasit Star Trading Pvt. Ltd.*

(3) APRATEEM TRADING PVT. LTD. (PAN: AAKCA3649Q):

a) Aprateem Trading Pvt. Ltd. (hereinafter referred to as "Aprateem") was allotted 46,67,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 9,80,07,000/- to ACL from its two accounts viz. Dhanlaxmi Bank A/c no. 020706200002989 and Axis Bank A/c no. 913020042792528. Details of the fund transfers by Aprateem to ACL are as under:

Date	Amount	Bank Name	Bank Account
27/08/2013	4000000	Dhanlaxmi Bank	020706200002989
27/08/2013	1000000	Dhanlaxmi Bank	020706200002989
21/10/2013	5205000	Axis Bank	913020042792528
21/10/2013	5204000	Axis Bank	913020042792528
21/10/2013	5203000	Axis Bank	913020042792528
21/10/2013	5202000	Axis Bank	913020042792528
21/10/2013	5201000	Axis Bank	913020042792528
21/10/2013	5201000	Axis Bank	913020042792528
21/10/2013	5200000	Axis Bank	913020042792528
25/10/2013	10000000	Axis Bank	913020042792528
25/10/2013	10000000	Axis Bank	913020042792528
25/10/2013	10000000	Axis Bank	913020042792528
25/10/2013	10000000	Axis Bank	913020042792528
28/10/2013	13400000	Axis Bank	913020042792528
28/10/2013	3191000	Axis Bank	913020042792528
Total	**9,80,07,000**		

Fund Flow Analysis in respect of the allottee, Aprateem Trading Pvt. Ltd. is tabulated below:

b) Fund Flow Analysis of transfer of funds by ACL to Silvercade Trading Pvt. Ltd., from Silvercade Trading Pvt. Ltd. to Aprateem Trading Pvt. Ltd. and from Aprateem Trading Pvt. Ltd. to ACL is depicted below:

Date	Debit	Credit	Amount (Rs.)	Date	Debit	Credit	Amount (Rs.)
21.10.2013	ACL	Silvercade	2,08,10,000	21.10.2013	Silvercade	Aprateem	2,08,27,000

Date	Debit	Credit	Amount (Rs.)
21.10.2013	Aprateem	ACL	3,64,16,000

c) Fund Flow Analysis of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Aprateem Trading Pvt. Ltd. and from Aprateem Trading Pvt. Ltd. to ACL is depicted below:

Debit	Credit	Amount (Rs.)	Debit	Credit	Amount (Rs.)	Debit	Credit	Amount (Rs.)
ACL	Suhasit	5,39,97,000	Suhasit	Aprateem	5,69,95,000	Aprateem	ACL	9,30,07,000

d) *The date-wise break-up of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd. and, in turn, from Suhasit Star Trading Pvt. Ltd. to Aprateem Trading Pvt. Ltd. is shown below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
21.10.2013	*ACL*	*Suhasit*	*1,04,06,000*	*21.10.2013*	*Suhasit*	*Aprateem*	*1,04,04,000*
25.10.2013	*ACL*	*Suhasit*	*2,70,00,000*	*25.10.2013*	*Suhasit*	*Aprateem*	*3,00,00,000*
28.10.2013	*ACL*	*Suhasit*	*1,65,91,000*	*28.10.2013*	*Suhasit*	*Aprateem*	*1,65,91,000*
Total			***5,39,97,000***				***5,69,95,000***

e) *Fund Flow Analysis of transfer of funds by ACL to Silvercade Trading Pvt. Ltd., from Silvercade Trading Pvt. Ltd. to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Aprateem Trading Pvt. Ltd. and from Aprateem Trading Pvt. Ltd. to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
25.10.2013	*ACL*	*Silvercade*	*54,25,000*	*25.10.2013*	*Silvercade*	*Suhasit*	*30,00,000*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
25.10.2013	*Suhasit*	*Aprateem*	*3,00,00,000*	*25.10.2013*	*Aprateem*	*ACL*	*4,00,00,000*

f) *Fund Flow Analysis of transfer of funds by ACL to Silvercade Trading Pvt. Ltd., from Silvercade Trading Pvt. Ltd. to Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL), from Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL) to Silvercade Trading Pvt. Ltd., from Silvercade Trading Pvt. Ltd. to Aprateem Trading Pvt. Ltd. and from Aprateem Trading Pvt. Ltd. to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
25.10.2013	*ACL*	*Silvercade*	*1 cr.*	*25.10.2013*	*Silvercade*	*BHMEPL*	*1 cr.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
25.10.2013	*BHMEPL*	*Silvercade*	*1 cr.*	*25.10.2013*	*Silvercade*	*Aprateem*	*1 cr.*

Date	***Debit***	***Credit***	***Amount (Rs.)***
25.10.2013	*Aprateem*	*ACL*	*4 crs.*

g) *Out of total consideration amount of Rs. 9,80,07,000/- paid by Aprateem Trading Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Aprateem Trading Pvt. Ltd. to the extent of Rs.8,78,05,000/-. The entities viz. Silvercade Trading Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Black Horse Media and Entertainment Pvt. Ltd. facilitated ACL in funding the preferential allottee, Aprateem Trading Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.*

h) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Silvercade Trading Pvt. Ltd. and Suhasit Star Trading Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Aprateem Trading Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers, Silvercade Trading Pvt. Ltd. and Suhasit Star Trading Pvt. Ltd.*

(4) BULLTEXT REALITY PVT. LTD. (PAN: AAECB4336P):

a) *Bulltext Reality Pvt. Ltd. (BRPL) was allotted 51,60,000 shares in the preferential allotment for which it had transferred Rs. 10,83,66,750/- to ACL from its two bank accounts viz. Union Bank of India A/c no. 316001010501090 and Kotak Mahindra Bank A/c no. 500011039108. Details of the fund transfers to ACL are as under:*

Date	***Amount***	***Bank Name***	***Bank Account***
23/10/2013	*10000000*	*Union Bank of India*	*316001010501090*
23/10/2013	*10000000*	*Union Bank of India*	*316001010501090*
23/10/2013	*10000000*	*Union Bank of India*	*316001010501090*
24/10/2013	*2000000*	*Kotak Mahindra Bank*	*500011039108*
28/10/2013	*1300000*	*Union Bank of India*	*316001010501090*
06/11/2013	*10000000*	*Kotak Mahindra Bank*	*500011039108*
07/11/2013	*35000*	*Kotak Mahindra Bank*	*500011039108*
12/11/2013	*2000000*	*Kotak Mahindra Bank*	*500011039108*
12/11/2013	*2000000*	*Union Bank of India*	*316001010501090*
13/11/2013	*5000000*	*Kotak Mahindra Bank*	*500011039108*
13/11/2013	*2100000*	*Kotak Mahindra Bank*	*500011039108*
13/11/2013	*4900000*	*Kotak Mahindra Bank*	*500011039108*
14/11/2013	*2250000*	*Kotak Mahindra Bank*	*500011039108*
18/11/2013	*1500000*	*Kotak Mahindra Bank*	*500011039108*
18/11/2013	*1000000*	*Kotak Mahindra Bank*	*500011039108*
18/11/2013	*2500000*	*Kotak Mahindra Bank*	*500011039108*
19/11/2013	*15000000*	*Kotak Mahindra Bank*	*500011039108*
20/11/2013	*14000000*	*Kotak Mahindra Bank*	*500011039108*
21/11/2013	*4250000*	*Kotak Mahindra Bank*	*500011039108*
22/11/2013	*3531750*	*Kotak Mahindra Bank*	*500011039108*
29/11/2013	*5000000*	*Kotak Mahindra Bank*	*500011039108*
Total	***10,83,66,750***		

Fund Flow Analysis in respect of the allottee, Bulltext Reality Pvt. Ltd. (BRPL) is tabulated below:

b) *Fund Flow Analysis of transfer of funds by Bulltext Reality Pvt. Ltd. (BRPL) to ACL, from ACL to Vihar Infrastructure Pvt. Ltd., from Vihar Infrastructure Pvt. Ltd. to Bulltext Reality Pvt. Ltd. (BRPL) and from BRPL to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
23.10.2013	*BRPL*	*ACL*	*2 crs.*	*23.10.2013*	*ACL*	*Vihar*	*2 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***
23.10.2013	*Vihar*	*BRPL*	*2 crs.*

c) Out of the total consideration amount of Rs. 10,83,66,750/- paid by Bulltext Reality Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Bulltext Reality Pvt. Ltd. to the extent of Rs. 2,00,00,000. The entity viz. Vihar Infrastructure Pvt. Ltd. facilitated ACL in funding the preferential allottee, Bulltext Reality Pvt. Ltd. by allowing its bank account to be used for routing funds by ACL to the allottee.

d) As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Vihar Infrastructure Pvt. Ltd. was a supplier of ACL during IP. Hence, ACL had funded Bulltext Reality Pvt. Ltd. by routing funds through the account of its supplier, Vihar Infrastructure Pvt. Ltd.

(5) JESHNA MULTITRADE PVT. LTD. (PAN: AACCJ2392K):

a) Jeshna Multitrade Pvt. Ltd. (JMPL) was allotted 23,80,500 shares in the preferential allotment for which it had transferred Rs. 5,00,00,000/- to ACL on 30.03.2013 from its A/c no. 561011014682 (Kotak Mahindra Bank).

<u>Fund Flow Analysis in respect of the allottee, Jeshna Multitrade Pvt. Ltd. (JMPL) is tabulated below:</u>

b) Fund Flow Analysis of transfer of funds by ACL to Indivar Traders Pvt. Ltd., from Indivar Traders Pvt. Ltd. to Speciality Papers Ltd., from Speciality Papers Ltd. to Harrods Construction, from Harrods Construction to Shri Ganesh Spinners Ltd., from Shri Ganesh Spinners Ltd. to Sanmay Trading Pvt. Ltd., from Sanmay Trading Pvt. Ltd. to GCV Services Ltd., from GCV Services Ltd. to Aprateem Trading Pvt. Ltd., from Aprateem Trading Pvt. Ltd. to Prraneta Industries Ltd., from Prraneta Industries Ltd. to Jeshna Multitrade Pvt. Ltd. (JMPL) and from Jeshna Multitrade Pvt. Ltd. (JMPL) to ACL is depicted below:

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*ACL*	*Indivar*	*5 crs.*	*30.03.2013*	*Indivar*	*Speciality*	*5 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*Speciality*	*Harrods*	*5 crs.*	*30.03.2013*	*Harrods*	*Shri Ganesh*	*5 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*Shri Ganesh*	*Sanmay Trading*	*5 crs.*	*30.03.2013*	*Sanmay Trading*	*GCV Services*	*5 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*GCV Services*	*Aprateem*	*5 crs.*	*30.03.2013*	*Aprateem*	*Prraneta*	*5 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*Prraneta*	*JMPL*	*5 crs.*	*30.03.2013*	*JMPL*	*ACL*	*5 crs.*

c) The entire consideration amount of Rs. 5,00,00,000/- paid by Jeshna Multitrade Pvt. Ltd. to ACL towards allotment of preferential shares was funded by ACL. The entities viz. Prraneta Industries Ltd. (now Aadhaar Ventures India Ltd.), Aprateem Trading Pvt. Ltd., GCV Services Ltd., Sanmay Trading Pvt. Ltd., Shri Ganesh Spinners Ltd. (now known as Yantra Natural Resources Ltd.), Harrods Construction, Speciality Papers Ltd. and Indivar Traders Pvt. Ltd. facilitated

ACL in funding the preferential allottee, Jeshna Multitrade Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.

d) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Aadhaar Ventures India Ltd. and Indivar Traders Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Jeshna Multitrade Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers, Aadhaar Ventures India Ltd. and Indivar Traders Pvt. Ltd.*

(6) ORANGE MIST PRODUCTIONS PVT. LTD. (PAN: AABCO0927C):

a) *Orange Mist Productions Pvt. Ltd. (OMPPL) was allotted 47,95,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 10,06,95,000/- to ACL from its two bank accounts viz. Axis Bank A/c no. 913020048554234 and Dhanlaxmi Bank A/c no. 020706700001692. Details of the fund transfers to ACL are as under:*

Date	**Amount**	**Bank Name**
22/10/2013	5000000	Dhanlaxmi Bank
22/10/2013	4700000	Dhanlaxmi Bank
22/10/2013	8700000	Dhanlaxmi Bank
23/10/2013	9700000	Dhanlaxmi Bank
29/10/2013	4600000	Dhanlaxmi Bank
29/10/2013	5000000	Dhanlaxmi Bank
30/10/2013	8000000	Dhanlaxmi Bank
30/10/2013	8500000	Dhanlaxmi Bank
30/10/2013	1200000	Dhanlaxmi Bank
30/10/2013	9000000	Dhanlaxmi Bank
30/10/2013	8000000	Dhanlaxmi Bank
31/10/2013	18500000	Axis Bank
31/10/2013	9795000	Axis Bank
Total	**10,06,95,000**	

Fund Flow Analysis in respect of the allottee, Orange Mist Productions Pvt. Ltd. (OMPPL) is tabulated below:

b) *Fund Flow Analysis of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to Orange Mist Productions Pvt. Ltd. (OMPPL) and from Orange Mist Productions Pvt. Ltd. (OMPPL) to ACL is depicted below:*

Debit	**Credit**	**Amount (Rs.)**	**Debit**	**Credit**	**Amount (Rs.)**	**Debit**	**Credit**	**Amount (Rs.)**
ACL	Aristo	5.27 crs.	Aristo	OMPPL	4.90 crs.	OMPPL	ACL	7.24 crs.

c) *The date-wise break-up of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd. and, in turn, from Aristo Media & Entertainment Pvt. Ltd. to Orange Mist Productions Pvt. Ltd. (OMPPL) is shown below:*

Date	**Debit**	**Credit**	**Amount (Rs.)**	**Date**	**Debit**	**Credit**	**Amount (Rs.)**
22.10.2013	ACL	Aristo	0.45 crs.	22.10.2013	Aristo	OMPPL	1.32 crs.
23.10.2013	ACL	Aristo	0.97 crs.	23.10.2013	Aristo	OMPPL	0.97 crs.
29.10.2013	ACL	Aristo	0.50 crs.	29.10.2013	Aristo	OMPPL	0.96 crs.
30.10.2013	ACL	Aristo	3.35 crs.	30.10.2013	Aristo	OMPPL	1.65 crs.
Total			**5.27 crs.**				**4.90 crs.**

d) *Fund Flow Analysis of transfer of funds by ACL to Silvercade Trading Pvt. Ltd., from Silvercade Trading Pvt. Ltd. to Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL), Suhasit Star Trading Pvt. Ltd. & Orange Mist Productions Pvt. Ltd. (OMPPL) and then, from Black Horse Media and Entertainment Pvt. Ltd. (BHMEPL) & Suhasit Star Trading Pvt. Ltd. to Orange Mist Productions Pvt. Ltd. (OMPPL) and ultimately, from Orange Mist Productions Pvt. Ltd. (OMPPL) to ACL is depicted below:*

Date	Debit	Credit	Amount (Rs.)	Date	Debit	Credit	Amount (Rs.)
21.10.2013	ACL	Silvercade	52 lakhs	21.10.2013	Silvercade	BHMEPL	5 lakhs
						Suhasit	25 lakhs
				22.10.2013	Silvercade	OMPPL	22 lakhs

Date	Debit	Credit	Amount (Rs.)	Date	Debit	Credit	Amount (Rs.)
22.10.2013	BHMEPL	OMPPL	5 lakhs	22.10.2013	OMPPL	ACL	1.84 crs.
	Suhasit	OMPPL	25 lakhs				

e) *Fund Flow Analysis of transfer of funds by ACL to Adamina Traders Pvt. Ltd. (ATPL), from Adamina Traders Pvt. Ltd. (ATPL) to Orange Mist Productions Pvt. Ltd. (OMPPL) and from Orange Mist Productions Pvt. Ltd. (OMPPL) to ACL is depicted below:*

Date	Debit	Credit	Amount (Rs.)	Date	Debit	Credit	Amount (Rs.)
30.10.2013	ACL	ATPL	12 lakhs	30.10.2013	ATPL	OMPPL	10 lakhs

Date	Debit	Credit	Amount (Rs.)
30.10.2013	OMPPL	ACL	3.47 crs.

f) *Fund Flow Analysis of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Orange Mist Productions Pvt. Ltd. (OMPPL) and from Orange Mist Productions Pvt. Ltd. (OMPPL) to ACL is depicted below:*

Date	Debit	Credit	Amount (Rs.)	Date	Debit	Credit	Amount (Rs.)
31.10.2013	ACL	Suhasit	2,82,95,000	31.10.2013	Suhasit	OMPPL	2,82,95,000

Date	Debit	Credit	Amount (Rs.)
31.10.2013	OMPPL	ACL	2,82,95,000

g) *Out of total consideration amount of Rs. 10,06,95,000/- paid by Orange Mist Productions Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Orange Mist Productions Pvt. Ltd. to the extent of Rs.7,01,95,000/-. The entities viz. Aristo Media and Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd., Silvercade Trading Pvt. Ltd., Black Horse Media and Entertainment Pvt. Ltd. and Adamina Traders Pvt. Ltd. facilitated ACL in funding the preferential allottee, Orange Mist Productions Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.*

h) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Aristo Media and Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Silvercade Trading Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded*

Orange Mist Productions Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers, Aristo Media and Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Silvercade Trading Pvt. Ltd.

