**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER: Order/MC/HP/2021-22/15787]**

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**UNDER SECTION 15-I OF SEBI ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

In respect of –

**Keynote Commodities Limited** (**PAN: AAFCS7268C**) having address at - 4th Floor, Balmer Lawrie Building, 5, J.N. Heredia Marg, Ballard Estate, Mumbai-400001

**and**

9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai - 400028

*In the matter of Emmbi Polyarns Limited*

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## BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as, **'SEBI'**) initiated adjudication proceedings against Keynote Commodities Limited (**Noticee/KCOM**) under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as, **'SEBI Act'**) for alleged violations of the provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred to as, **'PFUTP Regulations'**) pursuant to investigation in the matter of Emmbi Polyarns Limited (**Company/Scrip/Emmbi**). Shri P. K. Bindlish was appointed as Adjudicating Officer (AO) under Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as, **'Adjudication Rules'**), vide order dated March 24, 2011 to inquire into, and

adjudge under Section 15HA of the SEBI Act the aforesaid alleged violations by the Noticee. Subsequently, Shri Peeyush Gupta was appointed as Adjudicating Officer in the instant matter. Adjudication Order dated July 31, 2013 was passed by the Adjudicating Officer imposing a penalty of Rs.25,00,000/- on the Noticee. This order was appealed before the Hon'ble Securities Appellate Tribunal (SAT) by the Noticee vide Appeal No. 182 of 2013. Hon'ble SAT vide its Order dated October 10, 2014, remanded the matter to the file of the Adjudicating Officer for afresh consideration.

**APPOINTMENT OF ADJUDICATING OFFICER**

2. Subsequent to the aforesaid SAT order, Shri Amit Pradhan was appointed as Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of the Adjudication Rules vide order dated March 09, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, the aforesaid alleged violations against the Noticee. Subsequently, the undersigned was appointed as Adjudicating Officer (hereinafter referred to as, **'AO'**) vide an order dated June 18, 2021.

**SHOW CAUSE NOTICE, REPLY AND HEARING**

3. Show Cause Notice (**'SCN'**) dated May 20, 2011 was issued to the Noticee for alleged violation of the PFUTP Regulations. The allegations levelled against the Noticee in the SCN are summarized as follows:-

4. SEBI conducted investigation into the alleged irregularities in the initial public offering (**'IPO'**) of Emmbi.

5. The company was incorporated on November 29, 1994 under the Companies Act, 1956 as Emmbi Polyarns Private Limited and was converted into a public limited company on April 01, 1999. The company was engaged in manufacture and sale of jumbo bags and woven sacks and various woven polymer based products like container liners, protective irrigation systems, canal liners, flexi tanks, car covers etc. The Registered office of the company was located at

309/310, third Floor, Kuber Complex, New Link Road, Andheri (West), Mumbai - 400053. The promoters of the company were Makrand Moreshwar Appalwar, Mrs. Rinku Makrand Appalwar and Mitravinda Moreshwar Appalwar at the relevant time. The composition of the Board of the company at the relevant time were as under:

**Composition of the Board:**

| **Name** | **Designation** |
|---|---|
| Makrand Moreshwar Appalwar | Chairman & Managing Director |
| Rinku Makrand Appalwar | Director - Finance |
| Mitravinda Moreshwar Appalwar | Director |
| Sanjay Ramprasad Rathi | Director |
| Ashesh Y Garg | Director |
| Dr. Vyankatesh Joshi | Chief Executive Officer |

6. It was observed that the credit rating agency CARE had assigned a 'CARE IPO Grade 2' to the IPO of the company, which indicated below average fundamentals. Further, 4 analyst opinions had also come regarding the IPO and 3 of them had negative view on the IPO. The analyst opinions were as follows:

- *Business Line (newspaper): The stock's status as a small-cap and its limited scale of operations may make premium valuations difficult to attain.*
- *SMC India (Broking firm): The sector in which the company operates is highly dynamic & requires lot of innovation. As the company does not have a large array of products in its portfolio for packaging, a sudden*

*change in style & preference of the consumer may pose a serious challenge to the company. Moreover the industry in which the company operates is highly fragmented with different types of packaging products thereby lacking pricing power & on the flip side it is highly prone to petroleum products prices. The company is asking close to 30x post issue multiple which looks a bit expensive considering the growth of the industry.*

- *S. P. Tulsian (www.premiuminvestments.in): Financial performance and health of the company does not justify this size of issue, as its net worth is just at Rs. 9 cr, as on 30/09/2009, with debt equity ratio of 2:40:1, taking total debt of the company, of Rs. 21.69 cr. Financial year had top line of just Rs. 38 cr with a meagre PAT of 1.36 cr.*
- *Further, the company is into manufacture of jumbo bags and woven sacks with a capacity of 5,000 TPA, which is now being raised to 17,8000 TPA. The company has estimated total cost of expansion at Rs. 36 cr and planning to source it from IPO and internal accruals. When the company already has such a high gearing and reserves of just Rs. 1.22 cr. on 30/09/2009, anything coming in from internal accruals is ruled out. On top of it, the company had the courage to issue 3 bonus shares for every 2 shares held, ahead of this IPO. Due to this, book value per share fell to 11.50, on pre-IPO equity base. Even post IPO, paid up equity will sharply rise from 7.83 cr. to 17.41 cr. Promoters stake of 45%, post IPO, is also not comforting, as they would be enjoying the benefits of the proposed IPO, resulting in rise in the size of the company and increase in book value per share.*
- *In the past, there have been many companies came from this sector, but none of them have rewarded the shareholders. The company will not be an exception. Considering this, investment is not advised, as the IPO is purely to help the promoters of this microcap company.*
- *Only one broking firm, Swastika Investmart came out with a research report projecting 15-20% return over the next six months, from the upper end of the band.*

7. Emmbi came out with an initial public offering (IPO) of 95,74,000 equity shares of Rs.10 each through 100% book building. The price band was between Rs.40 to Rs.45 per equity share. The BRLM to the issue was Keynote Corporate Services Ltd (KCSL) and Datamatics Financial Services was the Registrar. The IPO opened on February 01, 2010, and closed on February 03, 2010 and finally, the allotment was done at the higher end of the band i.e., Rs.45. Trading in the shares commenced on both NSE and BSE, from February 24, 2010 and on that day, the price of the scrip opened at Rs.45.5/46 at BSE/NSE respectively and closed at Rs.28.65/28.75 on BSE/NSE thus registering a fall of around 37%.

