

**By Speed Post with A. D. and e-mail**

**CHIEF GENERAL MANAGER &  
ADJUDICATING OFFICER**

**EAD5/MC/VS/2021/  
March 4, 2021**

|                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. <b>Tirupati Fincorp Ltd.</b><br/>(AADCS4520R)<br/>PN-1 Telephone Colony<br/>Tonk Phatak<br/>Jaipur : 302 015</p> <p>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar<br/>Jaipur : 302 021</p> <p>E-mail:-<br/>tirupatifincorp31@gmail.com</p> | <p>2. <b>Sudhir Bhikhalal Parekh</b><br/>(AGKPP2595F)<br/>D-3, Parijat, UBI Employees CHS,<br/>Patel Estate Road, Jogeshwari (West)<br/>Mumbai : 400 102</p>                                                 |
| <p>3. <b>Bhavesh Premji Mamania</b><br/>(AKOPM4329C)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:-<br/><a href="mailto:bhavesh.premji@yahoo.com">bhavesh.premji@yahoo.com</a></p>                      | <p>4. <b>Parth Dineshbhai Kanabar</b><br/>(BAKPK2744N)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar<br/>Jaipur : 302 021</p> <p>E-mail:- parth.kanabar@gmail.com</p> |
| <p>5. <b>Sheetal Mitesh Shah</b><br/>(BKOPK9087L)<br/>Plot No.D 37<br/>Sector 9, B1 Basement Floor</p>                                                                                                                                                                              | <p>6. <b>Kusum Jain</b><br/>(ADRPJ4541P)<br/>B-41 Mandir Road<br/>Vidhyadhar Nagar</p>                                                                                                                       |

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Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

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| <p>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:-<br/>miteshcshah88@gmail.com</p>                                                                                                                                                                                                      | <p>Jaipur – 302039</p> <p>E-mail:- chairman@tebl.org</p>                                                                                                                                                                                                                                                |
| <p>7. <b>Senthilkumar Tappali Devadoss</b><br/>(DRLPS3369M)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p>                                                                                                                                    | <p>8. <b>Hitsharan Jain</b><br/>(AANPJ7373E)<br/>B-41 Mandir Road<br/>Vidhyadhar Nagar<br/>Jaipur – 302039</p> <p>E-mail:- chairman@tebl.org</p>                                                                                                                                                        |
| <p>9. <b>Saurabh Gandhi</b><br/>(CCDPS5093N)<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:-<br/>sourabhkrishna009@gmail.com</p>                                                                                                                              | <p>10. <b>Beena Jain</b><br/>(AHTPJ4218K)<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p>                                                                                                                                                                           |
| <p>11. <b>Prafulla Subhash Chandra Bhat</b><br/>(AMEPB0155F)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:-<br/>bhatprafulla@gmail.com;<br/>great.star347@gmail.com;<br/>sphinvestment@yahooo.com;<br/>prafullabhat@gmail.com</p> | <p>12. <b>Arvind Jethalal Gala</b><br/>(ACSPG7022Q)<br/>Flat No.2, Plot No.36A<br/>Opp. St.Joseph High School Pushpa<br/>Park<br/>Daftary Road, Malad (East),<br/>Mumbai : 400 097</p> <p>E-mail:-<br/>arvind.gala@dhairyamanagement.com;<br/>arvindgala@hotmail.com;<br/>kunjalgala@rediffmail.com</p> |

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| <p><b>13. Bhupendra Ratilal Kadhi</b><br/>(AACPK5739Q)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:- kadhi@vsnl.net;<br/>kadhi.associates@gmail.com;<br/>bkadhi@yahoo.com</p>                                                                                                                           | <p><b>14. Chanakya Arvind Dhanda</b><br/>(AOLPD8006N)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p> <p>E-mail:- chanakyadhanda@gmail.com</p> |
| <p><b>15. Murugan Gayathri</b><br/>(BAUPG8669Q)<br/>Plot No.D 37, Sector 9<br/>B1 Basement Floor<br/>Chitrakut Yojna, Vaishali Nagar,<br/>Jaipur : 302 021</p>                                                                                                                                                                                                                       | <p><b>16. Chanchal Dalmia</b><br/>(ANFPD7769K)<br/>1, Gracehill Road<br/>Coonoor<br/>Tamilnadu : 643 101</p> <p>E-mail:-chanchal.dalmia@gmail.com</p>                                                         |
| <p><b>17. Dalmia Infrapower Pvt. Ltd.</b><br/>(AAECD2058E)<br/>301-302 Amrapali Plaza<br/>Amrapali Circlem<br/>Vaishali<br/>Nagar<br/>Jaipur : 302 021</p> <p>Dalmia Bhawan,<br/>Ward No. 11,<br/>Near Purani Nagarpalika,<br/>Main Market Ke Pass,<br/>Kasba Pilani Jhunjhunun<br/>Rajasthan -333031</p> <p>E-mail:- <a href="mailto:dalmiagk@gmail.com">dalmiagk@gmail.com</a></p> | <p><b>18. Santosh Agrawal</b><br/>(AHXPA1564B)<br/>301-302 Amrapali Plaza<br/>Amrapali Circlem<br/>Vaishali<br/>Nagar<br/>Jaipur : 302 021</p> <p>E-mail:- chairman@tebl.com</p>                              |

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| <p><b>19. Yash Dalmia</b><br/>(ALDPD8741P)<br/>1, Gracehill Road<br/>Coonoor<br/>Tamilnadu : 643 101</p> <p>E-mail:- catchyash@gmail.com</p>                                                            | <p><b>20. Maya Dalmia</b><br/>(ADKPD4134H)<br/>1, Gracehill Road<br/>Coonoor<br/>Tamilnadu : 643 101</p> <p>E-mail:- chairman@tebl.org</p>                                                |
| <p><b>21. Basanti Devi</b><br/>(ADMPPD0122D1)<br/>1, Gracehill Road<br/>Coonoor<br/>Tamilnadu : 643 101</p> <p>E-mail:- chairman@tebl.org</p>                                                           | <p><b>22. Gopi Krishan Dalmia &amp; Vinayak Tea Company</b><br/>(ADKPD4133A)<br/>1, Gracehill Road,<br/>Coonoor Tamilnadu : 643 101</p> <p>E-mail:- chairman@tebl.org</p>                 |
| <p><b>23. Tea Exchange Bharat Ltd</b><br/>(AACCT8143J)<br/>1, Shreeji Complex, Gracehill Road, Coonoor<br/>Tamilnadu : 643 102</p> <p>E-mail:- chairman@tebl.org</p>                                    | <p><b>24. Bhartiya Commotrade Pvt.Ltd.</b><br/>(AADCB8998G 719)<br/>7th Floor, Evershine Tower Amrapali Circle Vaishali Nagar<br/>Jaipur : 302 021</p> <p>E-mail:- dalmiagk@gmail.com</p> |
| <p><b>25. Bhartiya Natural Organic Foods Pvt. Ltd.</b><br/>(AADCB9369H)<br/>720, 7th Floor Evershine Tower, Amrapali Circle<br/>Vaishali Nagar<br/>Jaipur 302 021</p> <p>E-mail:- chairman@tebl.org</p> | <p><b>26. Golden Era Plantations India Pvt. Ltd</b><br/>(AABCM2142B)<br/>94, Gracehill Road, Coonoor<br/>Tamil Nadu : 643 101</p> <p>E-mail:- goldenindia1234@gmail.com</p>               |
| <p><b>27. Shiv Trading Company</b><br/>(ARAPA3423E)<br/>DI-382, Parswnath Township, Navrangpura</p>                                                                                                     | <p><b>28. Krishna Kant Agarwal</b><br/>(AGDPA7584J)<br/>1-3/21-26 Gurukrupa Building, Kamakoti Nagar, Vijayawada</p>                                                                      |

|                  |                                                       |
|------------------|-------------------------------------------------------|
| Ahmedabad-382345 | Andhra Pradesh – 520012<br>E-mail:- chairman@tebl.org |
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**Show Cause Notice under Rule 4(1) of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 and the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (“Adjudication Rules”) vis-à-vis 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.**

1. Securities and Exchange Board of India (hereinafter referred to as ‘**SEBI**’) has initiated adjudication proceedings under Section 23E of the Securities Contracts (Regulation) Act, 1956 (“hereinafter referred to as the “**SCRA**”) and Sections 15HA and 15HB of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) against the following 28 entities (hereinafter together referred to as the “**Noticees**”) for alleged violation of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (“**PFUTP Regulations**”):-

| <b>Noticee No.</b> | <b>Name</b>              | <b>PAN</b> |
|--------------------|--------------------------|------------|
| 1.                 | Tirupati Fincorp Ltd.    | AADCS4520R |
| 2.                 | Sudhir Bhikhalal Parekh  | AGKPP2595F |
| 3.                 | Bhavesh Premji Mamania   | AKOPM4329C |
| 4.                 | Parth Dineshbhai Kanabar | BAKPK2744N |
| 5.                 | Sheetal Mitesh Shah      | BKOPK9087L |
| 6.                 | Kusum Jain               | ADRPJ4541P |

Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

|     |                                           |            |
|-----|-------------------------------------------|------------|
| 7.  | Senthilkumar Tappali Devadoss             | DRLPS3369M |
| 8.  | Hitsharan Jain                            | AANPJ7373E |
| 9.  | Saurabh Gandhi                            | CCDPS5093N |
| 10. | Beena Jain                                | AHTPJ4218K |
| 11. | Prafulla Subhash chandra Bhat             | AMEPB0155F |
| 12. | Arvind Jethalal Gala                      | ACSPG7022Q |
| 13. | Bhupendra Ratilal Kadhi                   | AACPK5739Q |
| 14. | Chanakya Arvind Dhanda                    | AOLPD8006N |
| 15. | Murugan Gayathri                          | BAUPG8669Q |
| 16. | Chanchal Dalmai                           | ANFPD7769K |
| 17. | Dalmia Infrapower Pvt. Ltd.               | AAECD2058E |
| 18. | Santosh Agrawal                           | AHXP1564B  |
| 19. | Yash Dalmia                               | ALDPD8741P |
| 20. | Maya Dalmia                               | ADKPD4134H |
| 21. | Basanti Devi                              | ADMPD0122D |
| 22. | Gopi Krishan Dalmia & Vinayak Tea Company | ADKPD4133A |
| 23. | Tea Exchange Bharat Ltd                   | AACCT8143J |
| 24. | Bhartiya Commotrade Pvt.Ltd.              | AADCB8998G |
| 25. | Bhartiya Natural Organic Foods Pvt. Ltd.  | AADCB9369H |
| 26. | Golden Era Plantations India Pvt. Ltd     | AABCM2142B |
| 27. | Shiv Trading Company                      | ARAPA3423E |
| 28. | Krishna Kant Agarwal                      | AGDPA7584J |

Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

2. The undersigned was appointed as Adjudicating Officer vide order dated September 7, 2020, to enquire into and adjudge under Section 23E of the SCRA and Sections 15HA and HB of the SEBI Act, the aforesaid alleged violations by the Noticees. Copy of communiqué dated October 16, 2020 appointing the undersigned as Adjudicating Officer is placed at **Annexure – 1**.

### **Background**

3. SEBI investigated suspected misutilisation of funds raised by Tirupati Fincorp Ltd. (“TFL”/“the Company”/“Noticee 1”) through preferential allotment of equity shares made on 07.01.2013.
4. The period of Investigation has been taken from January 05, 2013 to December 24, 2015 (hereinafter referred to as “**investigation period**” / “**IP**”).
5. The findings of the investigation are given below.
6. TFL is an India-based non-banking finance company (“NBFC”). The Company is engaged in providing financial services. The Company provides various types of financial products and secured loans. Its services include loan against property, unsecured loans, loan against shares and business loan.
7. TFL was incorporated in 1982 under the name and style of “Surya Globefin Limited” and the name of the Company was changed to Tirupati Fincorp Limited from January 2013.

