ADJUDICATION ORDER NO. Order/JS/AU/2021-22/12962-12971

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 OFFICER) RULES, 1995.

In respect of:

1. **Taksheel Solutions Ltd (PAN:AAAC17325P)**
2. **Pavan Kumar Kuchana (PAN:ATAPK6144L)**
3. **Ramaswamy Kuchana (PAN: ALIPK4206D)**
4. **Durga Kuchana (PAN: AVRPK4234G)**
5. **Kamal Kuchana (PAN: ANLPK8156F)**
6. **Ravi Kusam (PAN: AKCPK0569Q)**
7. **V.K. Prasada Rao (PAN: ACHPR842D)**
8. **Shreya Multitrade P Ltd. (PAN: AAMCS6544G)**
9. **Rajan Babu Bhambale (PAN: AQHPB1458N)**
10. **Kejas Ashok Parmar (PAN: AYRPP4350M)**

In the matter of:

Taksheel Solutions Ltd.

BACKGROUND

1. Securities and Exchange Board of India ('SEBI') conducted investigation into the alleged irregularity in the Initial Public Offering ('IPO') of Taksheel Solutions Ltd. for the period from May 2011 to December 2011 and into the possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') and various rules and regulations made there under.

2. The preliminary investigation, inter alia, revealed that Taksheel Solutions Ltd. had made various mis-statement and had failed to disclose vital pieces of information in the offer document. Based on the said preliminary investigation, SEBI had passed an ad interim ex-parte order dated December 28, 2011 against the following entities:

Details of Entities
Taksheel Solutions Ltd. (TSL/Noticee 1')
Pavan Kumar Kuchana (MD & CEO of TSL, 'Pavan/Noticee 2')
Ramaswamy Kuchana (Director / Promoter of TSL, 'Ramaswamy/Noticee 3')
Shreya Multitrade P Ltd ('Shreya/Noticee 8')
Rajan Babu Bhambale (director of Shreya, Rajan/Noticee 9')
Kejas Ashok Parmar (director of Shreya, Kejas/Noticee 10')

directions against the entities/Noticees are as follows:

i. *TSL, is prohibited from raising any further capital, in any manner whatsoever, till further directions.*

ii. *TSL, Pavan, Ramaswamy are prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions:*

iii. *Shreya, Rajan and Kejas are prohibited from buying, selling or dealing in securities in any manner whatsoever, till further directions.*

3. SEBI, vide order dated May 11, 2012 confirmed its earlier directions passed vide ad interim ex parte order dated December 28, 2011 against Shreya, Rajan and Kejas and further vide order dated October 25, 2013 confirmed the earlier directions passed vide ad interim ex parte order dated December 28, 2011 against TSL, Pavan and Ramaswamy.

4. Investigation revealed that TSL came out with IPO of 55,00,000 shares of Rs.10 each. The IPO opened for public subscription during September 29, 2011 to October 04, 2011 with a price band between Rs. 130 to Rs. 150. On closure, the issue price was fixed at Rs. 150. TSL had raised Rs. 82.50 crore through issuance of 55 lac shares of which Rs. 80.50 crore were transferred to TSL's bank account maintained with Indian Bank after deducting issue expenses. The shares of TSL were listed on The Bombay Stock Exchange Ltd. ('BSE') and National Stock Exchange ('NSE'). The trading in the scrip of TSL commenced on October 19, 2011 and witnessed major fluctuation in the price during the first day of listing. The

summary of observation made in the investigation against the Noticees are as follows:

i. *TSL, Pavan and Ramaswamy has suppressed several material facts and made various mis-statement /factual incorrect statement in the offer document (Red Herring Prospectus ('RHP') and prospectus) with regard to non-disclosure of ICD raised in the offer document by TSL, mis-utilisation of IPO proceeds namely repayment of ICDs and payment to TSL's vendors located at USA from IPO proceeds.*
ii. *TSL, Pavan and Ramaswamy made a various incorrect/ untrue statement in the offer document (RHP and Prospectus) namely the factual status of the land allotted to TSL at Warrangal, Presence of its employees across globe including non-disclosure of placement of purchase order with related entities and other related party transactions in the offer document*
iii. *TSL, Pavan and Ramaswamy siphoned off the IPO proceeds by transferring the IPO proceeds to vendor viz Kyros Tech Systems Inc, CYMA Network Solutions Inc., Crest Solutions Inc and Helia Software Solutions Inc and then transferred to clients of TSL and receiving back revenue from TSL's clients.*
iv. *TSL, Pavan and Ramaswamy had manipulated the books of accounts of TSL by accounting the transfers to its vendors as expenditure, which was then circulated to TSL's clients and transferred back to TSL and shown as revenue, accordingly inflated the books of accounts of TSL.*
v. *TSL, Pavan and Ramaswamy had diverted of IPO funds through different entities namely Silverpoint Infratech, indicates that TSL was involved in the entire movement of funds and has also diverted the proceeds of the IPO to Baba Bhoothnath Trade and commerce Pvt ltd., Shreya Multitrade Pvt Ltd., Rose valley Merchandise pvt ltd and Overall financial consultants etc to deal in the shares of TSL on the day of listing and supporting the demand and therefore the price of the scrip.*
vi. *TSL, Pavan and Ramaswamy had diverted the IPO proceeds to unknown entities namely Asiarich ventures, KTP exports, Brindille Holdings Inc, East Fortune Industrial Ltd., located outside India.*
vii. *TSL, Pavan and Ramaswamy Non-compliance of SEBI Ad-interim ex-parte order dated December 28, 2011.*

viii. *Pavan, Durga Kuchana (Promoter of TSL, 'Durga/Noticee 4'), Kamal Kuchana (Promoter of TSL, 'Kamal/Noticee 5'), Ravi Kusam (VP of TSL, Ravi/Noticee 6') were associated/ involved/created/ incorporated fictitious entities as vendors/ clients of TSL at USA. These entities at USA were used to transfer the funds/ IPO proceeds and accounted these transfers as expenditure & revenue.*

ix. *V K Prasada Rao (CFO of TSL, 'Prasada/Noticee 6'), had reviewed the financial statements for the period April 2011-Marcj 2012 and also certified that the statement does not contain any untrue statement.*

TSL, Pavan, Ramaswamy, Durga, Kamal, Ravi, Prasada, Shreya, Rajan and Kejas are collectively referred as 'Noticees'.

5. SEBI has, therefore, initiated adjudication proceedings against the Noticees for the following alleged violations of the provisions of:

   I. *Section 12A(a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b),(c), (d) and Regulations 4(1), 4(2)(a), (d), (e), (f), (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ('PFUTP Regulations') and Regulations 57(1), 58 (1), 60(1), 60(4) (a) and 60(7) (a) of SEBI (ICDR) Regulations, 2009 ('ICDR Regulations') and clauses 2(VII) (B)(4), 2(VII) (G), 2(IX)(12) and 2 (XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57 (2) (a) of ICDR Regulations and TSL, Pavan, Ramaswamy.*

   II. *Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3 (b), (c) and (d) and 4(1), 4(2)(e), (k) and (r) of SEBI (PFUTP) Regulations, 2003 against Durga, Kamal, Ravi and Prasada.*

   III. *Section 12A (a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (d) and (e) of PFUTP Regulations against Shreya, Rajan and Kejas.*

6. Accordingly, SEBI appointed Shri D Sura Reddy as the Adjudicating Officer, in place of previous Adjudicating Officers, vide order dated August 29, 2013 under Section 15I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding

Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 ('AO Rules') to inquire into and adjudge under Section 15HA of the SEBI Act against Noticees No. 1 to 10 and also under Section 15HB of the SEBI Act against Noticees No. 1 to 3, the alleged violations of the abovementioned provisions of law by the Noticees.

7. A Show Cause Notice ('SCN') dated May 08, 2013 issued was duly received by the Noticee at Sr. No. 1 to 7. With respect to Noticee at Sr. No. 8 to 10, the SCN was returned undelivered. Subsequently, the Noticees at Sr. No. 1 to 7, as requested, conducted inspection of documents. The Noticees have neither filed reply to the SCN nor appeared before the then Adjudicating Officer for the personal hearing.

AO Order

8. Vide Adjudication Order No. EAD-2/DSR/RG/129-144/2014 dated June 30, 2014 ('AO Order'), it was inter alia held that the Noticees No. 1 to 10 have violated the following applicable provisions of SEBI Act and the rules and regulations framed thereunder and accordingly penalties as stated below were imposed on the Noticees:

Sr. No.	***Noticee Name***	***Penal Provisions***	***Amount of Penalty (in Rupees)***
1	*Taksheel Solutions Ltd.*	*15HA*	*25 crores*
		15HB	*1 crore*
2	*Pavan Kumar Kuchana*	*15HA*	*10 crores*
		15HB	*1 crore*
3	*Ramaswamy Kuchana*	*15HA*	*10 crores*
		15HB	*1 crore*
4	*Durga Kuchana*	*15HA*	*2 crores*
5	*Kamal Kuchana*	*15HA*	*2 crores*
6	*Ravi Kusam*	*15HA*	*2 crores*
7	*V K Prasada Rao*	*15HA*	*2 crores*
8	*Shreya Multitrade P Ltd*	*15HA*	*2 crores*

Sr. No.	*Noticee Name*	*Penal Provisions*	*Amount of Penalty (in Rupees)*
9	*Rajan Babu Bhambale*	*15HA*	*1 crores*
10	*Kejas Ashok Parmar*	*15HA*	*1 crores*

SAT Order

9. The referred AO order dated June 30, 2014 was appealed before the Hon'ble Securities Appellate Tribunal ('SAT') by the Noticees. In the matter, SAT, vide its order dated April 15, 2016, with respect to Noticee Kejas (Appeal No 419 of 2014) Shreya (Appeal No 431 of 2014), Prasada (Appeal No. 341 of 2014) and Rajan (Appeal No. 136 of 2015) had stated that:

    i. *"Basic grievance of the appellants in Appeal No. 419 of 2014 and 431 of 2014 is that they were neither served with the show cause notice nor served with the notice for personal hearing. It is the case of the appellants that there was change in their correspondence address and by letter dated April 09, 2014, the said change in the address was brought to the notice of AO. However, without issuing any notice to the appellants, the impugned ex-parte order has been passed on June 30, 2014. Fact that the appellants had informed SEBI about the change in address by letter dated April 09, 2014 is not in dispute. In these circumstances, we deem it proper to set aside the ex-parte order qua the appellant in Appeal No. 419 of 2014 and appellant in Appeal No. 431 of 2014 and restore the matter to the AO for passing fresh order on merits and in accordance with law, after serving the show cause notice and after giving an opportunity of filing reply and personal hearing to each appellant.*

    ii. *Grievance of the appellant in Appeal No. 341 of 2014 is that the ex-parte order is passed against him without furnishing the requisite documents called for by appellant vide letter dated November 26, 2013. It is not in dispute that the appellant even after receiving partial inspection of document, by a letter dated November 26, 2013, had sought inspection of certain documents. Although inspection of documents was given on December 30, 2013, it is the case of the appellant that full inspection has not been given. It is relevant to note that the appellant for the first time in this appeal has emphatically denied the charge that the appellant had certified the financial statement from April 2011 to March 2012. Although SEBI in its reply has reiterated that the appellant had certified the said financial statement, there is nothing on record to suggest that SEBI has verified the signature on the relevant financial statement and found that the said signature is that of the appellant. In any event since the impugned order is an ex-parte order and the order passed against the company in which the appellant was a director is set aside and restored for fresh decision, it would be just and proper to set aside the impugned order qua the appellant in Appeal No.341 of 2014 and restore the matter for fresh decisions on merits and in accordance with law. AO* *is directed to give inspection of the financial statement allegedly certified by the appellant and other related documents claimed by the appellant and thereafter proceed to hear the appellant and pass order as deemed fit.*

iii. *Appellant in Appeal No. 136 of 2015 was admittedly served with the show cause notice, but the appellant herein has failed to file reply to the show cause notice and has failed to attend the personal hearing offered to the appellant. In such a case, although no fault can be found with the AO in proceeding to pass ex-parte order, in the facts of present case, since the impugned order passed against the Company (Appellant in Appeal No. 431 of 2014) and the director Mr.Kejas Parmar (appellant in Appeal No. 419 of 2014) is set aside and restored to the file of AO for fresh decision on merits, in our opinion, it is just and proper to set aside the impugned order against the appellant in Appeal No. 136 of 2015 who was also at the relevant time a director of the Company and restore the matter for fresh decisions on merits and in accordance with law.*

iv. *There is one more reason for remanding all these matters and that reason is the conflicting orders passed by the AO of SEBI while imposing penalty under Section 15HA of SEBI Act. In some cases, for example in case of Krishna Enterprises vs. SEBI (Appeal No. 131 of 2015) the AO has held that where a person adopts fraudulent and deceptive devices, then that person violates Section 12A of SEBI Act as well as regulation 3 of PFUTP Regulations 2003 and in such a case, penalty imposable under Section 15HA of SEBI Act for violating Section 12A of SEBI Act and for violating regulation 3 of PFUTP Regulations 2003 would be independent and separate. However, in the cases in hand the AO has considered the violations under Section 12A and regulation 3 together and imposed a common penalty under Section 15HA of SEBI Act. It is relevant to note that penalty imposable under Section 15HA is up to Rs. 25 crore. In such a case, it would be improper on part of AO's of SEBI to pass conflicting orders which is neither in the interests of SEBI nor in the interests of the securities market.*

In these circumstances, for all the aforesaid reasons, we set aside the impugned order qua the appellants herein and restore the matters to the file of AO for fresh decision on merits and in accordance with law as expeditiously as possible. All contentions of both sides kept open.

10. Further, SAT vide order dated April 27, 2016, with respect to Kamal Kuchana (Appeal No. 321 of 2014), Ramaswamy Kuchana (Appeal No. 342 of 2014), Durga Kuchana (Appeal No. 343 of 2014), Ravi Kusam (Appeal No. 344 of 2014) and TSL& Pavan (Appeal No. 345 of 2014) had stated that:

'Accordingly, for the reasons stated in our order dated April 15, 2016 in Appeal No. 419 of 2014 and Appeal No. 341 of 2014, the orders passed against the appellants in these appeals are quashed and restored to the file of the Adjudicating Officer for fresh decision on merits and in accordance with law. All contentions of both the parties are kept open'.

SEBI ORDER

11. Subsequent to the order confirming the directions of the ad interim ex-parte order dated December 28, 2011, SEBI, vide dated November 15, 2017, passed a final order against TSL, Pavan, Ramswamy, Durga, Kamal, Ravi and Prasada in the matter under Sections 11(1), 11(4) and 11B of the SEBI Act and the directions are as follows:

    i. *The directions issued against Ramaswamy Kuchana vide interim order dated December 28, 2011 and confirmed vide order dated October 25, 2013 shall stand revoked.*
    ii. *Taksheel Solutions Limited, Pavan Kuchana, Durga Kuchana and Ravi Kusum are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of three years from the date this order.*
    iii. *V K Prasad Rao is warned to be cautious and exercise due care and diligence in future in his conduct as a Chief Financial Officer of a listed company or while rendering services as a chartered accountant to any listed company.*

    With respect to Kamal, SEBI has not find any role of Kamal in connection with the fraudulent scheme of TSL.

12. Subsequent to the SAT order, the then Adjudicating Officer, vide letter dated March 23, 2017, Shreya and Kejas were provided a copy of the referred SCN and accordingly informed to file reply to SCN within 14 days of receipt of the SCN. In this regard, Shreya, vide letter dated April 18, 2017, while acknowledging the receipt of the SCN, have informed that they have handed over the copy of the SCN to Kejas. Also, vide the letter, Shreya have provided the communication details of Shreya which is "*B-9/283, Swapandip Society, Near Mangal Murti Hospital, Gorai-2, Borivali (west), Mumbai- 400092*". With respect to Kejas, vide letter dated April 18, 2017 while acknowledging the receipt of the SCN had informed that he had resigned from the Company w.e.f 5/11/2015.

13. Further, Shreya and Kejas vide letter dated October 04, 2017 were granted an opportunity to appear before the Adjudicating Officer on October 17, 2017 and also informed to file reply to the SCN. Also, Shreya and Kejas vide letter dated October 10, 2017 and October 13, 2017 respectively, have filed reply to the SCN.

14. On the date of hearing, Authorised Representative of Shreya and Kejas appeared before the Adjudicating officer and made submission. During the hearing, Shreya and Kejas was advised "*to submit copy of the bank statement containing disbursement of the loan amount and repayment of the same along with interest, if any, pursuant to the ICD agreement dated October 24, 2011*".

15. Subsequently, vide letter dated October 18, 2017, another opportunity of hearing was granted to Shreya to appear before the Adjudicating Officer on November 27, 2017 and also advised "*to provide the original ICD agreement entered into by Shreya with Snehsil Marketing P ltd. on October 24, 2011 for an ICD of Rs.2,00,00,000/-*".

16. On the date of hearing Shreya through its representative appeared before the then Adjudicating Officer and made submissions and the following documents:

    I. copy of the letter dated October 26, 2017 addressed to Snehsil Marketing P Ltd., seeking original ICD agreement dated October 24, 2011
    II. reply dated October 25, 2017, containing copy of bank statements evidencing payment of interest and copy of TDS certificate specifying the amount of TDS deducted and paid.

17. With respect to Rajan, director of Shreya, vide letters dated October 04, 2017 and October 18, 2017, granted an opportunity to appear before the Adjudicating Officer on October 17, 2017 and November 27, 2017 respectively. The referred letters were addressed to "*Arihant Chawl Committee, Milind Nagar, Gavdevi, V P line, Santacruz (East), Mumbai- 400055*", the same address which is recorded in the referred SAT order. However, the letters were returned undelivered.

WRITTEN SUBMISSIONS, PERSONAL HEARING, ADDITIONAL WRITTEN SUBMISSIONS

18. The details of hearing opportunities to the Noticee, reply filed by the Noticee etc are as follows:

Noticee Name	Ist Hearing Notice post SAT Order	Whether attended hearing or sought Adjournment	IInd Hearing Notice post SAT Order	Whether attended hearing or sought Adjournment	IIIrd Hearing Notice post SAT Order	Whether attended hearing or sought Adjournment	Reply of the Noticee
TSL	Letter dt: 4/10/17	Hearing dt: 17/10/17, vide email dt: 16/10/17 sought adjournment	Letter dt: 18/10/17	Hearing dt: 23/11/17, vide email dt: 23/11/17 sought adjournment	Email dt: 27/11/17	Noticee attended the hearing held on 11/12/17	8/12/17, 7/2/18, 11/3/19, 26/7/19
Pavan	Letter dt: 4/10/17	Hearing dt: 17/10/17, vide email dt: 16/10/17 sought adjournment	Letter dt: 18/10/17	Hearing dt: 23/11/17, vide email dt: 23/11/17 sought adjournment	Email dt: 27/11/17	Noticee attended the hearing held on 11/12/17	8/12/17, 7/2/18, 11/3/19, 26/7/19
Ramaswamy	Letter dt: 4/10/17, delivered	Hearing dt: 17/10/17, not attended	Letter dt: 18/10/17	Hearing dt: 27/11/17, attended and sought adjournment to 11/12/17, subsequently adjourned to 3/1/18	-	Noticee attended the hearing held on 3/1/18	25/11/17, 11/3/19
Durga	Letter dt: 4/10/17	Hearing dt: 17/10/17, not attended	Letter dt: 18/10/17	Hearing dt: 27/11/17, attended and sought adjournment to 11/12/17 subsequently adjourned to 3/1/18	-	Noticee attended the hearing held on 3/1/18	20/11/17
Ravi	Letter dt: 4/10/17	Hearing dt: 17/10/17, not attended	Letter dt: 18/10/17	Hearing dt: 27/11/17 attended			26/11/17
Kamal	Letter dt: 4/10/17-Undelivered	Hearing dt: 17/10/17-	Letter dt: 26/10/17-Undelivered	Hearing dt: 27/11/17, attended and sought adjournment to 11/12/17 subsequently adjourned to 3/1/18	-	Noticee attended the hearing held on 3/1/18	20/11/17

19. With respect to the Noticees, Shreya and Kejas, subsequent to the SAT order, the then Adjudicating Officer, vide letter dated March 23, 2017, provided a copy of the referred SCN and accordingly informed Shreya and Kejas to file reply to SCN. In this regard, Shreya, vide letter dated April 18, 2017, while acknowledging the receipt of the SCN, have informed that they have handed over the copy of the SCN to Kejas. Also, vide the letter, Shreya have provided its current communication details which is "*B-9/283, Swapandip Society, Near Mangal Murti Hospital, Gorai-2, Borivali (west), Mumbai- 400092*". With respect to Kejas, vide letter dated April

18, 2017 while acknowledging the receipt of the SCN had informed that he had resigned from the Company w.e.f 5/11/2015.

20. Further, Shreya and Kejas vide letter dated October 04, 2017 were granted an opportunity to appear before the Adjudicating Officer on October 17, 2017 and also informed to file reply to the SCN. Also, Shreya and Kejas vide letters dated October 10, 2017 and October 13, 2017 respectively, have filed reply to the SCN.

21. On the date of hearing, Authorised Representative of Shreya and Kejas appeared before the Adjudicating officer and made submission. During the hearing, Shreya and Kejas was advised "*to submit copy of the bank statement containing disbursement of the loan amount and repayment of the same along with interest, if any, pursuant to the ICD agreement dated October 24, 2011*".

22. Subsequently, vide letter dated October 18, 2017, another opportunity of hearing was granted to Shreya to appear before the Adjudicating Officer on November 27, 2017 and also advised "*to provide the original ICD agreement entered into by Shreya with Snehsil Marketing P ltd. on October 24, 2011 for an ICD of Rs.2,00,00,000/-*".

23. On the date of hearing Shreya through its representative appeared before the then Adjudicating Officer and made submissions and also filed the following documents:

    I. copy of the letter dated October 26, 2017 addressed to Snehsil Marketing P Ltd., seeking original ICD agreement dated October 24, 2011
    II. reply dated October 25, 2017, containing copy of bank statements evidencing payment of interest and copy of TDS certificate specifying the amount of TDS deducted and paid.

24. With respect to Rajan, director of Shreya, vide letters dated October 04, 2017 and October 18, 2017, granted an opportunity to appear before the Adjudicating Officer on October 17, 2017 and November 27, 2017 respectively. The referred letters were addressed to "*Arihant Chawl Committee, Milind Nagar, Gavdevi, V P line,*

Santacruz (East), Mumbai- 400055", the same address which is recorded in the referred SAT order. However, the letters were returned undelivered.

APPOINTMENT OF PRESENT ADJUDICATING OFFICER

25. Pursuant to transfer of proceedings, the Adjudicating Officer, was appointed in the matter vide order dated April 27, 2018 to enquiry into and adjudge the matter under Section 15HA against Noticees at Sr No. 1 to 10 and also under Section 15HB of the SEBI Act against Noticees at Sr. No. 1 to 3 of the Securities and Exchange Board of India Act, 1992 (SEBI Act, 1992) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (Adjudication Rules).

HEARING, SUBMISSIONS ETC POST THE TRANSFER OF PROCEEDINGS

Noticee Name	Ist Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment	IInd Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment	IInd Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment
TSL	Letter dt: 17/1/19	Vide email dated 1/2/19 sought adjournment	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt: 13/2/19 sought adjournment	Email dt: 14/2/19	Noticee attended the hearing held on 25/2/19
Pavan	Letter dt: 17/1/19	Vide email dated 1/2/19 sought adjournment	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt: 13/2/19 sought adjournment	Email dt: 14/2/19	Noticee attended the hearing held on 25/2/19
Ramaswamy	Letter dt: 17/1/19	Vide email dated 1/2/19 sought adjournment	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt: 13/2/19 sought adjournment	Email dt: 14/2/19	Noticee attended the hearing held on 25/2/19
Durga	Letter dt: 17/1/19	Vide email dated 1/2/19 sought adjournment	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt: 13/2/19 sought adjournment	Email dt: 14/2/19	Noticee attended the hearing held on 25/2/19
Kamal	Letter dt: 17/1/19	Vide email dated 1/2/19 sought adjournment	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt: 13/2/19 sought adjournment	Email dt: 14/2/19	Noticee attended the hearing held on 25/2/19
Ravi	Letter dt: 17/1/19	Vide email dated 1/2/19	Email dt: 1/2/19	Hearing dt: 14/2/19, vide letter dt:	Email dt: 14/2/19	Noticee attended the

Noticee Name	Ist Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment	IInd Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment	IInd Hearing (dt:) before the present AO	Whether attended hearing or sought Adjournment
		sought adjournment		13/2/19 sought adjournment		hearing held on 25/2/19
Shreya	Letter dt: 17/1/19, letter delivered	Hearing dt: 01/2/19, failed to appear. Vide letter dt: 12/2/19 sought adjournment	Letter dt: 18/2/19	Hearing dt: 5/3/19, attended hearing	-	-
Kejas	Letter dt: 17/1/19	Hearing dt: 01/2/19, failed to appear. Vide letter dt: 12/2/19 sought adjournment	Letter dt: 18/2/19	Hearing dt: 5/3/19, attended hearing	-	-

26. With respect to Prasada Rao, it is observed that SEBI, received a letter dated December 04, 2018, from V K Murali Manohar informing V K Prasada Rao his is brother. Vide the letter, it was informed that the V K Prasada Rao was passed away on November 28, 2018 and accordingly requested to drop all the proceedings against V K Prasada Rao. The copy of the letter was forwarded vide email dated January 16, 2019 and also a copy of the death certificate of Prasada Rao was forwarded which is issued by Greater Hyderabad Municipal Corporation on January 16, 2019.

27. Kejas, vide letter dated Feb 12, 2019 has provided his current communication address, which is "*302/Building No. B-45, Chintamani, Sector-1, Shanti Nagar, Mira Road East, Thane-401101*".

28. With respect to Rajan, vide letters dated January 17, 2019 and February 18, 2019, an opportunity of hearing were granted to appear before the Adjudicating Officer on February 01, 2019 and March 05, 2019 respectively. The referred letters were issued to the address available on record, however, the same were returned undelivered. Further, an attempt was made to affix the letter dated February 18, 2019 could not be materialized. The undelivered letters were uploaded in the SEBI website under the heading "Unserved Summons/Notices".

29. Further, vide letter dated March 05, 2019, Rajan was granted another opportunity to appear before the Adjudicating Officer on March 19, 2019. The referred letter was served to the address available on record i.e. “Hari OM Chawl Cameti, Milind Nagar Gaondevi, Va Pa Line, near Vakola, Santacruz (E), Mumbai- 400055, address available on record. The referred letter is duly received by Rajan.

30. On the date of hearing, Rajan failed to appear before the Adjudicating Officer. The Noticee vide letter dated March 19, 2019, received by the Office of Adjudicating Officer post the hearing, has sought adjournment of hearing. It appears that the letter was hand delivery at the SEBI, HO and the letter does not contain any communication details of Rajan.

31. In this regard, vide letter dated April 23, 2019, as requested, Rajan was granted another opportunity of hearing on May 10, 2019 and also vide the letter, Rajan was informed to mention his current correspondence details in all its communication during these proceedings. The said letter was addressed to the same address to which the letter dated March 19, 2019 was issued, however, the letter was returned undelivered with reason ‘consignee shifted’. Subsequently, the undelivered letter was uploaded in the SEBI website under the heading “Unserved Summons/Notices”.

32. On the date of hearing, Rajan appeared before the Adjudicating Officer and made the submissions. Further, during the hearing, Rajan provided his communication address which is “*Room No.4, Pragati Chawl Committee, Milind Nagar, Gavdevi, Santacruz(East), Mumbai- 400 055*”. Also, during the hearing, Rajan was informed to make submissions with respect to his change of address. The Noticee Rajan, vide letter dated May 15, 2019 has stated that “*I would like to bring to your kind attention that my address for correspondence at present is Room No. 4, Pragati Chawl Committee, Milind Nagar, Gavdevi Santacruz (E), Mumbai-400 055*”. Accordingly, requested to take a note of the address of the Noticee on record.

33. The AO was transferred to another department and the proceedings could not be carried forward due to exigencies of the new department. Meanwhile, another

communication was issued affording an opportunity of hearing to appear before the Adjudicating Officer on September 12, 2020. Also, Noticee Shri Rajan was granted opportunity of hearing to appear on October 16, 2020 if intended to appear before the Adjudicating Officer.

34. Meanwhile some of the noticees had preferred an appeal against order of SEBI dated November 15, 2017, before the Honable Securities Appellate Tribunal, which were disposed of vide order dated October 16, 2020.

35. In view of the above another communication was made to the noticees to file any further submissions if they intend to file on or before August 04, 2021. None of the entities have filed any further submissions though it is on records that the communications have been delivered to the relevant addresses. Thus the proceedings in the matter are now being carried forward based on the information submitted by entities which are part of records.

36. <u>Submissions of the Noticees:</u>

The following are the submissions made by the Noticees:

The submissions of TSL and Pavan dated December 08, 2017 is as follows:

1. *We are in receipt of the Show Cause Notice bearing Reference No. FAD-2/ RGA/10900/2013 dated May 8, 2013 (hereinafter referred to as "Notice™) issued against us in the matter of Initial Public Offering CIPO") of Taksheel Solutions Limited (hereinafter referred to as "Our Company'/ the "Company").*
2. *By the Notice we have been called upon to show cause as to why enquiry should not be held against us under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules. 1995 ("SEBI Rules") read with section 15] of the SEBL Act and penalty not be imposed under section 15HA and 15HB of the SEBI Act for the alleged contraventions of the following provisions of law:*

2.1. Section 12 A (a). (b) And (c) of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") read with:

2.2. Regulation 3(a). (b). (c). (d) and Regulations 4(1). (2)(a), (d). (e). (D. (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practice Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"): and

2.3. Regulations 57(1), 58(1). 60(1). 60 (4) (a), 60(7) (a) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "ICDR Regulations") and clauses 2(vi) (B) (4), 2(VII) (G). 2(1X) (12) and 2(XV1D (B (2) of Part A and Clause (IX) of Part D of Schedule VIII of the ICDR Regulations read with:

2.4. Regulation 57(2) of the ICDR Regulations.

3. In the Notice, it has been alleged that we have:

3.1. Made various incorrect/untrue statement in the offer document (Red Herring Prospectus and Prospectus);

3.2. Suppressed several material facts, made various misstatement/ factually incorrect statements in the offer document;

3.3. Siphoned off the IPO proceeds:

3.4. Manipulated books of accounts by inflating our books of accounts:

3.5. Diverted IPO funds through different entities:

3.6. Diverted IPO proceeds to unknown entities:

3.7. Not complied with SEBI ad-interim ex-parte Order dated 28" December. 2011 and

3.8. Associated/ involved/ created/ incorporated fictitious entities as vendors/ clients in USA for transfer of *funds/ IPO proceeds and accounted the transfers and expenditure and revenue.*

4. *At the outset, we deny all and singular averments, allegations, contentions, insinuations raised against us in the Notice as if the same were set out herein and specifically traversed in so far as they are inconsistent with and/or contrary to whatever is stated herein. Nothing stated therein shall be deemed to be admitted by us merely on account of non-traverse and unless the same is specifically admitted by us herein.*
5. *At the further outset, we repeat, reiterate and confirm all that is stated in our replies to the ex-parte order dated 28" December. 2011, reply dated September 26, 2014 to the Show Cause Notice dated Janaury 06, 2014 under section 1 I(B)of the SEBI Act and the written submissions dated October 04, 2016 and May 03, 2017 filed therein as the same is set out herein in verbatim. We deny all that is contrary thereto and/or inconsistent therewith.*
6. *Prior to setting out a paragraph wise reply to the Notice, it is important to note that out of 90 pages, we have been provided with 85 pages of the Notice. Although the Notice is dated 2013, we have till date not been provided with a complete copy of the Notice and accordingly reserve our right to file a more detailed reply and deal with the allegations and insinuations that may be contained in the remaining pages.*
7. *It is denied that we have violated the various provisions of PFUTP Regulations, ICDR Regulations and the SEBI Act, as stated above. It is submitted that SEBI has not taken into consideration the facts that, by virtue of its Ex-Parte Order in the same matter, we have already _undergone_an_unwarranted debarment_of almost 6 years and 10 months. Further, SEBI only came with a Confirmatory Order on October 25, 2013, almost after 1 year and 10 months of such debarment, although the investigation was over by the mid of 2013. It is further submitted that SEBI has also not taken into consideration our detailed replies made in the Ex-Parte stages and has yet again repeated almost all allegations in the Notice, which were already made in the Ex-parte stage. Not only that, the Confirmatory Order dated October 25, 2013 (hereinafter referred to as the Confirmatory Order) also did not add any substantial new aspect_ of allegations already levied in the Ex-parte stage. Which indicates that even post investigation also, SEBI did not unearth any new evidence against us.*
8. *It is submitted that the passing of the Ex-parte Order and the Confirmatory Order has caused us great and irreparable harm. It is important to note that as an effect of the passing of the said orders our entire business has been brought to a standstill, as pursuant to the passing of the said orders most of our employees have left the organization, which in turn has led to a chaotic scenario wherein our working has hit a roadblock. It is to be noted that due to our failure to meet the pending work orders and assignments, we were unable to procure new orders from both new and old clients. The same had led to a cash crunch due to which we were not even able to meet our day to day financial requirements/obligations, which are very much essential for running the business. As a matter of fact, our entire functioning as of now, has come to a standstill.*
9. *It is submitted that due to the ex-parte Order passed by the SEBI, the Company has suffered irreparable financial and reputational loss. It is submitted that the ex-parte Order along with the Confirmatory Order has resulted in a complete standstill of the business activities of the Company. It is submitted that the Company is unable to recover several advances paid to its vendors. Further, due to the aforesaid Orders, the Company is facing tremendous financial liabilities. Even though the proceedings are pending before the SEBI, the passing of the Ex-parte Order has affected the Company's business to an extent that the cash credit facility availed by the Company from IDBI Bank has been classified as Non-Performing Asset ("NPA"). It is submitted that residential house of Mr. Pavan Kuchana situated at Waranglal was given to IDBI Bank as a collateral for the cash credit facilities, Due to the adverse effect from the operation of the ex-parte order and confirmatory order, it is apprehended that the residential house of Mr. Pavan Kuchana will be sold by IDBI Bank towards recovery of their dues.*
10. *It is further pertinent to mention that the continuous action of the Ex-Parte Order and now the Confirmatory Order has not just only caused financial and reputational loss but has also led to erosion in the value of the shares for the public shareholders who would have been greatly benefited upon the completion of the projects mentioned in the objects of the issue in the prospectus. The successful completion of these projects would have increased the profits and turnover of our company, thus the same would have led to the increase in the value of their investments. But on the contrary due to the passing of the said orders all the expansion and the day to day business activities have come to a halt.*
11. *Further, it is submitted that SEBI although being well aware that Our Company has no statutory or other powers to require/direct/advise the third parties to refund the monies paid to them, has passed directions which required us to ensure compliance of the said Orders by returning back the monies. Not only that, it has also alleged the same in the Notice, wherein it claims that we have failed to comply with its directions passed in the Ex-Parte Order, by not refunding the money already provided to the third parties. Despite the requisite powers being available with SEBI, it has itself failed to pass any directions, till date, against the third parties who are the recipients of such money. It is a well settled proposition of law that a person cannot be compelled to do the impossible. It is submitted that in the absence of a direction against the third party recipients, the directions passed against us to require the third parties to refund the monies paid to them is impossible to be complied with, which, SEBI refused to consider.*
12. *The compliance of the said direction would require us to inter alia commit breach of concluded contracts and thus make us pay damages for such breach and leading us to adverse consequences, irreparable harm, injury and prejudice.*
13. *Before proceeding with our detailed submissions to the observations made in the Notice by SEBI, we wish to provide our brief background:*

13.1. *Our Company and Mr. Pavan Kumar Kuchana have an impeccable track record in terms of compliance* *with the laws of the land. Except the present investigation in the scrip of TSL under consideration, there is no allegation against our Company and Mr. Pavan Kumar Kuchana for breach of any provisions of Securities Laws, Rules, Regulations made there under or Rules Regulations and Bye Laws of any recognized Stock Exchanges in India.*

13.2. Our company was incorporated in the vear 1999 in Hyderabad. We at the relevant time were a 100% EOU and 1S09001:2008 certified company. We are comprehensive IT Solution Company focused on providing products and services for the companies engaged in financial services industry and telecom, which are driven by technology all over the world. Our 14 years of presence in the industry had given us good business domain knowledge and experience in deploying services and solutions.

13.3 We provide professional IT services to our clients. Our solutions together with our expertise drove our clients to become value based, performance-focused organizations. Our Company's vision was of simplifying Information Technology for business. We have evolved to emerge as a specialized solutions provider offering Wealth Management Technology Solutions, Telecom Solutions, Business Intelligence, Data Warehousing, and Offshore Outsourcing. Application Development and Application Maintenance.

13.4 Mr. Pavan Kumar Kuchana. Managing Director of Our Company finished B.Tech. in Electronics and Telecommunications from Nagpur University in 1991. Afier completing his B.Tch. engineering, he worked as lecturer for one vear in Govt. Polytechnic College, Warangal. Simultaneously while working as a lecturer he appeared for TOEFL and GRE and got admitted to New York Institute of Technology (NYIT) inJune 1992,

13.5 The time period when Mr, Pavan Kumar Kuchana got admission in NYIT in year 1992 was the post-Gulf war era. At that point of time recession was at peak in United States of America (USA). Mr. Pavan Kumar Kuchana's father being a govt employee was not able to fund his studies in USA. Due to recession, fee waiver/scholarships were not available which led the Mr. Pavan to work at grocery stores and restaurants to arrange for his college fee and living expenses.

13.6 After finishing his first semester at NYIT. Mr. Pavan moved to City college of New York (CCNY) which is part of City University of NewYork (CUNY) and graduated with Masters in Computer Science.

13.7 Inspired by the economic reforms of early 90's and in order to utilise the entrepreneur skills Mr. Pavan incorporated a company called IBSS in the year 1995 from college dorms.

13.8 With the entrepreneur skills and knowledge of the industry. Mr. Pavan started rendering quality services to its clients. Mr. Pavan provided Working opportunity to around 50% of his classmates in CCNY who were looking for jobs after completing their degree course. Mr. Pavan also provided career break in USA for his friends who did B. Tech. from Nagpur University. Mr. Pavan provided H1B's and green cards to around 70 of his friends.

13.9 During the same time period the Mr. Pavan floated IBSS Techno-park in Hyderabad, India in 1999 which is now known as Taksheel Solutions Limited i.e. our Company, Our Company started rendering services to IBSS customers in USA and by 2007 it started working with customers directly from India. Over a period of time our Company has developed core competency in wealth management technology and telecom solutions.

13.10 Due to good track record of our Company, Government of Andhra Pradesh allotted 5 acres of land in Warangal as an anchor company. Our Company was also awarded as best IT company from Warangal for 2012 by STPI of Andhra Pradesh Government.

13.11 Friends and ex-employees of Mr. Pavan whom he gave initial break were at director and vice president positions in large corporations heading IT departments and various other friends of Mr. Pavan were running software companies.

13.12. Business of our Company was running smoothly till 2007 and then it had to face huge subprime crisis in 2008 and with the assistance of the friends and business network of the Mr. Pavan, our Company was able to overcome the economic crisis.

13.13 At that point of time Mr, Pavan used external resources from vendor companies to deliver projects. The main focus of our Company was managing customer relationships and project management. The main strength of our Company was relationships with customers and project management and it worked extensively on that. Our Company grew very conservatively till 2009-10. In the year 2010-11 our Company decided to bring an IPO and Mr. Pavan used his USA network extensively to gain business for the our Company. Mr. Pavan lined up project Management teams for the swift extension of business plans. As part of the expansion plan, many of business network/friends of the Mr. Pavan were interested in providing business to our Company through their own firms/entities. Such friends of Mr. Pavan were the individuals at high positions but were lacking legal structures. Therefore in order to facilitate them, Mr. Pavan got incorporated some of the entities who were to do business with our Company, in name of his wife Mrs. Durga Kuchana and Mr. Ravi Kusam. As per the mutual understanding between Mr. Pavan and his friends. Mr. Pavan was just supposed to facilitate incorporation of such entities, open the bank account and transfer the companies to respective individual nominees.

13.14 As decided Mr. Ravi Kusam and Mrs. Durga Kuchana just after facilitating the incorporation of said entities transferred them to respective individuals.

13.15 The said arrangement was just to leverage the business network of Mr. Pavan as those individuals who were interested in doing business with our Company were capable of running large size projects in data warehousing, business intelligence and wealth management technologies. Our Company aligned with them on project deliveries.

13.16 Mr. Pavan is a pure technical person by profession being graduated in B.

Tech. from Nagpur University and Master of Science in Computer science from CCNY, CUNY, New York. USA. In fact. Mr. Pavan does not know and understand the compliances and IPO strategies in India. The main object of Mr. Pavan for bringing the IPO of our Company was to build a company and raise funds for expanding the business and making acquisitions in India.

13.17 Our Company was advised by PNB Investment Services Limited which is a 100% subsidiary of the PNB Bank, the second largest public sector bank in India and Kanga & company a top law firm in India specialising in advising for transactions. Our Company was also advised by a well-qualified CFO, who is a chartered accountant and company secretary by profession and was also assisted by another company secretary. Our Company was also advised by an external company secretary firm in bringing the IPO. As Mr. Pavan is an engineer by education and profession, he was not aware of exact legal compliances and their implications therefore, our Company and Mr. Pavan were depended on all above for the legal compliances for bringing IPO of our Company.

13.18 As the IPO of our Company was managed by PNB Investment Services Limited, we had expected that the issue will have good rise in stock price. However, due to the factors unknown to us, share prices of our Company fell drastically. It was like a nightmare for us. Specifically Mr.Pavan who had put in his all efforts to make this IPO successful.

13.19 Before the passing of the Ex-Parte Order against our Company we had maintained a healthy growth story and its profits had also been continuously surging upwards. The profits of our company for the past 5 years before the passing of the Ex-Parte Order had increased from Rs.792.81 lacs to Rs 2741.60 lacs. During past five years we had seen major positive trend of growth and as on August 10, 2011 we used to employ more than 65 skilled technicians and sales personnel. The passing of the Ex-Parte Order has clearly affected the very existence of our Company and the livelihood of the staff of the Company since the operations have come to a complete standstill.

14. Without prejudice to the aforesaid, the following is a paragraph wise reply to Notice:

15. With reference to Paragraph Nos. 1 and 2 of the Notice. we repeat, reiterate and confirm all that is stated in our replies dated 12th September, 2012 to the ex- parte order dated 28th December, 2011. The allegations levelled against us by SEBI are vague and without any particulars, baseless, misconceived and contrary to the factual position and bad in law. The IPO was for 55,00,000 shares. Though it is alleged that approximately 60% of the shares were applied on the last day of bidding, the issue was oversubscribed on the 3rd day itself. It is apparent from the data provided in the Notice that out of the total shares applied for (1,62,08,640 shares), applications for 63,49,320 shares were received by the 3rd day itself (being more than the shares offered to public). The shares bought and sold and the profit/ loss made by the Qualified Institutional Buyer (QTB") and/or the Non-Institutional Buyers ("NIP) cannot be attributed to the Noticees herein. Any reference/ inference, whether express or implied that such profit/losses are attributable to the Company is without any basis. As stated in the Notice itself, the Company and/or its promoters have not been involved in any movement of funds in respect of the share transactions.

16. With reference to the allegations of misstatements and non-disclosure in prospectus, as contained in Paragraph No. 3 of the Notice, we say and submit as follows:

A. STATUS OF LAND ALLOTTED IN WARANGAL FOR SEZ DEVELOPMENT

16.1. It is alleged that the land at Warangal allotted to us stood cancelled and that the Company had made factual misstatement about the status of the land in the RHP/ Prospectus. We deny the aforesaid allegation as the same is in utter disregard to the factual position and without appreciating the status of the land apropos the Company.

16.2 It is an admitted position that by an agreement dated 23 February, 2006, the Company was allotted land by APIICL subject to several terms and conditions as stated more specifically therein. However. initially the Company could not comply with certain conditions within the time frame provided in the agreement.

*16.3 The allegation that the allotment made to the Company was cancelled is devoid of any merit in as much as within two (2) days of the purported cancellation. APIICL by its letter dated 10" October. 2008 requested the Andhra Pradesh Transmission Corporation Limited (*APTRANSCO") to provide electricity connection in Warangal in the name of the Company. At this juncture, it is important to note that although it is alleged that the allotment of land made to the Company stood cancelled by an order dated 27" August, 2008, no such communication/intimation was received by the Applicant at the relevant time. It would be absurd for APHCL on one hand to cancel the allotment in favour of the Company and to apply for electricity connection in the name of the Company on the other.*

16.4 Although, it is alleged that the allotment of land was cancelled by APHCL in 2008, the Company continued to carry out development activity on the land. Surprise to state in case the allotment was cancelled (as alleged), the Company would not have carried development activity post the cancellation. In fact, by a letter dated 23rd February, 2009 (almost a year after the purported cancellation), the Company informed APHCL about the development carried out at site and forwarded photos taken at the site along with copies of electricity and telephone bills. Although, it is alleged that the allotment was cancelled by APHCL, the development carried out by the Company was not objected by APHCL on any ground much less on the ground of the purported cancellation.

16.5 Even post the date of the purported cancellation i.e. 27th August, 2007, the Company continued to pay all electricity, telephone and other expenses in respect of the land allotted by APHCL. The Company was at all material times and continues to be in physical possession of the land allotted by APHCL. In the event of the allotment being cancelled APHCL would have taken legal actions against the Company to obtain possession of the land. However, no such action was taken. Further, the allotment was cancelled (as *alleged), there would be no occasion for APHCL to submit a request for electricity connection with APTRANSCO.*

16.6 *The fact that the allotment made in favour of the Company was not cancelled is also evident from the fact that by its letter dated 29th March, 2011, the District Industries Centre forwarded the Company's application to Divisional Electrical Engineer, APNPDCL. Rural, for permission for a connection load of 30 K.V.A at the land allotted by APHCL.*

16.7 *We state and submit that the Company has been regularly incurring expenses towards the development of site and the same is reported under Schedule 5 of our Annual Reports for the financial year 2009-2010. During the financial year 2009 -10, the Company has incurred a sum of Rs. 13, 18,860/- towards various expenses in relation to the land allotted. A statement showing the details of the expenses incurred by the Company towards the site at Warangal is annexed hereto and marked as Annexure - "3" (107). Similarly, the audited Annual Reports for the financial years 2008 -2009, 2009 - 2010.and 2010 -2011 clearly show the advance and expenditure incurred towards the land in our books/financial statements. Without prejudice to and in the alternative to all that is stated herein, we submit that we did not have any knowledge of the purported cancellation of allotment. In the event the same would have been within our knowledge, the aforesaid expenses would not have been incurred by the Company.*

16.8 *The allotment of land was not cancelled is further fortified from the fact that the Company had since 29th June, 2011 (i.e. prior to the opening of the IPO) started its Non-SEZ software development centre at Warangal. The aforesaid Non-SEZ software development centre was operational during the period of the investigation i.e. May 2011 to December 2011. A total of Rs. 49,00,000 has been spent till date by the Company in developing its facility at Warangal. The same shows that the Company was in possession at all relevant time of the land and that there was no reason to believe that an APHCL order cancelling their allotment had been passed at all.*

16.9 *Even after the passing of the ex-parte order dated 28thDecember, 2011 and inspite of nationwide negative publicity due to the aforesaid ex- parte order, the Information and Technology Minister of Andhra Pradesh had visited our software development center This fact clearly shows that we were in possession of the land and that no negative inferences can be drawn against us.*

16.10 *Now, for the sake of argument assuming whilst denying that we were aware of the cancellation order issued by APHCL but as such did not inform about the same to the public at large. Then in such a circumstance the question that arises is whether our Company on the date of the filing of the DRHP i.e. December 27, 2010 made a false statement that we were in possession of the land allotted to us by APHCL. To which the answer lies in the Notice itself, which in para 3.2 clearly states that the minutes of meetings of the proceedings of the Hon'ble Minister, Information, Technology and Communication with VC & MD-APHCL held on 15th December, 2010 states that an extension of another six (6) months should be given to TSL as last chance.*

16.11 *The minutes of the meeting dated 15th December, 2010 states that the Company had to comply with the conditions mentioned in the agreement within the extended period of 6 months, which under no circumstances could be done by us, if the allotment made to us stood cancelled or revoked on the relevant date. It is submitted that under no circumstances can it be assumed that APHCL would allow an entity to enter into its land without having a lawful title or right over it. The mere fact that APHCL allowed us to enter the land in itself means we had a legal right over the property and that we were lawful allottees and the cancellation order against us stood revoked on the date of filing of the DRHP and therefore on the date of filing of DRHP no misstatement with regard to the actual status of the land was made by us. We submit that the cancellation of allotment and extension of time cannot co-exist and the fact that an extension of time was granted (as stated in the Notice itself) would necessarily follow that the allotment was not cancelled and/or was restored prior to the filing of the DRHP, Accordingly, there was no misstatement and/or non-disclosure as to the status of the land allotted to the Company.*

16.12 *In this context, the next question that arises for our consideration is the actual status of the APHCL land on the date of filing of RHP. In this regard, it is submitted that the board meeting of APHCL had clearly decided that we should be granted an extension of another 6 months to comply. Pursuant to the passing of the said 6 months no order has been passed for cancelling the said allotment on the ground of non-compliance with the term and condition of Agreement was issued by APHCL. The same in itself shows that the APHCL after legally restoring our right on the land had not passed any order to the contrary. Once the land / allotment was restored as is evident from the minutes of meeting dated 15th December, 2010 there was no subsequent cancellation of allotment due to non-compliance or otherwise. It is submitted that if APHCL was contemplating on cancelling the said allotment then procedurally it would have followed the general process of law and would have issued another show cause notice and would have granted us another opportunity of personal hearing only pursuant to which it would have passed an order cancelling our land allotment. The fact that none of these acts were carried out by APHCL in itself shows that they had no intention of cancelling the land allotment during the relevant period and that the land belonged to our Company.*

16.13 *In the aforesaid context, we also refer to the letter dated 2nd May, 2011 addressed by the personal Secretary of the Hon'ble Minister of Information Technology & Communications and Endowments stating that the land allotment made to us does not stand cancelled and therefore there was nothing for us to believe or act the other way round. We submit that at all relevant times, the Company was in possession and entitled to the land as allotted under the Agreement dated 23rd February, 2006. We submit that we did not make any misstatement / non-disclosure either in the DRHP, RHP or the Prospectus.*

16.14 It is further submitted that in any case if we were desirous of making a misstatement in the prospectus then we would not have inserted a risk factor in the prospectus about the possible risk associated with the land. The fact that we disclosed the risk associated with the land vide a risk factor in the prospectus by itself shows that we had no intention of making any misstatement/ non-disclosure. It is submitted that we would in fact be guilty of a misstatement had we disclosed any other information with a view to intimate that shareholders that the allotment of land was cancelled.

16.15 Assuming whilst denying that there was any misstatement, it is important to scrutinize the actual effect of the alleged misstatement on the investors. It is submitted that as on date our Company has remitted the entire dues payable and has started our facilities at the site and therefore the operations have actually started.

16.16 As on 31° August. 2012, the Company's Waranglal facility boasted more than 115 employees.

16.17 A perusal of the Notice would also show that in Paragraph No. 4.1 of the Notice, the SEBI has acknowledged and admitted that the Company has been employing people at the Waranglal site since 1st June, 2011 (i.e. prior to the date of filing the prospectus with SEBI). Further as per the Notice, 12 employees were appointed on 29th June, 2011 and on 1st August, 2011 at the Waranglal site. it is far-fetched and without any logic to say that even after the allotment was cancelled by APHCL, the Company employed people at the Waranglal site. We submit that there was no knowledge/ intimation of the purported cancellation of allotment dated 8th October, 2008.

16.18. It is apparent from the Notice that the SEBI has come to a conclusion that the allotment of land stood cancelled on the date of the filing of prospectus i.e. 10th October, 2011 without considering any of the aforesaid facts. The Notice fails to consider inter alia the minutes of meeting dated 15th December, 2010, wherein an extension of six (6) months was granted to the Company (which is prior to the filing of the DRHP). The Notice also does not consider that after the extension of time, no order cancelling the allotment of land was passed by APHCL. We submit that at the relevant time and till date, the Company is in possession and camping operations from the Waranglal site. We submit that there was no misstatement/non-disclosure in the prospectus as to the status of land allotted at Waranglal by APHCL.