(7) PARKWAY PROPERTIES PVT. LTD. (PAN: AAECP2893B):

a) *Parkway Properties Pvt. Ltd. (PPPL) was allotted 31,75,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 6,66,75,000/- to ACL from its two bank accounts viz. Dhanlaxmi Bank A/c no. 020706700001732 and Kotak Mahindra Bank A/c no. 500011041794. Details of the fund transfers to ACL are as under:*

Date	***Amount***	***Bank Name***
19/08/2013	*3200000*	*Dhanlaxmi Bank*
20/08/2013	*3200000*	*Dhanlaxmi Bank*
21/08/2013	*1650000*	*Dhanlaxmi Bank*
19/09/2013	*5000000*	*Dhanlaxmi Bank*
21/09/2013	*2500000*	*Dhanlaxmi Bank*
23/09/2013	*3000000*	*Dhanlaxmi Bank*
23/09/2013	*6500000*	*Dhanlaxmi Bank*
25/09/2013	*2500000*	*Dhanlaxmi Bank*
03/10/2013	*1900000*	*Dhanlaxmi Bank*
28/10/2013	*18000000*	*Kotak Mahindra Bank*
29/10/2013	*19225000*	*Kotak Mahindra Bank*
Total	***66675000***	

<u>Fund Flow Analysis in respect of the allottee, Parkway Properties Pvt. Ltd. (PPPL) is tabulated below:</u>

b) *Fund Flow Analysis of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to Ailish Traders Pvt. Ltd. and Parkway Properties Pvt. Ltd. (PPPL), from Ailish Traders Pvt. Ltd. to Parkway Properties Pvt. Ltd. (PPPL) and from Parkway Properties Pvt. Ltd. (PPPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
21.09.2013	*ACL*	*Aristo*	*25 lakhs*	*23.09.2013*	*Aristo*	*PPPL*	*10 lakhs*
23.09.2013	*ACL*	*Aristo*	*30 lakhs*			*Ailish*	*30 lakhs*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
23.09.2013	*Ailish*	*PPPL*	*30 lakhs*	*23.09.2013*	*PPPL*	*ACL*	*95 lakhs*

c) *Fund Flow Analysis of transfer of funds by ACL to Lifecode Mercantile Pvt. Ltd., from Lifecode Mercantile Pvt. Ltd. to Parkway Properties Pvt. Ltd. (PPPL) and from Parkway Properties Pvt. Ltd. (PPPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
28.10.2013	*ACL*	*Lifecode*	*1.80 crs.*	*28.10.2013*	*Lifecode*	*PPPL*	*1.80 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***
28.10.2013	*PPPL*	*ACL*	*1.80 crs.*

d) *Fund Flow Analysis of transfer of funds by ACL to Offerlink Infraprojects Pvt. Ltd., from Offerlink Infraprojects Pvt. Ltd. to Parkway Properties Pvt. Ltd. (PPPL) and from Parkway Properties Pvt. Ltd. (PPPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
29.10.2013	*ACL*	*Offerlink*	*2,00,00,000*	*29.10.2013*	*Offerlink*	*PPPL*	*2,00,00,000*

Date	***Debit***	***Credit***	***Amount (Rs.)***
29.10.2013	*PPPL*	*ACL*	*1,92,25,000*

e) *Out of total consideration amount of Rs. 6,66,75,000/- paid by Parkway Properties Pvt. Ltd. to ACL towards allotment of preferential shares, ACL had funded Parkway Properties Pvt. Ltd. (PPPL) to the extent of Rs.4,12,25,000/-. The entities viz. Aristo Media & Entertainment Pvt. Ltd., Ailish Traders Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd. facilitated ACL in funding the preferential allottee, Parkway Properties Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.*

f) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Aristo Media & Entertainment Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Parkway Properties Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers namely, Aristo Media & Entertainment Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd.*

(8) RADFORD REAL ESTATE PVT. LTD. (PAN: AAECR5403K):

a) *Radford Real Estate Pvt. Ltd. (RREPL) was allotted 26,90,000 shares in the preferential allotment for which it had transferred aggregate amount of Rs. 5,64,90,000/- to ACL from its two accounts viz. Kotak Mahindra Bank A/c no. 500011043930 and Dhanlaxmi Bank A/c no. 020706700001673. Details of the fund transfers to ACL are as under:*

Date	***Amount***	***Bank Name***	***Bank Account***
18/10/2013	*7500000*	*Kotak Mahindra Bank*	*500011043930*
18/10/2013	*7501000*	*Kotak Mahindra Bank*	
28/10/2013	*13400000*	*Kotak Mahindra Bank*	
31/10/2013	*9500000*	*Dhanlaxmi Bank*	*020706700001673*
31/10/2013	*9000000*	*Dhanlaxmi Bank*	
31/10/2013	*8500000*	*Dhanlaxmi Bank*	
28/11/2013	*1089000*	*Kotak Mahindra Bank*	*500011043930*
Total	***5,64,90,000***		

Fund Flow Analysis in respect of the allottee, Radford Real Estate Pvt. Ltd. (RREPL) is tabulated below:

b) *Fund Flow Analysis of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Radford Real Estate Pvt. Ltd. (RREPL) and from Radford Real Estate Pvt. Ltd. (RREPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
28.10.2013	*ACL*	*Suhasit*	*1.34 crs.*	*28.10.2013*	*Suhasit*	*RREPL*	*1.34 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***
28.10.2013	*RREPL*	*ACL*	*1.34 crs.*

c) *Fund Flow Analysis of transfer of funds by ACL to Suhasit Star Trading Pvt. Ltd., from Suhasit Star Trading Pvt. Ltd. to Black Horse Media and Entertainment Pvt. Ltd. (BHMEL), from Black Horse Media and Entertainment Pvt. Ltd. (BHMEL) and ACL to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to Radford Real Estate Pvt. Ltd. (RREPL) and from Radford Real Estate Pvt. Ltd. (RREPL) to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
31.10.2013	*ACL*	*Suhasit*	*1.85 crs.*	*31.10.2013*	*Suhasit*	*BHMEL*	*1.85 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.10.2013	*ACL*	*Aristo*	*1.70 crs.*	*31.10.2013*	*Aristo*	*RREPL*	*2.70 crs.*
31.10.2013	*BHMEL*	*Aristo*	*0.85 crs.*				

Date	***Debit***	***Credit***	***Amount (Rs.)***
31.10.2013	*RREPL*	*ACL*	*2.70 crs.*

d) *Fund Flow Analysis of transfer of funds by Offerlink Infraprojects Pvt. Ltd. to Radford Real Estate Pvt. Ltd. (RREPL), from RREPL to ACL, from ACL to Offerlink Infraprojects Pvt. Ltd. and from Offerlink Infraprojects Pvt. Ltd. to ACL is depicted below:*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
18.10.2013	*Offerlink*	*RREPL*	*75,01,000*	*18.10.2013*	*RREPL*	*ACL*	*75,00,000*

Date	***Debit***	***Credit***	***Amount (Rs.)***
18.10.2013	*ACL*	*Offerlink*	*75,00,000*

e) *Out of total consideration amount of Rs. 5,64,90,000/- paid by Radford Real Estate Pvt. Ltd. to Arnav Corporation Ltd. towards allotment of preferential shares, Arnav Corporation Ltd. had funded Radford Real Estate Pvt. Ltd. to the extent of Rs. 4,64,00,000/-. The entities viz. Aristo Media & Entertainment Pvt. Ltd., Black Horse Media and Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd. facilitated ACL in funding the preferential allottee, Radford Real Estate Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.*

f) *As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, Aristo Media & Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Radford Real Estate Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers namely, Aristo Media & Entertainment Pvt. Ltd., Suhasit Star Trading Pvt. Ltd. and Offerlink Infraprojects Pvt. Ltd.*

(9) VARAD VINAYAK TRADING PVT. LTD. (PAN: AADCV5670R):

a) *Varad Vinayak Trading Pvt. Ltd. (VVTPL) was allotted 23,80,000 shares in the preferential allotment for which it had transferred Rs. 5,00,00,000/- to ACL on 02.04.2013 from its A/c no. 500011039090 (Kotak Mahindra Bank).*

Fund Flow Analysis in respect of the allottee, Varad Vinayak Trading Pvt. Ltd. (VVTPL) is tabulated below:

b) *Fund Flow Analysis of transfer of funds by ACL to Aristo Media & Entertainment Pvt. Ltd., from Aristo Media & Entertainment Pvt. Ltd. to ASBN Commodities and Fineserve Pvt. Ltd. and Matulya Trading Pvt. Ltd., from Matulya*

Trading Pvt. Ltd. to ASBN Commodities and Fineserve Pvt. Ltd., from ASBN Commodities and Fineserve Pvt. Ltd. to Regency Trust Ltd., from Regency Trust Ltd. to Varad Vinayak Trading Pvt. Ltd. (VVTPL) and from Varad Vinayak Trading Pvt. Ltd. (VVTPL) to ACL is depicted below:

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*ACL*	*Aristo*	*5 crs.*	*30.03.2013*	*Aristo*	*ASBN*	*2.50 crs.*
						Matulya	*2.50 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
02.04.2013	*Matulya*	*ASBN*	*2.50 crs.*	*02.04.2013*	*ASBN*	*Regency Trust*	*5 crs.*

Date	***Debit***	***Credit***	***Amount (Rs.)***	***Date***	***Debit***	***Credit***	***Amount (Rs.)***
02.04.2013	*Regency Trust*	*VVTPL*	*5 crs.*	*02.04.2013*	*VVTPL*	*ACL*	*5 crs.*

c) The entire consideration amount of Rs. 5,00,00,000/- paid by Varad Vinayak Trading Pvt. Ltd. to ACL towards allotment of preferential shares was funded by ACL. The entities viz. Regency Trust Ltd., ASBN Commodities and Fineserve Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd. and Matulya Trading Pvt. Ltd. facilitated ACL in funding the preferential allottee, Varad Vinayak Trading Pvt. Ltd. by allowing their bank accounts to be used for routing funds by ACL to the allottee.

d) As per ACL's letter dated 23.03.2021 and Annual Report for FY 2013-14, ASBN Commodities and Fineserve Pvt. Ltd. and Aristo Media & Entertainment Pvt. Ltd. were suppliers of ACL during IP. Hence, ACL had funded Varad Vinayak Trading Pvt. Ltd. by routing funds, inter alia, through the accounts of its suppliers namely, ASBN Commodities and Fineserve Pvt. Ltd. and Aristo Media & Entertainment Pvt. Ltd.

4.7. <u>Correspondence with the Company and the preferential allottees:</u>

*a) Vide letter dated 02.08.2017 (**Annexure-4**), Arnav Corporation Ltd. had submitted details of payments made to various parties/ entities, including by way of loans & advances. It was observed from the aforesaid letter and the bank statements that the amount transferred by ACL to the peripheral entities which, in turn, had transferred the amount to the preferential allottees, were shown by ACL as loans & advances. The company had provided copy of bank statements showing transfer of funds to the parties/ entities. However, as the company did not submit any other document apart from bank statements, vide email dated 04.03.2022, the company was advised to submit documentary evidence, if any, in case the amount given to the parties/ entities were for the purpose of loans & advances. Subsequently, vide another email dated 08.03.2022, comments were sought from the company w.r.t. the prima facie inference on perusal of the bank statements of the company and the preferential allottees that the company had funded some of the preferential allottees. As the company did not reply to the aforesaid emails dated 04.03.2022 and 08.03.2022, reminder emails were also sent to the company on 10.03.2022 and 11.03.2022 respectively. However, no reply has been received from the company till the date of completion of investigation.*

b) Vide emails dated 04.03.2022, information such as source of funds for purchase of preferential shares, purpose of fund transfers/ receipts, connection with the company, etc. were sought from the preferential allottees namely, Adamina Traders Pvt. Ltd., Anumita Infrastructure Pvt. Ltd., Aprateem Trading Pvt. Ltd., Bulltext Reality Pvt. Ltd., Orange Mist Productions Pvt. Ltd., Parkway Properties Pvt. Ltd. and Radford Real Estate Pvt. Ltd. Subsequently, vide another email dated 08.03.2022, comments were sought from the aforesaid allottees regarding funding by the company for purchase of preferential shares. As the aforesaid allottees did not reply to the aforesaid emails dated

04.03.2022 and 08.03.2022, reminder emails were also sent to the allottees on 10.03.2022 and 11.03.2022 respectively. However, no reply has been received from the aforesaid preferential allottees till date.

c) *Copies of the aforesaid emails dated 04.03.2022, 08.03.2022, 10.03.2022 and 11.03.2022 sent to the company and the preferential allottees are placed as **Annexure-5**.*

d) *Nonetheless, the analysis of bank statements of the company, the allottees, the entities from whom the allottees had received funds and the entities to whom the company had transferred funds and non-submission of documentary evidence by the company as well as the preferential allottees in support of the fund transfers, clearly indicate that funds have been routed by the company to some of the allottees for subscribing to its preferential allotment dated 10.12.2013.*

4.8. ***Role of Arnav Corporation Ltd. and its Directors in funding the preferential allottees during allotment dated 10.12.2013:***

a) *A company is a legal entity and as such, it cannot act by itself, but only through its directors who are expected to exercise their power on behalf of the company with due diligence and within the framework of law. As per the company's letter dated 23.03.2021, Annual Report 2014 and MCA website, the following individuals were the directors of the company during FY 2013-14:*

