



**भारतीय प्रतिभूति
और विनियम बोर्ड**
**Securities and Exchange
Board of India**

**DEPUTY GENERAL MANAGER
INVESTIGATIONS DEPARTMENT – ID 07**

IVD/ID-07/PD/SB/SCN/SCTL/2021/ 0000020206/1
August 18, 2021

Noticee No.	Name of the Noticee	Address of the Noticee
Noticee 1	Shilpi Cable Technologies Limited (PAN - AADCR3380E)	A-19/B-1, Extension, Mohan Co-op. Industrial Estate, Mathura Road, P.O. Badarpur, New Delhi - 110 044
		111 & 116A, 1st Floor, Hemkunt Chambers, 89, Nehru Place, New Delhi - 110 019
Noticee 2	Sh. Mukesh Gupta (PAN- AEIPG5741G)	B 8, Chirag Enclave, Nehru Palace, New-Delhi- 110 019
Noticee 3	Sh. Manish Goel (PAN- AEDPG0138E)	Flat No.904, Tower H1, EWS Sector, 11, Pratap Vihar, Ghaziabad, Uttar-Pradesh-201009
		D112, New Friends, Colony, New-Delhi-110025
		B-8, Chirag Enclave, Greater Kailash, New Delhi 1100019
Noticee 4	Sh. Ghanshyam Pandey (PAN- AEDPP9478A)	277, Pocket- J Sarita Vihar, New-Delhi-110076

Sub: Show Cause Notice under Section 12A(a) of Securities Contract Regulations Act, 1956 and Sections 11 (1), 11(4), 11(4A), 11B(1), 11B (2) read with Sections 15 HA of Securities and Exchange Board of India Act, 1992 in the matter of the Initial Public Offer (IPO) of Shilpi Cable Technologies Limited.

Brief Background:

The company Shilpi Cable Technologies Limited (hereinafter referred to as “SCTL/the Company”) came out with an Initial Public Offer (IPO) for issue of 80,98,145 equity shares of face value Rs.10/- each through 100% book building process at a price of Rs. 69/- per fully paid-up equity share (including a premium of Rs 59/- per equity share) and aggregating to approximately Rs. 55.87 crore in 2011.

Securities and Exchange Board of India (hereinafter referred to as “SEBI”) conducted investigation with respect to the utilization of IPO proceeds, deviation in deployment of IPO proceeds from the objects

Page 1 of 26

SCN - Investigation in the matter of IPO of Shilpi Cable Technologies Limited

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड**
**Securities and Exchange
Board of India**

mentioned in the final prospectus/ Red Herring Prospectus (hereinafter referred alternatively as prospectus or RHP) (Annexure 1) and violations of corresponding regulatory requirements by the company. The focus of investigation was to examine whether there were any violations of the provisions of SEBI Act, 1992, SEBI (Issue of Capital Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "SEBI ICDR Regulations") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "SEBI PFUTP Regulations") with regard to deviation in the objects and utilization of IPO proceeds from that mentioned in the final prospectus/offer document for the IPO of SCTL.

During the course of investigation, following facts have emerged:

1. SCTL was incorporated on July 09, 2006 as a public limited company with the name M/s Rosenberger Shilpi Cable Technologies Limited. The company was established as a 50:50 joint venture between Shilpi Communications Pvt. Ltd and Rosenberger Hochfrequenztechnik GmbH & Co KG, Germany, to take up the project of Radio Frequency (RF) cables.

On May 10, 2008, the said joint venture ceased and all the shareholding of Rosenberger Hochfrequenztechnik GmbH & Co KG in the company was transferred to Shilpi Communication Pvt. Ltd. On October 21, 2008, the name of the company was changed to Shilpi Cable Technologies Ltd.

2. The details of the IPO are as under:

Table 1

Issue Open Period	March 22 - 25, 2011
Issue Size (No. of shares)	80,98,145
Issue Size (Value in Rs. crores)	Rs.55.87 crores
Process of Issue	100% Book Building
Price Band	Rs.65 - Rs.69 per equity share
Issue Price	Rs.69 per equity share
Face Value	Rs.10 per equity share
Date of Listing	April 08, 2011
Grading	CARE IPO Grade-1 (indicating poor financials)

3. The objects of the IPO as per the Prospectus dated March 28, 2011 are as under:

Table 2

Sl. No.	Particulars	Amount (in ₹ crore)
1	To raise funds for capital expenditure on Cable/wire Assembly shop	8.65
2	To raise funds for capital expenditure on Tools for 3G enabling	4.47
3	To raise funds for capital expenditure on augmenting cable manufacturing capabilities	16.21
4	To raise funds towards margin for working capital for the proposed new businesses	15.54
5	To raise funds for investment in the Subsidiary of the Company, M/s Shilpi Cabletronics Limited	5.00





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

6	To raise funds for General corporate purposes	3.00
7	To meet the expenses of the issue	3.00
Total		55.87

- Noticee 1 was listed on the exchanges, BSE and NSE, on April 08, 2011.
- As per the disclosures made by Noticee 1 under Clause 43A of the Equity Listing Agreement with the Exchanges, the IPO proceeds were completely utilized over the period April 2011- March 2013. Accordingly, the period April 2011- March 2013 is referred to as the Investigation period (IP).
- The annual financial results for the period covered by the IP are given below:

Table 3 (all fig. in ₹ crore)

Description	For F.Y.	
	2011-12	2012-13
Net Sales	3,81.43	6,54.89
Other Income	2.35	1.74
Total Income	3,83.77	6,56.63
Profit After Tax	17.32	26.19

- The Directors of Noticee 1 during the IP were as follows:

Table 4

Sl. No.	Name	DIN	Designation	Date of Appointment	Date of Cessation within the IP
1.	Shri Mukesh Kumar Gupta	00163044	Managing Director	08/11/2006	N.A.
2.	Shri Ghanshyam Pandey	00163072	Whole Time Director	17/08/2006	31/05/2012*
3.	Shri Manish Goel	00163105	Whole Time Director	01/03/2007	N.A.
4.	Shri Sunil Kala	00511839	Independent Director	01/10/2008	N.A.
5.	Shri Sandeep Gupta	00638932	Independent Director	01/10/2008	N.A.
6.	Ms Neeta Sood	00863500	Independent Director (Nominee Director of IDBI Bank)	01/06/2009	05/07/2013
7.	Shri Anirudh Goel	01055812	Independent Director	01/10/2008	15/09/2011
8.	Shri Rajesh Suri	02027124	Non-Executive and Non- Independent Director	30/06/2010	10/09/2011

* Ghanshyam Pandey had resigned from the office of Whole-time Director of the Company w.e.f 31 May, 2012. Subsequently, he continued as a non-executive director till Sept 01, 2013, when he was again re-appointed as Whole-time Director

- Noticee 1 in its quarterly financial results filings (Annexure 2) to Exchanges (as prescribed in Clause 43A of Equity listing agreement), had disclosed IPO utilization on a quarterly basis in the notes to quarterly financial results. The disclosures made by Noticee 1 on NSE and BSE are summarized in the table as under:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Table 5 (all fig. in ₹ crore)