8. The IPO opened for subscription on February 01, 2010. In the backdrop of poor feedback from the market analysts, the issue appeared to be heading for a poor response. Meagre 5.7% subscription was received on the first day (1800 shares at Rs.40, 150 shares at Rs.41, 300 shares at Rs.42 and 5,47,750 shares at Rs.45 and cut off) also did not inspire confidence or generate interest. The bid data is continuously disseminated through the BSE/NSE websites to disclose the demand for such book-built issues, the underlying purpose being that the interested investors would be able to take their decisions based on the demand for the scrip, much akin to the order book position in the secondary market.

9. India Max Investment Fund Ltd. a sub account of FII - Rahn & Bodmer (INCH-FD-1274-06) for which Keynote Capitals Limited (KCAP) was the local advisor applied for 5.2% (4.99 lakhs shares) of the issue on day one which they revised to 18.2% (17.4 lakhs shares) of the issue on day 2. After the extremely low turnout on day 1, day 2 was critical for the Emmbi IPO and also for its BRLM i.e. KCSL.

10. It was observed that bidding for Emmbi IPO picked up on day 2. The issue got subscribed to the extent of 1.5 times and thereby apparently removing the chance of the issue failing and also indicating a momentum / trend in favour of subscription for the IPO which should at least extend or may even accelerate on day 3 as the investors sitting on the fence to join in. This would in turn enable

the IPO to reach a subscription level where investor could expect a decent price on listing. However, what remained hidden was that most of these applications come from entities connected to the BRLM or its associates. Further, all of these bids from entities connected to the BRLM or its associates came at cut off or the upper end of the price band i.e. Rs.45/-. The following data includes all the shares bid (including some applications which were rejected later due to lower price, cheque bounced etc.).

| Day 2 | Bids received for no. of shares | | |
|---|---|---|---|
| | TOTAL | Bids by related entities | Bids excluding related entities |
| Total bids received at Price | 1,46,34,500 | 1,23,96,800 | 22,37,700 |
| Rs. 45 | 84,03,650 | 62,96,000 | 21,07,650 |
| Cut Off Price | 1,22,250 | - | 1,22,250 |
| Rs. 44 | - | - | - |
| Rs. 43 | 600 | - | 600 |
| Rs. 42 | 29,77,950 | 29,76,000 | 1,950 |
| Rs. 41 | 2,100 | - | 2,100 |
| Rs. 40 | 31,27,950 | 31,24,800 | 3,150 |

11. It was alleged that in view of the response on day 2 and the impetus given to the bidding by the connected entities, general investors came on board to participate, lured by the scheme of fraud. 2319 bids were received for 20,83,050 shares (3,18,600 shares at Rs.40, 3,150 shares at Rs.41, 1,050 shares at Rs. 42, 2,100 shares at Rs.43, 750 shares at Rs.44 and 17,57,400 shares at Rs.45/cut off). Only one connected entity applied on Day 3 at Rs.45 for 2,22,150 shares.

12. It was observed from the bid data that the connected entities viz., Team India Managers Ltd., Concept Communication Ltd., Anidhi Impex Pvt. Ltd., Platinum Line Investments & Trading Co. Pvt. Ltd., India Max Investment Fund Ltd., Jaswant Shah, Mahendra Jain HUF, Alka Jain, Lalit Kumar Sharma, Gulu Watumal, Sheela Shah had bid for 70,17,150 shares in total, which was 73% of

the issue. Without these bids, the issue would have failed or would have had to be withdrawn or extended, allowing an opportunity to the other investors to receive refunds or withdraw their bids.

13. The issue was oversubscribed by 1.20 times as per the gross bid data. Following the closure of the issue, the company in consultation with BRLM finalized the allotment at Rs.45 per equity share. After considering cheque returns and technical rejections, the issue was subscribed 0.904 times of 95,74,000 shares, The details of category wise allotment are as below:

| Category | No. of shares Reserved | | Subscribed | | Number of applicants | Spillover | Shares allotted | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | % to total issue | Shares | % | | | | %to net issue | % to total allotment |
| QIBs | 47,62,000 | Upto 50% | 17,40,000 | 18.1 | 1 | (31,12,975) | 16,49,025 | 17.2 | 19 |
| NII | 14,28,600 | Min 15% | 55,42,550 | 57.9 | 17 | 41,14,050 | 55,42,650 | 57.9 | 64 |
| Retail Investors | 33,33,400 | Min 35% | 13,25,100 | 13.8 | 2,498 | (20,08,300) | 13,25,100 | 13.8 | 15.3 |
| Employees | 50,000 | Upto 0.01 | 49,950 | 0.5 | 23 | (50) | 49,950 | 0.5 | 0.6 |
| Shortfall | _ | | | | | | 90,975 | 1 | 1.1 |
| **TOTAL** | **95,74,000** | | **86,57,700** | **90.4** | | | **86,57,700** | | |

14. **<u>Trading on the first day of listing</u>:**

On February 24, 2010 (the first day of listing), 6,14,82,682 shares were traded on NSE and 5,71,73,030 on BSE. The top 5 brokers on the buy side contributed to a total of 18/30% of the day purchase volume in NSE/BSE whereas on the sell side, top 5 brokers contributed to a total of 21/33% of the days sell volume.