Name	***Designation***	***DIN***	***PAN***	***Date of Appointment***	***Date of Cessation***
Dhiren Vitthaldas Negandhi	*Managing Director*	*03385812*	*ACQPN1558C*	*04/12/2012*	*---*
Chandrakant Ramdas Shinde	*Non-Executive Independent Director*	*06362801*	*AYHPS8426K*	*30/09/2013*	*---*
Jayesh Shah	*Executive Director*	*03043286*	*AAFPS4173H*	*04/12/2012*	*15/11/2016*
Pradeep Bhagubhai Parmar	*Non-Executive Independent Director*	*02837369*	*Not available*	*30/09/2009*	*15/11/2016*
Rajnish Kumar	*Non-Executive Independent Director*	*03431287*	*ARCPK3508L*	*29/01/2011*	*15/11/2016*
Dauji Laddu Chaturvedi	*Executive Director*	*00163302*	*AAFPC2899C*	*15/12/1992*	*13/08/2014*

b) *From the MCA website and the company's Annual Reports for FYs 2012-13 & 2013-14 (**Annexure-6**), it was observed that Dhiren Negandhi was initially appointed as Additional Director of the company on 04.12.2012 and subsequently, appointed as the Managing Director on 30.09.2013. Dauji Chaturvedi was the Managing Director of the company before Dhiren Negandhi. Hence, during IP, Dauji Chaturvedi was the Managing Director from 15.03.2013 to 29.09.2013 and Dhiren Negandhi was the Managing Director from 30.09.2013 to 31.03.2014.*

c) *As per the company's Annual Reports for FYs 2012-13 & 2013-14, Dhiren Negandhi was also the Compliance Officer of the company during that period. He had also signed the board resolution dated 10.12.2013 in respect of preferential allotment, on behalf of Arnav Corporation Ltd., as available on record (**Annexure-2**).*

d) *During IP, Dhiren Negandhi and Jayesh Shah were the authorized signatories to the bank accounts of Arnav Corporation Ltd. viz. Kotak Mahindra Bank A/c no. 694011002584 (earlier ING Vysya bank account) and Axis Bank A/c no. 913020038990022, where allotment money was deposited by the preferential allottees. As per the board resolutions dated 04.01.2013 and 16.08.2013 submitted by the company to ING Vysya Bank (now merged with Kotak Mahindra Bank) and Axis Bank respectively, the aforesaid bank accounts were to be operated severally/ singly by*

*Dhiren Negandhi and Jayesh Shah. Copy of the account opening forms and board resolutions dated 04.01.2013 and 16.08.2013 in respect of the company, as provided by the aforesaid banks, are placed as **Annexure-7**.*

e) *Further, as per the company's Annual Report for FY 2013-14, both Dhiren Negandhi and Jayesh Shah had attended all the 8 Board Meetings during that period, including the Board Meeting held on December 10, 2013 in respect of preferential allotment.*

f) *Considering that Dhiren Negandhi was the Managing Director from 30.09.2013 to 31.03.2014 during IP as well as the Compliance Officer of ACL, he was responsible for the day-to-day management of the company including all the activities pertaining to preferential allotment dated 10.12.2013. Further, he had attended all the board meetings held during FY 2013-14, including the Board Meeting held on December 10, 2013 in respect of preferential allotment. He was the signatory in the board resolution dated 10.12.2013 in respect of preferential allotment, as available on record. He was also one of the authorised signatories to the bank accounts of the company during the IP, which indicates that he was in control of the financial transactions done by the company. In view of the same, it is observed that Dhiren Negandhi, in his capacity as the director of the company, was involved in the funding of allottees by the company during preferential allotment dated 10.12.2013.*

g) *Apart from Dhiren Negandhi, Jayesh Shah who was the Executive Director of the company was also one of the authorised signatories to the bank accounts of the company during the IP, which indicates that he was in control of the financial transactions done by the company. Being the Executive Director of the company, he was responsible for management of the day-to-day responsibilities of the company. Further, he had attended all the board meetings held during FY 2013-14, including the Board Meeting held on December 10, 2013 in respect of preferential allotment. In view of the same, it is observed that Jayesh Shah, in his capacity as the director of the company, was involved in the funding of allottees by the company during preferential allotment dated 10.12.2013.*

h) *Vide emails dated 15.03.2022, comments were sought from Dhiren Negandhi and Jayesh Shah in respect of the observation that the fraudulent act of funding the preferential allottees by routing funds through the accounts of various entities was done by the company with their knowledge and as such, they had violated the provisions of the SEBI (PFUTP) Regulations, 2003. The aforesaid emails were sent to the following email IDs:*

S. No.	***Name***	***Email ID***	***Source of information***
1	*Dhiren Negandhi*	*dhirennegadhi36@gmail.com*	*Company's letter dated 23.03.2021*
		dhiren791@gmail.com	*Form 32 filed with MCA*
2	*Jayesh Shah*	*jayesh_shah94@yahoo.com*	*Company's letter dated 23.03.2021*
		cosmoseng@rediffmail.com	*Form 32 filed with MCA*

i) *The emails sent to IDs: dhirennegadhi36@gmail.com & jayesh_shah94@yahoo.com, as provided by the company, failed to be delivered. Accordingly, letters dated 16.03.2022 seeking comments were sent to Dhiren Negandhi and Jayesh Shah, through hand-delivery and Speed Post, at the below-mentioned addresses provided by the company:*

S. No.	***Name of the Director***	***Address (as provided by the company)***
1	*Dhiren Negandhi*	*B-204, Amita Apartment, Near Raheja Estate, Kulupwadi Road, Borivali (E), Mumbai – 400066*
2	*Jayesh Shah*	*C-401, Vishal Apartments, Sir M. V. Road, Andheri (E), Mumbai – 400069*

j) *The letter sent to Dhiren Negandhi through Speed Post was returned undelivered with the remarks "Addressee Moved". However, while attempting hand-delivery of the letter addressed to Dhiren Negandhi, the said letter was* *returned undelivered with the remarks "consignee out of country, relatives refused to accept consignment". The letter addressed to Jayesh Shah was hand-delivered on 16.03.2022 and was also delivered through Speed Post on 19.03.2021.*

k) Vide email dated 21.03.2022, Jayesh Shah requested for extension of time to submit information. Accordingly, vide email dated 22.03.2022, he was granted time till 24.03.2022 to submit his reply to the observations brought out in the aforesaid emails/ letters. However, Jayesh Shah vide email dated 23.03.2022 again requested for extension of time and failed to offer his comments within the time given to him.

l) Copies of the aforesaid emails and letters to Dhiren Negandhi and Jayesh Shah, emails from Jayesh Shah, acknowledgements and print-outs from India Post website are placed as ***Annexure-5****.*

4.9. Thus, the company i.e. Arnav Corporation Ltd. and its Director namely, Dhiren Negandhi and Jayesh Shah; the preferential allottees namely, Adamina Traders Pvt. Ltd., Anumita Infrastructure Pvt. Ltd., Aprateem Trading Pvt. Ltd., Bulltext Reality Pvt. Ltd., Orange Mist Productions Pvt. Ltd., Parkway Properties Pvt. Ltd., Radford Real Estate Pvt. Ltd have violated Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

4.10. Out of 10 preferential allottees who were funded by Arnav Corporation Ltd., 3 allottees namely, Black Horse Media & Entertainment Pvt. Ltd., Jeshna Multitrade Pvt. Ltd. and Varad Vinayak Trading Pvt. Ltd. are companies which have already been struck-off as per MCA website. Further, the 7 peripheral entities namely, Aristo Media & Entertainment Pvt. Ltd., Ojal Multitrading Pvt. Ltd., Suhasit Star Trading Pvt. Ltd., Vihar Infrastructure Pvt. Ltd., Ailish Traders Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and ASBN Commodities and Fineserve Pvt. Ltd., who facilitated the company in funding the allottees, have also been struck-off as per MCA website. Hence, no allegation is initiated as per the investigation against the aforesaid 3 preferential allottees (Black Horse Media & Entertainment Pvt. Ltd., Jeshna Multitrade Pvt. Ltd. and Varad Vinayak Trading Pvt. Ltd) and aforesaid 7 peripheral entities.

5. Based upon the above investigation, it is alleged that:

a. Noticee at Sr. No. 1 viz. Arnav Corporation Ltd. has funded 10 preferential allottees namely, Adamina Traders Pvt. Ltd., Anumita Infrastructure Pvt. Ltd., Aprateem Trading Pvt. Ltd., Black Horse Media & Entertainment Pvt. Ltd., Bulltext Reality Pvt. Ltd., Jeshna Multitrade Pvt. Ltd., Orange Mist Productions Pvt. Ltd., Parkway Properties Pvt. Ltd., Radford Real Estate Pvt. Ltd. and Varad Vinayak Trading Pvt. Ltd. w.r.t. preferential allotment dated 10.12.2013 to the extent of Rs. 51.15 crores by routing funds to the allottees through the accounts of its suppliers/ various other entities and thus, has allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

b. The Noticees at S. No. 2 & 3 are the directors of the Noticee at S. No. 1 as well as the authorised signatories to the bank accounts of the company and thereby, responsible for the act of the company of providing funds to the preferential allottees. Thus, these two directors of the company during the investigation period namely, Dhiren Negandhi (Managing Director & Compliance Officer) and Jayesh Shah (Executive Director) were involved in the funding of allottees by the company during preferential allotment dated 10.12.2013 and have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

c. The Noticees at S. No. 4 to 10 are allottees who had received funds from Arnav Corporation Ltd. for purchase of shares allotted to them on a preferential basis by Arnav Corporation Ltd. during allotment dated 10.12.2013 and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

d. *The Noticee at S. No. 4 namely, Adamina Traders Pvt. Ltd. facilitated Arnav Corporation Ltd. in funding the preferential allottee namely, Orange Mist Productions Pvt. Ltd. by allowing its bank account to be used for routing funds by Arnav Corporation Ltd. to the allottee and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.*

e. *The Noticee at S. No. 6 namely, Aprateem Trading Pvt. Ltd. facilitated Arnav Corporation Ltd. in funding the preferential allottee, Jeshna Multitrade Pvt. Ltd. by allowing its bank account to be used for routing funds by Arnav Corporation Ltd. to the allottee and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.*

5. The said SCN was sent to Noticees via Speed Post Acknowledgement Due ("SPAD"). The SCN returned undelivered for all Noticees except Mr. Jayesh Shah. Affixture was then carried out on the address available on record on December 12, 2022 for remaining Noticees (except Noticee no. 3), which was carried out successfully only for Radford. Following are the remarks:

Noticee name	**Remarks of SCN Delivery vide SPAD**	**Remarks of SCN Delivery vide Affixture**
Arnav Corporation Ltd	LEFT	Wrong Address
Arnav Corporation Ltd	Addressee Not Known	No such consignee in address
Dhiren Negandhi	Addressee Moved	Refuse to Accept
Jayesh Shah	Delivered	Not carried out
Adamina Traders Pvt. Ltd.	LEFT	No such consignee in address
Anumita Infrastructure Pvt. Ltd.	No Such Person in the Address	No such consignee in address
Aprateem Trading Pvt. Ltd.	No Such Person in the Address	No such consignee in address
Bulltext Reality Pvt. Ltd.	LEFT	No such consignee in address
Orange Mist Productions Pvt. Ltd.	Addressee Not Known	-
Parkway Properties Pvt. Ltd.	No Such Person in the Address	No such consignee in address
Radford Real Estate Pvt. Ltd.	No Such Person in the Address	Affixture done

6. Subsequently, SCN was duly delivered to Noticee no. 1,2,4,5,6,7,8 and 9 vide digitally signed email dated December 22, 2022. I note that vide email dated December 15, 2022, Authorised Representative ("AR") of Noticee no. 3 and 10 requested for inspection of documents which was carried out by AR of Noticee no. 3 and 10 on December 22, 2022 and copy of Investigation report and annexures of Investigation report were also provided to them. Thereafter, vide email dated January 04, 2023, Noticee no. 3 and 10 sought two weeks' time to file the reply to SCN. Noticee no. 3 and 10 replied to SCN vide email dated January 18, 2023 and also appeared for hearing on January 18, 2023.

7. I note that Noticee no. 1,2, 4,5,6,7,8 and 9 failed to appear for hearing on January 18, 2023.Another opportunity of hearing was provided to Noticee no. 1,2, 4,5,6,7,8 and 9 on February 01, 2023.

8. Authorized representative of Noticee no. 4 viz. Adamina Traders Pvt. Ltd submitted its authority letter and reply to SCN vide email dated January 31, 2023 and hearing was conducted on February 01, 2023 for Noticee no. 4. However, Noticee no. 1, 2, 5, 6, 7, 8 and 9 again failed to appear for hearing on February 01, 2023.

9. Thereafter, vide email dated February 08, 2023, Noticee no. 5, 6, 8 and 9 requested for additional time to submit reply to SCN and opportunity of hearing thereafter.in this regard, Noticee no. 5, 6, 8 and 9 were provided another opportunity to reply to SCN latest by February 15, 2023 and also opportunity of Hearing vide virtual meeting through Webex on February 16, 2023. Noticee no. 5 submitted its additional reply on February 20, 2023.

10. Also Noticee no. 7, vide email dated February 08, 2023 submitted that, it has been struck off.

11. Vide email dated February 15, 2023, Noticee no. 5, 6, 8, and 9 submitted their reply to SCN and appeared for hearing on February 16, 2023.

12. Noticee no. 1 and 2 failed to reply to SCN and appear for hearing despite providing multiple opportunities to them.

13. Following are the *inter-alia* submissions made by the Noticees to the SCN during the instant proceedings:

Noticee no. 3

> *Delay in the proceedings*
> *The allegations framed in the SCN relate to the preferential allotment which transpired in the year 2013, which was more than 9 years since the issuance of the SCN. The SCN does not provide any explanation to justify the inordinate delay in initiation of proceedings against Noticee. It is respectfully submitted that the initiation of proceedings by SEBI after such a long delay, severely prejudices the ability of Noticee to put up an adequate response to the allegations made by the SEBI.*
>
> Noticee has cited following orders: The Hon'ble Supreme Court of India has held in the matter of *Mohamad Kavi Mohamad Amin v. Fatmabai Ibrahim*, *HB Stockholdings Ltd. V. SEBI*, Ram Chand v. Union of India (1994) 1 SCC 44, SAT Order dated November 14, 2019 in the matter of Sanjay Soni v. SEBI,The Hon'ble SAT in the matter of *Libord Finance Ltd. v. Whole TimeMember, SEBI* ,Order dated March 3, 2008. This was confirmed by the Hon'ble Supreme Court vide order dated January 7, 2016.Hon'ble SAT in the matter of *Rajeev Bhanot and Ors v. SEBI*[5]*.* Order of SAT in Rajeev Bhanot and Ors v. SEBI (Appeal No. 396 of 2018) dated July 09, 2021 And Hon'ble Supreme order dated November 8, 2021 in the Civil Appeal Nos. 6441-6443 of 2021 in the appeal.
>
> *Admittedly, Noticee would hereby like to place on record the fact thatgiven the inordinate delay in issuance of the SCN, Noticee's ability to adequately respond to the SCN has been gravely jeopardized and, therefore, they cannot be called upon at this stage to respond to the SCN. It is also respectfully submitted that the gross delay was entirelyattributable to SEBI and Noticee has had no role to play in the same. In fact, even the time period for maintenance of records has also expired. Thus, severely hampering the ability of Noticee to adduce material in its defence.*
>
> *In cases of such serious offences, the ability to adduce evidence is the most crucial to prove a person's innocence. The courts have recognized that with passage of time, memory of an individual also fades out. While it is known that law of limitation does not apply in SEBI proceedings, however, the same should at the bare minimum be initiated in a reasonable time frame. It cannot be that the proceedingsare initiated so belatedly that Noticee is rendered handicapped and helpless in putting together an adequate response. Thus, the existenceof unnatural and unexplained delay of more than 9 years and prejudice caused due to such undue delay is writ large in the matter.*

On this ground alone, the SCN stands vitiated and is liable to be set aside for violation of the principles of natural justice. In any event, theSEBI is now bound by the directions of the Hon'ble SAT in the matter of Rajeev Bhanot (supra), which, inter alia, mandates SEBI to consider the <u>ground</u> of delay while adjudicating a matter.