B. STATUS OF EMPLOYEES

16.19. The allegations levelled under this head deal with statements made in the prospectus under External Risk Factors. At the outset, it is submitted that these statements were made for disclosing the potential risks in the business of the Company. No statements were made with any intention of misleading investors. The relevant paragraph discloses the risks associated with our employees working in different countries and the risk associated inter alia with obtaining necessary visas and work permits which have to be dealt with by the Company during the course of our operation. The company in its offer documents had stated under the heading of external risk factors that it had employees working in different countries and hence the Company in the course of its operations would have to attempt to obtain the necessary visas and work permits for its employees. | The statement relied upon by the SEBI in Paragraph No. 4.0 have to be read in context of the entire risk disclosure made. For sake of convenience, the relevant paragraph stating the risk disclosure made is as follows:

"8. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

We have Indian nationals, as our employees, working in the United States, Europe and other countries and may depend on our ability to obtain necessary visas and work permits. Many of our software professionals in the United States hold L-1 visas, intra-company transfer visas allowing managers and executives or employees with specialized knowledge to stay in the United States temporarily, or H-IB visas, which are temporary visas that allow employees to remain in the United States while they are employee of our Company, and may be granted to certain categories of persons in several "specialty occupations", including software professionals, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, thus partially impacting our profit margins. Although there is currently no limit to new L-1 visas, amendments to existing laws or new laws enacted in the United States may impose certain restrictions in the visa processing and on the number of such visas granted. There is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. However, we believe that the high demand for H-1B visas will continue to remain. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental revenues. "

16.20. It is submitted that the company had no intention of falsely creating any impression of a global presence. The Company had intended to send its employees to various destinations including the United States of America, Europe etc. based on its ability to obtain the necessary visas and work permits to do so. The Company's intention was to do so in the future but it is submitted that if at all the same was miscommunicated or misstated, the same can be attributed to the merchant banker who was responsible *for drafting of the offer documents, which are admittedly highly technical, nuanced and lengthy documents.*

16.21 *It may also be noted that this disclosure was made in the context of risk factor and not a positive representation intended to mislead or lure investors towards the Company.*

16.22 *The Notice fails to consider that at the relevant time the Company had offices in USA and Singapore. The operations of the Company were not restricted to India. It is submitted that the mention of Europe is typographical error that is attributed to the merchant banker who |drafted the offer document. Is submitted that is borne out by the fact that this exact language including a reference to Europe is included in three other offer documents drafted by the same merchant banker including those of Semanticspace Technologies Ltd, Tejora Technologies Ltd. and Persistent Systems Ltd and for the sake of convenience the same is reproduced herein:*

Semanticspace Technologies Ltd.

"18. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

We have Indian nationals, as our employees, working in the ***United States, Europe and other countries*** *and may depend on our ability to obtain necessary visas and work permits, Many of our software professionals in the United States hold L-I visas, intra-company transfer visas allowing managers and executives or employees with specialized knowledge to stay in the United States temporarily, or H-1B visas, which are temporary visas that allow employees to remain in the United States while they are employee of the Company, and may be granted to certain categories of persons in several "specialty occupations", including software professionals, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, thus partially impacting our profit margins. Although there is currently no limit to new L-1 visas, amendments to existing laws or new laws enacted in the United States may impose certain restrictions in the visa processing and on the number of such visas granted, There is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. However, we believe that the high demand for H-1B visas will continue to remain. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental revenues. "Source:http://www.sebi.gov.in/cms/sebi_data/attachdocs/1294034223614.pdf (DRAFT RED HERRING PROSPECTUS Dated November 12, 2010)*

Tejora Technologies Limited.

"34. Immigration restrictions could limit our ability to expand our operations in the United States and Europe. We derive a high proportion of our revenues from clients located in the United States and Europe which may be materially affected by such legislation. Offshore outsourcing has come under increased scrutiny by various state governments in the United States and European countries. We have Indian nationals, as our employees, working in the United States, Europe and other countries, as many be necessary. Our employees posted outside India depend on our ability to obtain" necessary visas and work permits, Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals. or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental — revenues, Source:- http:/www.sebi.gov.in/cms/sebi_ data/attachdocs/ 1310558385396, pdf (DRAFT RED HERRING PROSPECTUS dated July 9, 2011)

Persistent Systems Ltd.

"2. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

Most of our employees are Indian nationals. The ability of our software professionals to work in the United States, Europe and in other countries depends on our ability to obtain necessary visas and work permits. As of September 30, 2009, a majority of our software professionals in the United States held L-1 visas, an intra-company transfer visa allowing managers and executives or employees with specialised knowledge to stay in the United States only temporarily. Certain of our software professionals in the United States hold an H-1B visa. An H-1B visa is a temporary visa that allows employees to remain in the United States while he or she is an employee of the Company, and may be granted to certain categories of persons in several —specialty occupations including software professionals such as our employees, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases

in the salaries we pay to our employees with H-1B visas, resulting in lower profit: margins.
Although there is currently no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. We believe that the demand for H-1B visas will continue to be high. Further, the United States government has increased the level of scrutiny in granting visas. This may lead to limits on the number of L-1 visas granted. The US immigration laws also require us to comply with other legal requirements including those relating to displacement and secondary displacement of US workers and recruiting and hiring of US workers, as a condition to obtaining or maintaining work visas for our software professionals working in the United States. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a significant number of software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas. "Source: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1288608837188.pdf (DRAFT RED HERRING PROSPECTUS Dated December 30, 2009)

16.23. It is thus clear that the disclosure under the heading of risk factors in the offer document is copied by the merchant banker from the aforementioned offer documents without modifying the same. The Company has relied upon the draft prepared by the merchant banker who is considered to be an expert. The Company had no reason to believe that the merchant banker (being an expert) would make any misstatements in the prospectus. In fact the merchant banker has admitted that the word "Europe" was inadvertently used in the prospectus. Accordingly, no fault can be attributed to the Company and there is no deliberate misstatement / intent to make misstatements in the prospectus.

16.24. It is reiterated that we had employees only in our Hyderabad and Warangal centre, this fact can be clearly confirmed from the merchant bankers to the issue, as we have in our reply to the specific queries on the issue of number of employees had provided them with a list, of all the employees working with us along with their monthly salaries and the centre at which they are placed. A copy of the documents furnished by us to PNB is annexed hereto and marked as Annexure "8". The list (323) provided to the merchant banker clearly shows that we had employees in Hyderabad and Warangal centre only. It is based on this list only that they had proceeded with their due diligence wherein they had checked all the employee related information like provident fund records, attendance registers, resumes of KMPs. cost to company and other remuneration records of all the employees. qualification details of KMPs. The same clearly establishes that we at no given point of time had a misleading intent or tried to mislead anyone or project a picture of having a pan global presence based on false and untrue facts. Copies of the employee documents provided by the Company to PISL are annexed hereto and marked as Annexure "9", (327)

16.25. A_perusal_of the aforesaid documents show_that_the Company had disclosed that it had a total of 65 employees at the relevant time. 'The same is also disclosed at Page No. 96 of the Prospectus. Assuming whilst denying that there was an intent to mislead, we would not have stated the same. We submit that the Company is a genuine organisation and we have not made misstatements in the Prospectus with an intent to mislead. As stated herein, the merchant banker admits to have inadvertently added the word "Europe" in the Prospectus and no fault can be attributed to the Company.

16.26. The Company never made any representation to the merchant banker that the Company had pan global presence. A perusal of the information given to the merchant banker shows that the Company had not made any statement that it had sent or proposed to send any employees to Europe. Therefore, it is clear that this statement was added by the merchant banker.

16.27. Even during the investigation by SEBI vide its summons bearing no. IVD/ID8/AK/37070/2011 dated December 05, 2011. it had directed us to provide details pertaining to the employees of the Company to which we had provided the updated list showing employees working at Hyderabad and Warangal and had provided the necessary clarification pertaining to the status of the employees and had stated that the risk factor mentioned in the offer document is a mere typographical error.

16.28. The Notice fails to consider that the fault if any, is due to the admitted inadvertence of the merchant banker. The Notice fails to consider that the Company reposed its trust in the merchant banker being an expert and that there was no intent to mislead/misstate in the Prospectus. The Notice also does not consider that the Company has provided factually correct data to the merehant banker and had no reason to believe that the merchant_banker_ would be misstatements in the Prospectus. The Company did not provide any data to the merchant banker stating that the Company had a pan global presence of the employees. The same fortifies the fact that the Company had no intention of projecting a rosy picture than what it is as per our company records. The Notice has failed to establish the allegation against us or to bring on record anything which states that we had made such a misstatement with a mala fide intent.

16.29 Inspite of the categorical admissions by the merchant banker, the Notice proceeds on the basis that the Company has violated the provisions of ICDR Regulations without providing any cogent reasons. The Notice proceeds to hold the Company guilty for the default of the merchant banker. The Notice fails to consider that the Company provided factually correct information to the merchant banker which, itself"establishes that the Company had no intent to make any misstatements,

C. STATUS OF FUNDS REQUIRED TOWARDS OBJECTS OF THE ISSUE:

16.30 We say that the allegations levelled under the aforesaid head are false. frivolous and baseless. The Notice fails to consider the factual position of the ICD availed by the Company.

16.31 We say that the Company filed the DRHP with SEBI on 27" December, 2010. At the time of filing of the DRHP no ICD was availed (as admitted by SEBI). Accordingly, there was no misstatement/ non-disclosure of ICD in the DRHP.

16.32 The DRHP was filed with an understanding that the same will be cleared within a period of one or two months. However, as the DRHP did not get SEBI approval within such time, we decided to look for alternative means of finance for our business and working capital requirement. Accordingly, we raised the ICDs to meet the requirements of the business.

16.33 In the Month of May ~ June, 2011 the Company availed ICD to the extent of Rs. 30 Crores and a further sum of Rs. 4.5 Crores on 11" September, 2011. The ICDs raised by the Company were as an alternate means of finance to meet the working capital requirement arising in the ongoing business. It is to be noted that the ICDs raised were not to meet any of the objects of the issue. Though the Notice provides details of the inter se connectivity between Amarnath Securities Limited and Gujarat Tool Room Limited., the same cannot invite any negative inference against the Company. Further, as admitted in the Notice (Paragraph No. 5.9), there is no connection between the Company and the entities through whom ICDs have been availed.

16.34 The allegation of non-disclosure/misstatement of the ICD is without any basis inasmuch as the Company by its email dated 25" August, 2011 addressed to Mr.Subrahmanyam Devaganugala, Senior Assistant Vice President of PISL, informed that the Company had raised ICD to the extent of Rs. 30 Crore. Admittedly, though the name of Shitalnath Buildcon Private Limited is inadvertently missed in the email dated 25th August, 2011, the same does not merit a negative inference inasmuch as the Company disclosed the total and actual amount of ICDs availed to PISL.

16.35 We had informed PISL about the fact of the ICDs raised along with the actual amount raised as on the date of the email (i.e. 25" August, 2011). After perusing the email, PISL was of the opinion that since the ICDs were raised to meet the general and day to day requirements of the Company, there was no requirement to mention the samein the offer document. It is crucial to note at this juncture that the preparation of the offer document and decision of the | data/ disclosures/ representations to be included in the offer document is entrusted on the expertise of the Merchant Banker i.e PISL. We were advised by the Merchant Banker that since the IPO was taking place based on the financial results for the year 2010-11, there was no need to disclose the ICDs raised for general day to day requirements of the Company. We submit that this is not a case of where the Company has deliberately /intentionally not disclosed information. The Company has been guided by the merchant banker and we had no reason to believe otherwise. We submit that the non-inclusion of the ICDs was a conscious decision taken by PISL and no negative inference can be attributed to the Company for acceding to the advice of its merchant banker.

16.36 In the above context, reference is made to SEBI (Merchant bankers) Regulations, 1992(hereinafter referred to as the "Merchant Bankers Regulations"). Under the Merchant Bankers Regulations, the SEBI has made it mandatory for an issuer to appoint a Grade I Merchant Banker for all Initial Public Offerings.

16.37. A bare perusal of the Merchant Bankers Regulation provide that it is the responsibility of the Category I Merchant Banker to prepare the prospectus and act as advisor/consultant to the Company. It is responsibility/duty of the Merchant Banker to draft the prospectus and advice the company on the contents of the prospectus. As stated herin, on 25th August, 2011, the Company disclosed its factual position pertaining to the ICDs. However, PISL (being a SEBI registered Category I Merchant Banker) took a conscious decision upon the contents of the prospectus. We submit that in case of such advice /decision (whether correct or incorrect) taken by the merchant banker, no fault/violation can be attributed to the Company.

16.38. Thereafter, on 11th September, 2011, the Company availed further ICDs of Rs. 4.5 crores from the entities as listed in the Notice. As these ICDs were raised post the aforesaid email dated 25th August, 2011, the same could not have been a part of the email dated 25th August, 2011. The allegation levelled by the SEBI as to the partial disclosure is without any substance as the email dated 25th August, 2011 disclosed the entire amount of ICDs raised as on the date of the email. Pursuant to the expert advice/decision of the merchant banker for the non-disclosure of ICDs of Rs. 30 crore in the offer document, the question of disclosing the further ICD of Rs, 4.5 Crores became otiose. We submit that there has been no misstatement/non – disclosure by us. The Notice fails to consider that the ICDs of Rs. 4.5 crores did not exist on 25th August. 2011 (ie. the date of the email providing details of ICDs) and therefore there was no partial disclosure' non-disclosure as alleged.

16.39. With regards to the allegation pertaining to the utilization of the IPO proceeds, we say and submit that the Notice fails to consider the disclosures made in Page No. 42 of the offer document. Under the head of "Financing the Incremental Working Capital requirements", we have provided details of the working capital requirement of the Company along with the sources through which the same are to be met. A bare perusal of the same shows that in the year 2010-2011, we had satisfied a total of Rs, 7276.24 Lacs of our working capital requirement through our own fund. Further, we have disclosed that for the year 2011-12, a sum of Rs. 11,551.95 Lacs towards working capital requirement would be met through our own funds. It is submitted that it is towards this purpose only (i.e. working capital requirements) that the ICDs were raised by us with the intention that the same will be repaid by us within the financial year from our own sources.

16.40. We submit that initially there was no intent to repay the ICDs through the IPO proceeds as has been inferred in the Notice. The allegations made in this respect are vague and without any particulars,

16.41. We submit that it is only after the completion of the IPO that our board decided to repay the ICDs raised, *through the IPO proceeds and that the same would be replenished through the internal accruals of the Company within this financial year. This board of directors took a conscious decision considering the fact that carrying the ICDs further would have increased the interest cost and in order to save the interest cost the ICDs were repaid through the IPO proceeds.*

16.42. We submit that the use of the IPO proceeds for repayment of the ICDs was a decision taken after the [PO and as a temporary measure till the funds were replenished through internal accruals' own funds. In this context, we also refer to Page No. 44 of the offer document providing details of the object of the issue under the head of "Interim use of funds", which states as follows:

"We may temporarily utilize the proceeds for reducing our outstanding overdrafts."

16.43 In this context, reference is also made to the risk disclosures made in the offer document. We submit that the Notice has failed to consider the disclosure made as to the utilization of the proceeds of the General Corporate Purpose wherein we have categorically highlighted the interim use of these funds pending definitive agreement as a risk. The text of the Risk Factor is reproduced herein:

"49. We have not entered into any definitive agreements to use substantial portion of the net proceeds of the Issue towards general corporate purpose. We intend to deploy the balance Issue proceeds aggregating Rs. 2411.19 Lakhs (29.23% of the IPO size), towards the general corporate purposes to drive our business growth, In accordance with the policies set up by our Board, we have flexibility in applying the remaining Net Proceeds, for general corporate purpose including but not restricted to meeting operating expenses, initial development costs for projects other than the identified projects, partnerships, joint ventures, strategic initiatives and acquisitions and the strengthening of our business development and marketing capabilities, meeting exigencies, which our Company in the ordinary course of business may not foresee or any other purposes as approved by our Board of Directors, subject to compliance with the necessary provisions of the Companies Act, There can be no assurance that we will be able to conclude definitive agreements for investments in capital expenditure within the anticipated timeframe. Pending utilization of the proceeds out of the Issue for the purposes described in this Prospectus, we intend to temporarily invest the funds in high quality interest bearing liquid instruments, including deposits with banks, There can he no assurance that such investments will not carry risk or generate expected returns,"

16.44 The tact is that the ICDs were outstanding overdrafts and therefore the Company's board decided to utilize the same for repayment of the ICDs. Assuming whilst denying the correctness of the allegations levelled by the SEBI as to the use of IPO proceeds, We submit that the IPO proceeds have in fact been utilized exactly for the purpose mentioned in the prospectus. We submit that there has been no mis-utilization of IPO proceeds as alleged by the SEBI. The disclosures/ statements as to the time period within which the proceeds were to be utilized were indicative and not rigid. We submit that the time period within which the money was actually utilized (being different from what is stated in the prospectus) cannot have any significance as the proceeds were used by the Company for the disclosed purposes only.

16.45 We say that the allegations levelled in the heading under reference as to the routing of funds to the Company are vague and without any particulars. In any event, the allegations are dealt with in detail in subsequent paragraphs herein.

16.46 With regard to the allegations levelled by the SEBI that our company did not inform the Board about raising of ICDs and repayment thereof, it is submitted that Mr. Pavan Kuchana in. his capacity as Managing Director (MD) secured the [CDs for w orking capital requirement of our company in the normal course of business. We submit that the MD of a Company may act on behalf of the company. The act of raising ICDs Was to satisfy genuine working capital requirement of the company only, which was discussed with the Board of Directors and then duly approved by the Board in its meeting held on 13th October. 2011. With regard to the SEBI's allegation that our Company did not inform its Board of Directors regarding repayment of ICDs, it is submitted that in the Board meeting held on October 13, 2013, Board of Directors of our Company was duly informed and it was resolved by the Board of Director of our Company that IPO proceeds may temporarily be used for reducing the outstanding liability of our Company. We submit that only after informing its Board, the ICDs have been repaid.

16.47. In reply to the allegations levelled as to the payment of interest on ICDs. we submit that the Notice does not consider that the ICDs were raised only for a period of 6 months. The Notice proceeds on an erroneous basis that the Company shall have to pay Rs. 4.83 Crores as interest each year. As the ICDs were only for a period of 6 months, there would be no occasion for incurring interest liability of Rs. 4.83 Crores per year. The Notice makes exaggerated projections regarding our liability towards interest payable which are contrary to the facts. It is important to note that though the ICDs were raised for a period of 6 months, the same was repaid prior to the due date. We submit that we did not provide any incorrect or misleading information to SEBI. Rather The ICDs amounting to Rs 4.5 crore were raised on 11" September, 2011. It is with reference to this date that it was inadvertently due to typographical error mentioned in the reply that interest was accrued for 2 months, where as it should have been mentioned as 2-5 months. The interest liability was for a period of less than six months depending upon the time of repayment of each ICD. However, there being some differences in calculation of interest amount, our Company has not paid any interest amount for the said ICDs but duly made provisions for interest payment

16.48. Further, in order to minimize the effect of the interest to be paid, and also on the other hand as a measure of hedging, we decided to lend a sum of Rs. 23 Crores to Silverpoint for a period of 6 months from the IPO proceeds so that there is no major impact on the overall financials. The interest that would have been paid by Silverpoint would have substantially negated the sum paid towards interest and therefore we would *not have suffered an impact on their financials.*

16.49. Further, the rates at which the ICDS were raised were on terms quite favourable to us and were lesser than the prevailing bank rates and therefore no questions can be raised on our intentions,

16.50. With regard to the issue of bridge loan, its submitted that as already mentioned the ICDs were only utilized for the general day to day requirements of the company, Further, the IPO proceeds were only utilized for benefiting the company from avoiding the burden of the interest and thereby increasing the profitability of company. Therefore the ICD sums cannot be categorised as bridge loans at all.

16.51. We submit that we have made all disclosures. There has been no intent to misstate and/or not disclose as has been alleged in the Notice, We further say that the utilization of the proceeds has been in accordance With the prospectus. We submit that there is no mis-utilization of proceeds as alleged.

D. ARRANGEMENT WITH REGARD TO BUY BACK OF SHARES

16.52. The allegation that the Company had entered into an arrangement to buy-back shares and that such arrangement was contrary to the provisions of ICDR Regulations is false, bad in law and based on an incorrect appreciation of facts. The tenor of Notice suggests that the investigation' conclusion has been reached in complete ignorance of the facts and law. It is submitted that the observations made in the Notice clearly show that the matter has been read in a wrong context to arrive at conclusions which has no factual basis whatsoever,

16.53. It is submitted that the Company had entered into a Share Purchase Agreement dated 24" November, 2007 (hereinafter referred to as "SPA") with one Mr. Dinesh Singhi. As per the terms of the SPA, in the event of the Company failing to come out with an IPO within a period of 18 months. Mr. Singhi could have exercised the option to sell the shares to the Company or the Promoters at the end of 18 months at which point the Company and/or the Promoters would have been obliged to buy back Mr. Singhi's shares.

16.54. Under the terms of the SPA, Mr. Singhi who had been allotted 10,00.000 shares pursuant to SPA was to be provided an exit route only in the event our Company failed to come out with an IPO within the next 18 months. In such a case Mr. Singhi could have exercised the option (which was not exercised), our company or its promoters were bound to re-purchase these shares at Rs.170 per share aggregating to a total re-purchase consideration of Rs. 1700 Lacs.

16.55. Further, assuming that the Company would have failed to purchase the shares under this SPA at the end of 18 months. Mr. Singhi could have sold them to a mutually agreeable purchaser for any price as he may have deemed appropriate, and that any shortfall in the agreed re- purchase price of Rs. 1700 Lacs would have been paid by us or the promoters to Mr. Singhi.

16.56. The intention of the SPA was to provide an exit opportunity to Mr. Singhi either by the Company coming out with an IPO in which case Mr. Singhi's shares could have been sold in the open market or in the event that the Company failed to come out with an IPO, by providing Mr. Singhi a right to sell his shares to the Company and/or the Promoters who would be obliged to buy-back the same.

16.57. Though the Company did not come out with an IPO within a period of 18 months as stipulated in the SPA, Mr. Singhi, did not exercise the option conferred upon him to sell the shares to the Company or its Promoters despite being entitled to do so. It is important, to note this juncture that Mr. Singhi holds the shares of the Company till date.

16.58. Assuming that the failure of the Company to come out with an IPO within 18 months of the SPA amounts to a repudiatory breach of the contract, this would provide Mr. Singhi with two options viz. (i) to exercise his buy-back rights at any point prior to the Company coming out with an IPO or (ii) to wait and sell his shares in the open market once the Company came out with an IPO. It is clear that Mr. Singhi elected the second option and having done so, the right to exercise the buy-back option would automatically stand waived and would no longer be available to Mr. Singhi once he consented to the Company coming out with an IPO, as has happened in the present case, in law. It would not be possible for Mr. Singhi to simultaneously elect both options, which would be the case if the contention in the Show Cause Notice ie. That Mr. Singhi has a buy-back option subsisting even after the listing of the Company was complete, is to be accepted.

16.59. It is in this background that the risk factors in the offer document, which was approved by SEBI, provide that:

"In case the issue is not concluded then there camot be assurance that the Mtr. Dinesh Singhi will not exercise his right under the SPA and call upon our Company to buy back the shares held by him."

16.60. The disclosure in the offer document makes it clear that the buyback option would be available to Mr. Singhi only if the IPO is not successful and the public issue is not concluded. The natural conclusion that can be drawn from a plain reading of the Company's disclosure is that if the [PO was successful and the public issue was concluded. the buyback option would not have been available to Mr. Singhi and therefore. not a risk for the Company or its shareholders. Given that the Company's IPO Was in fact successful, it stands to reason that the buyback option is no longer available to Mr. Singhi.

16.61. As stated in the Notice, by his letter dated 27th December. 2010. Mr. Singhi voluntarily consented to not sell his shares for a period of one year from the date of listing ('Lock-in Period"). It is erroneous to state that even alter expressly consenting/ declaring that the shares would not be sold during the Lock-in Period. Mr. Singhi could sell his shares under the SPA. It is submitted that the Notice proceeds in ignorance of the implications of the letter dated 27th December, 2010. It would be wrong to conclude that Mr. Singhi can exercise his buy back right even after the IPO or even after the expiry of lock in period. His right of buy back got extinguished once he consented to the lock in and upon us coming out with an IPO

16.62, Assuming but not accepting that the said buy back is in violation of the ICDR Regulations then SEBL would have always made necessary observations with regard to the same when the Offer Documents at various *stages were filed with it for approval. It may be noted that with regard to the buyback arrangement there has been ho suppression of any material data and therefore t the authority should have. raised relevant remarks at the relevant time. The fact that SEBI officials at the time of "issuing of observations and clearing of the IPO did not raise any objection on the terms and conditions of the agreement clearly shows that they agreed with our opinion and legal stand on the matter and were of the opinion that the buy-back arrangement cannot be exercised after the IPO.*

16.63. It is also important to note that till date Mr. Singhi is holding on to these shares and have not sold the same to anyone. The same clearly shows that pursuant to the signing of the consent for lock-in of shares, Mr, Singhi had no intention for selling or invoking the buyback clause.

16.64. It is also to be noted that as the shares are still being held by Mr. Singhi. no negative inferences with regard to invoking the buyback clause or routing of funds pursuant to any purported terms can be presumed as even assuming without accepting that the funds were transferred by us pursuant to the buyback arrangement then also it is submitted that the SPA talks about making payment at the rate of Rs. 170 per share only at the time of buyback, which is not the case in the present matter. It is submitted that the SPA does not state anything about making payments at a time the shares continue to be held by Mr. Singhi. Therefore no negative inferences can or ought to be drawn in this regard.

16.65. In support of the above submissions, the Company relied upon the judgments in the matter of Hem Nolin Judah & Anr. Versus Isolyne Sorabashini_ Bose & Ors. Reported in AIR 1962 SC 1471 and BL, Shreedhar & Ors. Versus K.M. Munireddy & Ors.. Reported in AIR 2003 SC 378.

E. ORDER PLACED WITH WISELINK TECHNOLOGIES PRIVATE LIMITED (WTPL)

16.66. The Notice raises the following allegations under the aforesaid head: (i) Purchase Order bearing no. TKL/PO/0901/2011 dated 30" September, 2011 placed with WTPL does not contain adequate details (Paragraph No. 7.0 of the Notice): (ii) Mr. Vinod Babu Bollikonda being a Director of WTPL, was one of our KMP and despite being a KMP we have allegedly failed to disclose the transaction with such KMP (Paragraph No. 7.1 of the Notice): (iii) IPO proceeds were used to pay WTPI.

16.67. We submit that the allegations levelled under the heading under reference are baseless and without any merit and ought to be dismissed lor the reasons as stated herein.

16.68. Our Company was in need of the Mobile Interactive Solutions software for business purposes and accordingly, we invited quotations for the development of the said software. The Company received quotations on 15.07.2011 along with basic drawings showing the manner in which the software would be developed, from two (2) companies i.e. Raj Soft Solutions Pvt. Lid and Bhrigus Software (1) Pvt. Ltd...", the aforesaid quotations were perused and discussed by the management of the Company in consultation with Mr. Vinod Babu Bollikonda. (The then Vice President — Technology) and Mr. Ravi Kusam. VP-Business Development. After due deliberation. It was observed that the aforesaid quotations were not economically viable for the Company. After further discussions, Mr, Vinod suggested that given his expertise, he could independently develop the software at a lower price compared to the aforesaid quotations. It is in this factual background that the Company received a quotation from WTPL (wherein Mr. Vinod is a Director), the amount quoted by WTPL was for a sum of Rs. 10.06 Crores. It is important to note that the quotations received from the other companies were much higher that the quotation of WTPL. It will not be out of place to state that the decision was taken in the best interests of the Company. However. The Notice ignores the factual background under which the Company received a quotation from WIPL.

16.69. It is submitted that the quotations received by the Company pursuant to its Request for Proposal were not economically viable. It is crucial to note at this juncture that the terms of payment offered to WTPL were more favorable for the Company compared to the terms being offered under the Request for Proposal. It is submitted that the allegations/ inference drawn by the SEBI as to the generous payment terms offered to WTPL are without any basis.

16.70. The Company's management looked into Mr. Vinod Babu's credentials as well as the proposal submitted by WTPL before awarding it the contract for development of the software. It is to be noted that Mr. Vinod is a Computer Science graduate with has a rich experience spanning more than 11 years m the IT and Telecom sector.

16.71. It is submitted that the Company did not disclose its intention to pay WTPL in the offer documents simply because the Company had not yet decided to invest to any such technology, had the company already decided to purchase such software, a specific provision would have been. Made to pay for the same. Given that the decision to purchase the mobile interactive software was taken later in time. It was decided that the funds under the head of General Corporate Purposes would be used to pay, WTPL.. In any event, it is submitted that the order was placed with WTPL. By the Company in the ordinary course of business and hence, there was no specific requirement to disclose the same nor can any negative inference be drawn.

16.72. The allegation as to Mr. Vinod being a KMP at the relevant time, it is submitted that the same is incorrect. As admitted in the Notice, Mr. Vinod had tendered his resignation letter on 28" September, 2011 (ie. after the filing of the offer documents).

16.73. It is a fact that Mr. Vinod resigned on 28" September. 2011. The Purchase Order was placed on 30th September. 2011 ie. After the resignation of Mr. Vinod. In other words, Mr. Vinod was not a KMP of the Company when the Purchase Order was placed. Although the Notice alleges (Paragraph No. 7.4) that the Company has defaulted in providing "details of all material existing or anticipate transaction in relation to utilization of the issue proceeds or project cost with promoters, directors, key management personnel, *associates and group companies". The same is factually incorrect. It is submitted that there was no misstatement/ non-disclosure in the offer documents as alleged.*

16.74. The Notice further alleges that although Mr. Vinod resigned on 28th September, 2011, the list of employees submitted by the Company as on 31st October. 2011 includes his name and accordingly, we have doctored the resignation letter submitted by Mr. Vinod. However, the Notice fails to consider that the list of employees relied upon by the SEBI was taken from the salary system of the Company. Which included the name of employees to whom the Company owed salary dues. It's submitted that although Mr. Vinod resigned on 28th September, 2011, certain salary payments were due to him even on 31st October, 2011. As a result, his name continued to appear in the list of employees to whom salaries were due as on 31th October, 2011. The Notice fails to consider that there was no intention on our part to show him as KMP as on 31st October, 2011 accept that of showing that the Company owes money to him. The mere fact that his name appeared in the list_ of employees submitted to the SEBI (as salary payment was due) does not alter the fact that Mr. Vinod resigned on 28th September, 2011. Though the Notice proceeds on the basis that the resignation letter dated 28th September. 2011 is 'doctored', the same is without any basis/ substance/ evidence and is denied in toto. It is to be noted that the Company had remitted all the salary dues of Mr. Vinod by 4" November. 2011. Thereafter his name did not appear as an employee on any of the lists of the Company.

16.75. As Mr. Vinod had already tendered his resignation on 28th September 2011, thus the allegation of not providing the detail pertaining to the Purchase Order/ contract is bad in law. There has been no misstatement in the DRHP and RHP with regard to the status of KMP and their interest in the IPO or the Company.

16.76. In respect of the disclosure of Mr. Vinod, the Notice further alleges that "Hence it had deliberately hidden this vital piece of information from prospective investors by not declaring the same in the offer document which resulted into suppression of material information in the offer document and led to misstatement" cannot be sustained on law and facts. As stated herein. Mr. Vinod resigned 'on 28" September. 2011, the offer documents were filed with the SEBI much prior to the resignation. The issue Opened on 29th September, 2011. There cannot be any Suppression of details' vital information from the Investors as alleged or otherwise. It is submitted that at the IPO was open to the public at the time the Company placed the Purchase Order. The investors who had subscribed to the shares of the Company relied upon the RHP which did not contain is submitted any factually incorrect data. It is not the case of the SEBI that the Purchase Order was wrongfully not disclosed in the RHP as the same was placed at a date later than the filing of the RHP.

16.77. The RHP was filed on 19th September, 2011 which showed Mr. Vinod as a KMP. The investors made subscriptions on the basis of the RHP between 29th September, 2011 and 4th October. 2011. The Purchase Order was placed after the filing of the RHP and there cannot be any non-disclosure or deliberate hiding of information as alleged.

16.78, As regards the allegation of non-disclosure in the Prospectus dated 190" October. 2011, it is submitted that the same was an inadvertent error in updating the Prospectus, However, no public investor could be misled on the basis of the information in the Prospectus in as much as the issue was closed when the Prospectus was filed.

16.79. In this regard, it is pertinent to mention that as such no exercise of updating the prospectus was taken by the merchant bankers and only the columns pertaining to the price and number of shares was updated. Also, the details of the Purchase Order were also not informed to the merchant bankers as on that date there had been no transfer of payment from the Company to WTPL and thereby the need to disclose a mere purchase order on which further discussions with regard to the final decision of executing the order being pending the details were not mentioned in the offer document. As rightly mentioned in the Notice itself that the payment for the purchase order was made in the month of November 2011 which was after the listing process of the IPO was completed and therefore the allegation of hiding the vital information and suppressing material information cannot be sustained.

16.80. Further on receiving the Ex-parte Order on 30th December, 2011 we had by our letter dated 30th December, 2011 informed WTPL regarding the directions issued against us and requested WTPL, to cancel the order and refund the money paid to them by us. On receiving our letter, WTPL vide their letter dated 9th January, 2012 stated that they have already initiated work on developing their software and have placed orders necessary to execute and develop the same. They also stated that it would not be possible for them to cancel the order and refund the money at this stage as a lot work has already been done on the software. In order to prove the same the representatives of WTPL visited our office and showed us detailed presentation on the software ordered. They informed us that the work has reached a secondary stage and they have already invested a lot of time and money in the entire exercise and therefore it would not be possible for them to refund the money at this stage. A copy of our letter dated 30th December. 2011 is annexed hereto and marked as Annexure - "20".

16.81. Moreover, the board of directors of the Company have the discretion to utilize the proceeds of the IPO received under the heading of General Corporate Purpose for such purposes as they deem fit including using the same for meeting any purpose approved by the board. Thus. The funds have been utilized for the purpose mentioned in the prospectus and not for any other purpose.

16.82. With regard to the findings of the SEBL that our company did not disclose the information regarding the placement of the purchase order with WTPL, it is submitted that the said order was placed by our company in its normal course of business and it is an accepted fact that placement of an order is a matter of normal *course of business of the company and managing director of the company is vested with the powers to take and execute this decision. Therefore. no negative inference can be drawn by the SEBI from the same.*

16.83. It is therefore concluded that all the allegations levelled upon us with regard to the non-disclosure of the purchase order are false and baseless.

"TRANSFER OF IPO PROCEEDS TO MR. SINGHI THROUGH WISELINK TECHNOLOGIES PVT. LTD. (WTPL)".

16.84. In the above context, the Notice has also levelled allegations under the head we deny that any portion of the IPO proceeds were transferred to Mr. Singhi, Either through WTPL or through any other entity. It is a fact that by a Share Purchase Agreement dated 24th November, 2007, Mr. Singhi purchased 10,00.000 shares of the Company for a total sum of Rs. 10,00,00.000 (Rupees Ten Crores Only). These shares are till date held by Mr. Singhi.

16.85. Ignoring the facts, the Notice proceeds on the basis that the money paid by the Company to WEPL for the purchase of mobile interactive solutions. were transferred to Mr. Singhi as a repayment. At the outset. we say and submit that we are not privy to and aware of the transactions undertaken by WEPL with Mr. Singhi as we are not a party to the same.

16.86. The Notice further alleges that WTPL was nothing but a conduit to transfer money to Mr. Singhi from our IPO proceeds. We submit that such assumption is wrong and beret of any facts or logic.

16.87. Assuming whilst denying that allegations levelled by the SEBI, in case the transaction was entered into to repay Mr. Singhi, a sum of Rs, 10.00.00.000 would have been transferred to Mr. Singhi instead of Rs. 3.50.00.000 as stated in the Notice. Further, as per the Notice, WTPL has not transferred the entire advance to Mr. Singhi. This further lends credence to the fact that WTPL was not a conduit as alleged.

16.88. Further, it is not the case of the SEBI that after the payment of Rs. 3.5 Crores from WTPL, the balance sum of Rs. 6.5 Crores has been routed to Mr, Singhi. In case the Company was repaying the money invested by Mr. Singhi (Rs. 10 Crores), there would have been a transfer of the entire purchase consideration.

16.89, notwithstanding anything stated in the immediately preceding para above, we would like to submit that we are completely unaware about any transfer of funds from WI PL. We submit that payment to WTPL was made owing to the purchase of mobile interactive solutions and the said payment had nothing to do with any other entity or transaction, including that of repayment to Mr. Singhi. SEBI is wrong in drawing relation between the two independent transactions-receipt of payment from Mr. Dinesh Singhi and advance payment made to WTPL. Moreover, SEBI should have questioned WTPL about the transactions it executed, post receiving our advance payment and not us as to what did WTPL do with the advance money. We submit that we are unaware of the utilisation of the advance money made by WTPL and we are also unaware of repaying any amount to Mr. Singhi.

16.90. The Notice fails to consider that Mr. Singhi has till date not transferred the shares purchased by him under the Share Purchase Agreement. In case the allegation as to repayment were true, the shares would been transferred back to the Company. We submit that the allegation is without any basis inasmuch as it alleges the repayment of money to Mr. Singhi without a corresponding transfer of shares to the Company. It is further submitted that we have never siphoned off our IPO funds to any entities directly or indirectly in any manner whatsoever.

F. PURCHASE OF SOFTWARE PRODUCT FROM VERISOFT BUSINESS SOLUTIONS PRIVATE LIMITED,

16.91. With regard to VBSPL, the following allegations are levelled in the Notice:

A. Non-disclosure of relationship of VBSPL with promoters of the Company.
B. Lack of details of the software purchased
C. Misstatement regarding the capital structure

16.92. With regard to first point. We submit that the allegation is completely incorrect as VBSPL is no manner related to the Company. Its_ submitted that both the father in law and mother in law of Mr. Pavan Kuchana had ceased to be directors of VBSPL in the year 2009.

16.93. The Notice proceeds in ignorance of the fact that at the relevant time. There was no relation (as inferred by the Notice) between VBSPL and the Company.

16.94. It is further submitted that at the time of their resignation from VBSPL. Both the in laws of Mr. Pavan Kuchana had transferred the majority of their holding to the third director ie, Mrs, Mandadi Sarojana_and_one Mr. Harikiran kakarala. It is submitted that it is not the case of the SEBI that Mrs. Mandadi Sarojana and Mr. Harikiran Kakarala are related to the Company. We submit that at the time of filing the offer documents, VBSPL was not a related entity to the Company, The allegations as to non-disclosure of VBSPL. Cannot be sustained on the basis of the factual background. At this juncture, it is important to note that to be categorized as a promoter group company, an entity must hold 10% or more equity share capital. It is amply clear that since the relatives of the Company's promoters do not hold the requisite share capital, there was no non-disclosure as alleged.

16.95. It is to be noted that we have not concealed any information with regard to VBSPL. During the course of the due diligence, all documents and information was provided to the Merchant Banker and legal advisor as required by them for the purpose of having a fair assessment of the entire scenario. It is submitted that if the Company was desirous of concealing the details of VBSPL then we would not have provided the Merchant Banker with the list of all the relatives which also included the name of Mr, Gudimalla Janardhan and Mrs. G. Lalitha. It is submitted that if we had anything to hide then we w ould not have furnished the names of Mr. Gudimalla Janardhan and Mrs. G. Lalitha, who as per the Notice are allegedly the directors of VBSPL. We submit that there was no intent to mislead/ not disclose as alleged.

16.96. *In context of the allegation as to the resignation of Mrs. G. Lalitha on 11th March. 2009 and subsequent. Signing of agreement with the Company. it is submitted that our assertion of Mrs, G. Lalitha tendering her resignation is true and correct. In this regard, it is to be noted that although, Mrs. G. Lalitha had tendered her resignation in March 2009. The management of VBSPL had requested her to continue her services until they found any viable replacement. Owing to such request. Mrs. G. Lalitha continued providing services to VBSPL. till 16th November, 2009. Now, as she was working on behalf of VBSPL while the software purchase agreement was being executed, she had accordingly signed such agreement. In view of the above, it can be deduced that we were not wrong in claiming that Mrs. G. Lalitha had tendered her resignation on March 2009, and thus SEBI is wrong in pointing discrepancy between directorship of Mrs. Lalitha and the signing of the software purchase agreement from VBSPL.*

16.97. *The Company filed the DRHP on 27" December. 2010 and the Prospectus on 10" October, 2011, We say that Mrs. G. Lalitha resigned in March, 2009 but under the aforesaid circumstances, stepped down on 16" November, 2009 i.c. much prior to the filing of the offer documents. Mrs. G. Lalitha was not a part of board of VBSPL at the time of filing the offer documents. We submit that the allegation of non-disclosure about the purported relationship with VBSPL is sans merit.*

16.98. *The Notice further alleges that in our letter dated 12th September. 2012. We have stated that Mr. Gudimalla Janardhan and Mrs. G. Lalitha resigned in 2008, whereas in fact, they resigned in 2009, It is submitted that due to an inadvertent typographical mistake, the year 2008 was mentioned instead of 2009. We submit that there was no intention to mislead and the same cun be inferred from the fact that our company had annexed the resignation letter of Mr. Gudimalla Janardhan_ and Mrs.G.Lalitha along with the our letter dated 12th September, 2012. We submit that the aforesaid was a bona fide mistake and had there been any intention to hide/conceal any information or the resignations letters were doctored by our company then our company would not have annexed the same along with its reply. We submit that given the fact that the Company provided copies of the resignation letter along with its reply. Cannot be ignored due to an inadvertent error of stating 2008 instead of 2009, we submit that the allegations that the said documents have been doctored by the Company are without any basis.*

16.99. *With regard to the SEBI's observations that the address 202. A Block, Sri Nilavam Asian Manor Apartments, Road Number 2, Banjara Hills, Hyderabad is visible as the address of Mrs. K. Bhagyalakshmi in her demat account with ICICI Securities Ltd.. it is submitted that Mrs, Bhagyalakshmi who is mother of Mr. Pavan Kuchana had a chance to stay temporarily with her relatives at the said address at the time of opening of the said demat account. It is important to note here that the said demat account of Mrs. Bhagvalakshmi was opened in June 01, 2009 and that point of time there being no strict KYC norms, temporary address of stay was provided to the brokers. Further, an allegation of Mrs. Bhagyalakshmi being involved in VBSPL on the basis of the address mentioned in the demat account cannot be sustained. Apart from the address in a demat account, there are no documents/ details' evidence provided as to the alleged involvement of Mrs. Bhagyalakshmi in VBSPL. The Notice ignores the permanent address of Mrs. Bhagyalakshmi as is provided in government issued documents I.e. her passport which mentions her address as 1-7-1266/1. Street no.8, Advocates Colony. Hanamakonda, Warangal-506 001.*

16.100. *The Notice also makes findings' allegations as to the transfer of shares of VBSPL to various entities/persons including Shri Ramana Murthy Kuchana. We submit that we are not privy to any such transactions. The Notice does not allege that we are privy to such transactions. Further, said transaction was entered into between VBSPL and Shri Ramana Murthy as an independent individual in his day to day living. Therefore. We had no idea of the said alleged share transfer and thus we deny having any role in it whatsoever. Further. SEBI has not pointed out any of our role in the said transactions therefore no negative inference can be drawn against us.*

16.101. *The Notice further alleges that the details provided of the software purchased from VBSPL were not complete. It is submitted that we have a plethora of details pertaining to the software i.e. Mobile Virtual Network Enabler. It is submitted that we have developed various other products and tools through the use of the software application.*

16.102. *Further, it is noteworthy to point that the products developed by us through Mobile Virtual Network Enabler have generated interest various companies including MNC's like Ericsson and Vodafone. A list of the companies who have shown interest in buying our products developed through the Mobile Virtual Network Enabler software along with the supporting documents A perusal of the aforesaid documents establish that the software purchased from VBSPL was instrumental in developing the business' value of the Company. It is submitted that these documents further establish that the allegation of scarcity of documents of the software purchased is without any basis.*

16.103. *In fact, the Company held several discussions with MNC's who have shown interest in the products developed. The authenticity of the same can also be verified from making a reference to series of correspondence exchanged between us and Ericssion and Broadcom. The same evidences that the products developed by us on the basis of the software purchased from VBSPL have been of great value to the Company.*

16.104. *As to the allegation of discrepancy relating to the number of shares being issued to VBSPL. Page no. 3 (point no. 8) of the agreement with VBSPL mentions only 5.00,000 shares instead of 50,00,000 shares. It is submitted that the same was a mere typographical mistake and the same can be confirmed from the whole scheme of the agreement itself as at other places the number of shares is duly written i.e. 50,00.000. The Notice fails to consider the agreement in its entirety and on the basis of one typographical error, the Notice questions the sanctity of the entire agreement/arranvement of the company with VBSPL.*

16.105. The allegations of misstatement with regard to the capital structure, it is submitted that there seems to be some typographical error at pg. 174 of the prospectus due to which a wrong statement has been mentioned. It is submitted that our capital structure is quite clear and making reference to the same clearly shows that shares have been allotted to VBSPL, for the supply of sofiware. The same stand has been reiterated by us at all the places in the offer document and thus there is no misstatement in the offer document. The error at page 174 is a genuine human error and that no negative inference should be draw pointed out hereinbefore, the central role of drafting the o offer documents is of Merchant Banker and it being an expert has to take care of the statements made in the document. In any event it is submitted that the error at page 174 was merely a typographical error which did not come to attention of either the merchant banker or our management.

16.106. It is therefore submitted that the allegations levelled upon us with regard to VBSPL are totally false. Baseless and without proper appreciation of the facts and case of violating Regulations 57(1) of the ICDR Regulations has not been made out by the SEBI.

II. SIPHONING OFF OF IPO PROCEEDS AND MANIPULATION OF BOOKS OF ACCOUNTS BY TSL.

16.107. In the heading under reference, it has been alleged that substantial funds of the Company have been siphoned away. This allegation is premised on the basis that payments have been made {o entities outside India and further transferred to related entities. The Notice alleges that due to a circular movement of funds between the Companies and its suppliers and clients resulted into incremental revenue and profitability of the Company. The Notice fails to consider the submissions/ clarifications provided by the Company in respect of the aforesaid allegations.

16.108. The transactions between the Company and its vendors and clients were independent and commercial in nature. Our clients made payments for the services provided by us and those transactions ought not to be connected with altogether different transactions entered into by us with our vendors.

16.109. It is submitted that the inference drawn by SEBI that because there has been transaction of receipt as well as payment with the same entity, the Company has indulged into siphoning of funds through allegedly related entities. In this regard. It is submitted that the inference drawn by SEBI is completely erroneous inasmuch as considering the nature of services rendered by the Company, it is a common industry practice that a client that engages a Company for providing one type of software services can also _be a vendor of that Company for other types of services. A simple example of such a transaction would that if a Company such as Microsoft engages the services of an external software service provider, Microsoft would be a client for such a service provider, but on the other hand a service provider would be using the Operating System or other programs provided by Windows. M.S. Office, etc. To this extent Microsoft would be a vendor to the service providing software Company. In other words between the service provider and Microsoft there would be a dual relationship where each entity is a client for a particular purpose and a vendor for other purpose.

16.110. It is in this background that one would need to appreciate the nature of transactions undertaken by the Company with its clients, who in some cases are also the vendors of the Company.

16.111. With regard to the observations made in para VI (b) of the Notice it is submitted that SEBI summoned us to furnish details of our clients and vendors as on March 31. 2011 and in response of the same we provided a list of 20 entities of our clients and vendors based in USA. These all are a matter of fact therefore, we have nothing to comment upon the same. In para VI (c) to (q) of the Notice SEBI has observed that: the addresses of some of the vendors and clients details of which were provided by us have uncanny similarities: websites of some of our clients and vendors were registered on same days and such registrations were done by the Company and Virtu Tech Solutions Pvt. Lid: some of those websites were registered on same date Contents of the websites are similar and at some places client's/vendor's names were overlapping as a result of which affairs of our Company appeared to be managed in a hush-hush manner: Mr. Pavan Kuchana made misleading statements during his interview on CNBC, It is worthwhile to mention here that all of the abovementioned observations made by SEBI in these paragraphs have been repeated by, it. We have replied all of the abovementioned baseless allegations in our past replies however, without giving a due consideration to our submissions and even in the absence of any substantial evidence contrary to our submissions. SEBI has merely reiterated its allegations against us. With regard to the observations of SEBI that details of Alayga were never provided by our company while submitting the list of clients and vendors. It is submitted that there was an inadvertent omission. Moreover, had there been any intention of our company to hide information regarding Alayga, then our company would not have provided Alayga's name in the list of vendors whom advances have been made by our company, therefore, on the basis of such finding no_ negative inference can be drawn by SEBT against our company.

16.112. The Managing Director of the Company was residing in the United States for approximately 20 years. He did his graduation in the United States and also started working in United States. In the year 1999 the Managing Director floated the Noticee Company and has been rendering if related services to various entities in the US. Since the Managing Director had built various business relations / contacts in the United States, the Company secured various contacts from such and other entities. As a part of the exercise of providing services, the Managing Director of the Company also assisted the Customers of the Company in incorporating entities in the United States and developing websites for the entities. All of these entities were after their incorporation, transferred to the respective transferees as set out herein.

16.113. The Company also developed certain websites for such entities. It is not in dispute that the entities which were incorporated by some of the Directors of the Company were in fact transferred to the respective *clients who were not in any manner "related to" the Company. In other words after incorporation of the entities, the Company took all steps necessary for the purposes of complying with its obligation to transfer each such Company to its real owners, * No adverse inference whatsoever can be and/or ought to be drawn merely on the basis that the entities with whom the Company has engaged into transactions of receipts and payments were entities incorporated by the Directors of the Noticee. The Notice fails to consider the proofs / documents submitted by us to show that the entities incorporated by the Director of the Noticee Company were In fact transferred much prior to the IPO.*

16.114. In these paragraphs SEBI has made negative findings against us merely on the basis of surmises and conjectures which is evident from the following observations of the SEBI. In Paragraph No. 9.6 of the Notice. SEBI has observed that "these entities are part of client/vendors of TSL list from 2009, for which the websites were created on May 2011 and November 20/1 (i.e. after issuance of summons to TSL seeking details of clients of TSL) by TSL raises a serious doubt about the existence of purported clients 'vendors of TSL".

16.115. In this regard it is vehemently submitted that we have already replied in detail about the creation of the websites by us for our clients/vendors. The websites in question were made or got made by the Company as matter of courtesy owing to the relationship with our clients and vendors, Therefore, only on the basis of the fact that some of our clients and vendors have a commercial relationship with us from 2009 and we made sample websites for them in May, 2011 and November, 201 | does not create any doubt ino our relationship with our clients/vendors. As already mentioned above. We made the sample websites only to show our courtesy towards our clients/vendors. For which we need not necessarily have negotiated terms and conditions for creating websites.

16.116. The Notice fails to consider the replies' documents provided by the Company and without providing any evidence to the contrary, the Notice reiterates its allegations only on the basis of suspicion against the Company. At this juncture it is Important to note that the Investigation has been completed by the SEBI in the matter, however it has failed to produce any evidence supporting baseless allegations made against us and has continued alleging us only on the basis of suspicions only.

16.117. With regard to the findings of SEBI that websites of 6 entities were registered on 26thNovember, 2011 which is two days after receipt of SEBI summons by the Company, it is submitted that registration of websites for our clients/vendors cannot be connected with the passing of summons to our company to provide details of our clients/vendors. AS stated herein, the development of websites in India is a cost effective, process and many of our clients had requested us to develop a website for them, It was only in furtherance of such requests we registered and developed the websites for such entities, The complete process of website development and registration was ongoing at the time SEBI issued summons to us, therefore, no negative inference can be drawn from the same.

16.118. In reply to the allegations levelled in Paragraph No. 9.7 of the Notice. it is submitted that we have already made it clear that the websites in question were created by us on a sample basis contents of which were subject to our clients/vendors' approvals. Therefore upon receiving instructions from our clients/vendors we made changes in the websites required by them. Therefore. SEBI's allegations that the modifications in the websites and contents were in pursuant to the SEBIs interim order is without any basis whatsoever.

16.119. The Notice further alleges that the Company incurred a sum of Rs. 6000 towards web development charges and the same was not passed on to its clients. The allegation states as follows. "Investigation reveals that payment of Rs. 6000 to Virtu Tech was accounted as an web development charges and accordingly affected the books of accounts of TSL, which indicates that the cost of web development was borne by TSL and not passed on to its clients as submitted by clients."

16.120. The Notice fails to appreciate that Rs. 6,000 which was accounted as web development charges in our books was for the web development services availed by our company on its own account. The said payment was not made for the services of Virtu Tech Solutions availed for the creation of websites of our company's clients/vendors. It is submitted that transfer for Rs. 6000 and Rs. 16.500 from our company to Virtu Tech Solutions is a matter of fact. However. It is submitted that SEBI has without appreciating the facts of the matter baselessly alleged that Rs, 22.500 (Rs. 6.000% Rs. 16.500) was transferred by our company to Virtu Tech Solutions for development of websites of our clients and vendors. As far as payment of Rs. 16,500 to Virtu Tech Solutions is concerned. It is submitted that the same is matter of fact and duly accounted in our books as other expenses-recoverable. The said amount was paid by our company in consideration of services availed to develop websites of our company's clients/vendors. Further, the said amount being very small (which was the basic reason to get these websites developed by us) in comparison to the volume of transactions we had with our clients 'vendors. We have not yet recovered the said amount from our clients/vendors, however, we shall recover the same in due course. Therefore. No negative inference can be drawn against us on the basis of SEBI's baseless allegations.

16.121. In Paragraph No. 9.10 of the Notice. it is alleged that majority of the business is generated/provided from client/vendors whose existence is questionable. We submit that the allegation levelled by the SEBI is without any basis and evidence. We submit that the Notice does not provide any document to establish its claim that these entities are non- existent. It is submitted that revenue generation and expenditures of the Company are a matter of facts. We have provided all documents as and when asked by the SEBI However. SEBI in absence of any substantive proof against our submissions ought not to question the existence of our clients and vendors.

