

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992

In respect of:

Noticee No.	Name of Noticee	PAN
1.	Suumaya Industries Limited	AAFCR4357R
2.	Ushik Gala	BBNPG4050P
3.	Ishita Gala	BFMPG9590R
4.	Sumit Pal Singh	FJNPS6477N
5.	India Credit Risk Management LLP	AAEFI5222L
6.	Karishma Kaku	BRQPK8354K
7.	Sneha Shah	BNOPS2009H
8.	Dhwani Dattani	BOCPD9756H
9.	Sharad Jain	ADDPJ5057G
10.	Ishtiaq Ali	AAUPA3046L
11.	Satish Khimawat	AADPK8562E
12.	Sejal Doshi	AABPD1136D

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee No. and collectively as “Noticees” unless the context specifies otherwise).

In the matter of Suumaya Industries Ltd.

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1. Suumaya Industries Ltd. (Suumaya/SIL/Company) is a company listed on the National Stock Exchange of India Limited (NSE) having its registered office at Wing B, 20th Floor, Lotus Corporate Park, Goregaon (East), Mumbai. The

Company, which was initially listed on the Small and Medium Enterprises (SME) Platform of NSE Ltd. (NSE) on June 04, 2018, migrated to the main board on October 19, 2020.

2. The revenue reported by the company, both on a consolidated and standalone basis, saw an exponential increase in FY21 and FY22. The standalone figures reported by the Company for the period FY20 to FY22 are given in the Table below:

(Rs. crore)

Particulars	FY20	FY21	FY22
Sale of Products	210.70	2,448.75	6,754.23
Percentage change	-	1,062.20%	175.82%
Total	210.73	2,449.90	6,759.33

3. In this regard, it was noted from the Annual Reports of the Company for the relevant years that SIL, which started as a company focused on textile products, ventured into medical textile and agro segments in FY21. The Annual Report for FY21 records that SIL leveraged its *“longstanding experience within the textile sector to emerge as a dependable supplier of medical textiles”* resulting in the textiles vertical contributing ₹863.92 crore in revenue.
4. In respect of the agro segment, the Annual Report for FY21 notes that even though the Company entered the segment only in the last quarter of the year, SIL generated significant revenues and profits from this vertical. The segment contributed ₹1,585 crore to the overall turnover reported by the Company, all of it being recorded in the month of March 2021.
5. Revenues reported by the Company increased from ₹2,448.75 crore in FY21 to ₹6,754.23 crore in FY22. The Agro segment contributed ₹6,598.80 crore to reported revenue during this period constituting 97.70% of the total revenue recorded by the Company in the financial year.
6. SIL transferred its agro-business to Suumaya Agro Limited (SAL), a wholly owned subsidiary, in FY23. The board of the Company on March 11, 2023 approved a Business Transfer Agreement (BTA) to transfer the agro-business to SAL as a going concern on a slump sale basis for consideration of ₹875 crore.

In the Annual Report for FY23, the Company restated the financial results for FY22 on account of the transfer of its agro-business. As per the restated financial results, the revenue recorded by the Company in FY22 was ₹155.43 crore.

7. SIL also exhibited a significant escalation in the cost of goods purchased during this period. The cumulative purchases recorded in the books of the Company, on a standalone basis, for the period FY20 to FY 23 is given in the Table below:

(Rs. crore)

Particulars	2019-20	2020-21	2021-22	2021-22 (Restated)	2022-23
Cost of materials consumed	191.98	2,071.87	5,762.81	93.81	33.99
Percentage change Increase/ (Decrease)		979.21%	178.14%		(63.77%)

(*) SIL transferred its agro-business to SAL during FY 2022-23

8. It can be noted from the above Table that in FY21, the cost of materials consumed by SIL increased sharply from ₹191.98 crore in FY20 to ₹2,071.87 crore—a rise of 979.21%. This was largely attributable to ₹1,394 crore in agro commodity purchases and ₹677.87 crore in textile raw material purchases. In FY 22, the figure further increased to ₹5,762.81 crore, reflecting an increase of 178.14% over the previous year.
9. It was, however, noted that during this period, when the Company was recording exponential growth in revenue year on year, the cash flows from operations did not see commensurate growth. The cash flows recorded in the financial statements were only a tiny percentage of the revenue recorded by the Company. The standalone figures in this respect are given in the Table below:

(Rs. crore)

Particulars	FY20	FY21	FY22
Revenue	210.70	2,448.75	6,754.23
Cash flows from operating activities	(7.01)	9.67	7.20

10. It can be noted from the Table above that in FY21 and FY22, cash flow from operating activities constituted only 0.39% and 0.10%, respectively, of the standalone revenue reported by the Company.
11. Given the above, as the sales and revenues recorded by the Company prima facie appeared to be fictitious, SEBI initiated an investigation into the affairs of the Company for the period April 01, 2020 to March 31, 2023 (Investigation Period/IP). SEBI also appointed a Forensic Accountant and Investigator (FAI) to examine the books of the company. The FAI submitted its report on August 20, 2024 (FAI Report).
12. The investigation looked into the transactions entered by the Company with its major counterparties. The details of major counterparties with which the Company had recorded sales during the period FY21 to FY23 are given in the Table below:

Sr.No.	Entities shortlisted for analysis of sales (more than 80% contribution)	Amount of net sales by SIL during the IP with shortlisted entities (Rs. crore)
1	Dentsu Communication India Pvt. Ltd. ("Dentsu")	286.44
2	Veda Multicorp LLP(Veda)	2,350.53
3	Timeline Industries Limited (TIL)	612.97
4	SJM Management Pvt. Ltd.(SJM)	309.56
5	Zilingo Global Pvt. Ltd.(ZGPL)	201.12
6	First Orgacon Pvt. Ltd.(FOPL)	3,364.88
7	Wonderkids Metrics Pvt. Ltd.(Wonderkids)	759.54
8	Shiv Shankar Rice Traders	33.77
9	Guru Dharam Enterprises	28.07
10	Shree Balaji Overseas	20.13
11	Shree Shyam Trading	16.45
	Total	7,885.24

13. When the ledgers of the counterparties in the books of SIL were analysed alongside the corresponding bank statements, it was observed that cash inflows representing only a very small percentage of the reported sales and purchases were reflected in the Company's bank accounts. It was noted that the books were primarily balanced through journal entries. A recurring entry noted across multiple counterparties involved the assignment of receivables and payables in favour of Goyal Achal Sampatti Vikas and Niyoan Nigam Ltd. (GASVNNL), a Non-Banking Financial Company (NBFC). The role of GASVNNL in these

transactions is examined in detail in a later section of this Order. Observations from the ledger analysis of four major counterparties are summarized in the following paragraphs.

First Orgacon Pvt Ltd (“First Orgacon” or “FOPL”)

14. FOPL, which was engaged in the business of trading basic chemicals, garments and agro commodities, accounted for close to 40% of the sales recorded by SIL during the Investigation period (IP). The sale transactions recorded between SIL and FOPL during the IP is given in the Table below:

Sales(Rs. crore)							
FY	Gross Amount	Credit Note	Debit Note	Net Sales	Amount received from FOPL	Journal	Amount Outstanding
21	4.14	-	-	4.14	(5.36)	-	-1.22
22	3,126.34	-	96.07	3,222.40	(23.18)	(3,198)	-
23	138.73	-0.39	-	138.34	(0.85)	(137.49)	-
Total	3,269.21	-0.39	96.07	3,364.88	(29.39)	(3,335.49)	

15. It can be noted from the above Table that during the period FY21 to FY23, SIL had recorded net sales to the tune of ₹3,364.88 crore with FOPL. However, SIL only received ₹29.39 crore from FOPL during this period, which constituted less than 1% of total net sales.
16. On the purchase side, SIL, during the investigation period, made total purchases of ₹371.88 crore from FOPL against which only ₹27.82 crore was paid. The details of the purchases made from FOPL during the investigation period are given in the Table below:

Purchase (Rs. crore)							
FY	Gross Amount	Credit Note	Debit Note	Net Purchases	Amount Paid to FOPL	Journal	Amount Outstanding
2020-21 Purchase	22.01	-	-	22.01	(17.84)	-	4.17
2021-22 Purchase	349.87	-	-	349.87	(9.72)	344.32	-
2022-23 Purchase	-	-	-	-	(0.26)	(0.26)	-
Total	371.88	0.00	0.00	371.88	(27.82)	344.06	

17. It can be noted from the Tables above that even though both FOPL and SIL paid only a minuscule percentage of the total amount due to the other party for the purchases made, at the end of FY23 the outstanding balance payable were made 'nil' by passing journal entries. The details of these journal entries are given in the Table below:

JV	Amount (Rs. crore)	Particulars
JV Ledger (2021-22)- Sales	(343.40)	On March 31, 2022, the outstanding balance of the purchases account of FOPL was transferred to its sales account.
	(2,851.12)	- On June 30, 2021 and March 31, 2022, a receivable balance of ₹2,851 crore was assigned to GASVNNL. - As per the assignment agreement dated May 27, 2022, an amount of ₹1,214.77 crore of receivables from FOPL was assigned by SIL to GASVNNL. The intimation of the said assignment was also provided by SIL to FOPL - Further, as per the receivable handling agreement dated June 15, 2021, an amount of ₹1,636.35 crore, against FOPL, was assigned to GASVNNL. The intimation of the said assignment was also provided to FOPL, which was acknowledged by FOPL
	(3.46)	SAL- Receivable
J V ledger (2021-22)- purchase	0.34	TDS
	0.58	On October 16, 2021, JV was passed against "Balance with Government Authority Written Off"
	343.40	On March 31, 2022, the outstanding balance of the purchases account of FOPL was transferred to its sales account.
JV Ledger (2022-23)- Sales	(0.26)	On December 31, 2022, JV was passed against "AMN Life Science Pvt. Ltd.". Nature of JV is not clear
	0.14	TDS receivable
	(137.36)	Suumaya Agro Limited-Receivable and Suumaya Agro Limited –Dr BTA
JV Ledgers (2022-23)- purchase	(0.26)	In June 2022, JV was passed against GASVNNL for ₹0.26 crore with the narration "sale of portfolio (paid to FO on behalf of Goyal)" making the final balance nil.