Description	Jun-11	Sep-11	Dec-11*	Mar-12*	Jun-12*	Sep-12*	Dec-12*	Mar-13*
Capital Expenditure Expansion	11.69	11.69	17.36	17.36	17.36	17.36	19.01	20.9
Investment in Subsidiary	5	5	5	5	5	5	5	5
Issue Expenses	1.99	1.99	1.99	2.01	2.01	2.01	2.01	2.01
Fixed Deposits	32.25	24.75	-	-	-	-	-	-
Margin for opening LCs for imported machinery	-	-	13	13	-	-	-	-
Sub-total	50.93	43.43	37.35	37.37	24.37	24.37	26.02	27.91
Working Capital #	4.95	12.45	18.53	18.51	31.51	31.51	29.86	27.97
Total	55.88	55.88	55.88	55.88	55.88	55.88	55.88	55.88

the amount utilized towards working capital have been deduced from the statement made by the company in its letter dated August 22, 2012 (Annexure 3) that "the balance issue proceeds has been utilized in working capital pending utilization for the objects of the issue"

* In the disclosures made under Clause 43A of the Equity Listing Agreement, Dec 2011 onwards the company had stated that the balance issue proceeds have been utilized in working capital pending utilization for the objects of the issue as modified by the resolution passed by the shareholders in its AGM dated 29.09.2011

9. Noticee 1 in its letter dated Aug 22, 2012 (Annexure 3) had submitted that it had modified the utilization of the proceeds of IPO and the said change was approved by its members in the Annual General Meeting held on Sept 29, 2011.

10. Summary of Allegations:

A. Deviation in deployment of IPO proceeds from that mentioned in the RHP without complying with the necessary regulatory compliances

- a. The Noticee 1 vide letter dated February 19, 2016 along with its Annexures (Annexure 4), has submitted that the IPO proceeds received by the company were transferred to the Cash Credit Account (Working Capital Account) with IDBI Bank Ltd. in the month of April 2011. Later on, some amount was transferred to the accounts of the company with other working capital lenders i.e. SBI and PNB. The funds so received in IPO were used within the working capital cycle and the company benefited from the reduction in interest burden. The funds so received were utilized for the assigned purposes and the utilization of the IPO proceeds along with supporting invoices and corresponding banks statements were enclosed therewith.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- b. From the reply of Noticee 1, dated Feb 19, 2016 and the transactions in the supporting bank statements of Noticee 1, investigation observed that IPO proceeds were used for payments to the following entities:

Table 6

SI No.	Payment to entity	Amount (in ₹ crore)	SI No.	Payment to entity	Amount (in ₹ crore)
(1)	Payment of IDBI Term Loan	2.41	(11)	SE Investments Limited	0.24
(2)	Salasar Trading Co.	8.20	(12)	Prerna Arcade Pvt Limited	9.00
(3)	King Empire Tradexim Pvt. Ltd.	2.60	(13)	Progressive Trade Impex Pvt Ltd	0.70
(4)	King Power Industries Pvt. Ltd.	2.50	(14)	Sarswati Vincom Ltd.	1.00
(5)	E.I. Dupont De Nemours & Co.	0.03	(15)	Essential Trade Expo Pvt Ltd	0.24
(6)	Dubai Cable Company Pvt. Ltd.	1.68	(16)	LC-Hanwha Corporation	1.81
(7)	RRJR Trading Pvt. Ltd.	0.75	(17)	D & A Financial Services (P) Limited	0.35
(8)	Shilpi Cabletronics Limited	6.73	(18)	Hem Securities Limited	0.22
(9)	FDR with PNB	11.33	(19)	Sobhagya Advertising Services	0.05
(10)	Shilpi Communication Pvt. Ltd.	6.05	(20)	Other Expenses/ Payments	0.003

- c. Investigation observed that substantial portion of the IPO proceeds were used to repay unsecured creditors, advances to a group entity – Shilpi Communication Pvt. Ltd, to the vendors who were subsequently selected by Noticee 1 to replace the vendors mentioned in the prospectus and working capital requirement. A summary of the comparison between the actual utilization of IPO proceeds, as observed from the bank statements and supporting documents submitted by the Noticee 1 in its letter dated Feb 19, 2016 to that mentioned in the prospectus is as follows:

Table 7 (all fig. in ₹ crore)

S.No	Particulars	Utilization proposed in the Prospectus (A)	Submission of the company reg. the utilization of IPO proceeds as on date of co. reply i.e. Feb 19, 2016 (B)	As observed from the supporting documents and bank statements in co. reply dated Feb 19, 2016 (C)	Deviation (after taking the full utilization of IPO proceeds) (D) = (A) – (C)
1	To raise funds for capital expenditure on Cable/wire Assembly shop	8.65	1.62	-	8.65
2	To raise funds for capital expenditure on Tools for 3G enabling	4.47	-	-	4.47
3	To raise funds for capital expenditure on augmenting cable manufacturing capabilities	16.21	19.36	-	16.21
4	To raise funds towards margin for working capital for the proposed new businesses	15.54	27.88	-	15.54
5	To raise funds for investment in the Subsidiary of the Company, M/s Shilpi Cabletronics Limited	5.00	5.00	5.00	-
6	To raise funds for General corporate purposes	3.00	-	0.20	2.80
7	To meet the expenses of the issue	3.00	2.02	0.62	2.38
	Total	55.88	55.88	5.82	50.05





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- d. Further, investigation observed that IPO proceeds were used to make payments as per the following table:

Table 8 (all fig. in ₹ crore)

S.No	Particulars	Amount
1	Advances to Group Companies *	7.78
2	FDs as margin payment for LCs *	11.33
3	Repayment of Unsecured Loans already taken *	11.18
4	To meet working capital requirements of existing business *	17.36
5	Amount paid towards Term Loan *	2.41
Total		50.05

* IPO proceeds were deployed under these heads contrary to what was mentioned in the prospectus

- e. From the above, investigation observed that there has been a stark deviation in the actual deployment of IPO proceeds from the objects mentioned in the final prospectus. Hence, it is alleged that Noticee 1 had deviated from the objects of the IPO by approximately ₹ 50 Crore by utilizing towards means different from the objects to the Issue mentioned in the prospectus.
- f. In terms of Section 55A of the Companies Act, 1956 (hereinafter referred to as Companies Act), the power to administer Section 61 of the Companies Act so far as they relate to issue of securities by public companies which intend to get their securities listed on any recognized stock exchange in India was with SEBI.
- g. Further, Section 61 of the Companies Act provides that:

61. Terms of contract mentioned in prospectus or statement in lieu of prospects, not to be varied

“A company shall not, at any time, vary the terms of a contract referred to in the prospectus or statement in lieu of prospectus, except subject to the approval of, or except on authority given by, the company in general meeting.”

- h. In terms of Sec 61 of the Companies Act, approval of the shareholders of the company is essential for alteration of objects of the IPO proceeds. The said provision of the Companies Act, necessitated the company to seek the approval of shareholders in a general meeting before changing the terms of objects/ contracts mentioned in the prospectus like changing the objects of utilization of IPO proceeds. Though, the change of objects of utilization of IPO proceeds were approved by the Board of Noticee 1 in its meeting dated July 29, 2011. However, it's observed that the entire proceeds of IPO were spent between April 07, 2011 and April 18, 2011 (for payments to entities as mentioned above).
- i. Thus, it is alleged that Noticee 1 had deviated in the actual deployment of IPO proceeds from the stated objects of the issue as mentioned in the offer document without taking necessary prior approval of shareholders and is in violation of Section 61 of the Companies Act.