15. **<u>Major net sellers on listing day</u>:**

| Sr. No. | Entity name | Applied & allotted | % to total allotment | % to total public offer | Quantity sold on the day of listing | Profit/loss. (Rs.) |
|---|---|---|---|---|---|---|
| 1 | Team India Managers Limited | 2,777,700 | 32.1 | 29.0 | 2,777,700 | (26,095,154.0) |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | India Max Investment fund Limited (QIB) | 1,649,025 | 19.0 | 17.2 | 1,649,025 | 754,277.3 |
| 3 | Viniyoga Commercial Private Limited | 1,111,050 | 12.8 | 11.6 | 1,112,502 | (8,818,656.8) |
| 4 | Anidhi Impex Private Limited | 222,150 | 2.6 | 2.3 | 222,150 | (3,291,133.1) |
| 5 | Samsab enterprises Private Limited | 111,000 | 1.3 | 1.2 | 111,000 | (1,548,849.4) |
| 6 | Kavita Amit Dhanki | 111,000 | 1.3 | 1.2 | 111,000 | (17,737.8) |
| 7 | Jayesh Shah | 111,000 | 1.3 | 1.2 | 111,000 | - |
| 8 | Jinal Capital Services Pvt. Ltd | 55,500 | 0.6 | 0.6 | 55,500 | 8,913.3 |
| 9 | Concept Communication Limited | 722,250 | 8.3 | 7.5 | 722,250 | (10,294,441.8) |
| 10 | Platinum Line investments & Trading Company | 222,150 | 2.6 | 2.3 | 222,150 | 324,598.8 |
| 11 | IDBI Capital Market Services Limited | 30,000 | 0.3 | 0.3 | 30,000 | 22,000 |
| 12 | Keynote Capitals Limited (underwriter) | 90,975 | 1.1 | 1.0 | 90,975 | (1,396,223.8) |

16. Out of the entities mention in above table Team India Managers Limited, India Max Investment fund Limited (QIB), Anidhi Impex Private Limited, Concept Communication Limited, Platinum Line investments & Trading Company and Keynote Capitals Limited (underwriter) have been found to be connected to the BRLM/Underwriter and two entities had received advance from entities connected to the BRLM/underwriter for subscribing to the IPO of Emmbi. The other NIIs who had received allotment in the IPO continued to hold the shares. It was observed that all of these entities are either customers or raw material suppliers to the company.

**<u>Role of the BRLM, Underwriter and their associates</u>:**

17. KCSL which was acting as the BRLM is in the business of enabling companies to access the capital markets. As per its Annual Report for 2009-10, 39% of its income came from IPO related businesses. As per Reg. 13 (5) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the book runners and

syndicate members shall not subscribe to the issue in any manner except for fulfilling their underwriter obligations. Though, investments by associates of BRLM or the underwriters could be permissible, in this context, the investments made by the associates have to be seen along with the fact that they offloaded the shares at the first opportunity on the day of listing and even in some cases, despite incurring losses.

18. The issue was underwritten by KCAP (100% subsidiary of BRLM). KCAP is active as a securities broking outfit and complements the IPO business by acting as underwriter/syndicate member. The underwriting agreement was entered on February 10, 2010 which was after the closure of the book building process and effectively, the underwriting includes but not limited to those applications which default in full and timely payment of the issue, withdrawal of a bid in respect of which an allocation has been made (soft underwriting).

19. The following entities were found to be closely connected to the BRLM and the underwriter to an extent that they could be operating towards a common objective. Accordingly, these associates along with the BRLM and the underwriter are referred to as the ‘Keynote group’.
    - Noticee (KCOM) is a 100% subsidiary of KCAP and is a member of MCX.
    - Concept Communication Ltd. (Concept): Held 29% (20,45,015 shares as on 25/08/2009) stake in KCSL. The details of directors of Concept and their relationship with Keynote Group are as below:

| **Name of Directors of Concept** | **Relation with Keynote Group** |
|---|---|
| Mr. Nirmal Suchanti | Chairman of KCSL |
| Mr. Vivek Suchanti | Son of Nirmal Suchanti |
| Mr. Pushpa Suchanti | Wife of Nirmal Suchanti |

- Team India Managers Ltd. (Team India): The details of directors of Team India and their relationship with Keynote Group are as below:

| **Name of Directors of Team India Managers** | **Relation with Keynote Group** |
|---|---|
| Mr. Vineet Suchanti | Director of KCSL |
| Mr. Suraj Saraogi | Director of KCOM and MD of KCAP |
| Mr. Hemang Bhatt | - |

- Platinum was related to the BRLM and its related entities by following ways:
  - The email ID and the mobile no. of Mehul M Patel were provided in the application form of Platinum. Mehul Patel is a director in KCSL.
  - Mehul M Patel is the son of Mahesh J Patel. At the time of the Emmbi IPO, Mahesh J Patel and his family members (Mehul M Patel, Monica M Patel and Meghna M Patel) owned Platinum. Mahesh J Patel and his family along with Hansa J Parekh, Jayant M Parekh, Paresh N Dhruv and Bhatti P Dhruv also owned the broking firm, M. J. Patel Shares and Stock Brokers Ltd. (MJP). As per the submission made by MJP vide its email dated December 13, 2010, Mahesh J Patel and his family sold their entire shareholding in March 2010 to another group of entities.
  - Platinum and KCAP are involved in granting inter-corporate advances to each other even though Platinum is not a trading client of KCAP.
  - MJP holds 0.6 % stake in Keynote Corporate services.

20. **Conduct of The Keynote Group**

It was alleged that the Keynote group had an obvious interest in seeing the issue through and its group entities shared the same goal with it. It was also alleged that in the instant case, the group had engaged in a scheme of fraud as described below:

a) Associate entities, Team India, Concept and Platinum line bid for IPO on day 2 at the upper end price for 37,22,100 shares which constituted 38.9% of the total issue.
b) Noticee KCOM advanced monies to Anidhi Impex Pvt. Ltd. (Anidhi) who in turn, subscribed to another 2.32% of the IPO.
c) KCAP also advanced money to Concept for making its application in the IPO.
d) Gulu Watumal, a client of KCAP and identified in the KYC as a friend of Nirmal Suchanti (Chairman of the BRLM) applied for 2.32% of the IPO but stopped realization of the cheque after the issue was through.
e) Lalit Kr. Sharma, director of Platinum line applied for 2.32% of the IPO but stopped realization of the cheque after the issue was through.
f) Two directors of Anidhi and their respective wives had applied 9.28% of the IPO but allowed their cheques to be dishonoured.
g) India Max Investment Fund Ltd. (India Max) applied for 18.1% of the issue.

