



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SAHIL MALIK
Adjudicating officer

Through Speed Post AD

SEBI/EAD-12/SM/JR/ 31888 /8 /2017
December 15, 2017

Name of the Noticees	Address
1. Acropetal Technologies Ltd	2/10, 3rd floor, Ajay Plaza 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076
2. Ravi Kumar Doraiswamy	2/10, 3rd floor, Ajay Plaza 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076
3. Ashok Kumar Gopal Rao Jultha	204, Saphire Nest, 113 Jagdish Nagar, Bangalore 560075 Karnataka
4. Mohan Hosahally Ramakrishna	Flat No.208, Aditya Celestila Jaya Muminagar, Nitle Meenakshi Engineering College Near Bagalur Cross Yalahanka Bangalore-560063
5. Ramdas Janardhana Kamath	Leela, 707, 12 Cross, 7th Block, Jayanagar Bangalore 560082
6. Subrahmanya Dandala Kannayya Reddy	4-70-4, Lawsons Bay Colony, Behind Andhra Bank Vishakhapatnam – 530 017
7. Mathew James Manimala	No.35, Spring Valley, Bannerghatta Road Bangalore 560083
✓ 8. S. Sudheer	2/10, 3rd floor, Ajay Plaza 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076
9. Shobha Sudhakar Acharya	2/10, 3rd floor, Ajay Plaza 1st Main, N.S. Palya, Bannerghatta Road, Bangalore – 560 076
10. Jamili Jalaiah	1237 2 nd cross 2 nd Phase JP Nagar Bangalore, 560078

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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11. Interbrew Networks Ltd	Rakeen BLD A1, Jazeera Al Hamra P.O Box 34585, Ras Al Khaimah, UAE
12. Vision Info Inc	Vision Info Inc, UAE Office No.204, Tower-A, Gulf Towers, Oud Metha, P.O Box No.116793, Dubai, United Arab Emirates
13. Corus Limited	Corus Limited P.O. Box No. 999, AL Mankhool Road, Dubai,UAE)
14. HDK International Pvt. Ltd.	801, Shroff Tower, Near Sodawala Lane Corner, Chamunda Circle, Borivali (West), Mumbai, 400092 Dev Krupa Chambers 3 rd Flr East Site, 6/2179 Pipla Sheri Mahidharpura Surat 395003 202 B Kohli House, Dr.DD Sathe Marg Opera House Mumbai 400 004
15. SK Universal Pvt. Ltd.	801, Shroff Tower, Near Sodawala Lane Corner, Chamunda Circle, Borivali (West), Mumbai, 400092 Dev Krupa Chambers 3 rd Flr East Site, 6/2179 Pipla Sheri Mahidharpura Surat 395003 202 B Kohli House, Dr.DD Sathe Marg Opera House



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Name of the Noticees	Address
	Mumbai 400 004
16. Viraj Mercantile Pvt. Ltd.	7 th Floor, Room No.703, Mumbai A/C Market, Tardeo Main Road, Mumbai 400034
17. Maars Software International Ltd.	Office No. Q-205, 2nd floor, Real Enclave, No. 22, Joshier Street, Nungambakkam, Chennai-600 034
18. Aarm Finser India Limited	#49, KR Road, Basavanagudi, Bangalore- 560004
19. Ecologix Knowledge Solutions Pvt. Ltd.	2/10, Ajay Plaza, N S Palya 1 st Main, Bannerghatta Road Bangalore
20. Equastone Properties Pvt. Ltd.	44/A, 2nd Cross, B.T.M. Layout, N.S. Palya Bannerghatta Road Bangalore 560076
21. Virtus Tech Pvt. Ltd.	49 KR Road Basavanagudi Bangalore - 560004
22. Saffron Capital Advisors Pvt. Ltd.	605, Center Point, Sixth Floor, Andheri Kurla Road J B Nagar, Andheri (East) Mumbai 400059

Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 and under Rule 4 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 for Noticee 1 and Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 for Noticee 2 to 22 in the matter of Acropetal Technologies Limited



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1. Acropetal Technologies Limited (herein after referred to as “ATL” / “Company”) came out with an Initial Public Offer (herein after referred to as “IPO”) for issue of 1,88,88,889 equity shares of face value ₹10/- each at a price of ₹ 90/- per share, aggregating to ₹170 Crore during February 2011. The issue was graded by ICRA Limited and assigned a grade of 3/5, indicating average fundamentals. The bidding for the issue was open from 21/02/2011 to 24/02/2011 and the issue was oversubscribed 1.19 times. ATL was listed on the exchanges BSE and NSE on 10/03/2011. The scrip opened at ₹ 92/- and ₹130/- and touched a high of ₹140/- and ₹ 150/- on NSE and BSE respectively.
2. Securities and Exchange Board of India (herein after referred to as “SEBI”) conducted an investigation in the matter to ascertain whether there were any violation(s) of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”), SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “ICDR Regulations”), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations”), SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as “Merchant Bankers Regulations”) and Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as “SCRA”) with regard to the following:
 - Bidding process in the IPO of ATL.
 - Examination of disclosures made by the company in the offer documents / prospectus and deviations from objects of issue, if any.
 - Examination of fund flows from IPO proceeds.
3. The undersigned is appointed as the Adjudicating Officer vide order dated May 17, 2017 (**Annexure 1**) under section 15-I of the SEBI Act and section 23I of SCRA to inquire and adjudge
3.1 under section 15 HA of SEBI Act for the alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1) of PFUTP

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Regulations by ATL, Ravi Kumar Doraiswamy (Chairman and Managing Director of ATL) and independent directors of ATL, viz., Mohan Hosahally Ramakrishna, Ramdas Janardhana Kamath and Subrahmanya Dandala Kannayya Reddy

3.2 under section 23E of SCRA for the alleged violation of clause 43 and 43A(1) of the Listing Agreement by ATL

3.3 under section 15HA of SEBI Act for the alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of PFUTP Regulations and regulation 57(1), 60(7)(a) of ICDR Regulations by ATL, Ravi Kumar Doraiswamy, Ashok Kumar Gopal Rao Jultha, Mohan Hosahally Ramakrishna, Ramdas Janardhana Kamath, Subrahmanya Dandala Kannayya Reddy, Mathew James Manimala, S Sudheer, Shobha Sudhakar Acharya and Jamili Jalaiah

3.4 under section 15 HA of SEBI Act for the alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1) of PFUTP Regulations by Interbrew Networks Ltd., Vision Info Inc, Corus Limited, HDK International Pvt. Ltd., SK Universal Pvt. Ltd., Viraj Mercantile Pvt. Ltd., Maars Software International Limited, Aarm Finser India Limited, Ecologix Knowledge Solutions Pvt. Ltd., Equastone Properties Pvt. Ltd. and Virtus Tech Pvt. Ltd.

3.5 under section 15A(a) of SEBI Act for the alleged violation of section 11C(2) and 11C(3) of SEBI Act by HDK International Pvt. Ltd., SK Universal Pvt. Ltd., Viraj Mercantile Pvt. Ltd. and Maars Software International Limited.

3.6 under section 15HB of SEBI Act for the alleged violation of regulation 60(7)(a) and 64(1) of ICDR Regulations, regulation 13 r/w clause 1, 2, 3, 4, 6, 7 and 20 of Code of Conduct for merchant bankers specified under Schedule III in Merchant Bankers Regulations by Saffron Capital Advisors Pvt. Ltd.

4. The objects of issue as per its prospectus dated 25/02/2011 are stated in table below:

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Sr. No.	Particulars	Amount (as per the prospectus)
A.	Proposed Acquisitions	5500.00
B.	Setting up of Software Development Centre and Corporate Office	2618.67
C.	Expansion & Establishment of overseas offices	1944.96
D.	Part Repayment of Term Loans	2500.00
E.	Additional Working Capital requirements	2500.00
F.	Public Issue Expenses	1500.00
G.	General Corporate Purposes	436.37
TOTAL		17,000.00

Deviation from the objects of the issue

5. During the course of investigation, ATL was advised to provide complete details on the utilisation of the IPO proceeds with regard to the claimed acquisitions, inter alia including specific date(s) of acquisitions, number of shares purchased, name of sellers etc. ATL, vide its letter dated 14/02/2013 inter alia submitted following details:

Name of Acquired Company	Amount (Approx ₹ Cr.)	No. of shares acquired (%)	Remarks
Kinfotech Pvt Ltd	5.10	510444 (51%)	Domestic Acquisition
Mindriver Information technologies P Ltd	9.50	439960(100%)	Domestic Acquisition
Line Beyond Inc	22.29	448415.56	Overseas Acquisition
Optech Consulting Inc*	26.78	1000 (100%*)	Overseas Acquisition
Total	63.67	-	-

*70% from Corus Ltd and 30% from Vision Info Inc.

Proposed Acquisitions (₹ 55 crore)

Kinfotech Private Limited (Kinfotech)

6. As per prospectus of ATL, Kinfotech was a Promoter Group entity with Shri Ravi Kumar Doraiswamy, Chairman and Managing Director (herein after referred to as "Shri Ravikumar") holding 3,49,556 shares (34.96% of share capital) of Kinfotech. Vide its letters dated 11/06/2012 & 14/02/2013 (**Annexure 2 and 3 respectively**) ATL submitted that it had acquired 5,10,444 shares (around 51% shareholding) of

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Kinfotech Pvt. Ltd. from Mr Prabhakar Kini, his children Mr. Satish Kini and Ms. Vidya V Shanbhag (shareholders of Kinfotech Pvt. Ltd.) and paid an amount of ₹ 5.10 Crore towards the same. With regards to this transaction, ATL submitted copies of share purchase agreement, bank account statements reflecting the payment, copy of share transfer forms (indicating the transfer of shares in favour of ATL) and details of stamp duty paid.

7. From the bank statements, submitted by ATL, it was observed that ATL paid approx. ₹ 4.10 Crore only (₹ 3.10 Crore to Shri Prabhakar Kini and ₹ 50.22 Lakh each to Mr. Satish Kini and Ms. Vidya V Shanbhag during the period 03/05/2011 to 07/05/2011) to the shareholders of Kinfotech Pvt. Ltd.
8. Shri Prabhakar Kini (founder Promoter and major shareholder of Kinfotech Pvt. Ltd.), vide his letter dated 21/12/2016 (**Annexure 4**), confirmed that he and his children sold the shares to ATL, vide an agreement dated 29/04/2011 and received ₹ 4,10,44,400/- towards the same. Further, on perusing the Annual Return of Kinfotech Pvt. Ltd. as available at MCA website, it was observed that ATL was mentioned as shareholder of Kinfotech as on the date of last AGM of Kinfotech (which was on 23/09/2011). Hence, based on the bank statements of ATL and the confirmation received from Promoter of Kinfotech Pvt. Ltd., it is alleged that ATL utilised approx. ₹ 4.10 Crore to acquire shareholding of Kinfotech Pvt. Ltd.

