BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SV/AJ/2024-25/30736]

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

In respect of

Jyoti Munver

(PAN: ALSPM2060P)

In the matter of preferential allottees by the Company Aadhar Venture India Limited.

(formerly known as Prraneta Industries Limited)

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted an investigation for matters pertaining to funding, if any, by the Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL**" or "**Noticee 1**" or "**Company**") to the preferential allottees for the preferential allotments carried out by the company during the period January 01, 2009 to April 24, 2015. During this period the company had made three preferential allotments i.e. in 2009, two preferential allotments (47 entities) and during 2013, one preferential allotment (31 entities). The focus of investigation in the present case was to examine funding, if any, by the company to the preferential allottees in respect of the preferential allotment dated March 11, 2013. Thus, the period of investigation is considered as 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares) (hereinafter referred to as "**Investigation Period"/** "**IP**"). The focus of investigation was to ascertain whether there was any violations of SEBI Act, 1992, and/or SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003 with respect to funding by the company, if any, to the preferential allottees in connection with the preferential allotment dated 11.03.2013.

2. Pursuant to the investigation, Adjudication proceedings under Section 15HA of SEBI Act was initiated with respect to the Noticee 1, Noticee 4 (viz. Jyoti Munver, , Director and Authorised Signatory of AVIL), and other Directors (Noticee 2 and 3), who had made preferential allotment without complying with the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and thus violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

3. Competent Authority, in exercise of the powers under Section 19 of the SEBI Act, read with Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"SEBI Adjudication Rules"**) and Section 23-I of SCRA read with Rule 3 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as the **"SCRA Adjudication Rules"**) appointed Mr. Vijayant Verma, (herein referred to as "erstwhile AO") General Manager as Adjudicating Officer (AO) vide communiqué dated October 15, 2022 to inquire into and adjudge under Section 15HA of SEBI Act, 1992 and Section 23E of the SCRA.

4. A common Show Cause Notice dated December 21, 2022 (hereinafter referred to as "**SCN**") was inter-alia issued to the Noticees under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under Section 15HA of the SEBI Act and 23E of SCRA Act for the alleged violations specified in the SCN.

5. The erstwhile AO, viz. Mr. Vijayant Verma vide common Adjudication Order dated February 27, 2023, (hereinafter referred to as '**Adjudication Order'**), concluded that Noticee 4 viz. (Jyoti Munver, Director and Bank Authorised Signatory of AVIL), was liable for the violations of the provisions of Regulations 77(1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) (ICDR) Regulations, 2018 and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices), 2023 (PFUTP Regulations).

6. Thereafter, an appeal, Appeal No. 27 of 2024, was filed before Hon'ble Securities Appellate Tribunal (**SAT**) by the Noticee 4 challenging the aforementioned Adjudication order, alleging that she was never served the SCN nor was she heard in the matter. The Hon'ble SAT, vide order dated May 15, 2024 (hereinafter referred to as "**SAT Order**"), set aside the Adjudication

order against the Noticee and remitted the matter to the Adjudicating Officer for passing a fresh order after serving a copy of the SCN to the Noticee. The relevant extracts of the aforementioned order of Hon'ble SAT are reproduced hereunder:

"3. We may record that the date…………….the following order:-

i) The appeal is allowed. The impunged order is quashed. The matter is remitted to the AO for fresh disposal in accordance with law in an outer limit of three months from the date of appearance of the appellant. The appellant shall appear without waiting for notice before the AO on June 13, 2024.

ii) …………..

iii) The amount of Rs. 50,000/- deposited by the appellant with SEBI shall be subject to the outcome of the order passed by the AO.

iv) ………..."

The misc. applications are disposed of accordingly."

APPOINTMENT OF ADJUDICATING OFFICER

7. In accordance with the aforesaid order of Hon'ble SAT, Ms. Barnali Mukjeree, Chief General Manager was appointed as Adjudicating Officer by SEBI vide order dated May 27, 2024. Subsequently, vide order dated May 29, 2024, the undersigned was appointed as the Adjudicating Officer under Section 19 of SEBI Act read with Section 15I(1) and Rule 3 of Adjudication Rules to inquire into and adjudge under the provisions of Section 15HA of SEBI Act, the alleged violation of provisions of Section 12A(a),(b),(c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulation 4(1) of PFUTP Regulations, 2003 and Regulation 77 (1) of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

8. Vide digitally signed email as well as letter sent to the Noticee Jyoti Munver (**herein after referred to as Noticee 4 or Noticee inter changeably**) through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') dated May 30, 2024, the appointment of the undersigned as Adjudicating Officer in the matter was communicated to

the Noticee. The Noticee was also provided an opportunity of hearing on June 13, 2024 as directed by Hon'ble SAT.

9. Vide letter June 12, 2024, Noticee submitted reply along with annexures to the SCN and sought leave to submit further explanations, clarifications, documents and expert opinions as may be considered necessary or appropriate in the SCN and add to or amend the explanation/ reply and make further legal submissions. Noticee was represented by AR viz. Ms. Rinku Valanju, Advocate and Mr. Kush Khandelwal, Advocate of R. V. Legal, at the hearing held on June 13, 2024 who reiterated the submissions made by the Noticee vide letter dated June 12, 2024. Further, additional time was sought until June 14, 2024 to make further submissions. Noticee made additional submissions vide email dated June 14, 2024.

10. The SCN provided as under:

10.1 Securities and Exchange Board of India ("SEBI") conducted an Investigation for the matters pertaining to funding, if any, by the Aadhaar Ventures India Limited (hereinafter referred to as "**AVIL**"or "**Company**") to the preferential allottees for the preferential allotment (31 entities) carried out by the company during the period January 15, 2013 (i.e. EGM approving the preferential allotment) to March 11, 2015 (i.e. Date of Board Meeting for allotment of shares) (hereinafter referred to as "**Investigation Period"/** "**IP**"). However, wherever necessary, reference have been made outside the investigation period. .

10.2 The shareholders of the company in the Extra-Ordinary General Meeting held on January 15, 2013 approved the resolution for issue of 1,42,28,18,000 Equity Shares of Rs,1/- each, at a price of Rs.2/- (inclusive of premium of Rs.1/- per share) aggregating Rs.2,84,56,36,000/- to 33 allottees on preferential basis. Subsequently, two proposed preferential allottees were not found eligible under Regulation 72(2) of the Chapter VII of the ICDR Regulations. Pursuant to said ineligibility of the two preferential allottees the company had proceeded with the balance allotment of 1,34,52,48,000 equity shares to 31 allottees. It was also observed from the Annual Report of the company that for the FY 2011-12 the company had paid up share capital of Rs.22,57,21,000.00 and subsequent to the preferential issue of shares on 11.03.2013 the paid up share capital of the company for the FY 2012-13 was Rs.1,57,09,69,000.00 i.e. increase of

Rs.1,34,52,48,000.00 (the number of shares issued by the company of face value of Rs.1/-).