18. When SIL was called upon during the Investigation to submit proof for the transactions undertaken with FOPL, the company failed provide adequate documents which could substantiate these transactions. Further, when information was sought from FOPL, it submitted only a single invoice and bill of supply, which were inadequate to substantiate such large-scale dealings.

Further, even the invoice which was submitted appeared incomplete as it was missing crucial details such as the full delivery address. It was additionally noted that from the LR issued by transport agency Carefour Enterprises that 288 quintals of unpolished tur dal were to be delivered from the premises of SIL to FOPL at a residential premise in Juhu, Mumbai. These discrepancies and lack of documentation strongly indicated that the transactions with FOPL were not genuine.

19. The Company, it was also *prima facie* found, employed control ledgers such as “Settlement against old bills”, “Cheque paid and cheque received”, “balance with Govt authority written off”, etc. for adjusting the credit and debit balances with major counterparties.
20. Given the above, it *prima facie* appears that the transactions undertaken by SIL with FOPL were fictitious and the books were balanced by recording Journal Voucher (JV) entries and use of control ledgers.

Veda Multicorp LLP (Veda)

21. Veda is a Limited Liability Partnership (LLP) incorporated in Mumbai. As per public records, the LLP is engaged in “other business activities”. Satish Khimawat, an independent director of SIL, was a designated partner in Veda till 2018.
22. The summary of sale transactions entered between SIL and Veda during the Investigation Period is given in the Table below:

Sales (Rs. crore)							
FY	Gross Amount	Credit Note	Debit Note	Net Purchases/ Sales	Amount received from Veda	Journal	Amount Outstanding
21	638.46	0	0	638.46	(1.62)	0	636.83
22	1,441.07	0	271	1,712.07	0	(2,348.90)	0
Total	2079.53	0	271	2350.53	(1.62)	(2348.90)	

23. It can be noted from the above Table that during the IP, SIL recorded net sales to the tune of ₹2,350.53 crore with Veda. Analysis of the ledgers submitted by the Company showed that more than 99% of the recorded sales related to agro

commodities like dal, rice and wheat and the remaining was accounted for by the sale of fabric/PPE kits.

24. Even in respect of the purchases, it was noted that as per the records submitted by the Company, more than 80% was accounted for by agro products with fabrics making up the balance. The details of the purchases made are given in the Table below:

Purchases (Rs. crore)							
FY	Gross Amount	Credit Note	Debit Note	Net Purchases/ Sales	Amount Paid to Veda	Journal	Amount Outstanding
2020-21 – Purchase	3.82	0	0	3.82	(50.82)	0	-46.99
2021-22 – Purchase	578.02	0	0.18	577.84	(643.87)	(113.03)	0
Total	581.84	0.00	0.18	581.66	(694.69)	(113.03)	

25. It was noted that even though SIL had net receivables of ₹1,768.87 crore (₹2,350.53 crore – ₹581.66crore) from Veda, the Company instead of receiving the funds, transferred a net amount of ₹693.07 crore (₹694.69 crore-₹1.62 crore) to Veda. It was further noted that the books of SIL were balanced by passing multiple JV entries, the details of which are given in the Table below:

Purchase/ Sale	Amount (Rs. in crore)	Particulars
Sale	(143.95)	On June 30, 2021, JV was passed against “Vienna Multiventures Pvt. Ltd. (Vienna) with narration “ <i>Being assignment of creditors and debtors</i> ”. However, no agreement with Vienna was provided
Sale	(2,204.95)	On June 30, 2021 and March 31, 2022, the entire balance was transferred to GASVNNL through a JV. The assignment agreement covers only ₹757.23 crore for which intimation was provided to Veda
Purchase	2	On October 16, 2021, JV was passed against “Balance with Government Authority Written Off”
Purchase	0.06	TDS entries were passed
Purchase	(1.50)	On 29 Jan 2022, JV was passed against SBI Global Factors Ltd.
Purchase	(113.59)	As of March 31, 2022, the balance was made zero by passing a JV entry through GASVNNL. The assignment amount of ₹1,561.31 crore (₹1,447.72 crore +₹113.59 crore) was mentioned in the receivable handling agreement dated June 15, 2021 as ₹1,561.38 crore. The said amount was also mentioned in the notice of intimation to Veda by SIL.

26. It can be noted from the above Table that SIL was balancing its books by recording JV entries against third parties Vienna and GASVNNL. The transactions with GASVNNL have been examined in detail in subsequent paragraphs. Further, the Company failed to provide any agreement or supporting documents for passing any of the journal entries.
27. It was also noted that the Company failed to provide copies of Lorry Receipts to show the supply or receipt of goods from Veda calling into question the genuineness of transactions recorded in the name of Veda. Further, multiple anomalies were observed when the ledger of Veda was examined. For example, it was noted that in FY22, in respect of sale of rice, 189 entries for almost the same amount (Rs. 18 lakhs) was recorded on a single day (April 03, 2021), further calling into question the credibility of the transactions recorded by the Company.
28. Given the above, it is *prima facie* noted that SIL was passing adjustment entries using various ledgers to settle the balance of Veda which in itself appears to be based on fictitious transactions.

Dentsu Communication India Pvt. Ltd. (“Dentsu” or “DCIPL”)

29. Dentsu is engaged in the business of providing media, advertising and communication services. The registered office of the Company is located in Mumbai. A Table showing transactions entered by SIL with Dentsu, during the IP, is as under:

(Rs. crore)

FY	Gross Sales	Credit Note	Net Sales	Amount received from Dentsu	Amount (received)/ paid from/to trade financier	Journal – assignm ent of balances	Amount Outstanding
21	1,110.97	(931.11)	179.86	(24.69)	(56.38)	0	98.79
22	106.60	(0.02)	106.58	(1.83)	(23.81)	(179.73)	0
23	0	0	0	0	20.41	(16.85)	3.56
Total	1,217.57	(931.13)	286.44	(26.52)	(59.78)	(196.58)	3.56

(Source: Ledger analysis of Dentsu as provided by SIL)

30. SIL made net sales of ₹286.44 crore to Dentsu. It was, however, found based on analysis of the bank statements that SIL received only ₹26.52 crore (9.86%) against the sales made.
31. It was further *prima facie* found that even in the case of Dentsu, multiple discrepancies were noted in the supporting documents presented by the Company as evidence for the transaction undertaken with Dentsu. For example, it was noted a truck having number RJ19GC5370 carrying goods from Sumaaya Agro Ltd. to Dentsu, had a carrying capacity of only 9.90 quintals but as per the Lorry Receipt submitted by the Company, the truck in question transported 275 quintals of rice in a single trip. It was further noted that Dentsu filed a complaint with the Ministry of Corporate Affairs (MCA) alleging that the sales made by Suumaya Group Companies to Dentsu were fictitious.

Wonderkids Metrics Private Limited (Wonderkids)

32. Wonderkids is a company incorporated in Mumbai and engaged in dealing with agro products. The details of the sales and purchase undertaken by SIL with Wonderkids during the IP is given in the Tables below:

Sales

(Rs. crore)

FY	Gross Amount	Credit/debit note	Net Amount	Amount received from Wonderkids	JV	Amount outstanding
FY22	759.72	(0.17)	759.54	0	(759.54)	0

Purchases

(Rs. crore)

FY	Gross Amount	Credit/debit note	Net Amount	Amount paid to Wonderkids	JV	Amount outstanding
FY22	2,572.10	0	2,572.10	0	2,572.10	0

33. It can, therefore, be noted that SIL had recorded sales to the tune of ₹759.54 crore and purchases amounting to ₹2,572.10 crore with Wonderkids during the IP. It was, however, noted that no payments were reflected in the bank account of SIL against the aforesaid transactions and the entire balance of receivable and payable from Wonderkids was subsequently assigned to GASVNNL.
34. A similar pattern was observed in respect of the sales and purchases recorded with the other counterparties mentioned in the Table below paragraph 12 of this Order. The investigation, *prima facie* revealed that around 85.85% of sales and 97.92% of purchases made by SIL, during the IP, on a standalone level was fictitious.
35. A consistent pattern can, therefore, be identified wherein the payments received for the sales recorded represented only a minuscule portion of the outstanding amounts and the ledgers were *prima facie* found to be “balanced” by recording Journal Entries. A recurring entry that is noted in almost all the ledgers was the transfer of outstanding dues to GASVNNL. Given the same, I am now proceeding to examine in detail the transaction entered between SIL and GASVNNL.
36. GASVNNL is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) engaged in providing unsecured business and personal loans. The directors of GASVNNL during the relevant period were Shivbhagwan Somani, Amit Shivbhagwan Somani, and Reeta Amit Somani.
37. As per the Annual Report of the Company for FY22, on standalone basis SIL assigned receivables amounting to ₹7,251.38 crore and payables of ₹5,632.79 crore (net receivables of ₹1,618.59 crore) to GASVNNL, on a non-recourse basis. It was disclosed that 0.5% of net receivables was payable as a service charge to GASVNNL for the assignment. The receivables assigned to GASVNNL represented 78.60% of the total revenue recorded by the Company in the preceding three financial years (FY20 to FY22).
38. It is noted that the Statutory Auditor of SIL raised multiple qualifications in respect of these transactions. The Statutory Auditor noted that the assignment of receivables and payables worth ₹7,251.38 crore and ₹5,632.79 crore, respectively, were made to an NBFC whose networth as of March 31, 2021 was

₹6.85 crore (The networth of GASVNNL further reduced to ₹1.29 crore in FY22 and FY23). The Statutory Auditor also noted that SIL did not create provisions for expected credit loss in accordance with Ind AS 109. Given the same, the Statutory Auditor qualified that it was not in a position to comment on the impact of these transactions on the financials of SIL.