Mindriver Information Technologies Pvt. Ltd. (Mindriver)

9. Vide its letter dated 11/06/2012, ATL had submitted that it had acquired 4,39,990 shares of Mindriver from Shri K. Dhanasekharan and others (total eight shareholders of Mindriver) and paid ₹ 9,49,98,241/- towards the same. ATL also submitted copies of share purchase agreement and share transfer forms with regard to the same. However, from the bank account statements submitted by ATL (**Annexure 5**), it was observed that it had paid approx. ₹ 9.42 Crore to the shareholders of Mindriver.

10. In response to SEBI letter, Shri K Dhanasekharan vide his letter and Smt. Vaishali Bansal Prasad vide her letter dated 30/01/2017 (majority shareholders of Mindriver)

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confirmed the aforementioned acquisition of shares of Mindriver by ATL. Shri Sanjay Prasad, then CEO of Mindriver and signatory to the share purchase agreement dated 25/04/2011 (on behalf of Mindriver), had also confirmed the aforementioned acquisition of shares, vide his email dated 28/07/2016.

11. Hence, based on the bank statements of ATL and the confirmations received from majority shareholders of Mindriver and signatories of the aforementioned share purchase agreement, it is alleged that ATL utilised approx. ₹ 9.42 Crore to acquire shareholding of Mindriver.

Line Beyond Inc and Optech Consulting Inc

12. Vide its letter dated 11/06/2012, ATL submitted that it had acquired the aforementioned Line Beyond Inc and Optech Consulting Inc (based in U.S) from M/s. Corus Limited, UAE. ATL also submitted copies of share purchase agreement dated 21/03/2011 with Corus Ltd towards the same. In this regard, vide SEBI letters dated 17/04/2013 & 18/04/2013, ATL was inter-alia advised to provide Annual report of Corus Limited for FY 2010-11, documentary evidence w.r.t ownership of Line Beyond Inc and Optech Consulting Inc as on March 2010 & 2011 and any filing done with U.S authorities w.r.t the aforementioned acquisitions.
13. ATL, vide its letter dated 30/04/2013 had only submitted Certificate of Incorporation of Corus and copies of 'income tax return' for the year 2010-11 of Line Beyond Inc and Optech Consulting Inc, in which 'Corus Ltd' was indicated as parent company. However, ATL did not provide any details with regard to any filings with U.S. authorities or other such document to evidence that the acquisition of Line Beyond Inc and Optech Consulting Inc was from the IPO proceeds.
14. Despite of repetitive attempts made by SEBI to get the information from the company and in absence of any conclusive evidence to support the existence or acquisition of these two companies in any manner, it has been inferred that ATL did not spend any amount from IPO proceeds to acquire Line Beyond Inc and Optech Consulting as claimed by it.



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15. In view of the above, it is alleged that out of ₹ 55 crore earmarked for the object of "Proposed Acquisitions" as mentioned in the prospectus, ATL had utilized only ₹ 13.52 crore (₹ 4.1 crore for Kinfotech and ₹ 9.42 crore for Mindriver) towards the stated object.

Setting up of Software Development Centre and Corporate Office (₹ 26.18 crore)

16. ATL, vide its letter dated 11/06/2012 inter-alia submitted that it had utilized ₹ 5.74 crore towards Software Development Centre and Corporate Office. However, it was observed that same was in variance with quarterly filing (with the exchanges) as on 30/06/2011 w.r.t utilization of IPO and Annual Report for the year 2010 -11. (Annexure 6).

17. Hence, vide SEBI letter dated 02/07/2012, ATL was advised to clarify above discrepancies and furnish detailed reply along with supporting documents. ATL, vide its letter dated 17/07/2012 inter-alia submitted that no amount was spend on account of construction of Software Development Centre. ATL had further stated that the amount of ₹ 5.74 crore was spend on account of hardware, software and related expenditure.

18. As regard to ₹ 5.74 crore claimed to have been utilised by ATL on account of hardware, software and related expenditure, no supporting documents have been provided by ATL despite specifically advising it to do so.

19. In view of above, it is alleged that out of ₹ 26.18 crore earmarked for the object of "Setting up of Software Development Centre and Corporate Office" as mentioned in the prospectus, ATL had not utilised any amount towards the stated object.

Expansion and Establishment of overseas offices (approx. ₹ 19.45 crore)

20. ATL vide its dated 11/06/2012, inter-alia submitted that an amount of ₹19.25 crore was utilised towards Expansion & Establishment of overseas offices. However, specific details were not provided. ATL was once again advised to provide complete details in this regard, along with documentary evidence, including the places where



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the offices were opened, amount spend at each location etc. ATL, vide its letter dated 17/07/2012 (**Annexure 7**) submitted copy of 'turnkey service agreement' between Vision Info Inc (UAE based subsidiary of ATL) (hereinafter referred to as "**Vision**") and Interbrew Networks Ltd, UAE (hereinafter referred to as "**Interbrew**") for providing consultancy services for opening offices abroad and details of expenditure (₹ 19.29 crore) incurred in 8 locations (at Dallas, Boston, Chicago, San Francisco, Tampa, Dubai, Germany & Singapore).

21. On perusal of the said agreement, it was observed that the agreement was between Vision and Interbrew and the agreement nowhere stated that the offices being opened were for ATL. Also, the agreement did not indicate specific details like tentative location/area of offices etc. Further, ATL did not provide any supporting documents on the expenditure incurred or details like addresses of offices etc.
22. Hence, vide SEBI letter dated 08/04/2013, ATL was once again advised to provide specific details like addresses of the overseas offices, dates of opening and details of the payment made along with supporting documents. ATL, vide its letter dated 30/04/2013 inter-alia submitted addresses of 8 Overseas Offices and a summary sheet of expenditure incurred in each location (with no supporting document). Further, as regards details of payment towards setting up of offices abroad, ATL merely mentioned the following words "*from ATL to Vision Info on 10/3/2011*" in its letter dated 30/04/2013. From the bank account statement of ATL (**Annexure 8**), it was observed that an amount of ₹ 22.63 crore approx (equivalent to US\$ 50 lakhs) was transferred to Vision on 10/03/2011, who in turn had transferred the same to Interbrew on 13/03/2011.
23. With regards to the aforementioned transfer of funds (₹ 22.63 crore from ATL to Vision), ATL submitted different versions of replies vide its letters dated 11/06/2012 and 17/07/2012. Vide letter dated 11/06/2012, ATL stated that the said transfer to Vision Info was regarding "*Project Advance Returned*". Vide SEBI letter dated 02/07/2012, when ATL was advised to submit specific details of the so called project, ATL took a different stand and vide its letter dated 17/07/2012 stated that "*This is*



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not the project advance returned. Our Wholly Owned Subsidiary (WOS) Vision Info Inc has requested funds for meeting their increased working capital requirements." ATL also submitted certified copy of the resolution passed by its Board of Directors (BoD) at its Board Meeting held on 06/03/2011 regarding providing loan of amount not exceeding US \$50,00,000 to its Wholly Owned Subsidiary Vision Info Inc.

24. Subsequently, on 18/04/2013, Shri Ravikumar stated the following *"It's (payment to vision) not related to IPO objectives, the payment has gone from IPO proceeds since the company has utilized the same extent of money for the objective of IPO prior to receipt of IPO proceeds"* However, no supporting document was submitted towards the same. During statement recording on 21/01/2016 (**Annexure 9**), Shri Ravikumar stated that the aforementioned amount was transferred to Vision Info (its UAE based subsidiary) for setting up offices abroad.
25. Since, ATL has been submitting different versions at different points in time, ATL was advised to provide true and complete details with regard to transfer of funds to Vision Info. ATL vide its letter dated 26/04/2016 reiterated that BoD of ATL at their meeting held on 06/03/2011 decided to provide interest free loan of ₹ 22.63 crore to Vision Info Inc as they had requested the same for their increased long term working capital requirement. Subsequently when Vision Info was ready to repay the loan amount, they were requested to pay the same to Interbrew, towards setting of offices abroad as setting of offices abroad was one of the objects mentioned in the prospectus of IPO.
26. In reference to aforesaid transfer of ₹ 22.63 crore, the IR observes from the bank account statement of Vision Info (**Annexure 10**) that the amount of USD 50.00 lakh (equivalent of ₹ 22.63 crore) was transferred by ATL to Interbrew immediately on next day of receipt itself i.e., on 13/03/2011. In this regard, ATL could not explain as to how funds transferred by it as loan to its subsidiary for 'long term working capital' could be transferred to another entity entirely next day itself. Further, ATL could not provide minutes of meetings of Board of Vision where the related matter was part of agenda or discussed ever at the Board Meeting, despite Vision Info indicated to be



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its wholly owned subsidiary and with Shri Ravikumar being a Director. Moreover, ATL submitted that Interbrew was engaged as a consultant for setting up offices abroad, apart from an agreement between Vision and Interbrew for setting up of office abroad, it was neither able to provide specific details about Interbrew nor able to provide any copies of correspondence between ATL & Interbrew in this regard. Further, it was nowhere mentioned in the agreement that the offices were for ATL.

27. Incidentally, the signature of the person who had signed the aforementioned agreement between Vision and Interbrew matched with one of the applicants in the IPO of ATL. It was observed that the signatures were that of one Shri Vijay. Subsequently, statement of Shri Vijay was recorded and it came to light that he was made Director of Interbrew by Shri Ravikumar and that Interbrew was managed /operated by Shri Ravikumar, CMD of ATL.
28. From the aforesaid, it is evident that ATL has not provided relevant and specific details to evidence that ₹ 22.63 crore transferred to Vision Info was utilized for "Expansion & Establishment of Overseas offices". Accordingly, it is alleged that out of ₹ 19.45 crore earmarked for the object of "Expansion & Establishment of Overseas offices" as mentioned in the prospectus, no amount was utilised by ATL towards the stated object.

Part Repayment of Term Loans (₹ 25 crore)

29. On being advised to provide complete details on the part repayment of term loans alongwith supporting documents, ATL vide its letter dated 14/02/2013 submitted that ₹ 25 crore of the IPO proceeds were utilised towards the part repayment of term loan. However, from the copies of bank account statements submitted by ATL (**Annexure 11**), it was noted that it made part repayment of ₹19.35 crore only through monthly instalments paid during the period March 2011 to October 2012.
30. Further, ATL, vide letter dated 25/01/2016 (**Annexure 12**) submitted bank statements pertaining to part repayment of ₹ 25 crore term loan. From the bank account statements submitted by ATL, it was observed that out of aforementioned `



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19.35 crore, an amount of ₹ 1.67 crore was used from IPO proceeds towards payment of instalment for term loans (₹ 1.01 crore from State Bank of Travancore A/c Number 67042921027 on 11/03/2011 towards closure of term loan bearing loan a/c Number 67043345427 with State Bank of Travancore and ₹65 lakhs from Axis Bank a/c 9010300011097 on 09/03/2011 towards instalments of 2 term loans). The remaining amount was paid by ATL in monthly instalments during the period March 2011 to October 2012 and was not paid from IPO proceeds as the entire proceeds of IPO were utilised / transferred to various entities within a period of 10 days (i.e. from 09/03/2011 to 18/03/2011).