8. The registered address of the company is PN-1, Telephone Colony Tonk Phatak, Jaipur, Rajasthan- 302 015.
9. The company is presently listed at BSE since March 2015. However, the present status of listing as per BSE website is : *“Trading Restricted - On account of GSM, Suspended due to Penal reasons, Suspended - Surveillance Measure”*.

Management of the company:

During the investigation period, the directors of TFL were as follows:

| <b>Table-1</b> |                               |                    |                   |                 |
|----------------|-------------------------------|--------------------|-------------------|-----------------|
| <b>DIN</b>     | <b>Name</b>                   | <b>Designation</b> | <b>Begin Date</b> | <b>End Date</b> |
| 02910252       | Kusum Jain                    | Director           | 04-Jan-2010       | 26-Sep-2014     |
| 02910260       | Hitsharan Jain                | Director           | 04-Jan-2010       | 25-Mar-2017     |
| 06462955       | Saurabh Gandhi                | Director           | 27-Dec-2012       | 26-Sep-2014     |
| 06962259       | Murugan Gayathri              | Director           | 01-Sep-2014       | 08-Apr-2015     |
| 06970069       | Senthilkumar Tappali Devadoss | Director           | 01-Sep-2014       | 30-Apr-2015     |
| 07322250       | Beena Jain                    | Director           | 25-Sep-2015       | 11-Aug-2017     |
| 06604513       | Prafulla Subhashchandra Bhat  | Director           | 14-Nov-2015       | 11-Mar-2016     |
| 01227408       | Bhupendra Ratilal Kadhi       | Director           | 22-Feb-2014       | 14-Jun-2014     |
| 02392119       | Arvind Jethalal Gala          | Director           | 30-Apr-2015       | 6-Feb-2019      |
| 02709047       | Chanakya Arvind Dhanda        | Director           | 14-Jan-2016       | 11-Mar-2016     |
| 02208146       | Bhavesh Premji Mamanja        | Director           | 07-Jun-2014       | Continued       |
| 07184815       | Sudhir Bhikhalal Parekh       | Director           | 30-Apr-2015       | Continued       |
| 06683130       | Parth Dineshbhai Kanabar      | Addl Director      | 19-Apr-2017       | Continued       |
| 08364948       | Sheetal Mitesh Shah           | WT Director        | 30-Apr-2015       | Continued       |

Note: It is also noted from the minutes of the various meetings submitted by the Company, that a person by the name “Ms. Chanchal Dalmia” was present during the meetings in the capacity as “Director”. However, name of the entity does not appear in the records of MCA/Zaubacorp as a director of the Company.

10. Vide letter dated February 25, 2020, Chanchal Dalmia was asked to clarify about her directorship in the Company and also to provide her relationship/connection/association with the Company and other allottees in the matter. The said letter sent to the address as available in the records furnished by the

Company, was returned undelivered with a postal remark: “Addressee left without instructions”.

11. Based on the parameters approved by SEBI for surveillance action on companies having made preferential issue in past few years, BSE suspended trading in the securities of Tirupati Fincorp Ltd. (which was one among 102 companies falling in that category and got their trading suspended from time to time).
12. In order to carry out an independent review, the matter was placed by BSE before its Auditors Committee (“AC”) for their review and recommendation. The AC at its meeting held on June 22, 2017, after taking into consideration various documents/clarifications filed by the Company from time to time, made *inter alia* the following observations:
  - i. The total amount of Rs.4.20 Crore raised out of the preferential issue of 20,00,000 equity shares of Rs.10/- each at a premium of Rs.11 per share to promoter and non-promoter entities, were mainly utilized for:
    - Rs.1.99 Crore for purchase of goods (fabrics);
    - Rs.1.48 Crore for granting loans;
    - Rs.0.40 crores for investments in Tea Exchange Bharat Ltd, and
    - Rs.0.39 crores as fixed deposit.
  - ii. Funds collected from few of the preferential allottees have been repaid to them in form of purchase of goods/granting loans as per details below:

**Table-4**

| S/N | Name of Allottee    | Amount paid by Allottee | Amount repaid | Purpose of payment |
|-----|---------------------|-------------------------|---------------|--------------------|
| 1.  | Krishnakant Agarwal | Rs.20.00 Lakh           | Rs.20.00 Lakh | Purchase of goods  |
| 2.  | Santosh Trading Co. | Rs.15.00 Lakh           | Rs.50.00 Lakh | Purchase of goods  |
|     |                     |                         | Rs.37.81 Lakh | Loan given         |

|    |                  |                  |                  |                   |
|----|------------------|------------------|------------------|-------------------|
| 3. | Shiv Trading Co. | Rs.15.00<br>Lakh | Rs.68.00<br>Lakh | Purchase of goods |
|----|------------------|------------------|------------------|-------------------|

- iii. The Company has submitted an Auditors' Certificate issued by KPND & Co., Chartered Accountants. In view of the aforesaid observations, the certificate confirming that there is no mis-utilization of funds, appears to be equivocal and faulty.
- iv. In view of the above, it appears that the funds raised by the Company have not been utilized in accordance with approval granted by the shareholders of the Company at the Extra-Ordinary General Meeting held on January 5, 2013.

13. Hence, the AC of BSE after taking into consideration various submissions made by the Company, concluded that there is mis-utilization of funds raised under preferential issue by the Company. Subsequently, based on approval from SEBI, the following actions were taken by BSE:-

- i. Published the list of 19 companies including TFL, on its website where mis-utilization of preferential issue proceeds was observed;
- ii. Placed the securities of the Company in Stage III of GSM framework with effect from June 18, 2018;
- iii. Issued a notice *inter alia* advising companies to make necessary disclosures with regard to mis-utilization of preferential issue proceeds along with ensuring quarterly unaudited/audited financial results and same to be ratified by the shareholders of the Company within 3 months from intimation, failing which trading in their scrips would be suspended and delisting process will be initiated in case the companies fail to submit the aforesaid disclosure even after six months of suspension.

### **Investigation into the utilization of the proceeds of Preferential Allotment**

14. Vide the “Notice of Extra Ordinary General Meeting” dated November 30, 2012 (**Annexure-1a**) issued by the Company for the EGM of its members held on January 5, 2013, the said preferential issue was proposed as a Special Business. Further, the Explanatory Statement in terms of Section 173(2) of the Companies Act, 1956 under the head: “Disclosures prescribed under the SEBI ICDR Regulations, 2009, set out the following as the objects of the preferential issue:
- In order to generate long term resources for implementing future growth plans, it is proposed to issue equity shares on preferential basis;
  - The proceeds of proposed preferential allotment will strengthen the financial position of the company;
  - The object of the equity shares on preferential basis is to augment the capital base of the company and also to meet working capital requirement of the company.
15. The Resolution dated January 05, 2013 was passed by the Board of Directors of the Company for issue on preferential basis of 20,00,000 equity shares of Rs.10/- each at a premium of Rs.11/- per equity share aggregating to Rs.4,20,00,000/-. Accordingly, the preferential allotment by TFL was made on January 07, 2013.
16. The Company in its Extra Ordinary General Meeting (“EGM”) of the members held at its Regd. Office at: E-7 Ram Sharan Dham, Jagdamba Nagar, Ajmer Road, Jaipur, on January 5, 2013, passed the resolution containing the details of the allotment and the objects of the preferential issue. Further, as per the copy of the relevant extract of the Minutes of the EGM of members of the Company held on, January 5, 2013 (**Annexure - 2**) the aforesaid Resolution, there was no mention about any modification made to

the Objects of the Preferential Issue as set out in the “Notice of Extra Ordinary General Meeting” dated November 30, 2012.

17. The details of the preferential allotment, as submitted by the company are as follows:-

**Table-2**

| Sr. No | Date of allotment | No. of allottees | No of shares | Issue Price (in Rs) | Issue Proceeds (in Rs) |
|--------|-------------------|------------------|--------------|---------------------|------------------------|
| 1.     | January 07, 2013  | 27               | 20,00,000    | 21                  | 4,20,00,000/-          |

18. The details of allottees, no. of shares allotted, and subscription money received from them are given in Table below:-

**Table-3**

| Sl. No. | Name and address of the Allottee | Address of the Allottee                                                  | No. of Shares allotted for | Amount Payable @ Rs.21 per share | Date of Receipt of Subscription moneys | Amount    |
|---------|----------------------------------|--------------------------------------------------------------------------|----------------------------|----------------------------------|----------------------------------------|-----------|
| 1       | G K Dalmia                       | 1, Gracehill Road, Coonoor, Tamilnadu : 643 101                          | 95,238                     | 1999998                          | 30-Nov-12                              | 20,00,000 |
| 2       | Navin Gupta                      | 33, Indraprasth Colony, Ram Nagar, Sodala, Jaipur : 302 006              | 47,618                     | 999978                           | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 31-Dec-12                              | 50,000    |
|         |                                  |                                                                          |                            |                                  | 14-Nov-19                              | 5,00,000  |
| 3       | Krishan Kant                     | 1-3/21-26 Gurukrupa Building, Kamakoti Nagar, Vijayawada, Andhra Pradesh | 95,238                     | 1999998                          | 14-Dec-12                              | 20,00,000 |
| 4       | Gajanand Sharma                  | 22, Kartik Nagar, Akera Dungri Road No.17, VKI Area, Jaipur              | 71,429                     | 1500009                          | 14-Dec-12                              | 15,00,000 |
| 5       | Subhash Chand Chaudhary          | 55, Balaji Vihar, 18 Murlipuar Ajmer Bypass, Jaipur                      | 71,429                     | 1500009                          | 17-Dec-12                              | 15,00,000 |
| 6       | Hitsaran Jain                    | B-41 Mandir Road, Vidhyadhar Nagar, Jaipur                               | 71,429                     | 1500009                          | 30-Nov-12                              | 15,00,000 |
| 7       | Mahavir Singh Panwar             | Plot No.146/79, Lower Attadi, Coonoor, Nilgris : 643 104                 | 47,618                     | 999978                           | 17-DE-12                               | 10,00,000 |