*<u>Noticee purported to be penalized as he was the Executive Director ofArnav Corporation Ltd (**"ACL"**)</u>*
*In the SCN, SEBI has not demonstrated the exact role of involvementof Noticee in relation to the alleged violations in the SCN. Thus, it appears that SEBI has proceeded against Noticee only on account ofhim being the Executive Director of Arnav Corporation Ltd (**"ACL"**) atthe relevant time under the principle of vicarious liability.*

In this regard Noticee has relied upon the following judgments: The Order dated January 9, 2015 of the Hon'ble Supreme Court in CriminalAppeal No. 34 of 2015 in the matter of *Sunil Bharti Mittal v. Central Bureau of Investigation*. The Hon'ble SAT Order dated September 15, 2004, Appeal No. 133/2003 in the matter of *Rahul Shah v. SEBI,* SEBI Order dated February 16, 2006

Hence, in view of the above it is submitted that the SCN issued to Noticee does not attribute any wrongdoing. Given that there is no lapse on the part of Noticee, no liability can be imputed to Noticee.

Noticee has cited extracts of judgement in the case of ***Chintalapati Raju v. SEBI (2018) 7 SCC 443***

In view of the above, no vicarious liability can be imputed on the Noticee. Further, it is respectfully submitted that Noticee has neither derived any benefit nor any advantage from the alleged contravention in the SCN. Any finding by SEBI upholding the allegations made against Noticee in the present instance would be inconsistent with the relevant provisions of law and regulations and facts and circumstances of the case.

<u>No violation by ACL in its preferential allotment</u>

*The entities Aristo Media & Entertainment Pvt Ltd, Southmint Real Estate Pvt Ltd, Suhasit Star Trading Pvt Ltd, Silvercade Trading Pvt Ltd, Vihar Infrastructure Pvt Ltd, Indivar Traders Pvt Ltd, Adamina Traders Pvt Ltd **(one of the preferential allottee)**, Lifecode Mercantile Pvt Ltd and Offerlink Infraprojects Pvt Ltd, hereinafter collectively referred to as **("Parties")** were paid a total of INR 51,97,27,000/-, respectively by ACL for legitimate purposes, ACL had transferred the amounts to said parties as a loan transactions and have received back the whole amount in its bank account to the best of its memory and knowledge. The Noticee do not have the access of documents of the company hence, the Noticee cannot comment in this regard.*

*Adamina Traders Pvt. Ltd ("**Adamina**") is the only Noticee who has received preferential shares, Rupees 6,09,00,000 was paid by Adamina to ACL for the preferential shares. The allegation made in the SCN that Rupees 12,00,000 was provided by ACL to Adamina for the purpose of subscribing to the preferential allotment cannot stand, because it is a negligible amount with respect to the amount paid by Adamina towards the preferential shares. The Noticee has left the ACLin the year 2016 and Noticee do not have the access of the document hence, the*

Noticee cannot comment in this regard.

These alleged funds were not meant for paying for ACL to fund its own preferential allotment to the best of my knowledge and memory. Infact, the Noticee does not know as to why all these parties gave funds to other suppliers and other preferential allottees.

There is a huge difference between the funds given all to these parties by ACL and onward lending by these parties to other suppliers andother preferential allottees. This shows that there was no matching of fund transfers between the parties. In any event, all these parties repaid the monies to ACL.

Thus, the SCN errs in holding that ACL funded its own preferential allotment by transfer funds to preferential allottees through these parties. Accordingly, no liability can be imputed to Noticee.

<u>The preferential allotment is in compliance with law</u>

It is also respectfully submitted that in terms of the Regulation 77 ofthe ICDR Regulations it is specifically provided that full consideration shall be paid by allottees at the time of allotment of shares. In the present case, ACL has received consideration for the allotment of preferential shares.

As such, the ICDR Regulations does not prescribe any prohibition fora company to fund its own preferential allotment. Thus, it is not clearas to how the allegation in the SCN results in violation of PFUTP Regulations. In the circumstance, this SCN is ex facie without any basis and due to misinterpretation of the PFUTP Regulations. Accordingly, the present proceedings ought to be dropped.

Hence just by being the authorized signatories to the bank accounts of the ACL where the funds of the preferential allottees were receivedand Noticee also had not been involved in any fund transfer by Noticee. Therefore, allegation at Paragraph 5.b in SCN is baseless.

Accordingly, the inference in the SCN against Noticee is completely outof place and blown out of proportion.

<u>Element of fraud missing</u>

In the present case, one of the most critical facets of showing how charge of fraud is attracted against Noticee is entirely missing. It is respectfully submitted that the requirement of 'intention' is a pre- requisite to prove 'fraud' for violation of PFUTP Regulations. It should be noted that the offences alleged under the PFUTP Regulations in the present case are serious offences which require evidence of 'fraud or deceit' and are not just ordinary civil defaults. It is a settled principle recognized by SEBI that "the necessity of 'intent' and the element of 'fraud' appears to be a pre-requisite in all parts of Regulation 3 and 4 of the PFUTP Regulations".

In view of the foregoing, it is well settled that when SEBI alleges a person of an offence involving 'fraud' it is essential that the accused had an 'intent' to commit such violation. In the present case, no such intention on the part of Noticee has even been alleged in the SCN. Thus, it is respectfully submitted that Noticee has not indulged in anymanipulative, fraudulent or deceptive transaction or scheme as alleged at all.

<u>No evidentiary basis for allegation Noticee</u>

Taking a step further from the above submissions, it is respectively submitted that only relying on the bank account opening forms andboard resolution passed on 04th January, 2013 and 16th August, 2013for making the Noticee authorized signatories and Noticee attended the board meeting held on 10th December, 2013, apart from that thereis no evidence (documentary or oral) in the SCN that points a finger at, or hints at, any act or omission which would lead to the conclusion of any wrongdoing by Noticee.

The SCN merely states that Noticee was the Executive Director of the Company, which engaged in a fraudulent act. However, there is no evidence to show how Noticee was involved in the alleged violation by ACL, especially when the preferential allotment was in line with all regulatory requirements. In other words, the SCN levels a serious charge of fraud on the basis of mere suspicion, in complete ignoranceof the time-tested judicial precedents including rulings of the Hon'bleSAT which cautions against suspicion, conjecture and surmise being passed off as proof especially where fraud is alleged.[9]

The law of evidence is based on the principle of 'proved', 'disproved' and 'not proved'. This is a clear case of the charge in the SCN being 'not proved' given that the SEBI has not adduced any evidence to showthat the charge in the SCN is proved. To begin with, the charge cannoteven be levelled, in as much as there being no basis to allege that therewas misdoing by Noticee. The SCN purports to treat suspicion and evidence as one and the same and ignores foundational principles of the law of evidence that the standard of proof for a charge of fraud to be established must be sufficient to overcome the ordinary presumption of honesty and good faith in dealings.

It is respectfully submitted that allegations of fraud cannot be based on wild allegations without any convincing evidence. Charges of fraudare of serious in nature and should not be made casually by regulators. The judicial precedents indisputably hold that fraud is a serious offence and, therefore, the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficientto hold a person liable for fraud. The Hon'ble SAT has held in the matter of KSL & Industries Ltd. v. SEBI[10] that "A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidences are not sustained. Fraud cannotsurvive on mere conjecture and surmises…".

[9] Nirmal Bang Securities (P) Ltd. V. SEBI SAT Order dated October 31, 2003
[10] Order dated January 13, 2005, Appeal No. 91/2003

The Hon'ble Supreme Court has also held that, "charges under the FUTP 2003 needs to be established as per the applicable standards rather than on mere conjectures and surmises.".[11] Further, in Union of India v. Chaturbhai M. Patel & Co.[12] the Hon'ble Supreme Court had referred to A.L.N, Narayanan Chettyar v. Official Assignee, wherein it was held that "...However suspicious may be the circumstances, however, strange the coincidences, and however grave the doubts, suspicion alone can never take the place of proof…".

In Nandakishore Prasad v. State of Bihar[13], the Hon'ble Supreme Courtheld that

"… the minimum requirement of the rules of natural justice is that tribunal should arrive at its conclusion on the basis of some evidence i.e., evidential material which with some degree of definitenesspoints to the guilt of the delinquent in respect of the charges against him. Suspicion cannot be allowed to take the place of proof even in domesticinquiries."

In light of the above cases, it is submitted that it is an established jurisprudence that for proving charges of fraud under PFUTPRegulations, the evidence adduced must be compelling which can be inferred by logical process of reasoning from the totality of facts and circumstances surrounding the allegations. As held by the Hon'ble Supreme Court in the case of Hanumat v. State of Madhya Pradesh[14], that:

"11…In dealing with circumstantial evidence the rules specially applicable to such evidence must be borne in mind. In such cases there is always the danger that conjecture, or suspicion may take the place of legal proof and therefore it is right to recall the warning addressed by Baron Alderson, to the jury in Reg v. Hodge ((1838) 2 Lew. 227), where he said:-
"The mind was apt to take a pleasure in adapting circumstances to one another, and even in straining them a little, if need be, to force them to from parts of one connected whole; and the more ingenious the mind of the individual, the more likely was it, considering such matters to overreach and mislead itself, to supply some little link that is wanting, to take for granted some fact consistent with its previous theories and necessary to render themcomplete."
It is well to remember that in cases where the evidence in of a circumstantial nature, the circumstances from which the conclusion of guilt is to be drawn should in the first instance be fully established, andall the facts so established should be consistent only with the hypothesis of the guilt of the accused. Again, the circumstances should be of a conclusive nature and pendency and they should be such as to exclude every hypothesis but the one proposed to be proved. In other words, there must be a chain of evidence so far complete as not to leave any reasonable ground for a conclusion consistent with the innocence of the accused and it must be such as to show that within all human probability the act must have been done by the accused…"

11 SEBI v. Kanaiyalal Baldevbhai Patel (2017) 15 SCC 1

12 (1976) 1 SCC 747

13 (1978) 3 SCC 366

14 AIR 1952 SC 343

Thus, it is clear that the circumstantial evidence relied by a regulator to prove some allegation should lead to only one conclusion. In the present case, Noticee, other than being Executive Director of Noticee ACL which issued legitimate preferential shares, there is nothing else on record to show any wrongdoing by the Noticee. This circumstancecannot lead to the conclusion that there was an intent to defraud the investors. Accordingly, mere suspicion or doubt cannot be grounds forcharging a person with serious violations such as fraud.

Hence, it is submitted that in the absence of any evidence that Noticeehad indulged in fraudulent activities, SEBI erred in alleging Noticee tobe in violation of the provisions of the SEBI Act and/ or PFUTP Regulations in any manner *whatsoever.*

Mitigating Factors

Without prejudice to the aforesaid, no monetary penalty is applicable in the present case for the reasons set out hereunder.

Noticee has not taken the present regulatory proceedings in a nonchalant manner. Noticee is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. Noticee has not acted in defiance of law. The actions of Noticee is not in any manner detrimental to the securities market.

Noticee has not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise. Further, no loss has been caused to any investor or group of investors as a result of the alleged default. In fact, the present proceeding is the first time that a regulator has questioned Noticee.

SEBI ought to even consider the situation due to the COVID-19 pandemic. Any monetary penalty will have a catastrophic effect on Noticee. Thus, for these reasons alone no penalty is called for.

Noticee has cited order of The Hon'ble Supreme court in the matter of M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627, SEBI v Bhavesh Pabari (2019) 5 SCC 90 and *Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors*

In the aforesaid circumstance it is humbly requested that SEBI considers the specific facts and circumstances of Noticee and does notimpose any penalty, given that any monetary penalty or anydebarment imposed on Noticee will not meet ends of justice.

Accordingly, the SCN ought to be discharged vis-à-vis Noticee.

Common reply of Noticee no. 4,5,6,8,9 and 10 is summarized below:

PRELIMINARY OBJECTIONS OF THE NOTICEE

Delay in Issuing the SCN

The SCN was issued on November 25, 2022 related to the investigation period (March 15, 2013 to March 31, 2014). The Noticee states that the SCN was issued after excessive and unreasonable delay of about 9 years. The SCN does not explain any reasoning to justify the inordinate and unconscionable delay in initiation of proceedings against the Noticee. It is our respectful submission that the initiation of proceedings by SEBI after such a long delay, severely jeopardizes the Noticee to adequately respond to the SCN.

The Noticees cited extracts of order of Hon'ble SAT in ***Rajeev Bhanot & Anr. versus SEBI*** (Order dated 09th July, 2021 in Appeal No. 396 of 2018) which was later upheld by the Hon'ble Apex Court vide order dated 08th November, 2021 in Civil Appeal NO(s). 6441-6443 OF 2021

It is pertinent to note that an inordinate delay of 9 years in issuance of the SCN, is beyond the maximum document retention period prescribed under the law. The Noticee states that its ability to respond to the SCN has been gravely jeopardized. The Noticee further states that it cannot be called upon at this stage to respond to the SCN. On this ground itself the SCN stands vitiated and be set aside for violation of the principles of natural justice.

REPLY ON MERITS

Noticee* no. 4 *Submission on Alleged Connection

It has been alleged by the SEBI that Noticee is connected to ACL. It is also alleged that funds were given by ACL to the Noticee to subscribe preferential allotment of ACL. In this regard the Noticee submits that there was no connection with ACL and its transactions was only with Aristo and it is far-fetched, remote and untenable in the eyes of the Law. The Noticee cited Order of Hon'ble SAT's dated 12.08.2021 in the matter of ***Baldevsinh Vijaysinh Zala vs SEBI***

Noticee* no. 4 *Submission on Alleged Fund Transactions

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein he received funds from ACL to apply for the preferential allotment of ACL. Notice states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.

The Noticee states that the receiving of cumulative alleged funds of Rs. 3,49,00,000/- from Aristo Media & Entertainment Pvt. Ltd. ***(Aristo)****, was pursuant to independent business transactions between the Noticee and the said party, the Noticee had no knowledge, from where Aristo has received the fund. These alleged fund transfer details are as follows:*

Date	***Debit***	***Credit***	***Amount (Rs.)***
29.10.2013	*Aristo*	*ATPL*	*12,00,000/-*
29.10.2013	*Aristo*	*ATPL*	*3,04,00,000/-*
04.09.2013	*Aristo*	*ATPL*	*33,00,000/-*
TOTAL	------------------------------------		*3,49,00,000/-*

A. The Noticee states that the total fund of Rupees 3,49,00,000/- received from Aristo on 29.10.2013 and 04.09.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Adamina. Hereto annexed and marked as ***Annexure D*** *and* ***Annexure E*** *are copies of Ledger Account and Bank Account statement respectively, of Adamina for the financial year 2013-14.*

Noticee states that the aforesaid transaction between the Noticee and Aristo has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Aristo, was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

Noticee* no. 5 *Submission on Alleged Connection

It was observed that Noticee was allotted 30,00,000 shares of ACL in preferential allotment at the rate of Rs. 21 per share. The Noticee paid in the full amount of Rs. 6,30,00,000/- to ACL from its two bank accounts viz. Kotak Mahindra Bank A/C No. 500011046280 and Dhanlaxmi Bank A/C No. 020706700001680 in three installments to ACL for the preferential allotment. The details of payments are given as under.

Sr. No.	***Date***	***Amount (In Rs)***	***Bank Account***
1.	*30/03/2013*	*5,00,00,000*	*Kotak Mahindra Bank*

2.	*08/08/2013*	*2,00,00,000*	*Dhanlaxmi Bank*
3.	*30/10/2013*	*1,10,00,000*	*Dhanlaxmi Bank*

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein they received funds from ACL to apply for the preferential allotment of ACL. Noticee states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.