31. In view of the above, it is alleged that out of ₹ 25 crore earmarked for the object of "Part Repayment of Term Loans" as mentioned in the prospectus, ATL utilised ₹ 1.67 crore towards the stated object.

Additional Working Capital Requirements (₹ 25 crore)

32. ATL, vide letter dated 11/06/2012 submitted that as on 31/03/2012, an amount of ₹ 58.26 crore were utilized towards Additional Working Capital requirements. On being advised to provide complete details in this regard, ATL vide its letter dated 30/04/2013 submitted that ₹ 40.90 crore was utilized towards working capital and submitted the following details:

S. No	Particulars	Amount (in ₹ crore)
1	For Salaries and related work	30.50
2	Business promotion and marketing exp	0.96
3	For UID and other projects	3.26
4	For onsite development expense	6.19
	Total	40.90

However, ATL did not provide any supporting document with regard to its above claim.

33. In order to validate the aforementioned claims of ATL regarding utilisation of ₹ 40.90 crore, the bank account statements of ATL (**Annexure 13**) was analysed and it was observed that from IPO proceeds, an amount of ₹ 87 lakh was utilized towards payment of salary, as per the details given below:-



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Bank Name	A/c No	Date	Amount (₹)	Description
State Bank of Travancore	67042921027	03/05/2011	4,18,172	DR Thru Chq /Sbt Salary To Staff
		30/04/2011	82,87,000	Debit /To Salary April 2011
Total			87,05,172	

34. In view of the above, it is alleged that that out of ₹ 25 crore earmarked for the object of "Additional Working Capital requirements" as mentioned in the prospectus, ATL utilised ₹ 87 lakh towards the stated object.

Public Issue Expenses (₹ 15 crore)

35. ATL vide its letter dated 11/06/2012 submitted that it had spent ₹ 11.12 crore towards Public Issue Expenses and also submitted copies of invoices for an amount of ₹5.86 crore. On being advised to provide complete details of amount spend towards Public Issue Expenses along with necessary invoices/other supporting documents, vide its letter dated 17/07/2016 apart from aforementioned ₹5.86 crore, ATL has additionally submitted a debit note issued by Vision Info Inc (an overseas subsidiary of ATL) for an amount of US\$.5.5 lakh, without specifying the details of expenditure involved. As Vision Info is wholly owned subsidiary of ATL itself, the debit note issued by it was not considered as valid evidence towards the expenditure incurred for Public Issue Expenses.

36. In view of the above it is alleged that out of ₹ 15 crore earmarked for the object of "Public Issue Expenses" as mentioned in the prospectus, ATL has utilised ₹ 5.86 crore towards the stated object.

General Corporate Purposes (₹ 4.36 crore)

37. ATL, vide its letter dated 11/06/2012 submitted that an amount of ₹ 4.29 crore was spend towards General Corporate Purposes. The break up of the said ₹ 4.29 crore given by ATL was as follows:

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Particulars	Amount (₹)
Foreign Travel/domestic travelling exp	1.18 Cr
Maintenance and upgradation of PCs	0.75 Cr
Business promotion	0.64 Cr
Printing and Stationery	0.53 Cr
Others	1.17 Cr

38. ATL had also submitted copies of certain invoices towards purchase of PCs and equipment rental agreements with regard to above. Vide SEBI letter dated 02/07/2012, ATL was informed that documents submitted by it were incomplete & vague and advised to provide complete details with necessary invoices/other supporting documents.
39. ATL, vide its letter dated 17/07/2012 submitted copies of certain journal vouchers towards travel expenses and invoices towards purchase office stationery etc. It was also observed that most of the invoices / journal vouchers were dated after April 2011 whereas from the bank statements of ATL (**Annexure 14**), it was observed that the entire IPO proceeds were transferred by ATL to various entities during 09/03/2011 to 18/03/2011. Further, ATL could not provide any document as evidence to prove that the payment for aforementioned invoices / journal vouchers were made out of IPO proceeds.
40. As ATL has not provided any evidence to substantiate its claim that it had spent 4.36 crore from IPO proceeds for General Corporate Purpose, it is alleged that ATL had not utilised any amount towards the stated object of General Corporate Purpose.
41. From the IR, following variation in the utilization of IPO proceeds as stated by ATL and as observed during the investigation is noted:

S. No.	Particulars	Amount utilized as per ATL		As per Investigation
		As per Prospectus (₹)	As per ATL letter dated 11/06/2012 (as on 31/03/2012) (₹)	Amount utilized by ATL for IPO objects (₹)
1	Proposed Acquisitions	55.00	51.96	13.52



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S. No.	Particulars	Amount utilized as per ATL		As per Investigation
		As per Prospectus (₹)	As per ATL letter dated 11/06/2012 (as on 31/03/2012) (₹)	Amount utilized by ATL for IPO objects (₹)
2	Setting up of Software development center & Corporate Office	26.19	5.74	-
3	Expansion and establishment of offices overseas	19.45	19.29	-
4	Part repayment of term loan	25.00	19.35	1.67
5	Additional working capital	25.00	58.26	0.87
6	Public Issue expenses	15.00	11.12	5.86
7	General Corporate Expenses	4.36	4.29	-
	TOTAL	170.00	170.01	21.92

42. From the above table, it is observed that out of ₹ 170 crore of IPO proceeds, the company had utilized only ₹ 21.92 crore towards the objects of the issue. Hence, it is alleged that ATL had deviated from the objects of the issue and not utilized the IPO proceeds as per the objects as stated in the prospectus.

Role of Audit Committee

43. As per prospectus of ATL and Annual report of ATL for FY 2010-11 and 2011-12, the following were the 3 non- executive and independent directors of ATL who were also the members of Audit Committee of ATL during FY 2010-11 and 2011-12:

Table 16

S. No.	Name
1	Mr. Mohan Hosahally Ramakrishna
2	Mr. Ramdas Janardhana Kamath
3	Dr. Subrahmanya Dandala Kannayya Reddy

44. Shri Mohan in his statement dated 19/08/2016 (**Annexure 15**) submitted that it was he who introduced his partner Shri Vijay to Shri Ravikumar/ATL and based on the request of Shri Ravikumar, he requested, Shri Vijay to sign papers relating to formation of Corus Limited & Interbrew Networks Ltd (UAE based firms) and other papers relating to said companies. In this regard, Shri Mohan had submitted an e-



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mail dated 18/3/2010 from Prashanth Kumar, an employee of ATL, requesting Mohan to obtain signature of Vijay on certain documents relating to Corus.

45. Shri Mohan had also stated that based on the request of Shri Ravikumar, he made some of his employees, his partner Shri Vijay and wife of Shri Vijay sign the share application form in the IPO of ATL. It was observed that payments with regard to these applications were made by ATL itself through Equastone Properties Pvt Ltd.
46. Shri Mohan had also stated that based on the request of Shri Ravikumar, he had also requested some of his employees to become director of Equastone Properties Pvt Ltd, a company promoted by Smt. Malati Reddy, wife of Shri Ravikumar.
47. Being an independent Director, Shri Mohan was expected to uphold ethical standards of integrity and probity and safeguard the interest of all stakeholders, particularly, minority shareholders. However, in his own admission, Shri Mohan made his partner to sign the papers relating to Corus Ltd. & Interbrew. In view of the same, conduct of Shri Mohan was contrary to what was expected of him as an Independent Director.
48. As per Clause 49 II (D) 5A of the Listing Agreement it is the duty of the Audit Committee members to review the utilization of funds raised by ATL through IPO and make appropriate recommendations to the Board of the Company. However, as observed above, ATL had deviated from the objects of the issue and not utilized the IPO proceeds as per the objects as stated in the prospectus. Hence, it is alleged that the Audit Committee members failed to perform their duties in relation to reviewing the utilization of IPO proceeds and apprising the Board members about the aforementioned misutilization of IPO proceeds.
49. It is observed that ATL and its Chairman and Managing Director of ATL (Shri Ravi Kumar Doraiswamy) had played fraud and misled the investors by deviating from the objects of the issue and not utilizing the fund raised through IPO towards the objects as set out in the prospectus. Further, the members of the Audit Committee for FY 2010-11 and 2011-12 (Shri Ramdas Janardhana Kamath, Shri Subrahmanya

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Dandala Kannayya Reddy and Shri Mohan Hosahally Ramakrishna) were also party to such fraud of ATL as they failed to perform their duties relating to reviewing the misutilization of funds raised in IPO.

50. In view of above, it is alleged that ATL, its Chairman & Managing Director (Shri Ravi Kumar Doraiswamy), and its audit committee members for FY 2010-11 and 2011-12 (Shri Ramdas Janardhana Kamath, Shri Subrahmanya Dandala Kannayya Reddy and Shri Mohan Hosahally Ramakrishna) have violated Regulations 3 (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations, 2003 read with Sections 12A (a), (b) and (c) of SEBI Act, 1992 by deviating from the objects of the issue and not utilising the IPO proceeds as per the objects stated in the prospectus.
51. ATL, Ravi Kumar Doraiswamy (Chairman and Managing Director of ATL) and independent directors of ATL, viz., Mohan Hosahally Ramakrishna, Ramdas Janardhana Kamath and Subrahmanya Dandala Kannayya Reddy, therefore, called upon to show cause as to why an inquiry should not be held against them and penalty be not imposed under Section 15HA for alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1) of PFUTP Regulations.
52. It is alleged that ATL had not utilized the funds raised through IPO as per the objects set out in the prospectus and diverted ₹148.08 crore out of total IPO proceeds of ₹ 170 crore. However, the analysis of utilization of money raised in IPO was also done by observing the money trail from ATL's bank account to the bank accounts of various other entities. The said analysis is shown hereunder:
53. Details of the amount of ₹165.67 crore (net of BRLM fee) credited to ATLs bank accounts are tabulated below:

Date (of credit)	Bank Name	Bank Branch	A/c Number	Amount (in Rs.)	Bank wise (Amount Rs)
09/03/2011	Axis	MG Road Bangalore	009010300011097	59,32,49,850	59,47,98,840