| Sl. No. | Name and address of the Allottee              | Address of the Allottee                                                            | No. of Shares allotted for | Amount Payable @ Rs.21 per share | Date of Receipt of Subscription moneys | Amount      |
|---------|-----------------------------------------------|------------------------------------------------------------------------------------|----------------------------|----------------------------------|----------------------------------------|-------------|
| 8       | Dalmia Infrapower P Ltd.                      | 301-302 Amrapali Plaza, Amrapali Circle, Vaishali Nagar, Jaipur : 302 021          | 71,429                     | 1500009                          | 04-Dec-12                              | 15,00,000   |
| 9       | Tea Exchange Bharath Ltd.                     | 1, Shreeji Complex, Gracehill Road, Coonoor, Tamilnadu : 643 102                   | 95,238                     | 1999998                          | 30-Nov-12                              | 20,00,000   |
| 10      | Golden Era Plantations P. Ltd.                | 94, Gracehill Road, Coonoor, Tamil Nadu : 643 101                                  | 95,238                     | 1999998                          | 30-Dec-12                              | 20,00,000   |
| 11      | Bharatiya Natural and Organic Foods Pvt. Ltd. | 720, 7th Floor Evershine Tower, Amrapali Circle, Vaishali Nagar, Jaipur 302 021    | 95,238                     | 1999998                          | 18-Dec-12                              | 20,00,000   |
| 12      | Bharatiya Commotrade Pvt. Ltd.                | 719, 7th Floor, Evershine Tower, Amrapali Circle, Vaishali Nagar, Jaipur : 302 021 | 71,429                     | 1500009                          | 18-Dec-12                              | 15,00,000   |
| 13      | Shiv Trading Co. (Shiv Kumar Agarwal)         | DI-382, Parswnath Township, Navrangpura, Ahmedabad                                 | 71,429                     | 1500009                          | 03-Dec-12                              | 15,00,000   |
| 14      | Yash Dalmia                                   | 1, Gracehill Road, Coonoor, Tamilnadu : 643 101                                    | 71,429                     | 1500009                          | 15-Dec-12                              | 15,00,000   |
| 15      | Chanchal Dalmia                               | 1, Gracehill Road, Coonoor, Tamilnadu : 643 101                                    | 71,429                     | 1500009                          | 05-Dec-12                              | 15,00,000   |
| 16      | Maya Dalmia                                   | 1, Gracehill Road, Coonoor, Tamilnadu : 643 101                                    | 71,429                     | 1500009                          | 15-Dec-12                              | 15,00,000   |
| 17      | Basant Devi                                   | 1, Gracehill Road, Coonoor, Tamilnadu : 643 101                                    | 71,429                     | 1500009                          | 04-Dec-12                              | 15,00,000   |
| 18      | Santosh Trading Co.                           | 301-302 Amrapali Plaza, Amrapali Circle, Vaishali Nagar, Jaipur : 302 021          | 71,429                     | 1500009                          | 03-Dec-12                              | 15,00,000   |
| 19      | Kaushal Agarwal                               | B-396, Murlipura Scheme, Murlipura, Jaipur                                         | 76,190                     | 1599990                          | 14-Dec-12                              | 16,00,000   |
| 20      | Rekha Agarwal                                 | B-396, Murlipura Scheme, Murlipura, Jaipur                                         | 80,952                     | 1699992                          | 13-Dec-12                              | 17,00,000   |
| 21      | Kusum Jain                                    | B-41 Mandir Road, Vidhyadhar Nagar, Jaipur                                         | 71,429                     | 1500009                          | 29-Nov-12                              | 15,00,000   |
| 22      | Jabhar Jat                                    | 55, Balaji Vihar, 18 Murlipuar Ajmer Bypass, Jaipur                                | 71,429                     | 1500009                          |                                        | 15,00,000   |
| 23      | Bimla Devi Sharma                             | 22, Kartik Nagar, Akeru Dungri Road No.17, VKI Area, Jaipur                        | 71,429                     | 1500009                          | 14-Dec-12                              | 15,00,000   |
| 24      | Chandra Prakash Sharma                        | 22, Kartik Nagar, Akeru Dungri Road No.17, VKI Area, Jaipur                        | 80,952                     | 1699992                          | 13-Dec-12                              | 17,00,000   |
| 25      | Ramesh Badai                                  | P.O.Kukas Tehsil, Ajmer, Jaipur                                                    | 80,952                     | 1699992                          | 14-Dec-12                              | 17,00,000   |
| 26      | Tulsi Ram Bunker                              | P.O.Kukas Tehsil, Ajmer, Jaipur                                                    | 61,904                     | 1299984                          | 20-Dec-12                              | 13,00,000   |
| 27      | Sarita Gupta                                  | 33, Indraprasth Colony, Ram Nagar, Sodala, Jaipur : 302 006                        | 47,618                     | 999978                           | 21-Dec-12                              | 10,00,000   |
| TOTAL   |                                               |                                                                                    | 20,00,000                  | 4,20,00,000                      |                                        | 4,20,00,000 |

Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

19. From the Bank Statement submitted by the Company (duly highlighting the respective credit transactions), it was observed that the aforesaid amounts were received by the Company in its Bank Account No.60078328285 with Bank of Maharashtra.

Connections between the Company, Preferential Allottees, Borrowers and Investee-Companies

20. Connection among the Preferential Allottees:

- a. Based on the addresses given in the Application Form and as per letter dated June 14, 2019 of the Company, Dalmia Infrapower Pvt. Ltd., and Santhosh Trading Company are connected as they share common address of 301-302, Amrapali Plaza, Amrapali Circle, Vaishali Nagar, Jaipur – 302 021.
- b. Tea Exchange Bharat Ltd., Yash Dalmia, Chanchal Dalmia, Maya Dalmia, Basanti Devi, and G K Dalmia, are connected as they share common address of 1, Gracehill Road, Coonoor, Tamilnadu – 643 101. In this regard, during the statement recording of the AR on December 2, 2019, they were asked whether Dalmia Infrapower P Ltd., Yash Dalmia, Maya Dalmia, Chanchal Dalmia and Besant Devi are related to Mr.G.K.Dalmia. It was also asked whether any other allottees were related to Mr.G.K.Dalmia. The representatives submitted that they were not aware of the exact details and that the requisite information would be furnished by December 9, 2019. However, the Company did not provide any information on the same yet.
- c. Further, G K Dalmia is the promoter-director of Dalmia Infrapower Pvt. Ltd., and Tea Exchange Bharat Ltd. Maya Dalmia was a director in Tea Exchange Bharat Ltd.,
- d. G K Dalmia and Basanti Devi are directors in Golden Era Plantations Pvt. Ltd.

- e. Kaushal Agarwal and Rekha Agarwal shared the same residential address of B-396, Murlipura Scheme, Murlipura, Jaipur.
- f. Hitsaran Jain and Kusum Jain shared the same residential address of B-41, Mandir Road, Vidhyadhar Nagar, Jaipur, and they were also directors of TFL.
- g. Subhash Chand Chaudhary and Jaibhar Jat shared the same residential address of 55, Balaji Vihar, 18 Murlipuar Ajmer Bypass, Jaipur
- h. Gajanand Sharma, Bimla Devi Sharma and Chandra Prakash Sharma shared the same residential address of 22, Kartik Nagar, Akera Dungri Road, No.17, VKI Area, Jaipur.
- i. Ramesh Badai and Tulsi Ram Bunker shared the common residential address of P.O.Kukas Tehsil, Ajmer, Jaipur.
- j. Sarita Gupta and Navin Gupta shared the common residential address of 33 Indraprasth Colony, Ram Nagar, Sodala, Jaipur – 302 206
- k. Yash Dalmia and Maya Dalmia were directors in Bhartiya Commotrade Private Ltd., till May 2019 and April 2019 respectively
- l. Maya Dalmia and Yash Dalmia were directors in Bhartiya Natural and Organic Foods Pvt. Ltd., till September 2013 and February 2016 respectively.
- m. K Dalmia was a director in both Bhartiya Commotrade Pvt. Ltd., and Bhartiya Natural and Organic Foods Pvt. Ltd., since November 2009 and December 2009 respectively.
- n. Vide letter dated February 24, 2020, G K Dalmia was asked to explain the relationship/connection with the Company/other preferential allottees. The said letter sent to the address as available in the records furnished by the Company, was returned undelivered with a postal remark: “Addressee left without instructions”.
- o. The Company vide its email dated February 25, 2020, confirmed that the entities

G K Dalmia, Damia Infrapower P Ltd., TEBL, Golden Era Plantations P Ltd., Bhartiya Natural and Organic Foods P Ltd., Bhartiya Commotrade P Ltd., Yash Dalmia, Chanchal Dalmia, Maya Dalmia, and Basanti Devi Dalmia are related to each other.

Connection among the Company and the Preferential Allottees:

21. Kusum Jain, Hit Saran and Chanchal Dalmia were Directors in the Company (it is noted that though the name of Chanchal Dalmia appeared in the copies of various minutes (eg., Minute of the meeting held on June 17, 2012, July 26, 2012, August 16, 2012, etc.) submitted by the Company January 28, 2020, as “present” in the meetings as a Director of the Company, however, her name did not appear in MCA website as a director of the Company);
22. Chanchal Dalmia is connected to G K Dalmia based on the residential address given by them, as well as the Company email dated February 25, 2020.
23. Dalmia Infra Power Pvt. Ltd., Tea Exchange Bharat Ltd., Golden Era Plantations Pvt. Ltd., Bharatiya Natural and Organic Foods Pvt. Ltd., Bhartiya Commotrade Pvt. Ltd., Yash Dalmia, Maya Dalmia, Basanti Dalmia are connected with the Company through Chanchal Dalmia, who was a Director of the Company, as stated earlier.

Connection of the Company with the Preferential Allottees and the entities that received proceeds of the preferential allotment towards deployment of the same:

24. Bhartiya Natural and Organic Foods Pvt. Ltd., were connected to preferential allottees Maya Dalmia and Yash Dalmia. Further, Maya Dalmia and Yash Dalmia share the same residential address of Chanchal Dalmia, a Director in the Company;
25. Santosh Trading Company was represented by one Santosh Agrawal in the loan agreement. He held directorship in TEBL along with Gopi Krishan Dalmia (G K Dalmia), Maya Dalmia and Basanti Devi Dalmia during the period from June 2006 and March 2009. Further, Gopi Krishan Dalmia, Maya Dalmia and Basanti Devi Dalmia shared the same residential address with Chanchal Dalmia, a Director in the Company.
26. Vinayaka Tea Company (HUF) – As per information given in “About Us” page of website of Dalmia Technologies (tebl.org/about-us.html), Vinayaka Tea Company and Tea Exchange Bharat Limited were promoted by the same promoters **(Annexure-3)**. Further, TEBL is connected to the Company through G K Dalmia and Chanchal Dalmia. Further, the mobile number of G K Dalmia (9443366852) as per copy of his KYC Form **(Annexure-4)** obtained from Motilal Oswal Securities Ltd., is same as that of G.K.Dalmia (Proprietor) of The Vinayaka Trading Company in its listing in the Indiamart website **(Annexure-5)**.
27. Govind Kripa Buildwell P Ltd., and Tirupati Mahima Infratec P Ltd., were represented by one Abhimanyu in the capacity of director for executing the loan agreements.
28. TEBL is connected to the Company through G K Dalmia who is connected to the director of the Company Chanchal Dalmia.

29. Shiv Trading Company was preferential allottee for shares worth Rs.15 Lakh, and was supplier of goods to the Company to the tune of Rs.68 Lakh which was duly paid by the Company (as submitted by the Company to BSE).
30. Santosh Trading Company was another preferential allottee for shares worth Rs.15 lakh, who was also supplier of goods worth Rs.50 Lakh and was given short term loan of Rs.38.45 Lakh.
31. Krishan Kant is one of the preferential allottee as per the records submitted by the Company. The Company in its submission before BSE stated that it had deployed a sum of Rs.20.00 Lakh for purchase of goods from one Krishan Kant Agarwal. The PAN of Krishna Kant Agarwal was AGDPA7584J. Allottee by name “Krishan Kant” also held the same PAN.
32. Vide email dated June 20, 2019, the Company was asked to submit in a tabular form, details of all the bank accounts held by the Company.
33. The Company, vide its letter dated June 14, 2019, delivered to SEBI on June 17, 2019 (***Annexure-6***), furnished certain information/documents in response. According to the said letter of the Company, the funds mobilized through the preferential allotment were deployed as under:

**Table - 5**

| <b>S.No.</b> | <b>Accounting Head</b>        | <b>Amount (INR)</b> |
|--------------|-------------------------------|---------------------|
| 1.           | Short Term Loans and Advances | 2,05,28,088.17      |
| 2.           | Cash and Bank Balances        | 90,02,783.52        |
| 3.           | Non-Current Investments       | 2,16,11,000.00      |

|       |                |
|-------|----------------|
| TOTAL | 5,11,47,871.69 |
|-------|----------------|

34. The Company vide its aforesaid letter also informed the following, with regard to the deployment of funds:

*“..... Also being the Company is NBFC in nature, Company has invested the money in the other body Corporate to generate long term resources as specified in the Object of the issue. Accordingly, the Company has executed the share purchase agreement with Tea Bharat Exchange Limited (TEBL)....”*

35. It is noted that the aforesaid information relating to deployment of funds raised through the preferential issue as given in Table-5 above, is different from what has been stated by the Company before BSE.
36. The Company's claim to have deployed the funds mobilized through the preferential issue, broadly under three account heads as mentioned in Table-5 above, is analyzed in detailed in the following paragraphs.