The Noticee states that the receiving of cumulative alleged funds of Rs. 6,10,00,000/- from Shri Ganesh Spinners Ltd and Aristo Media & Entertainment Pvt. Ltd., was pursuant to independent business transactions between the Noticee and the said party, the Noticee had no knowledge, from where these parties has received the fund. These alleged fund transfer details are as follows:

Date	***Debit***	***Credit***	***Amount (Rs.)***
30.03.2013	*Shri Ganesh*	*AIPL*	*5,00,00,000/-*
30.10.2013	*Aristo*	*AIPL*	*1,10,00,000/-*
TOTAL			*6,10,00,000/-*

A. The Noticee states that the fund of Rs.5,00,00,000/- received from Shri Ganesh on 30.03.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the bank account and ledgers account of Anumita Infrastructure Pvt Ltd.

B. The Noticee states that the fund of Rs. 1,10,00,000/- received from Aristo on 30.10.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Anumita Infrastructure Pvt Ltd.
Hereto annexed and marked as ***Annexure D*** *and* ***Annexure E*** *are copies of Ledger Account and Bank Account statement respectively, of Anumita Infrastructure Pvt Ltd for the financial year 2013-14.*

It has been alleged by the SEBI that Noticee is connected to ACL. It is also alleged that funds were given by ACL to the Noticee to subscribe preferential allotment of ACL. In this regard the Noticee reiterates that there was no connection with ACL and its transactions was only with Shri Ganesh Spinners Ltd and Aristo Media & Entertainment Pvt Ltd is far-fetched, remote and untenable in the eyes of the Law. The Noticee cited Order of Hon'ble SAT's dated 12.08.2021 in the matter of ***Baldevsinh Vijaysinh Zala vs SEBI***

Noticee no. 5 _Submission on Alleged Fund Transactions_

Noticee states that the aforesaid transaction between the Noticee and other parties has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Shri Ganesh Spinners Ltd and Aristo Media & Entertainment Pvt Ltd was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

Noticee no. 6 Submission on Alleged Connection

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein they received funds from ACL to apply for *the preferential allotment of ACL. Noticee states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.*

The Noticee states that the receiving of cumulative alleged funds of Rs. 8,78,22,000/- from Silvercade and Suhasit., was pursuant to independent business transactions between the Noticee and the said party, the Noticee had no knowledge, from where these parties has received the fund. These alleged fund transfer details are as follows:

Date	***Debit***	***Credit***	***Amount (Rs.)***
21.10.2013	*Silvercade*	*Aprateem*	*2,08,27,000*
21.10.2013	*Suhasit*	*Aprateem*	*1,04,04,000*
25.10.2013	*Suhasit*	*Aprateem*	*3,00,00,000*
25.10.2013	*Silvercade*	*Aprateem*	*1,00,00,000*
28.10.2013	*Suhasit*	*Aprateem*	*1,65,91,000*
TOTAL			*8,78,22,000/-*

The Noticee states that there is a mismatch in the information provided by the SEBI. In paragraph 6 (g) of the SCN it has been alleged that ACL had funded Aprateem Trading Pvt Ltd to the extent of Rs 8,78,05,000/-. However according to the aforesaid chart provided in paragraph 6 of the SCN the figure of the alleged amount is Rs 8,78,22,000/-. The Noticee further states that there is lacuna in the SCN and hence the SCN be set aside against the Noticee.

The Noticee states that the fund of Rs.2,08,27,000 received from Silvercade on 21st October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the bank account and ledgers account of Aprateem Trading Pvt Ltd.

The Noticee states that the fund of Rs. 1,04,04,000 received from Suhasit on 21st October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Aprateem Trading Pvt Ltd.

The Noticee states that the fund of Rs. 3,00,00,000 received from Suhasit on 25th October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Aprateem Trading Pvt Ltd.

The Noticee states that the fund of Rs. 1,65,91,000 received from Suhasit on 28th October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Aprateem Trading Pvt Ltd.

The Noticee states that the fund of Rs. 1,00,00,000 received from Silvercade on 25th October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Aprateem Trading Pvt Ltd.

Hereto annexed and marked as ***Annexure D*** *and* ***Annexure E*** *are copies of Ledger Account and Bank Account statement respectively, of Aprateem Trading Pvt Ltd. for the financial year 2013-14.*

It has been alleged by the SEBI that Noticee is connected to ACL. It is also alleged that funds were given by ACL to the Noticee to subscribe preferential allotment of ACL. In this regard the Noticee reiterates that there was no connection with ACL and its transactions was only with Silvercade, Suhasit is far-fetched, remote and untenable in the eyes of the Law. The Noticee cited Order of Hon'ble SAT's dated 12.08.2021 in the matter of Baldevsinh Vijaysinh Zala vs SEBI

Noticee no. 6 Submission on Alleged Fund Transactions

Noticee states that the aforesaid transaction between the Noticee and other parties has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Silvercade, Suhasit was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

<u>Noticee no. 8 Submission on Alleged Connection</u>

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein they received funds from ACL to apply for the preferential allotment of ACL. Noticee states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.

The Noticee states that the receiving of cumulative alleged funds of Rs. 8,34,95,000/- from Aristo, Silvercade, Black Horse, Suhasit and Adamina., was pursuant to independent business transactions between the Noticee and the said party, the Noticee had no knowledge, from where these parties has received the fund. These alleged fund transfer details are as follows:

Date	***Debit***	***Credit***	***Amount (Rs.)***
22.10.2013	*Aristo*	*OMPPL*	*1.32 cr*
22.10.2013	*Silvercade*	*OMPPL*	*22 lakhs*
22.10.2013	*BHMEPL*	*OMPPL*	*5 lakhs*
23.10.2013	*Aristo*	*OMPPL*	*97 lakhs*
29.10.2013	*Aristo*	*OMPPL*	*96 lakhs*
30.10.2013	*Aristo*	*OMPPL*	*1.65 cr*
30.10.2013	*Adamina*	*OMPPL*	*10 lakhs*
31.10.2013	*Suhasit*	*OMPPL*	*2,82,95,000*
TOTAL			*8,34,95,000/-*

The Noticee states that there is a mismatch in the information provided by the SEBI. In paragraph 6 (g) of the SCN it has been alleged that ACL had funded Orange Mist Productions Pvt Ltd to the extent of Rs. 7,01,95,000/-. However according to the aforesaid chart provided in paragraph 6 of the SCN the figure of the alleged amount is Rs. 8,34,95,000/-. The Noticee further states that there is lacuna in the SCN and hence the SCN be set aside against the Noticee.

The Noticee states that the fund of Rs.4.90 crore received from Aristo on 22nd October 2013, 23rd October 2013, 29th October 2013 and 30th October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the bank account and ledgers account of Orange Mist Productions Pvt Ltd.

The Noticee states that the fund of Rs. 22 lakhs received from Silvercade on 22nd October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Orange Mist Productions Pvt Ltd.

The Noticee states that the fund of Rs. 5 lakhs received from Black Horse on 22nd October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Orange Mist Productions Pvt Ltd.

The Noticee states that the fund of Rs. 25 lakhs and Rs. 2,82,95,000 received from Suhasit on 22nd October 2013 and 31st October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Orange Mist Productions Pvt Ltd.
The Noticee states that the fund of Rs. 10 lakhs received from Adamina on 30th October 2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Orange Mist Productions Pvt Ltd.
*Hereto annexed and marked as **Annexure D** and **Annexure E** are copies of Ledger Account and Bank Account statement respectively, of Orange Mist Productions Pvt Ltd. for the financial year 2013-14.*

it has been alleged by the SEBI that Noticee is connected to ACL. It is also alleged that funds were given by ACL to the Noticee to subscribe preferential allotment of ACL. In this regard the Noticee reiterates that there was no connection with ACL and its transactions was only with Aristo, Silvercade, Black Horse, Suhasit and Adamina is far-fetched, remote and untenable in the eyes of the Law. The Noticee cited Order of Hon'ble SAT's dated 12.08.2021 in the matter of Baldevsinh Vijaysinh Zala vs SEBI

<u>Noticee no. 8 Submission on Alleged Fund Transactions</u>

Noticee states that the aforesaid transaction between the Noticee and other parties has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Aristo, Silvercade, Black Horse, Suhasit and Adamina was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

<u>Noticee no. 9 Submission on Alleged Connection</u>

It was observed that Noticee was allotted 31,75,000 shares of ACL in preferential allotment at the rate of Rs. 21 per share. The Noticee paid in the full amount of Rs. 6,66,75,000/- to ACL from its two bank accounts viz. Dhanlaxmi Bank A/C No. 020706700001732 and Kotak Mahindra Bank A/C No. 500011041794 in eleven installments to ACL for the preferential allotment. The details of payments are given as under.

Sr. No.	***Date***	***Amount (In Rs)***	***Bank Account***
1.	*19/08/2013*	*32,00,000*	*Dhanlaxmi Bank*
2.	*20/08/2013*	*32,00,000*	*Dhanlaxmi Bank*
3.	*21/08/2013*	*16,50,000*	*Dhanlaxmi Bank*
4.	*19/09/2013*	*50,00,000*	*Dhanlaxmi Bank*
5.	*21/09/2013*	*25,00,000*	*Dhanlaxmi Bank*

6.	*23/09/2013*	*30,00,000*	*Dhanlaxmi Bank*
7.	*23/09/2013*	*65,00,000*	*Dhanlaxmi Bank*
8.	*25/09/2013*	*25,00,000*	*Dhanlaxmi Bank*
9.	*03/10/2013*	*19,00,000*	*Dhanlaxmi Bank*
10.	*28/10/2013*	*1,80,00,000*	*Kotak Mahindra Bank*
11.	*29/10/2013*	*1,92,25,000*	*Kotak Mahindra Bank*

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein they received funds from ACL to apply for the preferential allotment of ACL. Noticee states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.

The Noticee states that the receiving of cumulative alleged funds of Rs. 4,12,25,000/- from Aristo Media & Entertainment Pvt. Ltd., Ailish Traders Pvt Ltd., Lifecode Mercantile Pvt Ltd. and Offerlink Infraprojects Pvt Ltd, was pursuant to independent business transactions between the Noticee and the said party, the Noticee had no knowledge, from where these parties has received the fund. These alleged fund transfer details are as follows:

Date	***Debit***	***Credit***	***Amount (Rs.)***
23.09.2013	*Aristo*	*PPPL*	*10,00,000/-*
23.09.2013	*Ailish*	*PPPL*	*30,00,000/-*
28.10.2013	*Lifecode*	*PPPL*	*1,80,00,000/-*
29.10.2013	*Offerlink*	*PPPL*	*2,00,00,000/-*
TOTAL			*4,20,00,000/-*

The Noticee states that there is a mismatch in the information provided by the SEBI. In paragraph 7(e) of the SCN it has been alleged that ACL had funded Parkway Properties Pvt Ltd to the extent of Rs 4,12,25,000/- However according to the aforesaid chart provided in paragraph 7 of the SCN the figure of the alleged amount is Rs4,20,00,000/-. The Noticee further states that there is lacuna in the SCN and hence the SCN be set aside against the Noticee.

The Noticee states that the fund of Rs.10,00,000/- received from Aristo on 23.09.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the bank account of Parkway Properties Pvt Ltd.

The Noticee states that the fund of Rs. 30,00,000/- received from Ailish on 23.09.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Parkway Properties Pvt Ltd.

The Noticee states that the fund of Rs. 1,80,00,000/- received from Lifecode on 28.10.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Parkway Properties Pvt Ltd.

The Noticee states that the fund of Rs. 2,00,00,000/- received from Offerlink on 29.10.2013 during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the bank account of Parkway Properties Pvt Ltd.

*Hereto annexed and marked as **Annexure D** and **Annexure E** are copies of Ledger Account and Bank Account statement respectively, of Parkway Properties Pvt Ltd for the financial year 2013-14.*

It has been alleged by the SEBI that Noticee is connected to ACL. It is also alleged that funds were given by ACL to the Noticee to subscribe preferential allotment of ACL. In this regard the Noticee reiterates that there was no connection with ACL and its transactions was only with Aristo, Ailish, Lifecode and Offerlink is far-fetched, remote and untenable in the eyes of the Law. The Noticee cited Order of Hon'ble SAT's dated 12.08.2021 in the matter of Baldevsinh Vijaysinh Zala vs SEBI

Noticee no. 9 Submission on Alleged Fund Transactions

Noticee states that the aforesaid transaction between the Noticee and other parties has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Aristo, Ailish, Lifecode and Offerlink was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

Noticee no. 10 Submission on Alleged Connection

The Noticee states that it was allotted 26,90,000 shares of ACL at the rate of Rs. 21 per share. The payment liability of Rs. 5,64,90,000/- arise pursuant to the aforesaid allotment which was duly discharged by the Noticee in 7 installments. Noticee paid in the full the amount of Rs. 5,64,90,000/- to ACL for the Preferential Allotment. Following is the Schedule of payment made by the Noticee to ACL:

Sr. No.	***Date***	***Amount (in Rs)***
1	*18/10/2013*	*75,00,000*
2	*18/10/2013*	*75,01,000*
3	*28/10/2013*	*1,34,00,000*
4	*31/10/2013*	*95,00,000*
5	*31/10/2013*	*90,00,000*
6	*31/10/2013*	*85,00,000*
7	*28/11/2013*	*10,89,000*
Total		***5,64,90,000***

The Noticee refutes the allegation against us given in the Show Cause Notice that the Noticee was a part of some elaborate plan/scheme. Wherein he received funds from ACL to apply for the preferential allotment of ACL. Noticee states that his preferential allotment was genuine and proper for consideration which was duly paid on time to ACL. The Noticee has not participated in any of price or volume manipulation activities.

*The Noticee states that the receiving of cumulative alleged funds of Rupees 4,64,00,00 from Suhasit Star Trading Pvt. Ltd. **(Suhasit)**, Aristo Media & Entertainment Pvt. Ltd. **(Aristo)**, and Offerlink Infraprojects Pvt. Ltd. **(Offerlink)** was pursuant to independent business transactions between the Noticee and the said parties, the Noticee had no knowledge about the that from where these party has received the fund. These alleged fund transfer details are as follows:*

Date	***Debit***	***Credit***	***Amount (Rs.)***
18.10.2013	*Offerlink*	*Radford*	*75,01,000/-*

28.10.2013	*Suhasit*	*Radford*	*1,34,00,000/-*
31.10.2013	*Aristo*	*Radford*	*2,70,00,000/-*

*The Noticee states that the fund of Rupees 75,01,000 received from Offerlink on 18.10.2013, during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account and bank account of Radford. Hereto annexed and marked as **Annexure– B Colly** are copies of Ledger Account of Radford and Bank Account statement of offerlink for the financial year 2013-14*

*The Noticee states that the fund of Rupees 1,34,00,000 received from Suhasit on 28.10.2013, during the financial year 2013-14 was pursuant to independent transactions and the same is evident from the ledger account and bank account of Suhasit. Hereto annexed and marked as **Annexure- C Colly** are the copies of the Ledger Account and Bank Account of the Suhasit respectively.*
*The Noticee states that the fund of Rupees 2,70,00,000 received from Aristo on 31.10.2013, during the financial year 2013-14 was pursuant to independent business transactions and it is reflected in the ledger account of Radford. Hereto annexed and marked as **Annexure- D** is a copy of the Ledger Account of Radford.*

Noticee no. 10 Submission on Alleged Fund Transactions
Noticee states that the aforesaid transaction between the Noticee and the other parties has treated as a part of the larger scheme in the SCN. However, the Noticee states that Noticee has never received any funds from ACL. Noticee's connection, if any, was only with Suhasit, Aristo and Offerlink was a business transaction for consideration and it was purely legitimate and nothing unlawful about the same.