21. The above applications added up to 73% (70,17,150 shares) of the IPO. Without these applications, the issue would not have been able to meet the minimum subscription required, even at the lower end of the band i.e. Rs.40.

22. It was alleged that all these applications except for India Max who had modified their bid from 4.99 lakhs of day 1 to 17.4 lakhs on day 2 and Mr, Gulu Watumal, came on day 2 so as to show an inflated interest in the IPO and thereby induce the general public to participate.

23. It was also alleged that all these applications were at cut off price or at the highest end of the band thereby manipulating the price discovery process under the book building route and thereby indicating to the remaining public that most of the subscription was at the limit and they should apply at the same rate if they expected to get any allotment, allowing the allotment price to be fixed at the higher end of the band i.e., Rs.45 which is also indicator of success for the BRLM.

24. **<u>Specific Role of each Associate</u>:**

**Concept Communication:**

25. Concept invested Rs.3.25 Cr in the IPO through their A/c. no. 004010200829526 with Axis Bank which had a balance of only Rs. 86.4 lakh as on February 02, 2010. During February 03 to 06, 2010, it received a total of Rs.3.44 Crore from 9 entities, primarily from KCAP (Rs.2 Cr.) and Emmbi (Rs.1.25 Cr). Without these deposits, Concept would not have sufficient fund to honour the subscription cheque. Concept was one of the trading clients of KCAP. It was observed from the Client ledger account, as on February 02, 2010, Concept had a negative balance of Rs.6.68 Cr. Still KCAP advanced Rs.2 Cr to Concept which was used for the subscribing to Emmbi's IPO.

26. Emmbi, regarding their payment of Rs.1.25 Cr to Concept, has clarified that the same was as per their contract dated 11/12/2009 with Concept regarding advertising, promotions etc. Since the relevant work was completed and the hoarding etc. were exposed, they had paid the amount as advance, pending production of the bills. It was observed that the bills (nos. PROD/03 0007/10 of Rs.16.3 lakhs, PROD/03 0008/10 of Rs.82.7 lakhs, & PROD/03 0009/10 of Rs.25.9 lakhs) was raised by Concept on March 08, 2010, in relation to the same. Their service tax returns were also examined and these bills were found to have been referred therein as well. Emmbi has also submitted various documents and photographs on the work delivered by Concept, in this regard.

27. The transient nature of the investment by Concept is also evident from the fact that they sold the entire allotment (in BSE 31,162 shares and 6,91,088 shares in NSE) on the day of listing and made a loss of Rs.1.02 Cr. It had stated in its letter dated December 9, 2010 that this investment was a normal business transaction and the source of the fund was through its own net worth. They had also stated that they sold all the shares on listing day itself only keeping in view the investors response. However, it is clear from the track record of the company and the advance it received from KCAP that the investments were done in its group's interest. As per the MOA, the company was to carry on the business and profession of advertising publicity agents, brokers, specialists and contractors in all its branches and to carry on business of advertising managers of any newspapers, periodicals or any other publications. Further, it did not make any other investment in any other IPO in whole of 2009 and 2010. In view of the above, it was alleged that it had participated in the scheme/device that was being executed by the Keynote group.

**Team India:**

28. Team India invested Rs.12.49 crore in the IPO through their A/c. no. 00122020000920 with HDFC Bank. Team India had put their bid on February 02, 2010 and on that day it had a balance of only Rs.38.16 lakhs. An amount of Rs.12.3 Cr was transferred by KCOM and amount of Rs.20 lakh was transferred by Emmbi through Punjab National Bank, Goregoan Branch on February 02, 2010 (total Rs.12.5 Cr) in the Team India's HDFC bank account. If these two amounts would not have transferred to Team India's account, Team India would not be in a position to invest in Emmbi's IPO.

29. Team India, is not the constituent of KCOM and KCOM in its letter dated October 1, 2010 stated that they have been advancing each other with temporary advances for respective businesses, with regard to Rs.12.3 Cr transferred by KCOM, on February 5, 2010 to Team India, it was a repayment of earlier advances. It was observed that this amount of Rs.12.3 Cr was mainly used in the IPO. As on February 4, 2010, in the book of KCOM, they had a

credit balance of Rs.21.64 Cr which reduced to Rs.9.35 Cr after this payment of Rs.12.3 Cr to Team India.

30. With regard to Rs.20 lakhs, transferred from Emmbi, Team India had stated that they had been appointed by the company to develop a franchisee model for one of their product called 'flexible water tank' and this Rs.20 lakhs was paid as a part payment for their agreed fees which they had return back on March 5, 2010 via RTGS because of the litigation and termination of the agreement. Emmbi had also filed a monetary suit against Team India in High Court of Judicature of Bombay on October 25, 2010 due to their business loss because of termination of this agreement.

31. The transient nature of the investment by Team India is also evident from the fact that they sold the entire allotted share (sold 8,73,862 shares in BSE and bought 7,41,311 shares and sold 26,45,149 shares in NSE) on the day of listing and made a loss of Rs.2.6 cr. It had stated in its letter dated November 16, 2010 that they examined the prospectus and were confident that the investment will appreciate. It had also stated that it heard from many market players that the issue had good potential. When asked why it has sold entire holding on the day of listing itself, it has stated vide its letter dated December 9, 2010 that it had invested in this IPO with a view of deriving expected listing gain which contradicts their statements which they made on November 16, 2010. Further, during 2009 and 2010, it had invested only in the IPO of Thangamayil Jewellery Ltd. apart from Emmbi IPO. In this case also the Lead Manager was Keynote Corporate Services Ltd.

32. Considering the above and the fact that, they had not invested in any other IPO except one (Thangamayil Jewellery Ltd.) in the year 2009 and 2010 and the main objective of the company as per its MOA was to carry on the business of Franchisee, business partnerships, joint ventures, Franchiser promote entrepreneurship etc., it was alleged that their investment was motivated by entities from the Keynote group and was part of the scheme of fraud set up by the Keynote group.