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				15,48,990	
09/03/2011	ICICI	Andheri (W), Mumbai	101205000264	43,36,58,430	43,36,58,430
10/03/2011	UBI	Bangalore Cantonment	0884050108584	41,34,29,400	41,34,29,400
10/03/2011	SBT	Industrial Finance Branch, Bangalore	67042921027	14,36,34,240	21,48,37,977
11/03/2011				7,12,03,737	
Total				165,67,24,657	165,67,24,657

UBI = United Bank of India, SBT = State Bank of Travancore

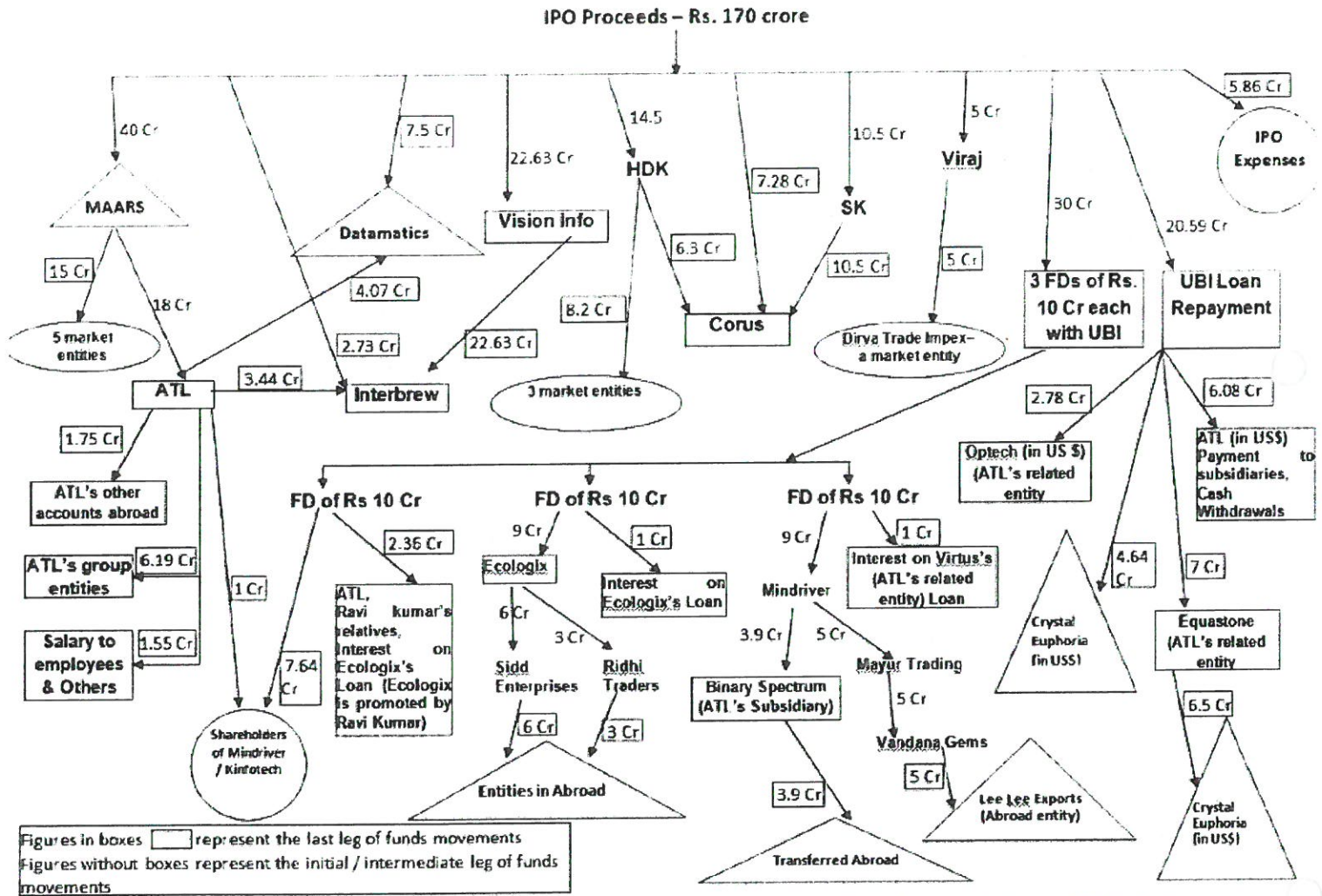
54. The fund flow from the IPO proceeds to major entities, as evident from the bank account statements of ATL is diagrammatically represented in the next page:

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- Entities in Circle shape represents funds utilised by ATL for IPO objects (acquisitions made and IPO expenses incurred) (Total amount – Rs. 14.5 crore)
- Entities in Rectangle shape include ATL, its related / connected entities (Total amount – Rs. 82.59 crore)
- Entities in Oval shape includes entities who traded in the scrip of ATL and to whom funds were directly / indirectly transferred by ATL (Total amount – Rs. 28.2 crore)
- △ Entities in Triangle shape includes other entities including abroad entities (Total amount – Rs. 40.11 crore)



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Wrong Disclosures to NSE and BSE

55. Following disclosures were made by ATL on NSE & BSE regarding deployment of IPO proceeds, under Clause 43 of Listing agreement. (Copy of disclosures placed at Annexure 16)

Description	(in Rs. crore)								Table 27	
	Q.E Mar 31, 2011		Q.E Jun 30, 2011		Q.E Sept 30, 2011		Q.E Dec 31, 2011		Q.E Mar31, 2012	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Amount received from IPO	170.00	170.01	170.00	170.01	170.00	170.01	170.00	170.01	170.00	170.01
Proposed Acquisitions	55.00	37.35	55.00	51.96	55.00	51.96	55.00	51.96	55.00	51.96
Setting up of Software Development Centre and Corporate Office	26.18	9.50	26.18	9.50	26.18	9.50	26.18	-	56.18	5.74
Expansion & Establishment of overseas offices	19.44	3.12	19.44	4.24	19.44	4.24	19.44	4.24	19.44	19.28
Part Repayment of Term Loans	25.00	5.00	25.00	7.78	25.00	9.98	25.00	14.81	25.00	19.34
Additional working capital requirements	25.00	25.00	25.00	38.42	25.00	37.32	25.00	51.83	25.00	58.25
Public Issue Expenses	15.00	11.12	15.00	11.12	15.00	11.12	15.00	11.12	15.00	11.12
General Corporate Purposes	4.36	1.04	4.36	3.54	4.36	4.29	4.36	4.29	4.36	4.29
Total	170.00	92.14	170.00	126.57	170.00	128.42	170.00	138.26	170.00	170.01
Temporary deployment of unutilized amount as follows:										
Fixed Deposit in Bank	-	40.00		40.00		40.00		30.00	0	0
Balance in current account with schedule bank	-	37.86		4.43		1.58		1.74		
Amount unutilized		77.86		43.43		41.58		31.74		

56. By comparing the above mentioned details regarding utilization of IPO proceeds with the actual utilization, it is observed that details of utilization as disclosed to exchanges did not match with the actual utilization as appearing in the bank account statements of ATL.
57. In view of above, it is alleged that ATL had violated Clause 43 and 43A(1) of the Listing Agreement by providing wrong disclosures to NSE & BSE regarding utilization of IPO proceeds.
58. ATL is, therefore, called upon to show cause as to why an inquiry should not be held against it and penalty be not imposed under section 23E of SCRA for the alleged violation of clause 43 and 43A(1) of the Listing Agreement.



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Transfer of funds from IPO proceeds

59. Based on observations made at pre paras, it has been alleged that ATL had not utilized the funds raised through IPO as per the objects set out in the Prospectus and diverted ₹148.08 crore out of total IPO proceeds of ₹ 170 crore. However, the analysis of utilization of money raised in IPO was also done by observing the money trail from ATL's bank account to the bank accounts of various other entities. The said analysis is shown hereunder:

Maars Software International Limited

60. ATL vide its letters dated 11/06/2012 and 02/07/2012 had indicated that amount of ₹40.00 crore transferred to Maars Software International Limited (hereinafter referred to as "**Maars**") was towards 'Project Advance Paid' for development of two software projects and submitted copy of the agreement dated 09/03/2011 in this regard. On perusal of the agreement submitted by ATL, it was observed names and designation of the signatories to the agreement were not mentioned and no witness had signed the agreement.
61. From the IR it is noted that the reply of ATL was not tenable in view of the following:
- i) Vide letter dated 11/06/2012, ATL provided copies of agenda & board minutes pertaining to the period 01/12/2010 to 31/05/2011. However, there was neither any agenda item nor any mention of dealing with Maars in any of the meetings of its BoD (during the said period).
 - ii) ATL could not produce any correspondence between Maars & ATL relating to the said transaction except a copy of agreement.
 - iii) Shri Ravikumar in his statement recorded on 21/01/2016 (**Annexure 17**) admitted that he did not know whether Maars had technical capabilities and competency regarding the so called ERP related project entrusted to them by ATL. It is unlikely that a company which itself was into field of software development would not have resorted to all such basic diligence, had it been a genuine transaction/deal.
 - iv) Shri Ravikumar in his statement recorded on 21/01/2016 admitted that as regards

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present status, nothing was done for which ₹ 40.00 crore advance was paid by ATL to Maars. Hence the claim of ATL appears to be an afterthought so as to portray the transfer of funds to Maars as genuine. He had further admitted that the amount of ₹40.00 crore transferred to Maars was paid from the IPO proceeds and it was not related to the IPO objects and that payment to Maars from IPO proceeds was a discrepancy.

v) From the financial statements of Maars for FY 2010-11 (**Annexure 18**), it was observed that Maars did not have any income from operations and its employee cost was only ₹ 4,000/-.

vi) Name of Maars appeared in the list of companies under liquidation as on 21/07/2008, as appearing on the website of MCA (extract placed at **Annexure 19**).

62. From the bank account statements of Maars and other entities, the following was observed:

- Out of ₹ 40 crore received from ATL, an amount of ₹ 15 crore was transferred by Maars to five entities, routed through various entities - Newgen Intl Pvt Ltd, Arch Finance Ltd, Decent Financial Services Ltd, SV Enterprises and Sparkle Security Solutions P Ltd (Broker), who traded in the scrip of ATL subsequent to its listing.
- An amount of ₹ 18.00 crore was transferred back from Maars to ATL during April 2011 which was further transferred by ATL to various entities as shown below:

Details	Amount
Transferred to Interbrew Networks (In US \$)	3.44
Transferred to Datamatics Software (In US \$)	4.07
Transferred abroad in ATL's A/c (in US \$)	1.75
Salary to employees	0.87
Shareholders of Mindriver / Kinfotech	1
Transferred to group/associate entities	6.19
Others	0.68
Total	18.00

63. From the above, IR observes that except ₹ 1.87 crore that was used by ATL for paying to shareholders of Mindriver / Kinfotech (part of acquisitions made by ATL)



and for paying salaries, the remaining ₹ 38.13 crore were not used as per the objects of the issue. Further, no work was done in relation to the advance being given to Maars and a part of IPO funds that was transferred to Maars were diverted by Maars to ATL's connected entities and other market entities who had traded in the scrip of ATL after listing. Hence, it is alleged that Maars was hand in glove with ATL and was party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.