10.3 The documents/information pertaining to the preferential allotment was sought from the company, Directors of the Company, Preferential Allottees, Bombay Stock Exchange, Registrar and Share Transfer Agents of the company and Statutory Auditors of the company. The details of communications made and the responses received are detailed below:

10.3.1.1 Information pertaining to directors, promoters, compliance officer for the FY 2008-09 to 2015-16, bank statements and receipt of funds from the preferential allottees with respect to the preferential allotment dated March 11, 2013 was sought from the company. However, the company only provided PANs of 2 promoter entities and the list of Preferential Allottees for the preferential allotment made on March 11, 2013.

10.3.1.2 The information pertaining to preferential allotment and bank details of the company were also sought from the Directors of the company including Noticee 4, through emails, letters and Summons. However, only one Director (not Noticee 4) responded to SEBI's email and no information pertaining to preferential allotment was provided by him or the other Directors of the company including Noticee 4.

10.3.1.3 Information pertaining to the preferential allotment dated March 11, 2013 was sought from BSE. BSE submitted the details of preferential allottees and their UCC details but not the bank details of the company. Further, BSE provided copies of various documents such as application dated 18.03.2013 by the company for listing of equity shares issued on preferential basis, Extract of the Minutes of the meeting of Board of Directors dated 11.03.2013 for allotment of 1,34,52,48,000 equity shares to the preferential allottees, various certifications received from the Chartered Accountant and the Company Secretary regarding the various compliances made by the company w.r.t. preferential allotment etc.

10.3.1.4 Bank Account details of the company were obtained from the Annual Report for FY 2012-13 of the company available on BSE website. It was observed that during FY 2012-13 the company maintained 6 Bank Accounts with the undernoted four banks:

Table No. 1

Sr. no.	Name of the Bank	Account No.
1	Kotak Mahindra Bank (formerly ING Vysya Bank)	500011038946
		561011018620
2	Standard Chartered Bank	22506049678
3	Axis Bank Ltd	004010203163221
4	Karur Vysya Bank	2101115000002707
		2101115000005782

10.3.1.5 On examining the Bank Statements sought from the above Bank Accounts no credits were observed in the above bank account from the 31 preferential allottees during the period 15.01.2013 (i.e. EGM approving the preferential allotment) to 11.03.2013 (i.e. Date of Board Meeting for allotment of shares)

10.3.1.6 Information was sought from the Statutory Auditor of the Company however, the CA firm informed that the information sought was not readily available with them and therefore did not provide any information pertaining to the preferential issue.

10.3.1.7 The information pertaining to the allotment of shares to the 31 preferential allottees was sought from the Registrar and Share Transfer Agents of the company viz. M/s. Adroit Corporate Services Pvt Ltd (hereinafter referred as Adroit). Adroit inter-alia provided the *List of allottees along with distinctive share certificate numbers, dematerialisation/transaction statement of 31 allottees, submitted that four preferential allottees sold the shares in physical mode. Further, apart from the four allottees all other 27 allottees have sold their shares allotted to them in the preferential allotment dated 11.03.2013. Details of the two preferential allottees who were holding shares in demat form and two preferential allottees who were holding the shares in physical form was also provided.*

10.3.1.8 Information had been sought from the preferential allottees by various emails/summons. In response, only 7 out of 31 preferential allottees *viz*. Empower India Ltd, Nirvana Mall Management Co Pvt Ltd, Speciality Papers Ltd, L N Industries Ltd, Pavitra Mall Management Co Pvt Ltd, Gill Entertainment Pvt Ltd and Harrods Trading Pvt Ltd provided the information pertaining to their payments towards the said preferential allotment. The details of the information provided by 7 preferential allottees regarding their payments toward the said preferential allotment along with the detail has been provided in the following paras:

10.3.1.8.1 **Empower India Ltd:** Details of payments towards the said preferential allotment are as under:

Table No. 2

Sr. No	**Date of Payment**	**Name of the Bank from which the payment released**	**Amount Paid**
1	15-12-2010	YES Bank	50,00,000
2	15-01-2011	YES Bank	50,00,000
3	21-01-2011	YES Bank	30,00,000
4	04-02-2011	YES Bank	1,26,00,000
5	10-02-2011	YES Bank	25,00,000
8	22-03-2011	ING Vysya Bank Ltd	1,40,00,000
9	22-03-2011	ING Vysya Bank Ltd	1,30,00,000
10	24-03-2011	ING Vysya Bank Ltd	1,40,00,000
11	25-03-2011	ING Vysya Bank Ltd	2,59,00,000
12	25-03-2011	ING Vysya Bank Ltd	1,40,00,000
13	29-03-2011	ING Vysya Bank Ltd	22,500
14	30-03-2011	ING Vysya Bank Ltd	27,27,500
15	29-07-2011	ING Vysya Bank Ltd	25,00,000
16	31-03-2012	ING Vysya Bank Ltd	26,65,000
17	31-03-2012	ING Vysya Bank Ltd	76,15,000
		Total	**12,45,30,000**

It is observed that as per the share price fixed by the company i.e. Rs.2/- per share for the said preferential allotment, the entity was required to pay Rs.12,45,00,000/-, however, the entity has paid Rs.12,45,30,000/- i.e. Rs. 30,000/- excess. The entity did not respond to clarification sought by SEBI in respect of the excess payment.

10.3.1.8.2 **Nirvana Mall Management Co Pvt Ltd.:** Details of payments towards the said preferential allotment are as under:

Table No. 3

Sr. No	Date of Payment	Particulars	Amount
1	16-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
2	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
3	20-07-2011	ING Vysya Bank Ltd A/c No.500011038946	20,00,000
4	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	25,00,000
5	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
8	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	50,00,000
9	27-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
10	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,30,00,000
11	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	70,00,000
12	28-07-2011	ING Vysya Bank Ltd A/c No.500011038946	1,75,00,000
		Total	**8,15,00,000**

From the above, it is noted that the entity was allotted 4,07,50,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and the entity had paid an amount of Rs.8,15,00,000/- in 12 instalments during the period 16.07.2011 to 28.07.2011.