39. It is further noted that Ushik Gala, in his statement recorded before SEBI, submitted that the Company had not undertaken any elaborate search process before assigning the payables and receivables to GASVNNL. He stated that Amit Somani, the director of GASVNNL, was known to him and he had confidence in the ability of Amit Somani to carry out this assignment. Ushik Gala also submitted he did not seek credit rating/networth/references of clients before assigning the receivables and payables to GASVNNL.
40. In response to the audit qualification, the management responded by stating that the Company anticipated recovering the ₹1,618.59 crore net receivable within six months and the impact of expected credit losses could not be assessed at the time of assignment. It was also stated that the responsibility for defaults rested with GASVNNL under the agreement. On reviewing the Assignment Agreements, it was found that GASVNNL assumed full ownership of receivables and payables, with no recourse to SIL. However, several agreements lacked schedules specifying the details of receivables and payables.
41. In view of the centrality of the receivables assigned to GASNVVL to the reported financials of SIL and given the red flags in respect of sales and purchases undertaken by the Company, the statements of the bank accounts of GASVNNL during the investigation period were examined. The bank statements of ICICI Bank A/c No. **641905052303** and Yes Bank A/c No. **100263400002836** of GASVNNL were examined and the summary of funds received from and transferred to Suumaya Group Companies is given in the Table below:

Sr. No.	Party name	Transfer to Suumaya Group (Rs. crore)	Receipt from Suumaya Group (Rs. crore)
1	Suumaya Industries Limited (SIL)	65.7	101.53
2	Suumaya Corporation Limited (*)	7.21	0
3	Suumaya Agro Limited (SAL)	0	185.64
4	Suumaya Retail Limited (SRL)	6.93	1.75

5	Loan to promoters of SIL but paid directly to SIL	-14.06	0
	Total	58.57	288.92

42. It can be noted from the above Table that SIL, which had net receivables of ₹1,618.59 crore from GASVNNL, instead of receiving funds, transferred a net amount of ₹49.89 crore (₹65.7 - ₹14.06 crore which was advanced as loan for subscription of warrants). In addition, SIL's subsidiaries—Suumaya Agro Limited (SAL) and Suumaya Retail Limited (SRL)—transferred a combined net amount of ₹180.46 crore to GASVNNL.
43. As stated earlier, as per the agreements entered between SIL and GASVNNL, the service charge payable by the Company was 0.5% of the net receivables. This would amount to ₹8.09 crore (₹1,618.59 crore * 0.5%) on a standalone basis. This raises serious questions about the legitimacy and purpose of the payments made to GASVNNL.
44. A detailed analysis of fund flows showed that immediately on receipt of funds from Suumaya Group entities, GASVNNL would transfer a similar amount to third parties some of whom were vendors and customers of SIL. The details of one such instance are given in the following paragraphs.
45. GASVNNL received a total amount of ₹137.07 crore in its ICICI Bank A/c No.641905052303 from Veda during the period August 03, 2021 to September 15, 2021. The same amount (₹137.08 crore) was received by Veda from SIL during the period from August 03, 2021 to September 15, 2021 and then these funds were immediately transferred to GASVNNL. The funds (₹137.08 crore) received by GASVNNL were then utilised by it as under:

(Rs. crore)		
Particulars	Receipt by GASVNNL	Payment by GASVNNL
Receipt from Veda + Payment to Iris Computers Pvt Ltd	88.40	88.40
Receipt from Veda + Payment to Smartpaddle Technology Pvt Ltd	34.99	34.99
Receipt from Veda + Payment to Waycool Foods and Products Pvt Ltd	8.76	8.76
Receipt from Veda + Payment to Capalpha Trade Pvt Ltd.	4.92	4.92
Grand Total	137.07	137.07

46. It can, therefore, be noted that SIL transferred ₹137.08 crore to Veda, which immediately routed the funds to GASVNNL. GASVNNL then distributed these

amounts to various entities such as Smartpaddle Technologies and Iris Computers, purportedly on SIL's instructions.

47. It is, therefore, noted that despite SIL having a net receivable of ₹1,618.59 crore from GASVNNL, SIL paid a net amount of ₹49.89 crore to GASVNNL on a standalone level. This raises serious questions about the legitimacy and purpose of the payments made to GASVNNL. As SIL turned out to be a net payer of funds to GASVNNL, failed to provide justification and supporting documents behind the transfer of such funds and acted contrary to terms of the agreement, it *prima facie* appears that SIL siphoned off ₹49.89 crore to GASVNNL.
48. Given the above, it is *prima facie* found that SIL utilized the transactions with GASVNNL as a mechanism to artificially "clean up" its books by transferring substantial fictitious receivables and payables recorded in its books. In view of the same, I am of the *prima facie* view that SIL orchestrated a scheme to defraud the investors and stakeholders of SIL and violated sections 12A(a), (b) and (c) of the SEBI Act, 1992, regulation 3(b), (c), (d) and regulation 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP Regulations).

Misrepresentation in the Financial Statements of SIL

49. An analysis of the Annual Reports of SIL and SCL for FY 2020-21 revealed significant discrepancies in the reported figures related to related-party transactions between the two entities. For instance, the Annual Report of SIL recorded sales to SCL at ₹19.52 crore on a standalone basis, whereas SCL's Annual Report reflected purchases from SIL at ₹43.13 crore. Similarly, SIL recorded purchases from SCL at ₹43.13 crore, while SCL's financials indicated sales to SIL at ₹165.62 crore. On a consolidated basis, SIL's reported sales to SCL were ₹98.70 crore, while no corresponding figures were disclosed in SCL's Annual Report.
50. Thus, such acts on the part of SIL resulted in misrepresentation of the financial statements of the Company which are relied upon by the investors and stakeholders for the purpose of economic decision making. This resulted in

violation of regulations 4(1) of the PFUTP Regulations and regulations 4(1)(a), (b), (c), (e), (g), (j) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations).

Misuse of funds of SIL for subscribing to shares of the Company by promoters

51. The Board of Directors of the Company in its meeting held on October 15, 2020, approved a proposal to allot 98,00,000 convertible warrants to Ushik Gala (73,38,000 warrants) and Ishita Gala (24,62,000 warrants). The convertible warrants had an exercise price of ₹75 aggregating to ₹73.50 crore for the entire issue. The warrants were convertible at the option of the warrant holder, within 18 months from the allotment date, into an equivalent number of equity shares of the Company.
52. As per regulation 13 of SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2018 (ICDR Regulations), at least twenty-five per cent of the consideration amount of the warrants has to be paid upfront by the subscribers. Accordingly, an amount of ₹18.375 crore was payable to the Company at the time of allotment of the warrants.
53. It is noted that out of 98,00,000 warrants that were allotted to the promoters, only 65,59,655 warrants were subscribed and the remaining 32,40,345 warrants stood cancelled/lapsed. The warrants were converted into equity shares of SIL in two tranches (March 24, 2021 and March 31, 2022), the details of which are given in the Table below:

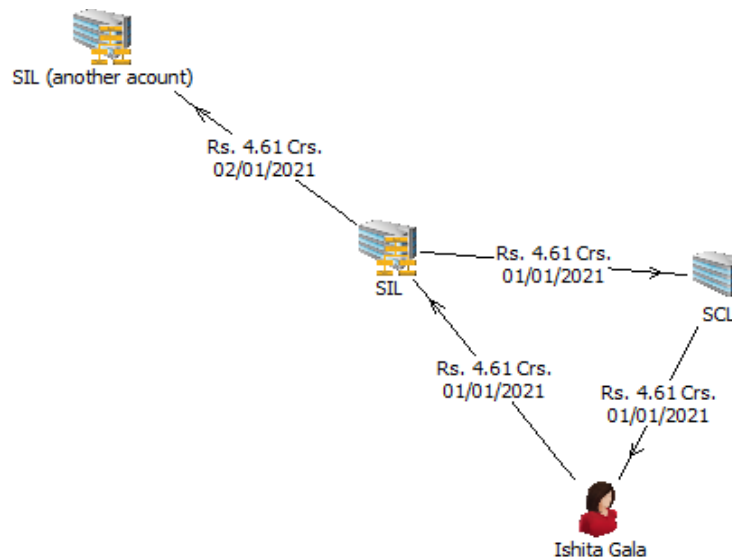
Sr No.	Name of warrant holders	Category	No. of equity shares allotted upon conversion of warrants
March 24, 2021			
1	Ishita Gala	Promoter	1,00,000
2	Ushik Gala	Promoter Group	39,60,000
Total			40,60,000

March 31, 2022			
Sr No.	Name of warrant holders	Category	No. of equity shares allotted upon conversion of warrants
1	Ishita Gala	Promoter	19,12,989
2	Ushik Gala	Promoter Group	5,86,666
Total			24,99,655

54. It can, therefore, be noted that the Ishita Gala and Ushik Gala were cumulatively liable to transfer ₹55.27 crore, including the upfront margin, for the warrants allotted to them. The bank statements of SIL and allottees were examined to identify whether the consideration due to the Company for the allotment of shares made.