Viraj Mercantile Pvt. Ltd.

64. ATL vide its letter dated 11/06/2012 stated that the amount of ₹ 5.00 crore transferred on 09/03/2011 to Viraj Mercantile Pvt Ltd. (hereinafter referred to as "Viraj") was towards 'ICD paid'. On being advised ATL to provide relevant details/information along with documents, ATL vide its letter dated 17/07/2012 claimed that consequent to a MOU for the development of software project, an amount of ₹ 5.00 crore was received on 14/02/2011 as Project Advance from Viraj and the amount of ₹ 5.00 crore transferred to Viraj on 09/03/2011 was not an ICD payment but refund of project advance returned to the party, since the project could not take off. ATL also provided an 'MOU for cancellation of the project.
65. It is noted from the IR that the submissions of ATL that payment to Viraj was refund of project advance is not acceptable broadly in view of the following:
- i) ATL has taken conflicting stands regarding reason for the payment to Viraj.
 - ii) From the copy of MOU submitted by ATL, it was observed that:
 - o The MOU submitted by ATL is not on stamp paper.
 - o The MOU does not indicate the place
 - o The MOU did not bear any witnesses
 - iii) ATL could not provide even a single document apart from the MOU.
 - iv) There was no mention of any entity named Viraj in the agenda items / minutes of meetings of Board of Directors of ATL and in prospectus or otherwise through advertisement etc.



v) Incidentally, the evidence provided by ATL viz., the document claimed to be MOU dated 21/01/2011 appears to be false and submitted as an afterthought. This is evident from the fact that the document was apparently copied from the copy of MOU between the Department of Agriculture and Cooperation (hereinafter referred to as "DAC"), Ministry of Agriculture, Government of India and National Informatics Centre, Ministry of Information Technology, Government of India (hereinafter referred to as "NIC") in which simply the entity names appear to have been substituted by ATL viz., NIC with ATL and DAC with Viraj. However, ATL seems to have missed to substitute NIC with ATL under Pt 1 of Para A and taking the cue from this, a simple random search on google reveal the document (the URL being: <http://dacnet.nic.in/dacnetmou-final.doc>) (extract of the MOU between DAC and NOC is placed at **Annexure 20**).

vi) That the document submitted by ATL is actually copied from the MOU between DAC and NIC is further strengthened from the fact that even certain words which were indicated in BOLD and UNDERLINE have been retained (as it is) in the document submitted by ATL. Besides, even other aspects like the group size {Pt No. 4(i), Para A of ATL document), nomenclature for committee (PMC), designation (Sr Technical Director), frequency of meeting (at least once in two months) and other such terms like Viraj offices and field units, Viraj Divisions, the payment heads (Pt No. 4 of Para B of ATL document), duration etc., are exactly the same as in the MOU between DAC and NIC. All this leads to conclusion that ATL attempted to submit certain document as an afterthought after having copied it from internet.

vii) Even if the submissions made by ATL are believed to be true that ATL had received project advance from Viraj, ATL should have disclosed the amount of project advance received in the prospectus. The fact that the said amount of ₹ 5 crore received from Viraj was not disclosed in the prospectus, itself shows that it is an afterthought on the part of ATL so as to portray the transfer of funds from IPO proceeds to Viraj as genuine.

viii) Statement of Shri Ravikumar was recorded on 21/01/2016 during which he admitted that payment to Viraj was not as per objects of the issue as disclosed in



the prospectus relating to IPO of ATL.

- ix) Besides, from the Axis Bank statement of ATL (A/c Number 009010300011097) (**Annexure 21**), it was observed that ATL had received an amount of ₹ 5.00 crore from Viraj on 14/02/2011 and immediately after receipt the amount was transferred to Corus Ltd (having its bank a/c with Standard Chartered Bank A/c, through Bank of America).
- x) Further, from the Axis bank A/c Number 910020030165850 of Viraj (**Annexure 22**), it was observed that after credit of ₹ 5 crore from ATL on 09/03/2011, entire amount was transferred to Dirva Trade Impex Pvt. Ltd. on same day who was observed to be net buyer of shares of ATL after its listing.

66. In view of the above, it is noted from the IR that the amount of ₹ 5 crore that ATL received from Viraj on 14/02/2011 were immediately transferred by ATL to its related entity i.e. Corus Ltd. The IPO funds that was transferred to Viraj was immediately diverted by Viraj to Dirva Trade Impex P Ltd. who had traded in the scrip of ATL after listing. Hence, it is alleged that Viraj was hand in glove with ATL and was party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.

Vision Info Inc.

67. Vision is a wholly owned subsidiary of ATL. ATL had transferred ₹ 22.63 crore to Vision, which in turn transferred the said funds to Interbrew, which is also indirectly controlled by Shri Ravikumar, Promoter & CMD of ATL. Hence, it is alleged that ATL had rather diverted the IPO money to the tune of ₹ 22.63 crore to its own related entity (i.e. Interbrew) through its wholly owned subsidiary (i.e. Vision).

Interbrew Networks Ltd.

68. As already explained in pre paras, Interbrew was an entity managed and controlled by ATL itself. While ATL in its letter dated 17/07/2012 submitted that Interbrew was engaged as a consultant for setting up offices abroad, however, it was neither able to provide specific details about Interbrew nor able to provide any copies of



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correspondence between ATL & Interbrew in this regard. Hence, it is alleged that ₹ 2.73 crore which was transferred to Interbrew were not related to the objects of the issue. ATL had rather diverted the IPO money to the tune of ₹ 2.73 crore to its own related entity i.e. Interbrew.

69. ATL was asked to provide complete details about the Datamatics Solutions Inc (hereinafter referred to as "**Datamatics**") and funds transferred to Datamatics alongwith the current status of transaction. ATL vide its letter dated 13/05/2016 has stated that Datamatics was ATL's onsite projects vendor and that it was not having any details of promoters/directors/key management personnel/contact details of Datamatics. As regards details of all correspondence to/from ATL/Datamatics, ATL has stated that they were not able to pull out any correspondence. Therefore, it is alleged that ATL had diverted ₹ 7.62 to Datamatics which was not related to the objects of issue.

HDK International Pvt. Ltd. and SK Universal Pvt. Ltd.

70. From the bank account of the ATL (A/c Number 9010300011097, Axis Bank) (**Annexure 23**), it was observed that there were transfer of ₹ 14.5 Cr to HDK International Pvt. Ltd. (hereinafter referred to as "**HDK**") and ₹ 10.5 Cr to SK Universal Pvt. Ltd. (hereinafter referred to as "**SK**") on 10/03/2011 from IPO Proceeds. HDK & SK are related entities as they have common director/address/ replies through common signatory etc. Director / Address details of HDK & SK are placed at **Annexure 24**.
71. ATL vide its letters dated 11/06/2012 & 17/07/2012 submitted that it had received project advances from HDK (₹ 14.5 Cr) and SK (₹ 10.5 Cr) during 10-23, February, 2011 consequent to the development of software project. As the project could not take off, it was cancelled and 'Project Advance Returned'. ATL has submitted copies of the 'MOU' of the project.

72. It is noted from the IR that the submissions of ATL are not acceptable in view of the following:

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- i) From the copy of document claimed to be MOU between itself and HDK/SK, submitted by ATL, it was observed that:
 - o The MOU submitted by ATL is not on stamp paper.
 - o The MOU did not indicate any place.
 - o The MOU did not bear any witnesses
 - o Name and designation of persons executing the MOU were absent.
- ii) Besides copies of MOUs, ATL did not provide even a single document / correspondence entered into by ATL with HDK / SK.
- iii) There was no mention of any entity namely HDK/SK in any agenda items / minutes of meetings of Board of Directors of ATL and in prospectus or otherwise through advertisement etc
- iv) Shri Ravikumar in his statement dated 21/01/2016 stated that he did not know about the background and business activities of HDK & SK. It is unlikely that an entity which is developing certain point of sales software for another entity would not even know about its activities/operations or its signatories particularly when it had received advance also and entered into an MOU.
- v) Shri Ravikumar in his statement dated 21/01/2016 had himself admitted that payment to HDK & SK was not as per objects of the issue as disclosed in the prospectus relating to IPO of ATL.
- vi) Shri Ravikumar, the CMD of ATL in his statement dated 21/01/2016 and Shri Sunil Jeetmal Kothari, Director of HDK/SK in his statement dated 05/02/2016 (**Annexure 25**) stated that there was no written correspondence between ATL and HDK/SK. The aforementioned MOU was shown to Shri Sunil Jeetmal Kothari, Director of HDK & SK. In his statement dated 05/02/2016, Shri Sunil Jeetmal Kothari stated that neither he nor anybody else from HDK or SK had signed any MOU with ATL.
- vii) Even if the submissions made by ATL are believed to be true that ATL had received project advance from HDK / SK, ATL should have disclosed the amount of project advance received in the prospectus. The fact that the said amount of ₹ 25 crore received from HDK / SK was not disclosed in the



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prospectus, itself shows that it is an afterthought on the part of ATL so as to portray the transfer of funds from IPO proceeds to HDK / SK as genuine.

73. Further, from the bank account statements of HDK and SK (**Annexure 26**), the following was observed:

- i) During Feb 14 - 22, 2011, a total of ₹ 25 crore was transferred from HDK and SK to ATL which was further transferred to Corus Limited, an entity controlled by ATL.
- ii) It was observed also that part of the fund transferred by ATL to the entities (HDK & SK) from the IPO proceeds, were routed by HDK (partly/fully) to entities trading in the scrip of ATL, subsequent to listing.

74. In view of the above, it is alleged that HDK and SK were also hand in glove with ATL and were party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.

Corus Limited

75. While ATL vide its letter dated 11/06/2012 submitted that there was an agreement between Corus Limited & ATL with regard to acquiring two Companies based out of USA - viz Line Beyond Inc and Optech Consulting Inc., however, as stated in pre paras, Corus Ltd. and Interbrew were operated / managed by Shri Ravikumar (CMD of ATL) himself and the acquisitions of Line Beyond Inc. and Optech Consulting Inc. was not genuine. In view of above, it is alleged that ₹ 7.28 crore which were transferred to Corus Limited were not related to the objects of the issue, rather ATL diverted the IPO money to the tune of ₹ 7.28 crore to its related entity i.e. Corus Limited.

76. It is observed from the IR that as per the bank account statements of ATL maintained with UBI & SBT (**Annexure 27**), it was observed that out of IPO proceeds, a sum of



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₹ 30 crore (10+ 10+ 10 crore) used for opening Fixed Deposit (FD) and ₹ 20.59 crore were used for settlement of Loan account.