16.122. In reference to the allegations levelled in Paragraph Nos. 9.11 and 9, 12 of the Notice. SEBI has observed that we raised a sum of Rs. 34.50 crore vide ICDs and immediately transferred Rs. 30.15 crore to the *entities located outside India as vendor payments. It is submitted that the transactions entered into by the Company are independent and distinct from each other, the purported linkage drawn in the Notice is without any basis or evidence. As stated herein. The ICDs were raised as an alternative means of finance. The payments made to the vendors of the Company were altogether different, independent and commercial transactions, which cannot be inter-linked with the raising of the ICDs.*

16.123. In the heading under reference, the SEBI has provided information regarding some of our vendors/clients based in USA. As per the table provided Mr. Ravi_Kusam_is shown as account signer in the following entities: Ermin Technologies Inc holding a position of Secretary/Treasurer, Rasax Soft Inc holding a position of President, Felix Technologies Inc holding a position of VP & Secretary. AMI Technologies Inc with a role of First Board of Directors/Incorporators, Kyros 'Tech Systems Inc holding a position of Secretary/Treasurer, CYMA Network Solutions Inc holding a position of President, Crest Solutions Inc holding a position of VP/Secretary, Helia Software Solutions Inc with a role of First Board of Directors. In the same table Mrs. Durga Kuchana is shown as account signer of Fausta Software Solutions Inc and CV COX Networks, Mr. Pavan Kuchan as account signer of Felix Technologies Inc holding a position of President, Kamal Kuchana as account signer of Alavea Technologies Inc holding a position of President. As per the table, account signers of other entities namely Avalon Techsystems LLC and Lorven Pharmacy LLC are in no manner related to the Company.

16,124.As stated herein. Mr. Pavan Kuchana (Managing Director of TSL) had been residing in USA for last 20 years. He got admitted to New York Institute of Technology (NYIT) in June, 1992. After completing his first semester at NYIT, Mr, Pawan Kuchana moved to the City College of New York (CCNY) which is a part of City University of New York (CUNY) and graduated with Masters in Computer Science. Inspired by the economic reforms of early 90's and given his entrepreneurial skills, Mr. Pawan Kuchana incorporated a company called IBSS in 1995 from his college dorms.

16.125. Given his entrepreneurial skills and industry knowledge. Mr. Pawan Kuchana started rendering quality services to his clients. He also provided work opportunity to around 50% of his classmates in CCNY who were looking for jobs after completing their degree course. Mr. Kuchana also provided career break in USA for his friends who did B.Tech from Nagpur University. Mr. Kuchana provided HIB's and green cards to around 70 of his friends. In a time span of around 2.5 years. Mr. Kuchana's company had 120 employees.

16.126. During the same time period ic. 1999, Mr, Kuchana floated IBSS techno-park in Hyderabad, which is presently known as TSL. Over a period of time, the Company developed core competency in wealth management technology and telecom solutions. During this period, Mr. Kuchana developed relationships with people who were crucial to the success of his venture. Most of his time was spent in building, negotiating and maintaining relations. It is a known principle that as the creation of the venture progresses, entrepreneurs need to reach beyond their individual social network and involve "outsiders" such as banks, venture capitalists, lawyers, accountants. Strategic partners. Customers, and industry analysts and influencers.

16.127. It is submitted that the business of the Company was running smoothly till 2007, however, it had to face huge subprime crisis in 2008 and with the assistance of the friends and business network/ connections, the Company was able to overcome the economic crisis.

16.128. At the relevant time, the Company used external resources from vendor companies to deliver projects. The main focus of the Company was managing customer relationships and project' management. The Company's strength lies in its relationship with customers and project management. The Company grew conservatively till 2009 -10. In the year 2010 — 11, the Company decided to bring an IPO and Mr. Kuchana used his business network in the USA to procure business for the Company. Mr. Kuchana lined up project management teams for the swift execution of business plans. As part of the expansion plan, several business networks/ friends of Mr. Kuchana expressed their interest in providing business to the Company through their own firms/entities. These business networks/ friends were individuals at high positions, but were lacking legal structures in USA. Therefore, in order to facilitate them. Mr. Kuchana got certain entities incorporated in the name of his wife Mrs. Durga Kuchana and Mr. Ravi_Kusam, who were doing business with the Company. As per their mutual understanding, Mr. Kuchana was only to facilitate the incorporation of such entities, open the bank accounts and transfer the companies to the respective individual nominees.

16.129. As per mutual understanding, after facilitating the incorporation of the said entities. Mr. Ravi Kusam and Mrs. Durga Kuchana transferred the entities to the respective individuals.

16.130. The said arrangement was just to leverage the business network of Mr. Kuchana as those individuals were interested in doing business with the Company and were capable of running large size projects in data warehousing, business intelligence and wealth management technologies. The Company aligned with them on project deliveries.

16.131. Mr. Kuchana, being a technical person by profession and having graduated in B.Tech from Nagpur University and Master of Science in Computer Science from CCNY. CUNY, New York, USA does not know and does not understand the compliances and IPO strategies in India.

16.132. It was only for the purpose of gaining business of the Company for the Company. Mr. Kuchana asked Mr. Ravi Kusum to facilitate in incorporation of four (4) companies in his name and four (4) companies in the name of Mrs. Durga Kuchana, wife of Mr. Kuchana, which upon incorporation and the bank account opening were immediately transferred.

16.133. Mr. Ravi Kusum and Mrs. Durga Kuchana just after incorporation of the companies, transferred them to various individuals (clients and vendors of the Company). They also resigned from the position of *authorized Signatories of bank accounts of such entities.*

16.134. As far as name of Mr. Kuchana is concerned, it is submitted that during initial period as discussed above. Mr. Kuchana helped with the incorporations, bank account opening and initial paper work. Mr. Kuchana referred bank contact and it is only because of this fact that he assisted in initial paper work required for opening bank account, by mistake his name is entered as account signor of Felix Technologies. It is important to note here that most of the bank account opening forms are with pre-printed designation. Such account opening forms do not relate or mean in real sense that the names mentioned therein are occupying certain positions in the entities. In light of this fact, merely because the name of Mr. Kuchana is reflecting in the bank details provided by USA SEC, does not conclusively prove that Mr. Kuehana is' was associated with Felix Technologies as its President/ Bank Account Signor/ Share Holder.

16.135. As far as name of Mr. Kamal Kuchana, a promoter group entity of the Company is concerned, it is submitted that Mr. Kamal was never asked to facilitate in the incorporation of any entity, Alayga is a company of Mr. Kamal Kuchana and as informed by Mr. Kamal, it was incorporated in the year. 2006. The Company availed professional services of Alayga upon the agreed terms and conditions and for due consideration which include data warehousing, business intelligence and retirement solutions.

16.136. The details of transfer of the entities, whose incorporation was facilitated by Mr. Ravi Kusum and Mrs. Durga Kuchana is stated as

SR.No.	*Company*	*Incorporator*	*Transferee*	*Date of Transfer*	*Annexures*
1.	*Helia Software Solutions Inc*	*Ravi Kusum*	*Racha Anil Kumar*	*7th March 2011*	***Annexures 30***
2.	*CYMA Network Solutions Inc*	*Ravi Kusum*	*Swarna Manjari*	*12th March 2011*	***Annexures 31***
3.	*AMI*	*Ravi Kusum*	*DVN*	*7th*	***Annexures***
	Technologies Inc		*Padma Priya*	*March 2011*	***Annexures 32***
4.	*Rasax Soft Inc*	*Ravi Kusum*	*D Suresh Babu*	*12th March 2011*	***Annexures 33***
5.	*Fausta Software Solution Inc*	*Durga Kuchana*	*Mr. Dandu Suresh Babu*	*5th March 2011*	***Annexures 34***
6.	*CVCOX Network Inc*	*Durga Kuchana*	*Mr. Garikapati Rama Rao*	*5th March 2011*	***Annexures 35***
7.	*Kyros Tech System Inc*	*Durga Kuchana*	*DVN Padma Priya*	*12th March 2011*	***Annexures 36***
8.	*Ermin Technologies Inc*	*Durga Kuchana*	*Racha Vijay Kumar*	*12th March 2011*	***Annexures 37***

16.137. The Notice further alleges that Mr. Ravi Kusum, Mr. Pavan Kuchana and Mrs. Durga Kuchana held various positions in the entities who are the clients and vendors of the Company. It is submitted that as stated herein. Mr. Ravi Kusum, Mr. Kamal Kuchana and Mrs. Durga Kuchana facilitated in the incorporation of some entities and on such incorporation, all the entities were duly transferred to the concerned persons who are independent and not related to the Company.

16.138. The allegation that Mr. Ravi Kusam holds 200° shares in Felix Technologies Inc is without any basis and factually incorrect. It is submitted that Mr. Ravi Kusam does not hold any share in Felix Technologies Inc and the same is verified from the fact that certificate of incorporation issued by New Jersey department of Treasury. Business Gateway Services mentions that Felix Technologies Inc was incorporated with a shareholding of 100 shares. It is submitted that the allegation of holding shares in Felix Technologies Inc is without any documentary' other evidence.

16.139. In reply to the finding of SEBI that, Mr. Ravi Kusam was authorised by Mrs. Durga to operate the bank accounts of Kyross, it is submitted that Mr. Kusam had assisted in bank account opening formalities of Kyross including initial paper works therefore, his name was used as signing authority. Later on his name was net taken out from bank records, which Was an inadvertent error on part of the concerned persons of Kyross. Mr. Ravi Kusam was in no position to verify and ensure that his name is removed from the information available with the bank as Mr. Ravi Kusam was travelling at the relevant point of time and it was presumed by him that the concerned person in Kyross will do the needful in the matter,

16.140. With regard to the findings made in Paragraph No. 9.25 of the Notice, it is submitted that as stated herein. Mr, Ravi Kusam facilitated incorporation of Kyros Tech Systems Inc. (hereinafter referred to as the "Kyross") and also facilitated in opening of the bank account of the company. Upon incorporation, Mr. Ravi Kusam gave all banking passwords and other related informations to the concerned persons. The observation that Mr. Kusam as signing authority of Kyross, issued a cheque in favour of Felix Technologies Inc is concerned, it is submitted that the cheque in question was a post-dated cheque signed by Mr. Ravi Kusam when he was the signing authority of Kyross. The cheque in question was a post-dated cheque and there was also no way of calling back the cheque as per prevalent practice. We deny that the said entities are related to us as alleged or at all.

16.141. It is submitted that SEBI's allegation that the clients and vendors of the Company do not have an independent existence and the Company itself has formed such entities is based on an incorrect appreciation of facts. Such allegations are very serious in nature and have been made without appreciation of true, complete and proper facts of the matter which makes it evident that the Notice proceeds in a haphazard manner. The SEBI has relied upon information provided by the U.S. Securities and Exchange Commission, which has till date not been provided to us.Moreover, we are not aware about the completeness of the information obtained by the SEBI from the ISA SEC since the communication exchanged between the

SEBI and the USA SEC has not been provided to us. We have also not been given an opportunity to cross examine any official of the USA SEC and Mr. Mahajn. It is submitted that all transactions entered into by the Company are genuine."

10.0 FUND TRANSFER BY TSL

16.142. It is submitted that the flow of funds as set out in the Show Cause Notice seeks to create an impression that an amount of approximately Rs. 35 crores has been siphoned away. As more particularly set out herein, the SEBI has incorrectly connected independent transactions of the Company and sought to create link in the flow of funds.

16.143. In Paragraph No. 10.2. Under the heading "Fund Movement', the SEBI has provided an analysis of transfer of Rs. 5.30 crore to the vendors of the Company. The heading wise reply to the findings of the SEBI is as under:

I. CYMA Network Solutions

16.144. In Paragraph No. 10.2 (1) (a) of the Notice, the SEBI has observed that we transferred Rs. 1.35 crore to CYMA Netwrok Solutions Inc, (CYMA) on 13th December. 2011 and the said transfer of Rs. 1.35 crore is shown as payment towards vendor services received from CYMA. These services related to recommending, designing and developing technology best practices covering J2EE, BEA Weblogic, CVS, Data Access Layer. Single Sign-On Application service, Web services. SOA etc., developing EA] Framework and illustrating using Livelink, Documentum and IT DWI as examples: developing Portlet based on BEA Weblogic Portal Achitecture and also using generic XML/ XSL (Non BEA) and developing portlets for accessing User Info, Documentum, Directory Smart. File Access, Legacy Access, etc. is the Statement of work. It is submitted that the Company has entered into genuine transactions with its vendors and the amounts were transferred in consideration of vendor services rendered to the Company in the due course of its business. Any inference as to the genuineness of the transactions entered into by the Company is without any basis and in ignorance of the facts.

16.145. In Paragraph No. 10.2 (1) (b) of the Notice, the SEBI has observed certain transactions between CYMA and other entities which are not related to the Company. It is submitted that we are not privy/ concerned/ aware of the transactions entered into between CYMA and these other entities, it is incorrect to state that merely because these entities entered into transactions with CYMA and are also the clients/vendors of the Company. the transactions do not have legal sanctity,

16.146. In Paragraph No. 10.2 (1) (c) of the Notice, the SEBI has stated that on 14th December, 2011, Ermin Technologies Inc ('Ermin') and Rasax Soft Ine ("Rasax") transferred in the account of the Company. It is submitted that the payment received by the Company pertained to services rendered by the Company to Ermin and Rasax. It is submitted that the transactions entered into by the Company with CYMA and the other entities are independent and do not have any bearing on each other. Any inference questioning' denying the genuineness of the transactions is without any basis whatsoever,

16.147. It is submitted that all the transactions entered into by the Company both with its vendors and clients were independent and different. Merely on the basis of the fact that some of the clients of the Company had entered Into some transactions with CYMA, SEBI has made its finding that "Thus, the IPO proceeds were used by TSL for transferring funds to CYMA under the garb of vendor payment and thereafter using the bank accounts Of Rassax Soft inc and Ermin Technologies Inc, alleged clients of ESL, fo receive the same for booking as revenue in the books of TSL for the software services rendered. The whole scheme of movement of funds created by TSL is nothing but an edifice to inflate the revenue and profitability using the bank accounts of its alleged clients 'vendors."

16.148. The abovementioned findings of the SEB make it evident that apart from claiming that some of the clients of the Company had certain transactions with the vendors of the Company, that too without questioning the sanctity of such transactions among the vendors and clients, SEBI has blatantly failed to produce, mention or even highlight any other discrepancy or substantive proof leading to a conclusion that the Company itself operated bank accounts of its clients and vendors. It is worthwhile to mention here that in the preceding submissions, we have made it clear that neither the Company nor any of its related persons are/were operating the bank accounts of its vendors/clients at the relevant point of time when the alleged transactions took place.

II. Kyros Tech Systems Inc

16.149. In Paragraph No. 10.2 (IL) (i) of the Notice, the SEBI has observed that on 13" December, 2011, the Company transferred a sum of Rs. 1.12 crore to Kyros Tech Systems Inc (hereinafter referred to as the "Kyros"). It is submitted that the said amount was transferred in consideration of the services provided by the Kyros in the normal course of business of the Company which included developing a custom order processing system unsing the following: J2EE- based order processing system with JMS workflow. Integrating it with Marklogic to manage the data and content, agile methodologies and tools like Spring, Eclipse and TDD (Mockito, Junit)

16.150. In Para 10.2 (II (ii) of the Notice, the SEBI has observed certain transactions between Kyros and Ermin and Rasax which are not related to the Company. It is submitted that we are not privy/ concerned/ aware of the transactions of Kyros involving other entities. As far as our transactions are concerned, it is submitted that as mentioned above we had availed certain services from Kyros and in consideration of the same we transferred the said amount to Kyros. It is incorrect to state that merely because these entities entered into transactions with Kyros and are also the clients/vendors of the Company, the transactions do not have legal sanctity.

16.151. In Paragraph No. 10.2 (II) (iii) of the Notice, the SEBI has observed that Ermin transferred certain amount to *the Company. It is submitted that the amount received by the Company from Ermin and Rasax again were in consideration of the services rendered to them under the relevant agreement entered into by the Company. It is submitted that the transactions entered into by the Company with Kyros and other entities are independent and different. It is submitted that the Notice proceeds without appreciating the transactions entered into by the Company. It is important to note that the Notice proceeds without any cogent proof, and has connecied independent and different transaction entered into by the Company with Kyros and other entities. It is submitted that the transactions entered into by the Company are genuine, independent and in the normal course of its business. It is submitted that any inference to the contrary is without any substance and contrary to the factual background.*

III. Helia Software Solutions Inc.

16.152. *In Paragraph No. 10.2 (I) (i) of the Notice, the SEBI has stated that on 13" December, 2011, our company transferred a sum of Rs. 1.99 crore to Helia in consideration of the vendor payments for software services availed from Helia. It is submitted that the pavments were made to Helia in lieu of the services rendered to the Company. It is submitted that the transactions entered into by the Company are genuine and in the normal course of its business activities. The services rendered by Helia included analysing existing claim processing desktop systems to identity bottlenecks and feasible solutions, building workflow for claim forms handling 10 facilitate image view of claims, defining technical architecture in line with customer standards and aligned to future plans integrated application with Eligibility, Adjudication. Pharmacy, Prescription. Drug systems integrated application with newly to be build Filenet system for claims processing and providing documentation, technical training and business user training prior to roll out. The Notice proceeds without considering the aforesaid and without providing cogent proof to disregard the service rendered by Helia.*

16.153. *In Paragraph No. 10.2 (III) (ii) of the Notice, the SEBI has observed certain transactions involving transfer of amount from Helia to Ermin. CV Cox Networks Ine (CV Cox") and Fausta Software Solutions Inc ("Fausta™) which are not related to the Company. It submitted that we are NOL privy/ concerned' aware of the transactions entered into by Helia with the other entities. The transactions entered into by Helia with the other entities have no bearing on the transactions entered into by the Company and are unrelated and independent to the transactions of the Company. It is submitted that the transactions entered into by the Company are independent and different.*

16.154. *In Paragraph No. 10.2 (III) (iii) of the Notice, the SEBI has observed that the bank balance of Fausta was only $ 88.47. It is submitted that we are not concerned' privy/ aware of the bank account balances of the other entities as the same are not related to us. It is submitted that the bank balance of an entity cannot be the reason to question the veracity of the transactions entered into by the Company. It is crucial to note that the Notice does not provide any substance/ evidence to show that the transactions entered into by the Company are not genuine. It is submitted that the payments made by Fausta to the Company pertained to services rendered by the Company to Fausta entered into by the Company during the usual course of business.*

16.155. *In Paragraph No. 10.2 (III) (IV) and (v) of the Notice, the SEBI has made certain observations of bank balances of entities which are not related to the Company. It is submitted that we are not privy/ concerned/ aware of the bank account balances of such entities. Further, the payments received by the Company from Ermin and CV Cox pertain to services rendered by the Company. The Notice proceeds on an erroneous basis by alleging that the Company transferred funds to CV Cox. The Notice reads as follows: "With respect to transfer of funds by ISL to CV Cox, it was observed from the bank statement of CV Cox that it is apparent that the Notice is mechanically drafted without appreciating the correct facts, it is the SEBI's case that the CV Cox received funds from Helia and not from the Company. In view of the same, it is incorrect to allege that the Company transferred funds to CV Cox. In fact, the Notice further states that the Company received funds from CV Cox. A perusal of the averments in the paragraph under reference show that the Notice there are several self-contradictory statements/ allegations made by the SEBI. It is submitted that the transactions entered into by the Company are independent and different and are completely unrelated to the transactions entered into by other entities. Ht is incorrect to draw a conclusion that since the C ompany had transactions with entities who also dealt with Helia, the transactions of the Company are not genuine. The payment made by Cox to the Company on 14th December, 2011 was in consideration of the services provided by the Company to CV Cox under the normal course of business.*

16.156. *In Paragraph No, 10.3 of the Notice, the SEBI has come to an erroneous conclusion that the Company has siphoned off IPO proceeds of Rs. 4.5 crore by transferring the funds to the vendors of our company and routed back the said funds in the Company through circuitous route.*

16.157. *Further, without providing any documents/ proof' basis, the Notice comes to a conclusion that the Company has adopted a "similar route" and added to the profitability and revenue of the Company. It is apparent that the Notice proceeds on pre-drawn conclusions that the transactions of the Company are not genuine. As is evident from our abovementioned submissions that the transfer by our company to different other entities was done in furtherance of the commercial transactions entered into with such entities. Therefore, SEBI merely on the basis of surmises and conjectures come to a conclusion against our company and has alleged that our company inflated its books of accounts by making fictitious entries.*

16.158. *The chart provided in the Notice has been made in a manner to give an incorrect conclusion that the Company adopted a scheme to circulate the funds and inflate the revenue of the funds. The conclusions drawn by the SEBI are without considering the veracity of the transactions entered into by the Company.*

In this regard it is vehemently submitted that various transactions of our company which have been highlighted by SEBI are genuine commercial transactions details of which have been provided in our preceding submissions.

16.159. Whilst, the Company continues to deny that there has been any siphoning and/or illegal transfer to any entity, related or unrelated a mere analysis of the figures as stated in the Notice would show that there has been no siphoning of any funds whatsoever.

16.160. The Notice alleges that out ef the money received from the IPO an amount of Rs. 5.30 crores was paid to various entities. As more particularly set out herein, the allegation of siphoning off 5.30 crores is completely unfounded inasmuch as the transfer was in relation to services provided by the Transferees of the amounts details of which have been stated herein.

16.161. It is submitted that the allegation of siphoning and the allegation of recirculation of funds to inflate revenue are mutually destructive inasmuch as if the intent is to siphon away funds, there is no question of bringing them back into the Company. On the other hand. if the funds have come back to the Company, even artificially to allegedly inflate the revenues, there can be no question of the funds having been siphoned away.

16.162. It is submitted that the ex-parte order as well as the present Notice seeks to create an impression that there has been a substantial manipulation of accounts and a large scale siphoning of funds. Whilst the Company has given a full explanation to the alleged siphoning, from the above, it is clear that even as per figures stated in the Notice were assumed to be correct, there is a clear explanation for more than 90% of the amount alleged to have been siphoned away. Therefore, even if the entire explanation piven by the Company is to be rejected, the charge of a large scale manipulation and siphoning can clearly not be sustained.

II. TRANSFER OF BORROWED AMOUNT (ICD FUNDS) OF RS. 34.5 CRORE TO THE VENDORS LOCATED AT USA,

16.163. The Notice states that the Company raised a loan of Rs. 34.5 crore in May-June, 2011 and September, 2011 and alleges that the Company utilised IPO proceeds to repay the loan in October, 2011. It is submitted that the transaction of raising the ICD and payment thereof has been already dealt with herein. In this regard it is submitted that we have clarified the purpose and need of raising ICDs and the repayment thereof. The entity wise allegations levelled under the Notice are replied to as under:

I. CREST SOLUTIONS INC.

16.164. With regard to the findings made in para (i). it is submitted that the transfer of Rs. 5.04 crore to Crest in the month of May, 2011 was in consideration of the services availed from the Crest. The inference drawn from the bank balance and corresponding as to the financial strength of Crest is of no relevance as the Company is not concerned' aware of the same. As stated herein, the Company has made payments in usual course of business.

16.165. The findings stated in Paragraph No. (ii) Of the Notice, neither pertain to the transactions entered into nor the payments made/ received by the Company. It is submitted that we are not privy/ aware/ concerned with the transactions stated therein,

16.166. With regard to the findings of SEBI in para (iil) it is submitted that the ceipt of fund highlighted by the SEBI in our company's account from Felix was a consideration amount in respect of the services provided to the Felix. It is submitted that the Notice proceeds on the basis that the funds have been paid/received without there being any transaction. It is submitted that the Notice erroneously states that funds were transferred without considering the underlying transactions for which the payments/ receipts were made. It is submitted that the Notice does not provide any details/ documents' evidence to show that the transactions entered by the Company are suspicious and/or illegal. It is submitted that the Notice merely links amounts without considering the transactions entered into. SEBI has failed to consider the fact that the Company had entered into various agreements with its clients to render services and Felix is one of them, the amount received by the Company is in lieu of the services rendered to Felix. However, it is vehemently denied that the same amount was transferred to our other vendors. SEBI has ignored this fact that in normal course of business a company has to make payments for the services availed by it and it also receives revenue from its clients. It is a part and parcel of the business especially for the companies like us in the IF Sector. Therefore, without highlighting the specific name of the vendor, SEBI has merely based its allegation on the basis of mere surmises and conjectures in the manner that "The said amount was once again transferred to vendors of TSL in form of recirculation...."

16.167. The allegations levelled under paragraph Nos. (iv) and (v), would once again affirm that the SEBI has merely connected independent and unrelated payment receipts to create a concocted story. As stated herein, the Notice does not consider the basic transactions under which the payments' receipts have taken place. It is submitted that transfer of $ 1, 50,105/- from Felix to Mr. Pavan Kuchana was in no manner related to the Company. The amount paid by Felix to Mr. Pavan Kuchana was in furtherance of an arrangement entered into by them vide which Mr. Pavan in his individual capacity was required to provide certain Management support and management services to Felix. However, there is no mention of the same in the Notice. However as the Company was required to file its RHP and undertake further actions for bringing its IPO, Mr. Pavan Kuchana was excessively occupied with the Company's work. In order to honour the terms of the agreement signed with Felix. Mr. Pavan Kuchana contacted VBSPL and requested it to render services to Felix on his behalf. Accordingly. Mr. Pavan Kuchana assigned the aforesaid agreement to VBSPL. It is to be noted that the aforesaid arrangements were entered into by Mr, Pavan Kuchana in his individual capacity and has no bearing to the Company.

16.168. It is submitted that the Company is not privy/ concerned/ aware of the transfer of certain amount from VBSPL to WTPL However, with regard to the transfer of Rs. 44.85 Lacs from VBSPL to our company it is submitted that we have already clarified the purchase of Mobile Virtual Network Enabler (MVNE) by our company from VBSPL in this reply. It is submitted that in furtherance of the same, VBSPL was in process of developing a different software and as part of development of that new software. VBSPL required to have certain testing to be carried out through MVNE. However, as VBSPL, had already sold MVNE to the Company, it outsourced the testing function to the Company. In consideration of the assignment, VBSPL paid a sum of Rs. 44.85 Lacs to the Company. It is absurd to draw an inference that the transaction between the Company and VBSPL is any manner connected with Mr. Pavan Kuchana and a part of the alleged re-circulation cycle as stated in the Notice. It is important to note that the flow chart provided under this paragraph does not depict the correct factual position and has been prepared on the basis of surmises and conjectures.

II. CYMA NETWORK SOLUTIONS INC,

16.169. In reply to the allegations' inference drawn in Paragraph No. (i). it is submitted that, as stated herein, the payments made to CYMA was in consideration of the services rendered by CYMA to the Company. It is submitted that the transactions entered into by the Company were in the usual course of its business

16.170. The transfer of funds between other entities neither pertain to the transactions entered into nor the payments made/ received by the Company. It is submitted that we are not privy/ aware/ concerned with the transactions entered into between CYMA and Rasax or Ermin.

16.171. In Paragraph No. (ii). the Notice states that Rasax has made payments/ transferred funds to several entities including the Company. It is submitted that the Company is not privy' concerned' aware of the payments/ transfers from Rasax to other entities. It is submitted that the amounts received by the Company from Rasax were in lieu of the services rendered by the Company. It is submitted that the Notice proceeds on the basis that the funds have been paid/received without there being any transaction. It is submitted that the Notice erroneously proceeds on the basis that funds were transferred without considering the underlying transactions for which the payments/ receipts were made. It is submitted that the Notice does not provide any details/ documents/ evidence to show that the transactions entered by the Company are suspicious and/or illegal, it is submitted that the Notice merely links amounts without considering the transactions entered into.

16.172. It is submitted that the allegations/ findings arrived at by the SEBI in Paragraph No. (ii) Of the Notice are perverse and without any basis. It is apparent that the Notice has arrived at conclusions without providing any substance/ evidence. The same is evident fer alia from the finding of the SEBI which reads as. "With respect to transfer of 0.299 million § to Ermin Tech from the loan borrowed by TSL......~. Wis submitted that though in Paragraph No. (i) Herein, the SEBI has stated that the amount of $ 0.299 million was transferred to Ermin by CYMA, it has wrongly and without any proot' substance made unwarranted allegations of the said transfer being made by the Company. It is important to note that SEBL has intentionally overlooked the genuine business transaction between our company and CYMA and has portrayed the transaction between CY MA and Ermin as if the said transaction was entered into by our company on behalf CYMA. Such findings' inferences are unsubstantiated, without any basis and unsustainable. As stated herein, the Company is not privy/ concerned' aware of the transactions of Ermin and other entities. The amount of $ 0.121 million received by the Company pertains to the services rendered by the Company to Ermin.

16.173. With regard to the findings made in the para (IV) and (v) and the pictorial form of the fund transfer provided thereunder, it is submitted that SEBI has tried to connect independent and unrelated transactions of the Company. All the payments' receipts of the Company pertain to genuine business transactions which are supported by cogent proof and are entered into in the usual course of business. It is erroneous to arrive at the conclusions/ allegations without appreciating the true and correct facts. It is submitted that SEB] cannot nullify the sanctity of all the said transactions and allege that the amount of ICDs raised by our company was ultimately transferred to our company's account.

16.174. Further, the finding that our company again transferred $ 0.506 million to different vendors towards software development services, cannot draw a negative inference for the reasons that (a) the Notice proceeds in ignorance of the underlying transactions on the basis of which the payments' receipts were made: (b) SEBI has not provided any proof' evidence to disregard the transactions entered into by the Company: (c) the payments and receipts of the Company is a part of usual business process. Therefore. It cannot be said that our company used [PO proceeds to repay amount borrowed by it, under the garb of vendor payments. The flowchart provided under this para does not depict the correct factual data and has been prepared by SEBI merely on the basis of surmises and conjectures.

*lII**. HELIA SOFTWARE SOLUTIONS INC***

16.175. The allegation' inference drawn by the SEBI in Paragraph No. (i) is without any basis inasmuch as the transactions entered into by the Company are genuine and in its normal course of business, The Company availed services from Helia and the same is evident from the SOW

16.176. It is submitted that the transactions' transfer of funds by Helia to other entities are of no consequence to the Company as the Company is not privy/ concerned/ aware of such transactions/ transfer.

16.177. With regard to the findings of SEBI in Paragraph Nos. (ii) and (ii). it is submitted that we are not concerned with the transfer of funds by CV Cox and AMI Technologies Inc. ("AMI") to third parties. However, as the investigations have been completed, SEBL ought to have come with substantial proofs in support of its allegations levelled against the Company. In the absence of any cogent proof. It is submitted that the *allegations levelled under the Notice are baseless and not maintainable, it is submitted that the payments made by AMI to the Company are in lieu of the services rendered by the Company. It is submitted that the Notice proceeds on the basis that the funds have been paid/reecived without there being any transaction. It is submitted that the Notice erroneously proceeds on the basis that funds were transferred without considering the underlying transactions for which the payments/ receipts were made. It is submitted that the Notice does not provide any details/ documents' evidence to show that the transactions entered by the Company are suspicious and/or illegal. It is submitted that the Notice merely links amounts without considering the transactions entered into.*

16.178. In Paragraph Nos. (IV) and (v). SEBI has observed some transactions of Fausta and Ermin. With regard to the findings made in these Paragraphs, it Is again reiterated that we are not concerned with the transactions not related to us. With respect to transfer of $ 0.178 million from Fausta and $ 0.134 million from Ermin to the Company's account, it is submitted that the said amount was transferred in normal course of business of our company in consideration of various services rendered by the Company. Further. it is submitted that the flowchart provided under this paragraph does not depict the factually correct position and has been prepared by SEBI merely on the basis surmises and conjectures.

IV. KYROS TECH SOLUTIONS INC

16.179. In Paragraph No. (i), SEBI has observed that the Company transferred Rs. 10.21 crore to Kyros in the month of May-June. 2011 and September, 2011. Thereafter. Kyros transferred the said amount to Ermin, Rasax and CYMA. It is submitted that we are not privy/ concerned' aware about the transactions of our vendors/clients in which we are not a party. The funds transferred by Kyros are not related to the Company. Further, the payments made by the Company pertain to services availed by the Company and are genuine transactions entered in the usual course of business.

16.180. In Paragraph No. (i), SEBI has observed certain transfer of funds by Ermin. SEBI has observed that Ermin transferred $ 0.46 million to our company which was accounted by the Company as revenue in the financial ledger accounts. It is submitted that the Notice proceeds on the basis that the funds have been paid/received without there being any transaction. It is submitted that the Notice erroneously proceeds on the basis that funds were transferred without considering the underlying transactions for which the payments/ receipts were made. It is submitted that the Notice does not provide any details/ documents/ evidence to show that the transactions entered by the Company are suspicious and/or illegal. it is submitted that the Notice merely links amounts without considering the transactions entered into. We do not understand that as to what forced SEBI to ignore the commercial agreements entered into by the Company with its client. The Notice blatantly ignores that money received by the Company is pursuant to said agreements signed by our company. Without providing any proof/ evidence to the contrary, it is absurd to make allegations against the Company merely on the basis of presumptions, Further it is submitted that the Company is not concerned with other transactions entered into with the entities not related to the Company.

16.181. In Paragraph No. (iii), certain transactions of Rasax and other entities have been discussed by SEBI. In this regard it is submitted that we are not aware about such transactions. However. We vehemently submit that transfer of fund in our account from Ermin to the tune of $0.031 million was done in normal course of business of the Company in pursuant to the commercial transactions entered into by the Company as enumerated above. Further. SEBI's findings that we transferred $5.26 million to Rasax and out of the said amount $0.413 million were transferred back of our company are based on mere presumptions and without any basis. We have made it clear that all transactions wherein we received any amount or transferred to any other entity were entered into in normal course of business of the Company.

16.182. In Paragraph No. (iv). SEBI has observed that Kyros transferred $ 0.201 million to CYMA. However, it is submitted that we are not aware of the said transfer. SEBI has further observed that according to our submissions Kyros and CYMA are vendors of our company thus transfer between two reflects that both Kyros and CYMA are inter linked and operated by a common person. Apart from this baseless averment, SEBI has not provided any proof to substantiate such allegations. Further, presuming but without accepting that these two entilics were operated by a common person does not invalidate our independent and identical transactions with these entities. SEBI cannot challenge sanctity of the independent and genuine business transactions of the Company merely on the basis of the fact that two of our vendors had transacted with each other.

16.183. Therefore, no negative inference can be drawn against the Company on the basis of certain transactions entered into by the Company with its clients. Every transaction affecting transfer of funds to the Company from its clients were entered into in normal course of business details of which have been provided in the preceding paragraphs. The flowchart provided under this para does not depict the factually correct data and has been prepared by SEBI merely on the basis of surmises and conjectures.

CONCLUSION ON TRANSFER OF FUNDS

16.184. In reply to the allegations raised by the SEBI in Paragraph No. 12.0 and 12.1 of the Notice, it is submitted that the conclusions arrived at therein are in complete ignorance of the facts and based on mere surmises and conjectures. We have clearly mentioned the need of raising ICDs and the rationale of paying those ICDs. However, in absence of any substantial proof, SEBI has attempted to connect different, independent and unrelated transactions of the Company. The allegation that the Company adopted circuitous route to transfer rotate the funds among our vendors and clients is unsubstantiated and without any proof. The Notice fails to provide any substantial proof in support of its grave allegations *against us. We have explained every transaction entered into by the Company and have provided relevant supporting documents. Therefore, for the sake of brevity we crave leave to reiterate the submissions made in preceding paragraphs.*

16.185. In reply to Paragraph No. 12.3 of the Notice, it is submitted that we have clarified all receipts in the accounts of the Company and Mr. Pavan Kuchana. Therefore, for the sake of brevity we crave leave to reiterate the submissions made in preceding paragraphs. Further, it is vehemently submitted that we have not adopted any circuitous route to transfer funds of the Company.

16.186. In Paragraph No. 12.3 and 12.4 of the Notice. SEBI has alleged that our company siphoned off the IPO proceeds to various connected entities under the garb of vendor payments while simultaneously receiving the same amount from its clients using various layers. In this regard it is submitted that SEBI has itself admitted that the charge of siphoning off IPO proceeds is very serious in nature. However, SEBI has totally ignored a settle principle of Jaw that higher the gravity of charge, higher must be the degree of evidence to prove the same. SEBI has connected various independent transactions of our company in such a fashion that it has alleged our company to have bloated its balance sheet and misled the investors. It is submitted that the Notice has indiscriminately sought to attribute impure motives to the basic activities of the Company. Such allegations based on mere surmises and conjectures and SEBI has miserably failed to provide any proof in support of its allegations. We have detailed out all transactions of our company whereby it transferred money to its vendors and received money from its clients as result of genuine business transactions. It is submitted that the Company has not manipulated its books of accounts in any manner. Rather SEBI has concocted a story by totally ignoring our genuine business transactions with different independent entities i.e., our clients and vendors. All the entries made in books of accounts by the Company are based on prevailing accounting standards.

16.187. With regard to the findings of Paragraph No. 12.5, it is submitted that our company's business is based on outsourcing model. We have our client base in countries outside India and especially in USA. Therefore, all the transactions which have been highlighted by SEBI in the Notice were genuine business transactions entered into by it in its normal course of business.

16.188. It is submitted that the findings arrived at in Paragraph No. 12.6 of the Notice are misleading and wrong. We have clearly established that none of any person related to us is holding any position in the organization of our vendors/entities, we have explained that Mr. Pavan. Mr. Kusam and Mrs. Durga only facilitated incorporation of few entities. However, none of them is holding any controlling position in those entities. In absence of any substantial evidence in support of SEBI's allegation that we created artificial profitability, genuineness of our company's transactions with its clients and venders cannot be questioned.

16.189. In reply to the observations made by the SEBI in Paragraph Nos. 12.7 to 12.9 of the Notice, it is submitted that the allegations made by the SEBI are unsubstantiated and based merely on surmises and conjectures. It is submitted that any inference attempted to be drawn by the SEBI by interlinking the remuneration paid by the Company and the revenues of the Company are without any basis. It is submitted that the SEBI in ignorance of the underlying transactions attempted to link different and unrelated amounts to arrive at such baseless allegations. It is submitted that the employees of the Company are engaged in execution of work of the Company. It is submitted that the revenue of the Company is inter alia based on the arrangements' agreements entered into by the Company. It is incorrect to link (without any proof whatsoever), the capability of the employees with the remuneration paid by the Company.

16.190. With regard to the findings of Paragraph No. 12.10 of the Notice, it is submitted that we are not aware about the communications done with our USA based clients/vendors by the SEBL. It is further submitted that we do not have any control over our vendors and clients and our relations with them are limited to the business transactions only thus we have nothing to comment upon the SEBI's inability to contact some of our clients/vendors. As far as the statements of Mr. Muketh Mahajn are concerned, we state that we are not concerned with the registered agents of our vendors 'clients and we cannot comment upon the same for the want of knowledge. However, as per our knowledge and understanding Mr. Kamal Kuchana resides in USA and renders his services through Alayga Technologies Inc. it is submitted that when the Company had business transactions with Alayga Technologies Inc., Mr. Kamal Kuchana was residing in USA. In all cases if SEBI relies upon the statements of Mr. Mahajan in coming to an adverse finding against us then it is requested to provide us an opportunity of cross examining him.

16.191. In Paragraph No. 12.11 of the Notice. SEBI has come to its conclusion that the entities located in USA are just a book companies, In this regard it is vehemently submitted that merely on the basis of the non-reply from those entities and in absence of any substantial proof, SEBI cannot term them as books entities. For the sake of brevity we crave leave to reiterate the submissions made in preceding paragraphs.

16.192. With regard to the findings of Paragraph No. 12.12 of the Notice. it is submitted that we have already explained all allegations raised by SEBI and crave leave to rely and refer our preceding submissions.

FICTITIOUS ENTRIES IN BOOKS OF ACCOUNTS

16.193. In reply to the findings in Paragraph Nos. 12.13 to 12.15 of the Notice, it is submitted that credibility of our Company's accounts cannot be questioned without providing any substantial proof. The allegations levelled are baseless and unsubstantiated. We have provided sufficient clarifications and explanations along with supporting documents concerning the legitimate commercial transactions done with our clients/vendors based in USA. For the sake of brevity, we crave leave to refer and rely upon the *submission made in preceding paragraphs.*

16.194. In reply to the findings that Chairman & MD and CFO of our company made fraudulent statements/declarations by signing the company's financial statements for FY 2011-12, it is submitted that both Chairman & MD and CFO have not made any fraudulent statement as the financial Statements certified by them are correct and reflecting true facts and information. We repeat and reiterate that Mr. Pavan Kuchana is a pure technical person being graduated in B.Tech from Nagpur University and Master of Science in Computer science from CCNY. CUNY, New York, USA. Further, Mr. Prasad Rao, being a qualified Chartered Accountant is aware of the preparation and finalization of financial accounts. The financial statements have been prepared following applicable accounting standards incorporating true facts which were available on record. Our Company has clarified all allegations of SEBI in preceding paras which makes it evident that the transactions of our company alongwith its vendors and clients were done in normal course of business and in absence of any substantive proof to the contrary, sanctity of such transactions cannot be questioned. Therefore. SEBI's baseless allegations that Chairman& MD and CFO of our company made fraudulent statements/declaration, does not hold good,

III. TRADING PATTERN ON AND AROUND THE DAY OF LISTING

16.195. In reply to the observations made in paragraph Nos. 13.0 to 13.10 of the Notice, it is submitted that the details of the issue price, fluctuation in the prices (open. high and low) during the day of listing at both BSE and NSE are all matter of fact and record on which we have nothing to comment upon and no adverse conclusion should be drawn against us from such parameters.

16.196. It is submitted that it is a matter of fact and record that certain entities which traded on our scrip incurred losses on the listing day, and thus we have nothing to comment upon the same. We vehemently deny that we have funded all such entities who had incurred losses by trading in our scrip on the day of listing as alleged. The Notice proceeds without appreciating the fact that incurring losses and profits is a part and parcel of the stock market as the share prices move in tandem with the current market demand and supply. It is a very natural phenomenon to gain or loss on the listing day of a scrip and no one can reach a conclusion on the very fact that just because some entities incur losses, they ought to be related to the company offering shares, as has been done by SEBI, here. So is the case with entities namely Rose Valley Merchandise Pvt. Lid. ("RVYM™): Shreva Multitrade Pvt. Ltd. ("Shreya") and Baba Bhootnath Trade and Commerce Pvt. Lid. ("BBTC"). These three entities had incurred losses by trading in our scrip on the listing day but by this virtue alone, it cannot be deduced that they are related to us and until it is proven that they are related to us, it cannot be said that we have funded these entities from our IPO proceeds in a circuitous manner. This is so because, until there is any nexus/connection/relation, there is no logic behind funding them. We submit that these were normal investors who tried their bands in our scrip and incurred losses, but we did not have any relation/ connection/ nexus with such entities in any manner, whatsoever.

16.197. It is submitted that the graphical representation showing alleged movement of fund to the said entities is based on mere surmises and conjectures, SEBI has failed to provide any substantive proof showing our nexus with the said entities therefore, it cannot be said that we transferred funds to the said entities in different layers. In reply to the observations made in Paragraph No, 13.6, it is submitted that just like the above three entities, Overall Financial Consultants Pvt Ltd, (Overall} also was one of the investors which had incurred losses by trading in our scrip, but that does not mean it was related to us. We reiterate that we had no connection/ nexus/ relation with all these 4 entities and their act of suffering of losses had nothing to do with the Company. All these 4 entities traded on our scrip keeping in view their own investment priorities on which we have nothing to comment upon.

16.198. In reply to the observations pertaining to the brokers of RVM, Shreya and BBTC: the corresponding office addresses of RVM, Shreya, Overall and BBTC as well as the inter se relationship are all a matter of fact and record and they had nothing to do with us, due to which we have nothing to comment upon the same. It is submitted that in the absence of cogent proof, SEBI has wrongly pointed out that we have funded the mentioned entities. We reiterate our stand that their trading and incurrence of losses in our scrip had nothing to do with the Company.

16.199. With regard to the transfer of Rs. 23 crore to Silverpoint: by our company. it is submitted that we have discussed the same issue in succeeding paragraphs. However. With regard to the various transactions highlighted by SEBI from Silverpoint and thereafter from various other entities, it is submitted that we are not in a position to comment on such transactions for the want of knowledge.

16.200. We vehemently state that we had no connection/nexus/relation to BBITC. Shreya, RVM and have never diverted any single penny to any of them from our IPO proceeds. We are also unaware as to the utilisation of our money advanced to Silverpoint. We reiterate that money advanced to Silverpoint were for genuine reasons as discussed in the succeeding paragraphs, and Silverpoint themselves would be in a better position to explain as to how they utilized those genuine funds, further, We are not responsible and/or answerable to the utilization of funds by Silverpoint.

PLACEMENT OF ICD BY _TSL WITH SILVERPOINT INFRATECH LTD (SIP)

16.201. With regard to the issue of ICD placed with Silverpoint, it is submitted that we had decided to place an ICD in order to earn interest over funds that were lying idle after the IPO. Further the Company's board also wanted to set off the interest that it was required to pay on the ICDs it had taken. However. It is submitted that ultimately the funds have actually been utilized for the purposes mentioned in the objects of the issue only.

16.202. It is submitted upon the receipt of the IPO proceeds we had started the process of identifying possible *acquisition targets and other. Strategic initiatives for the purpose of expansion of our business and in pursuance to the same. We identified the GRC division of Genex and contemplated buying the same as it would be beneficial for our business and shall give us a strategic advantage as it would provide us with an established base for further broad basing and improving our business. .*

16.203 It is submitted that pursuant to the said decision and after holding detailed discussions with the management of Genex we had conveyed our interest to Genex in exploring the possibility of buying their GRC division and after holding subsequent discussions with — their management, we had agreed on initially conducting a technical and financial feasibility of the proposed acquisition and depending on the outcome of which both the parties would accordingly decide and move ahead. In pursuance of the same. We had appointed M/s. G.V Ramanjaneyulu & Co. to conduct the financial feasibility and due diligence of the GRC division. While the technical feasibility was done by us internally.

16.204 It is submitted that on being satisfied with the outcome of the reports. We had decided to go ahead with the transaction and agreed to enter into a Business Purchase Agreement ("BPA") with Genex on mutually agreed terms and conditions. It was understood by us that it being an active player in providing wealth management solutions to various chents it would be able to complement the services offered to existing clients by providing governance. Risk and compliance (GRC) advisory services to them. We believe that post acquisition of the GRC business of Genex. We could better serve our clients by developing cost-effective compliance programs focused on delivering sustainable solutions, combining culture, Processes and technology which are fundamental to viable profitability. The acquisition thereby adds value to the existing services by integration and enhancement of portfolio.

16.205. Post completion of the negotiations with the representatives of Genex we had decided to arrange funds for the acquisition. Since the funds raised in IPO for the purpose of acquisition and strategic investments were temporarily lent to Silverpoint. We had decided to call back the ICD placed with Silverpoint. Even though as per the terms of ICD, the payment from Silverpoint was to come back in the month of April 2012.

16.206. In view of this decision. sve had by our letter dated 2nd December. 2011 requested Silverpoint to return the ICD amount at the earliest so that the BPA for acquisition of the GRC business of Genex can be finalised at the earliest.

16.207. However, Silverpoint in reply. to_our letter expressed its inability to return the amount and stated that it is not in the position to return back the amount for at least the next 4 to 5 months. Since it had already deployed the funds elsewhere.

16.208. On receiving negative response from Silverpoint we held re-negotiations with the representatives of Genex. During the discussions Genex insisted and agreed for entering into a BPA and receiving part payments from us. Whilst transferring the business to us, on a guarantee being provided by Silverpoint for the entire purchase consideration. As a measure of comfort and safety back up. We also had detailed discussions with Silverpoint with regard to the same.

16.209. Accordingly, we once again wrote to Silverpoint and requested them to make the payment at the earliest or in the alternate act as a guarantor on our behalf in the BPA being entered into with Genex. Wherein it could repay the amount later on if it agrees to act as a guarantor.

16.210. It is submitted that in reply to our specific request 5 Silverpoint agreed to to act and stand as a guarantor on our behalf however it requested that it can only make the necessary payment after a period of 3 to 4 months. We agreed on the condition put forth by Silverpoint. Since they were contemplating that they will be able to raise enough funds from their internal accruals for funding part of the acquisition and therefore decided to go ahead with the transaction. On the basis of agreement of all the parties we had entered into a tri-partite BPA with Genex in which Silverpoint stood as a guarantor.

16.211. Post execution of BPA. Genex X transferred various software, their codes and signed agreements with its clients for transfer of their existing contracts, and also transferred all the equipment/hardware to us, in a phased manner. While the process of transfer was still continuing SEBI "passed an Ex-Parte Ad-Interim order dated 28" December, 2011 directing us to call back the ICD placed with Silverpoint amounting to 23 Crores and also to deposit the proceeds of [PO still remaining with it in an escrow account.

16.212. Pursuant to the directions of SEBI we had decided to call back the amount of Rs. 23 Crores from Silverpoint. However, Silverpoint specifically refused the request made by us on. the ground that it has already stood as an irrevocable guarantor to Genex in the BPA and garnet Mare mee 2S AE A AIP ms AY ROP sa STREP EAL RPE EME ETER SHS therefore it_ cannot simply repay the money to us, since till the time the obligations of BPA are not fulfilled by us it will be susceptible to liabilities under the BPA, Silverpoint also stated that it does not agree with the contents of the said Order. Silverpoint also stated that it would be in a position to repay the amounts borrowed once we paid the entire purchase consideration agreed in the BPA to Genex, by which the guarantee provided by it fo Genex shall cease to exist.

16.213. In pursuance Of the Ex-Parte Ad Interim Order. by our letter dated 30" December, 2011 we had called upon Genex to keep the transaction on hold as the Ex-Parte Ad Interim Order had called upon us to deposit all the money including the sum advanced to Silverpoint and also the funds raised out of the IPO available with it, in an escrow account. We also requested Genex to terminate the guarantee clause of the BPA so as to enable us to comply with the directions issued by SEBL

16.214. In reply to the same. Genex stated that it can under no circumstances hold back the execution of the agreement or cancel the same as its confidential information. Important software, their codes, have *already transferred signed agreements with all its clients along with their NOCs for transfer of their existing contracts. List of vendors and that it has already shifted all the equipment/hardware to us and therefore it cannot hold back the transaction. It further conveyed that a cancellation/holding back of the contract at this stage means that it would have to hold back and simply wait for the consideration to be transferred even though it has already supplied all its resources and proprietary information to us. Which in turn can very well be used by us to build our own capacity and then approach the clients of Genex. It is also to be noted that by this stage Genex had already complied with most of its obligations under the BPA and had also transferred us all the relevant software's and hardware.*

16.215. After continuously following up with us for payments orally, Genex also wrote a letter dated 17" January, 2012 calling upon us to make the payments' of the purchase consideration at the earliest, In the letter Genex also requested our Managing Director to respond to their calls and adhere to the commitments.

16.216. In reply to the said letter we had by our letter dated 25" January. 2012 informed Genex that due to the continuous operation of the Ex-parte Order we are not in a position to comply with our part of the obligations under the BPA. Including making payments towards consideration as the funds to be paid towards consideration cannot be paid due to the continuous operation of the Ex-parte Order. In view of the same we once again requested Genex to hold the transactions as we were facing real hardships due to the operation of SEBI's order and that many of our employees and independent directors had left us and that our company was facing severe financial crunch since our clients and vendors were also not co-operating with us because of the loss of reputation due to the wide publicity of the SEBI's order.

16.217. Subsequently on 15" February. 2012 we had received a legal notice from Genex calling upon us to perform the obligations agreed upon in the BPA dated 19"" December. 2011 within three weeks. In the legal notice we were also threatened of appropriate legal actions including invocation of the guarantee clause.

16.218. In reply to the said legal notice we had vide letter dated 24" February 2012 once again reiterated our request to hold the transaction citing hardships faced by us due to the operation of SEBI's Ex-parte Order and loss of reputation due to the wide publicity of the Fx-parte Order. We also requested Gentex not to take any Coercive steps and that we could not continue with the transaction only due to operation of a Statutory order against us. Which is beyond our control.

16.219. Thereafter, we did not hear anything either from Genex or from Silverpoint. E yn_ 25" May, 2912 we received a No-Dues letter from received the complete purchase Genex informing that it has sebi consideration of Rs, 24 Crores from Silverpoint and that as on date there were no dues pending to be recovered from us and that Silverpoint had successfully complied with the guarantee clause agreed in BPA dated 19th December. 2011.

16.220. On the same day we also received a letter from Silverpoint stating that it has completed its obligations under the ICD and also under the BPA by paying Rs. 24 Crores to Genex and also by transferring a sum of Rs. Forty Six Lacs i.e. the balance of interest on the amount of Rs, 23 Crores lent to it after deduction of necessary taxes on 24" May, 2012 to us. Silverpoint also requested us to issue a letter providing the completion of the obligations on Silverpoint's part and that there are no further dues to be recovered from it.

16.221. We submit that we were unaware of the receipt of any such funds, immediately carried out a limited period reconciliation and found that we have infact received a sum of Rs. Forty Six Lacs from Silverpoint Via an RTGS payment directly into our bank account.

16.222. The aforesaid makes it quite clear that the ICD given to Silverpoint was on a temporary basis. We had duly received back the sums advanced by way of ICD and have duly applied them for the purposes of the objects of the issue. Further, we had taken all the possible steps for recalling of the ICD amount lent to Silverpoint, after passing of the Ex-parte Order but all our attempts were unsuccessful due to the unwillingness of the parties with whom a BPA was entered into before the passing of the Ex- parte Order. It is submitted that our intentions were genuinely to earn interest on the funds which were Iving idle and not to misuse the [PO funds as alleged. The fact that the money placed with Silverpoint has been used for acquisition of GRC business from Genex clearly shows that there was no misuse of [PO funds and that the utilization of funds in the form of ICD was merely a temporary measure. It is further submitted that we were genuinely interested in buying the business of GRC from Genex and accordingly had planned that we would be able to pay the purchase consideration to Genex from our internal accruals. However unfortunately due to the operation of the said Order our entire working have been jeopardized and we had gone under severe financial and operational stress. As pointed our earlier many of the employees have lelt which has seriously impacted our business. We in spite of constant efforts have ull date not been able to recoup from the effects of the Ex- parte Order. It is also important to note here that we had duly informed SEBI on 24" November, 2011 that ICD of Rs. 23 crore was placed with Silverpoint, However, SEBI did not bother to even issue a directive to Silverpoint to remit money to a designated account of SEB] We established our inability to bring back the said amount however, SEBI's directions to Silverpoint would have served the purpose of securing investor funds rather than going after us with a premeditated motive and prejudiced investigations. As explained we have been prevented by pre-existing contractual obligations in getting back the moneys. Though we have made our best efforts to recall moneys pursuant to SEBI's interim order.