Analysis of deployment of funds by the Company:

Short Term Loans and Advances

37. BSE vide its notice dated July 7, 2017 addressed to the Company (**Annexure-7**) observed that the Company had utilized a sum of Rs.1.48 Crore for granting loans. Out of the said amount of Rs.1.48 Crore, Rs.37.81 Lakh was given to Santosh Trading Co., as Loan. The said Santosh Trading Co., was one of the preferential allottees with 71,429 shares for a total consideration of Rs.15 Lakh.

38. Vide its letter dated June 14, 2019 addressed to SEBI, the Company stated that a total amount of Rs.2,05,28,088.17 was deployed by the Company as Short Term Loans and Advances, as detailed below:

**Table-6**

| <b>S. No.</b> | <b>Name of the borrower</b>                  | <b>Amount lent (Rs.)</b> |
|---------------|----------------------------------------------|--------------------------|
| 1.            | Bhartiya Natural and Organic Foods Pvt. Ltd. | 48,468.00                |
| 2.            | Dulal Chowdhary                              | 200,000.00               |
| 3.            | Santosh Trading Company                      | 3,845,682.00             |
| 4.            | Vinayaka Tea Company (HUF)                   | 1,769,059.00             |
| 5.            | Govind Krupa Buildwell Pvt. Ltd.             | 706,041.00               |
| 6.            | Jagrati Hotels Pvt. Ltd.                     | 29,383.00                |
| 7.            | Meena Steel                                  | 1,000,000.00             |
| 8.            | Mona Podar                                   | 814,597.39               |
| 9.            | Mukta Goyal                                  | 1,624,520.55             |
| 10.           | Neelam Devi Chopra                           | 769,479.00               |
| 11.           | Pawan Nathani HUF                            | 1,025,973.00             |
| 12.           | Pramod Gupta Jaipur                          | 1,572,986.23             |
| 13.           | Rajesh Techno Plast                          | 651,885.00               |
| 14.           | Sachin Water Supply                          | 1,050,630.00             |
| 15.           | Tirupati Mahima Infratec Pvt. Ltd.           | 1,815,534.00             |
| 16.           | Vinod Kumar Gupta HUF                        | 251,644.00               |
| 17.           | Rama Techno Plast                            | 1,087,206.00             |
| <b>TOTAL</b>  |                                              | <b>18,263,088.17</b>     |

39. Observations on the aforesaid information submitted by the Company relating to the 'Short Term Loans and Advances' are given below:

i. The Company did not give any ledger extracts/account statements for the aforesaid loans/advances accounts;

ii. Further, the total of Rs.18,263,088.17 as in Table-6 did not match with the amount indicated under Sl.No.1 of Table-5 i.e., Rs.2,05,28,088.17.

40. Vide email dated July 16, 2019 (**Annexure-8**), the aforesaid mismatch in the total amount utilized under the head "Short Term Loans and Advances" was pointed out to the Company and the Company was asked to explain with necessary ledger extracts (party-wise) and copy of statement of the Company's Bank account duly highlighting the transactions i.e., payments made to the parties under the aforesaid account head.

41. The Company vide its letter dated September 30, 2019 (**Annexure-9**) submitted a fresh ledger extract of "Loans & Advances (Asset) Account" as at the end of the financial year 2012-13. As per the said ledger extract, the following parties carried the respective Debit balances for the loans and advances made to them:

**Table-7**

| <b>Sl. No.</b> | <b>Name of the Parties</b>        | <b>Debit balance as on March 31, 2013</b> |
|----------------|-----------------------------------|-------------------------------------------|
| 1.             | Govind Kripa Buildwell Pvt. Ltd., | 706,041.00                                |
| 2.             | Jagrati Hotels Pvt. Ltd.          | 29,383.00                                 |
| 3.             | Meena Steel                       | 1,000,000.00                              |
| 4.             | Mona Poddar                       | 814,597.00                                |
| 5.             | Mukta M Goyal                     | 1,624,520.55                              |
| 6.             | Neelam Devi Chopra                | 769,479.00                                |
| 7.             | Pawan Natani HUF                  | 1,025,973.00                              |

|       |                                        |               |
|-------|----------------------------------------|---------------|
| 8.    | Pramod Gupta Jaipur                    | 1,572,986.23  |
| 9.    | Rajesh Techno Plast Jaipur             | 651,885.00    |
| 10.   | Rama Plastics Jaipur                   | 1,087,206.00  |
| 11.   | Sachin Water Supply Co.                | 1,050,630.00  |
| 12.   | Tirupati Mahima Infratec Pvt. Ltd.     | 1,815,534.00  |
| 13.   | Vinod Kumar Gupta HUF                  | 2,516,644.00  |
| 14.   | Bhartiya Natural & Organic Food P Ltd. | 48,468.00     |
| 15.   | Dulal P Chowdhary                      | 200,000.00    |
| 16.   | Santosh Trading Company                | 3,845,682.00  |
| 17.   | Vinayaka Tea Co. (HUF)                 | 1,769,059.00  |
| TOTAL |                                        | 20,528,087.78 |

42. Following are the observations from the Ledger extracts (party-wise) submitted by the Company:

- i. From the ledger extract of Govind Kripa Buildwell Pvt. Ltd. (**Annexure-10**), which was submitted by the Company vide its letter dated January 24, 2020 (received on January 27, 2020), it was observed that the principal amount of Rs.7,00,000/- was lent on February 25, 2013 and the same was also reflected in the bank statement furnished by the Company. An amount of Rs.6,041/- was debited to the loan account on March 31, 2013 towards interest on the loan. However, the Company has stated to have deployed an amount of Rs.7,06,041/- from out of the preferential issue proceeds under the head “Short Term Loans and Advances”. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.6,041/-.*

- ii. As per the ledger extract of **Jagrati Hotels Pvt. Ltd., (Annexure-11)** the principal amount of Rs.5,00,000.00 was lent on August 31, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. Further, it is stated by the Company that the said loan amount was received back on March 15, 2013. The net debit balance of Rs.29,382/- shown as outstanding as on 31<sup>st</sup> March 2013 represents the total interest charged on the loan of Rs.32,383/- and after deducting TDS of Rs.3,000/-.
- iii. As per the ledger extract of **Meena Steel (Annexure-12)**, the principal amount of Rs.10,00,000/- was lent on December 18, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger extract submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. *However, interest has not been charged/debited to the account for the quarters ended 31<sup>st</sup> December 2012 and March 31, 2013.*

*Hence, it cannot be stated that the loan has been granted to earn revenue on the capital deployed and does not appear to be in the ordinary course of business of the Company. In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and*

*Advances” or misutilized the preferential issue proceeds by Rs.10,00,000/-.*

- iv. As per the ledger extract of **Mona Poddar (Annexure-13)**, the principal amount of Rs.8,00,000/- was lent on January 17, 2013 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company’s Account with Bank of Maharashtra. From the ledger extract submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. An amount of Rs.14,597.00 has been debited to the Account on March 31, 2013 towards interest for the loan. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.14,597/-.*

- v. As per the ledger extract of **Mukta Goyal (Annexure-14)**, the principal amount of Rs.15,00,000/- was lent on June 2, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company’s Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.1,24,520.55 has been debited to the Account on June 30, 2012, September 30, 2012, December 31, 2012 and on March 31, 2013, towards interest for the loan. However, TDS credit as

mentioned in other loan accounts has not been seen in the ledger account. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.1,24,520.55/-.*

- vi. As per the ledger extract of **Neelam Devi Chopra (Annexure-15)**, the principal amount of Rs.7,50,000/- was lent on January 12, 2013 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. An amount of Rs.19,479.00 has been debited to the Account on March 31, 2013 towards interest for the loan. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.19,479/-.*

- vii. As per the ledger extract of **Pawan Natani HUF (Annexure-16)**, the principal amount of Rs.10,00,000/- was lent on January 12, 2013 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company,

it was observed that the said amount was lying outstanding as on March 31, 2013. An amount of Rs.25,973.00 has been debited to the Account on March 31, 2013, towards interest for the loan. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.25,973/-.*

- viii. As per the ledger extract of **Pramod Gupta Jaipur (Annexure-17)**, the principal amount of Rs.15,00,000/- was lent on two dates (Rs.10,00,000/- on September 15, 2012 and Rs.5,00,000/- on September 17, 2012). The copy of bank statement submitted by the Company indicates that the loan proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.72,986.23 has been debited to the Account on various dates, towards interest for the loan. However, TDS credit as mentioned in other loan accounts has not been seen in the ledger account. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.72,986.23.*

- ix. As per the ledger extract of **Rajesh Techno Plast Jaipur (Annexure-18)**, the principal amount of Rs.6,00,000/- was lent on June 14, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred on June 15, 2012 by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.57,650/- has been debited to the Account on various dates, towards interest for the loan. Further, a total amount of Rs.5,765/- was credited towards TDS. Accordingly, an additional amount of Rs.51,885/- was outstanding towards interest on the loan account, along with the principal amount of Rs.6,00,000/-. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.51,885/-.*

- x. As per the ledger extract of **Rama Plastics Jaipur (Annexure-19)**, the principal amount of Rs.10,00,000/- was lent on July 11, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.87,206/- has been debited to the Account on various dates, towards interest for the loan. *However, no amount was*

*adjusted towards TDS. Accordingly, a total amount of Rs.10,87,206/- was outstanding as on March 31, 2013. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.*

*In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.87,206/-.*

- xi. As per the ledger extract of **Sachin Water Supply Co.(Annexure-20)**, the principal amount of Rs.10,00,000/- was lent on October 29, 2012 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company’s Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.50,630/- has been debited to the Account on various dates, towards interest for the loan. *However, no amount was adjusted towards TDS. Accordingly, a total amount of Rs.10,50,630/- was outstanding as on March 31, 2013. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.*

*In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.50,630/-.*

- xii. As per the ledger extract of **Tirupati Mahima Infratec Pvt. Ltd.(Annexure-21)**, the principal amount of Rs.18,00,000/- was lent on February 25, 2013

and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Oriental Bank of Commerce. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.15,534/- has been debited to the Account on various dates, towards interest for the loan. *However, no amount was adjusted towards TDS.* . Accordingly, a total amount of Rs.18,15,534/- was outstanding as on March 31, 2013. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.15,534/-.*

- xiii. As per the ledger extract of **Vinod Kumar Gupta HUF (Annexure-22)**, the principal amount of Rs.15,00,000/- was lent on March 5, 2013 and another amount of Rs.10,00,000/- was lent on March 7, 2013. The copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of RTGS from the Company's Account with Oriental Bank of Commerce. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. A total amount of Rs.16,644/- has been debited to the Account on various dates, towards interest for the loan. *However, no amount was adjusted towards TDS.* Accordingly, a total amount of Rs.25,16,644/- was outstanding as on March 31, 2013. The interest amount that accrued as on March 31, 2013 cannot be classified as amount deployed out of

preferential issue proceeds.

*In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.16,644/-.*

- xiv. As per the ledger extract of **Bhartiya Natural & Organic Food P Ltd. (BNO) (Annexure-23)**, the loan account had an opening Balance of Rs.6,00,000/- on April 1, 2012, i.e., the amount has been lent prior to the financial year 2012-13. Further, repayments of Rs.2,77,538/- on November 27, 2012, Rs.3,22,462/- on December 19, 2012 and Rs.5,00,000/- on March 7, 2013 were received by the Company. Accordingly, the borrower BNO had repaid Rs.11,00,000/- which is in excess of the principal amount of Rs.6,00,000/-. The excess amount of Rs.5,00,000/- was repaid in 7 instalments of various amounts on various dates (in cash : Rs.4,90,000/- and through bank : Rs.10,000/-).