10.3.1.8.3 . **Specialty Papers Ltd:** Details of payments towards the said preferential allotment are as under:

<u>Table No. 4</u>

Sr. No	Date of Payment	Particulars	Amount
1	01-02-2011	Axis Bank Ltd A/c.004010203163221	98,50,000
2	01-02-2011	Axis Bank Ltd A/c.004010203163221	96,50,000
3	15-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	77,80,000
4	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,50,00,000
5	28-02-2011	Standard Chartered Bank Ltd A/c No. 22506049678	1,87,20,000
6	29-03-2011	ING Vysya Bank Ltd A\c No.500011038946	3,00,00,000
7	26-07-2011	ING Vysya Bank Ltd A\c No.500011038946	45,00,000
8	10-08-2011	ING Vysya Bank Ltd A\c No.500011038946	7,00,000
9	01-02-2012	ING Vysya Bank Ltd A\c No.500011038946	50,00,000
10	22-02-2012	ING Vysya Bank Ltd A\c No.500011038946	1,50,000
11	26-03-2012	ING Vysya Bank Ltd A\c No.500011038946	1,00,00,000
12	31-03-2012	ING Vysya Bank Ltd A\c No.500011038946	91,15,000
	11-03-2013	Speciality Papers Ltd (Journal entry)	(5,000)
		Total	**12,04,60,000**

The above entity vide email dated 25.02.2021 had provided its ledger account towards the payment of preferential amount to AVIL instead of its bank statement which contained two entries viz. Rs.1,00,00,000/- paid on 15.02.2011 and Rs.40,00,000/- paid on 08.07.2011. Subsequently, the entity vide email dated 05.08.2021 informed that the aforesaid two payments were made towards the purchase of convertible equity warrants issued by the company on 19.05.2011 and not towards the preferential allotment dated 11.03.2013. The entity has also shown Rs.5000/- differential amount as adjustment in the ledger.

10.3.1.8.4 **L N Industries India Ltd (formerly LN Polyesters Ltd) :** It was noted from the documents provided by BSE that L N Industries India Ltd was allotted 1,57,00,000 shares @ Rs.2/- per share. Details of payments towards the said preferential allotment are as under:

Table No. 5

Sr. No	Date of Payment	Name of the Bank from which the payment released	Amount Paid
1	04-02-2011	YES Bank	1,24,00,000
2	08-02-2011	YES Bank	50,00,000
3	19-04-2012	YES Bank	5,00,000
4	04-05-2012	ING Vysya Bank Ltd	1,75,00,000
5	04-05-2012	ING Vysya Bank Ltd	35,00,000
		Total	**3,89,00,000**

The entity submitted that it was allotted 1,57,00,000 shares @ Rs.2/- per share in the aforesaid preferential allotment and was required to pay Rs.3,14,00,000/-. However, it was observed from the information provided by the entity vide email dated 09.09.2021 that it had paid Rs.3,89,00,000/- instead of Rs.3,14,00,000/-. Thus, the entity has paid Rs.75,00,000 excess. The entity has expressed its inability to provide the information and clarification to the queries raised by SEBI.

10.3.1.8.5 **Pavitra Mall Management Co Pvt Ltd.: D**etails of payments made by it towards the said preferential allotment are as under:

Table No. 6

Sr. No	Date of Payment	Particulars	Amount
1	14-03-2011	ING Vysya Bank Ltd	11,87,500
2	02-06-2011	ING Vysya Bank Ltd	90,00,000
3	02-06-2011	ING Vysya Bank Ltd	1,10,00,000
4	16-06-2011	ING Vysya Bank Ltd	99,00,000
5	16-06-2011	ING Vysya Bank Ltd	24,00,000
6	18-06-2011	ING Vysya Bank Ltd	1,00,00,000
7	11-07-2011	ING Vysya Bank Ltd	20,00,000
8	20-07-2011	ING Vysya Bank Ltd	1,05,00,000
9	24-08-2011	ING Vysya Bank Ltd	60,50,000
10	30-03-2012	ING Vysya Bank Ltd	10,00,000
	02-06-2011	(Journal entry)	(17,500)
		Total	**6,30,20,000**

It was observed from the entity's reply that it was allotted 3,15,10,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.6,30,20,000/- in 10 instalments during the period 14.03.2011 to 30.03.2012.

10.3.1.8.6 **Harrods Trading Pvt Ltd.:** Details of payments made towards the said preferential allotment are as under:

Table No. 7

#	Date of Payment	Particulars	Amount
1	29-03-2011	Axis Bank A/c no.910020048808554	3,62,40,000
2	10-06-2011	Axis Bank A/c no.910020048808554	50,00,000
3	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
4	04-05-2012	Axis Bank A/c no.910020048808554	50,00,000
5	05-05-2012	Axis Bank A/c no.910020048808554	50,00,000
			5,62,40,000

It was observed from the entity's reply that it was allotted 2,81,20,000 shares @Rs.2/- per share (including a premium of Rs.1/- per share) and it has paid Rs.5,62,40,000/- in 5 instalments during the period 29.03.2011 to 05.05.2012.

10.3.1.8.7 Gill Entertainment Pvt Ltd : Details of payments made by the entity towards the said preferential allotment is as under:

Table No. 8

Sr. No	**Date of Payment**	**Particulars**	**Amount**
1	29-04-2011	ING Vysya Bank Ltd	1,83,00,000
2	01-06-2011	ING Vysya Bank Ltd	2,00,00,000
3	04-06-2011	ING Vysya Bank Ltd	3,00,00,000
4	28-06-2011	ING Vysya Bank Ltd	30,00,000
5	07-07-2011	ING Vysya Bank Ltd	65,00,000
6	22-07-2011	ING Vysya Bank Ltd	50,00,000
		Total	**8,28,00,000**

11. The date-wise announcements made by the company with respect to the preferential allotment made in 2013 and its impact on price/ volume to the previous day's price/ volume is brought out in tabular form below:

Table No. 9

Date/ Time of Announcement	**Details of Announcement (in brief)**	**Closing Price**			**Traded Volume**		
		Previous day	**Announcement day**	**% increase/ decrease**	**Previous day**	**Announce-ment day**	**% increase/ decrease**
17-12-2012 20:03:33	A meeting of the Board of Directors of the Company will be held on December 18, 2012, *inter alia*, to consider, discuss and approve the issue of Convertible Equity Warrants / Equity Shares on preferential basis.	0.81	0.82	1.23	94,548	3,99,917	**322.98**