16.223. As far as the SEBI's allegation that the borrower with whom we placed ICD should have strong financial credibility is concerned, it is submitted that we discreetly verified the market standing and repayment capacity of Silverpoint on the basis of information obtained from available sources. Furthermore. the *decision of our Company to place the said ICD with Silverpoint was in accordance with the applicable rules and regulations of the SEBI and Silverpoint also duly repaid the ICD amount, dlongwith interest as already mentioned above. Thus. SEBI's allegations that we placed an ICD with Sils erpoint to transfer funds to the traders. And operators who incurred losses by trading in our shares, do not hold well in eves of both Jaw and facts,*

NON-COMPLIANCE OF THE AD INTERIM EX PARTE ORDER DATED DECEMBER 28, 2011.

16.224. With regard to the allegation levelled under Paragraph No, 19 of the Notice. it is submitted that we had been compliant with all those directions as far as they were practically feasible to be complied. It is submitted that our company and its directors are still debarred from dealing in the securities market and we have not ventured in the securities market, till date afire the passing of the said Order,

16.225. As far as the money advanced to Silverpoint is concerned, it is submitted that under the heading "Placement of ICD by TSL with Silverpoint Infrateech Lid. (SIP)" of this reply. we have extensively discussed the entire utilisation of the Rs 23 crores and have also show eased the compelling circumstances under which the said money cannot be refunded. For the sake of brevity and non-repetition, we request your good self to refer to the contents under the heading "Placement of ICD by TSL with Silverpoint Infratech Ltd. (SIP)" of this reply, which would establish the fact as to how we are unable to comply with the directions of refunding of Rs 23 crores advanced to Silverpoint.

16.226. As far as the money amounting to Rs 5 crores given to WTPL in the form of advance money for mobile interactive solutions is concerned, we have dealt with the entire issue of WIPL under the heading "Order Placed with Wise link Technologies Pvt. Lid. (WTPL)" of this reply and we have quite distinctively explained as to how the advance money given to WTPL was not possible to be refunded.

16.227. A perusal of the above contents provides us the explanation as to how complying with the direction of refunding the advance money to WTPL was not possible.

16.228. In view of the above, it is submitted that we have not failed to comply with the directions of the Ex-Parte Ad Interim Order as wrongly claimed by SEB but the circumstances prevailing at that point of time restrained us from following such directions, Please note that there was never any deliberate attempt from our side to evade the directions of SEBL. it was the intricacies well beyond our control and capacity which prevented us from complying with the stipulations, Had we been given a fair opportunity in absence of all such circumstances, we would have been able to comply with all the directions of the said Ex-Parte Order.

IPO OBJECTS V/S ITS ACTUAL UTILIZATION.

16.229. In reply to the observation pertaining to the repayment of ICDs to the tune of Rs 34.5 crores, it is submitted that it is only after the completion of the [PO that our board decided to repay the ICDs raised through the IPO proceeds and then later replenish the same through the internal accruals of the Company. It is submitted that carving the [CDs further would have only increased the interest cost and in order to save the interest amount only the same were repaid through the IPO proceeds. It is also important to note here that in case our [PO had failed all the consequential risks due to the increase in the interest costs would have been solely be borne by us and in that event all the additional costs of interest would have only decremented the profitability of our promoters and not the public at large, It may further be appreciated that since we had filed the DRHP in December of 2010 and it was already several months till the time we had not got an approval for coming out with an IPO. the raising of ICDs was necessary as alternative means of finance. Therefore, it is owing to the dire necessity of alternative means of finance that we have raised the ICDs and repaid them subsequently to avoid staggering interest rates.

16.230. In reply to the observations pertaining to the payment to vendors in USA. It is submitted that SEBI is wrong in claiming that the Company has engaged in any siphoning of funds as alleged. [t is submitted that the aforesaid allegation is without any basis and has been dealt with extensively herein. We have already submitted that the payments to the vendors were completely independent and different transaction than that of the receipt of payments from the clients,

16.231. In reply to the observations made for the payments made to WTPL, it is submitted that under a specific heading related to WTPL. Above. We have already submitted that the payment was nothing but an advance paid in lieu of the Mobile Interactive Solution Software, Further. The said advance payment was genuine transaction meant for purchasing such software and it had no relation to any alleged repayment to Mr. Dinesh Singhi. In this regard we would want to reiterate the contents of the heading of this reply dealing with the same issue and resubmit that we have never repaid any amount to Mr. Singhi under said arrangement. Further, question of repayment to Mr. Singhi never arises for the very simple fact that he still holds our shares even today. We further submit that we are unaware as to what did WIPL do with our advance money and are unaware about WIPL's further transfer to Mr. Singhi. We once again submit that both WEPL and Mr. Singhi would be in a better. Position to clarify as to which all transactions took between them, rather than us.

16.232. As far as the interest payment to the extent of Rs. 0.95 crore for the CC account maintained by our company at IDBI, payment to of salary to the employees and withdrawal for meeting our company's expenses out of IPO proceeds is concerned, it is submitted that these all payments and withdrawal were made for meeting working capital requirements of our company therefore. no negative inference can be drawn against us.

16.233. We deny the allegation that 60.05% of the IPO proceeds were utilised for purposes other than disclosed objects. It is submitted that the said allegation is wrong and we have sincerely followed the objects of the issue in use of our IPO proceeds.

16.234. Time and again, SEBI has raised the same concern of deviating from objects without appreciating the original facts. Same has been the case OF ICD with Silverpoint also. It is not the case of SEBI that we have deviated from the objects by providing ICD with Silverpoint. The said ICD was provided keeping in mind the investment perspective and accruing relevant interest. For the sake of convenience we would want to reiterate the contents under the heading "Placement of ICD By TSL with Silverpoint Infratech Ltd. (SIP) of this reply which would clarify as to why such ICD with Silverpoint was made and as to how it was not a mean to deviate from the objects of the issue.

16.235. We also deny that we have routed the IPO funds to different entities to absorb the losses sustained by such entities on the day of our listing. We reiterate that in a scenario where we did not even know the entities which were trading in our scrip, there was no possibility to know as to whom all among such group sustained losses or profits.

16.236. As far as the issue of developing new facility at SEZ in Hyderabad is concerned, SBI should understand the fact that the moment it imposed the unwarranted directions upon us vide the Ex-Parte Ad Interim Order. Our entire mechanism came to a standstill. Majority of our employees left our organisation. So did our management professionals. In such a standstill situation. How did SEBI expect us to continue our projects? It is noteworthy to mention that the same issue was raised by us in our reply dated 12" September, 2012. Wherein we had distinetly stated that owing to the Ex-Parte Ad Interim Order, our entire machinery broke down and we were pushed into severe crisis. But SEBI was nonchalant to Our Concerns and now at this Stage it is raising the question as to what had happened to our projects, wherein we had already intimated it our crisis. However, it is not worthy to mention here that though we were in initial stages of discussions with many SEZ developers in and around Hyderabad and also in Warangal. SEBI's order has totally nipped our initiatives in this regard. The Company is confronting a panic situation of dealing with employees, erosion of trust and confidence of investors. Clients and vendors resulting in a turmoil and breakdown of its operations. The overall circumstances culminated in the Company to face and stave off existential issues rather pursuing its objectives, diligence and sincerity.

16.237. In view of the above, we strongly deny that we had deviated from the objects of the IPO and affirm that we have always abided by the objects. The instances shown by SEBIT are incomplete and flawed and the conclusions deduced by them are erroneous, which we have comprehensibly explained vide our reply dated 12" September, 2012 as well as the present reply. The abovementioned submissions make it evident that the untimely and not totally substantiated interim order of SEB] has thrown a spanner in our initiatives in pursuing and implementing [PO objectives. Thus a question of violating regulation 57(1) of the ICDR Regulations does not arise against our company,

17. Having furnished the pata wise reply to the Notice. The individual reply to the specific violations are as under:

21.1. We have not violated any of the Regulations as mentioned above. We have always furnished true and correct information and have strived to furnish every material information as required by the ICDR Regulations.

21.2 Moreover, it is noteworthy to mention that SEBI cannot allege us of having violated its Rules and Regulations just on the basis of surmises and conjectures which it had done so in the present case. It is a known fact that SEBI needs sufficient evidence to actually hold us guilty of violating the PFUTP Regulations, ICDR Regulations and the SEBI Act as mentioned in the Notice. In this regard, we request your good sell's attention into taw specific case laws pronounced by the Hon'ble Apex Court and Hon'ble High Court of Madras in relation to sufficiency of evidence which is produced herein below.

21.3 The Hon'ble Apex Court in the case of Varanasaya Sanskrit Vishwavidyalaya and Anr. Vs. Dr. Rajkishore Tripathi and Anr AIR 1977 SC 615, in relation to the fact of sufficiency of evidence in proving one's guilt of collusion had held the following:"We do not think it is enough to state in general terms that there was "collusion" without more particulars. This Court said in Bishundeo Narain and Anr. vy. Seoxeni Rai and Ors. MANU SCAGS9T9ST > [T9STJ2SCRI4AS8 as under: General allegations are insufficient even to amount to an averment of fraud of which anv Ct. ought to take notice. however strong the language in which they are couched may be, and the same applies to undue influence and coercion."From the above, it can be understood that usage of strong words and general allegations is not enough to prove a guilt. One needs to adduce sufficient evidence to prove such allegations.

21.4. On similar lines in the case of Tamil Nadu Newsprint and Paper Ltd. rep. by its M.DVs. Rama Damodaran and Anr. (2005) ILLJ 1109 Mad. (2005) 1 MLJ 625. The Hon'ble Madras High Court has held the following: "The Supreme Court in Sher Bahadur. y. Union of India MANUSC06822002 » (2002) INLLISASSC. Has held what is meant by sufficiency of evidence which is also relevant for the purpose of this Court. The Supreme Court held as under at p. S49 of LLJ: it may be observed that the expression, 'sufficiency of evidence' postulates existence of some evidence which links the charged officer with the misconduct alleged against him. Evidence, however voluminous it may be, which is neither relevant in a broad sense nor establishes a nexus between the alleged misconduct and the charged officer, is no evidence in law, the mere fact that the enquiry officer has noted in his report, "In view of oral. Documentary and circumstantial evidence as adduced in the enquiry", would not in principle satisfy the rule of sufficiency of evidence ...."

A perusal of the excerpt of the above mentioned case law would bring us to the understanding as to how important is to have sufficiency of evidence in proving any allegation. The alleging party should prove the nexus between the allegation and the alleged party which is totally absent in the present case. SEBI has failed to point out a single instance wherein it could establish a direct link/nexus between the allegations purportedly committed by us and ourselves. In such a scenario all the allegations of SEBI against us fail in entirety as a result of which the Notice is liable to be quashed and set aside.

21.5 It is submitted that charge of fraudulent and unfair trade practices under Regulation 4 is a serious charge. In the instant case. As demonstrated hereinbefore there is no evidence at all that we created false or misleading appearance of trading in the securities market. We dealt in our shares not intending to effect transfer of beneficial ownership but intending to operate only as a device to inflate, depress or cause Fluctuations in the price of our shares for wrongful gain or avoidance of loss, manipulated price of our shares. Came with a misleading advertisement to induce sale or purchase of our shares.

21.6. It is crucial to note at this juncture that the charge of fraud and manipulation is one of the most serious charges in relation to the securities markets and having regard to the gravity of this wrong doing and higher must be the preponderance of probabilities in establishing the same. The Hon'ble Apex Court hold the same view in matter of ***Mousam Singha Roy v. State of West Bengal (2003)*** *12 SCC 377. The learned judges of the Supreme Court in the context of the administration of criminal justice observed the following:*
"It is also a settled principle of criminal jurisprudence that the more serious the offence, the stricter the degree of proof, since a higher degree of assurance is required to convict the accused" This principal applies to civil cases as well where the charge is to be established not beyond reasonable doubt but on the preponderance of probabilities.

21.7. The measure of proof in civil or criminal cases is not an absolute standard there are degree of probability. In Mornal vy. Neuberger Products Ltd. (1956) 3 All P.R 970 Hodson, L.J. observed as under:
"Just as civil cases the balance of probability may be more readily tilted in one case than in another, so in criminal cases proof beyond reasonable doubt may more readily be attained in some cases than in others."

21.8. Further Denning. L.J. in the matter of Bater v. Bater (1950) 2 All E.R. 458 wherein he was resolving the difference of opinion between two Lord Justices regarding the standard of proof required in a matrimonial case, inter alia observed:
"It true that by our law is a higher standard of proof in criminal cases than in civil cases, but this is subject to the qualification that there is no absolute standard in either case. In criminal cases the charge must be proved beyond reasonable doubt, but there may be degree of proof within that standard. Many great judges have said that, in proportion as the crime is enormous, so ought the proof to be clear. So also in civil CASS. The case may him degrees of a preponderance of probability, but there may be degree of probability within that standard. The degree depends on the subject — matter. A civil court, when considering a charge of fraud. Will naturally require a higher degree of probability than that which it would require if considering whether negligence were established. It does not adopt so high a degree as @ criminal court, even when it is considering a charge of a criminal nature, but still it does require a degree of probability which is commensurate with the occasion, "

21.9. Similar observations were affirmed by Hon'ble Securities Appellate Tribunal in the matter of Dilip S. Pendse v. SEBI, Appeal No, 80 of 2009.

21.10. In the light of aforesaid principles on degree of proof, it is necessary for SEBI to establish the charge of fraud and manipulation, where the gravity of charge is similar to the charge of insider trading. Against us with the required degree of probability necessary to establish such a serious charge,

22. From the aforesaid it is clear that the allegations of violating the FUTP Regulations along with ICDR Regulations and the Act cannot be alleged against us and the Notice deserves to be dropped forthwith.

23. It is submitted that we reserve our right to modifV and add additional grounds in our reply.

24. We further reserve our right to modify and add additional grounds in our reply during the pendency of these proceedings. We also crave leave to refer and rely upon any documents/ evidence/ material during the pendency of this matter and to make any additional submissions' pleadings' grounds based on such documents/ evidence/ material. However, since this reply itself demolishes the charges and therefore it is humbly praved that the Notice be set aside and the charges as levelled against us be dropped.

25. We request that, we be given an opportunity for personal hearing before any decision is taken by you in the matter.

The submissions of TSL dated July 26, 2019 are as follows:

I hereby intimate your good office that CIRP has been initiated in respect of Mis. TAKSHEEL SOLUTIONS LIMITED under the provisions of Insolvency and Bankruptcy Code, 2016 ("Code") by an order of National Company Law Tribunal ("NCLT") with effect from April 08, 2019 and appointed Mr. Sudhir Gonugunta (IBBI Registration No : IBBIIIPA-001/IP- P00573/2017-2018/l 1014) as Interim Resolution Professional (IRP).
Now in place of Mr. Sudhir Gonugunta, NCLT appointed me, S. Manjula, IBBI Registration No: IBBI/IPA-001/IP-P00992/2017-201 8/11639 as Resolution Professional (RP).
As per section 17 of the Code, the powers of the Board of Directors of Mis. TAKSHEEL SOLUTIONS LIMITED stands suspended and such powers shall be vested with Resolution Professional.
It may further be noted that in consonance with the stipulations contained in Section 14 of the Code, a moratorium has been declared vide the aforesaid order passed by NCLT, whereby, inter alia, the following shall be prohibited:
(a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;
(b) transferring, encumbering, alienating or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein;
(c) any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

(d) the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.

The instant intimation w.r.t initiation of CIRP and appointment of Resolution Professional is for your information and record. I shall keep the statutory authorities posted on further developments inthis regard.

The Submissions of Ms. Durga Kuchana, Mr. Kamal Kuchana, and Mr. Ravi Kusum dated March 11, 2019

1. *We are concerned for our clients Ms. Durga Kuchana, Mr. Kamal Kuchana, and Mr. Ravi Kusum. On behalf of Our Clients we submit as under:*

a. *These written submissions are being filed pursuant to the queries raised by your goodself during the personal hearing before your goodself on February 25, 2019.*

b. *During the course of hearing, observations were made regarding the transfer of shares in the company and it was observed by your goodself that only internal documents have been submitted by us in support of the submissions made by us before your goodself.*

c. *In this regard it is submitted that Our Clients have followed the due procedure of transfer of shareholding and the process as required by law is as under:*

i. ***Section 14A:7-12 of 2013 New Jersey Revised Statutes*** *deals with the transfer of shares of a certified and non-certified security and states as under:*

14A:7-12. Transfer of shares and restrictions on transfer

The shares of a corporation shall be personal property and shall be transferable in accordance with the provisions of Chapter 8 of the Uniform Commercial Code (N.J.S. 12A:8-101 et seq.), as amended from time to time, except as otherwise provided in this act.

ii. *Thus, the only requirement for the transfer of certified securities is that the said transfer should be in accordance with the provisions of Chapter 8 of the Uniform Commercial Code. 'Certified securities' are securities which are represented by the certificate as per Section 14A:7-11. The same is defined also in Title 12A:8-102(a)(4) Chapter 8 of the Uniform Commercial Code.*

Title 12A:8-102(a)(4) Chapter 8 of the Uniform Commercial Code states as under:

(4) "Certificated security" means a security that is represented by a certificate.

(13) "Registered form," as applied to a certificated security, means a form in which:

(a) the security certificate specifies a person entitled to the security; and

(b) a transfer of the security may be registered upon books maintained for that purpose by or on behalf of the issuer, or the security certificate so states.

Thus, it is clear even the registration is also an internal process wherein the registration is done in the books maintained by the issuer itself.

iii. *A purchaser is said to have control as per Title 12A:8-106 of Chapter 8 of the Uniform Commercial Code as under:*

Title 12A:8-106. Control.

a. *A purchaser has "control" of a certificated security in bearer form if the certificated security is delivered to the purchaser.*

b. *A purchaser has "control" of a certificated security in registered form if the certificated security is delivered to the purchaser, and:*

(1) *the certificate is indorsed to the purchaser or in blank by an effective endorsement; or*

(2) *the certificate is registered in the name of the purchaser, upon original issue or registration of transfer by the issuer.*

Thus, it is to be noted that the process of transfer was duly followed and the control was transferred to the transferee.

2. *It is humbly submitted that the observations that the documents submitted by Our Clients in relation to transfer were internal documents, it is submitted that these internal documents were required during the process of transfer and the same was duly followed. Had there been any requirement of any external submission the same would also have been followed but that it not the requirement of law and therefore there is no external document which could have been submitted by Our Clients. Merely because there is no external document, in no manner any person can deny or doubt on the veracity of these transfers.*

3. *Further, even assuming that these internal registers were not maintained, it is pertinent to note that Our Clients are not privy to the documents shared with SEBI by SEC, or any other authority and hence cannot comment upon the same.*

4. *In view of the aforesaid, Our Clients request your goodself to kindly consider their submissions made vide their Replies dated N ovember 20, 2017, 25, 2017 and November 26, 2017 filed by the respective Noticees abovenamed and, submissions made by Our Clients during the course of hearing, submissions made by Our Clients vide their additional submissions dated February 06, 2018 and the submissions made hereinabove as asked by your goodself.*

5. *In light of the foregoing contentions and submissions, it is humbly prayed that the Noticees abovenamed be exonerated and no punitive orders be passed against them.*

The submisions of Durga Kuchana, Ramaswamy Kuchana and Kamal Kuchana dated Feb 06, 2018 are as follows:

These written submissions are being filed pursuant to the liberty granted by your Order dated 3" January, 2018 passed by the Learned Adjudicating Officer. These written submissions are in furtherance of the Replies dated 20" November, 2017 and 25" November, 2017 filed by the respective Noticees above named in response to the Notices dated 8" May, 2013 issued by the Learned Adjudicating Officer. The contents of these written submissions are to be read in conjunction with the respective Replies and the arguments advanced at the time of personal hearing on 3 January, 2018. Further, the Noticees seek condonation of the delay in filing the present Written Submissions. The Noticees apologise for the delay and would request that the present Written Submissions be taken on record.

I. The Show Cause Notices issued by the Adjudicating Officer do not adhere to the well settled principles of natural justice:

i. The present proceedings commenced with the Adjudicating Officer issuing a Show Cause Notice dated 8" May, 2013 bearing No. EAD-2/RGA/10902/2013 to Ms. Durga Kuchana and Mr. Kamal Kuchana and another Show Cause Notice also dated 8" May, 2013 bearing No. EAD-2/RGA/10900/2013 to Mr. Ramaswamy Kuchana.

ii. The said Show Cause Notices are collectively addressed to other persons too (apart from the abovenamed Noticees) including Mr. V. K. Prasada Rao and Mr. Ravi Kusam (in case of SCN No. EAD-2/RGA/10902/2013) and to Taksheel Solutions Pvt. Ltd. and Mr. Pavan Kuchana (in case of SCN No. EAD- 2/RGA/10900/2013).

iii. Upon a bare perusal of the Show Cause Notices it is evident that the Show Cause Notices only set forth a "summary of allegations" against all the Noticees collectively and do not even attempt to set out all the allegations qua every Noticee.

iv. The Show Cause Notices ostensibly are based on an Investigation Report, an extract of which is annexed to the Show Cause Notices. Admittedly, the complete report is not provided with the Show Cause Notice and only an extract, that SEBI deems relevant, is annexed.

v. The Show Cause Notices, without setting forth the allegations against each Noticee, directly proceeds to list the various provisions of the SEB] Act, ICDR Regulations and the FUTP Regulations of which violations is alleged.

vi. It is humbly submitted that the Show Cause Notices do not set forth any specific charges against any of the Noticees.

vii. It is further submitted that no particulars or details of alleged violations are provided save and except the "summary of allegations".

viii. The Show Cause Notices do not seek to explain the alleged role played by any Noticee in respect of the alleged violations of the SEBI Act and the ICDR Regulations and FUTP Regulations.

ix. It is submitted that it is a settled position that any show cause notice must categorically set out the charges against the respective Noticee.

x. It is further submitted that particularly in respect of penal / punitive proceedings, it is imperative that the show cause notice set forth the specific charges expressly qua every Noticee as also put forth the material in support of such charges.

xi. It is submitted that in the event that the material in support of such charges is not provided in the show cause notice, the noticee is deprived of his right to defend himself, which is a basic right in conformity with the principles of natural justice.

xii. It is humbly submitted that the Show Cause Notices in the present case, proceed on a presumption that a Noticee can anticipate and ascertain which of the allegations and charges specifically relate to him / her.

xiii. Moreover, it is submitted that in the present case, the contents of the Show Cause Notices are vague and ambiguous and consequently they miserably fail to communicate the charges against any of the Noticees in conformity with the settled principles of natural justice.

II. Annexing an extract of the Investigation Report is not a substitute to comply with well-settled principles of natural justice.

i. In the present case, admittedly, only an extract of the Investigation Report that SEBI deems relevant was annexed to the Show Cause Notices.

ii. It is humbly submitted an Investigation Report or its extract cannot be a substitute to a valid Show Cause Notice in compliance with the basic tenets of natural justice. As explained hereinabove, a show cause notice must necessarily set out, in clear and unambiguous terms, the various charges against every Noticee as also the materials in support of such charges. An Investigation Report compiled pursuant to an investigation conducted by SEBI cannot be equated with a valid show cause notice.

iii. An Investigation Report or its extract, as in the present case, is only a document compiling the material or evidence in support of the alleged violations and cannot be treated as substitute for complying with the essential requirements of a valid show cause notice.

iv. Furthermore, it is submitted that the purpose of a show cause notice is to put a person to notice that SEBI seeks to prosecute him / her for violation of certain statutory provisions in respect of a set of facts, which provisions and facts need to be set out unambiguously and a reasonable opportunity needs to be mandatorily provided to the person to put forth his/her defence, if any. In such a scenario, a Noticee cannot be expected to peruse the Show Cause Notice along with the extract of the Investigation Report to deduce which of the charges (out of the many charges alleged against all Noticees collectively) are to be answered by him / her. It is humbly submitted that a noticee cannot be compelled to deduce purported charges against him / her upon perusal of a show cause notice and an extract of the Investigation Report.

v. It is further submitted that in the course of punitive or penal proceedings, as in the present case, the framing of charges in the Show Cause Notice is an exercise which forms the cornerstone of natural justice and cannot be relegated to the discretion and understanding of the Noticee itself.

III. Even if the extract of the Investigation Report is deemed to be a part of the Show Cause Notice, the Show Cause Notice is violative of the principles of natural justice.

i. Without prejudice to the foregoing contentions, if the Investigation Report or an extract thereof is deemed to be a part of the Show Cause Notices, then it is humbly submitted that the Show Cause Notices are in blatant violation of the principles of natural justice.

ii. Upon a bare perusal of the extract of the Investigation Report, it is unambiguously clear that the Investigation Report proceeds in a premeditated manner against the Noticees and in fact presumes and concludes their guilt in the course of the narration contained in the extract to the Investigation Report. It is submitted that on this ground alone, the Show Cause Notices must necessarily held to be invalid and the proceeding in furtherance of the same cannot be upheld as being in conformity with the principles of natural justice.

iii. By way of illustrations, please refer para 12.11, 12.12, 12.6, 9.2. Of the Investigation Report.

iv. From a perusal of the extract of the Investigation Report and in reference to the para above, it is evident that the Investigation Report concludes the guilt of the Noticees.

v. It is submitted that if the Show Cause Notices are to be read with the extract of the Investigation Report (and providing the extract is considered to be a substitute for setting forth the particulars of the allegations in the Notice itself), then the Show Cause Notices proceed on a presumption of guilt of the Noticees and are in stark contravention to the principles of natural justice.

vi. Moreover, it is submitted that any proceedings in furtherance of the Show Cause Notices including the present proceedings is fait accompli and the entire exercise of providing a hearing to the Noticees and an opportunity to put forth their replies is in fact an exercise in futility.

vii. It is therefore humbly submitted that the Noticees cannot be held to be in violation of any of the provisions of the SEBI Act, the FUTP Regulations or the ICDR Regulations on the basis of the present Show Cause Notices.

IV. The Show Cause Notices and the extract of the Investigation Report do notdistinguish between the alleged roles played by the various Noticees.

i. As explained hereinabove, the Show Cause Notices merely set out the provisions of the SEBI Act, ICDR and FUTP Regulations of which violation is alleged without so much as attempting to identify which of the provisions have allegedly been violated by which of the Noticees.

ii. The Show Cause Notices proceed on the basis that all the Noticees are liable for violation of all the provisions of which are enumerated in the Notices.

iii. Moreover, on a perusal of the extract of the Investigation Report is apparent that it proceeds against all the Noticees without seeking to draw any distinction in the alleged roles played by them.

iv. It is humbly submitted that even on a conjoint reading of the Show Cause Notices and the extract of the Investigation Report it is evident that no literal sense can be made of the allegations contained therein and the violations alleged qua an individual Noticee. The entire proceedings in furtherance of the Show Cause Notices proceed on a presumption that the roles played by the different Noticees are not distinct and are one and the same. Ostensibly, the Notices warrant that each Noticee identify which of the set of allegations apply to him / her and what corresponding provisions of law are violated as a consequence and accordingly set forth his / her defence.

v. It is humbly submitted that it is inconceivable to suggest that these proceedings wiich emanate from these Show Cause Notices can be said to be in compliance with the cardinal principles of natural justice.

V. Allegations against Mr. Kamal Kuchana:

i. Ostensibly the allegations against Mr. Kamal Kuchana relate to his role as promoter of Alayga Tecnnologies Inc. in USA and the transaction that took place between Alayga and Taksheel Solutions Ltd. ("TSL").

ii. It is-submitted that during the last 17 years Mr. Kuchana has residing in the USA. The transaction entered into between Alayga and TSL are bona fide business transactions. The Agreement pursuant to which these transactions took place has already been placed before the Learned Adjudicating Officer.

iii. There is no suggestion, much less any conclusive finding in the extract of the Investigation Report, that Mr. Kuchana had any role to play in the siphoning of IPO funds.

iv. The extract of the Investigation Report is merely replete with vague and unsubstantiated allegations against Mr. Kuchana.

v. The entire set of allegations proceeds on the basis that Alayga was only a mechanism to further alleged siphoning of IPO funds. It is submitted that however there are no particulars or material that is provided in support of these baseless allegations.

vi. It is reiterated that all transactions entered into by Alayga with TSL were genuine and bona fide arms' length transactions and consequently event the extract of the Investigation Report contains nothing beyond bare allegations.

vii. The proceedings before the Learned Whole Time Member and the consequent Order passed by him in fact rightly exonerate Mr. Kuchana of these very charges.

viii. *The charges under Regulation 3 and 4 of the PFUTP Regulations are serious charges and any finding of violation of the same can only be arrived at on the basis of clear and irrefutable evidence and not on conjecture and fanciful allegations. It is therefore humbly submitted that Mr. Kamal Kuchana cannot be held liable for any alleged violations of the PFUTP Regulations.*

VI. Allegations against Ms. Durga Kuchana:

i. *The allegations against Ms. Durga Kuchana ostensibly are confined to the role played by her in the incorporation of Fausta Software Solutions Inc., CV Cox Networks, Ermin Technologies Inc. and Kyros Tech Systems Inc.*

ii. *Admittedly, Ms. Kuchana had incorporated these entities between 1st – 2nd March, 2011 upon her husband Mr. Pavan Kuchana's insistence. Immediately upon incorporation, Ms. Kuchana had in fact delegated the authority to operate the bank accounts of these entities to one Mr. Ravi Kusam, again upon her husband Mr. Pavan Kuchana's instructions.*

iii. *Also, as demonstrated in the earlier reply filed by Ms. Kuchana, the shareholding of these entities were transferred to third parties between 5th to 12nd March, 2011.*

iv. *The period of investigation and the alleged acts of siphoning of IPO funds and manipulation of book of accounts had transpired between May, 2011 to December, 2011 during which period admittedly Ms. Kuchana had no control over these entities.*

v. *Also, it is submitted that Ms. Kuchana has had no time had any control over the management of TSL. In fact, it is submitted that her alleged role must be seen through the prism of the fact that she is was a housewife and as stated earlier her limited involvement in incorporating certain entities was only at her husband's insistence.*

vi. *It is humbly submitted that the Show Cause Notice and the extract of the Investigation Report in fact do not set out any grounds to suggest that Ms. Kuchana had prior knowledge that the entities that she aided in the incorporation of may be used for alleged siphoning of funds.*

vii. *It is further submitted that in the absence of any evidence or finding or material to prove any collusion or conspiracy with the benefactors of such alleged siphoning, and particularly when no mens rea is imputed to her, Ms. Durga Kuchana cannot be held liable for the alleged violations of the SEBI Act and the PFUTP Regulations.*

VII. Allegations against Mr. Ramaswamy Kuchana:

i. *The allegations against Mr. Ramaswamy Kuchana relate to his role as non- executive director of TSL and the alleged non-disclosures and misstatements in the prospectus and other offer documents of TSL.*

ii. *It is submitted that the allegations against Mr. Ramaswamy Kuchana must be viewed in context of the fact that he is a 76 years old, standard 10" pass out who was designated as a non-executive director solely at the insistence of his son Mr. Pavan Kuchana.*

iii. *Without prejudice to the contentions set forth in the detailed Reply filed by Mr. Kuchana, it is submitted that Mr. Kuchana cannot be held liable for any alleged misstatements and non-disclosures. Admittedly, Mr. Kuchana was only a non- executive director and was at no point involved in the day to day functioning of TSL. The allegations contained in the Show Cause Notice read with the Investigation Report do not suggest at any point any intent of wrongdoing or impute any personal knowledge of the alleged acts to Mr. Kuchana.*

iv. *It is further submitted that there is no suggestion much less any particulars of any illegal benefit availed by Mr. Kuchana due to his alleged role as non-executive director.*

v. *It is submitted that furthermore there are no particulars provided or any material placed on record to suggest any role played by Mr. Kuchana in any fraudulent or unfair trade practice in violation of Regulations 3 and 4 of the PFUTP Regulations.*

vi. *It is further submitted that in the absence of suggestion of mens rea on Mr. Kuchana's part and given the seriousness of the allegations levied against him it is imperative that a very high standard of proof be applied before condemning him for various violations of the SEBI Act, ICDR Regulations and PFUTP Regulations.*

vii. *Without prejudice to the foregoing, it is submitted that the sanction levied by the Learned Whole Time Member in his proceedings against Mr. Kuchana are suffice in the context of his alleged role. Given that Mr. Kuchana is 76 years old and only survives on his pension which he is entitled to as a former Forest Officer, it is in the interest of justice that he is not disproportionately subjected to any further sanctions.*

viii. *It is further submitted that, during the course of personal hearing, your good self-had enquired about the address of Verisoft Business Solutions Pvt. Ltd. In this regard it is submitted that, the Noticees are no way connected or related to the said company and is not aware of the present address of Verisoft Business Solutions Pvt. Ltd. However, the Noticees have tried their level best to find out the present address of Verisoft Business Solutions Pvt. Ltd, and the same are reproduced as under for the ready reference of your goodself.*

<u>Address of Verisoft Business Solutions Pvt. Ltd. (As per MCA Website):</u>
202, A-Block, Srilnilayamasian
Manor' Apts. Road, No..2,
Banjara Hills, Hydearabad
500034. Andra Pradesh

ix. *In light of the foregoing contentions and submissions, it is humbly prayed that the Noticees above named be exonerated and no punitive orders be passed against them.*

The submissions of Ramaswamy dated November 25, 2017

1) I am in receipt of Show Notice bearing reference No. EAD-2/RGA/0902/ 2013 dated 8 May, 2013 (hereinafter referred to as "the said Notice/ SCN"). Vidé the aforesaid notice, I have been called upon to show cause as to why an enquiry should not be held against me in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "the said Rules") and penalty be not imposed under section 15HA of SEBI Act for alleged contravention/ violation of section 12(A), (b) and (c) of SEBI Act, 1992 read with Regulation 3(b) (c) (d) and 'Regulation 4(1) (2) (e), (k) and (r) of PFUTP Regulation in the matter of in the matter of Taksheel Solutions Ltd (hereinafter referred to as "TSL/ the said company").

2) At the outset, I ido n not accept anything stated in the said notice except where the same has been expressly admitted by me in this reply. Nothing stated therein shall be deemed to be admitted by me be merely on account of such non-traverse and unless the same is specifically and admitted by me herein.

3) At the further outset, it is submitted that the said Notice is uncalled for and unjust, since there is no justification in subjecting me to such harsh and _ baseless allegations. I have not committed any wrong and no charge has been established against me to warrant any action. This can be fortified by the following observations made by the Ld. Whole Time Member Mr. G. Mahalingam vide Order dated 15th November, 2017, (passed pursuant to Show Cause Notice dated 6th January, 2014).

With regard to Ramaswamy Kuchana, it is also noted that the SCN has not brought out any specific role played by him in the manipulative activities indulged into by Pavan Kuchana and others. In the facts and circumstances, ii the period of debarment already undergone by Ramaswamy Kuchana would be u commensurate unth the violations committed by him ....."

Further, it is observed that ".... The directions issued against Ramaswamy Kuchana vide interim order dated December 28, 2011 and confirmed vide order dated October 25, 2013 shall stand revoked."

Therefore, in view of the above observations, it will be unfair to levy any penalty under section 15 HA of the SEBI Act. Hereto annexed and marked as "**Annexure A"** is a copy of Order dated 15th November, 2017.

4) Before dealing with the several allegations made against me in the said notice, I would like to give brief introduction of myself in order to clarify my association with the alleged fictitious entities:-

5) With regard to my role alleged in the business transactions of TSL, it is submitted as under:-

5.1) I am 76 year old senior citizen presently residing in Warangal and was working in the Forest Department. I am getting moderate pension from the state government on which my family ie. myself, my wife and my physically challenged son have to survive. Few year back, I had suffered a near fatal accident. I have not yet recovered physically and mentally. Due to old age and deteriorating health, my medical expenditure have risen significantly and I have to sperid a substantial portion of my pension on medicine. Also, due to rise in the cost of living, the remaining portion of the pension is barely sufficient to make both ends meet.

5.2) Iam a non-executive director of TSL a company which was incorporated by my son Mr. Pavan Kuchana who is the managing director of TSL.

5.3) I am a standard X pass-out and do. Not understand the intricacies of business of TSL and /or the complexities of the securities market. I became a director of Taksheel only at the insistence of my son Pavan as he required a known person on the board of directors of the company. I am nothing but a paper figure on the board of TSL.

5.4) I was totally unaware about the business transactions and securities market dealings with of TSL. I am totally unaware of the allegations contained in the said notice and have no knowledge thereof. I have acted as per the directions of my son Pavan. My, son Pavan was involved and responsible for day-to-day affairs of TSL. I has not having any role in the functioning of TSL.

5.5) Due to wrongful debarment and subsequent proceedings by SEBI, I have already suffered a lot of mental agony.

5.6) I have not violated any provision whatsoever of PFUTP Regulation and / or SEBI act. I have not engaged in any act to deceive and / or defraud the securities market and / or investors therein. Apart from the proceedings relating to TSL, I have never before prosecuted and / or questioned over any steps taken by me in the securities market. I have always furnished true and correct information and in correct information, if any, is solely on account of the company and I myself had no role whatsoever in the same. Admittedly, SEBI has not pointed out anything amiss on my part and my conduct as a director of the company.

6) Inso far as the Investigation Report is concerned, reference qua me is coming only in few paragraphs, which I shall now deal as under. I have not been provided with a complete copy Investigation Report. I have only been provided till page 85 of the Investigation Report. I am unable to deal with allegations, if any, after page 85 of the Investigation Report. I crave leave to file an additional reply, in case, I am being provided with remaining pages of the Investigation Report.

7) Without prejudice to the contention that I cannot be held liable for any of the alleged misstatement/non-disclosure in the prospectus, as I was a non-executive directors of Taksheel Solutions Ltd. ("TSL") and was not aware about the day-to- day functioning of TSL. I understand from the reply filed by the TSL in 11-B proceeding, that the circumstances relating to each of the Mis-statement and or non-disclosure is explained. In the present reply to the various allegations as EE faa, regards Mis-statements and non-disclosures in the prospectus I am settling out below the gist of such misstatement and their response, and the same are as under:-

A) <u>Status of Land allotted in Warangal for SEZ Development.</u>

7.1. It is alleged that the land at Warangal allotted to TSL stood cancelled and that TSL had made factual misstatement about the status of the land in the RHP/ Prospectus. I deny the aforesaid allegation as the same is in utter disregard to the factual position and without appreciating the status of the land apropos TSL.

7.2. It is an admitted position that by an agreement dated 23:4 February, 2006, TSL was allotted land by APIICL subject to several terms and conditions as stated more specifically therein. However, initially TSL could not comply with certain conditions within the time frame provided in the agreement.

7.3. The allegation that the allotment made to TSL was cancelled is devoid of any merit inasmuch as within two (2) days of the purported cancellation, APIICL by its letter dated 10th October, 2008 requested the Andhra Pradesh Transmission Corporation Limited ("APTRANSCO") to provide electricity connection in Warangal in the name of the Company. At this juncture, it is important to note that although it is alleged that the allotment of land made to the Company stood cancelled by an order dated 27% August, 2008, no such communication/ intimation was received by the Applicant at the relevant time. It would be absurd for APIICL on.one hand to cancel the allotment in favour of the Company and to apply for electricity connection in the name of the Company on the other.

7.4. Although, it is alleged that the allotment of land was cancelled by APIICL in 2008, the Company continued to carry out development activity on the land. Surmise to state in case the allotment was cancelled (as alleged), TSL would not have carried development activity post the cancellation. In fact, by a letter dated 23rd February, 2009 (almost a year after the purported cancellation), TSL informed APIICL about the development carried out at site and forwarded photos taken at the site along with copies of electricity and telephone bills. Although, it is alleged that the allotment was cancelled by APIICL, the development carried out by TSL was not objected by APIICL on any ground much less on the ground of the purported cancellation.

7.5. Even post the date of the purported cancellation i.e. 27th August, 2007, TSL continued to pay all electricity, telephone and other expenses in respect of the land allotted by APIICL. TSL was at all material times and continues to be in physical possession of the land allotted by APIICL. In the event of the allotment being cancelled, APIICL would have taken legal actions against the Company to obtain possession of the land. However, no such action was taken. Further, if the allotment was cancelled (as alleged), there would be no occasion for APIICL to submit a request for electricity connection with APTRANSCO.

7.6. The fact that the allotment made in favour of TSL was not cancelled is also evident from the fact that by its letter dated 29th March, 2011, the District Industries Centre forwarded the Company's application to Divisional Electrical Engineer, APNPDCL, Rural, for permission for a connection load of 30 K.V.A at the land allotted by APICL.

7.7. I state and submit that TSL has been regularly incurring expenses towards the development of site and the same is reported under Schedule 5 of our Annual Reports for the financial year 2009 - 2010. During the financial year 2009 - 10, TSL has incurred a sum of Rs.13,18,860/- towards various expenses in relation to the land allotted. A statement showing the details of the expenses incurred by TSL towards the site at Warangal is annexed hereto and marked as Annexure - "C". Similarly, the audited Annual Reports for the financial years 2008 - 2009, 2009 - 2010, and 2010 -2011, clearly show the advance and expenditure incurred towards the land in our books/ financial statements. Without prejudice to and in the alternative to all that is stated herein, I submit that we did not have any knowledge of the purported cancellation of allotment. Assuming (whilst denying) that the same would have been within my knowledge, the aforesaid expenses would not have been incurred by TSL.

7.8. The allotment of land was not cancelled is further fortified from the fact that, TSL had since 29th June, 2011 (i.e. prior to the opening of the IPO) started its Non-SEZ software development centre at Warangal. The aforesaid Non-SEZ software development centre was operational during the period of the investigation i.e. May 2011 to December, 2011. A total of Rs. 49,00,000/- has been spent till date by the Company in developing its facility at Waranglal. The same shows that TSL was in possession at all relevant time of the land and that there was no reason to believe that an APIICL order cancelling their allotment had been passed at all.

7.9. Even after the passing of the ex-parte order dated 28th December, 2011 and inspite of nationwide negative publicity due to the aforesaid ex-parte order, the Information and Technology Minister of Andhra Pradesh had visited our software development centre at Warangal. This fact clearly shows that we were in possession of the land and that no negative inferences can be drawn against us.

7.10. Now, for the sake of argument assuming whilst denying that we were aware of the cancellation order issued by APIICL, but as such did not inform about the same to the public at large. Then in such a circumstance the question that arises is whether TSL' Company on the date of the filing of the DRHP ie. December 27, 2010 made a false statement that we were in possession of the land allotted to us by APIICL. To which the answer lies in the Investigation Report itself, which in para 3.2 at page 8, clearly states that the minutes of meetings of the proceedings of the Hon'ble Minister, Information, Technology and Communication with VC & MD-APIICL held on 15t December, 2010 states that an extension of another six (6) months should be given to TSL as last chance.

7.11. The minutes of the meeting dated 15 December, 2010 States that TSL had to comply with the conditions mentioned in the agreement within the extended period of 6 months, which under no circumstances could be done by TSL, if the allotment made to us stood cancelled or revoked on the relevant date. It is submitted that under no circumstances can it be assumed that APIICL would allow an entity to enter into its land without having a lawful title or right over it. The mere fact that APIICL allowed us to enter the land in itself means we had a legal right over the property and that we were lawful allottees and the cancellation order against us stood revoked on the date of filing of the DRHP and on the date of filing of DRHP no misstatement with regard to the actual status of the land was made by TSL. I submit that the cancellation of allotment and extension of time cannot co-exist and the fact that an extension of time was granted (as stated in the Notice itself) would necessarily follow that the allotment was not cancelled and/or was restored prior to the filing of the DRHP. Accordingly, it is submitted that there was no misstatement and/or non- disclosure as to the status of the Jand allotted to TSL.

7.12. In this context, the next question that arises for our consideration is the actual status of the APIICL land on the date of filing of RHP. In this regard, it is submitted that the board meeting of APIICL had clearly decided that TSL should be granted an extension of another 6 months to comply. Pursuant to the passing of the said 6 months, no order has been passed for cancelling the said allotment on the ground of non-compliance with the term and *condition of Agreement was issued by APIICL. The same in itself shows that the APIICL after legally restoring our right on the land had not passed any order. Once the land / allotment was restored as is evident from the minutes of meeting dated 15% December, 2010, there was no subsequent cancellation of allotment due to non-compliance or otherwise. It is submitted that if APIICL was contemplating on cancelling the said allotment then procedurally it would have followed the general process of law and would have issued another show cause notice and would have granted us another opportunity of personal hearing only pursuant to which it would have passed an order cancelling our land allotment. The fact that none of these acts were carried out by APIICL in itself shows that they had no intention of cancelling the land allotment during the relevant period and that the land belonged to TSL.*

7.13. In the aforesaid context, we also refer to the letter dated 2nd May, 2011 addressed by the personal Secretary of the Hon'ble Minister of Information Technology & Communications and Endowments stating that the land allotment made to TSL does not stand cancelled and therefore there was nothing for us to believe or act the other way round. We submit that at all relevant times, the Company was in possession and entitled to the land as allotted under the Agreement dated 23rd February, 2006. We submit that we did not make any misstatement / non-disclosure either in the DRHP, RHP or the Prospectus.

7.14. It is further submitted that in any case if we were desirous of making a misstatement in the prospectus then we would not have inserted a risk factor in the prospectus about the possible risk associated with the land. The fact that we disclosed the risk associated with the land vide a risk factor in the prospectus by itself shows that we had no intention of making any misstatement/ non-disclosure. It is submitted that we would in fact be guilty of a misstatement had we disclosed any other information with a view to intimate that shareholders that the allotment of land was cancelled.

7.15. Assuming whilst denying that there was any misstatement, it is important to scrutinize the actual effect of the alleged misstatement on the investors. It is submitted that as on date TSL has remitted the entire dues payable and has started our facilities at the site and therefore the operations had actually started.

7.16. As on 31st August, 2012, the TSL's Waranglal facility boasted more than 115 employees. A perusal of the Investigation Report would also show that in Paragraph No. 4.1, the SEBI has acknowledged and admitted that TSL has been employing people at the Waranglal site since 1st June, 2011 (i.e. prior to the date of filing the prospectus with SEBI). Further, as per the Investigation Report, twelve (12) employees were appointed on 29th June, 2011 and one (1) on 1st August, 2011 at the Waranglal site. It is far- fetched and without any logic to say that even after the allotment was cancelled by APIICL, TSL employed people at the Waranglal site. I submit that there was no knowledge/ intimation of the purported cancellation of allotment dated 8th October, 2008.

7.17. It is apparent from the said notice that the SEBI has come to a conclusion that the allotment of land stood cancelled on the date of the filing of prospectus i.e. 10 October, 2011 without considering any of the aforesaid facts. The said notice fails to consider, inter alia, the minutes of meeting dated 15% December, 2010, wherein an extension of six (6) months was granted to the Company (which is prior to the filing of the DRHP). The said notice also does not consider that after the extension of time, no order cancelling the allotment of land was passed by APIICL. I submit that at the relevant time and till date, TSL is in possession and carrying operations from the Waranglal site. I submit that there was no misstatement/ non-disclosure in the prospectus as to the status of land allotted at Waranglal by APIICL.

B) <u>Status of Employees.</u>

7.18. The allegations levelled under this head deal with statements made in the prospectus under External Risk Factors. At the outset, it is submitted that these statements were made for disclosing the potential risks in the business of TSL. No statements were made with any intention of misleading investors. The relevant paragraph discloses the risks associated with our employees working in different countries and the risk associated, inter alia, with obtaining necessary visas and work permits which have to be dealt with by the Company during the course of TSLs' operation. The allegations levelled under this head deal with statements made in the prospectus under External Risk Factors. At the outset, it is submitted that these statements were made for disclosing the potential risks in the business of TSL. No statements were made with any intention of misleading investors. The relevant paragraph discloses the risks associated with TSLs' employees working in different countries and the risk associated, inter alia, with obtaining necessary visas and work permits which have to be dealt with by TSL during the course of our operation. TSL in its offer documents had stated under the heading of external risk factors that it had employees working in different countries and hence the Company in the course of its operations would have to attempt to obtain the necessary visas and work permits for its employees. The statement relied upon by the SEBI in Paragraph No. 4.0 have to be read in context of the entire risk disclosure made. For sake of convenience, the relevant paragraph stating the risk disclosure made is as follows:

"8. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

We have Indian nationals, as our employees, working in the United States, Europe and other countries and may depend on our ability to obtain necessary visas and work permits. Many of our software professionals in the United States hold L-1 visas, intra-company transfer visas allowing managers and executives or employees with specialized knowledge to stay in the United States temporarily, or H-1B visas, which are temporary visas that allow employees to remain in the United States while they are employee of our Company, and may be granted to certain categories of persons in several "specialty occupations", including software professionals, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, thus partially impacting our profit margins. Although there is currently no limit to new L-1 visas, amendments to existing laws or new laws enacted in the United States may impose *certain restrictions in the visa processing and on the number of such visas granted. There is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. However, we believe that the high demand for H-1B visas will continue to remain. Inimigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental revenues.*

7.19. It is submitted that TSL had no intention of falsely creating any impression of a global presence. TSL had intended to send its employees to various destinations including the United States of America, Europe etc. based on its ability to obtain the necessary visas and work permits to do so. TSL's intention was to do so in the future but it is submitted, that if at all the same was miscommunicated or misstated, the same can be attributed to the merchant banker who was responsible for drafting of the offer documents, which are admittedly highly technical, nuanced and lengthy documents.

7.20. It may also be noted that this disclosure was made in the context of risk factor and not a positive representation intended to mislead or lure investors towards the Company.

7.21. The said notice fails to consider that at the relevant time, TSL had offices in USA and Singapore. The operations of TSL were not restricted to India. It is submitted that the mention of Europe is a typographical error that is attributed to the merchant banker who drafted the offer document. It is submitted that is borne out by the fact that this exact language including a reference to Europe is included in three other offer documents drafted by the same merchant banker including those of Semanticspace Technologies Ltd., Tejora Technologies Ltd. and Persistent Systems Ltd and for the sake of convenience, the same is reproduced herein:

<u>Semanticspace Technologies Ltd.</u>

"48. Immigration restrictions' could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be 'affected materially by such restrictions.

*We have Indian nationals, as our employees, working in the **United States, Europe and other countries** and may depend on our ability to obtain necessary visas and work permits. Many of our software professionals in the United States hold L-1 visas, intra-company transfer visas allowing managers and executives or employees with specialized knowledge to stay in the United States temporarily, or H-1B visas, which are temporary visas that allow employees to remain in the United States while they are employee of the Company, and may be granted to certain categories of persons in several "specialty occupations", including software professionals, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, thus partially impacting our profit margins. Although there is currently no limit to new L-1 visas, amendments to existing laws or new laws enacted in the United States may impose certain restrictions in the visa processing and on the number of such visas granted. There is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. However, we believe that the high demand for H-1B visas will continue to remain. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic evenis that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental revenues. Source:http:/ / www.sebi.gov.in/cms/sebi_data/attachdocs /1294034223614.pdf (DRAFT RED HERRING PROSPECTUS Dated November 12, 2010)*

<u>Tejora Technologies Limited.</u>

*"34, Immigration restrictions could limit our ability to expand our operations in the United States and Europe. We derive a high proportion of our revenues from clients located in the United States and Europe which may be materially affected by such legislation. Offshore outsourcing has come under increased scrutiny by various state governments in the United States and European countries. We have Indian nationals, as our employees, working in the **United States, Europe and other countries**, as many be necessary. Our employees posted outside India depend on our ability to obtain necessary visas and work permits. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a number of our software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas which in course may restrict our ability to generate incremental revenues. Source:- http:// www.sebi.gov.in/ cms/sebi_data/attachdocs/1310558385396. pdf (DRAFT RED HERRING PROSPECTUS dated July 9, 2011)*

Persistent Systems Ltd.

"2. Immigration restrictions could limit our ability to expand our operations in the United States. We derive a high proportion of our revenues from clients located in the United States, which may be affected materially by such restrictions.

*Most of our employees are Indian nationals. The ability of our software professionals to work in the **United States, Europe and in other countries** depends on our ability to obtain necessary visas and work permits. As of September 30, 2009, a majority of our software professionals in the United States held L-1 visas, an intra company transfer visa allowing managers and executives or employees with specialised knowledge to stay in the United States only temporarily. Certain of our software professionals in the United States hold an H-1B visa. An H-1B visa is a temporary visa that allows employees to remain in the United States while he or she is an employee of the Company, and may be granted to certain categories of persons in several — spectalty occupations| including software professionals such as our employees, so long as their compensation meets annually adjusted minimums. Those adjustments may force increases in the salaries we pay to our employees with H-1B visas, resulting in lower profit margins. Although there is currently no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that may be approved by the United States government in any fiscal year. We believe that the demand for H-1B visas will continue to be high. Further, the United States government has increased the level of scrutiny in granting visas. This may lead to limits on the number of L-1 visas granted. The US immigration laws also require us to comply with other legal requirements including those relating to displacement and secondary displacement of US workers and recruiting and hiring of US workers, as a condition to obtaining or maintaining work visas for our software professionals working in the United States. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our software professionals. Our reliance on work visas for a significant number of software professionals makes us particularly vulnerable to such changes and variations. As a result, we may not be able to obtain a sufficient number of visas for our software professionals or may encounter delays or additional costs in obtaining or maintaining such visas. "Source:http:// www.sebi.gov.in/cms/sebi_data/attachdocs/1 288608837188.pdf (DRAFT RED HERRING PROSPECTUS Dated December 30, 2009)*

7.22. It is thus clear that the disclosure under the heading of risk factors in the offer document is copied by the merchant banker from the aforementioned offer documents without modifying the same. TSL has relied upon the draft prepared by the merchant banker who is considered to be an expert. TSL had no reason to believe that the merchant banker (being an expert) would make any misstatements in the prospectus. In fact, the merchant banker has admitted that the word "Europe" was inadvertently used in the prospectus. Accordingly, no fault can be attributed to TSL and there is no deliberate misstatement / intent to make misstatements in the prospectus.