B. Made Incorrect and Misleading disclosures on Exchanges regarding utilization of IPO proceeds-

- a. Noticee 1 had disclosed the quarterly deployment of IPO proceeds under Clause 43A of the Equity Listing Agreement to the Exchanges as per the details mentioned in Table 3 above. From the reply dated February 19, 2016 by Noticee 1 and the bank statements (Annexure 5),





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

investigation observed that Noticee 1 had made payments to the following entities from the IPO proceeds:

Table 9

Sl No.	Particulars	Date of payments	Amount (in ₹ crore)
(1)	Payment of IDBI Term Loan	07.04.2011	2.41
(2)	Salasar Trading Co.	07.04.2011, 08.04.2011 and 13.04.2011	8.20
(3)	King Empire Tradexim Pvt. Ltd.	07.04.2011, 08.04.2011	2.60
(4)	King Power Industries Pvt. Ltd.	07.04.2011, 08.04.2011	2.50
(5)	E.I. Dupont De Nemours & Co.	13.04.2011	0.03
(6)	Dubai Cable Company Pvt. Ltd.	13.04.2011, 19.04.2011	1.68
(7)	RRJR Trading Pvt. Ltd.	09.04.2011	0.75
(8)	Shilpi Cabletronics Limited	07.04.2011, 11.04.2011 and 18.04.2011	6.73
(9)	FDR with PNB 100% Margin for FLC	08.04.2011	11.33
(10)	Shilpi Communication Pvt. Ltd.	08.04.2011, 11.04.2011	6.05
(11)	SE Investments Limited	13.04.2011	0.24
(12)	Prerna Arcade Pvt Limited	08.04.2011, 11.04.2011	9.00
(13)	Progressive Trade Impex Pvt Ltd	09.04.2011	0.70
(14)	Sarswati Vincom Ltd.	07.04.2011	1.00
(15)	Essential Trade Expo Pvt Ltd	09.04.2011	0.24
(16)	LC-Hanwha Corporation	11.04.2011	1.81
(17)	D & A Financial Services (P) Limited	07.04.2011	0.35
(18)	Hem Securities Limited	07.04.2011	0.22
(19)	Sobhagya Advertising Services	07.04.2011	0.05
(20)	Other Expenses/ Payments	-	0.003

- Investigation observed that the disclosures made by Noticee 1 to the Exchanges regarding the utilization of IPO proceeds under Clause 43A of the Equity Listing Agreement were inconsistent with the company's reply vide letter dated Feb 19, 2016 and the bank statements of the company.
- Further, investigation revealed that the payments from the entire IPO proceeds have been made during the period April 07, 2011 to April 19, 2011. However, according to the disclosures made by the company regarding the quarterly utilization of IPO proceeds, Noticee 1 had stated that some portion of the IPO proceeds remained unutilized till March 2013.
- Thus, it is alleged that Noticee 1 had made incorrect and misleading disclosures to Exchanges regarding the utilization of IPO proceeds required as per Clause 43A of the Equity Listing Agreement.
- Noticee 2, was the Chairman cum Managing Director in the company during the IP and was involved in the management of the affairs of the company and had signed several documents in relation to the IPO. Being the Chairman of the Board, it's inferred that the Noticee 2 was





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

involved in the IPO process and the utilization of IPO proceeds. Noticee 3, was a promoter director/ Whole Time Director in the company during the IP and was involved in the management of the affairs of the company. Further, Noticee 3 had also signed several documents in relation to the IPO and was involved in the utilization of IPO proceeds. Noticee 4 was a Whole Time Director in the company during the IP and was actively involved in the day to day affairs of the company including the IPO process and the utilization of IPO proceeds. Further, Noticees 2 and 4, had attended the Board meeting dated Apr 07, 2011 wherein the change in supplier from that mentioned in the RHP was approved and Noticees 2, 3, and 4 had also attended the Board meeting dated July 29, 2011 wherein the resolution regarding changes to the objects of the IPO proceeds mentioned in the RHP were approved. Thus, it is alleged that Noticees 2, 3 and 4, by virtue of their positions, were aware of the incorrect and misleading disclosures regarding the utilization of IPO proceeds being made to Exchanges.

- f. Hence, Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Section 21 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as SCRA) read with Clause 43A of the Equity Listing Agreement and Sections 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI PFUTP Regulations.**
- g. The relevant provisions i.e. Section 21 of SCRA, Clause 43A of the Equity Listing Agreement, Sections 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI PFUTP Regulations are produced as under:

Section 21 of the SCRA

21. Conditions for listing. —Where securities are listed on the application of any person in any recognized stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange

Clause 43A of the Equity Listing Agreement

43A. Statement of deviations in use of issue proceeds –

- (1) The company agrees to furnish to the stock exchange on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds of a public or rights issue from the objects stated in the offer document.

Sections 12A(a), (b) and (c) of the SEBI Act, 1992

12A. Prohibition of manipulative and deceptive devices, ...

No person shall directly or indirectly—





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

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

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

3. Prohibition of certain dealings in securities-

No person shall directly or indirectly—

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices-

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a 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: —

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अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

(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;

....

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

- C. Failure to comply with the requirement of disclosing all monies utilized and unutilized out of the issue proceeds under appropriate separate heads in its balance-sheets-
- Investigation observed that Noticee 1 had disclosed on Exchanges that the total fixed deposits out of the IPO proceeds as on June 2011 were ₹ 32.25 crore. However, Noticee 1 in its letter dated February 25, 2015 (Annexure 6) had submitted that the IPO proceeds to the tune of Rs 11.50 crore was double-counted i.e. under the head capital expenditure as well under fixed deposits as on end of Jun 2011 and the fixed deposit from the IPO proceeds as on June 2011 was ₹ 20.75 Cr. Hence, investigation observed that there was an understatement of utilization of IPO proceeds by Noticee 1 in the quarterly disclosures made to the Exchanges.
 - On scrutinizing the reply of Noticee 1 dated December 09, 2014 along with the supporting documents (Annexure 7), investigation further observed that out of Rs 20.75 Cr fixed deposits, ₹ 19.53 Cr came from the proceeds of bill discounting Noticee 1 had done with Ratnakar Bank for the customer BRG Iron and Steel Co Pvt Ltd. The same was informed by Ratnakar Bank vide email dated Mar 02, 2020 (Annexure 8). Hence investigation observed that the amount used to create fixed deposits by Noticee 1 was not entirely from the proceeds of the IPO.
 - Thus, it is alleged that Noticee 1 failed to prepare proper report of utilization of IPO proceeds while making disclosures in its financial filings with Exchanges and its annual report. Further, investigation observed that Noticee 1 failed to disclose all monies utilized and unutilized out of the issue proceeds under appropriate separate heads in its balance-sheets, till the time any part of the issue proceeds remains unutilized, indicating the purpose for which such monies had been utilized and indicating the form in which the unutilized monies have been invested.
 - Noticee 2, being the Chairman cum Managing Director, Noticee 3, being promoter director/ Whole Time Director and Noticee 4, being a Whole Tome Director in the company during the IP, were involved in the management of the affairs of the company including the IPO process and the utilization of IPO proceeds. Further, Noticee 2, Noticee 3 and Noticee 4, by virtue of their respective positions in the company during the IP, were involved in the management of the affairs of the company including the IPO process, utilization of IPO proceeds and had failed to comply with the requirement of disclosing all monies utilized and unutilized out of the issue proceeds under appropriate separate heads in its balance-sheets, till the time any part of the issue proceeds remains unutilized.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- e. Hence, Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Clauses 2 (XII)(B)(31)(a)(ii) and 2 (XII)(B)(31) (a)(iii) of Part A of Schedule VIII of SEBI ICDR Regulations.**
- f. Clauses 2 (XII)(B)(31)(a)(ii) and 2 (XII)(B)(31) (a)(iii) of Part A of Schedule VIII of SEBI ICDR Regulations reproduced as under:

2(XII) Offering Information:

(B) Issue Procedure: The following disclosures shall be made:

(31) Utilisation of Issue Proceeds:

(a) A statement by the board of directors of the issuer to the effect that:

(ii) details of all monies utilised out of the issue referred to in subitem (i) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the balance-sheet of the issuer indicating the purpose for which such monies had been utilised; and

(iii) details of all unutilised monies out of the issue of specified securities referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

D. Disclosed distorted, false and vague information in the agenda pertaining to change/ alteration of objects of IPO in the notice to the AGM dated Sept 29, 2011-

- a. Noticee 1 vide its letters dated Nov 26, 2014 (Annexure 9), Nov 28, 2014 (Annexure 10) and Feb 25, 2015 (Annexure 6), had submitted that it had altered the objects of the IPO after taking authorization of the shareholders in the AGM held on Sept 29, 2011.
- b. In this regard, investigation observed that the information mentioned in the resolution and the Explanatory Statement as part of the notice (Annexure 11), and as part of the annual report, to the members regarding the AGM dated Sept 29, 2011 was vague and provided blanket powers authorizing the Board of Noticee 1 to alter the objects stated in the prospectus. Further, investigation observed that Noticee 1 did not mention the details regarding the actual utilization under appropriate heads vis-a-vis what was proposed in the prospectus, the amount of savings out of capital expenditure, IPO expenses proposed to be utilized in working capital and the total amount pending to be utilized till the point of obtaining shareholders' ratification.
- c. Further, investigation also observed that the entire proceeds of IPO were used to make payments to entities and means divergent from that mentioned in the prospectus during the month of April 2011 itself. However, the same was not mentioned in the notice prior to the AGM dated Sept 29, 2011. From the information disclosed to the shareholders by the notice/ resolution it was projected by Noticee 1 that the IPO proceeds were still pending to be utilized.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- d. Noticee 2, being the Chairman cum Managing Director, Noticee 3, being promoter director/ Whole Time Director and Noticee 4, being a Whole Time Directors in the company during the IP, were involved in the management of the affairs of the company including the IPO process and the utilization of IPO proceeds. Further, Noticee 2, Noticee 3 and Noticee 4, by virtue of their respective positions in the company during the IP, were involved in the management of the affairs of the company including the IPO process, the utilization of IPO proceeds and were aware of the distorted, false and vague information provided to the shareholders in the notice to the AGM dated Sept 29, 2011.
- e. Thus, it is alleged that the Noticee 1 and the whole time directors – Noticee 2, Noticee 3 and Noticee 4 failed to inform the shareholders that their approval was a post facto approval of actual deployment of IPO proceeds and presented distorted, false and vague information to the shareholders in the notice to the AGM, and prevented the shareholders from taking an informed decision while voting on the said agenda and acted detrimentally to the rights of the shareholders.
- f. Hence, Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Sections 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of PFUTP Regulations.**

E. Failed to make disclosures of material information in RHP/ prospectus-

- a. In para 24 under the chapter Risk Factors in the RHP/prospectus, Noticee 1 had disclosed that as on September 30, 2010 it had unsecured loan amounting to ₹ 15.91 crore which may be repayable on demand. Further, regarding the material developments concerning the unsecured loans taken by Noticee 1 after the filing of Draft Red Herring Prospectus (DRHP), Noticee 1 vide a certificate dated February 17, 2011 (Annexure 12), had stated that barring certain litigations (mentioned therein), no other circumstance has arisen since September 30, 2010 which materially and adversely affect the company's business.

Noticee 1 vide letters dated Nov 28, 2014, Feb 19, 2016 and Feb 25, 2016 (Annexure 10, 4 and 6 respectively) had submitted that it had made payments/ transfers to Saraswati Vincom (₹ 1 crore), Perna Arcade (₹ 9 crore), Progressive Trade Impex (₹ 0.7 crore), Essential Trade Expo (₹ 0.24 crore) from the IPO proceeds towards the repayment of unsecured loans.

- b. From the RHP/ prospectus, investigation observed that unsecured loans taken by Noticee 1 from Perna Arcade, Progressive Trade Impex and Essential Trade Expo Pvt. Ltd, from Sept 30, 2010 till the date of opening of issue were not disclosed.
- c. Noticee 1 vide letter dated February 25, 2016 (Annexure 6), had submitted that in the RHP dated Mar 15, 2011 and prospectus dated Mar 28, 2011 (Annexure 1), the financial details has been presented as on Sept 30, 2010 (within the time limit of six months prescribed) and accordingly the details of





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

un-secured loans as on Sept 30, 2010 has been duly disclosed in the Risk Factors of the RHP/ prospectus. Unsecured loans from Progressive Trade Impex Pvt. Ltd. (₹ 0.7 crore), Prerna Arcade Pvt. Ltd. (₹ 10 crore) and Essential Trade Expo Pvt. Ltd. (₹ 0.5 crore) had been taken after Sept 30, 2010 and hence were not shown in the RHP/ prospectus. Further, Noticee 1 in its reply dated Feb 19, 2016 had submitted that it had also taken an additional unsecured loan of ₹ 4.70 crore from SE Investments Ltd on Nov 25, 2010 apart from the unsecured loans availed from Prerna Arcade, Progressive Trade Impex and Essential Trade Expo Pvt. Ltd.

- d. Investigation observed that these additional unsecured loans resulted in almost 100% increment in the figure of unsecured loans to that disclosed in the RHP (₹ 15.91 Cr as on Sept 30, 2010). Investigation further observed that this additional unsecured loan taken by the company between the filing of DRHP and the issue open date, had materially increased the risks associated with the issue and should have been incorporated in the Risk Factors disclosed in the offer documents/ prospectus.
- e. Investigation observed that these additional unsecured loans availed, during the period between the filing of DRHP and the issue open date, from SE Investments Ltd, Progressive Trade Impex Pvt. Ltd., Prerna Arcade Pvt. Ltd. and Essential Trade Expo Pvt. Ltd. which totaled to ₹ 15.9 crore, was material with respect to the issue, and could have significantly influenced the investment decision of the investors. However, this was neither disclosed in the prospectus or by filing updated offer document to SEBI nor by means of public notice by the company.
- f. Noticee 2, being the Chairman cum Managing Director, Noticee 3, being promoter director/ Whole Time Director and Noticee 4, being a Whole Time Directors in the company during the IP, were involved in the management of the affairs of the company including the IPO process. Further, Noticee 3 had signed the certificate on material developments dated Feb 17, 2011 made with the Merchant Banker inter alia stating that barring certain litigations (mentioned therein), no other circumstance has arisen since filing of DRHP with SEBI which materially and adversely affect the company's business. Further, Noticee 2, Noticee 3 and Noticee 4, by virtue of their respective positions in the company during the IP, were involved in the management of the affairs of the company including the IPO process and were aware of the non-disclosure of such unsecured loans, which had materially increased the risks associated with the issue, taken by Noticee 1 between the filing of DRHP and the issue open date.
- g. Thus, it is alleged that Noticee 1 and the whole time directors – Noticee 2, Noticee 3 and Noticee 4 failed to disclose such material developments in the prospectus, misrepresented the true financial position of the company and thereby misled the investors from taking an informed decision.
- h. Hence, is alleged that Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with Reg. 57(1) and Clause 2(a)(i) of Schedule VII and Clause 2(I)(A)(2)(h) of Para A of Schedule VIII of SEBI ICDR Regulations and Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f) and 4(2)(k) of SEBI PFUTP Regulations.**





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- i. The relevant provisions i.e. Regulation 57(1), Clause 2(a)(i) of Schedule VII and Clause 2(I)(A)(2)(h) of Para A of Schedule VIII of SEBI ICDR Regulations are produced as under:

Regulation 57(1) under “Chapter V – Manner of Disclosures in the Offer Documents” of SEBI ICDR Regulations

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.