An amount of Rs.48,468/- has been debited to the Account towards interest for the loan at the close of the financial year (transaction date not shown in the ledger). *However, interest was not charged to the account for the quarters ended June 30, 2012, September 30, 2012 and December 31, 2012.* Accordingly, an amount of Rs.48,468/- only was outstanding towards interest on the loan account. . The Company has not furnished any document in support of the aforesaid excess repayment received from the Borrower, and the subsequent refund by the Company. Further, while refunding the excess amount to the borrower, the Company has not chosen to deduct the interest amount of Rs.48,468/-

accrued on the loan account. Further, refunds were also made in cash to the tune of Rs.490,000/-. Further, BNO is also one of the preferential allottees and connected entity, which is discussed in detail under Para No.10 below.

In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans and Advances" by Rs.48,468/-/-.

- xv. As per the ledger extract of **Dulal P Chowdhary (Annexure-24)**, the principal amount of Rs.2,00,000/- was lent on March 27, 2013 and the copy of bank statement submitted by the Company indicates that the proceeds were transferred by way of NEFT from the Company's Account with Bank of Maharashtra. From the ledger submitted by the Company, it was observed that the said amount was lying outstanding as on March 31, 2013. Interest has not been debited to the account for the quarter ended March 2013. Accordingly, an amount of Rs.2,00,000/- was stated to have been utilized by the Company from out of the proceeds of the preferential issue. As the Company has not charged any interest on the borrower for the quarter ended March 31, 2013, the loan could not have been extended in the ordinary course of business.

Hence, the same cannot be stated that the loan has been granted to earn revenue on the capital deployed and does not appear to be in the ordinary course of business of the Company. In view of the above, the Company has overstated the amount deployed under the head "Short Term Loans

and Advances” or misutilized the preferential issue proceeds by Rs. 2,00,000/-.

- xvi. As per the ledger extract of “**Santosh Trading Company-Loan**” (**Annexure-25**), an amount of Rs. 7,81,571/- was lent on December 14, 2012 and an amount of Rs.30,00,000/- on December 15, 2012. The copy of bank statement submitted by the Company indicates that an amount of Rs.11,00,000/- was transferred to M/s.Santosh Trading Company on December 14, 2012 and another sum of Rs.30,00,000/- was transferred on December 15, 2012, thus totaling to Rs.41,00,000/-. However, the Company had booked only Rs. 37,81,571/- as loan given to the entity. From the ledger submitted by the Company, it was observed that an amount of Rs.66,000/- was repaid by the borrowing entity on January 1, 2013 and interest of Rs.1,30,111/- was debited to the borrower on March 31, 2013, for which no TDS credited in the ledger account as contained in other ledger accounts. Further, interest was not charged for the quarter ended December 31, 2012. Thus the outstanding amount as at the yearend was Rs. 38,45,682/. Further, the borrower is also one of the preferential allottees, and hence the AC of BSE alleged that the funds mobilized through preferential allotment from this entity was refunded by the Company to the allottee in the garb of loans granted. It is also noted that the borrower is also connected entity.

In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.38,45,682/-.

- xvii. As per the ledger extract of “***Vinayaka Tea Co.(HUF)-Loan Given***” (***Annexure-26***), an amount of Rs.23,19,028/- was lent on December 18, 2012. The copy of bank statement and the transaction in the said bank statement as identified by the Company indicated that an amount of Rs.35,00,000/- was transferred to Gopi Krishna Dalmia HUF on December 18, 2012. However, the Company had booked only Rs. 23,19,028/- as loan given to the entity.

From the ledger submitted by the Company, it was observed that a total sum of Rs.6,12,500/- was repaid by the borrowing entity on January 1, 2013 (Rs.1,62,500/-); and January 14, 2013 (Rs.4,50,000/- - in two credits of Rs.2,25,000/- each). Interest of Rs.62,531/- was debited to the borrower on March 31, 2013, for which no TDS was credited in the ledger account as contained in other ledger accounts. Further, interest was not charged for the quarter ended December 31, 2012. Vinayaka Tea Company (HUF) is also an entity connected to other preferential allottees. In view of the above, it was seen that the funds mobilized through preferential allotment was refunded by the Company to the allottee(s) in the garb of loans granted.

43. In view of the above, the Company has overstated the amount deployed under the head “Short Term Loans and Advances” by Rs.17,69,059/-.
44. The Company submitted loan agreements executed with some of the parties/borrowers towards proof of amounts lent to them. The Company vide its letter

dated January 24, 2020, stated that the loan agreements in respect of the following parties are not traceable:

- a. Jagrati Hotels Pvt. Ltd.,
- b. Mukta M Goyal
- c. Pramod Gupta Jaipur
- d. Rajesh Techno Plast Jaipur
- e. Rama Plastics Jaipur
- f. Sachin Water Supply Co
- g. Bharatiya Natural & Organic Food P Ltd.

45. Out of 17 parties to whom “Short Term Loans and Advances” were given and claimed to be the deployment of preferential issue proceeds, only loan agreements in respect of 10 parties were submitted by the Company. Wherever the agreements were made available they were observed to be executed in Mumbai on Non Judicial stamp papers sold in the state of Maharashtra. Whereas, the address of the parties to the agreement i.e., of the Company and the borrowers were situated in the state of Rajasthan and the seal of the Company affixed on the agreements is that of Tirupati Fincorp Ltd., Jaipur. Incidentally, the agreements did not contain any clause on the judicial limits for the enforcement of the same before a court of law. Further, it was observed that the loan agreements were not registered.

46. The agreements did not contain any definitive repayment period / repayment schedule for the loans granted under the said agreements.

47. The following three borrowers are connected with the Company and preferential allottees:

- a. Bharatiya Natural & Organic Foods Pvt. Ltd.,
- b. Santosh Trading Company

c. Vinayaka Tea Company (HUF)

48. In view of the above, it is alleged that the Company has returned the amount paid by the preferential allottees under the garb of short term loans and advances.

49. From the aforesaid observations, the following is the summary of amounts overstated by the Company as deployment of funds / misutilization of the preferential issue proceeds, under the head “Short Term Loans and Advances”:

**Table-8**

| Name of the Parties                 | Debit balance as on March 31, 2013 | Amount overstated/ not considered | Remarks                                                                                          |
|-------------------------------------|------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------|
| Govind Kripa Buildwell Pvt. Ltd.,   | 706,041.00                         | 6,041.00                          | Interest income accrued on the loan account cannot be considered as deployment of issue proceeds |
| Meena Steel                         | 1,000,000.00                       | 1,000,000.00                      | The disbursement cannot be considered as loans granted in the ordinary course of business        |
| Mona Poddar                         | 814,597.00                         | 14,597.00                         | Interest income accrued on the loan account cannot be considered as deployment of issue proceeds |
| Mukta M Goyal                       | 1,624,520.55                       | 124,520.55                        |                                                                                                  |
| Neelam Devi Chopra                  | 769,479.00                         | 19,479.00                         |                                                                                                  |
| Pawan Natani HUF                    | 1,025,973.00                       | 25,973.00                         | Interest income accrued on the loan account cannot be considered as deployment of issue proceeds |
| Pramod Gupta Jaipur                 | 1,572,986.23                       | 72,986.23                         |                                                                                                  |
| Rajesh Techno Plast Jaipur          | 651,885.00                         | 51,885.00                         |                                                                                                  |
| Rama Plastics Jaipur                | 1,087,206.00                       | 87,206.00                         |                                                                                                  |
| Sachin Water Supply Co.             | 1,050,630.00                       | 50,630.00                         |                                                                                                  |
| Tirupati Mahima Infratec Pvt. Ltd.  | 1,815,534.00                       | 15,534.00                         |                                                                                                  |
| Vinod Kumar Gupta HUF               | 2,516,644.00                       | 16,644.00                         |                                                                                                  |
| Bhartiya Natural & Org. Food P Ltd. | 48,468.00                          | 48,468.00                         |                                                                                                  |

|                         |                      |                     |                                                                                                                                                                                                                                         |
|-------------------------|----------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dulal P Chowdhary       | 200,000.00           | 200,000.00          | The disbursement cannot be considered as loans granted in the ordinary course of business                                                                                                                                               |
| Santosh Trading Company | 3,845,682.00         | 3,845,682.00        | TDS was not made on the interest debited; Interest was not debited for one quarter. AC of BSE alleged that the Company has returned the subscription money under the garb of loans.                                                     |
| Vinayaka Tea Co. (HUF)  | 1,769,059.00         | 1,769,059.00        | From the pattern of disbursements/ repayments and accounting, this transaction cannot be considered as deployment of preferential issue proceeds as loans granted – Borrower is also an entity connected to the preferential allottees. |
| <b>TOTAL</b>            | <b>20,528,087.78</b> | <b>7,348,704.78</b> |                                                                                                                                                                                                                                         |

50. Thus, the Company allegedly diverted/misutilized an amount of Rs.73,48,704.78 out of the preferential issue proceeds on activities other than the ones approved by the shareholders in the EGM.

Cash and Bank Balance:

51. As per the audited Balance Sheet of the Company as on 31<sup>st</sup> March 2013 (**Annexure-27**), the following were the cash and bank balances:

|                                              |                     |
|----------------------------------------------|---------------------|
| i. Balances with Banks:                      |                     |
| Bank of Maharashtra, Jaipur                  | 53,85,958.38        |
| Oriental Bank of Commerce Ca 099710111000697 | 31,00,000.00        |
| Total                                        | 84,85,958.38        |
| ii. Cash in hand                             | 5,16,825.14         |
| <b>iii. TOTAL OF CASH AND BANK BALANCES</b>  | <b>90,02,783.52</b> |

52. The balance as on March 31, 2013 in the Current Account of the Company with Bank of Maharashtra, as per the Bank Statement, was Rs.30,958.38/- (Rupees thirty thousand nine hundred fifty eight and paise thirty eight only). As against this actual balance with the Bank, the bank account ledger in the Books of the Company had a balance of Rs.53,85,958.38. Further, as per the Bank Reconciliation Statement furnished by the Company vide its letter dated September 30, 2019 (**Annexure-28**), the Company had 6 (six) Cheques on hand ("Cheques Received But Not Deposited") for a total sum of Rs.53,55,000/- as on 31<sup>st</sup> March 2013. Thus, there was a difference between the balance as per the bank statement and balance as per the ledger account in the books of the Company.
53. Out of the aforesaid six cheques on hand as on March 31, 2013, one cheque was received by the Company on December 30, 2012 for a sum of Rs.3,75,000/- and unrepresented for collection. Upon examination of the Ledger Account (Bank Book) for the bank account with Bank of Maharashtra, the said amount was debited as "Shiv Trading Co. – Loan". It is noted that the said Shiv Trading Co., is one of the preferential allottees.
54. The remaining 5 cheques for a total amount of Rs.49,80,000/- were received by the Company on March 31, 2013 from one entity viz., Tea Exchange Bharat Limited Sell A/c. This entity is also one of the preferential allottees. The realization of these cheques could not be seen in the bank statement for the subsequent period.
55. The Company, vide its letter dated January 24, 2020 (**Annexure-29**), informed that the aforesaid cheque for Rs.3,75,000/- was reversed as per the ledger extracts. As

regards the other five cheques, it was stated that the total amount of Rs.49,80,000/- was realized subsequently. However, the following was observed:

**Table-9**

| Name of the Party | Date of Receipt/ Cheque | Cheque No. | Amount of Cheque as per Bank Reco Statement | Date of realization | Realized amount | Remark                                        |
|-------------------|-------------------------|------------|---------------------------------------------|---------------------|-----------------|-----------------------------------------------|
| Shiv Trading Co.  | 30/12/12                | 740657     | 375,000                                     | --                  | 0.00            | Cheque received but reversed on April 1, 2013 |
| TEBL              | 31/03/13                | 954970     | 800,000                                     | 16/04/13            | 800,000         | By way of Internet TRF                        |
| TEBL              | 31/03/13                | 954971     | 750,000                                     | 02/05/13            | 750,000         | By way of Internet TRF                        |
| TEBL              | 31/03/13                | 954972     | 600,000                                     | 10/04/13            | 300,000         | By way of Internet TRF                        |
|                   |                         |            |                                             | 11/04/13            | 300,000         | By way of Internet TRF                        |
| TEBL              | 31/03/13                | 954973     | 830,000                                     | 23/05/13            | 830,000         | By way of Internet TRF                        |
| TEBL              | 31/03/13                | 954974     | 2,000,000                                   | 28/05/13            | 2,000,000       | By way of Internet TRF                        |
| Total             |                         |            | 5,355,000                                   |                     | 4,980,000       |                                               |

*The company has not provided any explanation for the reversal of cheque for Rs.3,75,000/- issued by Shiv Trading Co., who is also one of the preferential allottees. Further, the Company has also not offered any explanation as to why all the aforesaid cheques were not presented for collection within a reasonable time.*

56. As regards the balance of Rs.31,00,000/- in the Oriental Bank of Commerce CA 099710111000697, the said amount got transferred from another account of the Company (Account No.09975015002001 with Oriental Bank of Commerce) on March 30, 2013. Further, the same amount was debited on April 2, 2013 as "Reversal Entry". It is noted here that the balance, if any, in the aforesaid Account No.09975015002001 was not indicated in the Balance Sheet as on March 31, 2013.