7.23. It is reiterated that TSL had employees only in our Hyderabad and Warangal centre, this fact can be clearly confirmed from the merchant bankers to the issue, as we have in our reply to the specific queries on the issue of number of employees had provided them with a list of all the employees working with us along with their monthly salary and the centre at which they are placed. The list provided to the merchant banker clearly shows that we had employees in Hyderabad and Warangal centre only. It is based on this list only that they had proceeded with their due diligence wherein they had checked all the employee related information like provident fund records, attendance registers, resumes of KMPs, cost to company and other remuneration records of all the employees, qualification details of KMPs. The same clearly establishes that we at no given point of time had a misleading intent or tried to mislead anyone or project a picture of having a pan global presence based on false and untrue facts.

7.24. A perusal of the aforesaid documents show that TSL had disclosed that it had a total of 65 employees at the relevant time. The same is also disclosed at Page No. 96 of the Prospectus. Assuming whilst denying that there was an intent to mislead, we would not have stated the same. We submit that TSL is a genuine organisation and we have not made misstatements in the Prospectus with an intent to mislead. As aforesaid, the merchant banker admits to have inadvertently added the word "Europe" in the Prospectus and no fault can be attributed to the Company.

7.25. TSL never made any representation to the merchant banker that the Company had pan global presence. A perusal of the information given to the merchant banker shows that TSL had not made any statement that it had sent or proposed to send any employees to Europe. Therefore, it is clear that this statement was added by the merchant banker.

7.26. Even during the investigation by SEBI vide its summons bearing no. IVD/ID8/ AK/37070/2011 dated December 05, 2011, it had directed us to provide details pertaining to the employees of TSL to which TSL had provided the updated list showing employees working at Hyderabad and Warangal and had provided the necessary clarification pertaining to the status of the employees and had stated that the risk factor mentioned in the offer document is a mere typographical error.

7.27. The said notice fails to consider that the fault if any, is due to the admitted inadvertence of the merchant banker. The said notice fails to consider that TSL reposed its trust in the merchant banker being an expert and that there was no intent to mislead/misstate in the Prospectus. The said notice also does not consider that TSL has provided factually correct data to the merchant banker and had no reason to believe that the merchant banker would be misstatements in the Prospectus. TSL did not provide any data to the merchant banker stating that TSL had a pan global presence of the employees. The same fortifies the fact that TSL had no *intention of projecting a rosy picture than what it is as per TSL's records. The said notice has failed to establish the allegation against us or to bring on record anything which states that we had made such a misstatement with a mala fide intent.*

7.28. Inspite of the categorical admissions by the merchant banker, the Notice proceeds on the basis that TSL has violated the provisions of ICDR Regulations without providing any cogent reasons. The said notice proceeds to hold TSL guilty for the default of the merchant banker. The said notice fails to consider that TSL provided factually correct information to the merchant banker which itself establishes that TSL had no intent to make any misstatements.

C) Status of Funds required towards objects of the Issue.

7.29. I say that the allegations levelled under the aforesaid head are false, frivolous and baseless. The said notice fails to consider the factual position of the ICD availed by TSL.

7.30. I say that the Company filed the DRHP with SEBI on 27th December, 2010. At the time of filing of the DRHP, no ICD was availed (as admitted by SEBI). Accordingly, there was no misstatement/ non-disclosure of ICD in the DRHP.

7.31. The DRHP was filed with an understanding that the same will be cleared within a period of one or two months. However, as the DRHP did not get SEBI approval within such time, TSL decided to look for alternative means of finance for our business and working capital requirement. Accordingly, TSL raised the ICDs to meet the requirements of the business.

7.32. In the Month of May - June, 2011 TSL availed ICD to the extent of Rs. 30 Crores and a further sum of Rs. 4.5 Crores on 11th September, 2011. The ICDs raised by TSL were as an alternate means of finance to meet the working capital requirement arising in the ongoing business. It is to be noted that the ICDs raised were not to meet any of the objects of the issue. Though the Notice provides details of the inter se connectivity between Amarnath Securities Limited and Gujarat Tool Room Limited, the same cannot invite any negative inference against TSL. Further, as admitted in the Notice (Paragraph No. 5.9), there is no connection between TSL and the entities through whom ICDs have been availed.

7.33. The allegation of non-disclosure/ misstatement of the ICD is without any basis inasmuch as TSL had by its email dated 25th August, 2011 addressed to Mr. Subrahmanyam Devaganugala, Senior Assistant Vice President of PISL, informed that TSL had raised ICD to the extent of Rs. 30 Crore. Admittedly, though the name of Shitalnath Buildcon Private Limited is inadvertently missed in the email dated 25th August, 2011, the same does not merit a negative inference inasmuch as TSL disclosed the total and actual amount of ICDs availed to PISL.

7.34. I am informed by TSL that PISL about the fact of the ICDs raised along with the actual amount raised as on the date of the email (i.e. 25th August, 2011). After perusing the email, PISL was of the opinion that since the ICDs were raised to meet the general and day to day requirements of TSL, there was no requirement to mention the same in the offer document. It is crucial to note at this juncture that the preparation of the offer document and decision of the data/ disclosures/ representations to be included in the offer document is entrusted on the expertise of the Merchant Banker ice. PISL. We were advised by the Merchant Banker that since the IPO was taking place based on the financial results for the year 2010 - 2011, there was no need to disclose the ICDs raised for general day to day requirements of TSL. We submit that this is not a case where TSL has deliberately/ intentionally not disclosed information. TSL has been guided by the merchant banker and we had no reason to believe otherwise. I submit that the non-inclusion of the ICDs was a conscious decision taken by PISL and no negative inference can be attributed to TSL for acceding to the advice of its merchant banker.

7.35. In the above context, reference is made to SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as the "Merchant Bankers Regulations"). Under the Merchant Bankers Regulations, the SEBI has made it mandatory for an issuer to appoint a Grade I Merchant Banker for all Initial Public Offerings.

7.36. A bare perusal of the Merchant Bankers Regulation provide that it is the responsibility of the Category I Merchant Banker to prepare the prospectus and act as advisor/consultant to TSL. It is responsibility/ duty of the Merchant Banker to draft the prospectus and advice TSL on the contents of the prospectus. As stated herein, on 25th August, 2011, TSL disclosed its factual position pertaining to the ICDs. However, PISL (being a SEBI registered Category I Merchant Banker) took a conscious decision upon the contents of the prospectus. We submit that in case of such advice/ decision (whether correct or incorrect) taken by the merchant banker, no fault/ violation can be attributed to TSL.

7.37. Thereafter, on 11th September, 2011, TSL availed further ICDs of Rs. 4.5 Crores from the entities as listed in the Notice. As these ICDs were raised post the aforesaid email dated 25th August, 2011, the same could not have been a part of the email dated 25th August, 2011. The allegation levelled by the SEBI as to the partial disclosure is without any substance as the email dated 25th August, 2011 disclosed the entire amount of ICDs raised as on the date of the email. Pursuant to the expert advice/ decision of the merchant banker for the non-disclosure of ICDs of Rs. 30 Crore in the offer document, the question of disclosing the further ICD of Rs. 4.5 Crores became otiose. I submit that there has been no misstatement/ non- disclosure by us. The Notice fails to consider that the ICDs of Rs. 4.5 Crores did not exist on 25th August, 2011 (i.e. the date of the email providing details of ICDs) and therefore there was no partial disclosure/ non- disclosure as alleged.

7.38. With regards to the allegation pertaining to the utilization of the IPO proceeds, I say and submit that the said notice fails to consider the disclosures made in Page No. 42 of the offer document. Under the head of "Financing the Incremental Working Capital requirements", TSL has provided details of the working capital requirement of TSL along with the sources through which the same are to be met. A bare perusal of the same shows that in the year 2010-2011, we had satisfied a total of Rs. 7276.24 Lacs of our working capital *requirement through our own fund. Further, TSL has disclosed that for the year 2011-12, a sum of Rs. 11,551.95 Lacs towards working capital requirement would be met through our own funds. It is submitted that it is towards this purpose only (i.e. working capital requirements) that the ICDs were raised by TSL with the intention that the same will be repaid by TSL within the financial year from our own sources.*

7.39. I submit that initially there was no intent to repay the ICDs through the IPO proceeds as has been inferred in the said notice. The allegations made in this respect are vague and without any particulars.

7.40. I submit that it is only after the completion of the IPO that TSL's board decided to repay the ICDs raised, through the IPO proceeds and that the same would be replenished through the internal accruals of TSL within this financial year. This board of directors took a conscious decision considering the fact that carrying the ICDs further would have increased the interest cost and in order to save the interest cost, the ICDs were repaid through the IPO proceeds.

7.41. I submit that the use of the IPO proceeds for repayment of the ICDs was a decision taken after the IPO and as a temporary measure -till the funds were replenished through internal accruals/ own funds. In this context, we also refer to Page No. 44 of the offer document providing details of the object of the issue under the head of "Interim use of funds", which states as follows:

7.42. "We may temporarily utilize the proceeds for reducing our outstanding overdrafts."

7.43. In this context, reference is also made to the risk disclosures made in the offer document. I submit that the said notice has failed to consider the disclosure made as to the utilization of the proceeds of the General Corporate Purpose wherein TSL has categorically highlighted the interim use of these funds pending definitive agreement as a risk. The text of the Risk Factor is reproduced herein:

"49. We have not entered into any definitive agreements to use substantial portion of the net proceeds of the Issue towards general corporate purpose. We intend to deploy the balance Issue proceeds aggregating Rs. 2411.19 Lakhs (29.23% of the IPO size), towards the general corporate purposes to drive our business growth. In accordance with the policies set up by our Board, we have flexibility in applying the remaining Net Proceeds, for general corporate purpose including but not restricted to meeting operating expenses, initial development costs for projects other than the identified projects, partnerships, joint ventures, strategic initiatives and acquisitions and the strengthening of our business development and marketing capabilities, meeting exigencies, which our Company in the ordinary course of business may not foresee or any other purposes as approved by our Board of Directors, subject to compliance with the necessary provisions of the Companies Act. There can be no assurance that we will be able to conclude definitive agreements for investments in capital expenditure within the anticipated timeframe. Pending utilization of the proceeds out of the Issue for the purposes described in this Prospectus, we intend to temporarily invest the funds in high quality interest bearing liquid instruments, including deposits -with banks. There can be no assurance that such investments will not carry risk or generate expected returns.

7.44. The fact is that the ICDs were outstanding overdrafts and therefore the TSL's board decided to utilize the same for repayment of the ICDs. Assuming whilst denying the correctness of the allegations levelled by the SEBI as to the use of IPO proceeds, I submit that the IPO proceeds have in fact been utilized exactly for the purpose mentioned in the prospectus. I submit that there has been no mis-utilization of IPO proceeds as alleged by the SEBI. The disclosures/ statements as to the time period within which the proceeds were to be utilized were indicative and not rigid. I submit that the time period within which the money was actually utilized (being different from what is stated in the prospectus) cannot have any significance as the proceeds were used by the Company for the disclosed purposes only.

7.45. We say that the allegations levelled in the heading under reference as to the routing of funds to TSL are vague and without any particulars. In any event, the allegations are dealt with in detail in subsequent paragraphs herein.

7.46. With regard to the allegations levelled by the SEBI that TSL did not inform the Board about raising of ICDs and repayment thereof, it is submitted that my son Mr. Pavan Kuchana in his capacity as Managing Director (MD) secured the ICDs for working capital requirement of our company in the normal course of business. I submit that the MD of a Company may act on behalf of the company. The act of raising ICDs was to satisfy genuine working capital requirement of the company only, which was discussed with the Board of Directors and then duly approved by the Board in its meeting held on 13th October, 2011 With regard to the SEBI's allegation that our Company did not inform its Board of Directors regarding repayment of ICDs, it is submitted that in the Board meeting held on 13th October, 2013, Board of Directors of TSL were duly informed and it was resolved by the Board of Director that IPO proceeds may temporarily be used for reducing the outstanding liability of TSL. I submit that only after informing its Board, the ICDs have been repaid.

7.47. In reply to the allegations levelled as to the payment of interest on ICDs, we submit that the said notice does not consider that the ICDs were raised only for a period of 6 months. The said notice proceeds on an erroneous basis that TSL shall have to pay Rs. 4.83 Crores as interest each year. As the ICDs were only for a period of 6 months, there would be no occasion for incurring interest liability of Rs. 4.83 Crores per year. The said notice makes exaggerated projections regarding our liability towards interest payable which are contrary to the facts. It is important to note that though the ICDs were raised for a period of 6 months, the same was repaid prior to the due date. I submit that I did not provide any incorrect or misleading information to SEBI. Rather The ICDs amounting to Rs 4.5 crore were raised on 11th September, 2011. It is with reference to this date that it was inadvertently due to typographical error mentioned in the reply that interest was accrued for 2 months, where as it should have been mentioned as 2-5 months. The interest liability was for a period of less than six months depending upon the time of repayment of each ICD. However, there being some differences in calculation of interest amount, TSL has not paid any interest amount for the said

ICDs but duly made provisions for interest payment.

7.48. Further, in order to minimize the effect of the interest to be paid, and also on the other hand as a measure of hedging, TSL decided to lend a'sum of Rs. 23 Crores to Silverpoint for a period of 6 months from the IPO proceeds so that there is no major impact on the overall financials. The interest that would have been paid by Silverpoint would have substantially negated the sum paid towards interest and therefore we would not have suffered an impact on their financials.

7.49. Further, the rates at which the ICDs were raised were on terms quite favourable to us and were lesser than the prevailing bank rates and therefore no questions can be raised on our intentions.

7.50. With regard to the issue of bridge loan, it is submitted that as already mentioned the ICDs were only utilized for the general day to day requirements of the company. Further, the IPO proceeds were only utilized for benefiting TSL from avoiding the burden of the interest and thereby increasing the profitability of TSL. Therefore the JCD sums cannot be categorised as bridge loans at all.

7.51. I submit that we have made all disclosures. There has been no intent to misstate and/or not disclose as has been alleged in the said notice. I further say that the utilization of the proceeds has been in accordance with the prospectus. I submit that there is no mis-utilization of proceeds as alleged.

D) <u>Arrangement with regard to Buyback of shares.</u>

7.52. The allegation that TSL had entered into an arrangement to buy-back shares and that such arrangement was contrary to the provisions of ICDR Regulations is false, bad in law and based on an incorrect appreciation of facts. The tenor of said notice suggests that the investigation/ conclusion has been reached in complete ignorance of the facts and law. It is submitted that the observations made in the said notice clearly show that the matter has been read in a wrong context to arrive at conclusions which has no factual basis whatsoever.

7.53. It is submitted that the Company had entered into a Share Purchase Agreement dated 24th November, 2007 (hereinafter referred to as "SPA") with one Mr. Dinesh Singhi. As per the terms of the SPA, in the event of TSL failing to come out with an IPO within a period of 18 months, Mr. Singhi could have exercised the option to sell the shares to TSL or the Promoters at the end of 18 months at which point the Company and/or the Promoters would have been obliged to buy-back Mr. Singhi's shares.

7.54. Under the terms of the SPA, Mr. Singhi who had been allotted 10,00,000 shares pursuant to SPA was to be provided an exit route only in the event TSL failed to come out.with an IPO within the next 18 months. In such a case Mr. Singhi could have exercised the option (which was not exercised), ISL or its promoters were bound to re-purchase these shares at Rs. 170 per share aggregating to a total re-purchase consideration of Rs. 1700 Lacs.

7.55. Further, assuming that TSL would have failed to purchase the shares under this SPA at the end of 18 months, Mr. Singhi could have sold them to a mutually agreeable purchaser for any price as he may have deemed appropriate, and that any shortfall in the agreed re-purchase price of Rs. 1700 Lacs would have been paid by us or the promoters to Mr. Singhi.

7.56. The intention of the SPA was to provide an exit opportunity to Mr. Singhi either by TSL coming out with an IPO in which case Mr. Singhi's shares could have been sold in the open market or in the event that TSL failed to come out with an IPO, by providing Mr. Singhi a right to sell his shares to TSL and/or the Promoters who would be obliged to buy-back the same.

7.57. Though TSL did not come out with an IPO within a period of 18 months as stipulated in the SPA, Mr. Singhi, did not exercise the option conferred upon him to sell the shares to TSL or its Promoters despite being entitled to do so. It is important to note at this juncture that Mr. Singhi holds the shares of TSL till date.

7.58. Assuming that the failure of TSL to come out with an IPO within 18 months of the SPA amounts to a repudiatory breach of the contract, this would provide Mr. Singhi with two options viz. (i) to exercise his buy-back rights at any point prior to the Company coming out with an IPO or (ii) to wait and sell his shares in the open market once TSL came out with an IPO. It is clear that Mr. Singhi elected the second option and having done so, the right to exercise the buy-back option would automatically stand waived and would no longer be available to Mr. Singhi once he consented to TSL coming out with an IPO, as has happened in the present case. In law, it would not be possible for Mr. Singhi to simultaneously elect both options, which would be the case if the contention in the Show Cause Notice ie. that Mr. Singhi has a buy-back option subsisting even after the listing of TSL was complete, is to be accepted.

7.59. It is in this background that the risk factors in the offer document, which was approved by SEBI, provide that: "In case the issue is not concluded then there cannot be assurance that the Mr. Dinesh Singhi will not exercise his right under the SPA and call upon our Company to buy back the shares held by him."

7.60. The disclosure in the offer document makes it clear that the buy-back option would be available to Mr. Singhi only if the IPO is not successful and the public issue is not concluded. The natural conclusion that can be drawn from a plain reading of the TSL's disclosure is that if the IPO was successful and the public issue was concluded, the buy- back option would not have been available to Mr. Singhi and therefore, not a risk for TSL or its shareholders. Given that the TSL's IPO was in fact successful, it stands to reason that the buy-back option is no longer available to Mr. Singhi.

7.61. As stated in the Notice, by his letter dated 27 December, 2010, Mr. Singhi voluntarily consented to not sell his shares for a period of one year from the date of listing ("Lock-in Period"). It is erroneous to state that even after expressly consenting/ declaring that the shares would not be sold during the Lock-in Period, Mr. Singhvi could sell his shares under the SPA. It is submitted that the Notice proceeds in ignorance of the implications of the letter dated 27 December, 2010. It would be wrong to conclude that Mr. Singhi can exercise his buy back right even after the IPO or even after the expiry of lock in period. His right of buy back got extinguished once he consented to the lock in and upon us coming out with an IPO.

7.62. Assuming but not accepting that the said buy back is in violation of the ICDR Regulations then SEBI would have always made necessary observations with regard to the same when the Offer Documents at various stages were filed with it for approval. It may be noted that with regard to the buyback arrangement there has been no suppression of any material data and therefore the authority should have raised relevant remarks at the relevant time. The fact that SEBI officials at the time of issuing of observations and clearing of the IPO did not raise any objection on the terms and conditions of the agreement clearly shows that they agreed with our opinion and legal stand on the matter and were of the opinion that the buy-back arrangement cannot be exercised after the IPO.

7.63. It is also important to note that till date Mr. Singhi is holding on to these shares and have not sold the same to anyone. The same clearly shows that pursuant to the signing of the consent for lock-in of shares, Mr. Singhi had no intention for selling or invoking the buyback clause.

7.64. It is also to be noted that as the shares are still being held by Mr. Singhi, no negative inferences with regard to invoking the buyback clause or routing of funds pursuant to any purported terms can be presumed as even assuming without accepting that the funds were transferred by us pursuant to the buyback arrangement then also it is submitted that the SPA talks about making payment at the rate of Rs. 170 per share only at the time of buyback, which is not the case in the present matter. It is submitted that the SPA does not state anything about making payments at a time the shares continue to be held by Mr. Singhi. Therefore no negative inferences can or ought to be drawn in this regard.

7.65. In support of the above submissions, the Company relied upon the- judgments in the matter of Hem Nolin Judah & Anr. versus Isolyne Sorabashini Bose & Ors., reported in AIR 1962 SC 1471 and B.L. Shreedhar & Ors. Versus K.M. Munireddy & Ors. Reported in AIR 2003 SC 578.

E) Order placed with Wiselink Technologies Pvt. Ltd ("WTPL").

7.66. The Notice raises the following allegations under the aforesaid head: (i) Purchase Order bearing no. TKL/PO/0901/2011 dated 30% September, 2011 placed with WTPL does not contain adequate details (Paragraph No. 7.0 of the Investigation Report); (ii) Mr. Vinod Babu Bollikonda, being a Director of WTPL, was one of our KMP and despite being a KMP we have allegedly failed to disclose the transaction with such KMP (Paragraph No. 7.1 of the Investigation Report); {iii) IPO proceeds were used to pay WIPL (Paragraph No. 7.5 of the Investigation Report); and (iv) Purchase Order was not disclosed in the Prospectus (Paragraph No. 7.5 of the Investigation Report).

7.67. We submit that the allegations levelled under the heading under reference are baseless and without any merit and ought to be dismissed for the reasons as stated herein.

7.68. TSL was in need of the Mobile Interactive Solutions software for business purposes and accordingly, TSL invited quotations for the development of the said software. TSL TSL received quotations on 15.07.2011 along with basic drawings showing the manner in which the software would be developed, from two (2) companies i.e. Raj Soft Solutions Pvt. Ltd and Bhrigus Software (I) Pvt. Ltd.. Copies of the quotations received by TSL are annexed hereto and marked as Annexure - "L". The aforesaid quotations were perused and discussed by the management of TSL in consultation with Mr. Vinod Babu Bollikonda, (the then Vice President - Technology) and Mr. Ravi Kusam, VP-Business Development. After due deliberation, it was observed that the aforesaid quotations were not economically viable for TSL. After further discussions, Mr. Vinod suggested that given his expertise, he could independently develop the software at a lower price compared to the aforesaid quotations. It is in this factual background that TSL received a quotation from WTPL (wherein Mr. Vinod is a Director). The amount quoted by WIPL was for a sum of Rs. 10.06 Crores. It is important to note that the quotations received from the other companies were much higher that the quotation of WTPL. It will not be out of place to state that the decision was taken in the best interests of TSL. However, the said notice ignores the factual background under which TSL received a quotation from WTPL.

7.69. It is submitted that the quotations received by TSL pursuant to its request for Proposal were not economically viable. It is crucial to note at this juncture that the terms of payment offered to WIPL were more favourable for TSL compared to the terms being offered under the Request for Proposal. It is submitted that the allegations/ inference drawn by the SEBI as to the generous payment terms offered to WIPL are without any basis..

7.70. TSL's management looked into Mr. Vinod Babu's credentials as well as the proposal submitted by WTPL before awarding it the contract for development of the software. It is to be noted that Mr. Vinod is a Computer Science graduate with has a rich experience spanning more than 11 years in the IT and Telecom sector.

7.71. It is submitted that TSL did not disclose its intention to pay WIPL in the offer documents simply because TSL had not yet decided to invest to any such technology. Had TSL already decided to purchase such software, a specific provision would have been made to pay for the same. Given that the decision to purchase the mobile interactive software was taken later in time, it was decided that the funds under the head of General Corporate Purposes would be used to pay WIPL. In any event, it is submitted that the order was placed with WTPL by TSL in the ordinary course of business and hence, there was no specific requirement to disclose the same nor can any negative inference be drawn.

7.72. The allegation as to Mr. Vinod being a KMP at the relevant time, it is submitted that the same is incorrect. As admitted in the said notice, Mr. Vinod had tendered his resignation letter on 28th September, 2011 (i.e. after the filing of the offer documents).

7.73. It is a fact that Mr. Vinod resigned on 28 September, 2011. The Purchase Order was placed on 30th September, 2011 i.e. after the resignation of Mr. Vinod. In other words, Mr. Vinod was not a KMP of the Company when the Purchase Order was placed. Although the Investigation Report alleges (at Paragraph No. 7.4) that the Company has defaulted in providing *"details of all material existing or anticipate transaction in relation to utilization of the issue proceeds or project cost with promoters, directors, key management personnel, associates and group companies", the same is factually incorrect. It is submitted that there was no misstatement/ non-disclosure in the offer documents as alleged.*

7.74. The said notice further alleges that although Mr. Vinod resigned on 28th September, 2011, the list of employees submitted by the Company as on 31st October, 2011 includes his name and accordingly, we have doctored the resignation letter submitted by Mr. Vinod. However, the said Notice fails to consider that the list of employees relied upon by the SEBI was taken from the salary system of TSL, which included the name of employees to whom TSL owed salary dues. It is submitted that although Mr. Vinod resigned on 28th September, 2011, certain salary payments were due to him even on 31st October, 2011. As a result, his name continued to appear in the list of employees to whom salaries were due as on 31st October 2011. The Investigation Report fails to consider that there was no intention on our part to show him as KMP as on 31st October, 2011 except that of showing that TSL owes money to him. The mere fact that his name appeared in the list of employees submitted to the SEBI (as salary payment was due), does not alter the fact that Mr. Vinod resigned on 28th September, 2011. Though the Investigation Report proceeds on the basis that the resignation letter dated 28th September, 2011 is 'doctored', the same is without any basis/ substance/ evidence and is denied in toto. It is to be noted that TSL had remitted all the salary dues of Mr. Vinod by 4th November, 2011. Thereafter his name did not appear as an employee on any of the lists of TSL.

7.75. As Mr. Vinod had already tendered his resignation on 28th September, 2011, thus the allegation of not providing the detail pertaining to the Purchase Order/ contract is bad in law. There has been no misstatement in the DRHP and RHP with regard to the status of KMP and their interest in the IPO or the Company.

7.76. In respect of the disclosure of Mr. Vinod, the Notice further alleges that "Hence it had deliberately hidden this vital piece of information from prospective investors by not declaring the same in the offer document which resulted into suppression of material information in the offer document and led to misstatement" cannot be sustained on law and facts. As stated herein, Mr. Vinod resigned on 28th September, 2011. The offer documents were filed with the SEBI much prior to the resignation. The issue opened on 29th September, 2011. There cannot be any suppression of details/ vital information from the investors as alleged or otherwise. It is submitted that at the IPO was open to the public at the time the Company placed the Purchase Order. The investors who had subscribed to the shares of the Company relied upon the RHP which did not contain any factually incorrect data. It is not the case of the SEBI that the Purchase Order was wrongfully not disclosed in the RHP as the same was placed at a date later than the filing of the RHP.

7.77. The RHP was filed on 19th September, 2011 which showed Mr. Vinod as a KMP. The investors made subscriptions on the basis of the RHP between 29th September, 2011 and 4th October, 2011. The Purchase Order was placed after the filing of the RHP and there cannot be any non-disclosure or deliberate hiding of information as alleged.

7.78. As regards the allegation of non-disclosure in the Prospectus dated 10% October, 2011, it is submitted that the same was an inadvertent error in updating the Prospectus. However, no public investor could be misled on the basis of the information in the Prospectus in as much as the issue was closed when the Prospectus was filed.

7.79. In this regard, it is pertinent to mention that as such no exercise of updating the prospectus was taken by the merchant bankers and only the columns pertaining to the price and number of shares was updated. Also, the details of the Purchase Order were also not informed to the merchant bankers as on that date there had been no transfer of payment from TSL to WTPL and thereby the need to disclose a mere purchase order on which further discussions with regard to the final decision of executing the order being pending the details were not mentioned in the offer document. As rightly mentioned in the Investigation Report itself that the payment for the purchase order was made in the month of November 2011 which was after the listing process of the IPO was completed and therefore the allegation of hiding the vital information and suppressing material information cannot be sustained.

7.80. Further on receiving the Ex-parte Order on 30th December, 2011 TSL had by its letter dated 30thDecember, 2011 informed WTPL regarding the directions issued against us and requested WIPL to cancel the order and refund the money paid to them by us (Did TSL address this letter?). On receiving our letter, WIPL vide their letter dated 9th January, 2012 stated that they have already initiated work on developing their software and have placed orders necessary to execute and develop the same. They also stated that it would not be possible for them to cancel the order and refund the money at this stage as a lot work has already been done on the software. In order to prove the same the representatives of WIPL visited our office and showed us detailed presentation on the software ordered. They informed us that the work has reached a secondary stage and they have already invested a lot of time and money in the entire exercise and therefore it would not be possible for them to refund the money at this stage.

7.81. Moreover, the board of directors of TSL have the discretion to utilize the proceeds of the IPO received under the heading of General Corporate Purpose for such purposes as they deem fit including using the same for meeting any purpose approved by the board. Thus, the funds have been utilized for the purpose mentioned in the prospectus and not for any other purpose.

7.82. With regard to the findings of the SEBI that TSL did not disclose the information regarding the placement of the purchase order with WTPL, it is submitted that the said order was placed by TSL in its normal course of business and it is an accepted fact that placement of an order is a matter of normal course of business of the company and managing director of the company is vested with the powers to take and execute this decision. Therefore, no negative inference can be drawn by the SEBI from the same.

7.83. It is therefore concluded that all the allegations levelled upon us with regard to the non-disclosure of the purchase order are false and baseless.

7.84. In the above context, the Notice has also levelled allegations under the head "TRANSFER OF IPO PROCEEDS TO MR. SINGHI THROUGH WISELINK TECHNOLOGIES PVT. LTD. (WTPL)".

7.85. I deny that any portion of the IPO proceeds were transferred to Mr. Singhi, either through WTPL or through any other entity. It is a fact that by a Share Purchase Agreement dated 24th November, 2007, Mr. Singhi purchased 10,00,000 shares of the Company for a total sum of Rs. 10,00,00,000 (Rupees Ten Crores Only). These shares are till date held by Mr. Singhi.

7.86. Ignoring the facts, the said notice proceeds on the basis that the money paid by the Company to WTPL for the purchase of mobile interactive solutions, were transferred to Mr. Singhi as a repayment. At the outset, I submit that TSL are not privy to and aware of the transactions undertaken by WTPL with Mr. Singhi as we are not a party to the same.

7.87. The Notice further alleges that WIPL was nothing but a conduit to transfer money to Mr. Singhi from our IPO proceeds. I submit that such assumption is wrong and bereft of any facts or logic.

7.88. Assuming whilst denying that allegations levelled by the SEBI, in case the transaction was entered into to repay Mr. Singhi, a sum of Rs. 10,00,00,000/- would have been transferred to Mr. Singhi instead of Rs. 3,50,00,000/- as stated in the Notice. Further, as per the Notice, WIPL has not transferred the entire advance to Mr. Singhi. This further lends credence to the fact that WIPL was not a conduit as alleged.

7.89. Further, it is not the case of the SEBI that after the payment of Rs. 3.5 Crores from WTPL, the balance sum of Rs. 6.5 Crores has been routed to Mr. Singhi. In case TSL was repaying the money invested by Mr. Singhi (Rs. 10 Crores), there would have been a transfer of the entire purchase consideration. .

7.90. Notwithstanding anything stated in the immediately preceding para above, I would like to submit that I am completely unaware about any transfer of funds from WTPL. I submit that payment to WIPL was made owing to the purchase of mobile interactive solutions and. the said payment had nothing to do with any other entity or transaction, including that of repayment to Mr. Singhi. SEBI is wrong in drawing relation between the two independent transactions-receipt of payment from Mr. Dinesh Singhi and advance payment made to WITPL. Moreover, SEBI should have questioned WTPL about the transactions it executed, post receiving our advance payment and not us as to what did WTPL do with the advance money. I submit that I am unaware of the utilisation of the advance money made by WTPL and also unaware of repaying any amount to Mr. Singhi.

7.91. The said notice fails to consider that Mr. Singhi has till date not transferred the shares purchased by him under the Share Purchase Agreement. In case the allegation as to repayment were true, the shares would been transferred back to the Company. I submit that the allegation is without any basis inasmuch as it alleges the repayment of money to Mr. Singhi without a corresponding transfer of shares to the Company. It is further submitted that I have never siphoned off our IPO funds to any entities directly or indirectly, in any manner whatsoever

8) With reference to paragraph 8.0 to 8.5 of the Investigation Report at page 28, it is submitted that

8.1) I do not have any connection of Verisoft Business Solutions hl bnwdabdh (hereinafter referred to as "VBSL').

8.2) For a brief period of time, when we had planned to shift to Hyderabad, the address of 202, Block, Sri Nilayam Asian Manor Apartments, road number 2, Banjara Hills, Hyderabad - 500 34 was used by me and my wife K. Bhagyalakshmi. The aforesaid address was used by myself and my wife, since we at that relevant point of time did not have an address in Hyderabad. We used the address of one of our relatives ie. Mother in law of my son Pavan.

8.3) I was totally unaware of the aforesaid address being used by VBSL. The aforesaid address were used only for the purpose of convenience and no negative inference can be drawn against me in light of the facts and circumstances of my case.

8.4) As regards the allegation of transfer of 15,000 shares to my brother Mr. Ramana Kuchana on 19 November, 2010, it is submitted that I was not privy to nor concerned or aware about the alleged transfer of shares. I am totally unrelated to the act of transfer of shares of VBSL to Mr. Ramana Kuchana. It has never been alleged in the said notice that I was a part of the said transaction or I facilitated the transaction. No adverse inference ought to be drawn against me for the transfer of aforesaid shares.

8.5) I am neither a director/ office/ signatory of VBSL at any point of time. I have no role in the functioning of VBSL. Even the said notice fails to establish any connection between me and VBSL.

9) With reference to paragraph 3 of the said notice, it is submitted that as aforesaid, I was only a paper figure on the board of TSL and only acting at the insistence of my son Pavan.

9.1) It is denied that I had made various incorrect / untrue statement in the offer document (RHP and prospectus) about the factual status of land allotted to TSL at Warangal or presence of employees of TSL across the globe or about non-disclosure of purchase order.

9.2) It is denied that I have suppressed several material facts or made various statement / factual incorrect statement in the offer document (RHP or prospectus) with regard to the alleged non-disclosure of ICD raised in the offer document. It is denied that IPO proceeds were mis-utilized for repayment of ICDs or for payment to vendors of TSL located at USA.

9.3) It is denied that I siphoned off the IPO proceeds by transferring the IPO proceeds to vendors of TSL viz. Kyros Tech Systems Inc., CYMA Network Solutions Inc., Crest Solutions Inc., and Helia Software Solutions Inc. or then transferred to clients of TSL or received back the revenue from my clients.

9.4) It is denied that I had manipulated your books of accounts by accounting transfer to vendors of TSL as expenditure which were then circulated to clients of TSL and transferred back to TSL and shown as revenue.

It is denied that TSL's books of accounts were inflated.

9.5) *It is denied that funds were diverted through entities such as Silverpoint Infratech or Baba Bhoothnath Trade and commerce Pvt. Ltd or Shreya Multitrade Pvt. Ltd or Rose Valley Merchandise Pvt. Ltd or Overall financial consultants etc. to deal in the shares of TSL on the day of listing or supporting the demand or price of the scrip.*

9.6) *It is denied that I had diverted the IPO proceeds to unknown entities namely Asiarich ventures, KTP exports, Brindille Holdings Inc., East Fortune Industrial Ltd.*

9.7)*It is denied that I have not complied SEBIs' ad-interim ex-parte order dated 28th December, 2011.*

9.8) *It is denied that I was associated / involved / created / incorporated fictitious entities as vendors / clients of TSL or that the entities were used for transfer of funds / IPO proceeds or accounted the transfers as expenditure and revenue.*

10) *With reference to paragraph no. 4 of the said notice, it is denied that I have tried to fraudulently project a picture by misstating or suppressing vital information from prospective investors which highly mislead the investing public.*

11) *It is pertinent to note that SEBI has not made any specific finding against me which can lead to the conclusion that I have violated various provisions of SEBI act, PFUTP Regulations or ICDR Regulations. SEBI has not found my individual involvement in any of the alleged acts of TSL. In absence of any such finding or supporting evidence, SEBI cannot charge me with serious allegations of fraud.*

12) *SEBI has painted me with the same brush as TSL, without looking into or pointing out my specific role.*

13) *The said notice fails to provide any finding or rational as to the fact that I have earned / gained any disproportionate gain or unfair advantage or investors faced any loss due my alleged malicious trading.*

14) *As per the Order dated 15% November, 2017 passed by the Ld. Whole Time member has revoked the interim order dated 28th December, 2011 and 25th October, 2013, the said notice qua me should be dropped and- set aside with immediate effect.*

15) *With regard to the charges of violation of section 12A (a), (b) and (c) of the SEBI act, 1992, my reply is as under:- Section 12 A(a), (b) and (c) of the SEBI act, 1992 reads as follows:- "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,"*

It is submitted that:

(a) *I have not used or employed, in connection with the issue, purchase or sale of TSL, any manipulative or deceptive device or contrivance in contravention of the provisions of the act or the rules or the regulations made thereunder.*

(b) *I have not employed any device, scheme or artifice to defraud in connection with the issue or dealing in shares of TSL.*

(c) *I have not engaged in any act, practice, course of business which operates or which would operate as fraud or deceit upon any persons, in connection with the issue or dealing in shares of TSL in contravention of the provisions of the Act or the rules or the Regulations made thereunder.*

16) *With regard to charges of violation of the provisions of Regulations, 3(b), 3(c), 3(d) and Regulation 4(1), 4(2) (e), (k) and (r) of PFUTP Regulations, our reply is as under:*

Regulations 3{a), 3(b), 3(c), 3(d) of SEBI (PFUTP) Regulations, 2003 reads as follows:

Reg.3. No person shall directly or indirectly-

(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 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, 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 thereunder."

It is submitted that

(a) *I have not used or employed, in connection with the issue, purchase or sale of shares of the Company, any manipulative or deceptive or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(b) *I have not employed any device, scheme or artifice to defraud in connection with dealing in or issue of shares of TSL;*

(c) *I have not engaged in any act, practise, and course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in or issue of shares of TSL in contravention of the provisions of the Act, or rules and the Regulations made thereunder.*

17) *Regulations 4(1), 4(2) (a) & (g) of PFUTP Regulations reads as follows:*

"Regulation 4(1): Without prejudice to the provisions of Regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

Regulation 4(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: —

(e) any act or omission amounting to manipulation of the price of a security;

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

(g) Planting false or misleading news which may induce sale or purchase of securities."

It is submitted that:-

(a) I have not indulged in a fraudulent or an unfair trade practice in the shares of TSL. It is important to note that I have not indulged in any kind of trading in the scrip of TSL and thus, I cannot be alleged to have indulging in fraudulent or an unfair trade practise in the scrip of TSL.

(b) I have not undertaken any action or omission which can amount to manipulation of the price of the security. The said notice has failed to show any act of mine which has resulted in the alleged manipulation of the price of the security. It is important to note that the said notice has to be clear and has to show the allegations qua me sustains. It is humbly submitted that merely on the basis of surmises and conjectures, it cannot be alleged that the act of incorporating these companies by me has allegedly manipulated the price of the scrip;

(c) I have not made any advertisement that is misleading or that contains information that is distorted manner and which may influence the decision of the investor. It is humbly submitted that J cannot be made liable for the acts of TSL and Mr. Pavan Kuchana. It is important to note that no such allegedly misleading advertisement was made and not a single instance has been shown in the Notice to show that there was even a trival involvement of mine in the alleged misleading advertisement by TSL.

(d) I have not planted false or misleading news which may induce sale or purchase of securities. 1 vehemently deny any kind of plantation of false or misleading information by me which would have induced sale or purchase of the securities of TSL. It is important to note that the Notice fails to show any instance where it shows that I was involved in any kind of plantation of false or misleading information. The notice and investigation have failed to show any reasons whatsoever in support of this conclusion of charges against me.

18) In relation to alleging specific charges in case of a Company, emphasis should be given to the matter of Radhavallabh Dhoot Vs. SEBI (2005) 58 SCL 423 (SAT) where Kumar Rajaratnam, J (Presiding Officer) was of the view that "The Supreme Court in a number of pronouncements had held that the person was responsible for the conduct of the business of the company. If no allegation is there to that extent, the person cannot be made liable for any misconduct"

18.1. The allegations in the Notice are based on conjectures and surmises, which are insufficient to establish charge of fraud under the PFUTP Regulations. It is settled position that in order to allege fraud, the SCN should levy the charge of "fraud" on the basis of higher degree of preponderance of probabilities in establishing such charges if not on the basis of evidence beyond doubt. In this regard, in the case of Mousam Singha Roy v. State of West Bengal (2003) 12 SCC 377, the Hon'ble Supreme Court held as under:- "It is also a settled principle of criminal jurisprudence that the more serious the offence, the stricter the degree of proof, since a higher degree of assurance is required to convict the accused." This principle applies to civil cases as well where the charge is to be established not beyond reasonable doubt but on the preponderance of probabilities. The measure of proof in civil or criminal cases is not an absolute standard and within each standard there are degrees of probability.

18.2) The following observations of Hon'ble Securities Appellate Tribunal (SAT) in the matter of ESS ESS Intermediaries v. SEBI (Order dated June 19, 2013) also warrant attention - "Thus, a perusal of the above stated provisions of Regulation 4 and its sub-regulations reveals that the allegation of fraud can be levelled against a person/entity only for good reasons and on the basis of clear and unambiguous evidence. Such an allegation of fraud may shake the very foundation of the business of the entity in question and may adversely affect the same. Therefore, the onerous task of proving such a serious allegation lies on the person levelling such accusation on the basis of preponderance of probability." In this case, the charge of fraud has been levelled merely based on the circumstantial evidences and therefore the allegations are unsustainable.

18.3) The Hon'ble Supreme Court in the case of Valranasaya Sanskrit Vishwa Vidyalaya & Anr. Vs. Dr. Rajkishore Tripathi and Anr. [AIR 1977 SC 615] has inter alia held that "using strong language not sufficient. Proof required. It is not enough to state in general terms that there was collusion without more particulars. General allegations are insufficient even to amount to an averment of fraud or which only court ought to take notice, however strong the language in which they are couched may be, and the same applies to undue influence and coercion."

18.4) In the matter of Bater Vs. Bater (1950) 2 All. E.R 458 Lord Denning, J, was resolving the difference of opinion between two Lord Justices regarding the standard of proof required in a matrimonial case, inter alia, observed that

"It is true that by our law is a higher standard of proof in criminal cases than in civil cases, but this is subject to the qualification that there is no absolute standard in either case. In criminal cases the charge must be proved beyond reasonable doubt, but there may be degree of proof within that standard. Many great Judges have said that, in proportion as the crime is enormous, so ought the proof to be clear. So also in civil cases. The case may be degrees of a preponderance of probability, but there may be degree of probability withnthat standard. The degree depends on the subject - matter. A civil court, when considering a charge of fraud, will naturally require a higher degree of probability than that which it would require if considering whether negligence were established, It does not adopt so high a degree as a criminal court, even when it is considering a charge of a criminal nature, but still it does require a degree of probability which is

commensurate with the occasion"

Similar observations were affirmed by the Hon'ble Securities Appellate Tribunal in the matter of Dilip S. Pendse Vs. SEBI (Appeal No. 80.of 2009)

From the aforesaid, it is necessary for SEB] to establish fraud and manipulation, where the gravity of charge is similar to the charge of insider trading, against me with the required degree of probability necessary to establish a serious charge. It is clear that in absence of any specific evidence illustrating my particular role in siphon off the IPO proceeds, inflation of books of accounts; allegations of violating the PFUTP Regulations and the SEBI act cannot sustain and the said notice be quashed and dropped against me forthwith;

19) *A thorough perusal of the excerpt of the above mentioned case law would bring us to the understanding as to how important is to have sufficiency of evidence in proving any allegation. The alleging party should prove the nexus between the allegations purportedly committed by me. In such a scenario, all the allegations of SEBI against me fail in entirety as a result of which the said notice is liable to be quashed and set aside.*

20) *It is submitted that a charge of fraudulent and unfair trade practise under Regulation 3 and 4 of PFUTP Regulation is a serious charge. In the present case, as demonstrated hereinbefore, there is no evidence at all that I] had indulged in a fraudulent or an unfair trade practise in the shares of the Company, manipulated price of the Company's shares, came with a misleading advertisement to induce sale or purchase of Company's share, planted false or misleading news which may induce sale or purchase of securities.*

21) *I reserve my right to modify and add additional grounds in my reply. I further reserve my right to modify and add additional grounds in my reply during the pendency of these proceedings. However, since 'this reply itself demolish the charges and therefore, it is humbly prayed, as aforesaid, that the said notice be set aside and the charges levelled against me be dropped.*

22) *I request that I be given an opportunity for personal hearing before any decision is taken by you in this matter.*

The submissions of Ms. Durga Kuchana dated May 19, 2019 are as follows:

1) *I am in receipt of Show Notice bearing reference No. EAD-2/RGA/0902/ 2013 dated af May, 2013 (hereinafter referred to as "the said Notice/ SCN"). Vide the aforesaid notice, I have been called upon to show cause as to why an enquiry should not be held against me in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "the said Rules") and penalty be not imposed under section 1SHA of SEBI Act for alleged contravention of Regulation 3(b) (c) (d) and Regulation 4(1) (2) (e), (k) and (r) of PFUTP Regulation in the matter of in the matter of Taksheel Solutions Ltd(hereinafter referred to as "TSL/ the said company").*

2) *At the outset, I do not accept anything stated in the said notice except where the same has been expressly admitted by me in this reply. Nothing stated therein shall be deemed to be admitted by me be merely on account of such non-traverse and unlessthe same is specifically and admitted by me herein.*

3) *Before dealing with the several allegations made against me in the said notice, | would like to give brief introduction of myself in order to clarify my association with the alleged fictitious entities:-*

3.1) I am a housewife aged 45 years managing home affairs and taking care of the

Children age 18 & 12 years. I am not engaged into any kind of business. It is 3.2)

Only on instructions of my husband, I have signed the incorporation related papers Fausta_ Software Solutions Inc.. CV COX Networks, Ermin Technologies Inc. and Kyros Tech Systems Inc. It is pertinent to note that out of the above stated companies as per the instructions of my husband, I had signed the authorizations documents authorising one Mr. Ravi Kusam to be authorized signatory for the opening of bank accounts of Fausta SoftwareSolutions Inc., Ermin Technologies Inc., and Kyros Tech Systems Inc.

3.2)It is humbly submitted that besides the aforesaid authorization, I had not played any role to what so ever in the said companies. It is pertinent to note that, neither the ex-parte order, confirmatory order nor the present SCN could show my individual involvement in relation to the alleged syphoning off the IPO proceeds by Taksheel, apart from signing few documents purely on theinstruction of my husband, Mr. Pavan Kuchana.

3.3) further, it is also brought to your kind attention that on 5 March, 2011 and 12" March, 2011, on instructions of my husband have executed few documents inrelation to the transfer of my shareholding in Fausta Software Solutions Inc.,Ermin Technologies Inc., Kyros Tech Systems Inc. and CV Cox Networks inSet arctan:favour of Mr. D. Suresh Babu, Garikapatti Rama Rao, Mr. Racha Vijay Kumarand Mr. DVN Padma Priya. I have not executed a single transaction in relationto TSL. I_only hold 100 shares of TSL, which I continue to hold as on date Thus, it may please be noted that even at the time of passing ad-interim Order dated 28" December, 2011 by SEBI against TSL, I was no more associated or had any relation/ connection with Fausta Software Solutions Inc., Ermin Technologies Inc., CV COX Networks and Kyros Tech Systems Inc. Hereto annexed and marked as Annexure A, B, C & D are copies of documents pertaining to transfer of Fausta Software Solutions Inc., Ermin TechnologiesInc., Kyros Tech Systems Inc. and CV Cox Networks.

3.4)After transfer of shares of these companies, | had no control over these companies. I had no role in the alleged financial transactions of these companies with TSL and I respectfully submit that I cannot be held liable for any of these alleged financial transactions and the alleged siphoning off the IPOproceeds and the alleged manipulation of books by TSL.

3.4) The four (4) companies were incorporated by me on or around the period from March 01, 2011 to March 2, 2011. The period of Investigation as mentioned in the said Notice is from May, 2011 — December, 2011. I respectfully submit that the acts committed by me do not fall within the Investigation period considered by SEBI. Moreover, the persons to whom the shares were transferred of the four (4) companies were responsible for the alleged financial transactions between their companies and TSL. Strangely, no show cause notice has *been issued against them nor there is any reference about them is made in the said Notice. No nexus or relation of any nature (after transfer of shares) is established between myself and the persons to whom the shares of my four (4) companies were transferred.*

4) *In so far as the Investigation Report is concerned, reference qua me is coming only in few paragraphs, which I shall now deal as under. I have not been provided with a complete copy Investigation Report. I have only been provided till page 85 of the Investigation Report. I am unable to deal with allegations, if any, after page 85 of the Investigation Report. I crave leave to file an additional reply, in case, I am being provided with remaining pages of the Investigation Report.*

5) *With reference to paragraph 9,14 and 9.17 of the Investigation Report at page 45 and page 47 respectively, it is submitted that I had merely on the instruction my husband have facilitated incorporation of these entities and had authorized Mr. Ravi Kusum to be the account signatory for the bank account of Fausta Software Solutions Inc., CV a COX Networks and Kyros Tech System Inc. It is further submitted that merely because I on_ the instructions have assisted in initial. paper work required for incorporating the entities mentioned in the said tables, my name was reflecting in the records of these companies. It is also to be noted that merely because the new owners of these companies have not updated their records before the concerned state authorities, I cannot be held liable for the acts post transfer of my ownership. It cannot be said that I hold any position in the said entities or used such entities to siphon off the IPO proceed.*

6) *With reference to paragraph 9.26 of the Investigation Report at page 48, it is submitted that I had no role/link/connection in relation to the alleged circular movement of funds between TSL, its suppliers and its clients. It may please be noted that though these companies were incorporated by me on the reunions of my husband, and were transferred by me on 5™ March, 2011 and 12" March, 2011. I cannot be made responsible of the acts done by these companies after transfer of shares to the respective persons.*

7) *With reference to paragraph 12.6 of the Investigation Report at page 64, it is submitted that after transfer of shares, I did not hold any position in any of the companies incorporated by me. I deny that I had any role to play in the alleged fund movement. IJ strongly deny that whole system of transaction allegedly appears to be ploy to demonstrate health of financial activity without having any real activity on the ground.*

8) *With reference to paragraph 12.11 of the Investigation Report at page 66, it is submitted that I had no role and did not have any knowledge about the alleged bloating of books accounts by TSL. I am not aware whether the persons to whom the shares were transferred by me had used the entities to circulate the funds and account the transfers as expenditure and revenue respectively to bloat its books of account.*

9) *With reference to paragraph 12.12 of the Investigation Report at page 66, I submit that after the transfer of shares, I was having no role to play in any of the alleged activities. I deny that any of the alleged financial transactions were operated by me. The alleged role, if any, was played by the persons to whom the shares were transferred.*

10) *Further, it may kindly be noted that*

10.1) *I had no role to play in the creation of any website or its content.*

10.2) *I had played limited role of incorporating 4 companies on instructions of my husband. After transfer of shares, I had absolutely no role to play anywhere. The companies were incorporated before the Investigation Period considered by SEBI. During the Investigation Period, no role is played by me. The alleged BY role, if any, were played by Mr. D. Suresh Babu, Garikapatti Rama Rao, Mr. Racha Vijay Kumar and Mr. DVN Padma Priya to whom, no show cause notice is issued by SEBI. Merely because 4 companies were incorporated by me, would not make me liable for harsh allegation of violation of SEBI act and PFUTP Regulations.*

10.3) *I had no role to play in allegedly siphoning of funds as mentioned in the said notice.*

10.4) *I am completely unaware about what documents are provided by US, SEC to SEBI. The same do not form a part of the Investigation Report. I request SEBI 'to provide me with complete information provided by US, SEC to SEBI to satisfy on the point that I had no role to play in the alleged funds transfers between the entities created by me and TSL.*

10.5) *Please note on the neither the captioned SCN nor the investigation provides any evidence to remotely establish that, on the date of incorporation of the companies, I was aware of the alleged purpose for which these companies were incorporated and therefore, there is no rational of I am being made part of the present proceeding and therefore, the present proceeding qua me need to be drooped.*

11) *With reference to paragraph 2(a) of the said notice, I submit that I have set out my limited role in the creation of the entities hereinabove. I deny that such alleged entities were used to transfer the funds/ IPO proceeds and accounted these transfer as expenditure and revenue.*

12) *With reference to paragraph 3 of the said notice, I deny that I have tried to fraudulently project a picture by misstating and suppressing vital information from prospective investor or that the same was highly misleading to the investing public.*

13) *With regard to the charges of violation of section 12A(a), (b) and (c) of the SEBI act, 1992, my reply is as under:*

Section 12 A (a), (b) and (c) of the SEBI act, 1992 reads as follows:-

"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 there under;*

(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 there under; "

It is submitted that

(a) I have not used or employed, in connection with the issue, purchase or sale of TSL, any manipulative or deceptive device or contrivance in contravention of the provisions of the act or the rules or the regulations made there under.

(b) I have not employed any device, scheme or artifice to defraud in connection with the issue or dealing in shares of TSL.

(c) I have not engaged in any act, practice, course of business which operates or which would operate as fraud or deceit upon any persons, in connection with the issue or dealing in shares of TSL in contravention of the provisions of the Act or the rules or the Regulations made there under.

14) With regard to charges of violation of the provisions of Regulations, 3(b), 3(c), 3(d) And Regulation 4(1), 4(2) (e), (k) and (r) of PFUTP Regulations, our reply is as under:

Regulations 3(a), 3(b), 3(c), 3(d) of SEBI (PFUTP) Regulations, 2003 reads as follows:

Reg.3. No person shall directly or indirectly-

(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.'