Noticees have cited Adjudication order dated July 29, 2022 (Order/BM/JR/2022-23/18258-18279) passed in respect of 22 entities in the matter of Allied Computer International (Asia) Limited on Alleged Fund Transactions

Mitigating Factors
Noticee has not taken the present regulatory proceedings in a nonchalant manner. The Noticee is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. Noticee has not acted in defiance of law. The actions of Noticee are not in any manner detrimental to the investors and the securities market as whole and Noticee has conducted all his operations with integrity and in the best interest of its shareholders.

The Noticee denies being part of any group elaborate plan as stated in the SCN. The Noticee states that the Noticee was a genuine preferential allottee and paid his financial liability towards the allotment and there is no price and volume manipulations has been found.

Noticee states that its connection with ACL is drawn by SEBI is not maintainable in law and the fund transactions with Aristo are an outcome of independent business transactions between the Noticee and other parties.

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

SEBI ought to even consider that in the aftermath of the COVID pandemic, where there is global recession, any penalty or adverse direction will have a catastrophic effect on the Noticee causing loss of employment of the employees of the Noticee and other such dire consequences. Thus, for these reasons alone no penalty is called for.

Noticees have cited case laws (Hon'ble SAT order dated February 2, 2019 in the matter of ***P. G. Electroplast Ltd. & Ors. V. SEBI*** *in Appeal no. 281 of 2017* and order of Hon'ble Supreme Court in the matter of M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627

Accordingly, the SCN ought to be discharged vis-à-vis Noticee.

Noticee No. 7:

I, Hiralal Kailash Bhardwaj, erstwhile director of the Noticee No.7, writing this letter in response to the captioned SCN with a request that the present proceedings against the company Bulltext Reality Pvt Ltd may be disposed of without any adverse orders as the Noticee No.7 has been strike off. Therefore, the entity viz. Bulltext Reality Pvt Ltd as on date of issue of the SCN did not exist. Hereto annexed and marked as Annexure A is a copy of the current master data of the Noticee No.7 as reflecting Strike Off on the Ministry- of Corporate Affairs website.

2. We are further guided by the following orders in this regard:

a. SEBI Adjudicating Officer's order dated 30th June 2021 in the matter of Aashirwad realtors Private Limited wherein it was held that:

((Therefore, in view of the above observations, I am convinced that the Noticee was not in existence as on the date of initiation of the adjudication proceedings against it. In view of the same, I am convinced that the instant adjudication proceedings in respect of the Noticee cannot be proceeded with and the SCN dated May 24, 2021 issued to the Noticee is accordingly disposed of" (emphasis supplied). Hereto annexed and marked as Annexure B is a copy of the order dated 30th June 2021.

b. SEBI Adjudicating Officer's order dated 24th March, 2022 in the matter of Aradhana Plaza Private Limited wherein it was held that:

"Therefore, in view of the above observations, I am convinced that the Noticee was not in existence as on the date of initiation o(the adjudication proceedings against it. In view of the same , I conclude that the instant adjudication proceedings in respect of the Noticee cannot be proceeded with and the SCN dated February 23, 2022 issued to the Noticee is accordingly disposed of."

{emphasis supplied) . Hereto annexed and marked as Annexure C is a copy of the order dated 24th March 2022.

3. As per the para 4.10 of the SCN, three preferential allottees (Black Horse Media & Entertainment Pvt Ltd, Jeshna Multitrade Pvt Ltd and Varad Vinayak Trading Pvt Ltd) out of 10 preferential allottees has been exonerated and no allegation is initiated against them as per SCN, since the status of the company is struck off as per MCA website.

4. The Noticee No.7 should be given similar consideration and hence the SCN against the Noticee No.7 does not stand established.

<u>Additional submission dated February 20, 2023 by Noticee no. 5</u>

Noticee no. 5 has relied upon the judgement of the Hon'ble SAT in the matter of *IFGL Refractories Ltd vs SEBI (Appeal No. 1044 of 2022) dated January 06, 2023* and contended that Rajeev Bhanot & Anr versus SEBI shall be binding on current proceedings as judicial precedents which have attained finality are binding and must be followed in the instant case.

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

ISSUES FOR CONSIDERATION AND FINDINGS

15. I have carefully perused the SCN, the documents / material available on record and submission of the Noticees. The issues that arise for consideration in the present case are:

    I. Whether the Noticees have violated the provisions of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992?

    II. Whether the Noticees are liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

    III. If yes, then what should be the quantum of monetary penalty?

16. It is pertinent to mention here the relevant provisions of Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulation 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003, allegedly violated by the Noticees:

SEBI Act

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;

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

Issue – I:- **Whether the Noticees have violated the provisions of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992?**

17. Before dealing the case on the basis of merits, I would first deal with the preliminary objection raised by Noticees with respect to delay of about 9 years in initiation of instant proceedings and in issuance of SCN. In this regard, I note that the investigation generally is a detailed process involving analysis of various data, gathering of evidences, etc. that shall stand the test of legal scrutiny at various judicial fora. This, generally, consumes considerable time and efforts depending on the number of entities involved, the complexity of the transactions, correspondences with the entities involved etc. In the instant matter, I observe that, SEBI received a SMS of stock tip in the scrip of the company in the year 2016 and SCORES complaints and subsequent email complaint from investor alleging SMS being circulated recommending to buy shares of Arnav Corporation Ltd. An examination in the matter of Arnav Corporation Ltd. was then carried out for the period of May 01, 2016 to January 17, 2017. During examination, it was, *inter alia*, observed that Arnav Corporation Ltd. had made a preferential allotment of 4,00,00,000 equity shares at Rs. 21 on December 10, 2013 to 13 non-promoter entities and that the money paid by the Noticees no. 4 to 10 to the company was actually funded by the Arnav Corporation Ltd. through its suppliers/entitles. Further, it was *prima facie* suspected that the company in connection with the preferential allottees, traders and the SMS senders may have circulated fraudulent SMSs with manipulative intention of dumping shares on unsuspecting investors. Subsequently, the case was referred for detailed investigation.

18. Thereafter, considering the scope of investigation, the case of Arnav Corporation Ltd. was split into 2 separate cases as under:
    (a) Investigation in the matter of funding of preferential allottees by the company in the scrip of Arnav Corporation Ltd. (for allotment made during 2013)
    (b) Investigation in the matter of trading activities of certain entities in the scrip of Arnav Corporation Ltd. (for the period May 01, 2016 to January 17, 2017)

19. The instant proceedings only deals with funding of preferential allottees by the company in the scrip of Arnav Corporation Ltd. (for allotment made during 2013). During the investigation period, An extensive investigation was carried out by SEBI, which included

- calling for call/sms data records from telecom service providers, calling for information from stock exchange, depositories, company and preferential allottees; analysis of trade and order data; analysis of the information received from stock exchange, depositories, company and preferential allottees; examination of call/sms data records, preferential allotment process and analysis of trading during the three patches viz. period of price rise in the scrip; identifying connections among preferential allottees, net buyers and sellers and suppliers of company and preferential allottees, SMS senders and promoters of company and detailed analysis of fund flows, bank account statements, fund trails, preferential allotments and fund movements related to the same, Unique Client Code details, etc., analysis of corporate announcements. Subsequently, after completion of extensive investigation, the final investigation report in the matter of funding of preferential allottees by the company in the scrip of Arnav Corporation Ltd was approved on March 25, 2022 recommending adjudication proceedings under section 15HA of the Securities and Exchange Board of India Act, 1992 against 10 entities viz. company, its 2 directors and 7 preferential allottees and administrative warning to 16 entities who facilitated Company in funding preferential allottees by allowing their bank accounts to be used for routing funds from company to allottees in the matter. Shri N Hariharan was appointed as Adjudicating Officer vide communication order dated June 02, 2022. Subsequently, I was appointed as Adjudicating Officer vide communication order dated October 06, 2022 and the SCN to the Noticees have been issued on November 25, 2022 in this matter. Considering the time taken to complete the investigation, I do not find that there is inordinate delay in initiation of the proceedings.

20. I note that, Noticees have relied upon order of Hon'ble Supreme Court in the matter of Mohammad Kavi Mohammed Amin Vs. Fatmabai Ibrahim (1997) 6 SCC 71, Ramchand Vs. Union of India (1994) 1 SCC 44, SAT decisions in HB Stockholding Ltd. Vs. SEBI (27.08.2013), Sanjay Soni Vs. SEBI (14.11.2019), Libord Finance Ltd. Vs. WTM, SEBI (03.03.2008) and Rajeev Bhanot & Anr. versus SEBI (Order dated 09th July, 2021 in Appeal No. 396 of 2018 and Hon'ble Supreme order dated November 8, 2021 in

the Civil Appeal Nos. 6441-6443 of 2021). I further note that, Noticee no. 5 has relied upon the judgement of the Hon'ble SAT in the matter of *IFGL Refractories Ltd vs SEBI* (Appeal No. 1044 of 2022) dated January 06, 2023 and contended that judgement cited in *Rajeev Bhanot & Anr versus SEBI* shall be binding on current proceedings as judicial precedents which have attained finality are binding and must be followed in the instant case. I have perused the abovementioned judgments and I note that the facts and circumstances of the present proceedings are not similar to those in the judgments quoted by Noticees. I note that even though SEBI Act nor Regulations had prescribed any period of limitation for issuance of SCN, it has now become well settled that SCN has to be issued within reasonable time period. I note that Hon'ble SAT in many of its cases has held that the reasonable period would depend on the facts and circumstances of each case and that no hard and fast rule can be laid down in this regard.

21. I also find it relevant to rely on certain orders passed by the Appellate Courts:

Hon'ble SAT:

(i) In Hemant Sheth and Ors. vs. SEBI, Appeal No. 521 of 2021, decided on January 07, 2022, it was argued by the appellants that the adjudicating officer was appointed on July 04, 2013 but the show cause notice was issued in 2016 and therefore there was an inordinate delay of 30 months for which no plausible explanation was given. The Hon'ble SAT while dismissing the aforesaid contention of the appellants held that: *"9. Insofar as the delay is concerned we find that after the observation made by the WTM in its order of May 10, 2013 SEBI took action and appointed the AO dated July 4, 2013. No doubt the show cause notice was issued in January 2016 but the delay in the issuance of the show cause notice in the instant case will not vitiate the proceedings initiated against the appellants in the peculiar facts and circumstances of the case. Consequently, we are not inclined to quash the proceedings only on the ground of inordinate delay as asserted by the learned counsel for the appellant*.

(ii) 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. 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." (emphasis supplied)

(iii) In Rajendra Aggarwal vs. SEBI (Misc. Application No. 426 of 2020 and Appeal No. 552 of 2019), dated September 17, 2021, an appeal was filed against an order of the adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants contended that due to the inordinate delay, the aforesaid order should be quashed since the trades took place in the year 2009, the notice was issued in 2013, the hearing took place in 2018, and 18 months after the hearing, an adjudication order was passed. In this regard, the Hon'ble SAT held:

"13. On issue of delay, we find that the show cause notice was issued in the year 2013 and the trades were executed in 2009. The investigation was against a large number of entities which apparently took time and ultimately notices were issued to 35 entities. Consequently, we do not find any inordinate delay in the issuance of the show cause notice nor do we find any merit in the contention that there was an inordinate delay in the delivery of the impugned order after the last date of hearing by the AO. We are of the opinion that after the conclusion of the arguments the data of 35 entities was required to be analysed and collated which took time and, therefore, we do not see any reason to vitiate the judgment only on the ground of delay in delivering the order. In any case, such delay in the delivery of the judgment does not cause any prejudice to the appellants."

Hon'ble Supreme Court:

Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294, wherein the Court held as under:

"*There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."*

22. From the abovementioned facts and circumstances, I note that, whether a delay in a particular case is justified or not depends on the facts and circumstances of each case. For establishing the delay, if any, in the matter, the date when the violation came to the notice of the SEBI would be the relevant point (*when reference was received in SEBI,SCORES Complaints about SMSs circulated recommending buy shares of ACL)* and not the date of violation. I further note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings. Moreover, in this case the SCN makes a serious allegation of fraud under the PFUTP Regulations. I am cognizant that SCN has been issued in 2022 when the alleged violation pertains to 2013, however, in light of the fact that, principles of natural justice have been adequately complied with in the present matter as all material documents which have been relied upon in the SCN have been duly provided to Noticees.

23. Thus, in view of the above, I am of the view that the instant matter cannot be disposed of merely for delay in issuance of SCN.

24. After having addressed the preliminary objections raised by the Noticees as mentioned above in their submissions, I, now, deal with the case on facts and merit basis.

25. I note from the SCN that following charges have been alleged against the Noticees:

a. Noticee at Sr. No. 1 viz. Arnav Corporation Ltd. has funded 10 preferential allottees namely, Adamina Traders Pvt. Ltd., Anumita Infrastructure Pvt. Ltd., Aprateem Trading Pvt. Ltd., Black Horse Media & Entertainment Pvt. Ltd., Bulltext Reality Pvt. Ltd., Jeshna Multitrade Pvt. Ltd., Orange Mist Productions Pvt. Ltd., Parkway Properties Pvt. Ltd., Radford Real Estate Pvt. Ltd. and Varad Vinayak Trading Pvt. Ltd. w.r.t. preferential allotment dated 10.12.2013 to the extent of Rs. 51.15 crores by routing funds to the allottees through the accounts of its suppliers/ various other entities and thus, has allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

b. The Noticees at S. No. 2 & 3 are the directors of the Noticee at S. No. 1 as well as the authorised signatories to the bank accounts of the company and thereby, responsible for the act of the company of providing funds to the preferential allottees. Thus, these two directors of the company during the investigation period namely, Dhiren Negandhi (Managing Director & Compliance Officer) and Jayesh Shah (Executive Director and promoter) were involved in the funding of allottees by the company during preferential allotment dated 10.12.2013 and have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

c. The Noticees at S. No. 4 to 10 are allottees who had received funds from Arnav Corporation Ltd. for purchase of shares allotted to them on a preferential basis by Arnav Corporation Ltd. during allotment dated 10.12.2013 and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

d. The Noticee at S. No. 4 namely, Adamina Traders Pvt. Ltd. facilitated Arnav Corporation Ltd. in funding the preferential allottee namely, Orange Mist Productions Pvt. Ltd. by allowing its bank account to be used for routing funds by Arnav Corporation Ltd. to the allottee and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

e. The Noticee at S. No. 6 namely, Aprateem Trading Pvt. Ltd. facilitated Arnav Corporation Ltd. in funding the preferential allottee, Jeshna Multitrade Pvt. Ltd. by allowing its bank account to be used for routing funds by Arnav Corporation Ltd. to the allottee and thus, have allegedly violated the Regulations 3 (a), (b), (c), (d) & 4(1) of SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992.

26. I note that Noticee no. 3 to 10, have submitted their response to the SCN. I note that Noticee no. 1 and 2 have failed to file any response to the SCN during instant proceedings and failed to appear for hearing despite given multiple opportunities. In the fact and circumstances of the case, I am of the view that the aforesaid Noticees have defied the regulatory provisions and I, therefore, deem it fit to draw an adverse inference against the aforesaid Noticees. Further, in absence of any response from the said Noticees, it is presumed that they have admitted the charge of violations of provisions as alleged in the case I note that, 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 no. 1 &2.

27. I note that for examining the trailing fund movement, if any from company to allottees, bank account of Noticees viz. Allottees, company and its suppliers/other entities through the account of whom money was routed were examined and analysed during the investigation.