57. The Company, vide its aforesaid letter dated January 24, 2020 (**Annexure-30**), also furnished ledger extract of the “Cash in Hand Book” with a balance of Rs.5,16,825.14. On an analysis of the Cash in Hand Account, it is observed that the Company had made entries to the effect that payments (upto Rs.1,00,000) and receipts (upto Rs.7,45,000/-) in cash.

“Non Current Investments”

58. In respect of deployment of preferential issue proceeds under the head “Non Current Investments” of Rs.2,16,11,000/-, the Company, vide letter dated June 14, 2019 (**Annexure-31**), stated that the Company being Non-Banking Finance Company, has invested the money in the other body corporate to generate long term resources as specified in the object of the issue. Accordingly, the Company had executed the Share Purchase Agreement with Tea Exchange Bharat Ltd., (TEBL). A copy of the said Agreement has been submitted by the Company vide its letter dated June 14, 2019 (**Annexure-28**).

59. The following were noted from the Share Purchase Agreement (SPA) executed by the Company with the said Tea Exchange Bharat Ltd.(TEBL):

- i. The SPA was stamped with “*Court Fee Stamps*” for a total value of Rs.20/-.
- ii. The SPA was executed on March 31, 2013, for purchase of 21,61,100 shares of Rs.10/- each of TEBL at par of Rs.10/- per share for a total consideration of Rs.2,16,11,000/- (Rupees two crore sixteen lakh and eleven thousand only)
- iii. The consideration/subscription money for the above share purchase was paid in the following manner:
  - Rs.48,87,000/- (Rupees forty eight lakh and eighty seven thousand only) paid by the Company to TEBL during May 2012 to March 2013 through Bank/Cash;
  - Rs.1,67,24,000/- (Rupees one crore sixty seven lakh and twenty four thousand only) standing to the credit of ledger account in the books of the

Company as on March 31, 2013, be adjusted towards consideration for the share purchase. *The said credit balance was stated to be on account of goods supplied by the Company to TEBL*

- iv. The parties to the SPA agreed to take approval of their companies' shareholders under applicable sections of Companies Act, 1956 at their respective Extraordinary General Meeting held and fulfill all the statutory compliances.
60. From the copies of the share certificates issued by TEBL in the name of the Company, it was observed that the shares certificate were issued on 31<sup>st</sup> March, 2013.
61. The Company, vide its letter dated January 13, 2020 (**Annexure-32**), submitted copies of the minutes of board meetings and general meetings for the financial years 2012-13 and 2013-14. From the aforesaid copies of the minutes, no board resolution could be seen for the investment in TEBL as required under Section 372 of the Companies Act, 1956. Whereas, it was observed from the copies of minutes that there was a resolution in the board meeting held on November 7, 2012 whereby consent was accorded by the Board for investment of Rs.3,00,000/- (1000 equity shares of face value Rs.100/- each at a premium of Rs.200/- per share) in Golden Era Plantations India Pvt. Ltd.
62. TEBL was also one of the preferential allottees with 95,238 shares for Rs.19,99,998/.
63. The Company stated that it adjusted the debit balance of Rs.1,67,24,000/- (Rupees one crore sixty seven lakh twenty four thousand only) in the books of the Company towards the subscription moneys payable to TEBL, and the said debit balance was attributed to supply of fabrics to TEBL by the Company.
64. In this regard, the following are observed to be the objects of the Company as per its Memorandum of Association ("MoA") (**Annexure-33**):

*“III. The objects for which the Company is established are:*

*A. THE MAIN OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:*

- 1. To carry on the business of dealers, brokers, investors, owners, proprietors, underwriters, bargainers, financiers, concessionaires, contractors, booking agents, managers, trustees, advertisers of all kind of securities, shares debentures, scrips, bonds, bill of exchanges, letters of credit, stocks and the other securities in which dealing is permissible as per stock exchange regulations and other laws in force from time to time.*
- 2. To carry on the business of traders, importers, exporters, suppliers, brokers stockists, commission agents of chemicals, fertilisers, ferrous and non-ferrous metals, minerals, salts, pesticides, insecticides, drugs and pharmaceuticals.”*

65. There was no provision in the ancillary/incidental objects or other objects in the MoA for the Company to carry out the activity in the nature of trading in fabrics.

66. Further, the company being a Non-Banking Finance Company registered with the Reserve Bank of India, derived 96.37% of its total revenue for the financial year 2012-13 from the sale of fabrics and that was indicated as “Revenue from Operations”. Further, the debit balance in the name of TEBL towards sale of fabrics worked out to 62.74% of the total revenue by way of fabric sale.

67. Further, when the Company was asked to submit documents relating to supply of goods indicating the type of and quantity supplied, date and place of dispatch and date and place of delivery, copy of delivery challan, Invoice issued, etc., the Company informed the following vide letter dated December 10, 2019 **(Annexure-34)**:

*“The Goods (fancy fabrics) has been supplied by the Company under its Invoice No.(1, 2, 4, 5, 6, 8, 9, 10, 11, 12, 14, 15,16, 18, 19, 20, 21, 22, 24, 25, 27, 28, 29, 31, 32, 34, 35, 36, 37, and 38) from its place of the business*

*at E-7 Jagdamba Nagar Ajmer Road Jaipur to Corporate branch office cum Godown of M/s.Tea Exchange Bharat Ltd., situated at 717-718 Evershine Tower Amrapali Circle, Vaishali Nagar Jaipur 302021. The quantity supplied and type of goods along with dispatch details are given in the above Bills and are enclosed.”*

68. It is observed from the copies of Invoices submitted by the Company for sale of “fancy fabrics” that the billed amounts in the Invoices did not contain any sales tax and no Sales Tax Registration Numbers were also indicated. It was informed by the AR of the Company during their statement recorded on January 9, 2020 that since fabrics sales were exempted from sales tax during the said period, no registration was obtained by TFL.
69. From the Statement of Profit and Loss Account read with Notes No.13 and No.14, for the year ended 31<sup>st</sup> March 2013 (**Annexure-35**) provided by the Company, it is observed that the Company reported a total revenue of Rs.2,76,77,486.78 comprising of:
- Rs.2,66,55,717/- as “Revenue from Operations” - from sale of fabrics; and
  - Rs.10,21,769.78 as Other income - from interests on loans and fixed deposits.
70. Further, the Company in its Statement of Profit and Loss Account for the year 31<sup>st</sup> March 2014 (**Annexure-36**), reported a gross revenue of Rs. 25.53 Lakh comprising of the following:
- Rs.25,09,575/- as Other operating revenues – interest received; and
  - Rs.43,621/- as Interest Income – interest received on FD.
71. The Company has not booked any revenue on account of sale of fabrics during the subsequent financial year 2013-14. Also, the ledger account of “Tea Exchange Bharat Ltd., Sell A/c” in the books of the Company [submitted as Annexure-4 to the Company

letter dated December 10, 2019 **(Annexure-37)]** did not have any opening balance on account of sale of fabrics for the financial year 2012-13 indicating that there were no fabric sales to TEBL during the previous financial year.

72. RBI, vide its Circular No.RBI/2006-07 [DNBS (PD) C.C. No.81 / 03.05.002/2006-07] dated October 19, 2006 **(Annexure-38)**, has stipulated the following:

“ .....

3. *In this regard, it is further clarified that the business of non-banking financial institution (NBFI) means a company engaged in the business of financial institution as contained in Section 45 I(a) of the RBI Act, 1934. For this purpose, the definition of 'Principal Business' given, vide Press Release 1998-99/1269 dated April 8, 1999 (copy enclosed) and mentioned in below may be followed:*

*The company will be treated as a non-banking financial company (NBFC) if its financial assets are more than 50% of its total assets (netted off by intangible assets) and income from financial assets is more than 50 per cent of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.”*

73. Vide its Press Release dated April 8, 1999 **(Annexure-39)**, RBI *inter alia* clarified the following:

*“Any company which carries on the principal business of agricultural activities, industrial activities, trading in commodities, dealing in immovable properties, etc., is, however, not a financial institution. Since the term 'principal business' has not been defined in law, the Reserve Bank has now decided the description of principal business for the purpose of identification of an NBFC.”*

74. In view of the above, based on the information and the material produced by the Company with regard to the trading in fabrics undertaken by it, it can be inferred that the Company made fictitious book entries by creating false invoices for supply of non-

taxable goods and built up artificial debit balance in its book, which could have been utilized towards adjustment for subscription moneys payable to TEBL.

75. In addition, the Company, in its submissions before the AC of BSE, stated that out of the proceeds of the preferential allotment, an amount of Rs.68.00 Lakh was utilized for purchase of fabrics from Shiv Trading Co., another preferential allottee. The aforesaid transactions of purchase and sale of fabrics appears to be a camouflage to return the preferential allotment amount to Shiv Trading Co.
76. The AC of the BSE has observed that the Company has returned Rs.20.00 Lakh to Krishankant Agarwal in the garb of purchase of fabrics. It is noted that the said utilization of Rs.20 Lakh for purchase of fabrics from Krishankant Agarwal was not mentioned by the Company before SEBI. Further, the name of the preferential allottee as per the records submitted by the Company is “Krishan Kant”, whereas the name of the supplier of fabrics as mentioned by the Company to BSE is “Krishankant Agarwal”. The Company, vide email dated February 28, 2020, confirmed that the PAN of Krishna Kant Agarwal was AGDPA7584J. From the list of preferential allottees, it is observed that the allottee by name “Krishan Kant” also held the same PAN. Accordingly, it is clear that both parties are one and the same. Hence, it is alleged that the Company has returned the subscription amount received from the allottee under the garb of purchase of fabrics from Krishna Kant Agarwal.
77. It is seen from the reply of the Company, vide its letter June 14, 2019, that the Company being NBFC in nature, invested the money in another body corporate viz., TEBL to generate “long term resources” (*emphasis supplied*) as specified in the object of the issue. On the other hand, it is observed from the photocopies of the share certificates

submitted by the Company, vide its letter dated January 13, 2020 (**Annexure-32**), that the shares were transferred in the name of “G.K. Dalmia” on March 25, 2014. Vide letter dated December 10, 2019, the Company informed that the entire shareholding in TEBL i.e., 21,61,100 shares were sold for a consideration of Rs.2,16,11,000/-. Thus, the Company purchased shares of TEBL, an unlisted Company, and sold after one year at the same price and did not earn any return.