(2) Without prejudice to the generality of sub-regulation (1):

(a) the red-herring prospectus, shelf prospectus and prospectus shall contain:

.....

(ii) the disclosures specified in Part A of Schedule VIII, subject to the provisions of Parts B and C thereof.

Clause 2(a)(i) of Schedule VII - Nature of updation/changes in the offer document and consequent steps therein requiring filing of updated offer document of SEBI ICDR Regulations

(2) Changes which require filing of the updated offer document with the Board, along with fees:

(a) If changes are made in the offer document with respect to the following, the issuer shall file an updated offer document with the Board, along with payment of fees as specified in Schedule IV of these regulations:

(i) Section 1: Risk Factors: Any material development which may result in potential risk and may require updation in this section.

Clause 2(I)(A)(2)(h) of “Para A – Disclosures in RHP, Shelf Prospectus and Prospectus” of Schedule VIII of SEBI ICDR Regulations

2(I)(A)(2)(h) The following clause on ‘Issuer’s Absolute Responsibility’ clause shall be incorporated in a box format:

The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue which is material in the context of the issue, that the information contained in the offer document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

- F. Transferred IPO proceeds for dubious transactions to entities, whose credentials are questionable-





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

a. Payments made to King Empire Tradexim Pvt. Ltd., King Power Industries Pvt. Ltd. and Salasar Trading Co.:

- i. From the analysis of bank account statements (Annexure 5) of Noticee 1 and it's reply dated Feb 19, 2016 (Annexure 4), investigation observed that Noticee 1 had utilized some of the IPO proceeds towards transactions with entities whose credentials and businesses are doubtful. Investigation further observed that several payments to the tune of ₹ 8.20 crore from the IPO proceeds have been made to Salasar Trading Co. (Salasar Trading) and payments to the tune of ₹ 2.5 crore and ₹ 2.6 crore from the IPO proceeds were made to King Power Industries Pvt. Ltd. (King Power Industries) and King Empire Tradexim Pvt. Ltd. (King Empire Tradexim) respectively.

Table 10

Sl No.	Transferor	Transferee	Amount (in Rs crore) (Date)
1	SCTL (SBI 30877793951)	King Empire Tradexim Pvt. Ltd. (Axis 910020046109099)	1.8 (07.04.2011)
2	SCTL (SBI 30877793951)	King Empire Tradexim Pvt. Ltd. (Axis 910020046109099)	0.8 (08.04.2011)
		King Empire Tradexim Pvt. Ltd.	2.6
3	SCTL (SBI 30877793951)	King Power Industries Pvt. Ltd (Axis 910020045065839)	1.8 (07.04.2011)
4	SCTL (SBI 30877793951)	King Power Industries Pvt. Ltd (Axis 910020045065839)	0.7 (08.04.2011)
		King Power Industries Pvt. Ltd	2.5
5	SCTL (IDBI 11655100001465)	Salasar Trading Co. (Axis 431010200014377)	2.0 (07.04.2011)
6	SCTL (IDBI 11655100001465)	Salasar Trading Co. (Bol)	0.98 (07.04.2011)
7	SCTL (IDBI 11655100001465)	Salasar Trading Co. (Bol)	3.32 (13.04.2011)
8	SCTL (SBI 30877793951)	Salasar Trading Co. (Axis 431010200014377)	1.4 (07.04.2011)
9	SCTL (SBI 30877793951)	Salasar Trading Co. (Axis 431010200014377)	0.5 (08.04.2011)
		Salasar Trading Co.	8.2
	Total		13.3

- ii. Noticee 1 in its letter dated Feb 19, 2016 had submitted that the aforesaid payments were for the purpose of working capital. Upon perusal of the bills (few sample copies – Annexure 13) submitted in support of the said transactions, investigation observed that the goods described in the bills are connectors, cables and jumpers.
- iii. Investigation revealed that both King Power Industries Pvt. Ltd. and King Empire Tradexim Pvt. Ltd. were formed on same date April 22, 2010. From their financial statements (Annexure 14 (King Power Industries) and Annexure 15 (King Empire Tradexim)), investigation observed that they did not have any major fixed assets and had abnormally high levels of inventory turnover. Further, from the total turnover and the total expenses for FY 2010-11, investigation observed that King Power Industries and King Empire Tradexim were not involved in any value addition of goods. Their major assets were trade receivables and their funding were mainly met by unsecured short term borrowings and trade payables. Further,





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

from the Profit and Loss statement for the Financial Year ending 2011, investigation observed that King Empire had incurred expenses of ₹ 2.35 lac towards salary and ₹ 0.93 lac towards rent which are disproportionately low given the substantially high sales and expenses figures.

- iv. From the ledger statements (Annexure 16) of King Power Industries, in the books of Noticee 1, for the financial years 2010-11 and 2011-12, investigation observed that SCTL had purchased goods worth ₹ 11.53 Crore and ₹ 106 Crore in the financial years 2010-11 and 2011-12 respectively.
- v. From the ledger statements of King Empire Tradexim in the books of Noticee 1 (Annexure 17) and Shilpi Cabletronics Pvt. Ltd. (then subsidiary of Noticee 1) (Annexure 18), investigation observed that Noticee 1 and Shilpi Cabletronics Pvt. Ltd. had purchased goods worth ₹ 11.53 crore and ₹ 16.8 crore respectively and aggregating to ₹ 28.3 crore during the Financial Year 2010-11 from King Empire Tradexim. However, from the financial statements (Annexure 15) of King Empire Tradexim for the financial year 2010-11, investigation observed discrepancy with regard to the total revenue of King Empire Tradexim and the same had been reported as ₹ 24.90 crore. In view of the above, it's alleged that Noticee 1 and Shilpi Cabletronics Pvt. Ltd. were the only customers of King Empire Tradexim during the financial year 2010-11.
- vi. Investigation observed that though King Power Industries and King Empire Tradexim were incorporated in April 2010, Noticee 1 placed substantial portion of its purchases with King Power Industries and King Empire Tradexim during the period 2010-11 and 2011-12. Further, investigation observed that the financials of such companies are not commensurate with their high revenue and expenses figures and that they are not involved in production/ manufacturing of products. Hence it's alleged the credential of the companies - King Power Industries and King Empire Tradexim are doubtful.
- vii. From the KYC and AOF (Annexure 19) of the bank account of Salasar Trading, investigation observed that Sh. Manoj Kumar Garg (DIN: 01772147) was the proprietor of Salasar Trading. Further, from the records available on MCA (Annexure 20), investigation observed that Sh. Manoj Kumar Garg was one of the promoter directors of another entity, Golden Jubilee Sales Pvt. Ltd.
- viii. From the bank statements of Salasar Trading Co. (Annexure 21), Golden Jubilee Sales Pvt. Ltd. (Annexure 22), King Empire Tradexim (Annexure 23) and King Power Industries (Annexure 24), investigation observed that they had frequent transactions amongst themselves. Further during the financial year 2011-12, investigation observed that Golden Jubilee Sales had infused ₹ 99 lakh each (Annexure 25) in the share capital of King Empire Tradexim and King Power Industries.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