28. It has been alleged in the SCN that Noticee no.1 has transferred Rs. 51, 15, 25,000/- to 10 of the preferential allottees indirectly via the peripheral entities (hereinafter referred to as "**Conduits/suppliers/other entities**") which were utilized by the said preferential allottees for payment of consideration to Noticee 1 for the preferential allotments. I note that during investigation, Arnav Corporation Ltd. vide letter dated 02.08.2017 had submitted details of payments made to various parties/ entities which were including by way of loans & advances. I note from the aforesaid letter and the bank statements that the amount transferred by ACL to its conduits which, in turn, had transferred the amount to the preferential allottees, were shown by ACL as loans & advances. The company had provided copy of bank statements showing transfer of funds to the parties/ entities.

However, as the company did not submit any other document apart from bank statements during investigation, the company was advised to submit documentary evidence, if any by investigation team, in case the amount given to the parties/ entities were for the purpose of loans & advances. Subsequently, vide another email dated 08.03.2022, comments were sought from the company w.r.t. the *prima facie* inference on perusal of the bank statements of the company and the preferential allottees that the company had funded some of the preferential allottees. I note that, no reply has been received from the company during investigation and it has also not replied to SCN in the instant proceedings.

29. Noticee no. 4 to 10 (except No. 7) have denied its connection with ACL. I note that investigation has analysed the bank statements of the company, the allottees, and the entities from whom the allottees had received funds and the entities to whom the company had transferred funds and thus the connection has been inferred from the fund transactions that took place in funding the preferential allotments. Noticee no. 4 to 10 (except No. 7) have cited Hon'ble SAT's order dated 12.08.2021 in the matter of *Baldevsinh Vijaysinh Zala vs SEBI*. In this regard, I note that in a '*Preferential Allotment*' process, a specific identified group of people who may be known or related to the company in some way, agrees on one-to-one basis with company and have prior understanding with the company are likely to be considered as allottees for an allotment on preferential basis. Further, point no. 10 of Notice of Annual General Meeting ("**AGM**")" dated September 04, 2013 clearly mentions the "list of allottees" which substantiate the prior understanding of company and allottees. Also, the fund transactions to the aforesaid Noticees viz. Noticee no. 4 to 10 through the accounts of ACL's suppliers/ various other entities (Conduits) and subsequent transfer of money from these conduits to Noticee no. 4 to 10 have been carried out much before the Board Meeting dated September 04, 2019 convened where the preferential allotment was approved and the date of AGM was fixed for seeking members' approval for preferential allotment and also allotment date of preferential allotment of convertible warrants (23.10.2013) and equity shares

(10.12.2013) and the funds were transferred by these allottees on same day or a day or two later from the day on which amount has been received by them from conduits w.r.t. impugned preferential allotment to ACL as mentioned at point no. 4 (Page no.6-18) of this Order above which are not denied by allottees are contributing factors and circumstances which clearly demonstrates the existence of connection among them and employment of fraudulent scheme in their closed group giving false impression of genuine capital infusion in ACL through impugned preferential allotment. I also note that, Noticee no. 6 and Noticee no. 4 have transferred funds to Jeshna Multitrade Pvt. Ltd.(one of the allottees) and Noticee no. 8 respectively from the funds received indirectly/directly from ACL and the funds were transferred by Jeshna Multitrade Pvt. Ltd.(one of the allottee) and Noticee no. 8 on the same day to ACL.

30. The investigation has made allegations based upon direct evidence with regard to fund transfers and subsequent preferential allotments of the Noticees are sufficient in themselves to prove the connection and charges of fraudulent activity by these Noticees and the mere absence of any other direct evidence cannot be a ground of exoneration, as held by Hon'ble Supreme Court in the matter of *SEBI Vs. Kishore R. Ajmera* [(2016) 6 SCC 368]. The Hon'ble Supreme Court further observed that – "*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.*"

31. Noticee no. *4 to 10 (except No. 7)* have stated that they have received funds pursuant to independent business transactions between them and the said party, they had no knowledge, from where these parties has received the fund. In this regard, Noticee no. *4,5,6,8,9 and 10 have cited* Adjudication order dated July 29, 2022 (Order/BM/JR/2022-23/18258-18279) passed in respect of 22 entities in the matter of *Allied Computer International (Asia) Limited with respect to alleged fund transactions.* I note that, in the said adjudication order, there was exchange of shares in lieu of funds received by Noticees which was duly supported by documentary evidence. However, in the instant case, Noticee no. 4 to 10 (except No. 7) have failed to substantiate it with documentary evidence before me which shows the terms of such business which lead to the fund transactions between Noticees and entities. Further the ledger statements submitted on their own do not constitute satisfactory evidence for any business transactions as the same were prepared by the Noticees themselves, hence, they are highly susceptible to manipulation. Noticee did not even produce one document before me which sets out terms and conditions of such business transactions and what was the purpose of such huge amount of money received by them which was transferred by them on the same day or very next day to ACL as mentioned above at point no. 4 of this order (Page no. 6-18). The Noticees No. 4 to 10 have not been able to offer any plausible explanation with regard to funds received by them, except for the *ipse dixit* denial. The pattern of fund movements wherein fund was transferred by the Company to conduits, who in turn transferred the funds to the preferential allottees and all fund transfers from the Company -> conduits -> allottees being made in the garb of business transactions also shows that such entries were created in ledger to camouflage the actual funding by ACL. In view of these attendant circumstances, the contention of these Noticees that the fund transfers amongst them were towards Business transaction is lame and afterthought; and therefore, I reject contention of Noticees no. 4 to 10 that they have not been funded subscription amount of preferential allotment via conduits and the fund transfer were merely independent business transactions.

32. I note that Noticee no. 9 has stated that, *there is a mismatch in the information provided by the SEBI. In paragraph 7(e) of the SCN it has been alleged that ACL had funded Parkway Properties Pvt Ltd to the extent of Rs 4,12,25,000/- However according to the aforesaid chart provided in paragraph 7 of the SCN the figure of the alleged amount is Rs4,20,00,000/-.* It has further stated that there is lacuna in the SCN and hence the SCN be set aside against the Noticee. In this regard, it may be noted that, Noticee no. 9 has considered whole amount of Rs. 2,00,00,000 in its calculation of funding which it has received from Offerlink, while SCN has considered only the amount of Rs. 1,92,25,000 which was transferred by it to ACL pursuant to receipt of the funds from Offerlink on the same day of receipt i.e., 29.10.2013. Thus, the contention of Noticee no. 9 to set aside SCN is not tenable in light of this clarification.

33. I note that, a company being a legal person having separate and independent existence than its shareholders act through its board of directors who individually and collectively hold the position of trust and have fiduciary duties towards the company, the shareholders and other stakeholders. It is settled position that while alleging vicarious liabilities on the directors, the company should also be proceeded with for its defaults (*U.P. Pollution Control Board vs. Modi Distillary AIR 1998 SC 1128*). Thus, ACL, Noticee No. 1 cannot escape liability of its acts. Further, the Noticee No. 2 was managing director of Noticee no. 1 from 30.09.2013 to 31.03.2014 during IP and he was also compliance officer of the company during FY 2012-13 & 2013-14 and Noticee no. 3 was Executive Director as well as promoter of Noticee no. 1 during Investigation period. I also note that Noticee nos. 2 and 3 also had authorization to operate bank accounts of Arnav Corporation Ltd. *viz*. Kotak Mahindra Bank A/c no. 694011002584 (earlier ING Vysya bank account) and Axis Bank A/c no. 913020038990022, where allotment money was deposited by the preferential allottees. As per the board resolutions dated 04.01.2013 and 16.08.2013 submitted by the company to ING Vysya Bank (now merged with Kotak Mahindra Bank) and Axis Bank respectively, the aforesaid bank accounts were to be operated severally/

singly by Dhiren Negandhi and Jayesh Shah. No reply to SCN has been made by Dhiren Negandhi.

34. I note that Noticee no. 3 viz. Mr. Jayesh Shah has contended that, SCN does not demonstrate his exact role of involvement in relation to the alleged violations in the SCN. I note that, Noticee no. 3 also relied upon various case laws including orders of Hon'ble Supreme Court in Sunil Bharti Mittal vs. Central Bureau of Investigation & Ors. in Criminal Appeal No. 35 of 2015; Chintalapati Srinivasa Raju v SEBI (2018) 7 SCC 443; Rahul Shah v. SEBI, Hon'ble Whole Time Member of SEBI, in the matter of Home Trade Limited. Further, he has also contended that element of fraud and intent is missing and also stated that there is no evidentiary basis for allegation against him. In this regard, he has placed reliance on orders of Hon'ble SAT (Nirmal Bang Securities (P) Ltd. vs. SEBI, SAT Order dated October 31, 2003), order dated January 13, 2005 of Hon'ble SAT in the matter of KSL & Industries Ltd. Vs. SEBI (Appeal No. 91/2003) , Judgment of Hon'ble Supreme Court in Union of India v. Chaturbhai M. Patel & Co.((1976) 1 SCC 747) ,SEBI and Ors. v. Kanhaiyalal Baldevbhai Patel and Ors.(2017) 15 SCC 1), Nandakishore Prasad v. State of Bihar ((1978) 3 SCC 366) AND Hanumat v. State of Madhya Pradesh(AIR 1952 SC 343)

35. It may be noted that, being Executive Director of the company and authorised signatory he was responsible for management of the day-to-day responsibilities and managing financials of the company. Further, he had attended all the board meetings held during FY 2013-14, including the Board Meeting held on December 10, 2013 in respect of preferential allotment. Further, I find that Noticee nos. 3 have put nothing before me which would show that he was not playing a role in day to day activities of company. For example, Noticee no. 3 could have demonstrated that he has raised objection to transfer of funds to suppliers and other entities without sale/purchase of good items or without executing a legally tenable document as it was submitted by ACL during investigation that payments was made to various parties/ entities, including by way of loans &

advances or he may have enquired about proof of repayment of loan amounts and interests so as to deduce the claimed nature of financing. However, no such argument has been made by him. He was also audit committee member and also promoter of the company during the Investigation period but he never raised any concern with respect to the alleged fund transactions. Thus, I find that Noticee 3 has not been able to establish its innocence in the scheme of things described in the paragraphs above. Further, being authorised signatory to the bank accounts of the company of the Company, Noticee no. 2 and 3 were in-charge of the day-to-day affairs of the business activities/ financial decisions of the Company during the relevant period. They were the persons having key and active roles and responsibilities in deciding about the issuance and allotment of the preferential convertible warrants/ equity shares and funding of the preferential allotment of the company. Thus, in light of the above, I do not accept his contentions.

36. Here, it will be relevant to quote the order of Hon'ble Supreme Court of India in the matter of *N. Narayanan vs. Adjudicating Officer*, SEBI (2013) 12 SCC 152, wherein it was held that:

"33…. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially."

37. Hon'ble SAT in the matter of *Mr. Girishchandra Mukundram Baluni Vs. SEBI* (Appeal No. 569 of 2020) dated 17.06.2022, has held as follows:

"…..16. It can be seem from the record besides the present OCDs, the company had also issued Non-Convertible Debentures (hereinafter referred to as 'NCDs') in violation of the same provisions. Therefore, various orders against the company as well as some of the present noticees who were alleged to be director during the period was initiated by respondent SEBI. Respondent SEBI ultimately held the company as well as the directors responsible for violation of the provisions of the Companies Act and ICDR Regulations. Similarly, various appeals were preferred before this Tribunal. This Tribunal on the basis of the provisions of Section 5 of the Companies Act held all the directors liable….."

38. Therefore, from the aforesaid, I find that Noticee no. 2 and 3 being directors are liable for fraudulent and unfair practices undertaken by the Company by giving an impression of capital infusion through preferential allotment, while in reality company's own funds were used by allottees Viz. Noticee no. 4 to 10. They are responsible under the duty of trust to the Company and its shareholders while dealing with monies of the Company; but they have brazenly failed in observing such duties by transferring money of the Company for the benefit of Noticees No. 4 to 10. Further, in cases of fraud, it is settled position of law, the corporate veil can be lifted and the directors can be held liable for the fraud of the Company. Thus, it is established that the fund transfers were undertaken for the purpose of funding the preferential allotment and he along with Noticee no. 2 played a key role in the whole scheme of funding. Therefore, the Noticee No. 2 and 3 are also liable for the fraud as found in this case and in my considered opinion, the deliberate defiance and indulgence in fraudulent activity by the persons - who being in charge of affairs of the Company holding fiduciary duties towards investors - should be dealt with stern view with regard to the market abuse and fraudulent practices and the penalty in such cases should serve as effective deterrence. In the facts and circumstances of this case, I deem it worth relying the observations of Hon'ble Supreme Court in its judgment dated April 26, 2013 in the matter of *N. Narayanan v. SEBI*, wherein it specifically cautioned SEBI in the following words – "*SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices*…… *SEBI has, therefore,*

a duty to protect investors, individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity….."

39. Further, it needs to be examined whether they had failed to exercise due diligence so as to make them vicariously liable for the acts of the Noticee 1 in respect of the preferential allotment. With regard to such liabilities of the directors, I note that vide order No. *WTM/GM/EFD/38/2017-18 dated August 03,2017*, SEBI has taken following position with regard to vicarious liability of directors for the acts of the company-

    "In this connection, I note that there are a number of judicial pronouncements on the liability of directors including K.K Ahuja vs. V.K Vora (2009) 10 SCC 48; National Small Industries … vs. Harmeet Singh Paintal (2010) 3 SCC 330 and S.M.S. Pharmaceuticals Ltd. vs. Neeta Bhalla and Anr (2005) 8 SCC 89 generally upholding the position that the liability of any director in a company is restricted to actions of omission or commission committed by the company which had taken place with the knowledge and consent, whether explicit or implied, of such director. The array of judicial pronouncements emphasise the need to examine the role and conduct of the directors before fixing the liability on them in respect of any violation committed by the company. I, therefore, am of the view that the broad principle that the liability of a director should flow out of knowledge and consent or connivance in the alleged act is apt to be applied in these situations, to test their liability."

40. In this case, investigation has brought out specifically that Noticee no. 2 and 3 were the authorised signatory to the bank accounts of the company, as per account opening forms and board resolutions provided by the banks. Thus, Noticee no. 2 and 3 were operating the company's bank accounts with ING Vysya Bank (now merged with Kotak Mahindra Bank) and Axis Bank. This shows their active role in the alleged fund transfers. Also, I note that facts in the instant matter is distinguishable from the facts mentioned in the aforementioned decisions of Hon'ble Supreme court, Hon'ble SAT and Learned WTM, SEBI as cited by Noticee no. 3. Further, findings recorded above conclusively establishes

the role played by them in funding the preferential allotment. Moreover, I also note that the case laws cited by the Noticee with regard to criminal proceedings such as *Nandakishore Prasad v. State of Bihar*, will not apply in the present matter since, as observed by the Hon'ble Supreme Court in the Kanaiyalal matter (supra), 'fraud' under securities law as a concept is different than 'fraud' under criminal law and therefore the tests of evidence for the latter will not apply in the cases related to the former.

41. Noticee no. 3 has also contended that, ICDR *Regulations does not prescribe any prohibition for a company to fund its own preferential allotment. Thus, it is not clear as to how the allegation in the SCN results in violation of PFUTP Regulations. In the circumstance, this SCN is ex facie without any basis and due to misinterpretation of the PFUTP Regulations. Accordingly, the present proceedings ought to be dropped*. Further, he has also stated that, *The allegation made in the SCN that Rupees 12,00,000 was provided by ACL to Adamina for the purpose of subscribing to the preferential allotment cannot stand, because it is a negligible amount with respect to the amount paid by Adamina towards the preferential shares.* In this regard, it may be noted that, funding of preferential allotment (even differential/ negligible amount) are nothing but sham transactions without any underlying and the entire exercise of circulating the funds was part of colorable devise and thus, "*it will be difficult for judicial process to accord its approval to it*". *[McDowell & Co. Ltd v/s. CTO, (1985) 154 ITR 148 (SC)]*. Such sham and fraudulent transactions by way of subscription to preferential allotment without capital infusion in the Company cannot be a legitimate one which law would permit.