*Thus, it is evident that the Company in collusion with the TEBL, made fictitious transactions in the bank account which were subsequently accounted as trading in fabrics, subscription for the preferential allotment, and consideration for the share purchase agreement executed between them.*

Compliance with Clause 43 of the Listing Agreement (now Regulation 32 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 hereinafter referred to as the LODR Regulations)

78. Following were the objects of the preferential issue as contained in the Notice dated November 30, 2012 convening the Extra Ordinary General Meeting wherein it was proposed to transact the special business of passing a special resolution approving the proposed preferential allotment:

*A. Objects of the Preferential issue*

- In order to generate long term resources for implementing future growth plans, it is proposed to issue Equity Shares on Preferential basis*
- The proceeds of proposed preferential allotment will strengthen the financial position of the company*
- The object of the Equity Share on preferential basis is to augment the capital base of the Company and also to meet working capital requirement of the Company*

79. The Company, vide its letter dated December 23, 2015 (**Annexure-40**), informed the following to BSE:

“ .....

5. *Networth of the Company was Rs.84.08 lacs prior to making preferential issue of shares to investors.*
6. *As already stated, the company is RBI registered NBFC, which need to have networth of Rs. Two crores as per RBI guidelines.*
7. *So to keep NBFC license in force, we were required to raise the networth of the company beyond Two crores.*
8. *We were required to induct the funds into the company to do the NBFC business more efficiently and cost effective manner. Any finance company cannot survive without the availability of funds to its disposal to keep the company afloat as it is continuous requirement for a finance company to borrow the funds and deploy the funds and earn the interest income on it. Thus we wanted to raise funds for the working capital requirement of the company, which is lifeline of any Non Banking Finance Company (NBFC).”*

80. From the objects of the preferential issue as seen above, it was noted that the preferential issue was to augment the Company's resources for deployment in its NBFC related business activity. Whereas, the Company has stated that the funds mobilized have been deployed partly for purchase of goods and also for the purpose of investment in a body corporate viz., Tea Exchange Bharat Ltd.

81. In view of the above, the Company had not utilized the proceeds of preferential issue for the purposes approved by the shareholders of the Company. Further, the substantial portion of the preferential issue proceeds have been either paid back to the preferential allottees in the garb of short term loans or under share purchase agreement or towards purchase of goods.

82. Further, by its own admission, the Company being a Non-Banking Finance Company registered with the RBI, was in need of additional capital for shoring up its networth in order to comply with the requirements of the RBI. However, after having made the

preferential issue of equity shares to increase the share capital and thereby enhancing the net-worth of the Company, it is observed that, the Company had not deployed the funds in full towards its main business of NBFC but only made fictitious book entries by creating false purchases/invoices for supply of non-taxable goods (fabrics) and built up artificial debit/credit balance in its book. The said purchase/sales transactions were made for the purposes of creating fictitious debit and credit balances which were then used to return the moneys to the preferential allottees.

83. By deploying such a dubious device/scheme including preferential allotment of shares, the Company apparently attempted to fulfil the networth requirements of RBI to keep its NBFC registration in force, and also tried to evoke better investor sentiment by making the preferential allotment appear to be a genuine capital mobilization activity by the listed Company engaged in business of non-banking finance company. Further, the Company by recording various artificial/fictitious transactions with associates/related entities, falsely portrayed higher business transactions/revenue.
84. In view of the above, the Company has engaged in fraudulent activity and thereby violated Regulation 3 (a) (b), (c), (d) and 4 (1) and (2) (a) and (f) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 which reads under:-

*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 the 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 thereunder;*
- (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, 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 thereunder.*

*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:-*

*(a) Indulging in an act which creates false or misleading appearance of trading in the securities market;*

*(b) ...*

*(c) ...*

*(d) ...*

*(e) ...*

*(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;*

*(g) ...*

*(h) ...*

85. Further, BSE vide its Notice dated October 9, 2018 (**Annexure-41**) addressed to the Company advised it to make mandatory disclosures w.r.t. mis-utilization of preferential proceeds along with ensuing quarterly unaudited/audited financial results and to get the same ratified by the shareholders of the company within 3 months from intimation.

86. However, as confirmed by BSE, vide its email dated January 3, 2020 (**Annexure-42**), the Company has not complied with the aforesaid direction so far.

87. BSE also furnished a copy of the letter dated September 10, 2018 (**Annexure-43**) received from the Company wherein it had attached a document with title “Proceedings of the Annual General Meeting of the Company held on 10<sup>th</sup> September, 2018”. The said document contained *inter alia* the following:

*“The Board of Directors has appointed CS Mandar Palav, partner of M/s.DSM & Associates, Company Secretaries (Membership No.27695 and COP No.13006) as the scrutinizer to scrutinize the E-voting process in a fair and transparent manner (including the Ballot Form received from the members who do not have access to the e-voting process) in a fair and transparent matter.*

.....

- *He (the Chairman of the meeting)\* moved the following resolutions which were duly proposed & seconded and were then put to vote through ballot paper (to be voted by only those shareholders whom have not voted earlier through e-voting):-*

| Item No. | Description of Resolution                                                                                                                                                                     | Type of Resolution |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1.       | <i>To receive, consider and adopt Audited Financial Statement of the Company for the financial year ended 31<sup>st</sup> March, 2018 and Reports of the Auditors’ and Directors’ thereon</i> | <i>Ordinary</i>    |
| 2.       | <i>To appoint a Director in place of Mr. Sudhir Parekh (DIN: 07184815), who retires by rotation and being eligible offers himself for re-appointment</i>                                      | <i>Ordinary</i>    |
| 3.       | <i>To ratify the Utilisation of funds raised through Preferential Issue</i>                                                                                                                   | <i>Special</i>     |

*He then requested scrutinizer Mr. Mandar Palav to start the voting process through ballots and request him to oversee the voting process.*

- *He informed the meeting that the result of the voting would be declared within 2 days from conclusion of the meeting. The result would be also informed to Stock Exchanges where the shares of the Company are listed.*
- *After conclusion of voting process the meeting ended with a vote of thanks to the chair.”*

88. It is observed that despite proposing the ratification resolution for voting in the Annual General Meeting of the Company held on September 10, 2018, the Company has deliberately chosen not to disclose its outcome. Thus, the Company has not complied with disclosure requirements stipulated in Clause 43 and 43A of the erstwhile Listing

Agreement read with Regulation 32 of the LODR Regulations, in respect of variation/deviation in the utilization of preferential allotment proceeds.

89. In this regard, the provisions of Clauses 43 and 43A of the erstwhile Listing Agreement entered into with the stock exchanges where the shares of the Company were listed, state as follows:-

*“43. a) The Company agrees that it will furnish on a quarterly basis a statement to the Exchange indicating the variations between projected utilisation of funds and/or projected profitability statement made by it in its prospectus or letter of offer or object/s stated in the explanatory statement to the notice for the general meeting for considering preferential issue of securities, and the actual utilisation of funds and/or actual profitability.*

*b) The statement referred to in clause (1) shall be given for each of the years for which projections are provided in the prospectus/letter of offer/object/s stated in the explanatory statement to the notice for considering preferential issue of securities and shall be published in newspapers simultaneously with the unaudited/audited financial results as required under clause 41.*

*c) If there are material variations between the projections and the actual utilisation/profitability, the company shall furnish an explanation therefore in the advertisement and shall also provide the same in the Directors' Report.*

*d) The statement referred to in clause (a) shall also be given for warrants issued along with public or rights issue of specified securities.”*

**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.*

*(2) Where the company has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue and such monitoring agency has pointed out any deviation in the use of the proceeds of the issue from the objects stated in the offer document or has given any other reservations about the end use of funds, the company agrees to intimate the same to the stock exchange, without any delay.*

*(3) The information mentioned in sub-clause (1) shall be furnished to the stock exchange along with the interim or annual financial results submitted under clause 41 and shall be published in the newspapers simultaneously with the interim or*

*annual financial results, after placing it before the Audit Committee in terms of clause 49.*

*(4) The information mentioned in sub-clause (2) shall, after review by the Audit Committee, be furnished to the stock exchange as and when received and shall simultaneously be published in the newspapers. (5) The statement referred to in clause (1) shall also be given for warrants issued along with public or rights issue of specified securities*

90. Regulation 32 of the LODR Regulations states as follows:-

*“Statement of deviation(s) or variation(s).*

*32.(1) The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc., -*

*(a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;*

*(b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.*

*(2) The statement(s) specified in sub-regulation (1), shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved.*

*(3) The statement(s) specified in sub-regulation (1), shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s).*

*(4)The listed entity shall furnish an explanation for the variation specified in sub-regulation (1), in the directors 'report in the annual report.*

*(5)The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized.*

*(6)Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency.”*

Status of Registration granted to the Company to act as Non-Banking Finance Company (NBFC) by the Reserve Bank of India (RBI)

91. The Company in its various submissions before SEBI and the AC of the BSE, informed that the preferential allotment was made to enhance the long term resources of the Company and to meet the networth requirements stipulated by RBI for registered NBFCs. It has been observed from the revenue inflow of the Company as recorded in the financial statements submitted, that trading fabrics contributed a major share of the Company's total revenues for the financial year 2012-13. Further, the Company has also been observed to be lending to various connected entities. The loan accounts (ledger extracts) submitted by the Company and the loan agreements furnished in support of the said loan transactions, did not infuse confidence in the loan transactions portrayed as deployment of the proceeds of the preferential issue.

92. Vide their letter dated January 13, 2020 (**Annexure-32**), the Company submitted a copy of the last correspondence received from the RBI. The said copy of

correspondence was found to be a Show Cause Notice (SCN) dated March 16, 2018. Vide the said SCN, the RBI pointed out several failures on the part of the Company on the following grounds and called upon the Company to show-cause why the Certificate of Registration granted to the Company should not be cancelled:

- a. Failure to communicate the name, designation and address of the Principal Officer to Financial Intelligence Unit-India, as directed by RBI vide its Circular dated July 1, 2015;
- b. Inclusion of the Company by FIU-IND in its list of 'High Risk Financial Institutions' for non-compliance with the provisions of the Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005, etc.
- c. Failure to submit the mandatory returns to RBI viz., NBS-9 return despite several directions and reminders, which was in violation of various directions of RBI including NBFC Returns (Reserve Bank) Directions, 2016 dated September 29, 2016;
- d. Failure to submit certificate from Statutory Auditors for the financial years ending March 31, 2016 and March 31, 2017 as originally directed by the RBI by its Circular dated September 18, 2008.

93. As the Company appeared to be evasive and not forthcoming with sufficient information, vide email dated January 21, 2020, the Department of Non-Banking Supervision at Jaipur Regional Office of RBI was requested to furnish the present status of the registration, action initiated against the Company, if any, cause of action, etc. RBI was also requested to share with SEBI a copy of report of inspection of the entity, if any, carried out by them after the date of allotment under the preferential issue.

94. In reply to the aforesaid email dated January 21, 2020 (**Annexure-44**), the RBI, vide its email dated February 20, 2020 informed the following:

*“The Certificate of Registration (COR) of the company was cancelled vide orders dated January 25, 2019. The reasons submitted for cancellation are as follows:*

- (i) The company was included by FIU-Ind in the list of Non-compliant NBFCs dated November 30, 2018 for non-compliance with the provisions of the Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules) and the directions and guidelines issued by the RBI under Rule 9 (14) of the PML Rules. This was in violation of extant directions of Bank’s circular on PMLA.*
- (ii) The company had not submitted the SAC for March 31, 2016 and onwards to the effect that it continues to undertake the business of an NBFIs requiring it to hold the CoR for that financial year. This which was also a violation of extant guidelines of Bank circular.*
- (iii) The company has not uploaded the NBS-9 Return for the financial year ended March 31, 2017 and onwards which was also a violation of our extant directions.*

*Further, the company has not been inspected post January 2013 when the allotment of shares took place.*

*This information is shared on a regulator to regulator basis and should be kept as confidential.”*

95. Vide Press Release dated February 25, 2019, RBI informed certain entities including the Company, that their certificates of registration had been cancelled and that they shall not transact the business of a Non-banking Financial Institution, as defined in clause (a) of Section 45-I of the RBI Act, 1934.