- ix. From the KYC and AOF of the bank accounts of the entities –King Empire Tradexim Pvt. Ltd. (Annexure 26), King Power Industries Pvt. Ltd (Annexure 27), and Golden Jubilee Sales Pvt. Ltd. (Annexure 28) and the records available on MCA, investigation observed the following:-
1. As per the Form 18 (Annexure 29)(reg. place of registered office) of Golden Jubilee Sales Pvt. Ltd. dated 15.04.2010, the email-id of Golden Jubilee Sales Pvt. Ltd. was mentioned as mandalmk@gmail.com and as per Form -32 (Annexure 30)(reg. appointment of Director) dated 15.04.2010 of Golden Jubilee, the email-id of Sh. Manoj Kumar Garg was mentioned as abhay77777@gmail.com.
 2. Further, as per Form18 (Annexure 31) and Form 32 (Annexure 32) of King Empire Tradexim Pvt. Ltd, both dated 16.04.2010, it's observed that the email-id of the company was mentioned as mandalmk@gmail.com (as per Form 18) and the email-ids of its promoter directors were mentioned as mandalmk@gmail.com (for Sh. Chandan Bhatia) and abhay77777@gmail.com (for Sh. Vijay Julka).
 3. Further, as per Form18 (Annexure 33) and Form 32 (Annexure 34) of King Power Industries Pvt. Ltd, both dated 15.04.2010, it's observed that the email-id of the company was mentioned as mandalmk@gmail.com (as per Form 18) and the email-ids of its promoter directors (as per Form 32) were mentioned as abhay77777@gmail.com (for Sh. Avinash Bhatnagar and Sh. Arvind Poddar), while as per Form 1(Annexure 35), the email-ids of the directors were mentioned as mandalmk@gmail.com.

Thus, from the above, it is inferred that Salasar Trading Co., King Empire Tradexim and King Power Industries are related entities.

- x. From the analysis of bills (Annexure 36) for the goods purchased by Noticee 1 from the aforesaid entities, investigation observed that it had purchased the items- Din Male Connector 7/8 Feeder cable, Dual Male Connector 7/8 Feeder cable and 1.5 Jumper Din Male & Female Connector from Salasar Trading, King Power Industries and King Empire Tradexim. Further, investigation observed there were steady increase in prices of all the goods during the period Sept 2010-Mar 2011, wherein prices of the goods varied significantly and even witnessing an abnormal increase of 80% in the price of Din Male Connector 7/8 Feeder cable in a span of 6 months.
- xi. Further, investigation observed that Noticee 1 had failed to provide any supporting documents i.e. way-bill to prove if any actual movement of goods took place or the transactions were just mere book entries without any actual movement of goods.

b. Payment made to RRJR Trading Pvt. Ltd.:

- i. From the bank account statements (Annexure 37), investigation observed that ₹ 0.25 crore of the IPO proceeds was transferred from the bank account of Noticee 1 (IDBI Bank - 11655100001465) to the bank account of RRJR Trading Pvt. Ltd. (RRJR) – Axis 910020000490830 on 09.04.2011 and ₹ 0.50 crore was transferred from the bank account of





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Noticee 1 (SBI Bank -30877793951) to the bank account of RRJR- Axis 910020000490830 on 08.04.2011.

- ii. From the Balance Sheet and Profit and Loss Statement (Annexure 38) of RRJR Trading for the period Apr 01, 2010 to Mar 31, 2011 and from Apr 01, 2011 to Mar 31, 2012, investigation observed that RRJR Trading did not have any fixed asset and had losses for the respective periods. The major asset of RRJR Trading was trade receivables and funding of RRJR Trading was mainly met by unsecured short term borrowings and Trade payables.
- iii. From the ledger statements (Annexure 39) of RRJR Trading Pvt. Ltd. in the books of Noticee 1, investigation observed that Noticee 1 had made purchases worth ₹ 62.48 Crore during the FY 2010-11 and had a net credit balance of ₹ 0.29 Crore as on end of Mar 31, 2011. Further, from the ledger statement of RRJR Trading for the FY 2011-12, investigation revealed that there were numerous payments made to RRJR Trading by Noticee 1 without any purchase of goods by Noticee 1 from RRJR Trading during FY 2011-12.
- iv. Noticee 1 in its reply dated Feb 19, 2016 had submitted that the payments were made for purchase of raw materials. The investigation of the invoices indicate that the goods described in the bills are jumpers, connectors and feeder cables. Further, from the ledger of RRJR Trading in the books of Shilpi Cabletronics Pvt. Ltd. (Shilpi Cabletronics), then wholly owned subsidiary, and associated invoices, investigation observed that RRJR Trading had procured similar goods from Shilpi Cabletronics.
- v. Though as per MoA (Annexure 40) of RRJR Trading Pvt. Ltd., its object is trading and other activities in goods pertaining to textiles, it's alleged that, both Noticee 1 and Shilpi Cabletronics dealt in items pertaining to cables, jumpers and connectors with RRJR Trading.
- vi. Further, upon analysis of the invoices (Annexure 41) submitted by Noticee 1 and by Shilpi Cabletronics, investigation observed that products purchased by RRJR Trading from Shilpi Cabletronics were subsequently sold to Noticee 1 at a higher value. A few illustrations are mentioned underneath:

Table 11

SI No.	Details of sales made to RRJR by Shilpi Cabletronics					Details of purchases made by SCTL from RRJR				
1	Date of invoice	10-Mar-11				Date of invoice	12-Mar-11			
	Invoice No.	278				Invoice No.	228			
	Description of goods	Connector ¼ inch	Qty: 3000 pcs	Rate: 433/ pc	Amount: ₹12,99,000	Description of goods	Connector ¼ inch	Qty: 3000 pcs	Rate: 434/ pcs	Amount: ₹13,02,000
		Connector 7/8	Qty: 1200 pcs	Rate: 609/ pc	Amount: ₹ 7,30,800		Connector 7/8	Qty: 1200 pcs	Rate: 610/ pcs	Amount: ₹ 7,32,000





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

	Total (+@12.5% VAT)	₹ 22,83,525				Total (+@12.5% VAT)	₹ 22,88,250			
	Date of sale	28-Jan-11				Date of sale	29-Jan-11			
	Invoice No.	263				Invoice No.	214			
2	Description of goods	Feeder Cable 7/8"	Qty: 3265 mtr	Rate: 630/ mtr	Amount: ₹ 20,56,950	Description of goods	Connector 7/8	Qty: 320 pcs	Rate: 639/ pc	Amount: ₹ 2,04,480
		Surge Arrester for 7/8 inch Feeder Cable	Qty: 1050 pcs	Rate: 650/ pcs	Amount: ₹ 6,82,500		Feeder Cable 7/8"	Qty: 3519 mtr	Rate: 631/ mtr	Amount: ₹ 22,20,489
		Connector 7/8	315 pcs	Rate: 638/ pcs	Amount: ₹ 2,00,970		Surge	1055 pcs	Rate: 651/ pcs	Amount: ₹ 6,86,805
	Total (+@12.5% VAT)	₹ 33,07,973				Total (+@12.5% VAT)	₹ 35,00,746			

vii. Thus, it is alleged that the entire transactions, involving the process of sale of goods by Shilpi Cabletronics to RRJR Trading at a price lower to what RRJR Trading sold to Noticee 1 and in quantity higher to what RRJR Trading sold to Noticee 1, are sham transactions.