It is submitted that

(a) I have not used or employed, in connection with the issue, purchase or sale of shares of the Company, any manipulative or deceptive or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(b) I have not employed any device, scheme or artifice to defraud in connection with dealing in or issue of shares of TSL;

(c) I have not engaged in any act, practice, and course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in or issue of shares of TSL in contravention of the provisions of the Act, or rules and the Regulations made there under.

15) Regulations 4(1), 4(2)(a) & (g) of PFUTP Regulations reads as follows:

"Regulation 4(1): Without prejudice to the provisions of Regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities. a Regulation 4(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:

(e) any act or omission amounting to manipulation of the price of a security;

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

(g) Planting false or misleading news which may induce sale or purchase of securities."

It is submitted that:-

(a) I have not indulged in a fraudulent or an unfair trade practice in the shares of TSL. It is important to note that I have not indulged in any kind of trading in the scrip of TSL and thus, I cannot be alleged to have indulging in fraudulent or an unfair trade practice in the scrip of TSL.

(b) 1 have not undertaken any action or omission which can amount to manipulation of the price of the security. The said notice has failed to show any act of mine which has resulted in the alleged manipulation of the price of the security. It is important to note that the said notice has to be clear and has to show the allegations qua me sustains. It is humbly submitted that merely on the basis of surmises and conjectures, it cannot be alleged that the act of incorporating these companies by me has allegedly manipulated the price of the scrip;

(c) I have not made any advertisement that is misleading or that contains information that is distorted manner and which may influence the decision of the investor. It is humbly submitted that I cannot be made liable for the acts of TSL and Mr. Pavan Kuchana. It is important to note that no such allegedly misleading advertisement was made and not a single instance has been shown in the Notice to show that there was even a trival involvement of mine in the alleged misleading advertisement by TSL.

(d) I have not planted false or misleading news which may induce sale or purchase of securities. I vehemently deny any kind of plantation of false or misleading information by me which would have induced sale or purchase of the securities of TSL. It is important to note that the Notice fails to show any instance where it shows that I was involved in any kind of plantation of false or misleading information. The notice and investigation have failed to show any reasons Whatsoever in support of this conclusion of charges against me.

16) In furtherance to the above, my over all submissions to all the allegations mentioned in the above paragraphs are as follows:

16.1) I have not contravened any law/ rules/ regulations in force to warrant such harsh allegations made in the said notice;

16.2) I had no involvement in alleged siphoning of IPO proceeds out of TSL;

16.3) On perusal of the whole notice, SEBI has not provided an iota of evidence to substantiate the fact that I had deliberately assisted or acted in tandem with the alleged entities in siphoning off the IPO proceeds or defrauded the prospective investors of TSL by making misstatements in the prospectus.;

16.4) SEBI has miserably failed to take action against the persons who were responsible or had the control over the companies after my transfer of shares;

16.5)SEBI cannot just levy unwarranted allegations on the basis of conjectures and surmises, without proving the same against me and on this ground of lack of proper evidence and proper allegations; the said notice is liable to be withdrawn against me.

17) In relation to alleging specific charges in case of a Company, emphasis should be given to the matter of Radhavallabh Dhoot Vs. SEBI (2005) 58 SCL 423 (SAT) where Kumar Rajaratnam, J (Presiding Officer) was of the view that "The Supreme Court in a number of pronouncements had held that the person was responsible for the conduct of the business of the company. If no allegation is there to that extent, the person cannot be made liable for any misconduct"

17.1) the allegations in the Notice are based on conjectures and surmises, which are insufficient to establish charge of fraud under the PFUTP Regulations. It is settled position that in order to allege fraud, the SCN should levy the charge of "fraud" on the basis of higher degree of preponderance of probabilities in establishing such charges if not on the basis of evidence beyond doubt. In this regard, in the case of Mousam Singha Roy v. State of West Bengal (2003) 12 SCC 377, the Hon'ble Supreme Court held as under:- "It is also a settled principle of criminal jurisprudence that the more serious the offence, the stricter the degree of proof, since a higher degree of assurance is required to convict the accused. This principle applies to civil cases as well where the charge is to be established not beyond reasonable doubt but on the preponderance of probabilities." The measure of proof in civil or criminal cases is not an absolute standard and within each standard there are degrees of probability.

17.2) The following observations of Hon'ble Securities Appellate Tribunal (SAT) in the matter of ESS ESS Intermediaries v. SEBI (Order dated June 19, 2013) also warrant attention - "Thus, a perusal of the above stated provisions of Regulation 4 and its sub-regulations reveals that the allegation of fraud and unambiguous evidence. Such an allegation of fraud may shake the very foundation of the business of the entity in question and may adversely affected can be leveled against a person/entity only for good reasons and on the basis of clear the same. Therefore, the onerous task of proving such a serious allegation lies on the person leveling such accusation on the basis of preponderance of probability." In this case, the charge of fraud has been leveled merely based on the circumstantial evidences and therefore the allegations are unsustainable.

17.3) The Hon'ble Supreme Court in the case of Valranasaya Sanskrit Vishwa Vidyalaya & Anr. Vs. Dr. Rajkishore Tripathi and Anr. [AIR 1977 SC 615] has inter alia held that "using strong language not sufficient. Proof required. It is not enough to state in general terms that there was collusion without more particulars. General allegations are insufficient even to amount to an averment of fraud or which only court ought to take notice, however strong the language in which they are couched may be, and the same applies to undue influence and coercion."

17.4) In the matter of Bater Vs. Bater (1950) 2 All. E.R 458 Lord Denning, J, was resolving the difference of opinion between two Lord Justices regarding the standard of proof required in a matrimonial case, inter alia, observed that "Tt is true that by our law is a higher standard of proof in criminal cases than in civil cases, but this is subject to the qualification that there is no absolute standard in either case. In criminal cases the charge must be proved beyond reasonable doubt, but there may be degree of proof within that standard. Many great judges have said that, in proportion as the crime is enormous, so ought the proof to be clear. So also in civil cases. The case may be degrees of a preponderance of probability, but there may be degree of probability with that standard. The degree depends on the subject — matter. A civil court, when considering a charge of fraud, will naturally require a higher degree of probability than that which it would require if considering whether negligence were established. It does not adopt so high a degree as a criminal court, even when it is considering a charge of a criminal nature, but still it does require a degree of probability which is commensurate with the occasion" Similar observations were affirmed by the Hon'ble Securities Appellate Tribunal in the matter of Dilip S. Pendse Vs. SEBI (Appeal No. 80 of 2009) From the aforesaid, it is necessary for SEBI to establish fraud and manipulation, where the gravity of charge is similar to the charge of insider trading, against me with the required degree of probability necessary to establish a serious charge. It is clear that in absence of any specific evidence illustrating my particular role in siphon off the IPO proceeds, inflation of books of accounts; allegations of violating the PFUTP Regulations and the SEBI act cannot sustain and the said notice be quashed and dropped against me forthwith;

18) A thorough perusal of the excerpt of the above mentioned case law would bring us to the understanding as to how important is to have sufficiency of evidence in proving any allegation. The alleging party should prove the nexus between the allegations purportedly committed by me. In such a scenario, all the allegations of SEBI against me fail in entirety as a result of which they said notice is liable to be quashed and set aside.

19) It is submitted that a charge of fraudulent and unfair trade practice under Regulation 3 and 4 of PFUTP Regulation is a serious charge. In the present case, as demonstrated hereinabove, there is no evidence at all that I had indulged in a fraudulent or an unfair trade practice in the shares of the Company, manipulated *price of the Company's shares, came with a misleading advertisement to induce sale or purchase of Company's share, planted false or misleading news which may induce sale or purchase of securities.*

20) *It is submitted that I reserve my right to modify and add additional grounds in my reply. I further reserve my right to modify and add additional grounds in my reply during the pendency of these proceedings. However, since this reply itself demolish the charges and therefore, it is humbly prayed that the said notice be set aside and the charges levelled against me be dropped.*

21)*I request that, I be given an opportunity for personal hearing before any decision is taken by you in this matter.*

The submissions of Prasada Rao dated May 19, 2019 are as follows:

This is in reference to the adjudicatheon proceedings initiated against me in adjudicatheon notice dated 8.5.2013 against which I have filed appeal No.341 of 2014. The Hon'ble Securitles Appellate Tribunal (SAT)Vide order dated 15.4.2016 allowed appeal by restoring file to Adjudication Officer(AO). AO was directed to give inspection of the financial statement allegedly certified by the appellant and other related documents claimed by me and thereafter proceed to hear the appellant and pass order as deemed fit.

In view of the above, and response to Hearing Notice dated 4.10.217 received by me on 1.10,.2017 scheduling a hearing on October 17' 2017, 1 have among other things, submitted that, in response to letter dated March 23°2017 "In regard to opportunity for inspection of documents, I request you to kindly courier me the copies of the documents in respect of which inspection is provided to me. I will in any case need copies of the same so I can study peacefully and in detail so that I can file my comprehensive response, I will also need to share copies with my legal advisors when will also need them to study the said documents". However, none of these documents have been provided to me till date.

Further, Hon'ble SAT in its decision, while disposing off the Appeal no.341 of 2014 has pointed, among other things, as below:

"Although SEBI in its reply has reiterated that appellant had certified the said financial statement, there is nothing on record to suggest that SEBI has verified the signature on the relevant financial statement and found that the said signature is that of the appellant".

Thus, it is important to note that SAT clearly laid down verification of whether I had signed the relevant financial statement was a sine qua non for taking any action against me. Without this verification and proof, SAT thus effectively held that there was no cause of action against me. The earlier order and SCN clearly are on same lines. The basis of them is the express allegation that I have certified the statements. I have affirmed countless times that I have not so certified. From the fact that despite repeated and clear and emphatic requests for copies of such statements duly certified by me, and that too after clear instructions of SAT to do so, SEBI has not provided to me. It is clear that SEBI does not have any proof of my alleged verification and the simple reason for this is that I have not verified as alleged. The proceedings are thus in fructuous, However, since they are being continued, I can only make one more specific and emphatic request that | be provided proof that I have signed the said financial statements.

And this is, to reiterate, further to several letters issued earlier including my letter dated 29.10.2017, I have requested for proof of steps taken by SEBI to verify my original signature on the relevant financial statement. None of it has been made available to me..

WTM order dated 15" November' 2017:

The investigation by SEBI is subject matter of Enforcement proceedings in respect of which Whole Theme Member (WTM) has passed order dated 15" November'2017. As the subject matter of investigations for Enforcement and Adjudication proceedings is same, the submissions. Findings and directions in WTM order dated 15 November' 2017 are dealt herein by me.

Whole Theme Member's order WTM/GM/DRA 1/73/2017-18 dated 15" November' 2017 contains directions in respect of me, among others, warning me to be cautious and exercise due care and diligence in future in my conduct as a Chief Financial Officer of a listed company or while rendering services as a chartered accountant, While I have approached my legal advisors regarding filing an appeal to SAT against this order, without prejudice, I have to submit as follows,

It is to be noted that there are no specific findings against me holding me liable under SEBI Act, PFUTP and other regulations under which Enforcement proceedings which are same as adjudication proceedings are initiated against me.

In view of the foregoing, I am herewith submitting my written reply with submissions. in response to SCN dated 8" May' 2013 and other communications relevant thereto. This is without prejudice to other submissions, clarifications and explanations furnished by me in respect of the adjudication proceedings. I request AO to take this reply on record and consider the same.

I. DATES AND EVENTS:

I have joined Taksheel Solutions Limited (hereinafter referred to "Company") during June, 2007 and was designated as Chief Financial Officer of the Company, but without any delegation of powers in the financial Matters. All the financial decisions were taken by Managing Director, Board of Directors and informed to accounts department for accounting purposes. My role in the Company was limited to accounting issues based on the documents and information made available to accounts department, instructions by MD and get them audited.

(i) *I was in no way related to the promoters or directors or their associates. I am an independent professional having about 33 years of experience. I was appointed purely as an employee of the Company to act in accordance with the directions, superintendence and control of the Managing Director for a fixed salary.*

(ii) *The Company came up with an Initial Public Offering (IPO) of 55,00,000 shares of Rs.10 each. The IPO opened for public subscription during September 29, 2011 to October 04, 2011 with a price band between Rs.130 to Rs.150. The said IPO was oversubscribed by about 2.9 times. On closure, the issue price was fixed at Rs.150/-. The Company has raised Rs. 82.50 crore through issuance of the above 55 lakh shares.The shares were listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). THE trading in the scrip of Company commenced on October 19, 2011.*

(iii) *The Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an investigation into the alleged irregularity in the IPO of the Company for the period from May 2011 to December 2011 and into the possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 and various rules and regulations made there under.*

(iv) *Based on the findings of the preliminary Investigation carried out, SEBI passed an ex- parte ad-interim order dated December 28, 2011 It was pertinent to mention here that no allegations were made against me in the above ad-interim order*

(v) *SEBI, vide order dated 25"" October 2013 confirmed its earlier directions passed vide ad interim ex parte order dated December 28, 2011.* ***Even in the confirmatory order dated 25" October 2013; no allegations were made against me.*** *Further some of the directors who were charged in the ex-parte interim order dated December 28, 2011; the directions against them were vacated.*

(vi) *A notice dated May 08, 2013 was issued to the Company, Managing Director of the Company (Viz., Mr. Pavan Kuchana) and one Director (viz., Mr. Ramaswamy Kuchana), the promoter directors under Rule 4(i) of the Rules to show cause as to why an inquiry be not held and penalty be not imposed on them under section 15 HA and 15HB of the SEBI Act for the alleged violations as mentioned above.*

(vii) *A separate notice dated May 08, 2013 was issued to me and three others for the alleged violations as mentioned above.*

(viii) *I vide my letter dated May 29, 2013 sought further documents in the matter.*

(ix) *Accordingly, an opportunity of inspection was granted to me vide letter dated June 10, 2013 and the same was availed by me through my counsel on July 01, 2013. It was worthwhile to mention* ***that only photo copies of the documents were provided and that too ones that did not bear my signature. Till date the SEBI did not provide the original copies or authenticated documents for inspection, based on which serious allegation were leveled by SEBI.****. The alleged CEO and CFO certification assumed to have been signed by me. But, it is worthwhile to note that [have not provided any such certification to the Company. I specifically state that I have not signed any alleged certificate as the same was beyond scope of functional responsibilities as stated supra. I humbly submit that as I have not signed any purported CEO and CFO Certification .for the year 201 1-12.*

(x) *The SEBI vide its letter dated August 08, 2013, an opportunity of personal hearing was granted to me on August 20, 2013. I have vide letter dated August 20, 2013 sought 30 days time to file reply to the adjudicating notice dated May 08, 2013.*

(xi) *SEBI vide its letter dated November 19, 2013 has granted opportunity of personal hearing to me on November 29, 2013. As I needed more information before replying to the adjudicating notice vide my letter dated November 26, 2013 sought further documents.*

(xii) *SEBI vide its letter dated December 03, 2013 has granted opportunity of inspection on December 30, 2013 .Same was availed by me through my Advocate. SEBI vide its letter dated January 10, 2014 granted a personal hearing on January 29, 2013. I have vide letter dated January 27, 2014 sought further time of 3 to 4 weeks for filing his reply. Accordingly SEBI granted an opportunity for hearing on February 21, 2014 1 have vide letter dated February 20, 2014 sought further theme of 8 weeks. The SEBI gave an opportunity for personal hearing on March 27, 2014.The Counsel for the appellants vide its letter dated 26 Mach 2014 have specifically made a request to grant further 4 to 6 weeks theme for filing a reply and reschedule date of hearing to any tme thereafter. I could not attend the personal hearing on March 27, 2014 due to ill health. SEBI instead of giving an opportunity to me to represent properly before and defend has gone ahead and passed an ex-parte order despite specific written request.*

II. GENERAL FACTS:

Before traversing with the issues I submit the following factual position:

(i) *In Notice NO.EAD-2/RGA/902/2013 dated 8" May 2013 , it has been alleged that I, being Chief Financial Officer (CFO) of the Company, reviewed the inflated financial statements for the period April, 2011-March, 2012 and certified that the financial statements are true and no transactions entered into by the Company are fraudulent and illegal.*

(ii) *At the outset it is submitted that [do not accept or admit anything stated in the Notice dated May 08'2103, except where the same was expressly admitted by him in this submissions. Nothing stated herein shall be deemed to be admitted by me merely on account of non-traverse and unless the same is specifically admitted by him herein. All the grounds stated in these submissions are without prejudice to each other.*

(iii) *I humbly submit that all the allegations in the SCN dated May 8°2013 are baseless, bald, sweeping, vague, unfounded, misconceived, and speculative, based on assumptions, surmises and conjectures and are completely contrary to factual position on record.*

(iv) *It is important to note that the SCN dated May 8'2013 alleges that the Company created fictitious entries and bloated the books of accounts which were reviewed by my me in my capacity of CFO of the Company. It may be pointed out that SEB] had made a very general statement in this regard without actually showing the manner in which I had committed the above mentioned alleged violations being the CFO of the Company or that I was part of the alleged acts which resulted in inflation of balance sheet size and bloated accounts.*

(v) *I am_59 years of age and a Chartered Accountant. I was appointed as CFO. of the Company in June, 2007, | have impeccable career of 33 years. In my long career of 33 years, I have not been named in any departmental, regulatory, disciplinary actions/proceedings. I submit allegations raised by SEBI against me have not only caused immense harm to my impeccable professional career, but also have damaged my reputation, built over the years.*

(vi) *I have resigned from the post of CFO of the Company during December_2012. THE MD of the company pleaded with me to continue with the in the contemporaneous difficult themes faced by the Company. But on consistent persuasions, I was relieved with effect from April l, 2013. It is further important to note that SEBI has failed to provide an iota of evidence or finding to establish my individual role in committing any alleged irregularities mentioned in the SCN dated May 8°2013 SEBI has failed to adduce any document/ information including phone records, sms records, or any relevant data as proof of my involvement in either making misstatements or hiding various information stated in the prospectus. SEBI has also failed to prove any specific allegation against me throughout the Notice.*

(vii) *I state that the scope of work and Responsibilities entrusted 'upon me by t the Company in_ his 'Capacity of CFO was. Limited to overseeing day to day activities of accounting, ensuring: audit and closure of, financial statements periodically. I was reporting to Managing Director of the Company. and acted under his instructions. 1 was actually responsible only to manage the accounts department, of the Company. 'The accounts department was required to receive documents from. Other department's then accounts department was required to verify the documents with all relevant records and initiate accounting and payment actions after instructions from MD, appropriately. I was not in charge of business, HR, administrative, vendors/clients and monitoring process, legal compliances of the Company.*

(viii) *I further state that the he scope and extent of my CFO functions and responsibility never required me to get "involved in vendors and clients selection, correspondence with vendors and clients of the Company and 'conduct due diligence i in respect of the same. As denser as far as the transactions of the 'Company with its clients and vendors based in USA are concerned my job was limited facilitate accounting of the transactions done by the Company in accordance with the documents received by accounts department. From the concerned departments. My functions were limited to make relevant accounting entries based on the documents received from the concerned departments. I was obligated to accept the documents as they were made available to the accounts department and complete the accounting aspect as per systems laid down, It is also important to note that I was not even authorised to sign documents such as bills, softex forms as they were made available to accounts from the other departments of the Company.*

(ix) *I humbly state that SEBI has failed to point out any specific allegation against me highlighting my active involvement in the alleged violations of laws and find out any irregularity in the responsibilities and work handed over to him in his capacity as an employee of the Company. SEB] has also failed to prove any specific allegation against me throughout SCN dated May 8' 2013.*

(x) *I humbly submit that the only finding against him by SEBI in the entire SCN dated 8.5.2013 was that in my capacity of CFO of the Company made fraudulent statements/declarations by signing the Company's financial statements for FY 2011-12. In this regard I have already submitted that I have not made any such certification...Since have not signed_inband.the. said certificate no way SEBI could have produced the original certification as alleged by it in its SCN dated.May.8' 2013*

(xi) *I once again, reiterate that 1 was never involved in vendors selection, correspondence with vendors and clients and conduct due diligence of the same. My job was limited to do accounting of the transactions based on the documents received by accounts department. As an employee of the company, I had no knowledge about incorporation, ownership and management of the, vendors and clients and opening of their banking accounts and operating the same as the same was not in my area of function by delegation and part of the specific duties levied upon me, Any CFO worth his status as a KMP is at least a signatory to bank accounts at par with top executives/CEO, etc. However, being a glorified accountant with no powers or authority including that of policy, my job was to compile accounts based on documents given to me and those too post-facto after transactions were completed by others.*

(xii) *I, humbly, submit that to the best of my knowledge and belief all transactions of the Company with its vendors and clients were done in normal course of business. I, further, submit that there was no prima facie instances or evidences to arouse the suspicions regarding the vendors and clients as alleged by SEBI. It is a settled principle of law that any person working on behalf of a company can be made responsible for alleged wrongs only if such wrongs have been committed by himself or at least with the knowledge and connivance of the said person.*

(xiii) *I, humbly, submit that the major IPO allegations of SEBI does not relate to me.*

(xiv) *I, humbly, submit that I cannot be linked to any alleged irregularity with related to USA based clients/vendors of the Company. I was not associated to any of the clients/vendors of the Company and the same can also be verified from the passport copy (Annexure - 1) wherein the fact that I never visited USA could be easily established. SEBI failed to look into this basic fundamental aspect.*

I, humbly, submit that SEBI has observed that I have not violated the provisions of PFUTP Regulations for creating entities as vendors/clients to facilitate siphoning off of funds and also routing these funds for inflating revenue, expenditure and profit. In this regard [submit that not a single finding has been made by SEBI in the SCN dated May 8°2013 which can indicate that I have created or even assisted in creating clients/vendors of the Company. SEBI has, arbitrarily, assumed and linked me with other noticees and the Company only because I was designated CFO of the Company. SEBI has blatantly failed to appreciate this fact that my job and scope of responsibility never included marketing, communication with the clients/vendors of the Company etc.. And it was only limited to the function of making accounting entries relying upon the supporting documents provided by the concerned departments.

(xv) *I, humbly, submit that from the above it can be construed that to establish any violation of law, therefore, against me as CFO, there must be a specific allegation in the complaint as to the part played by him in the transactions. There should be clear and unambiguous allegation as to how I was responsible for the conduct of the business of the Company is all its aspects.. In the absence of any averment or specific evidence the net result would be that allegations against me would not be entertainable and sustainable. There is no single instance provided by SEBI which would establish any wrong doing specifically by the Appellant.*

III. ISSUE WISE FACTS:

(i) STATUS OF LAND ALLOTTED IN WARRANGAL FOR SEZ DEVELOPMENT

I, was not involved in any way in the activities of interaction with APIIC as regards allotment of land, the alleged cancellation of land and restoration there of subsequently: It was not part of scope of his work as CFO. Me, as a functional head of accounts dept., has ensured correct accounting of various transactions over period of theme. I, humbly submit that the cancellation of the allotment of land by APIIC was not in his knowledge; the Management of the Company has never shared the information regarding the said cancellation. 1 have signed the prospectus believing the information within his knowledge. It is pertinent to note that the SEBI in case of Punjab National Bank Investment Services Limited (PNB), Merchant banker to the issue, vide its order dated 05.08.2014 has exonerated the PNB stating that it was not guilty as the Management has not informed PNB about the cancellation of land. Hence the same analogy should be applied to me as I was responsible only to the extent of accounting function. It is pertinent to point that there was no evidence produced by SEBI against the involvement in this regard.

It is to be noted that WTM in order dated 15 November,2017 has observed that "TSL did not make any misstatement in the DRHP, RHP or prospectus in regard. It has been submitted that considering the risk".

(ii) STATUS OF EMPLOYEES:

(i) I, humbly, submit that I have no functional role to play in the marketing operations or HR functions of the company. I, further, submit except to the extent of accounts, I have relied only on the statements made by Company and Management. I have neither authority nor authorisation to verify personally all the statements which are made by the Board of Directors in the prospectus. The role of me was limited to the financial information which was based on the documents and vouchers made available to me for a limited a purpose of accounting. The statutory auditor of the Company has also conducted an independent audit and certified the financials, relying on the same information on which I have relied on, it was further submitted that there was an internal auditor who submitted periodical reports to the Board relying on the documents on which I have relied as CFO. Neither internal auditor nor the statutory auditor has not made any adverse observations as there was no wrong doings in the accounting prima facie. Without prejudice to the above I humbly submits that, it was explained to me by the Company and its Directors have stated with regard to status of employees that it was an inadvertent typo error committed by Merchant banker. It was pertinent to point that there was no evidence against my involvement in this regard.

(iii) STATUS OF FUNDS REQUIRED TOWARDS OBJECTS OF THE ISSUE:

I, humbly submit that 1 was an employee of the Company who was responsible for accounting function and has no role in determining the objects of ihe public issue. The mere signature in the prospectus by cannot make him responsible for whole contents of the Prospectus by any stretch of imagination or law. It may be reiterated here that CFO is hot an approving authority of the prospectus. Only the directors of the company do certify and are solely responsible for the contents of the Prospectus. Further only directors have legal and fiduciary responsibilities for the contents of the prospectus. At best, CFO may be responsible for past period financial statements. The restated financial statements in the prospectus were audited by a senior Chartered Accountant qualified to be a peer review auditor. Moreover, a CFO and a Company Secretary though are signatories to the Prospectus are only witnesses for authentication of Prospectus by the directors, They are in authority or part of the IPO process to be aware of and verify entire contents by any stretch of imagination which is humanly impossible. Further, language of prospectus certification starting with,

"We, the Directors of the Company, hereby declare that ...."

This declaration is very specific and only directors are making a declaration about contents of contents of prospectus. CFO and Company Secretary and Compliance Officer not being directors under any law are only witnesses.

a) UTILISATION OF IPO PROCEEDS EXCEEDING THE LIMIT (DISCLOSED IN THE OFFFER DOCUMENT)

I, humbly, submit that I was not vested with financial powers regarding deployment of funds. I also, humbly submit that the utilisation of funds//payment made were decided by Board of Directors/Managing Director. I, was merely responsible for proper accounting 11 of transactions.. The role of me was only to the extent of receiving information after spending and recording the same in the books for accounting purpose.

<u>NON-DISCLOSURE OF ICDS IN PROSPECTUS</u>

I in this regard, we would like to draw your attention to page 42 of the offer document wherein under the *heading of "Financing the Incremental Working Capital requirements" Noticee No.1 has clearly shown a table highlighting our working capital requirement as a company along with the sources through which the same are to be met. A careful perusal of the same clearly shows that in the year 2010-2011 we had met a total of Rs. 7276.24 Lacs of our working capital requirement through its own fund, and further stated that in the year 2011-12 it shall need a working capital requirement to the tune of Rs. 11,551.95 lacs through our own funds. It is submitted that it is towards this purpose only, that. the ICDs, ware. actually, raisesL hy, it. with. the. intention. that. the. same will. be renal by it wither ake iro! year for is owir soncey ans iniialy ihre way ne ptor to repay these ICDs through the IPO proceeds as is being suggested in the said IR.*

1. *Further, with regard to the issue of nondisclosure of the five ICDs, it is submitted that the ICDs were actually taken in the month of May—June and September 12, 2011 i.e. after the filing of the DRHP and therefore the veracity of the DRHP cannot be questioned under any circumstance whatsoever and thus there is no misstatement made by us in the DRHP.*
2. *Now, with regard to the issue of nondisclosure of ICDs in the RHP and final Prospectus, it is noteworthy to point out that Noticee No.1 had duly disclosed the facts of raising of ICDs and the purpose for which it had been raised to its merchant banker to the issue. A reference in this regard should be made to the e- mail dated August 26, 2011 addressed to Mr. Subrahmanyam Devaganugala, Sr. Asst. Vice president of PNB wherein Noticee No.1 in its reply to PNB's questionnaire has clearly stated that ithad borrowed ICDs to the tune of Rs. 30 Crores and have also mentioned the names of the entities from whom the said 1CDs were borrowed. The same in itself proves Noticee No.1's credentials as a genuine organisation and shows that it had disclosed all the material facts/documents to the merchant bankers. Also, it is acknowledged by Adjucating Officer in the SCN dated 8.5.2013 that a copy of the e-mail dated August 26, 2011 has been addressed to Mr. Subrahmanyam Devaganugala along with the attachment to the original e-mail.*
3. *These facts in itself show that Noticee No.1 had duly informed the merchant banker that it had raised ICDs. However the Merchant Bankers were of the tog mentioned in the prospectus and not for any other purpose, as wrongly claimed by Adjudicating Officer in its SCN dated 8.5.2013. The company had used the IPO money for the same purposes as envisaged in the prospectus, it is only that money required for the utilization in the year 2012 -2013 was used in the current year.*

10. *Inthe SCN Adjudicating Officer points out that out of Rs.30 crores of ICDs disclosed to Merchant Banker, only Rs.27.50 crores have been received from Gujarat Tool Room and Amarnath Securities Ltd and not Rs.30 crores. Here, **the key and important issue is quantum of ICDs which is Rs.30 crores and not individual_ break up of figures. It is worthwhile to mention_ that additional Rs.4.5 crores has been received in October 2011, and in view of earlier decision of Merchant Banker. it has not been communicated as it was the stand of the Merchant Banker.***

11 *It is worthwhile to mention that the Merchant Banker has been exonerated about its role in IPO. Hence, SEBI should have been consistent and same stand against the all parties..*

12. *It is submitted that SEBI can not take differential stand on the same issue and inthe same proceedings.*

13. *It is submitted that decision regarding raising of ICDs has been taken by MD and CFO has locus standing in the matter. The accounting of interest and depiction in the accounts as regards outstanding interest has been done properly and as per accounting standards by me.*

ARRANGEMENT WITH REGARD TO BUY BACK OF SHARES:

I, humbly submit that I was neither signatory of the cheques in respect of payments made by the Company nor in knowledge of utilization of funds. THE Management has never informed the me before the utilization of IPO funds. I humbly, submit that the utilisation of funds/payment made were done solely by the management at their discretion and powers . As an employee I was duty bound to implement the decisions and instructions of management.. I humbly submit that I was not aware of any alleged payment of monies to Mr. Dinesh Singhi. As per the information and documents provided to me the payment made to Wiselink Technologies Private Limited was for supply of telecom product. I was not aware of the relationship between the Wiselink Technologies Private Limited and Dinesh Singhi nor any links or relationship with those entities...Hence, end utilization of funds by the payees by no stretch of imagination, van be attributed to be the responsibility of me. SEBI has also not alleged nor adduced any evidence to the effect that I had any knowledge of alleged end utilisation of funds.

In is to be noted that WTM in his order dated 15.11.2013 has remarked in the issue "Therefore, Lam of the view that statement cannot be said to be misleading".

(v) ORDER PLACED WITH WISELINK TECHNOLOGIES PVT. LTD.(WTPL)

I, humbly, that that 1 was an employee of the Company who was responsible for accounting functions and has no role in determining the objects of the public issue. The mere signature to the Prospectus was limited to presenting past audited financial statements as restated financial statements for the period prior to IPO. The placing of an order with WTPL was not in the domain of the CFO. Further, the order was of the value of Rs.10 crores and I had no powers or authority to decide the issue.

(vi) PURCHASE OF SOFTWARE PRODUCT FROM VERISOFT BUSINESS SOLUTHEON PVT. LTD.

I, humbly, that that the contracts were entered into by the Directors/management. Under the instructions of the management and after receipt of the documents provided to accounts department accounted the same in the books of accounts. I have no role in decision making with regard to payment. The role of me was limited to verify the documentation for accounting and account the the same in the books. With regard to allegation of related party I was not privy to any such information as none of the directors/management had informed the same to as CFO.

(vii) TRADING PATTERN ON AND AROUND THE DAY OF LISTHENG:

I, humbly, that that I has no role with regard to trading of shares of the Company. Further there are no allegations with regard to trading of shares me, hence not traversed.

(viii) ICD PLACED WITH SILVERPOINT:

I, humbly, state that that I had no role in management/Board of director's decision, with regard to placement of ICD. Further, I was not a signatory nor was consulted before entering alleged tripartite agreement. The role of me was limited to accounting the same in the books as per the documents made available to me. I, humbly, state that that I have made proper entries in the books in accordance with the applicable accounting conventions and standards.

(ix) ROLE OF BABA BHOOTHNATH TRADE AND COMMERCE PVT. LTD., SMT AND OFC:

1, humbly, state that that I not aware of Baba Bhoothnath Trade and Commerce Private Limited, SMT and OFC. I, further, submit that was neither a party nor privy to the alleged transactions. Further the Adjudicating officer has not made any allegations against me with regard to these alleged transactions.

(x) SIPHONING OFF IPO PROCEEDS AND MANIPULATHEON OF BOOKS OF ACCOUNTS BY THE COMPANY

I, humbly, state that that I was not a party to any of the alleged siphoning and has not manipulated the accounts. I have complied with all the applicable accounting conventions and standards. Every entry made in the books of accounts was as per the documents made available by the management to the Accounts department. These were further verified and audited by internal and statutory auditors, It was pertinent to bring to the notice that throughout in his career as an employee, I have acted in good faith and as per the directions of management.

I have not benefited either directly or indirectly from any of the alleged transactions. My role of was limited to making entries in the books as per applicable accounting norms and have them duly audited.

IV. GROUNDS OF SUBMISSIONS:

(i) I, humbly, that that though I was designated as Chief Financial Officer, my role and powers are very limited. I state that I was only a glorified accountant in the Company, without any delegation of powers by the Board to function as financial officer. The role of was restricted to act in accordance with the directions of the managing director, manage the accounting of the transactions of the company and get them audited. ***It is to be submitted that there are no statutorily stipulated roles duties and responsibilities of a Chief Financial Officer of a company either in Companies Act, 1956 or in Securities Laws. In the absence of the same, there are no statutory and assumed roles and responsibilities of a CFO. In such a situation, the roles and responsibilities of a CFO would be as per what has been defined and delegated by Board of directors/management.*** *There is no Board resolution neither appointing me nor defining delegation of powers to me as CFO. I was reporting to MD and act according to his instructions and directions. I was responsible for accounts dept., functions of purely accounting nature and submit them to internal and statutory auditors for audit and reports.*

(ii) *The Adjudicating officer, in SCN dated 8" May'2013 while relying on the alleged CEO and CFO certification relied on printed documents without looking for the original documents before issuing SCN against me, which was not signed by me and prejudicially assumed that I have signed the certification.. In reference to the exparte adjudication order dated 30.6.2014 passed against me against which I have filed appeal No.341 of 2014. The Hon'ble Securithees Appellate Tribunal (SAT) Vide order dated 15.4.2016 allowed appeal by restoring file to Adjudicatheon Officer (AO). Remarked,* ***"AO is directed to give inspection of the financial statement allegedly certified by the appellant and other related documents claimed by appellant and thereafter proceed to hear the appellant and pass order as deemed fit"***

In view of the above,and in response to Hearing notice dated 4.10.2017 received in hand by me on 13.10.2017, I have requested in my letter dated 15.10.2017 for making available to me copies of Board resolutions authorizing me to sign Profit and Loss account and balance Sheet for financial year 2011-12 and also copy of CEO and CFO certificate bearing my original signature in hand. None of these has been given to me. Despite this, SEBI further has sought to proceed against me on the basis of SCN dated 8.5.2013 vide its hearing notice dated 4.10.2017 received by me only on 13.10.2017.

Further, Hon'ble SAT in its decision, while disposing off the Appeal no.341 of 2014 has pointed, among other things, as below:

"Although SEBI in its reply has reiterated that appellant had certified the said financial statement, there is nothing on record to suggest that SEBI has verified the signature on the relevant financial statement and found that the said signature is that of the appellant".

In my letter dated 29.10.2017, I have requested for proof of steps taken by SEBI to verify my original signature on the relevant financial statement, none of it has been made available to me signifying that there is no signature in hand by me in CEO and CFO certification available with SEBI.

Despite this, SEBI further has sought to proceed against me on the basis of SCN dated 8.5.2013 vide its hearing notice dated 4.10.2017 received by me only on 13.10.2017. Hence, the adjudication proceedings vide SCN dated 8,5.2013 are initiated and sustained without furnishing and without verifying critical and key documents as directed by Hon' ble SAT its order dated 15.4.2016 while upholding my Appeal no.341 of 2014. ***This is deprivation and denial of proper, critical and key proof against me _in_the proceedings which is against principles of natural justice.***

(iii) Without prejudice to the above I submit that as per Section 15J of Securities and Exchange Board of India Act, 1992 the adjudicating officer shall consider the following while fixing the penalties:

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

ii. the amount of loss caused to an investor or group of investors as a result of the default;

iii. the repetitive nature of the default.

In the present case the allegation against me was that I has signed the CEO and CFO certification and made false statements for the year 201 1-12.

a. *I have not made any gains or unfair advantage as a result of the alleged misstatement. SEBI has not given any information nor any concrete roof in this regard and hence, its charge is arbitrary and not based on clear and irrefutable proof.*

b. *The alleged false statement was made on 05.12.2012 . It is pertinent to note that there was not much change in the share price of the Company, Hence there was no loss caused to investor as a result of the said alleged false certification. The closing price for the next three months moved from Rs. 12/- to Rs.7.75/- which is normal but not abrupt and influenced by alleged misstatements. Assuming for a moment but without admitting the alleged false certification has influenced the market as assumed by SEBI is totally unfounded; No loss was caused to any investor or investor groups as movement of share price has no influence whatsoever due to the alleged false statement by the me.*

c. *This is the first time, I am alleged as offender. There are no previous allegations. None of the criterion, as explained, have become applicable to me and thus conclusively proving that proceedings against me are unwarranted and deserve to be dropped.*

I, humbly, that that I was not found guilty in the Ad-interim ex-parte order dated 28.12.2011 investigation proceedings, at the same theme found Company and all the Directors were found guilty for the misstatement in the Prospectus. Even in the order dated 25.10.2013 confirming the above referred ad-interim order, SEBI did not find me guilty; moreover in the said confirming order the three Directors who certified the Prospectus was exonerated from the allegations. However very surprisingly the Adjudicating Officer has alleged in SCN dated 08.05.2013 with following allegations against the me.

a. *You associated/involved/created/incorporated fictitious entities as vendors/clients of TSL at USA. These entities at USA were used to transfer the funds/IPO proceeds and accounted these transfers as expenditure & revenues.*

b. *Mr. V.K. Prasad Rao had reviewed the financial statements for the period April 2011-March 2012 and also certified that the statement does not contain any untrue statement.*

From the above it pertinent to note that after issuing notice dated 08.05.2013 the SEBI vide its order dated 25.10.2013,which is subsequent, has not found me guilty. After not finding me guilty, the Adjudicating officer should not have levelled allegations against me, instead the Adjudication officer is proceeding against me. This is very strange and inexplicable.

From the reading of the above, specific allegations in SCN dated 8.5.2013, it is clear that para (a) is addressed to Durga Kuchana,Kamal Kuchana and Ravi Kusam, and para (b.)is exclusively against me.. The adjudicating officer has not found prima facie evidence against me in respect of IPO (i.e.para (a)).

(iv) *I, humbly, that that in relation to alleging specific charges, emphasis should be given to the matter of Radhavallabh Dhoot v SEBI [2005]58SCL423 (SAT) where Kumar Rajaratnam, J. (Presiding Officer) was of the view that "The Supreme Court in a number of pronouncements had laid that there must be specific allegation against the person that the person was responsible for the conduct of the business of the company. If no allegation is there to that extent, the person cannot be made liable for any misconduct". No specific charges whatsoever have been alleged against me except that of alleged signing of untrue financial statements for the period 2011-12*

(v) *I,humbly,that that SEBI has alleged me having violated various provisions of the SEBI Act, and PFUTP Regulations on the basis of general statements/findings made against the me. Throughout the Order, there is not a whisper of such cogent evidence sufficing the allegations raised against me.. The applicable provisions of alleged violations as SCN dated are 8.5.2013:*

With regard to allegations under Section 12 A (a), (b) and (c) of the SEBI act, 1992, "124. I humbly, submit that:

(a) *I have not used or employed, in connection with the issue, purchase or sale of TSL, any manipulative or deceptive device or contrivance in contravention of the provisions of the act or the rules or the regulations made thereunder. There is no evidence or proof which is categorical and conclusive have been shown by SEBI in SCN dated 8.5.2013 in this regard. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.*

(b) *I have not employed any device, scheme or artifice to defraud in connection with the issue or dealing in shares of TSL. There is no evidence or proof which is categorical and conclusive have been shown by SEBI in SCN dated ¥.5.2013 in this regard. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proof*

(c) *I have not engaged in any act, practice, course of business which operates or which would operate as fraud or deceit upon any persons, in connection with the issue or dealing in shares of TSL in contravention of the provisions of the Act or the rules or the Regulations made thereunder. There is no evidence or proof which is categorical and conclusive have been shown by SEBI in SCN dated 8.5.2013 in this regard. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.*

With regard to the violation of Regulation 3 (b), (c), (d) of PFUTP Regulations, U humbly submit the following:-

3(b)I have not used or employed, in connection with issue, purchase or sale of shares of the Company, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the reguiations made there under; There is no 21 specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

(c).I have not employed any device, scheme or artifice to defraud in connection with dealing in or issue of shares of the Company; There is no specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

d.I have not engaged in any act, practice, and course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in or issue of shares of the Company in contravention of the provisions of the Act or the rules and the regulations made there under. There is no specific and conclusive proof given by SEBI in this aspect also. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

In the order dated 15.11.2017 by WIM, no findings have been made against me in respect of these regulations.

With regard to the violation of Regulation 4(1), 4(2)(e), 4(2)(k) and4 (2)(r) of PFUTP Regulations, I,humbly,that the following:-

4(1).I have not indulged in a fraudulent or an unfair trade practice in the shares of the Company. The Company was offeror of its shares, I did not deal in Company's shares. There is no specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

4(2)(e). 1 have not undertaken any action or omission which can amount to manipulation of the price of the security; There is no specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

4(2)(k). 1 have not made any advertisement that was misleading or that contains information that was distorted manner and which may influence the decision of the investors; aspect. . There is no specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

4(2)(r). I have not planted false or misleading news which may induce sale or purchase of securities. There is no specific and conclusive proof given by SEBI in this aspect. The allegations are based on assumptions, presumptions, surmises and conjectures not on facts and conclusive proofs.

In the order dated 15.11.2017 by WTM, no findings have been made against me in respect of these regulations.

***I, humbly, that that the aforesaid explanations make it quite clear that I have not violated any provisions of the PFUTP Regulations and allegations there of are unsubstantiated and need to dropped**.*

(vi) I humbly, submit that that SEBI cannot allege me of having violated its Rules and Regulations just on the basis of surmises and conjectures which it had done so in the present SCN dated 8.5.2013 and subsequent communications there to. It was a known fact that SEBI needs sufficient evidence to actually hold me guilty of violating the PFUTP Regulations and the SEBI Act as mentioned in the Order. In this regard, I like to bring to the kind attention of the tribunal to two specific case laws pronounced by the Hon'ble Apex Court and Hon'ble High Court of Madras in relation to sufficiency of evidence which is produced Irein below.

1. *The Hon'ble Apex Court in the case of **Varanasaya Sanskrit Vishwavidyalaya and Anr. Vs. Respondent: Dr. Rajkishore Tripathi and Anr AIR1977SC615,** in relation to the fact of sufficiency of evidence in proving one's guilt of collusion had laid the following:*

   "We do not think it is enough to state in general terms that there was "collusion" without more particulars. This Court said in Bishundeo Narain and Anr. v. Seogeni Rai and Ors. MANU/SC/0059/1951 ; [1951]2SCR548 as under: General allegations are insufficient even to amount to an averment of fraud of which any Ct. ought to take notice, however strong the language in which they are couched may be, and the same applies to undue influence and coercion."

   From the above, it can be understood that usage of strong words and general allegations is not enough to prove guilt. One needs to adduce sufficient evidence toprove such allegations.

2. *On similar lines in the case of **Tamil Nadu Newsprint and Paper Ltd. rep. by its M.D.Vs. Rama Damodaran and Anr.** (2005)ILLJ1109Mad. (2005)1MLJ625, the Hon'ble Madras High Court has Hd the following:*

   "THE Supreme Court in Slr Bahadur v. Union of India MANU/SC/0682/2002

   (2002 IULLIS48SC has held what is meant by sufficiency of evidence which is also relevant for the purpose of this Court. The Supreme Court laid as under at p. 849 of LLJ: It may be observed that the expression, 'sufficiency of evidence' postulates existence of some evidence which links the charged officer with the misconduct alleged against him. Evidence, however voluminous it may be, which is neither relevant in a broad sense nor establish any nexus between the alleged misconduct and the charged officer, is no evidence in law. The mere fact that the enquiry officer has noted in his report, "in view of oral, documentary and circumstantial evidence as adduced in the enquiry", would not in principle satisfy the rule of sufficiency of evidence ...."

   A thorough perusal of the excerpt of the above mentioned case law would bring to the

understanding as to how important is to have sufficiency of evidence in proving any allegation. *The alleging party should prove the nexus between the allegation and the alleged party which is totally absent in the present case. SEBI has failed to point out a single instance wherein it could establish a direct link/nexus between the allegations purportedly committed by me. In such a scenario all the allegations of SEBI vide SCN dated 8.5.2013 and subsequent communications against me fail in its entirety and as a result the adjudication proceedings against me deserve to be dropped.*

(Vii) I humbly, that that charge of fraudulent and unfair trade practices under Regulation 4 is a serious charge. In the instant case, as demonstrated hereinbefore there was no evidence at all that I indulged in a fraudulent or an unfair trade practice in the shares of the Company, manipulated price of Company's shares, came with a misleading advertisement to induce sale or purchase of Company's shares, planted false or misleading news which may induce sale or purchase of securities. It is also pertinent here to mention that the charge of fraud and manipulation is one of the most serious charges in relation to the securities markets and having regard to the gravity of this wrong doing, and there must be the preponderance of probabilities in establishing the same. THE Hon'ble Apex Court hold the same view in matter of Mousam Singha Roy v. State of West Bengal (2003) 12 SCC 377, the learned judges of the Supreme Court in the context of the administration of criminal justice observed that,

"It is also a settled principle of criminal jurisprudence that the more serious the offence, the stricter the degree of proof, since a higher degree of assurance is required to convict the accused."

This principle applies to civil cases as well where the charge is to be established not beyond reasonable doubt but on the preponderance of probabilities. The measure of proof in civil or criminal cases is not an absolute standard there are degree of probability, ***In Hornal v. Neuberger Products Ltd. (1956) 3 All E.R 970*** *Hodson, L.J. observed as under:*

"Just as civil cases the balance of probability may be more readily tilted in one case than in another, so in criminal cases Proof beyond reasonable doubt may more readily be attained in some cases than in others."

Further Denning, L.J. in the matter of Bater v. Bater (1950) 2 All E.R. 458 wherein he was resolving the difference of opinion between two Lord Justices regarding the standard of proof required in a matrimonial case, inter alia observed

"It is true that by our law is a higher standard of proof in criminal cases than in civil cases, but this is subject to the qualification that there is no absolute standard in either case. In criminal cases the charge must be proved beyond reasonable doubt, but there may be degree of proof within that standard. Many great judges have said that, in proportion as the crime is enormous, so ought the proof to be clear. So also in civil cases. THE case may be degrees of a preponderance of probability, but there may be degree of probability within that standard. THE degree depends on the subject — matter. A civil court, when considering a charge of fraud, will naturally require a higher degree of probability than that which it would require if considering whether negligence were established. It does not adopt so high a degree as a criminal court, even when it is considering a charge of a criminal nature, but still it does require a degree of probability which is commensurate with the occasion."

Similar observations were affirmed by Hon'ble Securities Appellate Tribunal in the matter of ***Dilip S. Pendse v. SEBI Appeal No. 80 of 2009.***

In the light of aforesaid principles on degree of proof, it is necessary for SEBI to establish the charge of fraud and manipulation, where the gravity of charge is similar to the charge of insider trading, against me with the required degree of probability necessary to establish such a serious charge.

(viii) From the aforesaid it is clear that in the absence of any specific evidence illustrating my particular role in deliberately making misstatements and allegations of violating the FUTP Regulations and the Act cannot sustain and the charges against me dropped forthwith.

(ix) It was submitted that the I reserve the right to modify and add additional grounds during the course of proceedings.

(x) In WTM order dated 15.11.2013, in page.no.6, it is remarked that,"Mr. V K Prasada Rao did not appear for hearing. In response to the hearing notice dated December 16, 2016 scheduling hearing on February 13, 2017, Mr. Prasada Rao requested for copies of balance sheet of the company bearing his signature. Vide letter dated February 10, 2017, it was clarified to him that as CFO, he was under obligation to certify the balance sheet and annual financial statements and it can be negated only by producing material evidence in support of his claim. He was granted another opportunity of hearing on March 16, 2017 and April 11, 2017. However, Mr. Prasad Rao did not appear for hearing".

I wish to submit that in my response dated 19.2.2017 to hearing notice dated 10.2.2017, I have submitted that, "I also notice from the letter dated 10" February 2017 now sent to me that it is alleged that the role of a CFO includes certification of balance sheet, etc. It is then stated that the onus is on me to provide material negative evidence. At the outset, I humbly disagree the manner in which this factual and legal statement is made about onus. I submit that this is not what the law provides. However, even otherwise and 26 without prejudice to the foregoing, even if one assumes that this could possibly be true, I wholly fail to understand how I can possibly provide "negative evidence" against an assertion that I have signed such documents. Surely, to take an example, I cannot provide blank documents unsigned by me? Evidence in such a case, to say the least, can only be positive evidence which show my signature. This is what the Hon'ble SAT has also ordered. Thus, to be consistent with the SCN in the present case and also the SAT directions, I should be provided with the evidence showing my signature on the said documents".

Further, in page no.50 of WIM order dated 15.11.2017, it is observed "In this regard, it is observed that Mr.

Rao has not denied that he was the CFO of TSL. Having accepted the assignment as CFO of the company, he cannot cast the entire blame on the company for having misused his name in the annual report. Moreover, being a chartered accountant by profession, Mr. Prasad Rao ought to have taken objection to the alleged certification done in his name in the annual report of the company for the year 2011- 2012 at the right time without waiting for action from the side of SEBI. The submissions advanced by him in this regard are not acceptable"

In this regard, I wish to submit that, I have observed that my name was wrongly shown on 5" December'2012, the date of certificate published, I have submitted my resignation to Managing Director on 5.12.2012 itself bringing to his notice that my name was wrongly shown as having certified 'CEO and CFO Cerification' in Annual Report of 2011-12 of the Company and 1 am aggrieved by the same. !t is to be noted that I have brought it to the notice of company on the date of publication of certification in Annual Report of 201 1-12, which was the earliest possible time. Importantly, my signature was not appearing in the said certification and it was a very standard format of certification. To take action such as criminal proceedings, etc. much more was needed and saying that 1 should have taken action is only an insight observation. It is also to be noted that the alleged findings of fraud etc. came much much later and hence it would not be fair to examine with such a minute, thin comb my actions and alleged omissions on hindsight as to what I should have done or not done.

It is also to be noted that SEBI's adjudication SCN is dated 8.5.2013 and Investigation SCN is dated 6.1.2014. Hence, my resignation bringing this fact to the notice of MD of the company was prior to SEBI's Investigation and Adjudication Notices to me and I did not wait for action from SEBI side. I have submitted a copy of my resignation letter dated 5.12.2012 in my detailed reply dated 3.10.2014 to The Assistant General Manager, Investigation Department. Annexure 2.

Further, it was observed in WIM order dated 15.11.2017," His insistence upon SEBI making available a balance sheet bearing his signature and refusing to appear for personal hearing unless such a document is furnished to him only exposes the flimsiness of his defence. The designation of a CFO itself carries with it a lot of responsibilities and obligations to a company and its shareholders. It is a different issue that he may not have had a role in the fraudulent activity of the company and its directors. However, as a qualified Chartered Accountant, it would have been appreciated if he had come forward with his defence on merits regarding the allegations in the SCN".

At the outset, I have to submit that the core of the allegations against me arise out of my alleged certification. In rest of the cases, the records itself show that 1 have had no involvement. The only incorrect assumption was that because I may have signed the said certificate, 1 must be aware and involved in the alleged acts. Fact is that not only I was not aware or involved in such things, but I had not signed such certificate. Such certificate did not at all come to me, and rightly so because I could not have conceivably signed it.

In this regard, I wish to further submit that, in response to Investigation SCN dated 6.1.2014, I have submitted detailed written submissions to Assistant General Manager, Investigation Department on 3.10.2014. Further, I have attended a personal hearing before WTM on 27.1.2015 and written arguments in respect of the same were submitted on 2.2.2015. Hon'ble SAT while upholding my appeal no.341 of 2014 has directed AO to provide signed and signature verified CEO and CFO certification and other documents to me and then proceed in the matter further. As the subject matter and allegations in Adjudication and Investigation proceedings are same, I have requested for signed and signature verified CEO and CFO certification and other documents for further Investigation proceedings. I was only requesting for documents as per SAT directions, which I got after expending considerable, efforts, time and money, as detailed written submissions and written arguments were already submitted by me to SEBI Investigation besides attending personal hearing. Further, there are no statutory responsibilities cast upon a CFO either by Companies Act' 1956 and Securities Laws. In its absence, the role and responsibilities shall be those assigned by Company. There was no specific functions and powers assigned to me by Board. I have reported to MD without any delegation and merely acted as a glorified accountant. Hence, I beg to submit that there is no flimsiness of my defence.

Further, it is observed by WIM in order dated 15.11.2015, "1 also observe that he has not taken any step against TSL or its directors in respect of the disclosures or the misuse of his name in the financial statements of TSL for 2011 12".