Aarm Finser India Limited

77. From the IR it is observed that on 10/03/2011, FD A/c Number 0884109015449 of ₹ 10 crore was opened for period of 91 days. This FD was marked as lien for the Loan of ₹ 9 crore availed by Aarm Finser India Ltd. (hereinafter referred to as 'AFIL') on 21/04/2011. The said FD was prematurely closed on 23/04/2011 and using the closure proceeds, fresh FD was opened for period of 12 months. However once again this FD was also prematurely closed on 02/02/2012 and on same day 11 new FDs made. All these 11 FDs were also prematurely closed on next day itself (viz. 03/02/2012) and the amount credited to ATL Bank A/c Number 0884050108584 with UBI after which an amount of ₹ 10.57 crore approx (₹ 10,57,47,000/-) was transferred to AFIL in its bank A/c Number 0884050109079 with UBI. From said a/c of AFIL, an amount of ₹ 9.89 crore approx (₹ 9,89,46,553) was utilized on 03/02/2012 to settle the Loan A/c Number 0884300026965 of AFIL.

Ecologix Knowledge Solutions Pvt. Ltd.

78. It was observed that the said Loan A/c Number 0884300026965 related to the loan of ₹ 9.63 crore availed by AFIL on 28/09/2011. It was further observed that this loan availed on 28/09/2011 was itself taken to settle earlier loan of ₹ 9.00 crore (Loan A/c Number 0884050109079) availed on 27/04/2011. It was observed that said ₹ 9.00 crore availed as loan was transferred by AFIL to Ecologix Knowledge Solutions Pvt Ltd (hereinafter referred to as "Ecologix"), a company promoted by Mr. Ravikumar (as per prospectus of ATL) and in which he was also a Director.
79. It was observed that Ecologix had utilized this amount to settle an outstanding Loan (Loan of ₹ 9.00 crore, availed by it on 11/03/2011 - Loan A/c Number 0884300026521). The said loan of ₹ 9.00 crore availed by Ecologix on 11/03/2011 was credited to Ecologix bank A/c Number 0884050108676 with UBI from where, on same day, the entire amount was transferred through RTGS to Sidd Enterprises



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and Ridhi Traders (₹ 6.00 crore and ₹ 3.00 crore respectively) from where the funds were ultimately transferred to entities abroad (viz., Kumkum Trading, Oracle Imports, Uniglobe Trading, Shankeshwar Diamonds).

80. From the KYC of AFIL submitted by UBI (**Annexure 28**), it was observed that Shri D Veda Vyasa Rao was the authorized signatory to the bank accounts of AFIL. It was also observed from the Prospectus of ATL that Shri D Veda Vyasa Rao who was the Director of AFIL was also Head – Accounts of ATL and as per reply of ATL vide letter dated 30/05/201, Shri Anil Kumar P who was also a Director of AFIL was accounts executive with ATL. Further, Shri Anil Kumar P vide his letter dated 27/05/2016 had stated that he was made Director of many companies (including Aarm Finser, Ecologix) by Shri Ravikumar and Shri Jamili Jalaiah of ATL by taking his ID proof and address proof etc. He had also stated that he was not aware of what all transactions were made.
81. From the above, it is alleged that AFIL was controlled and managed by ATL / Shri Ravikumar. Further, it is also alleged that out of the ₹ 10 crore which was kept as FD out of IPO proceeds, ₹ 9 crore was transferred abroad to various entities (by routing through ATL's related entities) and an amount of ₹ 1 crore (approx.) was utilized for paying the interest on loan taken by AFIL). Hence, the entire ₹ 10 crore which was kept as FD was not utilized for IPO objects. Therefore, it is alleged that Aarm Finser India Ltd. and Ecologix Knowledge Solutions Pvt. Ltd. (who were the related entities of ATL) were also hand in glove with ATL and were party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.
82. The IR observes that on 10/03/2011, FD A/c Number 0884109015458 of ₹ 10 crore was opened for 91 days. This FD was closed prematurely on 27/04/2011 to open another FD A/c Number 0884109016165 for 12 months which was lien marked to loan of a group company of ATL i.e. Ecologix dated 28/09/2011. On 01/02/2012, this FD closed prematurely and 11 new FDs opened (1 for ₹50.00 lakh and 10 for ₹ 95.00 lakh each - FD A/c numbers being various numbers between 08841090108747 to



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08841090108844). Again all these 11 FDs were prematurely closed on 02/02/2012 (next day after opening of these FDs) and amount was credited to ATL Bank A/c Number 0884050108584 and thereafter on same day an amount of ₹ 10.20 crore was transferred to Ecologix's UBI Bank A/c Number 0884050108676.

83. Of these, on 02/02/2012, ₹ 9.88 crore approx were utilized to settle UBI Loan A/c Number 0884300026974 of Ecologix (₹ 9.00 crore taken on 28/09/2011). This amount was received by ATL (routing through bank accounts of entities managed /controlled by ATL). Further, ATL had utilized this amount in the following manner:

- i) ₹ 7.64 crore utilized to acquire Mindriver.
- ii) ₹ 84.18 lakh was transferred to Shri Ravikumar and his relatives.
- iii) ₹ 31.00 lakh was transferred to ATL SBT bank A/c Number 67042921027.

84. The pictorial representation of the fund flow in respect of above FD and the details provided by United Bank of India alongwith the copies of bank account statements of Ecologix, ATL in this regard is placed at **Annexure 29**.

85. In view of above, it is alleged that out of ₹ 10 crore which was kept as FD out of IPO proceeds, ₹ 7.64 crore was used for IPO objects (acquiring Mindriver) and an amount of ₹ 2.36 crore was diverted for some other purpose not related to the objects of the issue (which includes money transferred to ATL, its Promoter and his relatives and for paying the interest on loan taken in the name of Ecologix).

Virtus Tech Pvt. Ltd.

86. It is noted from the IR that on 11/03/2011, FD A/c Number 0499100453561 of ₹ 10 crore was opened for 91 days. It was observed that said FD was marked as lien for the Loan of ₹ 9 crore availed by Virtus Tech Pvt Ltd on (hereinafter referred to as "Virtus") 27/04/2011. However, the FD was pre-maturely closed on 21/04/2011 and closure proceeds were credited in the account ATL UBI Bank A/c Number 0499050013333 and fresh FD for ₹10 crore was created on the same day.



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87. The process of premature closing and making fresh FDs continued multiple times and FD closure proceeds were finally credited in the ATL's UBI A/c Number 0499050013333 on 29/12/2011 (₹ 10.00 crore). On same day, ₹ 9.80 crore was transferred to UBI A/c Number 0499050149457 of Virtus from where the funds were utilized to settle an existing Loan A/c of Virtus (Loan A/c Number 0499300147361) which was earlier availed by Virtus on 28/09/2011 (₹ 9.64 crore). The loan taken on 28/09/2011 was indicated to have been availed to settle earlier loan of ₹ 9.00 crore taken on 21/04/2011 (Loan A/c Number 0499300147088).
88. The loan of ₹ 9.00 crore availed on 21/04/2011 was credited in UBI Bank A/c Number 0499050149457 of Virtus and on same day an amount of ₹ 9.10 crore was transferred to UBI Bank A/c Number 0499050149440 pertaining to Mindriver (as per ATL, whose 100% shares were purchased by ATL / Shri Ravikumar). On same day viz., 21/04/2011, Mindriver utilized this amount to settle its outstanding Loan A/c Number 0499300146982 (₹ 9.12 crore approx) which it had availed on 11/03/2011 (Loan Amount being ₹ 9.00 crore).
89. As per the information provided by the UBI, the said amount of ₹ 9.00 crore was credited to Mindriver UBI A/c Number 0499050149440 from where an amount of ₹ 5.00 crore was transferred to an entity namely Mayur Trading Co. (Axis Bank account N.9002003787), and ₹ 3.90 crore was transferred on to Binary Spectrum (subsidiary of ATL) on 12/03/2011 and 17/03/2011 respectively and ₹ 6.5 lakh was withdrawn in cash on 17/03/2011. The amount transferred to Binary Spectrum was further transferred abroad. From Mayur trading, ₹ 5.00 crore was transferred to Vandana Gems on 12/3/2011 and from Vandana Gems on same day it was further transferred to Lee Lee Exports.
90. With regard to Virtus and Mindriver, the IR observes as follows:
- The FD closure proceeds were transferred to Virtus. Virtus vide its reply letter dated 23/05/2016 and 04/06/2016 inter alia stated that ATL and its nominees opened bank account in the name of Virtus and that Virtus was not aware of the account being



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opened with UBI. Further, from the deed of indemnity submitted by Virtus vide letter dated 04/06/2016, it was observed Virtus itself was formed with the mutual understanding of Shri Ravikumar and Shri Rahuldev A Holla, Shri Ramesh Shetty (Directors of Virtus), consequent to an MOU (dated 11/12/2009) and even the shareholding to the extent of 80% was sold by the said Directors of Virtus to Shri Anil Kumar P, at the consent of Shri Ravikumar.

- From the KYC statement of Virtus obtained from UBI, it was observed that Shri Anil Kumar P who was an employee of ATL, was the authorized signatory of bank account of Virtus. Shri Anil Kumar P vide his letter dated 27/05/2016 stated that his signature was obtained in various papers and cheque books as per instructions of then CMD of the ATL (i.e. Shri Ravikumar) where he was employed as accounts executive.
91. In view of above, it is alleged that the account of Virtus was managed by ATL and Mindriver was a group Company of ATL. The pictorial representation of the fund flow in respect of above FDs and the details provided by UBI along with the copies of bank account statements of Virtus, Mindriver, Mayur Trading and Binary Spectrum in this regard is placed at **Annexure 30**. Further, it is also alleged that out of the ₹10 crore which was kept as FD out of IPO proceeds, ₹ 8.9 crore was diverted to entities abroad (by routing through various entities including Mindriver, Binary Spectrum, Mayur Trading and Vandana Gems). Further, an amount of ₹ 1 crore was used for paying the interest on loan taken in the name of Virtus. Hence, ₹ 10 crore which was kept as FD was not utilized for the objects of the IPO.
92. In view of the above it is alleged that Virtus (who is a related entity of ATL) was also hand in glove with ATL and was party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.
93. On page 63 of the prospectus, it was disclosed that ATL has availed of a Bridge Loan facility of ` 20 crore from UBI for meeting expenses forming part of the Objects of the Issue. Further, it was disclosed in the prospectus that of the said amount, ₹



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20 crore has been utilized till 21/01/2011 as under, as certified by the statutory auditor, M/s K. Gopalakrishnan & Co, Chartered Accountants vide letter dated 24/01/2011:

- Advance towards construction of building: ₹ 7.00 crore
- Working capital: ₹ 13.00 crore

94. The utilization of bridge loan as observed from the bank account statements (**Annexure 31**) and based on the details provided by UBI is as follows:

Details	Amount (₹ crore approx.)
Equastone Properties	7.00
Crystal Euphoria, Hongkong (in US \$)	4.64
Acropetal (in US \$)	4.40
Ontech Consulting – (in US \$)	2.78
Payment to subsidiaries	0.55
Other (cash withdrawal etc)	0.63
Total	20.00

Equastone Properties Pvt. Ltd.