33. **<u>Transaction by the other entities</u>:**

**ANIDHI IMPEX PVT. LTD.**:

34. Anidhi lmpex invested Rs. 99.9 lakh in the IPO through its a/c no. 034805003633 with ICICI Bank. Its above account had a nil balance as on 04/2/2010 i.e., even after the issue had closed. They received Rs.1 crore from Noticee KCOM in the account on 05/02/2010 which cleared their subscription cheque on 06/02/2010. Though the company is neither related to the Keynote group through common directors or shareholding nor it is a client of KCOM, their ledger account with KCOM show regular flow of funds. KCOM has stated in their letter dated October 01, 2010 that they have been advancing each other with temporary advances for respective businesses. Further, as per the temporary advance book maintained by KCOM for Anidhi, as on February 4, 2010, Anidhi had to repay Rs.1 cr. However, on February 5, 2010 Anidhi was granted a further loan of Rs.1 cr by KCOM, out of which, Rs.99,96,750 was invested by Anidhi in the IPO. It was alleged that the advance by KCOM was only for subscribing to the IPO and that too, to make the IPO successful as it was in real risk of failing. Anidhi vide its letter dated December 8, 2010 to SEBI has also confirmed that they had a short term borrowing from KCOM as per their mutual understanding of temporary accommodation. Anidhi lmpex was also very regular in taking and granting loans to Bela Properties Pvt. Ltd. Bela Properties Pvt. Ltd. is one of the shareholders of Concept Communication Ltd. It was observed that even KCOM which had lent the money to Anidhi did not have sufficient balance in their account and was funded by KCAP though it was a repayment of earlier dues. It was alleged that KCAP being a part of the Keynote group, close associate of the BRLM and also as an underwriter to the issue had an obvious interest in seeing the issue through.

35. The transient nature of the investment by Anidhi is also evident from the fact that they sold the entire allotment in Emmbi on the day of listing and made a loss of 32.9 lakhs. In their letter dated December 8, 2010 to SEBI, they have

explained that since the companies' stock did not perform well and to minimize the loss, they had sold the shares on the first day of listing. This explanation has no real meaning considering that they sold on the first day of listing. Considering the above and the fact that, they had not invested in any other IPO during in any IPO in 2009-10 and the main objective of the company as per its MOA was to carry on business of imports, exports, traders, merchants, distributors, dealers, suppliers, marketers, commission agents etc. it is concluded that their investment was motivated by entities from the Keynote group and was part of the scheme of fraud set up by the group.

**Platinum:**

36. Platinum invested Rs.99.96 lakhs in the IPO through its a/c. no. 008620100016056 with Bank of India. Platinum in its letter dated December 28, 2010 stated that it had taken a short term advance of Rs.1 crore from M/s. Vikas Berlia HUF on Jan 28, 2010 and on the same day it had advanced it to MJP. On February 6, 2010, It had received back the said amount and utilized towards the application money of this IPO.

37. From the bank account statement (a/c. no. 008620100016056 of Bank of India) of Platinum, it was observed that it was frequently taking loans and advancing loan to entities like KCAP, Anidhi and MJP. This indicates that these entities are known to Keynote group. Gulu Watumal, a client of KCAP who was identified in the KYC as a friend of Mr. Nirmal Suchanti, Chairman of BRLM applied for 2.32% the IPO but stopped realization of the cheque after the issue was through. Shri Lalit Kr Sharma, director of Platinum applied for 2.32% of the IPO but stopped realization of the cheque after the issue was through. Two directors of Anidhi and their respective wives (Jaswant Shah, Mahendra Jain [applied as Mahendra JainHUF], Alka Jain and Sheela Shah) had applied for 9.28% of the IPO but allowed their cheques to be dishonoured. The price discovery and the 90% subscription in any IPO are based on the bid received and it does not consider how many of the cheques are dishonored/stop payment later on. In the

present case, it was observed that bids totaling Rs 9,46,08,250/- from 85 applicants who had bid @ Rs. 45 were dishonored due to insufficient balance / stop payment by the applicants. Out of these, 95% of the amount totalling Rs. 8,99,70,750 were of the applications by bidders connected/known to Keynote group.

**India Max Investment Fund Ltd.:**

38. The entity is a registered sub account (Reg. no. 2006698) under the Foreign Institutional Investors -Rahn & Bodmer (reg. no. IN-CH-FD-1274-06). The sub account is from Mauritius and the Fll is from Switzerland. The sub account has an INR cash account with Deutsche bank who is also the custodian for this sub account. As per FEMA, the INR Cash account of Flls and sub accounts is used only to credit inward remittances, sale proceeds, interests, dividends etc and debit sale proceeds, brokerage and commissions. Hence the cash account is only used for routing funds for capital market transactions only.

39. The sub account had sold the entire allotment (7, 00,000 shares in BSE and 9, 49,025 shares in NSE) in the day of listing and made a profit of Rs. 7.54 lakhs. The sub account has also stated that it has as a part of its investment philosophy, identified IPO investment in emerging markets as one of its profitable strategies. Over the last 4 years, the sub account has invested in 116 Indian IPOs and liquidated its holding in 90 1POs on the day of listing itself Shares of Emmbi were bought and sold in line with the above investment philosophy.

40. The sub account is holding 8% stake in KCSL, the brokers/advisors to this sub account are KCAP and MJP.

41. During 2009 and 2010, KCSL had lead managed 7 issues in all of which, Max India had subscribed. Further, India Max's continued 8% shareholding in KCSL since March 2009 points towards substantial relationship between them. It is

also observed that KCAP, a subsidiary of KCSL is an advisor to India Max. Further, KCAP and MJP are brokerage service providers to India Max.

42. In view of the above, it was alleged that the Noticee is in violation of provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of PFUTP Regulations.

43. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under Section 15HA of the SEBI Act.