In this regard, I wish to submit that, it was contemplated to take steps against company and its directors for disclosures and misuse of name, I could not initiate as it involves substantial financial resources, time and effort as I could not afford the same as { had resigned my job, was keeping indifferent health and was also extremely occupied with SEBI's Adjudication and investigation proceedings against me.

Further, it is observed by WTM in rder dated 15.11.2015, "It is a different issue that he may not have had a role in the fraudulent activity of the company and its directors... .."

This itself brings out that I have_not played a role in_ fraudulent activities of the company and its directors as regards alleged misstatements in prospectus and alleged fraudulent financial activities of the company.

In summary, I have to state as follows:-

1. *As described in detail above, I am not involved directly or indirectly in any of the alleged frauds, irregularities, violations. etc. I have no knowledge of it and I was not in any position in the Company where*

I could have had involvement with it. Nothing has been brought on record by SEBI to even remotely establish that I was involved in it.

2. *The sole allegation against me is that I have signed a certificate stating that there are no frauds, etc. It was on this basis that proceedings were initiated against me. At the time of interim order, there was no way I could have asserted that I have not signed any such certificate because it was passed without any notice. However, immediately thereafter and till date 1 have consistently denied that I have so signed and repeatedly sought a copy of the alleged certificate signed by me. I have still today not been provided the same. The order of SAT referred to earlier was very clear. The sole basis of allegations against me was this alleged certificate signed by me and but for the claim that such a certificate exists, SAT had already passed order in my favor. However, since SEBI claimed that such a certificate signed by me exists, SAT allowed SEBI an opportunity to provide me this certificate for examination. Even till today, the certificate as allegedly signed by me is not provided. I have repeatedly asked for the same. If SEBI does not have the certificate then, as per SAT order itself, the proceedings are infructuous as per order of SAT.*

a. *I request one more time that I be provided with the said certificate where I have signed. You will agree that personal hearing, etc. will be meaningful only if the said certificate is provided to me BEFORE the hearing.*

c. *I may add that the order of WIM of 15" November 2017 incorrectly states/implies that I have not appeared for the personal hearing or I have not come forth for inspection. I want to be make this emphatically clear that I am more than willing to come for inspection of the original certificate allegedly signed by me. I request that if it exists a copy may kindly be couriered to me. Alternatively, if such a certificate does exist which displays my signature; I am willing to travel all the way to Mumbai from my hometown for examining such original certificate bearing my actual signature (and not merely a blank format of certificate not bearing my signature). Thereafter, I shall be more than glad to appear before you for personal hearing. However, I understand that such a certificate does not exist.*

3. *The order of WTM of 15 November 2017 has clearly held that I was not guilty of any violations. These findings squarely apply here too. I respectfully submit that this is more than adequate grounds to drop the current proceedings and I request that this be kindly done.*

   In view of the submissions made as above and with reference to the WTM order dated 15.11.2017, where there are no specific findings and directions against me, except a caution, I humbly request to drop the adjudication charges against me vide SCN dated 8.5.2013 and subsequent communications.

The submissions of Kejas dated May 19, 2019 and September 18, 2020 are as follows:

1. *This is with reference to the above captioned Show Cause Notice (hereinafter referred to as 'the said SCN'/' the said notice') dated March 14, 2013issued to Kejas Parmar (hereinafter referred to as "I"/ "me"/"my") and hearing in the matter held on March 05, 2019. I would like to thank you for the patient hearing granted to my Authorized Representative.*
2. *I have submitted my captioned reply vide my letter dated October 13, 2017. At the outset and for the sake of brevity, I repeat and reiterate whatever is said in my captioned reply as if the same are set out herein extenso and reproduced herein.*
3. *Further, vide this letter, I am making following further submissions in the matter of Adjudication proceedings of Taksheel Solutions Limited (hereinafter referred to as "TSL"). Needless to state that these submissions are in addition to and in continuation of my earlier reply.*
4. *I hereby verify and affirm that:-*
   a. *I have already resigned from Shreya Multitrade Private Limited with effect from November 5, 2015 and the same has been communicated to the office of the Adjudicating Officer vide my various letters dated April 18, 2017;October 13, 2017;February 12, 2019 and February 16, 2019*
   b. *I deny that I am connected/ related to Shehsil Marketing Private Limited and / or its promoters/ directors directly/indirectly in any manner*
   c. *I deny that I am connected/ related to TSL and / or its promoters/ directors directly/ indirectly in any manner whatsoever.*
5. *Further, I would like to submit as follows:*
   a. *It is brought to your kind notice that I have been debarred from buying, selling and dealing in securities in any manner whatsoever till further directions by the ad-interim ex-parte order dated December 28, 2011.It has been more than 7 (Seven) years and the above directions have still not been lifted despite completion of Investigation and issue of Show Cause Notice under adjudication proceedings. However, as per the information available on SEBI website, the final order has already been passed against TSL and its Directors and they have been debarred for a period of three years only.*
   b. *I am presently pursuing professional career and I am not able to lead a normal life due to the directions passed by SEBI. The above said ad- interim order has gravely prejudiced me, my professional assignments have suffered due to this and my reputation is always at stake.*
6. *I have neither indulged in any fraudulent practices relating to the securities market nor I have any demat account till date. I have not made any gains or derived unfair advantage as a result*

of alleged violations. There is nothing to indicate in the Notice that I have made any gains nor caused any loss to the investors or group of investors to warrant any kind of penalty.

7. *In view of the above submissions, I reiterate and deny that I have violated provisions of Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulation 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (d) and (e) of PFUTP Regulations, 2003.*
8. *In view of the above, I most respectfully and humbly pray as under:-*
   a. *That the allegations in the Notice be dropped, no penalty may be levied and an order may be passed accordingly.*
   b. *The directions issued vide ad-interim ex-parte order dated 28th December, 2011 debarring me from buying, selling and dealing in securities may be lifted on an urgent so that my reputation is restored and able to lead a normal life.*

I take liberty to modify and add additional grounds in my reply. need your kind and sympathetic consideration in this regard.

CONSIDERATION OF ISSUES AND FINDINGS

37. After perusal of the material available in record, the following issues are for consideration viz.

I. Whether TSL, Pavan and Ramaswamy have violated the provisions of Section 12a(A), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulations 4(1), (2) (a), (d), (e), (f), (k) and (r) of PFUTP Regulations and Regulations 57(1), 58(1), 60(1), 60(4)(a) and 60(7)(a) of ICDR Regulations and clauses 2(VI) (B) (4), 2(VII)(G), 2(IX) (12) and 2(XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57(2) (a) of ICDR?

II. Whether Durga, Kamal and Ravi have violated section 12A(a),(b) and (c) of SEBI Act, 1992 read with Regulation 3(b),(c),(d) and Regulations 4(1), 4(2) (e), (k) and (r) of PFUTP Regulations?

III. Whether these proceedings can be continued against the deceased entity ie. V K Prasada Rao?

IV. whether Shreya, Rajan and Kejas have violated Section 12A(a),(b) and (c) of SEBI Act read with Regulation 3(a), (b) (c), (d) and Regulation 4(1), 4(2)(a),(d) and (e) of the PFUTP Regulations?

V. Do the violations, if any, on the part of the Noticees attract any penalty under Section 15HA and Section 15HB of the SEBI Act against TSL, Pavan, Ramaswamy and under Section 15HA of the SEBI Act against Durga, Kamal Ravi, Shreya, Rajan and Kejas ?

VI. If yes, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act.

ISSUE I: Whether TSL, Pavan and Ramaswamy have violated the provisions of Section 12a(A), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulations 4(1), (2) (a), (d), (e), (f), (k) and (r) of PFUTP Regulations and Regulations 57(1), 58(1), 60(1), 60(4)(a) and 60(7)(a) of ICDR Regulations and clauses 2(VI) (B) (4), 2(VII)(G), 2(IX) (12) and 2(XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57(2) (a) of ICDR?

38. The allegations levelled against the Noticees in the SCN, their replies and submissions were considered.

39. TSL came out with Initial Public Offer (IPO) of 55,00,000 shares of Rs. 10 each. The price band was between Rs. 130 to 150 and the issue opened during September 29, 2011– October 04, 2011. The issue price was fixed at Rs. 150/-. The issue was graded by CARE and assigned IPO Grade 2 indicating below average fundamentals.

40. The following are the important dates with regard to the Draft Red Herring Prospectus ('DRHP') and Red Herring Prospectus ('RHP') and Prospectus:

DRHP	*December 27, 2010*
RHP	*September 19, 2011*
Prospectus	*October 10, 2011*

41. PNB Investment Services Ltd. ('PNB/ Merchant Banker/PISL') acted as a Lead Manager to the IPO of TSL.

42. The issue received 10284 applications for 16208640 equity shares resulting in 2.99 times over subscription. The details of the valid applications and the no. of shares allotted in each investor's category are as under:

	Valid Application		**Allotted Shares**	
Category	**No.**	**Shares**	**No.**	**Shares**
Retail	10098	11620125	9873	3383328
NIIs	48	3781530	48	1449997
QIB	1	666675	1	666675
TOTAL	10147	16068330	9922	5500000

43. TSL had raised ₹ 82.50 crore through issuance of 55 lac shares, of which ₹ 80.50 crore has been transferred to TSL bank account maintained with Indian Bank (A/c no. 980993705) after deducting issue expenses.

44. It is alleged that TSL have made various mis-statements and non-disclosures in prospectus. The following are the allegations against the Noticees in the SCN, reply of the Noticee and finding with respect to each allegation are as under:

I. <u>Status of land allotted in Warangal for SEZ development:</u>

45. TSL has listed out various risks related to the company and business in the offer document under the sub heading Internal Risk Factors (starting from page xvi of the prospectus). Risk factor 11 (page xix) in this regard, is reproduced as under:

"Our Company has executed an Agreement for Sale of Land with Andhra Pradesh Industrial Infrastructure Corporation Limited (APIICL) for acquisition of Land admeasuring 5 acres situated at Industrial Development Area, Hanamkonda Mandal, Warangal. In terms of the said Agreement, our Company is required to commence and complete the construction work within the time specified therein, failing which the allotment may be cancelled. Our Company has though commenced the construction at this Non-SEZ site; it has not been able to adhere to the specified timelines. Our Company has applied to APIICL for extension of time line for construction work and is awaiting the approval. Our Company has paid the consideration to Andhra Pradesh Industrial Infrastructure Corporation Limited and has been paying the relevant dues in respect of the said land. Our Company is completed the construction work which will be funded through the internal accruals and is awaiting the approval from APIICL for delay in construction and registration formalities".

46. With respect to aforesaid statements in the prospectus, it has been alleged in the SCN that TSL and its directors namely Pavan and Ramaswamy have made factual mis-statement about status of land allotment in the Red Herring Prospectus ('RHP') and offer document. Factual status relating to cancellation of land allotted to it in Warangal would have led to adverse inferences being drawn about the project management experience of TSL and its ability to adhere to work completion schedule as per terms of the agreement. It has been alleged that the omission of the information that the land allotment has been cancelled by APIICL has misled prospective investors and it was in violation of regulation 57(1) of SEBI (ICDR) Regulations, 2009.

47. It is observed from the SCN that TSL executed an agreement for purchase of 5 acre of land situated at Industrial Development Area, Warangal with APIICL on February 23, 2006 and the land was handed over to TSL on February 24, 2006

after it paid the consideration amount of 5 lakh. As per the terms of allotment, the said land was to be occupied by TSL for setting up of an IT park/industry and the construction work was to commence and get completed within specified time lines. It was alleged in the SCN that TSL could not adhere to the time schedule and there was lack of any progress of work towards utilisation of the land, therefore APIICL served upon TSL cancellation notices during 2006 and 2007. Subsequently, the said allotment was cancelled by APIICL vide communication dated August 27, 2008.

48. TSL in its reply has submitted that even after the aforesaid cancellation of land allotment they continued to be in possession of the land and had started working from it before the filing of the RHP and prospectus. In this regard, it has been stated that barely two days after the said cancellation order, APIICL vide its letter dated October 10, 2008 "*requested Andhra Pradesh Transmission Corporation Ltd. ('APTRANSCO') to give power connection to TSL immediately as it is a Central Government Scheme so as to commence the I.T Park at the earliest*". It is observed that on February 23, 2009, TSL informed APIICL about the work done by it on the allotted land. Further, on March 29, 2011 the District Industries Centre wrote a letter to Divisional Electrical Engineer, APNPDCL, Rural, Warangal District, forwarding their application for permission for connection load of 30 KVA to the TSL site at APIICL land.

49. It has been also stated that prior to the IPO, i.e. from June 29, 2011, TSL had started its Non- SEZ software development centre at Warangal. Apart from this it has been submitted that the Government of Andhra Pradesh in meetings held on December 15, 2010 and April 28, 2011 reviewed the cancellation order and decided not to cancel the allotment of land to TSL. Subsequent to this, TSL vide letter dated September 5, 2011 requested APIICL for restoration of allotment of land. APIICL, keeping in view of the recommendation of Government of Andhra Pradesh and request of TSL, vide letter dated October 08, 2011 informed TSL that its request for restoration of allotment would be considered subject to payment of 8,09,400/- (i.e. 2,02,350/- towards restoration of allotment and 6,07,050/- towards delay condonation fees). It is evident from the receipt of APIICL annexed at page

127 of reply of TSL, that this amount was paid by TSL on November 28, 2011 and the allotment of land was restored to TSL by APIICL.

50. Further, TSL have filed a copy of the letter dated May 02, 2011, addressed by the personal secretary of the Hon'ble Minister of Information Technology & Communications and Endowments, Govt. of A.P, stating that "*it has been decided to not to cancel the land allotted to Taksheel Solutions Ltd., Madikonda. Hanumakonda, Warangal District and advised the APIIC to extend necessary assistance, so as to commence their activities earlier*".

51. From the above, it is noted that after execution of the agreement for sale of land between TSL and APIICL, the possession of the land was handed over to TSL on February 24, 2006. From the documents submitted by TSL along with the reply, it appears that it remained in possession of the land since the time when it was allotted to it and during the filing of offer documents. Thus, it appears that at the time of filling of RHP and prospectus, TSL was in possession of the land and had started working from there, as the Government of Andhra Pradesh granted an extension of time to TSL to comply with the terms of allotment and decided not to cancel the allotment of land to TSL. Also, it is observed that the decision to cancel the land allotment was reviewed and extension was granted and that if the allotment was cancelled there could have been no extension. Thus, it appears that though APIICL had proposed cancellation, the cancellation did not take effect and the land was restored back to TSL, as seen from the documents filed along with the reply. In such circumstances, the disclosure that *"Our Company has applied to APIICL for extension of time for construction work and is awaiting the approval"* appears adequate and correct. Further, from the disclosure in the offer document that "*Our Company has though commenced the construction at this Non-SEZ site; it has not been able to adhere to the specified timelines…." .*

52. Thus benefit of the doubt can be granted to TSL's disclosure and it can be held that it is not a mis-statement to mislead the investor.

II. <u>Status of Employees</u>

53. Under external risk factors, TSL has made the following statement in point no. 8, page xxix of the offer document.

“We have Indian nationals, as our employees, working in the United States, Europe and other countries and may depend on our ability to obtain necessary visas and work permits. …”

Further, on page 7 of the offer document under the heading Geographical Expansion, TSL has made the following statement:
“We are in the process of expanding our operations and we have recently started our operations from Delware. We already have our presence in India and New Jersey. We propose to expand our operations in Asia-pacific markets and Middle Eastern countries".

54. The allegation made in the SCN is that the statements made about the presence of its employees at various locations outside India was factually incorrect and was intended to mislead the investors into believing that TSL has a pan global presence and its employees are working on various projects and client locations spanning across the world.

55. TSL in its reply has submitted that it had intended to send its employees in future to various destinations, including the USA, based on its ability to obtain the necessary visas and work permits to do so. The company's intention was miscommunicated or misstated by the merchant banker who were responsible for drafting of the offer documents. It has been also submitted that the statement was made under the heading ‘external risk factors’ and hence cannot be construed to as positive representation about is employees.

56. On perusal of the list of employees and other details filed, it is noted that it did not have any employee at places other than Hyderabad and Warangal and that Shri Pavan Kuchana, MD of TSL and Shri Ravi Kusam, VP Business Development of TSL were the only persons who had visited abroad during 2010-11 and 2011-12 (till October 2011). The statement of TSL in the offer document that “*We have Indian nationals, as our employees, working in the United States, and other countries …”* clearly gives the impression that they are already having several Indian nationals working for them as their employees on foreign soil. Further, it has been also mentioned in the offer document that TSL has *“recently started operations from Delaware”.* Such statements made in the offer document give an impression to a person considering the viability of subscription to the IPO that the company at the time of issue of prospectus was having its employees working in United States of America and other countries. The statement was false and it gives an impression that the business of TSL is spread across several countries and its

growth is dependent on changes in legal position related to work permit/visa in jurisdictions beyond India. In view of the clear words used in the offer document and glaring misstatement of facts, the submission made by the entities that they were referring to future requirements appears to be an afterthought. On the basis of the above, it is stated that it is an mis-representation of facts in the offer document made to mislead the investors. Though, the merchant banker to the issue has admitted that it had inadvertently made inclusion about TSL's presence in Europe, it is observed that there are other glaring misrepresentation of facts as well in this regard and the primary responsibility to verify the disclosures/statement made in the offer document was on TSL and its directors, namely Pavan Kuchana and Ramaswamy Kuchana. It is also noted that they have certified the correctness of the disclosures made in the prospectus. Certifying the Prospectus as true and correct implies that the content of prospectus and statement made therein have been verified and were factually correct and not misrepresenting in any form.

57. As regards the submission of TSL that the statement was under the heading 'external risk factors', it is observed that those statements had no basis whatsoever and as such was unwarranted. Also, under the heading "Business Strategy", TSL has stated that they are in the process of expanding their operations and have started their operations from Delaware. This statement was not borne out from documents or otherwise. Thus, the manner in which several incorrect and misleading statements have been included in the offer documents leads one to believe that TSL was intentionally projecting a far rosier picture of its business presence and prospects than what it actually was. Thus, it is observed that there is no merit in the submissions made by the Noticees and accordingly, it is concluded that TSL and its directors namely Pavan and Ramaswamy have violated provisions of regulation 57(1) of SEBI (ICDR) Regulations, 2009 and clause 2(XVI)(B)(2) of Part A of Schedule VIII of SEBI (ICDR) Regulations, 2009.

III. <u>Status of funds required towards objects of the Issue:</u>

58. It has been alleged that TSL have failed to disclose about the existence of Inter Corporate Deposits (ICDs) and made mis-statement on utilisation of the IPO proceeds in the prospectus. The SCN mentions the requirement of funds and the

schedule of deployment of funds raised through IPO were given at page 36 of the prospectus, which is as follows:

Table 1- Utilisation of IPO Proceeds

Sr. No.	Particulars	Total fund required (Rs. In lac)	Estimated deployment of funds in 2011-12 (Rs. In lac)	Estimated deployment of funds in 2012-12 (Rs. In lac)	% of each particulars w.r.t fund required (in crore)
1	Setting up a new SEZ development centre at Hyderabad	914.83	914.83		11.09
2	Setting up a new SEZ development centre at Warangal	865.64	350	515.64	10.49
3	Acquisitions and Other Strategic Initiatives	2200	2200		26.67
4	Financing Incremental working Capital	1280	1280		15.52
5	General Corproate Purpose	2411.19	1411.19	1000	29.22
6	public Issue Expenses	578.35	578.35		7.01
	Total	8250	6734.36	1515.64	100

59. From the above table, it is noted that apart from the cost towards setting up of new SEZ development centre at Hyderabad and Warangal, TSL had earmarked Rs. 24.11 crore towards general corporate purpose to be spent in a calibrated manner during 2011-12 and 2012-13. Further, Rs. 12.80 crore was earmarked for financing incremental working capital requirements during 2011-12 and Rs.22.00 crore was for acquisitions and other strategic initiatives during 2011-12. The company while explaining the amount to be raised towards general corporate purpose has state in the prospectus (at page 43) that:

> *"We intend to deploy the balance Issue proceeds aggregating 2411.19 lakhs (29.23% of the IPO size), towards the general corporate purposes to drive our business growth. In accordance with the policies set up by our Board, we have flexibility in applying the remaining Net proceeds, for general corporate purpose including but not restricted to meeting operating expenses, initial development costs for projects other than the identified projects, partnerships, joint ventures, strategic initiatives and acquisitions and the strengthening of our business development and marketing capabilities, meeting exigencies, which our company in the ordinary course of business may not foresee or any other purposes as approved by our Board of Directors, subject to compliance with the necessary provisions of the companies Act."*

60. It has been alleged that TSL and its directors namely Pavan and Ramaswamy have not adhered to the above estimated deployment of fund. It is observed that the TSL had raised a total sum of Rs. 34.50 crore through ICDs between May-June and September 2011 from different entities which was in far excess of the total working capital requirements for the year 2011-12 as well as the entire general corporate

purpose expenses budgeted by TSL for 2011-12 and 2012-12. The details of ICDs raised by TSL are as follows:

Table-2 Details of ICDs raised by TSL

Name of entity	***Address of entity***	***Date of agreement***	***Interest Rate p.a***	***Tenure (in days)***	***Actual amount received (₹ in crore)***	***Secured/unsecured***
Amarnath Securities Ltd	*1/104, Sarthak, opp. C.T. Centre, Behind Swastik Cross Rd., Ahmedabad, Gujarat- 380 009*	*May 03, 2011*	*14%*	*180*	*20*	*Unsecured*
Gujarat Tool Room Ltd	*402, Sheel Complex,4th Floor, Mayur Colony Near Mithakali Underbridge, Navrangpura, Ahmedabad*	*May 29, 2011*	*14%*	*180*	*7.5*	*Unsecured*
Shitalnath Buildcon Pvt Ltd	*402, Sheel Complex,4th Floor, Mayur Colony Near Mithakali Underbridge, Navrangpura, Ahmedabad*	*June 07, 2011*	*14%*	*180*	*2.50*	*Unsecured*
Swastik Securities & Finance ltd	*33, C.R. Avenue, 9th Floor, Room No. 909, Kolkata - 700 012*	*Sept 11, 2011*	*14%*	*180*	*2*	*Unsecured*
Rohan Finance & Securities Ltd	*29A, Weston Street, 3rd Floor, room No.C-2, kolkata- 700 012*	*Sept 11, 2011*	*14%*	*180*	*2.5*	*Unsecured*
Total					*34.50*	

61. It has been alleged that TSL used IPO proceeds to repay the ICDs which were raised by it much before the date of filing of RHP and the prospectus i.e. September 19, 2011 and October 10, 2011 respectively, and that it failed to make complete and truthful disclosures about it in the offer document. Further, it is alleged that TSL has also made a misstatement in the prospectus about the amount projected towards general corporate purposes, which continued to be shown as the likely expenditure spread across the financial year 2011-12 and 2012-13 even though, it was intended to be used during the year 2011-12 itself.

62. In terms of regulation 57 of the ICDR Regulations, read with Schedule VIII, Clause (2) (VII), sub clause (G), which deals with the manner of disclosures of source of financing of funds already deployed, states that "the means and sources of financing, including details of bridge loan or other financial arrangement, which may be repaid from the proceeds of the issue" need to be disclosed. Further, in terms of clause IX of Part D of Schedule VIII read with Regulation 58(1) of ICDR

Regulations “Any disclosure in terms of any material development after the date of the latest balance sheet and its impact on performance and prospects of the company" need to be made in the offer document.

63. It is observed from the submissions made that TSL has stated the details about raising of loan through ICDs in May-June and September 2011 and the purpose for which they were raised, viz. to meet working capital requirement, was shared with the Merchant Banker as part of the due diligence questionnaire, but the same was not reported by them. It is observed that an email dated August 25, 2011, received from Mr. Ankit Das, the then compliance officer of TSL, to Mr. Subrahmanyam D of PISL in response to the questionnaire sent by PISL. The e-mail contains disclosure about loan of Rs. 30 crore availed from Gujarat Tool Room and Amarnath Securities Ltd. for working capital purpose. It is noted that by June 2011, TSL had availed a loan of Rs. 30 crore in the form of ICD from Gujarat Tool Room Ltd., Amarnath Securities Ltd. and Shitalnath Buildcon Pvt Ltd. The name of Shitalnath was not disclosed by TSL to the merchant banker. Thus, TSL made partial disclosure to PISL about the short term loan availed by it. It is also noted from the reply to the questionnaire that TSL had stated that "no bridge loan was taken by the company". Though it has been contended by TSL that these ICDs cannot be categorised as bridge loan as there was no collateral securing these ICDs, there is no merit in this contention as a loan taken for a short term pending an arrangement for long term financing is termed as bridge loan in commercial parlance. Securing the loan by a collateral is not a pre-condition to term such a loan as bridge loan. It is observed that TSL had raised these loans for a period of six months while it was making arrangements for raising capital through IPO and soon after the receipt of IPO proceeds, it used the money to repay these ICDs. Thus, such loans should have been disclosed in the offer document as bridge loan, which is alleged to be incorrect. It is also noted from the minutes of the meeting of Board of Directors of TSL that Pavan Kuchana obtained ratification of the Board of TSL for ICD loans borrowed in the meeting of the board of directors held on October 13, 2011, i.e. after the closure of issue, though most of the loan amounts were raised in May -June, 2011. Thus, the ratification of the Board was taken after a long lag and the repayment of ICDs from IPO proceeds was also not informed to the Board of TSL.

64. It is also observed that the amount raised in the form of ICDs amounted to 41.81% of the IPO proceeds. The information relating to loan raised and its repayment schedule was critical for making informed investment decision on the part of IPO investors and should have been disclosed in the prospectus. These ICDs were raised at the interest rate of 14% p.a. thereby resulting in an interest liability of Rs. 4.83 crore every year. This would have had a significant impact on the potential cash flow position of the company as well as its profitability and the same is a very material development which should have been disclosed in the offer document. Further, the intended repayment of ICDs through issue proceeds was also material and vital information. It is pertinent to mention that at page 33 (point 25) of offer document contains a contradictory statement that "as on date, TSL has not raised any bridge loan against the proceeds of the issue". Thus, the position contradicts with the statement of TSL that no bridge loan has been availed. In the facts and circumstances of the case, it cannot be said that the investors would have reasonably expected utilisation of IPO proceeds for repayment of huge loan amounts raised through ICDs to be covered under the head "Interim use of funds" wherein it has been stated that TSL may temporarily use the IPO proceeds to reduce outstanding overdrafts or from the IPO fund earmarked for financing incremental working capital requirements. Thus, it is concluded that TSL and its directors namely Pavan and Ramaswamy have made misstatement in the prospectus which is in violation of clause (2)(VII)(G) read with regulation 57(1) of SEBI (ICDR) Regulations, 2009 and Clause (IX) of Part D of Schedule VIII read with regulation 58(1) of SEBI (ICDR) Regulations, 2009 and regulations 60(4)(a) and 60(7)(a) of SEBI (ICDR) Regulations, 2009.

IV. <u>Arrangement with regard to Buy Back of Shares</u>

65. It has been alleged in the SCN that the TSL entered into an arrangement to buy-back shares of TSL which was contrary to the provisions of the ICDR Regulations.

66. Risk factor 9 (pg xix of prospectus) under Internal Risk Factors (Risks related to our company and our business) is reproduced as under:

> *Our company has entered into an agreemeent with one of the Investor, who has subscribed to 10,00,000 Equity shares contributing 6.12% of pre issue paid-up capital of our company,*

imposes certain onerous obligations on our company with regard to exit option and exit valuation to such investor.
Our company has entered into share purchase agreement dated November 24, 2007 ("SPA") with Mr. Dinesh Kumar Singhi, in terms of which the said Mr. Dinesh Kumar Singhi subscribed to 10,00,000 shares of our company constituting 6,12% of the pre share capital of our company at a price of Rs. 100/0 per equity share. The total amount invested by the said Mr, Dinesh Kumar Singhi was Rs. 10 crores. As per the terms agreed in the SPA, in case our company fail to conclude IPO with 18 months from the date of allotment, then our company is required to buy back the shares held by the said Mr. Dinesh Kumar Singhi at Rs. 170/- per equity share aggregating to Rs. 1700 lackhs. In case our company cannot buy back the shares from the said Mr. Dinesh kumar Singhi then the shares may be sold to a person mutually agreed. If the purchase price paid by the third party purchaser is less than the Rs. 170/- per equity shares then in that event our company shall be liable to pay the difference to the said Mr. Dinesh Kumar Singhi. The period of 18 months has elapsed. However, the said Mr.Djnesh Kumar Singhi has not exercised the rights available to him under the SPA. In case this issue is not concluded then there cannot be any assurance that the Mr. Dinesh Kumar Singhi will not exercise his rights under the SPA and call upon our company to buy back the shares held by him. We are in receipt of lock-in-consent letter from Mr. Dinesh Kumar Singhi vide letter dated December 27, 2010 consenting to lock-in of the shares for a period of one year from the date of listing, which over rides the buy back.

67. From the terms of agreement, it is observed that TSL was required to buy back the shares held by Mr. Dinesh in case IPO is not concluded within 18 months from the date of allotment of the shares subscribed under the SPA, at a price of Rs. 170/- per share aggregating to Rs.17 crore. The period of 18 months had expired and Mr. Singhi had not exercise the right available to him under the SPA. The last sentence of the above para states that Shri Dinesh Singhi vide his letter dated December 27, 2010 has consented to the lock-in of shares for a period of one year from the date of listing, which over rides the buy back. It has been also stated in this paragraph that there cannot be any assurance that Shri Dinesh Singhi will not call upon the company to buy back shares held by him if this issue is not concluded.

68. It has been alleged in the SCN that TSL by stating on the one hand that "…. there cannot be any assurance…." and then saying that "consent overrides buy-back" has made misleading statements so as to indicate that the consent overrides buy back for one year only, if at all it does, in terms of the provisions contained in the consent letter. Thus, the disclosures made in this regard have been alleged to be misleading and not based on facts and that any existing buy back arrangement by the issuer at the time of IPO is in violation of ICDR Regulations.

69. TSL in its reply has submitted that the provision of SPA leaves no room of doubt that once they come out with IPO that too with the consent of Mr. Singhi for lock-in of shares allotted to him, then he was no more entitled to any buy back right and

he could have disposed of his shares only in the secondary market after the expiry of lock-in period.

70. Accordingly, TSL has relied upon the judgements in the matter of Hem Nolin Judah & Anr. Versus Isolyne Sorabashnin Bose @ Ors., reported in AIR 1962 SC 1471 and B L Shreedhar & Ors. Versus K.M. Munireddy & Ors., reported in AIR 2003 SC 578.

71. It is observed from the perusal of the provisions of SPA dated November 24, 2007, particularly the paragraphs on exit route for investments, that once TSL comes out with an IPO, the only obligation on TSL and its promoters was to see that Mr. Dinesh faces no difficulty in selling the shares purchased by him in the stock exchange. Thus, it is observed that there is merit in the submission made by TSL that after conclusion of the IPO, Mr. Dinesh was no more entitled to any buy back right and he could have disposed his shares only in the secondary market after the expiry of lock-in period. With regard to the statement in the offer document that "*In case this issue is not concluded then there cannot be any assurance that Mr. Dinesh Kumar Singhi will not exercise his rights under the SPA and call upon our company to buy back the shares held by him."* It is observed that the statement begins with the words "in case this issue is not concluded…" Thus, it talks about the contingency of revival of right to buy back in case the IPO is not successful. As the issue has been successfully concluded this contingency does not arise. Another question for my consideration is whether the statement "*We are in receipt of lock-in-consent letter from Mr. Dinesh Kumar Singhi dated December 27, 2010 consenting to lock-in of the shares for a period of one year from the date of listing, which over rides the buy back."* is a wrong representation made to the public. This statement needs to be read in the context of the previous statements which indicates that the right to buy back may revive if the IPO is not successful. Therefore, the said allegation made in the SCN against TSL and its directors namely Pavan and Ramaswamy cannot be said to be misleading.

V. <u>Order placed with M/s Wiselink Technologies P Ltd. (WTPL)</u>

72. It has been alleged that TSL failed to disclose the related party transaction in the prospectus.

73. TSL had placed a purchase order amounting to Rs. 10.12 crore vide purchase order number TKL/PO/09/01/2011 dated September 30, 2011 to WTPL. As per the purchase order, 50% advance payment was to be released by TSL to WTPL within 45 days of the purchase order for development of designs and drawings. Thus, an amount of ₹5.06 crore was released to WTPL during November 2011. It is noted that the directors of WTPL at the relevant time are Vinod Babu Bollikonda ('Vinod') and Krishna Rao Potti Naga Venkata Tandava ('Krishna'). Further, Vinod was also the authorized signatory of WTPL to operate the bank account maintained with Oriental Bank of Commerce, Banjara Hills Branch, Hyderabad, in which Rs. 5.06 crore has been transferred by TSL out of the IPO proceeds. It has alleged that Vinod was Vice-President, Technology, TSL at that time and was therefore a Key Management Person ('KMP') of TSL. However, TSL, failed to make disclosure in the offer document about the details and nature of transaction utilizing IPO proceeds with a KMP, which resulted in suppression of material information from the investors.

74. With respect to the above allegation rasied in the SCN, TSL has submitted that TSL was not having any plan to buy the mobile software, it subsequently decided to buy the same and utilise the IPO proceeds for it out of the General Corporate Purposes Fund. TSL also submitted that Vinod resigned from TSL on September 28, 2011 (i.e. before the opening of the issue on September 29, 2011) and the order for software was placed later (i.e. on September 30, 2011). Hence, he was not the KMP when the software was purchased. It has been also submitted that the information about the purchase order dated September 30, 2011 could not be included in prospectus due to an inadvertent slip and it was not informed to merchant banker as no payment towards purchase order was made at that time.

75. In this regard, it is stated that in terms of clause 2(VII)(B)(4) under part A of Schedule VIII of the ICDR Regulations, the details of all material existing or anticipated transactions in relation to utilization of the issue proceeds or project cost with promoters, directors, key management personnel, associates and group companies are required to be disclosed in the offer document. It has been submitted that TSL had placed purchase order with WTPL on September 30, 2011,

i.e. a day after the opening of the issue on September 29, 2011. However, it is observed from the letter dated July 12, 2011 written by Vinod that quotations from WTPL were received by TSL as far back as in July 2011. It is also noted from the reply of TSL that quotations from Vinod were called after the quotations received by TSL from two other persons were discussed with Vinod and rejected. Thus, the transaction was anticipated and the company was in talks with only one person for purchase of the software and the person was a KMP. That the transaction was anticipated and planned can also be inferred from the fact that it was finalised by placing of order just a day after the opening of the issue. In such circumstances the submission of the TSL that it had no plan to purchase any such software is not acceptable. Further, the resignation of Vinod one day prior to the opening of the issue also casts a doubt on the bonafides of the disclosure of KMP made in the offer documents. The conduct of TSL in placing such order with its KMP by taking resignation letter from its KMP a day before opening of the issue clearly reveals the ulterior motive of showing a KMP as an outsider and thus indirectly benefitting WTPL and Vinod to the extent of Rs.10 crore.

76. It is also pertinent to mention that Vinod, VP-Technology of TSL, was disclosed as KMP of TSL in the offer document. TSL was under obligation to inform PISL of any changes/ additions to the KMP till the date when the equity shares of TSL started trading on the Stock Exchanges i.e. till October 19, 2011. Any change in the prospectus/offer document should have been informed to PISL or should have been updated in the offer document/prospectus. It is observed that no such change was made and Mr. Vinod continued to be shown as a KMP in the offer document. The submission that it was not informed to merchant banker as no payments were made does not cut ice as even a planned transaction with a KMP needs to be disclosed. No such disclosure was made in the RHP or prospectus. In this connection, it is also noted from the minutes of the BoDs meeting held on October 10, 2011 that the directors of TSL have certified that they have verified the offer document/prospectus and the contents are true and no facts are omitted and misleading in any material respect. Thus, the attempt of TSL to show that Vinod had resigned from TSL on September 29, 2011 appears to be a part well thought out plan to sidestep the regulations.

77. In this context it is relevant to note that the company had made a categorical statement in the prospectus (page xxx, point 8) that "*no part of the issue proceeds will be paid as consideration to Promoter, Directors, Key Managerial Personnel or persons forming part of the promoter's group".* Therefore, it is concluded that TSL had deliberately not provided this vital piece of information from prospective investors and manipulated the placement of order to benefit Vinod, using the proceeds of the IPO, by obtaining a resignation letter from him. Thus, TSL failed to make a disclosure about the intended transaction with WTPL, which led to a misstatement regarding related party transactions in violation of Clauses 2(VII)(B)(4) and 2(IX)(B)(12) of Part A of Schedule VIII read with Regulations 57(2)(a) of SEBI (ICDR) Regulations, 2009.

VI. Purchase of Software Product from Verisoft Business Solutions P Ltd.(VBSL)

78. It has been alleged that the TSL and its directors namely Pavan and Ramaswamy have failed to disclose the related party in the offer document i.e. about TSL's purchase of software from VBSL.

79. Under the capital structure (page 24 of the prospectus), dealing with Share Capital history of the company, it is observed that TSL had allotted 50,00,000 shares to an entity VBSL on October 01, 2009. These shares were issued for consideration other than cash at a premium of 10 ₹ per share. The said transfer was purported to be for purchase of software product called Mobile Virtual Network Enabler to TSL. The valuation of the product is shown as ₹ 10 crore. The agreement with respect to the transaction was signed by Pavan on behalf of TSL and Smt. G Lalitha on behalf of VBSL on October 1, 2009. Mrs. G. Lalitha and Shri Gudimalla Janardhan Rao were directors of VBSL since its incorporation. Shri Gudimalla Janardhan Rao and Mrs. G. Lalitha are the father-in-law and mother-in-law respectively of Pavan. In other words, VBSL was a company in which the relatives of Pavan were directors.

80. In terms of Regulations 57(1) of SEBI (ICDR) Regulations, 2009, the offer document shall contain all material disclosures which are true and adequate so as to enable the applicants to take an informed investment decision. At page 98 of the prospectus, it has been disclosed by the company that "except as stated in this

prospectus, our company has not purchased any property in which any of its promoters and/or directors, have any direct interest in any payment made there-under." Similarly, at page 121, it has been stated that "our directors do not have any interest in any property acquired by our company in a period of two years before the date of the prospectus…." In view of the above, it has been alleged that TSL failed to make disclosure in the offer document about linkages of VBSL with the directors/promoters of TSL, the nature and extent of interest of promoter/director in the payment made by the issuer for acquisition of property by issuing equity shares for consideration other than cash.

81. It has been contended that the father-in-law and the mother-in-law of Pavan ceased to be directors of VBSL from March 16, 2009. From a perusal of the resignation letters submitted by the entity, it is observed that there is no marking or stamp of VBSL on the resignation letters indicating that it was received by VBSL. Apart from this, no other supporting document has been furnished. On the other hand, there is an agreement dated October 01, 2009 between TSL and VBSL where Mrs. G. Lalitha has represented VBSL as its director. With regard to the statements that Mrs. Lalitha continued to be the director of the company at the request of new directors and that these persons had transferred their shareholding in the company to new directors, it is observed that these are mere statements for which no further details or supporting documents have been furnished. Further, TSL did not provide a proof of such filing of resignation letter by VBSL with MCA. Considering above, the submission of TSL that the directors of VBSL has resigned from VBSL cannot be accepted.

82. Also, the proximity of relations of the directors of VBSL with Pavan Kuchana and the nature of consideration paid towards purchase of software (i.e. 50 lakh shares of TSL) are factors that make it imperative of TSL to make relevant disclosures in the offer document, more so because they would become substantial shareholders post the listing following the IPO.

83. Thus, the directors of TSL, namely Pavan Kuchana and Ramaswamy Kuchana failed to disclose in the offer document about their interests in the software purchased from VBSL in lieu of shares of TSL allotted to VBSL. This vital piece of

information was suppressed by TSL and its directors from the investors while making other disclosures about VBSL. Thus, it can be held that they made mis-leading statements and mis-represented the facts in the offer document in violation of regulation 57(1) of SEBI (ICDR) Regulations, 2009.

84. From the above, it is concluded that TSL and its directors namely Pavan Kuchana and Ramaswamy Kuchana have violated 12a(A), (b) and (c) of SEBI Act read with and Regulations 57(1), 58(1), 60(1), 60(4)(a) and 60(7)(a) of ICDR Regulations and clauses 2(VI) (B) (4), 2(VII)(G), 2(IX) (12) and 2(XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57(2) (a) of ICDR.

VII. Siphoning off of IPO proceeds and Manipulation of books of accounts

85. It is alleged in the SCN that TSL through Pavan, Durga, Kamal and Ravi have created entities i.e. vendors /clients of TSL, in USA and siphoned off IPO proceeds and borrowed money to create impression of business transactions under the garb of providing/availing software development service to/from TSL. Also, it was alleged that the books of accounts of TSL were inflated/cooked by such funds transfer. It is alleged that there was a circular movement of funds between supplier, TSL and its clients which resulted into incremental revenue on the one hand and corresponding inflation of profitability of the other.

86. It is observed TSL had 16 clients and 4 vendors. All these entities were located at USA. It has been observed in the SCN that the address of most of the clients and vendors, their website creation dates, website contents etc were similar, which are detailed below:

Table -3: Details of Clients and Vendors of TSL

S No.	Name	Client/ vendor	Address	Website	Website registration date	Website registered by
1	Ami Technologies Inc.	Client	325 Cranbury NJ - 08540	www.amitechinc.com	31.05.11	Taksheel Solutions Limited
2	Cvcox Networks Inc.	Client	3240 E State Street Ext,Hamilton New Jersey 08619	www.cvcoxnetworksinc.com		

S No.	Name	Client/ vendor	Address	Website	Website registration date	Website registered by
3	Ermin Technologies Inc.	Client	3240 E State Street Ext, Hamilton New Jersey 08619	www.ermintechinc.com		
4	Fausta Software Solutions Inc.	Client	3240 E State Street Ext Hamilton New Jersey 08619	www.faustasoftsolinc.com		
5	Rasax Soft Inc.	Client	3240 E State Street Ext Hamilton New Jersey 08619	www.rasaxsoftinc.com		
6	Cyma Network Solutions Inc.	Vendor	3240 E State Street Ext, Hamilton New Jersey 08619 USA	www.cymanetsol.com		
7	Helia Software Solutions Inc.	Vendor	3240 E State Street Ext, Hamilton New Jersey 08619	www.heliasoftsolinc.com.		
8	Kyros Tech Systems Inc.	Vendor	3240 E State Street Ext Hamilton New Jersey 08619 USA	www.kyrostechsysinc.com		
9	Avalon Tech Systems Inc.	Client	1075 Easton Avenue Tower 2 Suite Sommerset NJ	www.avalontechsys.com	26.11.11	Taksheel Solutions Limited through Virtu Tech Solutions Pvt. Ltd. # 3-6-110/3, 2nd Floor, Anand Arcade Himayath Nagar, Hyderabad - 500 029
10	Felix Technologies Inc.	Client	4 Cotton Woods DriveWestwindor NJ 08550	www.felixtechinc.com		
11	Lorven Pharmacy	Client	1006 Manhattan Avenue Brooklyn NY 11222	www.lorvenpharma.com		
12	Naras Technologies Inc.	Client	5L Reading Road Edison NJ 08817	www.narastechinc.com		
13	Vemury Systems Inc.	Client	465, Meadow Road #7105 Princeton NJ 08540	www.vemurysys.com		
14	Crest Solutions Inc.	Vendor	2540 US Highway 130 Suite 101 Cranbury New Jersey 08512	www.crestsol.com		

87. Out of a consolidated list of 20 entities (16 clients and 4 vendors), 7 clients namely Ermin Technologies Inc.; Avalon Tech Systems Inc. USA.; AMI Technologies Inc. USA; Rasax Soft Inc. USA; CV Cox Networks Inc. USA; Fausta Software Inc.USA and Felix Technologies Inc. constitute almost 66% of the total revenues of TSL.

88. It has been also brought out in the SCN that the contents of the websites of SNo. 1-8 have all been registered on the same date May 31, 2011. These entities include both clients and vendors of the company. All these 8 websites have been registered by TSL

89. It is also observed that the website contents of the first 8 entities as given in the above table are by and large common word for word. All these websites have 4 links (Home, Ourselves, Technology and Contact Us). The contents of each of

these links as provided in the websites are same across all these websites. This spans business generated through referrals, technology domain expertise, about themselves etc. For instance, under the weblink "Ourselves", all of the webpages write that *" …over 70% of ………candidates are sourced from referrals".* It is observed that Cyma net solutions is also one of the vendors as per the above table. While describing their Technology page, all the websites have a write up which states that *"…..Ami Technologies will meet with key business leaders to determine a hiring strategy that supports your specific environment…."* At another place, all the websites state that *"Ami Technologies helps its clients in planning, implementing and upgrading various ERP Technologies including SAP, Oracle…."* It is observed that AMI Technologies is one of the clients of TSL. It is observed that the contents of the websites were subsequently modified.

90. Further, apart from the address, no other contact details such as phone numbers, email ids etc. were provided on the web-pages of any of these entities. With regard to websites of 6 entities (from Sl. No. 9 to14 in table 3), it has been mentioned in the SCN that they were registered by TSL through Virtu Tech Solutions Pvt. Ltd. (a company based in Hyderabad) on November 26, 2011, i.e. two days after TSL received SEBI summons to provide complete details about its clients and vendors and payments for the same were made by TSL.

91. With regard to the above, TSL has submitted that the websites were created and developed by them for their clients and vendors on sample basis hence they were similar. It has been also submitted that the process of website development and registration was ongoing before the issuance of the summons. In this regard, it is observed that the website domain names of these companies were registered by TSL or through Virtu Tech Solutions Pvt. Ltd. TSL also made payment to Virtu Tech on December 31, 2011 (Rs.16,500) and on January 25, 2012 (Rs.6,000/-). These payments were made after the date of registration of websites. Noticees have not submitted any communication/evidence to show that work for developing the websites was going on before the receipt of summons from SEBI. Thus, it appears that the statement that the website development work was going on before issuance of SEBI summons is an afterthought. Further, the SCN also mentions that subsequent to the observations in the interim order dated December 28, 2011

about similarity in website content, the webpage content and its design of the websites of entities at serial no. 1 to 8 were completely modified. To show the modifications carried out post the interim order, the SCN has provided screen shot of both the versions of 'home' page of Ami Technologies Inc. (the earlier version at page 19 and modified version at page 24 of SCN). On a comparison, it is found that the contents therein and design of the webpage were totally recast. This subsequent act of modification of the contents and design of the website post the interim order indicates that TSL was attempting to distinguish its clients/vendors from one another and to show that each client/vendor was genuine. Hence, the submissions of the Noticees that the similarities in contents of the websites developed by TSL, directly or through an external vendor, was due to the fact that these websites were developed on the basis of sample template is not acceptable. Further, the domain names of these websites were registered by TSL. Even if it is considered that TSL is a software company, it is strange that it will register domain names of its own purported clients and vendors, all based in USA, without any written communication in this regard from them. Also it is difficult to believe that all these clients /vendors requested TSL to register websites for them at the same point of time. It also defies logic as to why TSL paid for creation of these websites and not recovered cost from its clients/vendor. The narration of events, as put forth by TSL, which led to creation and modification of the website for these 14 entities does not appear to be true as it is difficult to believe that so many independent entities or the so called clients and vendors of TSL would act in unison for creation and modification of websites. This compels one to conclude that these clients/vendors are controlled by a common person.

92. The SCN mentions that many of the vendors and clients of TSL were created by Kuchana, the MD of TSL, Smt. Durga Kuchana, wife of Pavan Kuchana, Ravi Kusam, VPBusiness Development of TSL and Kamal Kuchana, one of the promoters of TSL and brother of Pavan Kuchana. It has been also brought out that Durga and Ravi were shareholders of many of these companies. Ravi, Durga Kuchana or Pavan were the bank account signatories of the companies mentioned at Serial no. 1 to 10 of Table 3. The details of such clients/vendors of TSL are as under:

Sr. No	Entity Name	Relationship with Taksheel	Account signer's name	Role of account signer in the client/vendor	Bank Name	Account No	Account opened date (DD/MM/YY)	Name of the shareholder
1	*Ermin Technologies Inc*	*Client*	*Ravi Kusam*	*Secretary/ Treasurer*	*JP Morgan*	*922483771*	*11/03/11*	
2	*Rasax Soft Inc*	*Client*	*Ravi Kusam*	*President*	*JP Morgan*	*970533311*	*10/03/11*	
3	*Felix technologies Inc*	*Client*	*Pavan kuchana/Ravi Kusam*	*President/VP &Secretary*	*Bank of America*	*381029026137*		
4	*AMI Technologies Inc*	*Client*	*Ravi Kusam*	*First Board of Directors/Incorporators*	*Sovereign Bank*	*842356800/511065132*		*Ravi (200 shares)*
5	*Kyros Tech Systems Inc*	*vendor*	*Ravi Kusam*	*Secretary/Treasurer*	*JP Morgan*	*922483755*	*11/03/11*	*Durga (200 shares)*
6	*CYMA Network Solutions Inc*	*vendor*	*Ravi Kusam*	*President*	*JP Morgan*	*970533386*	*10/03/11*	
7	*Crest Solutions Inc*	*vendor*	*Ravi Kusam*	*VP/Secretary*	*Bank of America*	*381029026276*	*07/03/11*	
8	*Helia Software Solutions Inc*	*vendor*	*Ravi Kusam*	*First Board of Directors*	*Sovereign Bank*	*0842356797*		*Ravi (200 shares)*
9	*Fausta Software Solutions Inc*	*Client*	*Durga Kuchana*		*Sovereign Bank*	*842356754/511065094*		*Durga*
10	*Avalon Techsystems LLC*	*Client*	*Preeti Mulbagal*	*Member Managed*	*JP Morgan*	*943789370*	*17/03/11*	
11	*Lorven Pharmacy LLC*	*Client*	*Vutukuri Srihari*	*Office Professional*	*JP Morgan*	*4246315174191799*		
12	*Alayga Technoligies INC*	*Client/vendor*	*Kamal Kuchana*	*President*	*Bank of America*	*3817329214*	*08/11/06*	
13	*Ermin technologies Inc*	*Client*	*Ravi Kusam*	*Secretary*	*Sovereign Bank*	*1411115155*	*10/03/11*	*Durga (200 shares)*
14	*Alayga Technologies Inc*	*Client/vendor*	*Preeti Mulbagal*	*Secretary*	*JP Morgan*	*943789362*	*17/03/11*	
15	*CV COX Networks*	*Client*	*Durga Kuchana*		*Sovereign Bank*	*511065108/842356762*	*03/03/2011 3/3/11*	*Durga*
16	*Kyros Tech System Inc*	*Vendor*	*Ravi Kusam*		*Sovereign Bank*	*1411115147*	*10/03/11*	*Durga (200 shares)*

93. It is also pertinent to mention that during the investigation, communications were sent to these entities incorporated in USA, seeking details of shareholders/promoters. Communications sent to the vendors/clients of TSL mentioned at Sl. No. 1 to 10 in the table above returned undelivered and no

registered agent or contact person associated with these companies could be contacted.

94. It is an admitted fact that the clients/vendors of TSL have been incorporated by Pavan, Durga, Kamal and Ravi and subsequently transferred the entities to the respective individuals. In this regard, TSL has submitted copy of minutes of shareholding's meeting of Helia Software Solutions Inc, CYMA Network Solutions Inc, AMI Technologies, Rasax Soft Inc, Fausta Sofware Solutions Inc, CVCOX Networks Inc, Kyros Tech Systems Inc and Ermin Technolgies Inc, copy of share certificates held by Durga and Ravi in these companies. Also, a hand written certificate detailing the transfer of shares of these entities by Durga and Ravi to other individuals was submitted, however, the authenticity of the documents are questionable on the ground that TSL has not provided any proof evidencing that the transfer of shares were registered by the Authorities of US. It is pertinent considering the fact that the commission sent by US authorities were returned undelivered.

95. It is also noted that Ravi, is in the role as Secretary/Treasurer/VP/Secretary/Board of Directors of the clients/vendors of TSL. In case of Helia Software Solutions and AMI Technologies the vendor & client of TSL, respectively, Ravi hold 200 shares in these entities. Further, it is also noted that Ravi played the role of Secretary/Treasurer/President/Vice President/ in some of the clients/vendors of TSL and also hold 200 shares in felix Technologies Inc, in which Pavan is President.

96. With respect to Durga, it is observed that Durga, Director of Kyros Tech Systems Inc, vendor of TSL, holding 200 shares and also authorises Ravi to operate the bank account of Kyros. It is also observed that Durga is also associated with CV COX Networks, Fausta Software Solutions Inc, clients of TSL. Also from the above table, it is observed Kamal, president of Alayga Technologies Inc, the client/vendor of TSL.

97. It is more important to state that the above vendor/clients form 90-100% of the expenditure/revenue (as submitted by TSL) were spent/generated were none other

than the entities of TSL, which questions the source of TSL generated from its clients.

98. Further, with respect to the specific question about Felix Technologies inc in which Mr Pavan Kuchana is the president and also held shares, Pavan kuchana has submitted that he is not associated with Felix Technologies Inc., the client of TSL during the period January 01, 2010- September 30, 2012 in any manner. The above statements of Mr. Pavan are factually incorrect and misleading.

99. Adding to the above fact, it was also observed that Ravi Kusam is the signing authority of Kyros Tech Systems Inc. vendor of TSL, issued cheque in favour of Felix technologies inc, the client of TSL, (on March 31, 2011, for 12665 $, cheque no: 999991) as invoice payments, which also narrates that the Kyros the entities of TSL, operated through Shri Ravi Kusam.

100. From the above information, it can be concluded that the so called above clients/vendors are none other than the entities of TSL in which the Ravi Kusam, Pavan kuchana, Durga Kuchana and Kamal Kuchana are in the role of these entities.