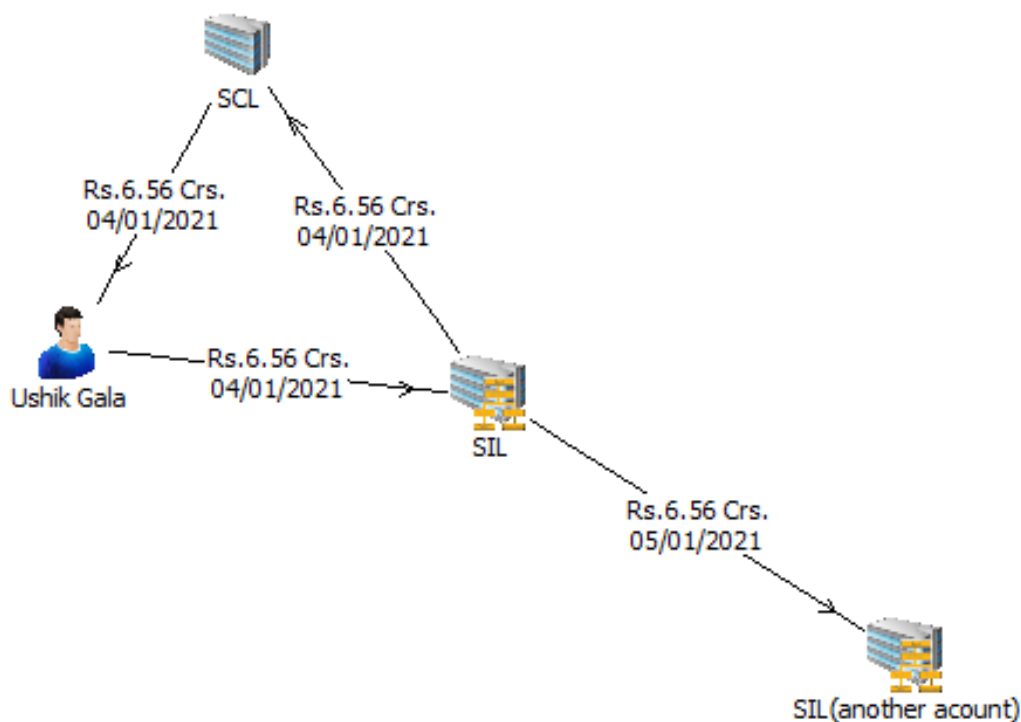
Payment of upfront margin

55. Ishita Gala was allotted 24,62,000 convertible warrants, requiring an upfront consideration of ₹4.61 crore. It was observed that funds were transferred to SIL towards this subscription on January 01, 2021, and March 24, 2021, as detailed below:



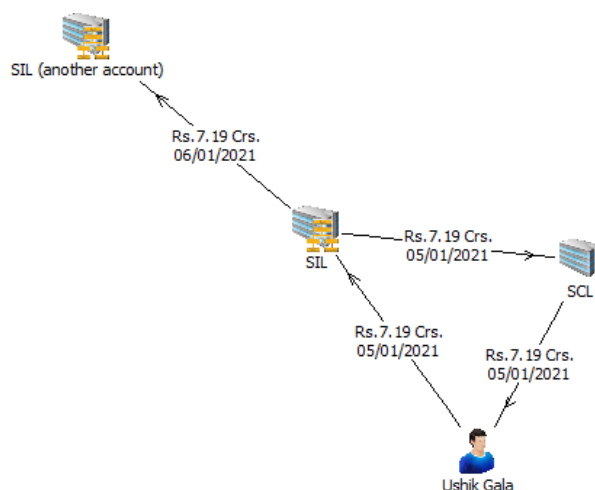
56. On January 1, 2021, Ishita Gala transferred ₹4.61 crore from her ICICI Bank account to SIL in its account with the State Bank of Mauritius (SBM). On the same day, Ishita Gala received ₹4.61 crore in her ICICI Bank account from Rangoli Tradecom Pvt. Ltd., now known as Suumaya Corporation Limited (SCL). A review of SCL's bank statement revealed that SCL had, in turn, received the same ₹4.61 crore from SIL through its SBM account.
57. Further analysis of SIL's SBM account showed that before transferring funds to SCL, SIL had received credits from multiple entities, including Capsave Finance Pvt. Ltd. and Incred Financial Services Ltd. The ₹4.61 crore received by SIL from Ishita Gala on January 1, 2021, was transferred to another SBM account of SIL on January 2, 2021, with the narration "Share payment transfer."

58. Ushik Gala was allotted 73,38,000 convertible warrants, requiring an upfront payment of ₹13.76 crore. Funds toward the subscription of warrants were transferred by Ushik Gala to SIL in two tranches, i.e., ₹6.56 crore on January 4, 2021 and ₹7.19 crore on January 05, 2021. The details of these transfers are given below:



January 4, 2021

59. On January 4, 2021, Ushik Gala transferred ₹6.56 crore from his ICICI Bank account to SIL in its account with SBM. The entire amount of ₹6.56 crore transferred by Ushik Gala originated from SCL, which transferred the same amount to Ushik Gala's ICICI Bank account on the same day.
60. Further analysis of SCL's bank statement showed that the ₹6.56 crore transferred to Ushik Gala originated from SIL's SBM account. SIL had a balance of ₹6.61 crore in this account before transferring the funds to SCL. This balance included ₹4.61 crore previously received from Ishita Gala as subscription money toward share warrants. Out of this balance, ₹6.56 crore was transferred by SIL to SCL, which was subsequently routed to Ushik Gala.
61. On January 5, 2021, the ₹6.56 crore received by SIL in its SBM account was transferred to another SBM account of SIL with the narration "Suumaya trade payment," completing the circular fund flow.

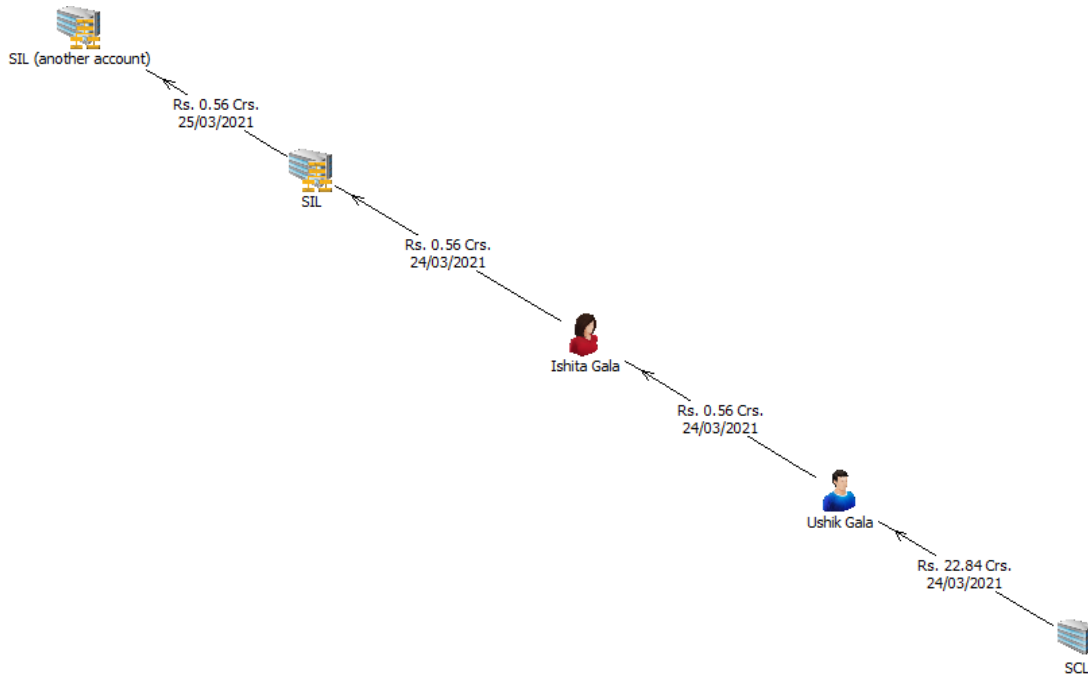


January 5, 2021

62. On January 5, 2021, Ushik Gala transferred ₹7.19 crore from his ICICI Bank account to SIL in its account with SBM. The full amount originated from SCL, which transferred ₹7.19 crore to Ushik Gala's ICICI Bank account on the same day.
63. A review of SCL's bank statement revealed that the ₹7.19 crore transferred to Ushik Gala originated from SIL's SBM account. Prior to the transfer, SIL had a balance of ₹6.56 crore in this account, which was the same amount received by SIL earlier as subscription money for convertible warrants from Ushik Gala. Following this transaction, the balance in SIL's account became negative, suggesting that it operated as an overdraft account.
64. On January 6, 2021, SIL transferred ₹7.19 crore from the SBM account where it had initially received the funds, to another SBM account, with the narration "Trade payment-trf to 148."
65. In total, ₹13.75 crore (₹6.56 crore + ₹7.19 crore) was transferred by Ushik Gala to SIL as subscription money for convertible warrants. Additionally, ₹4.61 crore was transferred by Ishita Gala to SIL, bringing the total subscription amount to ₹18.36 crore. However, as discussed above, analysis of the fund flows *prima facie* reveals that these funds were not financed from the promoters' own resources. Instead, the amounts were routed back to them through circular transactions involving SIL and SCL, raising concerns about the genuineness of the subscription payments.

Balance Subscription towards allotment of 40,60,000 equity shares

66. On conversion of convertible warrants into equity shares, Ishita Gala was allotted 1,00,000 equity shares on March 24, 2021. As per the terms of conversion, Ishita Gala was required to pay ₹0.56 crore as the balance consideration. The fund flow analysis is as follows:



67. On March 24, 2021, Ishita Gala transferred ₹0.56 crore from her ICICI Bank account (A/c No. 002801511941) to SIL's account (A/c No. 20012020005709) held with SBM. The transferred amount was received by Ishita Gala on the same day from the ICICI Bank account of Ushik Gala (A/c No. 002801511940). A review of Ushik Gala's ICICI Bank account (A/c No. 002801511940) indicated that prior to this transfer, the account had a balance of ₹0.01 crore. On March 24, 2021, Ushik Gala received ₹22.84 crore from SCL's SBM account (A/c No. 20012020005136).