44. Opportunity of hearing was provided to the Noticee through video conferencing and Authorized Representative (AR) attended the hearing on behalf of Noticees. Mr. Ravichandra Hegde appeared for the hearing on March 03, 2022 as AR of the Noticee. AR of the Noticee stated that the additional submissions supplementing the earlier reply dated November 21, 2011 shall be filed by March 11, 2022. Accordingly, Noticee filed its additional submissions on March 11, 2022.

45. The key submissions of the Noticee are summarised below:

46. Noticee submitted that there is utter disregard to the principles of natural justice and fair play as Noticee had not been provided with the inspection of documents sought by it.

47. Noticee submitted that the Noticee or any other member of the Keynote Group did not have any connection with the management or board of directors of the company.

48. Most of the contents of the SCN are irrelevant in as much as they do not pertain to KCOM or level any allegation against KCOM. Merely because KCOM is associated with and belongs to the Keynote Group, there is an overall misapprehension set out in the SCN about KCOM.

49. From the financial results of the company it is apparent that the company was growing at a steady pace and was a profitable organization and it had got good financial credentials.

50. The allegation in the SCN that the issue of the company was oversubscribed by 1.5 times on the second day of the IPO was demonstrably incorrect. The computation for the purpose of arriving at the figure of 1.5 times is incorrect. The issue was subscribed only 0.9859 times on the second day of the IPO.

51. The fund transfers of the Noticee to other entities were towards certain commercial transactions and not for funding the IPO. Even assuming whilst denying that the funds advanced to some of these entities were with a view to funding the IPO, there is no restriction on providing funds to an entity for the purpose of making applications in an IPO.

52. The day to day decision making of the Noticee was with an independent board of directors and KCAP has no role in it. There have been fund transfers between the Noticee and KCAP and the same is purely commercial transactions.

53. The fact that one of the Directors of the Noticee was on the board of Team India Managers Limited would not in any manner indicate that the Noticee and Team India are associates. The Noticee and Team India have been granting to each other funds on commercial terms. Such transactions between them have been undertaken much prior to the IPO of the company.

54. The short issue involved in the matter which requires to be adjudicated upon pertains to unconnected and independent financial transactions involving the Noticee, which have been incorrectly construed by SEBI. Noticee submitted that irrespective of the outcome / finding over all other issues pertaining to the subject IPO, there cannot be any case made out against the Noticee. SEBI has not placed all the relevant facts on record before the learned Officer and therefore, Noticee had explained the financial transactions and fund flow in

perspective during the personal hearing. Noticee requested the learned Officer to consider these submissions in its entirety and adjudicate on this issue without being prejudiced by any order or allegations pertaining to the IPO or its subscription. The issue is whether at all there can be any taint on the fund flow which took place with the Noticee which was explained in detail by the Noticee during the investigation proceedings.

55. The allegation against the Noticee is that the Noticee participated in the scheme to ensure mandatory minimum subscription of the IPO of Emmbi by advancing funds to certain entities such as Anidhi Impex Pvt. Ltd and Team India Managers Ltd. Towards this end, SEBI has referred to two fund movements involving the Noticee as being intended to facilitate the subscription of shares in the IPO. Therefore, the learned Officer is called upon to adjudicate the genuineness of the transactions involving the fund flow and to verify if the fund flow is a sham in any manner. This is relevant because no action has been taken against the issuer company (Emmbi) nor the allottees / subscribers which indirectly authenticates the entire issue of the IPO, the subscription and thereafter the allotment and no irregularities whatsoever have been observed in this regard.

56. The funds received from KCAP were in fact the return of funds from KCAP which was owed to the Noticee. Such receipt of funds has been tainted by SEBI and alleged to be a part of the fraudulent scheme as per the SCN.

57. The payment of funds to two entities (which is impugned in the SCN) is one of the many transaction / fund flows between the said entities and therefore there cannot be any allegation with respect to one isolated fund flow with each of the companies. In fact, payment made to Team India was against their credit balance as on that date. Further transfer made to Anidhi was one off the many such transactions.

58. The Noticee has no nexus with Emmbi or any allottees nor has there been any understanding with any such entities to begin with. The Noticee would never

have to "participate" in any of the alleged schemes to "fund" the subscribers when the Noticee could have directly subscribed to the shares in the IPO.

59. The investigation is incomplete in as much only 3 isolated fund movements has been referred to, which involved the Noticee, without considering the fact that there are multiple fund flow between the three entities which were much before the IPO period and even pursuant thereto. The fund flows have been cherry picked to make out a case against the Noticee disregarding the series of fund flow which took place before and after the IPO.

60. The Noticee also had long standing business relationship with Team India & Anidhi including regular flow of funds and temporary advances for regular business to each other. Team India and the Noticee have been advancing funds to one another for their respective business. Anidhi and the Noticee's business relationship consisted of regular flow of funds and temporary advances for regular business. This is a clear example of the Allottees / Subscribers and the Noticee being in a long-standing business relationship, and the practice of advancing funds to one another.

61. If the Noticee had the intention to fraudulently make the IPO a success, they had the option to achieve this by subscribing on their own account. In addition to this, the Noticee was not restricted in any manner, which could prevent them from engaging in the IPO, hence, they had the option to directly buy shares of Emmbi, without taking help from anyone else.

62. Noticee submitted that investments from associates of a BRLM or the Noticee are permissible. SEBI has disregarded the fact that Emmbi was a financially sound company, there could have been an instance where the Allottees / Subscribers would decide to subscribe to the IPO after conducting their own due diligence and based on their own knowledge.

63. The Noticee is a wholly owned subsidiary of KCAP. As on February 04, 2010, the Noticee owed a sum of Rs. 21,64,50,000/- to Team India. In the normal course of business Team India requested the Noticee to return a sum of

Rs.12,30,00,000/- out of the funds which the Noticee owed to them. Around the same time Anidhi also requested a temporary advance of Rs.1 crore from the Noticee. In order to honour the request made by Team India & Anidhi, the Noticee in turn requested KCAP to return a sum of Rs.13,33,00,000/- out of the total sum of Rs.17,22,67,232.16/- which was owed to it from KCAP as on that date.