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	**Announcement day**	**% increase/ decrease**	**Previous day**	**Announcement day**	**% increase/ decrease**
19-12-2012 17:59:34	• Issue of Equity Shares / Convertible Equity Warrants upto Rs. 325 crore on Preferential Basis; • To convene the Extra-Ordinary General Meeting (EOGM) of the Members of the Company on January 15, 2013.	0.83	0.84	(1.20)	1,70,925	1,24,990	(26.87)
15-01-2013 16:16:38	EOGM of the shareholders of the company held on 15-01-2013, *inter alia,* approved by requisite majority the resolution to issue, offer and allot 142,28,18,000 shares of Re.1/- each fully paid up, at price of Rs. 2/-, aggregating upto Rs. 284.56 crore to various investors on preferential basis.	0.98	0.98	No change in close to close price.	77,21,579	2,36,40,567	**206.16**
08-03-2013 16:26:15	A meeting of the Board of Directors of the Company will be held on 11-03-2013, *inter alia,* to consider and approve the allotment of equity shares on preferential basis to the allottees as approved by the members of the company in their EOGM held on 15-01-2013.	0.83	0.79	*(4.82)	14,284	1,97,932	**1,285.7**

Date/ Time of Announcement	Details of Announcement (in brief)	Closing Price			Traded Volume		
		Previous day	Announcement day	% increase/ decrease	Previous day	Announce-ment day	% increase/ decrease
12-03-2013 17:46:51	The Board of Directors of the Company at its meeting held on 11-03-2013, has issued and allotted 134,52,48,000 equity shares of Re. 1/- each to the non-promoter group on preferential basis.	0.76	0.73	*(3.95)	78,257	36,055	(53.93)

**The price took a downward trend after the announcement of financial result by the company for the quarter ended December 31, 2012 on February 16, 2013, which showed a substantial deficit in the net profit figures when compared to nine months ended December 31, 2011*

12. **Role of Directors**

12.1 As per Annual Report 2012-13, it was observed that the Noticee 2 was the Managing Director of the Company. It was noted from the Extract of the Minutes of the Meeting of the Board of Directors of the company held on 11.03.2013 that the Chairman apprised the Board that the company had sought the approval for allotment of equity shares on preferential basis from its members in their Extra Ordinary General Meeting held on 15.01.2013 and company had also received the in-principle approval from the BSE Ltd for the said allotment through their letter dated 04.03.2013. The Chairman also informed the Board that the company had received the full application/ allotment monies from the allottees for issuing equity shares on preferential basis and for supporting such statement chairman placed the Bank Statement of the company before the Board.

12.2 The Company submitted the application letter dated 18.03.2013 to BSE for listing of equity shares issued under preferential allotment. Along with above letter the company had submitted several documents to BSE. All the above documents were signed on behalf of the Company by Jyoti Munver who was Executive Director of the company. He was also the Authorised Signatory for operating the bank accounts of the company.

12.3 It was observed from the Annual Report of the company for the FY 2012-13 that during the FY 2012-13 seven Board Meetings were held. The Noticee 4 Jyoti Munver, Director had attended six Board Meetings out of seven while the other Noticee Directors had attended all the 7 Board meetings. The matter related to issue of shares on preferential basis was approved in the Board Meeting held on 18.12.2012 and the allotment of shares was made in the Board Meeting held on 11.03.2013.

13. The allegations made in the SCN are summarized as under:

13.1 The said preferential issue was to use the funds raised through preferential allotment for various expansion and diversification of the business and for meeting its requirement of present and future capital expenditure, working capital requirement arising out of the new business ventures and for other corporate purpose as may be required from time to time. As per the objects mentioned by the company the funds were to be utilised for the future expansions i.e. after receiving the funds in the preferential allotment. However, it was noted from the reply received from the 7 preferential allottees and the companies reply vide email dated 05.01.2022 that the funds were received by the company almost one to two years prior to the preferential allotment. Thus, the company did not disclose all the material information to the exchange on the events/information which would have had bearing on the performance/operations of the company as well as price sensitive information. In the view of aforesaid facts and circumstances, it is alleged that the company has not complied with disclosure requirements under Clause 36 of erstwhile Listing Agreement read with Section 21 of Securities Contract (Regulations) Act, 1956.

13.2 It was observed that during the investigation period, there were no credits received in the bank accounts of the company from the 31 preferential allottees to whom 1,34,52,48,000 equity shares were allotted. It was observed that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume manipulation. Thus, for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same from the preferential allottees, the Company, the Noticee 4 Jyoti Munver, and other Noticee Directors, were engaged in a fraudulent scheme of fund raising and allegedly violated the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

14. The main points mentioned in the replies submitted by the Noticee vide letter dated June 12, 2024 are given below:

14.1 At the very outset, the Noticee denies all allegations made in the captioned SCN.

14.2 Delay in issuing the SCN

14.2.1 The Appellant states that the SCN is issued after excessive and unreasonable delay of about 10 years. The SCN does not explain any reasoning to justify the inordinate and unconscionable delay in initiation of proceedings against the Noticee. It is our respectful submission that the initiation of proceedings by SEBI after such a long delay, severely jeopardizes the Noticee to adequately respond to the SCN.

14.2.2 According to the SCN it has been alleged that the funds received by the company was almost one to two years prior to the preferential allotment dated March 11, 2013 and thus the Noticee is liable for devising a fraudulent scheme of fund raising and giving an impression of capital infusion through preferential allotment, without actually receiving any monies towards the same. The Noticee does not have access and does not possess the information regarding the preferential allotees, bank account, ledger account etc. to submit any kind of proof as the company is inactive and having no business. Further the Noticee states that she is unable to recollect the facts and circumstances under what circumstances the transactions were executed 10 years ago and thus his ability to respond to such allegations has been greatly prejudiced due to huge delay.

14.2.3 The Noticee has placed reliance on the Orders/Judgements with respect to delay in issuance of SCN.

14.2.3.1 *Hon'ble SAT's judgment dated 31.10.2023 Geetaben Joshi & Ors. Vs SEBI*

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

14.3 Incorrect and Vague SCN

14.3.1 Notice states that the SCN consist of wrong details and facts and shall be liable to dismissed in limine. As per table no. 1 of the Impugned SCN, Noticee is wrongly mentioned as a Director.