Fund Transfers by Ushik Gala:

68. Upon conversion of convertible warrants into equity shares, Ushik Gala was allotted 39,60,000 equity shares on March 24, 2021. Ushik Gala was required to pay ₹22.27 crore as the balance consideration. The fund flow analysis is as follows:

- On March 24, 2021, Ushik Gala transferred ₹22.27 crore from his ICICI Bank account (A/c No. 002801511940) to SIL's SBM account (A/c No. 20012020005709). The funds were transferred out of a credit of ₹22.84 crore received from SCL's SBM account (A/c No. 20012020005136).
 - A review of SCL's SBM account (A/c No. 20012020005136) indicated that prior to this transfer to Ushik Gala, the account had a sufficient balance of ₹48.93 crore.
 - The funds of ₹22.27 crore received by SIL from Ushik Gala in its SBM account (A/c No. 20012020005709) were transferred to SIL's other SBM account (A/c No. 20012620000148) on March 25, 2021, with the narration "interbank transfer for working capital purpose."
69. The total amount of ₹22.83 crore received from Ushik Gala and Ishita Gala was transferred between SIL's accounts on March 24 and 25, 2021. This amount represents the balance 75% consideration for converting 4,060,000 warrants into equity shares.
70. From the analysis of the bank statements, it is evident that the promoters of SIL transferred ₹41.21 crore to the Company as subscription money towards convertible warrants. However, these funds were not infused from their own sources but instead originated from SIL and SCL. Consequently, the Company's funds were routed through the personal accounts of the promoters and eventually back into the Company. During this circulation of funds, it was observed that proceeds initially received by SIL as subscription towards warrants were subsequently routed through SCL to the promoters, forming part of the fresh set of funds used for the conversion of warrants into equity shares.

Payment for the second tranche of warrants converted into shares

71. SIL vide letter dated June 21, 2022, informed SEBI and NSE that consideration for the allotment of shares to Ushik Gala was received from GASVNNL. It was submitted that the promoter had availed a loan from the said NBFC for subscribing to the warrants and as per the policy of the NBFC in such cases funds are directly transferred to the Company to prevent misuse.
72. It was noted from the documents submitted by SIL that GASVNNL sanctioned loans of ₹10.76 crore and ₹3.30 crore to Ishita Gala and Ushik Gala, respectively, at an interest rate of 10.25% per annum, for transferring the

consideration payable on the conversion of the warrants. In its reply dated June 18, 2024, SIL submitted that due to financial difficulties, neither interest nor the principal amount of the loan had been repaid by Ushik Gala and Ishita Gala to GASVNNL. It was further stated that the payment of interest had been mutually agreed to be made in the form of a bullet payment at the time of loan repayment.

73. An analysis of GASVNNL's ICICI Bank account (A/c No. 641905052303) indicated that out of the total amount of ₹14.06 crore transferred to SIL, an amount of ₹3.22 crore was funded by SIL itself. The details of these transactions are as follows:

- On October 12, 2021, SIL transferred ₹6 crore to GASVNNL. On October 13, 2021, GASVNNL disbursed ₹2.8 crore to multiple entities, including a transfer of ₹0.5 crore to SIL. GASVNNL subsequently received credits of ₹1.15 crore from another entity. On the same day, GASVNNL transferred ₹2 crore to SIL, out of which ₹0.85 crore was sourced from the funds received from SIL. Hence, a total of ₹1.35 crore (₹0.85 crore + ₹0.5 crore) was transferred to SIL using funds received from SIL.
- On November 11, 2021, GASVNNL received ₹0.49 crore from SIL, which was transferred back to SIL on November 12, 2021.
- On January 24, 2022, GASVNNL received ₹0.57 crore from SIL, which was transferred to SIL on the same day. Additionally, GASVNNL transferred ₹0.71 crore to SIL, of which ₹0.57 crore was funded by the amount received from SIL.
- On January 24, 2022, GASVNNL received ₹0.86 crore from SIL. GASVNNL subsequently disbursed ₹0.05 crore to another entity, leaving a balance of ₹0.81 crore. This amount was transferred to SIL on the same day.

74. It is therefore *prima facie* found that out of the ₹14.06 crore advanced by GASVNNL to the promoters of SIL for the allotment of 2,499,655 equity shares, ₹3.22 crore was funded by SIL. Consequently, a total of ₹44.43 crore (₹3.22 crore + ₹41.21 crore) was sourced by Ushik Gala and Ishita Gala from SIL and Suumaya Corporation Limited (SCL) to fund the initial subscription towards 98,00,000 share warrants and the conversion of 65,59,655 warrants into equity shares. Of this amount, ₹22.83 crore was funded by SCL and ₹18.38 crore by SIL. Thus, SIL funded a total of ₹21.60 crore (₹18.38 crore + ₹3.22 crore)

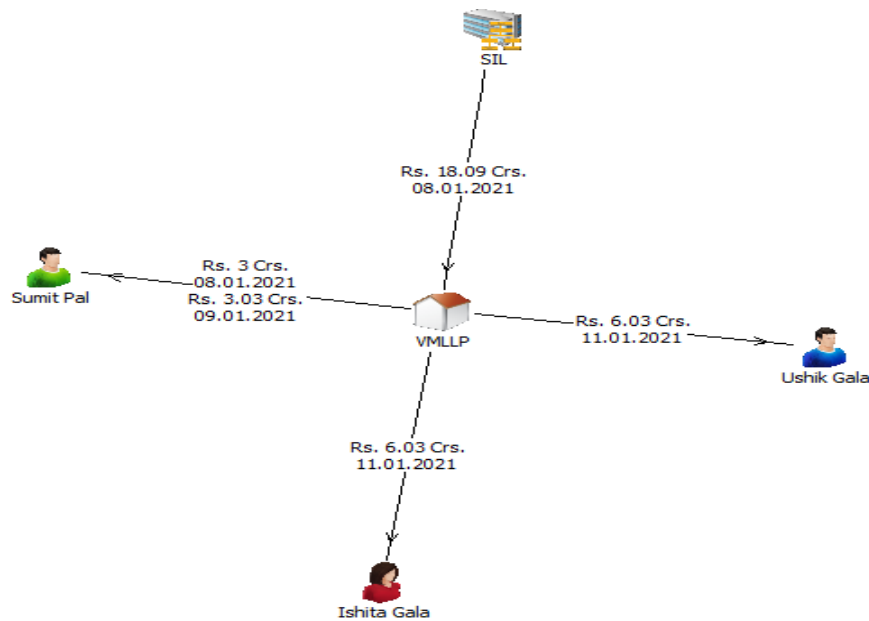
towards the subscription of share warrants and equity shares by Ushik Gala and Ishita Gala.

75. Based on the above findings, it appears that the promoters of SIL artificially inflated the Company's share capital by utilizing funds from SIL and SCL, rather than infusing these funds from their own sources. The net acquisition cost to the promoters was effectively zero, as the funds were sourced from the Company and its group entity, SCL. The promoters not only provided misleading information to investors and stock exchanges regarding their subscription to the 98 lakh convertible warrants, but they also misrepresented the Company's financial statements by inflating the share capital.
76. Given the same, it is *prima facie* found that SIL, Ishita Gala and Ushik Gala, as promoters and key managerial personnel at the relevant time, engaged in a fraudulent, deceptive, and manipulative scheme, thereby violating section 12A(a), (b), and (c) of the SEBI Act, 1992, and regulation 3(b), (c), and (d) and regulation 4(1), 4(2)(e), (f), (k), and (r) of PFUTP Regulations.

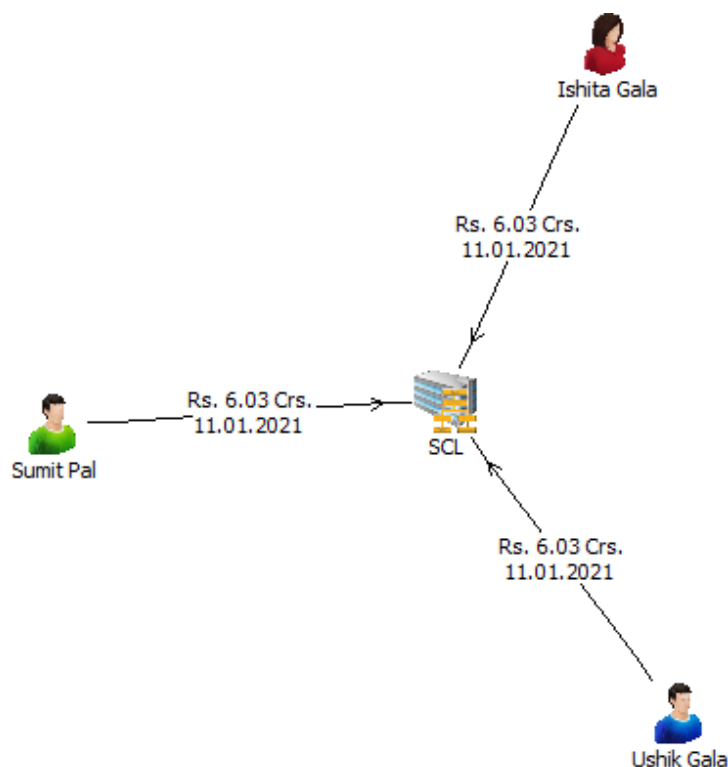
Transfer of ₹18.09 Crore by SIL to Veda Beauty LLP (VBLLP)- subsequently known as Veda Multicorp LLP.

77. It was observed that VBLLP, a vendor of SIL, received ₹18.09 crore in its Axis Bank account on January 08, 2021, from SIL's account with SBM. Prior to receiving these funds, VBLLP had a balance of only ₹2.10 lakh in its Axis Bank account.
78. SIL, in an email dated June 26, 2024, stated that the amount of ₹18.09 crore was transferred to VBLLP as a trade advance against purchases to be made in FY 2021-22. SIL further submitted that there was no relationship with VBLLP other than a business relationship.
79. Analysis of the transactions revealed that the ₹18.09 crore received by VBLLP was further transferred in three tranches of ₹6.03 crore each to Ishita Gala, Ushik Gala, and Sumit Pal Singh between January 08, 2021, and January 11, 2021. SIL submitted that the transfers to Ishita Gala and Ushik Gala were unsecured loans extended by VBLLP based on the trade relationship.