c. Amount transferred to Shilpi Cabletronics Pvt. Ltd. (then wholly owned subsidiary):

i. From the bank account statements (Annexure 42) of Noticee 1, investigation observed that the following payments were made to Shilpi Cabletronics Pvt. Ltd.:-

Table 12

Sl No.	Transferor	Transferee	Amount (in ₹ crore) (Date of payment)
1	SCTL (IDBI 11655100001465)	Shilpi Cabletronics (PNB 4904008700000080)	5.00 (07.04.2011)
2	SCTL (IDBI 11655100001465)	Shilpi Cabletronics (PNB 4904008700000080)	0.03 (11.04.2011)
3	SCTL (SBI 30877793951)	Shilpi Cabletronics (PNB 4904008700000080)	1.25 (11.04.2011)
4	SCTL (SBI 30877793951)	Shilpi Cabletronics (PNB 4904008700000080)	0.45 (18.04.2011)
	Total		6.73

- Noticee 1 in its prospectus had mentioned that one of the objects of the issue was to raise funds for investment in the subsidiary – Shilpi Cabletronics Limited and had proposed ₹ 5 crore for such investment.
- With regard to the additional amount to the tune of Rs, 1.73 Crore transferred to Shilpi Cabletronics, Noticee 1 had replied that the same was for Shilpi Cabletronics' urgent working capital requirement and subsequently Shilpi Cabletronics was merged into Noticee 1.
- The additional payment of ₹ 1.73 Crore to Shilpi Cabletronics Limited for its working capital requirement is divergent from the objects of the issue proposed in the final prospectus.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

- v. Investigation, from PNB's email dated Feb 28, 2020 (Annexure 43) observed that Shilpi Cabletronics had subsequently transferred the funds from its bank account (PNB 4904008700000080) during the period 07.04.2011 to 13.04.2011 to the following entities:

Table 13

Sl No.	Name of the entity	Amount transferred (in ₹ crore)
1	Essential Tradexpo Pvt. Ltd.	0.06
2	King Empire Tradexim Pvt. Ltd	1.92
3	King Power Industries Pvt Ltd	0.37
4	OTTMISC- Shilpi Cabletronics Ltd. (Hong Kong)	0.89
5	Progressive Trade Impex Pvt. Ltd	0.06
6	Salasar Trading Company	0.01
7	Shilpi Cable Technologies Limited	0.30
8	Shilpi Cabletronics Ltd.	1.62
9	KJRS Trading (P) Ltd.	0.25

- vi. Investigation observed that of the ₹ 6.73 Cr transferred to Shilpi Cabletronics, an amount of ₹ 2.3 Cr was transferred to the entities – Salasar Trading, King Empire Tradexim and King Power Industries. As already detailed above, investigation revealed that the transactions with the said entities are suspicious and it's alleged that the underlying transactions with the entities are sham transactions.
- vii. In view thereof, it's alleged that an amount of ₹ 2.3 Cr of the amount transferred to Shilpi Cabletronics from the IPO proceeds have been made for dubious transactions and with entities whose credentials are questionable.
- d. Noticee 2, being the Chairman cum Managing Director, Noticee 3, being promoter director/ Whole Time Director and Noticee 4, being a Whole Time Directors in the company during the IP, were involved in the management of the affairs of the company including the IPO process and the utilization of IPO proceeds. Further, Noticee 2, Noticee 3 and Noticee 4, by virtue of their respective positions in the company during the IP, were aware of the payments made for such dubious transactions to entities - King Empire Tradexim Pvt. Ltd., King Power Industries Pvt. Ltd., Salasar Trading Co. and RRJR Trading Pvt. Ltd. whose credentials are questionable.
- e. Thus, it is alleged that Noticee 1 and the whole time directors – Noticee 2, Noticee 3 and Noticee 4 had transferred IPO proceeds for dubious transactions to entities i.e. King Empire Tradexim Pvt. Ltd., King Power Industries Pvt. Ltd., Salasar Trading Co. and RRJR Trading Pvt. Ltd. whose credentials are questionable.
- f. Hence, it's alleged that Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Sections 12A(a), (b) and (c) of the SEBI Act, 1992 read with Reg. 3(a), 3(b), 3(c), 3(d) and Reg 4(1) of SEBI PFUTP Regulations.**

G. Transferred ₹ 6.05 Crore of the IPO proceeds to group company/ promoter entity – Shilpi Communication Pvt. Ltd:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

- a. From the bank account statements of Noticee 1 and its reply dated February 19, 2016, investigation observed that a total of ₹ 6.05 Crore was transferred to Shilpi Communication Pvt. Ltd. in a series of transactions, details of which are as follows:-

Table 14

Sl No.	Transferor	Transferee	Amount (in Rs cr.) (Date)
1	SCTL (PNB 4904008700000280)	Shilpi Communication Pvt. Ltd. (PNB 4904002100001816)	5.00 (08.04.2011)
2	SCTL (SBI 30877793951)	Shilpi Communication Pvt. Ltd. (PNB 4904002100001816)	1.05 (11.04.2011)
		Total	6.05

- b. Noticee 1 in its reply dated February 19, 2016 had submitted that advances were given to Shilpi Communication Pvt. Ltd and ₹ 4.6 Crore was recovered during the year 2011-12. Further an amount of ₹ 0.40 Crore was adjusted out of Credit Balance of ₹ 1.06 Crore of Shilpi Communication Pvt. Ltd. in the books of M/s Shilpi Cabletronics Limited.
- c. However, from the bank statements (Annexure 44) of Noticee 1 and Shilpi Communication and the ledger statement (Annexure 45) of Shilpi Communication Pvt. Ltd., investigation revealed frequent transactions between the two entities.
- d. From the abovementioned ledger statement, investigation observed that even though there were frequent fund transfers between the two group companies, no bill entries for supply or receipt of goods and services were observed in the ledgers to support such payments. Further, from the Annual Report of the company for the financial year ending 2012, no sales or expenses were made by Noticee 1 with the promoter company - Shilpi Communication Pvt. Ltd.
- e. Noticee 1 has claimed that part of the funds transferred to Shilpi Communication Pvt. Ltd. were subsequently received and a part was adjusted against the entries of Gloster Metal & Alloys (group entity of Noticee 1) and Shilpi Cabletronics (which was later merged with the company). From the bank account statements and the annual report of Noticee 1, investigation observed that there were significant fund transfers between the entities and that there were no related party purchases or sales amongst them. Accordingly, investigation observed that the claim of the company that the funds transferred to Shilpi Communication Pvt. Ltd. from IPO proceeds were returned back to Noticee 1 cannot be adequately substantiated. Further, Noticee 1 did not provide any evidence/ document to explain such fund transfers and from the Annual Report of FY 2011-12, investigation observed that no service/ goods were provided by Shilpi Communication Pvt. Ltd in return for such frequent transactions.
- f. Noticee 2, being the Chairman cum Managing Director, Noticee 3, being promoter director/ Whole Time Director and Noticee 4, being a Whole Tome Directors in the company during the IP, were involved in the management of the affairs of the company including the IPO process and the





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

utilization of IPO proceeds. Further, Noticee 2, Noticee 3 and Noticee 4, by virtue of their respective positions in the company during the IP, were aware of the advances made to Shilpi Communication Pvt. Ltd. without any underlying transaction.