42. Further, I would like to state that, under section 12A of the SEBI Act and Regulation 3 of the PFUTP Regulations the expression "*any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations,"* has to be understood in the sense of a term having legal signification (as opposed to its ordinary English or non-legal technical sense). From the provisions in section 12A of the SEBI Act and Regulations 3 and 4 of the PFUTP Regulations it is clear that prohibition

contained therein are wide enough to include all kinds of market misconduct and abuse. Hon'ble Supreme Court in *N. Narayanan v. Adjudicating Officer, SEBI* (2013) 12 SCC 152, held that-

"Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality".

43. When seen in context of prohibitions under section 12A and Regulations 3 and 4 read with definition of the term '*fraud'* under Regulation 2(c), it is deducible that they depend upon '*dealing in securities'* or employing any device, scheme or artifice to defraud *'in connection with dealing in or issue of securities'* or engaging 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.'* Allotment and subscribing to shares is covered within the definition of the expression *'dealing in securities'* under Regulation 2 (b) of the PFUTP Regulations which defines *'dealing in securities'* which includes an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in

any security. The definition of *'dealing in securities'* is broad and inclusive in nature. Regulation 4 (1), prohibits indulgence in *"fraudulent and unfair trade practices"* in securities. In *SEBI v. Kishore R. Ajmera, (2016) 6 SCC 368* Hon'ble Supreme Court has observed that –

"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to preempt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light."

44. Hon'ble Supreme Court, while dealing further with the scope of the prohibitions contained in the PFUTP Regulations, while reemphasized its above ruling further held in the matter of *SEBI Vs Kanhaiyalal Baldevbhai Patel (CIVIL APPEAL NO. 2595 OF 2013)* decided on September 20, 2017 held that –

    "… it can be inferred that as a matter of principle, while interpreting this regulation, the court must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. Once this rule is clearly established, individual cases should not pose any problem."

45. The aforesaid prohibitions contemplate deployment of a fraudulent or unfair or manipulative '*device*', '*scheme*', '*artifice*' or '*contrivance*' with a design or purpose or plan or motive to '*defraud*', to '*deceive*', to '*manipulate*', to '*induce*', etc*. 'in connection with dealing in securities'* and apply even in cases where the acts or omissions or concealments committed, whether in a deceitful manner or not, by any person while

dealing in securities to induce any person to deal in securities would amount to *fraudulent* act. Hon'ble Supreme Court in the above referred *Kanhaiyalal Baldevbhai Patel* case also held that –*"The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities."* Hon'ble Supreme Court further held that the definition of "*fraud*" expands beyond what can normally be understood to be a '*fraudulent'* act. The emphasis is on act of inducement. It further held that for scrutinizing the cases under the PFUTP Regulations, mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.

46. Accordingly, when the preferential allotment of shares by a listed company is financed by the company itself, then it is also established that it gave false impression to public that there was infusion of funds to its capital through preferential allotment. Such acts and omissions and concealment on their part would induce the investors to deal in securities of the company in manner in which they would not have but for such acts, omission or concealment.

47. Thus, being established, the above act is fraudulent, unfair and manipulative and are in contravention of Regulation 3 (a), (b), (c) and (d) and 4(1) of the PFUTP Regulations read with provisions of sections 12A(a), (b) and (c) of the SEBI Act. In this regard, I note that in the matter of *Gammon India Limited vs. SEBI* (Order dated June 20, 2008), the Hon'ble SAT has also held that providing funds to entities by the company for the purpose of buying/subscribing its own shares amounts to violation of the PFUTP Regulations.

48. The rotation of funds in respect of preferential allotment supported by bank account statements, in absence of any genuine reason of such fund transfers from the Company,

clearly indicates that the management of the Company, as an unseen thread, which was controlling the whole fund movement back and forth, in what appears to be wizardry of creating an illusion of fund flow, out of nothing. The suppliers/ entitles have equally contributed to the whole plan of the Company and its management.

49. Considering the facts and circumstances as discussed hereinabove, I am of the view that the Noticees had, in a clever subterfuge, put in place a web of transfers and retransfers among themselves in a bid to create a make-believe of fund-rolling in the preferential allotment, when there was actually no infusion of funds for the said allotment. Those fund transfers are nothing but sham transactions without any underlying and the entire exercise of circulating the same funds was part of colorable devise and thus, "*it will be difficult for judicial process to accord its approval to it*". *[McDowell & Co. Ltd v/s. CTO, (1985) 154 ITR 148 (SC)]*. Such sham and fraudulent transactions by way of subscription to preferential allotment without capital infusion in the Company cannot be a legitimate one which law would permit. Being fraudulent, unfair and manipulative the above acts are in contravention of provisions of Regulation 3 (a), (b), (c) and (d) and 4(1) of the PFUTP Regulations read with sections 12A(a), (b) and (c) of the SEBI Act.

50. The Noticees No. 4 to 10 who are beneficiaries of the fraud in this case as they had subscribed to preferential allotments by paying the funds received from it through the conduits, Noticee no. 4 and 6 who also acted as conduits in concert and in league with the Company and the Noticee No. 2 and 3 in the whole scheme of fraudulent preferential allotment are all equally responsible for such fraudulent acts.

51. The findings recorded above conclusively establishes the role played by Noticee nos. 1 to 10 wherein Noticee 1 (with Noticee nos. 2 and 3 as directors and authorised signatories) came out with a preferential allotment, and made the preferential allotment to Noticee no. 4 to 10 with the funds made available by itself routing it through its suppliers /various other entities to Noticee no. 4 to 10. I find that Noticee nos. 1 to 10 have not been

able to produce any legally tenable document that, the transactions between them were genuine business transaction as Noticee no. 1 during investigation termed it as loans/advances while Noticee no. 4 to 10 termed it as independent business transactions. Moreover, Noticee 1 was transferring funds to its supplier/other entities who in turn were transferring the funds to allottees viz. Noticee no. 4,5,6,8,9, and 10 on the same day or very next day and then these allottees were transferring the amount back to ACL on the same day of receipt of funds further strengthens my aforesaid findings that funds were transferred by Noticee 1 and its suppliers/ other entities to allottees only to fund the Preferential Allotments of ACL. This, exhibits an apparent motive of the Noticees to give a false expression of genuine capital infusion in the company *via* impugned preferential allotment. These Noticees have executed the fraudulent scheme with a *malafide* intent and given a wrong impression of raise in capital of the Company through share issuance via impugned preferential allotment. Therefore, once the Noticees has been found to have indulged in such fraudulent activity in impugned preferential allotment of the company, they are liable for their acts and omissions. Considering the same, I reject contentions of the Noticees with regard to funding of preferential allotments via routing the funds through the company's suppliers/ other entities , instead, on the basis of fund transfers brought out before me and attendant circumstances, I am of the opinion that the these Noticees have together devised the fraudulent scheme in this case.

52. The above act on the part of the Noticees has clearly resulted in the violation of the PFUTP Regulations 2003 by the Noticees, which in turn, has affected the interests of the shareholders of the Company and also the investors in the securities market. In this context, reference is drawn to the judgment of the Hon'ble SAT in the matter of A*lok Khetan vs. SEBI, Appeal No. 55 of 2007 – Order dated July 17, 2007,* wherein it had an occasion to consider the issue of whether the appellant therein had allegedly indulged in unfair trade practices relating to the securities market resulting in a violation of Regulation 3 and 6 (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995, and accordingly Hon'ble SAT had held that:

"Now coming to the first charge as levelled against the appellant in the show cause notice. It is alleged that he acquired the shares of the company in a preferential allotment in an irregular manner without actual payment of money. ***… Preferential allotment of shares is one of the modes recognized by the company law for increasing the subscribed capital of a company and amazingly when the allotment was made, the company did not receive money and we are satisfied that the allotment was contrary to law and that the appellant was a party to the game plan. Preferential allotment of shares without actual receipt of money by the company is not only illegal but it also adversely affects the interest of investors in the securities market. It affects the rights of the existing shareholders of the company which was then a listed company.*** *The preferential shares had not been listed till December 22, 1999 and, obviously, the game plan (was) to trade that tainted shares in the market as and when they got listed. This by itself is a serious market irregularity particularly when we find that the appellant was a person who was well conversant with the market as an intermediary. The first charge levelled against him, therefore, stands established."*

53. I also note that some of the allottees and peripheral entities which have routed funds namely, Black Horse Media & Entertainment Pvt. Ltd., Jeshna Multitrade Pvt. Ltd., Varad Vinayak Trading Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd., Ojal Multitrading Pvt. Ltd., Suhasit Star Trading Pvt. Ltd., Vihar Infrastructure Pvt. Ltd., Ailish Traders Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and ASBN Commodities and Fineserve Pvt. Ltd have been struck off and therefore Investigation has not recommended any enforcement actions against these entities .

54. Further vide letter dated February 08, 2023, Noticee no. 7 viz. Bull text Reality has stated that, present proceedings against it may be disposed of as the company has been strike off. It has also submitted the copy of the company status on MCA website. I have noted from the Ministry of Corporate Affairs (MCA) website's master data of Bulltext reality that the status of company is "strike off". In this regard, I have perused the Adjudication Order

in respect Of Aradhana Plaza Private Limited dated March 24, 2022 and 30th June 2021 in the matter of Aashirwad realtors Private Limited cited by Noticee wherein company was not in existence as on the date of initiation of the adjudication proceedings against it and the Ld. Adjudicating officer has disposed of proceedings against the entity. In the instant case, I note that Bulltext reality has been struck off and is not in existence as on the date of initiation of the adjudication proceedings against it. In view of the same and also taking into account the fact that, Investigation has also not initiated any adjudication proceedings against some of the allottees and peripheral entities namely, Black Horse Media & Entertainment Pvt. Ltd., Jeshna Multitrade Pvt. Ltd., Varad Vinayak Trading Pvt. Ltd., Aristo Media & Entertainment Pvt. Ltd., Ojal Multitrading Pvt. Ltd., Suhasit Star Trading Pvt. Ltd., Vihar Infrastructure Pvt. Ltd., Ailish Traders Pvt. Ltd., Lifecode Mercantile Pvt. Ltd. and ASBN Commodities and Fineserve Pvt. Ltd which are struck off and were involved in alleged funding of preferential allotment, I conclude that, the instant adjudication proceedings in respect of Bull text Reality cannot be proceeded with and the SCN dated November 25, 2022 issued to the Noticee no. 7 is accordingly disposed of.

55. Thus, Considering the facts and circumstances of the case and in view of the discussion so far in this order, I found that the Noticee No. 1 and its directors viz. Noticee No. 2 and 3 and preferential allottees i.e. Noticees No. 4 to 10 have devised and are part of a fraudulent scheme as mentioned above giving an illusory impression of genuine capital infusion through impugned preferential allotment in the garb of loans/advances/ business transactions for which no documentary proof has been sufficed by Noticees. Thus, by indulging in such fraudulent scheme, I hold that Noticee nos. 1 to 10 have violated Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 read with Section 12A (a), (b), (c) of the SEBI Act, 1992.

<u>Issue – II</u>:- Whether the Noticees are liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

56. In view of the above, I hold that the Noticee No. 1 to 10 except Noticee no. 7 which is struck off are liable for penalty under Section 15HA of the SEBI Act as applicable at the relevant time. The said provision of aforesaid sections reads as under:

<u>SEBI Act.</u>

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 twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*

<u>Issue – III</u>:- If yes, then what should be the quantum of penalty?

57. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty"* are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. The factors stipulated in Section 15J of the SEBI Act reads as follows: -

15J - **Factors to be taken into account by the adjudicating officer**

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

(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 investor/+s as a result of the default;

(c) the repetitive nature of the default.

Explanation. —For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section;

58. With regard to the above factors to be considered while determining the quantum of penalty, it may be noted that no quantifiable figures or data is available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of the default of the Noticees. I note that, with respect to imposition of penalty, Noticees have cited case laws (Hon'ble SAT order dated February 2, 2019 in the matter of P. G. Electroplast Ltd. & Ors. V. SEBI in Appeal no. 281 of 2017 and order of Hon'ble Supreme Court in the matter of M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627, SEBI v Bhavesh Pabari(2019) 5 SCC 90, Maharashtra State Board of Secondary Education and Higher Secondary Education v. K.S. Gandhi & Ors., referred supra, the Hon'ble Supreme Court.). I find that the facts of the aforesaid cases are distinguishable from the present case, considering that, Noticee No. 4 to 10 were the beneficiary of the fraudulent schemes floated by the Company and its directors viz. Noticee no. 2 and 3,who have played integral role in creating a scheme and device, wherein, the Company along with its directors have funded the allottees viz. Noticees No. 4 to 10 by routing funds to the extent of Rs. 51.15 crores through its suppliers/ various other entities for subscription to the preferential allotment and thereby they perpetrated such fraud on investors by giving an impression of capital infusion through preferential allotment and therefore, limited the genuine capital infusion to this extent. It is also to be kept in mind that such acts needs to be dealt sternly and thus, same need to be suitably penalized. Thus, I do not agree with submissions/request of Noticees of not to impose any penalty on them. However, while holding so, I am also mindful of the fact that the instant proceedings have been initiated in 2022 much after the preferential allotment in questions i.e. December 10, 2013 and such delay and also impact of COVID pandemic on Noticees' financial conditions could be considered as a mitigating factor while adjudging the quantum of penalty on Noticees. Further, I also note that there has been change in control in Adamina, Anumita, Aprateem, Parkway, Radford.

59. It may also be noted that, delay in enforcing the provisions of law or such quantity of shares and their market value, in my view, would not hinder imposition of monetary penalty lest it should lead to compromising with the aforesaid purpose of effective deterrence and the perpetrators of such fraud would enjoy the benefits at the peril of innocent shareholders of Company. The leniency to exonerate the violators merely on account of delay in initiation of these proceedings be against the very objective of penal provisions under sections 15HA of the SEBI Act.

ORDER

60. Considering all the facts and circumstances of the case, In terms of the principle prescribed under section 15J of the SEBI Act and the purpose of SEBI PFUTP Regulations 2003, taking note of Section 15HA of the SEBI Act, and also striking a balance between the gravity of default and mitigating factors as aforesaid and in exercise of the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose following penalty under Section 15HA of the SEBI Act, 1992 on Noticee no. 1,2,3,4,5,6,8,9 and 10 for violation of Regulations 3 (a), (b), (c), (d) & 4(1) of the SEBI (PFUTP) Regulations, 2003 r/w Section 12A (a), (b), (c) of the SEBI Act, 1992:

Sr. No.	Noticee Name	Amount of Penalty
1	Arnav Corporation Ltd.	₹6,00,000/- (Rupees Six Lakhs Only) (Jointly and severally)
2	Dhiren Negandhi	
3	Jayesh Shah	₹2,00,000/- (Rupees Two Lakhs Only)
4	Adamina Traders Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)
5	Anumita Infrastructure Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)
6	Aprateem Trading Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)
7	Orange Mist Productions Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)
8	Parkway Properties Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)
9	Radford Real Estate Pvt. Ltd.	₹2,00,000/- (Rupees Two Lakhs Only)

In my view, the said penalty is commensurate with the violations committed by these Noticees in this case.

61. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW

62. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

63. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : February 28, 2023
Place : Mumbai

Vijayant Kumar Verma
Adjudicating Officer