Sr. No.	Name of the beneficiary	Account number	Bank name	Dates on which transferred
1	Ishita Gala	002801511941	ICICI Bank	January 09, 2021 (Received by her on January 11, 2021)
2	Ushik Gala	002801511940	ICICI Bank	January 11, 2021
3	Sumit Pal Singh	916010075750544	Axis Bank	January 08 (₹3 crore) and January 09, 2021 (₹3.03 crore)



80. Regarding the funds received by Sumit Pal Singh, he submitted that he was informed of the transfer after it was credited and he was directed to transfer the amount to SCL for subscription to equity shares. He confirmed that there was no relationship with VBLLP and that the funds were arranged by Ushik Gala. The loan was not repaid, and no interest was paid.
81. Analysis of bank statements revealed that the funds received by Ishita Gala, Ushik Gala, and Sumit Pal Singh were transferred to SCL's SBM account on January 11, 2021. SIL stated that these funds were infused into SCL's share capital.



82. Based on the above, it is *prima facie* found that SIL diverted ₹18.09 crore through VBLLP to fund the subscription of shares of SCL by its promoters and key managerial personnel (KMPs). Therefore, SIL, Ushik Gala, Ishita Gala, and Sumit Pal Singh are alleged to have violated section 12A(a), (b),(c) of the SEBI Act, 1992, and regulation 3(b), (c),(d) and regulation 4(1), 4(2)(f), (k), and (r) of PFUTP Regulations by devising a scheme to defraud the investors of SIL.

Siphoning of Funds to Musk Investment Private Limited (MIPL)

83. Musk Investment Private Limited (MIPL), is a company incorporated on May 11, 2021, and whose directors were Ushik Gala, Karishma Kaku, Mahesh Gala, Sumit Pal Singh, and Meenu Sapra. MIPL, a promoter group entity, shares the same registered office as SIL. During FY23, SIL disclosed MIPL as its related party in financial statements.
84. An analysis of MIPL's ICICI Bank account revealed a credit of ₹7 crore received from SAL on July 2, 2021. These funds originated from SAL's ICICI Bank account, which had received ₹8 crore from the Kotak Bank account of Capalpha Trade Pvt. Ltd. (CTPL) on July 1, 2021. Subsequently, ₹6.73 crore of the ₹7 crore transferred to MIPL was routed to Accord Estates Pvt. Ltd.

85. When questioned about these transactions, SIL stated that MIPL was engaged in the business of dealing in movable and immovable assets, real estate, and commodities. However, SIL did not provide a satisfactory response regarding the transfer of funds from SAL to MIPL, instead claiming it would “check and revert.” It was noted that the funds received by MIPL were allegedly used for the purchase of flats from Accord Estates, but no disclosure of this related-party transaction was made in SIL’s Annual Report for FY22.
86. Given the above, it is alleged that funds amounting to ₹7 crore from SAL, a wholly owned subsidiary of SIL, were siphoned off by Ushik Gala through his entity, MIPL, for personal use, including the purchase of flats. This misuse of funds by the listed entity and its subsidiaries to benefit related parties constitutes a gross violation of financial regulations. SIL and Ushik Gala, through these actions, is *prima facie* found to have violated section 12A(a), (b), and (c) of the SEBI Act, 1992, regulation 3(b), (c), and (d) and regulation 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the PFUTP Regulations, as this scheme was designed to defraud SIL’s investors.

Siphoning of Funds to KSPM Advisors LLP (KSPM):

87. Ushik Gala and Karishma Kaku are partners in KSPM. Between April 2020 and April 2022, SIL transferred a net amount of ₹0.66 crore to KSPM. As per SIL's ledger, invoices totalling ₹0.66 crore were raised on KSPM during the last quarter of FY22, specifically on January 31, February 28, and March 31, 2022. During the same period, Ushik Gala received ₹0.36 crore from KSPM, and Karishma Kaku received ₹0.19 crore in their respective personal bank accounts.
88. In her examination, Karishma Kaku claimed that two employees of KSPM had been outsourced to SIL from 2019 to 2021, and payments received from SIL were reimbursements for their salaries. She also stated that all decisions in KSPM were made by Ushik Gala and that she had no involvement in its operations since 2021. SIL submitted that ₹20 lakh paid to Ms. Kaku was a repayment of her capital account, but no supporting evidence was provided.
89. Ushik Gala during his deposition submitted that he would revert with documentary details, but SIL later responded vaguely, stating that advisory

services were availed from KSPM related to financial services from various NBFCs. However, no documentation substantiating these claims was submitted.

90. In the absence of any supporting documentary evidence and considering the vague and inconsistent responses provided by SIL, it is *prima facie* concluded that ₹0.66 crore was siphoned off by SIL to KSPM, an entity linked to its promoters, Ushik Gala and Karishma Kaku. These actions constitute a violation of section 12A(a), (b), and (c) of the SEBI Act, 1992, regulation 3(b), (c), and (d) and regulations 4(1), 4(2)(f), (k), and (r) of PFUTP Regulations.

Cash withdrawals and deposits

91. The total amount of cash withdrawals and cash deposits, in the bank statements of SIL, during the period of investigation, were as under:

Name of bank	Account Number	Cash Deposit	Cash Withdrawals	Period of cash withdrawal
HDFC Bank	50200067715256	1.28	4.81	July, 2022 to March, 2023 (9 months)
Axis Bank	91802008237696 1	1.20	3.39	May, 2020 to Dec, 2020 (8 months)
Progressive Bank	3110100003768	0.001	0.69	April, 2022 to May, 2022 (2 months)
Axis Bank	92202005140142 8	-	0.04	March, 2023 (1 month)
Arihant Bank	11012000023	0.04	0.001	June, 2022 (1 month)
IndusInd Bank	201001152686	-	0.001	April, 2020 (1 month)
SBI	40217105477	0.05		
Deutsche Bank	40755550019	0.15		
State Bank of Mauritius	20012620000148	3.50		
ICICI Bank	641905051479	0.34		
	Total	6.57	8.93	

92. An analysis of SIL's bank statements revealed net cash withdrawals totalling ₹2.36 crore across multiple locations in Mumbai including Borivali, Malad, Goregaon, Lokhandwala, and Andheri. These withdrawals were executed by personnel identified as Raj Mamania, Rupesh Pardhi, Ravindra Salvi, and others, who were office assistants at SIL, as confirmed by the Company's employee master records. The highest single cash withdrawal of ₹0.74 crore

occurred on October 15, 2022, from SIL's HDFC Bank account, coinciding with a credit of ₹0.65 crore received from SCL.

93. Further, the highest cash deposit of ₹2 crore into SIL's SBM account occurred on March 18, 2021. During the examination, Ushik Gala stated that these transactions were coordinated by Raj Mamania and were purportedly for business-related expenses, including logistics, transportation, and cash purchases. However, SIL failed to provide supporting documentation, citing the information as "under compilation."
94. Karishma Kaku, former CFO, attributed these transactions to collections and payments related to the garment business, while Sneha Shah, another former CFO, denied any knowledge of cash dealings between SIL and its customers/vendors, indicating that payment control was managed by Ishita Gala and later by Ushik Gala.
95. Summons were issued to Raj Mamania for his personal appearance to explain these transactions. Despite multiple notices, he failed to comply, requesting a virtual appearance instead.
96. In the absence of supporting documentation from SIL, it is *prima facie* concluded that funds amounting to ₹2.36 crore were siphoned off by SIL to unknown entities. This constitutes a violation of section 12A(a), (b), and (c) of the SEBI Act, 1992, and regulations 3(b), (c), and (d) and regulation 4(1), 4(2)(f), (k), and (r) of the PFUTP Regulations.

Role of the individual Noticees

Suumaya Industries Limited:

Corporate Announcements and Misleading Disclosures

97. It is noted from the records that during the Investigation Period, SIL made multiple corporate announcements related to its medical textiles business, which were later found to be misleading and unsupported by evidence. On May 11, 2020, SIL made an announcement wherein it was disclosed that the Company secured orders worth ₹525 crore for COVID-19 essentials from government

institutions, central agencies, and private corporations. However, SIL failed to provide any documentary evidence to substantiate these claims.

98. Similarly, on June 23, 2020, SIL announced an additional order worth ₹50 crore from a CSR NGO, INDEED, sponsored by Dentsu, along with plans to export masks to European and African nations through manufacturing facilities in Bangladesh. Despite these assertions, no documents supporting the existence of these orders or the manufacturing facilities were provided.
99. In a corporate announcement dated September 30, 2020, SIL disclosed the receipt of a non-binding letter of intent (LOI) from Indeed for an order of approximately ₹7,000 crore for COVID-19 essentials. It is already brought out in the preceding part of this Order that the entire gamut of transactions entered with Dentsu appeared to be fictitious.
100. It is, therefore, noted that the disclosures appear to have created a false narrative of a substantial order book, misleading investors and thereby violating regulation 4(1)(c) of LODR Regulations. Additionally, by making unsubstantiated claims, SIL *prima facie* appears to have contravened regulations 4(1), 4(2)(f), 4(2)(k), and 4(2)(r) of PFUTP Regulations.
101. Apart from the material misleading corporate announcements, it has already been brought out in this Order that SIL was *prima facie* found to have misrepresented its financial statements and manipulated its books of accounts during FY21 to FY23, thereby presenting a misleading financial position to investors and stakeholders.
102. The investigation further revealed that SIL lacked robust internal controls over its operations, processes and the maintenance of its books of accounts. This absence of adequate checks and balances facilitated large-scale manipulation of the financial statements. Additionally, SIL issued convertible warrants to its promoters and partially financed their subscription to such warrants.
103. A company bears the responsibility of presenting a true and fair view of its financial position in every respect. Financial statements must be prepared and disclosed in accordance with applicable accounting standards and disclosure regulations, as mandated by the Companies Act, 2013 and LODR Regulations. Misrepresentation or misstatement in financial disclosures severely

compromises an investor's ability to make informed investment decisions and undermines trust in the capital markets.