95. From the MCA website (**Annexure 32**) Mrs. Malini Reddy, wife of Promoter CMD of ATL Shri Ravikumar, was the major promoter of Equastone and was holding 90% shareholding and other directors were employees of ATL (Shri Prashanth Kumar and Shri Madhava Reddy). From the KYC details of Equastone submitted by UBI (**Annexure 33**), it was observed that the authorized signatory to the bank accounts of Equastone was Shri D Vedavyasa Rao, Head- Accounts –ATL.
96. Mrs. Malini Reddy vide her letter dated 22/07/2016 inter alia submitted that in November 2006, she resigned as Director and transferred entire shareholding in Equastone, to Shri Prashanth Kumar. However, it was observed from MCA website that said filing was done only on July 25, 2011. Hence, it is evident that Equastone was a related company of ATL / Ravikumar.
97. With regards to transfer of funds to Equastone, ATL vide its letter dated 17/07/2012 stated that advance amount of ₹ 9.5 crore paid to Equastone upon signing a



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construction agreement, which was returned by it, subsequent to cancellation of agreement. However, on observing the annexures provided vide same letter of ATL dated 17/07/2012, it was observed that Equastone refunded ₹ 6.99 crore to ATL in 2 tranches of ₹ 3 crore on 06/04/2011 and ₹ 3.99 crore on 29/04/2011.

98. Further, from the bank account statement of ATL, Equastone, Virtus & Ecologix, the following was observed:

i) On 06/04/2011, Equastone transferred ₹ 3 crore to ATL. On the same day, Equastone received ₹ 3 crore from Virtus and Virtus received ₹ 6.1 crore from ATL on 06/04/2011.

ii) On 29/04/2011, Equastone transferred ₹ 3.99 crore to ATL. On the same day, Equastone received ₹ 5.34 crore (approx.) from Ecologix. Further, Ecologix availed a loan of ₹ 9 crore from UBI on 29/04/2011 for which the security was from ATL itself (FDR No. 0884109016165 of ATL as mentioned in pre paras). It was also observed that the aforementioned loan of ₹ 9 crore taken by Ecologix on 29/04/2011 was repaid by funds which were transferred by ATL to Ecologix (₹ 9.36 crore approx. were transferred from ATL bank account to Ecologix account).

99. From the above, it is alleged that the amount which Equastone used for returning to ATL was funded indirectly by ATL. A summary of inflow / outflow of funds to / from bank account statement of Equastone is placed at **Annexure 34**. The bank account statements of ATL, Equastone, Virtus, Ecologix (highlighting the aforementioned transactions) are placed at **Annexure 35**. Further, it is also alleged that out of ₹ 7.0 crore which was transferred by ATL to Equastone, ₹ 6.5 crore was subsequently transferred by Equastone to M/s. Infracorp Systems (USA), an entity based abroad (after routing the funds through Aarm Finser and Kinfortech).

100. Based on the above, it is alleged that ATL has not used ₹ 20.59 crore for the objects of IPO. Rather a major part of this ₹ 20.59 crore was diverted by ATL to various entities in abroad which was not part of objects of the issue. It is also alleged that Equastone Properties Pvt. Ltd. (who was a related entity of ATL) was also hand in



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glove ATL and was party to the actions / deeds of ATL/ Mr. Ravikumar of not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.

101. From the analysis of bank account statements of ATL which was based on initial layers of movement of IPO money between various entities it is alleged that out of ₹ 170 crore raised through IPO, the funds were utilized by ATL in the following manner:

- i) Total amount utilized by ATL towards IPO objects (including acquisitions made and IPO expenses incurred) was ₹ 14.5 crore.
- ii) Total amount diverted by ATL to its related / connected entities (including funds transferred to connected entities in abroad) was ₹ 82.59 crore.
- iii) Total amount diverted by ATL to various entities who had traded in the scrip of ATL was ₹ 28.20 crore.
- iv) Total amount diverted by ATL to other entities (including abroad entities) was ₹ 40.11 crore.

102. In view of above, it is alleged that a major portion of IPO proceeds was not used for the stated objects. ATL, with the help of various conduit entities, some of whom were directly or indirectly related to ATL, had diverted these funds for various purposes (which includes transfer of funds to its own related entities, transfer to funds for the purpose of trading and others). Hence, it is alleged that various conduit entities (as mentioned in table below) had aided ATL in not deploying the IPO proceeds for stated objects of issue as disclosed in the Prospectus of ATL. ATL was able to divert the funds raised through IPO to various entities only with the help of these conduit entities.



S. No.	List of entities that aided ATL in playing fraud on investors
1	Interbrew Networks Ltd, UAE



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S. No.	List of entities that aided ATL in playing fraud on investors
2	Vision Info Inc UAE
3	Corus Limited, UAE
4	HDK International Pvt. Ltd.
5	SK Universal Pvt. Ltd.
6	Viraj Mercantile Pvt. Ltd.
7	Maars Software International Ltd.
8	Aarm Finser India Limited
9	Ecologix Knowledge Solutions Pvt. Ltd.
10	Equastone Properties Pvt. Ltd.
11	Virtus Tech Pvt. Ltd.

103. In view of the above, it is alleged that 11 entities mentioned in above table have violated the Regulations 3 (b), (c), (d) and 4(1) of PFUTP Regulations read with Section 12A (a), (b) and (c) of SEBI Act, 1992 by being hand-in glove with ATL and being party to the actions and deeds of ATL to divert the IPO money and not deploying the IPO proceeds for stated objects of issue as disclosed in the prospectus of ATL.

104. Interbrew Networks Ltd., Vision Info Inc, Corus Limited, HDK International Pvt. Ltd., SK Universal Pvt. Ltd., Viraj Mercantile Pvt. Ltd., Maars Software International Limited, Aarm Finser India Limited, Ecologix Knowledge Solutions Pvt. Ltd., Equastone Properties Pvt. Ltd. and Virtus Tech Pvt. Ltd. are therefore, called upon to show cause as to why an inquiry should not be held against them and penalty be not imposed under Section 15 HA of SEBI Act for the alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1) of PFUTP Regulations.

Non-compliance of summons

105. Vide Summons dated 01/08/2012, information was sought from HDK & SK to which HDK & SK vide undated letters sought extension of one month time in submitting their replies.

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106. Summons dated 21/09/2012 were issued to HDK and SK advising them to provide details by 01/10/2012. Through similar letters dated 12/10/2012, HDK and SK submitted their partial / incomplete / vague reply viz., bank account number not provided, reason regarding funds transfer to indicated entities not indicated, relevant details regarding receipt of funds not provided.
107. Vide SEBI letter dated 23/11/2012, HDK & SK were advised to provide complete details regarding the transactions with supporting documents. HDK & SK, vide their letters dated 03/12/2012 each sought an extension of one month for submitting information, however no details were received by HDK & SK in this regard. (Copies of summons / letters sent to HDK / SK and their replies are placed at **Annexure 36**).
108. Statement of Shri Sunil Jeetmal Kothari (Director of HDK and SK) was recorded on 05/02/2016 and Shri Sunil Jeetmal Kothari was asked to explain the reason for not submitting the reply to SEBI summons dated despite seeking time of 1 month. Shri Sunil Jeetmal Kothari chose to seek extension of time of about 3-4 days in submitting the relevant details. Vide SEBI letter dated 16/02/2016, Sunil Jeetmal Kothari was directed to submit the relevant documents as undertaken by him during his statement recording. Vide letter dated 22/02/2016, Sunil Jeetmal Kothari submitted vague and incomplete details. Vide SEBI letter dated 03/03/2016, Sunil Jeetmal Kothari was once again directed to submit specific documents (as per Annexure to the letter), however, no documents / details were received by SEBI from Sunil Jeetmal Kothari. (Copies of letters sent to Sunil Jeetmal Kothari are placed at **Annexure 37**).
109. A brief summary of summons sent to and replies received from HDK / SK / Sunil Jeetmal Kothari is shown in table below:

Name of entity	Summons Date	Acknowledgement	Additional Comments
HDK International Pvt. Ltd	01/08/2012	Acknowledged vide its undated letter	Sought extension of 1 month in submitting replies.
HDK International Pvt. Ltd	21/09/2012	Acknowledged vide its letter dated 12/10/2012	Incomplete / vague details were provided
HDK International Pvt. Ltd	Letter dated 23/11/2012	Acknowledged vide its letter dated 12/10/2012	Sought extension of 1 month in submitting replies but no reply was received from HDK / SK.

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Sunil Jeetmal Kothari (Director of HDK / SK)	Letter dated 16/02/2016	Acknowledged vide its letter dated 22/02/2016	Incomplete / vague details were provided
Sunil Jeetmal Kothari (Director of HDK / SK)	Letter dated 03/03/2016	Acknowledged vide its letter dated 07/03/2016	No reply provided

110. From the above, it is concluded that HDK & SK have violated section 11C(2) & (3) of SEBI Act by failing to furnish true and complete information called for through SEBI summons.

111. Summons dated 01/08/2012 was issued to Viraj to get information in connection with the transfer of ₹5 crore with ATL. However the same was returned undelivered with remarks not claimed. Accordingly, summons dated 21/08/2012 was issued to Viraj through ATL. Viraj, vide its letter dated 21/09/2012 confirmed the receipt of SEBI's summons dated 21/08/2012 and inter-alia sought an extension of 10 days' time in submitting the requisite information. However, no reply was received from Viraj. A brief summary of summons sent to and replies received from Viraj is shown in table below:

Name of entity	Summons Date	Acknowledgement	Additional Comments
Viraj Mercantile Pvt. Ltd.	01/08/2012	No	Summons returned undelivered
Viraj Mercantile Pvt. Ltd.	21/08/2012	Acknowledged vide its letter dated 21/09/2012	The entity vide letter dated 21/09/2012 sought extension of 10 days in submitting reply, however, no reply has been received from the entity.