96. The aforesaid information regarding cancellation of registration to act as a non-banking finance company is material to the business of the Company. However, such disclosure is not appearing on the website of BSE where its shares are listed.
97. Such failure to disclose the material information to the stock exchange is in violation of the aforesaid Regulation 30 of the LODR) Regulations which specifies as follows:-

*“Disclosure of events or information.*

*30.(1) Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.”*

#### Role of directors in the violations committed by the Company

98. A Company is a legal entity, it cannot act by itself but only through its directors who are expected to perform their role as directors in a professional manner and perform their duties with due and reasonable care, skill and diligence and shall exercise independent judgment. Further, the directors shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole.
99. By deploying a dubious device/scheme in the garb of preferential allotment of shares made by the Company, the Company might have fulfilled the networth requirements of RBI to keep its NBFC registration in force, and also tried to evoke better investor sentiment by making the preferential allotment appear to be a genuine capital mobilization activity by the listed Company engaged in business of non-banking finance company. Further, the Company by recording various artificial transactions

with associates/related entities, made the preferential allotment appeared to be a genuine transaction. Thus, the Company i.e. Noticee 1/TFL and its directors i.e. Noticees 2-16 (Sudhir Bhikalal Parekh, Bhavesh Premji Mamania, Parth Dineshbhai Kanabar, Sheetal Mitesh Shah, Kusum Jain, Senthilkumar Tappali Devadoss, Hitsharan Jain, Saurabh Gandhi, Beena Jain, Prafulla Subhash Chandra Bhat, Arvind Jethalal Gala, Bhupendra Ratilal Kadhi, Chanakya Arvind Dhanda, Murugan Gayathri, Chanchal Dalmia) are alleged to have violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of PFUTP Regulations and are liable for imposition of monetary penalty under Section 15 HA and 15 HB of the SEBI Act.

100. The entities Dalmia Infrapower Pvt.Ltd., Santosh Agrawal, Yash Dalmia, Maya Dalmia, Basanti Devi, Gopi Krishan Dalmia, Tea Exchange Bharat Ltd., Bhartiya Commotrade Pvt. Ltd., Bhartiya Natural Organic Food Pvt. Ltd., Golden Era Plantations India Pvt. Ltd., Vinayak Tea Company, Shiv Trading Company and Krishan Kant Agrawal i.e. Noticees 17 to 28, which were connected with each other as mentioned earlier, and allegedly aided and colluded with the Company in deploying a dubious device/scheme in the garb of preferential allotment of shares made by the Company, have allegedly violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(f) of the PFUTP Regulations and are accordingly liable for imposition of monetary penalty under Section 15HA of SEBI Act, 1992.

101. The Company has also failed to disclose to the BSE statement of variation between object of the issue approved by the shareholders of the Company in its EGM and the actual utilization of the funds raised through the preferential issue, in violation of Clauses 43 and 43A of the then Listing Agreement read with Regulation 32 of the LODR Regulations. Further, the Company furnished piecemeal/incomplete information

and has suppressed material information regarding regulatory actions initiated by the RBI, thus allegedly violating Regulation 30 of the LODR Regulations. The Company by allegedly failing to make the aforesaid disclosures is liable for imposition of monetary penalty in terms of Section 23E of the SCRA.

102. The directors of the company i.e. Noticees 2-16 (Sudhir Bhikalal Parekh, Bhavesh Premji Mamania, Parth Dineshbhai Kanabar, Sheetal Mitesh Shah, Kusum Jain, Senthilkumar Tappali Devadoss, Hitsharan Jain, Saurabh Gandhi, Beena Jain, Prafulla Subhash Chandra Bhat, Arvind Jethalal Gala, Bhupendra Ratilal Kadhi, Chanakya Arvind Dhanda, Murugan Gayathri, Chanchal Dalmia), by allegedly failing to ensure the aforesaid disclosures are liable for imposition of monetary penalty under Section 15HB of SEBI Act, 1992.
103. Section 23E of the SCRA and Sections 15HA and HB of the SEBI Act, are reproduced below for reference:-

#### **SCRA**

***“Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.***

***23E.*** *If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be \*[liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees].*

*\* Substituted for the words "liable to a penalty not exceeding twenty-five crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f 08-09-2014.*

### **SEBI Act**

#### **Penalty for fraudulent and unfair trade practices.**

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

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

#### **Penalty for contravention where no separate penalty has been provided.**

**15HB.** *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 shall not be less than one lakh rupees but which may extend to one crore rupees.]*

*\* Substituted for the words "liable to a penalty which may extend to one crore rupees" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.*

104. You are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the Securities Contracts (Regulations) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 and the SEBI ((Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 23 I of the SCRA and Section 15I of the SEBI Act, and why penalty should not be

imposed in terms of Section 23E of the SCRA and Sections 15HA and HB of the SEBI Act, for the violations of law as detailed above.

105. Your reply, if any, should reach the undersigned or through email at [maninderc@sebi.gov.in](mailto:maninderc@sebi.gov.in) and [vanyas@sebi.gov.in](mailto:vanyas@sebi.gov.in) within 14 days from the date of receipt of this Notice, failing which it shall be presumed that you have no reply to submit and the matter would be further proceeded with on the basis of the evidence available on record in terms of sub-rule (7) of Rule (4) of the Adjudication Rules. You may also indicate whether you desire a personal hearing in the matter.

106. Further, you are required to keep the undersigned informed about in your correspondence address, if any, and provide updated email-id and phone numbers, till the proceedings are complete. You are also advised to submit a photocopy of your identification documents for our records.

107. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to opt for the settlement process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.

**MANINDER**  
**R CHEEMA**

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MANINDER CHEEMA  
Date: 2021.03.04  
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**MANINDER CHEEMA**  
**ADJUDICATING OFFICER**

**Enclosures:** Documents relied upon are as follows:-

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Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

1. Annexure 1 - Copy of communiqué dated October 16, 2020 appointing the undersigned as Adjudicating Officer
2. Annexure 1 a - Notice of Extra Ordinary General Meeting” dated November 30, 2012
3. Annexure 2 - Copy of the relevant extract of the Minutes of the EGM of members of the Company held on, January 5, 2013
4. Annexure 3 - Information given in “About Us” page of website of Dalmia Technologies (tebl.org/about-us.html) showing that Vinayaka Tea Company and Tea Exchange Bharat Limited were promoted by the same promoters
5. Annexure 4 – Copy of KYC Form of GK Dalmia obtained from Motilal Oswal Securities Ltd.
6. Annexure 5 – Mobile no. of G.K.Dalmia (Proprietor) of The Vinayaka Trading Company in its listing in the Indiamart website
7. Annexure 6 - Company reply on fund deployment vide its letter dated June 14, 2019, also containing copy of agreement of Company with TEBL
8. Annexure 7 - BSE notice dated July 7, 2017 to the Company on fund deployment
9. Annexure 8 - Email dated July 16, 2019 from SEBI to Company on mismatch in the total amount utilized under the head “Short Term Loans and Advances
10. Annexure 9 - Company letter dated September 30, 2019 submitting fresh ledger extract of “Loans & Advances (Asset) Account” as at the end of the financial year 2012-13, as well as Bank Reconciliation Statement
11. Annexure 10 - Ledger extract of Govind Kripa Buildwell Pvt. Ltd
12. Annexure 11 - Ledger extract of Jagrati Hotels Pvt. Ltd.
13. Annexure 12 - Ledger extract of Meena Steel
14. Annexure 13 - Ledger extract of *Mona Poddar*

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*Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.*

15. *Annexure 14* - Ledger extract of *Mukta Goyal*
16. *Annexure 15* - Ledger extract of *Neelam Devi Chopra*
17. *Annexure 16* - Ledger extract of *Pawan Natani HUF*
18. *Annexure 17* - Ledger extract of *Pramod Gupta Jaipur*
19. *Annexure 18* - Ledger extract of *Rajesh Techno Plast Jaipur*
20. *Annexure 19* – Ledger extract of *Rama Plastics Jaipur*
21. *Annexure 20* - Ledger extract of *Sachin Water Supply Co.*
22. *Annexure 21* - ledger extract of *Tirupati Mahima Infratc Pvt. Ltd.*
23. *Annexure 22* - Ledger extract of *Vinod Kumar Gupta HUF*
24. *Annexure 23* - Ledger extract of *Bhartiya Natural & Organic Food P Ltd.*
25. *Annexure 24* - Ledger extract of *Dulal P Chowdhary*
26. *Annexure 25* - Ledger extract of “*Santosh Trading Company-Loan*”
27. *Annexure 26* - Ledger extract of “*Vinayaka Tea Co.(HUF)-Loan Given*”
28. *Annexure 27* - Audited Balance Sheet of the Company as on 31<sup>st</sup> March 2013
29. *Annexure 28* - Company letter dated September 30, 2019 submitting fresh ledger extract of “*Loans & Advances (Asset) Account*” as at the end of the financial year 2012-13, as well as Bank Reconciliation Statement
30. *Annexure 29* – Company letter dated 24.01.2020 stating that cheque for Rs. 375000 received from Shiv Trading Co. was reversed as per ledger extracts.
31. *Annexure 30* - Company letter dated January 24, 2020 furnishing ledger extract of the “*Cash in Hand Book*” with a balance of Rs.5,16,825.14
32. *Annexure 31* - Company reply on fund deployment vide its letter dated June 14, 2019, also containing copy of agreement of Company with TEBL
33. *Annexure 32* - Company letter dated January 13, 2020 submitting submitted copies of the minutes of board meetings and general meetings for the financial years

2012-13 and 2013-14, photocopies of share certificates of TEBL submitted by the Company and copy of last correspondence of Company with RBI

- 34. Annexure 33 - Copy of MoA of the Company
- 35. Annexure 34 - Company letter dated December 10, 2019 submitting documents related to supply of goods, as well as ledger account of TEBL as appearing in the books of the Company
- 36. Annexure 35 – Statement of Profit and Loss Account of the Company for the year ended 31.03.2013/ Audited Balance Sheet of the Company as on 31<sup>st</sup> March 2013
- 37. Annexure 36 - Company's Statement of Profit and Loss Account for the year 31<sup>st</sup> March 2014
- 38. Annexure 37 - Company letter dated December 10, 2019 submitting documents related to supply of goods, as well as ledger account of TEBL as appearing in the books of the Company
- 39. Annexure 38 - Copy of relevant provisions of RBI Circular No. No.RBI/2006-07 [DNBS (PD) C.C. No.81 / 03.05.002/2006-07] dated October 19, 2006
- 40. Annexure 39 - RBI Press Release dated April 8, 1999
- 41. Annexure 40 - Company letter dated December 23, 2015 to BSE regarding NBFC
- 42. Annexure 41 - BSE Notice dated October 9, 2018 to Company advising mandatory disclosures
- 43. Annexure 42 - BSE email dated January 3, 2020 to SEBI confirming that the Company had not complied with BSE's direction to make mandatory disclosures
- 44. Annexure 43 - Copy of Company letter dated September 10, 2018 whereby Company submitted to BSE a record of "Proceedings of the Annual General Meeting of the Company held on 10<sup>th</sup> September, 2018".
- 45. Annexure 44 - RBI e-mail dated February 20, 2020 responding to SEBI's e-mail dated January 21, 2020 on cancellation of certificate of registration of the Company

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Show Cause Notice in respect of 28 entities in the matter of preferential allotment of shares by Tirupati Fincorp Ltd.

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