104. It is imperative for companies to refrain from any form of misrepresentation in the corporate announcements that are made on the stock exchanges and also ensure that their Annual Reports provide a complete and accurate depiction of financial performance.
105. Given the above, I am of the *prima facie* view that SIL violated sections 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3 (b), (c) and (d) and regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations. Further, SIL appears to have violated regulations 4(1)(a), (b), (c), (e), (g), (j), 33(1)(c), regulation 48 of LODR Regulations as the Company had weak internal controls and the financial statements were misrepresented and not prepared in accordance with accounting policies.
106. It is, however, noted that Hon'ble National Company Law Tribunal, Mumbai, has vide order dated August 02, 2024 admitted Corporate Insolvency Resolution Process (CIRP) against SIL on an application filed by Incred Financial Services Ltd. Given the same, no directions are proposed against the Company in this Order.

Price movement during the investigation period

107. The share price of the Company increased from ₹62.25 on October 19, 2020 to ₹211.25 on April 27, 2021 thereby recording an increase of 239.36% in seven months. The share price of the Company continued to increase and remained in the range of ₹250/share to ₹500/share during the period from April 2021 to June 2021. In July 2021, the share price of the Company reached a high of ₹701.8 (July 05, 2021). The share price movement of SIL during the Investigation Period is given in the chart below:



108. The share price of the Company remained in the range of ₹400/share to ₹600/share till October 11, 2021. Thereafter, the share price declined steadily and reached a low of ₹11.75 on March 31, 2023.

109. An analysis of information provided by CDSL revealed that Ishita Gala and India Credit Risk Management LLP (ICRM), which is part of the promoter group of the Company, made significant off-market transactions to divest equity shares of SIL before a significant decline in the Company's share price. The details of these transactions are given below:

1. Transactions by Ishita Gala:

On December 28, 2022, 38,07,000 equity shares of SIL were sold to Capgenius Advisory Private Limited for ₹14.58 crore at ₹38.30 per share, a price close to the closing price of ₹38.65.

2. Transactions by ICRM

ICRM divested 48,60,000 shares on September 21, 2022, at ₹43.35 per share, slightly above the closing price of ₹42.20, and on December 30, 2022, ICRM divested 48,60,000 shares at ₹43.35 per share, higher than the closing price of ₹36.90.

110. Following these transactions, SIL's share price declined further, remaining in the range of ₹20 to ₹30 from January to March 6, 2023, and eventually reaching a low of ₹11.75 by March 31, 2023. The promoters benefitted by divesting their shares before the significant price drop.

111. I am now proceeding to look at the role played by the persons who acted as key managerial personnel (KMP) of SIL during the IP. The details of the KMPs of the Company during the IP is given in the Tables below:

Executive Directors during the Investigation Period

Name of the director	Designation	FY 2020-21		FY 2021-22		FY 2022-23	
		meetings held	meetings attended	meetings held	meetings attended	meetings held	meetings attended
Ushik Gala	(CMD)	9	9	8	7	9	9
Ishita Gala	MD	9	8	NA	NA	NA	NA
Sumit Pal Singh	CEO and JMD	9	8	8	3	NA	NA

Signatories of the financial statements

FY	Signatory of financial statements	CEO certification	CFO certification
21	Ushik Gala, CMD Sneha Shah, CFO	Sumit Pal Singh, CEO & Joint MD	Sneha Shah
22	Ushik Gala, CMD Dhwani Dattani	Not provided	Not provided
23	Ushik Gala, CMD	Ushik Gala, CMD	Not provided

Role of Ushik Gala

112. It is noted that Ushik Gala served as the Chairman and Managing Director (CMD) of SIL from April 1, 2020, to June 30, 2024. He was CMD of the Company for the entire duration of the IP.
113. It is further noted from the statements recorded by SEBI that he had introduced most of the counterparties with which SIL had transacted during the IP. As per the recorded statements, all the major counterparties other than Dentsu were introduced to the Company by Ushik Gala (Dentsu as per the statements was introduced by Sumit Pal Singh). These transactions between counterparties as already noted in this Order appear to be nothing more than paper entries.
114. In terms of regulation 17(8) of LODR Regulations read with Part B of Schedule II, the Chief Executive Officer ('CEO') and the Chief Financial Officer ('CFO'), *inter alia*, have to provide a compliance certificate to the board of directors stating that the financial statements present a true and fair view of the state of affairs of the company, transactions entered by the company were not illegal or fraudulent, they accept the responsibility for maintenance of internal controls and evaluation of these controls. Further, under regulation 33(2)(a) of LODR Regulations, it is the duty of the CEO and CFO of a listed entity to certify that the published financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading while placing the financial results.
115. Ushik Gala was a signatory to the financial statements for the entire IP. Further, Ushik Gala, as CMD, also provided CEO/CFO certification with respect to financial statements for the FY23, stating that the financial statements were true and fair.

116. Further, as noted in the preceding paragraphs, he received an amount of ₹21.39 crore from SIL which was utilised for subscribing to share warrants and equity shares of SIL and SCL. Further, he received an amount of ₹22.27 crore from SCL for subscription to share warrants and equity shares of SIL and SCL. Hence, Ushik Gala, apart from being directly involved and responsible for the violations by the Company as the CMD, also appears to have benefitted personally from such violations.
117. It was also noted that 3,000 gms of gold bars worth Rs. 1.58 crore (inclusive of GST) were sold to Ushik Gala by the Company on October 31, 2022, and the amount receivable was set off against the ledger “Ushik Gala-Loan A/c” with the narration “Being payable adjusted with receivable”. The Company, in this regard, vide email dated June 18, 2024, stated that the gold bars were sold to Ushik Gala towards outstanding loan received from him as it was not possible for the Company to repay the loan in cash due to cash flow issues. However, when the company was called upon to provide documents and other evidence related to this loan, it failed to do so. Given the same, it appears that Ushik Gala misappropriated gold bars worth Rs. 1.58 crore from SIL.
118. The investigation also revealed it was falsely disclosed in the certain corporate announcements put out by the Company and also email signature of Ushik Gala that he was a chartered accountant.
119. Additionally, Ushik Gala is *prima facie* found to have played a key role in identifying and assigning the receivables/payables of the Company to GASVNNL. It has already been found in this Order that the transactions entered between SIL and GASVNNL appear to be fraudulent.
120. In view of the above, it is *prima facie* found that Ushik Gala violated the provisions of section 12A(a), (b) & (c) of the SEBI Act, 1992, regulations 3 (b), (c) and (d) and regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations as he devised a scheme to defraud the investors, siphon off the funds of SIL and falsified the financial statements of the Company. Further, the said actions appear to be not in compliance with regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), and 4(2)(f)(iii)(1),(3),(6),(7)(12) of LODR Regulations.

121. Further, I am of the *prima facie* view that he furnished false CEO/CFO certification for FY23 and also failed to furnish such certification for FY22, he violated regulation 17(8) read with Part B of Schedule II and proviso to 33(2)(a) of LODR Regulations. Additionally, as the financial statements of the Company appear to have been manipulated and were not prepared in accordance with accounting standards, he also violated regulation 33(1)(c), and regulation 48 of LODR Regulations read with section 27 (1) and (2) of SEBI Act, 1992.

Role of Ishita Gala:

122. Ishita Gala was appointed as the MD of the Company with effect from February 07, 2017 and served in that position till January 02, 2021. She is the sister of Ushik Gala and is a promoter of the Company. She occupied the position of MD, during the IP, for a duration of 9 months.

123. During her tenure, she was a signatory of the quarterly financial statements for the quarter ended September 2020, which, as already noted in this Order, *prima facie* appears to contain material misstatements.

124. Further, as brought out in the preceding paragraphs, Ms. Gala is *prima facie* found to have received ₹12.25 crore from SIL and ₹ 0.56 crore from SCL which were in turn used for subscribing to the warrants/equity shares of these companies. Hence, apart from being directly involved and responsible for the violations by the Company as the MD, she appears to have benefitted personally from such violations.

125. In view of the above, I am of the *prima facie* view that Ishita Gala violated the provisions of section 12A(a), (b), and (c) of the SEBI Act, 1992, as well as regulations 3(b), (c), and (d) and regulations 4(1), 4(2)(f), (k), (r) of PFUTP Regulations. Her involvement in manipulating the financial statements and benefiting from Company funds further resulted in violation of regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), and 4(2)(f)(iii)(1)(3)(6)(7)(12) of LODR Regulations and section 21 of SCRA, 1956. Moreover, her role in approving financial statements that were not prepared in accordance with accounting standards constituted a breach of regulation 33(1)(c) and 48 of LODR Regulations read with section 27(1) and (2) of SEBI Act, 1992. These violations occurred over a period of nine months during FY21.

126. Furthermore, she offloaded shares of SIL during a period when the price of the scrip was falling, further violating sections 12A(a), (b), and (c) of the SEBI Act, 1992, as well as regulations 3(a), (b), (c), and (d) and regulations 4(1), 4(2)(a), (e) of PFUTP Regulations.

Role of Sumit Pal Singh:

127. Sumit Pal Singh was appointed as the CEO of the Company effective April 1, 2020, and later promoted to Joint Managing Director (JMD) from March 1, 2021, until his resignation on October 12, 2021.

128. As a KMP, he attended most board meetings and provided CEO/CFO certification for FY21, asserting that the financial statements were true and fair. It was also *prima facie* found, based emails that were reviewed during the Investigation, that he was coordinating the placement of orders with Dentsu, which, as already noted in this Order, appear to be fictitious. It was further *prima facie* found from the statements recorded by SEBI that Dentsu was introduced to SIL by him.