- g. Thus, it is alleged that Notice 1 and its whole time directors – Noticee 2, Noticee 3 and Noticee 4 had transferred ₹ 6.05 Crore of the IPO proceeds to group entity for the use of its group entity and without any underlying transaction.
- h. Hence, Notice 1, Noticee 2, Noticee 3 and Noticee 4 are in violation of **Sections 12A(a), (b) and (c) of the SEBI Act, 1992 read with Reg. 3(a), 3(b), 3(c), 3(d) and Reg 4(1) of SEBI PFUTP Regulations.**

11. Hence, it's alleged that the Noticee 1 had:

- i. deviated in deployment of IPO proceeds from that mentioned in the RHP without complying with the necessary regulatory compliances

Further, it's alleged that Noticee 1, Noticee 2, Noticee 3 and Noticee 4, had

- ii. made Incorrect and Misleading disclosures on Exchanges regarding utilization of IPO proceeds
- iii. failed to comply with the requirement of disclosing all monies utilized and unutilized out of the issue proceeds under appropriate separate heads in its balance-sheets
- iv. disclosed distorted, false and vague information in the agenda pertaining to change/ alteration of objects of IPO in the notice to the AGM dated Sept 29, 2011
- v. failed to make disclosures of material information in RHP/ prospectus
- vi. transferred IPO proceeds for dubious transactions to entities, whose credentials are questionable
- vii. transferred ₹ 6.05 Crore of the IPO proceeds to group company/ promoter entity – Shilpi Communication Ltd

12. In view of the above, the Noticee 1, Noticee 2, Noticee 3 and Noticee 4 are hereby called upon to show cause as to why appropriate directions under Section 12A(a) of SCRA and sections 11(1), 11(4), 11(4A), 11B(1), 11B(2) read with 15HA of SEBI Act, 1992 should not be issued against it.

13. The relevant provisions Section 12A(a) of SCRA, Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2), and Section 15HA of SEBI Act, 1992 are reproduced below:

Section 12A(a) of SCRA





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

12A If, after making or causing to be made an inquiry, the Securities and Exchange Board of India is satisfied that it is necessary—

(a) in the interest of investors, or orderly development of securities market;

Sections 11(1), 11(4), 11(4A), 11B(1), 11B(2), and Section 15HA of SEBI Act, 1992

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

11 (4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —

(a)

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities

.....

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation

.....

11 (4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

11B(1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,—(i) in the interest of investors, or orderly development of securities market; or(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or(iii) to secure the proper management of any such intermediary or person, it may issue such directions,—(a) to any person or class of persons referred to in section 12, or associated with the securities market; (b) to any company in respect of matters specified





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

11B (2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

15HA Penalty for fraudulent and unfair trade practices.- 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 practices, whichever is higher.

14. Further, the Noticees are advised to provide SEBI, list of all type of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account no. name and address of the bank/branch held by them, details of all demat accounts / mutual fund units held by them and list of all other movable/immovable assets owned by them as on the date of receipt of this show cause notice.
15. The Noticees may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulation, 2018. If the Noticees wish to opt for the settlement process, they may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticees may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
16. The Noticees written submissions, if any, should reach the undersigned, at the address given below and at prasenjitd@sebi.gov.in and saktirajb@sebi.gov.in (word format) within 21 days from the date of receipt of this notice, failing which it shall be construed that the Noticees have no reply to submit and the matter shall be proceeded on the basis of the materials available on record.

**Securities and Exchange Board of India
SEBI Bhavan-II, Plot No. C-7, G Block,
Bandra Kurla Complex, Bandra (E),
Mumbai-400 051**

17. The documents relied upon in the notice have been annexed as per the list of enclosures.

Prasenjit Dey
18/08/21
Prasenjit Dey





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Enclosures- Documents relied upon (placed in the CD) are as follows:

Annexure no.	Particulars of the Annexure
1	Prospectus/ RHP
2	Quarterly financial results filings (from Jun 2011 to Mar 2013)
3	Letter dated August 22, 2012
4	Letter dated February 19, 2016 and annexures thereto
5	Bank statements (as annexure) to letter dated February 19, 2016
6	Letter dated February 25, 2015
7	Supporting documents to the letter dated Dec 09, 2014
8	Ratnakar Bank email dated Mar 02, 2020
9	Letter dated Nov 26, 2014
10	Letter dated Nov 28, 2014
11	Information mentioned in the resolution and the Explanatory Statement as part of the notice to AGM dtd 29.09.2011
12	Certificate regarding material developments dated February 17, 2011
13	Few sample copies of invoices of King Empire, King Power and Salasar Trading
14	Financial statements of King Power Industries Pvt. Ltd. (2010-11)
15	Financial statements of King Empire Tradexim Pvt. Ltd. (2010-11)
16	Ledger statements of King Power Industries in the books of SCTL
17	Ledger statements of King Empire Tradexim in the books of SCTL
18	Ledger statements of King Empire Tradexim in the books of Cabletronics Pvt. Ltd.
19	KYC and AOF of the bank account of Salasar Trading Co
20	MCA records of - Sh. Manoj Kumar Garg
21	Bank statements of Salasar Trading Co.
22	Bank statements of Golden Jubilee Sales Pvt. Ltd.
23	Bank statements of King Empire Tradexim.
24	Bank statements of King Power Industries
25	Golden Jubilee Sales had infused Rs. 99 lakh each in the share capital of King Empire Tradexim and King Power Industries.
26	KYC and AOF of the bank account of King Empire Tradexim Pvt. Ltd.
27	KYC and AOF of the bank account of King Power Industries Pvt. Ltd
28	KYC and AOF of the bank account of Golden Jubilee Sales Pvt. Ltd.
29	Form 18 (reg. Place of registered office) of Golden Jubilee Sales Pvt. Ltd. Dated 15.04.2010





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

30	Form -32 (reg. Appointment of Director) dated 15.04.2010 of Golden Jubilee
31	Form18 of King Tradexim Pvt. Ltd dated 16.04.2010
32	Form 32 of King Tradexim Pvt. Ltd dated 16.04.2010
33	Form18 of King Power Industries Pvt. Ltd dated 15.04.2010
34	Form 32 of King Power Industries Pvt. Ltd dated 15.04.2010
35	Form 1 of King Power Industries Pvt. Ltd
36	Bills of goods purchased by SCTL from Salasar Trading Co., King Empire Tradexim and King Power Industries
37	Bank account statements
38	Balance Sheet and Profit and Loss Statement of RRJR for FY 2010-2011 and FY 2011-2012
39	Ledger statements of RRJR in the books of SCTL
40	Memorandum of Association of RRJR Trading
41	Invoices of Shilpi Cable and Shilpi Cabletronics
42	Bank account statements - payments were made to Shilpi Cabletronics Pvt. Ltd.
43	PNB's email dated March 03, 2020
44	Bank statements of SCTL - PNB 4904008700000280/ SBI 30877793951 and Shilpi Communication - PNB 4904002100001816
45	Ledger statement of Shilpi Communication