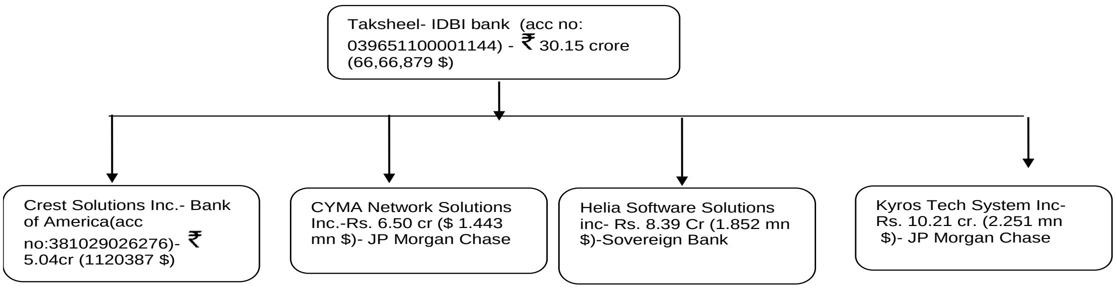
101. On the basis of analysis of bank account statements of clients and vendors of TSL, as obtained from Securities and Exchange Commission, USA, circular movement of funds between TSL and its clients and vendors have been brought out in the SCN. TSL utilised the IPO money to make transfer of funds to its vendors and part of it came back to it in the garb of receipts from clients. After receipt of the IPO money, TSL utilised them to repay the loan amount of `34.50 crore raised by it through ICD from different entities during May 2011, June 2011 and September 2011. From the amounts raised through ICD, an amount of `30.15 Crore was transferred to Helia Software Solutions Inc., Crest Solutions Inc., CYMA Network Solutions Inc. and Kyros Tech Systems Inc. as vendor payments. Apart from the transfer of `30.15 crore to the aforesaid four purported vendors of TSL, an amount of `5.30 crore was also transferred to them on December 13, 2011 from the IPO proceeds.

102. TSL after raising the loan, immediately transferred ₹30.15 crore (i.e. $ 66,66,069) to the entities located outside India as vendor payments. The payments were made by TSL through its IDBI account and the details are as follows:

Table 5- Transfer of ICD proceeds by TSL

Sr. No	*Name of the entity*	*Name of the bank in which it maintained account*	*Account No.*	*Transferred Amount (₹ in crore)*	*Transferred amount ($ in lac)*
1	*Helia Software Solutions Inc., USA ('Helia')*	*Soverign Bank*	*0511065140*	*8.39*	*18.52*
2	*Crest Solutions Inc., USA ('Crest')*	*Bank of America*	*381029026276*	*5.05*	*11.20*
3	*CYMA Network Solutions Inc., USA ('CYMA')*	*JP Morgan Chase*	*970533386*	*6.50*	*14.43*
4	*Kyros tech Systems Inc., USA ('Kyros')*	*JP Morgan Chase*	*922483755,*	*10.21*	*22.51*
Total				***30.15***	***66.66***

103. The pictorial representation of the transfer of funds to its vendors are as follows:

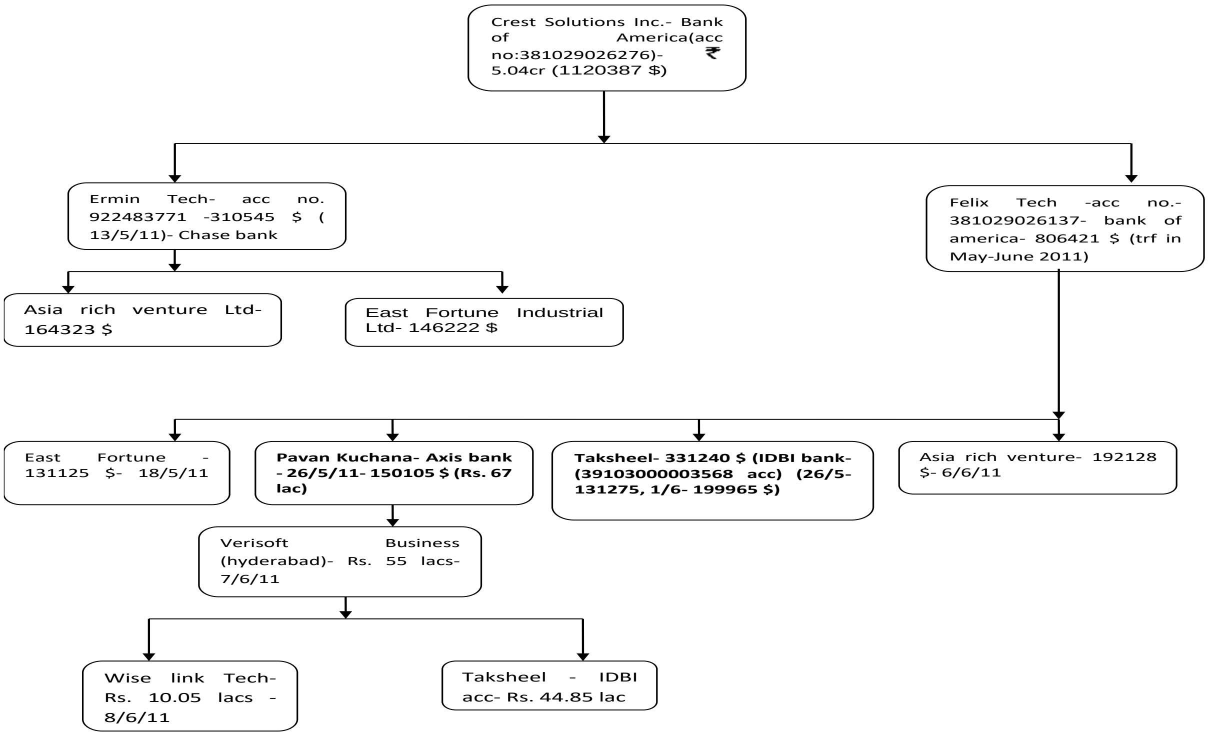


104. The further movement of funds, from the amount of Rs. 30.15 crore transferred to aforesaid vendors of TSL, to other entities are detailed as follows.

I. <u>Crest Solutions Inc</u>

i. Crest received ₹5.04 crore i.e.11, 20,387 $ in the month of May 2011 from TSL, prior to which there was a negligible balance of $295 in its account. Crest transferred 310545 $ to Ermin Technologies on May 13, 2011 and 806421 $ was transferred to Felix Technolgies Inc in the month of May-June 2011. The entire amount credited in Ermin account was transferred to 2 entities namely Asia Rich ventures and East Fortune

Industrial, from the US bank accounts of Ermin & Felix. Felix after receipt of credit $ 806321 in its acccount from Crest transferred $331240 $ (1.49 cr.) to TSL- IDBI account and the same has been accounted as revenue of TSL. The same amount was once again transferred to vendors of TSL in the form of re-circulation and shown as expenditure spent on software development service. Prior to the credit from Crest, Felix maintained a negligible credit balance of 238$.Felix also transferred $ 150105 (₹ 67 lacs) to bank account of Pavan maintained with Axis Bank. This amount was transferred by Pavan to VBSL which in turn transferred this amount to Wise Link Technology and to TSL. The remaining amount was transferred to Asia rich venture ($192128 - 6/6/11) and East fortune Industrial ltd ($131125 -18/5/11). The fund movement, as explained above, is depicted pictorially as below:

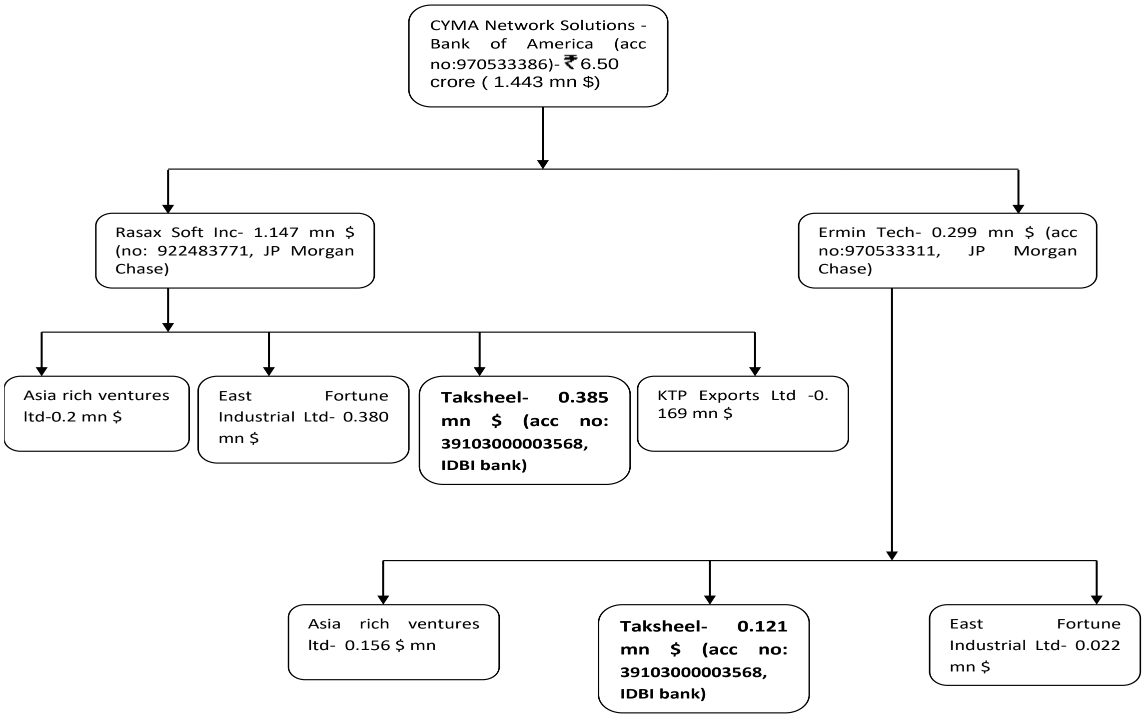


ii. From the above, it is noted that out of ₹ 5.04 crore payment to Crest, from ICD loan, Rs.1.49 crore was transferred to TSL through its client account and shown as revenue, which is once again re-circulated as payment towards vendors. The ICD raised by the company was also used to transfer Rs. 67 lacs from Crest to Pavan using the bank accounts of Felix.

Pavan Kuchana, in turn transferred this amount to the extent of Rs. 55 lac to VBSL. VBSL transferred Rs. 10.05 lacs to Wise link Tech and remaining Rs. 44.85 lacs to TSL, thus completing the cycle. As mentioned earlier Vinod Babu Bollikonda, director in Wise link Tech and the VP- Technology of TSL.

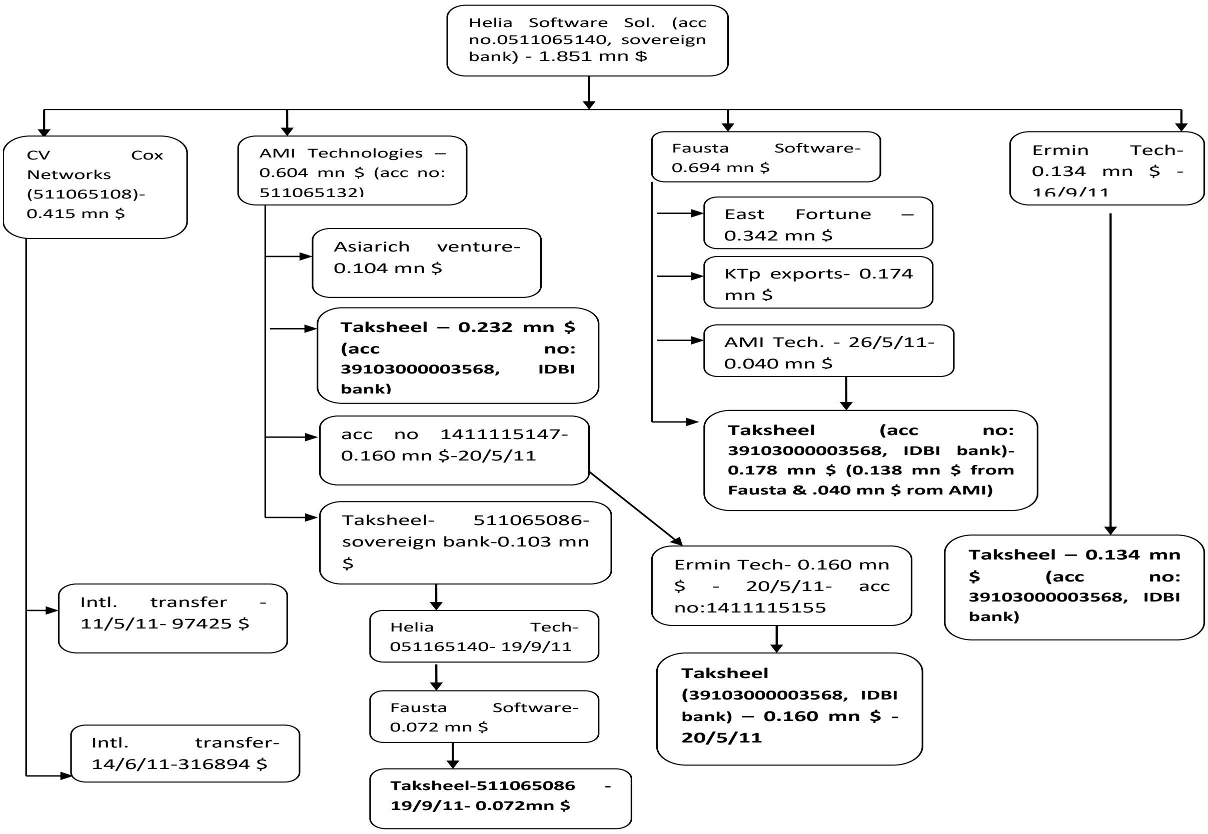
II. <u>CYMA Network Solutions Inc</u>

TSL transferred Rs. 6.50 crore ($1.443 million to CYMA as the payment towards vendor charges in the month of May-June 2011. CYMA in turn transferred $1.147 million and $0.299million to Rasax Soft and Ermin Tech respectively. Rasax, out of this credit of $1.147 million received from CYMA, transferred $0.200 million to Asiarich ventures, $0.380 million to East fortune Industrial, $0.169 million to KTP Exports and $0.385 million to TSL's, IDBI Bank account. The transfer of $0.385 million to TSL is shown as revenue of TSL for the period April 2011- March 2012, as observed from the copy of financial ledger of Ermin and Rasax forwarded by TSL. Similarly, Ermin after receipt of $ 0.299 million to Ermin Tech from the loan borrowed by TSL, $ 0.156 million was transferred to Asiarich venture, $0.021 million to East fortune Industrial and $0.121 million to TSL's, IDBI bank account. The transfer of $0.121 million to TSL is shown as revenue of TSL for the period April 2011- March 2012, which is observed from the copy of financial ledger of Ermin and Rasax forwarded by TSL. Thus, a total of $ 0.506 million were transferred to TSL's account through purported vendors/clients of TSL from the loan raised from different entities in India. It is also noted in the bank statement of IDBI account of TSL, the credit of $ 0.506 million is once again transferred to vendor towards its software development services. The above submission is narrated in pictorial form as follows:



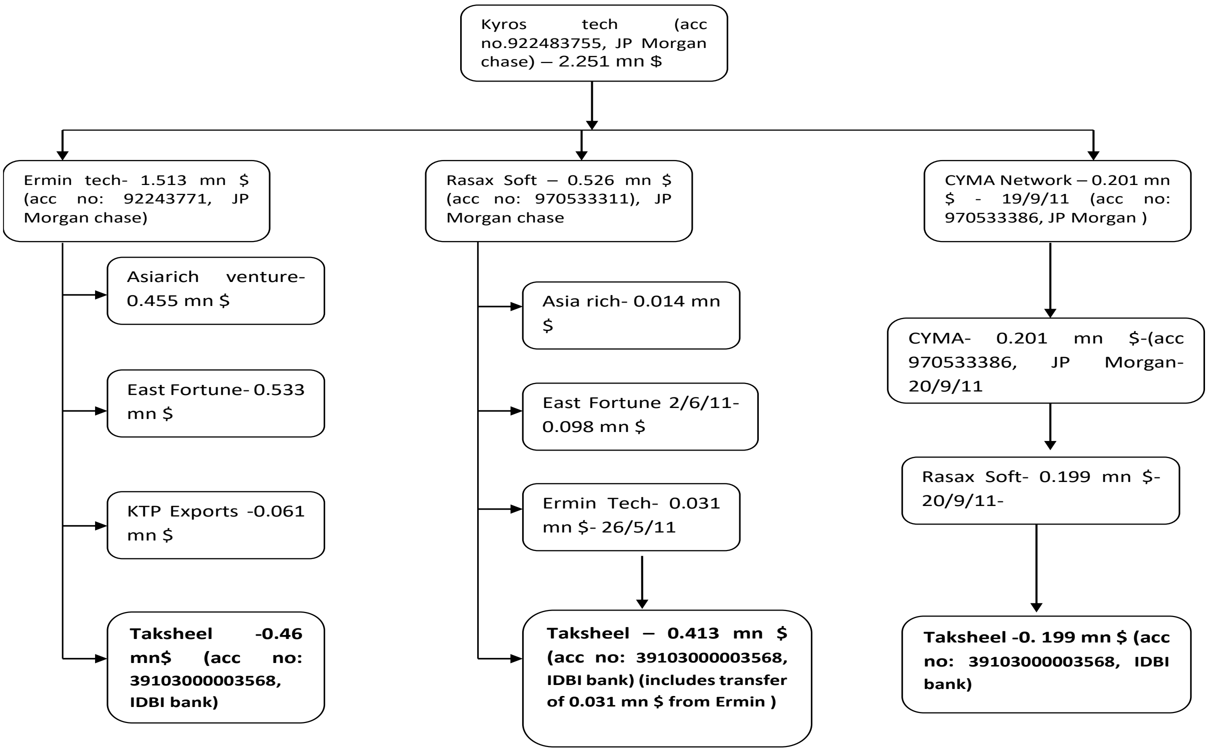
III. <u>Helia Software Solutions Inc</u>

TSL transferred Rs. 8.39 crore ($1.85 mn) to Helia from the amount raised through ICDs. Helia immediately transferred from this amount, a sum of $0.415 mn to CV Cox Networks, $0.604 mn to AMI Technologies, $ 0.694 mn to Fausta Software and $ 0.134 mn to Ermin Technologies. From $ 0.604 mn received by Ami, it transferred $ 0.104 mn to Asiarich Venture and $ 0.304 mn $ to TSL's-IDBI bank account. The transfer from AMI to TSL was accounted as revenue in the books of TSL for the FY 2011-2012. Fausta, after receipt of $0.694 million transferred $ 0.342 mn, $0.174 mn to KTP Exports and an amount of $0.138 mn to TSL's IDBI Bank account. TSL, had also received an amount of $0.40 mn in this account from Ami Tech, which was received by Ami from Fausta. TSL accounted $0.178 million as revenue in its books for the for the period April 2011-March 2012. Ermin transferred the entire amount of $0.134 mn received from Helia's to TSL's IDBI bank account. TSL accounted it as revenue in its books for the period April 2011-March 2012. CV Cox made certain international funds transfers. The above is presented in pictorial form, as below.



IV. <u>Kyros Tech Solutions Inc</u>

TSL transferred $ 2.251 mn (Rs.10.21 cr) to Kyros, during the period May- June 2011 and September 2011. From this amount, Kyros, immediately transferred to Ermin tech of $1.513 mn, Rasax Soft of $0.526 mn and $ 0.201 mn to CYMA. Out of credit of $1.513 mn, Ermin had transferred $ 0.455 mn to Asiarich ventures, $ 0.533 mn to East Fortune Industrial, $ 0.061 mn to KTP Exports and the remaining $ 0.46 mn were transferred to TSL (IDBI account 39103000003568). The transfer by Ermin to TSL was accounted as revenue in the books of TSL for the FY 2011-12. Rasax out of the credit of $0.526 mn received from Kyros, transferred $ 0.014 mn to Asia rich ventures, $ 0.098 mn to East Fortune Industrial and $ 0.031 mn to Ermin Tech. The transfer of $0.031 mn to Ermin was immediately transferred to TSL (IDBI bank A/c 39103000003568). The transfer by Ermin to TSL was accounted as revenue in the books of TSL for the FY 2011-12. Thus a out of $0.526 mn transferred by TSL to Rasax, $ 0.413 mn were transferred to TSL and these transfer were shown as revenue by TSL. Kyros transferred $ 0.201 mn on September 19, 2011 to CYMA. It is pertinent to note that in terms of submission of TSL, Kyros and CYMA are the vendors of TSL. Thus, the transfer between these vendors reflects that these entities are inter linked and operated by a common person. CYMA after receiving the credit from Kyros transferred $0.199 mn to Rasax soft on September 20, 2011, which in turn was credited to TSL (IDBI account 39103000003568). However, it was observed from the financial ledger submitted by TSL, it is appears that the said amount was not accounted as revune of TSL for the financial year. Thus, a total of $0.873 mn (apart from a transfer of $ 0.199 mn to TSL) were accounted as revenue from clients of TSL during the financial year April 2011-March 2012. The above submission is presented in pictorial form, as below:



Transfer of IPO proceeds by TSL

105. SCN also mentions that from the bank account of TSl maintained with Indian Bank- Hyderabad- in which IPO proceeds were received, TSL had transferred Rs. 7 crore (approx.) on december 08, 2011 to its account with IDBI Bank in Mumbai (Acc No: 039651100001144). Thereafter, out of the ₹ 7 crore an amount of Rs. 5.30 crore was transferred to its four vendors located at USA on December 13, 2011. The details of this transfer are as follows:

Table 6: Transfer of IPO proceeds by TSL

Date	Beneficiary Name	Amount (in Rs.)	Equivalent $
13-12-2011	Crest Solutions Inc	82,75,135	154131
13-12-2011	CYMA Network Solutions	1,35,18,376	252444
13-12-2011	KYROS Tech Systems Inc	1,12,52,193.75	210125
13-12-2011	HELIA Software Solutions Inc	1,99,37,919	373020
	Total	5,29,83,624	989720

The further movement of funds, from the above amount transferred by TSL on December 13, 2011 into the accounts of its purported vendors, are as follows:

CYMA Network Solutions

TSL, transferred Rs. 1.35 crore ($ 252444) to CYMA (acc no: 970533386, JP Morgan Chase Bank, USA) on December 13, 2011. As per financial ledger of all the vendors of TSL for the period April 01, 2010- March 31, 2012, this transfer was accounted as payment for the software service rendered by CYMA to TSL. As per bank statement of CYMA on December 14, 2011 sums of $1,38,915 and $110,151.50 (totalling $249066.85) were transferred to. Ermin (acc no: 922483771, JP Morgan Chase Bank, USA) and to Rasax (970533311, JP Morgan Chase Bank, USA) respectively. Prior to the receipt of transfer amount from TSL, CYMA had a small credit balance of $ 220 in its account. On December 14, 2011, Ermin and Rasax transferred the said amounts to TSL bank account (acc no: 970533295, JP Morgan Chase Bank, USA). As per financial ledger of all the clients of TSL for the period April 01, 2011- March 31, 2012, the amount received from Rasax on december 14, 2011 was shown as revenue in the books of TSL for the year 2011-12.

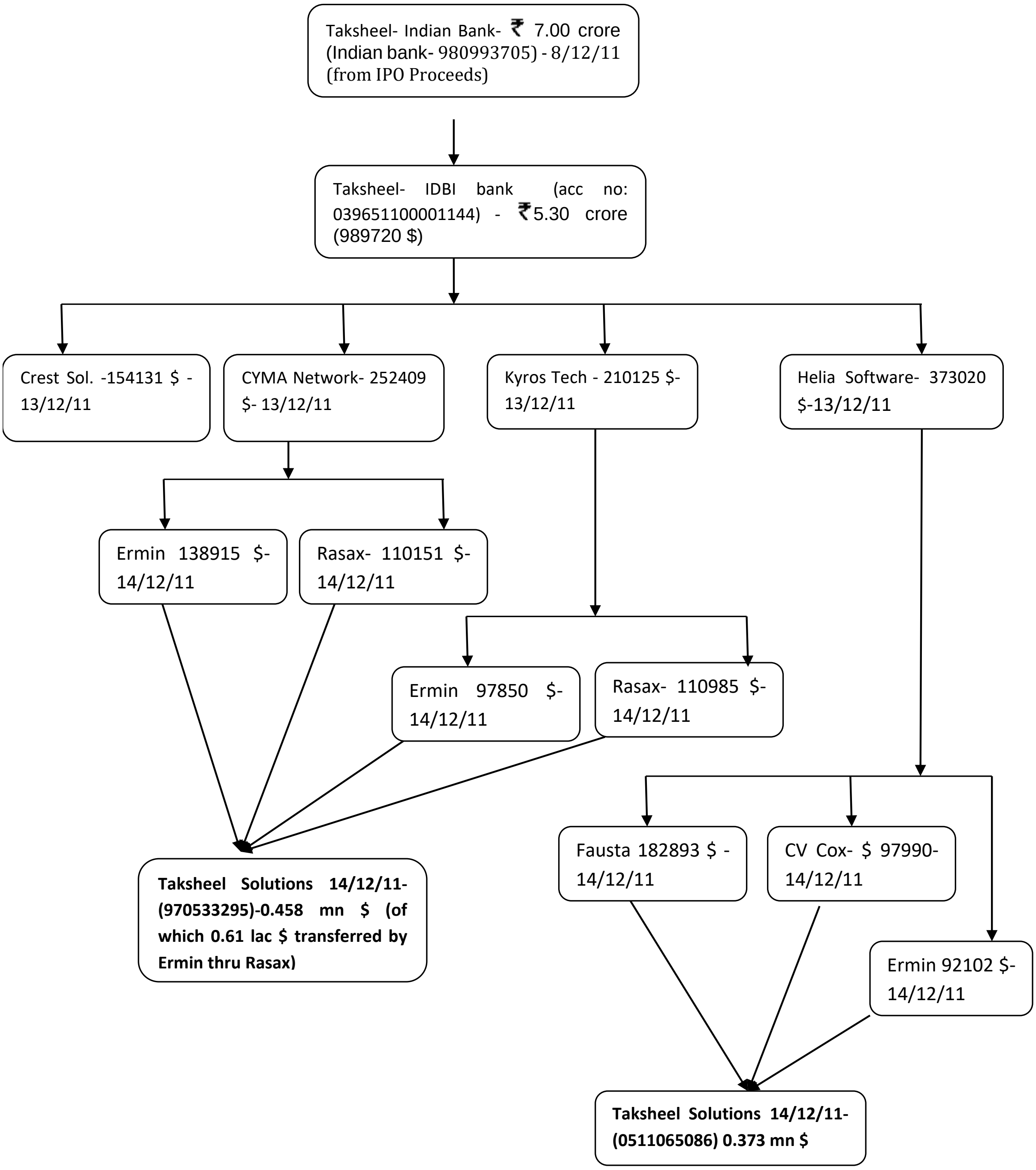
Kyros Tech Systems Inc

TSL transferred ₹1.12 crore (210125 $) on December 13, 2011 to Kyros(acc No:922483755, JP Morgan Chase Bank, USA) and the same was accounted by TSL in its ledger as an expenditure for software development for the period April 01, 2011- March 31, 2012. Prior to the said credit, Kyros maintained a balance of 187$ in its account. On December 14, 2011, Kyros transferred 97850 $ and 110985 $ to Ermin Technologies Inc (acc no: 922483771, JP

Morgan Chase Bank, USA) and Rasax Soft Inc (970533311, JP Morgan Chase Bank, USA) respectively. Ermin Technologies Inc, transferred the amount to TSL (acc no: 970533295, JP Morgan Chase Bank, USA) along with the other transfer received from CYMA Network. Rasax Soft Inc, also transferred the amount to TSL (acc no: 970533295, JP Morgan Chase Bank, USA) as per financial ledger of TSL it was shown as revenue from Rasax.

<u>Helia Software Solutions Inc</u>

TSL transferred ₹ 1.99 crore ($3,73,020) on December 13, 2011 to Helia (acc no. 0511065140, Soverign Bank, USA) and as per financial ledger of Helia maintianed in the books of TSL, the transfer was shown as vendor payment for the software service availed by TSL from Helia. Prior to this transfer, Helia had a credit balance of 142 $ in the said account. On December 14, 2011, Helia transferred 92102 $ to Ermin Technologis (acc no: 1411115155, Soverign bank, USA) , 97990 $ to CV Cox Networks Inc (acc no: 0511065108, Sovereign Bank) and the remaining amount of 182893 $ was transferred to Fausta Software Solutions Inc (511065094, Sovereign BanK, USA).The balance in the account of Fausta, prior to this transfer was only $ 88.47. After receiving the credit from Helia, Fausta immediately transferred the amount to TSL (A.c no: 0511065086, Sovereign Bank, USA).. Similarly, Ermin had a small balance of $15 in its bank account prior to the transfer of money from Helia. On receipt of credit, Ermin transferred the amount on the same day to TSL (0511065086, Sovereign Bank, USA). The said transfer from Fausta and Ermin were accounted as revenue in the books of TSL in the month of December 2011. Similarly Cvcox, on December 14, 2011, received $97990 from Helia and on the same day it transferred to TSL, Morgan Chase account USA(a/c no: 0511065086). CVcox also maintained a credit balance of $172 prior to the funds received from Helia. The pictorial representation of transfer of funds are depicted below:



106. Thus, from the above, it is observed that TSL had transferred $7.657 million (Rs. 35.45 crore) to its four vendors, located at USA out of the IPO proceeds and from this amount, a sum of approx. $3.058 million was transferred back to TSL's bank account through circuitous route and shown as revenue for the period April 2011-March 2012 from the clients of TSL for the software services rendered to them. Apart from above, $0.350 mn were transferred to TSL's and Pavan kuchana's

bank account however, the same has been not accounted as revenue by TSL from its clients. In total, $3.408 mn were credited to TSL and Pavan's account through circutious route, which is 44.51% of the IPO proceeds transferred to its vendors. It is further observed from that the amount received from the clients were once again recirculated to its vendors and credited back to TSL's bank account through the client account and shown as revenue of TSL. Thus, it is concluded that the re-circulation of the same funds in similar fashion as vendor/client payment/revenue by TSL to show more revenue and more profits using identical vendors and clients bloated its revenue to Rs. 172.15 crore and profit to Rs.13.34 crores in the financial year 2011-12 and in this process it attempted to siphon off the IPO proceeds to various connected entities.

107. With regard to transfer of money to vendors and from vendors to clients and further to TSL is concerned, it has been submitted by TSL that they are not aware as to what the vendors did with the money after receiving it from TSL. It has been also submitted that their transactions with clients and vendors are genuine and independent of each other. The payments received from clients by TSL were for the services rendered by it to them. In this regard, it is observed from the movement of funds as detailed above that payments were made by TSL to its four vendors, namely, Helia Software Solutions Inc., Crest Solutions Inc., CYMA Network Solutions Inc. and Kyros Tech Systems Inc. The movement of funds in circular manner has been observed between these four vendors of TSL, TSL and its clients, namely, Ermin, Rasax, Fausta, CV Cox, Felix and Helia. All these clients and vendors of TSL find mention in Sl. No. 1 to 10 of the Table 3 and 4 above. It has been already observed in the preceding paragraphs that these purported clients and vendors of TSL were created and controlled by Pavan Kuchana, his relatives and employees. Apart from the connection and commonality between these clients and vendors of TSL, the fund movement also shows certain similarity. In all cases, the purported vendors were having negligible balances in their accounts but immediately after receipt of funds from TSL, it was transferred to Ermin, Rasax, Fausta, CV Cox, Felix, Helia and after a layer or two of further movements of funds between these clients of TSL, a good part of the amount transferred to the vendors came back to TSL or Pavan Kuchana as shown in para 45 above. It is therefore stated that there is no merit

has been found in the submissions of the Noticees. From the repeated circulation of funds to the book entities (the so called clients and vendors of TSL), it is seen that the funds generated out of the IPO have not been used for the business of the company or the declared objects in the offer document. There have been fraudulent mis-representation, suppression of material information related to substantial liabilities incurred by the company, and huge financial transactions with connected entities which would together establish the intention of Pavan Kuchana to siphon off funds from TSL. In paras 45 and 46 above, TSL and Pavan Kuchana are shown in between as recipients of amounts to the tune of $3.408 million based on the analysis of respective bank statements. Thus, the circulation of funds through several fictitious entities and thereon in further layers is with the idea of dispersing the funds that TSL raised through IPO so as to benefit the directors of TSL and persons connected to them without leaving any clear proof or trail of such diversion of funds.

108. Also observed that the statement of work with respect to the services rendered by TSL to its clients produced along with the reply filed by TSL does not appear to be genuine since the existence of its vendors and clients are doubtful and the services claimed to be rendered by TSL also stands belied. Also, observed that the defence in the case has been laboriously structured so as to rebut each and every allegation/inference brought out in the SCN. Towards this a lot of supporting documents have been fictitiously generated. Hence, not inclined to accept the defence advanced by TSL to meet the alleged circulation of funds, services claimed to be rendered to its clients and the hideous manner of raising ICDs and the repayment effected to such lenders through the IPO proceeds.

109. It is also noted that Pavan Kuchana in his statement recorded on November 22, 2012, has stated that 90-100% of the revenue and expenditure of TSL were generated/spent from these aforementioned clients/vendors located at USA for the year 2011-12. It has been already observed that these are the entities who are not having any independent existence. As stated earlier, Ravi Kusam, Pavan Kuchana and Durga Kuchana are holding various positions such as Secretary/Treasurer/VP/ Board of Directors/Registered Agent in the clients and vendors with whom TSL was having fund movements and the same fund

movement has been recorded as revenue and expenditure affecting the profitability positively. Clearly, such transactions appear to be structured so as to demonstrate an impressive picture about the company's financials.

110. Apart from aforesaid fund movements, on the basis of analysis of bank account statement of Wiselink Technologies Pvt. Ltd. (WTPL) maintained with OBC-Hyderabad Branch, it has been alleged in the SCN that TSL on October 19, 2011 transferred ` 5.06 crore to WTPL. Mr.Vinod Babu Bollikonda was a KMP of TSL and a director and authorised signatory of the bank account of WTPL. Before this transfer WTPL was having negligible balance in its account and after receiving the funds from TSL, it transferred 3.50 crore (Rs. 1.50 crore on 15/11/11, 0.75 crore on 1/12/11 and 1.25 crore on 8/12/11) to Mr. Dinesh Kumar Singhi. Mr. Singhi was holding 10 lakh shares of TSL and had entered into buy back arrangement with TSL in November 2007 for purchase of these shares at a price of ` 170 per share. However, in order to enable TSL to come out with IPO, Mr. Singhi had consented to one year lock-in for these 10 lakh shares of TSL. As WTPL and TSL are connected to each other through Vinod Babu and Mr. Dinesh Singhi had consented to one year lock-in for the shares of TSL held by him, it has been alleged that TSL has used WTPL as a conduit to give effect to the circuitous transfer of funds to Mr. Dinesh Singhi and in such process has siphoned off the IPO proceeds. TSL has denied that they have paid any amount to Mr. Singhi through WTPL. Appreciating the fund transfer from TSL to WTPL and from WTPL to Mr. Dinesh Singhi, on the basis of a pre-existing buy back arrangement between TSL and Dinesh Singhi and the connection that TSL had with WTPL, it appears that the consent for the lock-in of shares held by Mr. Dinesh Singhi in connection with IPO, was obtained from Dinesh Singhi on the promise of a subsequent transfer of funds. However, I note that WTPL and Dinesh Singhi are not parties to the present proceedings and the investigation has not brought out further evidence to show that WTPL has acted as a conduit. In the absence of strong evidence, I am not inclined to give a positive finding to the effect that TSL used WTPL as a conduit for transfer of funds to Mr. Dinesh Singhi.

Placement of ICD by TSL with Silverpoint Infratech Ltd.

111. TSL has stated in the offer document that pending deployment, IPO proceeds will be temporarily invested in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks etc. TSL placed ICD of 23 crore with Silverpoint as an investment on October 19, 2011. It has been mentioned in the SCN that as per the balance sheet of Silverpoint, obtained from MCA website, the profit earned by the company after tax as on March 31, 2010 was only 2.89 lacs and it had a total investment of 36.62 crore. In view of this, it has been alleged that TSL did not invest in high quality interest bearing liquid instrument.

112. TSL had submitted that there was an Inter Corporate Deposits arrangement with Silverpoint wherein TSL lent 23 crore to Silverpoint at an interest rate of 14% p.a. for a period of six months. It has been submitted that they have received the money back from Silverpoint in the form of cost of acquisition of business of Genex Technologies Pvt. Ltd. For this, they have relied upon a tri-partite agreement and a letter dated May 25, 2012 sent by Genex that they have received the complete purchase consideration of Rs.24 crore from Silverpoint. I find that no document (bank account statement) showing transfer of funds to Genex on behalf of TSL from Silverpoint for the underlying transactions has been produced or any other document proving any business activity of TSL post the said acquisition of business has been provided. Therefore, I am not inclined to accept the submissions advanced in this regard. This also goes to establish that TSL has failed to call back the ICD placed with SIP amounting to 23 crore and therefore failed to comply with the directions issued vide interim order dated December 28, 2011.

113. Thus, it is proved that TSL and Pavan Kuchana, being managing director of TSL have made various mis-statements and mis-represented the facts in the offer dcocuments; Created clients/vendors companies in USA and transferred IPO proceeds and borrowed money to create impression of business transactions under the garb of providing/availing software developmnt services to/from TSL; the websites of these vendors and clients were created by TSL/through Virtu Tech at Hyderabad. The consideration for making the websites were pard by TSL

from its accounts; the IPO proceeds were transferred to TSL's vendor by TSL which in turn was transferred back to TSL's account through its alleged clients; the said transfer between TSL and its vendor were accounted as payment towards software development i.e. expendirure of TSL, and the transfer between TSL's clilents (transfer from vendor of TSL) and TSL were shown as revenue of the company; inflated books of account of TSL. Thus, it is concluded that TSL and Pavan Kuchana have violated 12a(A), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulations 4(1), (2) (a), (d), (e), (f), (k) and (r) of PFUTP Regulations.

114. With respect to Ramaswamy Kuchana, the SCN has not brought out any specify evidence in support of allegation to state that Ramaswamy Kuchana has involved in the manipulative activities and hence, the allegation as stated in the SCN against Ramaswamy with respect to violation of SEBI PFUTP Regulations is disposed off.

ISSUE II: Whether Durga, Kamal and Ravi have violated section 12A(a),(b) and (c) of SEBI Act, 1992 read with Regulation 3(b),(c),(d) and Regulations 4(1), 4(2) (e), (k) and (r) of PFUTP Regulations?

115. With respect to Durga Kuchana and Ravi Kusum, it is already proved in the preceeding paragraphs that they were involved increation /incorporation of fictitious entities and were also signatories to the bank accounts of fictitious companies which were used by Pavan Kuchana in manipulating the books of accounts of TSL by inflating its revenue, expenditure and profit and also used by him to siphon off the IPO proceeds.

116. The provisions of section 12A (a), (b) and (c) of the SEBI Act and regulations 3(b), (c), (d), PFUTP Regulations, 2003 prohibits any person from using or employing any manipulative or deceptive device or scheme to defraud an investor and it also prohibits him from engaging in any act, practice or course of business which would operate as fraud or deceit upon any person in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange. Regulation 4(1) of the PFUTP Regulations, 2003 prohibits any person from indulging in a fraudulent or an unfair trade practice in

securities. In addition to this, regulation 4(2)(e) provides that any act or omission amounting to manipulation of the price of a security shall be deemed to be fraudulent if it involves fraud. Regulation 4(2)(f) provides that publishing/reporting or causing to publish or report any information which is not true or which one does not believe to be true shall be deemed to be fraudulent. In terms of regulation 4(2)(k), an advertisement which is misleading or contains information in a distorted manner and which may influence the decision of the investors to invest or not to invest in a security is deemed to be fraudulent and unfair activity if it involves fraud. Further, as per regulation 4(2)(r), planting false or misleading news which may induce sale or purchase of securities is deemed to be fraudulent or an unfair trade practice if it involves fraud.

117. With respect to Kamal Kuchana in his reply has submitted that he is not involved in the working of TSL. He has been residing in USA since 1997. In October 2006, he incorporated Alagya Technologies Inc. in USA to render IT services. The relationship between him and TSL is purely professional as he has provided business solution to TSL as per agreed terms and for due consideration. The advance received from TSL was prior to the ICD loans or IPO money came to TSL. In this regard, it is observed that no evidence has been provided in the SCN to establish involvement or role of Mr. Kamal Kuchana or Alagya in the inflation of revenue and profit of TSL. Further, it is observed from records that Alagya was incorporated in 2006 by Mr. Kamal Kuchana and it does not appear to be a company created or operated by Pavan Kuchana as is the case with other clients/vendors of TSL which are found to be involved in circular movement of funds. With regard to advance received by Alagya from TSL, it is observed that it was received before March 31, 2011 and for this transaction, Alagya was required to provide service to TSL in terms of the agreement between Alagya and TSL, which was signed by Kamal Kuchana for Alagya on February 24, 2011 and Pavan Kuchana for TSL on March 3, 2011. Thus, the advance was towards the work which was to be done by Alagya. It is also noted that the money raised by TSL by way of ICD or IPO was after the advance payment was made to Alagya. Therefore, it cannot be said that any part of the IPO money was transferred to Alagya. Thus, the allegation against Kamal Kuchana in connection

with the fraudulent scheme of TSL does not stand established and accordingly the allegations against Kamal Kuchana stated in the SCN is disposed off.

118. In view of the findings above, that TSL and its managing director Mr. Pavan Kuchana were involved in manipulating the books of accounts of TSL by inflating its revenue, expenditure and profit and siphoning off of IPO proceeds by creating book entities as its clients and vendors, they have violated the provisions of section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations, 2003. Durga Kuchana and Ravi Kusum were involved in creation/ incorporation of fictitious entities and were signatories to the bank accounts of companies which were used in inflating the revenue, expenditure and profit of TSL and siphoning off IPO proceeds. Therefore, it is concluded that Durga Kuchana and Ravi Kusam have violated the provisions of section 12A(a), (b) and (c) of SEBI Act read with regulations 3(b), (c), (d), 4(1), 4(2)(e), (k) and (r) of the PFUTP Regulations, 2003.

ISSUE III Whether these proceedings can be continued against the deceased entity ie. V K Prasada Rao?

119. It has been already observed that TSL created fictitious entries and bloated its books of accounts. The financial statements for the FY 2011-12 were false. However, Mr. Prasad Rao, CFO reviewed these statements and certified them as true and correct. Mr Prasad Rao in his reply submitted that he is not responsible for the contents of the prospectus nor the utilisation of the IPO proceeds as he was not vested with any financial powers regarding deployment of funds. The funds were utilised as per directions of the Managing Director. He has submitted that he had not signed/certified the balance sheet or reviewed the allegedly inflated financial statements for the period 2011-2012. It has been submitted that no original document/certificate bearing his signature has been shown to him by SEBI. Further, it has been stated that there is no Board resolution or Audit committee resolution authorising him to sign the balance sheet. In this regard, it is observed that Mr. Rao has not denied that he was the CFO of TSL. Having accepted the assignment as CFO of the company, he cannot cast the entire blame on the company for having misused his name in the annual report. Moreover, being a chartered accountant by profession, Mr. Prasad

Rao ought to have taken objection to the alleged certification done in his name in the annual report of the company for the year 2011-2012 at the right time without waiting for action from the side of SEBI. The submissions advanced by him in this regard are not acceptable. His insistence upon SEBI making available a balance sheet bearing his signature and refusing to appear for personal hearing unless such a document is furnished to him only exposes the flimsiness of his defence. The designation of a CFO itself carries with it a lot of responsibilities and obligations to a company and its shareholders. It is a different issue that he may not have had a role in the fraudulent activity of the company and its directors. However, as a qualified Chartered Accountant, it would have been appreciated if he had come forward with his defence on merits regarding the allegations in the SCN. It is also observed that he has not taken any step against TSL or its directors in respect of the disclosures or the misuse of his name in the financial statements of TSL for 2011-12. Thus, the acts of Prasad Rao also have led to misrepresentation in the financial statements of TSL which were published and he is liable for the same.

120. It is on record that Prasad Rao was passed away on November 28, 2018. The copy of death certificate of Prasada Rao was made available during these proceedings. Though the facts on records prove that Prasad have violated the provisions of PFUTP Regulations, considering the facts that Prasada Rao have passed away it has to be decided whether the present proceedings against him can be continued.

121. In this context, a reference has been made from the order of

Hon'ble Supreme Court, in Girijanandini Vs Bijendra Narain (AIR 1967 SC 2110), *wherein it was court observed that in case of personal actions, i.e. the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim action personalis moritu cum persona (personal action dies with the death of the person) would apply"*.

Hon'ble SAT in Chandravadan J Dalal Vs. SEBI (Appeal No. 35/2004 decided on June 15, 2005). The Hon'ble SAT in this case held that:

"The appeal abate since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates"

122. Though the allegations against Prasada Rao stand established considering the factor he has passed away and the above case law, the proceedings against Prasada Rao is disposed off accordingly.

ISSUE D: Whether Shreya, Rajan and Kejas have violated Section 12A(a),(b) and (c) of SEBI Act read with Regulation 3(a), (b) (c), (d) and Regulation 4(1), 4(2)(a),(d) and (e) of the PFUTP Regulations?

123. On the day of listing i.e., October 19, 2011, a total of 9,13,01,270 shares of TSL were traded in NSE and BSE of which 5.15% approx. were delivered. The issue price of the scrip was Rs. 150. The scrip opened at 157.40 (at 09:15:04 hrs.) on BSE and reached an intraday high of 185.00 (at 11:58:19 hrs.) and thereafter the price touched the intraday low of 38.50 at (15:29:51 hrs.). This price was 74.33% lower than the issue price. On an analysis of the fund movements between the top net losers in the scrip of TSL on the day of listing, it has been alleged in the SCN that, through a circuitous route of multi-layered transactions through Silverpoint and others, TSL funded certain entities who were the buyers in shares of TSL on October 19, 2011, to trade in its own shares on the day of listing.

124. It is observed that certain entities traded in TSL on October 19, 2011 and suffered losses. These entities were also the top net losers on the day of listing. On further analysis, it was observed that TSL had funded Shreya out of the IPO proceeds in a circuitous route to trade in TSL. A summary of trades of the entities which received funds from TSL through multi-layered transactions is as follows:

Sl. No	Client Name	Buy Vol.	Buy Value	Sell Vol	Sell Value	Net Buy Vol.	Balance qty selling price (in ₹)	Net Loss &	Buy vol. % in terms of issue size)
1	Shreya Multitrade Pvt Ltd.	113650	14990497	112573	10662369	1077	55.85^	42,67,977	2.07

^ - closing price of BSE as on October 19, 2011

& - calculation of net loss (Sr. No. 1-2)= (Sell value –buy value – balance qty value of 150000, sold on October 21, 2011)

125. It is observed that Shreya had traded through Sunteck Wealthmax Capital P Ltd. ('**Sunteck**'), and the directors of Shreya are Rajan Babu Bhambale and kejas Parmar.

<u>Role of Shreya:</u>

126. Shreya, on the day of listing i.e. October 19, 2011, traded in the shares of TSL and suffered a loss of Rs. 42.67 lakhs. It is observed that on October 19, 2011, TSL has transferred Rs 23 crore to Silverpoint Infratech P ltd from IPO proceeds, out of which, Rs. 11.40 crore was transferred by SIP to entities viz Snehsil Marketing Pvt Ltd., Sugam Vinimay Pvt Ltd and Anubhav Infrastructure on October 20, 2011. These entities transferred ₹10.85 crore to RVM, located at kolkata on October 20, 2011. RVM further transferred to the extent of ₹3 crore to Snehsil Marketing Ltd on October 25, 2011. To complete the fund movement, Snehsil transferred ₹2 crore to Shreya on October 27, 2011. Shreya, utilized this money to settle its accounts with broker, Sunteck WealthMax Capital Pvt Ltd. on October 28, 2011.

127. With respect to the funds received by Shreya from TSL through circuitous route, Shreya has submitted that it had received the funds from Snehsil on October 27, 2011, i.e nearly 8 days after carrying out trading in the scrip of TSL. Further, it had also submitted that Shreya had adequate funds with the broker Sunteck for the trading on the shares of TSL. Accordingly, Shreya has provided a copy of its client ledger account with Sunteck. On perusal of the ledger, it is observed that Shreya on October 19, 2011, had a credit balance of Rs.1,99,93,421.15. Apart from the allegation that TSL has transferred funds to Shreya through circuitous route, investigation has not brought any evidence to prove that Shreya is connected to TSL. With respect to the fund transfer, it is observed that the funds were transferred to the account of Shreya on October 27, 2011 which is after the settlement obligation of the trades of TSL. It is observed from the client ledger that Shreya had credit balance or sufficient funds to trade on the shares of TSL on October 19, 2011.

128. Shreya, also submitted that it had repaid the ICD along with the interest to Snehsil and accordingly provided a copy of bank statement reflecting the transfer

made to Snehsil. It is pertinent to mention that investigation has not brought any evidence to prove that the trades of Shreya are manipulative or fraudulent in nature.

129. Considering above, the allegation against Shreya and its directors namely Kejas Parmar and Rajan Babu Bhambale does not stand established and accordingly disposed off.

ISSUE V: Do the violations, if any, on the part of the Noticees attract any penalty under Section 15HA and Section 15HB of the SEBI Act ?

130. While determining the quantum of penalty under section 15A(a), it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

> ***"15J - Factors to be taken into account by the adjudicating officer***
> *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
> *(c) the repetitive nature of the default."*
>
> [1]*[Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

131. The material available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the default. In the present case, the Noticees have acted in a manner highly detrimental to the interest of the securities market and the investors at large. The fraudulent activities carried out by the Noticees pose a real threat to the integrity of securities market and the same are very serious in nature which deserve considerable penalties.

132. Therefore, taking into consideration the facts / circumstance of the case and above mitigating factors, a justifiable penalty is determined to be imposed upon the Noticees to meet the ends of justice.

[1] Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

ISSUE VI: If yes, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act.

133. After taking into consideration all the facts and circumstance of the case and the factors mentioned in the provisions of Section 15-J of the SEBI Act, in exercise of the powers conferred under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, it is concluded that the proceeding against the Noticees stands established in terms of the provisions of the SEBI Act. Accordingly, monetary penalties against the Noticees which are as follows:

Noticee Name	**Violated**	**Penal Provisions**	**Amount of Penalty (in Rs.)**
Taksheel Solutions Ltd.	Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b),(c) and (d) 4(1), 4(2)(a), (d), (e), (f), (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.	Section 15HA of SEBI Act, 1992	Five crores
	Regulations 57(1), 58 (1), 60(1), 60(4) (a) and 60(7) (a) of SEBI (ICDR) Regulations, 2009 and clauses 2(VII) (B)(4), 2(VII) (G), 2(IX)(12) and 2 (XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57 (2) (a) of SEBI (ICDR) Regulations, 2009.	Section 15HB of SEBI Act, 1992	One crore
Pavan Kumar Kuchana	Section 12A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3 (a), (b),(c) and (d) 4(1), 4(2)(a), (d), (e), (f), (k) and (r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.	Section 15HA of SEBI Act, 1992	Fifteen crores
	Regulations 57(1), 58 (1), 60(1), 60(4) (a) and 60(7) (a) of SEBI (ICDR) Regulations, 2009 and clauses 2(VII) (B)(4), 2(VII) (G), 2(IX)(12) and 2 (XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57 (2) (a) of SEBI (ICDR) Regulations, 2009.	Section 15HB of SEBI Act, 1992	One crore
Ramaswamy Kuchana	Regulations 57(1), 58 (1), 60(1), 60(4) (a) and 60(7) (a) of SEBI (ICDR) Regulations, 2009 and clauses 2(VII) (B)(4), 2(VII) (G), 2(IX)(12) and 2 (XVI) (B) (2) of Part A and Clause IX of Part D of Schedule VIII read with Regulation 57 (2) (a) of SEBI (ICDR) Regulations, 2009.	Section 15HB of SEBI Act, 1992	One crore
Durga Kuchana	Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3 (b), (c) and (d) and 4(1), 4(2)(e), (k) and (r) of SEBI (PFUTP) Regulations, 2003	Section 15HA of SEBI Act, 1992	One crore

Noticee Name	Violated	Penal Provisions	Amount of Penalty (in Rs.)
Ravi Kusam	Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3 (b), (c) and (d) and 4(1), 4(2)(e), (k) and (r) of SEBI (PFUTP) Regulations, 2003	Section 15HA of SEBI Act, 1992	Fifty lakhs

134. With respect to Noticee Prasada Rao, since deceased, the SCN dated May 08, 2013 is disposed abated. With respect to Noticees Shreya Multitrade P Ltd., its directors namely Kejas Parmar and Rajan Babu Bhambale, the proceedings in the matter of SCN dated March 14, 2013 are disposed of accordingly. With respect to Ramaswamy Kuchana, the allegations for the violation of PFUTP Regulations, as mentioned in the SCN dated May 08, 2013, stand disposed of for want of evidence.

135. The Noticees shall remit / pay the said amount of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

136. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department 1, Division of Regulatory Action - I [EFD1-DRA-I], SEBI Bhavan, Plot No.C4-A,' G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under:

1. Case Name :
2. Name of Payee:
3. Date of payment:

4. Amount Paid:
5. Transaction No:
6. Bank Details in which payment is made:
7. Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)

137. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticees and also to SEBI.

Date: August 10, 2021
Place: Mumbai

Jeevan Sonparote
Adjudicating Officer