129. Further, as already brought out in this Order, Sumit Pal Singh appears to have received ₹7.42 crore from SIL which was used to subscribe to shares of certain companies.

130. These actions *prima facie* appear to be violation of section 12A(a), (b), and (c) of the SEBI Act, 1992 and regulations 3(b), (c), (d), 4(1), 4(2)(f), (k), and (r) of PFUTP Regulations and regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), and 4(2)(f)(iii)(1)(3)(6)(7)(12) of LODR Regulations.

131. Additionally, by furnishing false CEO/CFO certification, he appears to have violated regulation 17(8) read with Part B of Schedule II and regulation 33(2)(a) of LODR Regulations. His apparent complicity in manipulating financial statements, contrary to accounting standards, also breached regulation 33(1)(c) and regulation 48 of SEBI LODR Regulations read with section 27(1) and (2) of SEBI Act, 1992.

Role of Karishma Kaku

132. It is noted that from the records available before me, Karishma Kaku, who is the wife of Ushik Gala, served as the CFO of the Company from the beginning of the IP till November 01, 2020. In her notes of examination, she stated that she

stopped working for SIL from 2019 but officially did not resign from her position. She was designated as the CFO in the published financial statements/results of the Company for FY21. Further, as stated earlier, ₹0.66 crore appear to have been siphoned off from SIL to KSPM, an entity in which Ushik Gala and Karishma Kaku are partners.

133. From December, 2020 till March, 2023, Ms. Karishma Kaku received net amount of Rs. 0.07 crore in her ICICI bank A/c 122101505336 from SIL. Out of the said amount, an amount of Rs. 0.04 crore pertained to the period from January, 2023 to March, 2023. During this period, her name appeared in the employee master of SIL as “Manager - Operations”. Hence, she continued to receive salary from SIL, despite her admission that post 2019, she did not work in SIL.
134. Hence, Karishma Kaku violated the provisions of section 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3 (b), (c) and (d) and regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations as she devised a scheme to defraud the investors.

Role of Sneha Shah

135. Sneha Shah joined the Company in September 2020 as head of accounts and was later appointed as CFO in November 2020. During her deposition before SEBI, Ms. Shah submitted that she signed the CFO certificate for either one or two quarters but clearly remembered not signing the annual accounts for FY21. It is, however, noted from the records that financial statements for FY21 bear her signature.
136. Given the above, providing a CFO certification for FY21 which appears to be false, Sneha Shah is *prima facie* found to have violated regulation 17(8) read with Part B of Schedule II and proviso to regulation 33(2)(a) of LODR Regulations and section 21 of SCRA, 1956. Further, as the financial statements of the Company were manipulated and were not prepared in accordance with accounting standards during the period she served as the CFO of SIL, she appears to have not complied with regulation 33(1)(c), and regulation 48 of LODR Regulations read with section 27 (1) & (2) of SEBI Act, 1992. Further, Sneha Shah also appears to have violated the provisions of section 12A(a), (b) & (c) of the SEBI Act, 1992, regulations 3 (b), (c) and (d) and regulations 4(1),

4(2) (f), (k), (r) of PFUTP Regulations, 2003 as the financial statements of SIL were misrepresented.

Role of Dhvani Dattani:

137. Dhvani Dattani was appointed as the CFO of the Company with effect from October 18, 2021, and she resigned with effect from April 30, 2023.
138. By virtue of being the CFO, Ms. Dhvani was the KMP of the Company during the FY22 and FY23. However, no CFO certification from her was observed in the Annual Report of the Company for FY22 and FY23, *inter alia*, stating that the financial statements of the Company were true and fair and transactions entered by the Company were not illegal or fraudulent. It also appears that Dhvani Dattani failed to establish and maintain internal controls for financial reporting.
139. In view of the above, by failing to provide CFO certification for FY22 and FY23, Dhvani Dattani *prima facie* is found to have violated regulation 17(8) read with Part B of Schedule II and proviso to regulation 33(2)(a) of LODR Regulations.
140. Further, as financial statements of SIL for FY22 and FY23 appear to be misrepresented, the period during which she served as the CFO of the Company, it is *prima facie* concluded that Dhvani Dattani violated the provisions of section 12A(a), (b) and (c) of the SEBI Act, 1992, regulations 3(b), (c), (d) and regulations 4(1), 4(2) (f), (k), (r) of PFUTP Regulations, regulation 33(1)(c), and regulation 48 of LODR Regulations read with section 27(1) and 27(2) of SEBI Act, 1992.

Role of members of the Audit Committee of SIL:

141. It was observed that the persons mentioned in the table below were members of the Audit Committee, during the IP:

Name of the director	Designation	FY 2020-21		FY 2021-22		FY 2022-23	
		No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Sharad Jain	Lead Independent director	4	4	6	6	5	5

Ishitaq Ali	Independent director	4	4	6	6	5	5
Sejal Doshi	Non-executive director	4	3	NA	NA	NA	NA
Satish Khimawat	Independent director	4	4	6	6	5	5

142. SIL, as already *prima facie* found in this Order, was involved in large-scale manipulation of books of accounts, misrepresentation of its financial statements, diversion of funds and misleading corporate announcements. There appears to have been a complete breakdown of internal controls and governance standards in SIL as the overwhelming majority of the sales and purchases recorded by the Company appear to be fraudulent. The Audit Committee members had failed in their duty as they did not question the management during this period of meteoric rise year on year in reported sales and revenues. The members of the Audit Committee of SIL, it is therefore noted, have failed to conduct due diligence or question the figures reported in the financial statements of the Company or review the integrity of internal controls. Further, they appear to have failed to exercise any oversight over the transactions undertaken with GASVNNL.

143. Based on the above, the audit committee members of SIL failed to perform the duties specified under regulation 18(3) read with para A (1), A(4)(e), A(5), A(8) and A(11), A (12) and B(4) of Part C of Schedule II of the LODR Regulations and section 21 of SCRA 1956 read with section 27(2) of SEBI Act, 1992. Also, being members of the board of directors, they failed to discharge their responsibilities under regulations 4(2)(f)(i)(2), 4(2)(f)(ii)(2)(6)(7)(8), 4(2)(f)(iii)(1),(3),(6),(7)(12) of LODR Regulations and section 21 of SCRA, 1956 read with section 27(2) of SEBI Act, 1992.

Conclusion

144. The findings in this case reveal a complete systemic breakdown of corporate governance and compliance standards, at every level, of SIL. The Company reported exponential growth in revenue which was not backed by cash inflows, and the entire revenue surge only led to inflated trade receivables. The revenue reported by the Company appear to be entirely fictitious. The financials of the

company projected a picture of strength and rapid growth while concealing a hollow core. This deceptive practice appears to have been orchestrated as part of a scheme to defraud stakeholders and manipulate the market.

145. Key managerial personnel, including the CMD, is *prima facie* found to have personally benefited from the siphoning and diversion of funds. The promoters of the Company appear to have prioritized personal gain over the interests of shareholders and the integrity of the market. Further, even the other KMPs who occupied the role of CEO and CFO, during the IP, have failed to uphold basic principles of transparency and accountability and have, in my view, completely failed in discharging the duties bestowed upon them under the securities laws. They were either complicit or remained mute spectators while investors' wealth were being plundered. Further, the assigning of payables and receivables to GASVVNL can be seen as an attempt to keep the true nature of SIL's finances under wraps.
146. The complicity and gross negligence of the Audit Committee further exacerbated the collapse of governance. Charged with the critical role of ensuring financial oversight and risk management, the Audit Committee members failed to question glaring anomalies in the financial statements and did not conduct basic due diligence on key transactions. Their inaction and reliance on the misleading assurances of the management not only enabled the misconduct but actively facilitated it.
147. The revelations of inflated revenues, the absence of genuine cash flows, and the blatant misuse of the Company's funds underscore the deliberate and orchestrated nature of this financial fraud. SIL's senior management, aided by the inaction of the Audit Committee, created an environment where deception thrived, regulatory norms were systematically flouted, and investor trust was trampled upon. This case represents an egregious violation of securities laws and fiduciary duties, warranting interim measures to keep Ushik Gala away from the management of the Company. Such bad actors cannot be allowed to be at the helm of a listed company and further jeopardise the interest of the public investors.

Order

148. Keeping in view the foregoing, I, in exercise of the powers conferred upon me under sections 11, 11(4) and 11B (1) read with section 19 of the SEBI Act, 1992, hereby issue by way of this interim order the following directions, which shall be in force until further orders: -

- a) Ushik Gala is restrained from holding the position of a director or a Key Managerial Personnel in any listed company or any SEBI registered intermediary until further orders.
- b) Noticees 2 to 5 are restrained from buying, selling or dealing in securities, or accessing capital market either directly or indirectly, in any manner whatsoever until further orders. If the said Noticees have any open position in any exchange-traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The said Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

149. The foregoing *prima facie* findings contained in this Order are made on the basis of the material available on record. The said *prima facie* findings shall also be considered as a show cause notice and Noticee Nos. 2 to 12 are directed to show cause as to why suitable directions/prohibitions under sections 11(1), 11(4) and 11B(1) of SEBI Act, 1992, including the directions for bringing back the funds allegedly siphoned off from the Company, or restraining them from accessing the securities market including buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary or any other directions as deemed fit by SEBI, should not be issued against them.

150. Further, Noticee Nos. 2 to 12 are also called upon to show cause as to why an inquiry should not be held against them in terms of rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under sections

11(4A) and 11B(2) read with sections 15HA and/or 15HB of the SEBI Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, PFUTP Regulations and LODR Regulations, as the case may be.

151. The Noticee Nos. 1 to 12 may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.
152. The above directions shall take effect immediately and shall be in force until further orders.
153. A copy of this order shall be served upon the Noticees, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

DATE: JANUARY 24, 2025

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA

ASHWANI BHATIA

WHOLE TIME MEMBER