112. From the above, it is concluded that Viraj Mercantile Pvt. Ltd. violated section 11C(2) and 11C(3) of SEBI Act by failing to furnish the information called for through SEBI summons. (Copies of summons sent to Viraj and reply received from Viraj are placed at **Annexure 38**)

113. Summons dated 01/08/2012 and 21/09/2012, calling for information, were issued to Maars and its then directors through ATL (as the letters sent to Maars earlier were returned undelivered). Vide letter dated 15/10/2012, Maars confirmed the receipt of aforementioned 2 SEBI summons and requested 15 days' time to submit the reply. However no reply was received from Maars till the submission of the investigation report. A brief summary of summons sent to and replies received from Maars is shown in table below:

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Name of entity	Summons Date	Acknowledgement	Additional Comments
Maars Software International Ltd	01/08/2012	Acknowledged vide its letter dated 15/10/2012	The entity vide letter dated 15/10/2012 sought extension of 15 days in submitting reply, however, no reply was received from the entity.
Maars Software International Ltd	21/09/2012		

114. From the above, it is concluded that Maars Software International Limited failed to furnish information called for through SEBI summons thereby violated section 11C(2) and 11C(3) of SEBI Act. (Copies of summons / letters / emails sent to Maars alongwith the delivery proofs and replies received from Maars are placed at **Annexure 39**).

115. HDK International Pvt. Ltd., SK Universal Pvt. Ltd., Viraj Mercantile Pvt. Ltd. and Maars Software International Limited are, therefore, called upon to show cause as to why an inquiry should not be held against them and penalty be not imposed under Section 15A(a) of SEBI Act for the alleged violation of section 11C(2) and 11C(3) of SEBI Act.

Wrong Disclosure in the Prospectus

116. The following non-disclosures related issues were observed with regard to IPO of ATL:

- a) **Bridge Loan** - On page 64 of the prospectus, it was disclosed that ATL had taken a bridge loan of ₹ 20 crore, out of which ₹ 7 crore was used towards construction of building and remaining, towards working capital. However, ATL, vide its letter dated 02/05/2016 (**Annexure 40**), had informed that said amount of ₹ 7 crore was transferred to M/s Equastone Properties Pvt Ltd (Equastone) as advance towards construction of software development center. ATL has further submitted that subsequently said project was cancelled and ATL received back the advance paid to Equastone. In this regard, it was observed that Equastone was a related entity of ATL / Shri Ravikumar.

Further, from the bank account statements of ATL (**Annexure 41**), it was observed that the remaining ₹ 13 crore was transferred abroad, for which no reason



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whatsoever could be provided by ATL. Hence, it is observed that entire transaction was not genuine and disclosure as appearing in the prospectus was false.

- b) Disclosure of Related Party transactions with Equastone which was a related entity** - Equastone was a related entity of ATL / Ravikumar as wife of Ravikumar was the majority shareholder in Equastone and employees of ATL (viz. Prashanth Kumar and Madhava Reddy) were the directors in Equastone during 2010-11. The aforementioned transactions with Equastone, being a related party was not disclosed by ATL in its prospectus.

117. In view of above, the following is alleged:

- i) The company had submitted wrong disclosure in the prospectus w.r.t. utilization of bridge loan which is in violation of Regulation 57(1) and 60(7)(a) of ICDR Regulations.
- ii) Equastone, being a related entity of ATL, its financial transactions with ATL were not disclosed in the prospectus.
- iii) Further, the aforementioned wrong disclosure leads to misleading information in the prospectus which is in violation of Regulation 4(2) (f) and (k) of SEBI (PFUTP) Regulations, 2003.

118. In view of the above, ATL and the signatories to the prospectus (viz. Ravi Kumar Doraiswamy, Ramdas Janardhana Kamath, Subrahmanya Dandala Kannayya Reddy, Mathew James Manimala, Ashok Kumar Gopal Rao Jultha, Mohan Hosahally Ramakrishna, S. Sudheer, Shobha Sudhakar Acharya, Jamili Jalaiah) have violated the provisions of regulations 3 (b), (c), (d), 4(1), 4(2) (f) and (k) of PFUTP Regulations read with section 12A (a), (b) and (c) of SEBI Act and regulation 57(1), 60(7)(a).

119. ATL, Ravi Kumar Doraiswamy, Ashok Kumar Gopal Rao Jultha, Mohan Hosahally Ramakrishna, Ramdas Janardhana Kamath, Subrahmanya Dandala Kannayya Reddy, Mathew James Manimala, S Sudheer, SHobha Sudhakar Acharya and Jamili Jalaiah are, therefore, called upon to show cause as to why an inquiry should



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not be held against them and penalty be not imposed under Section 15 HA of SEBI Act for the alleged violation of section 12A(a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of PFUTP Regulations and regulation 57(1), 60(7)(a) of ICDR Regulations.

Role of Saffron Capital Advisors Private Limited

120. On page 64 of the prospectus, it was disclosed that ATL had taken a bridge loan of ₹ 20 crore, out of which ₹ 7 crore was used towards construction of building and remaining, towards working capital. However, ATL, vide its letter dated 02/05/2016, had informed that said amount of ₹ 7 crore was transferred to M/s Equastone Properties Pvt Ltd (Equastone) as advance towards construction of software development center. ATL has further submitted that subsequently said project was cancelled and ATL received back the advance paid to Equastone. In this regard, it was observed that Equastone was a related entity of ATL / Shri Ravikumar.
121. Further, from the bank account statements of ATL, it was observed that the remaining ₹13 crore was transferred abroad, for which no reason whatsoever could be provided by ATL. Hence, it is observed that entire transaction was not genuine and disclosure as appearing in the prospectus was false.
122. It was observed that Book Running Lead Manager (hereinafter referred to as "BRLM") of ATL, Saffron Capital Advisors Private Limited (hereinafter referred to as "Saffron") had submitted due diligence certificate w.r.t the IPO of ATL.
123. Saffron, as BRLM to the public issue of ATL has failed to do independent verification. It is alleged that Saffron failed to exercise due diligence while ensuring the veracity and adequacy of disclosure made in the prospectus and had also failed to perform its duties as mentioned under various clauses of Code of Conduct for Merchant Bankers specified under Schedule III in Merchant Bankers Regulations.



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124. Saffron is, therefore, called upon to show cause as to why an inquiry should not be held against it and penalty be not imposed under section 15 HB of SEBI Act for the alleged violation of regulation 60(7)(a) and 64(1) of ICDR Regulations and regulation 13 read with Clause 1, 2, 3, 4, 6, 7 & 20 of Code of Conduct for Merchant Bankers specified under Schedule III in Merchant Bankers Regulations.

125. The relevant provisions of law are reproduced as under:

Relevant provisions of PFUTP Regulation:

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.*

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

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



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

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

Relevant provisions of ICDR Regulations

Manner of disclosures in the offer document.

57. (1) The offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision.

60. Public communications, publicity materials, advertisements and research reports.

(7) Any advertisement or research report issued or caused to be issued by an issuer, any intermediary concerned with the issue or their associates shall comply with the following:

(a) it shall be truthful, fair and shall not be manipulative or deceptive or distorted and it shall not contain any statement, promise or forecast which is untrue or misleading;

64. Due diligence.

(1) The lead merchant bankers shall exercise due diligence and satisfy himself about all the aspects of the issue including the veracity and adequacy of disclosure in the offer documents.

Relevant provisions of Merchant Bankers Regulations:

13. Code of conduct.

Every merchant banker shall abide by the Code of Conduct as specified in Schedule III.

SCHEDULE III

CODE OF CONDUCT FOR MERCHANT BANKERS

1. A merchant banker shall make all efforts to protect the interests of investors.
2. A merchant banker shall maintain high standards of integrity, dignity and fairness in the conduct of its business.
3. A merchant banker shall fulfil its obligations in a prompt, ethical, and professional manner.
4. A merchant banker shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.

In the matter of Acropetal Technologies Limited



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6. A merchant banker shall ensure that adequate disclosures are made to the investors in a timely manner in accordance with the applicable regulations and guidelines so as to enable them to make a balanced and informed decision.

7. A merchant banker shall endeavour to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the attendant risks before taking any investment decision.

20. A merchant banker shall not make untrue statement or suppress any material fact in any documents, reports or information furnished to the Board.

Relevant provisions of SEBI Act:

11C.

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

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

Penalty for failure to furnish information, return, etc.

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

(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

In the matter of Acropetal Technologies Limited



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

15HB. Penalty for contravention where no separate penalty has been provided.

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees

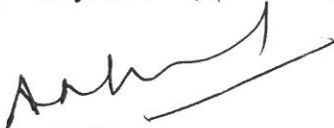
126. Noticees reply, if any, should reach the undersigned, at the address given below as well as through email at "sahil@sebi.gov.in" in MS Word/ MS Excel Format, within 14 days from the date of the receipt of this notice, failing which it shall be presumed that they have no reply to submit and the matter would be further proceeded ex – parte. You may also indicate whether you desire a personal hearing in the matter.

Securities and Exchange Board of India

SEBI Bhavan, C4-A, 'G' Block,
Bandra Kurla Complex, Bandra (East)

Mumbai – 400 051

127. Noticee is advised to provide copy of Noticee PAN and email id and also to keep the undersigned informed about the change in Noticee correspondence address, if any, till the proceedings are complete.


Sahil Malik
Adjudicating Officer



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Annexures:

1	Copy of the appointment order of AO
2	Letter dated 11/06/2012
3	Letter dated 14/02/2013
4	Letter dated 21/12/2016
5	Bank account statement submitted by ATL
6	Copy of disclosures
7	Letter dated 17/07/2012
8	Bank account statement of ATL
9	Statement recording on 21/01/2016
10	Bank account statement of Vision Info
11	Bank account statements submitted by ATL
12	Letter dated 25/01/2016
13	Bank account statements of ATL
14	Bank statements of ATL
15	Statement of Shri Mohan dated 19/08/2016
16	Copy of disclosures
17	Statement of Shri Ravikumar recorded on 21/01/2016
18	Financial statements of Maars
19	Extract of MCA website
20	Extract of the MOU between DAC and NOC
21	Axis Bank statement of ATL
22	Axis Bank statement of Viraj
23	Bank account statement of ATL
24	Address details of HDK and SK
25	Statement of Sunil Jeetmal Kothari dated 05/02/2016
26	Bank account statements of HDK and SK
27	Bank account statements of ATL maintained with UBI and SBT
28	KYC of AFIL submitted by UBI
29	Bank account statements of Ecologix
30	Pictorial representation of fund flow
31	Bank account statements showing utilization of bridge loans
32	Extract of MCA website
33	KYC details of Equastone submitted by UBI
34	Summary of inflow / outflow of funds
35	The bank account statements of ATL, Equastone, Virtus, Ecologix
36	Copies of summons / letters sent to HDK / SK and their replies
37	Letters sent to Sunil Jeetmal Kothari
38	Copies of summons sent to Viraj and reply received from Viraj
39	Copies of summons / letters / emails sent to Maars alongwith the delivery proofs and replies received from Maars
40	Letter dated 02/05/2016



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41	Bank account statement of ATL