14.3.2 The paragraph no. 13 B which talks about the role of directors is reproduced below:

> *"The Company submitted the application letter dated 18.03.2013 to BSE for listing of equity shares issued under preferential allotment. Along with above letter the company has submitted several documents to BSE. All the above documents were signed on behalf of company by Noticee 4 who was Executive Director of the company. He was also the Authorised Signatory for operating the bank accounts of the company."*

14.3.3 As per Annexure 5 of the SCN it is quite evident that Jils Richan Madan i.e Noticee No. 3 is the person who has signed the application letter dated 18.03.2013 which was sent to BSE for listing of equity shares issued under preferential allotment along with several documents. Further, Noticee was not an Authorised Signatory for operating the bank accounts of the company.

14.3.4 The Noticee is again wrongly mentioned as Executive director, whereas the Noticee is a Non-Executive Independent director, which is evident by the Annual reports available online.

14.3.5 The Noticee states that the entire SCN is recorded on wrong facts and belief and is arbitrary in nature and therefore shall be dismissed and all the allegations shall be dropped against the Noticee.

14.3.6 In addition to the above, the definition of a non-executive independent director as per section 149(12) of the Companies Act, 2013, states that, such a director can only be held liable for company actions if they had knowledge of, consented to, or did not act diligently to prevent those actions. As it is clear from the above the Noticee was not concerned for the alleged preferential allotment as the role of the Noticee is itself wrongly mentioned. The Noticee had solely relied upon the reports of the Auditor. Also, as per MCA notification, it is incorrect to treat a non-executive independent director the same as the other directors. The notification explicitly states that a non-executive independent director can only be held liable in specific scenarios as prescribed under the aforementioned Regulations.

14.3.7 The Noticee states that the SCN has failed to explain that how the allotment of shares to the allottees on preferential basis without receiving the consideration has caused price and volume manipulation. The Noticee states that it is an established principle that a vague allegation which does not specifically set out the reason for such allegation cannot be sustained as the same does not provide an opportunity to a Noticee to counter the charges and the same is contrary to the rules of natural justice. This principle has been confirmed by the Hon'ble SAT in the matter of *Vikas Bengani v. SEBI*.

> "*What is being alleged against the appellant is that he played a fraud and committed an unfair trade practice within the meaning of the regulations while trading in the scrip of the company. It is a serious allegation and when fraud is being alleged the particulars thereof have to be indicated in the show cause notice. The least that is required of a body like the board is to tell the appellant about the manner in which he has played the fraud or committed the unfair trade practice. Except for alleging that the provisions of Regulation 4(1) and 4(2) of the regulations had been violated, no other details or particulars of the fraud had being indicated in the show cause notice. How can such a serious charge be allowed to stand without the particulars being provided in the show cause notice? On this ground also, the impugned order deserves to be set aside.*"

14.3.8 However, the SCN is silent as to how PFUTP Regulations have been violated. There is no rationale for arriving at the conclusion as is set out in the SCN. In the case of *Commissioner of Central Excise, Bangalore v. Brindavan Beverages Pvt. Ltd. and Ors.*[1] the Hon'ble Supreme Court has observed that:

> "*show cause notice is the foundation on which the department has to build up its case. If the allegations in the show cause notice are not specific and are on the contrary vague, lack details and/ or unintelligible that is sufficient*

to hold that the noticee was not given proper opportunity to meet the allegations indicated in the show cause notice.

14.4 Submission relating to 77(1) of ICDR 2009

14.4.1 Noticee has relied on the Auditors report. The auditor, D P Agarwal in its report, has confirmed that the Company had disclosed that the company had allotted 134,52,48,000 No. of Equity shares Each of Rs. 2 /- (including premium of Rs. 1 per share) on preferential basis to various allottees, on receipt of full payment issue price, total amount received was Rs. 269,04,96,000/-. The said auditor's report is extracted from Annual Report of the Company which is available online through BSE website.

14.4.2 From the Annexures attached in SCN (**Annexure 5 pg 563)**., it can be observed that the Statutory Auditors of the company M/s. D P Agarwal & Co, vide letter dated 12.03.2013 addressed to BSE inter-alia stated that they have verified the relevant records and documents of company with respect to Preferential Allotment of Equity Shares and certified that the Company has realized the Application / Allotment Money aggregating to Rs.269,04,96,000/- from the allottees against the allotment of 134,52,48,000 Equity Shares on or before 11.03.2013 and there is no circulation of funds or mere passing of book entries in this regard.

14.4.3 From Annexures to SCN (**Annexure 5)** it can be observed that Stephen M. Fargose & Associates, Company Secretary via letter dated 25.04.2013 addressed to BSE that they have verified the relevant records and documents with respect to the proposed preferential allotment of M/s Aadhaar Ventures India Limited and certified that:

A. The Company has complied with all the legal and statutory formalities
B. **No statutory/regulatory authorities has restrained the Company for issuing 134,52,48,000 Equity shares to various alottees as specified in the Board Resolution dated 11th March, 2013 on preferential basis**.
C. in the case of convertible instruments, the allottees have exercised the option to convert the instrument within a period of 18 months from the date of allotment of the instrument
D. The share certificates issued on preferential basis have been stamped with an enfacement as under: "These shares will not be sold/ transferred/ hypothecated until 10 March, 2014.

14.4.4 From Annexures to SCN (**Annexure 5)** it can be observed that the Company has informed to BSE via letter dated that March 18, 2013 that the company has received the in-principle approval in accordance with provisions specified under Chapter VII of SEBI (ICDR) Regulations, 2009 from the BSE for the impugned preferential allotment through their letter dated 04.03.2013.

14.4.5 Further, from the annexure 7 (Information from the statutory Auditor of the Company) and 15 (Company email dated 05.01.2022) of the SCN it can be observed that the Auditor and Company themselves do not possess the documents relevant for providing information to the SEBI. Then how can the Noticee, be able to provide the documents and remember the facts and circumstance in which the transactions which were carried out 10 years ago.

14.4.6 The Noticee states that from the table no. 14 it can be concluded that there was no substantial movement in price of the scrip owing to the corporate announcement dated 17.12.2012, 19.12.2012, 15.01.2013, 08.03.2013 and 12.03.2013.

14.4.7 There was no major movement in price of underlying scrip which itself proves that the preferential allotment had no impact on market. Thus, the transactions neither distorted the equilibrium in market not caused any loss or prejudice to investors.

14.4.8 The Noticee states that accounts of AVIL were prepared and audited on a going concern basis and therefore all the material records are publicly available in public domain.

14.5 Submission on charges relating to Section 12A (a),(b), & (c) of the SEBI Act, 1992 and Regulations 3 (a), (b), (c) & (d) of PFUTP Regulations, 2003.