64. Accordingly, KCAP transferred Rs.9,30,00,000/- on February 04, 2010 and Rs.4,03,00,000/- on February 05, 2010 to the Noticee. Upon receipt of the repayments, the Noticee repaid Rs.12,30,00,000/- to Team India on February 05, 2010, as requested. The Noticee also transferred Rs.1,00,00,000/- to Anidhi on February 05, 2010.

65. Noticee submitted that there was a regular practice of monetary transactions between the two entities. A bare perusal of the ledger statement maintained by the Noticee for KCAP presents a regular flow of funds.

66. It is imperative to note that the transaction executed on February 5, 2010, is part of a running transaction. There was no intention on part of the Noticee to further advance these finds to the Allottees / Subscribers for the purpose of subscribing to the IPO and making it a success. In fact, the Noticee was unaware of the end use of the funds repaid/advanced by them to the Allottees / Subscribers, when the Allottees / Subscribers called for the same and therefor its wrong on the part of SEBI to insinuate that the Noticee further advanced funds received from KCAP to the Allottees / Subscribers for the purpose of subscribing to the IPO and making it a success.

67. A bare perusal of the bank statement of the Noticee regarding the transaction with KCAP during February 01, 2010, to February 28, 2010, clearly corroborates the ledger maintained with the Noticee. The bank statement validates the claim regarding there being a regular flow of funds, in addition to this, the transfer of funds on February 4 and February 5, 2010, was for the purpose of discharging the liability that KCAP owed to the Noticee in terms of

funds. Copy of the bank statement dated February 1, 2010 to February 28, 2010 of the Noticee.

68. Noticee stated that the entire issue of the IPO, subscription to shares and allotment has never been called into question at all. No wrongdoing has ever been alleged on either the issuer (Emmbi), or any of the subscribers to the IPO.

69. Noticee submitted that it has not participated in the alleged fraud and/ or been a beneficiary to any amounts under the same. Absolutely no benefit has accrued to the Noticee from the alleged "facilitation" of subscription of the IPO. Further, it has never engaged in any fraudulent or misleading practices and has not attempted to manipulate the securities market in any manner whatsoever.

70. Noticee submitted that the matter pertains to the IPO done in 2010. The relevant intermediaries for the IPO have already been penalised and the matter has attained finality. There was no action taken against the issuer company (Enunbi) or the subscribers which indirectly validates their action. Penalising the Noticee in 2022 for the alleged transactions took place in 2010 cannot be justified in any manner. There has been no benefit whatsoever accrued to it and there are no repetitive defaults by the Noticee.

71. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, replies made by the Noticee and material available on record.

**CONSIDERATION OF ISSUES AND FINDINGS**

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

**Issue No. I** Whether, the Noticee is in violation of provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of PFUTP Regulations

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

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

**Issue No. I** **Whether, the Noticee is in violation of provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of PFUTP Regulations**

73. Before going into the merits of the case, I note the contention of the Noticee that the matter pertains to the IPO done in 2010, and penalizing the Noticee in 2022 for the alleged transactions took place in 2010 cannot be justified in any manner. It is a matter of fact that the instant matter has arisen at present subsequent to order of Hon'ble SAT dated October 10, 2014. Further, the present hearing notice has been issued after 7 years after Hon'ble SAT remanded the SEBI Order. As seen from material before me, this delay is attributable to procedural issues.

74. With regard to contention by the Noticee that it had not been provided with the inspection of documents sought by it, I note that the inspection of the documents had been granted to the Noticee on July 08, 2011. Further, certain copies of the documents had also been provided to the Noticee subsequently on its request. Hence, I find that principles of natural justice have been complied by granting inspection of documents.

75. I note from the SCN that Emmbi came out with an IPO of 95,74,000 equity shares of 10 each through 100% book building route. The price band was between Rs.40 to Rs.45 per equity share. The IPO opened on February 01, 2010 and closed on February 03, 2010. The issue was subscribed 0.904 times of 95,74,000 shares at the price of Rs.45 per equity share. The BRLM and underwriter to the issue was KCSL and KCAP respectively. KCAP was the

100% subsidiary of KCSL and the Noticee was 100% subsidiary of KCAP at the relevant time.

76. Further, CARE had assigned 'CARE IPO Grade 2' for the said issue of Emmbi, which indicate below average fundamentals. In the backdrop of poor feedback from the market analysts, only 5.7% subscription was received on the first day. After the extremely low turnout on day 1, the response on Day 2 was surprisingly very high. The issue got subscribed to the extent of 1.5 times on day 2. The issue as finally subscribed 0.904 after cancellation or rejection of bids. Keynote group connected entities bid for around 73% of the issue size. Out of these connected entities Team India Managers Limited, India Max Investment fund Limited, Anidhi Impex Private Limited, Concept Communication Limited, Platinum Line investments & Trading Company and KCAP were the major net sellers on the listing day who have sold their entire allotted shares on the listing day itself. On the day of listing, the price of the scrip opened at around Rs.45 and closed at Rs.28.70.

77. It was alleged in the SCN that Keynote group employed an unfair and manipulative device to avoid underwriting obligations to ensure full subscription of the IPO. Noticee was part of the scheme as it advanced the funds to certain entities to facilitate the subscription of the shares in the IPO. Thereby, Keynote Group had induced the general public to participate and inflated the interest in the IPO, and they also inflated the price of the issue by bidding at the higher end of the band i.e. Rs.45.

78. Noticee contended that the fund transfers between the Noticee and Team India or Anidhi were in the normal course of business. As on February 04, 2010, the Noticee owed a sum of Rs. 21,64,50,000/- to Team India and Anidhi also requested a temporary advance of Rs.1 crore from the Noticee around the same time. The Noticee in turn requested KCAP to return a sum of Rs.13,33,00,000/- out of the total sum of Rs.17,22,67,232.16/- which was owed to it from KCAP. After receipt of the funds from KCAP, Noticee transferred the

same to Team India and Anidhi. Noticee also contended that there are multiple fund flow between the three entities which were much before the IPO period and even pursuant thereto.

79. On perusal of bank statement provided by the Noticee, I find that the Noticee had received Rs.13,33,00,000 from KCAP on February 04 and 05, 2010 and on the same day the Noticee had transferred Rs.12.3 crores to Team India and Rs.1 crore to Anidhi. I also note from the ledgers provided by the Noticee that the Team India had transferred Rs.12 crores to the Noticee during January 28-29, 2010 through RTGS. However, Noticee has not provided any reason for receiving funds from Team India and returning back to it within 4-5 days. I note that the IPO of Emmbi opened for subscription on February 01, 2010 and only 5.7% subscription was received on the first day. Team India had put their bid on February 02, 2010 and on that day it had a balance of only Rs.38.16 lakhs. Noticee contended that the fund transfers between the Noticee and Team India or Anidhi was in the normal course of business. However, the Noticee has not provided any supportive documents to prove that the said fund transfers were for advances for their respective businesses. Similarly, Anidhi had a nil balance as on February 04, 2010 in its bank account. The timing of fund transfer to Team India and Anidhi and subsequent use of these funds by Team India and Anidhi for subscription of shares in IPO of Emmbi only suggests that the Noticee has transferred the funds to them to provide funding for subscription the shares in IPO of Emmbi to help underwriter (Connected entity of the Noticee) in avoiding the obligation of underwriting the issue, which had very poor response on the first day.

80. In the same matter, Hon'ble WTM has passed an order dated April 06, 2016 against KCSL and KCAP. In the said order it was established as follows:

*"However, it is also clear that the noticees were assisting and enabling Concept, Team India and Anidhi to subscribe to the shares of the company. Had the connected / related and/or known entities not placed bids for large subscriptions on second day of bidding period, in all probability, the IPO would have been under subscribed leading to devolvement of the underwriting*

*obligations of the noitcees or it would have failed arising the refund obligation of the company. Thus, as found by the DA, it is established the main aim of the noticees was to ensure success of the IPO. In the facts and circumstances of this case, I find that the noticees employed an unfair and manipulative device to avoid their underwriting obligations to ensure full subscription of the IPO. In the facts and circumstances of this case, I am of the view that the device adopted to arrange subscription in the manner as found in this case by financing connected entities has potential to pose threat to the market integrity and interferes with fair and smooth bidding process for soliciting demand to the IPO and is thus manipulative and unfair as prohibited in regulations 3(b), 4(1) and 4(2) (c) of the PFUTP Regulations. Further, the noticees showed disregard to statutory code of conduct applicable to them as found in the Reports."*

81. Noticee contended that there is no restriction on providing funds to an entity for the purpose of making applications in an IPO. I note that KCAP transferred Rs.13.33 crore to the Noticee who in turn transferred Rs.12.3 crore to Team India and Rs.1 crore to Anidhi. KCAP being underwriter to the IPO had an obvious interest in getting the IPO through. I note that on the first day bids only for 5.7% of the total offer size were received. It is only after bids from connected/related entities including Team India and Anidhi as discussed hereinabove were received on second day, bids percentage had neared the minimum subscription requirement of 90% of the subscription in the IPO. Further, on third day, bids from general investors, which constituted 21.76% of total offering IPO, were received.

82. Noticee has explained the fund transactions with Anidhi and Team India as being commercial transactions and that the payment of funds to two entities is one of the many transaction / fund flows between the said entities. On perusal of the ledger account, I note that contention by the Noticee that these are one of many transactions is correct. It is only the timing of the transactions which indicates that the payments were made to facilitate applications to the IPO by Anidhi and Team India.

83. The Noticee has stated that it had no nexus with Emmbi or any allottees nor has there been any understanding with any such entities to begin with. In this regard, I note that it was in the interest of KCAP, a related entity to Noticee, that the issue was subscribed. Further, KCSL, another related entity was the BRLM. The allegation is not with reference to involvement of Emmbi, but of KCSL and KCAP.

84. In view of the above, I find that Noticee assisted KCAP, the underwriter, in facilitating subscription to the IPO by Anidhi and Team India which helped to ensure that the issue did not devolve on the underwriter. Due to aforesaid actions by the Noticee and KCAP the common investors were lured to place bids in the IPO.

85. In view of the above, I find that the allegation of violation of provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of PFUTP Regulations by the Noticee stand established.

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

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

86. Since it is established that the Noticee is in violation of provisions of Section 12A(b) of SEBI Act and Regulations 3(b),(c),(d), 4(1) and 4(2)(c) of PFUTP Regulations, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act.

***SEBI Act:***

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

***15HA.*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*

87. While determining the quantum of penalty under Section 15HA of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

***Factors to be taken into account by the adjudicating officer***

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

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

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

*(c) the repetitive nature of the default.*

88. I note that the material on record has not brought out any disproportionate gain made by the Noticee or loss caused to investors by the Noticee. The Noticee played a role in assisting the underwriter in arranging for subscription to the IPO. I note that order was passed against underwriter, KCAP in the same matter, prohibiting it from taking up any new assignment as Underwriter for a period of one month and against BRLM, KCSL prohibiting it from taking up new assignment as Merchant Banker for a period of one month. I also note that the matter pertains to the year 2010. In view of the aforesaid, taking into account the facts and circumstances of this matter, I find that a penalty of Rs.2,00,000/- (Rupees Two Lakh only) on Noticee under Section 15HA of the SEBI Act will be commensurate with the violations committed by the Noticee.

**ORDER**

89. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs.2,00,000/- (Rupees Two Lakh only) upon Keynote Commodities Limited (Noticee) under Section 15HA of the SEBI Act .

90. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

91. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – V of SEBI. The Noticee shall provide the following details while forwarding DD/ payment information:

    a) Name and PAN of the entity (Noticee)
    b) Name of the case / matter
    c) Purpose of Payment – Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

92. Copy of this Adjudication Order is being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

**DATE: March 31, 2022**
**PLACE: MUMBAI**

**MANINDER CHEEMA**
**ADJUDICATING OFFICER**