14.5.1 The Noticee states that, it has been alleged that there were no credits received in the bank accounts of the company from the 31 preferential allottees to whom 134,52,48000 equity shares were allotted. Further it has been alleged that the allotment of shares to the allottees on preferential basis without receiving the consideration was found to be an arrangement meant to create price and volume *manipulation. However, in the SCN itself and, D P Agarwal (auditor), Stephen M. Fargose & Associates (Company Secretary) in their report, emails and letters, have confirmed that, the funds were received by the company pertaining to the preferential allotment in question. Therefore, the SCN is self-contradictory and vague and is to be set aside. Also, SCN has failed to explain that how the allotment of shares to the allottees on preferential basis without receiving the consideration has caused price and volume manipulation. Further, as the company had received the funds for preferential allotment the violation of Regulation 77 (1) ICDR is wrongly charged against the Noticee and the same has to be dropped against the Noitcee.*

14.5.2 It is observed that the Noticee has been charged with the violation of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3 (a), (b), (c) & (d) of PFUTP Regulations, 2003 which can be in relation to dealing in securities.

14.5.3 Noticee says that Section 12A(a), (b), (c) of the SEBI Act, 1992 deals with fraud related to securities market and the provisions of Regulations 3 (a), (b), (c) & (d), and 4(1) of PFUTP Regulations, 2003 are also related to securities market fraud/manipulation/ unfair trade practices. Section 12A (a), (b) & (c) of the SEBI Act, 1992 may be invoked in cases where there exists any manipulative or deceptive device or contrivance, any device, scheme or artifice to defraud or any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, purchase or sale of any securities.

14.5.4 The Noticee states that from the table no. 14 it can be concluded that there was no substantial movement in price of the scrip owing to the corporate announcement dated 17.12.2012, 19.12.2012, 15.01.2013, 08.03.2013 and 12.03.2013.

14.5.5 There was no major movement in price of underlying scrip which itself proves that the preferential allotment had no impact on market. Thus, the transactions neither distorted the equilibrium in market not caused any loss or prejudice to investors.

14.5.6 Noticee states that Regulation 4(1) of PFUTP Regulations, 2003, at the relevant time, dealt with fraudulent and unfair trade practices relating to securities while Regulation 4(2) deals with an enumeration of specific instances of fraudulent and unfair trade practices relating to securities. The common thread through these provisions is that the ingredients of fraud/ manipulation/ unfair trade practices must *be satisfied. In this regard, the Noticee further states that the Explanation inserted to Regulation 4(1) of PFUTP Regulations, 2003 with effect from October 19, 2020 clarifies as follows: "Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market."*

14.5.7 Thus, as per the aforesaid explanation also any device, scheme or artifice to manipulate the books of accounts or financial statement of a company, in order to be termed as manipulative, fraudulent and an unfair trade practice in the securities market should have directly or indirectly result into manipulation of the price of securities of that company. However, no such findings are mentioned in the Show Cause Notice.

14.5.8 Notice was guided by:

14.5.8.1 *Pacific Finstock Limited WTM/ AB /EFD-1/DRA-1/20 /2018-19 February 13, 2019*

14.5.8.2 *WTM order dated February 28, 2022, Hit Kit Global Solutions Ltd. having reference no. WTM/AB/IVD/ID19/15232/2021-22, WTM order dated July 14, 2021 Venmax Drugs and Pharmaceuticals Limited having reference no. WTM/AB/IVD/ID19/12587/2021-22.*

14.5.8.3 Hon'ble SAT orders in the matter of *Hit Kit Global Solutions Ltd and Venmax Drugs and Pharmaceuticals Limited*

14.6 Submissions on Regulation 15HA of the Securities and Exchange Board of India Act, 1992.

14.6.1 The Noticee states that, the investigation period pertains to the period of January 15, 2013 to March 11, 2013 i.e before amendment in 2014. Prior to amendment there was no minimum penalty prescribed in the Act. Hence, criteria of minimum penalty of Rs. 5 Lakhs cannot be applied upon the Noticee. Factors of section 15J were to be considered while levying penalty of 15HA.

Section 15HA is reproduced below

"*15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty*[2] *[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]".*

As per "The Finance Act 2017" (Notified for Part VIII of Chapters VI came into effect from April 26, 2017) following has been inter - alia clarified in respect of adjudication under SEBI Act.

"147. In section 15J of the principal Act, the following Explanation shall be inserted, namely:-

Explanation- For the removal of the doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under section 15A to 15E and clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section." Therefore factors of section 15J has to be considered while levying penalty under section 15HA of the SEBI Act, 1992.

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

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

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

(c) the repetitive nature of the default

14.6.2 Noticee states that none of the factors of 15J (a), (b) and (c) have been taken into consideration in the SCN. The SCN simply states that the Noticee has violated the provisions of 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations, there is no explanation, reasoning given in the SCN as to how the such a serious charge of manipulation and fraud have been violated by the Noticee.

14.6.3 Noticee states that M/s. D P Agarwal & Co (Auditor of the company), Stephen M. Fargose & Associates (Company Secretary) and BSE have in their report, emails

[2] 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.

and letters, have confirmed that, the funds were received by the company pertaining to the preferential allotment. Therefore, not making them parties to the show cause notice is without application of mind.

14.6.4 Noticee has relied upon:

14.6.4.1 *Order delivered by* Hon'ble SAT in the matter *of IFGL Refractories Limited V. SEBI (Appeal No. 1044 of 2022, decided on 06.01.2023*

14.7 *Mitigating Factor*

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

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

14.7.3 The alleged violation has not resulted in any harm or loss caused to the securities market. The Hon'ble Supreme Court (M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627) has held that a penalty should not be imposed for the sake of it and should be utilized to achieve a specific purpose, rather than as an end in itself and therefore Noticee be discharged in totality.

CONSIDERATION OF ISSUES AND FINDINGS

15. The issues that arise for consideration in the instant matter are:

Issue No. I Whether the Noticee is in violation of the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

Issue No. II If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

16. Before proceeding further, I would like to refer to the relevant provisions of the SEBI Act and the PFUTP Regulations:

SEBI Act

12A. No person shall directly or indirectly—

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

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

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

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

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

(d) Engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities

which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a [3][manipulative], fraudulent or an unfair trade practice in [4][markets].

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

17. At the outset, before dealing with the merits of the case, I note that the Noticee has raised the preliminary issue with regard to delay in issue of show cause notice. In this regard, I note that:

    17.1 An extensive and detailed investigation was carried out in the instant matter calling for information from various entities, the Company, the Directors of the Company, Preferential Allottees, Bombay Stock Exchange, Registrar and Share Transfer Agents of the Company, Statutory Auditors of the Company etc. Replies were not received in a timely manner which delayed the investigation. I note from the available records it can be ascertained that adjudication proceedings were approved in the matter in the year 2022 after completion of the investigation. Subsequently, vide SEBI communique dated October 15, 2022, Shri Vijayant Kumar Verma, General Manager and AO was appointed in the said matter. The SCN dated December 21, 2022 was issued by the AO informing the Noticees, the charges levelled against them and other relevant documents as annexures were provided to the Noticees.

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

17.2 The SCN was sent to the Noticee in four ways:

i. though registered post to the registered address of the Noticee
ii. through digitally signed email
iii. through affixure and
iv. publication dated January 18, 2023 in Maharastra Times, Mumbai edition and Time of India, Mumbai edition.

17.3 The SCN sent via registered post returned undelivered, the affixture failed while the notice cum hearing notice was published in the Times of India and Maharastra Times. Adjudication order dated February 27, 2023 was passed in the matter. The said adjudication order was challenged by the Noticee before the Hon'ble Securities Appellate Tribunal (Hon'ble SAT) on the ground that she never received the SCN. Hon'ble SAT vide its order dated May 15, 2024 allowed the appeal, quashed the said SEBI order and the matter was remitted back to the AO to pass a fresh order in accordance with law in an outer limit of three months from the date of appearance of the appellant and directed the appellant to appear without waiting for notice before the AO on June 13, 2024. Thereafter, vide SEBI order/communique dated May 27, 2024, Ms. Barnali Mukherjee, Chief General Manager and AO was appointed to adjudicate the said matter. Subsequently, vide order/communique dated May 29, 2024, the undersigned was appointed as AO in the said matter. In compliance with the said Hon'ble SAT order dated May 15, 2024, the Noticee was provided an opportunity of being heard on June 13, 2024. Vide letter dated June 12, 2024, the Authorized Representative (AR) of the Noticee confirmed receipt of the SCN. Thus, as can be seen from the above, the entire process was exhaustive and detailed, which involved various steps at different points of time and conducted with due dilligence. Thus, I note that there was no delay in issuance of the SCN.

17.4 Noticee in its reply has relied on the Hon'ble SAT judgement dated October 31, 2023 Geetaben Joshi & Ors vs. SEBI. In this regard, I note that Hon'ble SAT in the matter of Bipin R. Vora v. SEBI dated March 22, 2006, has held that *"As regards the plea of delay and latches and submission that the show cause notice is barred by limitation, I do not find merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of* *voluminous records/order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enabe a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market"*

18. Next, I would like to deal with the contention of the Noticee that the SCN is vague and has failed to explain how allotment of shares to the allottees on preferential basis without receiving the consideration has caused price and volume manipulation. In this regard, I note from the submissions of the 7 preferential allottees regarding their payments towards the said preferential allotment as detailed in the preceding paragraphs and the documents available on record that the Company had received funds in respect of the preferential allotment almost a year or two prior to the preferential allotment. This is evident from the details provided by the company vide email dated January 05, 2022, which are given below:

Sl No.	Name of Allottee	Number of shares allotted	Amount received	Range of Date of Receipt
1	Allied Computers International (Asia) Ltd	35150000	7,03,00,000	14/03/2011 to 28/08/2012
2	Black Horse Media & Entertainment Pvt Ltd	13120000	2,62,40,000	29/03/2011
3	Chhanel Guide India Ltd	22170000	4,43,40,000	31/03/2011 to 08/06/2011
4	Dhanus Technologies Ltd	158200000	31,64,00,000	01/02/2011 to 04/05/2012
5	Dizzystone Trading Pvt Ltd	66250000	13,25,00,000	29/03/2011 to 21/07/2011

6	Empower India Ltd	62250000	12,45,00,000	22/03/2011 to 31/03/2012
7	Energy Commotrade Pvt Ltd	41400000	2,20,00,000	05/07/2011
8	Gill Entertainment Pvt Ltd	41400000	8,28,00,000	29/04/2011 to 22/07/2012
9	Golding Mercantile Pvt Ltd	33600000	6,72,00,000	31/05/2011 to 11/05/2012
10	Harrods Trading Pvt Ltd	28120000	5,62,40,000	29/03/2011 to 05/05/2012
11	Intertick Developers Pvt Ltd	70000000	14,00,00,000	25/05/2011 to 07/07/2011
12	Krystalklear Properties Pvt Ltd	86770000	17,35,40,000	25/05/2011
13	L N Polyester Ltd	15700000	3,14,00,000	04/02/2011
14	Lifefour Multitrading Pvt Ltd	60950000	12,19,00,000	18/06/2011 to 24/03/2012
15	Marisha Real Estate Pvt Ltd	46110000	9,22,20,000	14/03/2011 to 30/03/2012
16	Nirvana Mall Management Co Pvt Ltd	40750000	8,15,00,000	16/07/2011 to 28/07/2011
17	Nixon Infraprojects Pvt Ltd	30870000	6,17,40,000	04/07/2011 to 18/08/2011

18	Offerlink Infraprojects Pvt Ltd	35420000	7,08,40,000	26/05/2011 to 24/08/2011
19	Orange Mist Productions Pvt Ltd	24930000	4,98,60,000	03/03/2011 to 17/03/2011
20	Parkway Properties Pvt Ltd	8750000	1,75,00,000	09/04/2012 to 04/05/2012
21	Pavitra Mall Management Co Pvt Ltd	31510000	6,30,20,000	14/03/2011 to 30/03/2012
22	Prabhav Industries Ltd	77820000	15,56,40,000	08/03/2011 to 05/05/2012
23	Roho Real Estate Pvt Ltd	10350000	2,07,00,000	26/08/2011 to 28/08/2012
24	Rosewood Vintrade Pvt Ltd	5718000	1,14,36,000	29/03/2011
25	Sanmay Trading Pvt Ltd	47630000	9,52,60,000	14/03/2011 to 28/09/2012
26	Sonal Styles Pvt Ltd	36710000	7,34,20,000	29/04/2012 to 28/06/2011
27	Southmint Real Estate Pvt Ltd	50150000	10,03,00,00	28/02/2011 to 28/06/2011
28	Speciality Papers Ltd	60230000	12,04,60,000	01/02/2011 to 31/03/2012

29	Wellman Tradelink Pvt Ltd	51950000	10,39,00,000	29/03/2011 to 26/03/2012
30	Westlite Infraprojects Pvt Ltd	51750000	10,35,00,000	24/05/2011 to 30/03/2012
31	Whitetext Infrastructure Pvt Ltd	29920000	5,98,40,000	17/03/2011 to 27/03/2011

As per the objects of the company, the funds were to be utilized for future expansion i.e. after receiving the funds in the preferential allotment. Hence what has been alleged in the SCN is that during the period mentioned as when preferential allotment was done and when various announcements were made in reality no funds were received by the company. It may be pertinent to point out that for devising such a fraudulent scheme of fund raising and giving the impression of capital infusion through preferential allotment it has been alleged in the SCN that the company along with its Directors, which included the Noticee, were engaged in a fraudulent scheme of fund raising. It is seen from the results of the company that its performance was declining and had reached downward trend in prices. It is also seen that there has been spurt in the volumes traded which shows that there has been impact of the announcements made by the company about the preferential issue. Hence, the contention of the Noticee is not tenable.

Issue No. I Whether the Noticee is in violation of the provisions of Regulations 77(1) of Chapter VII of the ICDR Regulations and 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations.

19. I have perused the facts of the case, gist of allegations made against the Noticee as per the SCN, summary of the submissions made by the Noticee, documents available on record and my findings thereof are specified below:

Noticee has submitted that the SCN is incorrect, consisting of wrong details and facts and shall be liable to be dismissed in limine. SCN alleges that the application letter dated March

18, 2013 to BSE was signed by the Noticee who was the Executive Director of AVIL and also the Authorised Representative of the company. Noticee has submitted that the Noticee was wrongly mentioned as Executive Director whereas the Noticee is a non-executive independent director, which is evident by the Annual Reports available online. I have perused the application letter dated March 18, 2013 to BSE and note that Noticee 3 viz. Jils Raichand Madan and not the Noticee who has signed all the documents. On scrutiny of Annual Reports available, online I find that the Noticee was a non-executive independent director of AVIL. The Noticee has in her contentions relied upon the Auditors report, submissions made by Stephen M. Fargose & Associates, Company Secretary to BSE that the company had complied with all the legal statutory formalities and no statutory / regulatory authorities had restrained the company for issuing 134,52,48,000 equity shares to various allottees as specified in the Board Resolution dated March 11, 2023 on preferential basis. Matters relating to the issue of shares on preferential basis was approved in the Board Meeting held on December 18, 2012 and the allotment was made in the Board Meeting held on March 11, 2013. I note that there are no documents available on record to show that the Noticee was present in the Board Meeting dated December 18, 2012. Noticee has contended that if the Auditor and the Company themselves do not possess the relevant documents, how can she be able to provide the documents and remember the facts and circumstances in which the transactions were carried out 10 years ago. Also the Noticee has contended that as a non-executive independent director as per Companies Act she can only be held liable for company actions if she had knowledge of, consented to, or did not act diligently to prevent those actions. I note that there are no documents available on record to show that the Noticee was responsible for the day-to-day affairs of the Company or that she was aware about the preferential allotment moneys not having been received during the time period when the Company had announced the preferential allotment. In the absence of any such evidence that the Noticee was aware of the fraudulent scheme, liability cannot be fixed on the Noticee nor any adverse inference be drawn merely for holding a position as a non-executive independent director. In view of the same, charges against the Noticee are not established.

In respect of the contention of the Noticee that she was not an Authorized Signatory, on perusal of the extracts of the Minutes of the Board Meeting held on February 17, 2011, I find that the Noticee had been authorised to operate the current account of the company with ING Vysya Bank Ltd., Nariman Point, Mumbai. The relevant extract is as under:

"*Opening of Current Account with with ING Vysya Bank Ltd., Nariman Point, Mumbai Resolved that as per Articles of Association of the Company.*

(a) That an account in the styled as Prraneta Industries Limited be opened with ING Vysya Bank Ltd. ("the Bank") at Nariman Point and that Mr. Jils Raichand Madan or Jyoti Munver, Director Singly (given name and desgination) is/are authorized to do so and sign the necessary forms and documents therefor.

(b) And that the Bank…………………….and the amount of all cheques, notes, bills other negotiable instruments, orders or receipt provided they are endorsed/signed by Mr. Jils Raichand Madan or Jyoti Munver ……………. Bank is authorised to accept and/or act upon all instructions issued by the said Mr. Jils Raichand Madan or Jyoti Munver, Director, Singly.

(c) …..

(d) ….

(e) And that the said Mr. Jils Raichand Madan or Jyoti Munver, Director, Singly are hereby authorized to convey to the Bank acceptance on behalf of the Company of the terms and conditions contained in the application form and on the website…….

(f) Ant that the aforesaid terms and conditions be and is/are hereby approved and accepted and the said Mr. Jils Raichand Madan or Jyoti Munver, Director, Singly authorized to accept such modifications therein as may be suggested by the Bank.

(g) …

(h) …

RESOLVED FUTHER THAT a certified copy of this resolution duly certirfied by Mr. R. S. Sharma Director be forwarded to the Bank."

Further, I note that vide email dated October 25, 2021; Kotak Mahindra Bank Ltd. (merged with ING Vysya Bank) submitted that the Noticee was an Authorised Signatory from March 05, 2011 till date i.e. till October 25, 2021. There is no finding that by virtue of being an Authorised Signatory, the Noticee was aware of the matters relating to the preferential allotment hence liability and/or culpability cannot be fastened upon the Noticee only on the basis that the Noticee was an Authorised Signatory of the Company.

In light of all of the above it is being held that the charges have not been established from the materials on record. It is a trite of law to state that the desideratum of clarity represents one of the most essential ingredients of legality. Therefore, I am of the view that in this case, the materials on record are not sufficient to establish the charges made against the Noticee in the SCN with certainty, clarity and conviction.

20. However, SEBI has the liberty to proceed against the Noticee, if the aforesaid information is found to be untrue at a later stage.

21. In view of the abovementioned observations and findings and having considered all the facts and circumstances of the case, the material available on record, I am of the view that the allegations made against the Noticee for Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Reg. 3(a), (b), (c), (d) & 4(1) of PFUTP Regulations and Regulation 77(1) of Chapter VII of the ICDR Regulations have not been established.

22. As the violations alleged the Noticee is not established, issues II and III do not merit consideration.

ORDER

23. In view of the above, after considering all the facts and circumstances of the case and factors mentioned in the provisions of 15-I of the SEBI Act, 1992 read with Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Jyoti Munver vide Show Cause Notice dated December 21, 2022.

24. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date: August 30, 2024	**SHASHI KUMAR VALSAKUMAR**
Place: Mumbai	**ADJUDICATING OFFICER**